

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

2017-2018 Actual	\$ 306,222,332
2018-2019 Adopted	\$ 320,450,000
2019-2020 Forecast*	\$ 350,000,000
2019-2020 Adopted	\$ 354,000,000
% of General Fund	24.1 %
% Change from 2018-2019 Adopted	10.5 %

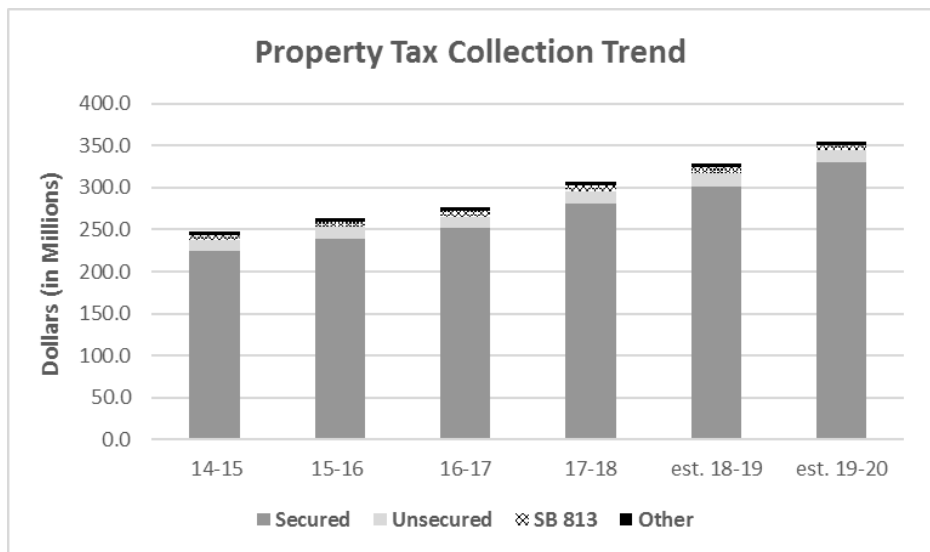
* The 2019-2020 Forecast was increased \$2.0 million from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Property Tax Category	2019-2020 Adopted Budget
Secured Property Tax	\$ 329,400,000
Unsecured Property Tax	15,000,000
SB 813 Property Tax	6,300,000
Aircraft Property Tax	2,400,000
Homeowner's Property Tax Relief	900,000
Total	\$ 354,000,000

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 2018-2019 Property Tax receipts of \$328.1 million are projected, which is consistent with the modified budget estimate and \$21.8 million (7.1%) above the 2017-2018 actual collection level of \$306.2 million. A significant portion of the growth from the prior year is due to increased Secured Property Tax receipts, which includes general



Secured Property Tax receipts (up \$17.4 million) and Educational Revenue Augmentation Fund (ERAF) revenue (up \$7.4 million), partially offset by lower Successor Agency to the Redevelopment

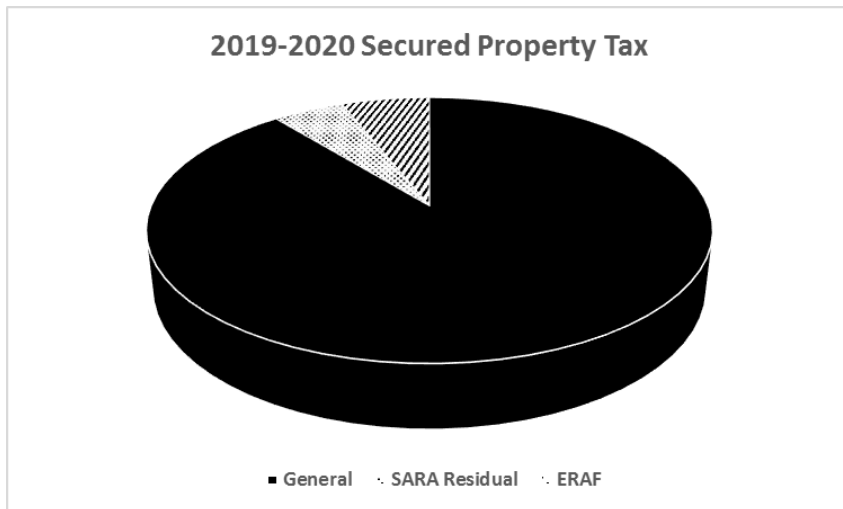
CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Agency (SARA) Residual Property Tax receipts (down \$3.7 million). In 2019-2020, Property Tax collections are expected to increase approximately 8% to \$354.0 million. This primarily reflects strong growth in the Secured Property Tax category. Additional information about each of the Property Tax sub-categories is provided below.

Secured Property Tax

Secured Property Taxes account for over 90% of the revenues in the Property Tax category. In 2018-2019, Secured Property Tax receipts are expected to total \$302.3 million, including \$278.3 million in



general Secured Property Taxes, \$8.2 million from SARA Residual Property Tax receipts, and \$15.8 million in ERAF revenue. This collection level is up 7.5% from the 2017-2018 receipts, primarily reflecting projected growth in general Secured Property Tax receipts of 6.6% and additional ERAF revenue of \$5.4 million, partially offset by lower SARA Residual Property Tax receipts of \$3.7 million. In 2019-2020, Secured

Property Tax receipts, which will be based on real estate activity through January 1, 2019, are expected to increase by 9% to \$329.4 million. This primarily reflects the net impact of a 5.5% increase in general Secured Property Tax receipts, additional SARA Residual Property Tax receipts of \$7.8 million, and additional ERAF revenue of \$4.0 million.

The general Secured Property Tax receipts growth of 6.6% in 2018-2019 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 2018-2019 roll growth was driven primarily by changes in ownership (51.4%), change in the CCPI (24.9%), and new construction (20.0%). In 2019-2020, the general Secured Property Tax receipts are estimated to grow by 5.5%. The CCPI adjustment for the 2019-2020 tax roll is 2%, which is consistent with the prior year level. In addition, the high property sale prices will continue to be a positive factor driving growth in this category in 2019-2020. While median home prices have been dropping in recent months when compared to the prior year, residential real estate experienced significant gains in calendar year 2018 as the average median single-family sales price of \$1.17 million was up 17.2% from the median price of \$1.0 million in 2017. The number of sales, however, has declined which negatively impacts growth. The total number of property transfers for single-family and multi-dwelling homes

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Secured Property Tax (Cont'd.)

declined approximately 9%, from 7,791 sales in calendar year 2017 to 7,083 sales in calendar year in 2018.

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. ERAF funds are typically received in March of each year and primarily represent the excess funding from the prior fiscal year. In March 2019 the City was notified a total of \$15.8 million in revenue will be received (primarily from excess 2017-2018 ERAF funds), which has been incorporated into the 2018-2019 Secured Property Tax estimate. This funding level represents an 88.5% increase from the 2017-2018 collection level of \$8.4 million. In addition, a preliminary estimate for 2019-2020 was provided, which totals \$19.8 million. Therefore, the Adopted Budget increases the 2019-2020 ERAF estimate by \$4.0 million (from \$15.8 million to \$19.8 million) to reflect the estimate provided Santa Clara County.

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 received a residual property tax distribution of \$11.8 million in 2017-2018. The 2018-2019 Adopted Budget assumed receipts would remain fairly flat at \$12.0 million. However, due to outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans anticipated to be paid off within the next year, the SARA residual property tax revenue will be reduced on a one-time basis to an estimated \$8.2 million in 2018-2019, but will increase again in 2019-2020 to an estimated \$16.0 million. The General Fund is also expected to receive SERAF loan repayment revenue of \$10.2 million in 2019-2020 due to the timing of payments. Additional information regarding the SERAF loan repayment can be found in the Other Revenue section of the General Fund Revenue Estimates.

It should be noted that final data on the actual tax levy for 2019-2020 is not yet available as adjustments are made through June 30, 2019. 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. As this information becomes available, refinements to the Property Tax estimates may be brought forward during the 2019-2020 budget process.

Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in the Property Tax category. Growth in this category is driven primarily by increases in the value of personal property (e.g. equipment and machinery used by business and industry for manufacturing and production). During the last decade, performance in this category has been volatile with annual growth or declines reaching

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Unsecured Property Tax (Cont'd.)

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 \$15.8 million in 2018-2019, which is 12.4% above the prior year level of \$14.0 million. Given the unusually high collection level anticipated in 2018-2019 and the potential impact of large 2018-2019 roll corrections on 2019-2020 revenues, receipts are anticipated to drop by 5% in 2019-2020 to \$15.0 million.

Other Property Taxes

For the other Property Tax categories, 2018-2019 collections are estimated at \$10.0 million and are estimated to decrease slightly to \$9.6 million in 2019-2020. SB 813 Property Tax receipts are estimated at \$6.6 million in 2018-2019, but are anticipated to decrease by 5% to \$6.3 million in 2019-2020; Aircraft Property Tax receipts are estimated at \$2.5 million in 2018-2019 and decrease slightly to \$2.4 million in 2019-2020; and Homeowners Property Tax Relief revenue are anticipated to total \$900,000 in 2018-2019 and 2019-2020.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

SALES TAX

2017-2018 Actual	\$ 226,336,942
2018-2019 Adopted	\$ 233,500,000
2019-2020 Forecast	\$ 258,300,000
2019-2020 Adopted	\$ 258,300,000
% of General Fund	17.6 %
% Change from 2018-2019 Adopted	10.6 %

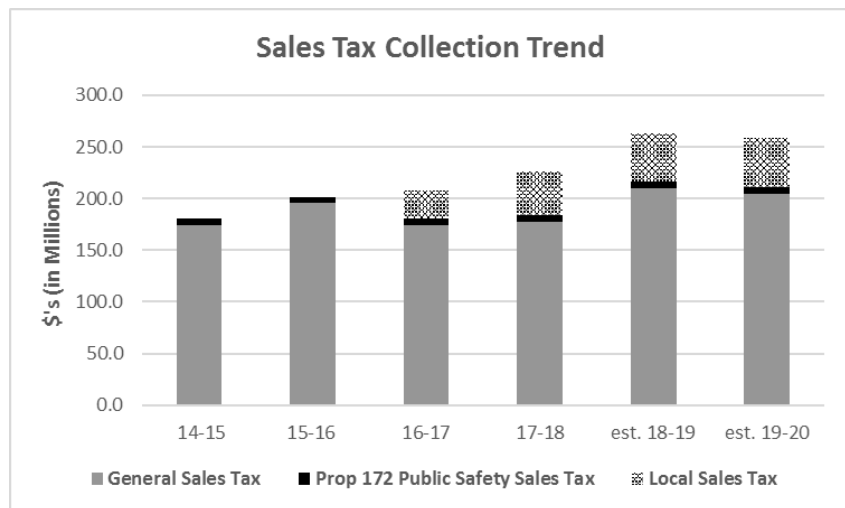
Distribution of Sales Tax

As shown in the following table, the City receives 1.25% of the 9.25% 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	1.000%
City of San José (Local Tax)	0.250%
Santa Clara County	0.875%
Santa Clara Valley Transportation Authority	1.125%
Public Safety Fund (Proposition 172)	0.500%
Total	9.250%

Revenue Estimates

When the 2018-2019 Adopted Budget was developed, it was projected that Sales Tax receipts would end 2017-2018 at \$230.8 million and grow 1.2% to \$233.5 million in 2018-2019. In 2017-2018 Sales Tax receipts, however, ended the year at only \$226.3 million. This lower collection level was due to the under-distribution of sales tax revenue throughout the State.



CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

SALES TAX

Sales Tax Category	2019-2020 Adopted Budget
General Sales Tax	\$204,600,000
Local Sales Tax	47,000,000
Proposition 172 Sales Tax	6,700,000
Total	\$258,300,000

The California Department of Tax and Fee Administration (CDTFA), which is responsible for distributing Sales Tax revenue to jurisdictions in California, implemented a new automated system that resulted in

3rd quarter and 4th quarter 2017-2018 receipts not being fully disbursed to jurisdictions during the quarter in which the tax revenue was received. The CDTFA processed the outstanding payments, which were estimated at approximately \$10 million for San José, and included the additional revenue in the 1st quarter 2018-2019 disbursement that was received in November 2018. Based on 1st quarter and 2nd quarter receipts (including the \$10 million that is attributed to the prior fiscal year), and estimated collections for the last two quarters, the 2018-2019 Sales Tax revenue is projected to reach \$259.0 million. After adjusting 2017-2018 and 2018-2019 Sales Tax figures to account for the under-reporting in 2017-2018, the adjusted growth rate in 2018-2019 is 5.4%, which reflects strong performance in the first two quarters of the fiscal year and estimated receipts for the remaining quarters.

In June 2018, the United States Supreme Court made a historic ruling with the South Dakota vs. Wayfair, Inc., decision which provides states with the authority to require online retailers to collect sales tax even without a local presence in that state. Based on the most recent information provided by the CDTFA, which is implementing the changes in California as a result of the Supreme Court decision, out of state online retailers must comply with the new Sales Tax guidelines by April 2019. As a result, additional collections will not be reflected in local jurisdictions receipts until the 4th quarter 2018-2019 payment. Due to uncertainties of the timing and collection level in 2018-2019, the current year Sales Tax estimate does not include any additional revenue anticipated as a result of the internet sales. A final reconciliation of 2018-2019 Sales Tax, including any tax revenue received from out-of-state internet sales, will be included in the 2018-2019 Annual Report, which is anticipated to be released on September 30, 2019.

In 2019-2020 Sales Tax receipts are estimated at \$258.3 million, which factors in the following: a reduction of \$10 million related to the one-time overpayment received in 2018-2019, estimated 2.5% underlying growth from the 2018-2019 estimate, and additional revenue of \$5.0 million anticipated for out-of-state internet sales. Additional information about each of the Sales Tax sub-categories is provided below.

General Sales Tax

When the 2018-2019 Adopted Budget was developed, General Sales Tax was anticipated to total \$181.2 million in 2017-2018 and after factoring out accrual and one-time adjustments would grow by approximately 2% to \$184.3 million in 2018-2019. However, due to the under-distribution of 2017-2018 Sales Tax by the CDTFA, the General Sales Tax actual receipts in 2017-2018 of \$176.8 million were under-stated by approximately \$9 million. The CDTFA has since processed the outstanding payments

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

SALES TAX

General Sales Tax (Cont'd.)

and included the additional revenue in the 1st quarter 2018-2019 disbursement that was received in November 2018. Based on the 1st and 2nd quarter actual receipts, including the one-time over-collection from the prior year of \$9 million, and estimated receipts for the last two quarters, the 2018-2019 General Sales Tax receipts are anticipated to total \$204.8 million. After adjusting 2017-2018 and 2018-2019 General Sales Tax figures to account for the under-reporting in 2017-2018, the adjusted growth rate in 2018-2019 is 5.3%, which reflects strong performance in the first two quarters of the fiscal year and estimated receipts for the remaining two quarters. In 2019-2020 General Sales Tax receipts are estimated at \$204.6 million which includes a reduction of \$9 million for the one-time overpayment received in 2018-2019, estimated 2.5% underlying growth from the 2018-2019 estimate, and additional revenue of \$4.0 million anticipated for out-of-state internet sales.

The City's Sales Tax consultant, Avenu Insights & Analytics (formerly MuniServices), provides economic performance data to the City, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures General Sales Tax receipts, excluding State and county pools, and adjusts for anomalies, payments to prior periods, and late payments. On an economic basis, growth of 8.4% was realized in the most recent quarter compared to the prior year. The chart below outlines the various sectors of General Sales Tax and the percentage of the total receipts received.

Sales Tax Revenue Economic Performance		
Economic Sector	% of Total Revenue	% Change Sept. 2017 – March 2018 to Sept. 2018 – March 2019
General Retail	25.4%	7.4%
Transportation	22.6%	11.5%
Business-to-Business	22.4%	10.7%
Food Products	17.4%	4.7%
Construction	11.5%	6.3%
Miscellaneous	0.7%	5.7%
Total	100.0%	8.4%
Source: Avenu Insights & Analytics		

Local Sales Tax

In June 2016, San José voters approved a ¼ cent local sales tax, which was implemented in October 2016. As a result, beginning in 2016-2017, Local Sales Tax revenue started to be received in San José. The 2018-2019 Local Sales Tax budget was built on the assumption 2017-2018 receipts would total \$42.6 million and after factoring out accrual adjustments would grow by approximately 2% to \$43.0 million in 2018-2019. However, due to the CD/FA under-distributing payments, the Local Sales Tax actual receipts in 2017-2018 of \$41.3 million were understated by an estimated \$1 million - \$2 million.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

SALES TAX

Local Sales Tax (Cont'd.)

The CDTFA has since processed the outstanding payments and included the additional revenue in the 1st quarter 2018-2019 disbursement that was received in November 2018. Based on the 1st and 2nd quarter actual receipts, including the one-time over-collection from the prior year and slight growth for the remainder of the fiscal year, the 2018-2019 Local Sales Tax receipts is anticipated to total \$47.7 million. In 2019-2020 Local Sales Tax receipts are estimated at \$47.0 million which includes a reduction for the estimated one-time overpayment received in 2018-2019, estimated 2.5% underlying growth from the 2018-2019 estimate, and additional revenue of \$1.0 million anticipated for out of state internet sales.

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 \$6.5 million in 2018-2019, which represents growth of 2.2% from the 2017-2018 collections. In 2019-2020, receipts are projected to increase by 2.5%, to \$6.7 million.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TRANSIENT OCCUPANCY TAX

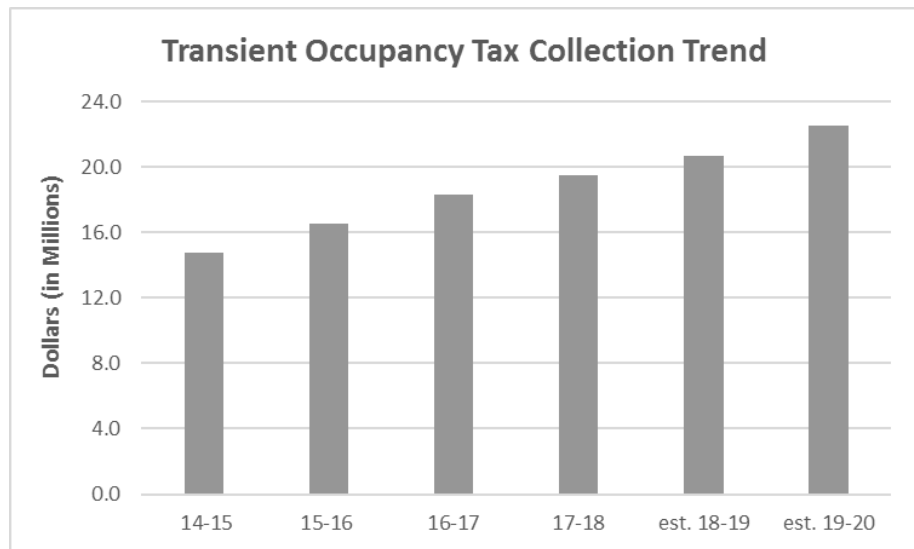
2017-2018 Actual	\$ 19,530,772
2018-2019 Adopted	\$ 19,700,000
2019-2020 Forecast	\$ 22,500,000
2019-2020 Adopted	\$ 22,500,000
% of General Fund	1.5 %
% Change from 2018-2019 Adopted	14.2 %

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 2018-2019, Transient Occupancy Tax (TOT) receipts in the General Fund are projected to reach \$21.0 million, which reflects an increase of 7.6% from the 2017-2018 collection level. The increase anticipated in 2018-2019 represents the ninth year of consecutive growth in this category, reflective of continued development and economic growth in the region. Overall, the



hotel industry experienced growth in 2018-2019 compared to the prior year level. The June 2019 cumulative average revenue-per-available-room increased by 5.3% to \$155.69, and the cumulative average daily room rate of \$201.06 exceeded the prior year level of \$191.38 by 5.1%.

In 2019-2020, TOT collections are anticipated to total \$22.5 million, reflecting growth of 7.1% from the 2018-2019 estimate of \$21.0 million and growth of approximately 15.2% from the 2017-2018 actual collection level.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

2017-2018 Actual	\$ 51,179,782
2018-2019 Adopted	\$ 50,474,798
2019-2020 Forecast	\$ 48,354,000
2019-2020 Adopted	\$48,641,000
% of General Fund	3.3 %
% Change from 2018-2019 Adopted	(3.6 %)

* The 2019-2020 Forecast was decreased \$1.2 million from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Franchise Category	2019-2020 Adopted Budget
Electric	\$ 22,400,000
Gas	5,000,000
Commercial Solid Waste	12,046,000
Cable Television	8,400,000
City Generated Tow	400,000
Great Oaks Water	330,000
Nitrogen Gas Pipeline Fees	65,000
Total	\$ 48,641,000

Franchise Fees are collected in the Electricity, Gas, Commercial Solid Waste, Cable, City-Generated Tow, Water, and Nitrogen Gas Pipeline categories. Overall, collections are projected at \$47.9 million in 2018-2019, reflecting a 6.3% drop from prior year receipts of \$51.2 million. The projected decrease in 2018-2019 is primarily due to lower collections in Electric, Gas, Cable and Tow receipts. In 2019-2020, Franchise Fees are expected to grow by 1.5% to \$48.6 million, which primarily reflects growth in Electricity (3%) and Gas receipts (2%), partially offset by decreased revenue related to Cable Franchise Fees (-4.5%).

Franchise Fees for electricity and gas services are based on the revenues in the calendar year (revenues in 2018-2019 are based on calendar year 2018 and revenues in 2019-2020 will be based on calendar year 2019). Year-end estimates are typically based upon an examination of electricity and gas rate changes, industry actions, and actual collection patterns in the utility tax categories. The reconciliation of annual receipts from PG&E are typically received in April of each calendar year.

Electricity Franchise Fee

In the Electricity Franchise Fee category, the 2018-2019 Adopted Budget totaled \$22.7 million, reflecting a projected 2% drop from the 2017-2018 receipts. In April 2019, the reconciliation of receipts from PG&E was received for both Electricity and Gas Franchise Fees. Based on the updated information, 2018-2019 Electricity Franchise Fee receipts are now estimated at \$21.7 million, down

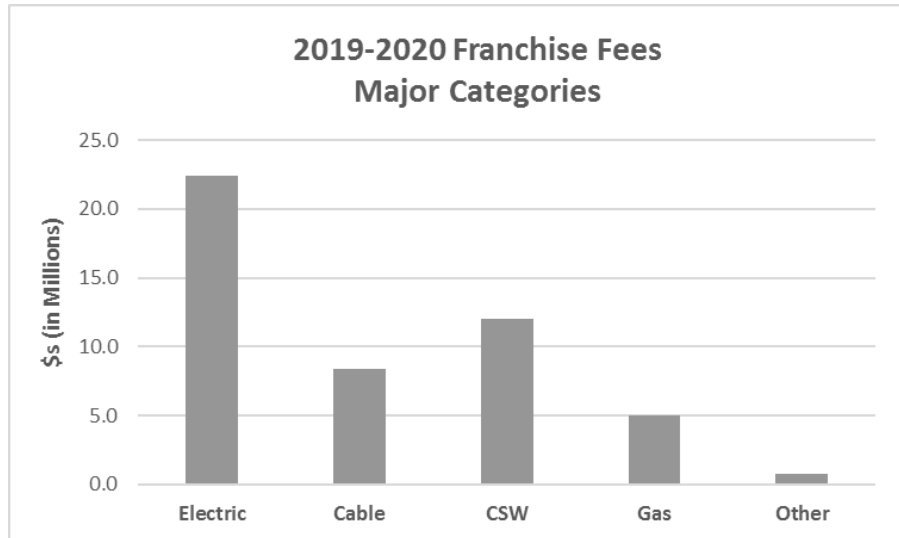
CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

Electricity Franchise Fee (Cont'd.)

6.5% from prior year collections. From this lower starting point, receipts in 2019-2020 are projected to increase 3% and reach \$22.4 million; this amount reflects a drop of \$900,000 from the \$23.3 million estimated in the 2020-2024 General Fund Five-Year Forecast. Growth in 2019-2020 is projected primarily as a result of anticipated rate changes.

In May 2016, San José City Council established the San José Clean Energy (SJCE), the City of San José’s Community Choice Energy (CCE) program, which allows governments to purchase electricity for their business and residents. SJCE will provide the same electricity service currently provided but with more renewable energy options



at competitive rates. SJCE municipal launched in summer 2018 and the residential and large commercial accounts launch occurred in early 2019. PG&E’s new rates were released in April 2019, which reflect a system-average rate increase of 2%. SJCE is anticipating to reflect a 1% discount on PG&E’s generation rates.

Gas Franchise Fee

In the Gas Franchise Fee category, the 2018-2019 Adopted Budget totaled \$5.0 million, reflecting a projected 12% drop from the 2017-2018 receipts. In April 2019, the reconciliation of receipts from PG&E was received for both Electricity and Gas Franchise Fees. Based on the updated information, 2018-2019 Gas Franchise Fee receipts are now estimated at \$4.9 million, down 14% from prior year collections. The 2018-2019 collections reflect the California Climate Credit, which began in 2018 and are anticipated to occur annually. From this lower starting point, receipts in 2019-2020 are projected to increase 2% and reach \$5.0 million; this amount reflects a drop of \$300,000 from the \$5.3 million estimated in the 2020-2024 General Fund Five-Year Forecast. The 2019-2020 estimate reflects growth of 2% from estimated 2018-2019 receipts, however, collections 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 budgeted levels of \$11.8 million in 2018-2019, 2.1% above the prior year collections, which is due to the 2018-2019 CPI-based increase of 2.1%. Collections reflect the revised methodology for assessing this fee that became

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

Commercial Solid Waste Fee (Cont'd.)

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 2019-2020 Forecast estimate of \$11.8 million is consistent with the 2018-2019 estimate and does not automatically assume a CPI adjustment. The Adopted Budget includes a 2.44% CPI increase, which will generate an additional \$287,000, bringing the revenue estimate to \$12.0 million in 2019-2020.

Cable Television Fee

In the Cable Franchise Fee category, the estimated 2018-2019 collections of \$8.8 million is 9.7% below the prior year receipts of \$9.8 million. In addition, revenue in 2019-2020 is anticipated to drop an additional 4.5% to \$8.4 million. As people continue to move from cable to less expensive streaming options (that do not include a Franchise Fee), this revenue source is anticipated to continue to decline.

City Generated Tow Fees

City Generated Tow Fees in 2018-2019 are projected at \$400,000, reflecting a 35.2% decline from the 2017-2018 actual collection level. As detailed in the Amendments to City Generated Tow Agreements memorandum that was approved by the City Council on October 31, 2017, tow fees have significantly declined. To address the changing environment, contract amendments, such as allowing tow operators to deduct disposal expenses associated with certain tows of recreational vehicles and similar trailers, were approved as part of the memorandum that became effective January 1, 2018. Based on current collection trends, revenues are estimated to end 2018-2019 at \$400,000 and remain flat in 2019-2020.

Water Utility and Nitrogen Gas Pipelines

Remaining franchise fees include the Great Oaks Water and Nitrogen Gas Pipeline categories. Nitrogen Gas Pipeline receipts are estimated at \$65,000 in 2018-2019 and 2019-2020. Great Oaks Water fees are anticipated to reach \$320,000 in 2018-2019 and grow by 3% to \$330,000 in 2019-2020.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES

2017-2018 Actual	\$ 99,753,107
2018-2019 Adopted	\$ 102,400,000
2019-2020 Forecast*	\$ 99,645,000
2019-2020 Adopted	\$ 99,645,000
% of General Fund	6.8 %
% Change from 2018-2019 Adopted	(2.7 %)

* The 2019-2020 Forecast was increased \$75,000 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Utility Taxes Category	2019-2020 Adopted Budget
Electricity	\$ 46,900,000
Telephone	25,645,000
Water	16,700,000
Gas	10,400,000
Total	\$ 99,645,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2018-2019 are anticipated to total \$99.0 million, representing a less than 1% drop from the 2017-2018 collection level of \$99.8 million. In 2019-2020, Utility Tax collections are projected to increase approximately 0.6% to \$99.6 million.

Electricity Utility Tax

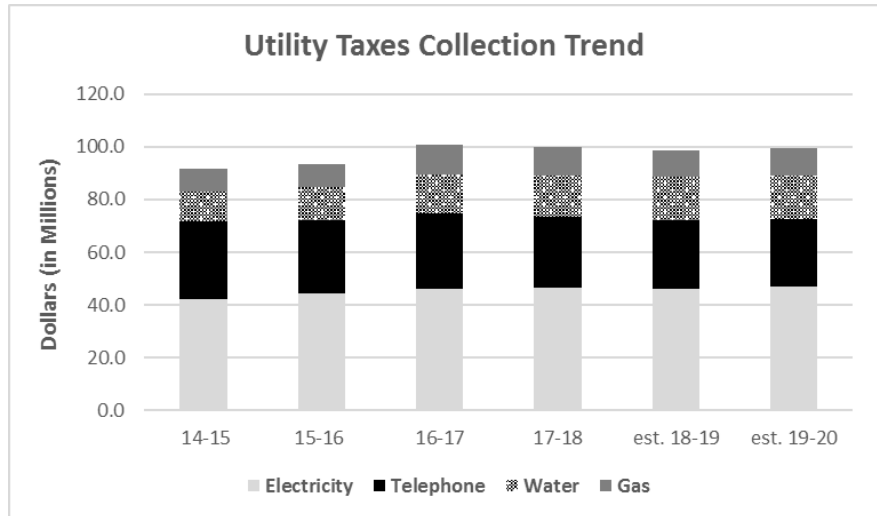
The Electricity Utility Tax is anticipated to generate \$46.0 million in 2018-2019, a 1.6% drop from 2017-2018 actual collection levels. In 2019-2020, revenues are estimated to increase 2% to \$46.9 million. Growth in 2019-2020 is projected primarily due to anticipated rate changes. In May 2016, San José City Council established the San José Clean Energy (SJCE), the City of San José’s Community Choice Energy (CCE) program, which allows governments to purchase electricity for their business and residents. SJCE will provide the same electricity service currently provided but with more renewable energy options at competitive rates. SJCE municipal launched in summer 2018 and the residential and large commercial accounts launched occurred in early 2019. PG&E’s new rates were released in April 2019, which reflect a system-average rate increase of 2%. SJCE is anticipating to reflect a 1% discount on PG&E’s generation rates.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES

Gas Utility Tax

Gas Utility Tax revenues are projected at \$9.8 million in 2018-2019, a 7.2% decrease from 2017-2018 levels. This estimate takes into consideration lower collections received in October 2018 and anticipated in April 2019 related to the California Climate Credit. Beginning in 2019-2020, this credit will only occur once per year in April, therefore the 2019-2020 collections are



projected to increase to \$10.4 million, which assumes 2% underlying growth as well as only one California Climate Credit. Receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

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 (excluding compliance revenue) in 2018-2019 and 2019-2020 are projected at \$25.6 million, a 5% decrease from 2017-2018 collection levels. The decline in this revenue category is the result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the taxable base of wireless communications not including data plans.

Water Utility Tax

Water Utility Tax receipts of \$16.3 million are anticipated to be received in 2018-2019, an increase of approximately 5% from 2017-2018 collection levels. In 2019-2020, receipts are projected to increase 2.5% to \$16.7 million based on the annualization of water rate increases that occurred effective January 2019.

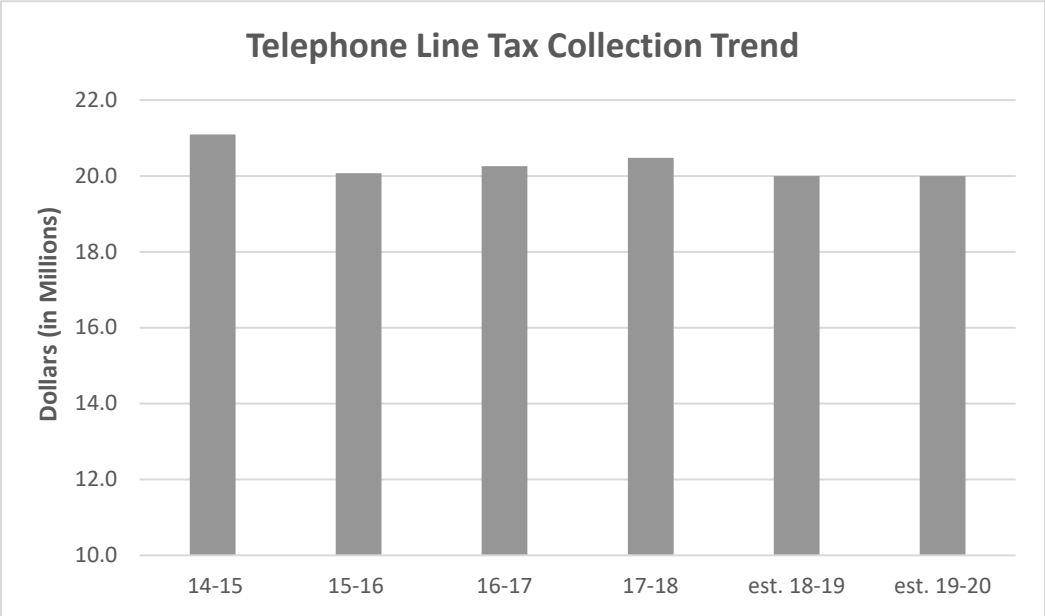
CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TELEPHONE LINE TAX

2017-2018 Actual	\$ 20,480,699
2018-2019 Adopted	\$ 20,000,000
2019-2020 Forecast	\$ 20,000,000
2019-2020 Adopted	\$ 20,000,000
% of General Fund	1.4 %
% Change from 2018-2019 Adopted	0.0 %

Revenue Estimates

Based on the current collection trend and historical patterns, receipts in 2018-2019 are estimated to total \$21.4 million. This estimate, however, includes compliance revenue of \$1.4 million that was received in 2018-2019 on a one-time basis. When the compliance revenue is excluded, the 2018-2019 estimate totals \$20.0 million, which is consistent with the 2017-2018 actuals. Given the steady nature of the tax collections in this category and the uncertain level of compliance revenue that may be received, receipts are anticipated to remain at \$20.0 million in 2019-2020.



CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES	
2017-2018 Actual	\$ 70,673,106
2018-2019 Adopted	\$ 69,400,000
2019-2020 Forecast	\$ 72,200,000
2019-2020 Adopted	\$ 72,200,000
% of General Fund	4.9 %
% Change from 2018-2019 Adopted	4.0 %

Revenue Estimates

Business Taxes Category	2019-2020 Adopted Budget
General Business Tax	\$ 28,000,000
Cardroom Tax	18,700,000
Marijuana Business Tax	13,500,000
Disposal Facility Tax	12,000,000
Total	\$ 72,200,000

The Business Taxes category consists of the Cardroom Tax, Disposal Facility Tax, General Business Tax, and Marijuana Business Tax. Collections in this category in 2018-2019 are anticipated to total \$72.2 million, which is approximately 2% above the 2017-2018 collection level of \$70.7 million. In 2019-2020, collections are projected to remain at \$72.2 million.

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 2018-2019, General Business Tax proceeds are anticipated to reach \$26.5 million, which is consistent with 2017-2018 actuals. In 2019-2020 revenues are anticipated to grow by 2% to \$27.0 million. Additional revenue of \$1.0 million is also projected from the Council-approved Business Tax Amnesty Program, bringing total 2019-2020 revenue to \$28.0 million. This reflects the revised start for the Amnesty Program.

Cardroom Tax

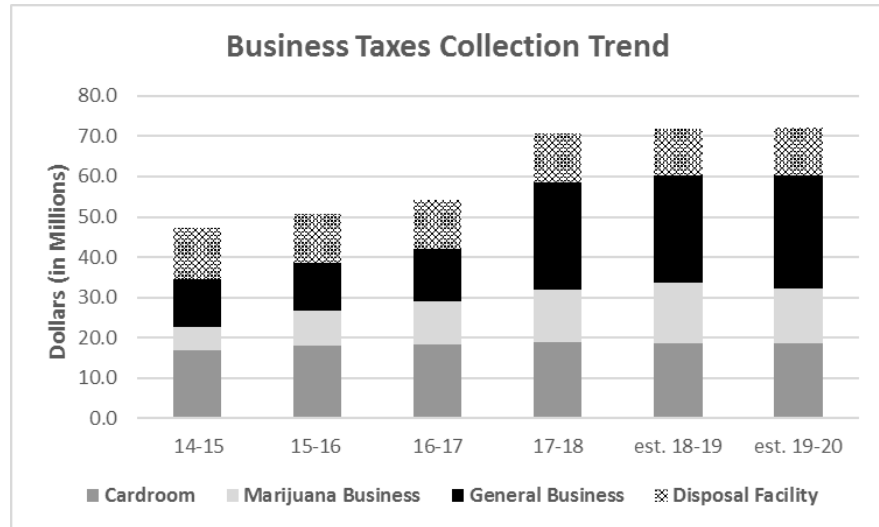
Based on current collection trends, Cardroom Tax revenues are estimated at \$18.7 million in 2018-2019, slightly below the prior year collections of \$18.9 million. In 2019-2020, receipts are anticipated to remain steady at \$18.7 million.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES

Marijuana Business Taxes

The Marijuana Business Tax category includes the Marijuana Business Tax as well as Marijuana Business Tax compliance revenues. Marijuana Business Taxes are currently being collected at a 10% rate on gross receipts as approved by the voters in Ballot Measure U in 2010. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational



marijuana use in the State of California. With this change, the sale of recreational cannabis at the 16 licensed dispensaries in San José began in January 2018.

The 2018-2019 Adopted Budget for the Marijuana Business Tax totaled \$13.5 million, which includes anticipated tax receipts for recreational and medicinal marijuana sales. While revenues in 2018-2019 are anticipated to exceed this level, the 2019-2020 tax receipts for recreational and medicinal marijuana sales remains at \$13.5 million due to several possible changes that may positively and negatively affect future collections. Revenue may decrease in 2019-2020 as the result of neighboring cities passing Cannabis taxes in the November 2018 election, which will provide competition for San José when the dispensaries are open in other jurisdictions. In addition, dispensary remittance errors that have recently been discovered are currently being analyzed and may result in lower receipts. However, revenues may increase in 2019-2020 due to the City Council approving the expansion of the cannabis business regulations to allow for the manufacturing, distribution, and lab testing of cannabis in San José.

Disposal Facility Tax

Disposal Facility Taxes (DFT) are business taxes received based on the tons of solid waste disposed at landfills within the City. This revenue 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 2018-2019 DFT collections are estimated at \$12.0 million, a 2.3% decline from the 2017-2018 collections of \$12.3 million. In 2019-2020 it is anticipated receipts will remain flat at \$12.0 million. DFT revenues have declined over time as a result of continued waste diversion efforts. For instance, in 2007-2008, DFT receipts totaled \$13.9 million while in 1997-1998, receipts totaled \$19.5 million.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

2017-2018 Actual	\$ 60,505,037
2018-2019 Adopted	\$ 60,893,631
2019-2020 Forecast*	\$ 60,053,943
2019-2020 Adopted	\$ 62,009,468
% of General Fund	4.2 %
% Change from 2018-2019 Adopted	1.8 %

* The 2019-2020 Forecast was decreased \$395,990 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

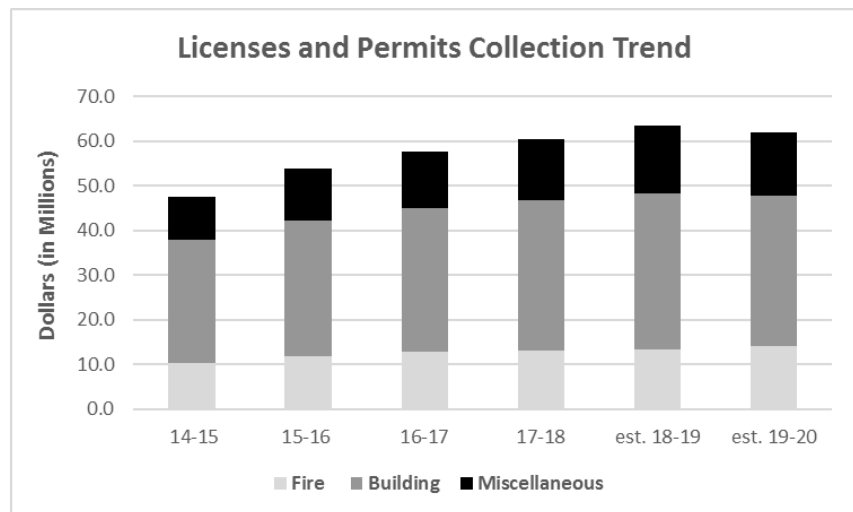
Revenue Estimates

Licenses and Permits Category	2019-2020 Adopted Budget
Building Permits	\$ 33,800,000
Fire Permits	14,002,564
Other Licenses and Permits	14,206,904
Total	\$ 62,009,468

The Licenses and Permits category contains fees and charges collected by various departments. The most significant revenue sources are development-related fees. Revenue collection levels are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund. In 2019-2020, the Licenses and Permits category is estimated at \$62.0 million, which is 2.8% above the 2018-2019 estimate of \$60.3 million.

Building Permits

In 2018-2019, the Building Permits revenues are estimated at \$32.5 million, which is approximately 3% below the 2017-2018 actual collection level of \$33.5 million. In 2019-2020, revenue is anticipated to increase to \$33.8 million due to fee increases included in the Adopted Budget. Approved fee changes include increasing each of its three



hourly rates by approximately 4% to account for increasing costs: the Permit Center Hourly Rate (from \$179 per hour to \$186 per hour), the Building Plan Check Rate (from \$246 per hour to \$255 per hour), and the Building Inspection Rate (from \$251 per hour to \$261 per hour).

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Building Permits (Cont'd.)

In addition, the Adopted Budget provides funding for technology purchases, permitting staffing, and support for the continued maintenance and implementation of the upgraded Integrated Permit System used by the Development Services Partners. After accounting for all adjustments included in the Adopted Budget, as well as the reconciliation of costs and activity levels performed in the 2019-2020 Base Budget, the projected costs are expected to exceed the revenue estimate in 2019-2020 by \$6.8 million. The Building Development Fee Program Reserve will be used to close the gap in 2019-2020 to ensure the program remains at 100% cost recovery. After accounting for all adjustments, the Building Fee Program Reserve is anticipated to total \$14.7 million in 2019-2020. Additional detail on these budget actions is provided in the Planning, Building, and Code Enforcement Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2019-2020 Fees and Charges document, which was released on May 3, 2019.

Fire Permits

The Fire Department Fee Program includes both the Development and Non-Development Fee areas. In 2019-2020, the Fire Permits revenue estimate of \$14.0 million is approximately 5% above the 2018-2019 estimated collection level of \$13.3 million primarily due to several fee rate changes included in the Fire Development Fee Program.

In the Fire Development Fee Program, the 2018-2019 revenue estimate of \$8.1 million is consistent with the 2017-2018 actual collection level. In 2019-2020 revenue is anticipated to increase by approximately 4%, to \$8.4 million. The Adopted Budget includes fee increases to more closely align projected costs with activity levels and provide funding for technology purchases, licensing, and to support the continued maintenance and implementation of the upgraded Integrated Permit System used by the Development Services Partners. After accounting for all adjustments included in the Adopted Budget as well as the reconciliation of costs and activity levels performed in the 2019-2020 Base Budget, the projected costs are expected to exceed the revenue estimate in 2019-2020 by \$1.9 million. The Fire Development Fee Program Reserve will be used to close the gap in 2019-2020 to ensure the program remains at 100% cost recovery. After accounting for all adjustments, the Fire Fee Program Reserve is anticipated to total \$5.4 million in 2019-2020. Additional detail on these budget actions is provided in the Fire Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2019-2020 Fees and Charges document, which was released on May 3, 2019.

In 2019-2020, the Fire Non-Development Fee revenue estimate of \$5.6 million is \$343,000 higher than the 2018-2019 estimate of \$5.2 million and incorporates fee adjustments to bring the program to cost recovery. The costs reflect a reallocation of resources to align work with the appropriate funding sources and the addition of 0.90 of an Analyst position and 1.0 Fire Prevention Inspector position to increase and improve inspection services including the review, follow up, and tracking of fire protection systems to meet compliance requirements mandated by Title 19 of the California Code of Regulations.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Other Licenses and Permits

The 2019-2020 estimate totals \$14.2 million for Other Licenses and Permits, which is a net increase of \$2,961 from the 2019-2020 Revised Forecast. This net increase reflects several fee adjustments, which are detailed below.

- A net increase of \$258,000 to various Code Enforcement fees, the largest of which is related to the Multiple Housing Occupancy Permits (\$235,000; from \$6.3 million to \$6.5 million). The approved fee adjustments more closely align 2019-2020 program costs with estimated revenues.
- A net decrease of \$227,000 to various Police permits based on an analysis of the cost to deliver various services, of which \$50,000 is related to the Cannabis Regulation program.
- A decrease of \$27,600 to reflect the one-year elimination of the Block Party/Temporary Street Closing Fee, as directed in the Mayor's June Budget Message for Fiscal Year 2019-2020, which was approved by the City Council on June 11, 2019.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

2017-2018 Actual	\$ 14,353,995
2018-2019 Adopted	\$ 14,983,000
2019-2020 Forecast*	\$ 15,513,000
2019-2020 Adopted	\$ 16,213,000
% of General Fund	1.1 %
% Change from 2018-2019 Adopted	8.2 %

* The 2019-2020 Forecast was increased \$600,000 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

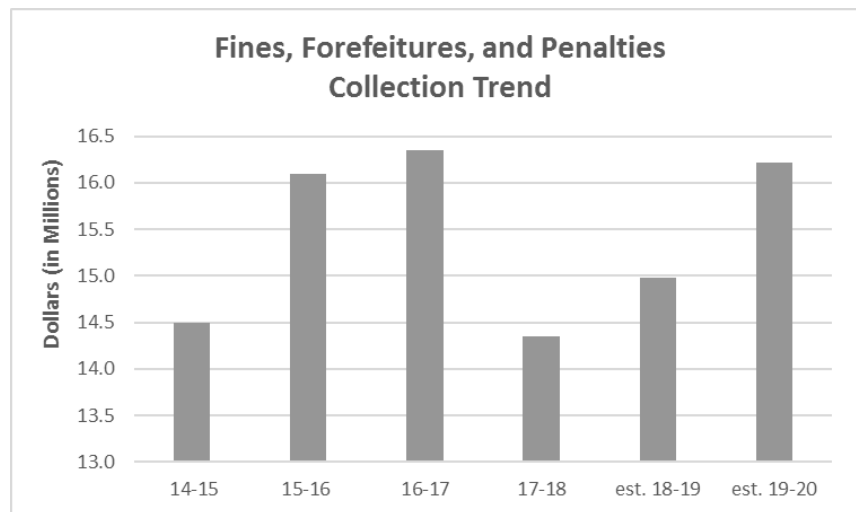
Revenue Estimates

Fines, Forfeitures, and Penalties revenue in 2018-2019 is estimated at \$15.6 million, which is 8.6% above 2017-2018 actual collection levels. The 2019-2020 Revised Forecast figure of \$15.5 million is in line with the 2018-2019 estimate and reflects an increase of \$600,000 from the February Forecast to account for higher parking fine revenue. The Adopted Budget includes several actions that are anticipated to generate an additional \$700,000 in this category related to Police False Alarms (\$500,000) and Delinquent Accounts Receivable Collections (\$200,000). As a result of these actions, the 2019-2020 Adopted Budget totals \$16.2 million, representing a 4% increase from 2018-2019 estimated receipts and 13% increase from 2017-2018 actual collections. Following is a discussion of the major components of the Fines, Forfeitures, and Penalties category.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. Parking Fines are expected to generate approximately \$11.7 million in 2018-2019 and 2019-2020.

Issuance of citations for non-compliance with safety-related and street sweeping parking violations, such as parking in a bike path or blocking disabled sidewalk access, or parking in a posted No Parking zone for street sweeping activities, is one tool the Transportation Department uses to heighten awareness around roadway safety, with the goal of changing driver behavior.

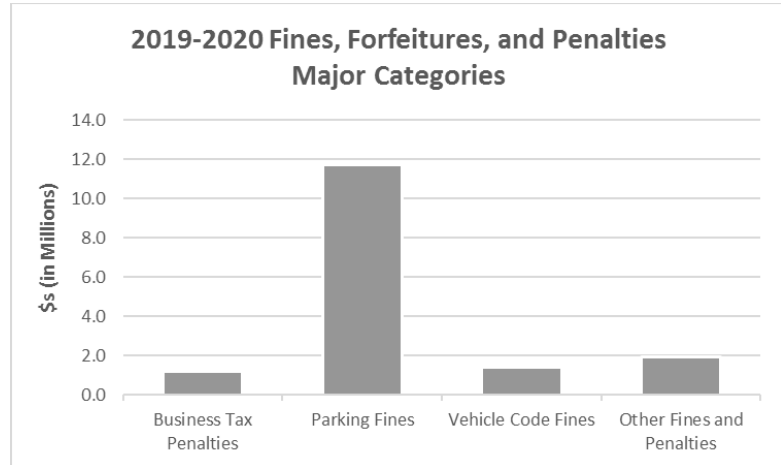


CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

Vehicle Code and Municipal Court Fines

In 2018-2019, Vehicle Code and Municipal Court Fines are estimated at \$1.4 million, which is 4.7% below the 2017-2018 collection level of \$1.5 million. In 2019-2020, Vehicle Code and Municipal Court Fines are anticipated to remain flat at \$1.4 million.



Business Tax Penalties

Business Tax penalties are anticipated to reach \$1.2 million in 2018-2019, which is significantly above collections in 2017-2018 of \$749,000 but below the \$1.6 million received in 2016-2017. It is currently anticipated that revenues will remain flat at \$1.2 million in 2019-2020, however, this revenue can fluctuate from year to year.

Police False Alarm Fines

False Alarm Fines are estimated at \$50,000 in 2018-2019, which is significantly above the 2017-2018 collections of \$29,000, but remain well below peak collection levels received in 2005-2006 of \$1.0 million. In recent years, the Police Department was only responding to verified false alarms; however, the department is now responding to all false alarms. Given this operational change, an ongoing revenue increase of \$500,000 is projected, bringing the revenue estimate to \$550,000 for 2019-2020. An increase to the fine amounts for False Alarms are also expected to be brought forward as part of a separate City Council action for implementation in January 2020 to encourage property owners to be diligent in handling or repairing their alarm systems to prevent unnecessary and repetitive police response for false alarms. The current program has progressive fines ranging from \$125 to \$300 with one free alarm every calendar year. The adjustments are expected to increase the progressive fines from \$250 to \$750, with one free alarm every calendar year. To address a backlog in false alarm billing and ensure the revenue is collected, the addition of 1.0 Accounting Technician position to the Police Department is included in the 2019-2020 Adopted Budget.

Other Fines and Penalties

Other Fines and Penalties of \$1.4 million are estimated to be received in 2019-2020 and reflect a variety of sources. Revenues included in this category include Code Enforcement administrative remedies (\$250,000), fire safety penalties (\$150,000), multiple housing permit penalties (\$125,000), and blight fines (\$140,000). In addition, an increase of \$200,000 is included in this category related to the Delinquent Accounts Receivable Collection Pilot Program. The 2019-2020 Adopted Budget includes the addition of 1.0 limit-dated Investigator Collector in the Finance Department to pursue the City's backlog of delinquent accounts that are between one and four years old, offset by revenue.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

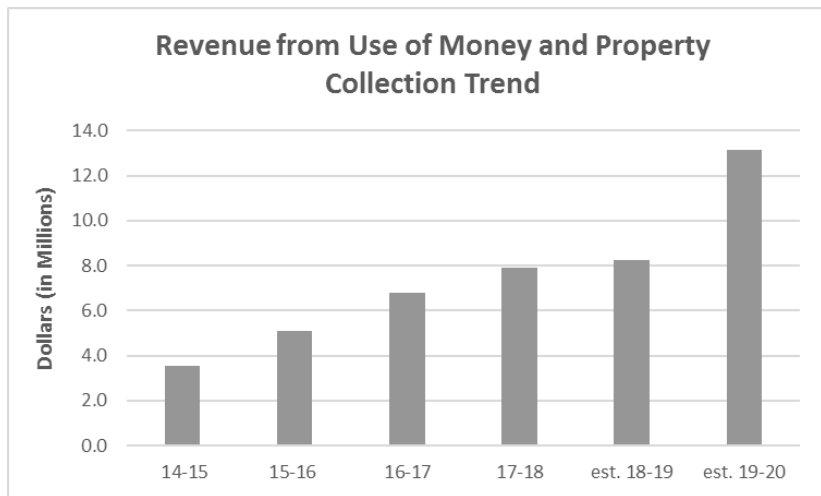
2017-2018 Actual	\$ 7,929,821
2018-2019 Adopted	\$ 6,897,000
2019-2020 Forecast*	\$ 13,144,000
2019-2020 Adopted	\$ 13,144,000
% of General Fund	0.9 %
% Change from 2018-2019 Adopted	90.6 %

Revenue Estimates

In 2019-2020, overall collections of \$13.1 million are projected in the Use of Money and Property category. A discussion of the major components of this category are included below.

Rental of City-Owned Property

The revenue received from rental of various City-owned properties is reflected in this category. The 2018-2019 estimate and the 2019-2020 Adopted Budget for City-owned property rentals total \$3.5 million, which reflects an almost 9% drop from the 2017-2018 collection level. This drop is primarily due to the rental of communications facilities, which is the largest driver of this category. The 2017-2018



communications facilities rentals totaled \$1.3 million, however, the 2018-2019 and 2019-2020 estimate is \$1.1 million due to a lower number of rentals anticipated. Revenue related to the City Hall lease to the United States Patent and Trademark Office (USPTO) is also reflected in this category. In 2019-2020, lease revenue from the USPTO is estimated at \$1.0 million, which is consistent with the 2018-2019 estimate. All remaining City-owned property rentals total \$1.3 million in 2019-2020, which is slightly below the 2018-2019 estimate of \$1.4 million.

General Fund Interest Earnings

The anticipated interest earnings collection on the General Fund in 2019-2020 is \$6.9 million, which is significantly above the \$4.0 million estimated in 2018-2019. This increase is primarily due to higher assumed cash balances as the City will no longer pre-pay retirement contributions.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

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 2019-2020 revenues are anticipated to total \$2.0 million, which is significantly higher than the \$750,000 that is estimated to be received in 2018-2019. This increase is due to the number of leased sites rising from an estimated 900 sites to 3,600 sites. This revenue is set aside in the Digital Inclusion Fund allocation in City-Wide Expenses.

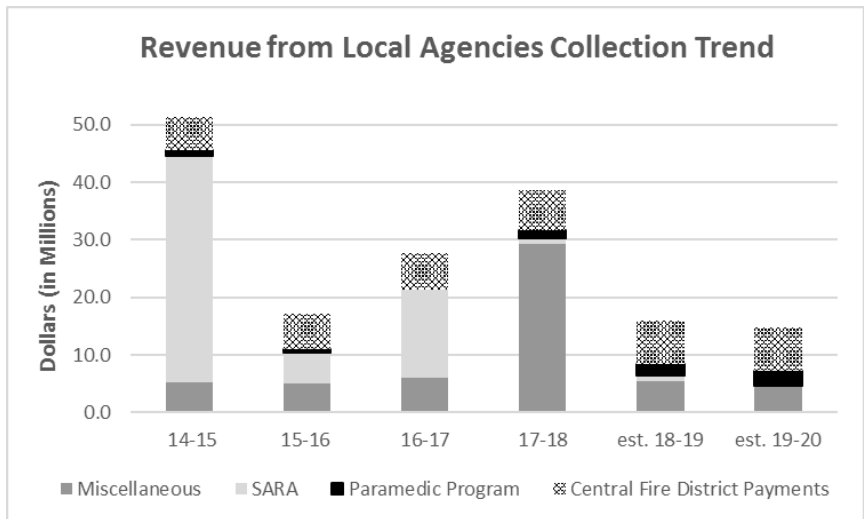
CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

2017-2018 Actual	\$ 38,623,000
2018-2019 Adopted	\$ 13,711,247
2019-2020 Forecast	\$ 11,101,000
2019-2020 Adopted	\$ 14,830,210
% of General Fund	1.0 %
% Change from 2018-2019 Adopted	8.2%

Revenue Estimates

The 2018-2019 Modified Budget for Revenue from Local Agencies totals \$15.9 million, which is primarily from the Central Fire District, the County of Santa Clara for the first responder advanced life support program (Paramedics Program) and Senior Nutrition Program, and the Successor Agency to the Redevelopment Agency (SARA). In 2019-2020, revenue in this category is projected at \$14.8 million, which is \$1.1 million below the 2018-2019 Modified Budget. The decrease in 2019-2020 is primarily due to the SARA reimbursement in 2019-2020 decreasing by approximately \$661,000 from the 2018-2019 Modified Budget, which is reflective of reduced City costs associated with supporting SARA. In addition, the 2019-2020 estimate includes the elimination of one-time grants and reimbursements that do not yet have signed agreements.



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 \$7.5 million are anticipated in 2018-2019, which reflects a 6.5% increase from the prior year receipts. In 2019-2020, collections are projected to increase approximately 3% to \$7.7 million.

CITY OF SAN JOSE
2019-2020 ADOPTED 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 \$2.0 million in 2018-2019, which includes the equipment reimbursement component (Annex B, Category A funds; \$1.3 million) and service related component (Annex B, Category B; \$700,000). The 2019-2020 Forecast included Paramedic Program revenue of \$1.3 million, which was only related to the equipment reimbursement component. The 2019-2020 Adopted Budget includes an increase to the estimate by \$1.2 million (bringing the total estimate to \$2.4 million) in anticipation of receiving revenue for the service related component for at least 9 of 12 months in 2019-2020. The Fire Department met the 90% response time requirement for Annex B, Category B for 12 consecutive months through March 2019. To support this effort, the 2019-2020 Adopted Budget includes the addition of 1.0 Analyst in the Fire Department that will perform response time performance data analysis. This position has been staffed on a temporary basis and has helped the Fire Department meet the response time goals.

It should be noted that the direct incremental cost to the City to provide the paramedic program totals over \$5 million annually. If the County were to assume responsibility for this program, its costs are estimated to far exceed this amount.

Other Local Agency Revenue

Additional grants and reimbursements from local agencies that are included in the Adopted Budget total \$4.7 million, which are detailed below.

- A one-time increase of \$1.7 million to reflect the County of Santa Clara's portion of the Senior Nutrition Program costs is included in 2019-2020. This funding from the County's Department of Aging and Adult Services covers two-thirds of the total cost of the program and will be used to reimburse the City's vendor for the cost of the meals for seniors at all 13 senior nutrition sites from July 2019 to June 2020.
- A one-time increase of \$678,000 to reflect four new grant or reimbursement revenues, including the New Hope For Youth grant (\$299,000), Climate Protection grant (\$163,000), reimbursement from the Santa Clara Valley Water District for Police overtime costs (\$150,000), and reimbursement from the Santa Clara County District Attorney's Parent Project Program (\$66,000).
- A one-time increase of \$211,500 to recognize funding to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Adopted Budget includes funding totaling \$241,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from Local Agencies (\$211,500) and Other Revenue (\$30,000).
- Reimbursements for various services totaling \$2.2 million, the largest of which include the payments from agencies that use the Animal Care and Services Program (\$970,000), reimbursement costs related to the City's support of SARA (\$339,000), and the County of Santa Clara's reimbursement for the Grace Therapeutic Art and Wellness Program at Northside Community Center (\$309,000).

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA

2017-2018 Actual	\$ 15,824,581
2018-2019 Adopted	\$ 12,692,057
2019-2020 Forecast*	\$ 12,435,000
2019-2020 Adopted	\$ 12,960,805
% of General Fund	0.9%
% Change from 2018-2019 Adopted	2.1%

* The 2019-2020 Forecast was increased \$800,000 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

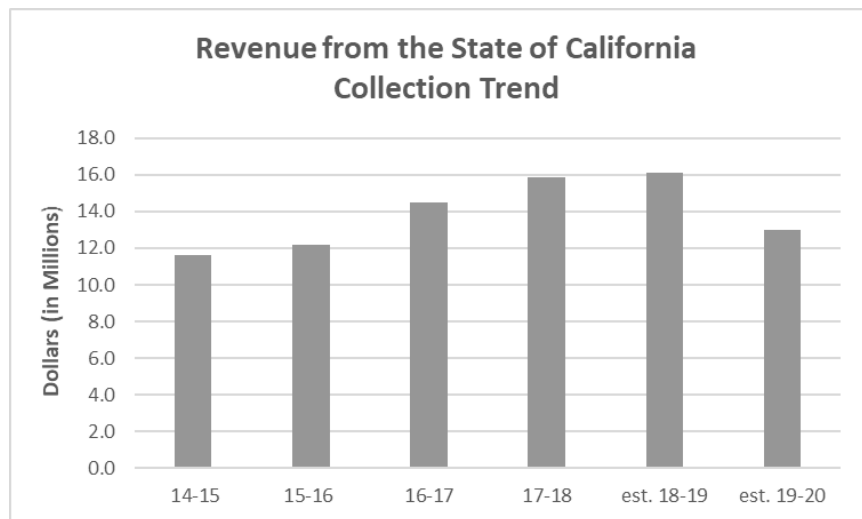
Revenue Estimates

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 \$16.1 million in 2018-2019 and decrease to \$13.0 million in 2019-2020. This decrease reflects the elimination of one-time grants and reimbursements.

Following is a discussion of Tobacco Settlement Revenue, the largest driver in this revenue category, as well as other miscellaneous State grants and reimbursements.

Tobacco Settlement Revenue

Beginning in 2010-2011, Tobacco Settlement revenue from the State is deposited in the General Fund. The 2018-2019 Tobacco Settlement payment totaled \$10.6 million, which is approximately 3% below the \$11.0 million received in 2017-2018, but is 15.5% above 2016-2017 collections. Receipts in 2019-2020 are estimated to remain consistent with the 2018-2019 collection level of \$10.6 million.



CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA

State Grants/Reimbursements

The City receives several grants and reimbursements from the State on an annual basis, which total \$1.8 million in 2019-2020. These ongoing revenues include: Auto Theft reimbursement (\$800,000); Abandoned Vehicle Abatement (\$400,000); and Highway Maintenance Charges reimbursement (\$105,000). 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 \$500,000 in 2019-2020, 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. Overall, these estimates are consistent with 2018-2019 estimates, with the exception of the Abandoned Vehicle estimate which is anticipated to drop \$400,000 in 2019-2020 due to changes in program administration by the Santa Clara County Abandoned Vehicle Abatement Service Authority.

In addition to the grants and reimbursements the City receives on an annual basis mentioned above, the 2019-2020 Adopted Budget includes one-time grant funding from the State of California totaling \$555,805, which reflects the rebudget of three grant and reimbursement revenues from 2018-2019 to 2019-2020 (\$525,805) and the receipt of a local law enforcement agency grant (\$30,000). The grant revenue rebudgets included in the Adopted Budget support several programs, including 2016 County Victim Services (\$272,562), 2018-2020 Internet Crimes Against Children (\$248,550), and California Governor's Office of Emergency Services – Innovative Response (\$4,693).

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

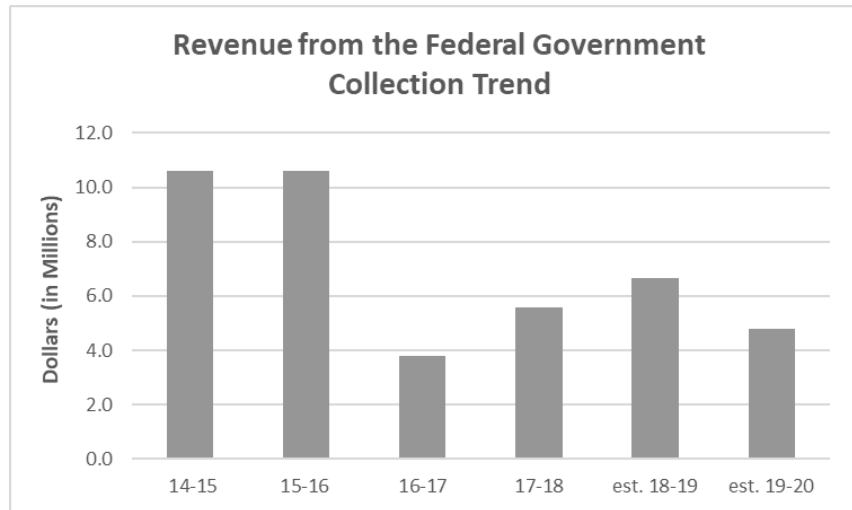
REVENUE FROM THE FEDERAL GOVERNMENT

2017-2018 Actual	\$ 5,590,625
2018-2019 Adopted	\$ 2,211,600
2019-2020 Forecast	\$ 215,797
2019-2020 Adopted	\$ 4,769,023
% of General Fund	0.3 %
% Change from 2018-2019 Adopted	115.6 %

Revenue Estimates

The Revenue from the Federal Government category accounts for grants and reimbursements from the Federal Government. One-time funding of \$6.2 million is estimated to be received in 2018-2019 from various grants, including various Police grants (\$3.7 million) and Urban Areas Security Initiative (UASI; \$1.6 million).

The 2019-2020 Adopted Budget includes grant and reimbursement funding of approximately \$4.8 million that is anticipated to be received in 2019-2020 from the Federal Government, which reflects the rebudget of various grant and reimbursement revenues (\$3.6 million) and eight new grant and reimbursement revenues (\$1.1 million).



The Adopted Budget includes Federal Government funding of \$3.6 million to reflect the rebudget of grant/reimbursement revenues from 2018-2019 to 2019-2020. These rebudgets support various programs, including 2018 Violence Against Women Improving Response (\$797,833); Justice and Mental Health Collaboration (\$750,000); 2018 UASI – Office of Emergency Management (\$465,122); 2017-2018 Internet Crimes Against Children (ICAC; \$356,727); 2018 UASI – Police Department (\$210,246); ICAC Forensic Analyst (\$190,583); 2018-2019 Selective Traffic Enforcement (STEP; \$168,156); 2018 NCS-X Implementation (\$168,155); 2018 UASI – Fire Department (\$152,315); Homeland Security – Police Department (\$130,000); 2018 Bulletproof Vest Partnership (\$112,596); Homeland Security – Fire Department (\$85,800); 2016-2018 ICAC (\$26,984); 2017 Fire Safety and Prevention (\$21,541); and Northern California Regional Intelligence Center (NCRIC) – Police Department (\$7,110).

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE FEDERAL GOVERNMENT

In addition to the rebudget of grant and reimbursement revenues detailed above, the 2019-2020 Adopted Budget includes grant and reimbursement funding of \$1.1 million from the Federal Government to reflect eight new allocations. Federal Government grant and reimbursement revenues anticipated to be received include 2018 UASI – Office of Emergency Management (\$576,000), Homeland Security – Police Department (\$158,032), NCRIC – Police Department (\$110,797), 2018 UASI – Police Department (\$105,000), Department of Justice – Bureau of Justice Assistance Grant Category 7 (\$90,400), Department of Justice – Bureau of Justice Assistance Grant Category 3 (\$76,456), FBI Joint Terrorism Task Force (\$4,585), and FBI Safe Streets Task Force (\$4,585).

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

2017-2018 Actual	\$ 51,080,652
2018-2019 Adopted	\$ 53,860,013
2019-2020 Forecast*	\$ 54,609,404
2019-2020 Adopted	\$ 58,951,740
% of General Fund	4.0 %
% Change from 2018-2019 Adopted	9.5 %

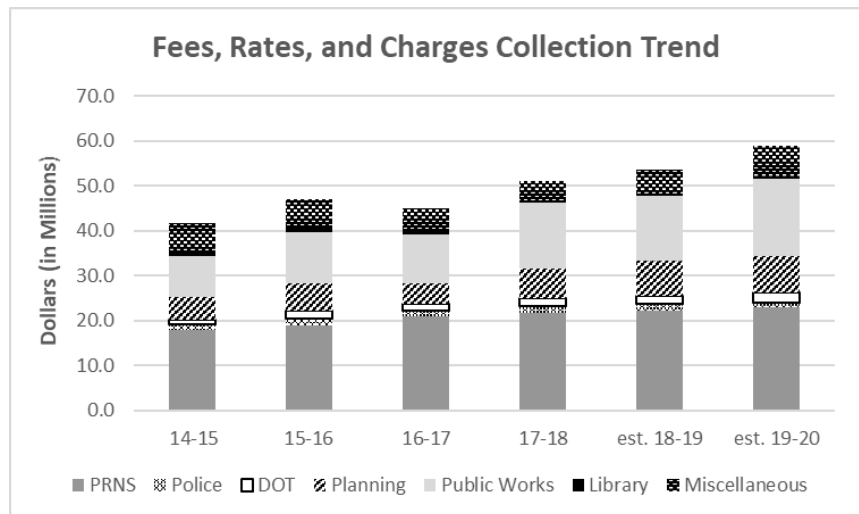
* The 2019-2020 Forecast was increased \$148,605 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2019-2020 Adopted Budget
Parks, Recreation and Neighborhoods Services	\$ 23,011,144
Public Works	17,242,329
Planning, Building and Code Enforcement	8,092,483
Transportation	2,243,196
Police	912,014
Library	303,200
Miscellaneous	7,147,374
Total	\$ 58,951,740

The Fees, Rates, and Charges revenue category includes various fees and charges levied to recover costs of services provided by several City departments. The Fees, Rates, and Charges estimate in 2019-2020 totals \$59.0 million, which is 5.4% above the 2018-2019 estimated level of \$55.9 million and 15.4% above the actual 2017-2018 collections of \$51.1 million.

The 2019-2020 Adopted Budget includes an increase of \$4.3 million from the Revised Forecast with adjustments to various individual categories. These adjustments recognize revenues from new fees, maintain cost recovery levels of existing programs, and account for anticipated activity changes in 2019-2020. The fee programs in the Fees, Rates, and Charges category are discussed on the following pages.



CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

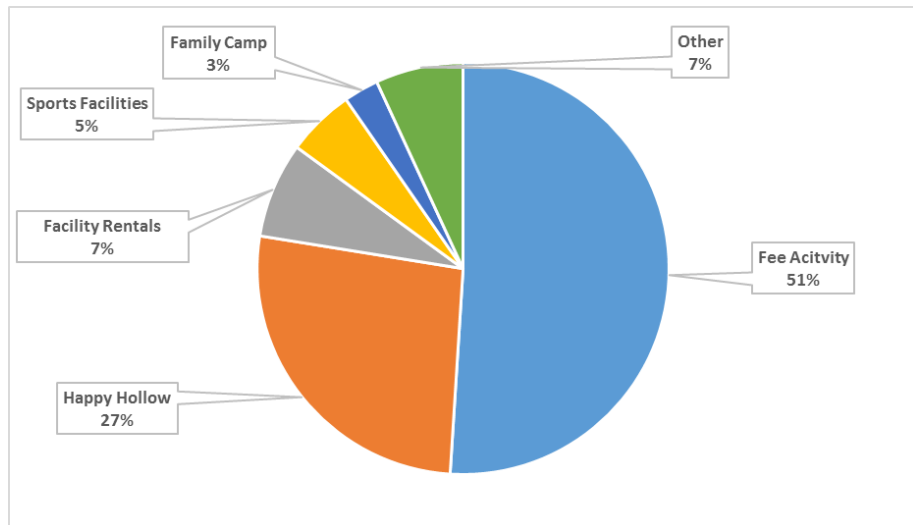
FEES, RATES, AND CHARGES

Library Fees and Fines

Library Department Fees, Rates, and Charges for 2019-2020 are estimated at \$303,000, which is 15% below the 2018-2019 estimated collection level of \$357,000 and 48% below 2017-2018 actual collections of \$588,000. As directed in the Mayor’s June Budget Message for Fiscal Year 2018-2019 and approved by the City Council, the 2018-2019 budget eliminated late fines on youth materials. The 2019-2020 Adopted Budget continues the fee elimination for an additional year (through June 30, 2020).

Parks, Recreation and Neighborhood Services Fees

Parks, Recreation, and Neighborhood Services Department (PRNS) fee collections are estimated at \$23.0 million in 2019-2020 based on projected activity levels and fees. The 2019-2020 Adopted Budget includes upward revenue adjustments totaling \$666,000 to reflect the expansion of the Recreation of City Kids (ROCK) Program to two new sites and a



limited number of fee increases for particular camps and programs, including the Happy Hollow Park and Zoo’s Education Program, Leisure and ROCK Programs, Emma Prusch Park Programs, and Camp San José. Additional detail on these budget actions is provided in the Parks, Recreation and Neighborhood Services Department under the *City Departments* section of this document.

Planning Fees

The Planning, Building and Code Enforcement Department administers a variety of fees and charges related to the processing of planning permit applications. In 2018-2019, Planning Fees are anticipated to generate approximately \$9.0 million. This collection level, along with the use of a portion of the Planning Development Fee Program Reserve, is sufficient to support program costs in 2018-2019. In 2019-2020, approved fee increases of approximately 4% are anticipated to generate \$316,000 and will bring the 2019-2020 revenue estimate to \$8.1 million. This increase, along with the use of a portion of the Fee Program Reserve, aligns the funding sources and costs.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Planning Fees (Cont'd.)

The fee increases include an adjustment to the Planning Hourly Rate (from \$280 per hour to \$291 per hour) to account for increasing costs. The 2019-2020 Adopted Budget also increases and shifts staffing to provide administrative support and align services to programs, provide funding for technology purchases and licensing, as well as support the continued maintenance and implementation of the upgraded Integrated Permit System used by the Development Services Partners. After accounting for all adjustments included in the Adopted Budget, as well as the reconciliation of costs and activity levels performed in the 2019-2020 Base Budget, there will be a reliance of \$577,000 on the use of the Planning Development Fee Program Reserve to close the funding gap. A remaining Planning Development Fee Program Reserve of \$107,817 is estimated in 2019-2020, which will primarily be used for works-in-progress projects. Additional detail on these budget actions is provided in the Planning, Building, and Code Enforcement Department under the *City Departments* section of this document.

Police Fees

The 2019-2020 revenue estimate for Police Fees, Rates, and Charges totals \$912,000, which is approximately 28% below the 2018-2019 estimate of \$1.3 million. The reduced revenue is primarily due to the annualization of the lower Vehicle Impound Release Fee, which was adjusted downward as part of the 2018-2019 Mid-Year Budget Review based on an analysis performed by the Police Department of the costs associated with this fee. In addition, the Adopted Budget includes fee adjustments resulting in a net increase of \$15,000 to various Police fees and charges based on an analysis of the cost to deliver various services.

Public Works Fees

Public Works fee revenues are projected to total \$15.6 million in 2018-2019 and increase to \$17.2 million in 2019-2020. The 2019-2020 Adopted Budget includes actions to increase Small Cell Permitting fee revenue by \$1.6 million. The additional fee revenue will provide funding for six vehicles, 1.0 Senior Engineer, 2.0 Engineer I/II, 2.0 Senior Construction Inspector, 1.0 Building Inspector Combination, 1.0 Associate Engineering Technician, and 1.0 Engineering Technician I to support the City's Broadband and Digital Inclusion Strategy.

In addition, the 2019-2020 Adopted Budget includes funding for technology purchases, licensing, and to support the continued maintenance and implementation of the upgraded Integrated Permit System used by the Development Services Partners. After accounting for all adjustments included in the Adopted Budget as well as the reconciliation of costs and activity levels performed in the 2019-2020 Base Budget, a remaining Public Works Development Fee Program Reserve of \$5.8 million is estimated in 2019-2020, which will primarily be used for works-in-progress projects. Additional detail on these budget actions is provided in the Public Works Department under the *City Departments* section of this document.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Transportation Fees

The revenue estimate for Transportation Fees, Rates, and Charges totals \$2.2 million in 2019-2020, which is \$414,000 above the 2018-2019 estimate of \$1.8 million. This increase is the result of \$119,000 additional revenue allocated as part of the 2019-2020 Forecast to align revenues with estimated base activity levels. In addition, fee adjustments resulting in a net increase of \$247,000, are included in the Adopted Budget to various Transportation fees and charges based on an analysis of the cost to deliver various services and activity levels.

Miscellaneous Departmental Fees

Collections of \$7.1 million are anticipated in 2019-2020 from a variety of fees and charges, which is 29.2% above the 2018-2019 estimate of \$5.5 million. The largest sources generated in this revenue category are from the Citywide Planning Fee, which has a 2019-2020 revenue estimate of \$3.3 million, and the Solid Waste Enforcement Fee (SWEF) Program, which has a 2019-2020 revenue estimate of \$2.2 million.

The Adopted Budget includes fee changes in the Miscellaneous Departmental Fees category of \$1.8 million to more closely align projected costs with revenues. A significant portion of the fee increase is attributed to the second phase of the Citywide Planning Fee revision, which was identified in 2018-2019 Manager's Budget Addendum #20, Citywide Planning Fee and Staffing Expansion (\$1.4 million). In addition, an upward adjustment to the Solid Waste Enforcement Fee (\$46,000), Abandoned Carts Fee (\$20,000) and Finance Department Fees (\$7,000) are included to align 2019-2020 projected costs with revenues. The Adopted Budget also includes a new Energy and Water Building Performance Benchmarking Fee, which will be implemented in 2019-2020 and is anticipated to generate \$333,000.

A more detailed description of the various fees is provided in the 2019-2020 Fees and Charges document, which was released on May 3, 2019.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

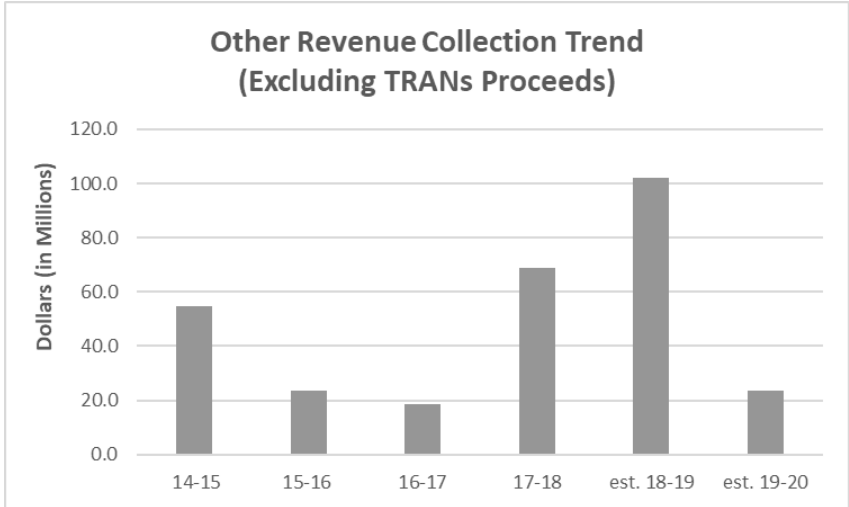
2017-2018 Actual*	\$ 218,951,265
2018-2019 Adopted	\$ 13,640,839
2019-2020 Forecast**	\$ 9,187,184
2019-2020 Adopted	\$ 23,502,394
% of General Fund	1.6 %
% Change from 2017-2018 Adopted	72.3 %

* The 2017-2018 Actual includes revenues associated with the issuance of a \$150 million TRANs based on cash flow needs.

** The 2019-2020 Forecast was increased \$1,411 from the February Forecast due to updated information being received; 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, SAP Center at San José, Sidewalk Repair and Tree Maintenance Activities, and Miscellaneous Other Revenue.



In 2018-2019, the Other Revenue category is expected to generate \$211.1 million. The 2018-2019 estimate includes a number of adjustments not included in 2019-2020, the largest of which include: \$150.0 million of borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes to facilitate the annual prefunding of employer retirement contributions for pension benefits that have been brought forward for City Council approval at the beginning of each fiscal year along with the associated expenditure (this prefunding will no longer occur starting in 2019-2020); revenue related to the Coleman Property sale (\$24.8 million), and the City’s net proceeds related to the sale of properties that were previously owned by the Successor Agency to the Redevelopment Agency and one City-owned property located on West San Carlos Street (\$18.7 million).

The 2019-2020 Revised Forecast of \$9.2 million assumes the continuation of current year activity levels with revisions, where appropriate, for 2019-2020 costs or agreements and the elimination of one-time funding sources. In addition, the Adopted Budget includes actions totaling \$14.3 million, bringing the 2019-2020 budget to \$23.5 million. These actions are described in further detail in the following pages.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Public, Education, and Government (PEG) Access Facilities

In 2019-2020, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.8 million, which is slightly below the 2018-2019 estimate of \$2.1 million. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access Facilities. There is an associated City-Wide Expenses allocation for this purpose.

Investment Program Reimbursement

The 2019-2020 revenue estimate for Investment Program Reimbursements is \$1.3 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings. This figure is consistent with the 2018-2019 revenue estimate.

Sale of Surplus Property

The proceeds from the sale of surplus property is estimated to generate \$1.0 million in 2018-2019 and increase by \$100,000 to \$1.1 million in 2019-2020 based on the anticipated City assets that are being sold. As directed in the Mayor's June Budget Message for Fiscal Year 2019-2020, as approved by the City Council, revenue of \$100,000 is included in 2019-2020 to reflect the anticipated sale of City property to Adobe. A corresponding action is included in the Adopted Budget to allocate this funding for the purchase of LGBTQ+ pride flags, installation of rainbow colored lighting, the commissioning of a mural from a local artist, and additional activation projects led by the Office of Economic Development in the Downtown area.

SAP Center at San José Revenues

The City receives payments from Arena Management associated with the use of SAP Center at San José. This payment was previously allocated at \$5.05 million, however, beginning in 2018-2019 the payment decreased to \$375,000 annually.

Sidewalk Repair and Tree Maintenance Activities

When the City performs sidewalk repair services for non-owner occupied residences, the property owners reimburse the City for those costs. The 2019-2020 revenue estimate for this category is \$1.8 million, which is consistent with the 2018-2019 estimate. There is a corresponding City-Wide Expenses allocation to fund the contractual sidewalk repairs, as described in the *City-Wide Expenses* section of this document.

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. This fee is expected to generate \$600,000 in 2019-2020; a corresponding City-Wide Expenses allocation is included to provide the service.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Miscellaneous Other Revenue

Miscellaneous other revenues of \$2.4 million were identified in the 2019-2020 Revised Forecast and reflect a variety of sources. In addition, the Adopted Budget includes revenue-related actions totaling \$14.2 million, which brings the 2019-2020 Adopted Budget to \$16.6 million. A summary of actions included in the Adopted Budget are included below.

- An increase of \$10.2 million to reflect outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans anticipated to be paid in 2019-2020.
- A one-time increase of \$3.5 million to reflect revenue anticipated to be received from Google, Inc. in 2019-2020 for Diridon Station Area Development Planning. This revenue will allow for continued support project planning, development review, legal review, and civic engagement and outreach in the Diridon Station area.
- A one-time increase of \$175,000 to reflect anticipated revenue from the escheatment of unclaimed property due to the disposition of unclaimed funds and stale-dated checks. Funding of \$15,000 is included in the Finance Department for outreach and processing costs related to unclaimed checks. 2019-2020 represents the second year of this program.
- An increase of \$160,000 to reflect increased Debt Program Cost Reimbursements (from \$50,000 to \$210,000). The Adopted Budget includes the addition of a Program Manager in the Finance Department, who will monitor and maintain the City debt portfolio, including debt issuance, regulatory compliance, and reporting. The addition of the position is anticipated to be offset by increased Debt Program Cost Reimbursements revenue.
- A one-time increase of \$156,000 to reflect new grant funding to support Climate Smart (\$80,000), National Recreation and Park Association (\$32,000), Viva CalleSJ and ¡Viva Parks! placemaking events (\$30,000), and Youth Connection summer camp scholarships (\$14,000). In addition, grant funding of \$25,000 is being rebudgeted from 2018-2019 to 2019-2020 for the Encore Fellow Program.
- A net increase of \$6,130 for Finance fee revenue (\$2,327) and Transportation fee revenue (\$3,803) to align revenues with estimated costs in 2019-2020.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

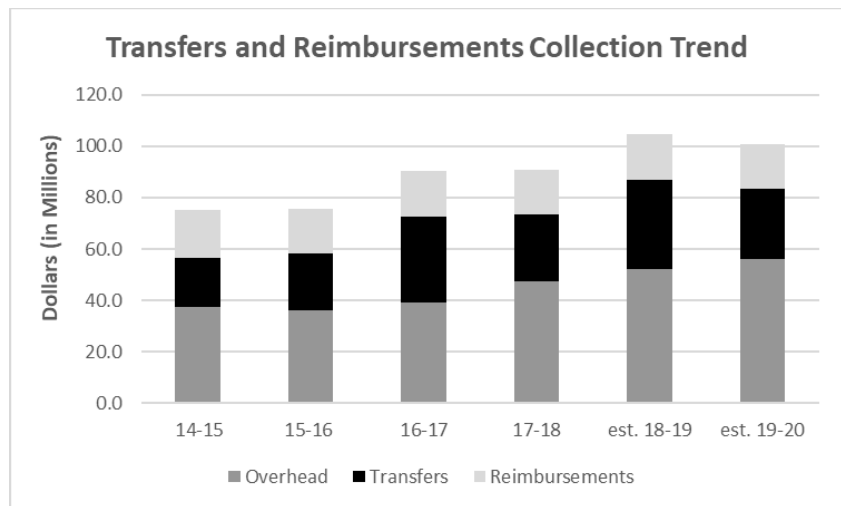
TRANSFERS AND REIMBURSEMENTS

2017-2018 Actual	\$ 90,878,968
2018-2019 Adopted	\$ 96,340,193
2019-2020 Forecast*	\$ 96,614,366
2019-2020 Adopted	\$ 100,576,639
% of General Fund	6.8%
% Change from 2018-2019 Adopted	4.4%

* The 2019-2020 Forecast was increased \$3.6 million from the February Forecast due to updated information being received; 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 \$100.6 million in 2019-2020. This amount is



4.8% above the 2018-2019 estimate of \$96.0 million due to increased overhead reimbursements and budgeted transfers. 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 2019-2020, a total of \$56.3 million in overhead reimbursements are projected based on 2019-2020 overhead rates prepared by the Finance Department applied against the projected 2019-2020 applicable salaries. This figure reflects the following: a decrease of \$806,000 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$3.3 million incorporated into the 2019-2020 Adopted Budget generated from various budget actions that changed the staffing levels funded by capital and special funds. Descriptions of the budget actions that generate these overhead reimbursement changes can be found in the *City Departments* Section of this document. A summary of the overhead reimbursement changes from the Revised Forecast by fund is detailed on the following page.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Overhead Reimbursements (Cont'd.)

Fund	Overhead Adjustment
Capital Funds	\$ 2,118,153
Rent Stabilization Program Fee Fund (450)	387,130
San José/Santa Clara Treatment Plant Operating Fund (513)	229,240
Airport Maintenance and Operation Fund (523)	180,567
San José Clean Energy Fund (501)	142,214
Sewer Service and Use Charge Fund (541)	138,599
Integrated Waste Management Fund (423)	123,624
Water Utility Fund (515)	121,992
Affordable Housing Investment Fund (346)	121,691
Public Works Program Support Fund (150)	84,763
Inclusionary Fee Fund (451)	24,629
Affordable Housing Impact Fee Fund (452)	19,056
Storm Sewer Operating Fund (446)	15,502
Vehicle Maintenance and Operations Fund (552)	7,331
Maintenance Assessment District Funds	3,746
Recycle Water Fund (570)	253
Community Development Block Grant Fund (441)	3,217
Multi-Source Housing Fund (448)	(377,056)
Total Adjustments	\$ 3,344,651

Transfers

The Transfers category is projected at \$27.2 million in 2019-2020, which is slightly above the \$26.8 million anticipated to be received in 2018-2019. The largest component of this category is a transfer from the Airport Maintenance and Operating Fund of \$17.2 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 2019-2020 direct costs as well as the indirect costs. Additional large transfers programmed for 2019-2020 include the following: Construction and Conveyance Tax Funds (\$3.6 million) associated with park maintenance costs and methane monitoring; Construction Excise Tax Fund (\$1.8 million); General Purpose Parking Fund (\$1.4 million); Convention and Cultural Affairs Fund (\$408,000); and interest earnings from various funds (\$1.5 million), the largest of which is the Construction and Conveyance Tax Funds (\$1.4 million).

As mentioned above, the Adopted Budget includes a transfer allocation of \$1.4 million from the General Purpose Parking Fund to the General Fund. This allocation includes an ongoing annual transfer of \$707,000, and one-time 2019-2020 transfers totaling \$660,000 for the following: \$200,000 to support storefront activation; \$125,000 to support the Citywide Retail Attraction Program; \$125,000 to support Diridon Station Area Development Planning; \$110,000 to support the San Pedro Square and St. John Street Activation – Pilot Program; and \$100,000 to support Downtown Ice.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

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. Based on year-to-date performance, the Gas Tax receipts in 2018-2019 are projected to reach \$16.3 million. Collections are anticipated to remain flat at \$16.3 million in 2019-2020; however, several factors may impact collections, including changes in gas prices, current economic conditions, and a move to more energy efficient automobiles. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well.

The Reimbursements for Services category 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 2019-2020 of \$781,000. This figure includes an increase of \$118,000 for ongoing costs associated with a part-time Staff Specialist and Non-Personal/Equipment funding in the Human Resources Department for the VEBA program.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 37,000,000
Rebudget: Earmarked Reserves/Expenditures	\$ 136,643,400
Unexpended Earmarked Reserves*	\$ 62,947,448
2018-2019 Ending Fund Balance Reserve*	\$39,120,000
2018-2019 Expenditure Savings/Additional Revenue*	\$ 10,409,000
Liquidation of Prior Year Encumbrances*	\$ 3,305,436
Fund Balance Subtotal:	\$ 289,425,284
Reserve for Encumbrances	\$38,466,874
Fund Balance Total:	\$ 327,892,158
% of General Fund**	19.6%

* Used for 2019-2020 Adopted Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2018-2019 Ending Fund Balance/2019-2020 Beginning Fund Balance, totaling \$327.9 million, are included as part of the 2019-2020 Adopted Budget. The estimate for the encumbrance reserve is set at the 2017-2018 actual level (\$38.5 million). The Adopted Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2019-2020.

The estimate for unrestricted beginning fund balance is set at \$289.4 million in 2019-2020, which represents a \$224.4 million increase from the 2019-2020 Revised Forecast level of \$65.0 million. When the initial Forecast was developed, the beginning fund balance projection totaled \$65.2 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$37.0 million; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$20.0 million; and additional funding of approximately \$8.2 million from various reserves to support specific costs programmed in 2019-2020. The use of reserves included the following: \$7.8 million from the Development Fee Program Reserves to cover costs associated with these fee programs in 2019-2020 (\$5.9 million - Building Development Fee Program Reserve, \$1.1 million - Public Works Development Fee Program Reserve, - \$704,000 Fire Development Fee Program Reserve, and \$145,000 - City-Wide Planning Fee Reserve); \$269,000 from the San José Environmental Sustainability Program Reserve; and \$200,000 from the Chief Data Officer Reserve.

In the Revised Forecast, the reserves amount carried over was reduced by a net \$237,000 to reflect a lower carryover amount of the Development Fee Program Reserves (Building: reduction of \$243,000; Citywide Planning Fee: reduction of \$67,000; Fire: increase of \$45,000; Public Works: increase of \$29,000) necessary to bridge the gap between 2019-2020 revised base revenues and expenditures. As a result of the net reduction, the Revised Forecast Beginning Fund Balance projection reduced from \$65.2 million to \$65.0 million.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

In the Adopted Budget, Beginning Fund Balance adjustments totaling \$224.4 million are included, which is primarily attributable to the rebudget of 2018-2019 funds for expenditure-related items, liquidation of various reserves, increased estimated revenue, and expenditure savings. As a result of these actions, the Beginning Fund Balance increased from the Revised Base level of \$65.0 million to \$289.4 million (excluding the Reserve for Encumbrances). Details on the recommended Beginning Fund Balance adjustments included in the Adopted Budget are summarized below.

- Rebudget of 2018-2019 funds for expenditure-related items and unexpended reserves in the amount of \$136.6 million. The rebudgets include \$133.2 million that were brought forward to the City Council in June 2019 after the release of the Proposed Budget (Manager's Budget Addendum #36) and \$3.5 million for Mayor and City Council rebudgets that were included in the Mayor's June Budget Message for Fiscal Year 2019-2020.
- Liquidation of various reserves totaling \$55.0 million, including the 2019-2020 Proposed Budget Planning Reserve (\$34.5 million), 2019-2020 Future Deficit Reserve (\$15.5 million), Building Development Fee Program Reserve (\$1.2 million), Fire Development Fee Program Reserve (\$1.1 million), City Health Plan Restructuring Reserve (\$970,000), Planning Development Fee Program Reserve (\$577,000), Citywide Planning Fee Program Reserve (\$567,000), Autumn Parkway Parcels Sale Proceeds Reserve (\$235,000), Artificial Turf Capital Replacement Reserve (\$200,000), Development Fee Program Technology Reserve (\$60,000), and Public Works Development Fee Program Reserve (\$57,000).
- Anticipated fund balance of \$23.7 million generated from additional 2018-2019 revenue and expenditure savings that is anticipated to be realized in 2018-2019 and be available for use in 2019-2020. The 2019-2020 Proposed Budget incorporated additional 2018-2019 revenue and expenditure savings of \$16.0 million that are anticipated to be available for use in 2019-2020. The largest revenue-related items included Sales Tax (\$8.5 million), Property Tax (\$3.6 million), and Business Taxes (\$2.8 million). In addition, expenditure savings were anticipated to be realized from City-Wide Expenditures and Department Personal Services and Non-Personal/Equipment allocations. After the release of the Proposed Budget, an additional \$7.7 million in of excess revenue and expenditure-related savings was identified. This additional fund balance was brought forward as part of Manager's Budget Addendum #36 (\$7.2 million) and the Mayor's June Budget Message for Fiscal Year 2019-2020 (\$500,000).
- Funding of \$7.86 million will be realized as a result of the sale of the Hayes Mansion in 2018-2019.
- A prior year carry-over encumbrance of \$1.3 million that is related to the Business Tax Billing System Replacement was liquidated in 2018-2019. A budget adjustment was included in Manager's Budget Addendum #36 to re-allocate this funding to the Business Tax Billing System Replacement Reserve in 2019-2020.

CITY OF SAN JOSE
2019-2020 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

As shown in the chart at the beginning of the Beginning Fund Balance discussion, the 2019-2020 Beginning Fund Balance (excluding Reserve for Encumbrances) totals \$289.4 million. Following is a discussion of the Beginning Fund Balance components:

- The Beginning Fund Balance estimate assumed the carryover of the 2018-2019 Contingency Reserve of \$37.0 million, with the assumption that this amount would not be used in 2018-2019 and would be available in 2019-2020. This reserve was set at the level necessary to comply with the City Council policy to maintain a minimum of 3% contingency reserve and allowed for anticipated rebudget adjustments that were expected to be brought forward as part of the Adopted Budget. The Contingency Reserve is approximately enough to cover General Fund payroll costs for less than two and one-half weeks in an emergency.
- Rebudgeted Earmarked Reserves and Expenditures totaled \$136.6 million. Details of the Earmarked Reserves of \$87.3 million that are rebudgeted from 2018-2019 to 2019-2020 can be found in the *City-Wide Expenses, Capital, Transfers, and Reserves* section of this document. Major Earmarked Reserve rebudgets include: Building Development Fee Program Reserve (\$19.4 million); Budget Stabilization Reserve (\$17.0 million); Workers' Compensation/General Liability Catastrophic Reserve (\$15.0 million); Salaries Benefits Reserve (\$8.4 million); Public Works Development Fee Program Reserve (\$5.8 million); Fire Development Fee Program Reserve (\$5.4 million); and Sick Leave Payments Upon Retirement Reserve (\$5.0 million). Expenditure rebudgets totaled \$45.9 million, the majority of which represent City-Wide Expenses (\$20.3 million) and Capital Project Expenses (\$17.2 million) that were not completed in 2018-2019 for which funding was carried over to 2019-2020. In addition, Mayor and City Council rebudgets totaling \$3.5 million were included in the Mayor's June Budget Message for Fiscal Year 2019-2020.
- The use of various Unexpended Earmarked Reserves of \$62.9 million including the 2019-2020 Proposed Budget Planning Reserve (\$34.5 million), 2019-2020 Future Deficit Reserve (\$15.5 million), Building Fee Program Reserve (\$6.8 million), Fire Development Fee Program Reserve (\$1.9 million), Public Works Development Fee Program Reserve (\$1.1 million), and City Health Plan Restructuring Reserve (\$970,000).
- The 2018-2019 Ending Fund Balance Reserve (\$39.1 million) and the 2018-2019 Expenditure Savings/Additional Revenue (\$10.4 million) represent the total excess revenues and expenditure savings of \$49.5 million expected to be generated at the end of 2018-2019 for use in 2019-2020.
- The Liquidation of Prior Year Encumbrances was estimated at \$3.3 million in 2018-2019 to be available for use in 2019-2020. Included in the encumbrance total is \$1.3 million that is related to the Business Tax Billing System Replacement, which was liquidated in 2018-2019. A budget adjustment was included in Manager's Budget Addendum #36 to re-allocate this funding to the Business Tax Billing System Replacement Reserve in 2019-2020.