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| <b>2018-2019<br/>ANNUAL REPORT</b> |
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## GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2018-2019 General Fund revenue collections as compared with the modified budget estimates:

**TABLE A  
2018-2019 GENERAL FUND REVENUE SUMMARY  
COMPARISON OF BUDGET TO ACTUAL  
(\$000s)**

| Category                             | Modified<br>Budget      | Budgetary<br>Basis<br>Actual | Variance            | %<br>Variance |
|--------------------------------------|-------------------------|------------------------------|---------------------|---------------|
| Property Tax                         | \$ 327,950,000          | \$ 330,199,269               | \$ 2,249,269        | 0.7%          |
| Sales Tax                            | 263,500,000             | 263,530,326                  | 30,326              | 0.0%          |
| Transient Occupancy Tax              | 20,700,000              | 20,536,084                   | (163,916)           | (0.8%)        |
| Franchise Fees                       | 47,474,798              | 48,397,444                   | 922,646             | 1.9%          |
| Utility Tax                          | 98,400,000              | 99,252,672                   | 852,672             | 0.9%          |
| Telephone Line Tax                   | 20,000,000              | 21,593,485                   | 1,593,485           | 8.0%          |
| Business Taxes                       | 71,900,000              | 74,902,578                   | 3,002,578           | 4.2%          |
| Licenses and Permits                 | 63,393,631              | 65,294,743                   | 1,901,112           | 3.0%          |
| Fines, Forfeitures, and Penalties    | 14,983,000              | 17,401,606                   | 2,418,606           | 16.1%         |
| Rev. from the Use of Money/Property  | 8,266,506               | 10,072,279                   | 1,805,773           | 21.8%         |
| Revenue from Local Agencies          | 15,931,196              | 16,685,364                   | 754,168             | 4.7%          |
| Revenue from the State of California | 16,106,381              | 15,101,735                   | (1,004,646)         | (6.2%)        |
| Revenue from Federal Government      | 6,666,699               | 3,106,128                    | (3,560,571)         | (53.4%)       |
| Fees, Rates, and Charges             | 53,491,726              | 55,703,033                   | 2,211,307           | 4.1%          |
| Other Revenue                        | 252,255,314             | 247,368,271                  | (4,887,043)         | (1.9%)        |
| Subtotal                             | 1,281,019,251           | 1,289,145,017                | 8,125,766           | 0.6%          |
| Overhead Reimbursements              | 52,429,037              | 53,237,099                   | 808,062             | 1.5%          |
| Transfers                            | 34,415,684              | 35,294,569                   | 878,885             | 2.6%          |
| Reimbursements for Services          | 17,625,395              | 17,200,429                   | (424,966)           | (2.4%)        |
| Subtotal                             | 104,470,116             | 105,732,097                  | 1,261,981           | 1.2%          |
| <b>TOTALS<sup>1</sup></b>            | <b>\$ 1,385,489,367</b> | <b>\$ 1,394,877,114</b>      | <b>\$ 9,387,747</b> | <b>0.7%</b>   |

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

The General Fund revenue performance for 2018-2019 is discussed in detail in this section. The 2018-2019 actual revenue receipts for each of the major revenue categories are compared to the modified budgets and any significant variances and resulting implications for current year revenue estimates are described. In addition, comparisons with prior fiscal year collection levels are included to indicate collection trends and to provide a historical perspective.

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## GENERAL FUND REVENUE PERFORMANCE

As shown in Table A, total revenue received in the General Fund in 2018-2019 was \$1.4 billion. This collection level was within 0.7%, or \$9.4 million, of the 2018-2019 Modified Budget. After accounting for reconciling items, including the Development Fee Program adjustments, rebudgets, and other clean-up actions, revenues ended the year \$11.3 million, or 0.8%, above the estimate.

The 2018-2019 collection level of \$1.4 billion was up \$97.0 million, or 7.5%, from the actual 2017-2018 collections of \$1.3 billion. Several revenue categories experienced growth in 2018-2019 compared to the prior year, including, Other Revenue, Sales Tax, Property Tax, Licenses and Permits, and Business Taxes. These increases were partially offset by declines in several categories, including Revenue from Local Agencies, Revenue from the Federal Government, and Franchise Fees.

The variances from the modified budget levels, implications for current year revenue estimates, and changes from prior year level are better understood through a discussion of the status of the individual General Fund revenue categories, which are provided in the following section.

### Property Tax

| Property Tax                    | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|---------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Secured Property Tax            | 301,450,000              | 302,405,309               | 955,309                    | 0.3%                      |
| Unsecured Property Tax          | 15,000,000               | 15,767,227                | 767,227                    | 5.1%                      |
| SB 813 Property Tax             | 7,850,000                | 8,627,940                 | 777,940                    | 9.9%                      |
| Aircraft Property Tax           | 2,700,000                | 2,461,256                 | (238,744)                  | (8.8%)                    |
| Homeowner's Property Tax Relief | 950,000                  | 937,537                   | (12,463)                   | (1.3%)                    |
| <b>Total</b>                    | <b>327,950,000</b>       | <b>330,199,269</b>        | <b>2,249,269</b>           | <b>0.7%</b>               |

The Property Tax revenue category includes Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax, Aircraft Property Tax, and Homeowner's Property Tax Relief (HOPTR). Property Tax receipts in 2018-2019 totaled \$330.2 million, which was \$2.2 million, or 0.7%, above the budgeted estimate of \$328.0 million, and represented an increase of 7.8% from 2017-2018 collections of \$306.2 million.

In 2018-2019, **Secured Property Tax** receipts continued to be the largest source of revenue in the Property Tax category. The Secured Property Tax category includes general Secured Property Tax, Educational Revenue Augmentation Fund (ERAF) revenues, and Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax. In 2018-2019, receipts totaled \$302.4 million, which is slightly higher (0.3%) than the budgeted estimate of \$301.5 million, and is 7.6% above the 2017-2018 receipts of \$281.2 million. A significant portion of the growth from 2017-2018 collections was due to growth in general Secured Property Tax receipts (6.7%) and additional ERAF revenue of \$7.5 million, partially offset by lower SARA Residual Property Tax receipts of \$3.6 million.

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## GENERAL FUND REVENUE PERFORMANCE

### Property Tax

The general Secured Property Tax receipts growth of 6.7% 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%). The decrease of SARA Residual Property Tax receipts of \$3.6 million in 2018-2019 is attributable to an outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loan that is anticipated to be paid off in 2019-2020, thereby reducing the SARA Residual Property Tax revenue on a one-time basis.

In the **Unsecured Property Tax** category, collections of \$15.8 million were 5.1% above the 2018-2019 Modified Budget estimate of \$15.0 million. In addition, 2018-2019 receipts were \$1.7 million, or 12.3%, above the prior year collections of \$14.0 million.

The **SB 813 Property Tax** component represents the retroactive taxes reassessed property valuation from the period of resale to the time that the Assessor formally revalues the property. In 2018-2019, receipts of \$8.6 million were 9.9% above the 2018-2019 Modified Budget estimate of \$7.9 million and exceeded the prior year collection level of \$7.4 million.

Based on actual 2018-2019 performance and the initial 2019-2020 information provided by the County of Santa Clara, no adjustment to the 2019-2020 Property Tax revenue estimate is recommended in this report. These revenues will continue to be monitored and discussed with representatives from the offices of the County Assessor, the County Controller-Treasurer, and the County Tax Collector for any updated information that may affect collection levels.

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## GENERAL FUND REVENUE PERFORMANCE

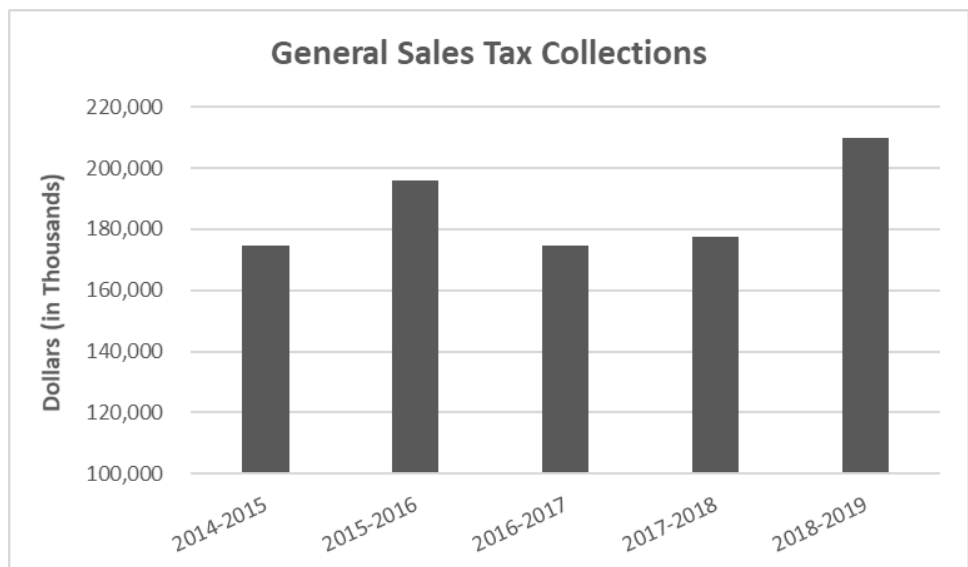
### Sales Tax

| Sales Tax          | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|--------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| General Sales Tax  | 210,300,000              | 209,771,037               | (528,963)                  | (0.3%)                    |
| Local Sales Tax    | 47,000,000               | 47,226,344                | 226,344                    | 0.5%                      |
| Prop 172 Sales Tax | 6,200,000                | 6,532,945                 | 332,945                    | 5.4%                      |
| <b>Total</b>       | <b>263,500,000</b>       | <b>263,530,326</b>        | <b>30,326</b>              | <b>0.0%</b>               |

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. Overall, Sales Tax collections in 2018-2019 of \$263.5 million were consistent with the 2018-2019 Modified Budget and reflect growth of \$37.2 million (16.4%) from the 2017-2018 collection level. This increase is partially the result of processing issues by the California Department of Tax and Fee Administration (CDTFA) that resulted in Sales Tax revenue not being fully disbursed to jurisdictions during the quarter in which the tax revenue was received. It is estimated at least \$10 million was recognized in 2018-2019, but was attributed to the prior fiscal year. After factoring out the CDTFA processing issue, it is estimated Sales Tax had underlying growth of 6.8% from the 2017-2018 collection level.

In the **General Sales Tax** category, collections of \$209.8 million fell slightly (0.3%) below the 2018-2019 Modified Budget level of \$210.3 million. However, this collection level reflects a \$32.4 million (18.3%) increase from the 2017-2018 collection level of \$177.4 million. After factoring out the CDTFA payment timing issue (which is estimated at \$9.0 million for General Sales Tax receipts), underlying growth of 8.0% is estimated in this category.

The 2018-2019 General Sales Tax figure of \$209.8 million reflects performance for the four quarters of 2018-2019, during which growth of 28.2% (1<sup>st</sup> quarter), 10.9% (2<sup>nd</sup> quarter), 16.6% (3<sup>rd</sup> quarter), and 19.4% (4<sup>th</sup> quarter) was experienced. After adjusting for the CDTFA payment timing issue, it is estimated growth of 8.1% (1<sup>st</sup> quarter), 10.9% (2<sup>nd</sup> quarter), 14.2% (3<sup>rd</sup> quarter), and 0.2% (4<sup>th</sup> quarter) was experienced.



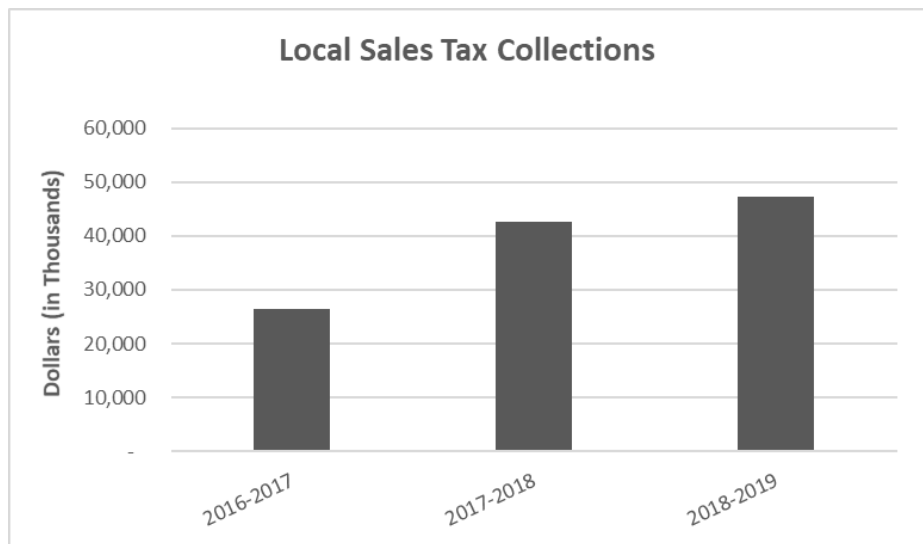
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## GENERAL FUND REVENUE PERFORMANCE

### Sales Tax

In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which began implementation in October 2016. In 2018-2019, Local Sales Tax revenues totaled \$47.2 million, which was slightly (0.5%) above the budget estimate of \$47.0 million, and 10.8% above the prior year collection level of \$42.6 million. After factoring out the CDTFA payment timing issue (which is estimated at \$1.0 million for Local Sales Tax receipts), underlying growth of 2.5% is estimated in this category.

The 2018-2019 Local Sales Tax figure of \$47.2 million reflects performance for the four quarters of 2018-2019, during which growth of 24.6% (1<sup>st</sup> quarter), 8.5% (2<sup>nd</sup> quarter), 8.8% (3<sup>rd</sup> quarter), and 15.9% (4<sup>th</sup> quarter) was experienced. After adjusting for the CDTFA payment timing issue, it is estimated growth of 1.5% (1<sup>st</sup> quarter), 8.5% (2<sup>nd</sup> quarter), 0.1% (3<sup>rd</sup> quarter), and -0.2% (4<sup>th</sup> quarter) was estimated to have been experienced.



**Proposition 172 Sales Tax** collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. In 2018-2019, receipts of \$6.5 million were 5.4% above the budgeted estimate of \$6.2 million, and were \$175,000, or 2.7%, above the 2017-2018 collection level of \$6.4 million. This performance reflects the overall Sales Tax performance throughout the State and the relative share that is attributed to San José.

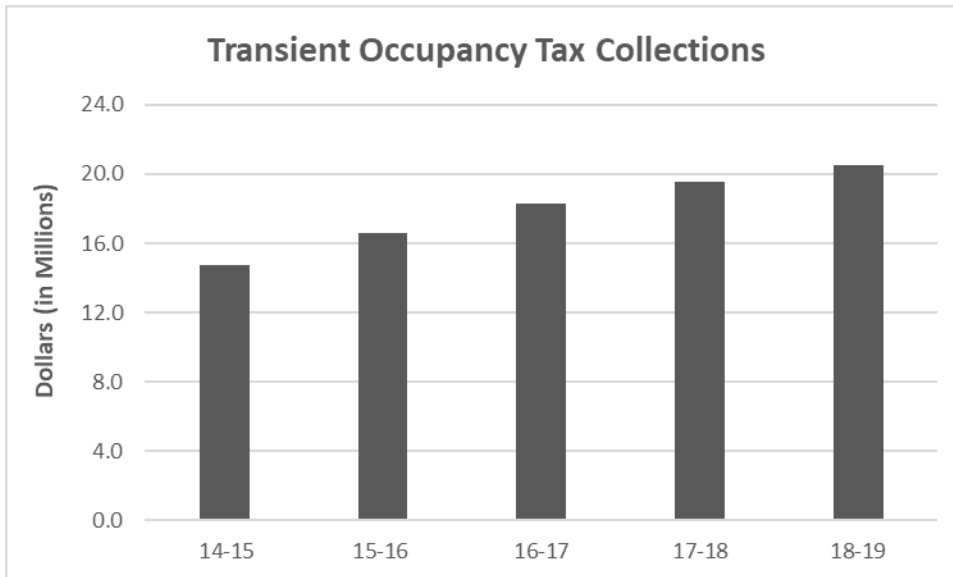
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## GENERAL FUND REVENUE PERFORMANCE

### Transient Occupancy Tax

| Transient Occupancy Tax | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|-------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Transient Occupancy Tax | 20,700,000               | 20,536,084                | (163,916)                  | (0.8%)                    |
| <b>Total</b>            | <b>20,700,000</b>        | <b>20,536,084</b>         | <b>(163,916)</b>           | <b>(0.8%)</b>             |

In 2018-2019, receipts of \$20.5 million for the General Fund’s portion (4.0%) of the City’s **Transient Occupancy Tax (TOT)** were \$164,000, or 0.8%, below the 2018-2019 Modified Budget estimate of \$20.7 million, but were 5.1% above the 2017-2018 collection level of \$19.5 million. Collection levels throughout the fiscal year exhibited consistent seasonal activity, and were largely driven by higher average room rates, indicative of stable demand for hotel rooms and fixed supply. This annual performance is a continuation of the recent trend of increasing, but decelerating, year-over-year growth (24.1% growth in 2014-2015, 12.4% growth in 2015-2016, 10.3% growth in 2016-2017, 6.9% growth in 2017-2018, and 5.1% growth in 2018-2019), which can be attributed to relatively flat occupancy rates and a higher average daily room rate. In 2018-2019, the average room rate across the City’s reporting hotels increased by \$9.68 (from \$191.38 to \$201.06) while the average occupancy reported for these hotels declined (78.6% in 2017-2018 to 77.4% in 2018-2019). In the absence of large special events, such as the College Football Playoff National Championship and NHL All Star Game, which took place during 2018-2019, future growth rates are expected to moderate from the recent high levels.



The 2019-2020 Adopted Budget estimate of \$22.5 million was built assuming approximately 8.7% growth in TOT collections over 2018-2019 estimated receipts of \$20.7 million, taking into account prevailing economic trends and projected hotel room supply. Given actual receipts for 2018-2019, growth of approximately 9.6% above 2018-2019 actual collections is needed to meet the current estimate

for 2019-2020. Staff will continue to closely monitor this volatile source of revenue, and will bring forward adjustments for City Council consideration as appropriate.

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## GENERAL FUND REVENUE PERFORMANCE

### Franchise Fees

| Franchise Fees                       | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|--------------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Electric Franchise Fee               | 21,700,000               | 21,743,881                | 43,881                     | 0.2%                      |
| Commercial Solid Waste Franchise Fee | 11,758,798               | 11,771,768                | 12,970                     | 0.1%                      |
| Cable Franchise Fee                  | 8,400,000                | 9,044,925                 | 644,925                    | 7.7%                      |
| Gas Franchise Fee                    | 5,000,000                | 4,867,455                 | (132,545)                  | (2.7%)                    |
| Tow Franchise Fee                    | 256,000                  | 566,374                   | 310,374                    | 121.2%                    |
| Nitrogen Franchise Fee               | 60,000                   | 65,784                    | 5,784                      | 9.6%                      |
| Great Oaks Water Franchise Fee       | 300,000                  | 337,257                   | 37,257                     | 12.4%                     |
| <b>Total</b>                         | <b>47,474,798</b>        | <b>48,397,444</b>         | <b>922,646</b>             | <b>1.9%</b>               |

Franchise Fee collections of \$48.4 million were 1.9% above the 2018-2019 Modified Budget level of \$47.5 million, but were \$2.8 million (5.4%) below the 2017-2018 collection level of \$51.2 million. The decrease in 2018-2019 collections is primarily attributable to lower Gas (14.6%), Cable (7.2%), and Electric (6.3%) Franchise Fees.

### Utility Tax

| Utility Tax             | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|-------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Electricity Utility Tax | 46,000,000               | 45,596,734                | (403,266)                  | (0.9%)                    |
| Telephone Utility Tax   | 26,200,000               | 25,960,643                | (239,357)                  | (0.9%)                    |
| Water Utility Tax       | 16,200,000               | 16,559,539                | 359,539                    | 2.2%                      |
| Gas Utility Tax         | 10,000,000               | 11,135,756                | 1,135,756                  | 11.4%                     |
| <b>Total</b>            | <b>98,400,000</b>        | <b>99,252,672</b>         | <b>852,672</b>             | <b>0.9%</b>               |

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$99.3 million were slightly (0.9%) above the 2018-2019 Modified Budget level, but were 0.5% below the 2017-2018 actual level of \$99.8 million. In 2018-2019 the Electricity and Telephone Utility Tax receipts did not meet budgeted levels, however, this decrease was offset by higher than budgeted receipts for the Gas Utility Tax and Water Utility Tax.

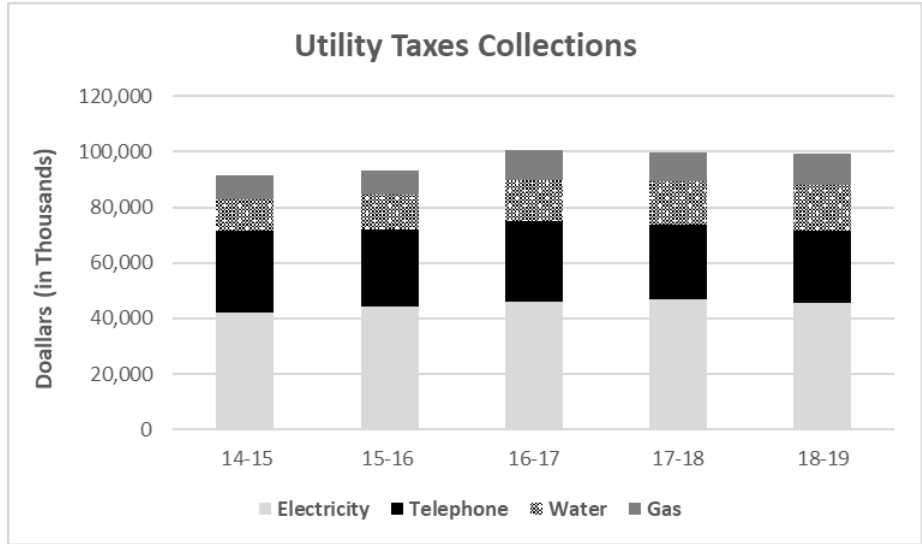
Receipts in the **Electricity Utility Tax** category of \$45.6 million fell short of the 2018-2019 Modified Budget estimate by less than 1%. In addition, the 2018-2019 collection level was \$1.2 million, or 2.5%, below the 2017-2018 collection level of \$46.8 million. This increase in revenue primarily reflects decreased consumption.

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### Utility Tax

Receipts in the **Telephone Utility Tax** category of \$26.0 million were \$239,000, or 0.9%, below the 2018-2019 Modified Budget estimate and were \$895,000, or 3.3%, below the 2017-2018 collection level of \$26.9 million. Revenues in this category have been consistently declining in recent years as a result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the taxable base of wireless communications not including data plans.



**Gas Utility Tax** receipts of \$11.1 million were \$1.1 million, or 11.4%, above the budgeted level of \$10.0 million. In addition, the 2018-2019 receipts were \$580,000, or 5.5%, above the 2017-2018 collection level of \$10.6 million. The increase in year-over-year revenue primarily reflects increased consumption levels. This category can vary significantly from year to year based on weather conditions.

Receipts in the **Water Utility Tax** category of \$16.6 million were \$360,000, or 2.2%, above the budgeted level of \$16.2 million. In addition, the 2018-2019 receipts were \$979,000, or 6.3%, above the prior year collection level of \$15.6 million. The higher collection level is primarily due to the water rate increases and changing consumption levels.

### Telephone Line Tax

| Telephone Line Tax | 2018-2019 Budget (\$) | 2018-2019 Actuals (\$) | 2018-2019 Variance (\$) | 2018-2019 Variance (%) |
|--------------------|-----------------------|------------------------|-------------------------|------------------------|
| Telephone Line Tax | 20,000,000            | 21,593,485             | 1,593,485               | 8.0%                   |
| <b>Total</b>       | <b>20,000,000</b>     | <b>21,593,485</b>      | <b>1,593,485</b>        | <b>8.0%</b>            |

In 2018-2019, **Telephone Line Tax** collections of \$21.6 million were \$1.6 million (8.0%) above the budgeted estimate of \$20.0 million, and were 5.4% above the 2017-2018 collection level of \$20.5 million. The 2018-2019 collection level included unanticipated one-time Telephone Line Tax compliance revenue of \$1.4 million.



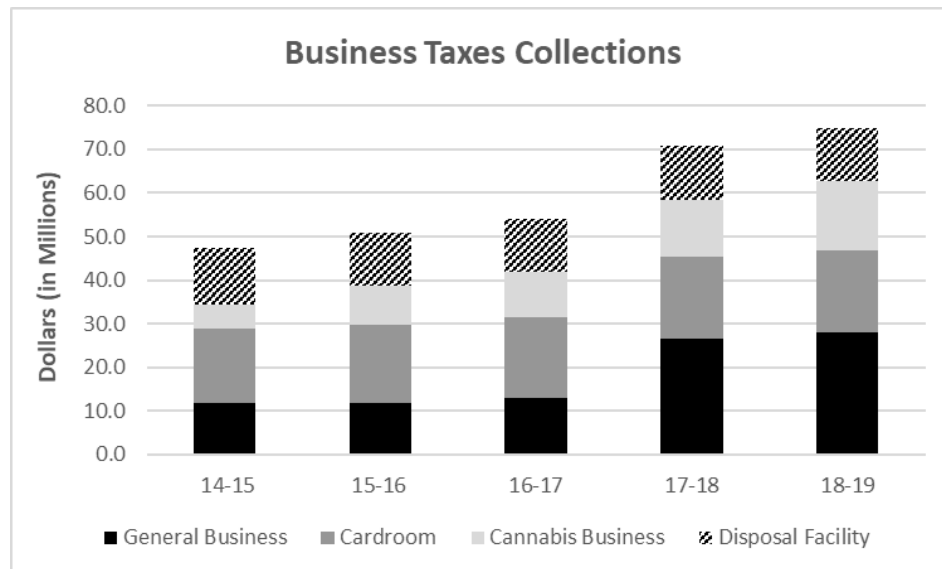
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### Business Taxes

| Business Taxes        | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|-----------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| General Business Tax  | 26,700,000               | 28,048,190                | 1,348,190                  | 5.0%                      |
| Cardroom Tax          | 18,700,000               | 18,871,085                | 171,085                    | 0.9%                      |
| Cannabis Business Tax | 15,000,000               | 15,889,987                | 889,987                    | 5.9%                      |
| Disposal Facility Tax | 11,500,000               | 12,093,316                | 593,316                    | 5.2%                      |
| <b>Total</b>          | <b>71,900,000</b>        | <b>74,902,578</b>         | <b>3,002,578</b>           | <b>4.2%</b>               |

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$74.9 million were 4.2% above the 2018-2019 Modified Budget estimate of \$71.9 million, and 6.0% (\$4.2 million) above the 2017-2018 collection level of \$70.7 million. The growth in revenue in 2018-2019 reflects higher Cannabis Business Tax receipts (\$2.9 million, or 22.1%) and higher General Business Tax receipts (\$1.6 million, or 5.9%).



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 collections of \$28.0 million ended the year 5.0% above the Modified Budget estimate of \$26.7 million. In addition, 2018-2019 revenue was 5.9% above the 2017-2018 receipts of \$26.5 million.

In 2018-2019, **Cardroom Tax** collections of \$18.9 million ended the year slightly (0.9%) above the 2018-2019 Modified Budget estimate of \$18.7 million. In addition, the 2018-2019 collection level was fairly consistent with the 2017-2018 collection level of \$18.9 million.

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## GENERAL FUND REVENUE PERFORMANCE

### Business Taxes

In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational cannabis 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. In 2018-2019 **Cannabis Business Tax** collections, which includes recreational and medicinal cannabis, totaled \$15.9 million. The 2018-2019 collection level was \$890,000, or 5.9%, above the budgeted estimate and 22.1% (\$2.9 million) above the 2017-2018 collection level of \$13.0 million. The higher revenue collections in 2018-2019 was attributed to increased consumption of medicinal and recreational cannabis.

In 2018-2019, **Disposal Facility Tax** collections of \$12.1 million were 5.2%, or \$593,000, above the 2018-2019 Modified Budget level of \$11.5 million, but were 1.5% below prior year collections of \$12.3 million.

### Licenses and Permits

| Licenses and Permits       | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|----------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Building Permits           | 35,000,000               | 36,727,607                | 1,727,607                  | 4.9%                      |
| Fire Permits               | 13,270,000               | 14,003,913                | 733,913                    | 5.5%                      |
| Other Licenses and Permits | 15,123,631               | 14,563,223                | (560,408)                  | (3.7%)                    |
| <b>Total</b>               | <b>63,393,631</b>        | <b>65,294,743</b>         | <b>1,901,112</b>           | <b>3.0%</b>               |

Revenues in the Licenses and Permits category include the Building Permits, Fire Permits, and various other licenses and permits. Overall, Licenses and Permits collections of \$65.3 million were 3.0% (\$1.9 million) above the 2018-2019 Modified Budget level of \$63.4 million, and 7.9% (\$4.8 million) above the 2017-2018 collection level of \$60.5 million. Both the Building and Fire Development Fee Programs continued the solid performance experienced over the past few years with receipts exceeding the budgeted estimates and the prior year collection levels.

**Building Permits** receipts of \$36.7 million ended the year \$1.7 million, or 4.9%, above the Modified Budget level of \$35.0 million, and 9.5% above the prior year's collection level of \$33.5 million. For 2018-2019, the Building Development Fee Program continued the phased implementation of the new fees and/or fee modifications recommended for the program as part of the City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report accepted by the City Council in December 2016. These changes, however, had no impact to the 2018-2019 collection level.

The total valuation of projects submitted in 2018-2019 was \$1.7 billion, 4.2% above the \$1.6 billion valuation of projects that were received in 2017-2018. Residential valuation ended the year below the estimate while the valuations for the Commercial and Industrial land use categories ended the year above

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### Licenses and Permits

estimates. Residential valuation of \$567.5 million in 2018-2019 was lower than the 2017-2018 level of \$631.0 million. A total of 2,985 new residential units received permits in 2018-2019, which was below 2017-2018 actuals of 3,241 units. However, commercial valuation of \$631.4 million ended 2018-2019 above the prior year level of \$617.7 million. In addition, industrial activity of \$544.0 million was higher than the 2017-2018 level of \$423.4 million. Notable activity that took place in 2018-2019, included building permits for the construction for a new Chick-fil-A restaurant (located on Blossom Hill Road, west of the intersection with Almaden Expressway); construction of a new 200 unit assisted living facility (located at the intersection of Almaden Expressway and Branham Lane); two five-unit townhome buildings (located east of Santa Teresa Boulevard and south of Blossom Hill Road); a 135-unit apartment building (located on Bassett Avenue, south of Coleman Avenue and east of Highway 87); a seven building self-storage warehouse (located near the intersection of Aborn and Silver Creek Roads); a five-story parking structure (located on Coleman Avenue); a 120-unit apartment building (located on Delmas Avenue, south of West San Carlos Street and west of Highway 87); a 233-unit apartment building (located on Berryessa Road, south of Lundy Avenue); and the balance of the construction for two eight story (242,320 square feet) and one four story (126,895 square feet) office buildings located near the intersection of Bering Drive and East Brokaw Road.

As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report, there is a recommendation to increase the Building Development Fee Program Earmarked Reserve by \$4.2 million. This adjustment is the result of the reconciliation of the 2018-2019 actual activity, in which excess revenues of \$1.7 million, expenditure savings of \$2.0 million, and interest earnings attributed to the program of \$0.5 million, are set aside in this reserve. In addition, the 2018-2019 Annual Report includes a recommendation to increase the Building Development Fee Program Reserve by \$2,100 to adjust the amount included in the 2018-2019 year-end clean-up memorandum based on the actual fees that were waived for construction work associated with the recovery from the 2017 Coyote River Flood. With these recommended adjustments, the net increase to the Building Development Fee Program Earmarked Reserve totals \$4.2 million, increasing the reserve from \$19.4 million to \$23.6 million.

**Fire Permits** receipts of \$14.0 million were 5.5% above the 2018-2019 Modified Budget estimate of \$13.3 million and 6.3% above the 2017-2018 collection level of \$13.2 million. This category includes revenue for the Fire Development Fee Program and the Fire Non-Development Fee Program.

Development revenues from Architectural Plan Check and Inspection, Engineering Systems (Alarms and Sprinklers) Permits and Inspections, and miscellaneous revenues ended the year at \$8.6 million, which was 5.9% (\$476,000) above the 2018-2019 Modified Budget estimate of \$8.1 million. The excess revenues, interest earnings, and expenditure savings are set aside in the Fire Development Fee Program Reserve, and the Annual Report includes actions to allocate \$1.3 million to the reserve from these sources. This increase, however, is offset by a negative reserve rebudget of \$25,000 due to an over rebudget in the 2019-2020 Adopted Budget. With these actions, the Fire Development Fee Program Earmarked Reserve is recommended to be increased from \$5.4 million to \$6.6 million.

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## GENERAL FUND REVENUE PERFORMANCE

### Licenses and Permits

Non-Development revenue of \$5.4 million from Annual Renewable Permits, Non-Renewable Permits and Inspections, and other miscellaneous activities were above the 2018-2019 Modified Budget estimate of \$5.2 million. Annual renewable permits revenue of \$4.5 million was \$136,000 (2.9%) above estimated levels and \$1.4 million (24.0%) lower than the collections in the prior year. Combined revenues of \$958,000 from non-renewable permit and other inspection activities (such as after-hours inspections for fire regulatory enforcement and hazardous materials) and permits for pyrotechnics, tents, canopies, and temporary membrane structures were \$420,000 (78.0%) higher than budgeted levels of \$538,000 and \$313,000 (48.6%) higher than last year's year-end revenue of \$645,000. The 2019-2020 Adopted Budget estimate of \$13.3 million was built based on a sustained level of activity from the 2018-2019 year-end estimates in the Non-Development fee program and a slight increase in activity in the Fire Development fee program, along with fee adjustments in both Development and Non- Development programs.

### Fines, Forfeitures and Penalties

| Fines, Forfeitures and Penalties | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|----------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Parking Fines                    | 11,100,000               | 12,531,862                | 1,431,862                  | 12.9%                     |
| Vehicle Code Fines               | 1,520,000                | 1,438,625                 | (81,375)                   | (5.4%)                    |
| Business License Penalties       | 1,200,000                | 2,322,504                 | 1,122,504                  | 93.5%                     |
| Administrative Citation Fines    | 439,000                  | 498,789                   | 59,789                     | 13.6%                     |
| Other Fines and Penalties        | 724,000                  | 609,826                   | (114,174)                  | (15.8%)                   |
| <b>Total</b>                     | <b>14,983,000</b>        | <b>17,401,606</b>         | <b>2,418,606</b>           | <b>16.1%</b>              |

The primary sources of revenue in the Fines, Forfeitures, and Penalties revenue category are Parking Fines, Vehicle Code Fines, Business License Penalties, Administrative Citation Fines, and Other Fines and Penalties. Collections of \$17.4 million in this category were \$2.4 million, or 16.1%, above the 2018-2019 budgeted estimate of \$15.0 million, and 21.2% above the prior year collection level of \$14.4 million.

**Parking Fines**, the largest component of this revenue category, ended the year at \$12.5 million. This collection level was 12.9%, or \$1.4 million above the budgeted estimate of \$11.1 million, and \$1.7 million (16.0%) above the 2017-2018 collection level. This increase is partially the result of the Transportation Department using contractual services to assist with vehicle abatement, allowing staff to focus on other parking enforcement activities. In addition, **Business License Penalties** of \$2.3 million significantly exceeded the budgeted estimate of \$1.2 million and the 2017-2018 collection level of \$1.6 million due to increased delinquency collections. **Vehicle Code Fines** ended the year at \$1.4 million, which was 5.4% (\$81,000) below the budgeted estimate, and was 2.1% (\$31,000) below the prior year collections. The Administrative Citation Fines and other remaining categories ended the year at \$1.1 million, which was consistent with the budgeted level, and slightly below the prior year collections of \$1.3 million.

# 2018-2019 ANNUAL REPORT

## GENERAL FUND REVENUE PERFORMANCE

### Revenue from Use of Money and Property

| Use of Money and Property             | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|---------------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Interest Earnings on the General Fund | 4,000,000                | 5,286,034                 | 1,286,034                  | 32.2%                     |
| City-Owned Property Rentals           | 3,237,000                | 3,554,536                 | 317,536                    | 9.8%                      |
| Subrogation Recovery                  | 500,000                  | 545,704                   | 45,704                     | 9.1%                      |
| Digital Inclusion Program             | 369,506                  | 174,579                   | (194,927)                  | (52.8%)                   |
| Other Use of Money and Property       | 160,000                  | 511,426                   | 351,426                    | 219.6%                    |
| <b>Total</b>                          | <b>8,266,506</b>         | <b>10,072,279</b>         | <b>1,805,773</b>           | <b>21.8%</b>              |

The Use of Money and Property category primarily consists of interest income earned on the General Fund, rental income from various City properties, and subrogation recovery revenues. Collections of \$10.1 million ended the year 21.8% above the 2018-2019 budgeted estimate of \$8.3 million, and 27.0% (\$2.1 million) above the 2017-2018 collection level of \$7.9 million.

Interest income of \$5.3 million was 32.2% above the budgeted level of \$4.0 million, and 59.4% above the prior year collection of \$3.3 million. This increase is primarily due to higher assumed cash balances and an increase in interest rates. Rental income of \$3.6 million was 9.8% above the budgeted estimate of \$3.2 million; however, receipts were 6.3% (\$239,000) below the prior year, reflecting slightly lower collections for several properties. Subrogation recovery revenues of \$546,000 ended the year 9.1% above the budgeted estimate, though revenues dropped 15.2% (\$98,000) from the prior year collection level of \$643,000.

### Revenue from Local Agencies

| Revenue from Local Agencies | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|-----------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Central Fire District       | 7,450,000                | 7,455,888                 | 5,888                      | 0.1%                      |
| Paramedic Program           | 2,152,079                | 2,172,202                 | 20,123                     | 0.9%                      |
| Successor Agency to the RDA | 1,000,000                | 2,287,889                 | 1,287,889                  | 128.8%                    |
| Other Local Agency Payments | 5,329,117                | 4,769,385                 | (559,732)                  | (10.5%)                   |
| <b>Total</b>                | <b>15,931,196</b>        | <b>16,685,364</b>         | <b>754,168</b>             | <b>4.7%</b>               |

The Revenue from Local Agencies category contains revenue received from a variety of other local government agencies. The largest sources of revenue are the Central Fire District for fire services provided to County residents by the San José Fire Department, the County of Santa Clara for the Paramedic Program, and reimbursements from the Successor Agency to the Redevelopment Agency of San José, a separate entity (Successor Agency).

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**GENERAL FUND REVENUE PERFORMANCE**

**Revenue from Local Agencies**

Revenue collections of \$16.7 million ended the year 4.7% (\$754,000) above the budgeted estimate of \$15.9 million. This collection level, however, is \$21.9 million (56.8%) below the 2017-2018 collection level of \$38.6 million. The year-over-year decrease in revenue is primarily due to the elimination of the SARA reimbursement for the Convention Center Debt Service payment and a lower SARA reimbursement for enforceable obligations.

In 2018-2019, the **Central Fire District** payment of \$7.5 million ended the year at budgeted levels, and 6.5% (\$455,000) above the prior year collection of \$7.0 million. These payments represent property taxes collected by the Central Fire District for areas of the County served by the San José Fire Department. The year-over-year increase of payments is due to the change in Property Tax valuation in those areas.

Reimbursement from the County of Santa Clara for the first responder advanced life support program (**Paramedic Program**) of \$2.2 million was consistent with budgeted levels, and \$885,000 (68.7%) above the 2017-2018 collection level. The 2018-2019 receipts included the equipment reimbursement component (Annex B, Category A; \$995,000) and service related component (Annex B, Category B; \$1.2 million) and are reflective of the Fire Department's improved response times for emergency medical service calls.

**Reimbursement from the Successor Agency to the Redevelopment Agency (SARA)** of \$2.3 million was \$1.3 million higher than the budgeted estimate of \$1.0 million, but significantly below the 2017-2018 collection level of \$23.8 million. Previously, this category included a reimbursement from SARA for the payment of the Convention Center Debt Service, with the associated Convention Center Debt Service payment being budgeted in City-Wide Expenses (\$15.2 million). With the refunding of the SARA debt in December 2017, this payment and associated reimbursement was no longer needed beginning in 2018-2019. Beginning in 2018-2019, revenues in the Reimbursement from SARA category solely reflects a reimbursement from SARA for enforceable obligations. Receipts in 2018-2019 of \$2.3 million were significantly above the budgeted estimate of \$1.0 million due to the 2018-2019 collection including reimbursements for multiple years.

Rebudget and clean-up adjustments totaling \$298,000 to the Revenue from Local Agencies category is recommended in this report. This revenue accounts for the anticipated receipt of grants in 2019-2020 that were not received in 2018-2019 (\$218,000) and the recategorization of an Open Space Authority grant from Other Revenue to Revenue from Local Agencies (\$80,000). Additional information on the rebudget and clean-up of local agency revenue are described in *Section IV -- Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

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**GENERAL FUND REVENUE PERFORMANCE**

**Revenue from the State of California**

| Revenue from State of California | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|----------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Tobacco Settlement               | 10,600,000               | 10,615,990                | 15,990                     | 0.2%                      |
| Motor Vehicle In-Lieu Tax        | 500,000                  | 504,638                   | 4,638                      | 0.9%                      |
| Other State Revenue              | 2,974,746                | 3,192,676                 | 217,930                    | 7.3%                      |
| State Grants                     | 2,031,635                | 788,431                   | (1,243,204)                | (61.2%)                   |
| <b>Total</b>                     | <b>16,106,381</b>        | <b>15,101,735</b>         | <b>(1,004,646)</b>         | <b>(6.2%)</b>             |

The major State revenues include the Tobacco Settlement Revenue, State Grants, and Other State Revenue. Revenue from the State of California of \$15.1 million ended the year 6.2% below the 2018-2019 Modified Budget estimate of \$16.1 million, and 4.6% (\$723,000) below the prior year collection level of \$15.8 million.

The Tobacco Settlement revenue, which is the largest revenue source in this category, totaled \$10.6 million in 2018-2019, which is consistent with the 2018-2019 Modified Budget. However, receipts in 2018-2019 were \$336,000 (3.1%) below the prior year collection level of \$11.0 million.

State grants and other reimbursements totaled \$4.5 million, which was \$1.0 million below the 2018-2019 Modified Budget level of \$5.5 million. This decrease was the result of a timing difference of many grants (and their associated expenditures).

The 2019-2020 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$526,000. In addition, rebudget adjustments totaling \$956,000 are recommended in this report to account for revenues that were not received 2018-2019, but are now anticipated to be received in 2019-2020. Additional information on the rebudget of State grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV -- Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

# 2018-2019 ANNUAL REPORT

## GENERAL FUND REVENUE PERFORMANCE

### Revenue from the Federal Government

| Revenue from Federal Government | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|---------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Federal Grants                  | 6,666,699                | 3,106,128                 | (3,560,571)                | (53.4%)                   |
| <b>Total</b>                    | <b>6,666,699</b>         | <b>3,106,128</b>          | <b>(3,560,571)</b>         | <b>(53.4%)</b>            |

The revenue in this category is generated by various federal grants and reimbursements. In 2018-2019, Revenue from the Federal Government of \$3.1 million was \$3.6 million (53.4%) below the Modified Budget level of \$6.7 million. The negative variance from the Modified Budget was primarily the result of the timing of various grants (and their associated expenditures) where the work was not yet completed in 2018-2019. The 2019-2020 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$3.6 million to account for anticipated receipt of revenue in 2019-2020 that were not received in 2018-2019. In addition, based on actual 2018-2019 performance, net negative rebudget adjustments of \$162,000 are recommended in this report. Additional information on the rebudget of Federal grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV -- Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

### Fees, Rates, and Charges

| Fees, Rates, and Charges | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|--------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| PRNS Fees                | 22,239,316               | 21,740,671                | (498,645)                  | (2.2%)                    |
| Public Works Fees        | 14,333,690               | 16,443,225                | 2,109,535                  | 14.7%                     |
| Planning Fees            | 7,959,000                | 8,014,424                 | 55,424                     | 0.7%                      |
| Transportation Fees      | 1,829,532                | 1,837,599                 | 8,067                      | 0.4%                      |
| Police Fees              | 1,380,800                | 1,354,056                 | (26,744)                   | (1.9%)                    |
| Library Fees             | 332,000                  | 322,934                   | (9,066)                    | (2.7%)                    |
| Miscellaneous Fees       | 5,417,388                | 5,990,124                 | 572,736                    | 10.6%                     |
| <b>Total</b>             | <b>53,491,726</b>        | <b>55,703,033</b>         | <b>2,211,307</b>           | <b>4.1%</b>               |

Revenues in this category include fees and charges assessed by several departments. Overall, Fees, Rates, and Charges collections of \$55.7 million were 4.1% (\$2.2 million) above the 2018-2019 Modified Budget level of \$53.5 million, and 9.0% above the 2017-2018 collection level of \$51.1 million. In 2018-2019, the Planning Fee Program, Public Works Fee Program, Transportation Departments revenues, and Miscellaneous revenues exceeded the budgeted estimates, however, the Library Department, Parks, Recreation, and Neighborhood Services (PRNS) Department, and Police Departments revenue collections fell below their budgeted estimate.



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## GENERAL FUND REVENUE PERFORMANCE

### Fees, Rates, and Charges

In 2018-2019, **Public Works Departmental Fee** collections of \$16.4 million ended the year 14.7% above the modified budget estimate of \$14.3 million, and 12.0% above the \$14.7 million collected in 2017-2018. The year-over-year increase is primarily due to receipt of Small Cell Permitting fee deposits (\$2.9 million) from multiple telecommunications companies for anticipated permitting activity during 2018-2019. The Public Works total revenue collections are comprised of \$8.3 million from the Development Services Fee Program, \$5.2 million from the Utility Fee Program, and \$2.9 million for Small Cell Permitting. Revenue received for Small Cell Permitting is a deposit for works-in-progress that are spent through the fiscal year. Development Services Fee Revenue is down roughly 3.7% from last year. Decreases in Residential Engineering fees are partially offset by increases in Non-Residential Engineering revenues. Each year, excess development-related revenues and expenditure savings are set aside in reserve to support the fee programs.

In 2018-2019, \$3.3 million was generated from excess revenues of \$2.1 million, expenditure savings of \$1.1 million in the Public Works Fee Program, and interest earnings of \$167,000 attributed to the program. In addition to excess revenues, adjustment to decrease the Development Fee Program for rebudgets (\$1.4 million), staffing allocation corrections (\$391,000), and for DOT Landscaping Services (\$35,000) are recommended to be allocated to the Public Works Development Fee Program Earmarked Reserve (\$1.2 million, increase from \$5.8 million to \$6.9 million). Excess revenues and a Small Cell staffing allocation correction (-\$88,000) are recommended to the Public Works Development Fee Program – Small Cell Permitting Reserve (\$396,000, increase from \$374,000 to \$682,000). Additional information regarding these adjustments can be found in *Section IV -- Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

**Planning Departmental Fee** collections of \$8.0 million ended the year close to budgeted levels, and 22.3% above the prior year level of \$6.6 million. The increase in revenue was anticipated in 2018-2019 due to City Council-approved fee changes that were implemented in August 2018. As identified in previous Bi-Monthly Financial Reports and the Mid-Year Budget Review, Planning Fee revenues throughout 2018-2019 were anticipated to end the year about \$1.0 million below the 2018-2019 base budget revenue estimate of \$8.96 million. A year-end action decreased the revenue estimate by \$1.0 million, offset by reductions to the Planning Development Fee Program Reserve (-\$400,000), and Planning Development Fee Program Personal Services (-\$600,000). Fee categories where the actual collections exceeded the estimate include residential General Plan amendments, non-residential conventional rezonings/rezonings, and non-residential development permit adjustments. Lower than estimated revenues were received for non-residential and non-residential conditional use permits, single-family design review, and miscellaneous permits.

As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report, there is a recommendation to increase the Planning Development Fee Program Earmarked Reserve by \$1.9 million as a result of the reconciliation of the 2018-2019 actual activity in which expenditure savings of \$1.9 million and interest earnings attributed to the program of \$.03 million offset by a shortage of revenues of \$.03 million are set aside in this reserve. With the recommended adjustment, the Reserve will increase from \$107,817 to \$2.0 million.

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**GENERAL FUND REVENUE PERFORMANCE**

**Other Revenue**

| Other Revenue              | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|----------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| TRANS Proceeds             | 150,000,000              | 150,000,000               | 0                          | 0.0%                      |
| Sale of Surplus Properties | 81,754,125               | 82,419,608                | 665,483                    | 0.8%                      |
| Other Revenue              | 20,501,189               | 14,948,663                | (5,552,526)                | (27.1%)                   |
| <b>Total</b>               | <b>252,255,314</b>       | <b>247,368,271</b>        | <b>(4,887,043)</b>         | <b>(1.9%)</b>             |

The Other Revenue category contains a number of unrelated revenue sources and totaled \$247.4 million in 2018-2019, which was 1.9% below the modified budget of \$252.3 million, but 13.0% (\$28.4 million) above the 2017-2018 collection level of \$219.0 million. In 2018-2019 several property sales occurred, which resulted in revenue of \$82.4 million. Property sales included the Fire Training Center (\$36.8 million), Coleman Avenue property (\$25 million), seven properties that were previously owned by SARA, that resulted in the City receiving 14.14% of the total sales (\$16.7 million), and a property on West San Carlos Street (\$2.1 million). Funding received from the Fire Training Center was allocated to an earmarked reserve in 2018-2019, and is recommended to be rebudgeted to 2019-2020 as part of this report.

The 2019-2020 Adopted Budget included the rebudget of revenues and associated expenditures for various grants and reimbursements in the amount of \$50,000, and an additional \$6.8 million of rebudget adjustments are recommended in this report to account for the anticipated receipt of revenue in 2019-2020 that were not received in 2018-2019. Additional information on the rebudget of these grants as well as the recognition of new grant revenues and their associated expenditures, are described in *Section IV -- Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

**Transfers and Reimbursements**

| Transfers and Reimbursements | 2018-2019<br>Budget (\$) | 2018-2019<br>Actuals (\$) | 2018-2019<br>Variance (\$) | 2018-2019<br>Variance (%) |
|------------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Overhead Reimbursements      | 52,429,037               | 53,237,099                | 808,062                    | 1.5%                      |
| Transfers                    | 34,415,684               | 35,294,569                | 878,885                    | 2.6%                      |
| Reimbursements for Services  | 17,625,395               | 17,200,429                | (424,966)                  | (2.4%)                    |
| <b>Total</b>                 | <b>104,470,116</b>       | <b>105,732,097</b>        | <b>1,261,981</b>           | <b>1.2%</b>               |

The Transfers and Reimbursements category includes overhead reimbursements, transfers to the General Fund, and reimbursements for services. Overall, collections of \$105.7 million ended the year 1.2%, or \$1.3 million, above the 2018-2019 Modified Budget estimate of \$104.5 million. The Overhead Reimbursement category was above the budgeted estimate due to higher capital fund overhead based on actual activity in 2018-2019. Transfers exceeded the budgeted estimate in 2018-2019 by \$879,000 primarily due to additional funding from the Parks Construction and Conveyance Tax Funds (\$915,000)

# 2018-2019 ANNUAL REPORT

## GENERAL FUND REVENUE PERFORMANCE

### Transfers and Reimbursements

as 15% of the Parks Construction and Conveyance Tax revenues are transferred to the General Fund for parks maintenance and these revenues exceeded the budgeted estimate. Reimbursements for Services ended the year below the budget primarily due the annual reimbursement from the Maintenance Assessment Districts (\$155,000) and the Voluntary Employee Beneficiary Association (VEBA; \$194,000) not occurring. Included in this report is a recommendation to allocate the VEBA funding in 2019-2020. However, the Maintenance Assessment District Reimbursement was realized as savings in 2018-2019 in the Public Works Department General Fund Personal Services allocation.

### Summary

In 2018-2019, total revenues received by the General Fund of \$1.395 billion were slightly higher than the 2018-2019 Modified Budget level by \$1.385 million (0.7%). In addition, when the 2019-2020 Adopted Budget was developed, it was assumed that revenues would exceed the modified budget by approximately \$5 million and would generate additional fund balance. After accounting for other reconciling items, including the Development Fee Program adjustments, rebudgets, and other clean-up actions, revenues ended the year \$11.3 million above the estimate. This is an extremely small variance given the diversity of over 450 City revenues and the overall size of the General Fund.

The 2018-2019 collection level of \$1.39 billion was up \$97.0 million (7.5%) from the actual 2017-2018 collections (\$1.30 billion). The 2018-2019 revenue estimates were built on the assumption that the economically-sensitive revenues would continue to experience growth and actual performance in 2018-2019 was consistent with this assumption. A number of economically-sensitive revenue categories, such as Property Tax, Sales Tax, Business Taxes, and Transient Occupancy Tax, continued to experience solid growth, primarily due to economic performance. Only a couple revenue categories experienced declines from the prior year, including Franchise Fees, Revenue from Local Agencies, Revenue from the Federal Government, and Revenue from the State of California.

Continued moderate positive revenue performance is expected to again be experienced in 2019-2020. The Administration will actively monitor economic indicators and revenues in 2019-2020 through the Bi-Monthly Financial Report and the Mid-Year Budget Review process, and return to the Mayor and City Council with recommendations for any revisions, if necessary.