

GENERAL FUND REVENUE ESTIMATES

OVERVIEW

For 2018-2019, General Fund revenue estimates (excluding fund balance) total \$1.08 billion, representing a 1.7% increase from the 2017-2018 Adopted Budget level. When Fund Balance-Carryover is included, General Fund resources total \$1.18 billion, which is 7.6% below the prior year. This comparison, however, is misleading as the Proposed Budget does not yet contain estimates for carryover rebudget funding, which was a significant portion of the 2017-2018 Adopted Budget Fund Balance total. Rebudgets for the 2018-2019 budget will be brought forward later in the budget process.

Estimates for the 2018-2019 Beginning Fund Balance and for over 450 separate General Fund revenue accounts were formulated as part of the 2019-2023 Five-Year Forecast prepared in February 2018. These estimates have been reviewed continually since the Forecast document was released and have been revised, as appropriate, in this Proposed Budget based on more recent information. Estimates for each account are based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. Most estimates involve two projections: an estimate for the amount to be collected in 2017-2018, an estimate for the increase or decrease in activity, and receipts anticipated for 2018-2019. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The 2018-2019 General Fund revenue estimates are summarized below and discussed in detail in the material that follows.

Revenue Category	1 2016-2017 Actuals	4 2017-2018 Adopted	3 2018-2019 Forecast	4 2018-2019 Proposed	2 to 4 % Change	% of Total
Property Tax	\$ 276,388,433	\$ 288,990,000	\$ 317,600,000	\$ 317,600,000	9.9%	26.9%
Sales Tax	207,695,033	228,000,000	233,500,000	233,500,000	2.4%	19.8%
Transient Occupancy Tax	18,274,899	18,720,000	19,600,000	19,700,000	5.2%	1.7%
Franchise Fees	49,641,551	50,813,083	50,229,872	50,474,798	(0.7%)	4.3%
Utility Taxes	100,786,236	101,320,000	102,400,000	102,400,000	1.1%	8.7%
Telephone Line Tax	20,260,057	20,000,000	20,000,000	20,000,000	0.0%	1.7%
Business Taxes	54,158,627	63,300,000	67,000,000	68,500,000	8.2%	5.8%
Licenses and Permits	57,478,351	59,778,354	59,209,710	60,916,631	1.9%	5.2%
Fines, Forfeitures and Penalties	16,344,732	15,336,284	14,283,000	14,983,000	(2.3%)	1.3%
Rev. from Money and Property	6,786,705	5,640,000	6,832,000	6,832,000	21.1%	0.6%
Rev. from Local Agencies	27,716,641	26,040,025	11,131,000	11,420,000	(56.1%)	1.0%
Rev. from State Government	14,510,262	12,962,140	11,019,543	11,709,379	(9.7%)	1.0%
Rev. from Federal Government	3,790,410	2,791,670	0	424,940	(84.8%)	0.0%
Fees, Rates, and Charges	44,863,835	48,498,645	46,981,795	52,615,920	8.5%	4.5%
Other Revenue	118,407,917	28,829,148	9,330,223	10,867,471	(62.3%)	0.9%
Transfers and Reimbursements	90,559,736	88,428,909	93,885,341	95,924,193	8.5%	8.1%
Subtotal	\$ 1,107,663,425	\$ 1,059,448,258	\$ 1,063,002,484	\$ 1,077,868,332	1.7%	91.5%
Fund Balance-Carryover (1)	241,172,873	217,204,397	64,028,753	101,189,393	(53.4%)	8.5%
Total General Fund Sources	\$ 1,348,836,298	\$ 1,276,652,655	\$ 1,127,031,237	\$ 1,179,057,725	(7.6%)	100.0%

(1) The Fund Balance figure does not include the Reserve for Encumbrances.

Economic Performance

The 2018-2019 revenue estimates were built on the assumption of slowing, but still positive growth, which will have a modest positive impact on the City's economic performance.

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The following is a discussion of both the national and local economic outlooks used to develop the 2018-2019 revenue estimates. Various economic forecasts are reviewed in the development of the revenue estimates, including the national and State economic forecasts produced by the Anderson School of Management at University of California – Los Angeles (UCLA). The City also uses an economic forecasting consultant to assist in the development of the General Fund revenue estimates. In addition, consultants that focus on particular revenue categories, such as Sales Tax and Transient Occupancy Tax were asked to weigh in on the current projections and future outlooks in these areas. A more detailed discussion on forecasted economic conditions can be found in the 2019-2023 Five-Year General Fund Forecast (<http://www.sanjoseca.gov/index.aspx?nid=6019>) developed in February 2018.

National Outlook

Moderate continued economic growth appears likely for the next several years, driven by growth across most sectors of the economy. The December 2017 UCLA Anderson Business School Forecast, assumes continued job growth along with wage increases will power consumption in 2018. Tax cuts (particularly corporate tax cuts) coupled with recent aggressive infrastructure expenditures has resulted in real GDP growth being close to 3%. However, in 2018 as the unemployment rate drops below 4% and employment growth stalls in the face of a labor shortage, the GDP is anticipated to decrease back to 2% in 2018. GDP could potentially decline to 1.5% in 2019 due to the economy continuing to operate at full employment coupled with anticipated additional increases to interest rates.

Higher wages along with a continued rebound in oil prices and continued high housing costs are anticipated to result in the inflation rate exceeding 2%. A modest rate of inflation is a key driver for business and consumer demand and for future property and sales taxes. The Consumer Price Index (CPI) increased 0.1% in December 2017 (seasonally adjusted) and increased 2.1% over the last 12 months (before seasonal adjustment).¹ In 2017, the Federal Reserve raised interest rates three times to allow economic growth to continue to expand at a moderate pace. In addition, to keep inflation rates at target levels, it is anticipated the Federal Reserve will raise interest rates again in 2018, thereby reducing monetary policy support and allowing consumer spending to drive the economy.

City of San José Outlook

The Silicon Valley continues to show positive economic performance, but some economic indicators are beginning to moderate from the extremely strong performance experienced in recent years.

The March 2018 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.12 million was 2.7% higher than the March 2017 level of 1.091 million. Between March 2017 and March 2018, employment in the San José MSA expanded by 29,600 jobs, or 2.7%. This growth includes an increase 8,300 jobs in the Information sector, which signifies the 98th consecutive month of year-over-year increases. In addition, manufacturing increased 6,800 jobs,

¹ U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index Detailed Report, December 2017

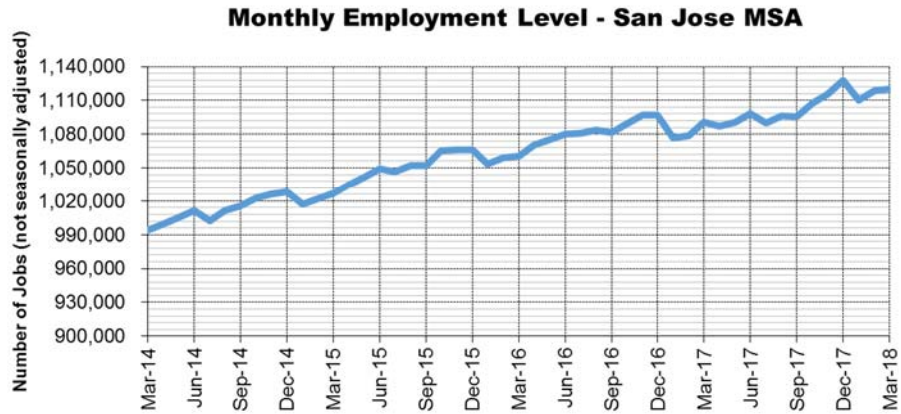
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private educational and health services increased 5,900 jobs, which is largely within health care and social assistance, and professional and business services increased 4,200 jobs.² As noted in the March 23, 2018 Beacon Employment Report, the unemployment rate in



California continues to reach record lows. Robert Kleinhenz, Executive Director of Research at Beacon Economics and the UC Riverside School of Business Center for Economic Forecasting, stated “The record low unemployment rate signals a taut labor market, but the labor force has been growing at a moderate pace and has enabled the state’s industries to continue hiring. Looking at individual industries, continued increases in construction jobs reflect ongoing strength in that sector, while California manufacturing has seen a welcome surge in hiring in recent months following a slowdown at this time a year ago.”³

Unemployment Rate (Unadjusted)			
	March 2017	Feb. 2018	March 2018**
San Jose Metropolitan Statistical Area*	3.5%	2.9%	2.7%
State of California	5.2%	4.5%	4.2%
United States	4.6%	4.4%	4.1%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** March 2018 estimates are preliminary and may be updated.			

The unemployment rates at the local, State, and national levels have continued to slightly drop compared to the prior year. In March 2018, the unemployment rate for the San José Metropolitan Statistical Area of 2.7% is slightly below the February 2018 unemployment rate of 2.9% and significantly below the March 2017 rate of 3.5%. In this region, the March 2018 unemployment rate continues to be significantly lower than the unadjusted unemployment rate for the State (4.2%) and the nation (4.1%).

Construction activity was especially strong in 2016-2017, exceeding the peak levels experienced in 2013-2014 and setting a new record level of \$1.93 billion. In 2017-2018, construction activity valuation is anticipated to end the year at \$1.89 billion, which remains strong, but has dropped slightly from the overall high levels experienced in the prior year. Furthermore, it is anticipated in 2018-2019 that projected valuation will decrease again to \$1.4 billion, primarily due to lower new construction for all construction categories (residential, commercial, and industrial).

² State of California Employment Development: Labor Market Information Division Press Release, April 20, 2018

³ Beacon Economics, Employment Report, March 23, 2018

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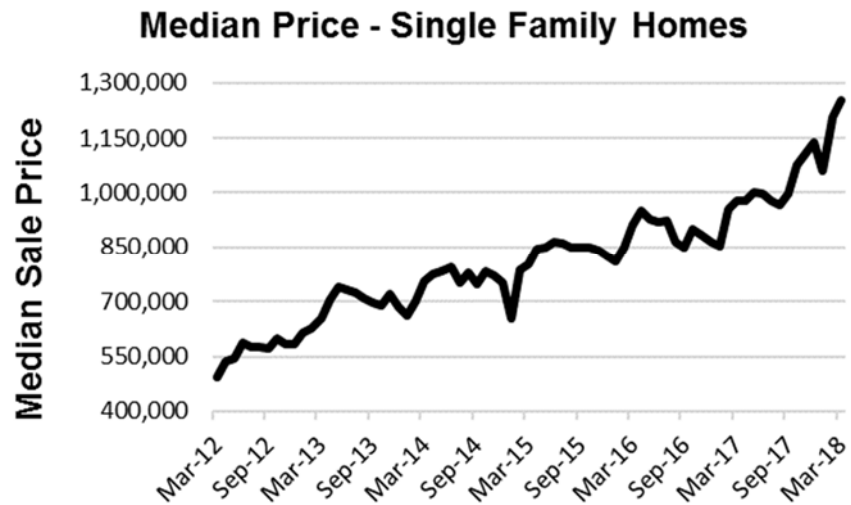
City of San José Outlook

The number of new residential dwelling units permits issued through March 2018 (2,620) is above the prior year level of 2,457 by 6.6%. Construction activity in the residential and commercial categories are higher compared to the prior year, while industrial activity is significantly lower than the prior year. Private construction activity is a driver for several development related taxes and fees and is an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

Private Sector Construction Activity (Valuation in \$ Millions)			
	July 2016 - March 2017	July 2017 - March 2018	% Increase/ Decrease
Residential	\$ 517.5	\$ 529.8	2.4%
Commercial	\$ 477.0	\$ 503.1	5.5%
Industrial	\$ 482.7	\$ 366.0	(24.2%)
TOTAL	\$ 1,477.2	\$ 1,398.9	(5.3%)

The local real estate market continues to experience strong growth in home prices compared to prior year levels. The median single-family home price in March 2018 of \$1.25 million is up 27.7% from the March 2017 price of \$980,000. The March 2018 level represents the highest single family median home price in the City of San José's history.

It is also taking significantly less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in March 2018 totaling 13 days, a 43.5% drop from the 23 days experienced in March 2017. Also of interest is the continued tightening of inventory available in the housing market. The average number of new listings through March 2018



totaled 616, which is 11.9% below the average number of new listings recorded in the same time period of the prior fiscal year. While the median home price has risen and the length of time to sell these more expensive homes has decreased, the number of property transfers (sales) has dropped. The number of property transfers in from July 2017 through March 2018 totaled 5,284, which represents a 4.2% drop from the 5,513 transfers that occurred through the same time period in the prior year. The continuous decrease in property sales compared to prior year levels is primarily attributable to the limited inventory available on the housing market.

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A moderate slowdown, but still positive, economic growth is anticipated in 2018-2019. Due to this outlook, the economically sensitive revenues, such as Sales Tax and Property Tax receipts, are expected to experience modest growth.

Non-Economically Sensitive Revenue Drivers

The economic conditions discussed above are the primary drivers for the economically sensitive revenues, with the most significant impacts in the Sales Tax and Property Tax categories. However, performance in other areas is primarily driven by other factors. For example, the Utility Tax and Franchise Fees categories are more heavily impacted by utility rate changes, energy prices, and consumption levels. Collections from local, State, and federal agencies are primarily driven by the grant and reimbursement funding available from these agencies. As a result, these General Fund revenues experience no significant net gain or loss in times of an economic expansion or slowdown, respectively. Because these revenue sources do not track directly with the performance of the economy, the growth in these areas, even in times of moderate growth, can dampen the City's overall revenue growth. Conversely, in an economic slowdown, these categories can act as a buffer, easing the impact of declines in the economically sensitive revenue categories.

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Revised General Fund Forecast

Between the issuance of the Five-Year Forecast in February 2018 and the release of the Proposed Budget in May 2018, revenue collections for 2018-2019 continue to be reviewed and updated. Based on this analysis, several of the revenue estimates presented in the February Forecast were revised in this budget to reflect more recent information. The net result of these revisions is an upward adjustment of \$5.4 million to the General Fund Forecast, increasing the revenue estimate from \$1.12 billion to \$1.13 billion.

Following is a summary table and descriptions of the changes incorporated into the Revised Forecast, which was used as the starting point in preparing the 2018-2019 Proposed Budget.

2018-2019 Revised Forecast Changes

<u>Category</u>	<u>\$ Change</u>
Transfers and Reimbursements	\$ 2,874,848
Sales Tax	1,400,000
Fees, Rates, and Charges	1,202,573
Licenses and Permits	679,722
Revenue from the State	429,543
Revenue from Local Agencies	309,000
Use of Money/Property	53,000
Other Revenue	32,430
Beginning Fund Balance	(1,615,555)
Total	\$ 5,365,561

A brief discussion of these changes follows.

Transfers and Reimbursements

- A net increase of \$2.9 million to reflect updated overhead reimbursements from capital funds and operating funds based on the final 2018-2019 base budget and final 2018-2019 overhead rates as approved by the Finance Department.
- A net decrease of \$27,000 to the Transfers category to reflect a decrease in the reimbursement from Airport funds for services provided by the Police and Fire Department based on the final reconciliation of the costs to provide these services.

Sales Tax

- An increase of \$1.4 million to the Sales Tax revenue estimate, including a \$1.2 million increase to the Local Sales Tax category (from \$41.8 million to \$43.0 million) and a \$200,000 increase to the General Sales Tax (from \$184.1 million to \$184.3 million), based on collection trends experienced in 2017-2018.

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Revised General Fund Forecast

Fees, Rates, and Charges

- An increase of \$1.0 million to the Public Works Department Fees, Rates, and Charges revenue estimate (from \$10.7 million to \$11.7 million) aligns revenues with estimated base activity levels. This increase reflects a \$500,000 adjustment to the Utility Fee Program (from \$3.5 million to \$4.0 million) and \$500,000 in the Development Services Fee Program (from \$7.2 million to \$7.7 million).
- An increase of \$400,000 to the Planning Fees revenue estimate (from \$6.1 million to \$6.5 million) aligns revenues with estimated base activity levels.
- A net increase of \$29,000 to the Transportation Department Fees, Rates, and Charges revenue estimate (from \$1.65 million to \$1.68 million) aligns revenues with estimated base activity levels.
- A net decrease of \$226,000 to the Miscellaneous Fees, Rates, and Charges category for the following adjustments: an increase of \$36,000 to several administrative and collection fees in the Finance Department aligns revenues with estimated base activity levels; a net increase of \$32,000 to various Animal Care and Services fees, such as Adoption Fees, Board and Impound Fees, and Owner Surrender Fees aligns revenues with estimated base activity levels; a decrease of \$237,000 to the Building Code Compliance revenue reflects a technical adjustment to shift the revenue for this program from the Fees, Rates, and Charges category to the Licenses and Permits category, and a decrease of \$57,000 to the Solid Waste Enforcement Fee (from \$2.2 million to \$2.1 million) reflects the final 2018-2019 overhead rates as approved by the Finance Department.

Licenses and Permits

- An increase of \$306,000 to the Fire Permits category for Non-Development Fees (from \$4.9 million to \$5.2 million) to reflect higher collection trends experienced in 2017-2018.
- A net increase of \$374,000 to the Other Licenses and Permits category for the following adjustments: an increase of \$237,000 reflects a technical adjustment to shift the Building Code Compliance revenue from Fees, Rates, and Charges category to the Licenses and Permits category; an increase of \$145,000 to Cannabis licenses and permits based on updated base activity levels; a net increase of \$700 to the Handbill Permits and Miscellaneous Licenses and Permits revenues in the Finance Department aligns revenues with estimated base activity levels; and a net decrease of \$9,000 to various Animal Care and Services licenses and permits, such as Animal Licensing and Animal/Fowl Permits, aligns revenues with estimated base activity levels.

Revenue from the State

- An increase of \$400,000 to the Auto Theft reimbursement estimate (from \$300,000 to \$700,000) based on actual collection trends in this category.
- An increase of \$30,000 to reflect the CalRecycle Local Enforcement Agency Grant revenue that was not included in the Forecast, but is anticipated to be received in 2018-2019.

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Revised General Fund Forecast

Revenue from Local Agencies

- An increase of \$309,000 to reflect reimbursement from the County of Santa Clara County to support staffing and programs at Grace Therapeutic Art and Wellness Program at Northside Community Center.

Use of Money/Property

- An increase of \$53,000 to reflect increased revenue for lease of City-owned spaces to reflect higher collection trends experienced in 2017-2018.

Other Revenue

- An increase of \$32,000 to the Other Revenue category for the following adjustments: an increase of \$18,000 reflects Habitat Conservation reimbursement revenue that was not included in the Forecast, but is anticipated to be received in 2018-2019; an increase of \$11,000 for new subdivision traffic control signage and pavement markings revenue reflects higher collection trends experienced in 2017-2018; and an increase of \$4,000 for Finance Department revenue for non-sufficient fund fees aligns revenues with estimated base activity levels.

Beginning Fund Balance

- A net decrease of \$1.6 million to the Beginning Fund Balance estimate reflects a net lower carryover amount of the Development Fee Program Reserves (Building Development Fee Program Reserve reduction of \$893,000; Planning Development Fee Program Reserve reduction of \$567,000; Fire Development Fee Program Reserve reduction of \$358,000; and Public Works Development Fee Program Reserve increase of \$194,000), which is necessary to bridge the gap between 2018-2019 base revenues and expenditures. The Development Fee Programs are assumed to be 100% cost recovery.
- An increase of \$8,000 to reflect anticipated increased salary costs related to the San José Environmental Sustainability Program. Funding that has been set aside in a reserve in 2017-2018 will be liquidated for associated staff costs in 2018-2019.

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Changes from Forecast to Proposed Budget

From the Revised Forecast of \$1.13 billion, a net increase of \$52.0 million to the General Fund revenue estimates is recommended, bringing the 2018-2019 Proposed Budget revenue estimate to \$1.18 billion. The components of this increase include an increase to the estimate for 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance (\$37.2 million) and an increase to various revenue categories (\$14.8 million). These changes are summarized in the following table:

2018-2019 Proposed Budget Changes

<u>Category</u>	<u>\$ Change</u>
Beginning Fund Balance	\$37,160,640
Fees, Rates, and Charges	5,634,125
Transfers and Reimbursements	2,038,852
Licenses and Permits	1,706,921
Other Revenue	1,537,248
Business Taxes	1,500,000
Fines, Forfeitures, and Penalties	700,000
Revenue from the State of California	689,836
Revenue from the Federal Government	424,940
Revenue from Local Agencies	289,000
Franchise Fees	244,926
Transient Occupancy Tax	100,000
Total	\$ 52,026,488

Beginning Fund Balance

- An increase of \$37.2 million from the Revised Forecast is included, bringing the estimated 2018-2019 Beginning Fund Balance from \$64.0 million to \$101.2 million. This increase includes the following:
 - Liquidation of various reserves totaling \$27.8 million, including the 2018-2019 Future Deficit Reserve (\$20.3 million), Rehired Healthcare Reserve (\$4.3 million), Cultural Facilities Capital Maintenance Reserve (\$1.0 million), Sick Leave Payments Upon Retirement Reserve (\$1.0 million), Public Works Development Fee Program Reserve (\$450,000), Building Development Fee Program Reserve (\$544,000), and the Fire Development Fee Program Reserve (\$189,000).
 - Additional anticipated fund balance of \$9.6 million from additional revenue that is anticipated to be received in 2017-2018 and be available for use in 2018-2019. Of this amount, \$9.35 million is anticipated to be received in 2017-2018 from Santa Clara County related to residual property tax revenue as a result of the Successor Agency to the Redevelopment Agency (SARA) bond refunding that occurred in December 2017. In addition, \$250,000 is anticipated to be received from the Federal Emergency Management Agency (FEMA) for reimbursement costs associated with the 2017 Coyote Creek Flood.

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Changes from Forecast to Proposed Budget

Beginning Fund Balance

- Expenditure Savings of \$2.6 million is anticipated in 2017-2018 and be available for use in 2018-2019. With the recent sale of the Airport West (FMC) property, net sale proceeds of \$625,000 and debt service savings of \$1.8 million is available for use in 2018-2019. Additionally, grant funding of \$100,000 for the Citywide Open Data Environment and Architecture has been received in 2017-2018, but the expenditure funding is not needed until 2018-2019. Therefore, the funding will be carried over as 2018-2019 Beginning Fund Balance and appropriated accordingly.
- Rebudget of funds for the San José Works expenditure-related item in the amount of \$500,000, which is not anticipated to occur until 2018-2019.
- A reduction of \$3.3 million due to the use of Development Fee Program reserves being assumed in the 2018-2019 Forecast, however, the Proposed Budget recommending several fee increases, resulting in less reserve funding being needed for Public Works Development Fee Program (\$1.2 million) and the Planning Development Fee Program (\$2.1 million). The Planning Development Fee Program Reserve restoration (\$2.1 million) reflects increases in fee revenue restoring \$2.5 million of reserve funding, partially offset by expenditure changes requiring use of the reserve totaling \$392,000.

Fees, Rates, and Charges

- An increase of \$2.6 million in the Public Works Development Fee Program (from \$11.7 million to \$14.3 million), which is primarily due to the following: proposed fee increases to bring ongoing revenues and expenditures into closer alignment with less reliance on the Development Fee Program Reserves (\$1.2 million); increased activity for small cell utility permits that is anticipated as a result of the implementation of the City's Broadband and Digital Inclusion Strategy (\$1.2 million); and a reallocation of resources to support the Development Fee Program (\$213,000).
- An increase of \$2.5 million in the Planning Development Fee Program (from \$6.5 million to \$9.0 million) to bring ongoing revenues and expenditures into closer alignment with less reliance on the Development Fee Program Reserves. Average fee increases of 34% and a restructuring of the tree permits are proposed to generate the additional revenue.
- An increase of \$577,000 in other Department Charges categories aligns revenues with estimated activity levels, reflects fee revisions, and maintains cost recovery levels. Changes included in the Proposed Budget include Parks, Recreation and Neighborhood Services Department Fees and Charges (\$297,000; from \$21.7 million to \$22.0 million), Police Department Fees and Charges (\$138,000; from \$1.2 million to \$1.4 million), Miscellaneous Fees and Charges (\$112,000; from \$3.5 million to \$3.7 million), and Transportation Department Fees and Charges (\$30,000; from \$1.68 million to \$1.71 million).

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Changes from Forecast to Proposed Budget

Transfers and Reimbursements

- An increase of \$638,000 to reimburse the General Fund for 4.0 Fire Fighters that are recommended to be added to the Aircraft Rescue and Fire Fighting Services (ARFF) at the Mineta San José International Airport, the cost of which is partially offset by a reduction in overtime.
- An increase of \$194,000 to reimburse the General Fund for the cost of 1.5 positions that are recommended to be added in the Human Resources Department to support the Voluntary Employee Beneficiary Association (VEBA) program, which will be reimbursed by the Voluntary Employee Beneficiary Association Fund.
- As directed in the Mayor's March Budget Message for Fiscal Year 2018-2019, the Proposed Budget includes a one-time transfer of \$100,000 from the General Purpose Parking Fund to support capital infrastructure improvements at the Downtown Ice Rink.
- A net increase of \$1.1 million in anticipated overhead reimbursements to reflect the impact of various budget actions recommended in the 2018-2019 Budget that change the staffing levels funded by special funds and capital funds.

Licenses and Permits

- An increase of \$1.1 million to reflect increased Code Enforcement Fees to align anticipated costs with revenues. This figure includes fee adjustments that increases the revenue estimate by \$967,000 in the Multiple Housing Code Fee Program.
- A net increase of \$629,000 to align anticipated costs and revenues for the Cannabis Regulation Program and other various Police permits (\$365,000), to reflect an increase in Animal Care and Services revenue associated with the proposed \$5.00 increase for cat and dog licenses (\$260,000), and minor changes to Department of Transportation permits (\$6,000) and Finance Department permits (-\$2,000).

Other Revenue

- An increase of \$1.3 million to reflect revenue anticipated to be received in 2018-2019 from Google, in accordance with the Service Reimbursement Agreement that was approved by the City Council on February 13, 2018. This funding is allocated to the Diridon Station Area Development Planning budget for planning support and civic engagement in the Diridon Station Area.
- A one-time increase of \$200,000 to reflect anticipated revenue from the escheatment of unclaimed property due to the disposition of unclaimed funds and stale-dated checks.
- A one-time increase of \$10,000 to reflect funding to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling \$520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California (\$221,500), Revenue from Local Agencies (\$289,000), and Other Revenue (\$10,000).
- A net decrease of \$3,000 for Finance fee revenue (\$2,000) and Transportation fee revenue (-\$5,000) to align revenues with estimated costs in 2018-2019.

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Changes from Forecast to Proposed Budget

Business Taxes

- An increase of \$1.5 million to the General Business Tax revenue estimate (from \$24.2 million to \$25.7 million) to reflect anticipated revenue to be generated as a result of the proposed Business Tax Amnesty Program. This program waives penalties, providing an incentive for businesses to register with the City and comply with the newly modernized business tax rates and structures.

Fines, Forfeitures, and Penalties

- An increase of \$700,000 to the Parking Fines revenue estimate (from \$10.4 million to \$11.1 million) reflects the expansion of the Vehicle Abatement Service Pilot program, which would provide additional staffing to conduct all first visits for vehicle service requests, enabling Parking and Traffic Control Officers to focus on parking enforcement and vehicle abatement follow-up. In addition, higher Parking Fines revenue is anticipated as a result of the proposed addition of analytical and operational support to the Transportation Operations and Parking Services Section that will be used to identify efficiencies, focusing on vehicle abatement, Indigent Persons Payment Plan requirements, deployment of Parking Compliance Unit staff, citation issuance and collection, and revenue forecasting.

Revenue from State of California

- A one-time increase of \$368,000 to reflect grant funding from the Metropolitan Transportation Commission for urban village planning. The concept of urban villages was established in the Envision San José 2040 General Plan that was adopted in 2011. The policy intends to create a framework that directs sustainable job and housing growth within walkable and bike-friendly areas that have good access to transit and other infrastructure and facilities.
- A one-time increase of \$221,500 to reflect funding to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling \$520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California (\$221,500), Revenue from Local Agencies (\$289,000), and Other Revenue (\$10,000).
- An increase of \$100,000 to reflect increased Auto Theft Reimbursement revenue (from \$700,000 to \$800,000) in 2018-2019. Increased funding of \$100,000 is included in the Proposed Budget to provide equipment to support the Regional Auto Theft Task Force, including trackers and surveillance equipment.

Revenue from Federal Government

- A one-time increase of \$425,000 to reflect Urban Areas Security Initiative (UASI) grant funding, which will be allocated to the Office of Emergency Management (OEM). This funding will be offset by the creation of limit dated positions in OEM, which will assist in strategic planning and development efforts and manage recruitment in the projected phased growth of OEM.

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Revenue from Local Agencies

- A one-time increase of \$289,000 to reflect funding from the County of Santa Clara (\$145,000) and the Valley Transportation Authority (\$144,000) to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling \$520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California (\$221,500), Revenue from Local Agencies (\$289,000), and Other Revenue (\$10,000).

Franchise Fees

- An increase of \$245,000 reflects an increase in the Commercial Solid Waste (CSW) fees by 2.13% based on the change in the consumer price index (CPI). In October 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure started with a base of \$5.0 million per year for each of the 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 South District. The revised structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years.

Transient Occupancy Tax

- An increase of \$100,000 reflects higher Transient Occupancy Tax revenues anticipated to be received in 2018-2019. During the College Football Playoff (CFP) National Championship that will take place in January 2019, thousands of visitors are anticipated in Downtown San José, which will significantly increase hotel occupancy rates. As a result, General Fund TOT receipts are recommended to increase from \$19.6 million to \$19.7 million in 2018-2019.

GENERAL FUND REVENUE ESTIMATES

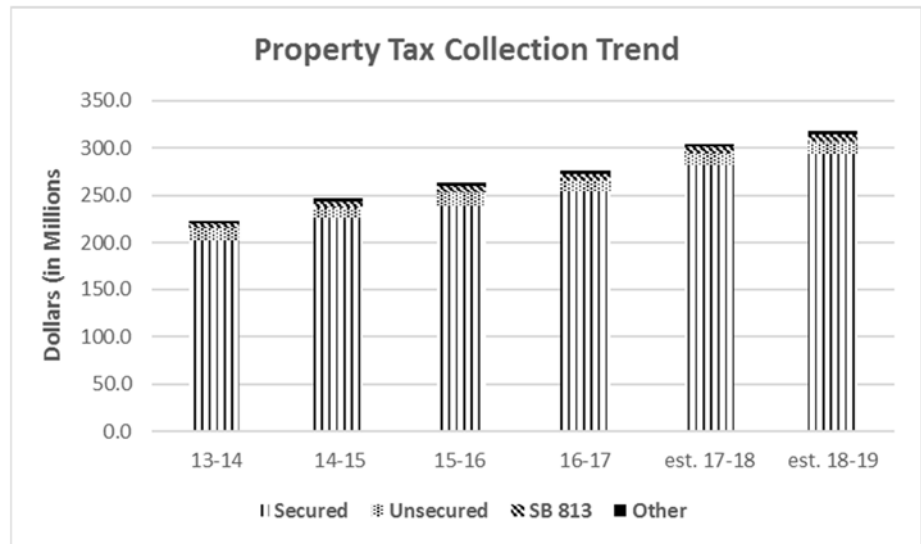
PROPERTY TAX	
2016-2017 Actual	\$ 276,388,433
2017-2018 Adopted	\$ 288,990,000
2018-2019 Forecast	\$ 317,600,000
2018-2019 Proposed	\$ 317,600,000
% of General Fund	26.9 %
% Change from 2017-2018 Adopted	9.9 %

Revenue Estimates

Property Tax Category	2018-2019 Proposed Budget
Secured Property Tax	\$ 292,600,000
Unsecured Property Tax	14,500,000
SB 813 Property Tax	6,850,000
Aircraft Property Tax	2,700,000
Homeowner's Property Tax Relief	950,000
Total	\$ 317,600,000

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.

Property Tax receipts of \$304.5 million are projected for 2017-2018, which is \$15.5 million (5.4%) above the 2017-2018 Adopted Budget and represents growth of 10.2% from 2016-2017 actual receipts, which is primarily driven by increases in the Secured Property Tax category. A significant portion of the Secured Property Tax growth from both the 2016-2017 collections and the 2017-2018 Adopted Budget is due to the Successor Agency to the Redevelopment Agency (SARA) bond refunding in December 2017 that is projected to result in additional property tax distribution to the City of approximately \$11.0 million in 2017-2018. In addition, the 2017-2018 projection reflects a 2.0% California Consumer Price Index (CCPI) increase assessed in the Secured Property Tax category and increased Educational Revenue Augmentation Fund (ERAF) revenue.



GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Revenue Estimates

In 2018-2019, Property Tax receipts are estimated at \$317.6 million, which reflects growth of 4.3% over the estimated 2017-2018 collections. Excluding the ERAF payments and the SARA Property Tax funding from 2017-2018 and 2018-2019, the adjusted growth in 2018-2019 is approximately 5.2% (Secured Property Tax assumes 5.5% growth and the remaining categories range from 0%-3% growth). The 2018-2019 estimate reflects continued moderate growth as well as a 2.0% CCPI increase that will be assumed 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 2017-2018, Secured Property Tax receipts are expected to total \$280.0 million, reflecting an increase of 11.0% from the 2016-2017 collection level. This growth reflects the additional revenue of \$11.0 million generated from the SARA bond funding, higher than anticipated ERAF funds, as well as general projected growth in Secured Property Tax receipts of approximately 5% in 2017-2018. The general growth primarily reflects an increase in assessed value for 2017-2018, due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. On a County-wide basis, the 2017-2018 roll growth was driven primarily by changes in ownership (46.9%), new construction (19.4%), and change in the CCPI (16.5%). In addition to the changes in assessed value, collections in this category are impacted by the ERAF payment. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder will be returned to the taxing entities that contributed to it. In March 2018, the City was notified a payment of \$8.2 million will be distributed to the City of San José, which is 87.1% above the ERAF payment received in 2016-2017 of \$4.4 million and significantly above the 2017-2018 budgeted estimate of \$4.0 million. The higher 2017-2018 collection level was included in the development of the estimate for the 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance.

In 2018-2019, Secured Property Tax receipts, which will be based on real estate activity through January 1, 2018, are expected to increase by 4.5% to \$292.6 million. The anticipated 2018-2019 net growth is primarily due three factors: a general increase of 5.5% in Secured Property Tax receipts and an increase in collections due to the SARA refunding from \$11.0 million in 2017-2018 to \$12.0 million in 2018-2019, partially offset by a potential decline in the ERAF payment from \$8.2 million in 2017-2018 to \$5.5 million in 2018-2019. The ERAF revenue stream varies from year to year and the significantly high 2017-2018 revenue level may not be sustained. Therefore, the 2018-2019 estimated collection level of \$5.5 million reflects a 33% decline from the 2017-2018 level; however, this collection level is well above the 2016-2017 ERAF payment of \$4.4 million.

The general increase in Secured Property Tax receipts of 5.5% is primarily driven by the change in the CCPI and the net change in residential and commercial valuation. 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. The CCPI adjustment for

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Revenue Estimates

Secured Property Tax (Cont'd.)

the 2018-2019 tax roll is 2%, which is consistent with 2017-2018. A net increase in residential and commercial valuation is also anticipated from the combination of changes in ownership and new construction. The significant increase in home prices will continue to be a positive factor, which is driving growth in this category. In calendar year 2017, residential real estate prices grew substantially as the December 2017 median single-family sales price of \$1.14 million reflected a 32.1% increase from the December 2016 price of \$863,000. The number of sales, however, has declined which negatively impacts growth. The total number of property transfers for single-family and multi-dwelling homes declined approximately 1%, from 7,869 sales in calendar year 2016 to 7,791 sales in calendar year 2017.

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 double-digit levels based primarily on the strength of the local business sector. Based on actual collections through March, Unsecured Property Tax receipts are estimated at \$14.0 million in 2017-2018, which is 4.7% above the prior year level of \$13.4 million. Collections are expected to increase approximately 3.0% in 2018-2019 to \$14.5 million based on the current economic conditions.

Other Property Taxes

For the other Property Tax categories, 2018-2019 collections are estimated at \$6.9 million for SB 813 Property Taxes (supplemental taxes that represent payments for taxes owned on recent housing resales), \$2.7 million for Aircraft Property Tax, and \$950,000 for Homeowner's Property Tax Relief. These collection levels are consistent with the 2017-2018 estimates.

GENERAL FUND REVENUE ESTIMATES

SALES TAX	
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2016-2017 Actual	\$ 207,695,033
2017-2018 Adopted	\$ 228,000,000
2018-2019 Forecast*	\$ 233,500,000
2018-2019 Proposed	\$ 233,500,000
% of General Fund	19.8%
% Change from 2017-2018 Adopted	2.4%

* The 2018-2019 Forecast was increased \$1.4 million from the February Forecast due to updated information; additional details can be found in the Overview of this section.

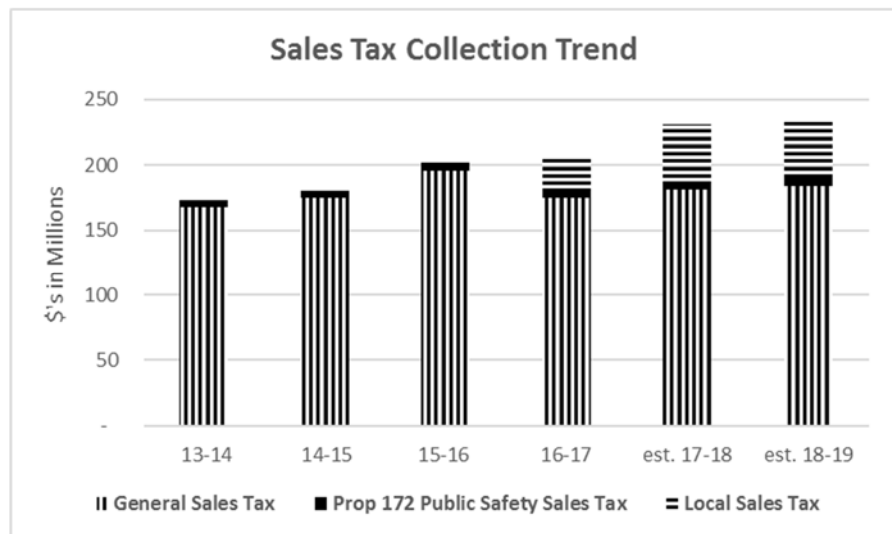
Distribution of Sales Tax

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

In 2017-2018, Sales Tax receipts are estimated to generate \$230.8 million, which is 11.1% above the 2016-2017 actual collection of \$207.7 million. The higher estimated collection level is primarily due to the annualization of the local sales tax that was collected for only three quarters in 2016-2017. In 2018-2019, Sales Tax receipts are projected to increase 1.2% to \$233.5 million, reflecting underlying growth of 2% and one-time adjustments. Following is a discussion of the three Sales Tax components: General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax.



GENERAL FUND REVENUE ESTIMATES

SALES TAX

Revenue Estimates

General Sales Tax

In 2017-2018 General Sales Tax receipts are estimated at \$181.2 million. This collection level is below the 2017-2018 Modified Budget estimate of \$183.0 million, but is 3.7% above the 2016-2017 collection level of \$174.7 million. When the 2017-2018 Adopted Budget was developed, the General Sales Tax estimate of \$187.0 million reflected growth of 3.9% from the 2016-2017 estimate of \$180.0 million. This reflected underlying quarterly growth of 3.0% as well as net upward adjustments of \$1.5 million to account for prior year accrual adjustments and to reverse a large one-time negative adjustment associated with the jet fuel correction that occurred in 2016-2017. However, because General Sales Tax ended 2016-2017 below estimated levels, a \$4.0 million reduction (from \$187.0 million to \$183.0 million) was approved as part of the 2016-2017 Annual Report. The 2017-2018 Modified Budget reflects approximately 3% underlying growth from the 2016-2017 actual collection level with one-time adjustments to account for the additional revenue recognized in 2017-2018 from the under-accrual of revenue in 2016-2017 and to reverse the large one-time correction in 2016-2017. The revised 2017-2018 estimate of \$181.2 million is approximately 1% lower than the Modified Budget, and is based on the first two quarters of actual data and estimates for the remaining two quarters.

Sales Tax Category	2018-2019 Proposed Budget
General Sales Tax	\$184,300,000
Local Sales Tax	43,000,000
Proposition 172 Sales Tax	6,200,000
Total	\$233,500,000

Information on actual receipts for the first and second quarters of General Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 General Sales Tax revenue (representing activity for July through September 2017) reflected growth of 8.8% from the same quarter in the prior year. However, the first quarter of 2016-2017 included a negative \$2.7 million correction from prior year payments that were made in error. Factoring out that adjustment, receipts in the first quarter of 2017-2018 reflect growth of 2.1% from the prior year. In addition, the second quarter 2017-2018 General Sales Tax revenue (representing activity for October through December 2017) reflected growth of 2.5% from the same quarter in the prior year. To meet the 2017-2018 Modified Budget estimate of \$183.0 million, the remaining two quarters would require growth of approximately 4%. However, based on current collection trends, it is estimated General Sales Tax will

Sales Tax Revenue Economic Performance	
Economic Sector	% of Total Revenue
General Retail	26.0%
Transportation	22.9%
Business-to-Business	19.9%
Food Products	18.4%
Construction	12.0%
Miscellaneous	0.8%
Total	100.0%

Source: MuniServices, LLC, January 2017 – December 2017

only grow 2% for the remaining two quarters and end the year at \$181.2 million, which is \$1.8 million below the 2017-2018 Modified Budget.

The City's Sales Tax consultant, MuniServices, LLC, has provided economic performance data to the City for calendar year 2017. The chart outlines the various sectors of sales tax and the percentage of the total receipts received.

GENERAL FUND REVENUE ESTIMATES

SALES TAX

Revenue Estimates

General Sales Tax (Cont'd.)

In 2018-2019, General Sales Tax receipts are estimated at \$184.3 million, which reflects growth of 1.7% from the 2017-2018 estimate of \$181.2 million. This reflects underlying quarterly growth of 2.0% as well as a downward adjustment of \$550,000 to account for a prior year accrual adjustment that occurred in 2017-2018.

Local Sales Tax

In 2017-2018, Local Sales Tax receipts are estimated at \$43.5 million, which is 24.3% above the 2017-2018 Modified Budget of \$35.0 million and 64.0% above 2016-2017 collections. In June 2016, San José voters approved a ¼ cent local sales tax that was estimated to generate \$30.0 million in 2016-2017 (October 2016 implementation) and \$40.0 annually beginning 2017-2018. However, based on the lower than anticipated performance during the first two quarters of 2016-2017, the 2016-2017 revenue estimate was lowered from \$30.0 million to \$26.0 million. Actual collections ended 2016-2017 at \$26.5 million, which reflected actual performance for the first two quarters (\$8.7 million and \$8.9 million) and estimated receipts of \$8.9 million for the final quarter. Actual Local Sales Tax results for the final quarter of 2016-2017 totaled \$10.2 million, which is \$1.3 million above the amount assumed for the 2016-2017 accrual. The additional revenue generated from this difference is reflected in 2017-2018.

Information on actual receipts for the first and second quarters of Local Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 Local Sales Tax revenue (representing activity for July through September 2017) totaled \$10.5 million. The second quarter 2017-2018 Local Sales Tax revenue (representing activity for October through December 2017) totaled \$11.3 million. Based on 2016-2017 collection trends as well as the receipts for first two quarters of 2017-2018, it is estimated Local Sales Tax will end the year approximately at \$43.5 million, which includes one-time funding from prior year accruals. In 2018-2019, \$43.0 million is projected from Local Sales Tax receipts. Consistent with the General Sales Tax, this reflects underlying quarterly growth of 2.0% as well as a downward adjustment of \$1.3 million to account for a prior year accrual adjustment that occurred in 2017-2018.

Public Safety (Proposition 172) Sales Tax

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, collections are projected at \$6.2 million, a slight increase from the \$6.1 million anticipated to be received in 2017-2018.

GENERAL FUND REVENUE ESTIMATES

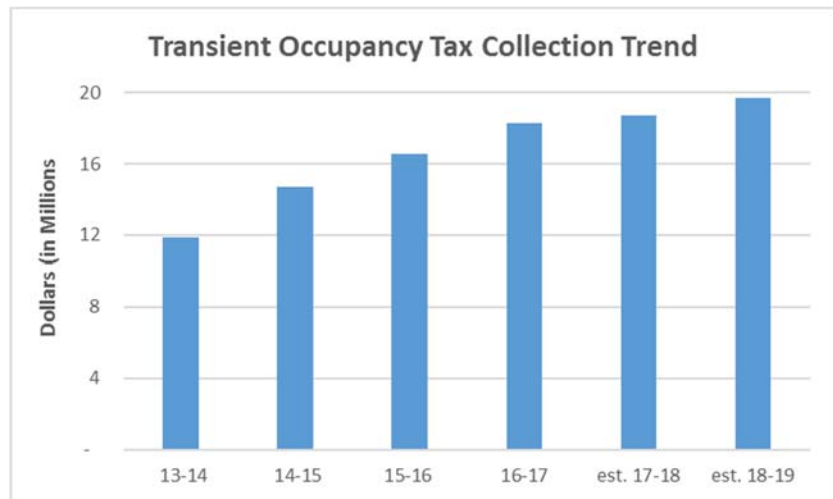
TRANSIENT OCCUPANCY TAX	
2016-2017 Actual	\$ 18,274,899
2017-2018 Adopted	\$ 18,720,000
2018-2019 Forecast	\$ 19,600,000
2018-2019 Proposed	\$ 19,700,000
% of General Fund	1.7 %
% Change from 2017-2018 Adopted	5.2 %

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 2017-2018, Transient Occupancy Tax (TOT) receipts in the General Fund are projected to reach \$18.7 million, which reflects an increase of 2.4% from the 2016-2017 collection level. The increase anticipated in 2017-2018 represents the eighth year of consecutive growth in this category, reflective of continued development and economic growth in the region. Generally, the hotel industry is



experiencing very slight growth in 2017-2018 compared to the prior year level. The March 2018 average revenue-per-available-room increased by 0.7% to \$158.96 and the average daily room rate of \$207.84 is very slightly above the prior year rate of \$207.80.

The 2018-2019 General Fund Forecast estimated TOT collections at \$19.6 million, reflecting growth of 4.7% from the 2017-2018 estimate of \$18.7 million. The 2018-2019 Proposed Budget includes a recommendation to increase the TOT revenue estimate by \$100,000 and use the additional funding to cover expenses that may be incurred during the College Football Playoff (CFP) National Championship activities that will occur January 3-7, 2019. With thousands of visitors anticipated in Downtown San José over the course of the CFP National Championship, hotel occupancy is expected to increase significantly. As a result, TOT receipts are recommended to be increased from \$19.6 million to \$19.7 million.

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES	
2016-2017 Actual	\$ 49,641,551
2017-2018 Adopted	\$ 50,813,083
2018-2019 Forecast	\$ 50,229,872
2018-2019 Proposed	\$50,474,798
% of General Fund	4.3 %
% Change from 2017-2018 Adopted	(0.7 %)

Revenue Estimates

Franchise Category	2018-2019 Proposed Budget
Electric	\$ 22,700,000
Gas	5,000,000
Commercial Solid Waste	11,758,798
Cable Television	10,400,000
City Generated Tow	256,000
Great Oaks Water	300,000
Nitrogen Gas Pipeline Fees	60,000
Total	\$ 50,474,798

Overall, Franchise Fees collections are projected at \$50.2 million in 2017-2018, an increase of 1.1% from prior year receipts of \$49.6 million. The projected increase in 2017-2018 is primarily due to higher collections in the Gas and Electricity categories, partially offset by lower City Generated Tow Franchise Fees. In 2018-2019, Franchise Fees are expected to increase 0.6% to \$50.5 million, which reflects a CPI adjustment in the Commercial Solid Waste category.

Electricity and Gas Franchise Fees

Franchise Fees for electricity and gas services provided by Pacific Gas & Electric (PG&E) are based on the revenues of that company in the calendar year (revenues in 2017-2018 are based on calendar year 2017). Projections in this category are typically based upon an examination of electricity and gas rate changes, industry actions, and actual collection patterns in the utility tax categories.

In the Electricity Franchise Fee category, collections in 2017-2018 are expected to reach \$22.3 million, reflecting growth of approximately 2.9% compared to actual receipts in 2016-2017. This estimate takes into consideration the actual collection patterns for electricity utility tax receipts in calendar year 2017. In 2018-2019, Electricity Franchise Fee collections are projected to increase by approximately 2% to \$22.7 million and reflects rate increases in January 2018 (average system-wide 0.4%) and March 2018 (average system-wide 3.4%), allowing for a slight reduction in consumption. In May 2016, the San José City Council established 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. It is currently anticipated the SJCE municipal launch will occur in summer 2018 and the commercial and residential launch will occur in early 2019. Since Electricity Franchise Fees are calculated on a calendar year basis, the Electricity Franchise Fee estimate

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

Revenue Estimates

Electricity and Gas Franchise Fees (Cont'd.)

for 2018-2019 does not assume any change in revenue related to the new City Energy program. In the Gas Franchise Fee Category, the 2017-2018 estimated collections of \$5.0 million reflects an increase of 4.4% from the \$4.8 million received in the prior year. This estimate takes into consideration the actual collection patterns for gas utility tax receipts in calendar year 2017. In 2018-2019 collections are projected to remain at \$5.0 million; however, receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

Commercial Solid Waste

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach the budgeted level of \$11.5 million in 2017-2018, 1.24% above the prior year collections, which is primarily due to the 2017-2018 CPI-based increase of 1.3%. Collections reflect the revised methodology for assessing this fee that became effective July 1, 2012. On October 19, 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is a base of \$5 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and the South District. This revised structure is subject to an annual increase based on the percentage change in the CPI rate during the prior two calendar years. It should be noted that this increase is not automatic, and is subject to City Council approval each year. Therefore, the 2018-2019 Forecast estimate of \$11.5 million is consistent with the 2017-2018 estimate and does not automatically assume a CPI adjustment. The Proposed Budget includes a 2.13% CPI increase, which will generate an additional \$244,926, bringing the revenue estimate to \$11.8 million in 2018-2019. This increase in the franchise fees is based on a percentage change in the annual CPI rate during the prior two calendar years.

Cable Television

The 2017-2018 Cable Television Franchise Fee estimate is \$10.4 million, which is consistent with the 2016-2017 collection level. In addition, revenue in 2018-2019 is anticipated to remain at \$10.4 million.

City Generated Tow Fees

The 2017-2018 City Generated Tow Fee estimate is \$628,000, reflecting a 40.3% decline from 2016-2017 collections of \$1.0 million. As detailed in the Amendments to City Generated Tow Agreements memorandum that was approved by the City Council on October 31, 2017, City Generated Tow Fees have significantly declined. Fee amendments approved in the memorandum became effective January 1, 2018. In 2018-2019, City Generated Tow Fees are anticipated to drop to \$256,000, which is based on current collection trends and anticipated impacts of the approved fee amendments.

Water Utility and Nitrogen Gas Pipelines

Water Franchise Fees are expected to total \$294,000 in 2017-2018, a 10.3% increase from the 2016-2017 collection level of \$266,000. In 2018-2019, collections are anticipated to increase an additional 2.0% to \$300,000. Nitrogen Gas Pipelines are anticipated to total \$60,000 in both 2017-2018 and 2018-2019, which is consistent with the 2016-2017 collection level.

GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES	
2016-2017 Actual	\$ 100,786,236
2017-2018 Adopted	\$ 101,320,000
2018-2019 Forecast	\$ 102,400,000
2018-2019 Proposed	\$ 102,400,000
% of General Fund	8.7 %
% Change from 2017-2018 Adopted	1.1 %

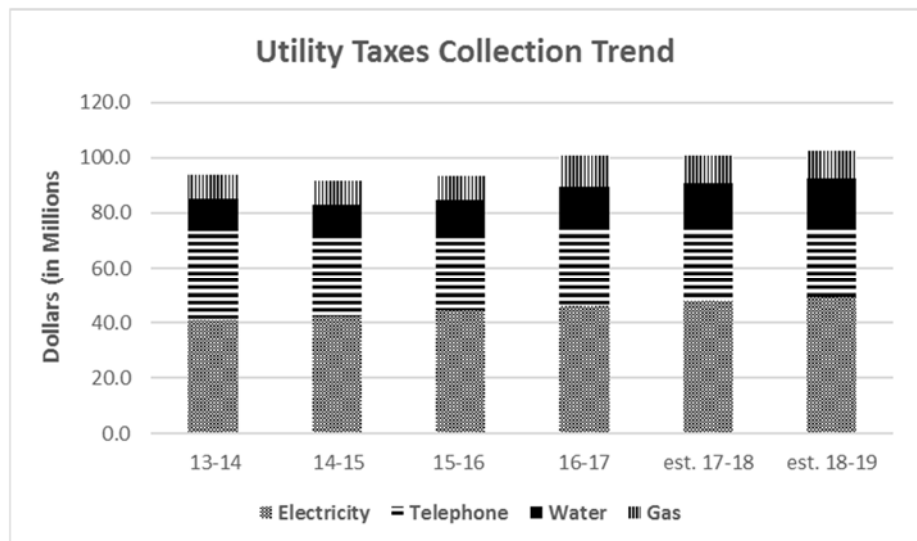
Revenue Estimates

Utility Taxes Category	2018-2019 Proposed Budget
Electricity	\$ 49,000,000
Telephone	26,200,000
Water	17,200,000
Gas	10,000,000
Total	\$ 102,400,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2017-2018 are anticipated to total \$100.9 million, representing a minimal increase of less than 1% from the 2016-2017 collection level of \$100.8 million. In 2018-2019, Utility Tax collections are projected to increase approximately 1.5% to \$102.4 million.

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$48.0 million in 2017-2018, a 4.4% increase from prior year levels. This reflects actual collection patterns as well as rate increases in January 2018 (0.4% system-wide) and March 2018 (3.4% system-wide). In 2018-2019, revenues are estimated to increase an additional 2% to \$49.0 million,



reflecting the annualization of rate increases in 2017-2018. In May 2016, the San José City Council established 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. It is currently anticipated the SJCE municipal launch will occur in summer 2018 and the commercial and residential launch will occur in early 2019.

GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES

Revenue Estimates

Gas Utility Tax

In 2017-2018, Gas Utility Taxes are projected at \$10.0 million, a 10% decrease from 2016-2017 collections based on actual collection patterns and anticipated consumption levels. In 2018-2019, collections are projected to remain at \$10.0 million; however, receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

Water Utility Tax

Water Utility Tax receipts of \$16.7 million are anticipated to be received in 2017-2018, which represents an increase of approximately 13% from 2016-2017 collection levels. In addition, 2018-2019 receipts are projected to increase approximately 3% to \$17.2 million. This increase is anticipated due to the continued rising wholesale price of water as well as anticipated increased water usage.

Telephone Utility Tax

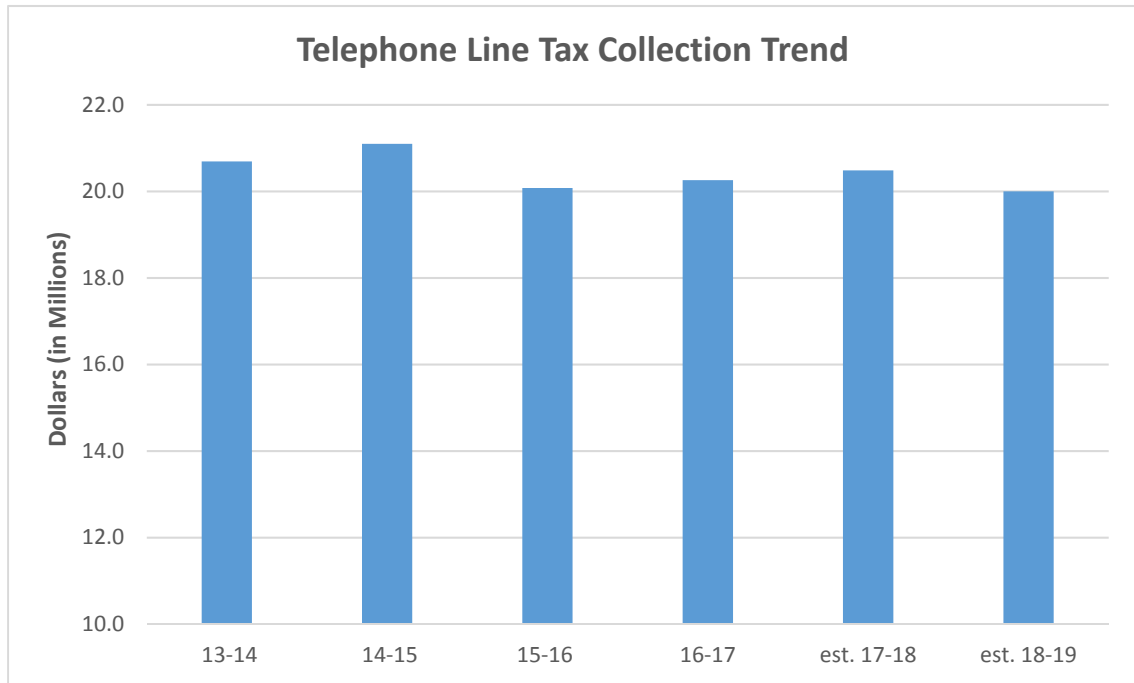
In the Telephone Utility Tax category, revenues are collected on landlines, wireless, VoIP, and prepaid wireless services sold at retail locations. Receipts in 2017-2018 and 2018-2019 are projected at \$26.2 million each year, a 9.3% decrease from 2016-2017 collection levels. The decline in this revenue category is the result of wireless consumers shifting to less expensive prepaid wireless plans and consumers continuing to permanently disconnect landlines in favor of cellular phones and internet phones.

GENERAL FUND REVENUE ESTIMATES

TELEPHONE LINE TAX	
2016-2017 Actual	\$ 20,260,057
2017-2018 Adopted	\$ 20,000,000
2018-2019 Forecast	\$ 20,000,000
2018-2019 Proposed	\$ 20,000,000
% of General Fund	1.7 %
% Change from 2017-2018 Adopted	0.0 %

Revenue Estimates

Based on the current collection trend for the Telephone Line Tax, receipts in 2017-2018 are estimated to total \$20.0 million, representing a slight decrease from the 2016-2017 collection level of \$20.3 million. In 2018-2019, receipts are anticipated to remain flat at \$20.0 million.



GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES	
2016-2017 Actual	\$ 54,158,627
2017-2018 Adopted	\$ 63,300,000
2018-2019 Forecast	\$ 67,000,000
2018-2019 Proposed	\$ 68,500,000
% of General Fund	5.8 %
% Change from 2017-2018 Adopted	8.2 %

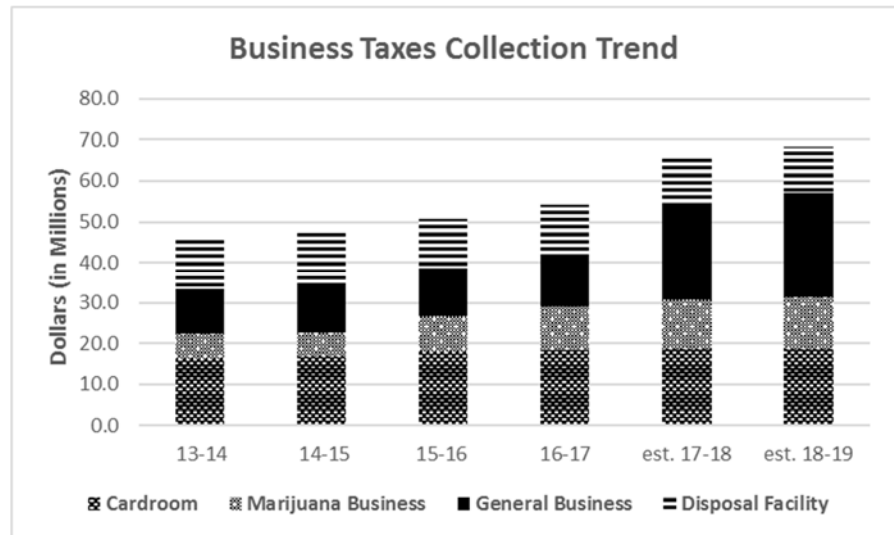
Revenue Estimates

Business Taxes Category	2018-2019 Proposed Budget
General Business Taxes	\$ 25,700,000
Cardroom Taxes	18,700,000
Marijuana Business Taxes	12,600,000
Disposal Facility Taxes	11,500,000
Total	\$ 68,500,000

In 2017-2018, Business Taxes are estimated to reach \$66.4 million, a 22.6% increase from 2016-2017 receipts of \$54.2 million, which is primarily due to the modernization of the San José business tax that became effective on July 1, 2017. In 2018-2019 Business Tax revenue is anticipated to increase to \$68.5 million, which is primarily the result of the General Business Tax Amnesty Program that is recommended as part of the Proposed Budget. Further information regarding the modernization of the General Business Tax and the General Business Tax Amnesty Program are discussed below.

General Business Tax

In 2017-2018, General Business Tax proceeds are anticipated to reach \$23.7 million, an 81.7% increase from the 2016-2017 collection level of \$13.0 million. The significant growth in revenue in 2017-2018 reflects 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

GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES

Revenue Estimates

General Business Tax (Cont'd.)

the application of the tax to more classes of business, and adding inflation based adjustments for future tax rates. The 2018-2019 Forecast estimate of \$24.2 million assumed a 2.0% increase from the 2017-2018 estimate. The 2018-2019 Proposed Budget includes a recommendation to implement the General Business Tax Amnesty Program, which would waive penalties, providing an incentive for businesses to register with the City and comply with the newly modernized business tax rates and structures. The Amnesty Program would encourage the enrollment of non-compliant businesses, which is estimated to generate \$1.5 million in General Business Tax revenue, increasing the 2018-2019 estimate from \$24.2 million to \$25.7 million.

Cardroom Tax

Based on current collection trends, Cardroom Tax revenue are estimated at \$18.7 million in 2017-2018, representing a 1.2% increase from prior year collections of \$18.5 million. In 2018-2019, receipts are anticipated to remain steady at \$18.7 million.

Marijuana Business Taxes

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 on medical and non-medical, legal and illegal sales. In 2017-2018, collections are anticipated to increase to approximately \$12.0 million, an increase of 14.6% from the prior year level of \$10.5 million. In 2018-2019 Marijuana Business Tax collections are anticipated to increase an additional 5% to \$12.6 million. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational marijuana use in the State of California. As a result, the sale of recreational cannabis at the 16 licensed dispensaries in San José began in January 2018. With limited information currently known, additional revenue has not been incorporated in the current year revenue estimate based on the legalization of recreational marijuana. Activity and potential increased revenue associated with the sale of recreational cannabis will continue to be closely monitored and any recommended adjustments will be brought forward later in the 2018-2019 budget process, as appropriate.

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 and the anticipation of a recycling plant closing for several months in the current year (resulting in higher solid waste being diverted to the landfill), 2017-2018 DFT collections are estimated at \$12.0 million, a 1.3% decline from the 2016-2017 collections. The 2018-2019 estimate decreases further to \$11.5 million as the recycling plant reopens and solid waste is diverted from the landfill. DFT revenues have declined over time as a result of continued waste diversion efforts. For instance, a decade ago in 2007-2008, DFT receipts totaled \$13.9 million and two decades ago in 1997-1998, receipts totaled \$19.5 million.

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS	
2016-2017 Actual	\$ 57,478,351
2017-2018 Adopted	\$ 59,778,354
2018-2019 Forecast*	\$ 59,209,710
2018-2019 Proposed	\$ 60,916,631
% of General Fund	5.2 %
% Change from 2017-2018 Adopted	1.9 %

* The 2018-2019 Forecast was increased \$679,722 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

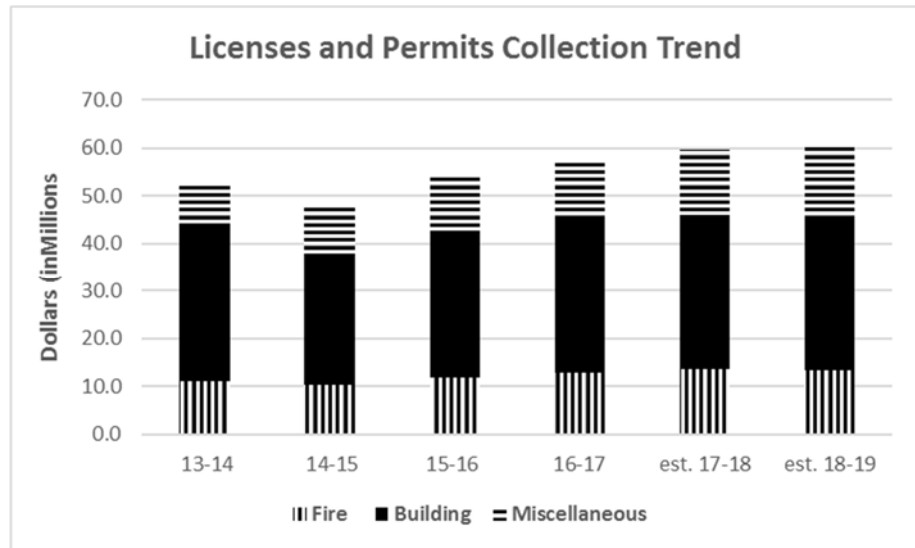
Revenue Estimates

Licenses and Permits Category	2018-2019 Proposed Budget
Building	\$ 32,500,000
Fire Permits	13,270,000
Other Licenses and Permits	15,146,631
Total	\$ 60,916,631

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 2018-2019, the Licenses and Permits category is estimated at \$60.9 million, which is 2.0% above the 2017-2018 estimate of \$59.7 million.

Building Permits

In 2017-2018, the Building Permits revenues are estimated at \$32.5 million, which is slightly higher than 2016-2017 actual collection level of \$32.1 million. In addition, the 2018-2019 estimate is anticipated to remain steady at \$32.5 million. It is important to note that the Building Development Fee Program costs are expected to exceed the revenue estimate in 2018-2019 by \$4.8 million. The Building Development Fee Program Reserve, which currently totals \$20.4 million would be used to close the gap in 2018-2019 to ensure the program remains at 100% cost recovery.



GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Revenue Estimates

Fire Permits

The Fire Department Fee Program includes both the Development and Non-Development Fee areas. In 2018-2019, the Fire Permits revenue estimate of \$13.3 million is slightly below the 2017-2018 estimated collection level of \$13.5 million primarily due to anticipated reduction in activity in the Fire Development Fee Program.

In the Fire Development Fee Program, the 2018-2019 revenue estimate of \$8.1 million is 6.3% below the 2017-2018 estimated collection level. The 2018-2019 Base Budget revenue estimate assumes a decline in building activity with the partial offset of a full year of billing at the rates established in 2017-2018. The 2017-2018 Fee increase did not take effect until August 2017 due to public noticing requirements. Therefore, the Fire Development Fee Program costs are expected to slightly exceed estimated revenue levels in 2017-2018. The Fire Development Fee Program Reserve, however, is sufficient to support the base program costs in 2018-2019 without a general fee increase. In the 2019-2023 Five-Year Forecast, it was assumed that the use of \$429,000 of the reserve would be necessary to balance this fee program in 2018-2019. In addition, a few expenditure budget actions totaling \$214,000 are recommended in the 2018-2019 Proposed Budget, including the net addition of 1.14 positions to continue the implementation of the Integrated Permitting System. In total \$643,000 of the Fire Development Fee Program will be used to balance this fee program and remain 100% cost recovery in 2017-2018. After accounting for these adjustments the 2018-2019 Fire Development Fee Program Reserve will have a remaining balance of \$7.4 million, which will be primarily needed for works-in progress projects.

In 2018-2019 the Fire Non-Development Fee revenue estimate of \$5.2 million is slightly higher than the 2017-2018 estimate of \$4.9 million. The 2017-2018 fee increase took effect in only three of the four billing cycles while the 2018-2019 Proposed Budget anticipates all four billing cycles of the higher fee with change in fees and activity consistent with 2017-2018.

Other Licenses and Permits

The 2018-2019 estimate totals \$15.1 million for Other Licenses and Permits; a net increase of \$1.7 million from the 2018-2019 Revised Forecast level of \$13.4 million. This increase primarily reflects fee adjustments to remain at 100% cost-recovery, as well as anticipated changes in activity levels. The most significant increase in 2018-2019 is related to various adjustments to Code Enforcement Licenses and Permits, which totals \$1.1 million. Increases in Code Enforcement fees will allow for the anticipated program costs in 2018-2019 to more closely align with estimated revenues, bringing the program closer to 100% cost recovery levels. Of the total adjustment to Code Enforcement Licenses and Permits, \$967,000 is related to the Multiple Housing Code Fee Program, with remaining amount being captured in various other Code Enforcement Programs, such as Abandoned Carts, Off-Sale Alcohol, and Tobacco Retailer Licenses.

Additional adjustments to Other Licenses and Permits are included in the Proposed Budget, totaling \$629,000, which are detailed on the following page.

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Revenue Estimates

Miscellaneous Other Licenses and Permits

- A net increase of \$365,000 to various Police permits based on an analysis of the cost to deliver various services. In addition, for the Cannabis Regulation program, two Analyst positions are recommended to be allocated in the Police Department and related non-personal and equipment, which is partially offset by the elimination of a Code Enforcement Inspector position in the Planning, Building and Code Enforcement Department. These positions will help facilitate inspections and regulatory compliance of registered cannabis businesses in San José has been included to address additional activity.
- An increase of \$260,000 to reflect increased revenue related to a \$5 fee increase for cat and dog licenses. The cat license fees will increase from \$25 to \$30 for three years for a cat that is spayed or neutered and the dog license will increase from \$45 to \$50 for three years for a dog that is spayed or neutered. These fees have not been increased since prior to 2010.
- A net increase of \$4,000 for other changes to licenses and permits to maintain cost recovery levels, including Department of Transportation Permits (\$6,000) and Finance Department Permits (-\$2,000).

Additional detail on these budget actions is provided in the PBCE, Police, Public Works, Transportation, and Finance Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2018-2019 Proposed Fees and Charges document, which will be released on May 4, 2018.

GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

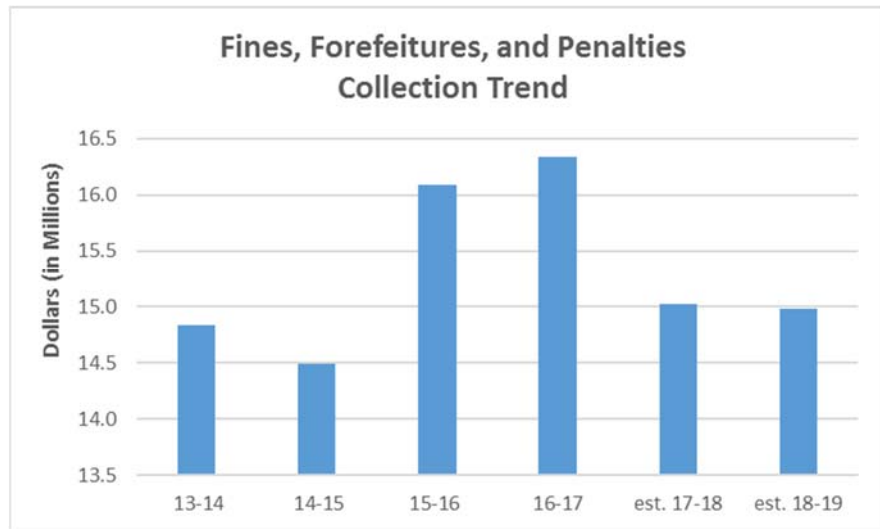
2016-2017 Actual	\$ 16,344,732
2017-2018 Adopted	\$ 15,336,284
2018-2019 Forecast	\$ 14,283,000
2018-2019 Proposed	\$ 14,983,000
% of General Fund	1.3 %
% Change from 2017-2018 Adopted	(2.3 %)

Revenue Estimates

Fines, Forfeitures, and Penalties revenue in 2017-2018 is estimated at \$15.0 million, which is 8.1% below 2016-2017 actual collection levels. In addition, the 2018-2019 Forecast estimate of \$14.3 million reflects an additional 5.0% decrease in revenue, which is primarily due to lower parking fine revenue. The Proposed Budget includes several recommendations that are anticipated to increase parking fine revenue by an overall \$700,000. As a result, Parking Fine revenue will grow from \$10.4 million to \$11.1 million and overall, Fines, Forfeitures, and Penalties revenue will grow from \$14.3 million to \$15.0 million in 2018-2019. Following is a discussion of the major components of the Fines, Forfeitures, and Penalties category.

Parking Fines

Parking Fines are expected to generate approximately \$10.4 million in 2017-2018, a 12.0% decrease from 2016-2017 collections of \$11.8 million. In addition, the 2018-2019 Forecast estimate of \$10.4 million assumes activity levels will remain consistent with the estimated 2017-2018 activity levels.



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. However, vacancies and the increased volume of vehicle abatement service requests have required the redeployment of Parking and Traffic Control Officers to manage the resulting backlog, in turn reducing capacity for regular parking enforcement activities. Approximately 7,500 fewer parking citations are expected to be issued during 2017-2018 than initially anticipated.

The expansion of the Vehicle Abatement Service Pilot that is included in the Proposed Budget would provide additional staffing to conduct all first visits for vehicle service requests, enabling Parking and

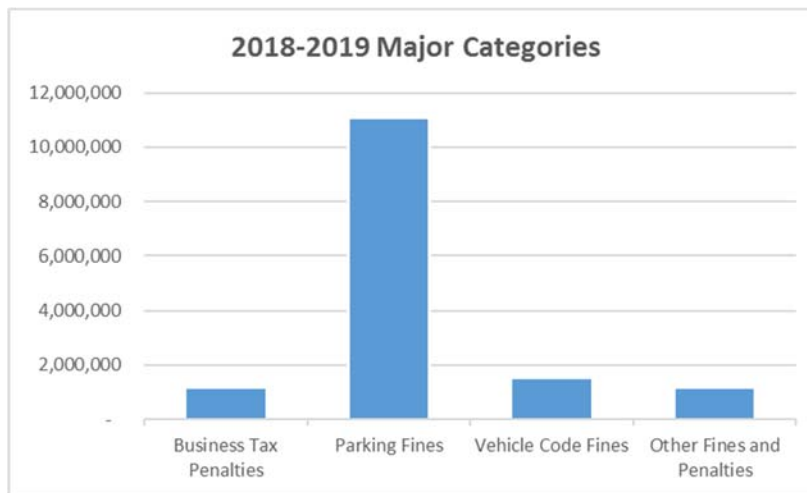
GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

Revenue Estimates

Parking Fines (Cont'd.)

Traffic Control Officers to focus on parking enforcement and vehicle abatement follow-up. In addition, the Proposed Budget recommends increasing analytical and operational support to the Transportation Operations and Parking Services Section to identify efficiencies, focusing on vehicle abatement, Indigent Persons Payment Plan requirements, deployment of Parking Compliance Unit staff, citation issuance and collection, and revenue forecasting. In anticipation of the resulting efficiency gains, the 2018-2019 estimate for parking fines is anticipated to reach \$11.1 million.



Vehicle Code and Municipal Court Fines

In 2018-2019, Vehicle Code Fines are estimated at \$1.0 million, which is consistent with the 2017-2018 estimate. Municipal Court Fines are expected to reach \$520,000 in 2017-2018 and stay flat in 2018-2019.

Business Tax Penalties

Business Tax penalties are anticipated to reach \$1.8 million in 2017-2018, which is 9.5% above the 2016-2017 collections of \$1.6 million. However, revenue is anticipated to drop to \$1.2 million in 2018-2019 due to a recommendation included in the Proposed Budget to implement the Business Tax Amnesty Program, which would waive business tax penalties during the program.

Administrative Citation Program

The 2018-2019 Administrative Citation Program is projected to generate \$225,000 in total collections, including \$200,000 in fines and an additional \$25,000 in penalties.

Other Fines and Penalties

Other Fines and Penalties of \$1.2 million are estimated to be received in 2018-2019 and reflect a variety of sources. Revenues included in this category include Code Enforcement administrative remedies (\$250,000), Multiple housing permit penalties (\$125,000), Fire safety penalties (\$150,000), and Blight Fines (\$140,000).

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

2016-2017 Actual	\$ 6,786,705
2017-2018 Adopted	\$ 5,640,000
2018-2019 Forecast*	\$ 6,832,000
2018-2019 Proposed	\$ 6,832,000
% of General Fund	0.6 %
% Change from 2017-2018 Adopted	21.1 %

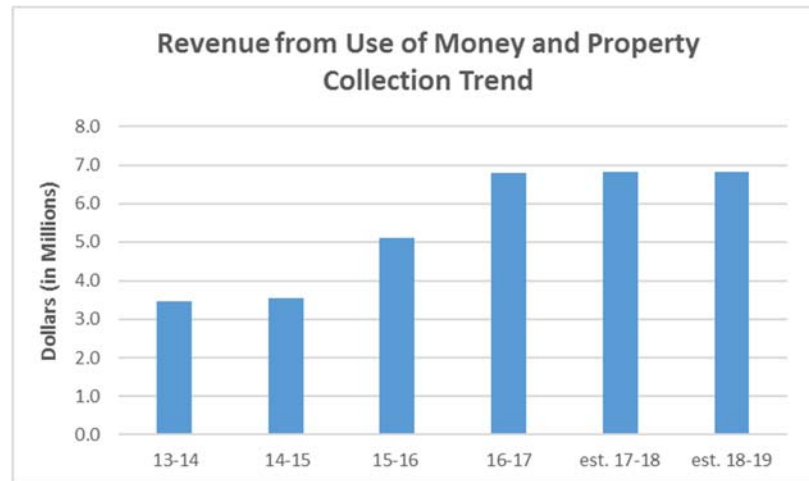
* The 2018-2019 Forecast was increased \$53,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Revenue Estimates

In 2018-2019, overall collections of \$6.8 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 the Use of Money and Property category. The 2017-2018 estimate for City-owned property rentals totals \$3.3 million, which is fairly consistent with prior year collections. In 2018-2019 a total of \$3.1 million is estimated to be received, which reflects a 7.4% drop from the 2017-2018 estimate. The primary reason for the 2018-2019



decrease is related to the rental of communications facilities, which is the largest driver of this category. The 2017-2018 estimate for rental of communications facility totals \$1.2 million. However, revenues are anticipated to decrease to \$1.0 million in 2018-2019 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 2018-2019, lease revenue from the USPTO is estimated at \$990,000, which is consistent with the 2017-2018 estimate. All remaining City-owned property rentals total \$1.0 million in 2018-2019, which is consistent with the 2017-2018 revenue estimate.

General Fund Interest Earnings

The anticipated interest earnings collection on the General Fund in 2018-2019 is \$3.0 million, which is slightly above the \$2.8 million estimated in 2017-2018 and significantly above the 2016-2017 collections of \$2.1 million. The higher collections are a result of interest rates, which continue to rise.

Miscellaneous Collections

An additional \$760,000 in miscellaneous sources is estimated to be generated in 2018-2019 primarily from Subrogation Recovery (\$500,000), Property Tax and Conveyance Tax Interest (\$160,000), and Fairmont Catering at City Hall (\$100,000).

GENERAL FUND REVENUE ESTIMATES

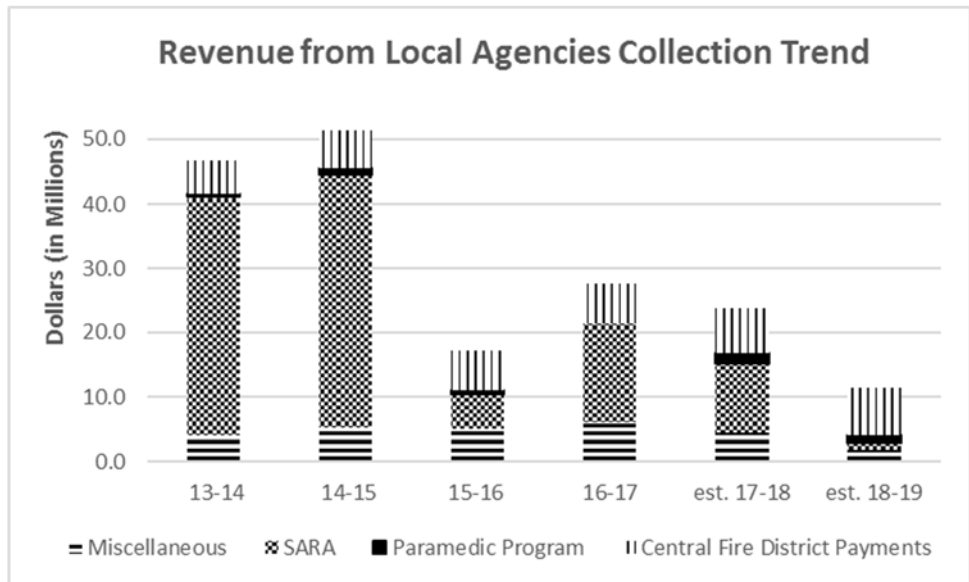
REVENUE FROM LOCAL AGENCIES	
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2016-2017 Actual	\$ 27,716,641
2017-2018 Adopted	\$ 26,040,025
2018-2019 Forecast	\$ 11,131,000
2018-2019 Proposed	\$ 11,420,000
% of General Fund	1.0 %
% Change from 2017-2018 Adopted	(56.1 %)

* The 2018-2019 Forecast was increased \$309,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Revenue Estimates

In 2017-2018, revenue of \$23.7 million is projected from other local agencies, such as the Central Fire District, Successor Agency to the Redevelopment Agency (SARA), and Santa Clara County for the first responder of advanced life support (Paramedics Program). In 2018-2019, revenue in this category is projected at \$11.4 million, which is \$12.3 million below the 2017-2018 estimate. The decrease in 2018-2019 revenue is primarily due to lower SARA reimbursement funding for enforceable obligations totaling \$10.8 million in 2017-2018, but reducing to \$1.0 million in 2018-2019. In addition, the 2018-2019 figure eliminates reimbursements and grants that are not secured on an ongoing basis, but includes new grant funding that is recommended to be allocated as part of the Proposed Budget.



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 \$7.0 million are anticipated in 2017-2018, which reflects a 7.5% increase from the prior year levels. In 2018-2019, collections are projected to increase an additional 5.0% to \$7.3 million.

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

Revenue Estimates

Successor Agency to the Redevelopment Agency

In 2017-2018, a reimbursement from SARA for enforceable obligations is estimated at \$10.8 million, with additional funding of \$1.0 million anticipated to be received in 2018-2019. The \$10.8 million reimbursement accounts for costs the City incurred supporting SARA since dissolution of the San José Redevelopment Agency in 2012. The 2018-2019 reimbursement of \$1.0 million is lower because it accounts for only one year of support services.

Due to the SARA bond refunding, this category will also no longer include the SARA reimbursement for the Convention Center Debt Service, and there is no longer an associated debt service payment budgeted in City-Wide Expenses.

Paramedic Program

A reimbursement from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) is estimated at \$1.5 million in 2017-2018 and \$1.3 million in 2018-2019. The reimbursement associated with the Paramedics Program was eliminated from the budget beginning in 2014-2015. Because the City's performance fell slightly below the performance standards set forth in the agreement with the County, no reimbursement was provided for either the equipment reimbursement component (Annex B, Category A funds) or the service-related component (Annex B, Category B funds). However, based on information received from the County, revenue is anticipated to be received in 2017-2018 totaling \$1.5 million for Category A funds (\$1.3 million) and Category B funds (\$224,000). The category B funds are based on actual performance for the first quarter, however, additional reimbursement may be received based on performance for the remainder of the year. Due to uncertainty related to future reimbursements for Category B funds, the 2018-2019 estimate is decreased to \$1.3 million and only incorporates Category A reimbursement. It should be noted that the direct incremental cost to the City to provide the paramedic program totals over \$5.0 million annually. If the County were to assume responsibility for this program, its costs are estimated to far exceed this amount.

Other Payments

Other projected payments from local agencies in 2018-2019 total \$1.6 million, which includes various reimbursements for services such as payments from agencies that use the Animal Care and Services Program (\$970,000) and County reimbursement for the Grace Therapeutic Art and Wellness Program at Northside Community Center (\$309,000). In addition, the 2018-2019 Proposed Budget includes a recommendation to recognize and allocate funding anticipated to be received from the County of Santa Clara (\$145,000) and the Valley Transportation Agency (\$144,000) for Viva CalleSJ and ¡Viva Parks! placemaking events.

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA

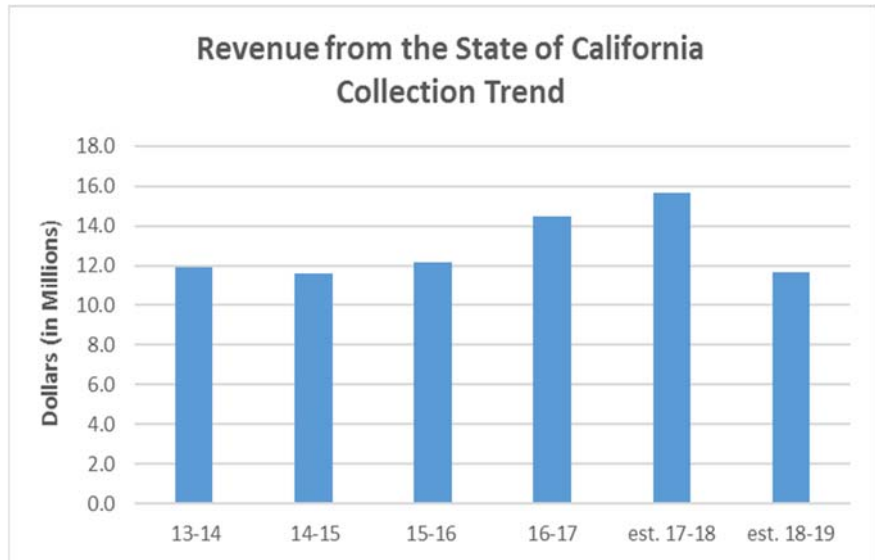
2016-2017 Actual	\$ 14,510,262
2017-2018 Adopted	\$ 12,962,140
2018-2019 Forecast*	\$ 11,019,543
2018-2019 Proposed	\$ 11,709,379
% of General Fund	1.0%
% Change from 2017-2018 Adopted	(9.7%)

* The 2018-2019 Forecast was increased \$429,543 from the February Forecast due to updated information; additional details can be found in the Overview of this section

Revenue Estimates

Revenues reflected in the Revenue from the State of California category include Tobacco Settlement funds, State grant revenue, and other State reimbursements.

Collections in this category are estimated to reach \$15.7 million in 2017-2018 and decrease to \$11.7 million in 2018-2019. This decrease reflects the elimination of one-time grants and reimbursements as well as a reduction in the Tobacco Settlement Revenue collection.



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 2017-2018 Tobacco Settlement payment totaled \$10.95 million, which is 19.4% above the \$9.2 million received in 2016-2017, and 23% above the \$8.9 million received in 2015-2016. It is uncertain if this higher collection level is sustainable, therefore in 2018-2019 collections are anticipated to return to \$9.0 million.

State Grants/Reimbursements

The City receives several grants and reimbursements from the State on an annual basis. The largest of these ongoing revenues include: Auto Theft reimbursement (\$800,000); Abandoned Vehicles

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA

Revenue Estimates

State Grants/Reimbursements (Cont'd.)

Abatement (\$680,000); and Highway Maintenance Charges reimbursement (\$110,000). 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 2018-2019, account for the Vehicle License Fee revenues that are collected by the Department of Motor Vehicles as a result of certain compliance procedures that are equally apportioned to counties and cities on a population basis.

The 2018-2019 Proposed Budget includes recommendations to allocate grant funding that is anticipated to be received in 2018-2019. A one-time increase of \$368,336 is included to reflect grant funding from the Metropolitan Transportation Commission for urban village planning. The concept of urban villages was established in the Envision San José 2040 General Plan that was adopted in 2011. The policy intends to create a framework that directs sustainable job and housing growth within walkable and bike-friendly areas that have good access to transit and other infrastructure and facilities. In addition, grant funding of \$221,500 is recommended to be allocated in 2018-2019, which will support Viva CalleSJ and ¡Viva Parks!, placemaking events.

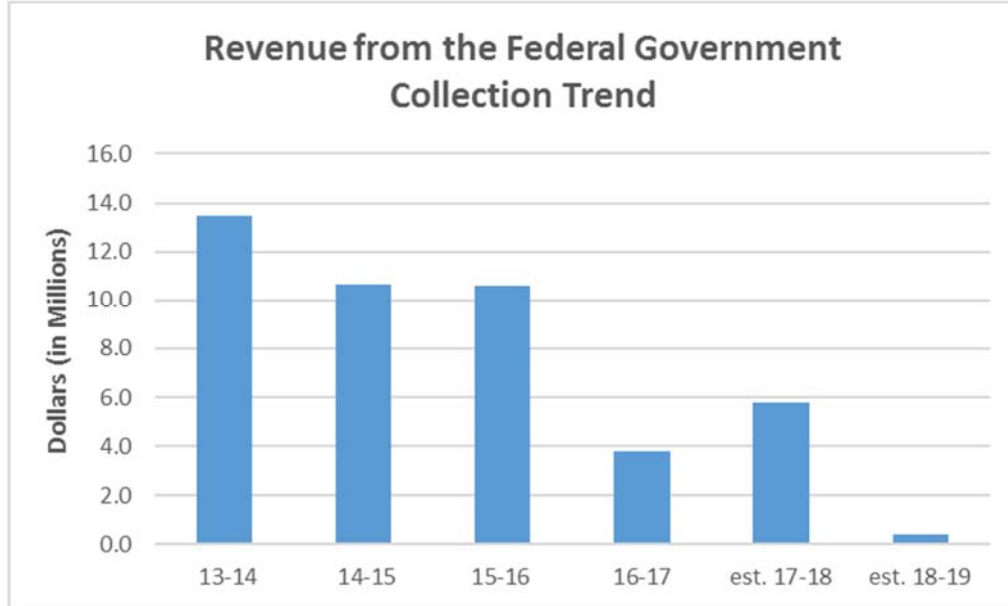
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE FEDERAL GOVERNMENT

2016-2017 Actual	\$ 3,790,410
2017-2018 Adopted	\$ 2,791,670
2018-2019 Forecast	\$ 0
2018-2019 Proposed	\$ 424,940
% of General Fund	0.0 %
% Change from 2017-2018 Adopted	(84.8 %)

Revenue Estimates

The Revenue from the Federal Government category accounts for grants and reimbursements from the Federal Government. One-time funding of \$5.8 million is estimated to be received in 2017-2018 from various grants, including Urban Areas Security Initiative (UASI; \$2.2 million) and Staffing for Adequate Fire and Emergency Response (SAFER; \$1.2 million). The Proposed Budget includes a recommendation to recognize and allocate grant funding of \$424,940 from the UASI Grant for emergency management services. This grant will fund limit-dated positions in the Office of Emergency Management (OEM), which will assist in strategic planning and development efforts and manage recruitment in the projected phased growth of OEM.



GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES	
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2016-2017 Actual	\$ 44,863,835
2017-2018 Adopted	\$ 48,498,645
2018-2019 Forecast*	\$ 46,981,795
2018-2019 Proposed	\$ 52,615,920
% of General Fund	4.5 %
% Change from 2017-2018 Adopted	8.5 %

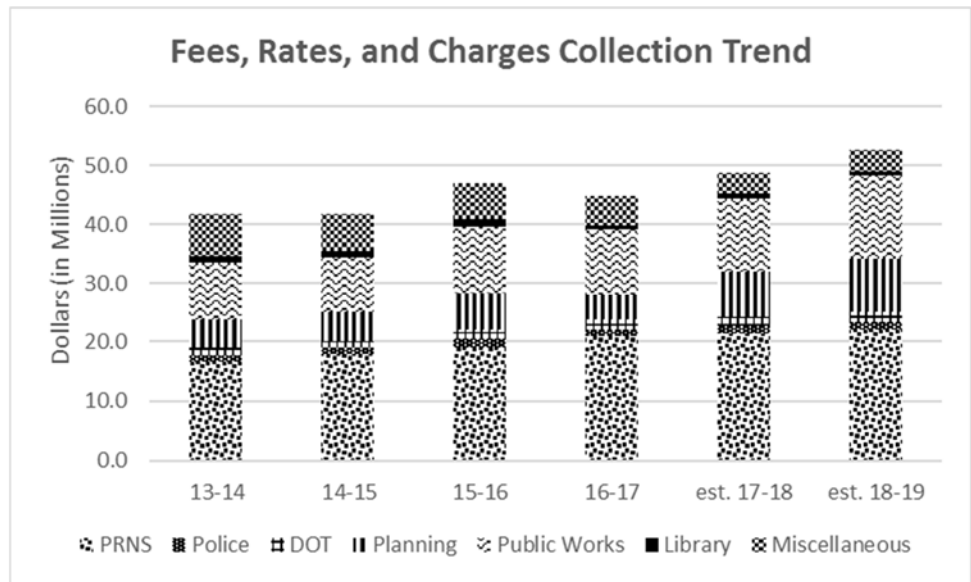
* The 2018-2019 Forecast was increased \$1.2 million from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Revenue Estimates

Fees, Rates, and Charges Category	2018-2019 Proposed Budget
Parks, Recreation and Neighborhoods Services (PRNS)	\$ 22,045,133
Public Works Department	14,297,158
Planning, Building and Code Enforcement	8,960,000
Department of Transportation (DOT)	1,712,002
Police Department	1,380,800
Library	566,000
Miscellaneous	3,654,827
Total	\$ 52,615,920

Contained in this revenue category are the various fees and charges levied to recover costs of services provided by several City departments. The Fees, Rates, and Charges estimate in 2018-2019 totals \$52.6 million, which is 17.3% above 2016-2017 collection level of \$44.9 million and 8.0% above the 2017-2018 estimate of \$48.7 million.

The Proposed Budget includes an increase of \$5.6 million from the Revised Forecast with adjustments to various individual categories. These adjustments are brought forward to



recognize revenues from new fees, maintain cost recovery levels of existing programs, and account for anticipated activity changes in 2018-2019. The major fee programs in the Fees, Rates, and Charges category are discussed in detail below.

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

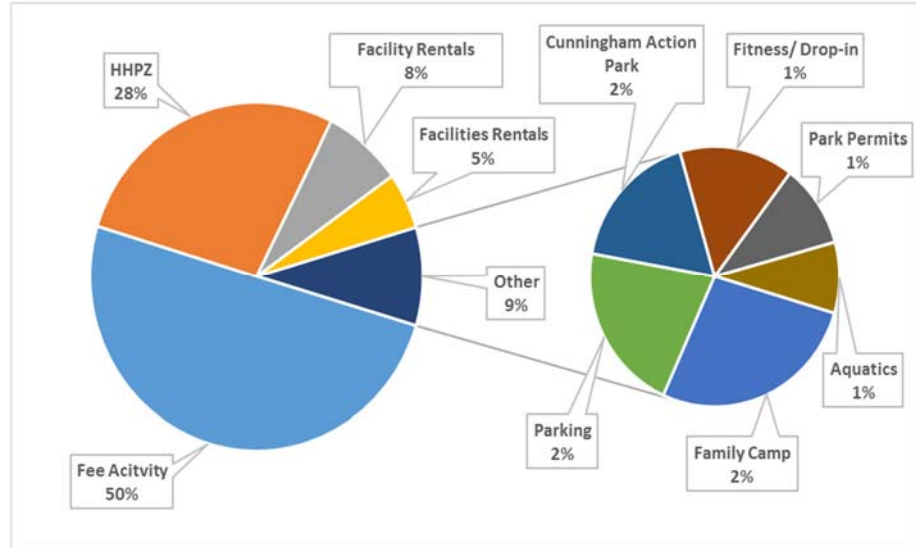
Revenue Estimates

Parks, Recreation and Neighborhood Services Fees

Parks, Recreation, and Neighborhood Services Department (PRNS) fee collections are estimated at \$22.0 million in 2018-2019 based on projected activity levels and fees.

The 2018-2019 Proposed Budget includes upward revenue adjustments totaling \$297,000 to reflect a limited number of fee increases for particular camps and programs, including the Leisure and Recreation of City Kids (ROCK) Programs, Camp San José, Regional Parks Day Camps, and San José FIT Camps.

The PRNS non-personal/equipment budget is proposed to increase by \$100,000 for additional camp and program scholarships, offset by the additional fee revenue as described in the PRNS Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2018-2019 Proposed Fees and Charges document, which will be released on May 4, 2018.



Public Works Fees

Public Works fee revenues are projected to total \$12.4 million in 2017-2018 and increase to \$14.3 million in 2018-2019. The 2018-2019 collection level reflects fee increases to close the funding gap between ongoing revenues and expenditures and to reflect higher activity levels associated with recommended budget adjustments to support small cell permitting. The increase in revenues, along with the use of a portion of the Public Works Development Fee Program Reserve, are sufficient to support the base costs and program additions in 2018-2019.

In December 2016, the City Council accepted the *City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report*. The Report highlighted that the Development Services Partners were not capturing all their costs from the fees and charges collected from customers. To move closer to full cost recovery for the Public Works Development Fee Program without requiring the use of the Public Works Development Fee Program

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Revenue Estimates

Public Works Fees (Cont'd.)

Reserve, increases to permit fees were implemented in 2017-2018. The 2018-2019 Budget includes the second phase of permit fee increases (\$1.2 million), which will move the program closer to full cost recovery. With these fee changes, there will be less reliance on the use of the Public Works Development Fee Program Reserve to close the Base Budget funding gap. After accounting for all adjustments, the Public Works Development Fee Program Reserve is anticipated to total \$3.6 million, which will primarily be used for works-in-progress projects.

In addition, the Proposed Budget includes a recommendation to add 7.0 positions and associated Non-Personal/Equipment funding for small cell permitting that will support the City's Broadband and Digital Inclusion Strategy, which was adopted by the City Council during the November 13, 2017 Special Meeting. It is anticipated as a result of this new Strategy, a significant increase for small cell utility permits will occur in 2018-2019, thereby increasing the Utility Fee revenue by \$1.2 million.

Additional detail on these budget actions is provided in the Public Works Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2018-2019 Proposed Fees and Charges document, which will be released on May 4, 2018.

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 2017-2018, Planning Fees are anticipated to generate approximately \$6.5 million. This collection level, along with the use of most of the Planning Development Fee Program Reserve, was sufficient to support program costs in 2017-2018. In 2018-2019, the Planning Development Fee Program costs are expected to exceed this base revenue estimate by \$2.46 million, and the Planning Development Fee Program Reserve is not sufficient to support these costs.

In December 2016, the City Council accepted the *City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report*. The Report highlighted that the Planning Development Fee Program, along with the other Development Services Partners, is not capturing all its costs from the fees and charges collected from customers. To move closer to full cost recovery for the Planning Development Fee Program without requiring the use of the Planning Development Fee Program Reserve, significant changes to the permit fees were included in the 2017-2018 Adopted Fees and Charges document, which was approved by the City Council on June 13, 2017. The approved fee changes were estimated to result in an increase in revenue of \$3.2 million, bringing the 2017-2018 revenue estimate to \$7.7 million. However, based on current collection trends, Planning Permit Fee revenues in 2017-2018 are not anticipated to reach the budgeted estimate in this cost recovery program. The lower revenue collections in 2017-2018 will be offset by expenditure savings and the use of most of the Planning Development Fee Program Reserve. To address the funding gap in 2018-2019, fee increases averaging 34% are recommended, which will be included in the 2018-2019 Proposed Fees and Charges. The proposed fee changes are estimated to result in increased revenue of \$2.5 million, bringing the 2018-2019 estimate to \$9.0 million.

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Revenue Estimates

Planning Fees (Cont'd.)

The Proposed Budget includes budget actions totaling \$391,000 in net costs to continue 2.24 positions (2.0 Planner IV's, 0.12 Senior Analyst, and 0.12 Supervising Applications Analyst) to support the implementation of the upgraded integrated permit system and savings from the implementation of a City-wide print management solution. With the approved fee changes, there will still be a reliance of \$539,000 on the use of the Planning Development Fee Program Reserve to close the Base Budget funding gap. After accounting for these adjustments, a remaining Planning Development Fee Program Reserve of \$211,000 is estimated, 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 and Information Technology Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2018-2019 Proposed Fees and Charges document that will be released on May 4, 2018.

Transportation Fees

The revenue estimate for Transportation Fees, Rates, and Charges totals \$1.7 million in 2018-2019, which is slightly above the 2017-2018 estimate of \$1.6 million. Fee adjustments resulting in a net increase of \$30,000 to various Transportation fees and charges are included in the Proposed Budget based on an analysis of the cost to deliver various services.

Police Fees

The 2018-2019 revenue estimate for Police Fees, Rates, and Charges totals \$1.4 million, slightly above the 2017-2018 anticipated collection levels of \$1.3 million. Fee adjustments resulting in a net increase of \$138,000 to various Police fees and charges are included based on an analysis of the cost to deliver various services.

Library Fees and Fines

Library Department Fees, Rates, and Charges for 2018-2019 are estimated at \$566,000, which is below the 2017-2018 estimated collection level of \$675,000 and the 2016-2017 collection level of \$650,000 due to lower estimated fines revenue.

Miscellaneous Departmental Fees

Collections of \$3.65 million are anticipated in 2018-2019 from a variety of fees and charges, which is slightly above the 2017-2018 estimate of \$3.5 million. The largest source generated in this revenue category is from the Solid Waste Enforcement Fee (SWEF) Program, which has a 2018-2019 revenue estimate of \$2.1 million.

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE	
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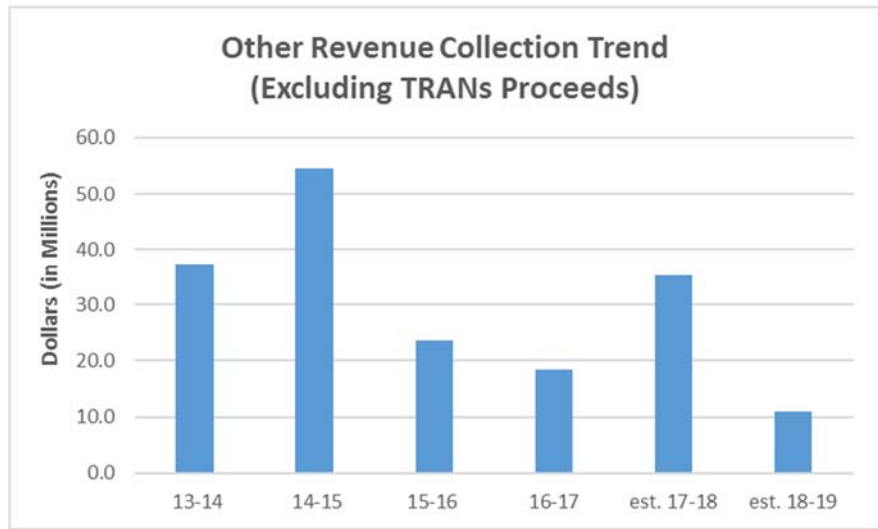
2016-2017 Actual*	\$ 118,407,917
2017-2018 Adopted	\$ 28,829,148
2018-2019 Forecast**	\$ 9,330,223
2018-2019 Proposed	\$ 10,867,471
% of General Fund	0.9 %
% Change from 2017-2018 Adopted	(62.3 %)

* The 2016-2017 Actual includes revenues associated with the issuance of a \$100 million TRANs based on cash flow needs.

** The 2018-2019 Forecast was increased \$32,430 from the February Forecast due to updated information; additional details can be found in the Overview of this 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 Jose, Sidewalk Repair and Tree Maintenance Activities, and Miscellaneous Other Revenue.



In 2017-2018, this category is expected to generate \$185.3 million. The 2017-2018 estimate includes a number of adjustments not included in 2018-2019, 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 are brought forward for City Council approval in August of each year along with the associated expenditure; and one-time PERS Levy Litigation Settlement funds of \$13.1 million.

The 2018-2019 Forecast of \$9.3 million assumes the continuation of current year activity levels with revisions, where appropriate, for 2018-2019 costs or agreements and the elimination of one-time funding sources. In addition, the Proposed Budget includes recommendations totaling \$1.5 million, bringing the 2018-2019 budget to \$10.9 million, which are described in further detail below.

The 2018-2019 budget will increase significantly during 2018-2019 once the revenues associated with the issuance of the TRANs are brought forward with an offsetting expenditure based on estimated cash flow needs.

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Revenue Estimates

Public, Education, and Government (PEG) Access Facilities

In 2018-2019, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$2.1 million, which is consistent with the 2017-2018 estimate. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access Facilities. There is an associated City-Wide Expenses allocation for this purpose.

Investment Program Reimbursement

The 2018-2019 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 slightly higher than the 2017-2018 estimate of \$1.2 million.

Sale of Surplus Property

The proceeds from the Sale of Surplus Property category is estimated at \$1.3 million in 2017-2018 and \$1.0 million in 2018-2019 based on the anticipated assets that will be sold.

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 will decrease to \$375,000 in accordance with the term sheet with Sharks Sports Entertainment, which was approved by the City Council in May 2015.

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 2018-2019 revenue estimate for this category is \$1.8 million, which is consistent with the 2017-2018 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 2018-2019, which is consistent with the 2017-2018 estimate; a corresponding City-Wide Expenses allocation is included to provide the service.

Miscellaneous Other Revenue

Miscellaneous other revenues of \$2.2 million are included in the 2018-2019 Forecast and reflect a variety of sources. In addition, this document includes actions totaling \$1.5 million, bringing the 2018-2019 budget to \$3.7 million. Recommendations include \$1.3 million from Google for Diridon Station Area Planning and Development, \$200,000 for Unclaimed Property Escheatment, \$10,000 to support Viva CalleSJ and ¡Viva Parks!, placemaking events, and a net reduction of \$3,000 related to ongoing fees and charges adjustments.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS	
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2016-2017 Actual	\$ 90,559,736
2017-2018 Adopted	\$ 88,428,909
2018-2019 Forecast*	\$ 93,885,341
2018-2019 Proposed	\$ 95,924,193
% of General Fund	8.1%
% Change from 2017-2018 Adopted	8.5%

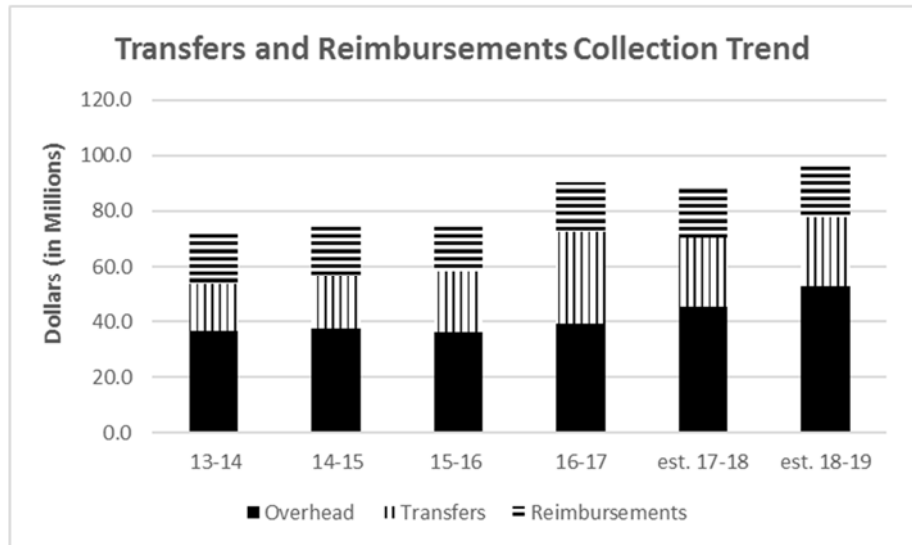
* The 2018-2019 Forecast was increased \$2.9 million from the February Forecast due to updated information; additional details can be found in the Overview of this section.

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 \$95.9 million in 2018-2019. This amount is 8.5% above the 2017-2018 budget estimate of \$88.4 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 2018-2019, a total of \$52.5 million in overhead reimbursements are projected based on 2018-2019 overhead rates prepared by the Finance Department applied against the projected 2018-2019 applicable salaries. This figure



reflects the following: an increase of \$2.9 million incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$1.1 million incorporated into the 2018-2019 Proposed 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. Following is a summary of the overhead reimbursement changes from the Revised Forecast by fund.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Revenue Estimates

Overhead Reimbursements (Cont'd.)

<u>Fund</u>	<u>Overhead Adjustment</u>
Recycle Water Fund (570)	\$ 854,424
Capital Funds	371,000
Multi-Source Housing Fund (448)	184,040
Maintenance Assessment District Funds	116,415
Storm Sewer Operating Fund (446)	105,081
Airport Maintenance and Operation Fund (523)	90,018
Sewer Service and Use Charge Fund (541)	73,867
Public Works Program Support Fund (150)	57,674
St James Park Management District Fund (345)	40,262
Affordable Housing Investment Fund (346)	39,347
General Purpose Parking Fund (533)	18,891
Water Utility Fund (515)	8,266
Vehicle Maintenance and Operations Fund (552)	7,103
Integrated Waste Management Fund (423)	3,563
San José/Santa Clara Treatment Plant Operating Fund (513)	(848,281)
Community Development Block Grant Fund (441)	(15,534)
Total Adjustments	\$ 1,106,136

Transfers

The Transfers category is projected at \$25.1 million in 2018-2019, which is slightly above the \$25.0 million anticipated to be received in 2017-2018. The largest component of this category is a transfer from the Airport Maintenance and Operating Fund of \$15.7 million to reimburse the General Fund for police and aircraft rescue and firefighting services provided by the Police and Fire Departments. These reimbursements have been built to cover the 2018-2019 direct costs as well as the indirect costs. Additional large transfers programmed for 2018-2019 include the following: Construction and Conveyance Tax Fund transfers (\$3.7 million) associated with park maintenance costs and methane monitoring; Construction Excise Tax Fund transfer (\$1.8 million); General Purpose Parking Fund (\$807,000); Convention and Cultural Affairs Fund (\$473,000); Integrated Waste Management Fund (\$300,000); and interest earnings from various funds, the largest of which is the Construction and Conveyance Tax Funds (\$1.0 million).

As directed in the Mayor's March Budget Message for Fiscal Year 2018-2019 and approved by the City Council, the \$807,000 transfer from the General Purpose Parking includes a one-time transfer of \$100,000 to support capital infrastructure improvements for the Downtown Ice Rink.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Revenue Estimates

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 2017-2018 are projected to reach \$17.3 million. Collections are anticipated to remain flat at \$17.3 million in 2018-2019; 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 2018-2019 of \$925,000. This figure includes reimbursement of \$194,000 that is included in the Proposed Budget for costs associated with 1.5 positions allocated in the Human Resources Department for the VEBA program.

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 36,500,000
Rebudgets: Earmarked Reserves/Expenditures	\$ 500,000
Unexpended Earmarked Reserves*	\$ 34,039,393
2017-2018 Expenditure Savings/Additional Revenue*	\$ 27,650,000
Liquidation of Prior Year Encumbrances*	\$ 2,500,000
Fund Balance Subtotal:	101,189,393
Reserve for Encumbrances	\$48,885,515
Fund Balance Total:	\$ 150,074,908
% of General Fund**	8.5%

* Used for 2018-2019 Proposed Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance, totaling \$150.1 million, are included as part of the 2018-2019 Proposed Budget. The estimate for the encumbrance reserve is set at the 2016-2017 actual level (\$48.9 million). The Proposed Budget included a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2018-2019.

The estimate for unrestricted fund balance is set at \$101.2 million, representing a \$37.2 million increase from the 2018-2019 Revised Forecast level of \$64.0 million. When the initial Forecast was developed, the fund balance projection totaled \$65.6 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$36.5 million; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$18.0 million; and additional funding of approximately \$11.1 million from various reserves to support specific costs programmed in 2018-2019. The use of reserves included the following: \$5.7 million from the Building Development Fee Program Reserve, \$3.2 million from the Planning Development Fee Program Reserve, \$1.1 million from the Public Works Development Fee Program Reserve, and \$787,000 from the Fire Development Fee Program Reserve to cover costs associated with these fee programs in 2018-2019; \$297,000 from the San José Environmental Sustainability Program Reserve; and \$50,000 from the 2018-2019 Cinequest Film and Virtual Reality Festival Reserve. In the Revised Forecast, the reserves amount carried over was reduced by a net \$1.6 million to reflect a lower carryover amount of the Development Fee Program Reserves (Building: reduction of \$893,000; Planning: reduction of \$567,000; Fire: reduction of \$358,000; Public Works: increase of \$194,000) necessary to bridge the gap between 2018-2019 revised base revenues and expenditures.

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

The \$37.2 million increase from the Revised Forecast to the Proposed Budget includes the following:

- Liquidation of various reserves totaling \$24.5 million, including the 2018-2019 Future Deficit Reserve (\$20.3 million), Rehired Healthcare Reserve (\$4.3 million), Cultural Facilities Capital Maintenance Reserve (\$1.0 million), Sick Leave Payments Upon Retirement Reserve (\$1.0 million), Public Works Development Fee Program Reserve (\$450,000), Building Development Fee Program Reserve (\$544,000), and the Fire Development Fee Program Reserve (\$189,000).
- Additional anticipated fund balance of \$9.6 million from additional revenue that is anticipated to be received in 2017-2018 and be available for use in 2018-2019. \$9.35 million is anticipated to be received in 2017-2018 from Santa Clara County related to residual property tax revenue as a result of the Successor Agency to the Redevelopment Agency (SARA) bond refunding that occurred in December 2017. In addition, \$250,000 is anticipated to be received from the Federal Emergency Management Agency (FEMA) for reimbursement costs associated with the 2017 Coyote Creek Flood.
- Expenditure Savings of \$2.6 million are anticipated in 2017-2018 to be available for use in 2018-2019. With the recent sale of the Airport West (FMC) property, net sale proceeds of \$625,000 and debt service savings of \$1.8 million are available for use in 2018-2019. Additionally, grant funding for the Citywide Open Data Environment and Architecture has been received in 2017-2018, but the expenditure funding is not needed until 2018-2019. Therefore, the funding will be carried over as 2018-2019 Beginning Fund Balance and appropriated accordingly.
- Rebudget of funds for the San Jose Works expenditure-related item in the amount of \$500,000, which is not anticipated to occur until 2018-2019.
- A reduction of \$3.3 million due to the use of Planning and Public Works Development Fee Program reserves being assumed in the 2018-2019 Forecast, however, the Proposed Budget recommending several fee increases, resulting in less reserve funding being needed for Public Works Development Fee Program (\$1.2 million) and the Planning Development Fee Program (\$2.1 million). The Planning Development Fee Program Reserve adjustment (\$2.1 million) reflects increases in fee revenue restoring \$2.5 million of reserve funding, partially offset by expenditure changes requiring use of the reserve totaling \$392,000.