

# GENERAL FUND REVENUE ESTIMATES

## OVERVIEW

For 2016-2017, General Fund revenue estimates (excluding fund balance) total \$941.2 million, representing a 2.1% increase from the 2015-2016 Adopted Budget level. When Fund Balance-Carryover is included, General Fund resources total \$1.045 billion, which is 11.0% 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 2015-2016 Adopted Budget Fund Balance total. Rebudgets for the 2016-2017 budget will be brought forward later in the budget process.

Estimates for the 2016-2017 Beginning Fund Balance and for over 450 separate General Fund revenue accounts were formulated as part of the 2017-2021 Five-Year Forecast prepared in February 2016. 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 2015-2016, an estimate for the increase or decrease in activity, and receipts anticipated for 2016-2017. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The 2016-2017 General Fund revenue estimates are summarized below and discussed in detail in the material that follows.

Revenue Category	1 2014-2015 Actuals	2 2015-2016 Adopted	3 2015-2016 Forecast	4 2016-2017 Proposed	2 to 4 % Change	% of Total
Property Tax	247,258,146	255,210,000	270,625,000	270,625,000	6.0%	25.9%
Sales Tax	180,406,911	190,260,000	194,695,553	194,695,553	2.3%	18.6%
Transient Occupancy Tax	14,734,573	14,700,000	17,821,000	17,821,000	21.2%	1.7%
Franchise Fees	46,908,555	47,582,232	48,903,200	48,916,811	2.8%	4.7%
Utility Taxes	91,547,670	93,825,000	95,749,500	95,749,500	2.1%	9.2%
Telephone Tax	21,097,282	21,000,000	21,614,000	21,614,000	2.9%	2.1%
Business Taxes	47,344,824	44,425,000	48,800,000	48,800,000	9.8%	4.7%
Licenses and Permits	47,508,875	48,721,223	50,632,528	51,572,553	5.9%	4.9%
Fines, Forfeitures and Penalties	14,491,423	15,356,042	14,910,600	14,910,600	(2.9%)	1.4%
Rev. from Money and Property	3,580,694	3,414,999	3,863,935	3,863,935	13.1%	0.4%
Rev. from Local Agencies	39,858,774	23,909,616	22,875,000	22,875,000	(4.3%)	2.2%
Rev. from State Government	12,024,115	11,370,763	10,619,429	10,902,929	(4.1%)	1.0%
Rev. from Federal Government	10,626,611	9,083,802	2,526,566	2,754,566	(69.7%)	0.3%
Departmental Charges	41,704,532	40,923,558	39,782,190	41,681,974	1.9%	4.0%
Other Revenue	154,598,297	26,259,638	15,128,362	15,144,509	(42.3%)	1.4%
Transfers and Reimbursements	74,985,995	75,763,879	78,164,169	79,302,398	4.7%	7.6%
<b>Subtotal</b>	<b>1,048,677,277</b>	<b>921,805,752</b>	<b>936,711,032</b>	<b>941,230,328</b>	<b>2.1%</b>	<b>90.1%</b>
Fund Balance-Carryover (1)	-	252,826,392	65,825,927	104,558,075	(58.6%)	9.9%
<b>Total General Fund Sources</b>	<b>1,048,677,277</b>	<b>1,174,632,144</b>	<b>1,002,536,959</b>	<b>1,045,788,403</b>	<b>(11.0%)</b>	<b>100.0%</b>

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

# GENERAL FUND REVENUE ESTIMATES

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### Economic Performance

The 2016-2017 revenue estimates were built on the assumption of moderate continued economic growth, which will have a modest positive impact on the City's economic performance.

The following is a discussion of both the national and local economic outlooks used to develop the 2016-2017 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 2016-2017 Five-Year General Fund Forecast, released February 2016.

### National Outlook

Moderate economic growth appears likely for the next several years, driven by growth across most sectors of the economy, according to the December 2015 UCLA Anderson Business School Forecast.

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 March 2016 (seasonally adjusted) and increased 0.9% over the last 12 months (before seasonal adjustment)<sup>1</sup>. The index for all items less food and energy has increased 2.2% over the last 12 months. As the Federal Reserve Board targets a core annual inflation rate of 2%, it continues to signal that it will begin to gradually raise interest rates in 2016, though will be influenced by any changes in economic conditions as they arise.

The UCLA Anderson Business School Forecast anticipates moderate growth, with a GDP growth rate of 2.7% for 2016, and continued growth in employment, as the economy operates at full employment. Further, it is anticipated that the Federal Reserve Board is expected to increase the Fed funds rate, with the first one likely to be in June; growth will be driven by increases in consumer spending and housing along with the end of the inventory correction currently being experienced.

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<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index News Release, April 14, 2016

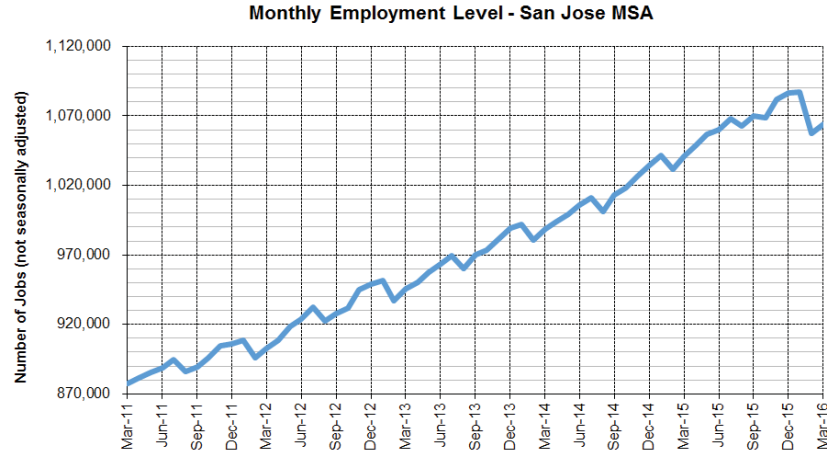
# GENERAL FUND REVENUE ESTIMATES

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### Economic Performance

#### City of San José Outlook

The majority of economic indicators continue to show improvement from the same period a year ago. The March 2016 employment level in the San José, Sunnyvale, Santa Clara Metropolitan Statistical Area (MSA) of 1.02 million was 2.3% above the March 2015 level of 994,000.



#### Unemployment Rate (Unadjusted)

	March 2015	Feb 2016	March 2016
San José Metropolitan Statistical Area*	4.5 %	3.8%	3.9%
State of California	6.7%	5.7%	5.6%
United States	5.6%	5.2%	5.1%

\* San Benito and Santa Clara Counties  
Source: California Employment Development Department

The unemployment rate in the San José metropolitan area continues to improve in 2015-2016, dropping from 4.5% in March 2015 to 3.9% in March 2016. These rates remain well below the double digit levels that had been experienced during the Great Recession. The March 2016 unemployment rate in this region is less than the unadjusted rate for the State (5.6%) and the nation (5.1%).

Construction activity hit a peak of \$1.7 billion in 2013-2014 and remained strong in 2014-2015 at a valuation of \$1.3 billion. In 2015-2016, activities continue to reflect still strong, but declining development activity.

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD Mar. 2015	YTD Mar. 2016	% Chng
Residential	\$ 515.0	\$ 347.3	-32.6%
Commercial	\$ 243.5	\$ 300.7	23.5%
Industrial	\$ 247.7	\$ 320.4	29.4%

The number of new residential dwelling units permits issued through March 2016 (1,324) was below the prior year level of 3,076 by 57.0%. While residential activity is down, commercial and industrial activity is up compared to 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 the storm and sanitary sewer system fees.

# GENERAL FUND REVENUE ESTIMATES

## OVERVIEW

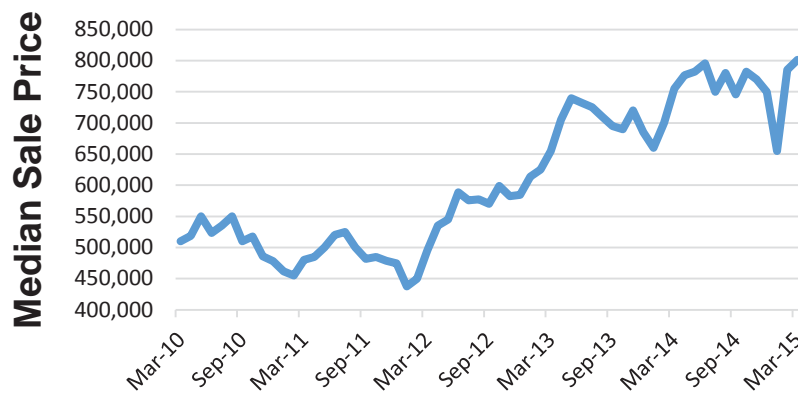
### Economic Performance

The housing market also continued to improve in 2015-2016. The median price for single family homes increased in value, with a median home price in March 2015 of \$801,000, up 6.1% from the March 2014 price of \$755,000. In addition, the amount of time it takes to sell a home (single-family and multi-family dwelling units) has decreased in the past year from 23 days in March 2015 to 19 days in March 2016, a 17.4% decrease. The March 2015 figure reflects the fewest days on market since June 2015. The number of home sales (single-family and multi-family dwelling units), has also increased over the past year (6.2%) from 5,477 sales in 2014-2015 to 5,818 sales in 2015-2016.

Moderate economic growth is expected to continue in 2016-2017. Due to this outlook, the economically sensitive

revenues, such as Sales Tax and Property Tax receipts, are expected to experience modest growth.

### Median Price - Single Family Homes



### 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.

# GENERAL FUND REVENUE ESTIMATES

## OVERVIEW

### Revised General Fund Forecast

Between the issuance of the Five-Year Forecast in February 2016 and the release of the Proposed Budget in May 2016, staff continued to review and update the estimated revenue collections for 2016-2017. Based on this analysis, a number 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 \$773,000 to the Forecast from \$1.002 billion to \$1.003 billion.

Following is a summary table and descriptions of the changes incorporated into the Revised Forecast that was used as the starting point in preparing the 2016-2017 Proposed Budget.

#### 2016-2017 Revised Forecast Changes

<u>Category</u>	<u>\$ Change</u>
Sales Tax	\$ 500,000
Departmental Charges	454,460
Business Taxes	350,000
Other Revenue	300,000
Revenue from the State	177,748
Revenue from the Federal Government	87,870
Licenses and Permits	(185,408)
Transfers and Reimbursements	(911,945)
<b>Total</b>	<b>\$ 772,725</b>

A brief discussion of these changes follows.

#### *Sales Tax*

- An increase of \$500,000 to the General Sales Tax revenue estimate (\$194.2 million to \$194.7 million) to reflect higher than anticipated collections for the second quarter of 2015-2016, providing a higher base starting point for next year's anticipated growth.

#### *Departmental Charges*

- An increase of \$270,000 adjusts the Solid Waste Enforcement Fee aligns program revenues to costs to maintain 100% cost recovery levels.
- An increase of \$124,000 to the Parks, Recreation and Neighborhood Services Departmental Charges aligns revenues with estimated activity levels at the Happy Hollow Park and Zoo.
- An increase of \$60,000 to the Department of Transportation fees and charges to reflect fee revisions based on estimated activity levels.

# GENERAL FUND REVENUE ESTIMATES

## OVERVIEW

### Revised General Fund Forecast

#### *Business Taxes*

- An increase of \$200,000 to the estimate for Disposal Facility Tax (\$12.0 million to \$12.2 million) based on current collection trends experienced in 2015-2016, which has seen increased activity from neighboring agencies dumping in San José landfills, consistent with 2014-2015 actual collections.
- An increase of \$150,000 to the estimate for General Business Taxes (\$11.5 million to \$11.7 million) based on current collection trends experienced in 2015-2016.

#### *Other Revenue*

- An increase of \$250,000 to the estimate for Senate Bill 90 reimbursements (\$500,000 to \$750,000) based on current collection trend experienced in 2015-2016.
- An increase of \$50,000 to reflect an increase in incentive payments from the City's procurement credit card (P-card) vendor.

#### *Revenue from the State*

- An increase of \$150,000 to the estimate for Tobacco Settlement (\$8.75 million to \$8.90 million) based on current collection trend experience in 2015-2016 and prior year actuals.
- An increase of \$28,000 to recognize a one-time grant from the California Department Conservation Sustainability Commission.

#### *Revenue from the Federal Government*

- An increase of \$88,000 to recognize a one-time grant received from the Metropolitan Transportation Commission.

#### *Licenses and Permits*

- A decrease of \$179,000 to the Multiple Housing Occupancy Permits revenue estimate (from \$5.63 million to \$5.45 million) to align anticipated 2016-2017 program reimbursed costs.
- A net decrease of \$6,200 reflects the realignment of revenues for the Animal Care and Services licensing and permits (-\$5,800) and Auto Dismantler Permit (\$-400).

#### *Transfers and Reimbursements*

- A net decrease of \$912,000 to reflect updated overhead reimbursements from capital funds and operating funds based on the final 2016-2017 base budget and final 2016-2017 overhead rates as approved by the Finance Department.

### Changes from Forecast to Proposed Budget

From the Revised Forecast of \$1.003 billion, a net increase of \$43.3 million to the General Fund revenue estimates is recommended, bringing the 2016-2017 Proposed Budget revenue estimate to \$1.05 billion. The components of this increase include an increase to the estimate for 2015-2016

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### Changes from Forecast to Proposed Budget

Ending Fund Balance/2016-2017 Beginning Fund Balance (\$38.8 million) and an increase to various revenue categories (\$4.5 million). These changes are summarized in the following table:

#### 2016-2017 Proposed Budget Changes

<u>Category</u>	<u>\$ Change</u>
Beginning Fund Balance	\$38,732,148
Departmental Charges	1,899,784
Transfers and Reimbursements	1,138,229
Licenses and Permits	940,025
Revenue from the State of California	283,500
Revenue from the Federal Government	228,000
Other Revenue	16,147
Franchise Fees	13,611
<b>Total</b>	<b>\$ 43,251,444</b>

#### *Beginning Fund Balance*

An increase of \$38.7 million from the Revised Forecast is included bringing the estimated 2016-2017 Beginning Fund Balance from \$65.8 million to \$104.6 million to reflect the following:

- Liquidation of various reserves totaling \$16.3 million including: \$5.0 million 2016-2017 Police Department Overtime Reserve, \$3.9 million Development Fee Program Reserves, \$3.7 million Cultural Facilities Capital Maintenance Reserve, \$1.6 million Police Department Staffing/Operations Reserve, \$1.3 million Employee Market Competitiveness Reserve, \$676,000 Staffing for Adequate Fire and Emergency Response (SAFER) 2014 Grant Reserve, \$110,000 2016-2017 Long Range Planning Project Staffing Reserve, and \$50,000 Retiree Healthcare Solutions Reserve.
- Additional anticipated fund balance of \$22.4 million from increased expectations for additional revenue and expenditure savings in 2015-2016 that will be available for use in 2016-2017 including: One-time Sales Tax payment of \$12.1 million as a result of the wind-down of the "Triple Flip"<sup>2</sup>, \$5.0 million in personal services savings that will occur in the Police Department due to a higher number of departmental vacancies, additional Property Tax of \$4.6 million for the distribution of excess 2014-2015 Education Revenue Augmentation Fund (ERAF) funds that are anticipated in 2015-2016, and \$750,000 in other departmental vacancy savings.

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<sup>2</sup> As part of the Proposition 57 State fiscal recovery funding mechanism (passed by the voters in march 2004), one-quarter cent of the City's one cent Bradley Burns sales tax has been temporarily suspended and replaced dollar-for-dollar with property tax revenue. This action, which went into effect on July 1, 2004, remains in effect until the State's bond obligations have been satisfied.



# GENERAL FUND REVENUE ESTIMATES

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## OVERVIEW

### Changes from Forecast to Proposed Budget

#### *Departmental Charges*

- An increase of \$1.9 million to the Parks, Recreation and Neighborhood Services Department Charges aligns revenues with estimated activity levels. The increase primarily reflects a net increase of \$1.6 million in the fee activity program revenues. Additional adjustments include: a \$236,000 increase in facility rental activities; a \$92,000 increase in Happy Hollow Park and Zoo revenues; and increase of \$40,000 for Viva Calle fees; and a reduction of (\$30,000) in Alum Rock parking permits.
- An increase of \$45,000 in the Police Department fees and charges to reflect various fee revisions.
- An increase of \$27,000 to the Transportation Department fees and charges to reflect various fee revisions and maintain cost recovery levels.
- An increase of \$24,000 reflects revisions to the Abandoned Cart Program Fee.
- An increase of \$8,000 adjusts the Solid Waste Enforcement to maintain 100% cost recovery levels.
- An increase of \$2,800 in the City Clerk's Office fees to reflect various revisions and maintain cost recovery levels.
- A decrease of (\$132,000) in the Library Department reflects various fees revisions.

#### *Transfers and Reimbursements*

- A one-time transfer of \$150,000 from various special and capital funds for the Human Resources/Payroll/Budget Systems upgrade to cover a portion of the additional \$500,000 added to the project in the 2016-2017 Proposed Budget to provide additional project contingency to help ensure the project remains on schedule and meets anticipated "go-live" dates.
- A one-time transfer of \$140,000 from the General Purpose Parking Fund to continue the coordination and development of the Diridon Station Area Plan, as approved by the City Council on June 17, 2014.
- A net increase of \$848,000 (\$698,000 ongoing) in anticipated overhead reimbursements to reflect the impact of various budget actions in the 2016-2017 Budget that change the staffing levels funded by special and capital funds.

#### *Licenses and Permits*

- An increase of \$533,000 in revenue to reflect revised calculations for the Medical Marijuana fees.
- An increase of \$185,000 reflects adjustments to the three-tier program for Multiple Housing Occupancy Permits and to align with slightly increased costs associated with the addition of mobile devices for Inspectors.



# GENERAL FUND REVENUE ESTIMATES

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## OVERVIEW

### Changes from Forecast to Proposed Budget

#### *Licenses and Permits (Cont'd.)*

- An increase of \$130,000 to adjust various Police Department permits to maintain cost recovery levels.
- An increase of \$57,000 in Fire non-development permits to maintain 100% cost recovery level.
- An increase of \$30,000 to adjust various Code Fees to bring them to 100% cost recovery.
- An increase of \$4,000 to adjust the Transportation Department Taxi Stand fees to maintain cost recovery levels.

#### *Revenue from the State of California*

- A one-time increase of \$212,000 reflects the estimated reimbursement from the California High Speed Rail to continue the coordination and development of the Diridon Station Area Plan.
- A one-time increase of \$72,000 reflects the estimated reimbursement from the Strategic Growth Council for urban village master planning and zoning revisions for East Santa Clara Street and Alum Rock Avenue.

#### *Revenue from the Federal Government*

- A one-time increase of \$228,000 reflects the estimated reimbursement from the Metropolitan Transportation Commission to develop plans for several urban villages.

#### *Other Revenue*

- An increase of \$18,000 for the estimated reimbursement from the Christmas in the Park Foundation. Part-time City staff hours are needed to transport props to and from the City warehouse. Incurred costs are fully reimbursed by the Christmas in the Park Foundation.
- A decrease of \$1,900 for Department of Transportation new subdivision traffic control signs and pavement markings revenues to reflect fee adjustments to maintain cost recovery levels.

#### *Franchise Fees*

- An increase of \$13,000 reflects an increase in the Commercial Solid Waste (CSW) fees by 0.12% based on the projected 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.

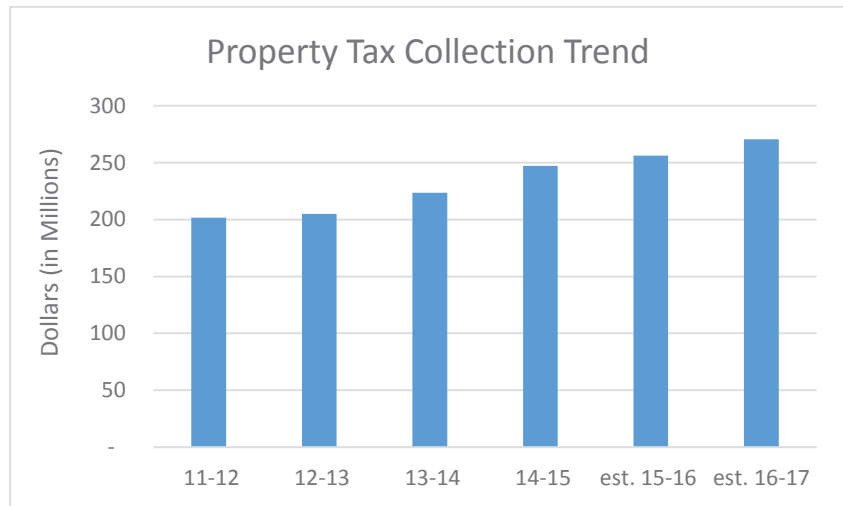
## GENERAL FUND REVENUE ESTIMATES

<b>PROPERTY TAX</b>	
2014-2015 Actual	\$ 247,258,146
2015-2016 Adopted	\$ 255,210,000
2016-2017 Forecast	\$ 270,625,000
2016-2017 Proposed	\$270,625,000
% of General Fund	25.9 %
% Change from 2015-2016 Adopted	6.0 %

### Revenue Estimates

Property Tax Category	Proposed Budget
Secured Property Tax	\$ 248,300,000
Unsecured Property Tax	14,238,000
SB 813 Property Tax	4,422,000
Aircraft Property Tax	2,635,000
Homeowner's Property Tax Relief Exemption	1,030,000
<b>Total</b>	<b>\$ 270,625,000</b>

Property Tax receipts of \$260.8 million are projected for 2015-2016, which represents 5.5% growth from the prior year. The 2015-2016 projection reflects continued growth, but at a slightly more moderate pace, as well as a 1.998% California Consumer Price Index (CCPI) assessed in the Secured Property Tax category.



The County of Santa Clara provided information about an anticipated one-time payment

to the City of San José as a result of an Educational Revenue Augmentation Fund (ERAF) payment. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder will be returned to the taxing entities that contributed to it. It is anticipated that a payment of \$6.6 million will be distributed to the City of San José in 2015-2016, which is slightly above the ERAF payment received in 2014-2015 of \$6.0 million and approximately \$4.6 million higher than what was assumed in the 2015-2016 Budget. This has been included in the development of the estimate for 2015-2016 Ending Fund Balance/2016-2017 Beginning Fund Balance. In 2016-2017, an ERAF payment of \$2.0 million is assumed as this revenue stream may vary from year to year and the higher levels received in the last two years may not be sustained.

# GENERAL FUND REVENUE ESTIMATES

## PROPERTY TAX

### Revenue Estimates

In 2016-2017, Property Tax receipts are estimated at \$270.6 million, which reflects growth of 3.8% over the estimated 2015-2016 collections. However, excluding the ERAF payments from 2015-2016 and 2016-2017, the adjusted growth in 2016-2017 is 5.7%. The 2016-2017 estimate reflects continued solid growth as well as a 1.53% CCPI increase that will be assumed in the Secured Property Tax category.

#### Secured Property Tax

Secured Property Taxes account for over 90% of the revenues in this category. In 2015-2016, Secured Property Tax receipts are expected to total \$238.8 million, reflecting an increase of 6.4% from the 2014-2015 collection level. This reflects an increase in assessed value for 2015-2016, due to the California Consumer Price Index (CCPI) increase of 1.998%, an ERAF payment of \$6.6 million, increased valuation due to changes in ownership or new construction, and the full or partial restoration of property values that were temporarily reassessed downwards under Proposition 8 due to the declining market value. On a County-wide basis, the 2015-2016 roll growth was driven primarily by changes in ownership (42.7%), new construction (15.8%), change in the CCPI (15.79%), and Proposition 8 adjustments (9.45%).

In 2016-2017, Secured Property Tax receipts, which will be based on real estate activity through January 1, 2016, are expected to increase by 4.0% to \$248.3 million. As discussed above, an ERAF payment of \$2.0 million is incorporated into the 2016-2017 Secured Property Tax estimate. Excluding ERAF payments, year-over-year growth of 6.0% is assumed. This projected increase is related to two factors: 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 the 2016-2017 tax roll is 1.525%; below the prior year level of 1.998%.

A net increase in residential and commercial valuation is also anticipated from the combination of changes in ownership, new construction, and the continued partial or full restoration of property values that had previously been reassessed downward under Proposition 8 due to declining home values. The majority of properties that had been adjusted downwards during the “Great Recession” have been fully or partially restored. As a result, these adjustments are expected to be less of a contributing factor to the growth in this category than experienced in recent years. The increases in property sale prices will continue to be a positive factor driving growth in this category. In calendar year 2015, residential real estate experience gains as the December 2015 median sales price of \$825,000 for single-family homes was 10.0% above the December 2014 level of \$750,000.

#### Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in this 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

# GENERAL FUND REVENUE ESTIMATES

## PROPERTY TAX

### Revenue Estimates

#### Unsecured Property Tax (Cont'd.)

levels based primarily on the strength of the local business sector. Based on actual collections, Unsecured Property Tax receipts are estimated at \$14.0 million in 2015-2016, which is 5.7% above the prior year level of \$13.2 million. Collections are expected to increase 2.0% in 2016-2017 to \$14.2 million based on the current economic conditions.

#### Other

It is estimated that an additional \$8.1 million will be received from the following: SB 813 Property Tax (\$4.4 million), Airplane Property Tax (\$2.6 million), and Homeowners Property Tax Relief (\$1.0 million).

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<b>SALES TAX</b>	
2014-2015 Actual	\$ 180,406,910
2015-2016 Adopted	\$ 190,260,000
2016-2017 Forecast	\$ 194,695,553
2016-2017 Proposed	\$194,695,553
% of General Fund	18.6 %
% Change from 2015-2016 Adopted	2.3 %

\* The 2016-2017 Forecast was increased \$500,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

### Distribution of Sales Tax

Sales Tax Category	Proposed Budget
General Sales Tax	\$ 188,754,553
Proposition 172 Sales Tax	5,941,000
<b>Total</b>	<b>\$ 194,695,553</b>

As shown in the following table, the City receives 1.0% of the 8.75% Sales Tax collected for items sold in San José. In addition, the City receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.

<u>Agency</u>	<u>Distribution Percentage</u>	<b>Revenue Estimates</b>
State of California	5.750%	Excluding one-time revenues associated with the “Triple Flip <sup>3</sup> ” wind down, Sales Tax receipts are estimated to generate \$189.1 million in 2015-2016, which is up 4.8% from the 2014-2015 collection level. In 2016-2017, Sales Tax receipts are projected at \$194.7 million, a 3.0% increase from the 2015-2016 estimated collection level.
City of San José	1.000%	
Santa Clara County	0.875%	
Santa Clara Valley Transportation Authority	0.625%	
Public Safety Fund (Proposition 172)	0.500%	
<b>Total Sales Tax Rate</b>	<b>8.750%</b>	

### General Sales Tax

The General Sales Tax revenue estimate is built on estimated collections of \$184.1 million in 2015-2016 (excluding the one-time funding from the Triple Flip wind down), which reflects a 5.0% increase from the 2014-2015 collection level. Collections in 2015-2016 will be impacted by prior year accrual adjustments and the Triple Flip prior year payment from the State.

<sup>3</sup> As part of the Proposition 57 State fiscal recovery funding mechanism (passed by the voters in March 2004), one-quarter cent of the City’s one cent Bradley Burns sales tax has been temporarily suspended and replaced dollar-for-dollar with property tax revenue. This action, which went into effect on July 1, 2004, was to remain in effect until the State’s bond obligations were satisfied. These bonds were paid off and the Triple Flip will sunset in 2015-2016.

# GENERAL FUND REVENUE ESTIMATES

## SALES TAX

### General Sales Tax (Cont'd.)

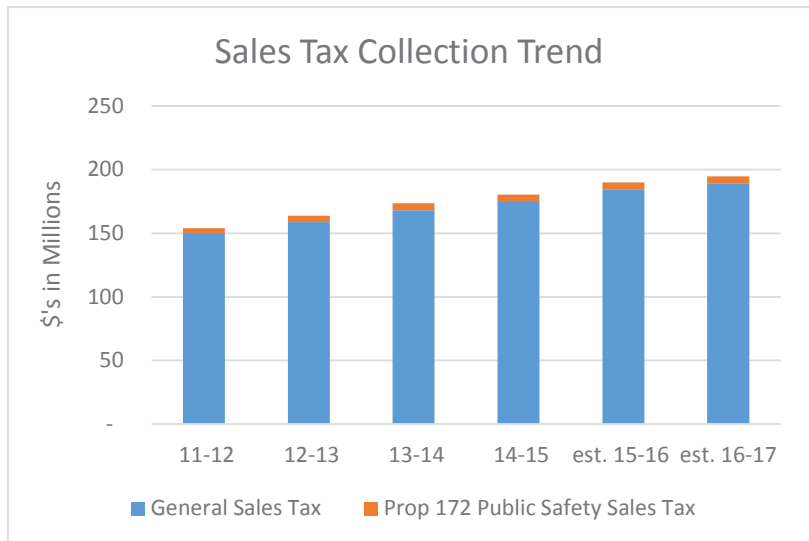
#### Sales Tax by Economic Sector

Economic Sector	% of Total Revenue
General Retail	28.6%
Transportation	22.4%
Business-to-Business	22.2%
Food Products	16.0%
Construction	10.1%
Miscellaneous	0.7%
<b>Total</b>	<b>100.0%</b>

Source: MuniServices, October 2014 - December 2015 quarter

The first quarter 2015-2016 General Sales Tax revenues were up 2.9% while receipts in the second quarter which covers the holiday period, were up 7.9% from the same quarter in the prior year compared to the budgeted estimate of 4%. However, due to a business reporting erroneously to San José, approximately \$876,000 will be reversed, resulting in growth of 6.0% in the second quarter (5.0% growth is assumed ongoing for purposes of developing the 2016-2017 estimate). Growth of 4.0% is assumed for

the remaining two quarters. In 2016-2017, the General Sales Tax revenue estimate is \$188.8 million, reflecting an increase of 3.0% from the estimated 2015-2016 collection level. This reflects underlying growth in taxable sales activity of 3.5% applied to an adjusted base in 2015-2016 that excludes one-time adjustments. As shown in the chart, a number of economic sectors contributed to the total Sales Tax receipts though nearly 75% was generated from General Retail, Transportation, and Business to Business categories.



In 2015-2016, the wind down of the Triple Flip is anticipated. Based on information from the City's Sales Tax consultant, MuniServices anticipated adjustments associated with the 2015-2016 Triple Flip payment (including the 2014-2015 true-up payment received in January 2016 and the final true-up payment anticipated in August 2016, which will be accrued to 2015-2016), revenues are projected to exceed the budgeted estimate of \$184.1 million by approximately \$12.1 million. This additional revenue has been included in the development estimate for the 2015-2016 Ending Fund Balance/2016-2017 Beginning Fund Balance and allocated as part of the 2016-2017 Proposed Budget. The figures described above exclude the one-time "Triple Flip" wind down payment.

### Public Safety (Proposition 172) Sales Tax

Proposition 172 Sales Tax collections (representing the one-half cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are expected to total \$5.7 million in 2015-2016, which is at the prior year collection level. In 2016-2017, collections are projected to increase 3.5%, to \$5.9 million.

## GENERAL FUND REVENUE ESTIMATES

### TRANSIENT OCCUPANCY TAX

2014-2015 Actual	\$ 14,734,573
2015-2016 Adopted	\$ 14,700,000
2016-2017 Forecast	\$ 17,821,000
2016-2017 Proposed	\$ 17,821,000
% of General Fund	1.7 %
% Change from 2015-2016 Adopted	21.2 %

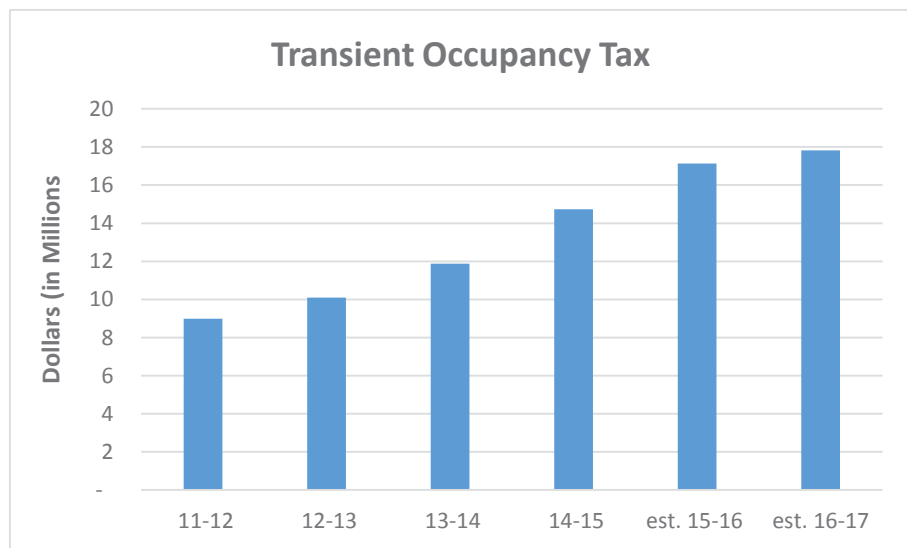
### Distribution of Transient Occupancy Tax

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

In addition, as directed in the Mayor’s March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the growth in Transient Occupancy Tax receipts over the 2013-2014 actual collection level are to be set aside in a Cultural Facilities Capital Maintenance Reserve.

### Revenue Estimates

Transient Occupancy Tax (TOT) receipts in 2015-2016 are projected to reach \$17.1 million, reflecting an increase of 15.8% from the 2014-2015 collection level. Current year receipts mark the sixth year of growth and the fifth year of double-digit strong growth in this category.



Overall, the hotel industry continues to experience year-over-year growth in fiscal year 2015-2016 with increases in average daily room rates (approximately 13%), and an average revenue-per-available room (approximately 12.3%).

In 2016-2017, growth of 4.0% from the 2015-2016 estimate to \$17.8 million is anticipated based on information received from the City’s consultant, Conventions, Sports and Leisure (CSL), which reflects continued strong performance in this category. Of this amount, \$5.9 million will be allocated to the Cultural Facilities Capital Maintenance Reserve.



## GENERAL FUND REVENUE ESTIMATES

<b>FRANCHISE FEES</b>	
2014-2015 Actual	\$ 46,908,554
2015-2016 Adopted	\$ 47,582,232
2016-2017 Forecast	\$ 48,903,200
2017-2018 Proposed	\$48,916,811
% of General Fund	4.7 %
% Change from 2015-2016 Adopted	2.8 %

### Revenue Estimates

Franchise Category	Proposed Budget
Electric	\$ 20,818,000
Gas	4,794,000
Commercial Solid Waste	11,413,611
Cable Television	10,608,000
City Generated Tow	900,000
Great Oaks Water	311,000
Nitrogen Gas Pipeline Fees	66,000
Jet Fuel Pipeline Fees	6,000
<b>Total</b>	<b>\$ 48,916,811</b>

Overall, collections are projected at \$48.1 million in 2015-2016, an increase of 2.5% from prior year receipts of \$46.9 million. The increase in 2015-2016 is primarily due to higher collections in Electric and Cable Television services. In 2016-2017, Franchise Fees are expected to increase 1.7% to \$48.9 million due to growth in the Gas (2.0%), Electric (2.0%), Cable (2.0%), Commercial Solid Waste (0.6%), and Great Oaks Water (15.2%) categories, including a \$13,611 increase generated from the CPI adjustment to the Commercial Solid Waste fees recommended in 2016-2017.

#### *Electricity, Gas, and Water Utility Services*

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 2015-2016 are based on calendar year 2015, and the 2015-2016 estimates reflect actual data from PG&E). 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 Electric Franchise Fee category, collections in 2015-2016 are expected to reach \$20.4 million, reflecting growth of 3.0 % compared to actual receipts in 2014-2015. In 2016-2017, growth of 2.0% from 2015-2016 estimates is anticipated.

In the Gas Franchise Fee Category, the 2015-2016 estimated collections of \$4.7 million reflect a 0.7% increase from the \$4.67 million received in the prior year. In 2016-2017, Gas Franchise Fee collections are projected to increase by 2.0%.

# GENERAL FUND REVENUE ESTIMATES

## FRANCHISE FEES

### Revenue Estimates

#### Electricity, Gas, and Water Utility Services (Cont'd.)

Water Franchise Fees are expected to total \$270,000 in 2015-2016, a 0.6% decline from the 2014-2015 collection level of \$272,000. This decline reflects the combined impact of significant water conservation efforts as a result of the current drought in California, partially offset by rate increases driven by increases in the wholesale price of water. In 2016-2017, estimated collections of \$311,000 reflect the continuation of the current trend with rate increases due to higher water costs, offset by declines in consumption in response to the drought.

#### Commercial Solid Waste

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach budgeted levels of \$11.3 million in 2015-2016, a 1.5% increase from the prior year collections. Effective July 1, 2012, the CSW fee is charged to franchises based on geographic collection districts rather than volume. The revised fee structure started with a base of \$5.0 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 structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years. It should be noted that this increase is not automatic, a 1.46% increase was approved in 2014-2015 and 0.69% was approved in 2015-2016. Included in this document is a 0.12% increase, which will generate an additional \$14,000 and is incorporated into the revenue estimate, bringing the budgeted estimate to \$11.4 million in 2016-2017. This 0.12% 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 2015-2016 Cable Television Franchise Fee estimate is \$10.4 million, which is 4.0% above the 2014-2015 actual collection level of \$10.0 million. In 2016-2017, estimated collections of \$10.6 million reflect projected modest growth of 2.0%.

#### City-Generated Towing, Nitrogen and Jet Fuel Pipelines

In the City-Generated Towing category, projected revenues of \$900,000 in 2016-2017 are at anticipated 2015-2016 collections. The Nitrogen and Jet Fuel Pipeline Franchise Fees are anticipated to generate \$72,000 in both 2015-2016 and 2016-2017.

## GENERAL FUND REVENUE ESTIMATES

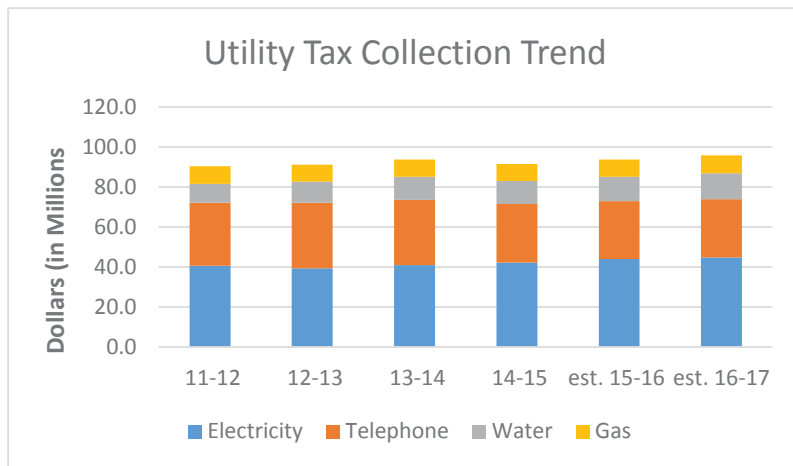
<b>UTILITY TAX</b>	
2014-2015 Actual	\$ 91,547,669
2015-2016 Adopted	\$ 93,825,000
2016-2017 Forecast	\$ 95,749,500
2016-2017 Proposed	\$ 95,749,500
% of General Fund	9.2 %
% Change from 2015-2016 Adopted	2.1 %

### Revenue Estimates

Utility Tax Category	Proposed Budget
Electricity	\$ 44,818,000
Gas	8,925,000
Water	12,960,000
Telephone	29,046,500
<b>Total</b>	<b>\$ 95,749,500</b>

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2015-2016 are anticipated to total \$93.8 million, representing an increase of 2.4% from the 2014-2015 collection level.

In 2016-2017, Utility Tax collections are projected to increase 2.1% to \$95.7 million.



#### **Electricity Utility Tax**

The Electricity Utility Tax is anticipated to generate \$43.9 million in 2015-2016, a 4.0% increase from prior year levels. In 2016-2017, revenues are estimated to increase 2.0% to \$44.8 million, which annualizes 2015-2016 increases (January 2016 average system-wide 6.2% and March 2016 average system-wide 1.5% rate increases) and allows for some decline in consumption due to weather conditions and changes in sources of energy.

#### **Gas Utility Tax**

Gas Utility Taxes are anticipated to generate \$8.8 million in 2015-2016, a 3.2% increase from 2014-2015 levels, based on current collection trends. In 2016-2017, revenues are projected to increase by approximately 2.0% to \$8.9 million once the 2015-2016 rate changes and activity levels are annualized. Actual collections continue to be subject to significant fluctuations from the impact of weather conditions and/or rate changes.

# GENERAL FUND REVENUE ESTIMATES

## UTILITY TAXES

### Revenue Estimates

#### Water Utility Tax

Water Utility Tax receipts of \$12.0 million are anticipated to be received in 2015-2016, a 4.0% increase from prior year collection levels. In 2016-2017, receipts are projected to increase 8.0% to \$13.0 million based on the continued rising wholesale price of water with an estimated increase in price in April 2016, July 2016, and January 2017 totaling approximately 16.0% with continued dampened consumption levels.

#### Telephone Utility Tax

In the Telephone Utility Tax category, revenues are collected on landlines, wireless, and VoIP. Based on current tracking, receipts in 2015-2016 are anticipated to reach \$29.1 million, an approximately 0.7% decline from 2014-2015 (\$29.3 million) due to lower receipts in cellular (-8.0%), partially offset by higher anticipated receipts in landline (\$700,000) and pre-paid wireless services (\$650,000).

Beginning January 1, 2016, AB 1717 (otherwise known as the Local Prepaid Mobile Telephony Services Collection Act) will require California retailers to collect the local utility users tax on prepaid wireless services at the same time it collects the sales tax on its other retail products. Under this new law, all local jurisdictions are required to contract with the Board of Equalization in order to receive their portion of local taxes imposed on prepaid wireless services sold by retailers. In 2015-2016, it is estimated that that new tax will generate approximately \$650,000 (\$1.2 million on an annual basis).

In 2016-2017, Telephone Utility Tax revenues are anticipated to remain relatively flat at \$29.05 million. Based on collection trends in recent years, cellular receipts are expected to continue to decline. This drop is expected to be roughly offset by the addition of local prepaid mobile services tax application that was implemented beginning January 1, 2016. Ongoing implications of the changes in service delivery of telecommunication activities through alternative services such as Wi-Fi and broadband are unknown.

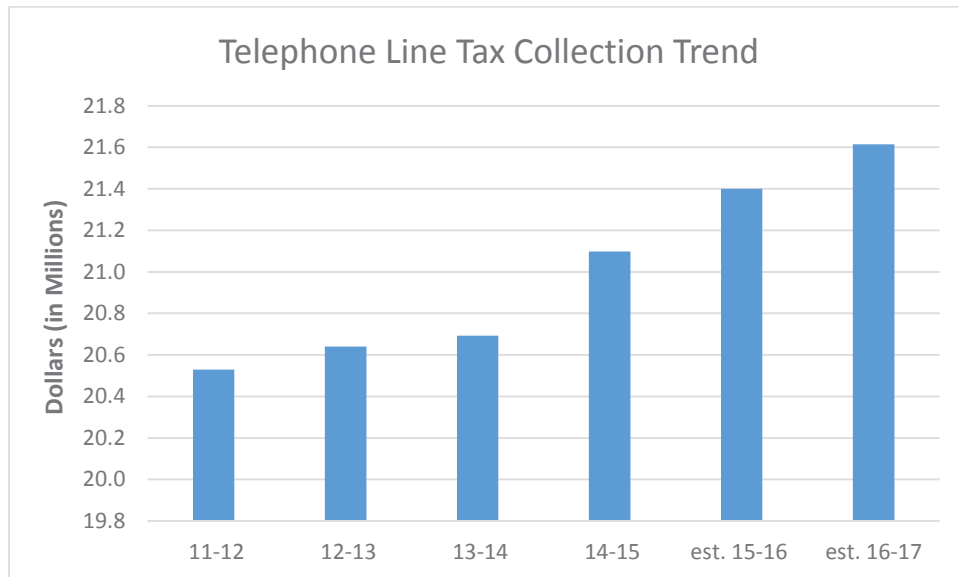
## GENERAL FUND REVENUE ESTIMATES

### TELEPHONE LINE TAX

2014-2015 Actual	\$ 21,097,282
2015-2016 Adopted	\$ 21,000,000
2016-2017 Forecast	\$ 21,614,000
2016-2017 Proposed	\$ 21,614,000
% of General Fund	2.1 %
% Change from 2015-2016 Adopted	2.9 %

### Revenue Estimates

Based on the current collection trend for Telephone Line Tax, receipts in 2015-2016 are estimated to total \$21.4 million, a 1.4% increase from prior year levels. In 2016-2017, receipts are anticipated to increase to \$21.6 million.



## GENERAL FUND REVENUE ESTIMATES

### BUSINESS TAXES

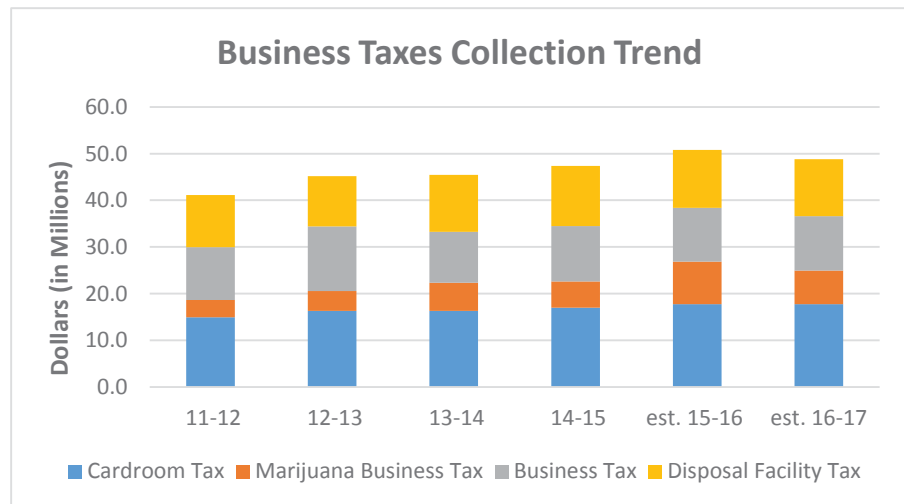
2014-2015 Actual	\$ 47,344,824
2015-2016 Adopted	\$ 44,425,000
2016-2017 Forecast	\$ 48,800,000
2016-2017 Proposed	\$ 48,800,000
% of General Fund	4.7 %
% Change from 2015-2016 Adopted	9.8 %

\* The 2016-2017 Forecast was increased \$350,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

### Revenue Estimates

Business Taxes Category	Proposed Budget
Cardroom Taxes	\$ 17,800,000
Marijuana Business Taxes	7,150,000
General Business Taxes	11,650,000
Disposal Facility Taxes	12,200,000
<b>Total</b>	<b>\$ 48,800,000</b>

In 2015-2016, Business Taxes are estimated to reach \$50.8 million, a 7.3% increase from prior year levels. In 2016-2017, revenues are estimated to decrease 3.9% to \$48.8 million due to decreases in Medical Marijuana Business Tax compliance revenue and Disposal Facility Tax.



#### **Cardroom Tax**

Based on current performance, collections in the Cardroom Tax category are estimated at \$17.8 million in 2015-2016, a 4.6% increase from prior year levels (\$17.0 million). Receipts are anticipated to remain at 2015-2016 levels in 2016-2017 with estimated collections of \$17.8 million.

#### **Business Tax**

In 2015-2016, General Business Tax revenues are expected to reach \$11.5 million, a decrease of 3.0% from the prior year level of \$11.9 million and takes into consideration the remaining billing cycles, account closeouts and clean-ups anticipated in 2015-2016. In 2016-2017, revenues are anticipated to increase 1.3% to \$11.7 million.

# GENERAL FUND REVENUE ESTIMATES

## BUSINESS TAXES

### Revenue Estimates

#### Disposal Facility Tax

Disposal Facility Taxes (DFI) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream varies due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. In past years, revenues in this category declined due, in large part, to increased waste diversion and the overall slowdown in the economy. However, in 2014-2015, collections of \$12.9 million grew 5.3% from prior year collection levels of \$12.2 million. This increase primarily reflected increased activity from neighboring agencies dumping in San José landfills. In 2015-2016, revenues are projected to reach \$12.4 million, a decrease of 3.7% from the prior year; and in 2016-2017, revenues are projected to fall 1.6% below estimated 2015-2016 levels to \$12.2 million, to the former trend of slight annual declines.



## GENERAL FUND REVENUE ESTIMATES

### LICENSES AND PERMITS

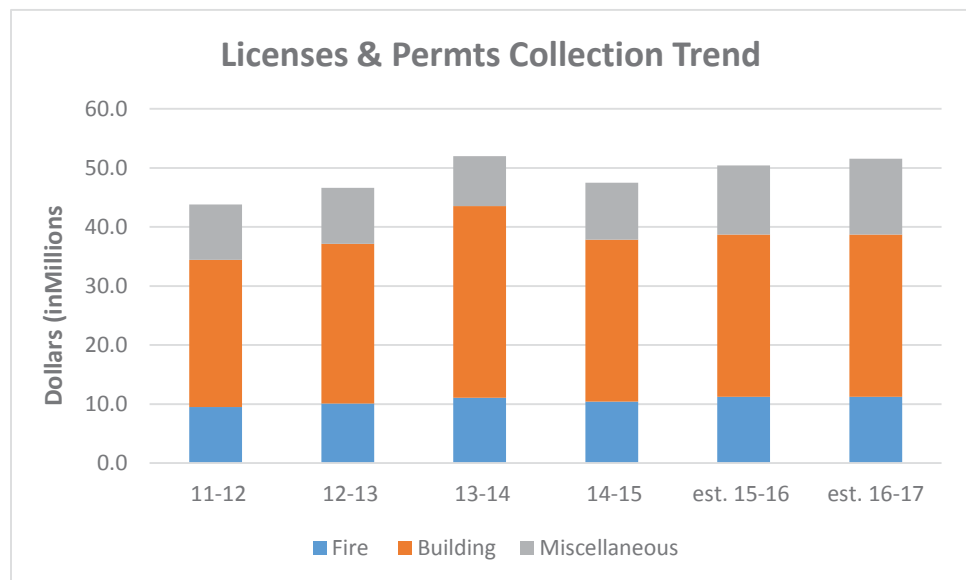
2014-2015 Actual	\$ 47,508,875
2015-2016 Adopted	\$ 48,721,223
2015-2016 Forecast	\$ 50,632,528
2016-2017 Proposed	\$ 51,572,553
% of General Fund	4.9 %
% Change from 2015-2016 Adopted	5.9 %

\* The 2015-2016 Forecast was decreased \$185,000 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	Proposed Budget
Building	\$ 27,500,000
Fire Permits	11,211,000
Other Licenses and Permits	12,861,553
<b>Total</b>	<b>\$ 51,572,553</b>

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.



### **Building Permits**

In 2015-2016, Building Permits revenue is projected to total \$27.5 million. This revenue estimate assumes the continuation of strong development performance, though below the recent peak activity levels seen in 2013-2014. In 2016-2017, a sustained level of activity is anticipated with Building Permits revenue estimated at \$27.5 million. The Building Development Fee Program costs are expected to exceed this estimated revenue level in 2016-2017. The Building Development Fee Program Reserve, however, is sufficient to support the base program costs as well as the program additions in 2016-2017 without a general fee increase.

# GENERAL FUND REVENUE ESTIMATES

## LICENSES AND PERMITS

### Revenue Estimates

#### Building Permits (Cont'd.)

In the 2017-2021 February Forecast, it was assumed that the use of \$6.9 million of the Building Development Fee Program Reserve would be necessary to balance this fee program in 2016-2017. In addition, a number of expenditure proposals totaling \$2.0 million are recommended, resulting in the addition of 7.5 positions and non-personal/equipment expenditures in order to improve target cycle times and customer service levels and begin implementation of the Integrated Permit System. In total, \$8.9 million of the Building Development Fee Program will be used to balance this fee program and remain 100% cost recovery in 2016-2017. After accounting for these adjustments, a remaining Building Development Fee Program Reserve of \$13.8 million at the beginning of 2016-2017 is estimated, primarily for works-in-progress projects.

Additional detail on these budget actions is provided in the Planning, Building and Code Enforcement, Finance, and Information Technology Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2016-2017 Fees and Charges document that is released under separate cover.

#### Fire Permits

In 2016-2017, the Fire Permits revenue estimate of \$11.2 million aligns with the 2015-2016 collection level of \$11.2 million. This fee program includes both the Development and Non-Development Fee areas. To maintain cost recovery in these areas and ensure that service delivery needs are met for 2016-2017, a number of budget actions are included in this document.

In the Fire Development Fee Program area, the 2016-2017 revenue estimate of \$7.0 million, is 0.8% above the 2015-2016 estimated collection level of \$6.9 million. The 2016-2017 revenue estimate assumes steady development performance. The Fire Development Fee Program costs are expected to exceed estimated revenue level in 2016-2017. The Fire Development Fee Program Reserve, however, is sufficient to support the base program costs as well as the program additions in 2016-2017 without a general fee increase. In the 2017-2021 February Forecast, it was assumed that the use of \$610,000 of the Fire Development Fee Program Reserve would be necessary to balance this fee program in 2016-2017. In addition, a few expenditure proposals totaling \$421,000 are recommended, including shared resources, to improve current cycle time performance in plan check and inspection activities and raise performance levels to meet customer needs as well as begin implementation of the new Integrated Permit System. In total \$1.03 million of the Fire Development Fee Program will be used to balance this fee program and remain 100% cost recovery in 2016-2017. After accounting for these adjustments, a remaining Fire Development Fee Program Reserve of \$4.7 million at the beginning of 2016-2017 is estimated, primarily for works-in progress projects.

In the Fire Non-Development Fee area, the 2016-2017 revenue estimate of \$4.3 million aligns with the current 2015-2016 estimate. Overtime funding to help improve the percentage of occupancies (state-mandated and assemblies) receiving inspections is recommended.

# GENERAL FUND REVENUE ESTIMATES

## LICENSES AND PERMITS

### Revenue Estimates

#### Fire Permits (Cont'd.)

Additional detail on these budget actions is provided in the Fire Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2016-2017 Fees and Charges document that is released under separate cover.

#### Miscellaneous Other Licenses and Permits

The 2016-2017 Proposed Budget includes \$12.9 million for a variety of other Licenses and Permits; a net increase of \$884,000 from the 2016-2017 Revised Forecast level of \$12.0 million. This increase primarily reflects an additional \$533,000 for Medical Marijuana fees to reflect updated costs associated with this program, including the cost of a temporary Planner III position to work on preparing and reviewing environmental analyses for Municipal code amendments associated with expanding medical marijuana operations in the City and consultant services for the preparation of the necessary environmental documents.

Additional adjustments resulting in an increase of \$351,000 reflect fee adjustments to maintain cost-recovery and anticipated changes in activity levels. These adjustments include:

- An increase of \$186,000 for the Multiple Housing Occupancy Permits.
- An increase of \$130,000 to adjust various Police Department permits to reflect various fee revisions and maintain cost recovery levels;
- An increase of \$31,000 to adjust various PBCE fees to reflect various fee revisions and maintain cost recovery levels; and
- An increase of \$4,000 to adjust the Transportation Department Taxi Stand fees to maintain cost recovery levels.

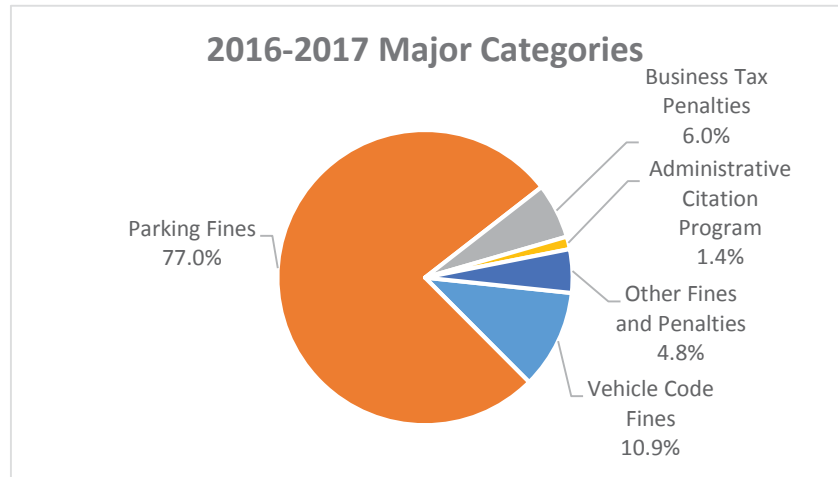
## GENERAL FUND REVENUE ESTIMATES

### FINES, FORFEITURES, AND PENALTIES

2014-2015 Actual	\$ 14,491,424
2015-2016 Adopted	\$ 15,356,042
2016-2017 Forecast	\$ 14,910,600
2016-2017 Proposed	\$ 14,910,600
% of General Fund	1.4 %
% Change from 2015-2016 Adopted	(2.9%)

### Revenue Estimates

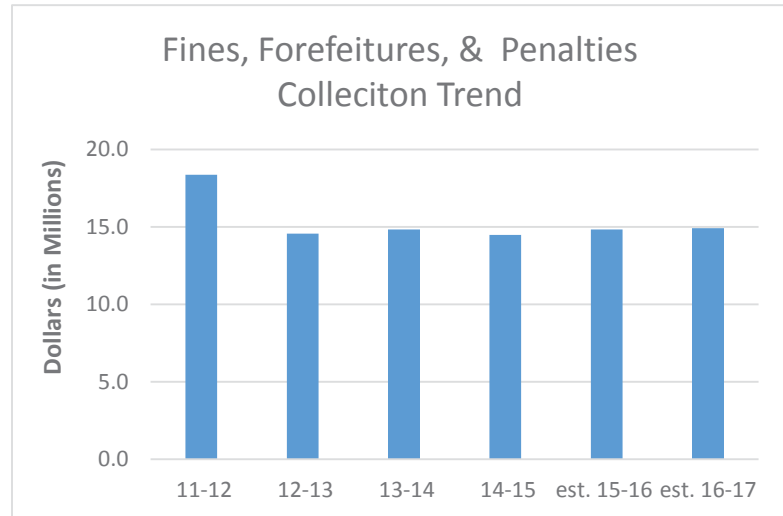
In 2016-2017, overall collections of \$14.9 million are projected in the Fines, Forfeitures, and Penalties category, which is slightly above the 2015-2016 estimate. Following is a discussion of major components of this category.



#### Parking Fines

Parking Fines are expected to generate approximately \$11.0 million in 2015-2016, 7.8% above 2014-2015 actuals collections of \$10.2 million.

In 2016-2017, Parking Fines revenues are expected to increase \$125,000 to \$11.1 million. 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.



In addition to parking fines, collections of \$350,000 are anticipated in 2016-2017 from the City's participation in a program under which the State of California Franchise Tax Board collects past-due parking fines on behalf of the City. This estimate is consistent with projected 2015-2016 collections and slightly below actual collections of \$368,000 in 2014-2015.

# GENERAL FUND REVENUE ESTIMATES

## FINES, FORFEITURES, AND PENALTIES

### Revenue Estimates

#### *Vehicle Code and Municipal Court Fines*

In 2016-2017, Vehicle Code Fines are estimated at \$1.2 million and the Municipal Court Fines are expected to reach \$380,000, consistent with current tracking for these categories.

#### *Business Tax Penalties*

Business Tax penalties are projected at \$900,000 for 2016-2017, which is slightly below the 2015-2016 estimate of \$950,000 as this category can fluctuate from year to year.

#### *Administrative Citation Program*

The 2016-2017 Administrative Citation Program is projected to generate \$205,000 in total collections, including \$175,000 in fines and an additional \$30,000 in penalties. This collection level is consistent with the 2015-2016 year-end estimates.

#### *Other Fines and Penalties*

Other Fines and Penalties of \$711,000 are estimated to be received in 2016-2017 and reflect a variety of sources, including but not limited to: \$250,000 for Code Enforcement administrative remedies, \$125,000 multiple housing permit penalties, \$120,000 associated with Fire safety penalties, \$100,000 in Blight Fines, \$40,000 in False Alarm Fines, and \$76,000 in other fines and penalties.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM USE OF MONEY AND PROPERTY

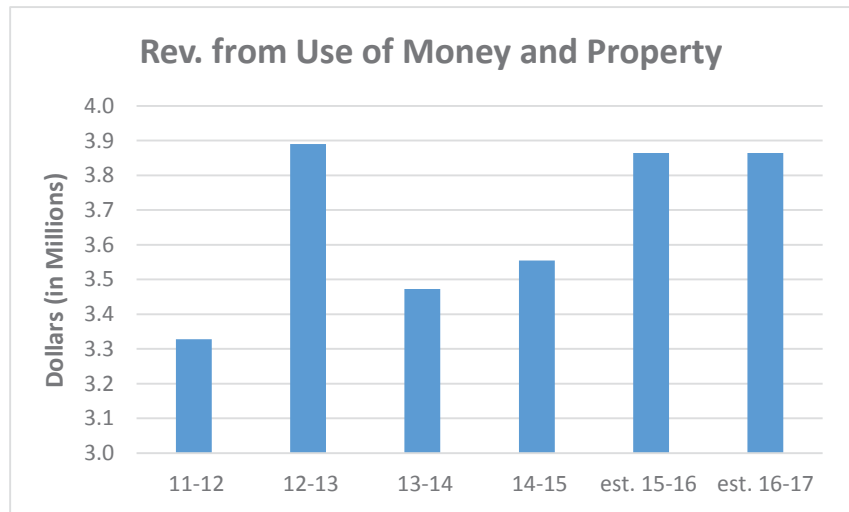
2014-2015 Actual	\$ 3,554,354
2015-2016 Adopted	\$ 3,414,999
2016-2017 Forecast	\$ 3,863,935
2016-2017 Proposed	\$ 3,863,935
% of General Fund	0.4 %
% Change from 2015-2016 Adopted	13.1 %

### Revenue Estimates

In 2016-2017, overall collections of \$3.9 million are projected in the Use of Money and Property category.

#### **Rental of City-Owned Property**

In 2016-2017 it is anticipated that approximately \$2.3 million will be generated from the rental of City-owned property compared to estimated collections of \$2.6 million in 2015-2016. This decline reflects the expiration of two telecommunication leases in 2016-2017.



#### **General Fund Interest Earnings**

This anticipated collection levels in 2015-2016 and 2016-2017 for interest earnings is \$1.0 million, which is 14.8% above 2014-2015 actuals of \$871,000.

#### **Miscellaneous Collections**

An additional \$540,000 in miscellaneous sources is estimated to be generated in 2016-2017 primarily from Subrogation Recovery (\$300,000), Property Tax and Conveyance Tax Interest (\$100,000), the rental of the 4<sup>th</sup> Street banquet facility (\$50,000), and Fairmont Catering (\$50,000).

## GENERAL FUND REVENUE ESTIMATES

<b>REVENUE FROM LOCAL AGENCIES</b>
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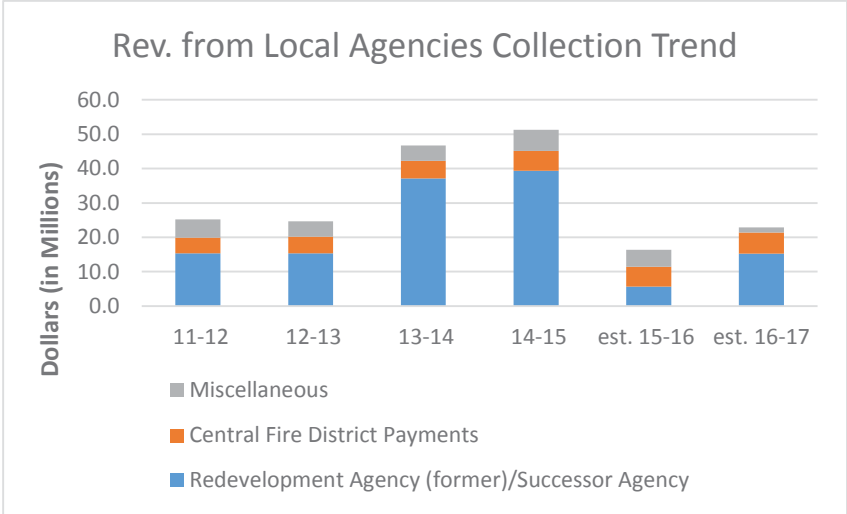
2014-2015 Actual	\$ 39,893,013
2015-2016 Adopted	\$ 23,909,616
2016-2017 Forecast	\$ 22,875,000
2016-2017 Proposed	\$ 22,875,000
% of General Fund	2.2 %
% Change from 2015-2016 Adopted	(4.3 %)

### Revenue Estimates

In 2016-2017, revenue of \$23.9 million is projected from other local agencies, such as the Successor Agency to the Redevelopment Agency and Central Fire District, to reimburse the City for services provided.

#### Successor Agency to the Redevelopment Agency

In 2016-2017, a reimbursement from the Successor Agency to the Redevelopment Agency of \$15.3 million is budgeted to reimburse the General Fund for the Convention Center Lease payments. A corresponding expenditure is assumed in the City-Wide Expenses category for this debt service payment. This is \$9.8 million above the 2015-2016 estimate of \$5.48 million. When the 2015-2016 Adopted Budget was developed, it was assumed that SARA would reimburse the City for the Convention Center Debt Service payment that is budgeted in the General Fund of \$15.28 million. However, as part of the 2014-2015 Annual Report actions approved by the City Council in October 2015, the reimbursement was reduced by \$9.8 million to \$5.48 million as a result of Senate Bill 107 that disallowed the reimbursement mechanism used to pay this obligation. The General Fund has been advancing funds to SARA since 2012-2013 to pay debt service on certain City-backed debt, including the Convention Center payment. A reimbursement agreement was established between the City and SARA to reimburse the General Fund within the same fiscal year the advance was made for fiscal years 2012-2013 through 2014-2015, using redevelopment funds for the following period. Due to the passage of Senate Bill 107 on September 22, 2015, which amended redevelopment dissolution law, the mechanism allowing SARA to reimburse the City on an intra-year basis was disallowed. As such the City did not receive reimbursement for the 2015-2016 loan from the General Fund of approximately \$9.8 million in August 2015 to cover the Convention Center debt payment. The loan will not be repaid until there is sufficient property tax revenue to pay all other enforceable obligations, since obligations to the City are subordinate to all other enforceable obligations, which is expected in 10 to 15 years. Using the current level of annual distributions from the Redevelopment Property Tax Trust





# GENERAL FUND REVENUE ESTIMATES

## REVENUE FROM LOCAL AGENCIES

### Revenue Estimates

#### Successor Agency to the Redevelopment Agency

Fund (RPTTF) and the continued ability to reserve RPTTF each year for debt service, it is anticipated SARA will be able to pay all of its debt service going forward.

This obligation however, continues to be evaluated as part of the winding down of the Successor Agency and the method, timing, and ability to reimburse the payment continues to be under review.

#### 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 an estimate provided by Central Fire District staff, the 2015-2016 payment is expected to total approximately \$5.8 million. This reflects an increase of 2.2% from 2014-2015 levels. In 2016-2017, collections of \$6.2 million are anticipated.

#### Other Miscellaneous Payments

In 2016-2017, other projected payments from local agencies total \$1.4 million, the largest of which are reimbursements for services provided by the Animal Care and Services Program (\$930,000), payments associated with the annexation of the Cambrian area to the City of Campbell (\$199,000), County Social Services (\$127,000), and other revenue totaling \$185,000.

The ongoing payment from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) was eliminated from the budget beginning in 2014-2015 and the Proposed Budget continues to assume no revenue collections in 2016-2017. Beginning in 2013-2014, the County began withholding payments for the first responder advanced life support program (Paramedic Program) because the City had not met the response time performance standards set forth in the agreement with the County. In 2014, the City and County continued to negotiate regarding this issue and executed a Second Agreement to the 911 Emergency Medical Services (EMS) Provider Agreement in December 2014 that expired December 2015. Under this agreement, additional Annex B, Category A funds totaling approximately \$450,000 are expected to be received in 2015-2016 and \$2.0 million was received in 2014-2015 to account for back payments from April 2013 through 2014-2015. If an agreement is extended through the remainder of the year, approximately \$900,000 may be received in 2015-2016. For 2016-2017 and beyond, the City and County will begin discussions over the next several months on a new 911 EMS Provider Agreement as the primary agreement expires June 30, 2016. If an agreement is reached, corresponding reimbursements revenue for next year will be incorporated in the budget, as appropriate. It should be noted that the direct incremental cost to the City to provide the paramedic program totals over \$5.0 million annually.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE STATE OF CALIFORNIA

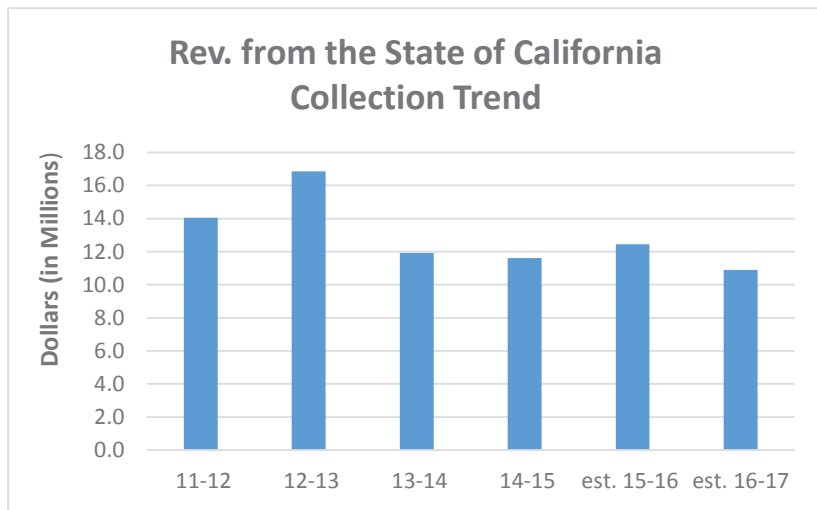
2014-2015 Actual	\$ 11,604,847
2015-2016 Adopted	\$ 11,370,763
2016-2017 Forecast*	\$ 10,619,429
2016-2017 Proposed	\$10,902,929
% of General Fund	1.0 %
% Change from 2015-2016 Adopted	(4.1 %)

\* The 2016-2017 Forecast was increased \$178,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section

### Revenue Estimates

Revenues in this category include Tobacco Settlement and State Grants/Reimbursements.

Collections in this category are estimated to reach \$12.4 million in 2015-2016 and decrease to \$10.9 million in 2016-2017. This decrease reflects the elimination of one-time grants and reimbursements.



#### **Tobacco Settlement Revenue**

Beginning in 2010-2011, Tobacco Settlement revenue from the State is deposited in the General Fund. Based on the most recent information from the State, the 2015-2016 Tobacco Settlement payments total \$8.9 million, below the \$9.4 million received in 2014-2015. In 2016-2017, collections are anticipated to remain at the 2015-2016 level of \$8.9 million.

#### **State Grants/Reimbursements**

On an annual basis, the City receives a number of grants and reimbursements. The following State grants and reimbursements are expected in 2016-2017: Abandoned Vehicles Abatement (\$675,000); Auto Theft reimbursement (\$300,000); Highway Maintenance Charges reimbursement (\$105,000); Strategic Growth Council Grant (\$100,000); California Gang Reduction, Intervention and Prevention (CALGRIP) Grant (\$147,000); and Local Enforcement Agency Grant for Planning, Building and Code Enforcement Department (\$30,000).

## GENERAL FUND REVENUE ESTIMATES

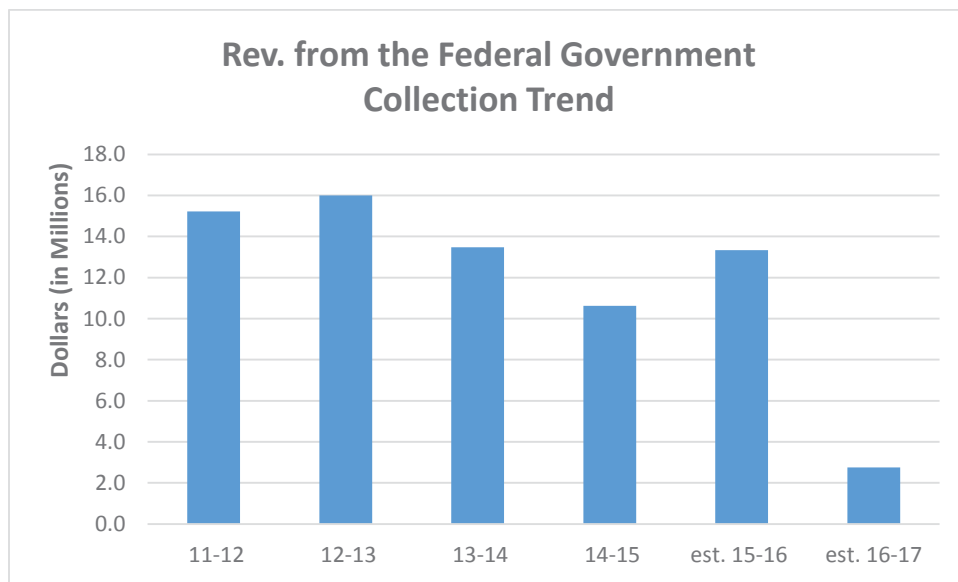
### REVENUE FROM THE FEDERAL GOVERNMENT

2014-2015 Actual	\$ 10,626,611
2015-2016 Adopted	\$ 9,083,802
2016-2017 Forecast*	\$ 2,526,566
2016-2017 Proposed	\$2,754,566
% of General Fund	0.3 %
% Change from 2015-2016 Adopted	(69.7 %)

\* The 2016-2017 Forecast was increased \$88,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section

### Revenue Estimates

The revenue in this category is received from various grant programs. The following grants are anticipated in 2016-2017: Fire Staffing for Adequate Fire and Emergency Response grant (SAFER) (\$1.8 million); Emergency Management Performance Grant (EPMG) (\$738,000); and FEMA Training Reimbursement (\$35,000). The corresponding expenditures are included in this budget.



## GENERAL FUND REVENUE ESTIMATES

### DEPARTMENTAL CHARGES

2014-2015 Actual	\$ 41,704,532
2015-2016 Adopted	\$ 40,923,558
2015-2016 Forecast*	\$ 39,782,190
2016-2017 Proposed	\$ 41,681,974
% of General Fund	4.0 %
% Change from 2014-2015 Adopted	1.9 %

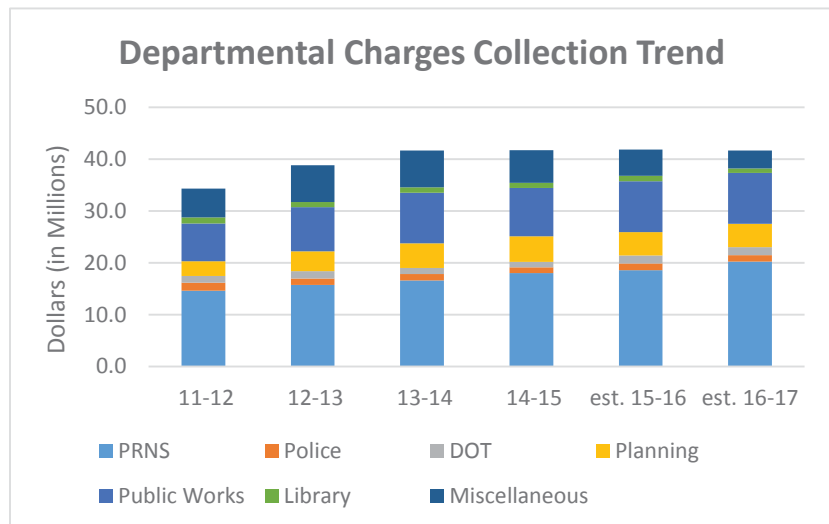
\* The 2016-2017 Forecast was increased \$454,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

### Revenue Estimates

Departmental Charges Category	2016-2017 Proposed Budget
Parks, Recreation and Neighborhoods Services (PRNS)	\$ 20,208,351
Public Works Department	9,815,000
Planning, Building and Code Enforcement	4,500,000
Department of Transportation (DOT)	1,536,938
Police Department	1,264,034
Library	889,044
Miscellaneous	3,468,607
<b>Total</b>	<b>\$ 41,681,974</b>

Contained in this revenue category are the various fees and charges levied to recover costs of services provided by several City departments. In the 2016-2017 Proposed Budget, Departmental Charges of \$41.7 million are 0.4% below 2015-2016 estimated levels of \$41.9 million.

The Proposed Budget includes an increase of \$1.9 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 2016-2017.



# GENERAL FUND REVENUE ESTIMATES

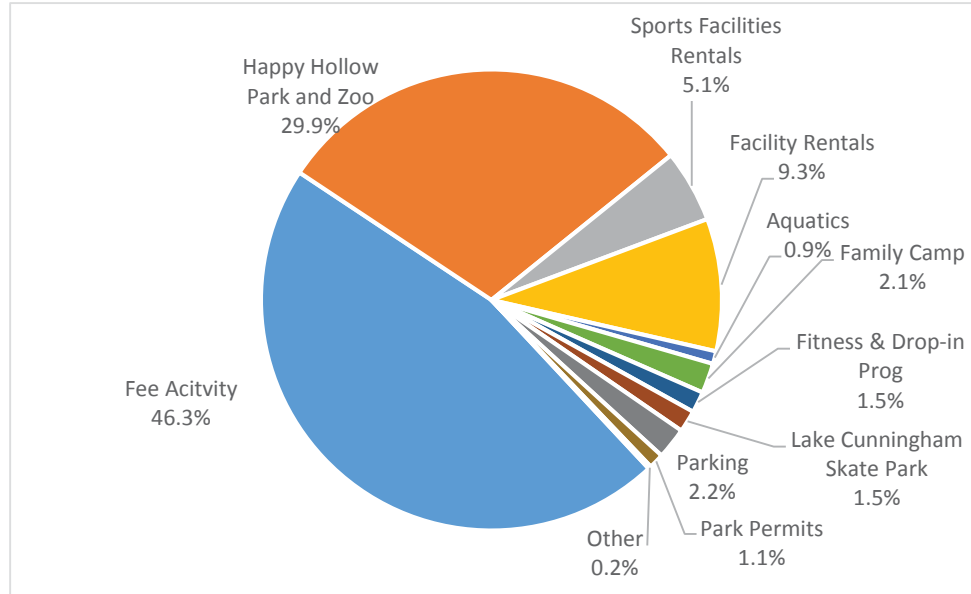
## DEPARTMENTAL CHARGES

### Revenue Estimates

This section highlights the major fee programs in this category. A more detailed description of the changes to various fee programs is available in the 2016-2017 Fees and Charges document that is released under separate cover.

#### *Parks, Recreation and Neighborhood Services Fees*

Parks, Recreation and Neighborhood Services Department (PRNS) fee collections are estimated at \$20.2 million in 2016-2017 based on projected activity levels and fees. The 2016-2017 Proposed Operating Budget includes a few upward revenue adjustments totaling \$1.9 million reflecting anticipated activity levels in the



following areas: fee activity revenue (\$1.6 million); increased rentals revenue at the 54 community centers (\$207,000); Happy Hollow Park and Zoo Admissions (\$92,000); increased rental revenues (e.g. booths) from Viva Calle activity (\$40,000); a decrease of \$30,000 in parking revenues; and increased Sports Facilities Rentals/Reservations (\$29,000).

#### *Public Works Fees*

In 2015-2016 and 2016-2017, Public Works fee revenues are projected to total \$9.8 million. This collection level, along with the use of a portion of the Public Works Development Fee Program Reserve, is sufficient to support the program additions in 2016-2017. No fee increases are included in this budget.

A number of expenditure actions totaling \$295,000 are included in the Proposed Budget, including the addition of 1.0 Senior Construction Inspector position to address the increasing demand for services in the Development Fee Program, shared resources in order to improve target cycle times and customer service levels, as well as those costs associated with the implementation of the new Integrated Permit System. The 2016-2017 estimated collection level, however, is below the projected cost to deliver this program. In order to balance this program and remain at 100% cost recovery, the use of the Public Works Development Fee Program Reserve is included as part of this budget. This includes \$1.4 million that was incorporated into the Forecast and an additional \$338,000 to provide

# GENERAL FUND REVENUE ESTIMATES

## DEPARTMENTAL CHARGES

### Revenue Estimates

#### Public Works Fees (Cont'd.)

funding for budget actions in 2016-2017. These actions will result in an estimated remaining Public Works Development Fee Program Reserve of \$4.8 million at the beginning of 2016-2017, primarily for works-in-progress projects.

Additional detail on these budget actions is provided in the Public Works, 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 2016-2017 Fees and Charges document that is released under separate cover.

#### 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 2015-2016 and 2016-2017, Planning Fees are anticipated to generate approximately \$4.5 million. The 2016-2017 revenue estimate assumes the continuation of strong development performance. This collection level, along with the use of a portion of the Planning Development Fee Program Reserve, is sufficient to support program additions in 2016-2017 without any fee increases. Expenditure additions proposed in this budget, include 4.0 positions and funding of \$30,000 to upgrade computers and monitors and purchase Adobe Acrobat Professional and Microsoft Project. This program will also support shared resources expenditures including those associated with the implementation of the new Integrated Permit System.

The 2016-2017 estimated collection level is below the projected cost to deliver this program. In order to balance this program and remain at 100% cost recovery, the use of the Planning Development Fee Program Reserve is included as part of this budget. This includes \$939,000 that was incorporated into the Forecast and an additional \$946,000 to provide funding for budget actions in 2016-2017. These actions will result in an estimated remaining Planning Development Fee Program Reserve of \$832,000 at the beginning of 2016-2017.

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 2016-2017 Fees and Charges document that is released under separate cover.

#### Transportation Fees

The revenue estimate for Transportation Fees totals \$1.54 million in 2016-2017, which is in line with 2015-2016 estimated activity. Fee adjustments resulting in a net increase of \$27,000 to various Transportation fees and charges are included based on an analysis of the cost to deliver various services.

# GENERAL FUND REVENUE ESTIMATES

## DEPARTMENTAL CHARGES

### Revenue Estimates

#### Police Fees

The 2016-2017 revenue estimate for Police Fees totals \$1.26 million, slightly below the 2015-2016 anticipated collection levels of \$1.33 million. Fee adjustments resulting in a net increase of \$45,000 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 and fines for 2016-2017 are estimated at \$889,000, 13.2% below the 2015-2016 estimate of \$1.0 million. This is primarily due to the reductions in various library fines, such as: Overdue Materials Fine from \$0.50 per day/\$20 maximum per item to \$0.25 per day/\$5 maximum per item (\$-108,000); elimination of the Held Materials Fine of \$3 (-\$20,000); and reduction of the handling fee from \$20 to \$10 for Damaged Materials and Lost Materials and Equipment (-\$7,000).

#### Miscellaneous Departmental Fees

Collections of \$3.5 million are anticipated in 2016-2017 from a variety of fees and charges, which is 32.1% below the 2015-2016 estimate of \$5.1 million.

The majority of the revenue in this category is generated from the Solid Waste Enforcement Fee (SWEF) Program with a 2016-2017 revenue estimate of \$2.1 million which is well below the 2015-2016 Adopted Budget revenue estimate of \$4.2 million based on a realignment of this program's costs and revenues. From the February Forecast, this revenue estimate has been increased by \$270,000 as part of the Revised Forecast Base and by an increase of \$8,000 associated with proposed budget actions. With these adjustments, the fee is proposed to be reduced from \$1.08 per ton to \$0.53 per ton. This program is projected to be 100% cost recovery in 2016-2017. Other Miscellaneous Departmental Fees total \$1.4 million and are recommended to be increased by \$27,000 in 2016-2017, primarily reflecting an upward adjustment to the Abandoned Cart Fee revenue estimate of \$24,000.



## GENERAL FUND REVENUE ESTIMATES

### OTHER REVENUE

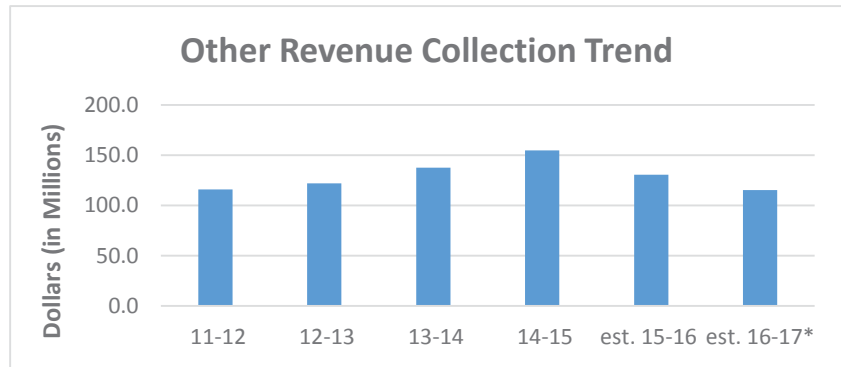
2014-2015 Actual*	\$ 154,598,300
2015-2016 Adopted	\$ 26,259,638
2016-2017 Forecast**	\$ 15,128,362
2016-2017 Proposed	\$ 15,144,509
% of General Fund	1.4 %
% Change from 2015-2016 Adopted	(42.3 %)

\* The 2014-2015 Actual includes revenues associated with the issuance of a \$100 million TRANs based on cash flow needs.

\*\* The 2016-2017 Forecast was increased \$300,000 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 includes litigation settlements, SAP Center at San José revenues, Investment Program Reimbursement, Public, Education, and Government (PEG) Access Facilities; Sale of Surplus Property, Sidewalk Repair and Tree Maintenance



\*Assumes \$100.0 million for the TRANs revenue that is anticipated in 2016-2017.

Activities, and Miscellaneous Other Revenue. In 2016-2017, the revenue estimate of \$15.1 million assumes the continuation of current year activity levels with revisions, where appropriate, for 2016-2017 costs or agreements and the elimination of one-time funding sources. This figure excludes revenues associated with the issuance of the Tax Revenue Anticipation Notes (TRANs) that will be brought forward in 2016-2017 with an offsetting expenditure based on estimated cash flow needs for comparison purposes, the chart assumes \$100.0 million in TRANs will be issued in 2016-2017 as has been the case for the last couple of years.

### Litigation Settlements

In 2015-2016, Litigation Settlements revenue of \$265,000 is estimated based on actual collections, this is a 63.55% decline compared to the \$725,000 received in 2014-2015. For 2016-2017, Litigation Settlements revenue of \$275,000 is included in the Proposed Budget.

### SAP Center at San José Revenues

The City receives payments from Arena Management associated with the use of SAP Center at San José. In 2016-2017, \$5.1 million is estimated from the Arena Fixed Fee.

### Investment Program Reimbursement

The 2016-2017 revenue estimate for this category is \$1.3 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings.



# GENERAL FUND REVENUE ESTIMATES

## OTHER REVENUE

### Revenue Estimates

#### *Public, Education, and Government (PEG) Access Facilities*

In 2016-2017, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$2.1 million. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access Facilities. There is an associated City-Wide Expenses allocation for this purpose.

#### *Sale of Surplus Property*

In 2016-2017, the proceeds from the Sale of Surplus Property category is estimated at \$1.0 million based on the anticipated assets that will be sold next fiscal year.

#### *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 2016-2017 revenue estimate for this category is \$1.8 million. 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 during a storm, the property owner is assessed a fee to cover the cost of this service. This fee is expected to generate \$300,000 in 2016-2017 and there is a corresponding City-Wide Expenses allocation to provide this service.

#### *Miscellaneous Other Revenue*

Various other revenue sources are included in this revenue category including: Silicon Valley Energy Watch Grant (\$1.3 million), SB90 reimbursements from the State of California (\$750,000, an increase of \$250,000 in the Base after the release of the Forecast based on current and prior year actuals), P-Card Incentive Payments (\$200,000), City Hall parking revenues (\$100,000), wrecked vehicle sales (\$97,000), and Secondary Employer Insurance reimbursement from Police Officers (\$84,000).

Included in the 2016-2017 Proposed Budget are the following additional adjustments:

- An increase of \$18,000 for the estimated reimbursement from the Christmas in the Park Foundation. Part-time City staff hours are needed to transport props to and from the City warehouse. Incurred costs are fully reimbursed by the Christmas in the Park Foundation.
- A decrease of \$1,900 for new subdivision traffic control signs and pavement markings revenues to reflect fee adjustments to maintain cost recovery levels.

## GENERAL FUND REVENUE ESTIMATES

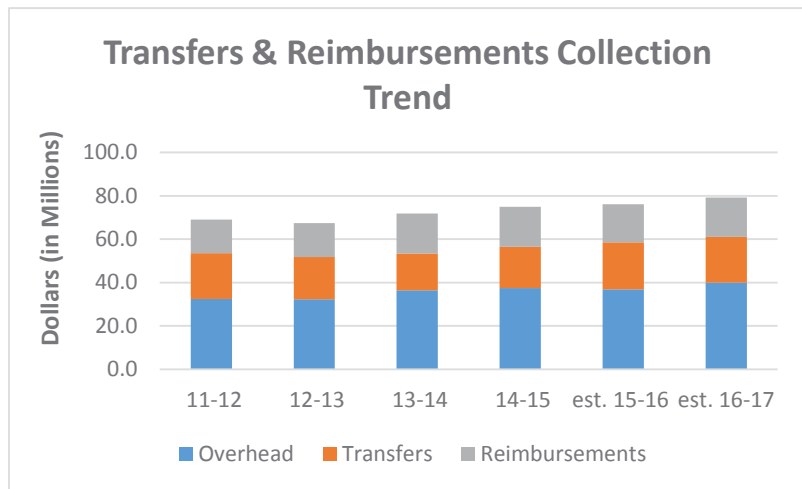
### TRANSFERS AND REIMBURSEMENTS

2014-2015 Actual	\$ 74,985,995
2015-2016 Adopted	\$ 75,763,879
2016-2017 Forecast*	\$ 78,164,169
2016-2017 Proposed	\$ 79,302,398
% of General Fund	7.6 %
% Change from 2014-2015 Adopted	4.7 %

\* The 2016-2017 Forecast was decreased \$912,000 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 is used to account for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or simple transfers. In total, Transfers and Reimbursements are anticipated to generate approximately \$79.3 million in 2016-2017. This amount is above the current 2015-2016 estimate of \$76.2 million due to increased overhead reimbursements and budgeted transfers. The following is a discussion of the three major subcategories, including detail regarding the net increase of \$1.1 million proposed for 2016-2017.



### Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2016-2017, a total of \$40.0 million in reimbursements are projected based on 2016-2017 overhead rates prepared by the Finance Department applied against the projected 2016-2017 applicable salaries. This figure reflects the following: a decrease of \$910,000 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$848,000 incorporated into the 2016-2017 Proposed Budget (\$698,000 ongoing) 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>
Capital Funds	\$ 267,319
Water Utility Fund (515)	192,322
Sewer Service and Use Charge Fund (541)	144,755
San José/Santa Clara Treatment Plant Operating Fund (513)	102,617
Low and Moderate Income Housing Asset Fund (346)	59,856
Maintenance District Funds (various)	39,263
General Purpose Parking Fund (533)	34,536
Benefit Fund (160)	32,791
Integrated Waste Management Fund (423)	26,560
Multi-Source Housing Fund (448)	9,070
Public Works Program Support Fund (150)	944
Vehicle Maintenance and Operations Fund (552)	(2,646)
Community Development Block Grant Fund (441)	(10,891)
Storm Sewer Operating Fund (446)	(13,108)
Home Investment Partnership Program	(13,822)
<b>Total Adjustments</b>	<b>\$ 869,566</b>

#### Transfers

The Transfers category is projected at \$21.1 million in 2016-2017. The largest component of this category (\$11.9 million) is a transfer from the Airport Maintenance and Operating Fund 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 2016-2017 direct costs as well as the indirect costs. For the Fire Rescue reimbursement, the indirect costs have been discounted to help with cost competitiveness of this service. Additional large transfers programmed for 2016-2017 include the following: Construction and Conveyance Tax Fund transfer (\$3.5 million) associated with park maintenance costs and methane monitoring; Construction Excise Tax Fund transfer (\$1.8 million); General Purpose Parking Fund (\$707,000); Workforce Development Act Fund for the reuse of City facilities (\$548,000); Convention and Cultural Facilities Affairs Fund (\$371,000); interest earnings from various funds, the largest of which is the Construction and Conveyance Tax Fund (\$500,000).

In addition, the 2016-2017 Proposed Budget incorporates a one-time transfer of \$129,000 from various special and capital funds for the Human Resources/Payroll/Budget Systems upgrade to provide additional project contingency to help ensure that the project remains on schedule and meets anticipated "go-live" dates. A one-time transfer from the General Purpose Parking Fund (\$140,000) is also proposed to continue the coordination and development of the Diridon Station Area Plan, as approved by the City Council on June 17, 2014.

## GENERAL FUND REVENUE ESTIMATES

### TRANSFERS AND REIMBURSEMENTS

#### Revenue Estimates

##### Reimbursements for Services

Reimbursements for services represent the cost to the General Fund for staff and supplies provided on behalf of other City funds. For 2016-2017, the revenue estimate for this category is \$18.2 million.

The largest single source of revenue in this 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 2015-2016 are projected to reach \$16.9 million, which is below the prior year level collection level of \$17.8 million. Collections are expected to increase to \$17.5 million in 2016-2017. Several factors impact collections, including volatile 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 also includes reimbursement for actual City costs associated with administering the Deferred Compensation Program (\$507,000) and the Maintenance Assessment District Funds (\$160,000).

## GENERAL FUND REVENUE ESTIMATES

<b>BEGINNING FUND BALANCE</b>
-------------------------------

Rebudget: Contingency Reserve	\$ 34,500,000
Unexpended Earmarked Reserves*	\$ 27,608,075
2015-2016 Expenditure Savings/Additional Revenue*	\$ 41,450,000
Liquidation of Prior Year Encumbrances*	\$ 1,000,000
<b>Fund Balance Subtotal:</b>	<b>\$ 104,558,075</b>
Reserve for Encumbrances	\$44,394,930
<b>Fund Balance Total:</b>	<b>\$ 148,953,005</b>
% of General Fund**	10.0%

\* Used for 2016-2017 Proposed Budget balancing purposes.

\*\* Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2015-2016 Ending Fund Balance/2016-2017 Beginning Fund Balance, totaling \$149.0 million, are included as part of the 2016-2017 Proposed Budget. The estimate for the encumbrance reserve is set at the 2014-2015 actual level (\$44.4 million). The Proposed Budget included a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2016-2017.

The estimate for unrestricted fund balance is set at \$104.6 million, representing a \$38.8 million increase from the revised 2016-2017 Forecast level of \$65.8 million. When the initial Forecast was developed, the fund balance projection totaled \$65.8 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$34.5 million; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$20.0 million; and additional funding of approximately \$11.3 million from various reserves to support specific costs programmed in 2016-2017 (\$6.9 million from the Building Development Fee Program Reserve, \$1.4 million from the Public Works Development Fee Program Reserve, \$939,000 from the Planning Development Fee Program Reserve, and \$610,000 from the Fire Development Fee Program Reserve were included in the fund balance estimate to cover costs associated with these fee programs in 2016-2017; and \$1.5 million from the Salaries and Benefits Reserve to pay for the second year salary increases approved for members represented by the International Association of Fire Fighters, Local 230).

The \$38.8 million increase in the fund balance projection from the Revised Forecast Base (remained at \$65.8 million from the Forecast), recommended in this document includes the following:

# GENERAL FUND REVENUE ESTIMATES

## BEGINNING FUND BALANCE

- The use of various Unexpended Earmarked Reserves of \$16.3 million:

<b>Earmarked Reserves</b>	<b>\$ Liquidated</b>
2016-2017 Police Department Overtime Reserve	5,000,000
Development Fee Program Reserves	3,892,301
Cultural Facilities Capital Maintenance Reserve	3,708,000
Police Department Staffing/Operations Reserve	1,596,000
Employee Competitiveness Market Reserve	1,250,000
Staffing for Adequate Fire and Emergency Response (SAFER) Reserve	675,847
2016-2017 Long Range Planning Project Staffing Reserve	110,000
Retiree Healthcare Solutions Reserve	50,000
<b>TOTAL</b>	<b>16,282,148</b>

- Additional anticipated fund balance of \$22.5 million is also included primarily due to a one-time payment of \$12.1 million from the Sales Tax Triple Flip Wind Down; a one-time payment of \$5.0 million that recognizes projected personal services savings that will occur in the Police Department due to the higher number of departmental vacancies in 2015-2016; a one-time Property Tax ERAF payment of \$4.6 million from 2014-2015 excess ERAF funds; and \$750,000 in projected vacancy savings from various departments.