

2019-2020 ANNUAL REPORT

GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2019-2020 General Fund revenue collections as compared with the modified budget estimates:

TABLE A
2019-2020 GENERAL FUND REVENUE SUMMARY
COMPARISON OF BUDGET TO ACTUAL
(\$000s)

Category	2018-2019 Budgetary Basis Actual	2019-2020 Modified Budget	2019-2020 Budgetary Basis Actual	2019-2020 Budget to Actual \$ Variance	2019-2020 Budget to Actual % Variance
Property Tax	\$ 330,199,269	\$ 364,000,000	\$ 369,506,527	\$ 5,506,527	1.5%
Sales Tax	263,530,326	249,300,000	260,558,394	11,258,394	4.5%
Transient Occupancy Tax	20,536,084	13,500,000	14,103,867	603,867	4.5%
Business Taxes	74,902,578	70,200,000	70,822,027	622,027	0.9%
Utility Tax	99,252,672	96,645,000	99,518,300	2,873,300	3.0%
Franchise Fees	48,397,444	48,641,000	44,435,817	(4,205,183)	(8.6%)
Telephone Line Tax	21,593,485	20,000,000	20,694,877	694,877	3.5%
Licenses and Permits	65,294,743	62,009,468	64,520,529	2,511,061	4.0%
Fees, Rates, and Charges	55,703,033	50,235,920	48,568,307	(1,667,613)	(3.3%)
Fines, Forfeitures, and Penalties	17,401,606	15,213,000	14,383,145	(829,855)	(5.5%)
Rev. from Use of Money/Property	10,072,279	13,144,000	13,523,097	379,097	2.9%
Revenue from Local Agencies	16,685,364	17,364,710	15,659,671	(1,705,039)	(9.8%)
Revenue from State of California	15,101,735	23,072,511	22,511,983	(560,528)	(2.4%)
Rev. from Federal Government	3,106,128	6,539,663	2,638,902	(3,900,761)	(59.6%)
Other Revenue	247,368,271	37,796,362	34,504,998	(3,291,364)	(8.7%)
Subtotal	1,289,145,017	1,087,661,634	1,095,950,441	8,288,807	0.8%
Overhead Reimbursements	53,237,099	56,272,963	57,003,787	730,824	1.3%
Transfers	35,294,569	40,758,381	35,629,474	(5,128,907)	(12.6%)
Reimbursements for Services	17,200,429	17,275,220	16,145,354	(1,129,866)	(6.5%)
Subtotal	105,732,097	114,306,564	108,778,615	(5,527,949)	(4.8%)
TOTALS¹	\$ 1,394,877,114	\$ 1,201,968,198	\$ 1,204,729,056	\$ 2,760,858	0.2%

¹ Excludes Beginning Fund Balance.

The General Fund revenue performance for 2019-2020 is discussed in detail in this section. The 2019-2020 actual revenue receipts for each of the major revenue categories are compared to the modified budgets and any significant variances and resulting implications for current year revenue estimates are described. In addition, comparisons with prior fiscal year collection levels are included to indicate collection trends and to provide a historical perspective.

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As shown in Table A, total revenue received in the General Fund in 2019-2020 was \$1.20 billion. This collection level was within 0.2%, or \$2.8 million, of the 2019-2020 Modified Budget. After accounting for reconciling items, including the Development Fee Program adjustments, rebudgets, and other clean-up actions, revenues ended the year \$5.0 million, or 0.4%, above the estimate.

The 2019-2020 collection level of \$1.20 billion was \$190.1 million, or 13.6%, below the actual 2018-2019 collections of \$1.39 billion. This decrease is primarily attributable to the City not borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) in 2019-2020, which were previously issued for cash flow purposes to facilitate the annual prefunding of employer retirement contributions for pension benefits. Excluding the TRANs proceeds in 2018-2019, revenue in 2019-2020 has decreased approximately \$40.1 million, or 3.2% from the prior year.

Several revenue categories experienced growth in 2019-2020 compared to the prior year, including, Property Tax, Use of Money/Property, and Revenue from the State. However, these increases were offset by declines in several categories, including Sales Tax, Transient Occupancy Tax, Business Tax, and Fines, Forfeitures, and Penalties. As a result of the COVID-19 pandemic and the necessary response to protect community health and safety, economic activity was severely restricted beginning in March 2020. As anticipated, the immediate halt of much of the daily economic activity as a result of the shelter-in-place mandate significantly impacted General Fund revenue performance for the remainder of 2019-2020. These impacts are anticipated to continue in 2020-2021 as varying levels public health measures and social distancing protocols are anticipated to continue through much of the fiscal year.

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

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Property Tax

Property Tax	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Secured Property Tax	339,400,000	344,021,706	4,621,706	1.4%
Unsecured Property Tax	15,000,000	15,510,662	510,662	3.4%
SB 813 Property Tax	6,300,000	6,008,476	(291,524)	(4.6%)
Aircraft Property Tax	2,400,000	3,036,686	636,686	26.5%
Homeowner's Property Tax Relief	900,000	928,997	28,997	3.2%
Total	364,000,000	369,506,527	5,506,527	1.5%

The Property Tax revenue category includes Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax, Aircraft Property Tax, and Homeowner's Property Tax Relief (HOPTR). Property Tax receipts in 2019-2020 totaled \$369.5 million, which was \$5.5 million, or 1.5%, above the budgeted estimate of \$364.0 million, and represented an increase of 11.9% from 2018-2019 collections of \$330.2 million.

In 2019-2020, **Secured Property Tax** receipts continued to be the largest source of revenue in the Property Tax category. The Secured Property Tax category includes general Secured Property Tax, Educational Revenue Augmentation Fund (ERAF) revenues, and Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax. In 2019-2020, receipts totaled \$344.0 million, which is slightly higher (1.4%) than the budgeted estimate of \$339.4 million, and is 13.8% above the 2018-2019 receipts of \$302.4 million. The growth from 2018-2019 collections reflects increased general Secured Property Tax receipts (\$21.5 million), higher SARA Residual Property Tax receipts (\$12.9 million), and additional ERAF revenue (\$7.2 million).

The general Secured Property Tax receipts growth of \$21.5 million, or 7.7%, in 2019-2020 primarily reflects an increase in assessed value, due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is



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Property Tax

a change in ownership, new construction, or a property has received a Proposition 8 adjustment. On a County-wide basis, the 2019-2020 roll growth was driven primarily by changes in ownership (55.0%), change in the CCPI (23.4%), and new construction (15.9%).

In the **Unsecured Property Tax** category, collections of \$15.5 million were 3.4% above the 2019-2020 Modified Budget estimate of \$15.0 million. However, 2019-2020 receipts were slightly below (1.6%) the unusually high 2018-2019 collections of \$15.8 million.

The **SB 813 Property Tax** component represents the retroactive taxes reassessed property valuation from the period of resale to the time that the Assessor formally revalues the property. In 2019-2020, receipts of \$6.0 million were 4.6% below the 2019-2020 Modified Budget estimate of \$6.3 million and were \$2.6 million, or 30.4% below the unusually high prior year collection level of \$8.6 million.

Based on actual 2019-2020 performance and the initial 2020-2021 information provided by the County of Santa Clara, no adjustment to the 2020-2021 Property Tax revenue estimate is recommended in this report. However, it is important to note that recent changes made by the State of California regarding the calculation methodology for ERAF receipts will likely impact collections beginning in 2020-2021. The 2020-2021 Adopted Budget assumes a 50% drop from the 2019-2020 ERAF collections due to this change; however, it is still unclear what the true impact to ERAF receipts will be as a result of the change. These revenues will continue to be monitored and discussed with representatives from the offices of the County Assessor, the County Controller-Treasurer, and the County Tax Collector for any updated information that may affect collection levels. If updated information is received regarding Property Tax estimates that vary significantly from the budgeted estimate, a recommendation may be brought forward to adjust the budget as part of the 2020-2021 Mid-Year Review.

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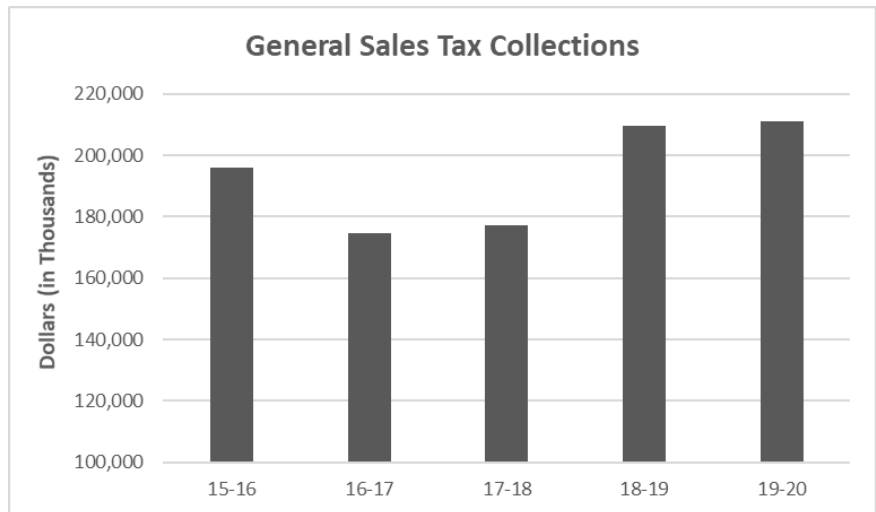
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Sales Tax

Sales Tax	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
General Sales Tax	198,100,000	211,047,604	12,947,604	6.5%
Local Sales Tax	44,700,000	43,150,275	(1,549,725)	(3.5%)
Prop 172 Sales Tax	6,500,000	6,360,515	(139,485)	(2.1%)
Total	249,300,000	260,558,394	11,258,394	4.5%

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. Overall, Sales Tax collections in 2019-2020 of \$260.6 million were 4.5% above the 2019-2020 Modified Budget; however, collections were 1.1% below the prior year level. Additionally, 2019-2020 collections included revenue associated the Revenue Capture Agreement with eBay, Inc. that began in October 2019 and were therefore not included in the 2018-2019 collections. If that revenue had not been received, then 2019-2020 collections would have totaled \$239.8 million, which represents a 9.0% drop from the 2018-2019 level.

General Sales Tax revenue is the largest driver of the Sales Tax category and accounts for almost 80% of all Sales Tax receipts. In 2019-2020 General Sales Tax collections totaled \$211.0 million, which was 6.5% above the 2019-2020 Modified Budget level of \$198.1 million and 0.6% above the 2018-2019 collection level of \$209.8 million. However, as mentioned above, 2019-2020 collections included revenue of \$20.8 million associated with the



Revenue Capture Agreement. As marketplace facilitators were not required to collect and remit Sales Tax until October 2019, this revenue was not received in 2018-2019. Therefore, if the Revenue Capture Agreement revenue was not received in 2019-2020, collections would have only totaled \$190.3 million, which reflects a 9.3% decline from the 2018-2019 level.

The shelter-in-place mandate that began in March 2020 as a result of the COVID-19 pandemic had a significant impact on General Sales Tax collections. Before the shelter-in-place mandate, two quarters of General Sales Tax revenue had been received (July-September 2019 and October-December 2019 activity), which reflected year-over-year growth of approximately 5% and 4%, respectively (excluding the Revenue Capture Agreement). However, once the shelter-in-place mandate began, economic activity severely contracted, which had an immediate impact on General Sales Tax collections. General Sales Tax

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Sales Tax

revenue for the 3rd quarter (January-March 2020 activity) was received at the end of May 2020. This revenue (which only represents two weeks of the shelter-in-place mandate) declined by approximately 19% when compared to prior year receipts for the same quarter (excluding funds related to the Revenue Capture Agreement). The final payment of the fiscal year (which represents April-June 2020 activity) was received at the end of August 2020. After excluding funds related to the Revenue Capture Agreement, April-June receipts declined approximately 12% from the same quarter in the prior year. It is important to note that the State of California has enacted several programs to assist small businesses that resulted in some General Sales Tax collections being received in the 4th quarter that was attributable to 3rd quarter activity. Additionally, due to these programs it is anticipated a small portion of General Sales Tax revenue related to 2019-2020 activity will not be received until 2020-2021.

The City’s Sales Tax consultant, Avenu Insights & Analytics, has provided economic performance data for 2019-2020, as displayed in the following chart. This analysis measures sales tax receipts for 2018-2019 and 2019-2020, excluding State and County Pools.

General Sales Tax Revenue Economic Performance

Economic Sector	2019-2020 % of Total Revenue	2018-2019 % of Total Revenue	% Change of Revenue Received by Category
General Retail	23.6%	24.6%	(14.3%)
Business-to-Business	23.4%	21.9%	(4.5%)
Transportation	21.9%	23.9%	(18.0%)
Food Products	18.1%	17.9%	(9.5%)
Construction	12.2%	11.2%	(2.9%)
Miscellaneous	0.8%	0.7%	9.3%
Total	100.0%	100.0%	(10.8%)

As can be seen in the table above, several sectors have been negatively impacted by the shelter-in-place mandate that began in March 2020, including General Retail and Transportation. The General Retail category includes Apparel Stores, Department Stores, Furniture/Appliance Stores, Drug Stores, Recreation Products, and Florist/Nurseries. When the shelter-in-place mandate began, many of these types of stores were required to immediately shutter operations, resulting in a sudden loss of sales tax revenue associated with the category. It is important to note that any online transactions associated with these stores would not be captured in the General Retail category, but rather the County Pool.

In 2020-2021, General Sales Tax collections are estimated at \$192.0 million, which allows for a 9.0% drop from the 2019-2020 level. First quarter 2020-2021 General Sales Tax collections (July-September 2020 activity) are anticipated to be received in late November 2020. After these receipts are received and analyzed, if budgetary adjustments are recommended, actions will be brought forward as part of the 2020-2021 Mid-Year Review for City Council consideration.

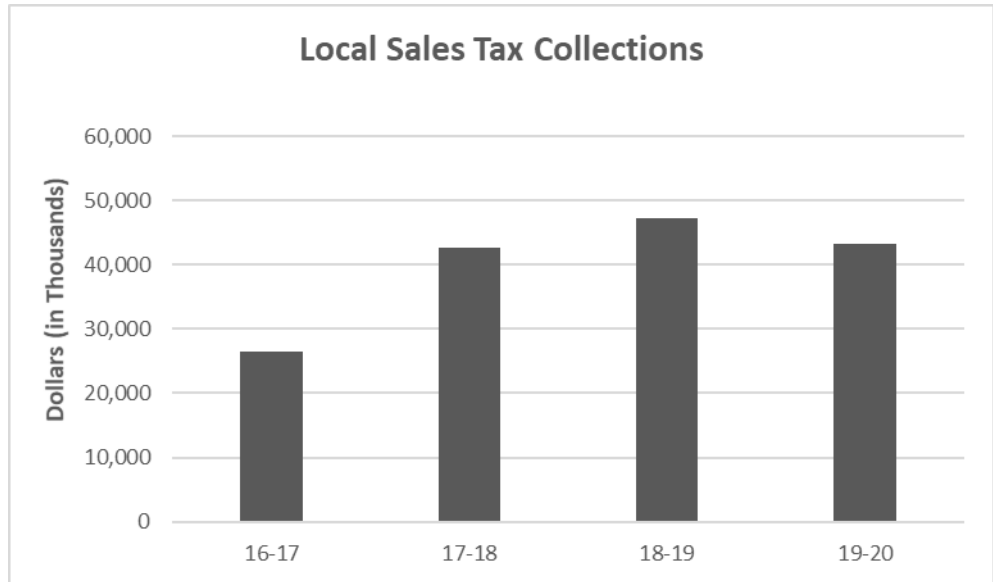
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Sales Tax

In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which began implementation in October 2016. In 2019-2020, Local Sales Tax revenues totaled \$43.2 million, which was 3.5% below the budget estimate of \$44.7 million, and 8.6% below the prior year collection level of \$47.2 million.

As discussed above, the shelter-in-place mandate that began in March 2020 as a result of the COVID-19 pandemic had a significant impact on Local Sales Tax collections. Before the shelter-in-place mandate, two quarters of Local Sales Tax revenue had been received (July-September 2019 and October-December 2019 activity), which reflected year-over-year growth of approximately 10.5% and 6%, respectively.



However, once the shelter-in-place mandate began, economic activity severely contracted, which had an immediate impact on Local Sales Tax collections. Local Sales Tax revenue for the 3rd quarter (January-March 2020 activity) was received at the end of May 2020. This revenue (which only represents two weeks of the shelter-in-place mandate) declined by approximately 19% when compared to prior year receipts for the same quarter. Additionally, the final payment of the fiscal year (April-June 2020 activity) was received at the end of August 2020, and reflected a year-over-year drop of approximately 13%.

In 2020-2021, Local Sales Tax collections are estimated at \$44.5 million, which requires growth of 3.1% from the 2019-2020 collection level. First quarter 2020-2021 Local Sales Tax collections (July-September 2020 activity) are anticipated to be received in late November 2020. After these receipts are received and analyzed, if budgetary adjustments are recommended, actions will be brought forward as part of the 2020-2021 Mid-Year Review for City Council consideration.

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 2019-2020, receipts of \$6.4 million were 2.1% below the budgeted estimate of \$6.5 million and 2.6% below the 2018-2019 collection level of \$6.5 million. This performance reflects the overall Sales Tax performance throughout the State and the relative share that is attributed to San José.

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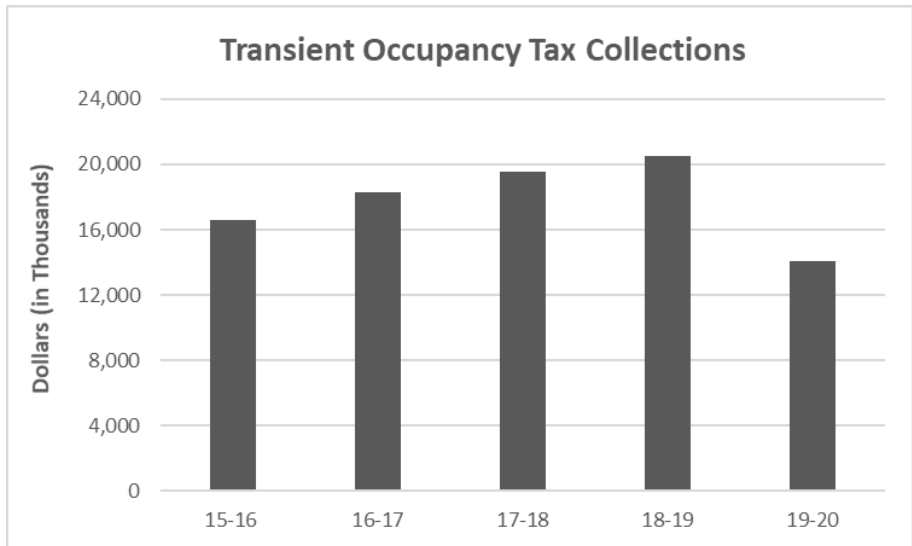
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Transient Occupancy Tax

Transient Occupancy Tax	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Transient Occupancy Tax	13,500,000	14,103,867	603,867	4.5%
Total	13,500,000	14,103,867	603,867	4.5%

In 2019-2020, receipts of \$14.1 million for the General Fund’s portion (4.0%) of the City’s **Transient Occupancy Tax (TOT)** exceeded the 2019-2020 Modified Budget estimate of \$13.5 million. However, 2019-2020 receipts were significantly lower (31.3%) than the 2018-2019 receipts of \$20.5 million due to the impacts of the COVID-19 pandemic and the resulting shelter-in-place orders issued in March 2020. The public health threat posed by COVID-19 abruptly disrupted business and leisure activity, resulting in plummeting demand for hotel rooms and revenue potential, reaching a low of 15.13% occupancy in April 2020. Prior to this disruption, collection levels throughout the year continued to exhibit normal seasonality but were indicative of a plateauing of the recent multi-year trend of year-over-year growth, the rate of increase was slowing (24.1% growth in 2014-2015, 12.4% growth in 2015-2016, 10.3% growth in 2016-2017, 6.9% growth in 2017-2018, and 5.1% growth in 2018-2019).

Overall, the average room rate across the City’s reporting hotels decreased by \$19.34 (from \$201.06 to \$181.72), and average occupancy decreased 19.9% (77.4% in 2018-2019 to 57.56% in 2019-2020). Occupancy levels bottomed (15.13%) in April 2020 during the height of the local response to the initial wave of the COVID-19 pandemic; however, room demand and revenues exhibited incremental gains to close the year. This gradual, incremental rebound is projected to continue into 2020-2021 as public health restrictions lift and business and leisure activities slowly resume. Accordingly, the 2020-2021 Adopted Budget estimate of \$9.0 million assumes a 33.3% decline in TOT collections relative to 2019-2020 estimated receipts of \$13.5 million, based on modeling of the continued impacts of COVID-19 and the composition of the City of San José market.



This volatile source of revenue will continue to be closely monitored, especially given the unprecedented impacts of COVID-19. If necessary, recommendations may be brought forward for City Council consideration at a future date, to account for evolving conditions amid the continued response to the pandemic.

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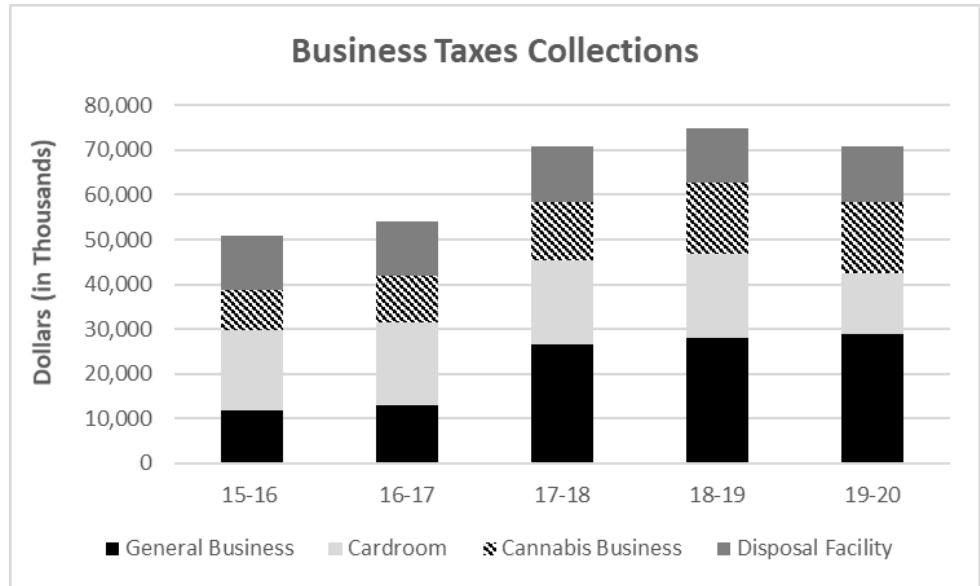
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Business Taxes

Business Taxes	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
General Business Tax	28,000,000	28,844,254	844,254	3.0%
Cardroom Tax	16,700,000	13,535,341	(3,164,659)	(19.0%)
Cannabis Business Tax	13,500,000	15,922,926	2,422,926	17.9%
Disposal Facility Tax	12,000,000	12,519,506	519,506	4.3%
Total	70,200,000	70,822,027	622,027	0.9%

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$70.8 million were slightly (0.9%) above the 2019-2020 Modified Budget estimate of \$70.2 million, but were \$4.1 million, or 5.4%, below the 2018-2019 collection level. The overall drop in year-over-year revenue is primarily due to lower Cardroom Tax revenue due to cardrooms being closed during the shelter-in-place mandate.

Beginning in 2017-2018, **General Business Tax** collections reflect the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax included increasing the base tax, increasing the incremental tax and making it more progressive, increasing the cap (the maximum amount



of the tax affecting large businesses), updating the application of the tax to more classes of business, and adding inflation-based adjustments for future tax rates. In 2019-2020, General Business Tax collections of \$28.8 million ended the year 3.0% above the Modified Budget estimate of \$28.0 million. In addition, 2019-2020 revenue was 2.8% above the 2018-2019 receipts of \$28.0 million. Due to the timing of General Business Tax payments, a majority of revenue had been received before the COVID-19 pandemic began. However, in 2020-2021 social distancing restrictions will likely have an impact on local businesses; therefore, the 2020-2021 Adopted Budget estimate for General Business Tax collections was reduced to \$25.7 million, which allows for an 11% drop from the 2019-2020 collection level. This revenue category will continue to be closely monitored and updated information will be included in future bi-monthly financial reports and the 2020-2021 Mid-Year Budget Review, which will be released in January 2021.

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Business Taxes

In 2019-2020, **Cardroom Tax** collections of \$13.5 million ended the year 19.0% below the 2019-2020 Modified Budget estimate of \$16.7 million and 28.3% below the 2018-2019 collection level of \$18.9 million. As a result of the shelter-in-place mandate, cardrooms shuttered operations in March 2020 and remained close for the remainder of the fiscal year. In September 2020, the shelter-in-place order was modified to allow cardrooms to begin outdoor operations with social distance requirements. The 2020-2021 Adopted Budget for Cardroom Tax collections totals \$17.1 million. However, as cardrooms were not operational from July through September and the modified shelter-in-place limits business operations, a recommendation is included in this report to decrease the 2020-2021 revenue estimate by approximately 50% (from \$17.1 million to \$8.5 million).

In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational cannabis use in the State of California. With this change, the sale of recreational cannabis at the 16 licensed dispensaries in San José began in January 2018. In 2019-2020, **Cannabis Business Tax** collections, which includes recreational and medicinal cannabis, totaled \$15.9 million. The 2019-2020 collection level was \$2.4 million, or 17.9%, above the budgeted estimate and was fairly consistent with the 2018-2019 collection level.

In 2019-2020, **Disposal Facility Tax** collections of \$12.52 million were 4.3%, or \$520,000, above the 2019-2020 Modified Budget level of \$12.0 million and were 3.5% above the prior year collections of \$12.1 million. When the 2020-2021 budget was developed, it was anticipated that 2019-2020 collections would total \$12.3 million and then drop by 10% in 2020-2021 due to the shelter-in-place. However, activity has not been negatively affected by the pandemic, therefore, a recommendation is included in this report to increase the 2020-2021 Disposal Facility Tax estimate by \$1.5 million (from \$11.1 million to \$12.6 million), which is fairly consistent with the 2019-2020 collection level.

Utility Tax

Utility Tax	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Electricity Utility Tax	46,900,000	48,682,470	1,782,470	3.8%
Telephone Utility Tax	22,645,000	22,698,430	53,430	0.2%
Water Utility Tax	16,700,000	16,911,076	211,076	1.3%
Gas Utility Tax	10,400,000	11,226,324	826,324	7.9%
Total	96,645,000	99,518,300	2,873,300	3.0%

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$99.5 million were \$2.9 million, or 3.0%, above the 2019-2020 Modified Budget level, and were 0.3% above the 2018-2019 actual level of \$99.3 million.

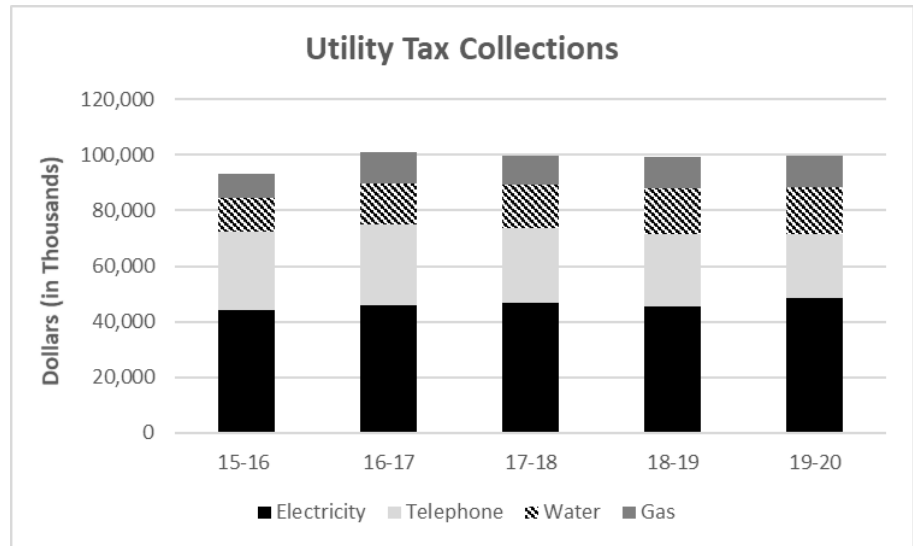
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Utility Tax

Receipts in the **Electricity Utility Tax** category of \$48.7 million were 3.8% above the 2019-2020 Modified Budget level of \$46.9 million. In addition, the 2019-2020 collection level was \$3.1 million, or 6.8%, above the 2018-2019 collection level of \$45.6 million. This increase in revenue primarily reflects higher consumption.

Receipts in the **Telephone Utility Tax** category of \$22.7 million ended the year slightly (0.2%) above the budgeted estimate, but was \$3.3 million, or 12.6%, below the 2018-2019 collection level. Revenues in this category have been consistently declining in recent years as a result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the shifting of wireless communications to increase reliance on data plans, which are not taxable.



Gas Utility Tax receipts of \$11.2 million were \$826,000, or 7.9%, above the budgeted estimate of \$10.4 million. In addition, the 2019-2020 receipts were slightly (0.8%) above the 2018-2019 collection level of \$11.1 million. The increase in revenue primarily reflects increased consumption levels. This category can vary significantly from year to year based on weather conditions.

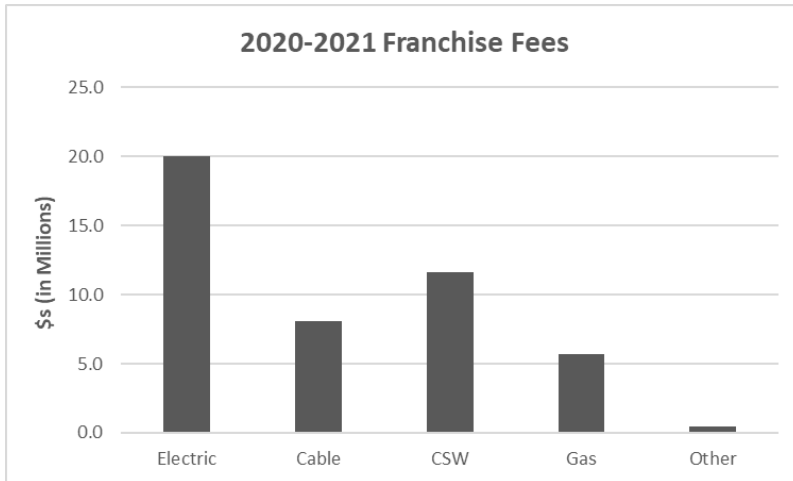
Receipts in the **Water Utility Tax** category of \$16.9 million were \$211,000, or 1.3%, above the budgeted estimate and were 2.1%, above the prior year collection level of \$16.6 million. The higher collection level is primarily due to the water rate increases and changing consumption levels.

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Franchise Fees

Franchise Fees	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Electric Franchise Fee	22,400,000	17,258,185	(5,141,815)	(23.0%)
Commercial Solid Waste Franchise Fee	12,046,000	12,048,376	2,376	0.0%
Cable Franchise Fee	8,400,000	8,694,663	294,663	3.5%
Gas Franchise Fee	5,000,000	5,883,901	883,901	17.7%
Tow Franchise Fee	400,000	236,489	(163,511)	(40.9%)
Great Oaks Water Franchise Fee	330,000	247,517	(82,483)	(25.0%)
Nitrogen and Jet Fuel	65,000	66,686	1,686	2.6%
Total	48,641,000	44,435,817	(4,205,183)	(8.6%)



Franchise Fee collections of \$44.4 million were 8.6% below the 2019-2020 Modified Budget level of \$48.6 million and 8.2% below the 2018-2019 collection level. The decrease in collections is primarily attributable to lower Electric Franchise Fee revenue, which totaled \$17.3 million, or \$5.1 million below the budgeted estimate. The Administration is evaluating the cause of the reduced Electric Franchise Fee revenue to determine if adjustments to the 2020-2021 estimate are warranted. However, partially offsetting this drop

was increased Gas Franchise Fees, which ended the year 17.7% above the budgeted estimate.

Telephone Line Tax

Telephone Line Tax	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Telephone Line Tax	20,000,000	20,694,877	694,877	3.5%
Total	20,000,000	20,694,877	694,877	3.5%

In 2019-2020, **Telephone Line Tax** collections of \$20.7 million were \$695,000 (3.5%) above the budgeted estimate of \$20.0 million, but were 4.2% below the 2018-2019 collection level of \$21.6 million. The 2018-2019 collection level included unanticipated one-time Telephone Line Tax compliance revenue of \$1.4 million. After excluding these one-time receipts, collections in 2019-2020 were fairly consistent with the prior year level.

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Licenses and Permits

Licenses and Permits	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Building Permits	33,800,000	36,249,608	2,449,608	7.2%
Fire Permits	14,002,564	14,319,470	316,906	2.3%
Other Licenses and Permits	14,206,904	13,951,451	(255,453)	(1.8%)
Total	62,009,468	64,520,529	2,511,061	4.0%

Revenues in the Licenses and Permits category include the Building Permits, Fire Permits, and various other licenses and permits. Overall, Licenses and Permits collections of \$64.5 million were 4.0% (\$2.5 million) above the 2019-2020 Modified Budget level of \$62.0 million, but were slightly below (1.2%) the 2018-2019 collection level of \$65.3 million. Both the Building and Fire Development Fee Programs exceeded the budgeted estimate.

Building Permits receipts of \$36.2 million ended the year \$2.4 million, or 7.2%, above the Modified Budget level of \$33.8 million, and 1.3% below the prior year's collection level of \$36.7 million. The shelter-in-place mandate that began in March in response to COVID-19 significantly restricted in-progress construction activity. Development partners continued to work remotely on all other aspects of project review, such as planning entitlement and construction plan checking, in preparation for when restrictions would be lifted. From May 4, 2020, the shelter-in-place was revised to allow for the return of all construction work if public health requirements were met. Building permit revenue was strong through March 2020, and despite the impact from actions responding to COVID-19, collections ended the year above the estimated level.

The total valuation of projects submitted in 2019-2020 was \$1.79 billion, 2.7% above the \$1.74 billion valuation of projects that were received in 2018-2019. Residential valuation ended the year below the estimate while the valuations for the Commercial and Industrial land use categories ended the year above estimates. Residential valuation of \$353.4 million in 2019-2020 was lower than the 2018-2019 level of \$567.5 million. A total of 1,954 new residential units received permits in 2019-2020, which was below 2018-2019 actuals of 2,985 units. However, commercial valuation of \$784.3 million ended 2019-2020 above the prior year level of \$631.4 million. In addition, industrial activity of \$652.5 million was higher than the 2018-2019 level of \$544 million. Notable activity that took place in 2019-2020, included building permits for the construction of a 9-story garage for two office buildings (located on Devcon Court between East Brokaw Road and Zanker road), a new 80,260 square foot shell building for future manufacturing/storage use (located east of Highway 87 and south of Curtner Avenue), a 443,000 square foot public parking garage (located on Winchester Boulevard and Prune Way), a new 65,000 square foot grocery store (located on Berryessa Road), a new 8-story, 576,892 square foot office building (located on Coleman Avenue west of the San José International Airport), and a 130-unit apartment building with 5,500 square feet of ground-floor retail (located on South Market Street just north of Interstate 280).

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Licenses and Permits

Beginning in 2020-2021, a new special fund was established for the Building Development Fee Program, which allows for greater transparency into Development Fee Program activity and easier fiscal management. As part of the 2020-2021 Adopted Budget, the Fee Program Reserve was transferred from the General Fund to the new fund, with a final reconciliation of the program included as part of the 2019-2020 Annual Report. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report, there is a recommendation to transfer an additional \$9.3 million from the General Fund to the Building Development Fee Program Fund, which consists of the following: \$9.5 million for the reconciliation of 2019-2020 actual activity of the Building Development Fee Program, a \$462 reimbursement for waived building permit and inspection fees to assist homeowners with repairs related to the 2017 Coyote Creek flood, and a \$135,954 reduction of funds to correct for a previous transfer in the 2020-2021 Adopted Operating Budget for prior year encumbrances that were transferred from the General Fund to the Building Development Fee Program Fund. The reconciliation of 2019-2020 actual activity of the Building Development Fee Program resulted in \$9.5 million allocated to the Building Development Fee Program and consists of excess revenues of \$2.4 million, expenditure savings of \$6.4 million, and interest earnings attributed to the program of \$602,000. After accounting for these reconciliations and other recommended adjustments in this report, the 2020-2021 Building Development Fee Fund Ending Fund Balance will increase from \$9.5 million to \$18.7 million.

Fire Permits receipts of \$14.3 million were 2.3% above the 2019-2020 Modified Budget estimate of \$14.0 million and 2.3% above the 2018-2019 collection level of \$14.0 million. This category includes revenue for the Fire Development Fee Program and the Fire Non-Development Fee Program.

Development revenues from Architectural Plan Check and Inspection, Engineering Systems (Alarms and Sprinklers) Permits and Inspections, and miscellaneous revenues ended the year at \$9.0 million, which was 6.9% above the 2019-2020 Modified Budget estimate of \$8.4 million. Fire Non-Development Fee Program revenue of \$5.3 million, from Annual Renewable Permits, Non-Renewable Permits and Inspections, and other miscellaneous activities, was 4.7% below the 2019-2020 Modified Budget estimate of \$5.6 million. The slightly lower than anticipated collections in the Non-Development Fee Program was primarily due to a bad debt write off that reduced the revenue amount by \$511,000. Although revenue was below the budgeted estimate, the Fire Non-Development Fee Program maintained a cost recovery rate of 99.2%, primarily due to vacancy savings.

Beginning in 2020-2021, a new special fund was established for the Fire Development Fee Program, which allows for greater transparency into Development Fee Program activity and easier fiscal management. As part of the 2020-2021 Adopted Budget, the Fee Program Reserve was transferred from the General Fund to the new fund, with a final reconciliation of the program being completed as part of the 2019-2020 Annual Report. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report, final 2019-2020 Fire Development Fee Program surplus revenues and expenditure savings in the General Fund, totaling \$2.2 million, are recommended to be transferred to the Fire Development Fee Fund. After accounting for these reconciliations, rebudgets and other recommended adjustments in this report, the 2020-2021 Fire Development Fee Fund Ending Fund Balance will increase from \$2.0 million to \$4.1 million.

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GENERAL FUND REVENUE PERFORMANCE

Fees, Rates, and Charges

Fees, Rates, and Charges	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
PRNS Fees	17,555,324	14,201,060	(3,354,264)	(19.1%)
Public Works Fees	15,572,329	16,667,844	1,095,515	7.0%
Planning Fees	6,342,483	6,836,062	493,579	7.8%
Transportation Fees	2,343,196	2,370,527	27,331	1.2%
Police Fees	912,014	951,919	39,905	4.4%
Library Fees	303,200	167,568	(135,632)	(44.7%)
Miscellaneous Fees	7,207,374	7,373,327	165,953	2.3%
Total	50,235,920	48,568,307	(1,667,613)	(3.3%)

Revenues in this category include fees and charges assessed by several departments. Overall, Fees, Rates, and Charges collections of \$48.6 million were 3.3% (\$1.7 million) below the 2019-2020 Modified Budget level of \$50.2 million, and 12.8% below the 2018-2019 collection level of \$55.7 million. In 2019-2020, the Planning Fee Program, Police Department revenues, Public Works Fee Program, Transportation Department revenues, and Miscellaneous revenues exceeded the budgeted estimates; however, the Library Department and Parks, Recreation, and Neighborhood Services (PRNS) Department revenue collections fell below their budgeted estimate.

PRNS Departmental Fee revenue ended the year at \$14.2 million, which is \$3.4 million, or 19.1%, below the 2019-2020 Modified Budget estimate of \$17.55 million and 34.7% below the prior year collection level of \$21.7 million. As a result of the shelter-in-place mandate, PRNS programming was not able to occur from mid-March through the end of the fiscal year. All spring and early summer programming was cancelled and all revenue received for the programs was refunded. A portion of the revenue loss related to the COVID-19 pandemic was anticipated, and an action to reduce PRNS Department Fee revenue by \$5.5 million (from \$23.0 million to \$17.55 million) was included in the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by City Council on April 28, 2020. However, revenue ended the year below the modified level by \$3.4 million and fell below the original 2019-2020 Adopted Budget estimate by \$8.8 million. Lower than estimated revenues were received in all fee categories including: Happy Hollow Park and Zoo; Fee Activity (classes, camps, and after-school activities); Facility Rentals; Sports Facilities Reservations; Family Camp; Summer Swim; Lake Cunningham Action Sports Park; Park Permits; and Parking.

In 2019-2020, **Public Works Departmental Fee** collections of \$16.7 million ended the year 7.0% above the Modified Budget estimate of \$15.6 million, and 1.4% above the \$16.4 million collected in 2018-2019. The Public Works total revenue collections are comprised of \$7.5 million from the Development Services Fee Program, \$4.4 million from the Utility Fee Program, and \$4.7 million for Small Cell Permitting. Revenue received for Small Cell Permitting is a deposit for works-in-progress that are spent through the fiscal year. Development Services Fee Revenue is down 9.4% from the prior year, primarily due to decreases in Residential Engineering fees, partially offset by increases in Non-Residential Engineering revenues.

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GENERAL FUND REVENUE PERFORMANCE

Fees, Rates, and Charges

Beginning in 2020-2021, new special funds were established for the Public Works Development Fee Program and the Small Cell Permitting Program, which allows for greater transparency into Development Fee Program activity and financial performance. As part of the 2020-2021 Adopted Budget, these Fee Program Reserves were transferred from the General Fund to the new funds, with a final reconciliation of the programs being completed as part of the 2019-2020 Annual Report. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* the total combined Public Works Fee Program ended the year with a surplus of \$2.5 million generated from combined excess revenues of \$1.1 million and expenditure savings of \$1.2 million. The Development Services Fee Program saw a revenue surplus of \$2.1 million and expenditure savings of \$1.4 million, for a total surplus of \$3.6 million that is recommended to be transferred from the General Fund into the Development Services Fee Program Fund. Alternatively, the Small Cell Permitting Fee Program saw a revenue shortfall of \$1.0 million due to timing of reimbursements and an expenditure overage of \$176,000, for a total shortfall of \$1.2 million. This shortfall was temporarily covered by the General Fund in 2019-2020. Actions in the Small Cell Permitting Fee Program Fund are recommended to increase the revenue estimate by \$1.0 million to recognize new revenue received in 2020-2021 for 2019-2020 expenditures, as well as a \$1.2 million transfer to the General Fund to replenish borrowed funds in 2019-2020. After accounting for these reconciliations, rebudgets and other recommended adjustments in this report, the 2020-2021 Public Works Development Fee Fund Ending Fund Balance will increase from \$1.6 million to \$5.2 million, and the 2020-2021 Small Cell Permitting Fee Fund Ending Fund Balance will increase from \$721,000 to \$548,000.

Planning Departmental Fee collections of \$6.8 million ended the year above Modified Budget estimate, but 14.7% below the prior year level of \$8.0 million. The decrease in revenue was largely due to a slowdown in development activity as a result of the COVID-19 pandemic and subsequent shelter-in-place mandate. In anticipation of lower Planning Fee collections, the Planning Fee revenue estimate was decreased from \$8.1 million to \$6.3 million as part of the memorandum to address budgetary impacts in 2019-2020 due to COVID-19, as approved by City Council. Actual revenue collections ended the year at \$6.8 million, or \$494,000 higher than the 2019-2020 Modified Budget estimate.

Beginning in 2020-2021, a new special fund was established for the Planning Development Fee Program, which allows for greater transparency into Development Fee Program activity and easier fiscal management. As part of the 2020-2021 Adopted Budget, the Fee Program Reserve was transferred from the General Fund to the new fund, with a final reconciliation of the program being completed as part of the 2019-2020 Annual Report. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* there is a recommendation to transfer \$993,000 from the General Fund to the Planning Development Fee Program Fund. A reconciliation of 2019-2020 actual activity of the Planning Development Fee Program resulted in \$993,000 allocated to the Planning Development Fee Program and consists of excess revenues of \$494,000, expenditure savings of \$449,000, and interest earnings attributed to the program of \$51,000. After accounting for these reconciliations and other recommended adjustments in this report, the 2020-2021 Planning Development Fee Fund Ending Fund Balance will increase from \$800,000 to \$1.8 million.

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Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Parking Fines	10,700,000	10,085,331	(614,669)	(5.7%)
Vehicle Code Fines	1,400,000	1,048,387	(351,613)	(25.1%)
Business License Penalties	1,200,000	1,828,895	628,895	52.4%
Administrative Citation Fines	900,000	616,044	(283,956)	(31.6%)
Other Fines and Penalties	1,013,000	804,488	(208,512)	(20.6%)
Total	15,213,000	14,383,145	(829,855)	(5.5%)

The primary sources of revenue in the Fines, Forfeitures, and Penalties revenue category are Parking Fines, Vehicle Code Fines, Business License Penalties, Administrative Citation Fines, and Other Fines and Penalties. Collections of \$14.4 million in this category were \$830,000, or 5.5%, below the 2019-2020 Modified Budget estimate of \$15.2 million, and \$3.0 million (17.3%) below the prior year collection level. All revenue collections in the Fines, Forfeitures and Penalties category ended the year below budgeted levels, with the exception of Business License Penalties. The overall drop in collections in 2019-2020 was primarily due to lower activity levels as a result of the shelter-in-place mandate.

Parking Fines, the largest component of this revenue category, ended the year at \$10.1 million, which is \$615,000 (5.7%) below the 2019-2020 Modified Budget estimate. In addition, the 2019-2020 collection level was \$2.45 million, or 19.5%, below the prior year level of \$12.5 million. The drop in 2019-2020 revenue was primarily attributable to parking citation activity halting during the shelter-in-place mandate that began in March 2020. Further, although parking citation issuance is anticipated to resume in 2020-2021, it will be at a modified level, concentrating on the downtown San José core area and safety related violations citywide. Therefore, this report includes a recommendation to decrease the 2020-2021 Parking Fines revenue estimate by 50% (from \$12.0 million to \$6.0 million). Additional information on the anticipated loss of Parking Fine revenue is included in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Business License Penalties of \$1.8 million significantly exceeded the budgeted estimate of \$1.2 million, but was \$494,000 below the 2018-2019 collection level. **Vehicle Code Fines** ended the year at \$1.0 million, which was \$352,000 below the budgeted estimate, and was \$390,000 below the prior year collections. The **Administrative Citation Fines** and other remaining categories ended the year at \$1.4 million, which was \$492,000 below the budgeted level, but \$312,000 above the prior year collection level.

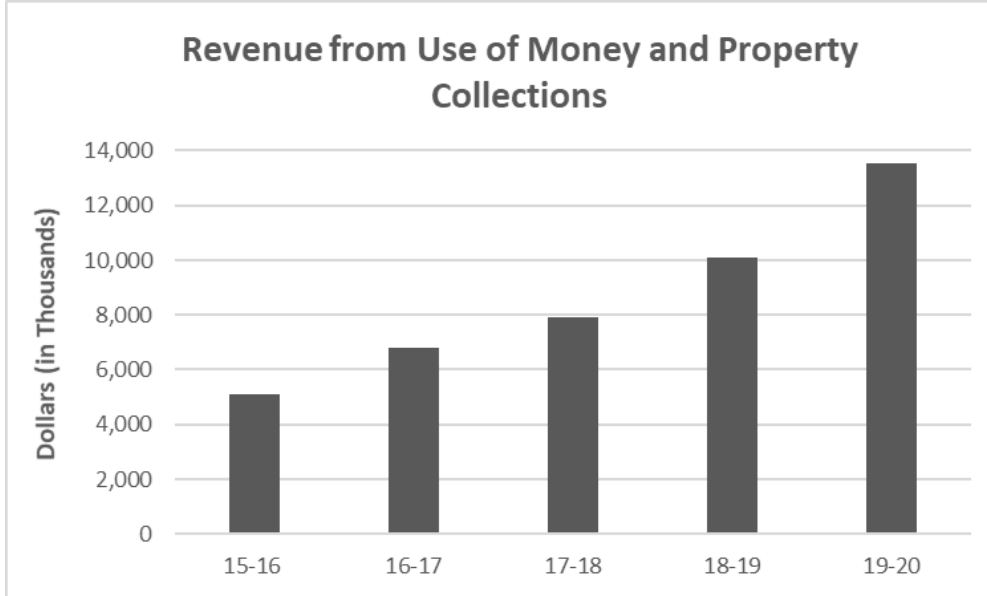
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GENERAL FUND REVENUE PERFORMANCE

Revenue from Use of Money and Property

Use of Money and Property	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Interest Earnings on the General Fund	6,900,000	7,861,010	961,010	13.9%
City-Owned Property Rentals	3,450,000	3,232,338	(217,662)	(6.3%)
Digital Inclusion Program	1,955,000	1,661,205	(293,795)	(15.0%)
Subrogation Recovery	500,000	337,355	(162,645)	(32.5%)
Other Use of Money and Property	339,000	431,189	92,189	27.2%
Total	13,144,000	13,523,097	379,097	2.9%

The Use of Money and Property category primarily consists of interest income earned on the General Fund, rental income from various City properties, and subrogation recovery revenues. Collections of \$13.5 million ended the year 2.9% above the 2019-2020 budgeted estimate, and 34.3% (\$3.5 million) above the 2018-2019 collection level. The increase in year-over-year revenue is primarily attributable to higher interest earnings on the General Fund, which is the largest component of this revenue category.



Interest income of \$7.9 million was 13.9% above the budgeted level of \$6.9 million, and 48.7% above the prior year collection of \$5.3 million. This increase is primarily due to higher assumed cash balances. Rental income of \$3.2 million was \$218,000 (6.3%) below the budgeted estimate, and \$322,000 (9.1%) below the prior year, reflecting slightly lower collections for several properties.

Digital Inclusion Program revenue of \$1.7 million was \$294,000 below the budgeted estimate; however, collections were significantly higher (\$1.5 million) than the prior year level. Subrogation recovery revenues of \$337,000 ended the year \$163,000 below the budgeted estimate and \$208,000 below the prior year collection level.

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GENERAL FUND REVENUE PERFORMANCE

Revenue from Local Agencies

Revenue from Local Agencies	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Central Fire District	7,700,000	7,950,378	250,378	3.3%
Paramedic Program	2,420,000	2,905,574	485,574	20.1%
Other Local Agency Payments	7,244,710	4,803,719	(2,440,991)	(33.7%)
Total	17,364,710	15,659,671	(1,705,039)	(9.8%)

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

Revenue collections of \$15.7 million ended the year 9.8% (\$1.7 million) below the budgeted estimate of \$17.4 million, which was primarily due to the timing of grant revenue payments. Additionally, 2019-2020 local agency revenue was \$1.0 million, or 6.1%, below the 2018-2019 collection level. The year-over-year decrease in revenue is primarily attributable to a lower Successor Agency to the Redevelopment Agency (SARA) reimbursement for enforceable obligations (-\$1.9 million), partially offset by higher Paramedic Program revenue (\$733,000) and Central Fire District payment (\$494,000).

In 2019-2020, the **Central Fire District** payment of \$7.95 million ended the year 3.3% above the budgeted level, and 6.6% above the prior year collection of \$7.5 million. These payments represent property taxes collected by the Central Fire District for areas of the County served by the San José Fire Department. The year-over-year increase of payments is due to the change in Property Tax valuation in those areas.

Reimbursement from the County of Santa Clara for the first responder advanced life support program (**Paramedic Program**) of \$2.9 million was 20.1% above the budgeted level, and 33.8% above the 2018-2019 collection level of \$2.2 million. The 2019-2020 receipts included the equipment reimbursement component (Annex B, Category A; \$1.4 million) and service related component (Annex B, Category B; \$1.5 million) and are reflective of the Fire Department's improved response times for emergency medical service calls.

The 2020-2021 Adopted Budget included the rebudget of revenues for various local grants and reimbursements in the amount of \$248,000. In addition, rebudget and clean-up adjustments totaling \$1.75 million are recommended in this report to account for revenues that were not received 2019-2020, but are now anticipated to be received in 2020-2021. Additional information on the rebudget and clean-up of local agency revenue, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

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Revenue from the State of California

Revenue from State of California	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Tobacco Settlement	10,600,000	10,177,953	(422,047)	(4.0%)
Motor Vehicle In-Lieu Tax	500,000	825,533	325,533	65.1%
State Grants	10,485,393	9,859,562	(625,831)	(6.0%)
Other State Revenue	1,487,118	1,648,935	161,817	10.9%
Total	23,072,511	22,511,983	(560,528)	(2.4%)

The Revenue from the State of California category contains Tobacco Settlement Revenue, State Grants, and Other State Revenue. In 2019-2020, Revenue from the State of California totaled \$22.5 million, which is \$561,000, or 2.4%, below the 2019-2020 Modified Budget estimate of \$23.1 million.

The Tobacco Settlement revenue, which is the largest revenue source in this category, totaled \$10.2 million in 2019-2020, which is approximately 4% below the budgeted estimate and the prior year collection level. State grants and other reimbursements totaled \$12.3 million, which was \$138,000 below the 2019-2020 Modified Budget level, which was the result of a timing difference of many grants (and their associated expenditures).

The 2020-2021 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$1.9 million. In addition, based on actual 2019-2020 performance, net negative rebudget adjustments of \$159,000 are recommended in this report. Additional information on the rebudget and clean-up of State grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV - Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Revenue from the Federal Government

Revenue from Federal Government	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Federal Grants	6,539,663	2,638,902	(3,900,761)	(59.6%)
Total	6,539,663	2,638,902	(3,900,761)	(59.6%)

The Revenue from the Federal Government category contains various federal grants and reimbursements. In 2019-2020, Revenue from the Federal Government of \$2.6 million was \$3.9 million (59.6%) below the Modified Budget level of \$6.5 million. The negative variance from the Modified Budget was primarily the result of the timing of various grants (and their associated expenditures) where the work was not yet completed in 2019-2020.

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Revenue from the Federal Government

The 2020-2021 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$2.9 million. In addition, rebudget and clean-up adjustments totaling \$855,000 are recommended in this report to account for revenues that were not received 2019-2020, but are now anticipated to be received in 2020-2021. Additional information on the rebudget and clean-up of Federal grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Other Revenue

Other Revenue	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
SERAF Loan Repayment	10,200,000	10,193,534	(6,466)	(0.1%)
Sale of Surplus Properties	5,350,000	5,350,000	-	0.0%
Other Revenue	22,246,362	18,961,464	(3,284,898)	(14.8%)
Total	37,796,362	34,504,998	(3,291,364)	(8.7%)

The Other Revenue category contains a number of unrelated revenue sources and totaled \$34.5 million in 2019-2020, which was 8.7% below the Modified Budget estimate of \$37.8 million. The 2019-2020 collection level fell short of the budgeted estimate due to the sale of commercial paper for the City Hall Campus Expansion project not occurring.

The 2020-2021 Adopted Budget included the rebudget of revenues and associated expenditures for various grants and reimbursements in the amount of \$238,000 for the anticipated receipt of revenue in 2020-2021 that were not received in 2019-2020. In addition, this report includes the recognition of new grant revenues and their associated expenditures, are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Transfers and Reimbursements

Transfers and Reimbursements	2019-2020 Budget (\$)	2019-2020 Actuals (\$)	2019-2020 Variance (\$)	2019-2020 Variance (%)
Overhead Reimbursements	56,272,963	57,003,787	730,824	1.3%
Transfers	40,758,381	35,629,474	(5,128,907)	(12.6%)
Reimbursements for Services	17,275,220	16,145,354	(1,129,866)	(6.5%)
Total	114,306,564	108,778,615	(5,527,949)	(4.8%)

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Transfers and Reimbursements

The Transfers and Reimbursements category includes overhead reimbursements, transfers to the General Fund, and reimbursements for services. Overall, collections of \$108.8 million ended the year 4.8%, or \$5.5 million, below the 2019-2020 Modified Budget estimate of \$114.3 million. This drop was primarily the result of a lower than budgeted transfer from the Emergency Reserve Fund to the General Fund (\$5.4 million), which was budgeted at \$10.0 million and represented the return of the funding originally used to seed the City's COVID-19 pandemic response; however, only \$4.6 million was transferred due to Federal Emergency Management Agency (FEMA) revenue not being received in 2019-2020 as originally anticipated to pay for emergency response costs. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report, a clean-up adjustment is recommended to recognize \$4.6 million in 2020-2021 for a portion of the transfer that was not received in 2019-2020.

Summary

In 2019-2020, total revenue received in the General Fund in 2019-2020 was \$1.20 billion. This collection level was within 0.2%, or \$2.8 million, of the 2019-2020 Modified Budget. After accounting for reconciling items, including the Development Fee Program adjustments, rebudgets, and other clean-up actions, revenues ended the year \$5.0 million, or 0.4%, above the estimate. This is an extremely small variance given the diversity of over 450 City revenues and the overall size of the General Fund.

The 2019-2020 collection level of \$1.20 billion was \$190.1 million, or 13.6%, below the actual 2018-2019 collections of \$1.39 billion. This decrease is primarily attributable to the City not borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) in 2019-2020, which were previously issued for cash flow purposes to facilitate the annual prefunding of employer retirement contributions for pension benefits. Excluding the TRANs proceeds in 2018-2019, revenue in 2019-2020 has decreased approximately \$40.1 million, or 3.2% from the prior year.

As a result of the COVID-19 pandemic and the necessary response to protect community health and safety, economic activity was severely restricted beginning in March 2020. As anticipated, the wide-spread suspension of daily economic activity as a result of the shelter-in-place mandate significantly impacted General Fund revenue performance for the remainder of 2019-2020. As a result, several revenue categories experienced declines in 2019-2020, including Sales Tax, Transient Occupancy Tax, Business Taxes, and Fines, Forfeitures and Penalties. These impacts are anticipated to continue in 2020-2021 as public health orders and social distancing protocols are anticipated to continue through much of the fiscal year.

Due to continued uncertainty regarding the affects the COVID-19 pandemic will have on the local economy, the Administration will continue to actively monitor economic indicators and revenues in 2020-2021 through the Bi- Monthly Financial Report and the Mid-Year Budget Review process, and return to the Mayor and City Council with recommendations for any revisions, if necessary.