

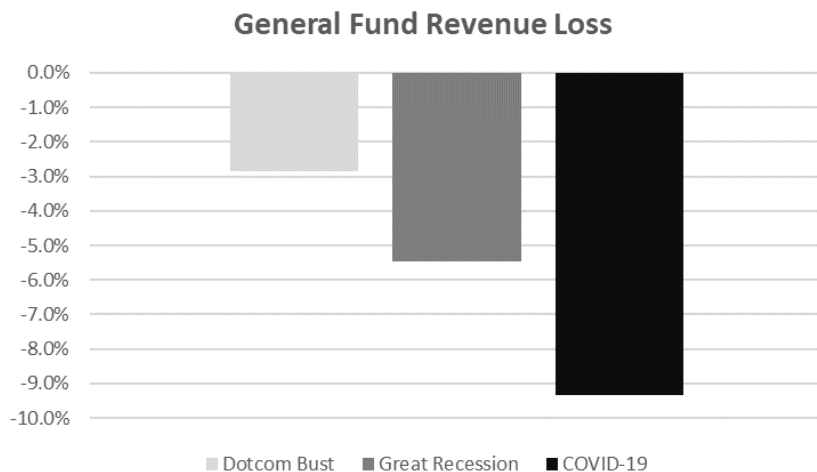
**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  
**GENERAL FUND REVENUE OVERVIEW**

**Introduction**

For 2020-2021, General Fund revenue estimates (excluding fund balance) total \$1.15 billion, representing a 2.3% decrease from the 2019-2020 Adopted Budget level. When Fund Balance-Carryover is included, General Fund resources total \$1.50 billion, which is 2.0% above the prior year.

Estimates for the 2020-2021 Beginning Fund Balance and for over 450 separate General Fund revenue accounts were formulated as part of the 2021-2025 Five-Year Forecast that was released at the end of February 2020. While preparing the Five-Year Forecast in early February, most economic signs indicated that 2020-2021 would continue to have slow, but steady growth, resulting in a small General Fund surplus of \$0.5 million. However, during the last week of February, as the Forecast publication was being finalized, the initial impacts of COVID-19 were just beginning to be felt. As stated in the 2021-2025 Five-Year Forecast’s transmittal memorandum, the economic repercussion of COVID-19 would continue to be monitored and any resulting budgetary impacts would be incorporated as part of the 2020-2021 budget process.

The global impact of the COVID-19 pandemic accelerated rapidly during March, with much of the United States having some form of suppressed daily activity to help limit the spread of COVID-19. Locally, a shelter-in-place mandate was issued by seven Bay Area Counties, including Santa Clara County, on March 17<sup>th</sup>, with various sectors of the economy still impacted and social distancing requirements in place as of the date of this publishing. To comply with the order, a significant portion of economic activity immediately halted, which has deep impacts to many of the economically sensitive revenues in the General Fund. On April 7, 2020, the Estimated Budget Impacts of COVID-19 memorandum was presented to the City Council, which began to preliminarily quantify the budgetary impacts of the pandemic on General Fund resources. Given the limited amount of information available in early April, the collective revenue shortfall estimated in the memorandum totaled \$45 million in 2019-2020 and \$65 million in 2020-2021. Throughout April, as new information and data was received, the economic impact that COVID-19 was having on General Fund revenues was continuously monitored. Based on this analysis, the 2020-2021 revised General Fund Forecast has been updated to reflect a \$78.6 million shortfall in 2020-2021, bringing total General Fund revenues down from \$1.14 billion that was estimated in the Five-Year Forecast to a revised estimate of \$1.06 billion. The revised 2020-2021 General Fund revenue estimate of \$1.06 billion represents a 9.3% decrease from 2018-2019 actual receipts (excluding TRANS proceeds and the Development Fee Programs). Over a two-year span revenues dropped only 2.9% during the Dotcom Bust and 5.5% during the Great Recession.



**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  
**GENERAL FUND REVENUE OVERVIEW**

**Introduction**

In addition to the revisions to the 2020-2021 General Fund Forecast, several budget actions are included in the Adopted Budget that would have a revenue impact of \$94.4 million (excluding fund balance adjustments), bringing the 2020-2021 Adopted revenue estimate to \$1.15 billion, excluding the fund balance. When including the Fund Balance, the 2020-2021 Adopted General Fund Sources totals \$1.50 billion. The 2020-2021 Revised Forecast and Adopted General Fund sources are summarized below and discussed in detail in the material that follows.

Revenue Category	1 2018-2019 Actuals	2 2019-2020 Adopted	3 2020-2021 Forecast	4 2020-2021 Adopted	2 to 4 % Change	% of Total
Property Tax	\$ 330,199,269	\$ 354,000,000	\$ 370,500,000	\$ 370,500,000	4.7%	24.7%
Sales Tax	263,530,326	258,300,000	220,500,000	242,500,000	(6.1%)	16.2%
Transient Occupancy Tax	20,536,084	22,500,000	15,000,000	9,000,000	(60.0%)	0.6%
Franchise Fees	48,397,444	48,641,000	45,719,000	45,921,096	(5.6%)	3.1%
Utility Taxes	99,252,672	99,645,000	95,800,000	95,800,000	(3.9%)	6.4%
Business Taxes	74,902,578	72,200,000	70,900,000	70,900,000	(1.8%)	4.7%
Real Property Transfer Tax	0	0	0	30,000,000	N/A	2.0%
Telephone Line Tax	21,593,485	20,000,000	20,000,000	20,000,000	0.0%	1.3%
Licenses and Permits	65,294,743	62,009,468	19,303,330	20,023,167	(67.7%)	1.3%
Fines, Forfeitures and Penalties	17,401,606	16,213,000	15,722,000	15,730,100	(3.0%)	1.0%
Rev. from Money and Property	10,072,279	13,144,000	14,027,800	11,754,800	(10.6%)	0.8%
Rev. from Local Agencies	16,685,364	14,830,210	13,239,000	18,194,536	22.7%	1.2%
Rev. from State of California	15,101,735	12,960,805	12,030,000	14,319,906	10.5%	1.0%
Rev. from Federal Government	3,106,128	4,769,023	121,000	3,714,762	(22.1%)	0.2%
Fees, Rates, and Charges	55,703,033	58,951,740	27,404,003	25,575,702	(56.6%)	1.7%
Other Revenue	247,368,271	23,502,394	9,104,126	48,511,658	106.4%	3.2%
Transfers and Reimbursements	105,732,097	100,576,639	111,030,012	112,352,425	11.7%	7.5%
<b>Subtotal</b>	<b>\$ 1,394,877,114</b>	<b>\$ 1,182,243,279</b>	<b>\$ 1,060,400,271</b>	<b>\$ 1,154,798,152</b>	<b>(2.3%)</b>	<b>76.9%</b>
Fund Balance-Carryover <sup>(1)</sup>	249,953,260	289,425,284	105,192,500	346,335,718	19.7%	23.1%
<b>Total General Fund Sources</b>	<b>\$ 1,644,830,374</b>	<b>\$ 1,471,668,563</b>	<b>\$ 1,165,592,771</b>	<b>\$ 1,501,133,870</b>	<b>2.0%</b>	<b>100.0%</b>

<sup>(1)</sup> The Fund Balance figure does not include the Reserve for Encumbrances.

**Economic Performance**

The following is a discussion of both the national and local economic outlooks used to develop the 2020-2021 revenue estimates. Various economic forecasts and models were reviewed in the development of the 2020-2021 revenue estimates. The City also uses an economic forecasting consultant and consultants that focus on particular revenue categories, such as Sales Tax and Transient Occupancy Tax. However, given the unprecedented nature of this pandemic and the necessary response to protect community health and safety, estimating its economic impact to the City is difficult. Therefore, the economic conditions resulting from COVID-19 will continue to be closely monitored and any new developments will be reported back to the City Council as part of the 2019-2020 Annual Report and future Bi-Monthly Financial Reports.

**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**

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**GENERAL FUND REVENUE OVERVIEW**

**Economic Performance**

**National Outlook**

Until March 2020, the United States was experiencing the longest economic expansion in this Country's history. How much of an impact the COVID-19 pandemic will have on the United States economy is a question currently facing many government agencies and businesses around the Country. There is a great deal of uncertainty regarding when a vaccine will be available and, in the absence of a vaccine, how consumers will react as various states ease shelter-in-place mandates and re-open their economies.

The Consumer Confidence Index, which is a survey that measures how optimistic or pessimistic consumers are regarding their expected financial situation, declined sharply in March and then further deteriorated April. Lynn Franco, Senior Director of Economic Indicators at The Conference Board stated "Consumer confidence weakened significantly in April, driven by a severe deterioration in current conditions. The 90-point drop in the Present Situation Index (consumers' assessment of current business and labor market conditions), the largest on record, reflects the sharp contraction in economic activity and surge in unemployment claims brought about by the COVID-19 crisis. Consumers' short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy. However, consumers were less optimistic about their financial prospects and this could have repercussions for spending as the recovery takes hold."<sup>1</sup> In May consumer confidence remained unchanged; however, in June consumer confidence slightly grew, but continued to remain below pre-pandemic levels according to the Conference Board. "Consumer Confidence partially rebounded in June but remains well below pre-pandemic levels. The reopening of the economy and relative improvement in unemployment claims helped improve consumers' assessment of current conditions...Faced with an uncertain and uneven path to recovery, and a potential COVID-19 resurgence, it's too soon to say the consumers have turned the corner and are ready to begin spending at pre-pandemic levels."<sup>2</sup>

The real Gross Domestic Product (GDP) represents the value of all goods and services produced for a specific period of time for a country. The GDP includes multiple factors (such as consumption and investment) and is often used to determine the overall health of an economy, including whether an economy is expanding or experiencing a recession. In the fourth quarter of 2019, real GDP increased 2.1%. However, in the first quarter of 2020, the GDP decreased at an annual rate of 5.0%, and the 2<sup>nd</sup> quarter decreased at an annual rate of 31.4%. The declines in the first and second quarter GDP reflected the response to COVID-19 as stay-at-home orders issued in March and April were partially lifted in some areas of the country in May and June, and the government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued remote work and consumers and businesses cancelled, restricted, or redirected their spending.<sup>3</sup>

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<sup>1</sup> The Conference Board, Consumer Confidence Survey, April 28, 2020

<sup>2</sup> The Conference Board, Consumer Confidence Survey, June 30, 2020

<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis, July 30, 2020 and September 30, 2020

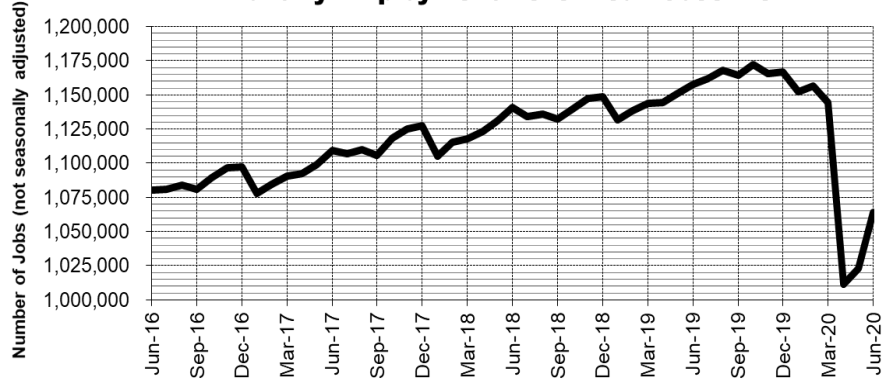
**CITY OF SAN JOSE  
2020-2021 ADOPTED OPERATING BUDGET  
GENERAL FUND REVENUE OVERVIEW**

**Economic Performance**

**City of San José Outlook**

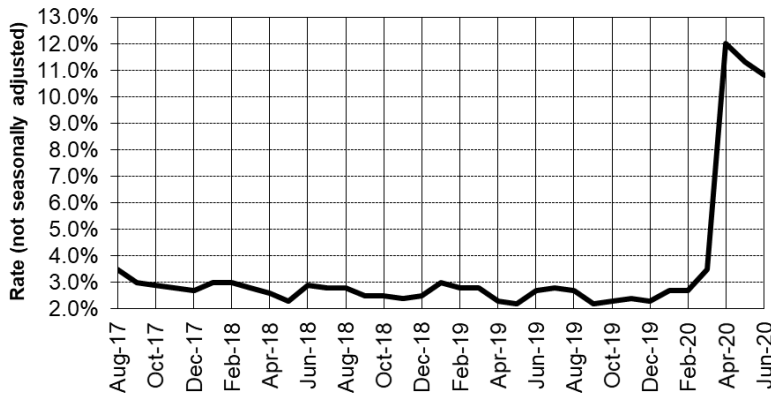
Similar to strong growth that was experienced in the national economy, the City of San José had been experiencing strong economic growth coupled with low unemployment levels for over a decade. However, the shelter-in-place mandate issued in March 2020 had an immediate impact to daily economic activity that will be felt at least through 2020-2021, and likely much longer.

**Monthly Employment Level - San Jose MSA**



California’s employment was negatively impacted in March as a result of the widespread halt in economic activity. Employment levels declined further in April as the state continued to be under strict shelter-in-place orders; however, as mandates slightly eased in May and June, employment figures began to grow. Moving forward, due to the resurgence of the virus, California has re-implemented many business closures, which will likely negatively impact future employment levels. Taner Osman, Research Manager at Beacon Economics and the UC Riverside Center for Forecasting, stated “Despite June’s strong numbers, we’re unlikely to see the labor market’s recovery continue at such a pace. The number of jobs added will likely represent the high mark until the virus in the state is contained. The strongest job gains were seen in Leisure and Hospitality, and these are the very sectors that will be hit the hardest by health-mandated business closures.”<sup>4</sup>

**Monthly Unemployment - San José MSA**



Prior to the COVID-19 pandemic, the unemployment rate for the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) had not exceeded 3.0% since August 2017. Further, between September 2017 and February 2020 the average local unemployment rate totaled 2.6%, which is considered full employment. However, as can be seen on the chart on the left, once the shelter-in-place mandate began, unemployment rates began to

immediately rise, with the local rate hitting 12.0% in April 2020 before declining in May and June 2020.

<sup>4</sup> Beacon Economics, Beacon Employment Report, July 17, 2020

**CITY OF SAN JOSE  
2020-2021 ADOPTED OPERATING BUDGET  
GENERAL FUND REVENUE OVERVIEW**

**Economic Performance**

**City of San José Outlook**

<b>Unemployment Rate (Unadjusted)</b>					
	<b>Feb. 2020</b>	<b>March 2020</b>	<b>April 2020</b>	<b>May 2020</b>	<b>June 2020**</b>
San Jose Metropolitan Statistical Area*	2.7%	3.5%	12.0%	11.3%	10.8%
State of California	4.3%	5.8%	16.2%	16.0%	15.1%
United States	3.8%	4.5%	14.4%	13.0%	11.2%
* San Benito and Santa Clara Counties Source: California Employment Development Department.					
** June 2020 estimates are preliminary and may be updated.					

After topping at 12.0% in April, the local unemployment rate dropped in both May (11.3%) and June (10.8%). It is important to note though that although local unemployment figures have significantly risen since the shelter-in-place mandate began, the rates continue to be much lower than the State and the national

levels.

Due to strong commercial activity that occurred through March 2020 coupled with an extremely high level of industrial activity in July 2019, overall construction activity through June 2020 has increased 2.7% from prior year levels. The 2019-2020 Adopted Budget was developed with the expectation that private development activity would remain strong and moderate over the course of the year.

<b>Private Sector Construction Activity (Valuation in \$ Millions)</b>			
	<b>July 2018 - June 2019</b>	<b>July 2019 - June 2020</b>	<b>% Increase/ Decrease</b>
Residential	\$ 567.5	\$ 353.5	(37.7%)
Commercial	\$ 631.4	\$ 784.3	24.2%
Industrial	\$ 544.0	\$ 652.5	20.0%
<b>TOTAL</b>	<b>\$ 1,742.8</b>	<b>\$ 1,790.2</b>	<b>2.7%</b>

Through June, residential permit valuation has decreased from prior year levels (\$353.5 million in 2019-2020 and \$567.5 million in 2018-2019). Residential activity through June included 1,491 multi-family units and 501 units of single-family construction for a total of 1,992 units. Commercial valuation through June 2020 was higher than the 2018-2019 level (\$784.3 million in 2019-2020 and \$631.4 million in 2018-2019). The commercial activity in the fourth quarter of April through June was very weak (\$25.9 million) with additions/alterations accounting for most of the commercial activity (\$21.5 million). Industrial construction valuation through June was higher than prior year levels (\$652.5 million in 2019-2020 vs. \$544.0 million in 2018-2019). This increase is primarily due to an exceptionally high level of new construction activity in July (\$386.0 million), setting a valuation record for monthly activity by over \$200 million. Alterations accounted for all industrial activity in April, May, and June of 2020. There has been no new industrial construction since November 2019.

The shelter-in-place mandate that began in March significantly restricted in-progress construction activity, however in early May the shelter-in-place was revised to allow for the return of all construction work if the requirements for small or large projects were met. As part of the Approval

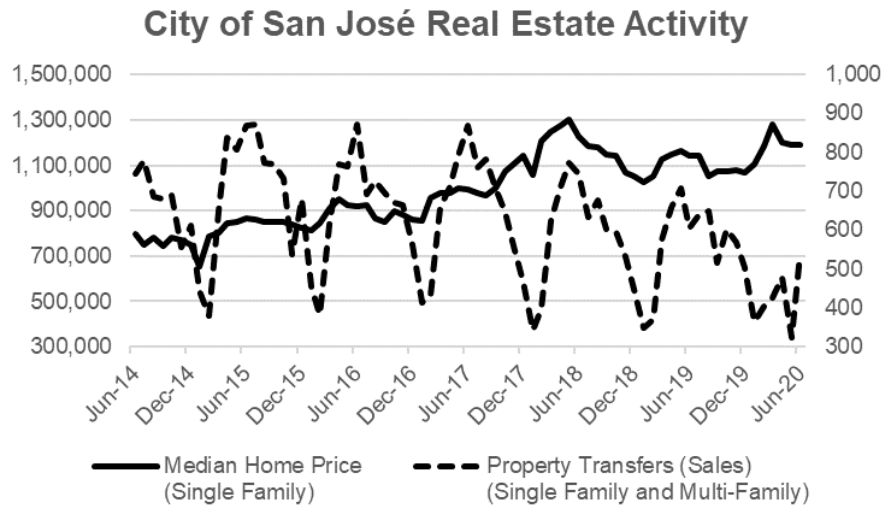
**CITY OF SAN JOSE  
2020-2021 ADOPTED OPERATING BUDGET  
GENERAL FUND REVENUE OVERVIEW**

**Economic Performance**

**City of San José Outlook**

of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020, development fee revenue was decreased by 40% in anticipation of the impact from actions responding to COVID-19. After accounting for these adjustments, actual revenue from development related activities are anticipated to meet or exceed the revised 2019-2020 budgeted estimates. In 2020-2021, it is assumed that the COVID-19 pandemic will continue to have an impact on development activity; therefore, construction revenue is anticipated to decrease by 30% from the 2019-2020 levels.

From spring 2012 through fall 2018, the median sale price for homes had consistently experienced year-over-year growth. Beginning in October 2018, however, Santa Clara County experienced a slow down in the local real estate market, with median sale prices dropping, the average days on market increasing, and the number of sales decreasing. This slowdown lasted for about 12 months, until the real estate market began stabilizing, with median home prices and property sales once again growing compared to prior year levels.



Real estate activity is anticipated to significantly decline over the next year. During the shelter-in-place order, there is anticipated to be little movement in the real estate market; and as restrictions are lifted it is anticipated that the real estate market will be sluggish due to higher unemployment coupled with lower anticipated consumer confidence. Real estate data has been received from the Santa

Clara County Association of Realtors and the number of property transfers (sales) have experienced year-over-year decreases (from the same time period in the prior year) ranging from 10%-54%. In June 2020 there were a total of 542 property transfers for all residences, which represents a 10.4% decline from June 2019. Although property transfers have been declining since the pandemic began, the median single family home price has continued to grow. From March 2020 through June 2020 year-over-year increases have ranged from 3%-14% when compared to the same time period in the prior year. As of June 2020, the median single family home price totaled \$1.19 million, which represents a 4.1% increase from the June 2019 price of \$1.15 million.

**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  
**GENERAL FUND REVENUE OVERVIEW**

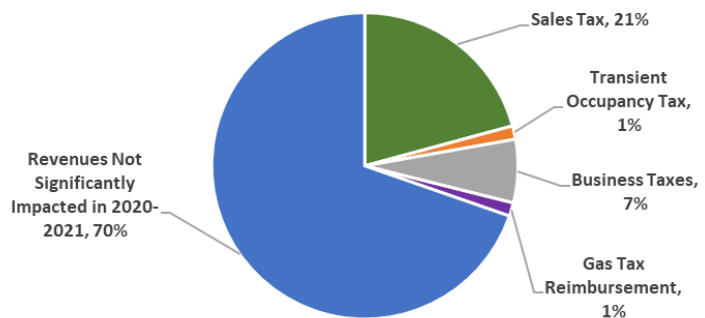
**Economically Sensitive and Non-Economically Sensitive Revenue Drivers**

Economic conditions are the primary drivers for a number of the City’s revenues, with the most significant impacts in the Sales Tax and Property Tax categories. As a result of the COVID-19 pandemic and the necessary response to protect community health and safety, economic activity at the global, national, and local levels were severely restricted. As anticipated, the immediate halting of daily economic activity had a significant negative impact to many of the economically sensitive revenue categories that are received in the General Fund. Economically sensitive revenue categories such as Sales Tax, Business Taxes, and Transient Occupancy Taxes are anticipated to drop up to 56% in 2020-2021 from 2018-2019 pre-Covid collection levels. On a positive note, General Secured Property Taxes (which is the single largest revenue category in the General Fund) are not anticipated to significantly change in 2020-2021 as the revenue is based on property values as of January 1, 2020. Any changes in the local real estate market that occurs in 2020 as a result of the COVID-19 pandemic will not be felt until 2021-2022. It is important to note that the 2020-2021 Property Tax assumptions are based on current practices and does not assume any significant policy changes that may be made at the County or State level.

Although there are several economically sensitive revenues that will be impacted by the COVID-19 pandemic, there are also many revenue categories in the General Fund that are considered non-economically sensitive and are typically driven by outside factors. For example, the Utility Tax and Franchise Fees categories have historically been more heavily impacted by utility rate changes, energy prices, and weather-based consumption levels. As a result, in the past these General Fund revenues have experienced no significant net gain or loss in times of an economic expansion or slowdown. Due to the unprecedented times the City is currently facing, this budget does assume a small number of these non-economically sensitive categories may drop approximately 3% as unemployment levels rise and some residents may not have the means to pay their monthly bills.

In total, economically sensitive categories that are anticipated to be impacted by COVID-19 and the ensuing recession constitute 30% of all 2020-2021 General Fund revenue. Therefore, although 70% of General Fund revenues are not significantly impacted in 2020-2021, total revenue (as of the Revised Forecast) is estimated to decline by 9.3% from 2018-2019 actual collection levels (excluding TRANS proceeds and the Development Fee Programs).

**General Fund Revenue 2020-2021**  
**(Economically Sensitive Impacted by COVID-19)**



**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  


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**GENERAL FUND REVENUE OVERVIEW**

**Revised General Fund Forecast**

As previously discussed, during the last week of February (as the Forecast publication was being finalized), the initial impacts of COVID-19 were just beginning to be felt. As stated in the 2021-2025 Five-Year Forecast's transmittal memorandum, the economic repercussion of COVID-19 would continue to be monitored and any resulting budgetary impacts would be incorporated as part of the 2020-2021 budget process.

The Five-Year Forecast issued in February included a small General Fund surplus of \$0.5 million in 2020-2021. However, based on the most recent analysis of data that is available, the 2020-2021 revised General Fund Forecast has been updated to reflect a \$78.6 million shortfall in 2020-2021. As a result, the revised Total General Fund Sources totals \$1.17 billion, down from \$1.24 billion estimated in the Five-Year Forecast. Below is a summary table of the changes incorporated into the Revised Forecast, which were used as the starting point in preparing the 2020-2021 Adopted Budget.

<b>Category</b>	<b>\$ Change</b>	<b>Description</b>
Revenue from Local Agencies	\$ 40,000	Increase of \$40,000 reflects an increase of revenue anticipated to be received from Santa Clara County for the Central Fire District payment.
Sales Tax	(47,200,000)	Decrease of \$47.2 million as a result of the COVID-19 pandemic (from \$267.7 million to \$220.5 million). The revised 2020-2021 revenue reflects a 6.0% decline from the 2019-2020 estimated receipts (excluding the Revenue Capture Agreement) and a 16.3% decline from 2018-2019 actual collections.
Business Taxes	(7,000,000)	Decrease of \$7.0 million as a result of the COVID-19 pandemic (from \$77.9 million to \$70.9 million). The revised 2020-2021 revenue reflects a slight (0.7%) increase from 2019-2020 estimated receipts due to the timing of General Business Tax receipts. However, 2020-2021 revenue reflects a 5.3% decline from 2018-2019 actual collections.
Property Tax	(5,800,000)	Net decrease of \$5.8 million primarily as a result of the COVID-19 pandemic (from \$376.3 million to \$370.5 million). The revised 2020-2021 revenue reflects a 0.8% increase from 2019-2020 estimated revenue and 12.2% increase from 2018-2019 actual collections. This net decrease is due to lower anticipated Educational Revenue Augmentation Fund (ERAF) revenue (\$4.5 million) and Unsecured Property Tax revenue (\$2.3 million), partially offset by slightly higher general Secured Property Tax revenue (\$1.0 million).
Transient Occupancy Tax	(5,800,000)	Net decrease of \$5.8 million as a result of the COVID-19 pandemic (from \$20.8 million to \$15.0 million). The revised 2020-2021 revenue reflects an 11.1% increase from the 2019-2020 estimated revenue, but a 27.0% decline from 2018-2019 actual collections.



**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  


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**GENERAL FUND REVENUE OVERVIEW**

**Revised General Fund Forecast**

<u>Category</u>	<u>\$ Change</u>	<u>Description</u>
Fees, Rates, and Charges	\$ (3,253,825)	Net decrease of \$3.3 million aligns revenue with estimated base activity levels in departmental fee revenue. A significant portion of this decrease (\$3.0 million) is related to Parks, Recreation, and Neighborhood Services Department Fee revenue, which is anticipated to be significantly impacted by the COVID-19 pandemic.
Transfers and Reimbursements	(2,539,922)	Net decrease of \$2.5 million reflects updated overhead reimbursements from capital and operating funds based on the final 2020-2021 base budget and overhead rates (\$233,000), lower transfers to the General Fund (-\$773,000) and decreased Gas Tax revenue (-\$2.0 million).
Franchise Fees	(2,402,000)	Net decrease of \$2.4 million primarily reflects updated information received in April 2020, which reduces the 2020-2021 estimates for Electric Franchise Fees by \$2.4 million (from \$22.4 million to \$20.0 million).
Beginning Fund Balance	(2,000,000)	Net decrease of \$2.0 million reflects a lower transfer to the new Development Program Fee Funds in 2020-2021, as a result of less funding anticipated to be available after the end of 2019-2020 due to adjusted costs in the respective fee programs.
Fines, Forfeitures, and Penalties	(900,000)	Net decrease of \$900,000 to parking fine citations (\$700,000; from \$12.7 million to \$12.0 million) and business tax penalties (\$200,000; from \$1.2 million to \$1.0 million) as a result of the COVID-19 pandemic.
Utility Tax	(600,000)	Net decrease of \$600,000 as a result of the COVID-19 pandemic (from \$96.4 million to \$95.8 million). The revised 2020-2021 revenue reflects a 0.3% decrease from the 2019-2020 estimated revenue and a 3.5% decline from 2018-2019 actual collections.
Licenses and Permits	(442,000)	Decrease of \$442,000 aligns revenues with anticipated activity levels for Fire Dept Non-Development Fee Program permits.
Revenue from State of California	(400,000)	Decrease of \$400,000 reflects updated information from the State of California regarding Tobacco Settlement funds.
Use of Money and Property	(300,000)	Decrease aligns the interest earning revenue with updated projection levels. Less revenue is anticipated in 2020-2021 due to declining interest rates coupled with lower cash flow projections.
<b>Total</b>	<b>\$ (78,597,747)</b>	

**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  


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**GENERAL FUND REVENUE OVERVIEW**

**Changes from Revised Forecast to Adopted Budget**

From the Revised Forecast of \$1.17 billion (including fund balance), a net increase of \$335.5 million to the General Fund revenue estimates are included in the Adopted Budget, bringing the 2020-2021 revenue estimate to \$1.50 billion (including fund balance). The components of this change include an increase to the estimate for 2019-2020 Ending Fund Balance/2020-2021 Beginning Fund Balance (\$241.1 million) and an increase to various revenue categories (\$94.4 million). The revenue changes are summarized in the table below.

<b>Category</b>	<b>\$ Change</b>	<b>Description</b>
Beginning Fund Balance	\$241,143,218	Net increase of \$241.1 million reflects the rebudget of 2019-2020 funds for expenditure-related items and unexpended reserves (\$164.9 million), fund balance from additional revenue and expenditure savings that is anticipated to be received in 2019-2020 and be available for use in 2020-2021 (\$53.8 million), of which \$50.0 million is included in Manager's Budget Addendum #3 that was approved to restore one-time expenses in 2020-2021 of high importance to serving the needs of the community; and liquidation of various reserves (22.4 million), the largest of which include the 2020-2021 Future Deficit Reserve (\$10.9 million) and the Budget Stabilization Reserve (\$5.0 million).
Other Revenue	39,407,532	Increase of \$39.4 million primarily reflects the refunding of outstanding City Hall lease-revenue bonds (\$26.0 million) and the sale of five City-owned properties to the Housing Department (\$11.1 million).
Real Property Transfer Tax	30,000,000	Increase of \$30.0 million reflects anticipated revenue related to the new Real Property Transfer Tax (Measure E), which became effective on July 1, 2020.
Sales Tax	22,000,000	Increase of \$22.0 million reflects the annualization of General Sales Tax revenue anticipated to be received in 2020-2021 as a result of the Revenue Capture Agreement.
Revenue from Local Agencies	4,955,536	Increase of \$5.0 million primarily reflects new grant revenue from Santa Clara County for the Berryessa BART Station (\$2.2 million) and the Senior Nutrition program (\$2.0 million). In addition, the increase reflects local agencies grant revenue that was rebudgeted from 2019-2020 to 2020-2021 (\$679,000).
Revenue from Federal Government	3,593,762	Increase of \$3.6 million primarily reflects grants and reimbursements from the Federal Government that were rebudgeted from 2019-2020 to 2020-2021 (\$2.9 million) and to recognize Urban Areas Security Initiative (UASI) grant revenue (\$641,000), which will be allocated to the Office of Emergency Management.

**CITY OF SAN JOSE**  
**2020-2021 ADOPTED OPERATING BUDGET**  


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**GENERAL FUND REVENUE OVERVIEW**

**Changes from Revised Forecast to Adopted Budget**

<u>Category</u>	<u>\$ Change</u>	<u>Description</u>
Revenue from State of California	\$ 2,289,906	Increase of \$2.3 million primarily reflects grants and reimbursements that were rebudgeted from 2019-2020 to 2020-2021 (\$2.0 million) and to recognize the Youth Reinvestment grant (\$190,000) and the Innovative Response to Marginalized Victims grant (\$131,000).
Transfers and Reimbursements	1,322,413	Net increase of \$1.3 million reflects the increase of overhead from the budget actions that change the staffing levels funded by special and capital funds.
Licenses and Permits	719,837	Increase of \$720,000 reflects various license and permit changes to the Fire Permits (\$421,000) and Other Licenses and Permits (\$299,000) categories to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels.
Franchise Fees	202,096	Increase of \$202,000 reflects an increase in the Commercial Solid Waste fees by 1.81% based on the change in the Consumer Price Index.
Fines, Forfeitures and Penalties	8,100	Increase of \$8,100 to reflect higher parking compliance revenue as directed in the Mayor's June Budget Message for Fiscal Year 2020-2021, which was approved by the City Council on June 16 <sup>th</sup> , 2020.
Transient Occupancy Tax	(6,000,000)	Net decrease of \$6.0 million as a result of anticipated impacts from the COVID-19 pandemic (from \$15.0 million to \$9.0 million). The 2020-2021 revenue reflects a 33.3% decrease from the revised 2019-2020 estimate of \$13.5 million and a 56.2% decline from 2018-2019 actual collections.
Revenue from Use of Money and Property	(2,273,000)	Net decrease of \$2.3 million reflects reduced interest earning receipts as lower cash balances are anticipated in 2020-2021 as the City will return to pre-paying retirement contributions (\$2.6 million). This reduction is partially offset by higher communication facilities property rental revenue (\$300,000).
Fees, Rates, and Charges	(1,828,301)	Net decrease of \$1.8 million to fee revenue primarily reflects summer swim not occurring in summer 2020, Family Camp not being operational in 2020, community center hours and activities being greatly reduced, the Corporate Rentals at Happy Hollow Park and Zoo being eliminated (-\$1.9 million), and youth library fines being eliminated on an ongoing basis (-\$175,000). These reductions are partially offset by various fee changes in 2020-2021 to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels (\$222,000).
<b>Total</b>	<b>\$335,541,099</b>	