

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

PROPERTY TAX

2018-2019 Actual	\$ 330,199,269
2019-2020 Adopted	\$ 354,000,000
2019-2020 Estimate	\$ 367,582,000
2020-2021 Forecast*	\$ 370,500,000
2020-2021 Adopted	\$ 370,500,000
% of General Fund	24.7 %
% Change from 2019-2020 Adopted	4.7 %

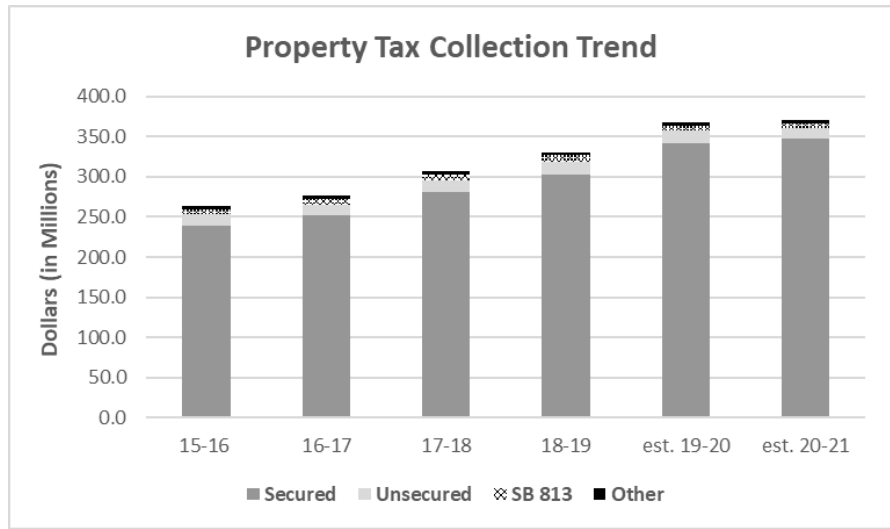
* The 2020-2021 Forecast was decreased \$5.8 million from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Property Tax Category	2020-2021 Adopted Budget
Secured Property Tax	\$ 347,500,000
Unsecured Property Tax	13,100,000
SB 813 Property Tax	6,000,000
Aircraft Property Tax	3,000,000
Homeowner's Property Tax Relief	900,000
Total	\$ 370,500,000

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Aircraft Property Tax, and Homeowner's Property Tax Relief.

In 2019-2020 Property Tax receipts of \$367.6 million are estimated to be received, which represents growth of \$37.4 million (11.3%) from the 2018-2019 actual collection level of \$330.2 million. A significant portion of the growth from the prior year is due to increased Secured Property Tax receipts, which includes general Secured Property Tax receipts (\$20.7 million), Successor Agency to



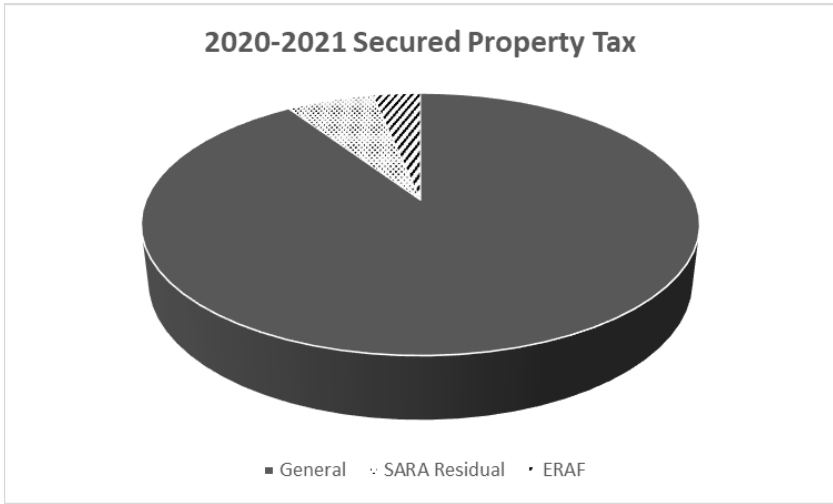
the Redevelopment Agency (SARA) Residual Property

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Tax receipts (\$11.9 million), and Educational Revenue Augmentation Fund (ERAF) revenue (\$7.1 million). In 2020-2021, Property Tax collections are expected to increase by less than 1% to \$370.5 million.

Secured Property Tax



Secured Property Taxes account for over 90% of the revenues in the Property Tax category. In 2019-2020, Secured Property Tax receipts are expected to total \$342.1 million, including \$299.0 million in general Secured Property Taxes, \$23.0 million in ERAF revenue, and \$20.1 million from SARA Residual Property Tax receipts. This collection level is up 13.1% from the 2018-2019 receipts. In 2020-2021, Secured Property Tax receipts, which

will be based on real estate activity through January 1, 2020, are expected to increase slightly by 1.6% to \$347.5 million. This primarily reflects the net impact of a 5.5% increase in general Secured Property Tax receipts and additional SARA Residual Property Tax receipts of \$900,000, partially offset by lower anticipated ERAF revenue of \$11.5 million.

The general Secured Property Tax receipts growth of 7.5% 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 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 2020-2021, the general Secured Property Tax receipts are estimated to grow by approximately 5.5%. The CCPI adjustment for the 2020-2021 tax roll is 2%, which is consistent with the prior year level. In addition, while the high property sale prices will continue to be a positive factor driving growth in this category, the rate of growth is anticipated to be lower in 2020-2021 than has been experienced in recent years. This lower rate of growth is attributable to the local real estate market cooling off in calendar year 2019. The average median single-family home price of \$1.10 million in 2019 dropped 6.7% from the median price of \$1.17 million in 2018. Additionally, the number of sales continued to decline, which negatively impacts growth. The total number of property transfers for single-family and multi-dwelling homes declined approximately 5%, from 7,083 sales in calendar year 2018 to 6,750 sales in calendar year in 2019. As mentioned above, since general Secured Property Tax revenue is based off calendar year 2019, there is no

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PROPERTY TAX

Secured Property Tax (Cont'd.)

anticipated impact to receipts in 2020-2021 as a result of COVI-19. However, as the real estate market is anticipated to sharply decline in calendar year 2020, the 2021-2022 general Secured Property Tax revenue will likely be negatively impacted.

In addition to the changes in assessed value, Secured Property Tax collections are impacted by excess ERAF revenue. 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 is to be returned to the taxing entities that contributed to it. In 2018-2019, the City received \$15.9 million from excess 2017-2018 ERAF funds. In 2019-2020, excess ERAF receipts are estimated to total approximately \$23.0 million, which has been incorporated into the 2019-2020 Secured Property Tax estimate. This unusually high funding level represents an approximately 45% increase from the 2018-2019 collection level. Due to changes that may be implemented by the State regarding the calculation of ERAF, the 2020-2021 budget includes a 50% decline from the 2019-2020 estimated collection level. It is important to note that while the 2020-2021 Adopted Budget includes a reduction to ERAF receipts beginning in 2020-2021, there is not an assumption that the State will require a reimbursement for prior year ERAF receipts. As additional information is received regarding ERAF calculations and its impact on Property Tax revenue, updates will be reported back to the City Council as part of the 2019-2020 Annual Report and future Bi-Monthly Financial Reports.

The final component of the Secured Property Tax category is the SARA Residual Property Tax receipts. As a result of the SARA bond refunding that occurred in December 2017, the City began receiving a residual property tax distribution in 2017-2018. In 2017-2018, receipts totaled \$11.8 million, but dropped to \$8.2 million in 2018-2019. This decrease was due to outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans that were paid off in 2019. In 2019-2020, SARA residual property tax revenue is estimated at \$20 million, and it is anticipated receipts will grow approximately 5% to \$21 million in 2020-2021.

It should be noted that final data on the actual tax levy for 2019-2020 is not yet available as adjustments are made through June 30, 2020. Each month, the County of Santa Clara provides information on the status of the property tax roll for the upcoming year. Some of the adjustments, however, are not reflected until the latter months of a given fiscal year, such as the reassessments of commercial property. As this information becomes available, refinements to the Property Tax estimates may be brought forward during the 2020-2021 budget process. In addition, any significant policy changes made at the local or State level in response to the COVI-19 pandemic that significantly impact Property Tax collections will be closely monitored and be reported back to the City Council as part of the 2019-2020 Annual Report and future Bi-Monthly Financial Reports.

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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 levels based primarily on the strength of the local business sector. Based on information provided by Santa Clara County, Unsecured Property Tax receipts are estimated at \$15.4 million in 2019-2020, which is approximately 2% below the unusually high collection level in 2018-2019. In 2020-2021 Unsecured Property Taxes could potentially be impacted by the COVID-19 pandemic, therefore, revenue is estimated at \$13.1 million, which represents a 15% drop from the 2019-2020 estimated collection level.

Other Property Taxes

For the other Property Tax categories, collections are estimated at \$10.0 million in 2019-2020 and decrease slightly to \$9.9 million in 2020-2021. SB 813 Property Tax receipts are estimated at \$6.04 million in 2019-2020 and \$6.0 million in 2020-2021; Aircraft Property Tax receipts are estimated at \$3.04 million in 2019-2020 and \$3.0 million in 2020-2021; and Homeowners Property Tax Relief revenue are anticipated to total \$930,000 in 2019-2020 and \$900,000 in 2020-2021.

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SALES TAX

2018-2019 Actual	\$ 263,530,236
2019-2020 Adopted	\$ 258,300,000
2019-2020 Estimate	\$ 252,500,000
2020-2021 Forecast*	\$ 220,500,000
2020-2021 Adopted	\$ 242,500,000
% of General Fund	16.2 %
% Change from 2019-2020 Adopted	(6.1 %)

* The 2020-2021 Forecast was decreased \$47.2 million from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

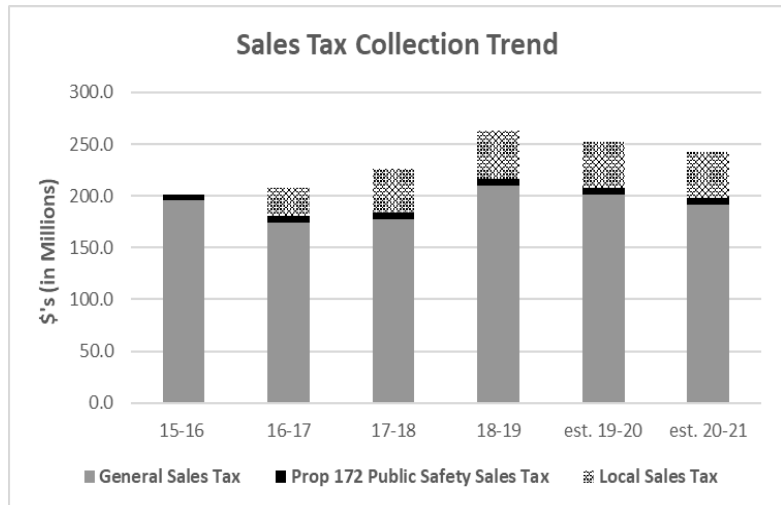
Distribution of Sales Tax

As shown in the following table, the City receives 1.25% of the 9.25% Sales Tax collected for items sold in San José. The distribution percentage includes a 0.25% local transaction and use tax enacted by the City of San José effective October 1, 2016 (limited to 15 years). The City also receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.

Agency	Distribution Percentage
State of California	5.500%
City of San José	1.000%
City of San José (Local Tax)	0.250%
Public Safety Fund (Proposition 172)	0.500%
Santa Clara County (Including VTA)	2.000%
Total	9.250%

Revenue Estimates

In early February 2020, while preparing the Five-Year General Fund Forecast, it was anticipated that 2019-2020 Sales Tax revenue would total \$261.5 million, which reflected actual receipts for the first two quarterly payments of the fiscal year, plus estimated receipts for the final two payments. This estimate did not include any revenue related to the Revenue Capture Agreement, as funding was still being evaluated. Furthermore, based on overall



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SALES TAX

Sales Tax Category	2020-2021 Adopted Budget
General Sales Tax (inc. Revenue Capture Agmt)	\$192,000,000
Local Sales Tax	44,500,000
Proposition 172 Sales Tax	6,000,000
Total	\$242,500,000

economic activity and assumptions at that point in time, Sales Tax revenue was anticipated to grow by approximately 2.5% to \$267.7 million in 2020-2021. In March 2020, as the COVID-19 pandemic

rapidly accelerated, the County of Santa Clara instituted a shelter-in-place order, which severely restricted economic activity. The shelter-in-place mandate will likely impact almost all sectors of Sales Tax revenue, including retail sales, construction, transportation, and business-to-business. Additionally, high unemployment rates and recessionary economic conditions are likely to ensue post COVID-19. Therefore, after analyzing the limited Sales Tax available data and consulting with economists, a revised 2019-2020 Sales Tax estimate of \$234.5 million (excluding the Revenue Capture Agreement) is anticipated to be received, which is 10.3% lower than the 2019-2020 estimate included in the 5-Year Forecast. Additionally, the 2020-2021 revised Sales Tax revenue is estimated at \$220.5 million (excluding the Revenue Capture Agreement), which reflects a 17.6% decline from the estimate included in the 5-Year Forecast.

When the 2021-2025 Five-Year Forecast was developed, revenue anticipated to be received as part of the Revenue Capture Agreement had not been fully analyzed; therefore, funding was not included in the 2019-2020 or 2020-2021 estimates. However, since February, the City has received confirmation the funding was received from the California Department of Tax and Fee Administration (CDTFA). When including the Revenue Capture Agreement funding, the 2019-2020 Sales Tax estimate increases to \$252.5 million and the 2020-2021 estimate increases to \$242.5 million. It is important to note that although this revenue is included in the revised Sales Tax estimates, the Revenue Capture Agreement continues to be analyzed by the CDTFA.

General Sales Tax

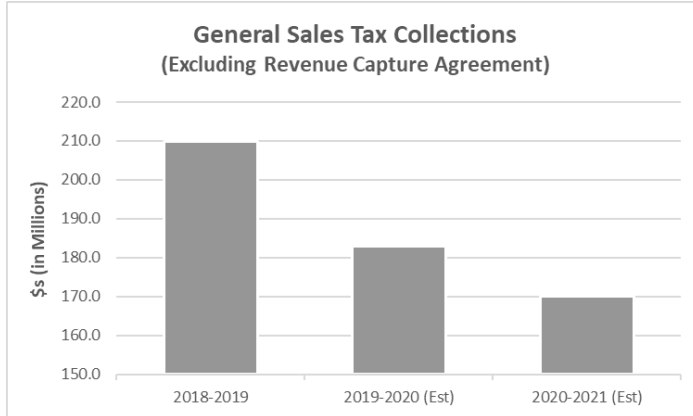
General Sales Tax revenue is the largest driver of the Sales Tax category, and accounts for almost 80% of all Sales Tax receipts. When the 2021-2025 Five-Year General Fund Forecast was being developed, General Sales Tax receipts for the first quarter (sales tax activity for July-September) and second quarter (sales tax activity for October-December) had been received. Based on those collections and steady economic growth for the remainder of 2019-2020 and 2020-2021, it was anticipated that 2019-2020 General Sales Tax receipts would total \$208.0 million in 2019-2020 and grow by approximately 2.5% to \$213.0 million in 2020-2021.

As discussed above, the shelter-in-place mandate that began on March 17th, is anticipated to significantly impact Sales Tax receipts. After analyzing the limited available Sales Tax data and consulting with economists, a revised 2019-2020 General Sales Tax estimate of \$183.0 million is anticipated to be received (excluding the Revenue Capture Agreement), which is 12.0% lower than the estimate included in the 5-Year Forecast and almost 13% below 2018-2019 actual collections. Additionally, in 2020-2021 the revised General Sales Tax revenue is estimated at \$170.0 million (excluding the Revenue Capture Agreement), which reflects a 20.2% decline from the estimate included the 5-Year Forecast and a 7.1% drop from the revised 2019-2020 estimated collections. The estimates for 2020-2021 assume recessionary conditions throughout the fiscal

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SALES TAX

General Sales Tax (Cont'd.)



year, with the social distancing restrictions through much of the first half of the year further limiting sales activity. While proceeds from internet transactions are expected to increase, they will not offset the decline of more traditional sales tax generators. It is important to note that the revenue estimate does not assume another shelter-in-place order later in the fiscal year. Were that to happen, the forecasted revenue would fall significantly lower.

After allocating the funding associated with the Revenue Capture Agreement, the 2019-2020 General Sales Tax estimate increases to \$201.0 million and 2020-2021 estimate increases to \$192.0 million.

Local Sales Tax

In June 2016, San José voters approved a ¼ cent local sales tax, which was implemented in October 2016. As a result, beginning in 2016-2017, Local Sales Tax revenue started to be received in San José. Similar to General Sales Tax collections, when the 2021-2025 Five-Year General Fund Forecast was being developed, Local Sales Tax receipts for the first two quarters of the fiscal year had been received. Based on those collections and steady economic growth for the remainder of 2019-2020 and 2020-2021, it was anticipated that 2019-2020 Local Sales Tax receipts would total \$47.0 million in 2019-2020 and grow by approximately 2.5% to \$48.0 million in 2020-2021.

As a result of the shelter-in-place mandate and recessionary conditions that are likely to follow, Local Sales Tax is anticipated to be heavily impacted. After analyzing the limited available Sales Tax data and consulting with economists, a revised Local Sales Tax estimate of \$45.0 million is anticipated to be received in 2019-2020 and \$44.5 million is anticipated to be received in 2020-2021. Because Local Sales Tax is generated based on the destination of the purchased product, the 2019-2020 estimate was built on the assumption that this subcategory would experience less of a decline relative to the General Sales Tax subcategory. In addition, due to the Local Sales Tax revenue being received on a destination basis, all out-of-state online retailers (including marketplace facilitators) sales tax collections are directly distributed to the City of San José, versus General Sales Tax revenue that is deposited in the County Pool, with the City only receiving approximately 40% of the proceeds.

Public Safety (Proposition 172) Sales Tax

Proposition 172 Sales Tax collections (representing the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are expected to total \$6.5 million in 2019-2020 and \$6.0 million in 2020-2021.

CITY OF SAN JOSE
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TRANSIENT OCCUPANCY TAX

2018-2019 Actual	\$ 20,536,084
2019-2020 Adopted	\$ 22,500,000
2019-2020 Estimate	\$ 13,500,000
2020-2021 Forecast*	\$ 15,000,000
2020-2021 Adopted	\$ 9,000,000
% of General Fund	0.6 %
% Change from 2019-2020 Adopted	(60.0 %)

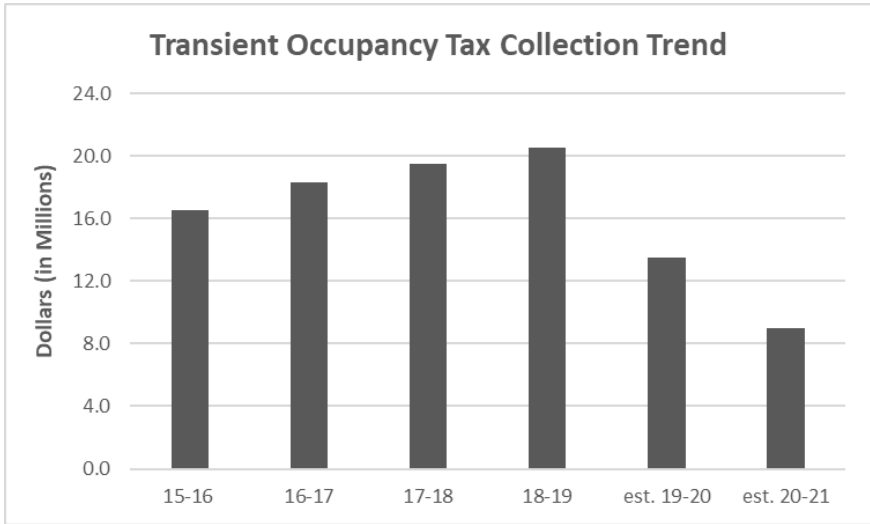
* The 2020-2021 Forecast was decreased \$5.8 million from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Distribution of Transient Occupancy Tax

The City of San José assesses a 10% Transient Occupancy Tax (TOT) on the rental price for transient lodging. Of this 10%, 6% is placed in the Transient Occupancy Tax Fund and 4% is deposited in the General Fund. This discussion addresses the portion of the Transient Occupancy Tax that is allocated to the General Fund.

Revenue Estimates

As a result of the shelter-in-place orders and related declines in business-related and leisure travel reflecting safety concerns, significant reductions in TOT receipts were anticipated through spring 2020 and continuing into 2020-2021. Overall receipts in 2019-2020 were estimated at \$13.5 million, a 37% decline from the 2018-2019 actual collection level.



Consistent with early projections that revenues would experience 85% declines relative to 2018-2019, actual hotel occupancy averaged 15% from late March to mid-April, increasing to an average of 26% from mid-April through the end of June. Revenue per available room also averaged an 84% decline relative to 2018-2019 over a 100-day period from mid-March through late June.

TOT revenues are expected to exhibit continued declines into 2020-2021, as business-related and leisure travel, as well as convention and other event activity will not resume until late 2020 or early 2021. Estimated TOT receipts of \$9.0 million in 2020-2021, reflecting an additional 33% decline from 2019-2020, assume diminished hotel activity through 2020, with a gradual rebound of demand into 2021 corresponding with the resumption of travel and large events at reduced levels.

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FRANCHISE FEES

2018-2019 Actual	\$ 48,397,444
2019-2020 Adopted	\$ 48,641,000
2019-2020 Estimate	\$ 43,770,000
2020-2021 Forecast*	\$ 45,719,000
2020-2021 Adopted	\$ 45,921,096
% of General Fund	3.1 %
% Change from 2019-2020 Adopted	(5.6 %)

* The 2020-2021 Forecast was decreased \$2.4 million from the February Forecast due to additional information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Franchise Category	2020-2021 Adopted Budget
Electric	\$ 20,000,000
Gas	5,700,000
Commercial Solid Waste	11,646,096
Cable Television	8,100,000
City Generated Tow	150,000
Great Oaks Water	260,000
Nitrogen Gas Pipeline Fees	65,000
Total	\$ 45,921,096

Franchise Fees are collected in the Electricity, Gas, Commercial Solid Waste, Cable, City-Generated Tow, Water, and Nitrogen Gas Pipeline categories. Overall, collections are projected at \$43.8 million in 2019-2020, reflecting a 9.6% drop from prior year receipts of \$48.4 million. The projected decrease in 2019-2020 is primarily due to lower collections in Electric, Cable, Great Oaks Water, and Tow receipts, partially offset by higher Gas Franchise Fees collections. In 2020-2021, Franchise Fees are expected to grow by approximately 5% to \$45.9 million, which primarily reflects growth in Electricity, Commercial Solid Waste, and Great Oaks Water Franchise Fee receipts, partially offset by lower Gas, Cable, and Tow Franchise Fees.

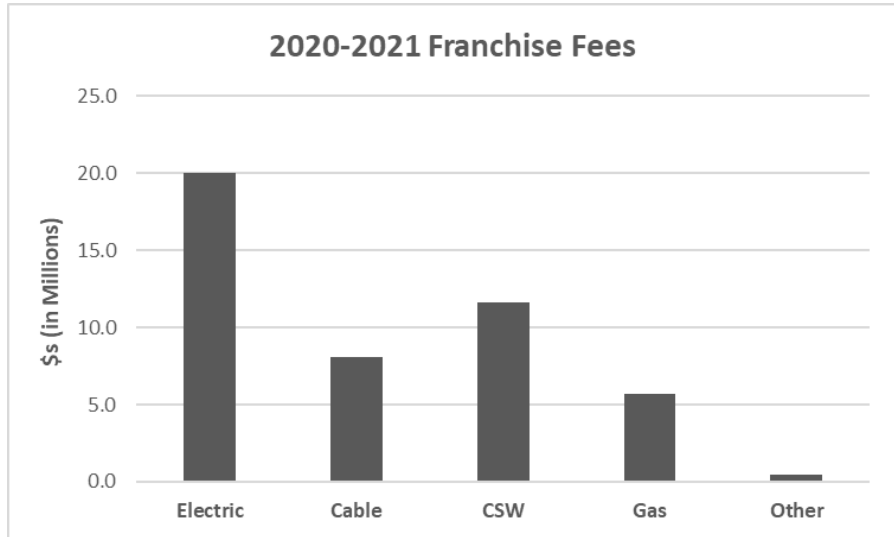
Franchise Fees for electricity and gas services are based on the revenues in the calendar year (revenues in 2019-2020 are based on calendar year 2019 and revenues in 2020-2021 will be based on calendar year 2020). Year-end estimates are typically based upon an examination of electricity and gas rate changes, industry actions, and actual collection patterns in the utility tax categories. The reconciliation of annual receipts from PG&E are typically received in April of each calendar year.

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FRANCHISE FEES

Electricity Franchise Fee

In the Electricity Franchise Fee category, the 2019-2020 Adopted Budget totaled \$22.4 million, reflecting a projected 3% increase from the 2018-2019 receipts. In April 2020, the reconciliation of receipts from PG&E was received for both Electricity and Gas Franchise Fees. Based on the updated information, 2019-2020 Electricity Franchise Fee



receipts are now estimated at \$17.3 million, down over 20% from prior year collections. Due to the unusually low 2019-2020 collection level, receipts are anticipated to increase to \$20.0 million in 2021-2022. The 2021-2022 collection level reflects growth of almost 16% from 2019-2020 receipts, but an 8% decline from 2018-2019 collections. In May 2016, San José City Council established the San José Clean Energy (SJCE), the City of San José’s Community Choice Energy (CCE) program, which allows governments to purchase electricity for their business and residents. SJCE will provide the same electricity service currently provided but with more renewable energy options at competitive rates. SJCE municipal launched in summer 2018 and the residential and large commercial accounts launch occurred in early 2019.

Gas Franchise Fee

In the Gas Franchise Fee category, the 2019-2020 Adopted Budget totaled \$5.0 million, reflecting a projected 3% increase from the 2018-2019 receipts. In April 2020, the reconciliation of receipts from PG&E was received for both Electricity and Gas Franchise Fees. Based on the updated information, 2019-2020 Gas Franchise Fee receipts are now estimated at \$5.9 million, up 21% from prior year collections. The 2019-2020 collections reflect one instance of the California Climate Credit, which began in 2018 and are anticipated to occur annually. In 2018-2019, the Gas Franchise Fee included two Climate Credits, which, in addition to increased consumption levels, contributes to the increases collection levels anticipated for 2019-2020. In 2021-2022 Gas Franchise Fee revenue is estimated to drop slightly to \$5.7 million; however, collections can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

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FRANCHISE FEES

Commercial Solid Waste Fee

Commercial Solid Waste (CSW) Franchise Fee collections are estimated at \$11.5 million in 2019-2020, which is approximately 2% below the prior year actual collections. Collections reflect the revised methodology for assessing this fee that became effective July 1, 2012. On October 19, 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is a base of \$5 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and the South District. This revised structure is subject to an annual increase based on the percentage change in the CPI rate during the prior two calendar years. It should be noted that this increase is not automatic, and is subject to City Council approval each year. Therefore, the 2020-2021 Forecast of \$11.4 million does not automatically assume a CPI adjustment. The Adopted Budget includes a 1.81% CPI increase, which will generate an additional \$202,000, bringing the revenue estimate to \$11.6 million in 2020-2021.

Cable Television Fee

In the Cable Franchise Fee category, the estimated 2019-2020 collections of \$8.5 million is 6.0% below the prior year receipts of \$9.0 million. In addition, revenue in 2020-2021 is anticipated to drop an additional 4.7% to \$8.1 million. As people continue to move from cable to streaming options (that do not include a Franchise Fee), this revenue source is anticipated to continue to decline.

City Generated Tow Fees

City Generated Tow Fees in 2019-2020 are projected at \$250,000, reflecting a 56% decline from the 2018-2019 actual collection level. The decline in this revenue category is reflective of the new City-Generated Tow Services Delivery Model that was approved by the Transportation and Environment Committee in February 2020 and will be evaluated by the City Council in 2020-2021. In order to provide financial relief to tow operators, changes to tow agreements are recommended to be implemented. Due to the burden placed on tow operators and the need for changes to the City-Generated Tow Fees, revenues are anticipated to drop to \$150,000 in 2020-2021.

Water Utility and Nitrogen Gas Pipelines

Remaining franchise fees include the Great Oaks Water and Nitrogen Gas Pipeline categories. Nitrogen Gas Pipeline receipts are estimated at \$65,000 in 2019-2020 and 2020-2021. Great Oaks Water fees are anticipated to reach \$250,000 in 2019-2020 and grow by 4% to \$260,000 in 2020-2021.

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UTILITY TAXES	
2018-2019 Actual	\$ 99,252,672
2019-2020 Adopted	\$ 99,645,000
2019-2020 Estimate	\$ 96,100,000
2020-2021 Forecast*	\$ 95,800,000
2020-2021 Adopted	\$ 95,800,000
% of General Fund	6.4 %
% Change from 2019-2020 Adopted	(3.9 %)

* The 2020-2021 Forecast was decreased \$600,000 from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Utility Taxes Category	2020-2021 Adopted Budget
Electricity	\$ 46,600,000
Telephone	21,400,000
Water	16,500,000
Gas	11,300,000
Total	\$ 95,800,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2019-2020 are anticipated to total \$96.1 million, representing a 3.2% drop from the 2018-2019 collection level of \$99.3 million. In 2020-2021, Utility Tax collections are projected to further drop to \$95.8 million.

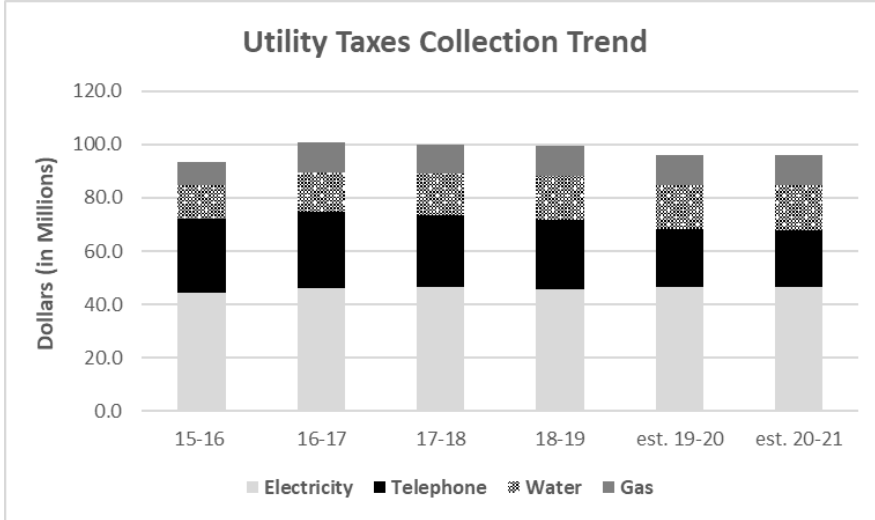
Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$46.5 million in 2019-2020, a 2.0% increase from 2018-2019 actual collection levels. In 2020-2021, revenues are estimated to remain relatively flat at \$46.6 million. In May 2016, San José City Council established San José Clean Energy (SJCE), the City of San José’s Community Choice Energy (CCE) program, which allows governments to purchase electricity for their business and residents. SJCE will provide the same electricity service currently provided but with more renewable energy options at competitive rates. SJCE municipal launched in summer 2018 and the residential and large commercial accounts launched occurred in early 2019. Rate changes are not currently anticipated in 2020-2021 with the adoption of the budget, with rates remaining 1% below those charged by PG&E; however, higher consumption and a population increase is projected to occur. The higher consumption and population figures in 2020-2021, however, are offset by a loss of revenue associated with consumers possibly not paying utility bills as a result of the high unemployment rates anticipated in 2020-2021.

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UTILITY TAXES

Gas Utility Tax



Gas Utility Tax revenues are projected at \$11.3 million in 2019-2020 and 2020-2021, a 1.5% increase from 2018-2019 levels. Rate changes in 2020-2021 of 2% are anticipated; however, this increase is partially offset by a loss of revenue associated with some consumers possibly not paying utility bills as a result of the high unemployment rates anticipated in 2020-2021.

Gas Utility Tax receipts can also fluctuate significantly due to consumption changes associated with the weather and future rate changes.

Telephone Utility Tax

In the Telephone Utility Tax category, revenues are collected on landlines, wireless, VoIP, and prepaid wireless services sold at retail locations. Receipts (excluding compliance revenue) in 2019-2020 are projected at \$21.8 million, a 16% drop from 2018-2019 collection levels. In 2020-2021 receipts are anticipated to drop further to \$21.4 million. The decline in this revenue category is the 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.

Water Utility Tax

Water Utility Tax receipts of \$16.5 million are anticipated to be received in 2019-2020 and 2020-2021, which is consistent with 2018-2019 collection levels. The annualization of a 2% rate change that became effective in January 2020 is anticipated to be received in 2020-2021. However, this increase is offset by a loss of revenue associated with consumers possibly not paying utility bills as a result of the high unemployment rates anticipated in 2020-2021.

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BUSINESS TAXES	
2018-2019 Actual	\$ 74,902,578
2019-2020 Adopted	\$ 72,200,000
2019-2020 Estimate	\$ 70,400,000
2020-2021 Forecast*	\$ 70,900,000
2020-2021 Adopted	\$ 70,900,000
% of General Fund	4.7 %
% Change from 2019-2020 Estimate	(1.8 %)

* The 2020-2021 Forecast was decreased \$7.0 million from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Business Taxes Category	2020-2021 Adopted Budget
General Business Tax	\$ 25,700,000
Cardroom Tax	17,100,000
Cannabis Business Tax	17,000,000
Disposal Facility Tax	11,100,000
Total	\$ 70,900,000

The Business Taxes category consists of the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Collections in this category in 2019-2020 are anticipated to total \$70.4 million, which is approximately 6% below the 2018-2019 collection level of \$74.9 million. In 2020-2021, collections are projected to increase slightly to \$70.9 million.

General Business Tax

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 proceeds are anticipated to reach \$28.0 million, which is consistent with 2018-2019 actuals. In 2020-2021 revenues are anticipated to decrease by approximately 8% to \$25.7 million. This drop reflects a net increase of the 2% CPI adjustment that will be assessed in 2020-2021, offset by a 10% anticipated reduction to General Business Tax proceeds as a result of the COVID-19 pandemic's impact on local businesses.

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

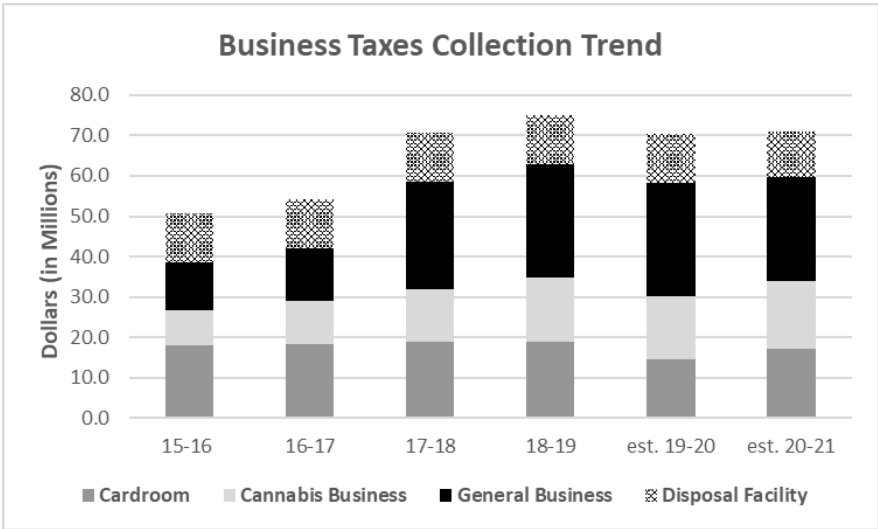
BUSINESS TAXES

Cardroom Tax

During the shelter-in-place mandate, cardrooms have not been operational. As a result, Cardroom Tax revenues are estimated at \$14.5 million in 2019-2020, which represents a 23% drop from 2018-2019 actual collections. Due to uncertainty regarding when the cardrooms will be operational again and social distancing requirements that will be in place when they do open, 2020-2021 revenue is estimated at \$17.1 million, which is approximately \$2 million below average yearly receipts.

Cannabis Business Taxes

The Cannabis Business Tax category includes the Cannabis Business Tax as well as Cannabis Business Tax compliance revenues. Cannabis Business Taxes are currently being collected at a 10% rate on gross receipts as approved by the voters in Ballot Measure U in 2010. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational marijuana 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.



During a portion of the shelter-in-place mandate, cannabis dispensaries had limited operations. As a result, Cannabis Business Tax revenues are estimated at \$15.6 million in 2019-2020, which represents a 2% drop from 2018-2019 actual collections. In 2020-2021 Cannabis Business Tax receipts are anticipated to return to a normalized level of \$17.0 million.

Disposal Facility Tax

Disposal Facility Taxes (DFT) are business taxes received based on the tons of solid waste disposed at landfills within the City. This revenue can vary due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. When preparing the Five-Year General Fund Forecast, the 2019-2020 estimate for DFT totaled \$13.0 million. However, as a result of the shelter-in-place mandate, revenues are anticipated to fall to \$12.3 million in 2019-2020. In addition, revenues are anticipated to drop again by approximately 10% in 2020-2021 to \$11.1 million.

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

GENERAL FUND REVENUE ESTIMATES

REAL PROPERTY TRANSFER TAX	
2018-2019 Actual	\$ 0
2019-2020 Adopted	\$ 0
2019-2020 Estimate	\$ 0
2020-2021 Forecast	\$ 0
2020-2021 Adopted	\$ 30,000,000
% of General Fund	2.0 %
% Change from 2019-2020 Adopted	N/A

Revenue Estimates

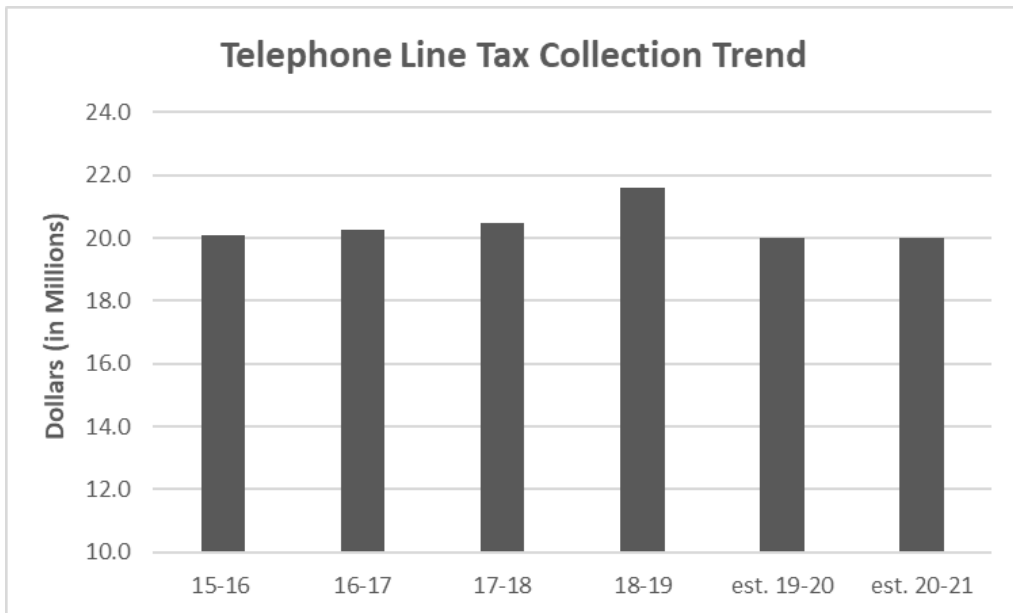
On March 3, 2020, San José voters approved Measure E, the Real Property Transfer Tax. This new tax, which became effective on July 1, 2020, is imposed at a tiered level for property transfers (sales) over \$2.0 million. In 2020-2021, revenue of \$30.0 million is anticipated to be received, which will be expended on homeless prevention and affordable housing projects and programs. Additional information regarding the use of funds related to the Real Property Transfer Tax is provided in the *General Fund Capital, Transfers, and Reserves* section of this document.

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

TELEPHONE LINE TAX	
2018-2019 Actual	\$ 21,593,485
2019-2020 Adopted	\$ 20,000,000
2019-2020 Estimate	\$ 20,000,000
2020-2021 Forecast	\$ 20,000,000
2020-2021 Adopted	\$ 20,000,000
% of General Fund	1.3 %
% Change from 2019-2020 Adopted	0.0 %

Revenue Estimates

Based on the current collection trend and historical patterns, receipts in 2019-2020 are estimated to total \$20.0 million, which is \$1.6 million below the 2018-2019 actual collection level of \$21.6. However, receipts in 2018-2019 included a one-time compliance revenue of \$1.4 million that was received on a one-time basis. When the compliance revenue is excluded, the 2018-2019 collections totaled \$20.2 million, which is consistent with the 2019-2020 estimate. Given the steady nature of the tax collections in this category and the uncertain level of compliance revenue that may be received, receipts are anticipated to remain at \$20.0 million in 2020-2021.



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

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

2018-2019 Actual	\$ 65,294,743
2019-2020 Adopted	\$ 62,009,468
2019-2020 Estimate	\$ 62,293,260
2020-2021 Forecast*	\$ 19,303,330
2020-2021 Adopted	\$ 20,023,167
% of General Fund	1.3 %
% Change from 2019-2020 Adopted	(67.7 %)

* The 2020-2021 Forecast was decreased \$442,000 from the February Forecast due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Licenses and Permits Category	2020-2021 Adopted Budget
Fire Permits	5,678,640
Other Licenses and Permits	14,344,527
Total	\$ 20,023,167

The Licenses and Permits category contains fees and charges collected by various departments. Historically, a significant portion of the revenue captured in this category were associated with Building and Fire development-related fees. However, beginning in 2020-2021, all revenue and expenditures related to the Development Fee Programs will no longer be captured in the General Fund, but will be allocated to specific Development Fee Program Funds. As before, the Development Fee Programs will remain at 100% cost recovery. The movement into separate funds is designed to improve the internal administration and tracking of resources, and to provide greater transparency since the new funds have separate source and use statements, which can be found in Section X of the Adopted Budget.

Remaining non-development fees are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund. In 2020-2021, the Licenses and Permits category is estimated at \$20.0 million.

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

FINES, FORFEITURES, AND PENALTIES

2018-2019 Actual	\$ 17,401,606
2019-2020 Adopted	\$ 16,213,000
2019-2020 Estimate	\$ 13,820,000
2020-2021 Forecast*	\$ 15,722,000
2020-2021 Adopted	\$ 15,730,100
% of General Fund	1.0 %
% Change from 2019-2020 Adopted	(3.0 %)

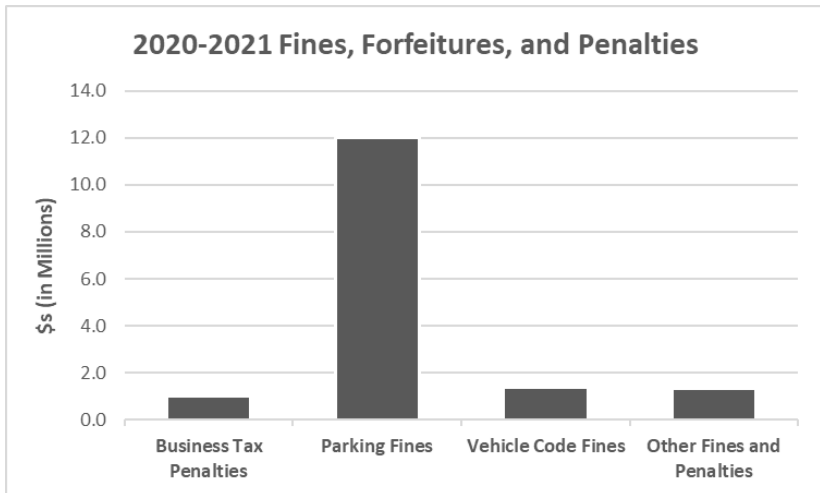
* The 2020-2021 Forecast was decreased \$900,000 from the February Forecast, primarily due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fines, Forfeitures, and Penalties revenue in 2019-2020 is estimated at \$13.8 million, which is 20.6% below the 2018-2019 actual collection level. The projected decrease in 2019-2020 is primarily attributable to lower Parking Fines and Business License Penalties. Parking Fine revenue is anticipated to drop in 2019-2020 due to parking citations not occurring during the shelter-in-place order. Business License Penalties are estimated to be lower than 2018-2019 collections due to the prior year collections being unusually high, coupled with the General Business Tax Amnesty Program that occurred in 2019-2020 resulting in reduced penalty revenue. In 2020-2021 Fines, Forfeitures, and Penalties are anticipated to increase 13.8% to \$15.7 million.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. Parking Fines are expected to generate approximately \$10.2 million in 2019-2020, which is approximately 19% below the prior year actual collection level of \$12.5 million. This decrease is due to the parking citations not being issued subsequent to the shelter-in-place order that began in March 2020.



In 2020-2021 Parking Fines are anticipated to increase to \$12.0 million, which continues to reflect suppressed activity levels.

Issuance of citations for non-compliance with safety-related and street sweeping parking violations, such as parking in a bike path or blocking disabled sidewalk access, or parking in a posted No Parking zone for street sweeping activities, is one tool the Transportation Department uses to heighten awareness around roadway safety, with the goal of changing driver behavior.

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

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

2018-2019 Actual	\$ 10,072,279
2019-2020 Adopted	\$ 13,144,000
2019-2020 Estimate	\$ 14,771,800
2020-2021 Forecast*	\$ 14,027,800
2020-2021 Adopted	\$ 11,754,800
% of General Fund	0.8 %
% Change from 2019-2020 Adopted	(10.6 %)

* The 2020-2021 Forecast was decreased \$300,000 from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

Revenue from Use of Money and Property in 2019-2020 is estimated at \$14.8 million, which is 46.7% above 2018-2019 actual collection levels. This increase is due to higher interest earning projections and Small Cell Lease revenue. In 2020-2021, overall collections are anticipated to drop to \$11.8 million, which is primarily due to lower interest earning projections that are further described below.

Rental of City-Owned Property

Collections reflected in the Rental of City-Owned Properties category include revenue related to the City Hall lease to the United States Patent and Trademark Office (USPTO), rental of communications facilities, and rental of various City-owned properties. In 2019-2020 Rental of City-Owned Property revenue totaling \$3.4 million is anticipated. In 2020-2021 the collection level is anticipated to drop to \$2.9 million, which primarily reflects lower lease revenue for the USPTO, partially offset by an increase for communications facilities property rentals.

General Fund Interest Earnings

The anticipated interest earnings collection on the General Fund in 2020-2021 is \$5.9 million, which is significantly lower than the \$8.5 million estimated in 2019-2020. This decrease is primarily due to lower assumed cash balances as the City will return to pre-funding City retirement contributions in 2020-2021.

Small Cell Lease Revenue

Lease revenue received for small cells represents revenue for lease of City-owned light poles from wireless carriers including Verizon, Mobilitie, and AT&T. In 2020-2021 revenues are anticipated to total \$2.0 million, which is set aside in the Digital Inclusion Fund allocation in City-Wide Expenses.

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

FEES, RATES, AND CHARGES

2018-2019 Actual	\$ 55,703,033
2019-2020 Adopted	\$ 58,951,740
2019-2020 Estimate	\$ 47,262,502
2020-2021 Forecast*	\$ 27,404,003
2020-2021 Adopted	\$ 25,575,702
% of General Fund	1.7 %
% Change from 2019-2020 Adopted	(56.6 %)

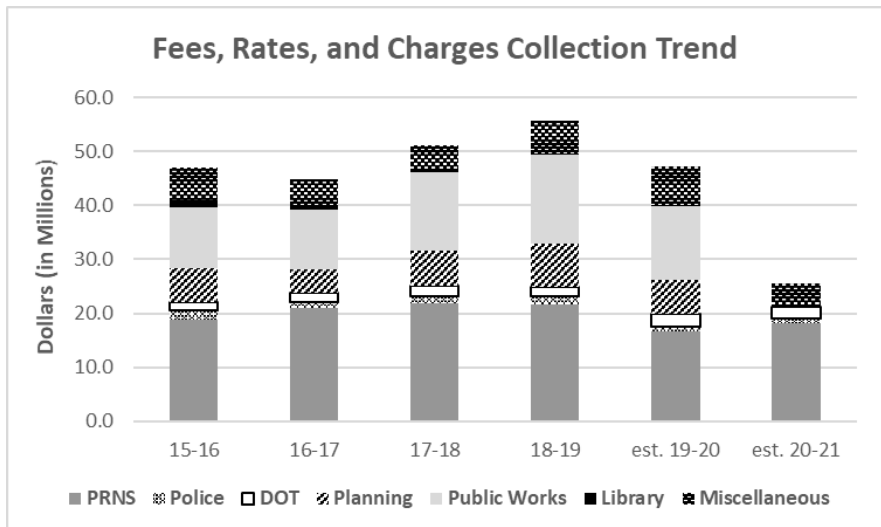
* The 2020-2021 Forecast was decreased \$3.3 million from the February Forecast, primarily due to the COVID-19 pandemic; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2020-2021 Adopted Budget
Parks, Recreation and Neighborhood Services	\$ 18,075,004
Transportation	2,324,550
Police	911,622
Library	224,000
Miscellaneous	4,040,526
Total	\$ 25,575,702

The Fees, Rates, and Charges revenue category includes various fees and charges levied to recover costs of services provided by several City departments. Historically, a significant portion of the revenue captured in this category were associated with Planning and Public Works development-related fees. However, beginning in 2020-2021, all revenue and expenditures related to the Development Fee Programs will no longer be captured in the General Fund, but will be allocated to specific Development Fee Program Funds.

As before, the Development Fee Programs will remain at 100% cost recovery. The movement into separate funds is designed to improve the internal administration and tracking of resources, and to provide greater transparency since the new funds have separate source and use statements, which can be found in Section X of the Adopted Budget.



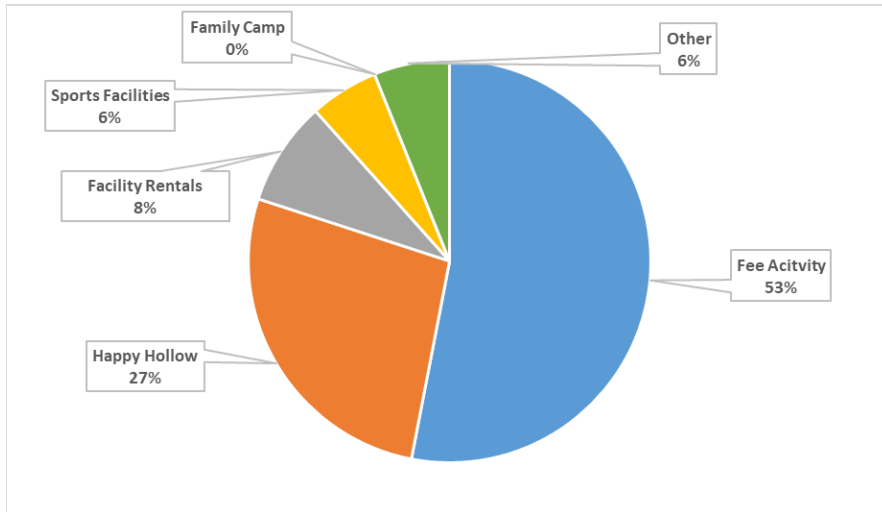
**CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET**

GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Remaining non-development fees are projected based on estimated activity levels and City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund. In 2020-2021, the Fees, Rates, and Charges category is estimated at \$25.6 million, which is primarily attributable to Parks, Recreation and Neighborhood Services (PRNS) departmental revenue (\$18.0 million).

Parks, Recreation and Neighborhood Services Fees



Parks, Recreation, and Neighborhood Services Department (PRNS) fee collections are estimated at approximately \$17 million in 2019-2020 and \$18 million in 2020-2021. These collections are significantly lower than 2018-2019 actual collections of almost \$22 million. Due to the shelter-in-place mandate, PRNS fee collections are anticipated to be significantly affected. At

the beginning of the fiscal year, Happy Hollow Park and Zoo was closed, community centers were not operational, sports fields rentals were not permitted, and fee activity classes were cancelled. In addition, when the shelter-in-place restrictions are lifted, social distancing requirements will continue to affect many of these activities. The 2020-2021 Adopted Budget includes revenue reductions totaling \$1.9 million to reflect summer swim not occurring in summer 2020, Family Camp not being operational in 2020, community center hours and activities being greatly reduced, and the catering program at Happy Hollow Park and Zoo being eliminated. Additional detail on these budget actions is provided in the Parks, Recreation and Neighborhood Services Department under the *City Departments* section of this document.

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

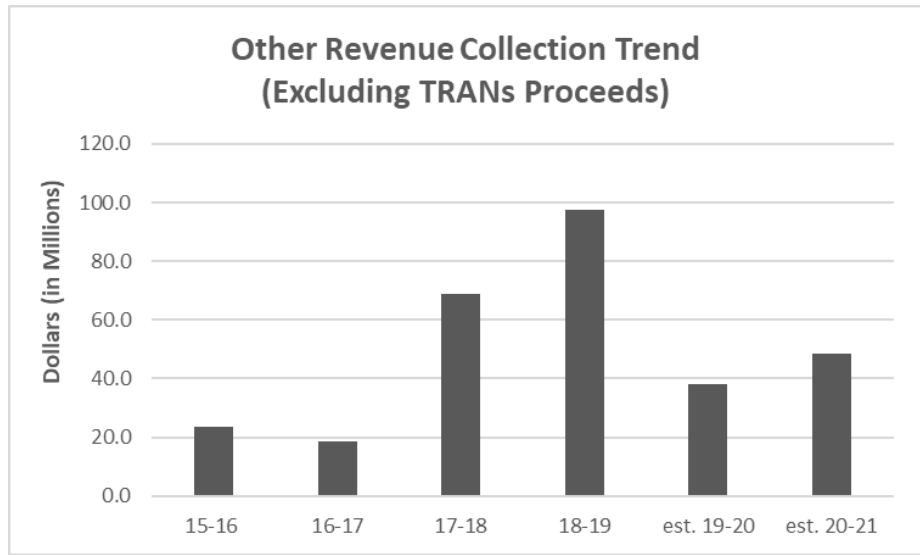
OTHER REVENUE

2018-2019 Actual*	\$ 247,368,271
2019-2020 Adopted	\$ 23,502,394
2019-2020 Estimate	\$ 37,929,461
2020-2021 Forecast	\$ 9,104,126
2020-2021 Adopted	\$ 48,511,658
% of General Fund	3.2 %
% Change from 2019-2020 Adopted	106.4 %

* The 2018-2019 Actual includes revenues associated with the issuance of a \$150 million TRANs based on cash flow needs.

Revenue Estimates

The Other Revenue category consists of miscellaneous revenues received from a variety of sources, including payments from Comcast and AT&T required under the Franchise Agreement, cost reimbursements for the Investment Program, proceeds from the Sale of Surplus Property, SAP Center at San José, Sidewalk Repair and Tree Maintenance Activities, and Miscellaneous Other Revenue.



In 2019-2020, the Other Revenue category is expected to generate \$37.9 million. The 2019-2020 estimate includes several one-time allocations that were not included in 2018-2019, the largest of which reflects outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans that were repaid in 2019-2020 (\$10.2 million).

Various actions are included in the Adopted Budget to recognize one-time funding in 2020-2021 in the Other Revenue category. These actions, which total \$39.4 million, primarily reflect 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) for future affordable housing development. Additional information on these actions, as well as the major components of the Other Revenue category are described on the following page.

CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

City Hall Lease-Revenue Bonds Refunding

The City of San Jose Financing Authority's Series 2008A and 2013A bonds (City Hall) are scheduled to be refunded in 2020-2021, which will release \$26 million from the debt service reserve for deposit into the General Fund. The Adopted Budget allocates a significant portion of these proceeds to retire other debt obligations related to the Los Lagos Golf Course and the ESCO Master Equipment Lease.

Investment Program Reimbursement

The 2020-2021 revenue estimate for Investment Program Reimbursements is \$1.1 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings.

Public, Education, and Government (PEG) Access Facilities

In 2020-2021, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.7 million, which is slightly below the 2019-2020 estimate of \$1.8 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

The proceeds from the sale of surplus property is estimated to generate \$12.1 million in 2020-2021, which includes \$1.0 million for the sale of various City-owned properties and \$11.1 million for the sale of five City-owned properties to the Housing Department. The properties purchased with federal housing funding will be slated for future affordable housing development.

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 2020-2021 revenue estimate for this category is \$1.9 million, which includes an action to increase the 2020-2021 estimate by \$150,000 in the Adopted Budget. There is a corresponding City-Wide Expenses allocation to fund the contractual sidewalk repairs, as described in the *City-Wide Expenses* section of this document.

Property owners are also assessed for the costs of tree services provided by the City. If the City performs emergency tree services, such as removing a tree that has fallen in the street, the property owner is assessed a fee to cover the cost of this service. In 2020-2021 this fee revenue is estimated at \$988,000, which includes actions to increase the 2020-2021 estimate by \$388,000 in the Adopted Budget. There is a corresponding City-Wide Expenses allocation to provide this service, which is further described in the *City-Wide Expenses* section of this document.

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

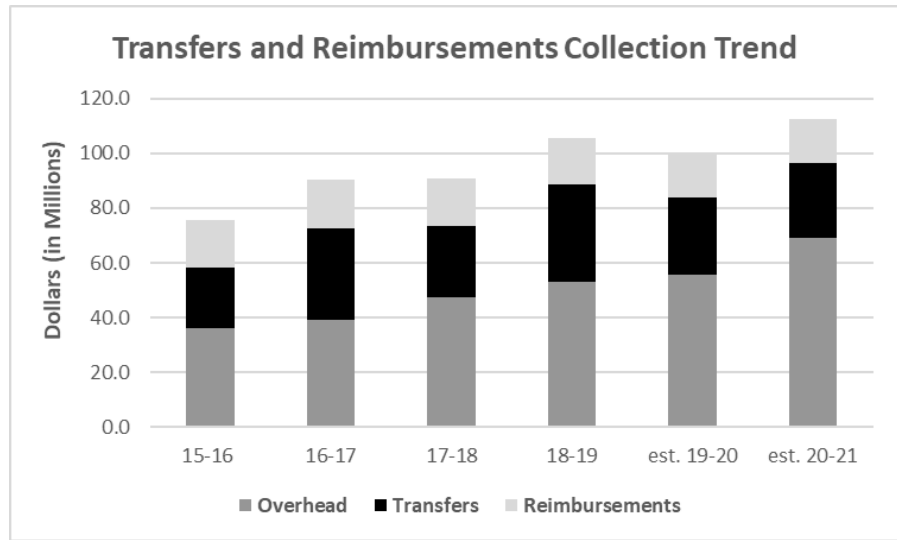
TRANSFERS AND REIMBURSEMENTS

2018-2019 Actual	\$ 105,732,097
2019-2020 Adopted	\$ 100,576,639
2019-2020 Estimate	\$ 99,343,339
2020-2021 Forecast*	\$ 111,030,012
2020-2021 Adopted	\$ 112,352,425
% of General Fund	7.5 %
% Change from 2019-2020 Adopted	11.7 %

* The 2020-2021 Forecast was decreased \$2.5 million from the February Forecast due to updated information being received; additional details can be found in the General Fund Overview section.

Revenue Estimates

The Transfers and Reimbursements revenue category accounts for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or transfers. In total, Transfers and Reimbursements are anticipated to generate approximately \$112.4 million in 2020-2021. This amount is 13.1% above the 2019-2020 estimate of \$99.3 million due primarily to increased overhead reimbursements.



The following is a discussion of the three major subcategories included in the Transfers and Reimbursements revenue category: Overhead Reimbursements; Transfers; and Reimbursements for Services.

Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2020-2021, a total of \$69.2 million in overhead reimbursements are projected based on 2020-2021 overhead rates prepared by the Finance Department applied against the projected 2020-2021 applicable salaries. This figure reflects the following: an increase of \$233,000 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$1.3 million incorporated into the 2020-2021 Adopted Budget generated from various budget actions that changed the staffing levels funded by capital and special funds. Descriptions of the budget actions that generate these

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

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Overhead Reimbursements (Cont'd.)

overhead reimbursement changes can be found in the *City Departments* Section of this document. A summary of the overhead reimbursement changes from the Revised Forecast by fund is detailed below.

Fund	Overhead Adjustment
Capital Funds	\$ 633,283
Rent Stabilization Program Fee Fund (450)	13,725
Life Insurance Fund (156)	(8,527)
Unemployment Insurance Fund (157)	(1,023)
Benefit Fund (160)	(7,504)
San José/Santa Clara Treatment Plant Operating Fund (513)	40,980
Airport Maintenance and Operation Fund (523)	(269,740)
Walter Utility Fund (515)	60,393
Sewer Service and Use Charge Fund (541)	213,088
Integrated Waste Management Fund (423)	120,132
Building Development Fee Program Fund (237)	(109,345)
Low and Moderate Income Housing Asset Fund (346)	78,255
Public Works Program Support Fund (150)	91,884
Inclusionary Fee Fund (451)	1,778
General Purpose Parking Fund (533)	116,978
Storm Sewer Operating Fund (446)	29,427
South Bay Water Recycling Operating Fund (570)	1,244
Maintenance Assessment District Funds	49,750
City-Wide Planning Fee Program Fund (239)	(36,414)
Fire Development Fee Program Fund (240)	54,119
Planning Development Fee Program Fund (238)	(42,733)
Homeless Emergency Aid Fund (497)	46,705
Community Development Block Grant Fund (441)	2,398
San José Clean Energy Fund (501)	235,025
Multi-Source Housing Fund (448)	8,535
Total Adjustments	\$ 1,322,413

Transfers

The Transfers category is projected at \$27.4 million in 2020-2021, which is slightly below the \$28.0 million anticipated to be received in 2019-2020. The largest component of this category in 2020-2021 is a transfer from the Airport Maintenance and Operating Fund of \$18.2 million to reimburse the General Fund for police and aircraft rescue and firefighting services provided by the Police and Fire Departments. These reimbursements have been built to cover the 2020-2021 direct and indirect costs associated with these emergency services. Additional large transfers programmed for 2020-2021 include the following: Construction and Conveyance Tax Funds (\$3.0 million) for park maintenance costs and methane monitoring; Construction Excise Tax Fund (\$1.8 million); General Purpose Parking Fund (\$707,000); Convention and Cultural Affairs Fund (\$360,000); and interest earnings from various funds (\$1.9 million), the largest of which is the Construction and Conveyance Tax Funds (\$1.7 million).

CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Reimbursements for Services

The largest single source of revenue in the Reimbursement for Services category is reimbursements from the Gas Tax Funds for the cost of City street-related expenses. In 2019-2020 and 2020-2021 Gas Tax receipts are estimated at \$15.0 million, which is approximately 10% below the 2018-2019 actual collections of \$16.7 million. Revenue received from the Gas Tax Fund is heavily reliant on activity levels. Due to the shelter-in-place order, less people are driving, which will negatively affect consumption levels. Decreased gas consumption is anticipated to occur through the remainder of 2019-2020 and 2020-2021. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well.

The Reimbursements for Services category reimburses the City for actual costs associated with the Deferred Compensation Program, Voluntary Employee Beneficiary Association (VEBA) Fund, and the Maintenance Assessment District Funds. These amounts have been set to recover costs in 2020-2021 of \$746,000.

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

BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 40,000,000
Rebudget: Earmarked Reserves/Expenditures	\$ 164,927,376
Unexpended Earmarked Reserves*	\$ 64,640,615
2019-2020 Ending Fund Balance Reserve*	\$ 73,864,000
2019-2020 Expenditure Savings/Additional Revenue*	\$ 1,903,727
Liquidation of Prior Year Encumbrances*	\$ 1,000,000
Fund Balance Subtotal:	\$ 346,335,718
Reserve for Encumbrances	\$46,555,359
Fund Balance Total:	\$ 392,891,077
% of General Fund**	23.1%

* Used for 2020-2021 Adopted Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2019-2020 Ending Fund Balance/2020-2021 Beginning Fund Balance, totaling \$392.9 million, are included as part of the 2020-2021 Adopted Budget. The estimate for the encumbrance reserve is set at the 2018-2019 actual level (\$46.6 million). The Adopted Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2020-2021.

The estimate for unrestricted beginning fund balance is set at \$346.3 million in 2020-2021, which represents a \$241.1 million increase from the 2020-2021 Revised Forecast level of \$105.2 million. When the initial Forecast was developed, the Beginning Fund Balance projection totaled \$107.2 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$40.0 million; liquidation of Development Fee Program Reserves totaling \$35.5 million that will be transferred to the new Development Fee Program Funds in 2020-2021; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$23.0 million; and additional funding of \$8.7 million from various reserves to support specific costs programmed in 2020-2021.

Development Fee Program Reserves being liquidated include the Building Development Fee Program Reserve (\$21.0 million), Public Works Development Fee Program Reserve (\$6.0 million), Fire Development Fee Program Reserve (\$5.0 million), Citywide Planning Development Fee Program Reserve (\$1.5 million), Planning Development Fee Program Reserve (\$1.5 million), and Public Works Small Cell Development Fee Program Reserve (\$500,000). These funds will be transferred to the specific Development Fee Program Fund in 2020-2021 to cover costs associated with these fee programs as the revenue and expenditures related to the Development Fee Programs will no longer be captured in the General Fund.

The use of various reserves to support specific costs in 2020-2021 included the following: Police Sworn Hire Ahead Program Reserve (\$7.2 million), Parks Rehabilitation Strike and Capital Infrastructure Team Reserve (\$725,000), Public Life and Parks Activation Reserve (\$500,000), Citywide Retail Attraction Program Reserve (\$187,500), and Pest Management Reserve (\$80,000).

CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

In the Revised Forecast, the reserves amount carried over was reduced by a net \$2.0 million to reflect a lower carryover amount of the Development Fee Program Reserves, including a reduction of \$2.5 million for the Public Works Development Fee Program Reserve and increase of \$500,000 for the Citywide Planning Development Fee Program Reserve. As a result of the net reduction, the Revised Forecast Beginning Fund Balance projection reduced from \$107.2 million to \$105.2 million.

In the Adopted Budget, Beginning Fund Balance adjustments totaling \$241.1 million are included, which is primarily attributable to the rebudget of 2019-2020 funds for expenditure-related items, liquidation of various reserves, increased estimated revenue, and expenditure savings. As a result of these actions, the Beginning Fund Balance increased from the Revised Base level of \$105.2 million to \$346.3 million (excluding the Reserve for Encumbrances). Details on the recommended Beginning Fund Balance adjustments included in the Adopted Budget are summarized below.

- Rebudget of 2019-2020 funds for expenditure-related items and unexpended reserves in the amount of \$164.9 million. The rebudgets include \$160.96 million that were brought forward to the City Council in June 2020 after the release of the Proposed Budget (Manager's Budget Addendum #32) and \$3.97 million for Mayor and City Council rebudgets that were included in the Mayor's June Budget Message for Fiscal Year 2020-2021.
- Anticipated fund balance of \$53.8 million generated from additional 2019-2020 revenue and expenditure savings that is anticipated to be realized in 2019-2020. A majority of these funds (\$50.0 million) were identified in Manager's Budget Addendum #3; Coronavirus Relief Fund and General Fund Adjustments. As identified in Manager's Budget Addendum #3, and approved by the City Council in June 2020, this funding restored one-time expenses in 2020-2021 of high importance to serving the needs of the community (especially services supporting communities of concern).
- Liquidation of various reserves totaling \$22.4 million, including the 2020-2021 Future Deficit Reserve (\$10.9 million), Budget Stabilization Reserve (\$5.0 million), Building Development Fee Program Reserve (\$2.9 million), Fire Development Fee Program Reserve (\$1.1 million), Public Works Development Fee Program Reserve (\$762,484), Planning Development Fee Program Reserve (\$568,956), Citywide Planning Development Fee Program Reserve (\$331,293), 2020-2021 Talent Development Reserve (\$330,000), 2020-2021 Proactive Legal Enforcement of Blighted/Nuisance Properties Reserve (\$226,768), Small Cell Public Works Development Fee Program Reserve (\$211,413), and 3-1-1 Call Transition Reserve (\$115,000).

CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

As shown in the chart at the beginning of the Beginning Fund Balance discussion, the 2020-2021 Beginning Fund Balance (excluding Reserve for Encumbrances) totals \$346.3 million. Following is a discussion of the Beginning Fund Balance components:

- The Beginning Fund Balance estimate assumed the carryover of the 2019-2020 Contingency Reserve of \$40.0 million, with the assumption that this amount would not be used in 2019-2020 and would be available in 2020-2021. This reserve was set at the level necessary to comply with the City Council policy to maintain a minimum of 3% contingency reserve and allowed for anticipated rebudget adjustments that were expected to be brought forward as part of the Adopted Budget. The Contingency Reserve is approximately enough to cover General Fund payroll costs for less than two and one-half weeks in an emergency.
- Rebudgeted Earmarked Reserves and Expenditures totaled \$164.9 million. Details of the Earmarked Reserves of \$89.9 million that are rebudgeted from 2019-2020 to 2020-2021 can be found in the *City-Wide Expenses, Capital, Transfers, and Reserves* section of this document. Major Earmarked Reserve rebudgets include: Budget Stabilization Reserve (\$27.0 million); Fire Training Center Replacement Reserve (\$24.8 million), Workers' Compensation/General Liability Catastrophic Reserve (\$15.0 million); and Salaries Benefits Reserve (\$5.0 million). Expenditure rebudgets totaled \$71.0 million, the majority of which represent Capital Project Expenses (\$38.6 million) and City-Wide Expenses (\$24.2 million) that were not completed in 2019-2020 for which funding was carried over to 2020-2021. In addition, Mayor and City Council rebudgets totaling \$4.0 million were included in the Mayor's June Budget Message for Fiscal Year 2020-2021.
- The use of various Unexpended Earmarked Reserves of \$64.6 million. A significant portion of this funding (\$39.4 million) is comprised of Development Fee Program Reserves that are being eliminated from the General Fund in 2019-2020, included in the 2020-2021 Beginning Fund Balance, and then transferred to the new Development Fee Program Funds in 2020-2021. The remaining uses of various Unexpended Earmarked Reserves total \$25.3 million, the largest of which include the 2020-2021 Future Deficit Reserve (\$10.9 million), Police Sworn Hire Ahead Program Reserve (\$7.2 million), and Budget Stabilization Reserve (\$5.0 million).
- The 2019-2020 Ending Fund Balance Reserve (\$73.9 million) and the 2019-2020 Expenditure Savings/Additional Revenue (\$1.9 million) represent the total excess revenues and expenditure savings of \$75.8 million expected to be generated at the end of 2019-2020 for use in 2020-2021. Of this amount, \$50.0 million was identified in Manager's Budget Addendum #3; Coronavirus Relief Fund and General Fund Adjustments. As discussed above, this funding restored one-time expenses in 2020-2021 of high importance to serving the needs of the community (especially services supporting communities of concern).
- The Liquidation of Prior Year Encumbrances was estimated at \$1.0 million in 2019-2020 to be available for use in 2020-2021.