

**2012-2013**

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**OPERATING BUDGET**

**GENERAL FUND  
REVENUE  
ESTIMATES**

**GENERAL FUND  
REVENUE ESTIMATES**

# GENERAL FUND REVENUE ESTIMATES

## OVERVIEW

For 2012-2013, Adopted General Fund revenue estimates (excluding fund balance) total \$790.3 million, representing a 3.3% increase from the 2011-2012 Adopted Budget level. When Fund Balance-Carryover is included, General Fund resources total \$945.8 million, which is 6.8% above the prior year.

Estimates for the 2012-2013 Beginning Fund Balance and for over 450 separate General Fund revenue accounts were formulated initially in the November 2011 Preliminary Forecast, and updated as part of the 2013-2017 Five-Year Forecast prepared in February 2012. These estimates have been reviewed continually since the Forecast document was released and have been revised again, as appropriate, in this Adopted Budget based on more recent information. Estimates for each account are based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. Most estimates involve two projections: an estimate for the amount to be collected in 2011-2012 and an estimate for the increase or decrease in activity and receipts anticipated for 2012-2013. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The 2012-2013 General Fund revenue estimates are summarized below and discussed in detail in the material that follows.

Revenue Category	1	2	3	4	2 to 4	% of Total
	2010-2011 Actuals	2011-2012 Adopted	2012-2013 Forecast	2012-2013 Adopted	% Change	
Property Tax (1)	197,176,722	201,454,000	205,375,000	202,925,000	0.7%	21.5%
Sales Tax	137,969,758	140,906,000	152,680,000	152,680,000	8.4%	16.1%
Transient Occupancy Tax	7,221,860	7,202,000	8,715,000	8,715,000	21.0%	0.9%
Franchise Fees	41,272,610	43,025,000	44,325,000	43,625,000	1.4%	4.6%
Utility Taxes	87,884,597	88,035,000	91,855,000	91,855,000	4.3%	9.7%
Telephone Tax	20,643,328	20,525,000	20,525,000	20,525,000	0.0%	2.2%
Business Taxes (2)	37,959,146	38,795,000	40,550,000	40,550,000	4.5%	4.3%
Licenses and Permits (2)	38,735,094	34,567,094	37,535,149	37,812,739	9.4%	4.0%
Fines, Forfeitures and Penalties	17,925,992	17,471,000	17,208,500	16,708,500	(4.4%)	1.8%
Rev. from Money and Property	3,672,149	2,413,000	2,850,500	2,910,500	20.6%	0.3%
Rev. from Local Agencies	44,247,174	19,331,237	26,698,012	29,250,390	51.3%	3.1%
Rev. from State Government (1)	15,434,030	14,211,106	10,110,000	10,686,292	(24.8%)	1.1%
Rev. from State Govt-Recovery Act	128,902	254,027	0	60,590	(76.1%)	0.0%
Rev. from Federal Government	5,844,286	12,807,900	10,239,964	13,287,954	3.7%	1.4%
Rev. from Fed Govt-Recovery Act	3,488,382	8,400,311	25,988	3,322,706	(60.4%)	0.4%
Departmental Charges	32,148,993	29,576,872	30,016,592	32,126,081	8.6%	3.4%
Other Revenue	92,572,585	14,918,888	14,575,965	16,270,331	9.1%	1.7%
Transfers and Reimbursements	92,056,927	70,868,919	65,926,359	67,031,578	(5.4%)	7.1%
<b>Subtotal</b>	<b>876,382,535</b>	<b>764,762,354</b>	<b>779,212,029</b>	<b>790,342,661</b>	<b>3.3%</b>	<b>83.6%</b>
Fund Balance-Carryover (3)	141,483,795	121,060,735	47,361,646	155,467,037	28.4%	16.4%
<b>Total General Fund Sources</b>	<b>1,017,866,330</b>	<b>885,823,089</b>	<b>826,573,675</b>	<b>945,809,698</b>	<b>6.8%</b>	<b>100.0%</b>

- (1) The Property Tax and Revenue from State Government revenues for 2010-2011 have been restated to reflect the recategorization of Aircraft Property Tax into the Property Tax category.
- (2) The Business Taxes and Licenses and Permits revenues for 2010-2011 have been restated to reflect the recategorization of Business Tax, Cardroom Business Tax, and Disposal Facility Tax into the Business Tax category.
- (3) The Fund Balance figure does not include the Reserve for Encumbrances.

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### Economic Performance

The 2012-2013 revenue estimates were built on the assumption that the economy would continue to experience modest growth, which will positively impact the City's economic performance.

The following is a discussion of both the national and local economic outlooks used to develop the revenue estimates for the 2012-2013 Forecast. Various economic forecasts are reviewed in the development of the revenue estimates, including the national and State economic forecasts produced by the Anderson School of Management at the University of California – Los Angeles (UCLA), California's Legislative Analysts Office, and Beacon Economics. The City also uses various consultants to assist in the development of these revenue estimates.

#### National Outlook

The continuation of a moderate economic recovery appears likely in the near term. According to the UCLA Anderson Business School Forecast, the near and mid-term outlook for the U.S. economy is good, but not great. According to the Forecast, GDP is estimated to grow by 2.4% and the national unemployment rate is estimated to decline to 7.7% by the end of 2013. The Forecast raises concerns about the national economy's ability to fully return to pre-recession levels of growth and employment in the long-term, due largely to what the forecasters fear is a miss-match between the skills of the unemployed and the needs of a technology-driven, post-industrial economy. It is unclear, however, how much this concern would apply to San José and the region, given the particulars of its workforce and technology-driven economy. Additionally, looming over the national economy are near term risks, namely the debt crisis in Europe as well as a slowdown in China and potential impacts of Iran. Lastly, after the November 2012 election, the pace of growth may be dampened somewhat by attempts to address the increasingly large federal deficit.

United States Gross Domestic Product (GDP) grew at an annual rate of 1.9% in the first quarter of 2012. This is a deceleration from the annual growth rate of 3.0% experienced in the fourth quarter of 2011<sup>1</sup>. The Bureau of Economic Analysis attributes the first quarter growth in GDP to positive contributions from personal consumption expenditures, exports, residential and nonresidential fixed investment, and private inventory investment that were partially offset by negative contributions from federal government spending and state and local government spending, as well as by growth in imports, which are a subtraction in the calculation of GDP. However, the slowdown in the rate of growth when compared to the rate of growth in the fourth quarter of 2011 is attributed to decelerations in private inventory investment and in nonresidential fixed investment, partly offset by accelerations in personal consumption expenditures, exports and in residential fixed investment and a deceleration in imports. Overall, GDP increased 1.7% in 2011, which is down from the 3.0% increase experienced in 2010.<sup>2</sup>

The Conference Board Consumer Confidence Index, which spiked in February, has declined for four consecutive months since. Lynn Franco, Director of The Conference Board Consumer Research Center stated: "Consumers were somewhat more positive about current conditions but

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<sup>1</sup> Bureau of Economic Analysis, U.S. Department of Commerce, News Release: Gross Domestic Product, June 28, 2012

<sup>2</sup> Bureau of Economic Analysis, U.S. Department of Commerce, News Release: Gross Domestic Product, March 29, 2012

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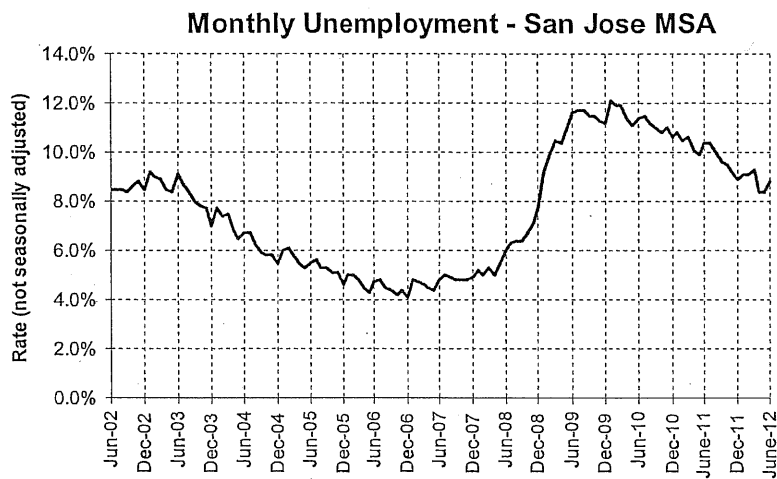
## OVERVIEW

slightly more pessimistic about the short-term outlook. Income expectations, which had improved last month, declined in June. If this trend continues, spending may be restrained in the short term. The improvement in the Present Situations Index, coupled with a moderate softening in consumer expectations, suggests there will be little change in the pace of economic activity in the near-term.”

### City of San José Outlook

The local economy continues to reflect a slow, but positive recovery from the most recent recession. Economic indicators and actual revenue performance support this general assumption, with continued improvement in recent months. This region continues to experience job growth, construction activity is increasing at a good pace, and the housing market appears to be stabilizing.

Beacon Economics described Silicon Valley as a bright spot in a grey economy. “The South Bay/Silicon Valley continues to be one of the regions leading California’s economic recovery. This is not surprising due to the strong demand for the area’s technology products at the state, national and international levels.”<sup>3</sup> “This



region continues to add jobs at one of the fastest rates in California,” and the unemployment rate although high, has been in decline for the past eight months.<sup>4</sup> Construction activity is increasing at a good pace and the housing market appears to have stabilized, though home prices remain sluggish.

The June 2012 employment level in the San Jose – Sunnyvale – Santa Clara Metropolitan

Statistical Area (MSA) of 921,300 was 3.7% above the June 2011 level of 888,200. This employment level continues to fall below the recent peak of 930,500 experienced in December 2007.

The unemployment rate in the San José metropolitan area continues to remain high, but has remained below the double digit levels that had been experienced in recent years. The June 2012 unemployment rate of 8.8% has increased slightly from the May 2012 level, but is lower than the 10.2% rate experienced a year ago. The June 2012

### Unemployment Rate (Unadjusted)

	June 2011	May 2012	June 2012
SJ Metropolitan Statistical Area*	10.2%	8.4%	8.8%
State of California	12.0%	10.4%	10.7%
United States	9.3%	7.9%	8.4%

\* San Benito and Santa Clara Counties

Source: California Employment Development Department.

<sup>3</sup> Beacon Economics, The Regional Outlook – South Bay, Quarterly Update – December 2011

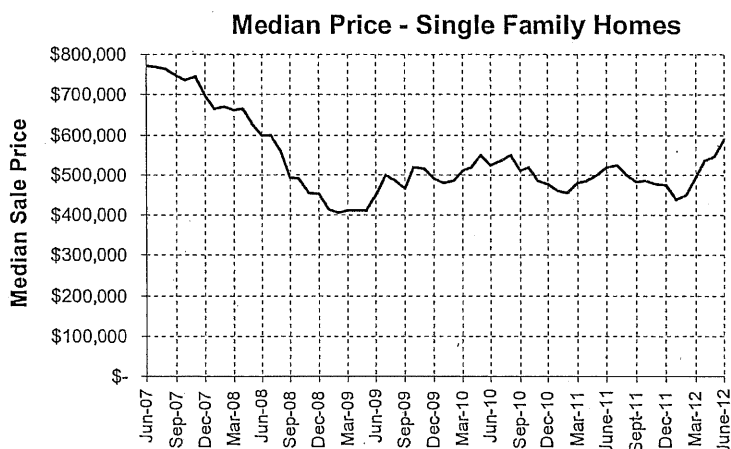
<sup>4</sup> Beacon Economics, The Regional Outlook – South Bay, Quarterly Update – Spring 2012

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unemployment rate in this region is less than the unadjusted rate for the State (10.7%), but continues to track above the nation, which has an unadjusted unemployment rate of 8.4%.

The level of construction permit activity in 2011-2012 was higher than 2010-2011 levels across all three types of construction and amounted to \$894 million, a five-year high, and a 69% increase compared to the record low experienced two years ago. The total valuation of commercial permits and industrial permits issued through June was above prior year levels. The total valuation of commercial permits issued of \$242.1 million was 9.6% above the prior year valuation of \$220.9 million. Industrial construction of \$135.9 million remained significantly above (49.7%) the prior year valuation of \$90.8 million. The 2,973 residential permits issued through June exceeded the prior year level of 2,208 by 34.6%, due largely to a high number of permits issued in June 2012 for a development in North San José. Overall, this permit activity drives the revenue collection in several construction tax categories and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.



The housing market also appears to be stable with some improvement. The number of property transfers (sales) for all types of residences totaled 783 in June 2012, representing a decline of approximately 5.3% from the 827 sales that occurred in June 2011. In addition, the June 2012 median single family home price of \$588,444 is up 8.0% from the May 2011 price of \$545,000. This marks the 5<sup>th</sup> consecutive month in which the

median single-family home price has risen compared to the same month in the previous year.

The outlook for Silicon Valley is positive in the near term. Due to the unique nature of the Silicon Valley, this region's economy is heavily influenced by the technology sector. Near term activities such as anticipated record breaking Initial Public Offerings (IPOs) of large technology and social networking companies, increasing capital investment in social media and networking sites and software for the rapidly expanding mobile computing trend are anticipated to result in strong growth in this sector. The strength in this sector in particular, as well as improvement in other areas, is anticipated to drive the growth of the economy through 2013.

### Non-Economically Sensitive Revenue Drivers

The economic conditions discussed above are the primary drivers for the economically sensitive revenues, with the most significant impacts in the Sales Tax and Property Tax categories. However, performance in other areas is primarily driven by other factors. For example, the Utility Tax and Franchise Fee categories are more heavily impacted by utility rate changes, energy prices, and consumption levels. Collections from local, State, and federal agencies are primarily driven by the grant and reimbursement funding available from these agencies. As a result, these General Fund

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revenues experience no significant net gain or loss in times of an economic expansion or slowdown, respectively. Because these revenue sources do not track directly with the performance of the economy, the growth in these areas, even in times of economic strength, can dampen the City's overall revenue growth. Conversely, in an economic slowdown, these categories can act as a buffer, easing the impact of declines in the economically sensitive revenue categories.

### Revised General Fund Forecast

Between the issuance of the February Forecast and the release of the Adopted Budget, staff continued to review and update the estimated revenue collections for 2012-2013. Based on this analysis, a number of the revenue estimates presented in the February Forecast were revised in this Budget to reflect more recent information. The net result of these revisions is an upward adjustment of \$19.2 million to the Forecast from \$807.3 million to \$826.6 million.

Following is a summary table and descriptions of the changes incorporated into the revised Forecast that was used as the starting point in preparing the 2012-2013 Adopted Budget.

#### 2012-2013 Revised Forecast Changes

Category	\$ Change
Revenue from Local Agencies	\$ 15,338,076
Sales Tax	975,000
Licenses and Permits	913,000
Departmental Charges	726,741
Property Tax	655,000
Fines, Forfeitures and Penalties	500,000
Revenue from the State	358,555
Revenue from Money & Property	117,500
Business Taxes	100,000
Transfers and Reimbursements	7,130
Utility Tax	0
Franchise Fees	(415,000)
Other Revenue	(33,000)
<b>Total</b>	<b>\$ 19,243,002</b>

A brief discussion of these changes follows.

#### *Revenue from Local Agencies*

- An increase of \$15.34 million to reflect the anticipated reimbursement from the Successor Agency to the Redevelopment Agency for the Convention Center Debt Service payment. When the February Forecast was developed, it was assumed that the Successor Agency would pay the debt service directly; however, it has been determined that the debt service payment should be budgeted in the General Fund with a reimbursement from the Successor Agency.

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- A decrease of \$3,000 to align the payment from the County for the Paramedic Program with 2011-2012 levels.

### *Sales Tax*

- An increase of \$975,000 to the General Sales Tax revenue estimate to reflect higher than anticipated collections for the second quarter of 2011-2012.

### *Licenses and Permits*

- An increase of \$700,000 to the Building Permits revenue estimate to reflect anticipated 2012-2013 collection and activity levels.
- A net increase of \$150,000 to the Fire Permits revenue estimate to reflect the anticipated 2012-2013 collection and activity levels.
- An increase of \$65,000 to the Police Licenses and Permits revenue estimate to recognize the anticipated revenues associated with the Crime Prevention through Environmental Design fee established in 2011-2012.
- A decrease of \$2,000 to the Taxi Stand Rental Fee revenue estimate based on updated activity projections.

### *Departmental Charges*

- An increase of \$927,000 to the Public Works Departmental Charges revenue estimate to reflect anticipated 2012-2013 collection and activity levels.
- A decrease of \$204,000 to the Miscellaneous Departmental Charges to reflect the elimination of the revenue associated with the Enterprise Zone Fee as this program was budgeted on a one-time basis in 2011-2012. Included in this Adopted Budget are actions to continue this 100% cost recovery program, with the re-establishment of this revenue estimate offset by the costs to deliver the program.
- Miscellaneous adjustments include a decrease to the Transportation Departmental Charges (-\$71,000) reflecting adjusted activity levels, and an increase to the Parks, Recreation and Neighborhood Services Departmental Charges (\$75,000) reflecting the opening of artificial turf sports fields and increases in San José family camp activity levels.

### *Property Tax*

- An increase of \$455,000 to the Secured Property Tax estimate to reflect a change in the projected 2012-2013 growth rate from 2.5% assumed in the February Forecast to 2.75%. This increase was based on information from the Santa Clara County Assessor's Office on the estimated roll growth for 2012-2013 in San José provided in April 2012.

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- An increase of \$200,000 to the SB 813 Property Taxes (supplemental taxes) estimate based on higher actual collection trends.

### *Fines, Forfeitures and Penalties*

- A net increase of \$500,000 to reflect the following: an increase of \$500,000 to the parking fine revenue estimate based on current collection levels; an increase of \$100,000 to the revenue estimate for past-due parking fines collected by the State of California Franchise Tax Board on behalf of the City based on the stronger performance in this category; and a reduction of \$100,000 to the Police False Alarms revenue estimate to reflect the change to a verified response model.

### *Revenues from the State*

- An increase of \$500,000 to the estimate for Tobacco settlement funds based on higher actual 2011-2012 receipts that were received in April 2012.
- A decrease of \$141,000 to reflect the elimination of the revenue estimate for the Waste Tire Enforcement Grant which ends in 2011-2012. It is anticipated that Santa Clara County will assume responsibility for these services.

### *Revenue from Money & Property*

- An increase of \$118,000 reflects additional rental income for the Del Monte/McCarthy Rental Property (\$133,000) partially offset by a loss of rental income as a result of the Convention Center renovation (-\$15,000).

### *Business Taxes*

- An increase of \$100,000 to the Marijuana Business Tax revenue estimate based on the current collection trends in this category.

### *Transfers and Reimbursements*

- An increase of \$361,000 to overhead reimbursements from both operating (\$220,000) and capital (\$141,000) funds, reflecting final 2012-2013 base expenditures and final 2012-2013 overhead rates as provided by the Finance Department.
- Various adjustments resulting in a net increase of \$301,000, including: the transfer of interest earnings from the Construction and Conveyance Tax Fund (\$236,000); Deferred Compensation Program reimbursement adjustment based on a revised cost estimate (\$65,000); a slight adjustment to the Workforce Investment Act rent for use of community centers (\$2,000); and a decrease to the transfer from the Community Facilities Fund (-\$2,000) based on revisions to the 2012-2013 City costs that are being reimbursed by this fund.



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- A decrease of \$355,000 to reflect the loss of reimbursement for the Possessory Interest generated from the HP Pavilion that had previously been funded by the San Jose Redevelopment Agency.
- A decrease of \$300,000 to the estimate for Highway Users Tax Funds (Gas Tax) based on the downward collection trend experienced in 2011-2012.

### *Utility Tax*

- A net-zero adjustment to the Utility Tax estimate to reflect updated estimates to the subcategories: decrease in Telephone (-\$470,000), increase in Gas (\$200,000), increase in Electricity (\$170,000), and increase in Water (\$100,000).

### *Franchise Fees*

- A decrease of \$500,000 to the Electricity Franchise Fee estimate based on the assumption that collections in 2011-2012 may end the year below anticipated levels, resulting in a lower starting point for 2012-2013.
- An increase of \$85,000 to the Cable Television Franchise Fee estimate based on 2011-2012 collection trends.

### *Other Revenue*

- A net decrease of \$33,000 to the Other Revenue estimate reflects the following: lower estimated receipts for the Fish and Wildlife taxes (-\$20,000); lower estimated labor compliance liquidated damages (-\$10,000); and Department of Transportation new subdivision pavement markings (-\$2,000) and traffic control signs (-\$1,000).

## Changes from Forecast to Adopted Budget

From the Revised Forecast of \$826.57 million, a net increase of \$119.24 million to the General Fund revenue estimates was approved, bringing the 2012-2013 Adopted Budget revenue estimate to \$945.81 million. The components of the increase include an increase to the estimate for 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance (\$108.1 million), and an increase to various revenue categories (\$11.1 million). These changes are summarized in the following table:

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### 2012-2013 Adopted Budget Changes

Category	\$ Millions
Beginning Fund Balance	108.11
Revenue from the Federal Government – Recovery Act	3.30
Revenue from the Federal Government	3.05
Revenue from Local Agencies	2.55
Departmental Charges	2.11
Other Revenue	1.69
Transfers and Reimbursements	1.10
Revenue from the State	0.58
Licenses and Permits	0.28
Revenue from the State – Recovery Act	0.06
Use of Money and Property	0.06
Property Tax	(2.45)
Franchise Fees	(0.70)
Fines, Forfeitures and Penalties	(0.50)
<b>Total</b>	<b>\$ 119.24</b>

A brief discussion of these changes follows.

#### *Beginning Fund Balance*

- An increase of \$108.11 million from the February Forecast is included and primarily reflects the rebudget of funds for expenditure-related line items and unexpended reserves in the amount of \$73.2 million which were brought to City Council at the end of the budget process. In addition to the rebudget of funds, the remaining \$34.9 million reflects the following:
  - liquidation of the \$22.0 million 2012-2013 Future Deficit Reserve and liquidation of \$2.9 million from the various Development Fee Program Reserves to support fee program expenditures in 2012-2013; and
  - additional anticipated fund balance from increased expectations for expenditure savings and additional revenue of \$10.1 million in 2011-2012 that will be available for use in 2012-2013 including \$875,000 in anticipated savings from the Mayor and City Council Office budgets; this brings the total estimated expenditure savings and excess revenues to \$26.1 million.

#### *Revenue from the Federal Government – American Recovery and Reinvestment Act*

- Increase of \$3.3 million primarily reflects the rebudget of grants from 2011-2012 to 2012-2013, the largest of which is the Energy Efficiency and Conservation Block Grant (\$2.8 million). Additional rebudgets include: Internet Crimes Against Children Task Force 2009 (\$238,000), Retrofit California Program (\$150,000), and Local Energy Assurance Planning (LEAP) (\$83,000). In addition, new grant funding of \$25,988 was recognized for the Retrofit California Program.

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### *Revenue from the Federal Government*

- Increase of \$3.05 million reflects the rebudget of grants from 2011-2012 to 2012-2013 (\$2.0 million) as well as the recognition of new grant funding for 2012-2013 (\$1.0 million).
  - Rebudgeted funds consist primarily of Cardiac Monitors/Defibrillators (\$1.25 million). Additional rebudgets include the following: Metropolitan Medical Response System Grant 2010 (\$208,000), Internet Crimes Against Children Continuation Grant 2011 (\$131,000), Human Trafficking Prevention Grant 2011 (\$89,000), Protecting Children from Commercial Sexual Exploitation Grant 2011 (\$86,000), Urban Area Security Initiative (UASI) 2010 (\$73,000), Cultural Affairs Special Projects (\$65,000), Child Sexual Predator Program Grant 2009 (\$35,000), State Homeland Security Grant Program (\$35,000), Bulletproof Vest Partnership Grant (\$19,000), Urban Area Security Initiative (UASI) 2010 – Fire (\$18,000), Paramedic Training for 3<sup>rd</sup> SAFER Academy Firefighters (\$8,000), and the COPS Technology Program Grant 2010 (\$5,000).
  - New grant funding for 2012-2013 includes: Human Trafficking Prevention Grant 2011 (\$380,000), Northern California Regional Intelligence Center (NCRIC) SUASI – Police (\$242,000), Clean Creeks Healthy Communities Grant (\$213,000), Protecting Children from Commercial Sexual Exploitation Grant 2011 (\$147,000), Urban Area Security Initiative Training Grant (\$23,000), Cultural Affairs Special Projects (\$14,000), and State Homeland Security Grant Program (\$9,000).

### *Revenue from Local Agencies*

- Increase of \$2.55 million primarily reflects the rebudget of grants from 2011-2012 to 2012-2013 (\$2.5 million) as well as the recognition of new grant funding for 2012-2013 (\$0.1 million).
  - Rebudgeted funds consist primarily of Automated Fingerprinting Identification System (AFIS) Phase II Upgrade (\$896,000) and AFIS Phase I Upgrade (\$808,000), and the Silicon Valley Energy Watch (SVEW) Innovator Pilots (\$404,000). Additional rebudgets include the following: the Alameda Urban Village Master Plan and Zoning Ordinance Revisions Grant (\$150,000), Mobile Identification System Enhancement (\$75,000), Communities Putting Prevention to Work Grant (\$61,000), Grace Community Center Electronic Health Records Grant (\$59,000), and the Alum Rock Main Street District Rezoning Grant (\$35,000).
  - New grant funding for 2012-2013 includes: Clean Creeks Healthy Communities (\$65,000), Silicon Valley Energy Watch (SVEW) Innovator Pilots (\$33,000), and the Emergency Management Performance Grant (EMPG) 2011 (\$16,000).
- Decrease of \$50,000 to the estimate for reimbursement from the Central Fire District for areas within Santa Clara County covered by the San José Fire Department to account for a lower projected growth factor in 2012-2013 (reduced from 2.5% to 1.3%) based on updated information from the County Assessor's Office.

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### *Departmental Charges*

- An increase of \$1.37 million to the Parks, Recreation and Neighborhood Services Departmental Charges revenue estimate to reflect the following: collections from facilities that will open or remain open in 2012-2013 (Bascom Community Center, Lake Cunningham Skate Park, and Fair Swim Center); the establishment of new fees and increases to existing fees; and increased interest levels in recreational classes and programs both currently offered as well as new classes and pricing adjustments to remain competitive in the marketplace, moving toward a 40% cost recovery level.
- An increase of \$521,000 to Miscellaneous Departmental Charges to reflect the following: an increase of \$279,000 to the Solid Waste Enforcement Fee revenue estimate to bring expected revenues in line with anticipated costs for a total estimate of \$3.8 million in 2012-2013; and an increase of \$242,000 to the Enterprise Zone Fee revenue estimate to reflect the continuation of this program that was approved in the 2011-2012 Adopted Budget on a one-time basis. The action will continue this 100% cost recovery fee and make permanent the appropriate staffing complement in the Office of Economic Development to sustain this program.
- Increase Transportation Departmental fees and charges by \$217,000 to reflect the following: increased collection of the sidewalk repair administrative fees due to the expansion of the program (\$140,000); increased development-related fee activity and fee adjustments to remain at cost recovery levels (\$77,000).
- An increase of \$35,000 to the Library Departmental Charges to reflect increased fine revenue resulting from the staggered opening of four new branch libraries – Seven Trees, Bascom, Educational Park, and Calabazas Libraries. The annualized impact of the opening of these facilities is anticipated to be \$150,000.
- A decrease of \$36,000 to the Police Department fees and charges to reflect the reclassification of some revenues from the Departmental Charges category to the Licenses and Permits Category and analysis of the costs to deliver services; this action accurately aligns cost and dedicated resources.

### *Other Revenue*

- An increase of \$900,000 to the estimate for Sidewalk Repairs (from \$600,000 to \$1.5 million plus a rebudget of \$350,000 discussed below for a total of \$1.85 million) to reflect the anticipated increase in reimbursements from property owners for contractual sidewalk repairs performed by the City on behalf of the property owners as a result of the approved expansion of the Sidewalk Repair Program. This increase in revenue is offset by a corresponding expenditure increase in the City-Wide Expenses allocation for this purpose.
- Increase of \$666,000 reflects the rebudget of grants and reimbursements from 2011-2012 to 2012-2013 (\$555,000) as well as the recognition of new grant funding for 2012-2013 (\$111,000).
  - Rebudgeted funds consist of the following: Sidewalk Repairs (\$350,000), Silicon Valley Energy Watch Grant (\$103,000), ChargePoint America Electric Vehicle Infrastructure

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Project (\$64,000), Enhance Fitness Grant (\$20,000), and Health Trust Communities Putting Prevention to Work Grant (\$18,000).

- New grant funding for 2012-2013 is for the Silicon Valley Energy Watch Grant (\$111,000).
- Establish an estimate of \$65,000 to recognize the anticipated revenue from the sale of fire hydrants, which was previously budgeted in the Stores Fund.
- Establish an estimate of \$55,000 to recognize reimbursement from the Christmas in the Park Foundation for the City costs of a part-time Exhibit Designer/Builder that was approved for addition in the Adopted Budget.
- An increase of \$9,000 to the estimate for the sale of street names, traffic control signs, and pavement markings due to increased development related fee activity and fee adjustments to remain at or increase current cost recovery levels.

### *Transfers and Reimbursements*

- An increase of \$1.2 million to be transferred from expired special assessment districts (one-time). In 2008-2009, Finance staff completed an analysis of 50 expired special assessment districts with remaining cash balances. Based on that review, in accordance with State law, the availability of surplus funds was announced to be claimed by current and former property owners. With the statute of limitations, any unclaimed funds will be transferred to the General Fund.
- An increase of \$637,000 (\$292,000 ongoing) from the Convention and Cultural Affairs Fund to cover General Fund support services costs that were previously captured through the overhead rate process. With the elimination of the remaining nine City positions under management of Team San José, the overhead mechanism that is based on staffing no longer recovers the support services costs still provided by the City.
- Increase of \$200,000 from the Stores Fund to reflect the close-out of the fund and the transfer of the remaining estimated fund balance to the General Fund.
- Ongoing increase of \$69,500 from the Convention and Cultural Affairs Fund to support the Cultural Facilities Capital Maintenance partnership.
- A net decrease of \$920,000 (\$1.2 million ongoing) in anticipated overhead reimbursements to reflect the impact of various budget actions approved in the Adopted Budget that change the staffing levels funded by special and capital funds.
- Decrease of \$43,000 in reimbursement for the Deferred Compensation program to align revenues with budgeted expenses.

### *Revenue from the State of California*

- Increase of \$447,000 reflects the rebudget of grants from 2011-2012 to 2012-2013 (\$414,000) as well as the recognition of new grant funding for 2012-2013 (\$163,000).

# GENERAL FUND REVENUE ESTIMATES

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## OVERVIEW

- Rebudgeted funds consist of the following: DUI Enforcement and Awareness program Grant 2011-2012 (\$170,000), Bay Area Electric Vehicle Corridor Project (\$121,000), South Bay Metro Task Force (\$67,000), Pesticide Management Demonstration (\$51,000), and Anti-Drug Abuse Grant 2011-2012 (\$5,000).
- New grant funding for 2012-2013 reflects the following: two grants from CalTrans (Community Based Transportation Planning and Urban Corridor Master Plan) that will support a Senior Planner through December 31, 2013 to provide planning services (\$129,000); and the South Bay Metro Task Force (\$34,000).

### *Licenses and Permits*

- An increase of \$278,000 in the Fire Non-Development area as a result of an anticipated increase in activity levels.
- An increase of \$164,000 to the vacant and neglected building fee revenues based on anticipated activity, which will support the approved addition of a Code Enforcement Inspector position.
- An increase of \$23,000 to the revenue estimates for the tobacco retailer fees to reflect fee increases to maintain 100% cost recovery levels.
- An increase of \$21,000 to the multiple housing permit revenue estimate based on a higher anticipated activity level.
- An increase of \$3,000 from Taxi Stand rentals to reflect a fee increase.
- A decrease of \$191,000 to the Cardroom fees to reflect the lower cost of delivering this program due to the approved Police Department Gaming Unit reorganization (Cardroom Administrative fees down \$172,000 and permit fees down \$19,000).
- A decrease of \$20,000 in Police Department permits to reflect the reclassification of some revenues from Departmental Charges and to reflect various fee revisions.

### *Revenue from the State of California – American Recovery and Reinvestment Act*

- Increase of \$61,000 reflects the rebudget of three grants from 2011-2012 to 2012-2013: Anti-Drug Abuse Enforcement Team (\$32,000), Anti-Human Trafficking Task Force 2009 (\$28,000), and the Anti-Drug Abuse Enforcement Team Program Grant 2010-2012 (\$1,000).

### *Use of Money and Property*

- Increase of \$60,000 for 2012-2013 only, reflects the lease of the City's suite at HP Pavilion at San Jose for ten San Jose Sharks home games. A corresponding increase in the 2012-2013 Operating Budget for the Area Authority offsets this adjustment.

# GENERAL FUND REVENUE ESTIMATES

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## OVERVIEW

### *Property Tax*

- Decrease of \$2.45 million primarily reflects a drop in the Secured Property Tax estimate of \$2.62 million (from \$188.0 million to \$185.4 million) based on the June 2012 data from the Santa Clara County Assessor's Office. The Secured Property Tax growth rate was reduced from 2.75% to 1.3% for 2012-2013. This decline in the Secured Property Tax category is slightly offset by a net increase of \$170,000 to the other Property Tax categories based on actual performance in 2011-2012. These adjustments include an increase to the revenue estimate for the SB 813 Property Tax category (supplemental taxes) of \$700,000 (from \$2.2 million to \$2.9 million), and downward adjustments to the Unsecured Property Tax category of \$320,000 (from \$11.85 million to \$11.53 million) and the Aircraft Property Tax category of \$210,000 (from \$2.28 million to \$2.07 million).

### *Franchise Fees*

- Decrease of \$800,000 in Electric Franchise Fees reflects an assumed growth rate of 2.9% from estimated 2011-2012 collection levels.
- Increase of \$100,000 in Gas Franchise Fees to remain consistent with the estimated 2011-2012 collection level with no rate increase assumed.

### *Fines, Forfeitures and Penalties*

- Decrease of \$500,000 in Parking Fines to reflect the estimated temporary impact associated with the Curbside Management service delivery model change in the Airport Department. With the elimination of 20.0 Parking and Traffic Control Officer (PTCO) positions at the Airport in 2012-2013, the majority of incumbents impacted have seniority rights to be placed into vacant and filled positions in the Parking Enforcement Unit within the Department of Transportation. The staff placed into the Parking Enforcement Unit will require training, which is expected to temporarily impact productivity and result in a fewer number of citations issued. To minimize training and productivity impacts to the Parking Enforcement Unit, a phased transition will occur over a six month period.

## GENERAL FUND REVENUE ESTIMATES

### PROPERTY TAX

2010-2011 Actual*	\$197,176,722
2011-2012 Adopted	\$201,454,000
2012-2013 Forecast**	\$205,375,000
2012-2013 Adopted	\$202,925,000
% of General Fund	21.5%
% Change from 2011-2012 Adopted	0.7%

\* The Property Tax revenues for 2010-2011 have been restated to reflect the recategorization of Aircraft Property Tax into the Property Tax category.

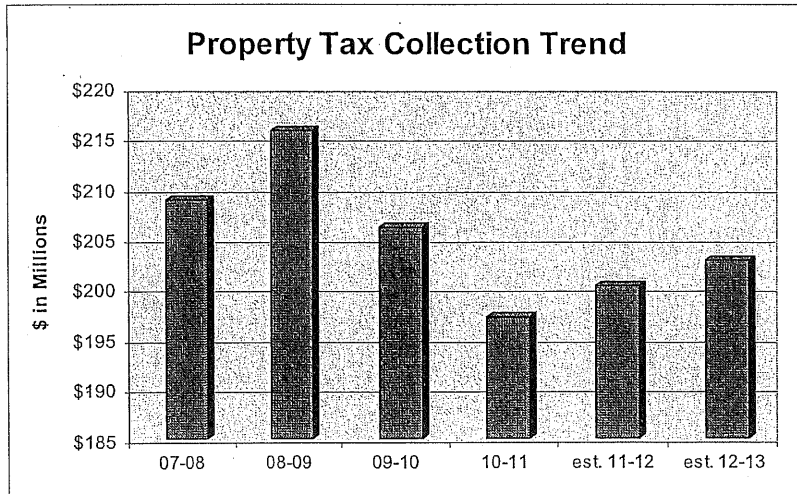
\*\* The 2012-2013 Forecast was increased \$655,000 from the February Forecast due to updated information and is outlined in more detail in the Overview of this section.

### Major Categories:

- Current Secured Property Tax
- Current and Prior Unsecured Property Tax
- Current SB 813 Property Tax (retroactive collections for reassessments of value due to property resale)
- Aircraft Property Tax
- Homeowner's Property Tax Relief Exemption

### Revenue Estimates:

Property Tax Receipts of \$200.3 million are projected for 2011-2012, which represents a 1.6% increase from the prior year. This projected increase is the first growth seen since 2008-2009 and reflects increases in the Secured, SB 813 (property resales), Unsecured, and Airplane Property Tax categories. In 2012-2013, collections are expected to continue to increase another 1.3%, to \$202.9 million, primarily due to a 2% California Consumer Price Index (CCPI) adjustment, which is partially offset by continuing Proposition 8 adjustments which reassess valuations based on current markets. Additional information about each of the Property Tax sub-categories is provided below.





# GENERAL FUND REVENUE ESTIMATES

## PROPERTY TAX

### Secured Property Tax

Secured Property Taxes account for over 90% of the revenues in this category. In 2011-2012, Secured Property Tax receipts are expected to increase slightly to \$182.9 million, an increase of 0.7% from the prior year. This slight increase marks the first positive performance after two years of declines in this category. In 2012-2013, Secured Property Tax receipts, which will be based on real estate activity through January 1, 2012, are expected to increase by 1.3% to \$185.4 million. This projected growth rate, however, is below the growth assumed in the revised Forecast of 2.75% based on updated information provided by the Santa Clara County Assessor's Office in June 2012.

The projected growth of 1.3% in 2012-2013 is related to two factors: the change in the California Consumer Price Index (CCPI) and the net change in residential and commercial valuation. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership or new construction. The CCPI adjustment for the 2012-2013 tax roll is an increase of 2.0% compared to an increase of 0.75% last year. However, due to additional reassessments resulting from the drop in property values (Proposition 8 adjustments) as well as the elimination of the 2.0% CPI adjustment to the parcels that are under Proposition 8 review, projected growth is expected to fall below the 2.0% CCPI adjustment. Estimated growth of 1.3% is based on the June 2012 data provided by the Santa Clara County Assessor's Office on the status of the 2012-2013 assessment roll for real property. Each month, the County of Santa Clara provides information on the status of the real property assessment roll for the upcoming year. Approximately 7,000 additional parcels that received Proposition 8 adjustments were reflected in the June 2012 estimate from the County. In addition, the 2.0% CCPI adjustment was eliminated for approximately one-third of the City's parcels as these properties remain under Proposition 8 review.

### 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 current collection trends, receipts in this category are expected to reach \$11.2 million in 2011-2012, which is 2.5% above the 2010-2011 collection level of \$10.9 million. Collections are expected to increase 3.0% in 2012-2013 to \$11.5 million based on improving business conditions and increasing employment.

### SB 813 Property Tax (Property Resales)

SB 813 Property Taxes (supplemental taxes) represent payments for taxes owed on recent housing resales. Over the past few years, collections in this category have fallen significantly, due, in part, to a substantial number of returns that were due to property owners as a result of declining home values. Based on the most recent estimate from the County of Santa Clara Controller's Office, the backlog of refunds has been resolved and receipts in this category are expected to total \$2.9 million in 2011-2012, an increase of 161.2% from the 2010-2011 level. In 2012-2013, collections in this

## GENERAL FUND REVENUE ESTIMATES

### PROPERTY TAX

category are projected to normalize at the 2011-2012 level and remain flat at \$2.9 million, though still slightly below the collection level of \$3.0 million experienced during 2009-2010.

#### *Aircraft Property Tax*

The Aircraft Property Tax payment is estimated at \$2.2 million in 2011-2012, an 8.1% decrease from the 2010-2011 receipts of \$2.36 million. According to the County of Santa Clara Assessor's Office, the 2012-2013 receipts are expected to decline by approximately 5% to \$2.1 million reflecting the re-basing of aircraft to airfields outside of the City's jurisdiction as well as aging property with decreased valuations.

#### *Homeowners Property Tax*

The Homeowners Property Tax Relief Exemption subvention represents recovery of the tax loss resulting from the per-household exemption granted by current State law. Revenues are projected at \$1.1 million for 2012-2013, which is consistent with the 2011-2012 revenue estimate.

## GENERAL FUND REVENUE ESTIMATES

### SALES TAX

2010-2011 Actual	\$137,969,758
2011-2012 Adopted	\$140,906,000
2012-2013 Forecast*	\$152,680,000
2012-2013 Adopted	\$152,680,000
% of General Fund	16.1%
% Change from 2011-2012 Adopted	8.4%

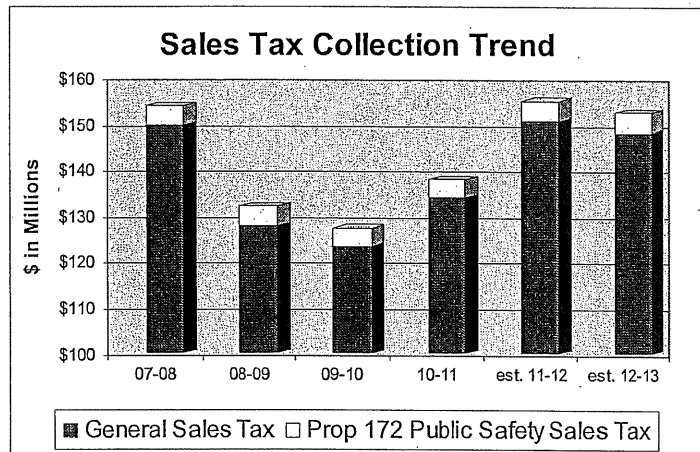
\* Increased by \$975,000 to reflect higher General Sales Tax collections in 2011-2012.

#### Major Categories:

- General Sales Tax
- Public Safety (Proposition 172) Sales Tax

#### Distribution of Sales Tax:

As shown in the following chart, the City receives 1.0% of the 8.375% Sales Tax collected for items sold in San José. In addition, the City receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.



Agency	Distribution Percentage
State of California	5.500%
City of San José	1.000%
Santa Clara County	0.750%
Santa Clara Valley Transportation Authority	0.625%*
Public Safety Fund (Proposition 172)	0.500%
<b>Total Sales Tax Rate</b>	<b>8.375%</b>

\* Includes an additional voter approved 1/8 cent increase enacted by the Santa Clara Valley Transportation Authority on July 1, 2012.

Starting in 2004-2005, the City was impacted by the State action known as the "Triple Flip," which affects the timing of actual sales tax receipts. As part of the Proposition 57 State fiscal recovery funding mechanism (passed by the voters in March 2004), 0.25% of the City's one percent Bradley Burns sales tax has been temporarily suspended and replaced dollar-for-dollar with property tax revenue. This action, which went into effect on July 1, 2004, will remain in effect until the State's bond obligations have been satisfied. However, the City will continue to record the replacement

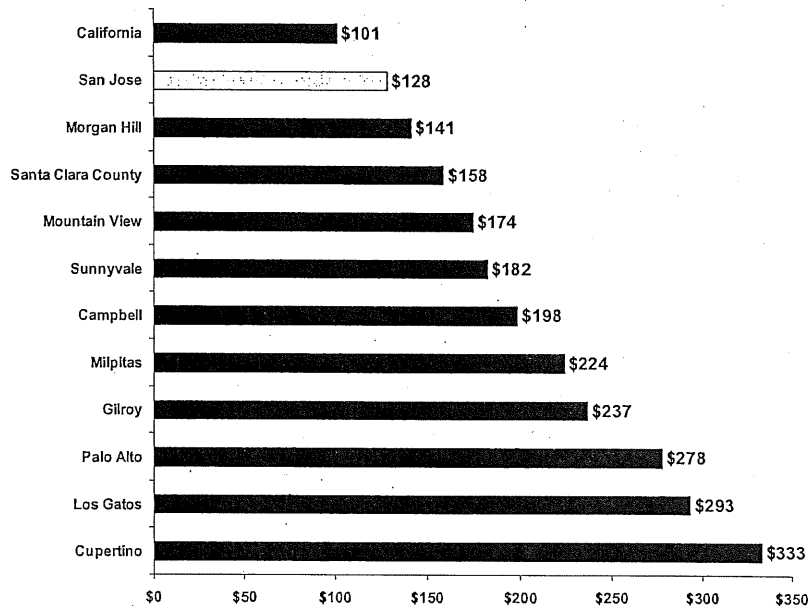
property tax revenues as sales tax because the growth formula for these receipts is tied to sales tax and this action is considered a temporary property tax in lieu of sales tax.

# GENERAL FUND REVENUE ESTIMATES

## SALES TAX

### Collection Trend:

As shown in the chart below, the per capita Sales Tax in San José is significantly lower than in neighboring cities, up to 160% below the highest level of \$333 per capita in Cupertino.



Source: Muniservices, Cash Receipts Fourth Quarter 2011

### Revenue Estimates:

Overall, Sales Tax receipts are estimated to generate \$155.1 million in 2011-2012, which is up 12.4% from the 2010-2011 collection level. The 2011-2012 estimate reflects actual performance for the first three quarters (up 8.4%, 6.2%, and 14.2% respectively), one-time prior year adjustments and true-up payments, and the assumed growth of 3.5% for the remaining quarter. In 2012-2013, Sales Tax receipts are projected at \$152.7 million, a decline of 1.6% from the 2011-2012 estimated collection level. This lower collection level reflects the elimination of one-time true-up payments that were received in 2011-2012 as well as the exclusion of the higher than estimated growth in third quarter 2011-2012 General Sales Tax receipts (assumed 3.5% growth rather than the actual 14.2% growth) in the 2012-2013 estimate as the drivers for that third quarter growth were not available when the 2012-2013 Budget was adopted and it was not known whether this growth should be assumed ongoing. For 2012-2013, underlying growth of 3.0% from an adjusted 2011-2012 starting point is assumed in the Sales Tax category.

# GENERAL FUND REVENUE ESTIMATES

## SALES TAX

### General Sales Tax

In 2011-2012, the General Sales Tax revenue estimate is \$150.8 million, reflecting an increase of 12.6% from the 2010-2011 collection level. This reflects actual performance for the first quarter (up 8.4%), the second quarter (up 6.2%), and the third quarter (up 14.2%), substantial one-time prior year adjustments and true-up payments, and the assumed growth of 3.5% for the remaining quarter. Based on the third quarter, a number of economic sectors contributed to the total Sales Tax receipts though nearly 75% was generated from General Retail, Transportation, and Business to Business categories.

### Sales Tax by Economic Sector

Economic Sector	% of Total Revenue
General Retail	26.9%
Transportation	24.5%
Business to Business	23.0%
Food Products	15.5%
Construction	9.5%
Miscellaneous	0.7%
<b>Total</b>	<b>100.0%</b>

Source: MuniServices, benchmark year ending 2Q 2012

For 2012-2013, the General Sales Tax revenue projection of \$148.2 million assumes modest underlying growth of 3.0% in taxable sales from 2011-2012 levels based on the first two quarters of actual cash receipts and assumed growth of 3.5% in the remaining two quarters of 2011-2012. Because there are a number of one-time accounting adjustments to reflect prior-year collections and the "Triple Flip" true-up payment from the State in 2011-2012 that are not reflected in 2012-2013 and the actual third quarter 2011-2012 receipts exceeded the 3.5% growth expectation, the 2012-2013 estimate reflects a 1.8% decline from the 2011-2012 year-end estimate.

Between the release of the 2012-2013 Proposed Budget and the final adoption of the 2012-2013 budget, actual cash receipts for the third quarter of 2011-2012 were received. Sales Tax collections in that quarter grew by 14.2% as mentioned above, when compared to the same quarter in the prior year. This growth rate exceeded the forecast estimate of 3.5%, generating an additional \$3.2 million in 2011-2012. As described in Manager's Budget Addendum #47 and approved by the City Council, this additional revenue generated in 2011-2012 was allocated as part of the 2012-2013 Adopted Budget as additional 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance and offset estimated decreases in other revenues anticipated for 2012-2013. The Sales Tax estimate for 2012-2013, however, was not modified based on the actual third quarter collections as the data on the drivers for that growth was not available at the time the 2012-2013 budget was approved. After a thorough analysis of the third and fourth quarter Sales Tax collections, the Administration will bring forward recommended adjustments to the 2012-2013 Sales Tax revenue estimate, as appropriate. Actual Sales Tax performance for the fourth quarter of 2011-2012 will not be available until September 2012.

With the growth in the Sales Tax category over the past two years and continued expected underlying growth in 2012-2013, collections are now approaching pre-recession levels. To put the 2012-2013 estimate into perspective, the projected revenue of \$148.2 million is only \$1.3 million (0.9%) below the recent peak of \$149.5 million collected in 2007-2008.

Consistent with past years, Sales Tax collections will be carefully monitored during the year and the status reported to the City Council through the Bi-Monthly Financial Reports.

## GENERAL FUND REVENUE ESTIMATES

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### SALES TAX

#### *Public Safety (Proposition 172) Sales Tax*

Proposition 172 Sales Tax collections (representing the one-half cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are projected to total \$4.4 million in 2011-2012, which represents a 7.3% increase from the actual 2010-2011 collections of \$4.1 million based on year-to-date performance. In 2012-2013, collections are projected to increase 3.0% to \$4.5 million.

## GENERAL FUND REVENUE ESTIMATES

### TRANSIENT OCCUPANCY TAX

2010-2011 Actual	\$7,221,860
2011-2012 Adopted	\$7,202,000
2012-2013 Forecast	\$8,715,000
2012-2013 Adopted	\$8,715,000
% of General Fund	0.9%
% Change from 2011-2012 Adopted	21.0%

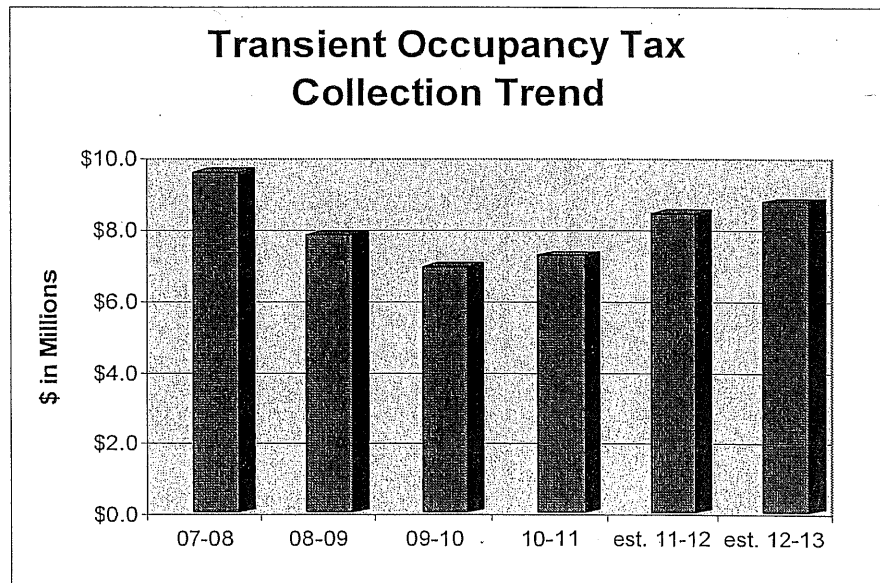
### Distribution of Transient Occupancy Tax:

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

The allocation of the six percent portion is described in the Selected Special Funds Summary section of this document.

### Revenue Estimate:

It is currently estimated that Transient Occupancy Tax (TOT) receipts for 2011-2012 will total \$8.3 million, reflecting an increase of 14.9% from the 2010-2011 collection level. Although the estimated current year receipts mark the second year of growth in this category, this growth is in stark contrast to the prior year declines of 11.5% and



18.5% in 2009-2010 and 2008-2009, respectively. Projected 2011-2012 receipts fall short of the \$9.6 million collected in 2007-2008 by approximately 13.2%.

In 2012-2013, growth of 5.0% from the 2011-2012 estimate is anticipated, bringing collections to \$8.7 million. Despite the renovation and expansion construction activity at the Convention Center and the expected adverse impact on those hotels most reliant on convention-related business, the hotel industry appears to be experiencing a period of stabilization and emerging growth with increases in occupancy levels and average daily room rates. The 2012-2013 assumed growth of 5.0% in TOT receipts is slightly lower than the 6.0% to 8.0% growth range cited in the consultant study by Conventions Sports and Leisure (CSL) for 2012-2013 to allow for potential disruption associated with the Convention Center renovation and expansion project.

## GENERAL FUND REVENUE ESTIMATES

### FRANCHISE FEES

2010-2011 Actual	\$41,272,610
2011-2012 Adopted	\$43,025,000
2012-2013 Forecast*	\$44,325,000
2012-2013 Adopted	\$43,625,000
% of General Fund	4.6%
% Change from 2011-2012 Adopted	1.4%

\* Decreased by \$415,000 to reflect higher Cable Television (\$85,000) offset by lower Electricity (-\$500,000) Franchise Fee revenue in 2011-2012.

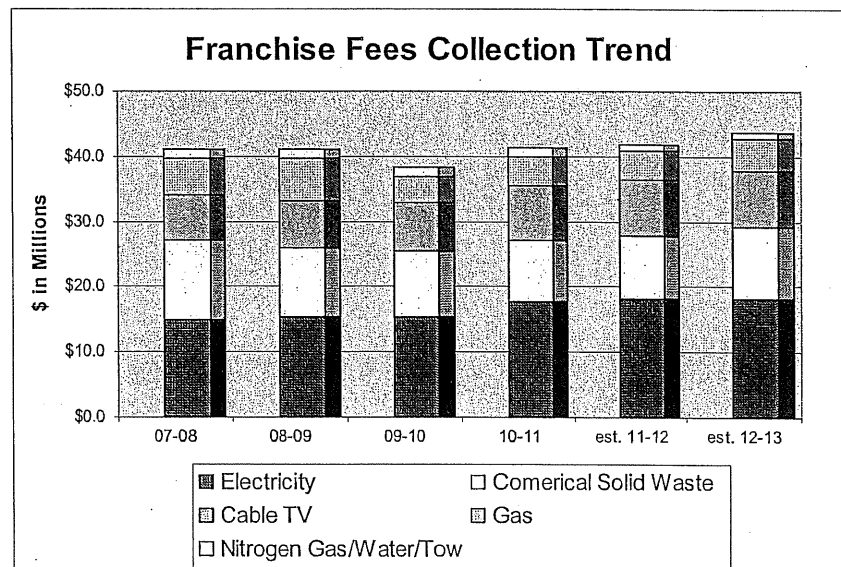
### Major Categories:

- Electricity, Gas, and Water Utility Services
- Commercial Solid Waste
- Cable Television
- City-Generated Towing
- Nitrogen Pipelines

### Revenue Estimates:

Franchise Fees are collected in the Electricity, Gas, Cable, Tow, Commercial Solid Waste, Water, and Nitrogen Gas Pipeline categories. Overall, collections are projected at \$41.8 million in 2011-2012, an increase of 0.6% from the 2010-2011 actual receipts of \$41.3 million.

In 2012-2013, Franchise Fees are expected to increase 4.4% to \$43.6 million due to growth in the Commercial Solid Waste Franchise Fee category (up 15.8%) resulting from a new fee methodology.



### Electricity, Gas, and Water Utility Services

Franchise Fees for electricity and gas services provided by Pacific Gas & Electric (PG&E) are based on the revenues of that company in the calendar year (revenues in 2011-2012 are based on the calendar year 2011). 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.

In the Electric Franchise Fee category, collections in 2011-2012 are estimated at \$18.2 million, up 2.8% from \$17.7 million received in 2010-2011, due primarily to the full year implementation of the 0.3% surcharge, which was only received during the last four months of 2010. However, this figure is significantly lower than previously estimated and reflects actual collections received from PG&E for 2011-2012. The Finance Department is working with PG&E to understand the reconciliation



# GENERAL FUND REVENUE ESTIMATES

## FRANCHISE FEES

for 2011-2012 and the rationale for the lower than anticipated collection level which currently appears to be the result of lower than anticipated receipts from third party electricity providers. Therefore, as a result of this uncertainty, in 2012-2013, collection levels are estimated to remain flat at \$18.2 million, despite the rate increase of 2.9% approved in January 2011. It should be noted that there are a number of proposed rate cases for electric rates, though due to the uncertainty regarding the outcome of these cases, no rate increases associated with these outstanding rate cases have been assumed in 2012-2013.

In the Gas Franchise Fee Category, the 2011-2012 collections were estimated at \$4.9 million, which reflects growth of 9.4% from the \$4.5 million received in the prior year. This growth is also primarily due to the full year implementation of the 0.3% surcharge which was implemented during the last four months of 2010. Based on the most recent information received from PG&E, this 2011-2012 estimate may be higher than actual receipts. As mentioned above, the Finance Department is currently working with PG&E to understand the reconciliation and the change from anticipated levels. In 2012-2013, Gas Franchise Fee collections are projected to remain flat at the projected \$4.9 million level based on the assumption that rates will remain relatively constant in 2012 as well as the uncertainty regarding the 2011-2012 estimate. It should be noted that there are also rate cases for gas rates, though due to the uncertainty regarding the outcome of these cases, no rate increases associated with these outstanding rate cases have been assumed in 2012-2013.

Water Franchise Fees are expected to total \$215,000 in 2012-2013, consistent with the estimated 2011-2012 collection level.

### Commercial Solid Waste

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach \$9.5 million in 2011-2012, consistent with actual 2010-2011 receipts. In 2012-2013, collections in this category are expected to increase 15.8% to \$11.0 million based on a new 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 new fee structure is \$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.

### Cable Television

The 2012-2013 Cable Television Franchise Fee estimate is \$8.6 million, which is slightly above the 2011-2012 estimated collection level of \$8.5 million

### City-Generated Towing and Nitrogen Pipelines

In City Generated Tow, revenues are significantly below prior year levels and are estimated to reach \$700,000 in 2011-2012, a drop of 28.5% from the \$979,000 received in 2010-2011. This significant reduction reflects the change in Police Department procedure, which reduced the number of tows and impounds for persons with violations that are not related to serious driving offenses. In 2012-2013, revenues are anticipated to remain flat at 2011-2012 levels. The Nitrogen Pipeline Franchise Fees are anticipated to generate \$55,000 in both 2011-2012 and 2012-2013.

## GENERAL FUND REVENUE ESTIMATES

### UTILITY TAX

2010-2011 Actual	\$87,884,597
2011-2012 Adopted	\$88,035,000
2012-2013 Forecast*	\$91,855,000
2012-2013 Adopted	\$91,855,000
% of General Fund	9.7%
% Change from 2011-2012 Adopted	4.3%

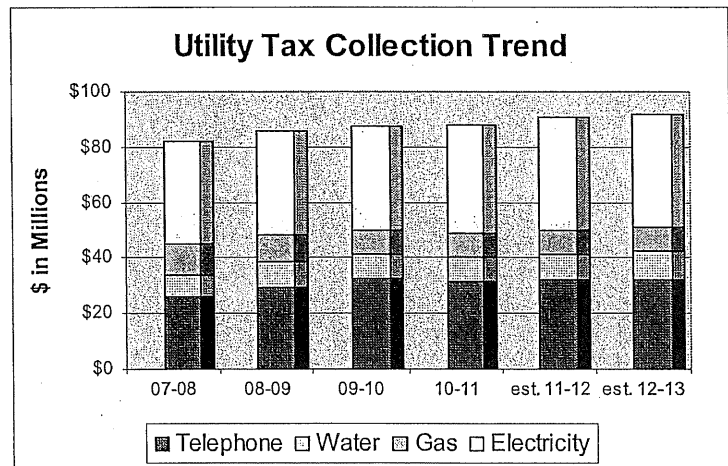
\* No net change from the February Forecast occurred though the estimate by category was adjusted as outlined in the Overview of this section.

### Major Categories:

- Electricity Utility Tax
- Gas Utility Tax
- Water Utility Tax
- Telephone Utility Tax

### Revenue Estimates:

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2011-2012 are anticipated to total \$91.7 million, representing an increase of 4.4% from the 2010-2011 collection level. A portion of this increase from the prior year is the result of a one-time settlement of \$1.6 million from PG&E. This settlement corrected for underpayments and related penalties and interest of Gas and Electric franchise fees, surcharges and utility users taxes from January 1, 2007 through December 21, 2010 that were not coded as San José properties in PG&E's billing system. After adjusting for this one-time settlement, revenues are estimated to increase 2.6% from 2010-2011 levels. This 2.6% growth reflects approved rate increases and changes in consumption levels.



In 2012-2013, Utility Tax collections are projected to increase 0.1% to \$91.9 million. After adjusting for the one-time settlement funding received in 2011-2012, growth of 1.9% is estimated for 2012-2013. Overall, a number of proposed rate cases have been filed that would affect electricity, gas, and water rates and consequently revenues. Due to the uncertainty regarding the outcome of these rate cases, the revenue estimate generally does not assume increased collections associated with these outstanding rate cases. Rate cases will continue to be monitored and adjustments will be bought forward as appropriate based on the final outcomes.

# GENERAL FUND REVENUE ESTIMATES

## UTILITY TAX

### Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$40.0 million in 2011-2012, a 2.2% increase from 2010-2011 levels. The estimated 2011-2012 collections reflect the approved 2.9% rate increase beginning January 2012. In 2012-2013, revenues are estimated to increase 1.5% to \$40.6 million based on the annualization of the January 2012 rate with minimal to no change in consumption levels.

### Gas Utility Tax

The Gas Utility Tax is anticipated to generate \$9.0 million in 2011-2012, a 3.6% increase from 2010-2011 levels based on current collection trends. In 2012-2013, revenues are anticipated to remain flat at 2011-2012 levels. No changes in rates or consumption levels are assumed. Actual collection in the Gas Utility Tax area are subject to significant fluctuations from the impact of weather conditions and/or rate changes.

### Water Utility Tax

Water Utility Tax receipts of \$9.3 million are anticipated to be received in 2011-2012, an 8.3% increase from 2010-2011. This growth reflects approved rate increases, including a 5% rate increase in January 2012. In 2012-2013, receipts are expected to increase 7.5%, to \$10.0 million, based on the annualization of the January 2012 rate increase, a 5% increase projected in July 2012, and an additional 5% in January 2013. No change in consumption levels is assumed.

### Telephone Utility Tax

In the Telephone Utility category, revenues are collected on landlines, wireless, and VoIP. Based on current tracking, receipts in 2011-2012 are anticipated to reach \$31.9 million, a 1.3% increase from 2010-2011. In 2012-2013, revenues are estimated to increase approximately 1% to \$32.3 million.

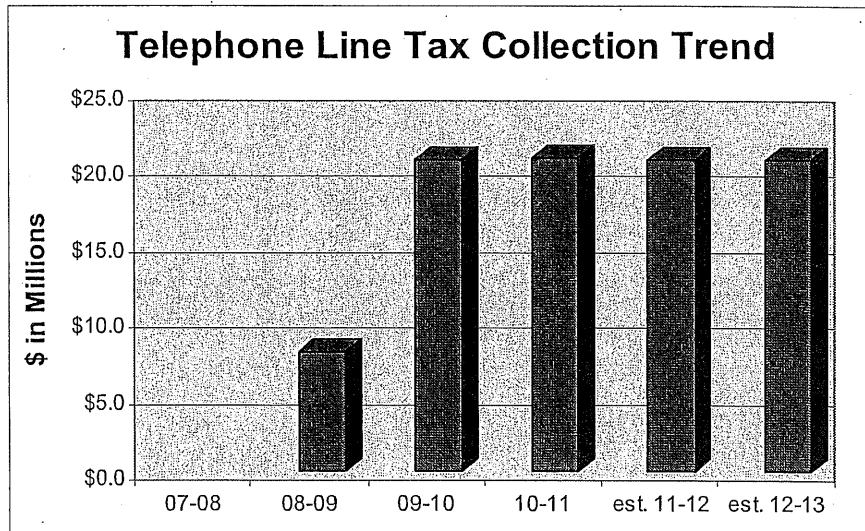
## GENERAL FUND REVENUE ESTIMATES

### TELEPHONE LINE TAX

2010-2011 Actual	\$20,643,328
2011-2012 Adopted	\$20,525,000
2012-2013 Forecast	\$20,525,000
2012-2013 Adopted	\$20,525,000
% of General Fund	2.2%
% Change from 2011-2012 Adopted	0.0%

#### Major Categories:

- Telephone Line Tax



#### Revenue Estimates:

Based on the current collection trend, receipts in both 2011-2012 and 2012-2013 are anticipated to total \$20.5 million, unchanged from the 2009-2010 and 2010-2011 collection levels.

## GENERAL FUND REVENUE ESTIMATES

### BUSINESS TAXES

2010-2011 Actual	\$37,959,146
2011-2012 Adopted	\$38,795,000
2012-2013 Forecast*	\$40,550,000
2012-2013 Adopted	\$40,550,000
% of General Fund	4.3%
% Change from 2011-2012 Adopted	4.5%

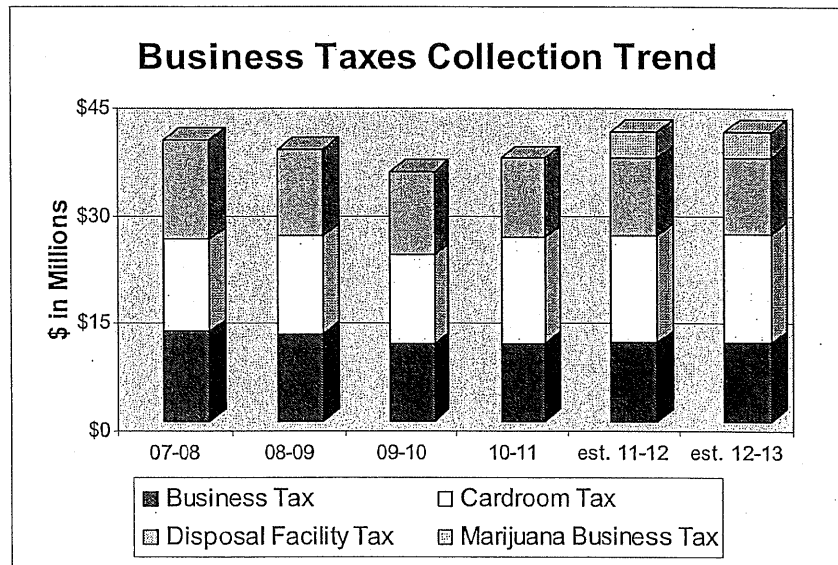
\* Increased by \$100,000 to reflect higher Marijuana Business Tax collections in 2011-2012.

#### Major Categories:

- Business Tax
- Cardroom Tax
- Disposal Facility Tax
- Marijuana Business Tax

#### Revenue Estimates:

In 2011-2012, Business Taxes are estimated to reach \$40.5 million, a 6.7% increase from 2010-2011 levels. This increase is primarily due to the full year receipt of the Marijuana Business Tax, which began in March 2011. In 2012-2013, revenues are estimated to increase slightly to \$40.6 million due to a small anticipated increase in Cardroom Tax receipts.



#### Business Tax

In 2011-2012 General Business Tax proceeds are expected to reach \$11.0 million, a 0.5% increase from the 2010-2011 level. In 2012-2013, consistent with the historical trend, no growth is anticipated in this category.

#### Cardroom Tax

Based on current performance, collections in the Cardroom Tax category are estimated at \$15.1 million in 2011-2012, an increase of 2.3% from the 2010-2011 collection level. This increase from the prior year reflects, in part, the impact of the Cardroom Tax ballot measure that was approved by the voters in June 2010. The ballot measure increased the tax rate from 13% to 15% and increased the maximum number of card tables from 80 to 98. The new rates went into effect on August 13, 2010; therefore the increase was not reflected in the first two months of the prior fiscal year. Though this accounts for some of the upward growth, the continued economic recovery is also a

## GENERAL FUND REVENUE ESTIMATES

### BUSINESS TAXES

contributing factor in the additional activity. In 2012-2013, 1.0% growth is anticipated, bringing collections to \$15.3 million.

#### Disposal Facility Tax

In the Disposal Facility Tax category, collections are estimated at \$10.8 million in 2011-2012 based on current collection trends, which reflect a decline of 2.7% from the 2010-2011 collection level. Receipts are expected to continue to decline approximately 1% to \$10.7 million in 2012-2013 as waste diversion is expected to continue to negatively impact this revenue source.

#### Marijuana Business Tax

On November 2, 2010, San Jose voters approved Ballot Measure U, which allows the City to tax all marijuana businesses (medical and non-medical; legal and illegal) at a rate of up to 10% of gross receipts. The City Council approved a 7% rate and the tax became effective on March 1, 2011. In 2011-2012, collections are anticipated to reach \$3.6 million, reflecting the full year implementation of the tax. As a result of the continued uncertainty surrounding this tax and the Marijuana Regulatory Program, 2012-2013 estimates are anticipated to remain flat at the 2011-2012 level of \$3.6 million until more information is known.

## GENERAL FUND REVENUE ESTIMATES

### LICENSES AND PERMITS

2010-2011 Actual	\$38,735,094
2011-2012 Adopted	\$34,567,094
2012-2013 Forecast*	\$37,535,149
2012-2013 Adopted	\$37,812,739
% of General Fund	4.0%
% Change from 2011-2012 Adopted	9.4%

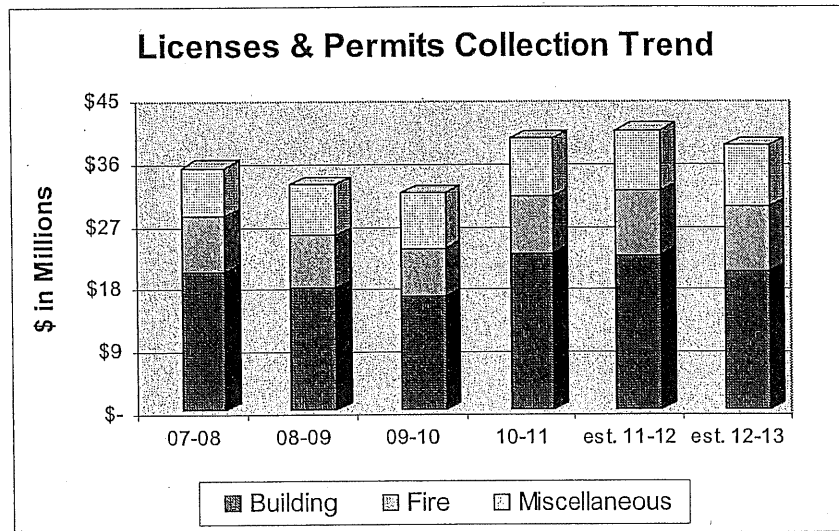
\* Increased by \$913,000 from the February Forecast to accurately align revenue estimates, additional detail of these adjustments can be found in the Overview of this section.

### Major Categories:

- Building Permits
- Fire Permits
- Miscellaneous Other Licenses and Permits

### Revenue Estimates:

The Licenses and Permits category contains fees and charges collected by various departments. The most significant revenue sources are development-related fees. Revenue collection levels are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund.



### Building Permits

In 2012-2013, Building Permit revenue is projected to total \$19.7 million, which is below the 2011-2012 estimated collection level of \$22 million. In 2011-2012, however, there were some large projects in North San José that contributed to this high collection level. The 2012-2013 revenue estimate assumes continued strong development performance. This collection level, along with the use of a portion of the Building Fee Reserve, is sufficient to support program additions in 2012-2013 without any fee increases. A number of expenditure actions totaling \$1.9 million were approved including: the addition of seven positions to create a second priority project coordinated review team; funding for the electronic content management system phase III; web consulting contractual services; funding for consultant services for inspections and plan reviews to address peak workload demands; replacement of building inspection vehicles; the addition of

# GENERAL FUND REVENUE ESTIMATES

## LICENSES AND PERMITS

administrative staffing (50% Building Development Fee Program, 50% Planning Development Fee Program); and additional funding for City Hall Debt Service to align lease costs with current downtown rates. The use of \$1.6 million from the Building Development Fee Program Reserve is approved to balance this fee program (estimated remaining reserve of \$13.5 million primarily for works-in-progress projects). With these actions, the Building Fee Program is expected to remain at 100% cost recovery.

Additional detail on these budget actions is provided in the Planning, Building, and Code Enforcement Department under the City Departments section of this document. A more detailed description of the various fees is provided in the 2012-2013 Adopted Fees and Charges document that is released under separate cover.

### Fire Permits

The 2012-2013 Adopted Budget revenue estimate of \$9.3 million is slightly above the 2011-2012 estimated collection level. The Fire Fee program aligns projected revenues and costs to remain at 100% cost recovery. This fee program includes both the development and non-development fee areas. To maintain cost recovery in these areas and ensure that service delivery needs are met for 2012-2013, a number of budget actions are approved in the Adopted Budget.

In the development fee area, the 2012-2013 revenue estimate of \$5.2 million is consistent with the 2011-2012 year-end estimate based on the assumption that development activity will continue to remain relatively strong. With this collection level and the use of a small amount of the Fire Development Fee Program Reserve, the Fire Development Fee Program can support approved program additions to improve service delivery with no fee increases. Major budget actions include: realignment of costs for 0.5 Analyst position from the Planning Development Fee Program to the Fire Development Fee Program; additional contractual services funding of \$110,000 for inspection services, plan checks, and plan review services to address peak workload demands; addition of a Senior Engineer to manage the fire alarm and sprinkler system review process; one Associate Engineer position, two Senior Engineering Technician positions, and one Permit Specialist position to address the six to eight week backlog of inspection services due to increased development activity; additional funding for City Hall Debt Service to align lease costs with current downtown rates; and the elimination of a Senior Hazardous Materials Inspector position no longer needed because the Hazardous Materials Certified Unified Program (CUPA) was transferred back to the County in 2011-2012 (80% Development, 20% Non-Development). The use of \$401,000 from the Fire Development Fee Program Reserve is also approved to balance this fee program.

In the non-development area, the 2012-2013 revenue estimate of \$4.1 million is slightly above the 2011-2012 estimate of \$3.9 million to reflect an anticipated increase in activity. With this collection level, there is a capacity to add some resources to improve service delivery without increasing fees. Budget actions include: addition of 1.0 Fire Prevention Inspector and overtime funding to improve cycle times for code compliance inspection, and a net increase in support staffing of 0.8 position (accounting, analytical, and clerical) to enable more effective service delivery.



## GENERAL FUND REVENUE ESTIMATES

### LICENSES AND PERMITS

Additional detail on these budget actions is provided in the Fire Department under the City Departments section of this document. A more detailed description of the various fees is provided in the 2012-2013 Adopted Fees and Charges document that is released under separate cover.

#### *Miscellaneous Other Licenses and Permits*

The 2012-2013 Adopted Budget includes \$8.8 million for a variety of other Licenses and Permits. This figure incorporates net adjustments that ultimately do not change the revenue estimate from the levels assumed in the Forecast. Changes within this category reflect fee adjustments to maintain 100% cost-recovery and anticipated changes in activity levels. These adjustments include the following: an increase of \$164,000 to the vacant and neglected building fee revenue estimate to reflect an increase in both the fee and activity levels which will support the addition of a Code Enforcement Inspector; an increase of \$23,000 to the revenue estimates for the Tobacco Retailer fees to reflect fee increases; an increase of \$21,000 in the Multiple Housing Permit fee revenue estimate based on a higher anticipated activity level; an increase of \$3,000 to the Taxi Stand rental revenue estimate to reflect additional activity and a fee increase; a decrease of \$191,000 to the Cardroom fees to reflect the lower cost of delivering this program due to the Police Department Gaming Unit reorganization as described in more detail in the Police Department under the City Departments section of this document (Cardroom Administrative fees -\$172,000 and permit fees -\$19,000); a net decrease of \$21,000 in Police permits resulting from the reclassification of revenues from Departmental Charges partially offset by fee changes to accurately align cost and dedicated resources to complete each activity and maintain cost recovery levels.

## GENERAL FUND REVENUE ESTIMATES

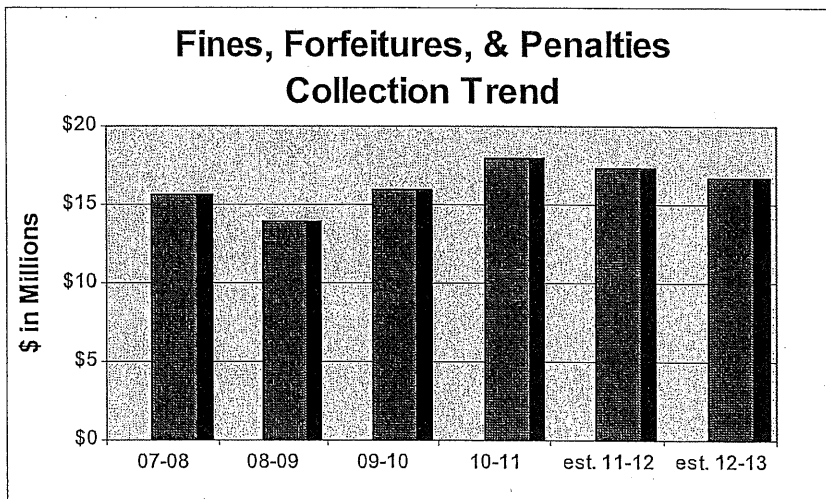
### FINES, FORFEITURES, AND PENALTIES

2010-2011 Actual	\$17,925,992
2011-2012 Adopted	\$17,471,000
2012-2013 Forecast*	\$17,208,500
2012-2013 Adopted	\$16,708,500
% of General Fund	1.8%
% Change from 2011-2012 Adopted	(4.4%)

\* Increased by \$500,000 to reflect higher parking fine collections in 2011-2012.

#### Major Categories:

- Vehicle Code Fines
- Parking Fines
- Municipal Code Fines
- Business Tax Penalties
- Administrative Citation program
- Police False Alarm Fines
- Other Fines and Penalties



#### Revenue Estimates:

In 2012-2013, overall collections of \$16.7 million are projected in the Fines, Forfeitures, and Penalties category, which is slightly below the 2011-2012 estimate. Following is a discussion of major components of this category.

#### Vehicle Code and Municipal Court Fines

In 2012-2013, Vehicle Code Fines are estimated at \$2.6 million and the Municipal Court Fines are expected to reach \$960,000, consistent with current tracking for these categories.

#### Parking Fines

Parking fines are expected to generate approximately \$11.5 million in 2011-2012 based on current collection trends. In 2012-2013, a total of \$11.0 million is projected from the Parking Fines, a 3.9% decrease from the current year level, reflecting the estimated impact associated with the Curbside Management service delivery model change as outlined in the Airport Department in the Department section of this document. With the elimination of 20.0 Parking and Traffic Control Officer (PTCO) positions at the Airport in 2012-2013, the majority of incumbents impacted have seniority rights to be placed into vacant and filled positions in the Parking Enforcement Unit within the Department of Transportation. The staff placed into the Parking Enforcement Unit will require training, which is expected to impact productivity. To minimize training and productivity impacts to the Parking Enforcement Unit, a phased transition will occur over a six month period; however, due

## GENERAL FUND REVENUE ESTIMATES

### FINES, FORFEITURES, AND PENALTIES

to this significant reorganization, a temporary loss in productivity is anticipated resulting in a fewer number of citations issued.

In addition, collections of \$175,000 are anticipated from the City's participation in a program under which the State of California Franchise Tax Board collects past-due parking fines on behalf of the City. This figure reflects an increase of \$100,000 from the February Forecast based on the stronger actual performance in this category.

Overall, from the February Forecast, Parking Fines have been reduced by a net reduction of \$400,000.

#### *Business Tax Penalties*

Business Tax penalties are projected at \$1.0 million for 2012-2013, consistent with historical actual collection levels.

#### *Administrative Citation Program*

The 2012-2013 Administrative Citation Program is projected to generate approximately \$243,000 in total collections comprising of \$153,000 in fines and an additional \$90,000 in penalties and reflect current 2011-2012 year end estimates.

#### *Police False Alarm Fines*

In 2012-2013, Police False Alarm Fines are estimated at \$300,000 with an additional \$12,000 of penalty revenue, for a total of \$312,000. This figure represents a decline of \$100,000 from the February Forecast to reflect the lower collection level anticipated due to the verified response model.

#### *Other Fines and Penalties*

Other Fines and Penalties of \$434,000 are estimated to be received in 2012-2013 and reflect a variety of sources, including \$100,000 for Animal Services citations and \$100,000 from blight fees.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM USE OF MONEY AND PROPERTY

2010-2011 Actual	\$3,672,149
2011-2012 Adopted	\$2,413,000
2012-2013 Forecast*	\$2,850,500
2012-2013 Adopted	\$2,910,500
% of General Fund	0.3%
% Change from 2011-2012 Adopted	20.6%

\* Increased by \$117,500 to reflect higher revenues associated with rent; additional details on these adjustments can be found in the Overview of this section.

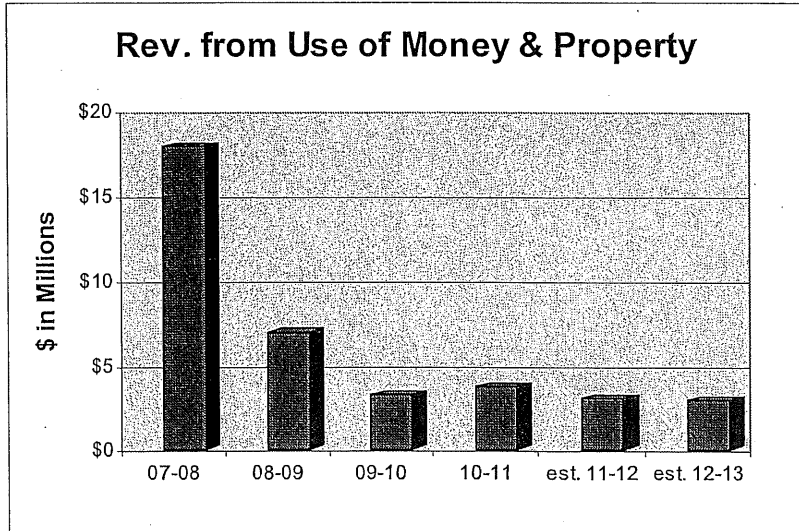
#### Major Categories:

- Rental of City Owned Property
- General Fund Interest Earnings
- Miscellaneous Collections

#### Revenue Estimates:

##### Rental of City Owned Property

In 2012-2013, it is anticipated that approximately \$2.3 million will be generated from the rental of City-owned property. This figure includes the revenue generated from the rental of office space at City Hall to an outside entity (\$143,000) as well as rent associated with the Parks, Recreation and Neighborhoods Services Department facilities (\$133,000).



##### General Fund Interest Earnings

The 2012-2013 estimate for interest earnings in the General Fund assumes an average interest rate of only 0.35% applied to an average cash balance of approximately \$50 million for a total collection level of \$175,000. This anticipated collection level is close to the 2011-2012 projected interest earnings of \$161,000.

##### Miscellaneous Collections

Approximately \$408,000 in miscellaneous sources is estimated to be generated in 2012-2013 primarily from Subrogation Recovery and Property Tax Interest revenues. Included in this estimate is \$60,000 generated from the lease of the City's suite at HP Pavilion at San Jose for ten San Jose Sharks home games. A corresponding increase in the 2012-2013 Operating Budget for the Arena Authority offsets this adjustment.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM LOCAL AGENCIES

2010-2011 Actual	\$44,247,174
2011-2012 Adopted	\$19,331,237
2012-2013 Forecast*	\$26,698,012
2012-2013 Adopted	\$29,250,390
% of General Fund	3.1%
% Change from 2011-2012 Adopted	51.3%

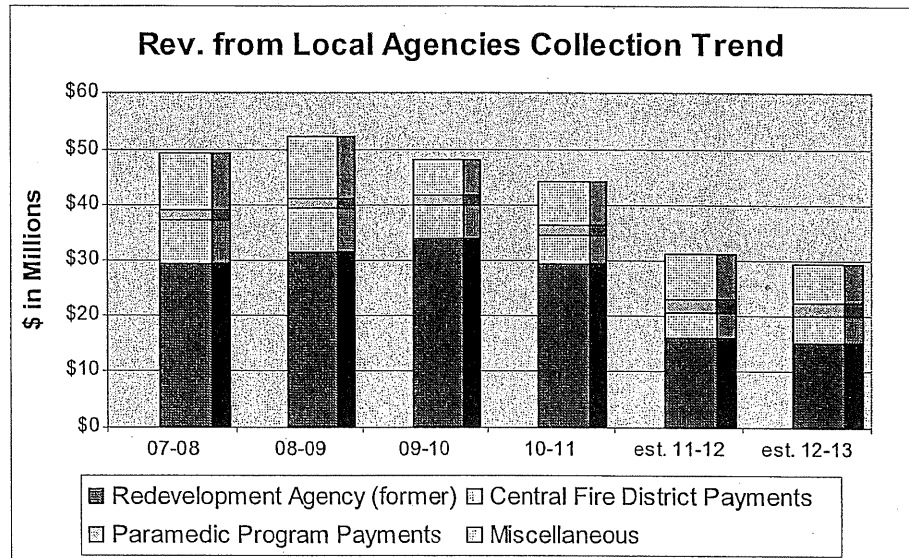
\* Increased by \$15,338,076 from the February Forecast; additional details can be found in the Overview of this section.

#### Major Categories:

- Reimbursement from the Successor Agency to the Redevelopment Agency
- Central Fire District Payments
- Paramedic Program
- CAL-ID Payments
- Other Miscellaneous Payments

#### Revenue Estimates:

In 2012-2013, revenue of \$29.3 million is projected from other local agencies, such as the Central Fire District and the County of Santa Clara to reimburse the City for services provided.



#### Successor Agency to the Redevelopment Agency

In 2012-2013, a reimbursement from the Successor Agency to the Redevelopment Agency of \$15.3 million is budgeted to reimburse the General Fund for the Convention Center Lease payments. An associated debt payment is budgeted in the General Fund as reflected in the City-Wide Expenses section of this document.

#### Central Fire District and Paramedic Program

The City receives reimbursement from the Central Fire District for the County areas covered by the San José Fire Department. These payments are based on the property tax assessments for fire services collected in those areas, which are passed on to the City. Based on an estimate provided by Central Fire District staff, the 2011-2012 payment is expected to total \$4.6 million, reflecting a

# GENERAL FUND REVENUE ESTIMATES

## REVENUES FROM LOCAL AGENCIES

significant drop of 10.2% from 2010-2011 levels. In 2012-2013, collections are expected to increase 1.4% to \$4.7 million based on the Property Tax growth factor from the County Assessor's Office as discussed in the Property Tax section of this document as well as the assumption that there will be no major annexations during 2012-2013 that would impact collections.

In 2012-2013, payments from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) are assumed to total \$2.3 million.

### CAL-ID Program

Payments of \$4.6 million from other local agencies are expected to reimburse the City for the Police Department CAL-ID program including the rebudget of funding of \$1.8 million from 2011-2012 to 2012-2013 as follows: AFIS Phase II Upgrade (\$896,000); AFIS Phase I Upgrade (\$808,000); and the Mobile Identification System Enhancement (\$75,000).

### Other Miscellaneous Payments

A number of other revenue sources are included in this category such as the Adult Day Care and Animal Services payments from Local Agencies. For 2012-2013, revenue estimates were generally approximated at the current 2011-2012 anticipated levels. These sources are expected to generate \$2.3 million in 2012-2013. The Adopted Budget includes the rebudget of grants from 2011-2012 to 2012-2013 (\$709,000) as well as the recognition of new grant funding for 2012-2013 (\$114,000).

- Increase of \$404,000 for the Silicon Valley Energy Watch (SVEW) Innovator Pilots;
- Increase of \$150,000 for the Alameda Urban Village Master Plan and Zoning Ordinance Revisions Grant;
- Increase of \$65,000 for the Clean Creeks Healthy Communities;
- Increase of \$61,000 for the Communities Putting Prevention to Work Grant;
- Increase of \$59,000 for the Grace Community Center Electronic Health records Grant;
- Increase of \$35,000 for the Alum Rock Main Street District Rezoning Grant;
- Increase of \$33,000 for the Silicon Valley Energy Watch (SVEW) Innovator Pilots; and
- Increase of \$16,000 for the Emergency Management Performance Grant (EMPG) 2011.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE STATE OF CALIFORNIA

2010-2011 Actual*	\$15,434,030
2011-2012 Adopted	\$14,211,106
2012-2013 Forecast**	\$10,110,000
2012-2013 Adopted	\$10,686,292
% of General Fund	1.1%
% Change from 2011-2012 Adopted	(24.8%)

\* The Revenue from the State of California revenues for 2010-2011 have been restated to reflect the recategorization of Aircraft Property Tax into the Property Tax category.

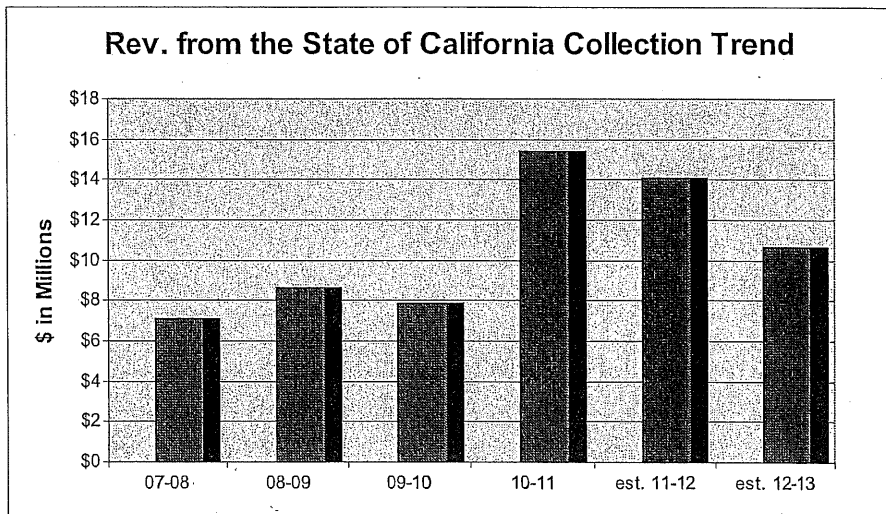
\*\* Increased by \$358,555 from the February Forecast; additional details can be found in the Overview of this section.

### Major Categories:

- Tobacco Settlement Revenue
- State Grants

### Revenue Estimates:

Collections in this category are estimated to reach \$14.2 million in 2011-2012 and decrease to \$10.7 million in 2012-2013. This drop reflects the loss of Motor Vehicle In-Lieu revenue and the elimination of one-time grants. In June 2011, Motor Vehicle In-Lieu



collections were eliminated by the State legislature's approval of SB 89, which shifted over \$130 million in annual General Fund Motor Vehicle In-Lieu revenue from cities to support State law enforcement grants effective July 1, 2011. In 2011-2012, Motor Vehicle In-Lieu revenues of \$2.1 million were received to reflect a true-up payment for four prior fiscal years. No Motor Vehicle In-Lieu revenue estimate is included for 2012-2013.

### Tobacco Settlement Revenue

Beginning in 2010-2011, Tobacco Settlement revenue from the State is deposited in the General Fund. Based on the most recent information from the State, the 2011-2012 Tobacco Settlement payments are anticipated to total \$9.2 million in 2011-2012, reflecting a slight increase from the \$9.0 million received in 2010-2011. This is the first growth in this category after declines in both 2009-2010 and 2010-2011. The 2012-2013 estimate is set at \$9.0 million, which is an improvement from the \$8.5 million figure included in the 2013-2017 General Fund Forecast based on higher than anticipated collections in 2011-2012.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE STATE OF CALIFORNIA

#### State Grants

On an annual basis, the City receives a number of grants and reimbursements. The following State grants and reimbursements are expected in 2012-2013: Abandoned Vehicles Abatement Program (\$600,000); Auto Theft reimbursement (\$370,000); Highway Maintenance Charges reimbursement (\$105,000); and Pesticide Management Grant (\$35,000). Included in this document is an increase of \$129,000 to recognize two grants from CalTrans (Community Based Transportation Planning and Urban Corridor Master Plan) that will support a Senior Planner position through December 31, 2013. Additional details can be found in the Planning, Building and Code Enforcement Department section in the Departmental Section of this document. In addition, new grant funding was recognized for the South Bay Metro Task Force (\$34,000).

This document also incorporates the rebudget of grant funding from 2011-2012 to 2012-2013 (\$414,000) for the following:

- DUI Enforcement and Awareness Program Grant 2011-2012 (\$170,000);
- Bay Area Electric Vehicle Corridor Project (\$121,000);
- South Bay Metro Task Force (\$67,000);
- Pesticide Management Demonstration (\$51,000); and
- Anti-Drug Abuse Grant 2011-2012 (\$5,000).



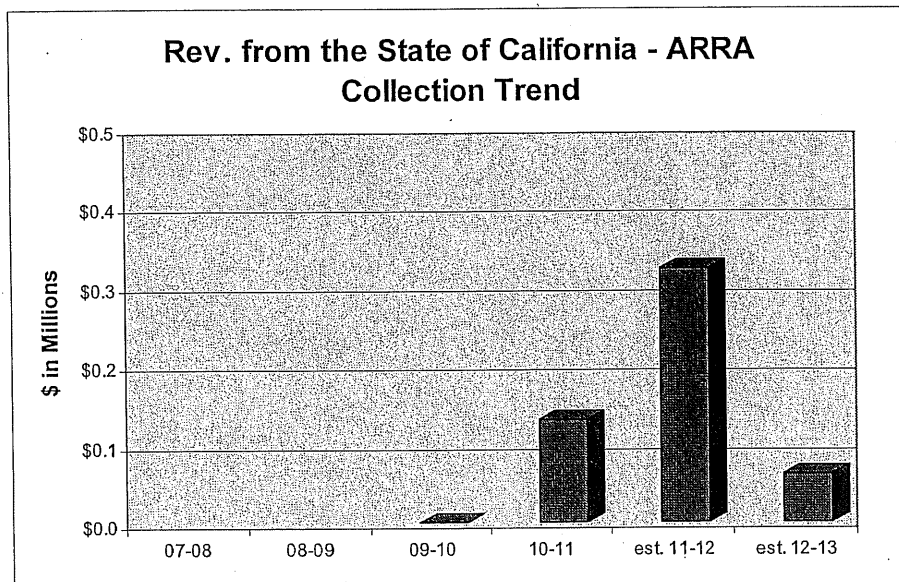
## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE STATE OF CALIFORNIA AMERICAN RECOVERY & REINVESTMENT ACT

2010-2011 Actual	\$128,902
2011-2012 Adopted	\$254,027
2012-2013 Forecast	\$0
2012-2013 Adopted	\$60,590
% of General Fund	0.0%
% Change from 2011-2012 Adopted	(76.1%)

#### Major Categories:

- American Recovery and Reinvestment Act of 2009



#### Revenue Estimates:

This category accounts for the revenue associated with the American Recovery and Reinvestment Act of 2009 allocated to the City by the State of California that is recorded in the General Fund. Associated expenditure allocations are also included in the 2012-2013 budget in the Capital and City-Wide expenditure categories. Although no new grant funds are anticipated in 2012-2013 a portion of the grant funding in 2011-2012 was rebudgeted to 2012-2013 as part of the Adopted Budget process: Anti-Drug Abuse Enforcement Team (\$32,000), Anti-Human Trafficking Task Force 2009 (\$28,000), and the Anti-Drug Abuse Enforcement Team Program Grant 2010-2012 (\$1,000).

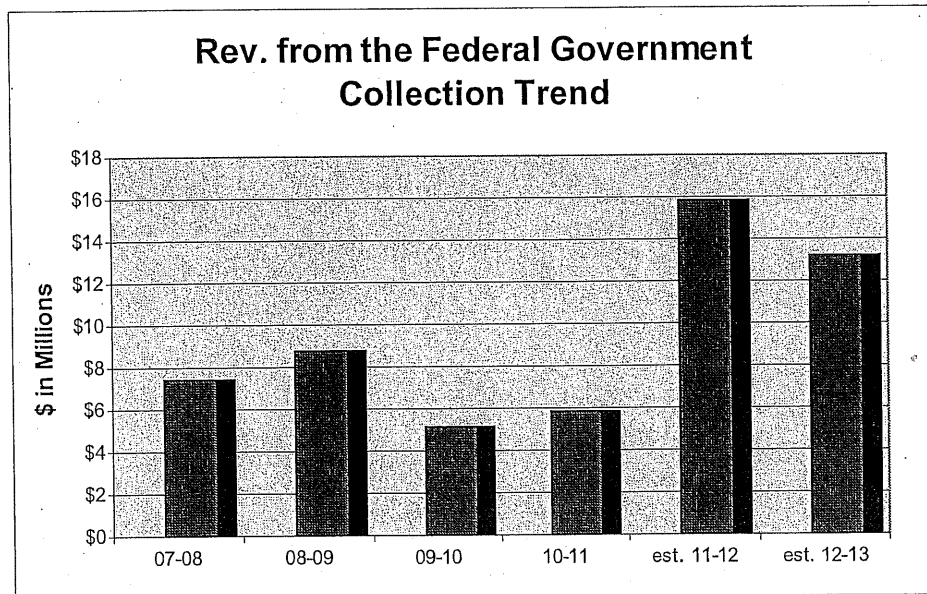
## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE FEDERAL GOVERNMENT

2010-2011 Actual	\$5,844,286
2011-2012 Adopted	\$12,807,900
2012-2013 Forecast	\$10,239,964
2012-2013 Adopted	\$13,287,954
% of General Fund	1.4%
% Change from 2011-2012 Adopted	3.7%

#### Major Categories:

- Police and Fire Related Federal Grants
- Other Federal Grants



#### Revenue Estimates:

The revenue in this category is received from various grant programs. The 2012-2013 Adopted Budget only includes those grant proceeds known to be obligated for next year. The following grants are anticipated in 2012-2013: Staffing for Adequate Fire & Emergency Response Grant (SAFER) (\$7.5 million); Community Oriented Policing Services (COPS) Hiring Grants (\$2.7 million); Human Trafficking Prevention Grant 2011 (\$380,000); Clean Creeks Healthy Communities Grant (\$246,000); Northern California Regional Intelligence Center (NCRIC) SUASI – Police (\$242,000); Protecting Children from Commercial Sexual Exploitation Grant 2011 (\$147,000); Urban Area Security Initiative Training Grant (\$23,000); Cultural Affairs Special Projects (\$14,000); and State Homeland Security Grant Program (\$9,000).

Additional grant funding (\$2.0 million) was rebudgeted from 2011-2012 to 2012-2013 as part of the Adopted Budget.

## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE FEDERAL GOVERNMENT

The following outlines these adjustments:

- Cardiac Monitors/Defibrillators (\$1.25 million);
- Metropolitan Medical Response System Grant 2010 (\$208,000);
- Internet Crimes Against Children Continuation Grant 2011 (\$131,000);
- Human Trafficking Prevention Grant 2011 (\$89,000);
- Protecting Children from Commercial Sexual Exploitation Grant 2011 (\$86,000);
- Urban Area Security Initiative (UASI) 2010 (\$73,000);
- Cultural Affairs Special Projects (\$65,000);
- Child Sexual Predator Program Grant 2009 (\$35,000);
- State Homeland Security Grant Program (\$35,000);
- Bulletproof Vest Partnership Grant (\$19,000);
- Urban Area Security Initiative (UASI) 2010 – Fire (\$18,000);
- Paramedic Training for 3<sup>rd</sup> SAFER Academy Firefighters (\$8,000); and
- COPS Technology Program Grant 2010 (\$5,000).

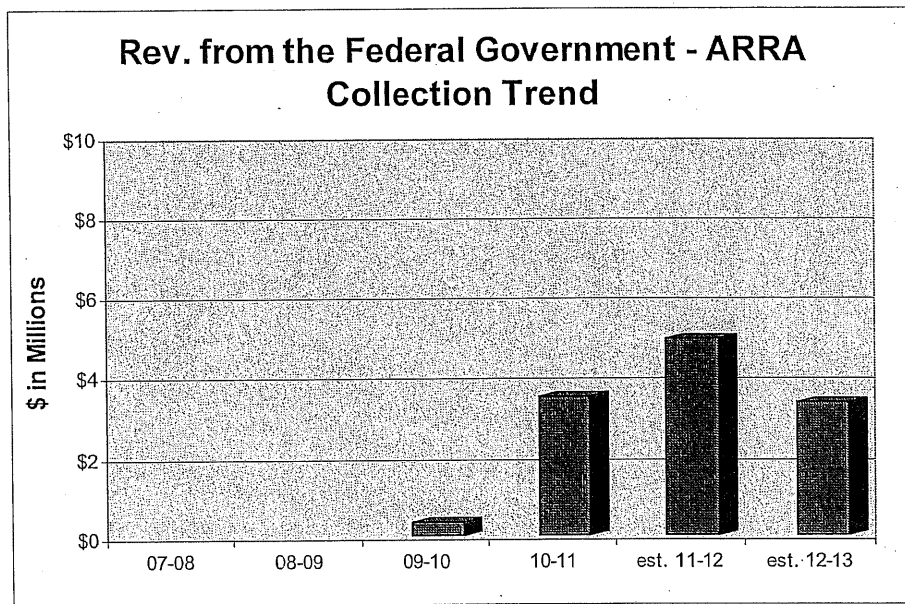
## GENERAL FUND REVENUE ESTIMATES

### REVENUE FROM THE FEDERAL GOVERNMENT AMERICAN RECOVERY & REINVESTMENT ACT

2010-2011 Actual	\$3,488,382
2011-2012 Adopted	\$8,400,311
2012-2013 Forecast	\$25,988
2012-2013 Adopted	\$3,322,706
% of General Fund	0.4%
% Change from 2011-2012 Adopted	(60.4%)

### Major Categories:

- American Recovery and Reinvestment Act of 2009



### Revenue Estimates:

This category accounts for the revenue associated with the American Recovery and Reinvestment Act of 2009 allocated to the City by the federal government that is recorded in the General Fund. It is anticipated that a portion (\$26,000) of the Retrofit California Program Grant will be carried over to 2012-2013 to support expenditures in 2012-2013. As part of the Adopted Budget, additional grant funding from 2011-2012 was rebudgeted to 2012-2013 for the following: Energy Efficiency and Conservation Block Grant (\$2.8 million); Internet Crimes Against Children Task Force 2009 (\$238,000); Retrofit California Program (\$176,000); and Local Energy Assurance Planning (LEAP) (\$83,000).

## GENERAL FUND REVENUE ESTIMATES

### DEPARTMENTAL CHARGES

2010-2011 Actual	\$32,148,993
2011-2012 Adopted	\$29,576,872
2012-2013 Forecast*	\$30,016,592
2012-2013 Adopted	\$32,126,081
% of General Fund	3.4%
% Change from 2011-2012 Adopted	8.6%

\* Increased by \$726,741 from the February Forecast; additional details of these transactions can be found in the Overview of this section.

#### Major Categories:

- Library Fees
- Parks, Recreation and Neighborhood Services Fees
- Planning Fees
- Police Fees
- Public Works Fees
- Transportation Fees
- Miscellaneous Departmental Fees

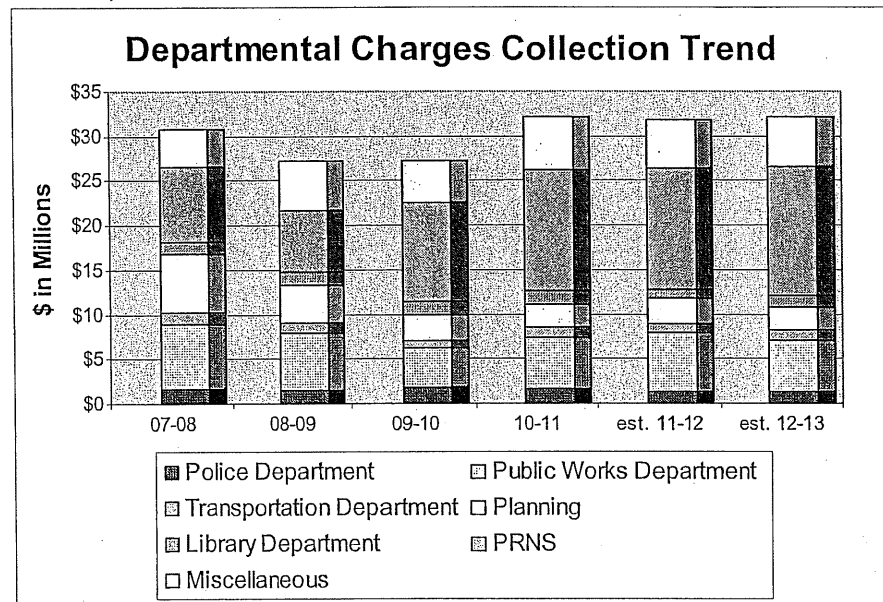
#### Revenue Estimates:

Contained in this revenue category are the various fees and charges levied to recover costs of services provided by several City departments.

In the 2012-2013 Adopted Budget, estimated Departmental Charges of \$32.1 million are 7.3% above 2011-2012 estimated levels and 7.0% higher than the Revised Forecast level.

The increase in the Adopted Budget reflects upward adjustments in Parks, Recreation and Neighborhood Services Fees, Solid Waste Enforcement Fees, the Enterprise Zone Fee, Department of Transportation Fees, and Library Fines. These are partially offset by minimal reduction in Police Department Fees. These adjustments are brought forward to maintain cost recovery levels and to account for anticipated activity changes in 2012-2013.

This section highlights the major fee programs in this category. A more detailed description of the changes to various fee programs is available in the 2012-2013 Fees and Charges document that is published as a separate document.



# GENERAL FUND REVENUE ESTIMATES

## DEPARTMENTAL CHARGES

### Library Fees and Fines

Library Department fees and fines for 2012-2013 are estimated at \$1.3 million which is close to the 2011-2012 year-end estimate. Library fines comprise almost 95% of the revenue in this category and are estimated to increase by \$35,000, from \$1.2 million to \$1.24 million, as a result of the staggered opening of four new branch libraries – Seven Trees, Bascom, Educational Park, and Calabazas. The annualized impact of the opening of these facilities is anticipated to be \$150,000.

### Parks, Recreation and Neighborhood Services Fees

Parks, Recreation and Neighborhood Services Department (PRNS) fee collections are estimated at \$14.5 million in 2012-2013 reflecting projected activity levels, adopted fee changes, and the opening of new facilities.

The 2012-2013 Adopted Operating Budget includes a number of upward revenue adjustments totaling \$1.4 million, reflecting the following: increased interest levels in recreational classes and programs both currently offered as well as new classes and pricing adjustments to remain competitive in the marketplace, moving toward a 40% cost recovery level (\$539,000); approved fee increases, including Happy Hollow Park and Zoo fees, picnic site reservation and air jump fees, and new fees including trail use permit fees and alcohol permit fees (\$257,000); the opening of the Bascom Community Center (\$186,000) with a new hybrid staffing model; Lake Cunningham Skate Park revenues based on increased activity levels as well as donations to maintain a 100% cost recovery program (\$135,000); the addition of new park facilities (sports fields) coming online (\$120,000); new fees for Almaden Lake Park (\$90,000) that are to generate revenue from additional programming including nature study, canoeing and photography classes; revenues generated by the Community Garden Program from activities and reimbursement from the registered community gardeners (\$38,000); and an increase in Summer Swim revenues associated with the operation of the Fair Swim Center (\$9,000).

### Planning Fees

The Planning, Building and Code Enforcement Department administers a variety of fees and charges related to the processing of planning permit applications.

In 2012-2013, Planning Fees are anticipated to generate approximately \$2.6 million, a slight increase from the 2011-2012 estimated collection level of \$2.5 million. The 2012-2013 collection level is slightly below the estimated cost to deliver this program. The use of the Planning Fee Reserve will offset this difference, with no fee increases. To improve service delivery and adequately allocate costs, several budget actions are approved, including the following: add one position for the Expedited Coordinated Review process for Planning Permits; add one position (50% Building Development Fee Program, 50% Planning Development Fee Program) to assist in general office duties; and increase City Hall Rent costs, and bringing the lease costs for City Hall in line with current downtown lease costs. These actions are partially offset by a reduction in analytical support being shifted to the Fire Fee Program, the reorganization of staffing resources ultimately reducing staff by a net 0.75 position to more accurately align job classifications with current work. To fund these actions, a decrease of \$1.0 million to the Planning Fee Reserve is included, reducing the

# GENERAL FUND REVENUE ESTIMATES

## DEPARTMENTAL CHARGES

estimated reserve level to \$424,000. Additional details on these actions can be found in the Planning, Building and Code Enforcement Department in the Department Section of this document.

### Police Fees

The 2012-2013 Adopted Budget revenue estimate totals \$1.4 million which is close to the 2011-2012 estimated collection levels. Fee adjustments resulting in a net reduction of \$36,000 to various Police fees were approved based on an analysis of the cost to deliver various services. With position civilianizations, cost reductions, and organizational structural changes, cost reductions have been realized.

### Public Works Fees

In 2012-2013, Public Works fees are expected to generate \$5.7 million (\$3.7 million from the Development Fee Program and \$2.0 million from the Utility Fee Program). When compared to the estimated 2011-2012 performance, the Development Fee Program revenues are expected to be slightly lower, while the Utility Fee Program revenues are expected to remain at the same level. The strong activity in 2011-2012 is expected to continue in 2012-2013. The 2012-2013 projected revenues, along with the use of a portion of the Public Works Fee Reserve, are sufficient to support program additions in 2012-2013 without any fee increases. Budget actions totaling \$1.1 million in the Development Fee Program and an additional \$276,000 in the Utility Fee Program were approved to help ensure service delivery goals are met. In the Development Fee program, the shift of 2.61 positions from capital funds to the fee program will increase service delivery from 75% to the target of 85% completion rates within the specified times frame; the addition of 5.6 positions and overtime will provide oversight of the Floodplain Program as well as the ability to address after hours availability need of the Development Community; and the increase of City Hall Rent costs will bring these costs in line with current downtown lease costs. In the Utility Fee Program the shift of 0.53 positions from capital funds to this fee program and the addition of 1.4 positions will help ensure that staff will be able to meet current performance goals – responding to service requests in a timely manner 94% of the time – given the anticipated workload demands in 2012-2013. A decrease to the Public Works Fee Program Reserve of \$474,000 is included to help offset these actions, bringing the reserve to an estimated \$3.0 million in 2012-2013.

Details on these budget actions can be found in the Public Works Department under the City Departments section of this document.

### Transportation Fees

Transportation Departmental Charges are expected to generate \$1.1 million in 2012-2013, a slight increase over current 2011-2012 year-end estimates. The figure incorporates increases totaling \$217,000 for the following: an increase of \$140,000 in sidewalk repair administrative fees to reflect the higher anticipated activity level in the Sidewalk Program as described in the City-Wide Expenses Transportation and Aviation Services City Service Area section of this document; and an increase of \$77,000 related to additional fee activity and approved fee changes to maintain cost

## GENERAL FUND REVENUE ESTIMATES

### DEPARTMENTAL CHARGES

recovery or increase cost recovery levels, partially offset by increased expenditures to support the additional activity.

#### Miscellaneous Departmental Fees

Collections of \$5.5 million are anticipated in 2012-2013 from a variety of fees and charges. This collection level reflects a net increase of \$520,000 from the Revised Forecast estimate based on approved fee changes.

More than half of the revenue in this category is generated from the Solid Waste Enforcement Fee (SWEF) Program. An increase of \$279,000 in receipts from the SWEF Program is included based on anticipated activity levels in this program, bringing expected revenues in line with anticipated costs for a total estimate of \$3.8 million in 2012-2013.

The remaining portion of the increase reflects the continuation of the Enterprise Zone Fee (\$242,000), approved in the 2011-2012 Adopted Budget on a one-time basis. The action will continue this 100% cost recovery fee and will make permanent the appropriate staffing complement in the Office of Economic Development to sustain this program. Additional details on this program can be found in the Office of Economic Development Department Section of this document.

Animal Control Service Fees are also included in the category and the estimated 2012-2013 revenues total \$631,000.



## GENERAL FUND REVENUE ESTIMATES

### OTHER REVENUE

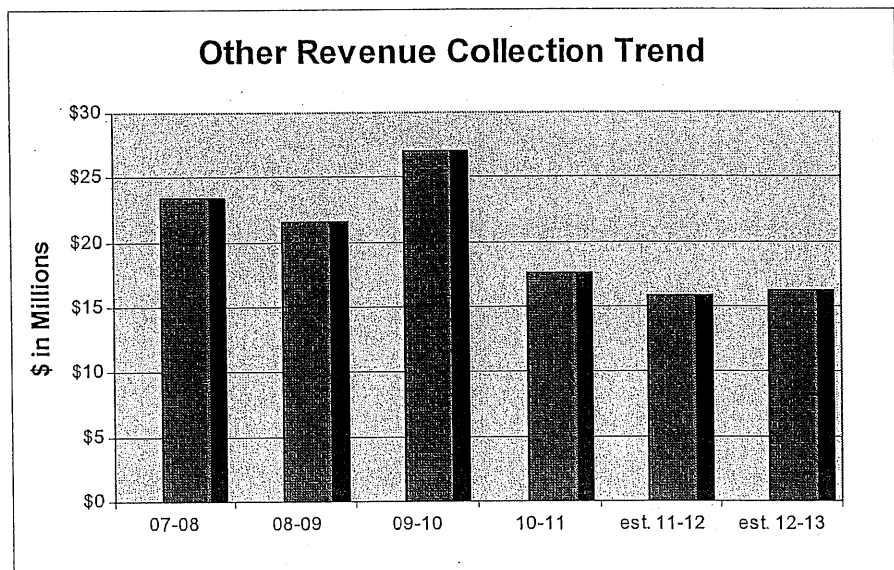
2010-2011 Actual*	\$92,572,585
2011-2012 Adopted	\$14,918,888
2012-2013 Forecast**	\$14,575,965
2012-2013 Adopted	\$16,270,331
% of General Fund	1.7%
% Change from 2011-2012 Adopted	9.1%

\* The 2010-2011 Actual includes revenues associated with the issuance of a \$75 million TRANs based on cash flow needs.

\*\* Decreased by \$33,000 from the February Forecast; additional details can be found in the Overview of this section.

### Major Categories:

- Litigation Settlements
- HP Pavilion at San José Revenues
- Investment Program Reimbursement
- Public, Education, and Government (PEG) Access Facilities
- Sale of Surplus Property
- Sidewalk Repair and Tree Maintenance Activities
- Miscellaneous Other Revenue



\* The 2010-2011 and 2011-2012 actual revenues have been adjusted to exclude the issuance of the TRANs.

### Revenue Estimates:

In 2012-2013, the revenue estimate of \$16.3 million assumes the continuation of current year activity levels with revisions, where appropriate, for 2012-2013 costs or agreements and the elimination of one-time funding sources. This figure excludes revenues associated with the issuance of the TRANs that will be brought forward in 2012-2013 with an offsetting expenditure based on estimated cash flow needs.

#### Litigation Settlements

In 2011-2012, Litigation Settlements revenue of \$175,000 is anticipated based on actual collections. For 2012-2013, Litigation Settlements revenue of \$75,000 is included in the Adopted Budget.

## GENERAL FUND REVENUE ESTIMATES

### OTHER REVENUE

#### *HP Pavilion at San José Revenues*

The City receives payments from Arena Management associated with the use of HP Pavilion at San José. In 2012-2013, \$5.3 million is projected from Arena Rental, Suite, Parking, and Naming revenues.

#### *Investment Program Reimbursement*

The 2012-2013 revenue estimate for this category is \$2.1 million based on the estimated costs of this program that will be reimbursed from investment earnings.

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

The 2012-2013 estimated collections includes \$1.7 million to reflect the payments from Comcast and AT&T required under the Franchise Agreement. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access facilities. There is an associated City-Wide Expenses allocation for this purpose.

#### *Sale of Surplus Property*

In 2012-2013, the proceeds from the Sale of Surplus Property category is estimated at \$1.4 million based on the anticipated assets that will be sold next fiscal year. This figure is down slightly from the 2011-2012 year-end estimate of \$1.5 million.

#### *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 2012-2013 revenue estimate for this category is \$1.85 million, which reflects an increase of \$900,000 based on the approved expansion of this program in addition to a \$350,000 rebudget which reallocated funding from 2011-2012 to 2012-2013. These increases are offset by a corresponding expenditure increase in the City-Wide Expenses allocation, as described in the City-Wide Expenses section of this document.

Property owners are also assessed for the costs of tree services provided by the City. If the City performs emergency tree services, such as removing a tree that has fallen in the street during a storm, the property owner is assessed a fee to cover the cost of this service. This fee is expected to generate \$400,000 in 2012-2013 and there is a corresponding City-Wide Expenses allocation to provide this service.

#### *Miscellaneous Other Revenue*

Various other revenues sources are included in this revenue category including: Banking Services (\$1.2 million), Wellness Program payments from the City's healthcare providers (\$500,000), SB90 reimbursements from the State of California (\$250,000), Miscellaneous City-Wide Revenues (\$250,000), City Hall parking revenues (\$100,000), Debt Program cost reimbursements (\$100,000), Secondary Employer Insurance reimbursement from Police Officers (\$100,000), revenues from

## GENERAL FUND REVENUE ESTIMATES

### OTHER REVENUE

the sale of surplus and wrecked vehicles/parts (\$100,000), and several smaller revenue categories.

Included in this Adopted Budget are the following adjustments:

- An increase of \$205,000 for the rebudget of various grants and reimbursements from 2011-2012 to 2012-2013 Silicon Valley Energy Watch Grant (\$103,000), ChargePoint America Electric Vehicle Infrastructure Project (\$64,000), Enhance Fitness Grant (\$20,000), and Health Trust Communities Putting Prevention to Work Grant (\$18,000);
- An increase of \$111,000 to recognize new grant funding for the Silicon Valley Energy Watch Grant;
- An increase of \$65,000 to reflect revenue associated with the sale of fire hydrants, which was previously budgeted in the Stores Fund, with a corresponding City-Wide Expenses allocation to purchase the fire hydrants from vendors;
- An increase of \$55,000 to recognize the anticipated reimbursement from the Christmas in the Park Foundation for the costs of a part-time Exhibit/Designer Builder position; and
- A \$9,000 increase in the sale of street name signs, traffic control signs, and pavement markings due to increases in development activity.

## GENERAL FUND REVENUE ESTIMATES

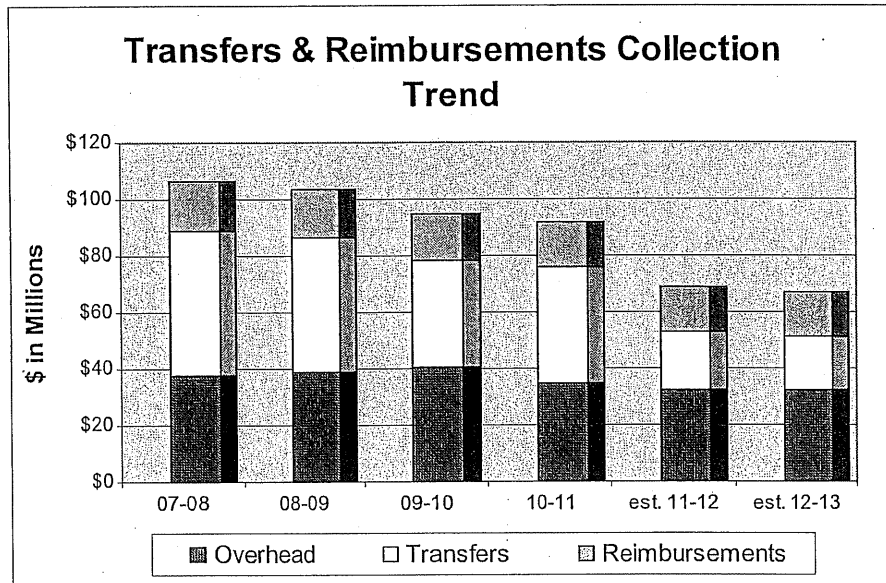
### TRANSFERS AND REIMBURSEMENTS

2010-2011 Actual	\$92,056,927
2011-2012 Adopted	\$70,868,919
2012-2013 Forecast*	\$65,926,359
2012-2013 Adopted	\$67,031,578
% of General Fund	7.1%
% Change from 2011-2012 Adopted	(5.4%)

\* Increased \$7,130 from the February Forecast; additional details can be found in the Overview of this section.

#### Major Categories:

- Overhead Reimbursements
- Transfers
- Reimbursements for Services



#### Revenue Estimates:

The Transfers and Reimbursements revenue category is used to account for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or as simple transfers. In total, Transfers and Reimbursements are anticipated to generate approximately \$67.0 million in 2012-2013. This amount is below the current 2011-2012 current estimate of \$71.0 million primarily due to lower budgeted transfers. The following is a discussion of the three major subcategories, including detail regarding the net increase approved for 2012-2013 of \$1.1 million.

## GENERAL FUND REVENUE ESTIMATES

### TRANSFERS AND REIMBURSEMENTS

#### Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2012-2013, a total of \$32.3 million in reimbursements are projected based on 2012-2013 overhead rates prepared by the Finance Department applied against the projected 2012-2013 applicable salaries. This figure reflects the following: an increase of \$361,000 incorporated into the revised Forecast based on final overhead rates and updated allocations of staff across funds; and a decrease of \$920,000 incorporated into the Adopted Budget (\$1.2 million ongoing) generated from various budget actions that change the staffing levels funded by special funds. Descriptions of the budget actions that generate these overhead reimbursement changes can be found in the City Departments Section of this document. Following is a summary of the overhead reimbursement changes from the Revised Forecast by fund.

<u>Fund</u>	<u>Adopted Adjustment</u>
Convention and Cultural Affairs Fund (536)	\$ (719,263)
Airport Maintenance and Operating Fund (523)	(165,521)
Storm Sewer Operating Fund (446)	(99,180)
Community Development Block Grant Fund (441)	(89,022)
San José/Santa Clara Treatment Plant Operating Fund (513)	(55,412)
Affordable Housing Investment Fund (346)	(31,514)
Stores Fund (551)	(23,961)
Benefit Funds - Benefit Fund (160)	(23,162)
Water Utility Fund (515)	(22,823)
Multi-Source Housing Fund (448)	(14,223)
Housing Trust Fund (440)	(14,130)
Benefit Funds - Dental Insurance Fund (155)	(12,509)
Benefit Funds - Unemployment Insurance Fund (157)	(4,261)
Benefit Funds - Life Insurance Fund (156)	(2,131)
Public Works Program Support Fund (150)	(468)
Sewer Service and Use Charge Fund (541)	272,286
General Purpose Parking Fund (533)	74,154
Capital Funds	3,747
Home Investment Partnership Program Trust Fund (445)	3,173
Integrated Waste Management Fund (423)	2,527
Vehicle Maintenance and Operations Fund (552)	1,397
<b>Total Adjustments</b>	<b>\$ (920,296)</b>

#### Transfers

The Transfers category is projected at \$19.0 million in 2012-2013. The largest component of this category (\$7.0 million) is a transfer from the Airport Maintenance and Operating Fund to reimburse the General Fund for Airport Fire Rescue and Police costs. In 2012-2013, these reimbursements have been set to cover the base 2012-2013 costs, with the fire SAFER Grant covering a portion of the costs for firefighting services at the Airport as reflected in the Revenue from the Federal Government category. Additional large transfers programmed for 2012-2013 include the Construction Excise Tax Fund transfer (\$2.8 million), the Construction and Conveyance

## GENERAL FUND REVENUE ESTIMATES

### TRANSFERS AND REIMBURSEMENTS

Tax Fund transfer (\$2.1 million) associated with park maintenance costs; the FMC Bond close-out fund transfer (\$1.7 million); and the Workforce Investment Act Fund transfer (\$617,000) for use of various community centers and Workforce Investment Act program services.

The Adopted Budget incorporates the following changes from the Revised Forecast totaling \$2.1 million:

- An increase of \$1.2 million to be transferred from expired special assessment districts. In 2008-2009, Finance staff completed an analysis of 50 expired special assessment districts with remaining cash balances. Based on that review, in accordance with State law, the availability of surplus funds was announced to be claimed by current and former property owners. With the statute of limitations, any unclaimed funds will be transferred to the General Fund.
- An increase of \$637,000 (\$292,000 ongoing) from the Convention and Cultural Affairs Fund to cover General Fund support services costs that were previously captured through the overhead rate process. With the elimination of the remaining nine City positions under management of Team San José, the overhead mechanism that is based on staffing no longer recovers the support services costs still provided by the City.
- An increase of \$200,000 from the Stores Fund to reflect the transfer of estimated funds that will be available after the closeout of this Fund.
- Increase of \$69,500 ongoing from the Convention and Cultural Affairs Fund to support the Cultural Facilities Capital Maintenance partnership with matching funds for the two cultural organizations that have agreed to participate in this partnership (Tech Museum of Innovation and Children's Discovery Museum). A corresponding increase in allocated funding can be found in the City-Wide Expense section of this document.

#### Reimbursements for Services

Reimbursements for services represent the cost to the General Fund for staff and supplies provided on behalf of other City funds. For 2012-2013, the revenue estimate for this category is \$15.7 million.

The largest single source of revenue in this category is reimbursements from the Gas Tax Funds for the cost of City street-related expenses. In 2011-2012, Gas Tax receipts are projected to reach \$15.0 million, a drop of 4.3% from the 2010-2011 level of \$15.7 million. Collections are expected to remain flat at \$15.0 million in 2012-2013. This figure is down from the \$15.3 million assumed in the Forecast based on the lower actual collection trends. Since the Gas Tax is assessed as a flat amount per gallon, the factors that are likely contributors to the drop in collections are rising gas prices that may prompt lower vehicle usage and a move to more energy efficient automobiles.

The Reimbursements for Services category also includes reimbursement for actual City costs associated with administering the Deferred Compensation Program and the Maintenance Assessment District Funds. These amounts have been set to recover costs in 2012-2013 of \$685,000. This figure reflects a decrease of \$43,000 from the February Forecast as a result of staffing adjustments to the Deferred Compensation Program, as discussed in the Human Resources Department under the City Departments section of this document.

## GENERAL FUND REVENUE ESTIMATES

<b>BEGINNING FUND BALANCE</b>
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Unexpended/Rebudgeted Contingency Reserve	29,309,000
Rebudgeted Earmarked Reserves	40,466,261
Expenditure Rebudgets	32,708,643
2011-2012 Ending Fund Balance Reserve *	25,200,000
Unexpended Earmarked Reserves *	24,908,436
Expenditure Savings/Additional Revenue *	874,697
Liquidation of Prior Year Encumbrances *	2,000,000
<b>Fund Balance Subtotal:</b>	<b>\$155,467,037</b>
Reserve for Encumbrances	20,880,882
<b>Fund Balance Total:</b>	<b>\$176,347,919</b>
% of General Fund **	16.4%

\* Used for 2012-2013 Adopted Budget balancing purposes.

\*\* Excluding Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance, totaling \$176.3 million, are included as part of the 2012-2013 Adopted Budget. The estimate for the encumbrance reserve is set at the 2010-2011 actual level (\$20.9 million). The Adopted Budget includes a matching expenditure amount intended to reflect the corresponding encumbrance appropriations that will be required in 2012-2013.

The estimate for unrestricted fund balance has been set at \$155.5 million, representing a \$108.1 million increase from the 2012-2013 Forecast level of \$47.4 million. When the Forecast was developed, the fund balance projection included the following: an unexpended Contingency Reserve estimate of \$29.3 million; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$18.0 million, of which \$12.0 million was set aside in a 2011-2012 Ending Fund Balance Reserve as part of the 2011-2012 Mid-Year Budget Review; and an additional \$53,000 from the Wellness Program Reserve to support Wellness Program costs programmed in 2012-2013.

The higher fund balance of \$108.1 million increase from the Forecast primarily reflects the rebudget of funds for expenditure-related line items and reserves (\$73.2 million) and the use of unexpended reserves (\$24.9 million). The higher fund balance also reflects an increase in expectations for excess revenues and expenditure savings of \$10.1 million, bringing the estimate for the combination of excess revenues, expenditure savings and the liquidation of carryover encumbrances to \$28.1 million. The majority of the projected excess revenues and expenditure savings has been set aside in the 2011-2012 Ending Fund Balance Reserve, which totals \$25.2 million as shown on the chart above.

Following is a discussion of the fund balance components:

- A Contingency Reserve estimate of \$29.3 million. This reserve level complies with the City Council policy to maintain a minimum 3% Contingency Reserve. The Contingency Reserve is approximately enough to cover General Fund payroll costs for two and one-half weeks.

## GENERAL FUND REVENUE ESTIMATES

### BEGINNING FUND BALANCE

- Rebudgeted Earmarked Reserves totaled \$40.5 million. The reserves included: Building Development Fee Program Reserve (\$13.7 million); Workers' Compensation/General Liability Reserve (\$10.0 million); Salaries and Benefits Reserve (\$5.0 million); Fire Development Fee Program Reserve (\$3.7 million); Public Works Development Fee Program Reserve (\$3.0 million); Fiscal Reform Plan Implementation Reserve (\$1.6 million); Retirement Pre-Payment Reserve (\$1.0 million); General Plan Update Reserve (\$952,000); Planning Development Fee Program Reserve (\$945,000); Fuel Usage Reserve (\$250,000); Future Capital Projects Reserve (FF&E Police Station) (\$250,000); Wellness Program Reserve (\$190,000); and Almaden Lake Park Swim Program Reserve (\$19,000). It should be noted that the following rebudgeted reserves were allocated for use as part of the final adoption of the budget: General Plan Update Reserve (\$952,000); Planning Development Fee Program Reserve (\$521,000); Building Development Fee Program Reserve (\$125,000); and the Fiscal Reform Plan Implementation Reserve (\$50,000).
- Expenditure rebudgets totaled \$32.7 million, the majority of which represent City-Wide Expenses that were not completed in 2011-2012 for which funding was carried over to 2012-2013. A large portion of these rebudgets reflect the carry-over of unexpended grant funding.
- Excess revenues and expenditure savings from 2011-2012 are expected to generate \$26.1 million. The majority of the excess revenue/expenditure savings is reflected in the 2011-2012 Ending Fund Balance Reserve. The excess revenues and expenditure savings were anticipated and set aside in both the 2011-2012 Mid-Year Budget Review (\$12.0 million; \$3.7 million in excess revenue, \$8.3 million in expenditure savings) and the 2011-2012 Year End Clean-Up Budget Actions memorandum (\$13.2 million; \$8.8 million in excess revenue, \$4.4 million in expenditure savings). In total, \$12.5 million in excess revenues and \$12.7 million in expenditure savings comprise the \$25.2 million reserve. The majority of the excess revenue of \$12.5 million reflects higher than anticipated Sales Tax receipts in 2011-2012.

Additional 2011-2012 expenditure savings of \$875,000 are anticipated in the Mayor, City Council, and Council General budgets. These savings were assumed as part of the Mayor's 2012-2013 June Budget Message and approved by the City Council to be reallocated to fund various actions included in that Budget Message.

- The use of Unexpended Earmarked Reserves of \$24.9 million primarily reflects the liquidation of the \$22.0 million 2012-2013 Future Deficit Reserve, which was established during 2011-2012 for use in 2012-2013. The liquidation of \$2.9 million in various Development Fee Program Reserves was also approved to offset corresponding increased program costs and ensure 100% cost recovery levels – Building Fee Reserve (\$1.5 million), Public Works Fee Program (\$474,000), Planning Fee Program (\$527,000), and Fire Development Fee program (\$401,000).
- The estimate for the Liquidation of Prior Year Encumbrances is estimated to be \$2.0 million in 2011-2012, which will be available for use in 2012-2013.



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