

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2020-2021 General Fund revenue collections as compared with the Modified Budget estimates:

TABLE A
2020-2021 GENERAL FUND REVENUE SUMMARY
COMPARISON OF BUDGET TO ACTUAL
(\$000s)

Category	2019-2020 Budgetary Basis Actual	2020-2021 Modified Budget	2020-2021 Budgetary Basis Actual	2020-2021 Budget to Actual \$ Variance
Property Tax	\$ 369,506,527	\$ 379,500,000	\$ 390,896,950	\$ 11,396,950
Sales Tax	260,558,394	262,500,000	284,020,471	21,520,471
Transient Occupancy Tax	14,103,867	5,500,000	5,409,142	(90,858)
Business Taxes	70,822,027	63,900,000	70,035,779	6,135,779
Utility Tax	99,518,300	95,800,000	106,970,843	11,170,843
Franchise Fees	44,435,817	45,921,096	45,628,289	(292,807)
Real Property Transfer Tax	0	50,000,000	50,530,828	530,828
Telephone Line Tax	20,694,877	20,000,000	20,872,785	872,785
Licenses and Permits	64,520,529	19,894,447	19,388,370	(506,077)
Fees, Rates, and Charges	48,568,307	8,750,702	7,442,173	(1,308,529)
Fines, Forfeitures, and Penalties	14,383,145	9,730,100	9,760,327	30,227
Rev. from Use of Money/Property	13,523,097	11,769,800	8,778,301	(2,991,499)
Revenue from Local Agencies	15,659,671	23,291,739	20,411,974	(2,879,765)
Revenue from State of California	22,511,983	20,580,155	20,734,690	154,535
Rev. from Federal Government	2,638,902	8,022,531	3,733,619	(4,288,912)
Other Revenue	34,504,998	193,282,508	166,871,618	(26,410,890)
Subtotal	1,095,950,441	1,218,443,078	1,231,486,159	13,043,081
Overhead Reimbursements	57,003,787	70,187,893	68,109,800	(2,078,093)
Transfers	35,629,474	38,478,985	39,190,393	711,408
Reimbursements for Services	16,145,354	15,745,997	16,657,685	911,688
Subtotal	108,778,615	124,412,875	123,957,878	(454,997)
TOTALS¹	\$ 1,204,729,056	\$ 1,342,855,953	\$ 1,355,444,037	\$ 12,588,084

¹ Excludes Beginning Fund Balance.

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The General Fund revenue performance for 2020-2021 is discussed in detail in this section. The 2020-2021 actual revenue receipts for each of the major revenue categories are compared to the modified budgets and any significant variances and resulting implications for current year revenue estimates are described. In addition, comparisons with prior fiscal year collection levels are included to indicate collection trends and to provide a historical perspective.

As shown in Table A, total revenue received in the General Fund in 2020-2021 was \$1.36 billion. This collection level was within 0.9%, or \$12.6 million, of the 2020-2021 Modified Budget. After accounting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$41.7 million, or 3.1%, above the Modified Budget estimate.

The 2020-2021 collection level of \$1.36 billion was \$150.7 million, or 12.5%, above the actual 2019-2020 collections of \$1.20 billion. This year-over-year increase is primarily attributable to the City receiving Tax and Revenue Anticipation Notes (TRANS) in 2020-2021 (\$130.0 million) to facilitate the pre-payment of a portion of the City's 2020-2021 retirement contributions; retirement pre-payment did not occur in 2019-2020. Additionally, the Real Property Transfer Tax did not begin until July 2020, therefore no revenue was received in 2019-2020, compared to the \$50.5 million collected in 2020-2021. Partially offsetting the higher revenues is a significant year-over-year decrease related to the Development Fee Program. Revenue totaling \$71.1 million was received in 2019-2020; however, revenue was not captured in the General Fund in 2020-2021 as these revenues (and associated expenditures) were moved out of the General Fund and into specific Development Fee Program funds. After adjusting for these significant variances, revenue in 2020-2021 increased approximately \$41.2 million (3.6%) from the prior year.

Several revenue categories experienced growth in 2020-2021 compared to the prior year, including, Other Revenue, Property Tax, Real Property Transfer Tax, Revenue from Local Agencies, Sales Tax, and Utility Tax. These increases were partially offset by declines in several categories, including Fees, Rates, and Charges, Fines, Forfeitures and Penalties, Licenses and Permits, Transient Occupancy Tax, and Use of Money and Property. As a result of the pandemic and the necessary response to protect community health and safety, economic activity was severely restricted beginning in March 2020. The immediate halt of much of daily economic activity as a result of the shelter-in-place mandate significantly impacted General Fund revenue performance for the remainder of 2019-2020. These impacts continued into 2020-2021; however, as vaccination rates increased and state and local restrictions began to ease, the local economy began to rebound, and accelerated toward the end of the fiscal year, resulting in most 2020-2021 General Fund revenue categories exceeding 2019-2020 levels.

The variances from the Modified Budget levels, implications for current year revenue estimates, and changes from prior year level are further discussed on the following pages for all significant and notable revenue categories, as well as sources with substantial variances.

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Property Tax

Property Tax	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Secured Property Tax	352,000,000	362,409,212	10,409,212	3.0%
Unsecured Property Tax	16,100,000	16,076,533	(23,467)	(0.1%)
SB 813 Property Tax	7,500,000	8,394,646	894,646	11.9%
Aircraft Property Tax	3,000,000	3,108,541	108,541	3.6%
Homeowner's Property Tax Relief	900,000	908,018	8,018	0.9%
Total	379,500,000	390,896,950	11,396,950	3.0%

The Property Tax revenue category includes Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax, Aircraft Property Tax, and Homeowner's Property Tax Relief (HOPTR). Property Tax receipts in 2020-2021 totaled \$390.9 million, which was \$11.4 million, or 3.0%, above the budgeted estimate of \$379.5 million, and represented an increase of 5.8% from 2019-2020 collections of \$369.5 million.

In 2020-2021, **Secured Property Tax** receipts continued to be the largest source of revenue in the Property Tax category. The Secured Property Tax category includes general Secured Property Tax, Educational Revenue Augmentation Fund (ERAF) revenues, and Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax. In 2020-2021, receipts totaled \$362.4 million, which is slightly higher (3.0%) than the budgeted estimate of \$352.0 million, and is 5.3% above the 2019-2020 receipts of \$344.0 million. The growth from 2019-2020 collections reflects increased general Secured Property Tax receipts (\$15.8 million) and additional ERAF revenue (\$10.1 million), partially offset by lower SARA Residual Property Tax receipts (\$7.5 million).

The general Secured Property Tax receipts growth of \$15.8 million in 2020-2021 primarily reflects an increase in assessed value, due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. Under Proposition 13, assessed values of all real property adjust with the



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Property Tax

CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. On a County-wide basis, the 2020-2021 roll growth was driven primarily by changes in ownership (48.3%), change in the CCPI (27.3%), and new construction (24.0%).

In addition to the changes in assessed value, Secured Property Tax collections were positively impacted by excess ERAF revenue. ERAF collections totaled \$33.2 million in 2020-2021, which is \$10.1 million above the 2019-2020 collection level. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it, which generally occurs in March of each fiscal year. In 2019-2020, the State of California notified counties that changes were being considered to the calculation formula for ERAF distributions. In February 2021, the State of California released the Excess ERAF Guidance, which included a new calculation methodology. The County revised ERAF collections based off the updated guidance and distributed the funds to City jurisdictions; however, a portion of funding was still considered "at risk" with the revised calculation, therefore, this funding was held by the County. In late July 2021, the City was notified the State had agreed with the County's updated methodology and the "at-risk" funding would be allocated to each City in late August 2021. As a result, the City of San José received an additional \$9.6 million in ERAF funding that was not expected in 2020-2021 and is captured in the General Fund 2020-2021 Ending Fund Balance/2021-2022 Beginning Fund Balance.

The final component of the Secured Property Tax category is the SARA Residual Property Tax receipts. As a result of the SARA bond refunding that occurred in December 2017, the City receives a residual property tax distribution. In 2020-2021 SARA Residual Property Tax receipts totaled \$13.6 million, which is significantly below the 2019-2020 receipts of \$21.1 million. This decrease is the result of a State of California Appellate Court decision, which revised the distribution formula related to all California residual property tax revenue from former Redevelopment Agencies. The County of Santa Clara reduced the SARA Residual Property Tax receipts in 2020-2021 to both retroactively adjust for previous disbursements and to modify the 2020-2021 allocation. Going forward, the 2021-2022 Adopted Budget includes estimated residual receipts of \$18.9 million.

In the **Unsecured Property Tax** category, collections of \$16.1 million were consistent with the 2020-2021 Modified Budget estimate, and 3.6% (\$566,000) above 2019-2020 collections of \$15.5 million.

The **SB 813 Property Tax** component represents the retroactive taxes reassessed property valuation from the period of resale to the time that the Assessor formally revalues the property. In 2020-2021, receipts of \$8.4 million were 11.9% (\$895,000) above the 2020-2021 Modified Budget estimate of \$7.5 million and were \$2.4 million, or 39.7%, above the prior year collection level of \$6.0 million.

The remaining Property Tax categories include **Aircraft Property Tax** receipts, which totaled \$3.1 million in 2020-2021, up slightly from 2019-2020 receipts of \$3.0 million; and **Homeowners Property Tax Relief** revenue, which totaled \$908,000 in 2020-2021 and was fairly consistent with 2019-2020 receipts of \$929,000.

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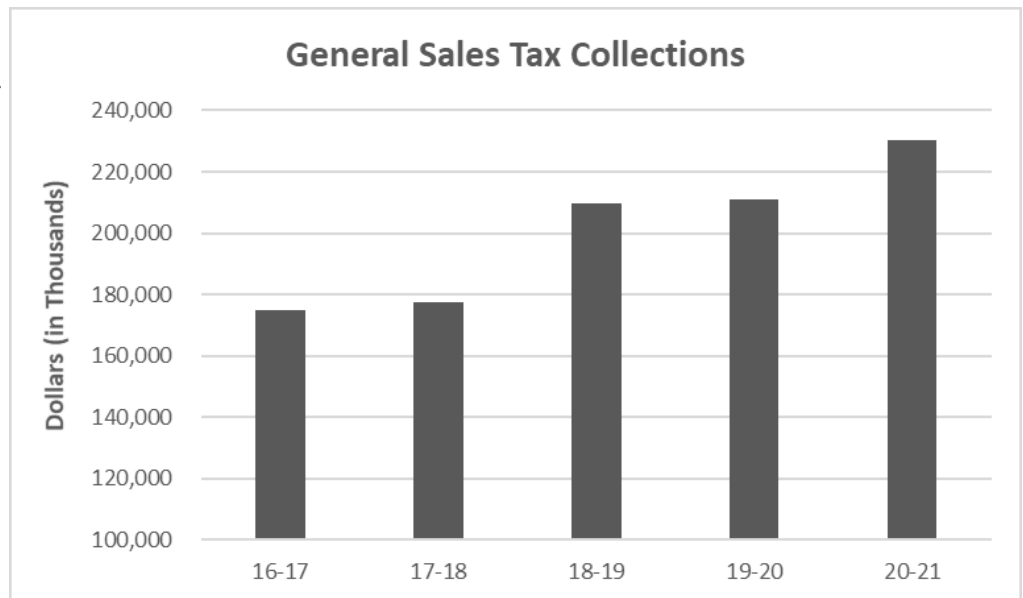
GENERAL FUND REVENUE PERFORMANCE

Sales Tax

Sales Tax	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
General Sales Tax	212,000,000	230,118,812	18,118,812	8.5%
Local Sales Tax	44,500,000	46,869,396	2,369,396	5.3%
Prop 172 Sales Tax	6,000,000	7,032,263	1,032,263	17.2%
Total	262,500,000	284,020,471	21,520,471	8.2%

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. Overall, Sales Tax collections in 2020-2021 of \$284.0 million were 8.2% (\$21.5 million) above the 2020-2021 Modified Budget and 9.0% (\$23.5 million) above the prior year level. It is important to note that 2019-2020 receipts only reflect three quarters of revenue associated with the Revenue Capture Agreement with eBay, Inc., as marketplace facilitators were not required to collect and remit sales tax until October 2020. When excluding collections associated with the Revenue Capture Agreement for both 2019-2020 and 2020-2021, overall collections grew by 5.0% in 2020-2021.

General Sales Tax revenue is the largest driver of the Sales Tax category and accounts for over 80% of all Sales Tax receipts. In 2020-2021 General Sales Tax collections totaled \$230.1 million, which was 8.5% above the 2020-2021 Modified Budget level of \$212.0 million and 9.0% above the 2019-2020 collection level. When excluding collections associated with the Revenue Capture Agreement from 2019-2020 and 2020-2021, General Sales Tax receipts grew by 4.0% in 2020-2021.



The shelter-in-place mandate that began in March 2020 as a result of the COVID-19 pandemic had a significant impact on General Sales Tax collections. Beginning in the third quarter of 2019-2020 through the second quarter of 2020-2021, General Sales Tax receipts experienced year-over-year declines ranging from 5% to 19%. Beginning in the third quarter of 2020-2021 (representing sales tax activity from January to March 2021), activity began to rebound. The final payment of the fiscal year (which represented

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Sales Tax

April to June 2021 activity) was received at the end of August 2021 and represented the second highest General Sales Tax collection level ever. As a result of this extremely high collection level, 2020-2021 year-end receipts of \$230.1 million exceeded the estimated collection level by over \$11 million.

The City’s Sales Tax consultant, Avenu Insights & Analytics, has provided economic performance data for 2020-2021, as displayed in the following chart. This analysis measures sales tax receipts for 2019-2020 and 2020-2021, excluding Sales Tax associated with the Revenue Capture Agreement.

General Sales Tax Revenue Performance (Economic Basis)

Economic Sector	2020-2021 % of Total Revenue	2019-2020 % of Total Revenue	% Change of Revenue Re- ceived by Cate- gory
General Retail	17.8%	18.3%	(0.5%)
Business-to-Business	16.2%	17.7%	(1.5%)
Transportation	17.4%	17.1%	0.3%
Food Products	12.0%	14.2%	(2.2%)
Construction	10.5%	9.7%	0.8%
Miscellaneous	0.8%	0.5%	0.3%
County Pool	25.3%	22.5%	2.8%
Total	100.0%	100.0%	

As can be seen in the table above, General Retail (includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), Business-to-Business and Food Products experienced year-over-year declines. However, several other categories experienced growth, the largest of which is the County Pool, which is where the majority of online transactions are captured. This growth is attributable to the pandemic’s sustained impact of redirecting a significant amount of activity to online sales. The recent growth in County Pool receipts is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the CDTFA. This formula is based each quarter on each jurisdiction’s total General Sales Tax receipts divided by the Total General Sales Tax receipts for the entire County. The City typically receives between 40% - 50% of the total County Pool.

In 2021-2022, General Sales Tax collections are estimated at \$228.0 million. Due to the stronger than anticipated performance during the last quarter of 2020-2021, the 2021-2022 estimate allows for a 1% drop from the 2020-2021 collection level. First quarter 2021-2022 General Sales Tax collections (July to September 2021 activity) are anticipated to be received in late November 2021. After these receipts are received and analyzed, budgetary adjustments may be brought forward as part of the 2021-2022 Mid-Year Review for City Council consideration.

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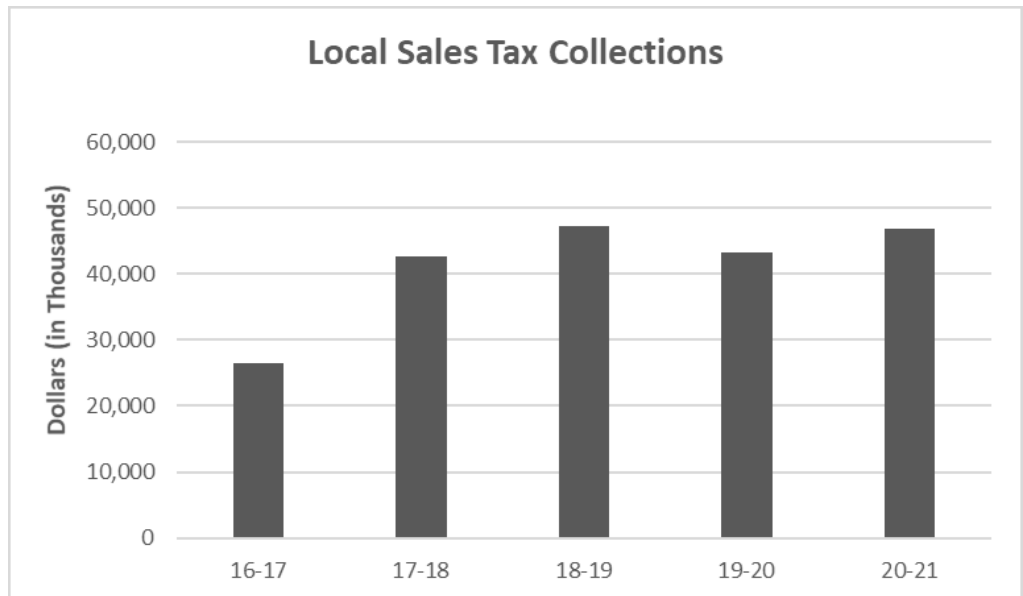
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In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which began implementation in October 2016. In 2020-2021, Local Sales Tax revenues totaled \$46.9 million, which was 5.3% above the budget estimate of \$44.5 million, and 8.6% above the prior year collection level of \$43.2 million.

As discussed above, the shelter-in-place mandate that began in March 2020 as a result of the COVID-19 pandemic had a significant impact on Local Sales Tax collections.

Beginning in the third quarter of 2019-2020 through the second quarter of 2020-2021, Local Sales Tax receipts experienced year-over-year declines ranging from 1.5% to 19%. Beginning in the third quarter of 2020-2021 (representing sales tax activity from January



to March 2021), activity began to rebound. The final payment of the fiscal year (which represented April to June 2021 activity) was received at the end of August 2021 and represented the highest Local Sales Tax collection level since the tax began in October 2016. As a result of this extremely high collection level, 2020-2021 year-end receipts of \$46.9 million exceeded the estimated revenue by almost \$3 million.

In 2021-2022, Local Sales Tax collections are estimated at \$46.9 million. Due to the stronger than anticipated performance during the last quarter of 2020-2021, the 2021-2022 estimate allows for a 2% drop from the 2020-2021 level. First quarter 2021-2022 Local Sales Tax collections (July to September 2021 activity) are anticipated to be received in late November 2021. After these receipts are received and analyzed, budgetary adjustments may be brought forward as part of the 2021-2022 Mid-Year Review for City Council consideration.

Proposition 172 Sales Tax collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. In 2020-2021, receipts of \$7.0 million were 17.2% above the budgeted estimate of \$6.0 million and 10.6% above the 2019-2020 collection level of \$6.4 million. This performance reflects the overall Sales Tax performance throughout the State and the relative share that is attributed to San José.

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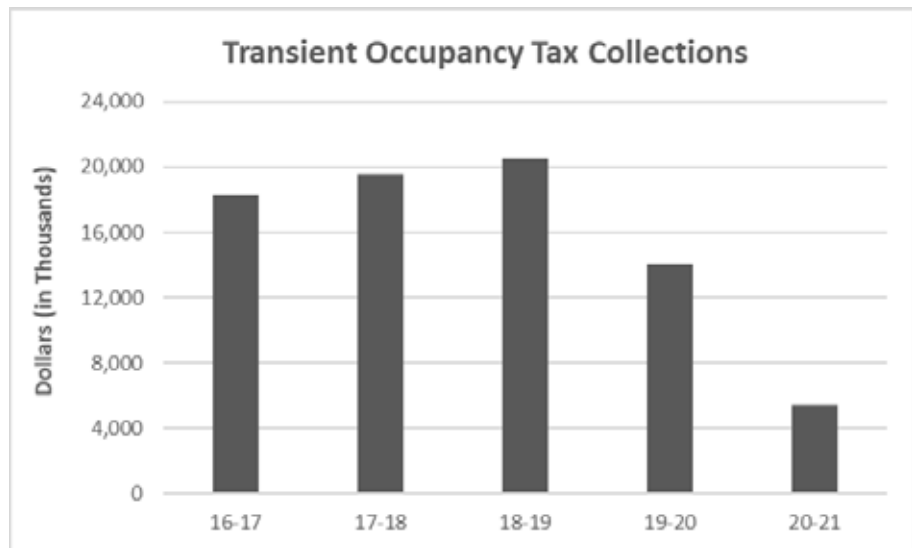
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Transient Occupancy Tax

Transient Occupancy Tax	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Transient Occupancy Tax	5,500,000	5,409,142	(90,858)	(1.7%)
Total	5,500,000	5,409,142	(90,858)	(1.7%)

In 2020-2021, receipts of \$5.4 million for the General Fund’s portion (4.0%) of the City’s Transient Occupancy Tax (TOT) ended the year slightly below (1.7%) the 2020-2021 Modified Budget estimate of \$5.5 million. This performance level represents a significant annual decline (61.6%) relative to 2019-2020 receipts of \$14.1 million, and to 2018-2019 receipts of \$20.5 million (73.7%), highlighting the continued impacts of the pandemic on the hospitality industry. The public health threat posed by the pandemic abruptly disrupted business and leisure activity in the latter half of 2019-2020, resulting in plummeting demand for hotel rooms and revenue potential, and reaching an historic low of 15.13% occupancy in April 2020. While still suppressed relative to pre-pandemic levels, demand for hotel rooms stabilized from July 2020 to March 2021 and performance steadily improved from April 2021 through June 2021, coinciding with increased vaccination levels and the relaxation of public health restrictions. This gradual, incremental rebound was expected; however, the consistency and degree of this recent upward trajectory remain uncertain, especially as new variants of the virus emerge and continue to threaten public health.

Overall, the average room rate across the City’s reporting hotels decreased by \$78.81 (from \$181.72 to \$102.91), with average occupancy decreasing 18.4% (from 57.56% to 39.15%). Occupancy levels hovered between 30.2% and 42.5% from July 2020 to March 2021, with room rates ranging between \$95.29 and \$105.11. However, room demand and revenues began to exhibit incremental gains over



the final quarter of 2020-2021, closing at an occupancy rate of 52.31% and room rate of \$112.37 for June 2021. This incremental rebound is projected to continue into 2021-2022 under the assumption that business and leisure activities will steadily resume as public health restrictions are lifted or modified.

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

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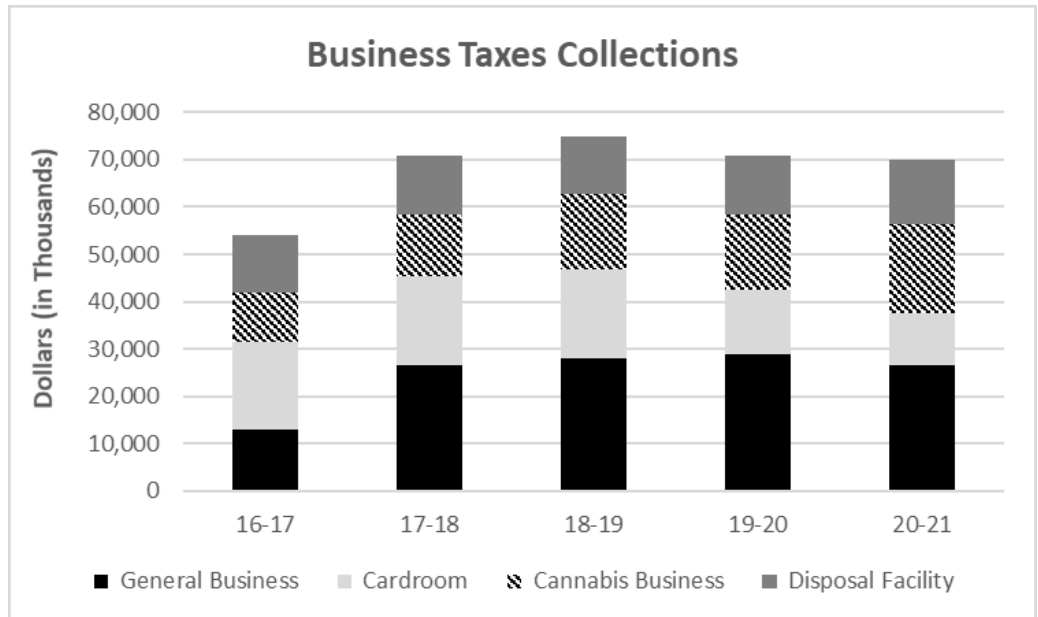
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Business Taxes

Business Taxes	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
General Business Tax	25,700,000	26,501,774	801,774	3.1%
Cardroom Tax	8,600,000	11,072,013	2,472,013	28.7%
Cannabis Business Tax	17,000,000	18,678,707	1,678,707	9.9%
Disposal Facility Tax	12,600,000	13,783,285	1,183,285	9.4%
Total	63,900,000	70,035,779	6,135,779	9.6%

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$70.0 million were 9.6% above the 2020-2021 Modified Budget estimate of \$63.9 million, but were slightly (-\$786,000; -1.1%) below the 2019-2020 collection level.

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



businesses), updating the application of the tax to more classes of business, and adding inflation-based adjustments for future tax rates. In 2020-2021, General Business Tax collections of \$26.5 million ended the year 3.1% above the Modified Budget estimate of \$25.7 million. In 2021-2022 revenue of \$25.7 million is anticipated, which reflects a moderate annual inflation rate change of 1.6%, offset by reduced activity levels. This revenue category will continue to be closely monitored and updated information will be included in future bi-monthly financial reports and the 2021-2022 Mid-Year Budget Review, which will be released in January 2022.

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Business Taxes

In 2020-2021, **Cardroom Tax** collections of \$11.1 million ended the year \$2.5 million (28.7%) above the 2020-2021 Modified Budget estimate of \$8.6 million. However, this collection level represents an 18.2% decrease from the 2019-2020 collection level (\$13.5 million) and a 41.3% drop from pre-pandemic 2018-2019 receipts (\$18.9 million). As a result of the shelter-in-place mandate, cardrooms suspended operations in March 2020 and remained closed through August 2020. In September 2020, public health orders were modified to allow cardrooms to begin outdoor operations with social distancing requirements. However, cardrooms were only open for a limited period of time before further health orders by the County of Santa Clara and then subsequently the State of California resulted in the closure of cardrooms from November 30, 2020 through January 27, 2021. Since late January 2021, cardrooms have once again been operational, under modified restrictions. In 2021-2022, Cardroom Tax receipts are anticipated to grow to approximately \$20.0 million, which is inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021.

In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational cannabis use in the State of California. With this change, the sale of recreational cannabis at the 16 licensed dispensaries in San José began in January 2018. In 2020-2021, **Cannabis Business Tax** collections, which includes recreational and medicinal cannabis, totaled \$18.7 million. The 2020-2021 collection level was \$1.7 million (9.9%) above the budgeted estimate and \$2.8 million (17.3%) above the 2019-2020 collection level.

In 2020-2021, **Disposal Facility Tax** collections of \$13.8 million were \$1.2 million (9.4%) above the 2020-2021 Modified Budget level and were \$1.3 million (10.1%) above the prior year collections of \$12.5 million. When the 2021-2022 Adopted Budget was developed, it was anticipated that 2020-2021 collections would total \$11.3 million and remain flat in 2021-2022. However, since 2020-2021 collections totaled \$13.8 million, the 2021-2022 Adopted Budget estimate allows for a 18.0% drop from the 2020-2021 actual collection level.

Utility Tax

Utility Tax	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Electricity Utility Tax	46,600,000	53,734,940	7,134,940	15.3%
Telephone Utility Tax	21,400,000	21,283,198	(116,802)	(0.5%)
Water Utility Tax	16,500,000	19,060,818	2,560,818	15.5%
Gas Utility Tax	11,300,000	12,891,887	1,591,887	14.1%
Total	95,800,000	106,970,843	11,170,843	11.7%

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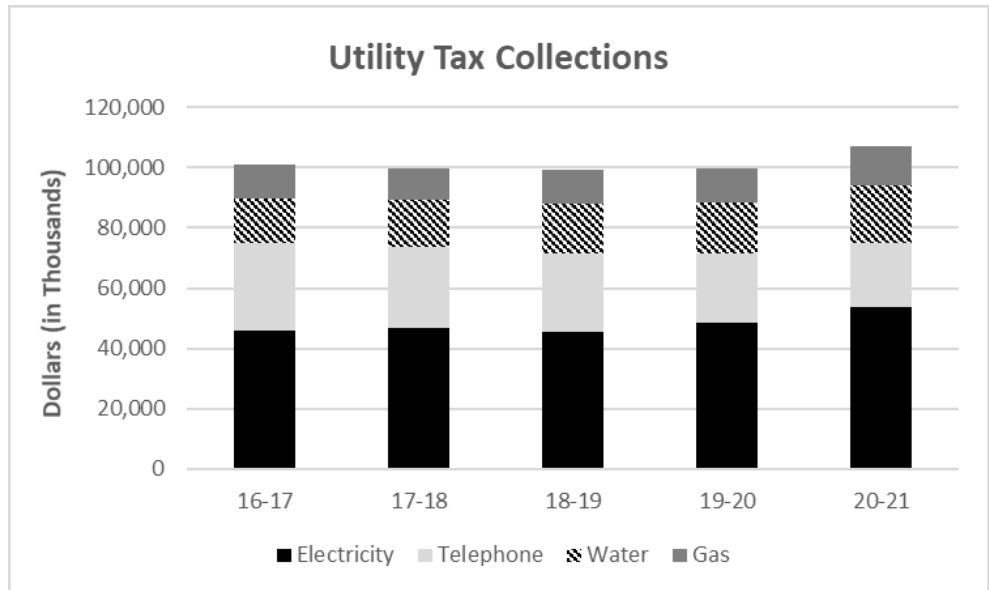
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Utility Tax

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$107.0 million were \$11.2 million, or 11.7%, above the 2020-2021 Modified Budget level, and were 7.5% above the 2019-2020 collection level of \$99.5 million.

Receipts in the **Electricity Utility Tax** category of \$53.7 million were 15.3% above the 2020-2021 Modified Budget level of \$46.6 million. In addition, the 2020-2021 collection level was \$5.1 million, or 10.4%, above the 2019-2020 collection level. This increase in revenue primarily reflects higher consumption and increased Pacific Gas & Electric rates. When the 2020-2021 Electricity Utility Tax was being developed, it was anticipated remote working would decrease slightly during the late spring months, which would result in lower residential electricity usage. However, the actual collection level likely exceeded the budgeted estimate due to businesses re-opening, while a large portion of remote-workers did not return to the office, which may have led to higher business and residential consumption. A portion of this revenue increase is also attributable to San José Clean Energy rates that were increased in May 2021 to address increased power supply costs.

Receipts in the **Telephone Utility Tax** category of \$21.3 million ended the year slightly (0.5%) below the budgeted estimate and \$1.4 million, or 6.2%, below the 2019-2020 collection level. Revenues in this category have been consistently declining in recent years as a result of wireless consumers shifting to less expensive prepaid



wireless plans, competition with cellular companies that keep prices down, and the shifting of wireless communications to increase reliance on data plans, which are not taxable.

Gas Utility Tax receipts of \$12.9 million were \$1.6 million (14.1%) above the budgeted estimate and \$1.7 million (14.8%) above 2019-2020 receipts. The increase in revenue primarily reflects increased consumption levels, which is likely due to a large portion of the population working from home. This category can also vary significantly from year to year based on weather conditions.

Receipts in the **Water Utility Tax** category of \$19.1 million were \$2.6 million (15.5%) above the budgeted estimate and \$2.2 million (12.7%) above the prior year collection level. The higher collection level is primarily due to the water rate increases and increased consumption levels.

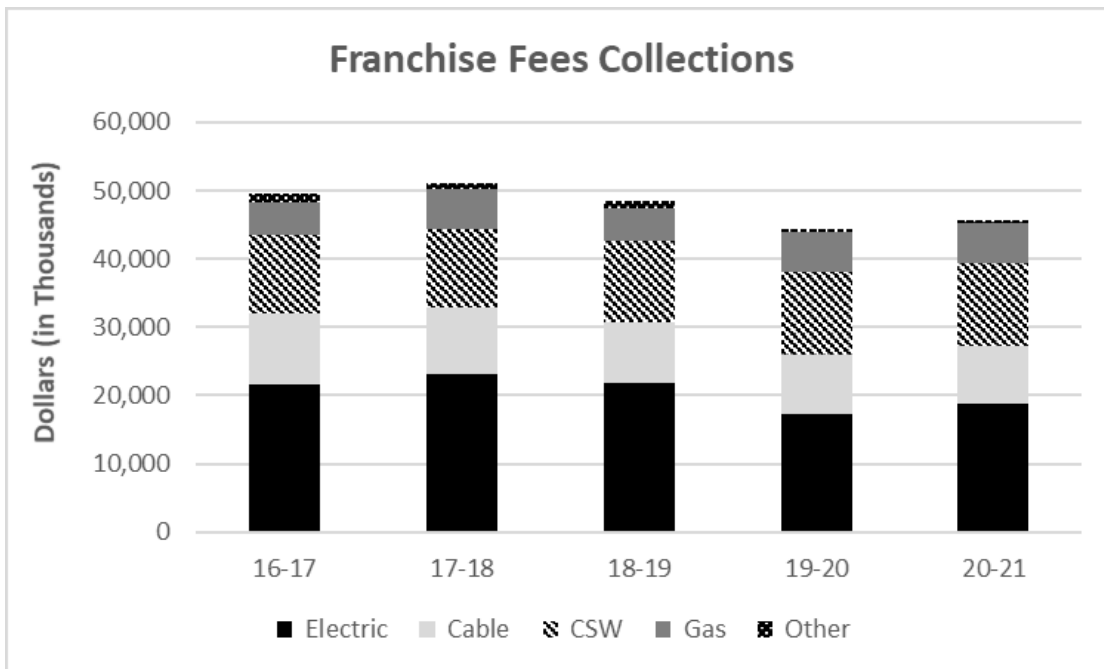
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Franchise Fees

Franchise Fees	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Electric Franchise Fee	20,000,000	18,846,499	(1,153,501)	(5.8%)
Commercial Solid Waste Franchise Fee	11,646,096	12,248,093	601,997	5.2%
Cable Franchise Fee	8,100,000	8,292,362	192,362	2.4%
Gas Franchise Fee	5,700,000	5,942,336	242,336	4.3%
Tow Franchise Fee	150,000	0	(150,000)	(100.0%)
Great Oaks Water Franchise Fee	260,000	232,301	(27,699)	(10.7%)
Nitrogen and Jet Fuel	65,000	66,698	1,698	2.6%
Total	45,921,096	45,628,289	(292,807)	(0.6%)

Franchise Fee collections of \$45.6 million were slightly (0.6%) below the 2020-2021 Modified Budget level of \$45.9 million, but were \$1.2 million (2.7%) above the 2019-2020 collection level. The lower than budgeted collections is primarily attributable to lower Electric Franchise Fee revenue (\$1.2 million below the budgeted estimate), partially offset by higher Commercial Solid Waste Franchise Fee collections (\$602,000 above the budgeted estimate), Gas Franchise Fees (\$242,000 above the budgeted estimate), and Cable Franchise Fees (\$192,000 above the budgeted estimate). In addition, it is important to note that Tow Franchise Fees were not collected in 2020-2021 due to the pandemic's impact on the City Tow program.



II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Real Property Transfer Tax

Real Property Transfer Tax	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Real Property Transfer Tax	50,000,000	50,530,828	530,828	1.1%
Total	50,000,000	50,530,828	530,828	1.1%

On March 3, 2020, San José voters approved Measure E, the Real Property Transfer Tax. This new tax, which became effective on July 1, 2020, is imposed at a tiered level for property transfers (sales) over \$2.0 million. In 2020-2021 collections totaled \$50.5 million, which is \$531,000 (1.1%) above the budgeted estimate of \$50.0 million. In accordance with City Council Policy 1-18, Section 22, these revenues are allocated for homelessness prevention efforts and the development of new affordable housing. As described in *Section IV – Recommended Budget Adjustments and Clean-up/ Rebudget Actions* there is a recommendation to allocate the additional revenue (\$531,000) to Measure E Earmarked Reserves.

Fees, Rates, and Charges

Fees, Rates, and Charges	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
PRNS Fees	1,075,004	2,069,246	994,242	92.5%
Transportation Fees	2,324,550	1,094,478	(1,230,072)	(52.9%)
Police Fees	1,186,622	976,466	(210,156)	(17.7%)
Library Fees	224,000	34,807	(189,193)	(84.5%)
Miscellaneous Fees	3,940,526	3,267,176	(673,350)	(17.1%)
Total	8,750,702	7,442,173	(1,308,529)	(15.0%)

Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by the several City departments. Historically, a significant portion of the revenue captured in this category were associated with Planning and Public Works development-related fees. However, beginning in 2020-2021, all revenue and expenditures related to the Development Fee Programs were no longer captured in the General Fund, and were instead allocated to specific Development Fee Program Funds. Overall, Fees, Rates, and Charges collections of \$7.4 million were 15.0% (\$1.3 million) below the 2020-2021 Modified Budget level of \$8.8 million, and \$41.1 million (84.7%) below the 2019-2020 collection level. However, after removing the Development Fee Program revenue from 2019-2020, the year-over-year decline between 2019-2020 and 2020-2021 is reduced to \$15.3 million (-67.3%). This reduction in revenue is due to the pandemic's impact on fee-related activity, primarily within the Parks, Recreation and Neighborhood Services (PRNS) Department, which is further described on the following page.

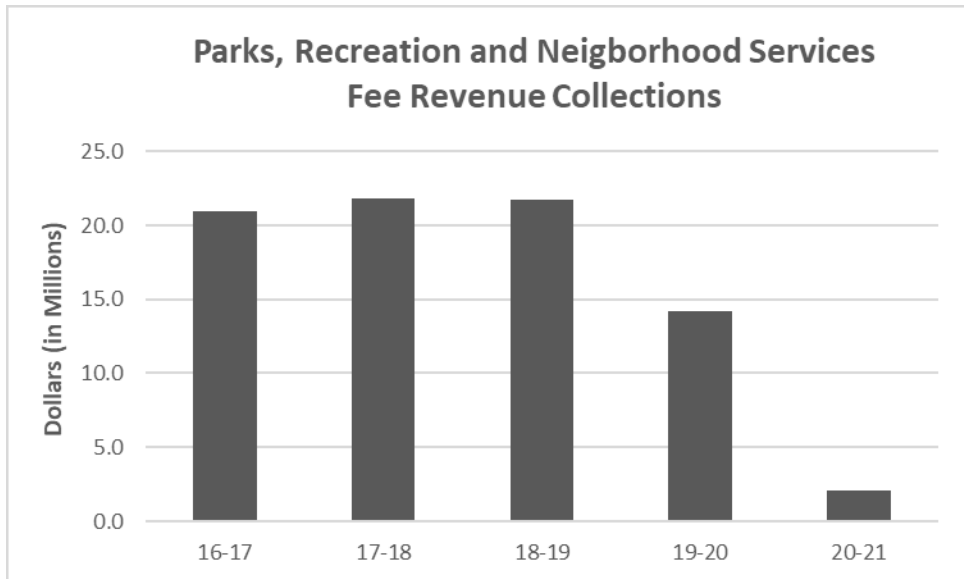
II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Fees, Rates, and Charges

PRNS Departmental Fee revenue ended the year at \$2.1 million, which is \$994,000 above the 2020-2021 Modified Budget estimate of \$1.1 million, but significantly below the 2019-2020 collection level of \$14.2 million. PRNS

fee revenue has been deeply impacted by pandemic-related health orders. PRNS program delivery and revenue generation has experienced large declines in all fee categories, including: Happy Hollow Park and Zoo; Fee Activity (classes, camps, and after-school activities); Facility Rentals; Sports Facilities Reservations;



Lake Cunningham Action Sports Park; Gym and Fitness; Parking; Park Permits; Arcadia Ball Park; Family Camp; and Aquatics Program. In 2021-2022, as vaccine rates increase and health orders continue to ease, PRNS fee revenue is anticipated to grow to \$8.8 million. This revenue category will continue to be closely monitored and updated information will be included, as necessary, in future bi-monthly financial reports and the 2021-2022 Mid-Year Budget Review, which will be released in January 2022.

Remaining collections in the Fees, Rates, and Charges category include **Transportation Fees, Police Fees, Library Fees, and Miscellaneous Fees**. All departmental revenue ended the year below budgeted levels (ranging from \$189,000 to \$1.2 million) due to the pandemic's impact on fee-related activity. Overall, in 2021-2022 revenue collections are anticipated to grow, and will continue to be closely monitored.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Parking Fines	6,008,100	5,692,545	(315,555)	(5.3%)
Vehicle Code Fines	1,400,000	856,309	(543,691)	(38.8%)
Business License Penalties	1,000,000	1,428,673	428,673	42.9%
Administrative Citation Fines	625,000	776,370	151,370	24.2%
Other Fines and Penalties	697,000	1,006,430	309,430	44.4%
Total	9,730,100	9,760,327	30,227	0.3%

The primary sources of revenue in the Fines, Forfeitures, and Penalties revenue category are Parking Fines, Vehicle Code Fines, Business License Penalties, Administrative Citation Fines, and Other Fines and Penalties. Collections of \$9.8 million in this category were \$30,000, or 0.3%, above the 2020-2021 Modified Budget estimate of \$9.7 million, but were \$4.6 million (32.1%) below the prior year collection level. The significant decrease in year-over-year revenue is primarily due to Parking Fines, which is further described below.

Parking Fines, the largest component of this revenue category, ended the year at \$5.7 million, which is \$316,000 (5.3%) below the 2020-2021 Modified Budget estimate of \$6.0 million and \$4.4 million below 2019-2020 collections. In addition, these collection levels are far below historical Parking Fine collections of approximately \$11 million to \$12 million annually. The majority of pre-pandemic parking citation issuance was related to violations pertaining to the support of street sweeping operations, parking turnover (meters), and Residential Permit Parking areas. At the onset of the pandemic, parking citations were not issued for approximately five months, during which time a Parking Citation Fee Amnesty Program was instituted. Limited parking citation issuance resumed in mid-August 2020, and as of September 2021, parking citations are being issued for safety related and street sweeping violations city-wide, and parking meter related violations within the Downtown core are also being enforced. With the return of paid on-street parking at meters outside the Downtown core beginning in October 2021, citation issuance for parking meter related violations will resume city-wide. Additionally, in August 2021 DOT began the process of reinstating Residential Permit Parking (RPP) Zones. As more RPP zones are brought back online, parking citation issuance will be further expanded to address RPP related violations (historically, about 6% of annual issuance). Parking Compliance activities will continue to be phased in thoughtfully, addressing and prioritizing potential health and safety concerns while remaining sensitive to the community's economic concerns, as well as public health order protocols.

Business License Penalties of \$1.4 million exceeded the budgeted estimate of \$1.0 million, but was \$400,000 below the 2019-2020 collection level. **Vehicle Code Fines** ended the year at \$856,000, which was \$544,000 below the budgeted estimate, and was \$192,000 below the prior year collections. The **Administrative Citation Fines** and other remaining categories ended the year at \$1.8 million, which was \$461,000 above the budgeted level and \$362,000 above the prior year collection level.

II. GENERAL FUND BUDGET PERFORMANCE

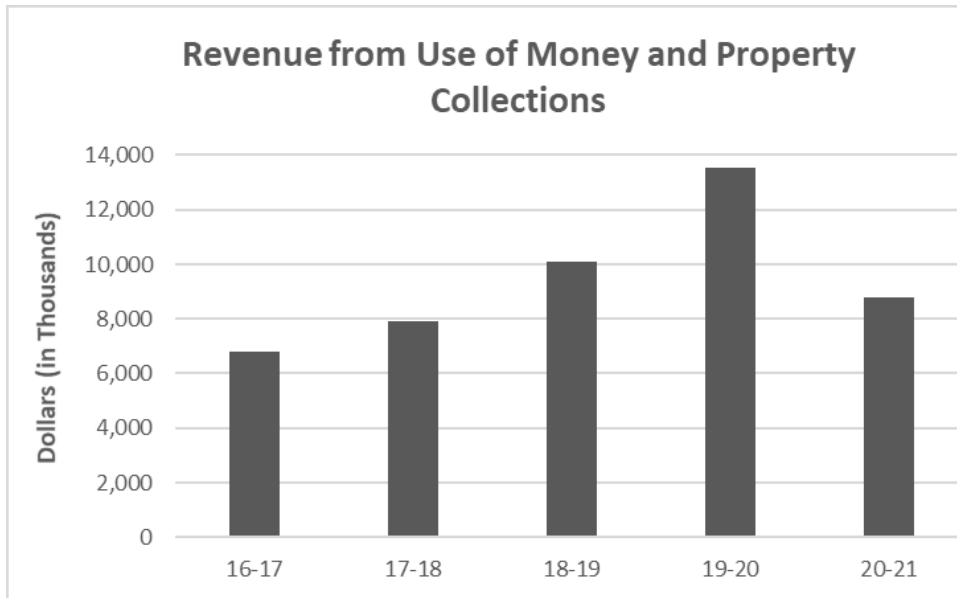
GENERAL FUND REVENUE PERFORMANCE

Revenue from Use of Money and Property

Use of Money and Property	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Interest Earnings on the General Fund	5,927,000	3,773,759	(2,153,241)	(36.3%)
City-Owned Property Rentals	2,944,800	2,432,140	(512,660)	(17.4%)
Digital Inclusion Program	1,955,000	1,459,375	(495,625)	(25.4%)
Subrogation Recovery	500,000	763,688	263,688	52.7%
Other Use of Money and Property	443,000	349,339	(93,661)	(21.1%)
Total	11,769,800	8,778,301	(2,991,499)	(25.4%)

The Use of Money and Property category primarily consists of interest income earned on the General Fund, rental income from various City properties, and subrogation recovery revenues. Collections of \$8.8 million ended the year 25.4% below the 2020-2021 budgeted estimate and 35.1% (\$4.7 million) below the 2019-2020 collection level. The lower than budgeted collection level and the decrease in year-over-year revenue is primarily attributable to lower interest earnings on the General Fund, which is the largest component of this revenue category.

Interest income of \$3.8 million was 36.3% below the budgeted level of \$5.9 million, and 52.0% below



the prior year collection of \$7.9 million. This decrease is primarily due to lower assumed cash balances as the City returned to pre-funding City retirement contributions in 2020-2021 and will do so again in 2021-2022, as well as lower interest earning rates.

Remaining collections in this category include **City-Owned Property**

Rentals, which ended the year \$513,000 below budgeted levels as many tenants were unable to pay rent. **Digital Inclusion Program** revenue of \$1.5 million was \$496,000 below the budgeted estimate, which reflects lower lease revenue received for City-owned light poles from wireless carriers. **Subrogation Recovery** and **Other Uses of Money and Property** ended the year \$170,000 above the budgeted levels.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Revenue from Local Agencies

Revenue from Local Agencies	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Central Fire District	8,240,000	8,136,455	(103,545)	(1.3%)
Paramedic Program	2,800,000	3,783,011	983,011	35.1%
Police BART Reimbursement	2,246,184	2,320,912	74,728	3.3%
Other Local Agency Payments	10,005,555	6,171,596	(3,833,959)	(38.3%)
Total	23,291,739	20,411,974	(2,879,765)	(12.4%)

The Revenue from Local Agencies category contains revenue received from a variety of other local government agencies. The largest sources of revenue are the Central Fire District for fire services provided to County residents by the San José Fire Department, County of Santa Clara for the Paramedic Program, and the Valley Transportation Authority (VTA) reimbursement for police services at the Berryessa Bay Area Rapid Transit (BART) station.

Revenue collections of \$20.4 million ended the year 12.4% (\$2.9 million) below the budgeted estimate of \$23.3 million, which was primarily due to the timing of grant revenue payments. Additionally, 2020-2021 local agency revenue was \$4.8 million, or 30.3%, above the 2019-2020 collection level. The year-over-year increase in revenue is primarily attributable to the VTA reimbursement for police services at the Berryessa BART station (\$2.3 million), which was not received in 2019-2020.

In 2020-2021, the **Central Fire District** payment of \$8.1 million ended the year slightly (1.3%) below the budgeted level; however, revenue was 2.3% above the prior year collection level of \$7.95 million. These payments represent property taxes collected by the Central Fire District for areas of the County served by the San José Fire Department. The year-over-year increase of payments is due to the change in Property Tax valuation in those areas.

Reimbursement from the County of Santa Clara for the first responder advanced life support program (**Paramedic Program**) of \$3.8 million was 35.1% above the budgeted level, and 30.2% above the 2019-2020 collection level of \$2.9 million. The 2020-2021 receipts included the equipment reimbursement component (Annex B, Category A; \$1.45 million) and service-related component (Annex B, Category B; \$2.35 million) and are reflective of the Fire Department’s improved response times for emergency medical service calls.

The 2021-2022 Adopted Budget included the rebudget of revenues for various local grants and reimbursements in the amount of \$809,000. In addition, rebudget and clean-up adjustments totaling \$2.1 million are recommended in this report to account for revenues that were not received 2020-2021, but are now anticipated to be received in 2021-2022. Additional information on the rebudget and clean-up of local agency revenue, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Revenue from the State of California

Revenue from State of California	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Tobacco Settlement	10,200,000	11,488,518	1,288,518	12.6%
Motor Vehicle In-Lieu Tax	500,000	769,511	269,511	53.9%
State Grants	3,781,879	1,800,092	(1,981,787)	(52.4%)
Other State Revenue	6,098,276	6,676,569	578,293	9.5%
Total	20,580,155	20,734,690	154,535	0.8%

The Revenue from the State of California category contains Tobacco Settlement Revenue, State Grants, and Other State Revenue. In 2020-2021, Revenue from the State of California totaled \$20.7 million, which is slightly (0.8%) above the 2020-2021 Modified Budget estimate of \$20.6 million.

The Tobacco Settlement revenue, which is the largest revenue source in this category, totaled \$11.5 million in 2020-2021, which is approximately 13% above the budgeted estimate and the prior year collection level. State grants and other reimbursements totaled \$9.2 million; \$1.1 million below the 2020-2021 Modified Budget level, which was the result of a timing difference of many grants (and their associated expenditures).

The 2021-2022 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$1.1 million. In addition, rebudget and clean-up adjustments totaling \$174,000 are recommended in this report to account for revenues that were not received 2020-2021, but are now anticipated to be received in 2021-2022. Additional information on the rebudget and clean-up of State grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV - Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Revenue from the Federal Government

Revenue from Federal Government	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
Federal Grants	8,022,531	3,733,619	(4,288,912)	(53.5%)
Total	8,022,531	3,733,619	(4,288,912)	(53.5%)

The Revenue from the Federal Government category contains various federal grants and reimbursements. In 2020-2021, Revenue from the Federal Government of \$3.7 million was \$4.3 million (53.5%) below the budgeted estimate of \$8.0 million. The negative variance from the 2020-2021 Modified Budget estimate was primarily the result of the timing of various grants (and their associated expenditures) where the work was not yet completed in 2020-2021.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Revenue from the Federal Government

The 2021-2022 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$3.3 million. In addition, rebudget and clean-up adjustments totaling \$511,000 are recommended in this report to account for revenues that were not received 2020-2021, but are now anticipated to be received in 2021-2022. Additional information on the rebudget and clean-up of Federal grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

Other Revenue

Other Revenue	2020-2021 Budget (\$)	2020-2021 Actuals (\$)	2020-2021 Variance (\$)	2020-2021 Variance (%)
TRANS Proceeds	130,000,000	130,000,000	-	0.0%
Commercial Paper (Fire Training/EOC)	23,400,000	0	(23,400,000)	(100.0%)
City Hall Refunding	17,777,000	17,776,852	(148)	(0.0%)
Other Revenue	22,105,508	19,094,766	(3,010,742)	(13.6%)
Total	193,282,508	166,871,618	(26,410,890)	(13.7%)

The Other Revenue category contains a number of unrelated revenue sources and totaled \$166.9 million in 2020-2021, which was 13.7% below the Modified Budget estimate of \$193.3 million. The 2020-2021 collection level primarily fell short of the budgeted estimate due to the Fire Training Center and Emergency Operations Center (EOC) projects not requiring proceeds from commercial paper in 2020-2021, which is further described below.

The 2020-2021 Modified Budget included revenue of \$23.4 million related to commercial paper proceeds for the Fire Training Center and EOC projects. The Fire Training Center and EOC projects were approved by the City Council in 2020-2021 with a known shortfall of funding in the amount of \$23.4 million. This shortfall was to be funded through \$15 million of a new general obligation bond (2021A Lease Revenue Bonds) issuance, \$4.2 million of Public Safety and Infrastructure Bonds (Measure T) issuance, and \$4.2 million of property sale proceeds from Google for the existing Fire Training Center. Due to the project timelines, the 2020-2021 Modified Budget included revenue of \$23.4 million related to commercial paper proceeds to ensure sufficient funding was available for these projects in advance of the bond issuances and receipt of additional revenue that are anticipated to occur in 2021-2022. However, while the \$23.4 million Commercial Paper authorization was required to encumber the construction contract in 2020-2021, the pace of actual booked expenses did not require the use of Commercial Paper proceeds in 2020-2021. Actions are recommended in this report to rebudget the \$23.4 million of commercial paper proceeds from 2020-2021 to 2021-2022, as well as exchange the commercial paper revenue for the 2021A Lease Revenue Bond proceeds (\$15.0 million), and reallocate expenses to the Measure T Fund (\$4.2 million). Further information regarding these transactions, as well as the recognition of new grant revenues and their associated expenditures, are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Summary

In 2020-2021, total revenue received in the General Fund was \$1.36 billion. This collection level was within 0.9%, or \$12.6 million, of the 2020-2021 Modified Budget. After adjusting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$41.7 million (3.1%) above the Modified Budget estimate. This is an extremely small variance given the diversity of over 450 City revenues, the overall size of the General Fund, the uncertainty created by the pandemic.

The 2020-2021 collection level of \$1.36 billion was \$150.7 million, or 12.5%, above the actual 2019-2020 collections of \$1.20 billion. This year-over-year increase is primarily attributable to the City receiving Tax and Revenue Anticipation Notes (TRANs) in 2020-2021 (\$130.0 million) to facilitate the pre-payment of a portion of the City's 2020-2021 retirement contributions; retirement pre-payment did not occur in 2019-2020. Additionally, the Real Property Transfer Tax did not begin until July 2020, therefore no revenue was received in 2019-2020, compared to \$50.5 million collected in 2020-2021. Partially offsetting the higher revenues is a significant year-over-year decrease related to the Development Fee Program. Revenue totaling \$71.1 million was received in 2019-2020; however, revenue was not captured in the General Fund in 2020-2021 as these revenues (and associated expenditures) were moved out of the General Fund and into specific Development Fee Program funds. After adjusting for these significant variances, revenue in 2020-2021 increased approximately \$41.2 million (3.6%) from the prior year.

As a result of the pandemic and the necessary response to protect community health and safety, economic activity was severely restricted beginning in March 2020. The immediate halt of much of daily economic activity as a result of the shelter-in-place mandate significantly impacted General Fund revenue performance for the remainder of 2019-2020. These impacts continued into 2020-2021; however, as vaccination rates increased and state and local restrictions began to ease, the local economy began to rebound, and accelerated toward the end of the fiscal year, resulting in most 2020-2021 General Fund revenue categories exceeding 2019-2020 levels.

Due to continued uncertainty regarding the long-term impacts the pandemic will have on the local economy, the Administration will continue to actively monitor economic indicators and revenues in 2021-2022 through the Bi-Monthly Financial Report and the Mid-Year Budget Review process, and return to the Mayor and City Council with recommendations for any revisions, if necessary.