

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

PROPERTY TAX

2019-2020 Actual	\$ 369,506,527
2020-2021 Adopted	\$ 370,500,000
2020-2021 Estimate*	\$ 375,828,000
2021-2022 Forecast**	\$ 395,500,000
2021-2022 Adopted	\$ 395,500,000
% of General Fund	25.7 %
% Change from 2020-2021 Adopted	6.7 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

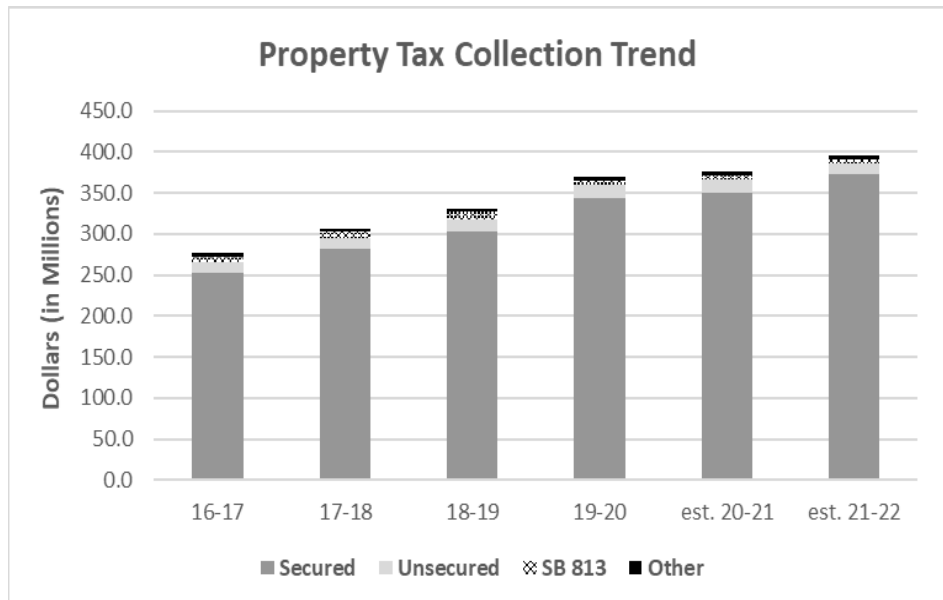
** The 2021-2022 Forecast was increased by \$9.4 million from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Property Tax Category	2021-2022 Adopted Budget
Secured Property Tax	\$ 372,900,000
Unsecured Property Tax	13,500,000
SB 813 Property Tax	5,100,000
Aircraft Property Tax	3,100,000
Homeowner's Property Tax Relief	900,000
Total	\$ 395,500,000

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

In 2020-2021 Property Tax receipts of \$375.8 million are projected, which is almost 2% above the 2019-2020 actual collection level of \$369.5 million. In 2021-2022, Property Tax receipts are anticipated to grow by approximately 5% from estimated 2020-2021 levels to \$395.5 million.

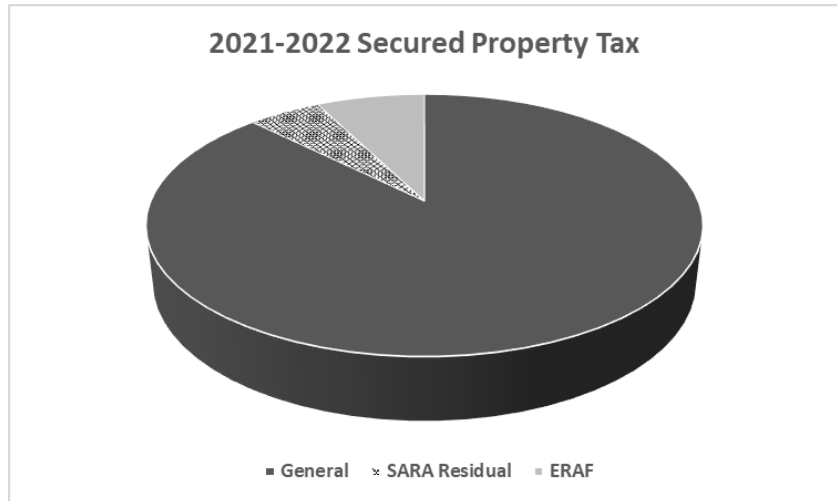


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PROPERTY TAX

Secured Property Tax

Secured Property Taxes account for over 90% of the revenues in this 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, Secured Property Tax receipts are estimated at \$350.0



million, which reflects growth of 1.7% from 2019-2020 collections. In 2021-2022, receipts are anticipated to grow to \$372.9 million, reflecting underlying general growth of 3.5%, plus higher estimated ERAF and SARA Residual Property Tax receipts. Each of the Secured Property Tax categories are further described below.

The general Secured Property Tax receipts are estimated at \$315.1 million in 2020-2021, which is approximately 5% above the 2019-2020 collection level. This growth primarily reflects an increase in assessed value due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. On a County-wide basis, the 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 2021-2022, the general Secured Property Tax receipts (which will be based on real estate activity through January 1, 2021) are estimated to grow by 3.5%, reflecting a 1% CCPI and 2.5% increased valuation. Due to impacts related to the COVID-19 pandemic, the CCPI adjustment for the 2021-2022 tax roll is 1%, which is below the typical prior year level of 2%. In addition, while high residential property sale prices are anticipated to continue being a positive factor driving growth in this category, the COVID-19 pandemic is estimated to continue negatively impacting commercial real estate activity. Therefore, while general Secured Property growth has ranged from 5% to 8% since 2014-2015, growth of only 3.5% is anticipated in 2021-2022.

In addition to the changes in assessed value, Secured Property Tax collections are impacted by excess ERAF revenue. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to 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

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PROPERTY TAX

Secured Property Tax (Cont'd.)

counties that changes were being considered to the calculation formula for ERAF distribution. As a result, the 2020-2021 Adopted Budget assumed 2020-2021 ERAF receipts would drop by 50% from 2019-2020 collections, and total \$11.5 million. However, based on the updated calculation instructions released by the State in March 2021, the 2020-2021 ERAF receipts are estimated at \$23.6 million, which is slightly above the 2019-2020 collections (\$23.1 million) and significantly above the 2020-2021 Budgeted estimate (\$11.5 million). Furthermore, 2021-2022 receipts are estimated to grow approximately 20% from the 2020-2021 collection level and total \$28.0 million.

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 2019-2020, SARA Residual Property Tax receipts totaled \$21.1 million, but are anticipated to drop to \$11.3 million in 2020-2021. 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, resulting in a loss of approximately \$10 million in 2020-2021 to the City of San José. Of this amount, approximately \$7 million reflected a one-time reduction for the payback of prior years, and \$3 million reflected an ongoing decrease. In 2021-2022, SARA Residual Property Tax receipts are estimated at \$18.9 million, which reflects the reinstatement of the one-time payback of \$7 million and underlying growth of 3.5%.

It should be noted that final data on the actual tax levy for 2021-2022 is not yet available as adjustments are made through June 30, 2021. Each month, the County of Santa Clara provides information on the status of the property tax roll for the upcoming year. Some of the adjustments, however, are not reflected until the latter months of a given fiscal year, such as the reassessments of commercial property. Due to the COVID-19 pandemic, larger adjustments to commercial property than normally occur is anticipated. As updated information becomes available, refinements to the Property Tax estimates may be brought forward for City Council consideration.

Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in this category. Growth in this category is driven primarily by increases or decreases 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 actual collections and information provided by Santa Clara County, Unsecured Property Tax receipts are estimated at \$15.8 million in 2020-2021, which is slightly above prior year collections of \$15.5 million. In 2021-2022, due to COVID-19 pandemic's impact on local businesses, Unsecured Property Taxes are estimated to drop 15% and total \$13.5 million.

Other Property Taxes

The remaining Property Tax categories include SB 813 Property Tax receipts, which is estimated at \$6.0 million in 2020-2021 and \$5.1 million in 2021-2022; Aircraft Property Tax receipts, which are estimated at \$3.1 million in 2020-2021 and 2021-2022; and Homeowners Property Tax Relief revenue are anticipated to total approximately \$900,000 in 2020-2021 and 2021-2022.

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SALES TAX

2019-2020 Actual	\$ 260,558,394
2020-2021 Adopted	\$ 242,500,000
2020-2021 Estimate*	\$ 269,000,000
2021-2022 Forecast	\$ 280,200,000
2021-2022 Adopted	\$ 280,200,000
% of General Fund	18.2 %
% Change from 2020-2021 Adopted	15.5 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

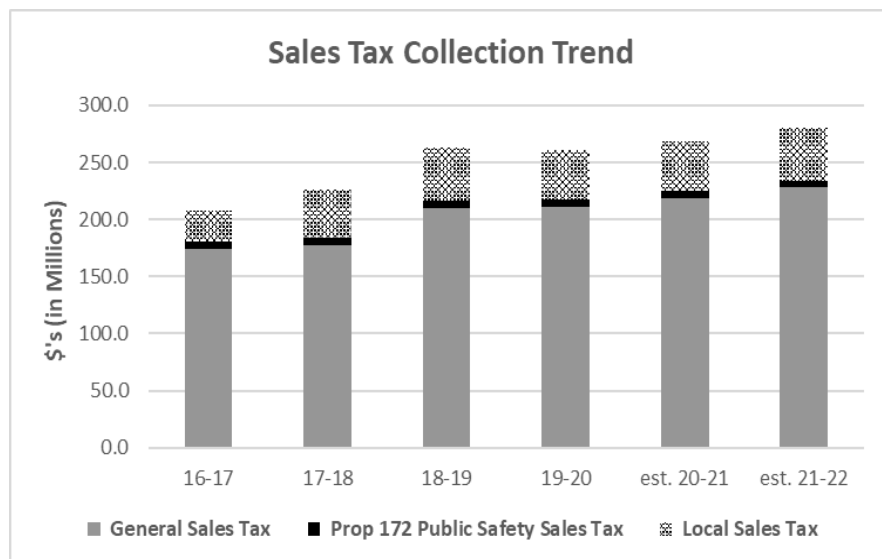
Distribution of Sales Tax

As shown in the following table, the City receives 1.25% of the 9.375% Sales Tax collected for items sold in San José. The distribution percentage includes a 0.25% local transaction and use tax enacted by the City of San José effective October 1, 2016 (limited to 15 years). The City also receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.

Agency	Distribution Percentage
State of California	5.500%
City of San José (Bradley Burns)	1.000%
City of San José (Local Tax)	0.250%
Public Safety Fund (Proposition 172)	0.500%
Santa Clara County (Including VTA)	2.000%
Peninsula Corridor Joint Powers Board (Caltrain)	0.125%
Total	9.375%

Revenue Estimates

In March 2020, as the COVID-19 pandemic rapidly accelerated, the County of Santa Clara instituted a shelter-in-place order, which severely restricted economic activity. The shelter-in-place and subsequent public health orders have impacted almost all sectors of Sales Tax revenue, including retail sales, transportation, and business-to-business.



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SALES TAX

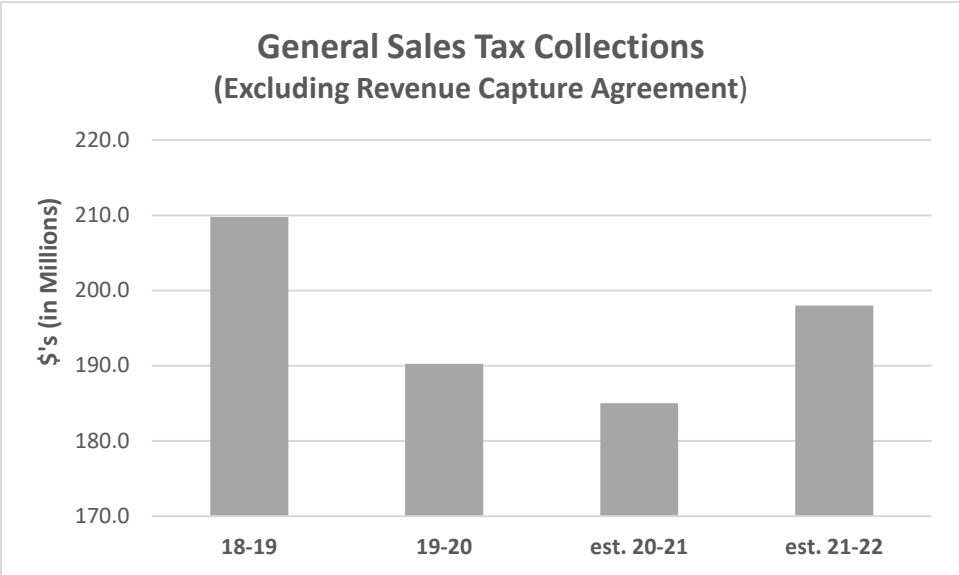
Sales Tax Category	2021-2022 Adopted Budget
General Sales Tax	\$228,000,000
Local Sales Tax	46,000,000
Proposition 172 Sales Tax	6,200,000
Total	\$280,200,000

Information related to Sales Tax payments are distributed from the California Department of Tax and Fee Administration (CDTFA) four times throughout the year: November

(representing July-September activity), February (representing October-December activity), May (representing January-March activity), and August (representing April-June activity). Based on information received through February 2021 (which reflects two quarters of Sales Tax activity; from July 2020 through December 2020), it is anticipated that 2020-2021 Sales Tax revenue will total \$269.0 million. In 2021-2022, receipts are estimated to grow approximately 4% and total \$280.2 million.

General Sales Tax

General Sales Tax is the largest driver of the Sales Tax category and accounts for approximately 80% of all Sales Tax receipts. General Sales Tax receipts for the 1st quarter (sales tax activity for July-September) and 2nd quarter (sales tax activity for October-December) were received in



November 2020 and February 2021, respectively. When excluding revenue associated with the Revenue Capture agreement with eBay, Inc. (which was not received in the 1st quarter of 2019-2020), receipts in 2020-2021 have declined approximately 9% from the 2019-2020 collection level. However, 3rd and 4th quarter receipts (January through June activity) are anticipated to experience growth of 5%-6% compared to 2019-2020 levels, which had significant declines due to the strict shelter-in-place mandates that began in March 2020. Based on these assumptions, General Sales Tax collections are anticipated to total \$219.0 million in 2020-2021, which is \$7.0 million above the 2020-2021 Budgeted estimate (\$212.0 million), but reflects a decrease of 3% from the 2019-2020 collection level (excluding the Revenue Capture Agreement, which was only received for three quarters of 2019-2020).

The City's Sales Tax consultant, Avenu Insights & Analytics, has provided performance data for General Sales Tax revenue, as displayed on the chart on the following page. This analysis measures the first and second quarter General Sales Tax receipts for 2019-2020 and 2020-2021, excluding Sales Tax associated with the Revenue Capture Agreement.

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SALES TAX

General Sales Tax (Cont'd.)

**General Sales Tax Revenue Performance (Economic Basis)
First and Second Quarter Payment**

Category	2020-2021 % of Total Revenue	2019-2020 % of Total Revenue	% Change of Revenue Received by Category
Business-to-Business	18.5%	18.5%	(14.4%)
Construction	10.3%	8.9%	(1.3%)
Food Products	13.2%	15.2%	(25.7%)
General Retail	15.4%	19.3%	(31.4%)
Transportation	16.1%	18.8%	(26.6%)
Miscellaneous	0.5%	0.6%	(26.2%)
County Pool	26.0%	18.7%	19.7%
Total	100.0%	100.0%	

As can be seen in the table above, with the exception of the County Pool, all other categories have all experienced year-over-year declines. The categories most significantly impacted include Business-to-Business, Food Products, General Retail (includes Apparel Stores, Department Stores, Furniture/Appliance Stores, Drug Stores, Recreation Products, and Florist/Nurseries), and Transportation. However, the County Pool, which is where the majority of online transactions are captured, has experienced growth. This growth is attributable to the surge in online purchases during the pandemic, and 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.

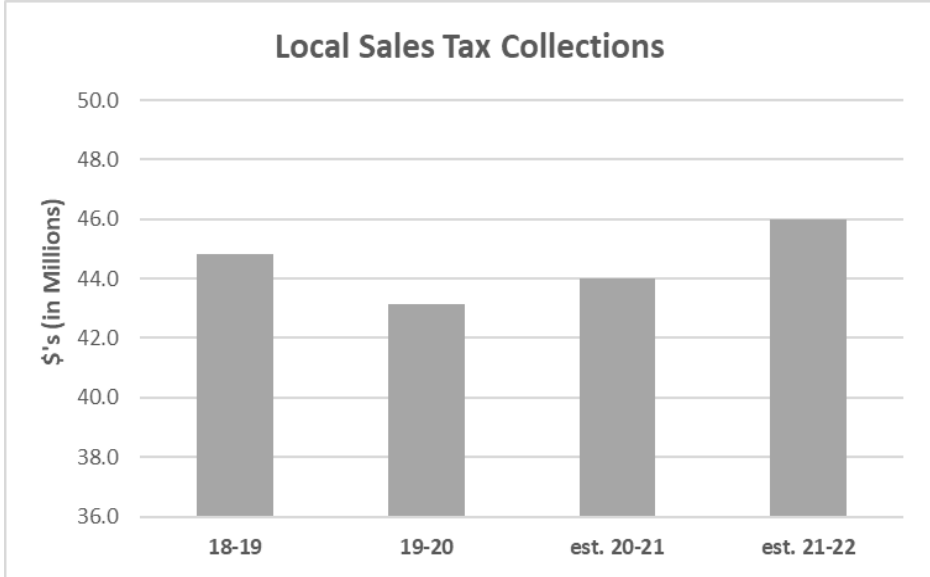
In 2021-2022, as the COVID-19's vaccine rollout continues and public health restrictions are relaxed, General Sales Tax activity is anticipated to improve. The 2021-2022 General Sales Tax revenue is anticipated to experience underlying growth of 7%; however, it is also estimated that collections associated with the Revenue Capture Agreement may decrease slightly as people shift some online spending to general retail (brick and mortar) shopping. Therefore, the 2021-2022 General Sales Tax estimate of \$228 million reflects underlying growth of 7%, but overall growth of only 4% from the prior year collection level.

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SALES TAX

Local Sales Tax

In June 2016, San José voters approved a ¼ cent Local Sales Tax, which was implemented in October 2016. Local Sales Tax is generated based on the destination of the purchased product; therefore, all out-of-state online retailers (including marketplace facilitators) sales tax collections are directly distributed to the City of San José, versus the General Sales Tax



revenue that is deposited in the County Pool, where the City only receives approximately 40% - 50% of the proceeds. Due to this distinction, Local Sales Tax revenue may not always experience the same rates of growth and decline as General Sales Tax receipts.

Similar to General Sales Tax, Local Sales Tax receipts for the first quarter (sales tax activity for July-September) and for the second quarter (sales tax activity from October-December) were received in November 2020 and February 2021, respectively. Receipts through the first two quarters reflect a decline of approximately 5% from the prior year. However, 3rd and 4th quarter receipts (January through June activity) are anticipated to have growth of 10% compared to 2019-2020 levels, which had suppressed collection levels due to the strict shelter-in-place mandates that began in March 2020. Based on these assumptions, Local Sales Tax collections are anticipated to total \$44 million in 2020-2021, which is fairly consistent with the 2019-2020 collection level. In 2021-2022, Local Sales Tax revenue is anticipated to grow approximately 5% to \$46.0 million. This increase reflects improvements due to the anticipation of pandemic-related restrictions continuing to ease and the economy continuing to improve.

Public Safety (Proposition 172) Sales Tax

Proposition 172 Sales Tax collections (representing the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are expected to total \$6.0 million in 2020-2021 and grow approximately 4% to \$6.2 million in 2021-2022.

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TRANSIENT OCCUPANCY TAX

2019-2020 Actual	\$ 14,103,867
2020-2021 Adopted	\$ 9,000,000
2020-2021 Estimate*	\$ 5,500,000
2021-2022 Forecast	\$ 10,000,000
2021-2022 Adopted	\$ 10,000,000
% of General Fund	0.6 %
% Change from 2020-2021 Adopted	11.1 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Distribution of Transient Occupancy Tax

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

Revenue Estimates

In 2020-2021, Transient Occupancy Tax (TOT) receipts in the General Fund (which represent 40% of the total tax) are estimated to reach \$5.5 million, reflecting a 61% drop from the 2019-2020 collection level of \$14.1 million, and a 73% decline from the 2018-2019 collection level of \$20.5 million. The drastic decline in TOT receipts beginning in spring 2020



illustrate the contraction in hotel activity in response to the pandemic. Through June 2021, the average hotel occupancy rate reported for the San José market was 39.2%, a considerable drop from the same period in 2019-2020 (57.6%). Average room rates also decreased by 43.4%, from \$181.72 to \$102.91, and the year-to-date average revenue-per-available room (RevPAR) decreased 61.5%, from \$104.60 to \$40.29, relative to the same period in 2019-2020.

Beginning in 2021-2022, as vaccines become more widely available and travel restrictions are lifted, hotel activity is anticipated to steadily rebound. As a result, TOT receipts are estimated to increase by over 80%, to \$10.0 million in 2021-2022, but remain significantly below 2018-2019 collections of \$20.5 million as business and leisure travel activity will take time to fully recover.

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FRANCHISE FEES

2019-2020 Actual	\$ 44,435,817
2020-2021 Adopted	\$ 45,921,096
2020-2021 Estimate*	\$ 45,645,000
2021-2022 Forecast	\$ 44,501,000
2021-2022 Adopted	\$ 44,651,652
% of General Fund	2.9 %
% Change from 2020-2021 Adopted	(2.8 %)

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Franchise Category	2021-2022 Adopted Budget
Electric	\$ 17,900,000
Gas	5,900,000
Commercial Solid Waste	12,420,652
Cable Television	8,100,000
City Generated Tow	50,000
Great Oaks Water	216,000
Nitrogen Gas Pipeline Fees	65,000
Total	\$ 44,651,652

Franchise Fees are collected in the Electricity, Gas, Commercial Solid Waste, Cable, City-Generated Tow, Water, and Nitrogen Gas Pipeline categories. Overall, collections are projected at \$45.7 million in 2020-2021, which is approximately 3% above the prior year receipts of \$44.4 million. In 2021-2022, Franchise Fees are expected to decrease 2.5% to \$44.7 million, which primarily reflects drops in the Electric, Gas, and Cable Franchise Fees.

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 2020-2021 are based on calendar year 2020 and revenues in 2021-2022 will be based on calendar year 2021). Year-end estimates are typically based upon an examination of electricity and gas rate changes, industry actions, and actual collection patterns in the utility tax categories. The reconciliation of annual receipts from PG&E for 2020-2021 were received in April 2021 and were close to anticipated levels.

Electricity Franchise Fee

In the Electricity Franchise Fee category, collections in 2020-2021 are anticipated to reach \$18.8 million, reflecting growth of almost 9% from the 2019-2020 receipts. This estimate takes into consideration the actual collection patterns for electricity utility tax receipts in calendar year 2020. Due to the COVID-19 pandemic and the resulting stay-at-home orders, electricity usage increased in late 2019-2020 through 2020-2021, which will result in higher Electricity Franchise Fee receipts.

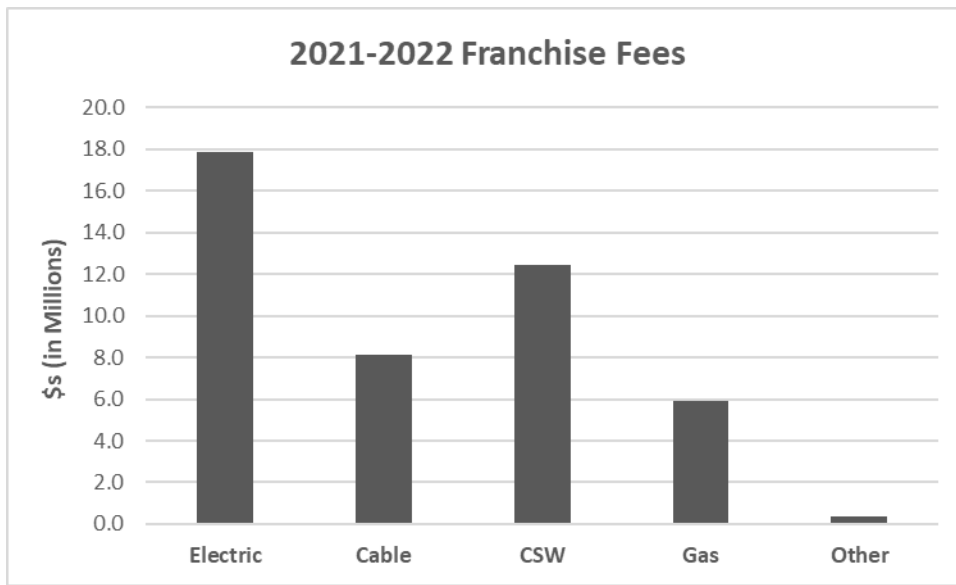
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FRANCHISE FEES

Electricity Franchise Fee (Cont'd.)

However, as pandemic-related restrictions continue to ease and the COVID-19 vaccine becomes more widely available, people will continue returning to work and school, which may negatively impact fee receipts in 2021-2022. Therefore, in 2021-2022, Electricity Franchise Fee collections are projected to decrease by approximately 5% to \$17.9 million.

Gas Franchise Fee



In the Gas Franchise Fee category, the 2020-2021 estimated collections of \$6.0 million reflects an approximately 2.0% increase from prior year receipts of \$5.9 million. This estimate takes into consideration the actual collection patterns for gas utility tax receipts in calendar year 2019. Similar to the Electric Franchise

Fee, gas usage increased in late 2019-2020 through 2020-2021 due to more people staying at home. However, in 2021-2022 Gas Franchise Fee collections are projected to decrease by approximately 2% to \$5.9 million as more people return to work and school. It is important to note, however, that receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

Commercial Solid Waste Fee

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach \$12.3 million in 2020-2021, 1.8% above the prior year collections, which is due to the 2020-2021 CPI-based increase. Collections reflect the revised methodology for assessing this fee that became effective July 1, 2012. On October 19, 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is a base of \$5 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and the South District. This revised structure is subject to an annual increase based on the percentage change in the CPI rate during the prior two calendar years. It should be noted that this increase is not automatic and is subject to City Council approval each year. Therefore, the 2021-2022 Forecast estimate of \$12.3 million does not automatically assume a CPI adjustment. The CPI adjustment, instead

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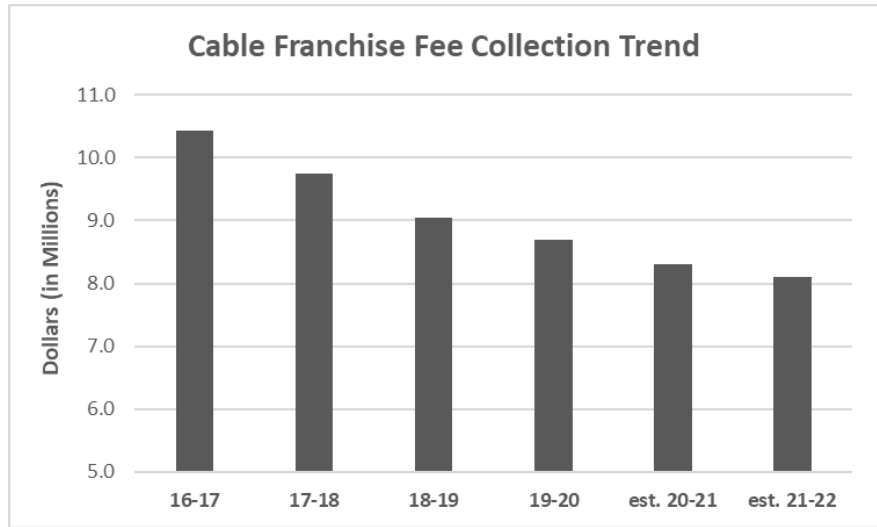
FRANCHISE FEES

Commercial Solid Waste Fee (Cont'd.)

is recommended each year during the budget process. The 2021-2022 Adopted Budget includes an action to increase the CPI by 1.23%, which will generate an additional \$150,652 in Commercial Solid Waste Fee revenue, bringing the budget estimate to \$12.4 million in 2021-2022.

Cable Television Fee

In the Cable Franchise Fee category, the estimated 2020-2021 collections of \$8.3 million is 4.5% below the prior year receipts of \$8.7 million. In addition, revenue in 2021-2022 is anticipated to drop an approximate 2.5% to \$8.1 million. As people continue to move from cable to less expensive streaming options (that do not include a Franchise Fee), this revenue source is anticipated to continue to decline.



Other Franchise Fees

Remaining franchise fees include the City Generated Tow, Great Oaks Water, and Nitrogen Gas Pipeline categories. City Generated Tow receipts are estimated at \$0 in 2020-2021 and \$50,000 in 2021-2022 (these low levels are associated with the pandemic's impact on the City Tow program), Great Oaks Water receipts are estimated at \$210,000 in 2020-2021 and \$216,000 in 2021-2022, and Nitrogen Gas Pipeline receipts are estimated at \$65,000 in 2020-2021 and 2021-2022.

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UTILITY TAXES

2019-2020 Actual	\$ 99,518,300
2020-2021 Adopted	\$ 95,800,000
2020-2021 Estimate*	\$100,160,000
2021-2022 Forecast	\$ 97,060,000
2021-2022 Adopted	\$ 97,060,000
% of General Fund	6.3 %
% Change from 2020-2021 Adopted	1.3 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

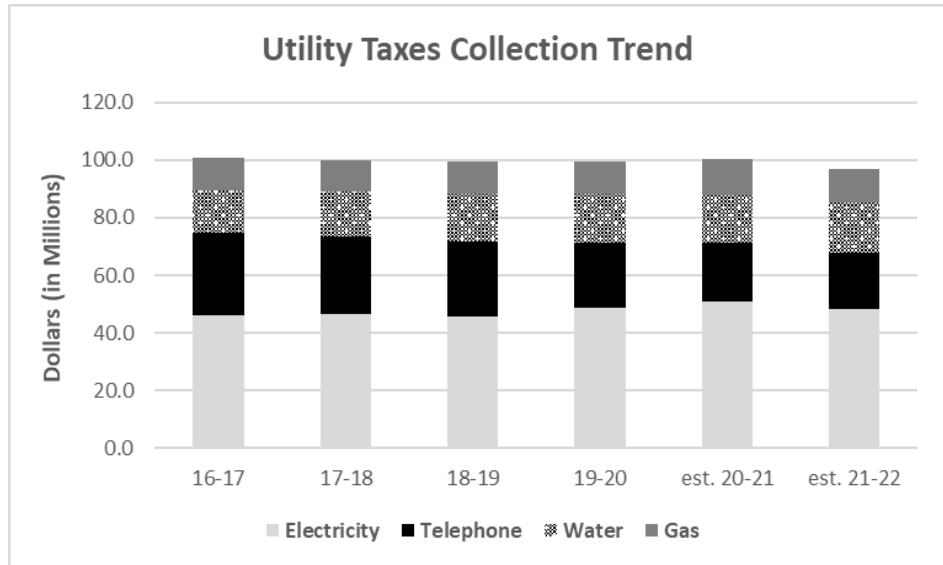
Revenue Estimates

Utility Taxes Category	2021-2022 Adopted Budget
Electricity	\$ 48,500,000
Gas	11,700,000
Telephone	19,260,000
Water	17,600,000
Total	\$ 97,060,000

Utility Taxes are imposed on electricity, gas, telephone, and water usage. Collections in 2020-2021 are anticipated to total \$100.2 million, which is slightly above the 2019-2020 collection level of \$99.5 million. In 2021-2022, Utility Tax collections are projected to decrease approximately 3% to \$97.1 million.

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$51.1 million in 2020-2021, a 5% increase from prior year levels. Due to the COVID-19 pandemic and the resulting stay-at-home orders, electricity usage increased in late 2019-2020 through 2020-2021, which is driving up the Electricity Utility



Tax receipts. However, as pandemic-related restrictions continue to ease and the COVID-19 vaccine becomes more widely available, people are continuing to return to work and school, which may result in less Electricity Utility Tax receipts in 2021-2022. Therefore, the 2021-2022, Electricity Utility Tax revenues are estimated to decrease by 5% to \$48.5 million.

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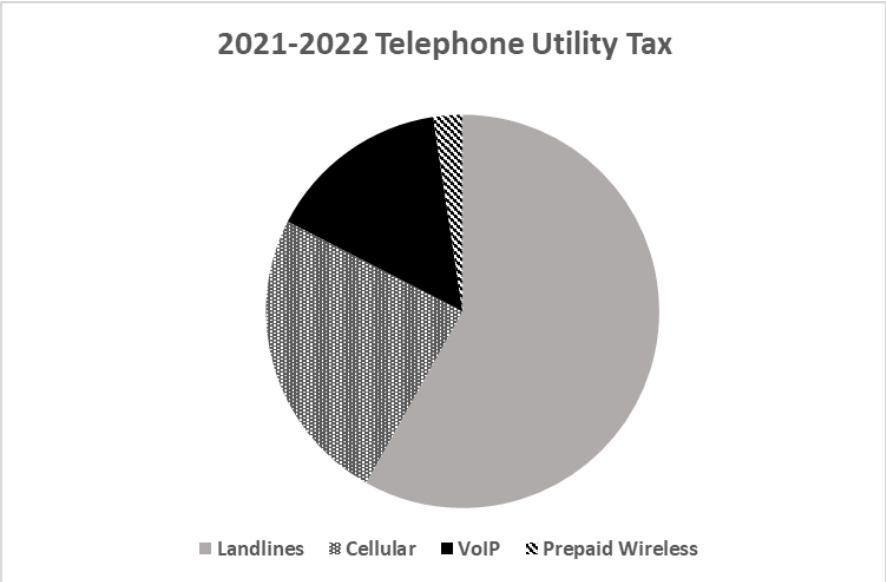
UTILITY TAXES

Gas Utility Tax

The Gas Utility Tax is anticipated to generate \$12.3 million in 2020-2021, a 9.6% increase from the 2019-2020 collection level. Similar to the Electricity Utility Tax, gas usage increased in late 2019-2020 through 2020-2021, due to the stay-at-home orders. Additionally, gas rates have risen, which increases collection levels. In 2021-2022, as more people return to work and school, Gas Utility Tax receipts are anticipated to decrease by approximately 5% to \$11.7 million. It is important to note, however, that receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

Telephone Utility Tax

In the Telephone Utility Tax category, revenues are collected on landlines, cellular, VoIP, and prepaid wireless services sold at retail locations. Receipts in 2020-2021 are projected at \$20.3 million, an 11% drop from the 2019-2020 collection level. In 2021-2022, receipts are anticipated to decrease an additional 5% to \$19.3 million. The decline in this revenue category is the result of wireless consumers shifting to less expensive



prepaid wireless plans, competition with cellular companies that keep prices down, and that the data component of wireless plans is not taxable.

Water Utility Tax

Based on current year collection levels, Water Utility Tax receipts of \$16.5 million are anticipated to be received in 2020-2021; a decrease of almost 2.5% from the 2019-2020 collection level. In 2021-2022, water rates are anticipated to rise, therefore Water Utility Tax receipts are estimated at \$17.6 million, which reflects an approximate 6.5% increase from the 2020-2021 anticipated collection level.

CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES

2019-2020 Actual	\$ 70,822,027
2020-2021 Adopted	\$ 70,900,000
2020-2021 Estimate*	\$ 63,400,000
2021-2022 Forecast	\$ 74,500,000
2021-2022 Adopted	\$ 74,500,000
% of General Fund	4.8 %
% Change from 2020-2021 Adopted	5.1 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Business Taxes Category	2021-2022 Adopted Budget
General Business Tax	\$ 25,700,000
Cardroom Tax	20,000,000
Cannabis Business Tax	17,500,000
Disposal Facility Tax	11,300,000
Total	\$ 74,500,000

The Business Taxes category consists of the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Business Taxes are estimated to reach \$63.4 million in 2020-2021, a 10.5% drop from prior year levels, which is primarily due to decreased Cardroom and General Business Tax revenues. In 2021-2022, Business Taxes revenues are anticipated to increase 17.5% to \$74.5 million.

General Business Tax

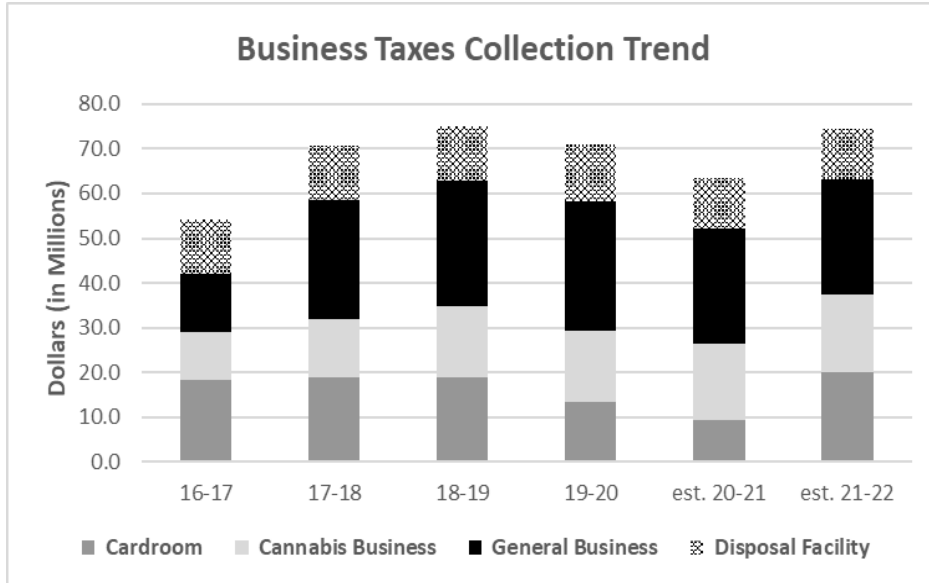
Beginning in 2017-2018, General Business Tax collections reflect the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax included increasing the base tax, increasing the incremental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

In 2020-2021, General Business Tax proceeds are anticipated to reach \$25.7 million, which is approximately 11% below the 2019-2020 collection level. This decrease reflects the COVID-19 pandemic's impact on local businesses. In 2021-2022, General Business Tax revenue is anticipated to remain flat as a result of a moderate annual inflation rate change of 1.6%, offset by reduced activity levels.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

BUSINESS TAXES

Cardroom Business Tax



In 2020-2021, Cardroom Business Tax receipts are estimated at \$9.4 million, a 30% drop from the 2019-2020 collection level, and a 50% drop from the 2018-2019 collection level. As a result of the shelter-in-place mandate, cardrooms suspended operations in March 2020 and remained closed through August 2020. In September, public health orders were

modified to allow cardrooms to begin outdoor operations with social distance requirements. However, cardrooms were only open for a limited period before further health orders by Santa Clara County and then subsequently the State of California resulted in the closure of cardrooms from November 30, 2020 through January 27, 2021. Cardrooms are once again operational, under modified restrictions. In 2021-2022, as pandemic-related restrictions continue to ease, Cardroom Tax receipts are anticipated to increase to \$20.0 million. The estimates for Cardroom Tax receipts are inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021.

Cannabis Business Taxes

Cannabis Business Taxes are currently being collected at a 10% rate on gross receipts as approved by the voters in Ballot Measure U in 2010. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational marijuana use in the State of California. With this change, the sale of recreational cannabis at the 16 licensed dispensaries in San José began in January 2018. Based on current collection trends, it is anticipated Cannabis Business Tax receipts will total \$17.0 million in 2020-2021, which is 6.8% above the prior year collections. In 2021-2022 receipts are projected to grow by approximately 3% to \$17.5 million.

Disposal Facility Tax

Disposal Facility Taxes (DFT) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream can vary due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. Based on current collection trends, 2020-2021 DFT collections are estimated at \$11.3 million, representing a 9.7% drop from 2019-2020 collection levels. In 2021-2022, receipts are anticipated to remain flat at \$11.3 million.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET**

GENERAL FUND REVENUE ESTIMATES

REAL PROPERTY TRANSFER TAX	
2019-2020 Actual	\$ 0
2020-2021 Adopted	\$ 30,000,000
2020-2021 Estimate*	\$ 40,000,000
2021-2022 Forecast	\$ 40,000,000
2021-2022 Adopted	\$ 40,000,000
% of General Fund	2.6 %
% Change from 2020-2021 Adopted	33.3 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

On March 3, 2020, San José voters approved Measure E, the Real Property Transfer Tax. This new tax, which became effective on July 1, 2020, is imposed at a tiered level for property transfers (sales) over \$2.0 million. In 2020-2021 and 2021-2022, collections are estimated at \$40.0 million, which will be expended on homeless prevention and affordable housing projects and programs. While collections may exceed these estimates, the Administration is taking a conservative approach since this is a new tax, and because tax receipts are significantly influenced by property transfers that exceed \$10 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. Additional information regarding the use of funds related to the Real Property Transfer Tax is provided in the *General Fund Capital, Transfers, and Reserves* section of this document.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

TELEPHONE LINE TAX

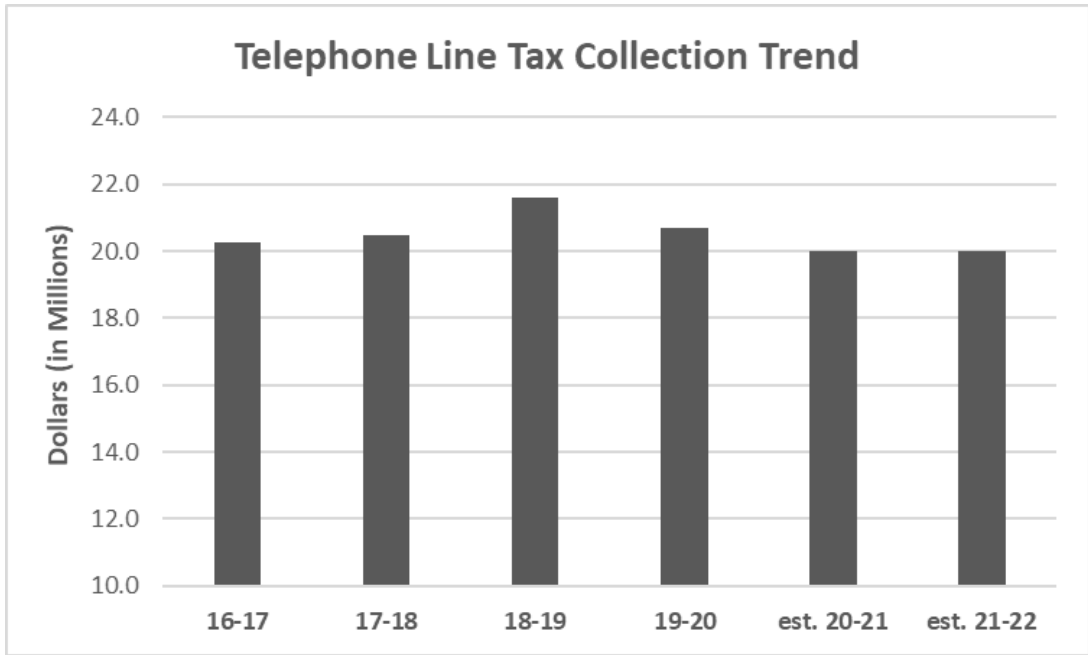
2019-2020 Actual	\$ 20,694,877
2020-2021 Adopted	\$ 20,000,000
2020-2021 Estimate*	\$ 20,000,000
2021-2022 Forecast	\$ 20,000,000
2021-2022 Adopted	\$ 20,000,000
% of General Fund	1.3 %
% Change from 2020-2021 Adopted	0.0 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

In November 2008, voters approved Measure J, a tax that is collected from telephone users on their telephone bills. The tax amount, which does not grow with inflation, is \$1.57 per telephone line per month and \$11.82 per commercial type trunk line. Exemptions to the tax include low-income seniors and disabled persons who receive lifeline telephone service.

Based on the current collection trend and historical patterns, Telephone Line Tax receipts in 2020-2021 are estimated at \$20.0 million, which is fairly consistent with the 2019-2020 actual collection level of \$20.7 million. Given the steady nature of the tax collections in this category, receipts are anticipated to remain at \$20.0 million in 2021-2022.



**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

LICENSES AND PERMITS

2019-2020 Actual	\$ 64,520,529
2020-2021 Adopted	\$ 20,023,167
2020-2021 Estimate*	\$ 19,861,147
2021-2022 Forecast**	\$ 19,945,090
2021-2022 Adopted	\$ 21,002,985
% of General Fund	1.4 %
% Change from 2020-2021 Adopted	4.9 %

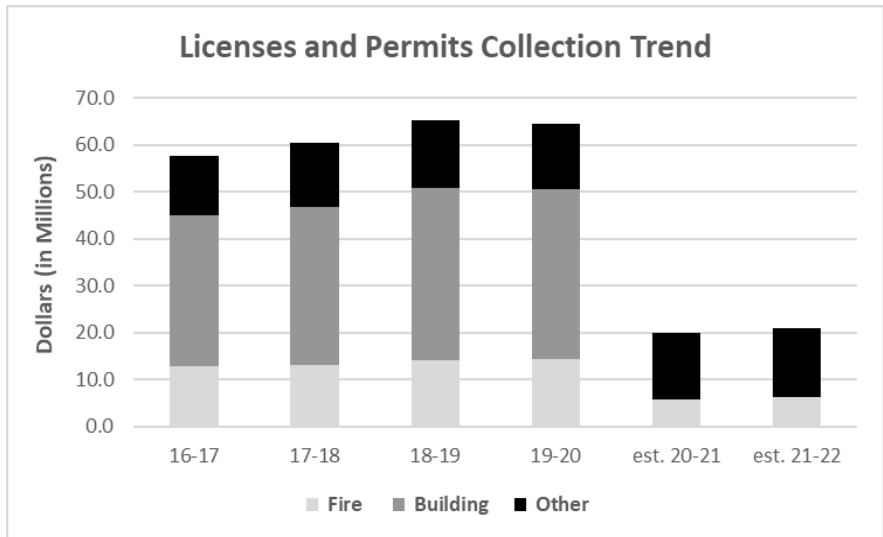
* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2021-2022 Forecast was increased by \$402,447 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Licenses and Permits Category	2021-2022 Adopted Budget
Fire Permits	\$6,132,931
Other Licenses and Permits	14,870,054
Total	\$ 21,002,985

The Licenses and Permits category contain fees and charges collected by various departments. Historically, a significant portion of the revenue captured in this category were associated with Building and Fire development-related fees. However, beginning in 2020-2021, all revenue and expenditures related to the Development Fee Programs are no longer captured in the General Fund, and are instead allocated to specific Development Fee Program Funds. As before, the Development Fee Programs will remain at 100% cost recovery.



Remaining non-development fees, the largest of which are Fire Permits, are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund. The Licenses and Permits category is estimated to total \$19.9 million in 2020-2021 and grow to \$21.0 million in 2021-2022. The 2021-2022 Adopted Budget includes an action

to increase the Fire Department Non-Development Fee revenue by \$454,291 (approximately 8%) and Other Licenses and Permits by \$603,604 to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

FEES, RATES, AND CHARGES

2019-2020 Actual	\$ 48,568,307
2020-2021 Adopted	\$ 25,575,702
2020-2021 Estimate*	\$ 6,722,237
2021-2022 Forecast**	\$ 14,701,048
2021-2022 Adopted	\$ 14,832,684
% of General Fund	1.0 %
% Change from 2020-2021 Adopted	(42.0 %)

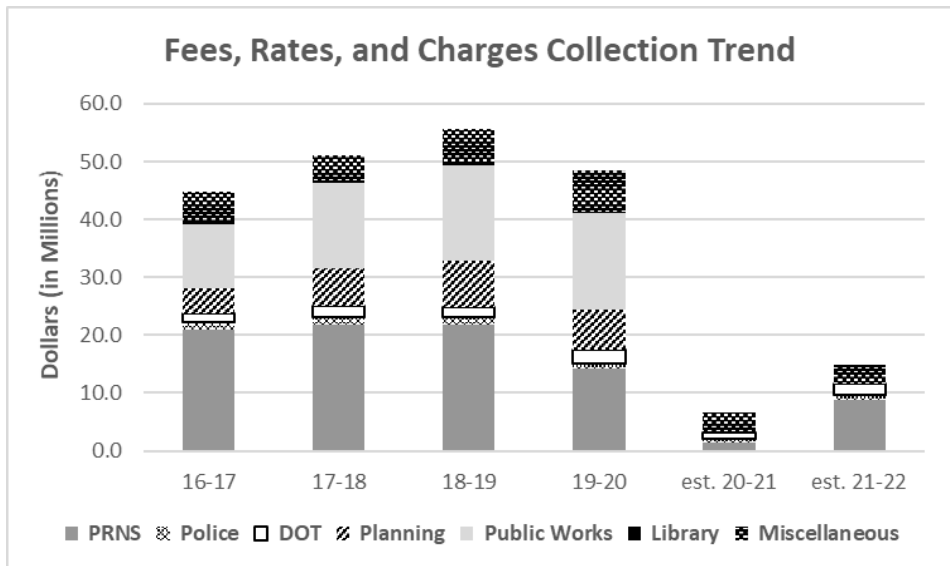
* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2021-2022 Forecast was increased \$110,709 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2021-2022 Adopted Budget
Parks, Recreation and Neighborhood Services	\$ 8,788,000
Transportation	1,795,942
Police	978,308
Library	72,500
Miscellaneous	3,197,934
Total	\$ 14,832,684

The Fees, Rates, and Charges revenue category includes various fees and charges levied to recover costs of services provided by several City departments. Historically, a significant portion of the revenue captured in this category were associated with Planning and Public Works development-related fees. However, beginning in 2020-2021, all revenue and expenditures related to the Development Fee Programs are no longer captured in the General Fund, and are instead allocated to specific Development Fee Program Funds. As before, the Development Fee Programs will remain at 100% cost recovery.



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 are no longer captured in the General Fund, and are instead allocated to specific Development Fee Program Funds. As before, the Development Fee Programs will remain at 100% cost recovery.

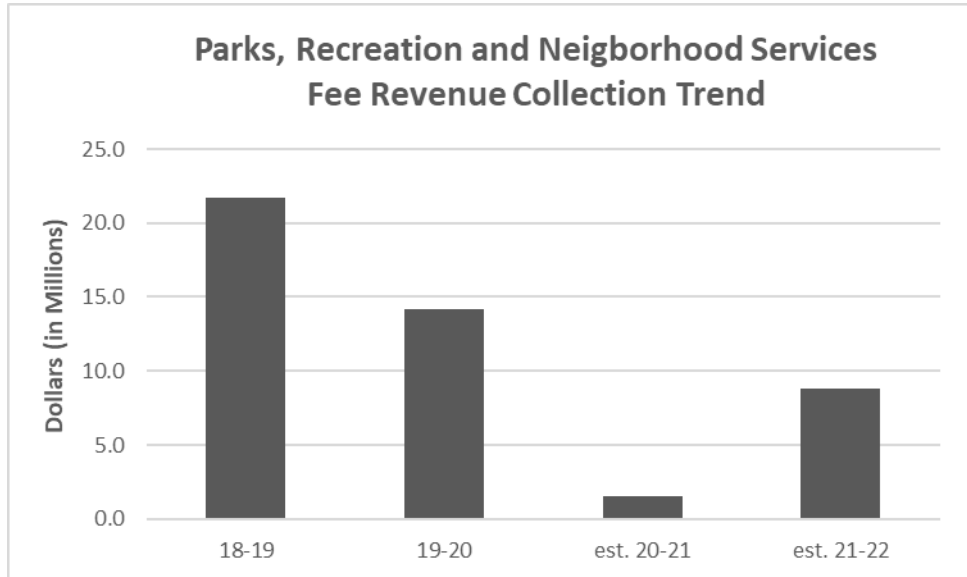
CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

Remaining non-development fees are projected based on estimated activity levels and City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund. In 2020-2021, the Fees, Rates, and Charges category is estimated at \$6.7 million, which is deeply below historical collection levels of approximately \$30 million. This drop is primarily attributable to Parks, Recreation and Neighborhood Services (PRNS) fee collections, which has been significantly impacted by the pandemic-related health orders. In 2021-2022, as restrictions continue to ease, Fees, Rates, and Charges revenue is anticipated to grow to \$14.8 million, though a full return to normal activity levels and operations is not expected. The 2021-2022 Adopted Budget includes actions to increase Transportation Fee revenue by \$160,040 to reflect an increase in the Micro Mobility Permit Program (\$87,300), One-way Vehicle Permit Program (\$13,290), and to align various Transportation Department revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels (\$59,450). In addition, the 2021-2022 Adopted Budget includes actions to increase Police Fee revenue (\$84,033), Public Works Fee revenue (\$42,000), and Planning, Building and Code Enforcement Fee revenue (\$37,563) to align various revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. Finally, actions are included in the 2021-2022 Adopted Budget to decrease PRNS fee revenue by \$192,000, which are further described below.

Parks, Recreation and Neighborhood Services Fees

As mentioned above, PRNS fee revenue has been significantly impacted by pandemic-related health orders. PRNS program delivery and revenue generation has experienced significant 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 2020-2021, PRNS Fee Revenue is estimated at \$1.5 million, which is far below the 2019-2020 actual collection level of \$14.2 million and the 2018-2019 actual collection level of \$21.7 million. In 2021-2022, PRNS Fee revenue is anticipated to grow to \$8.8 million, which includes a reduction to Family Camp revenue (-\$177,000), as camp operations are suspended for 2021 due to the pandemic, and a reduction to Summer Swim (-\$15,000), which allows for recreational swim to be offered at no cost in summer 2021. Family Camp operations are expected to resume for 2022.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

FINES, FORFEITURES, AND PENALTIES

2019-2020 Actual	\$ 14,383,145
2020-2021 Adopted	\$ 15,730,100
2020-2021 Estimate*	\$ 6,085,000
2021-2022 Forecast	\$ 8,676,000
2021-2022 Adopted	\$ 8,676,000
% of General Fund	0.6 %
% Change from 2020-2021 Adopted	(44.8 %)

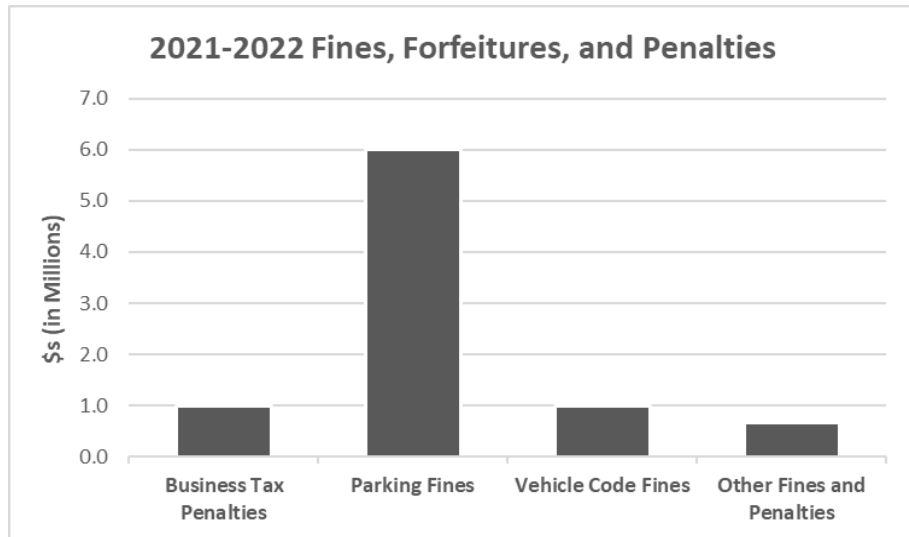
* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Fines, Forfeitures, and Penalties revenue in 2020-2021 is estimated at \$6.1 million, which is almost 60% below the 2019-2020 actual collection level. This significant drop in revenue is primarily attributable to lower Parking Fines, which are further discussed below. In 2021-2022 as health orders restrictions continue to ease, Fines, Forfeitures, and Penalties are anticipated to increase almost 50% to \$8.7 million.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. The 2021-2022 estimate for Parking Fines totals \$6.0 million, which is consistent with the 2020-2021 Modified Budget estimate. These levels are far below historical Parking Fine collections of



of approximately \$11 million - \$12 million annually. Parking Fines activity has been significantly impacted by the pandemic as the Transportation Department have only been performing limited citations related to meter violations, and overall parking demand has fallen. Beginning in January 2021, the enforcement of posted street sweeping restrictions was reintroduced and overnight parking restrictions followed in March 2021. At this time, it is expected that additional enforcement activities will continue to be reviewed and redeployed as resources allow. In summer 2021 the reactivation of some Residential Permit Parking Zones parking compliance is anticipated. Issuance of citations for non-compliance with safety-related and street sweeping parking violations, such as parking in a bike path or blocking disabled sidewalk access, or parking in a posted No Parking zone for street sweeping activities, is one tool the Transportation Department uses to heighten awareness around roadway safety, with the goal of changing driver behavior.

CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

2019-2020 Actual	\$ 13,523,097
2020-2021 Adopted	\$ 11,754,800
2020-2021 Estimate*	\$ 9,471,000
2021-2022 Forecast	\$ 9,304,000
2021-2022 Adopted	\$ 9,304,000
% of General Fund	0.6 %
% Change from 2020-2021 Adopted	(20.8 %)

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

The Revenue from the Use of Money and Property category consists of revenue associated with the rental of City-owned property, subrogation recovery efforts, interest income, and small cell lease revenue. Overall revenue in this category is anticipated to generate \$9.5 million in 2020-2021 and reduce slightly to \$9.3 million in 2021-2022.

Rental of City-Owned Property

Collections reflected in the Rental of City-Owned Properties category include revenue related to the City Hall lease to the United States Patent and Trademark Office (USPTO), rental of communications facilities, and rental of various City-owned properties. In 2020-2021 Rental of City-Owned Property revenue totaling \$2.7 million is anticipated, which is significantly below the 2019-2020 collection level of \$3.2 million. However, in 2021-2022 collections are anticipated to normalize at \$3.1 million. Due to the pandemic, City-owned property rentals dropped in 2020-2021 as tenants unable to pay rent were protected by a County eviction moratorium.

General Fund Interest Earnings

The interest earnings collection on the General Fund in 2020-2021 and 2021-2022 is estimated at \$4.0 million, which is significantly lower than the \$7.9 million generated in 2019-2020. 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.

Small Cell Lease Revenue

Lease revenue received for small cells represents revenue for lease of City-owned light poles from wireless carriers including Verizon, Mobilitie, and AT&T. In 2021-2022 revenues are anticipated to total \$1.3 million, which is set aside in the Digital Inclusion Fund allocation in City-Wide Expenses section of this document.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

REVENUE FROM LOCAL AGENCIES

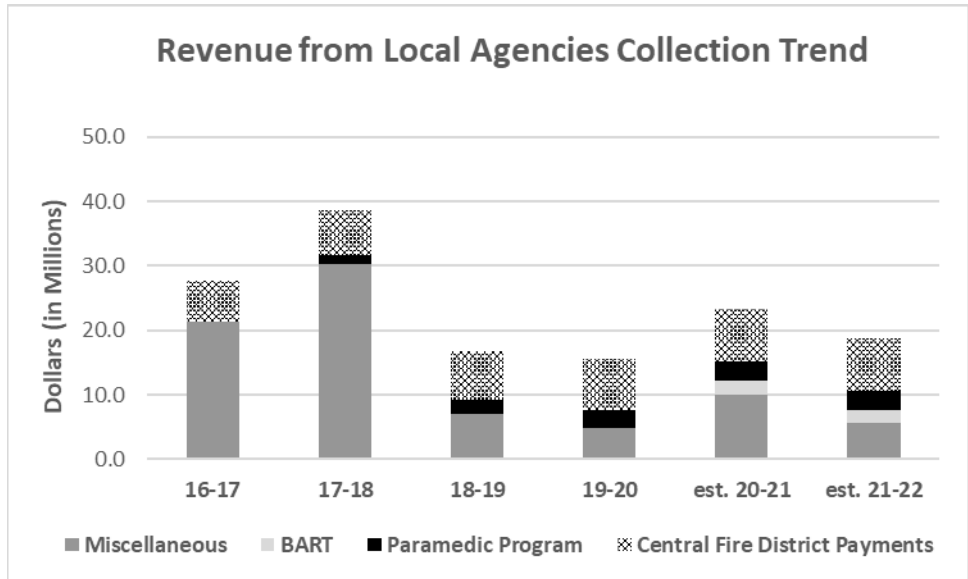
2019-2020 Actual	\$ 15,659,671
2020-2021 Adopted	\$ 18,194,536
2020-2021 Estimate*	\$ 23,287,739
2021-2022 Forecast**	\$ 15,509,513
2021-2022 Adopted	\$ 18,784,335
% of General Fund	1.2 %
% Change from 2020-2021 Adopted	3.2 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2021-2022 Forecast was increased by \$19,490 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

In 2020-2021, revenue of \$23.3 million is projected from other local agencies, such as the Valley Transportation Authority (VTA) reimbursement for police services at the Berryessa Bay Area Rapid Transit (BART) station, the Central Fire District payment for fire services provided to County residents by the San José



Fire Department, and the County of Santa Clara payments for the Paramedic Program and Senior Nutrition. In 2021-2022, revenue in this category is projected at \$18.8 million. The 2021-2022 revenue estimate eliminates grants and reimbursements that do not yet have signed agreements for 2021-2022.

Berryessa BART Station Police Services

Beginning in 2020-2021, reimbursement revenue is received from the VTA for supplemental law enforcement support services at the Berryessa/North San José BART Station. In 2020-2021, the budgeted estimate totals \$2.2 million, which includes reimbursement for position costs and one-time vehicle purchases. In 2021-2022, reimbursement revenue of \$2.1 million is anticipated to be received from the VTA.

CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

Central Fire District

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 information provided by the Central Fire District, payments of \$8.1 million are anticipated in 2020-2021 and 2021-2022, which is slightly above 2019-2020 receipts of \$8.0 million.

Paramedic Program

A reimbursement from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) is estimated at \$3.0 million in 2020-2021 and 2021-2022, which includes the equipment reimbursement component (Annex B, Category A funds; \$1.45 million) and service related component (Annex B, Category B; \$1.55 million). These amounts are slightly above the 2019-2020 actual collection level of \$2.9 million.

Senior Nutrition Program

One time funding of \$2.0 million is included in the 2021-2022 Adopted Budget to reflect the County of Santa Clara's portion of the Senior Nutrition Program costs. This funding from the County's Department of Aging and Adult Services covers two-thirds of the total cost of the program and will be used to reimburse the City's vendor for the cost of the meals for seniors at all 13 senior nutrition sites from July 2021 to June 2022.

CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM STATE OF CALIFORNIA

2019-2020 Actual	\$ 22,511,983
2020-2021 Adopted	\$ 14,319,906
2020-2021 Estimate*	\$ 16,807,455
2021-2022 Forecast	\$ 12,130,000
2021-2022 Adopted	\$ 13,247,111
% of General Fund	0.9 %
% Change from 2020-2021 Adopted	(7.5 %)

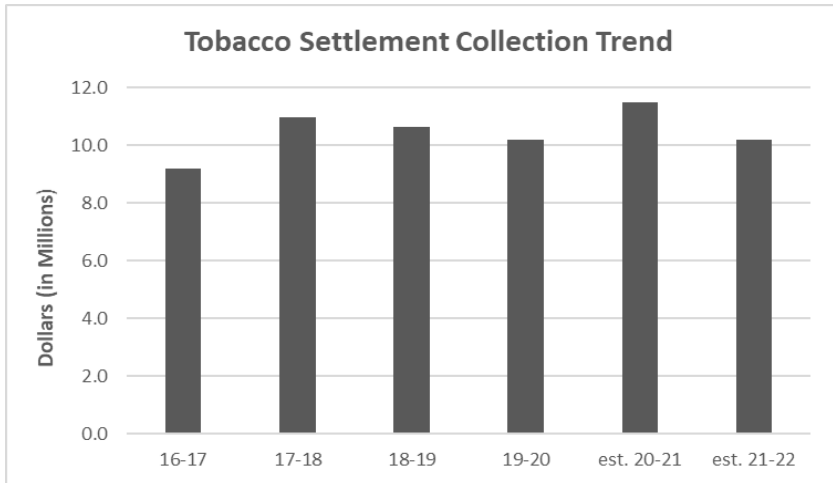
* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Funding reflected in the Revenue from the State of California category includes Tobacco Settlement funds, State grant revenue, and other State reimbursements. Collections in this category are estimated to reach \$16.8 million in 2020-2021 and decrease to \$13.2 million in 2021-2022. This decrease reflects the elimination of one-time grants and reimbursements.

Tobacco Settlement Revenue

Beginning in 2010-2011, Tobacco Settlement revenue from the State has been deposited in the General Fund. This payment is received from the State of California in April of each year. The 2020-2021 payment was recently received and totaled \$11.5 million, which is significantly above the 2019-2020 receipts of \$10.2 million. As this unusually high collection



level is not anticipated to be sustained, the 2021-2022 budget assumes collections will return to the 2019-2020 collection level of \$10.2 million.

State Grants/Reimbursements

The City receives several grants and reimbursements from the State on an annual basis, which total \$1.9 million in 2021-2022. These ongoing revenues include: Auto Theft reimbursement (\$800,000); Abandoned Vehicle Abatement (\$500,000); and Highway Maintenance Charges reimbursement (\$100,000). In addition, funding received from the State for Vehicle License Fees Collection in Excess is included in this revenue category. This funding, which is estimated at \$500,000 in 2021-2022, accounts for the Vehicle License Fee revenues that are collected by the Department of Motor Vehicles as a result of certain compliance procedures that are equally apportioned to counties and cities on a population basis. Overall, these estimates are consistent with the 2020-2021 estimated collection levels.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

REVENUE FROM FEDERAL GOVERNMENT

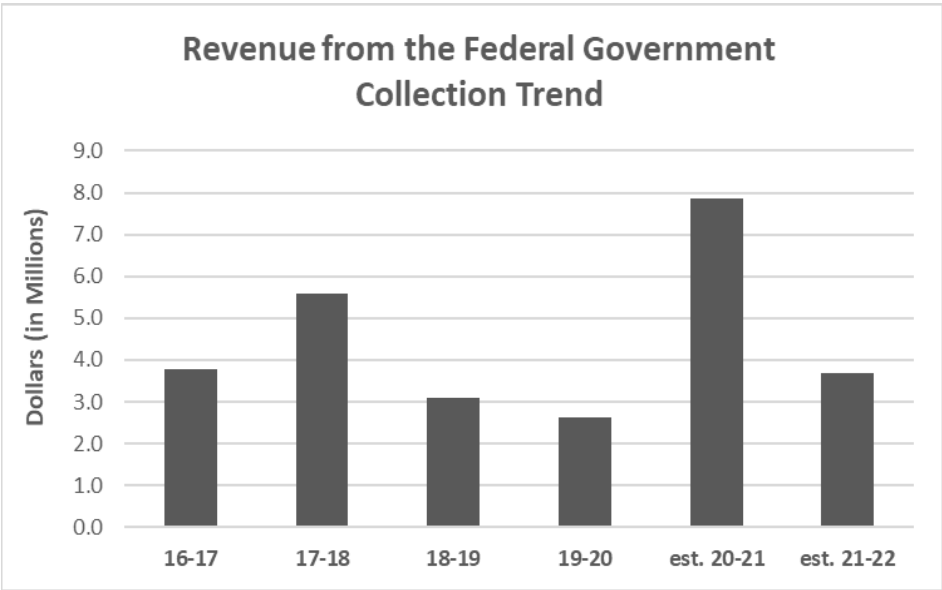
2019-2020 Actual	\$ 2,638,902
2020-2021 Adopted	\$ 3,714,762
2020-2021 Estimate*	\$ 7,859,131
2021-2022 Forecast	\$ 0
2021-2022 Adopted	\$ 3,684,826
% of General Fund	0.2 %
% Change from 2020-2021 Adopted	(0.8 %)

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

The Revenue from the Federal Government category accounts for grants and reimbursements that are received from the Federal Government. The 2020-2021 estimate for various federal grants totals \$7.9 million, which includes various Police grants (\$4.6 million) and Urban Areas Security Initiative (UASI) grants allocated to Police, Fire, and Office of Emergency Management (\$2.7 million).

The 2021-2022 Adopted Budget includes actions to recognize and allocate funding for three federal grants, totaling \$780,348. These grants include the Urban Areas Security Initiative (UASI) – Office of Emergency Management (\$603,395), the Northern California Regional Intelligence Center (\$133,000), and the Summer



Youth Nutrition Program (\$43,953). In addition, the 2021-2022 Adopted Budget includes federal grant funding and reimbursements that were rebudgeted from 2020-2021 to 2021-2022 for various programs (\$2.9 million), the largest of which includes Juvenile and Mental Health Collaboration (\$510,836), Coronavirus Emergency Supplemental Funding (\$408,708), UASI – Fire (\$331,286), State Homeland Security (\$320,488), UASI – Police (\$301,594), and Assistance to Firefighters – COVID-19 Supplemental 2020 (\$301,124).

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

OTHER REVENUE

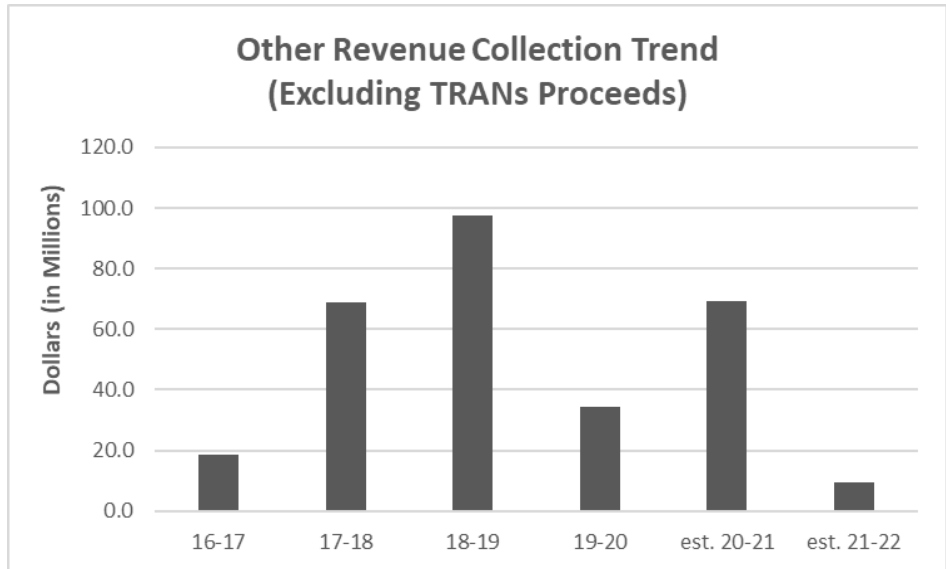
2019-2020 Actual	\$ 34,504,998
2020-2021 Adopted	\$ 48,511,658
2020-2021 Estimate*	\$ 199,271,138
2021-2022 Forecast**	\$ 8,542,718
2021-2022 Adopted	\$ 9,242,806
% of General Fund	0.6 %
% Change from 2020-2021 Adopted	(80.9 %)

* The 2020-2021 Estimate includes revenues associated with the issuance of a \$130 million TRANs based on cash flow needs. The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2021-2022 Forecast was increased by \$122,394 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

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



In 2020-2021, the Other Revenue category is expected to generate \$199.3 million. The 2020-2021 estimate includes several one-time allocations, the largest of which reflects borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs; \$130.0 million) issued for cash flow purposes to facilitate the annual prefunding of employer retirement contributions for pension benefits that are brought forward for City Council approval at the beginning of each fiscal year along with the associated expenditures.

Various actions are included in the Adopted Budget to recognize one-time funding of \$700,088 in 2021-2022 in the Other Revenue category. These actions include an anticipated increase in revenues generated by the Office of Equality Assurance by \$150,000, as the City expects to

CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

execute agreements with three other cities to perform their labor compliance function. This additional revenue will help offset the cost of a new position in the Office to assist with policy development and analysis and management of City of San José local hire data. Additional detail on this budget action is provided in the Public Works Department under the *City Departments* section of this document. Additional significant Adopted budget actions include the recognition and allocation of grant funding from the San Jose Public Library Foundation (\$250,000), Google for Diridon Station Development and Planning (\$225,000), and San José Abierto (\$19,774).

The major components of the Other Revenue category are described below.

Investment Program Reimbursement

The 2021-2022 revenue estimate for Investment Program Reimbursements is \$1.2 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings. This reimbursement amount is slightly above the 2020-2021 estimated level of \$1.0 million

Public, Education, and Government (PEG) Access Facilities

In 2021-2022, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.6 million, which is slightly below the 2020-2021 estimate of \$1.7 million. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access Facilities. There is an associated City-Wide Expenses allocation for this purpose.

Sale of Surplus Property

The proceeds from the sale of surplus property is estimated to generate \$600,000 in 2021-2022 based on City assets that are anticipated to be sold.

Sidewalk Repair

When the City performs sidewalk repair services for non-owner occupied residences, the property owners reimburse the City for those costs. The 2021-2022 revenue estimate for this category is \$2.0 million, which is consistent with the 2020-2021 budgeted estimate. There is a corresponding City-Wide Expenses allocation to fund the contractual sidewalk repairs, as described in the *City-Wide Expenses* section of this document.

Tree Maintenance Activities

Property owners are also assessed for the costs of tree services provided by the City. If the City performs emergency tree services, such as removing a tree that has fallen in the street, the property owner is assessed a fee to cover the cost of this service. In 2021-2022 this fee revenue is estimated at \$773,000, which is lower than the 2020-2021 budgeted estimate of \$988,000. There is a corresponding City-Wide Expenses allocation to provide this service, which is further described in the *City-Wide Expenses* section of this document.

**CITY OF SAN JOSE
2021-2022 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

TRANSFERS AND REIMBURSEMENTS

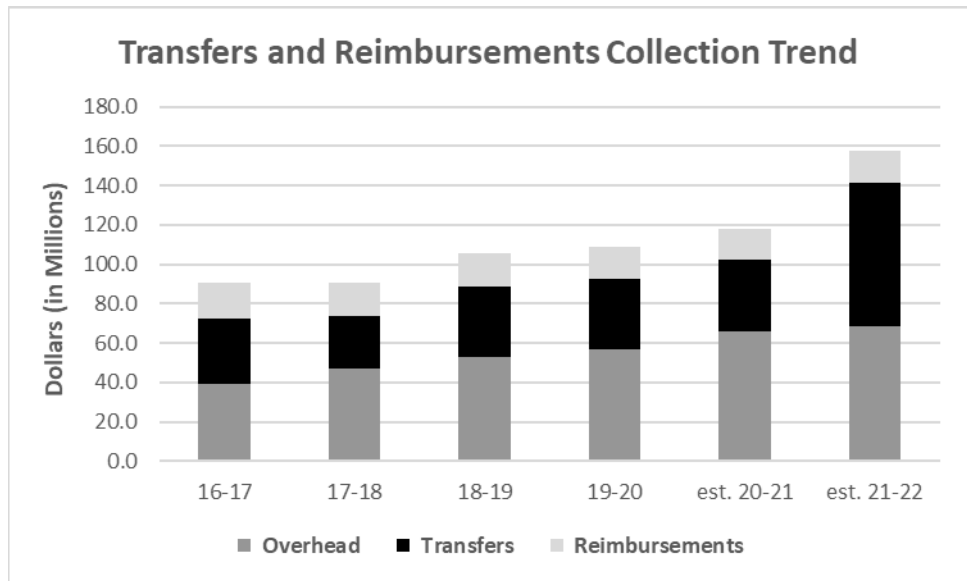
2019-2020 Actual	\$ 108,778,615
2020-2021 Adopted	\$ 112,352,425
2020-2021 Estimate*	\$ 117,983,217
2021-2022 Forecast**	\$ 111,242,823
2021-2022 Adopted	\$ 157,956,656
% of General Fund	10.3 %
% Change from 2020-2021 Adopted	40.6 %

* The 2020-2021 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2021-2022 Forecast was decreased by \$91,900 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

The Transfers and Reimbursements revenue category accounts for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or transfers. In total, Transfers and Reimbursements are anticipated to generate



approximately \$158.0 million in 2021-2022. The following is a discussion of the three major subcategories included in the Transfers and Reimbursements revenue category: Overhead Reimbursements; Transfers; and Reimbursements for Services.

Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2021-2022, a total of \$68.5 million in overhead reimbursements are projected based on 2021-2022 overhead rates prepared by the Finance Department applied against the budgeted 2021-2022 applicable salaries. This figure reflects the following: an increase of \$522,930 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$1.8 million incorporated into the 2021-2022 Adopted Budget generated from various budget actions that changed the staffing

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TRANSFERS AND REIMBURSEMENTS

Overhead Reimbursements (Cont'd.)

levels funded by capital and special funds. Descriptions of the budget actions that generate these overhead reimbursement changes can be found in the *City Departments* Section of this document. A summary of the overhead reimbursement between the Revised Forecast and the Adopted Budget by fund is detailed below.

Fund	Overhead Adjustment
Capital Funds	\$ 996,088
San José Clean Energy Fund (501)	333,097
San José/Santa Clara Treatment Plant Operating Fund (513)	156,350
Sewer Service and Use Charge Fund (541)	111,949
Low and Moderate Income Housing Asset Fund (346)	107,396
Integrated Waste Management Fund (423)	81,624
Homeless Emergency Aid Fund (497)	66,028
Housing Trust Fund (440)	31,858
Inclusionary Fee Fund (451)	20,893
Airport Maintenance and Operation Fund (523)	17,571
Planning Development Fee Program Fund (238)	10,898
Community Development Block Grant Fund (441)	5,402
Storm Sewer Operating Fund (446)	3,506
Home Investment Partnership Program Fund (445)	2,764
Water Utility Fund (515)	2,240
Public Works Development Fee Program Fund (241)	1,700
South Bay Water Recycling Operating Fund (570)	1,525
General Purpose Parking Fund (533)	(29,727)
Building Development Fee Program Fund (237)	(27,901)
Maintenance Assessment District Funds	(24,143)
Fire Development Fee Program Fund (240)	(20,510)
Total Adjustments	\$ 1,848,608

Transfers

The Transfers category is projected at \$72.7 million in 2021-2022. The largest component of this category is a transfer from the American Rescue Plan Fund to the General Fund (\$45.0 million) to partially reimburse the City for revenue losses resulting from the pandemic. Additionally, the 2021-2022 Adopted Budget includes a transfer from the Airport Maintenance and Operating Fund totaling \$18.0 million to reimburse the General Fund for police and aircraft rescue and firefighting services provided by the Police and Fire Departments. These reimbursements have been built to cover the 2021-2022 direct and indirect costs associated with these emergency services. Additional large transfers programmed for 2021-2022 include the following: Construction and Conveyance Tax Funds (\$3.7 million) for park maintenance costs and methane monitoring; Construction Excise Tax Fund (\$1.8 million); General Purpose Parking Fund (\$719,789); and interest earnings from various funds (\$1.5 million), the largest of which is the Construction and Conveyance Tax Funds (\$1.4 million).

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GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Reimbursements for Services

The largest single source of revenue in the Reimbursement for Services category is reimbursements from the Gas Tax Funds for the cost of City street-related expenses. In 2020-2021 Gas Tax receipts are estimated at \$15.0 million, which is slightly below the 2019-2020 actual collections of \$15.4 million. Revenue received from the Gas Tax Fund is heavily reliant on activity levels. The pandemic-related restrictions have resulted in less people driving, which negatively affected consumption levels. In 2021-2022, Gas Tax receipts are estimated to increase to \$16.0 million, due to restrictions continuing to ease and gas consumption increasing. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well.

The Reimbursements for Services category reimburses the City for actual costs associated with the Deferred Compensation Program, Voluntary Employee Beneficiary Association (VEBA) Fund, and the Maintenance Assessment District Funds. These amounts have been set to recover costs in 2021-2022 of \$791,968.

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BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 40,000,000
Rebudget: Earmarked Reserves/Expenditures	\$ 233,212,965
Unexpended Earmarked Reserves*	\$ 21,975,436
2020-2021 Ending Fund Balance Reserve*	\$ 18,375,000
2020-2021 Expenditure Savings/Additional Revenue*	\$ 7,625,000
Fund Balance Subtotal:	\$ 321,188,401
Reserve for Encumbrances	\$ 46,905,760
Fund Balance Total:	\$ 368,094,161
% of General Fund**	20.8%

* Used for 2021-2022 Adopted Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2020-2021 Ending Fund Balance/2021-2022 Beginning Fund Balance, totaling \$368.1 million, are included as part of the 2021-2022 Adopted Budget. The estimate for the encumbrance reserve is set at the 2019-2020 actual level (\$46.9 million). The Adopted Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2021-2022.

The estimate for unrestricted Beginning Fund Balance is set at \$321.2 million in 2021-2022, which represents a \$252.4 million increase from the 2021-2022 Forecast level of \$68.8 million. When the Forecast was developed, the Beginning Fund Balance projection of \$68.8 million included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$40.0 million; a combination of excess revenues and expenditure savings totaling \$20.0 million; and additional funding of \$8.8 million from various reserves to support specific costs programmed in 2021-2022. The use of various reserves to support specific costs in 2021-2022 included the following: Police Sworn Hire Ahead Program Reserve (\$7.0 million), Community Service Officer Program Reserve (\$700,000), Solid Waste Code Enforcement Program Reserve (\$600,000), and SAFER Grant Reserve (\$485,000).

In the Adopted Budget, Beginning Fund Balance adjustments totaling \$252.4 million are included, which is primarily attributable to the rebudget of 2020-2021 funds for expenditure-related items, liquidation of various reserves, increased estimated revenue, and expenditure savings. As a result of these actions, the Beginning Fund Balance increased from the Forecast level of \$68.8 million to \$321.2 million (excluding the Reserve for Encumbrances). Details on the recommended Beginning Fund Balance adjustments included in the Adopted Budget are summarized below.

- Rebudget of 2020-2021 funds for expenditure-related items and unexpended reserves in the amount of \$233.2 million. The rebudgets include \$228.7 million that were brought forward to the City Council in June 2021 after the release of the Proposed Budget (Manager’s Budget Addendum #35) and \$4.6 million for Mayor and City Council rebudgets that were included in the Mayor’s June Budget Message for Fiscal Year 2021-2022.

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BEGINNING FUND BALANCE

- The liquidation of reserves included in the Adopted Budget (\$13.2 million) include the 2021-2022 Future Deficit Reserve (\$11.1 million), Business Tax Billing System Replacement Reserve (\$1.3 million), SAFER Grant Reserve (\$752,000), and the Cultural Facilities Capital Maintenance Reserve (\$57,000).
- Additional fund balance of \$6.0 million is anticipated to be generated from excess revenue and expenditure savings that are anticipated to occur in 2020-2021 and be available in 2021-2022.

As shown in the chart at the beginning of the Beginning Fund Balance discussion, the 2021-2022 Beginning Fund Balance (excluding Reserve for Encumbrances) totals \$321.2 million. Following is a discussion of the Beginning Fund Balance components:

- The Beginning Fund Balance estimate assumed the carryover of the 2020-2021 Contingency Reserve of \$40.0 million, with the assumption that this amount would not be used in 2020-2021 and would be available in 2021-2022. This reserve was set at the level necessary to comply with the City Council policy to maintain a minimum of 3% contingency reserve and allowed for anticipated rebudget adjustments that were expected to be brought forward as part of the Adopted Budget. The Contingency Reserve is approximately enough to cover General Fund payroll costs for less than two and one-half weeks in an emergency.
- Rebudgeted Earmarked Reserves and Expenditures totaled \$233.2 million. Details of the Earmarked Reserves totaling \$115.5 million that were rebudgeted from 2020-2021 to 2021-2022 can be found in the *City-Wide Expenses, Capital, Transfers, and Reserves* section of this document. Major Earmarked Reserve rebudgets include: Budget Stabilization Reserve (\$33.6 million); Measure E – 45% Extremely Low Income Reserve (\$21.8 million); Measure E – 35% Low Income Reserve (\$17.0 million); Workers' Compensation/General Liability Catastrophic Reserve (\$15.0 million); and Salaries Benefits Reserve (\$5.0 million). Expenditure rebudgets totaled \$113.1 million, the majority of which represent Capital Project Expenses and City-Wide Expenses that were not completed in 2020-2021 for which funding was carried over to 2021-2022. In addition, Mayor and City Council rebudgets totaling \$4.6 million were included in the Mayor's June Budget Message for Fiscal Year 2021-2022.
- The use of various Unexpended Earmarked Reserves totaled \$22.0 million. Liquidated reserves included in the Adopted Budget include the 2021-2022 Future Deficit Reserve (\$11.1 million), Police Sworn Hire Ahead Program Reserve (\$7.0 million), Business Tax Billing System Replacement (\$1.3 million), SAFER Grant Reserve (\$1.2 million), Community Service Officer Program Reserve (\$700,000), Solid Waste Enforcement Reserve (\$600,000), and Cultural Facilities Capital Maintenance Reserve (\$57,000).
- The 2020-2021 Ending Fund Balance Reserve (\$18.4 million) and the 2020-2021 Expenditure Savings/Additional Revenue (\$7.6 million) represent the total excess revenues and expenditure savings of \$26.0 million expected to be generated at the end of 2020-2021 for use in 2021-2022.