

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2021-2022 General Fund revenue collections as compared with the Modified Budget estimates:

TABLE A
2021-2022 GENERAL FUND REVENUE SUMMARY
COMPARISON OF BUDGET TO ACTUAL
(\$000s)

Category	2020-2021 Budgetary Basis Actual	2021-2022 Modified Budget	2021-2022 Budgetary Basis Actual	2021-2022 Budget to Actual \$ Variance
Property Tax	\$ 390,896,950	\$ 412,100,000	\$ 414,123,282	\$ 2,023,282
Sales Tax	284,020,471	323,200,000	323,143,574	(56,426)
Transient Occupancy Tax	5,409,142	9,000,000	10,515,117	1,515,117
Business Taxes	70,035,779	83,500,000	85,375,289	1,875,289
Utility Tax	106,970,843	100,060,000	103,591,802	3,531,802
Franchise Fees	45,628,289	48,151,652	48,378,348	226,696
Real Property Transfer Tax	50,530,828	110,000,000	110,015,391	15,391
Telephone Line Tax	20,872,785	20,000,000	21,313,810	1,313,810
Licenses and Permits	19,388,370	20,452,045	22,032,078	1,580,033
Fees, Rates, and Charges	7,442,173	19,122,684	22,110,063	2,987,379
Fines, Forfeitures, and Penalties	9,760,327	13,476,000	14,959,847	1,483,847
Rev. from Use of Money/Property	8,778,301	9,304,000	9,126,202	(177,798)
Revenue from Local Agencies	20,411,974	26,317,060	24,755,916	(1,561,144)
Revenue from State of California	20,734,690	29,493,953	26,241,795	(3,252,158)
Rev. from Federal Government	3,733,619	10,025,514	3,096,138	(6,929,376)
Other Revenue	166,871,618	328,676,356	329,257,694	581,338
Subtotal	1,231,486,159	1,562,879,264	1,568,036,346	5,157,082
Overhead Reimbursements	68,109,800	71,117,276	70,493,558	(623,718)
Transfers	39,190,393	84,446,090	84,446,673	583
Reimbursements for Services	16,657,685	16,791,968	16,552,061	(239,907)
Subtotal	123,957,878	172,355,334	171,492,292	(863,042)
TOTALS¹	\$ 1,355,444,037	\$ 1,735,234,598	\$ 1,739,528,638	\$ 4,294,040

¹ Excludes Beginning Fund Balance.

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The General Fund revenue performance for 2021-2022 is discussed in detail in this section. The 2021-2022 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 2021-2022 was \$1.74 billion. This collection level was within 0.2%, or \$4.3 million, of the 2021-2022 Modified Budget. After accounting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$17.7 million, or 1.0%, above the 2021-2022 Modified Budget.

The 2021-2022 collection level of \$1.74 billion was \$384.1 million, or 28.3%, above the actual 2020-2021 collections of \$1.36 billion. A significant portion of this year-over-year increase is attributable to the City receiving higher Tax and Revenue Anticipation Notes (TRANs) revenue being issued in 2021-2022. TRANs revenue, which facilitates the pre-payment of a portion of the City's retirement contributions totaled \$130.0 million in 2020-2021, but increased to \$285.0 million in 2021-2022. Additionally, higher 2021-2022 collections were received for Real Property Transfer Tax (\$50.5 million), Sales Tax (\$39.1 million), Property Tax (\$23.2 million), Business Tax (\$15.3 million), and Fees, Rates and Charges (\$14.7 million), which is primarily attributable to Parks, Recreation and Neighborhood Services Department Fee revenue. These revenues experienced year-over year growth due to several factors including the continued economic rebound experienced after the pandemic as well as the strong commercial and residential real estate market. The final significant difference was an increase in Transfers (\$45.2 million), that was primarily due to the transfer from the American Rescue Plan Fund for City-wide revenue loss attributable to the pandemic in accordance with U.S. Treasury Department regulations.

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	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Secured Property Tax	387,900,000	387,974,468	74,468	0.0%
Unsecured Property Tax	14,500,000	14,804,581	304,581	2.1%
SB 813 Property Tax	5,700,000	7,499,445	1,799,445	31.6%
Aircraft Property Tax	3,100,000	2,953,904	(146,096)	(4.7%)
HOPTR	900,000	890,884	(9,116)	(1.0%)
Total	412,100,000	414,123,282	2,023,282	0.5%

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 2021-2022 totaled \$414.1 million, which was \$2.0 million, or 0.5%, above the budgeted estimate of \$412.1 million, and represented an increase of 5.9% from 2020-2021 collections of \$390.9 million.

In 2021-2022, **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 2021-2022, receipts totaled \$388.0 million, which is consistent with the budgeted estimate, and is 7.1% above the 2020-2021 receipts of \$362.4 million. The growth from 2020-2021 collections reflects increased general Secured Property Tax receipts (\$15.2 million), additional ERAF revenue (\$5.7 million), and higher SARA Residual Property Tax receipts (\$4.7 million).

The general Property Tax receipts growth of \$15.2 million in 2021-2022 primarily reflects an increase in assessed value, due to the California Consumer Price Index (CCPI) increase of 1%, 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 2021-2022 roll growth was driven primarily by changes in ownership (55.2%) and new construction (26.4%).

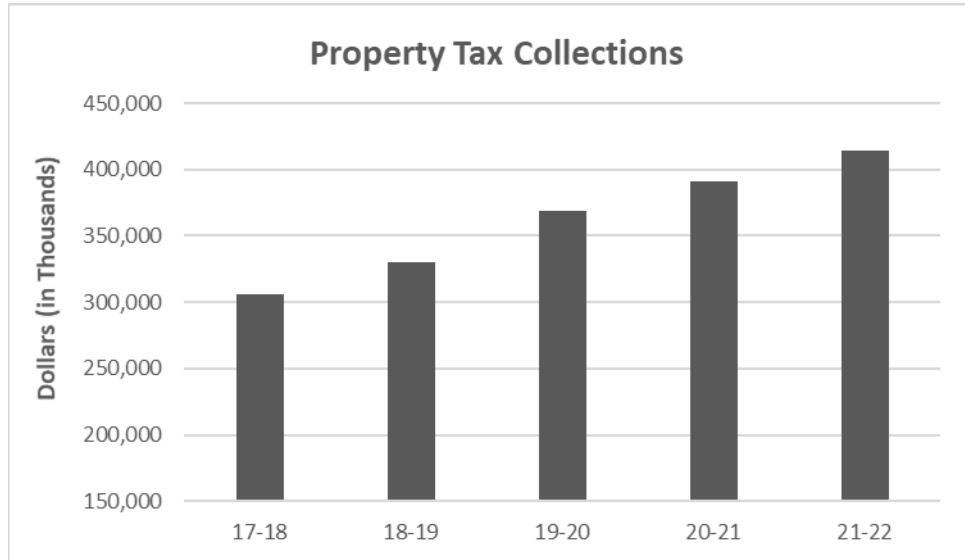
In addition to the changes in assessed value, Secured Property Tax collections were positively impacted by excess ERAF revenue. ERAF collections totaled \$38.9 million in 2021-2022, which is \$5.7 million above the 2020-2021 collection level. Beginning in 1992, agencies have been required to reallocate 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.

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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 2021-2022 SARA Residual Property



Tax receipts totaled \$18.3 million, which is \$4.7 million above the 2020-2021 receipts of \$13.6 million. This increase was the result of a State of California Appellate Court decision in 2020-2021, which revised the distribution formula related to all California residual property tax revenue from former Redevelopment Agencies. As a result of this decision, revenue in 2020-2021 was retroactively adjusted for previous disbursements.

In the **Unsecured Property Tax** category, collections of \$14.8 million were slightly higher than the 2021-2022 Modified Budget estimate of \$14.5 million, but were 7.9% (\$1.3 million) below the 2020-2021 collections of \$16.1 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 2021-2022, receipts of \$7.5 million were \$1.8 million above the 2021-2022 Modified Budget estimate of \$5.7 million, but were \$895,000 below the prior year collection level of \$8.4 million.

The remaining Property Tax categories include **Aircraft Property Tax** receipts, which totaled \$3.0 million in 2021-2022, down slightly from 2020-2021 receipts of \$3.1 million; and **Homeowners Property Tax Relief** revenue, which totaled \$891,000 in 2021-2022 and was fairly consistent with 2020-2021 receipts of \$908,000.

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Sales Tax

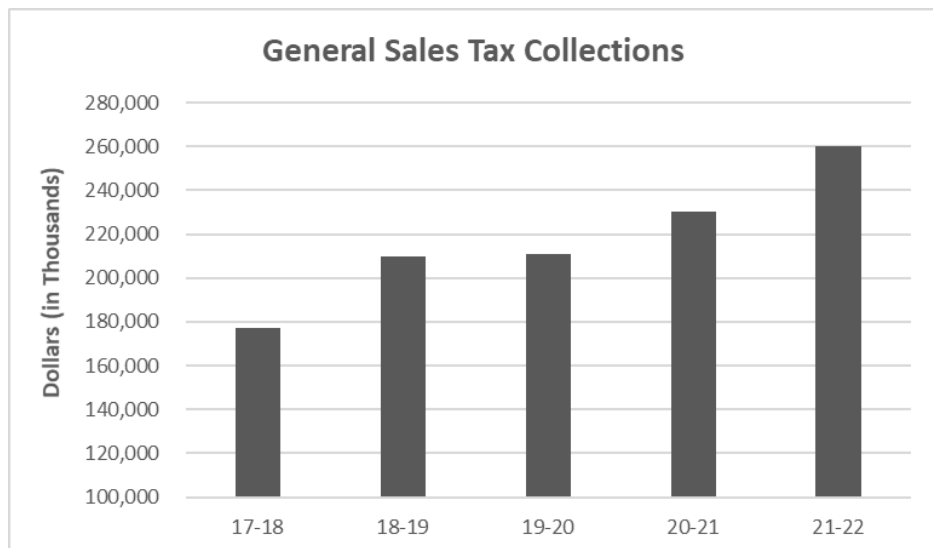
Sales Tax	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
General Sales Tax	261,000,000	259,887,367	(1,112,633)	(0.4%)
Local Sales Tax	54,000,000	54,865,054	865,054	1.6%
Prop 172 Sales Tax	8,200,000	8,391,153	191,153	2.3%
Total	323,200,000	323,143,574	(56,426)	(0.0%)

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%

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. Overall, Sales Tax collections in 2021-2022 of \$323.1 million were consistent with the 2021-2022 Modified Budget and 13.8% (\$39.1 million) above the prior year level.

General Sales Tax revenue is the largest driver of the Sales Tax category and accounts for over 80% of all Sales Tax receipts. In 2021-2022 General Sales Tax collections totaled \$260.0 million, which was slightly (0.4%) below the 2021-2022 Modified Budget level of \$261.0 million, but 12.9% above the 2020-2021 collection level.



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The City's Sales Tax consultant, Avenu Insights & Analytics, has provided economic performance data for 2021-2022, as displayed in the following chart. This analysis measures Sales Tax receipts for 2020-2021 and 2021-2022, excluding Sales Tax associated with the Revenue Capture Agreement.

General Sales Tax Revenue Performance (Economic Basis)

Economic Sector	2021-2022 % of Total Revenue	2020-2021 % of Total Revenue	% Change of Revenue Received by Category
General Retail	19.1%	17.7%	23.4%
Transportation	18.7%	17.2%	24.3%
Business-to-Business	16.3%	16.3%	14.2%
Food Products	13.3%	12.0%	26.7%
Construction	9.0%	11.2%	(7.4%)
Miscellaneous	0.8%	0.5%	9.0%
County Pool	22.8%	22.5%	4.9%
Total	100.0%	100.0%	

As can be seen in the table above, all categories except Construction experienced year-over-year growth, the largest of which include Food Products, Transportation, General Retail (includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), and Business-to-Business.

In addition, the County Pool, which is where the majority of online transactions are captured, has continued to grow. This growth is attributable to the pandemic's sustained impact of redirecting a significant amount of activity to online sales, 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.

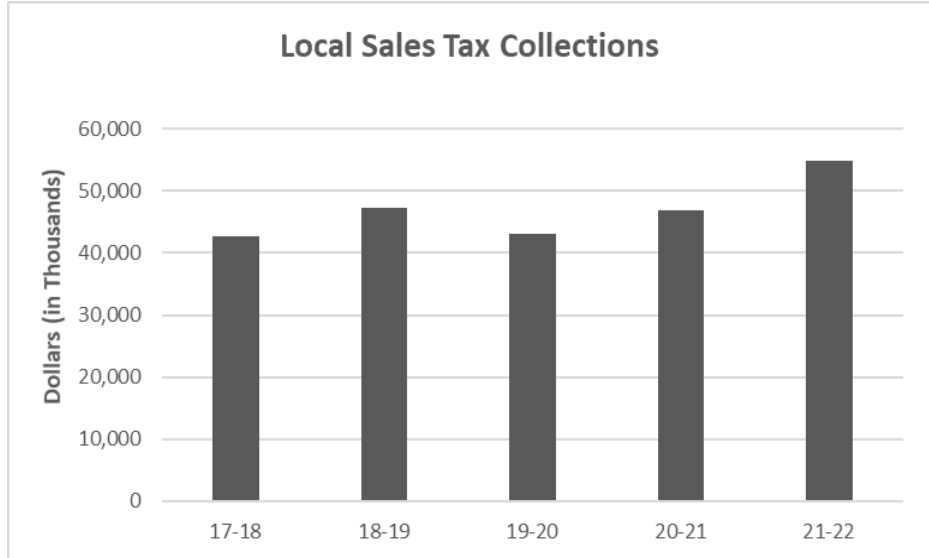
In 2022-2023, General Sales Tax collections are estimated at \$268.0 million, which requires growth of approximately 3% from the 2021-2022 actual collection level. First quarter 2022-2023 General Sales Tax collections (July to September 2022 activity) are anticipated to be received in late November 2022. After these receipts are received and analyzed, updated information will be included in the 2022-2023 Mid-Year Review.

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In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which began implementation 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 growth and decline rates as General Sales Tax receipts. In 2021-2022, Local Sales Tax revenues totaled \$54.9 million, which was 1.6% above the budget estimate of \$54.0 million, and 17.1% above the prior year collection level of \$46.9 million.

When the 2022-2023 Proposed Budget was developed, it was anticipated Local Sales Tax would total \$52.0 million in 2021-2022 and grow 4% to \$54.0 million in 2022-2023. However, due to higher than anticipated Local Sales Tax collections in the last two quarters of 2021-2022, receipts in 2022-2023 can fall by 2% and meet the budgeted estimate. First quarter 2022-2023 Local Sales Tax collections (July to September 2022 activity) are anticipated to be received in late November 2022. After these receipts are received and analyzed, updated information will be included in the 2022-2023 Mid-Year Review.

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 2021-2022, receipts of \$8.4 million were 2.3% above the budgeted estimate of \$8.2 million and 19.3% above the 2020-2021 collection level of \$7.0 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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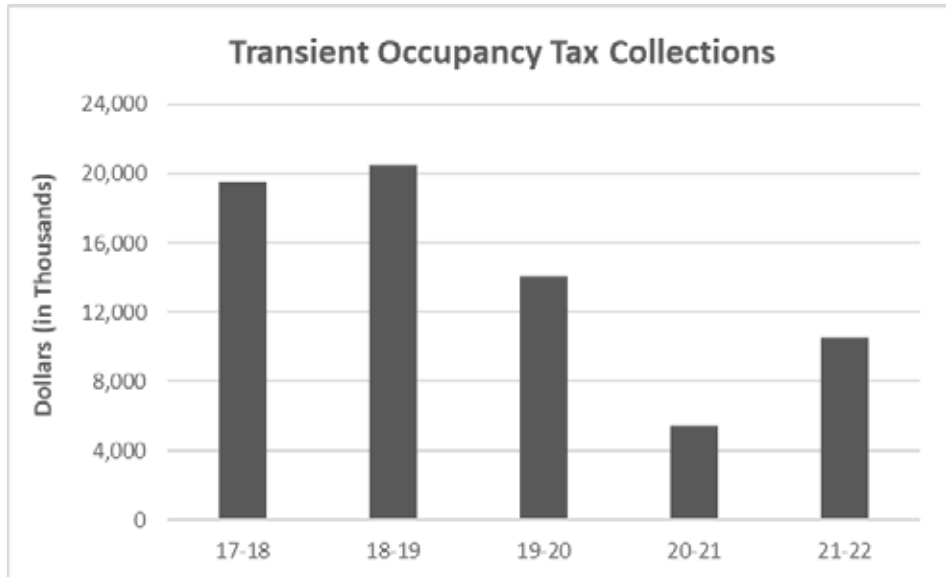
GENERAL FUND REVENUE PERFORMANCE

Transient Occupancy Tax

Transient Occupancy Tax	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Transient Occupancy Tax	9,000,000	10,515,117	1,515,117	16.8%
Total	9,000,000	10,515,117	1,515,117	16.8%

In 2021-2022, receipts of \$10.5 million for the General Fund’s portion (4.0%) of the City’s **Transient Occupancy Tax (TOT)** ended the year 16.8% above the 2021-2022 Modified Budget estimate of \$9.0 million. While this performance level represents a significant increase from 2020-2021 collections of \$5.1 million, it is still well below pre-pandemic levels of approximately \$20 million. When the 2022-2023 Proposed Budget was developed, TOT receipts were anticipated to total \$9.0 million in 2021-2022 and grow 22% to \$11.0 million in 2022-2023. However, due to higher hotel occupancy rates at the end of 2021-2022, receipts totaled \$10.5 million, therefore 2022-2023 receipts only need to grow by 5% to meet the budgeted estimate.

For the fiscal year ending June 2022, the average hotel occupancy rate reported for the San José market was 58.0%, an 18.8 percentage point increase from 2020-2021 (39.2%). Average room rates increased by 28.3%, from \$102.91 to \$132.01, and the year-to-date average revenue-per-available room (RevPAR) increased 90.1%, from \$40.29 to \$76.57, relative to 2020-2021.



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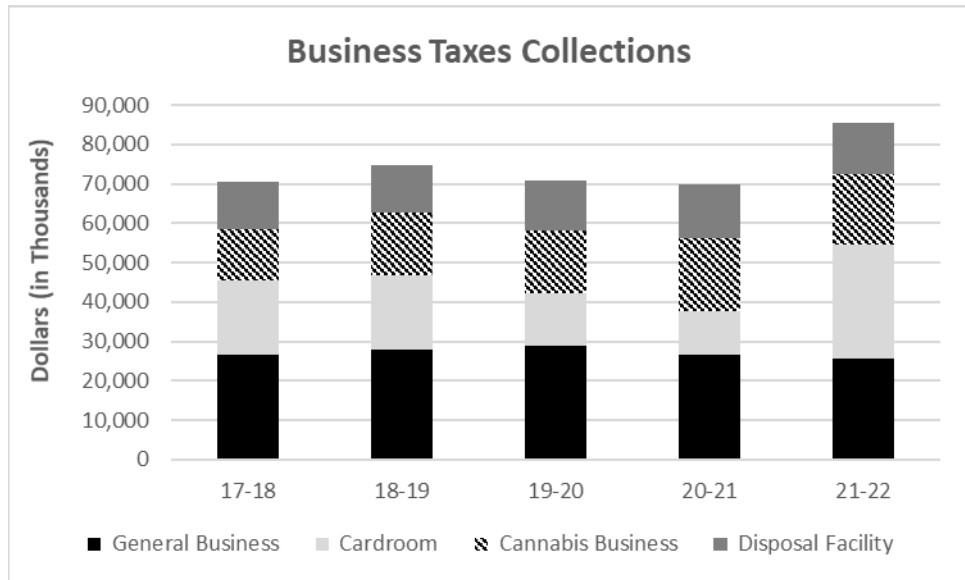
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Business Taxes

Business Taxes	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
General Business Tax	26,700,000	25,723,256	(976,744)	(3.7%)
Cardroom Tax	26,000,000	28,864,468	2,864,468	11.0%
Cannabis Business Tax	18,500,000	18,056,438	(443,562)	(2.4%)
Disposal Facility Tax	12,300,000	12,731,127	431,127	3.5%
Total	83,500,000	85,375,289	1,875,289	2.2%

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$85.4 million were 2.2% above the 2021-2022 Modified Budget estimate of \$83.5 million and \$15.3 million, or 21.9% above the 2020-2021 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 2021-2022, General Business Tax collections of \$25.7 million ended the year \$977,000, or 3.7%, below the Modified Budget estimate and \$779,000, or 2.9% below the prior year collection level. The continued decline in General Business Tax receipts are reflective of the pandemic's impact on local businesses.

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Business Taxes

In 2021-2022, **Cardroom Tax** collections of \$28.9 million ended the year \$2.9 million (11.0%) above the 2021-2022 Modified Budget estimate of 26.0 million. These receipts are inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021. 2021-2022 Cardroom Tax collections were more than double the 2020-2021 collections. As a result of the pandemic, cardrooms were either closed or open with social distancing requirements for the first half of 2020-2021, resulting in collections totaling only \$11.1 million.

Cannabis Business Tax collections reflect cannabis business tax as well as cannabis business tax compliance revenues. Cannabis Business Tax collections began after San José voters approved Ballot Measure U on November 2, 2010, which allowed the City to tax marijuana businesses. Further, in November 2016, the California Marijuana Legalization Initiative (Proposition 64) was approved by voters, which legalized recreational marijuana use in California. As a result, the sale of recreational cannabis at the 16 registered businesses in San José began in January 2018. In 2021-2022, Cannabis Business Tax collections totaled \$18.1 million, which were slightly below the budgeted estimate of \$18.5 million and the 2020-2021 collection level of \$18.7 million.

In 2021-2022, **Disposal Facility Tax** collections of \$12.7 million were \$431,000 (3.5%) above the 2021-2022 Modified Budget level, but were \$1.1 million (7.6%) below the prior year collections of \$13.8 million.

Utility Tax

Utility Tax	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Electricity Utility Tax	52,000,000	52,932,340	932,340	1.8%
Telephone Utility Tax	19,060,000	19,234,177	174,177	0.9%
Water Utility Tax	16,000,000	17,242,601	1,242,601	7.8%
Gas Utility Tax	13,000,000	14,182,684	1,182,684	9.1%
Total	100,060,000	103,591,802	3,531,802	3.5%

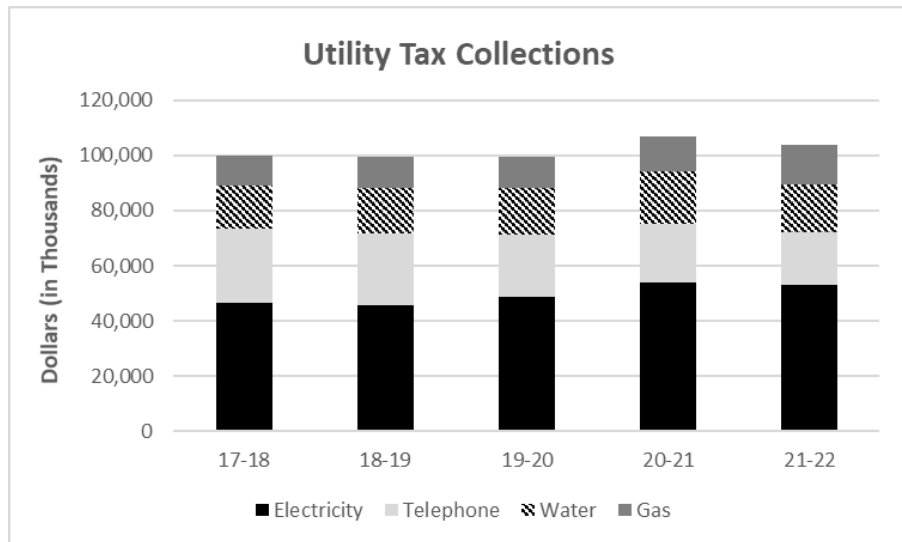
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Utility Tax

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$100.1 million were \$3.5 million, or 3.5%, above the 2021-2022 Modified Budget level, but were 3.2% below the 2020-2021 collection level of \$107.0 million. The year-over-year decrease is primarily attributable to a payment processing timing issue that resulted in revenue related to 2021-2022 activity being included in 2020-2021 collections.

Receipts in the **Electricity Utility Tax** category of \$52.9 million were 1.8% above the 2021-2022 Modified Budget level of \$52.0 million. However, the 2021-2022 collection level was \$800,000, or 1.5%, below the 2020-2021 collection level. As mentioned above, this decrease is primarily due to a payment processing timing issue. When



excluding the payment error, 2021-2022 Electricity Utility Tax receipts grew by 9.5% from 2020-2021 collections. This increase in revenue primarily reflects higher consumption and increased Pacific Gas & Electric rates.

Receipts in the **Telephone Utility Tax** category of \$19.2 million ended the year slightly (0.9%) above the budgeted estimate, but were \$2.0 million, or 9.6%, below the 2020-2021 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 \$14.2 million were \$1.2 million (9.1%) above the budgeted estimate and \$1.3 million (10.0%) above 2020-2021 receipts. The increase in revenue primarily reflects higher rates and increased consumption levels. This category can also vary significantly from year to year based on weather conditions.

Receipts in the **Water Utility Tax** category of \$17.2 million were \$1.2 million (7.8%) above the budgeted estimate, but were \$1.8 million, or 9.5%, below the 2020-2021 collection level. As previously mentioned, this decrease is primarily due to a payment processing timing issue. When excluding the payment error, the 2021-2022 Water receipts grew by 11.7% from 2020-2021 collections. The higher collection level is primarily due to the water rate increases.

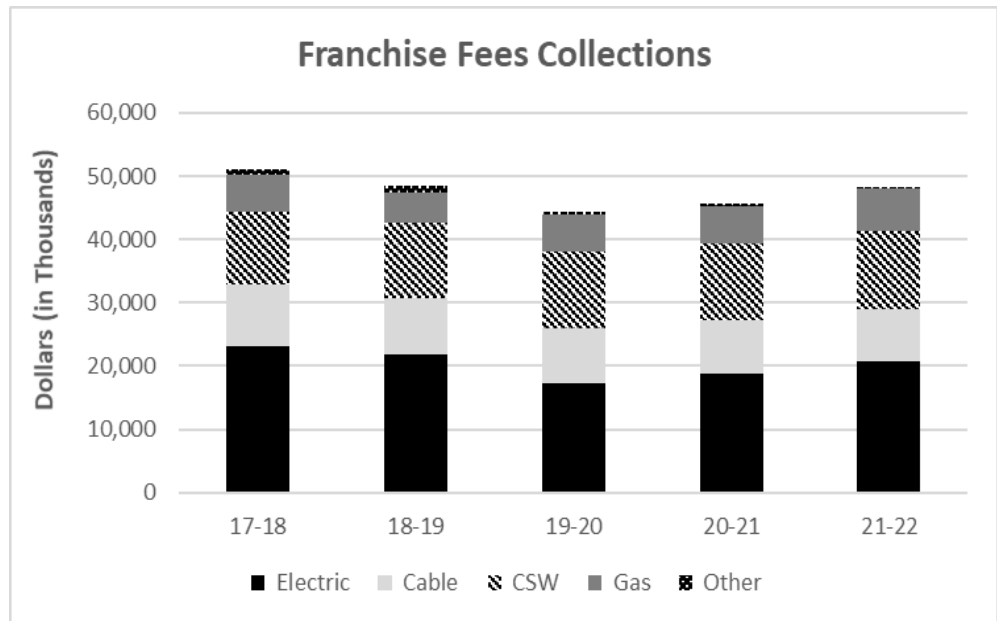
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Franchise Fees

Franchise Fees	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Electric Franchise Fee	20,600,000	20,752,828	152,828	0.7%
Commercial Solid Waste	12,420,652	12,493,442	72,790	0.6%
Cable Franchise Fee	8,500,000	8,169,585	(330,415)	(3.9%)
Gas Franchise Fee	6,350,000	6,637,744	287,744	4.5%
Tow Franchise Fee	0	0	-	N/A
Great Oaks Water	216,000	257,594	41,594	19.3%
Nitrogen and Jet Fuel	65,000	67,155	2,155	3.3%
Total	48,151,652	48,378,348	226,696	0.5%

Franchise Fee collections of \$48.4 million were slightly (0.5%) above the 2021-2022 Modified Budget level of \$48.2 million and \$2.8 million (6.0%) above the 2020-2021 collection level. The higher than budgeted collections is primarily attributable to higher Gas and Electric Franchise Fee revenue, partially offset by lower Cable Franchise Fee revenue.



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Real Property Transfer Tax

Real Property Transfer Tax	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Real Property Transfer Tax	110,000,000	110,015,391	15,391	0.0%
Total	110,000,000	110,015,391	15,391	0.0%

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 2021-2022 collections totaled \$110.0 million, which is consistent with the 2021-2022 Modified Budgeted estimate, and \$59.5 million above prior year collections due to the significant number of large commercial properties sold in 2021-2022. In accordance with City Council Policy 1-18, Section 22 – recently modified by the City Council at their meeting on April 19, 2022 – revenues generated from Measure E are allocated for the development of new affordable housing, homelessness prevention, and homeless supportive services. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* there is a recommendation to allocate the additional revenue (\$15,391) to Measure E Earmarked Reserves. The 2022-2023 Adopted Budget estimate of \$65.0 million reflects assumed lower levels of activity due to rising interest rates and cooling real estate market.

Fees, Rates, and Charges

Fees, Rates, and Charges	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
PRNS Fees	12,928,000	16,028,828	3,100,828	24.0%
Transportation Fees	1,795,942	1,565,869	(230,073)	(12.8%)
Police Fees	1,128,308	1,023,823	(104,485)	(9.3%)
Library Fees	72,500	41,786	(30,714)	(42.4%)
Miscellaneous Fees	3,197,934	3,449,757	251,823	7.9%
Total	19,122,684	22,110,063	2,987,379	15.6%

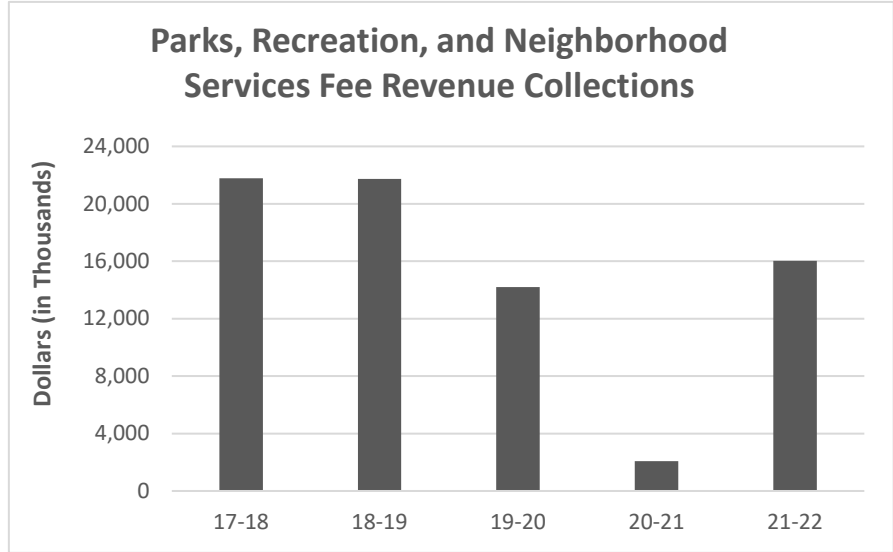
Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by the several City departments, the largest of which are Parks, Recreation, and Neighborhood Services (PRNS) Department Fees. Overall, Fees, Rates, and Charges collections of \$22.1 million were \$3.0 million (15.6%) above the 2021-2022 Modified Budget level, and significantly above the 2020-2021 collection level of \$7.4 million. This increase in revenue is due to the pandemic's impact on fee-related activity, primarily within the Parks, Recreation and Neighborhood Services (PRNS) Department, in 2020-2021.

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GENERAL FUND REVENUE PERFORMANCE

Fees, Rates, and Charges

Revenues in the PRNS Departmental Fee category include 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. PRNS Department Fee revenue



ended the year at \$16.0 million, which is \$3.1 million above the 2021-2022 Modified Budget estimate of \$12.9 million and significantly above the 2020-2021 collection level of \$2.1 million. This large year over year increase in PRNS fee revenue is due to the deep impact felt by pandemic-related health orders in 2020-2021 on PRNS fee related programs.

Remaining collections in the Fees, Rates, and Charges category include **Transportation Fees, Police Fees, Library Fees, and Miscellaneous Fees**. In total, departmental revenue (excluding PRNS fees discussed above) ended the year at \$6.1 million, which is slightly below the Modified Budget level of \$6.2 million, but \$708,000 above the prior year collection level.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Parking Fines	8,200,000	8,989,330	789,330	9.6%
Vehicle Code Fines	1,000,000	1,169,455	169,455	16.9%
Business License Penalties	3,000,000	2,051,201	(948,799)	(31.6%)
Other Fines and Penalties	1,276,000	2,749,861	1,473,861	115.5%
Total	13,476,000	14,959,847	1,483,847	11.0%

The primary sources of revenue in the Fines, Forfeitures, and Penalties revenue category are Parking Fines, Vehicle Code Fines, Business License Penalties, and Other Fines and Penalties. Collections of \$13.5 million in this category were \$1.5 million, or 11.0%, above the 2021-2022 Modified Budget estimate of \$13.5 million and \$5.2 million (53.3%) above the prior year collection level. The significant increase 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 \$9.0 million, which is \$789,000 (9.6%) above the 2021-2022 Modified Budget estimate of \$8.2 million and \$3.3 million above 2020-2021 collections. While parking fine revenue experienced a significant year-over-year increase, collections still remain far below historical Parking



Fine collections of approximately \$11 million to \$12 million annually.

Business License Penalties of \$2.1 million ended below the budgeted estimate of \$3.0 million, but was \$623,000 above the 2020-2021 collection level. **Vehicle Code Fines** ended the year at \$1.2 million, which was \$169,000 above the budgeted estimate and was \$313,000 above the prior year collections. The **Other Fines and Penalties** category ended the year at \$2.7 million, which was \$1.5 million above the budgeted level and \$967,000 above the prior year collection level.

II. GENERAL FUND BUDGET PERFORMANCE

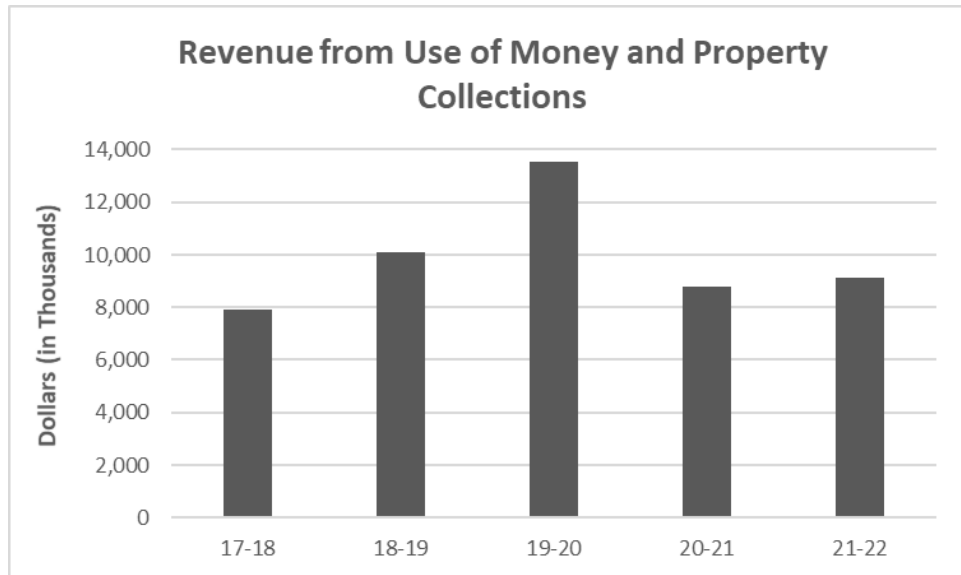
GENERAL FUND REVENUE PERFORMANCE

Revenue from Use of Money and Property

Use of Money and Property	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Interest Earnings	4,000,000	4,631,928	631,928	15.8%
City-Owned Property Rentals	3,104,000	2,559,446	(544,554)	(17.5%)
Digital Inclusion Program	1,277,000	852,839	(424,161)	(33.2%)
Subrogation Recovery	500,000	866,454	366,454	73.3%
Other Use of Money/Property	423,000	215,535	(207,465)	(49.0%)
Total	9,304,000	9,126,202	(177,798)	(1.9%)

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 \$9.1 million ended the year slightly (1.9%) below the 2021-2022 budgeted estimate, but 4.0% above the 2020-2021 collection level. The year-over-year increase is primarily attributable to higher interest earnings on the General Fund, which is the largest component of this revenue category.

Interest income of \$4.6 million was 15.8% above the budgeted level of \$4.0 million, and 22.7% above the prior year collection of \$3.8 million. This increase is primarily due to rising interest rates and higher cash balances as the City's pre-funding retirement contributions in 2021-2022 was \$285.0 million, compared to \$130.0 million in 2020-2021.



Remaining collections in this category include **City-Owned Property Rentals**, which ended the year \$545,000 below budgeted levels. **Digital Inclusion Program** revenue of \$853,000 was \$424,000 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 \$159,000 above the budgeted levels.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Revenue from Local Agencies

Revenue from Local Agencies	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Central Fire District	8,100,000	8,680,428	580,428	7.2%
Paramedic Program	3,000,000	2,206,970	(793,030)	(26.4%)
Police BART Reimbursement	2,099,513	2,086,265	(13,248)	(0.6%)
Other Local Agency Payments	13,117,547	11,782,253	(1,335,294)	(10.2%)
Total	26,317,060	24,755,916	(1,561,144)	(5.9%)

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 \$24.8 million ended the year \$1.6 million (5.9%) below the budgeted estimate of \$26.3 million, which was primarily due to the timing of grant revenue payments. Additionally, 2021-2022 local agency revenue was \$4.3 million, or 21.3%, above the 2020-2021 collection level. The year-over-year increase in revenue is primarily attributable to higher Central Fire District payments and grant revenue payments.

In 2021-2022, **Central Fire District** payments of \$8.7 million ended the year \$580,000 (7.2%) above the budgeted level and \$544,000 above the prior year collection level of \$8.1 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 \$2.2 million was \$793,000 (26.4%) below the budgeted level, and \$1.6 million below the 2020-2021 collection level of \$3.8 million. This decrease is primarily due to the timing of the final payment (\$760,000) which was not received before the close of 2021-2022 and will be accounted for in 2022-2023 collections. The 2021-2022 receipts included the equipment reimbursement component (Annex B, Category A; \$1.2 million) and service-related component (Annex B, Category B; \$1.0 million) and are reflective of the Fire Department's improved response times for emergency medical service calls.

The 2022-2023 Adopted Budget included the rebudget of revenues for various local grants and reimbursements in the amount of \$541,000. In addition, rebudget and clean-up adjustments totaling \$199,000 are recommended in this report to account for revenues that were not received 2021-2022, but are now anticipated to be received in 2022-2023. 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	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Tobacco Settlement	11,800,000	11,809,694	9,694	0.1%
Motor Vehicle In-Lieu Tax	1,100,000	1,189,659	89,659	8.2%
State Grants	7,868,617	4,538,580	(3,330,037)	(42.3%)
Other State Revenue	8,725,336	8,703,862	(21,474)	(0.2%)
Total	29,493,953	26,241,795	(3,252,158)	(11.0%)

The Revenue from the State of California category contains Tobacco Settlement Revenue, State Grants, and Other State Revenue. In 2021-2022, Revenue from the State of California totaled \$26.2 million, which is \$3.3 million (11.0%) below the 2021-2022 Modified Budget estimate of \$29.5 million.

The Tobacco Settlement revenue, which is the largest revenue source in this category, totaled \$11.8 million in 2021-2022, which is consistent with the budgeted estimate and \$321,000 above the prior year collection level of \$11.5 million. State grants and other reimbursements totaled \$13.2 million; \$3.4 million below the 2021-2022 Modified Budget level, which was the result of a timing difference of many grants (and their associated expenditures).

The 2022-2023 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$2.7 million. In addition, rebudget and clean-up adjustments totaling \$600,000 are recommended in this report to account for revenues that were not received 2021-2022, but are now anticipated to be received in 2022-2023. 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	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
Federal Grants	10,025,514	3,096,138	(6,929,376)	(69.1%)
Total	10,025,514	3,096,138	(6,929,376)	(69.1%)

The Revenue from the Federal Government category contains various federal grants and reimbursements. In 2021-2022, Revenue from the Federal Government of \$3.1 million was \$6.9 million (69.1%) below the budgeted estimate of \$10.0 million. The negative variance from the 2021-2022 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 2021-2022.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND REVENUE PERFORMANCE

Revenue from the Federal Government

The 2022-2023 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$6.1 million. In addition, rebudget and clean-up adjustments totaling \$578,000 are recommended in this report to account for revenues that were not received 2021-2022, but are now anticipated to be received in 2022-2023. 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	2021-2022 Budget (\$)	2021-2022 Actuals (\$)	2021-2022 Variance (\$)	2021-2022 Variance (%)
TRANS Proceeds	285,000,000	285,000,000	-	0.0%
Commercial Paper	15,000,000	15,000,000	-	0.0%
Miscellaneous Grants	12,278,410	12,137,478	(140,932)	(1.1%)
Other Revenue	16,397,946	17,120,216	722,270	4.4%
Total	328,676,356	329,257,694	581,338	0.2%

The Other Revenue category contains a number of unrelated revenue sources and totaled \$329.3 million in 2021-2022, which was 0.2% above the Modified Budget estimate of \$328.7 million. Actual collections, however, does not account for \$4.2 million that was anticipated to be received for a property sale related to the Fire Training Center property, but will now be received in 2022-2023. After accounting for this adjustment, 2021-2022 Other Revenue collections exceeded the budget by \$4.8 million. Revenue collections that exceeded the budgeted estimate include litigation settlements (\$2.1 million) and accounts receivables penalties and interest (\$1.8 million).

The 2022-2023 Adopted Budget included the rebudget of revenues and associated expenditures for various grants in the amount of \$570,000. In addition, rebudget and clean-up adjustments totaling \$4.8 million (of which \$4.2 million is associated with the Fire Training Center property) are recommended in this report to account for revenues that were not received 2021-2022, but are now anticipated to be received in 2022-2023. Additional information on the rebudget and clean-up of grants and other 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

Summary

In 2021-2022, total revenue received in the General Fund was \$1.74 billion. This collection level was within 0.2%, or \$4.3 million, of the 2021-2022 Modified Budget. After adjusting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$17.7 million (1.0%) 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 2021-2022 collection level of \$1.74 billion was \$384.1 million, or 28.3%, above the actual 2020-2021 collections of \$1.36 billion. A significant portion of this year-over-year increase is attributable to the City receiving higher Tax and Revenue Anticipation Notes (TRANs) in 2021-2022 compared to the prior year (\$285.0 million compared to \$130.0 million) to facilitate the prepayment of a portion of the City's 2021-2022 retirement contributions. Additionally, higher 2022-2023 collections were received for Real Property Transfer Tax (\$50.5 million), Sales Tax (\$39.1 million), Property tax (\$23.2 million), Business Tax (\$15.3 million), and Fees, Rates and Charges (\$14.7 million), which is primarily attributable to Parks, Recreation and Neighborhood Services Department Fee revenue. These revenues experienced year-over-year growth due to several factors including the continued economic rebound experienced after the pandemic as well as the strong commercial and residential real estate market. The final significant difference was an increase in Transfers (\$45.2 million), that was primarily due to the transfer from the American Rescue Plan Fund for City-wide revenue loss attributable to the pandemic in accordance with U.S. Treasury Department regulations.

Revenue across most General Fund categories have been performing positively over the past year, primarily due to a strong local real estate market and a robust economy. However, due to uncertainty regarding inflation, monetary policy changes continuously being implemented by the Federal Reserve, and other economic uncertainties that impact many revenue categories including Sales Tax, Business Tax, Transient Occupancy Tax, and Real Property Transfer Tax categories, the Administration will continue to actively monitor economic indicators and revenues in 2022-2023 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.