

**CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

PROPERTY TAX

2020-2021 Actual	\$ 390,896,950
2021-2022 Adopted	\$ 395,500,000
2021-2022 Estimate*	\$ 409,673,000
2022-2023 Forecast	\$ 427,000,000
2022-2023 Adopted	\$ 427,000,000
% of General Fund	23.0 %
% Change from 2021-2022 Adopted	8.0 %

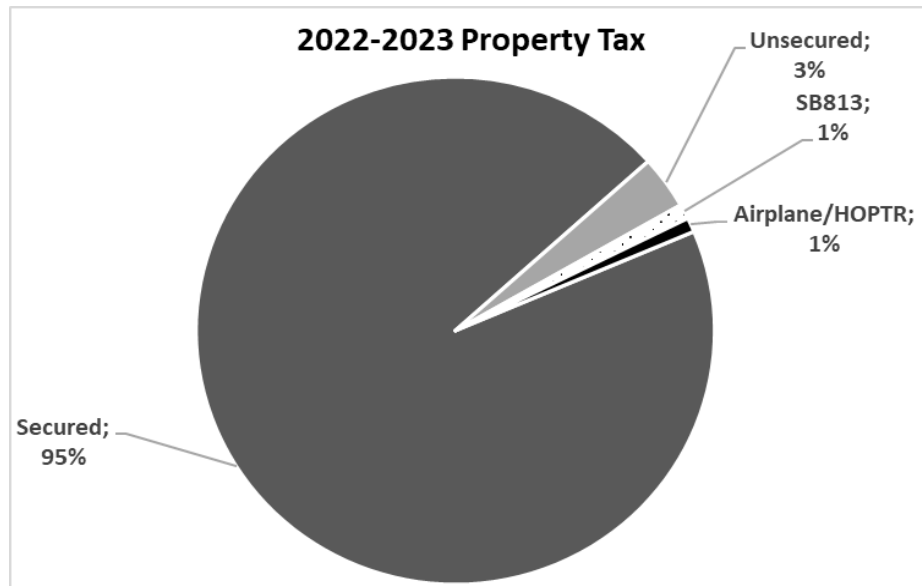
* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Property Tax Category	2022-2023 Adopted Budget
Secured Property Tax	\$ 404,600,000
Unsecured Property Tax	14,500,000
SB 813 Property Tax	4,000,000
Aircraft Property Tax	3,000,000
Homeowner's Property Tax Relief	900,000
Total	\$ 427,000,000

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 2021-2022 Property Tax receipts of \$409.7 million are projected, which is almost 5% above the 2020-2021 actual collection level of \$390.9 million. In 2022-2023, Property Tax receipts are anticipated to grow by approximately 4% from estimated 2021-2022 levels to \$427.0 million.

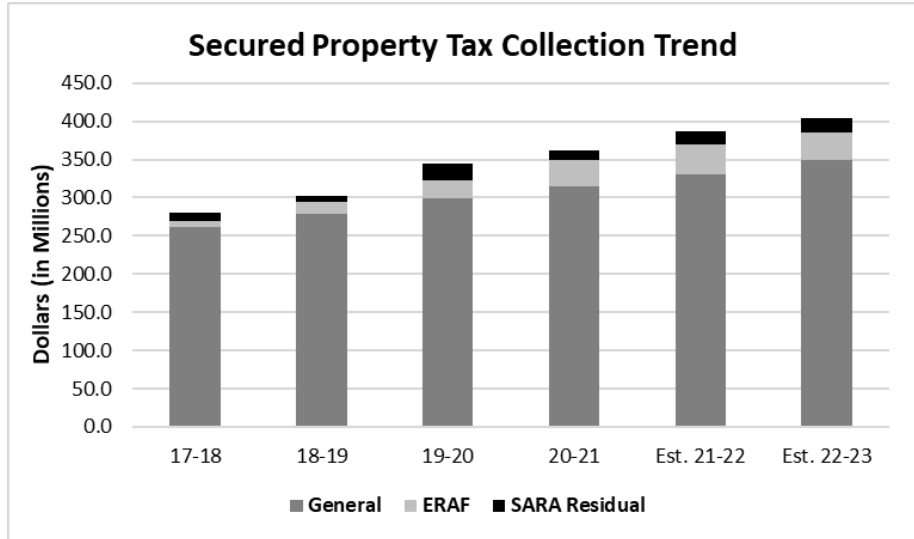


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PROPERTY TAX

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 2021-2022, Secured



Property Tax receipts are estimated at \$387.5 million, which reflects growth of approximately 7% from 2020-2021 collections. In 2022-2023, receipts are anticipated to grow to \$404.6 million, reflecting underlying general growth of 6%, higher estimated SARA Residual Property Tax receipts, and lower ERAF receipts. Each of the Secured Property Tax categories are further described below.

The general Secured Property Tax receipts are estimated at \$330.5 million in 2021-2022, which is approximately 5% above the 2020-2021 collection level. This growth 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 2022-2023, the general Secured Property Tax receipts are estimated to grow by 6% and total \$350.0 million, reflecting a 2% CCPI and 4% increased valuation. The CCPI adjustment for the 2022-2023 tax roll is 2%, which is higher than the 2021-2022 tax roll growth of 1%, which was impacted by the pandemic. In addition, it is anticipated that the high property sales prices will continue to be a positive factor driving growth in this category. In calendar year 2021 the median single-family home price in the City of San José totaled \$1.4 million, which is almost 16% above the calendar year 2020 median single-family home price of \$1.2 million. Further, the number of single-family and multi-family sales transactions grew 37% in calendar year 2021, up by 2,480 sales from 2020's level of 6,636 sales. While such rapid growth of the local real estate market is not expected to continue at the same pace as seen in calendar year 2021, real estate is likely to remain a strong sector of the local economy in future years.

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

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PROPERTY TAX

Secured Property Tax (Cont'd.)

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 2021-2022, ERAF receipts are estimated at \$38.9 million; however, in 2022-2023 receipts are anticipated to drop to \$35.0 million. It is important to note that due to litigation from school districts disputing the calculation methodology used by the counties to allocate ERAF distributions, approximately 30% is considered at risk for not being distributed; however, a decision for the litigation is not likely to occur until at least 2022-2023.

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 are estimated to total \$18.1 million, which is \$4.5 million above the 2020-2021 receipts. Prior year collections were negatively impacted by a State of California Appellate Court decision that revised the distribution formula related to all California residual property tax revenue from former Redevelopment Agencies. This decision resulted in a one-time reduction to revenues in 2020-2021 for the payback of prior years and an ongoing reduction. In 2022-2023, SARA Residual Property Tax receipts are anticipated to grow to \$19.6 million.

It should be noted that final data on the actual tax levy for 2022-2023 is not yet available as adjustments are made through June 30, 2022. Each month, the County of Santa Clara provides information on the status of the property tax roll for the upcoming year. Some of the adjustments, however, are not reflected until the latter months of a given fiscal year, such as the reassessments of commercial property. As updated information becomes available, refinements to the Property Tax estimates may be brought forward during future budget processes.

Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in this category. Changes in this category are 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. In 2021-2022, Unsecured Property Tax receipts are estimated at \$14.5 million, which is almost 10% below the prior year collection level of \$16.1 million. In 2022-2023, due to the pandemic's continued impact on local businesses, Unsecured Property Taxes are estimated to remain flat at \$14.5 million.

Other Property Taxes

The remaining Property Tax categories include SB 813 Property Tax receipts, which is estimated at \$3.8 million in 2021-2022 and \$4.0 million in 2022-2023; Aircraft Property Tax receipts, which are estimated at \$3.0 million in 2021-2022 and 2022-2023; and Homeowners Property Tax Relief revenue are anticipated to total approximately \$900,000 in 2021-2022 and 2022-2023.

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SALES TAX

2020-2021 Actual	\$ 284,020,471
2021-2022 Adopted	\$ 280,200,000
2021-2022 Estimate*	\$ 323,500,000
2022-2023 Forecast**	\$ 325,000,000
2022-2023 Adopted	\$ 331,000,000
% of General Fund	17.8 %
% Change from 2021-2022 Adopted	18.1 %

* The 2021-2022 Estimate was increased from \$313.5 million to \$323.5 million as part of Manager's Budget Addendum #37.

** The 2022-2023 Forecast was increased by \$5.0 million from the February Forecast; additional details can be found in the General Fund Overview section.

Distribution of Sales Tax

As shown in the following table, the City receives 1.25% of the 9.375% 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

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes. Information related to Sales Tax payments are distributed from the California Department of Tax and Fee Administration (CDTFA) four times throughout the year: November (July-September activity); February (October-December activity); May (January-March activity); and August (April-June activity). Based on information received through May 2022 (which reflects three quarters of Sales Tax activity; July 2021-March 2022), it is anticipated that 2021-2022 Sales Tax revenue will total \$323.5 million. This robust growth parallels the strong economic recovery since the arrival of effective vaccines, the corresponding relaxation of public health restrictions, and high levels of inflation. In 2022-2023 this growth is expected to taper and grow approximately 2.5% to \$331.0 million.

Sales Tax Category	2022-2023 Adopted Budget
General Sales Tax	\$268,000,000
Local Sales Tax	54,000,000
Proposition 172 Sales Tax	9,000,000
Total	\$331,000,000

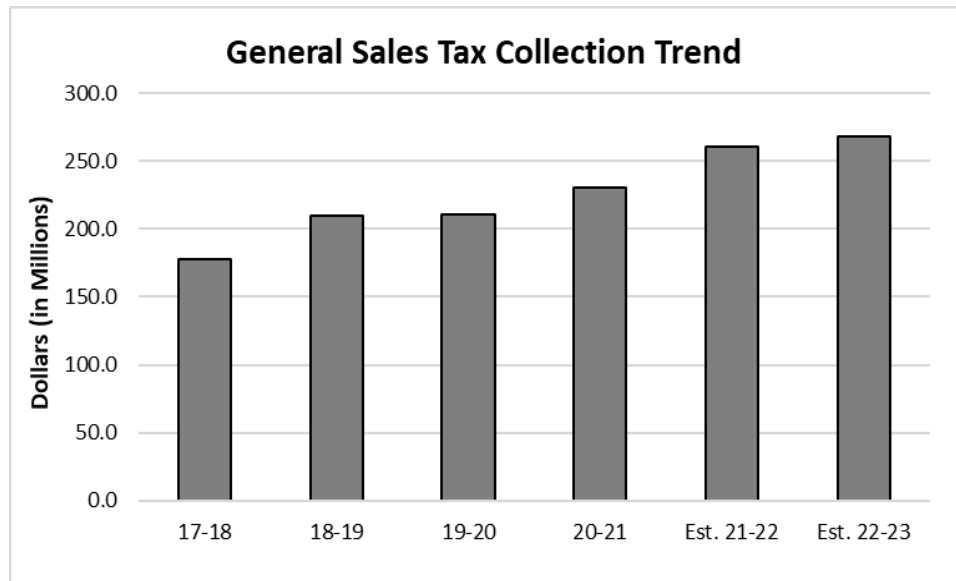
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SALES TAX

Additional information about each of the Sales Tax sub-categories is provided below.

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. When the Proposed Operating Budget was released, General Sales Tax receipts for the first two quarters (sales tax activity for July-December), had been received and continued to reflect



strong growth that began in the third quarter of 2020-2021. In late May, third quarter receipts (reflecting sales tax activity for January-March) were received and reflected year-over-year growth of 21%, which is higher than was anticipated. As a result of this higher collection level, as described in Manager’s Budget Addendum #37 (2022-2023 Revised General Fund Revenue Estimates and Recommended Expenditure Allocations), the 2021-2022 General Sales Tax estimate was increased from \$253.0 million to \$261.0 million. Additionally, as this higher rate of growth is anticipated to continue, though to a lesser extent, the 2022-2023 General Sales Tax revenue estimate was increased from \$262.0 million to \$268.0 million. The revised 2022-2023 revenue estimate reflects anticipated growth of approximately 2.5% from the estimated 2021-2022 collection level. The final sales tax payment will be received in August 2022, and will be discussed as part of the 2021-2022 Annual Report that will be released on September 30, 2022.

The City’s Sales Tax consultant, Avenu Insights & Analytics, has provided performance data for General Sales Tax revenue, as displayed on the chart below. This analysis measures the first, second, and third quarter General Sales Tax receipts for 2020-2021 and 2021-2022, excluding Sales Tax associated with the Revenue Capture Agreement.

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SALES TAX

General Sales Tax (Cont'd.)

**General Sales Tax Revenue Economic Performance
First – Third Quarter Payments**

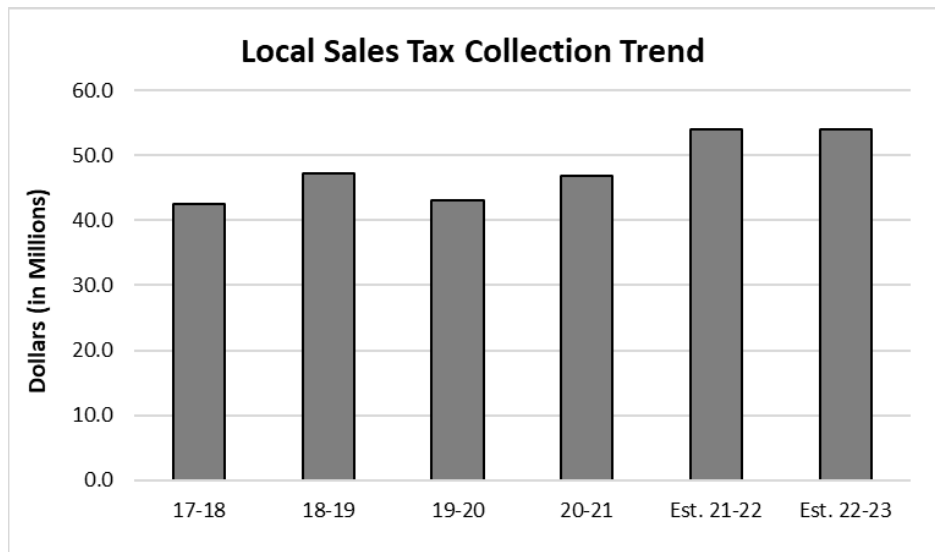
Category	2021-2022 % of Total Revenue	2020-2021 % of Total Revenue	% Change by Category
General Retail	19.2%	17.7%	27.4%
Transportation	18.5%	17.0%	28.3%
Business-to-Business	15.6%	16.1%	14.3%
Food Products	13.2%	11.9%	30.4%
Construction	9.7%	10.6%	7.4%
Miscellaneous	0.7%	0.7%	15.0%
County Pool	23.1%	26.0%	4.6%
Total	100.0%	100.0%	

As can be seen in the table above, all categories have experienced year-over-year growth, the largest of which include Food Products, Transportation, General Retail (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. The recent growth in County Pool receipts has been fueled by online purchases during the pandemic and is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the CDTFA. This formula is based each quarter on each jurisdiction's total General Sales Tax receipts divided by the Total General Sales Tax receipts for the entire County. The City typically receives between 40% - 50% of the total County Pool.

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



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SALES TAX

Local Sales Tax (Cont'd.)

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. When the Proposed 2022-2023 Operating Budget was released, Local Sales Tax receipts for only the first and second quarter had been received (sales tax activity from October-December). Based on this information, 2021-2022 Local Sales Tax was estimated at \$52.0 million and 2022-2023 receipts were anticipated to grow to \$54.0 million. However, third quarter receipts were received in May 2022, and were higher than anticipated. Therefore, 2021-2022 receipts are now estimated at \$54.0 million, which is consistent with the 2022-2023 budgeted estimate. The final Local Sales Tax payment will be received in August 2022 and a full discussion on Sales Tax will be included in the 2021-2022 Annual Report that will be released on September 30, 2022,

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 \$8.5 million in 2021-2022 and \$9.0 million in 2022-2023.

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TRANSIENT OCCUPANCY TAX

2020-2021 Actual	\$ 5,409,142
2021-2022 Adopted	\$ 10,000,000
2021-2022 Estimate*	\$ 9,000,000
2022-2023 Forecast	\$ 11,000,000
2022-2023 Adopted	\$ 11,000,000
% of General Fund	0.6 %
% Change from 2021-2022 Adopted	10.0 %

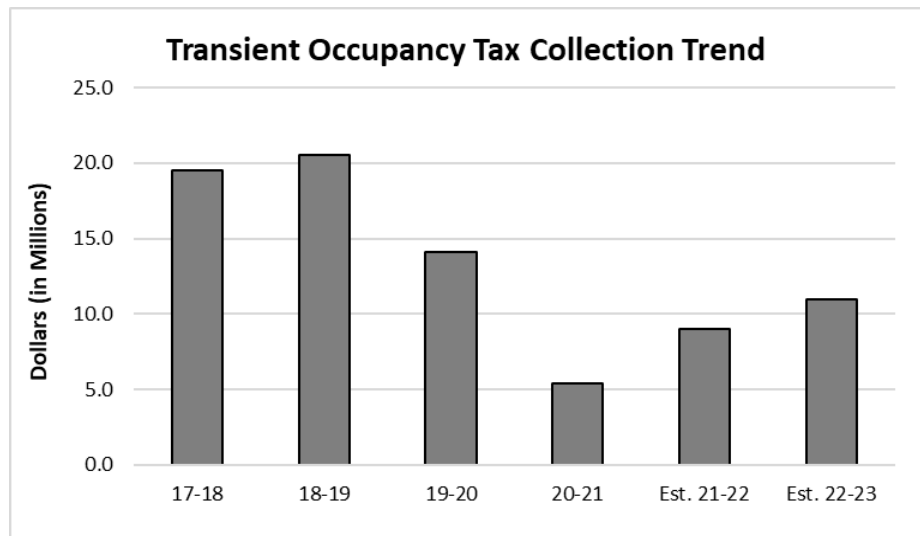
* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

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 2021-2022, Transient Occupancy Tax (TOT) receipts in the General Fund (which represent 40% of the total tax) are estimated to reach \$9.0 million, reflecting a 66.4% increase from the 2020-2021 collection level of \$5.4 million, but a 36.2% decline from the 2019-2020 collection level of \$14.1 million. This



drastic fluctuation in TOT receipts is illustrative of the evolving impact of the COVID-19 pandemic on hotel activity, the effects of which peaked in spring 2020 but are resulting in a slower than anticipated rebound in the demand for hotel rooms. 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.

Although the emergence of COVID-19 variants, as with recent national experiences with the Delta and Omicron variants, may continue to suppress travel and hotel activity, the incremental improvement in hotel activity sustained since April 2020 is expected to continue into 2022-2023. In 2022-2023, TOT receipts are projected to increase by 22% and total \$11.0 million.

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FRANCHISE FEES

2020-2021 Actual	\$ 45,628,289
2021-2022 Adopted	\$ 44,651,652
2021-2022 Estimate*	\$ 47,035,652
2022-2023 Forecast**	\$ 48,585,652
2022-2023 Adopted	\$ 49,168,393
% of General Fund	2.6 %
% Change from 2021-2022 Adopted	10.1 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was increased by \$600,000 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Franchise Category	2022-2023 Adopted Budget
Electric	\$ 21,000,000
Gas	6,500,000
Commercial Solid Waste	13,003,393
Cable Television	8,300,000
City Generated Tow	50,000
Great Oaks Water	250,000
Nitrogen Gas Pipeline Fees	65,000
Total	\$ 49,168,393

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 \$47.0 million in 2021-2022, which is approximately 3% above the prior year receipts of \$45.6 million. In 2022-2023, Franchise Fees are expected to increase an additional 4.5% to \$49.2 million, which reflects higher anticipated Electric Franchise Fees and the Consumer Price Index (CPI) adjustment for the Commercial Solid Waste Franchise Fee.

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 2021-2022 are based on calendar year 2021 and revenues in 2022-2023 will be based on calendar year 2022). 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 2022 and were slightly above anticipated levels.

Electricity Franchise Fee

In the Electricity Franchise Fee category, collections in 2021-2022 are anticipated to reach \$19.8 million, reflecting growth of approximately 5% from the 2020-2021 receipts. This estimate takes into consideration the actual collection patterns for electricity utility tax receipts in calendar year

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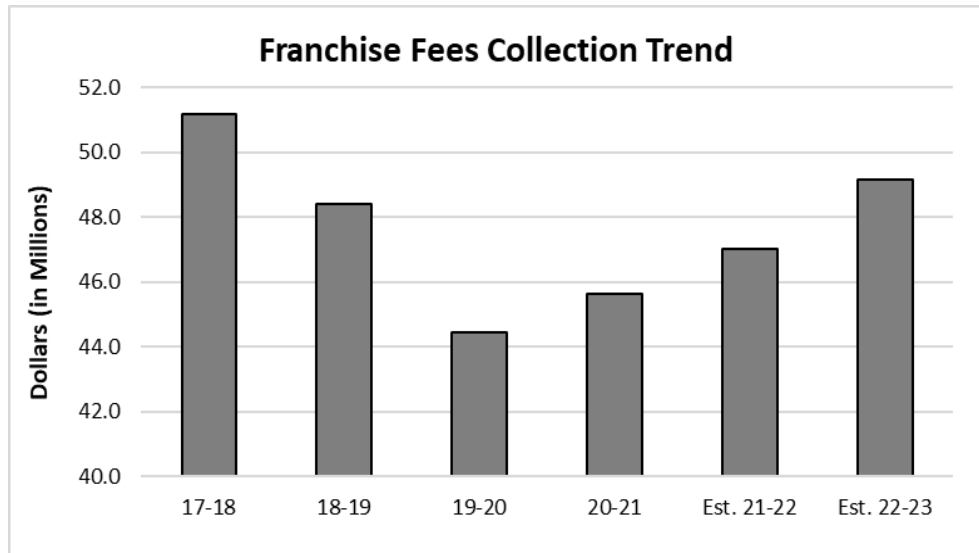
FRANCHISE FEES

Electricity Franchise Fee (Cont'd.)

2021. In 2022-2023 the Electricity Franchise Fee estimate is anticipated to grow to \$21.0 million, which is due to higher approved electricity rates.

Gas Franchise Fee

In the Gas Franchise Fee category, the 2021-2022 estimated collections of \$6.2 million reflects an approximately 4% 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 2021. Similar to



the Electric Franchise Fee, gas rates are anticipated to rise in 2022-2023, resulting in Gas Franchise Fee revenue growing 5% to \$6.5 million. 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 \$12.4 million in 2021-2022, 1.4% above the prior year collections, which is primarily due to the 2021-2022 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 2022-2023 Forecast estimate of \$12.4 million does not automatically assume a CPI adjustment. However, the 2022-2023 Adopted Budget includes an action to increase the CPI by 4.7%, which will generate an additional \$582,741 in Commercial Solid Waste Fee revenue, bringing the budget estimate to \$13.0 million in 2022-2023.

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FRANCHISE FEES

Cable Television Fee

In the Cable Franchise Fee category, the estimated 2021-2022 collections of \$8.3 million is consistent with the prior year receipts. In addition, revenue in 2022-2023 is anticipated to remain at \$8.3 million.

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 2021-2022 and \$50,000 in 2022-2023, Great Oaks Water receipts are estimated at \$240,000 in 2021-2022 and \$250,000 in 2022-2023, and Nitrogen Gas Pipeline receipts are estimated at \$65,000 in 2021-2022 and 2022-2023.

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UTILITY TAXES

2020-2021 Actual	\$ 106,970,843
2021-2022 Adopted	\$ 97,060,000
2021-2022 Estimate*	\$ 97,650,000
2022-2023 Forecast	\$ 107,450,000
2022-2023 Adopted	\$ 107,450,000
% of General Fund	5.8 %
% Change from 2021-2022 Adopted	10.7 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

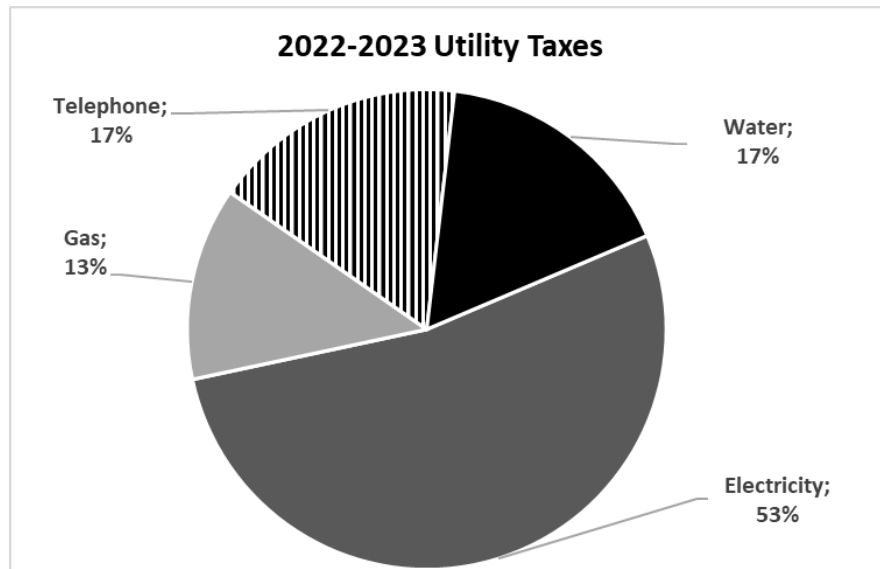
Revenue Estimates

Utility Taxes Category	2022-2023 Adopted Budget
Electricity	\$ 57,000,000
Gas	14,000,000
Telephone	18,450,000
Water	18,000,000
Total	\$ 107,450,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2021-2022 are anticipated to total \$97.7 million, which is significantly below the 2020-2021 collection level of \$107.0 million. However, this drop is due to a payment processing timing issue, resulting in collections being included in 2020-2021 that should have been reflected in 2021-2022. In 2022-2023, Utility Tax collections are projected at \$107.5 million.

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$51.0 million in 2021-2022 and grow to \$57.0 million in 2022-2023. After accounting for the payment processing timing issue, the 2022-2023 collection reflects anticipated growth of 5% from estimated 2021-2022 collections. The 2022-2023 growth is primarily reflective of approved electricity rate increases, which will drive up Electricity Utility Tax receipts.



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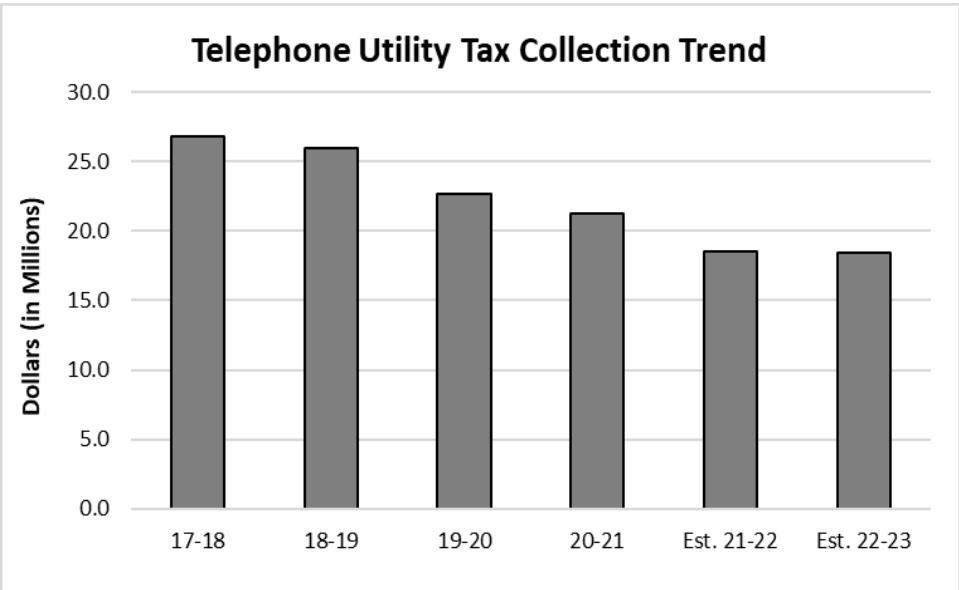
UTILITY TAXES

Gas Utility Tax

The Gas Utility Tax is anticipated to generate \$12.5 million in 2021-2022 and grow to \$14.0 million in 2022-2023. After accounting for the payment processing timing issue, the 2022-2023 collection reflects anticipated growth of 5% from estimated 2021-2022 collections. The 2022-2023 growth is primarily reflective of higher gas costs and approved rate increases, which will drive up Gas Utility Tax receipts. 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, wireless, VoIP, and prepaid wireless services sold at retail locations. Receipts in 2021-2022 are projected at \$18.6 million, a 13% drop from the 2020-2021 collection level. In 2022-2023, receipts are projected to drop an additional 1% and total \$18.5 million.



The Telephone Utility Tax category has experienced continuous declines as a result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the data component of wireless plans not being taxable.

Water Utility Tax

Based on current year collection levels, Water Utility Tax receipts of \$15.6 million are anticipated to be received in 2021-2022. In 2022-2023, water rates are anticipated to rise, therefore Water Utility Tax receipts are estimated at \$18.0 million, which after accounting for the payment processing timing issue, reflects a 5% increase from the 2021-2022 anticipated collection level.

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BUSINESS TAXES	
2020-2021 Actual	\$ 70,035,779
2021-2022 Adopted	\$ 74,500,000
2021-2022 Estimate*	\$ 84,700,000
2022-2023 Forecast	\$ 86,000,000
2022-2023 Adopted	\$ 86,000,000
% of General Fund	4.6 %
% Change from 2021-2022 Adopted	15.4 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Business Taxes Category	2022-2023 Adopted Budget
Cardroom Business Tax	\$ 27,000,000
General Business Tax	26,000,000
Cannabis Business Tax	20,000,000
Disposal Facility Tax	13,000,000
Total	\$ 86,000,000

This category includes Cannabis Business Tax, Cardroom Business Tax, Disposal Facility Tax, and General Business Tax. Business Taxes are estimated to reach \$84.7 million in 2021-2022, a 20% increase from prior year levels, which is primarily due to increased Cardroom Tax revenues that were significantly impacted by the pandemic. In 2022-2023, Business Taxes revenues are anticipated to increase 2% to \$86.0 million.

Cannabis Business Taxes

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. Based on current collection trends, it is anticipated Cannabis Business Tax receipts will total approximately \$19.0 million in 2021-2022, which is slightly above the prior year level. In 2022-2023 receipts are projected to grow by approximately 5% to \$20.0 million.

Cardroom Business Tax

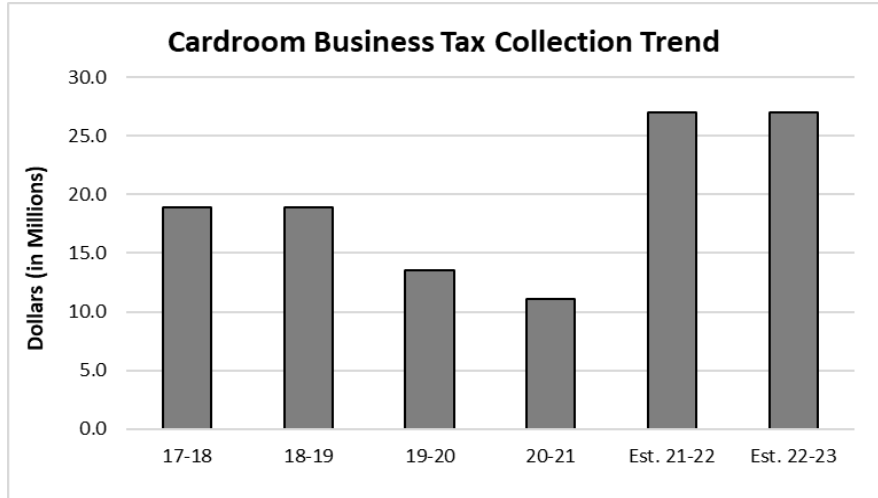
Cardroom Business Tax receipts are estimated at \$27.0 million, a significant increase from prior year collections of \$11.1 million. Cardrooms suspended operations from March 2020 to August 2020, then again from November 2020 to January 2021 due to health orders by the County of Santa Clara and/or the State of California. Since late January 2021, cardrooms have once again been operational, under modified restrictions. Currently, cardrooms are generally operating at

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BUSINESS TAXES

Cardroom Business Tax (Cont'd.)

pre-pandemic levels. In 2022-2023, Cardroom Tax receipts are anticipated to remain steady at \$27.0 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.

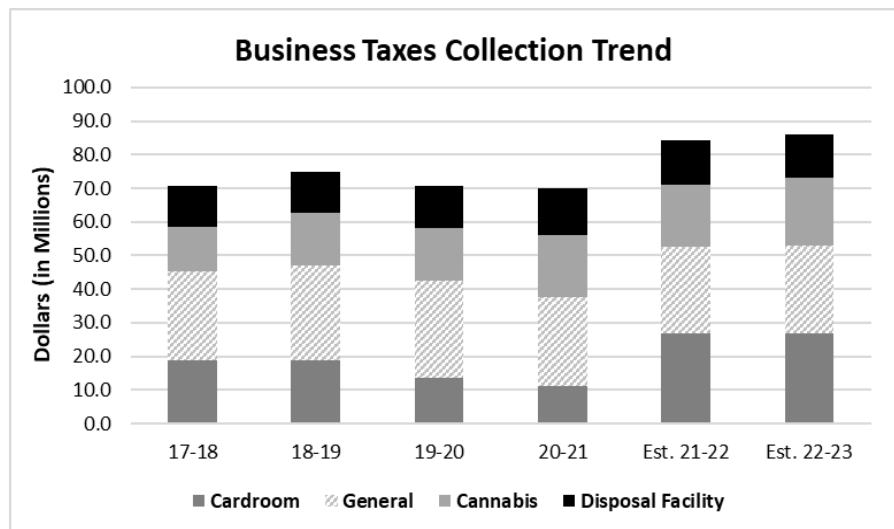


Disposal Facility Tax

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, 2021-2022 DFT collections are estimated at \$13.0 million, which is slightly below the 2020-2021 collection level of \$13.8 million. In 2022-2023, receipts are anticipated to remain flat at \$13.0 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 2021-2022, General Business Tax proceeds are anticipated to reach \$25.7 million, which is slightly below the 2020-2021 collection level of \$26.5 million. In 2022-2023, General Business Tax revenue is anticipated to grow slightly (1%) to \$26.0 million as a result of a moderate annual inflation rate change, partially offset by reduced activity levels, as a number of businesses are still recovering from the pandemic.

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REAL PROPERTY TRANSFER TAX	
2020-2021 Actual	\$ 50,530,828
2021-2022 Adopted	\$ 40,000,000
2021-2022 Estimate*	\$ 90,000,000
2022-2023 Forecast	\$ 65,000,000
2022-2023 Adopted	\$ 65,000,000
% of General Fund	3.5 %
% Change from 2021-2022 Adopted	62.5 %

* The 2021-2022 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 2021-2022 collections are projected at \$90.0 million, which is significantly above the prior year collections of \$50.5 million. The significant 2021-2022 collection level is due to several factors. First, due to the timing of when the payment from Santa Clara County was processed for June collections, funding of \$9.7 million is reflected in 2021-2022, but is attributable to 2020-2021 activity. In addition, 11 high-value property transfers occurred between July 2021 and March 2022, totaling \$34.7 million. Combined, the revenue due to the prior year activity (\$9.7 million) and the 11 high-value transfers (\$34.7 million) attributed over \$44 million of the total \$86 million collections received through April in 2021-2022. The Real Property Transfer Tax collections began in 2020, therefore limited historical collection information is known. In addition, receipts are significantly influenced by large property transfers, which are difficult to forecast. As a result, a conservative estimate of \$65.0 million is anticipated in 2022-2023.

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. 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
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TELEPHONE LINE TAX

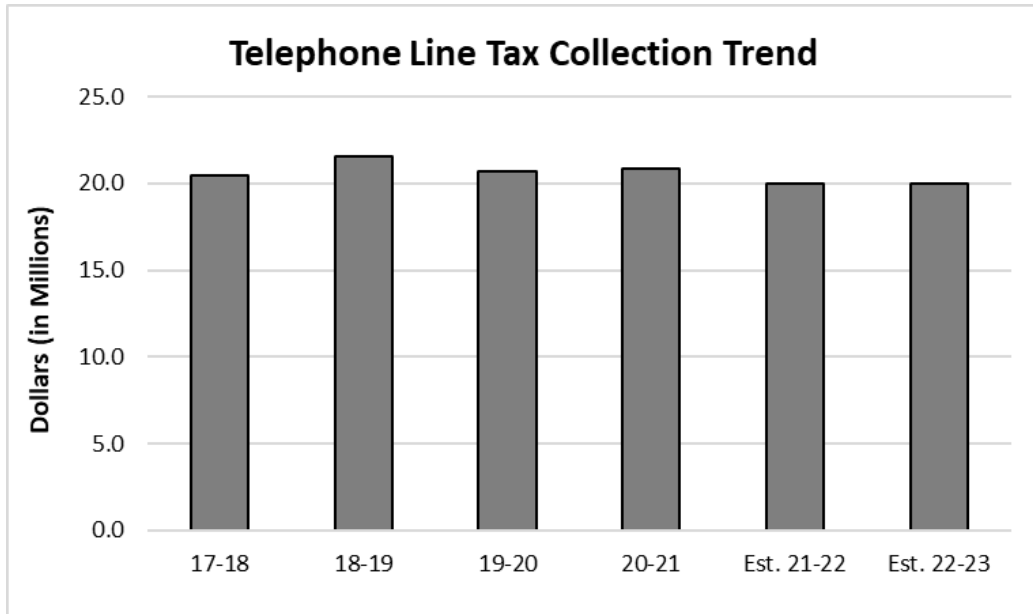
2020-2021 Actual	\$ 20,872,785
2021-2022 Adopted	\$ 20,000,000
2021-2022 Estimate*	\$ 20,000,000
2022-2023 Forecast	\$ 20,000,000
2022-2023 Adopted	\$ 20,000,000
% of General Fund	1.1 %
% Change from 2021-2022 Adopted	0.0 %

* The 2021-2022 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 2021-2022 are estimated at \$20.0 million, which is fairly consistent with the 2020-2021 actual collection level of \$20.9 million. Given the steady nature of the tax collections in this category, receipts are anticipated to remain at \$20.0 million in 2022-2023.



CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS	
2020-2021 Actual	\$ 19,388,370
2021-2022 Adopted	\$ 21,002,985
2021-2022 Estimate*	\$ 20,125,949
2022-2023 Forecast**	\$ 21,703,636
2022-2023 Adopted	\$ 20,993,100
% of General Fund	1.1 %
% Change from 2021-2022 Adopted	0.0 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was increased by \$83,805 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Licenses and Permits Category	2022-2023 Adopted Budget
Fire Permits	\$6,281,000
Other Licenses and Permits	14,712,100
Total	\$ 20,993,100

The Licenses and Permits category contain non-development fees and charges collected by various City departments, the largest of which are Fire Permits. Licenses and 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 \$20.1 million in 2021-2022 and grow slightly to \$21.0 million in 2022-2023. The 2022-2023 Adopted Budget includes actions to decrease the Fire Department Non-Development Fee revenue by -\$105,000 (from \$6.4 million to \$6.3 million) due to a higher fire prevention fees (\$185,000), which is offset by a reduction to all other Fire Department Non-Development fees by -4.5% to maintain cost recovery levels (-\$290,000). In addition, the 2022-2023 Adopted Budget includes actions to decrease the Other Licenses and Permits category by -\$605,536 (from \$15.3 million to \$14.7 million) to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. This includes the ongoing elimination of the fee for temporary street closure permit (-\$25,600) which has previously been approved by the City Council on a one-time basis for a number of years.

**CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

FEES, RATES, AND CHARGES

2020-2021 Actual	\$ 7,442,173
2021-2022 Adopted	\$ 14,832,684
2021-2022 Estimate*	\$ 18,501,616
2022-2023 Forecast**	\$ 23,853,718
2022-2023 Adopted	\$ 23,914,232
% of General Fund	1.3 %
% Change from 2021-2022 Adopted	61.2 %

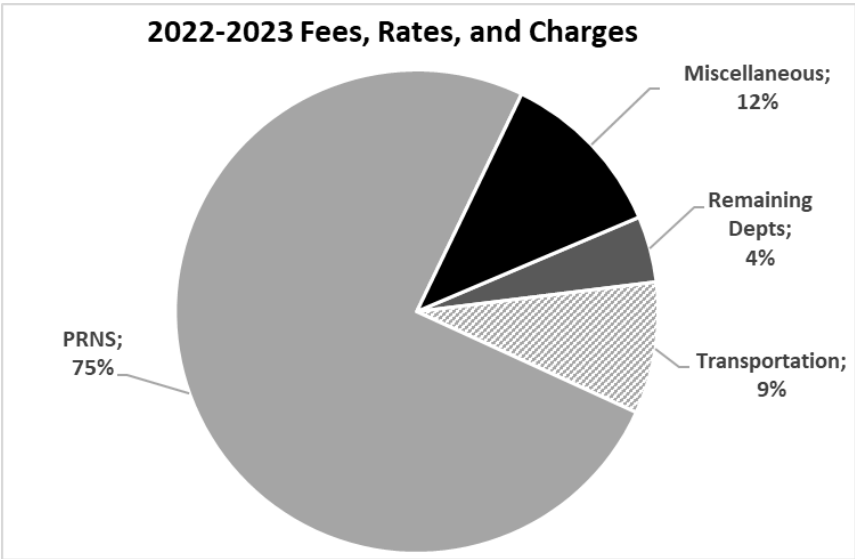
* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was decreased \$153,462 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2022-2023 Adopted Budget
Parks, Recreation and Neighborhood Services	\$ 18,009,879
Transportation	2,106,292
Police	1,032,471
Library	25,500
Miscellaneous	2,740,090
Total	\$ 23,914,232

The Fees, Rates, and Charges revenue category includes various fees and charges levied to recover costs of services provided by several City departments, the largest of which are Parks, Recreation, and Neighborhood Services (PRNS) Department Fees. All fees and charges are projected based on City Council-approved cost-recovery policies with the overall goal of a net-zero impact on the General Fund, though exceptions of lower cost recovery levels for a number of fees also exist. In 2021-2022, the Fees, Rates, and Charges category is estimated at \$18.5 million, which is significantly higher than the 2020-2021 collection level of \$7.4 million, but is still deeply below historical collections of approximately \$30 million. The suppressed activity is primarily attributable to PRNS fee collections, which have been significantly impacted by the pandemic-related health orders.



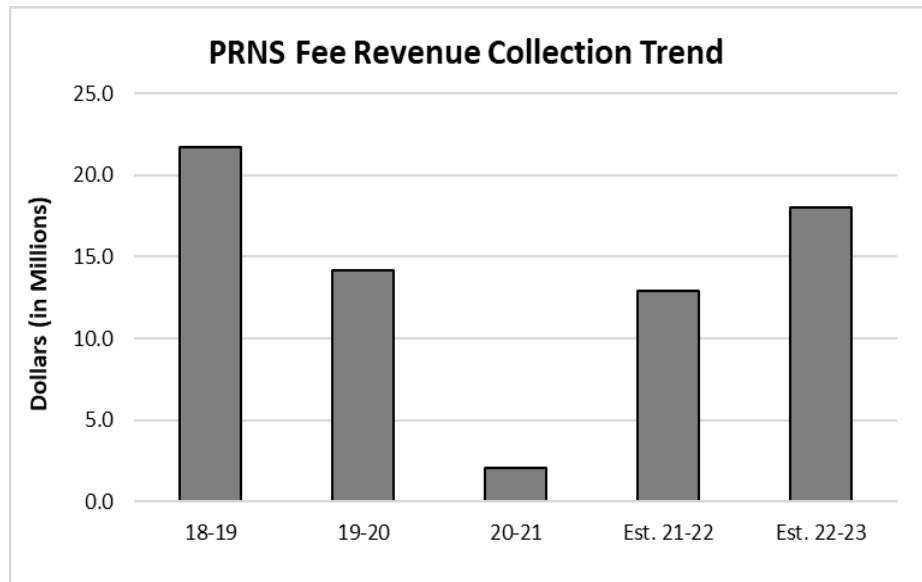
CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

In 2022-2023, the Fees, Rates, and Charges category is anticipated to continue growing and total \$23.9 million. The 2022-2023 Adopted Budget includes actions to increase Transportation Fee revenue (\$2,333), increase the Police Department fee revenue (\$1,325), and decrease miscellaneous fee revenue (-\$213,023) to align various revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. In addition, as directed in the Mayor’s June Budget Message for Fiscal Year 2022-2023, as approved by the City Council, library fee revenue received in the General Fund will decrease by -\$10,000 due to library fees and fines for seniors being waived in 2022-2023 (-\$5,000) and library community rental fees being eliminated in 2022-2023 (-\$5,000). The Mayor’s June Budget Message for Fiscal Year 2022-2023 also included an action to eliminate park event permit fees in 2022-2023 for neighborhood associations requesting a permit to activate a park in their neighborhood (-\$4,000). The 2022-2023 Adopted Budget also includes an action to increase PRNS fee revenue by \$283,879 related to Happy Hollow Park and Zoo, which is further described below.

Parks, Recreation and Neighborhood Services Fees

As mentioned above, PRNS fee revenue was significantly impacted by pandemic-related health orders. PRNS program delivery and revenue generation 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 2021-2022, as pandemic-related restrictions have eased, PRNS Fee revenue is anticipated to end the year at \$12.9 million. In 2022-2023 fee revenue is anticipated to continue growing and total \$18.0 million, which includes an increase to Happy Hollow Park and Zoo and Fee Activity revenue (\$283,879). The 2022-2023 Adopted Budget includes an action to budget additional personal services resources (3.0 positions) to support operations at Happy Hollow Park and Zoo, which are anticipated to result in additional revenue generation. Additional detail on this budget action is provided in the Parks, Recreation and Neighborhood Services Department under the *City Departments* section of this document.

**CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

FINES, FORFEITURES, AND PENALTIES

2020-2021 Actual	\$ 9,760,327
2021-2022 Adopted	\$ 8,676,000
2021-2022 Estimate*	\$ 11,755,000
2022-2023 Forecast**	\$ 12,232,000
2022-2023 Adopted	\$ 12,232,000
% of General Fund	0.7 %
% Change from 2021-2022 Adopted	41.0 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

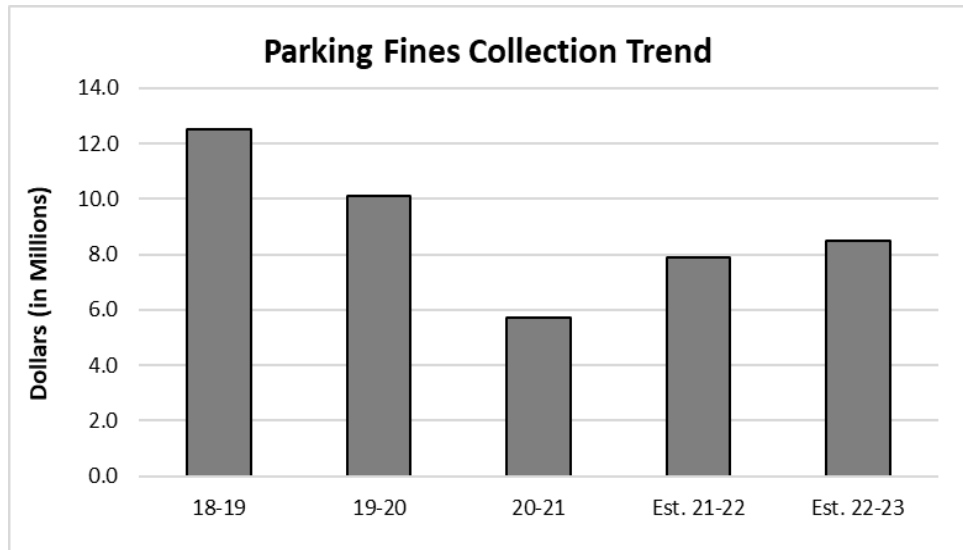
** The 2022-2023 Forecast was increased \$100,000 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fines, Forfeitures, and Penalties revenue in 2021-2022 is estimated at \$11.8 million, which is 20.3% above the 2020-2021 actual collection level. In 2022-2023, Fines, Forfeitures, and Penalties are anticipated to grow to \$12.2 million. Growth in this category is primarily attributable to stronger Parking Fines, which as further discussed below, were significantly impacted by the pandemic.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. The 2021-2022 estimate for Parking Fines totals \$7.9 million and revenue is anticipated to grow to \$8.5 million in 2022-2023. While this collection level is higher than the 2020-2021 level of



\$5.7 million, it is far below historical Parking Fine collections of approximately \$11 million - \$12 million annually. Parking Fines have been significantly impacted by the pandemic as the Transportation Department only performed limited citations related to meter violations, while simultaneously overall parking demand fell. The Transportation Department has begun the process of reinstating Residential Permit Parking Zones, issuing safety related and street sweeping violations citywide, and enforcing parking meter related violations within the Downtown and citywide. Parking Compliance activities will continue to be phased in thoughtfully while remaining sensitive to the community's economic concerns.

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

2020-2021 Actual	\$ 8,778,301
2021-2022 Adopted	\$ 9,304,000
2021-2022 Estimate*	\$ 8,814,000
2022-2023 Forecast	\$ 8,688,000
2022-2023 Adopted	\$ 8,779,000
% of General Fund	0.5 %
% Change from 2021-2022 Adopted	(5.6 %)

* The 2021-2022 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 \$8.8 million in 2021-2022 and 2022-2023.

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 2021-2022 Rental of City-Owned Property revenue totaling \$2.8 million is anticipated, which is slightly above the 2020-2021 collection level of \$2.4 million. In 2022-2023 collections are estimated at \$3.0 million, which includes an action to increase the revenue by \$91,000 to reflect new lease revenue related to a property on Alma Avenue.

General Fund Interest Earnings

The interest earnings collection on the General Fund in 2021-2022 is estimated at \$4.0 million. In 2022-2023, General Fund interest earnings are estimated to grow slightly to \$4.2 million.

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 2022-2023 revenues are anticipated to total \$819,000, which is set aside in the Digital Inclusion Fund allocation in *City-Wide Expenses* section of this document.

**CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

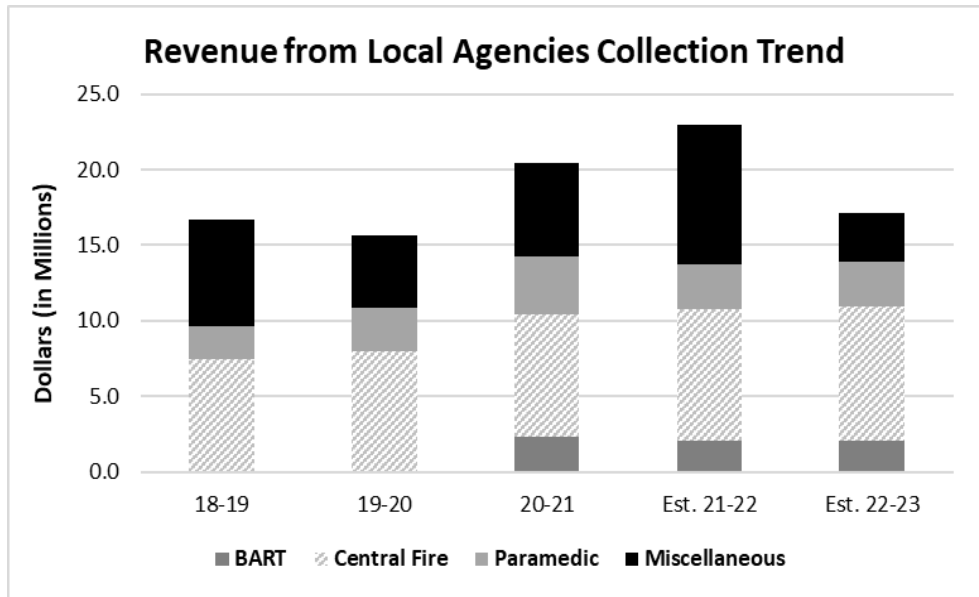
REVENUE FROM LOCAL AGENCIES

2020-2021 Actual	\$ 20,411,974
2021-2022 Adopted	\$ 18,784,335
2021-2022 Estimate*	\$ 22,946,230
2022-2023 Forecast	\$ 16,277,711
2022-2023 Adopted	\$ 17,107,945
% of General Fund	0.9 %
% Change from 2021-2022 Adopted	(8.9 %)

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

In 2021-2022, revenue of \$22.9 million is projected from other local agencies, such as the Central Fire District payment for fire services provided to County residents by the San José Fire Department, the County of Santa Clara payments for the Paramedic Program and Senior Nutrition, and the Valley



Transportation Authority (VTA) reimbursement for police services at the Berryessa BART station. In 2022-2023, revenue in this category is projected at \$17.1 million, which is \$5.8 million below the 2021-2022 estimate. The decrease in 2022-2023 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated.

Berryessa BART Station Police Services

Beginning in 2020-2021, reimbursement revenue is received annually from the VTA for supplemental law enforcement support services at the Berryessa/North San José BART Station. In 2021-2022 and 2022-2023, reimbursement revenue of \$2.1 million is anticipated from the VTA.

CITY OF SAN JOSE
2022-2023 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 \$8.7 million are anticipated in 2021-2022 and receipts of \$8.9 million are anticipated in 2022-2023.

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 2021-2022 and 2022-2023, 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).

Other Local Agency

In 2021-2022, the remaining local agency funding is anticipated to total \$9.2 million. This funding primarily reflects one-time grant or reimbursements anticipated from various local agencies. In 2022-2023, funding of \$3.2 million is anticipated, which includes 2022-2023 Adopted Budget actions totaling \$830,234. The 2022-2023 Adopted Operating Budget includes rebudgets for local agency grant funding and reimbursements from 2021-2022 to 2022-2023 for various programs (\$540,960), the largest of which is from Santa Clara Valley Water District for Coyote Creek Patrol services (\$331,933). In addition, four new grants and reimbursements are anticipated to be received (\$289,274) for the Child Interview Center services (\$124,274), Alviso Historic grant (\$70,000), Animal Care services (\$50,000), and Placemaking/VivaCalle SJ and VivaParks grant (\$45,000).

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM STATE OF CALIFORNIA	
2020-2021 Actual	\$ 20,734,690
2021-2022 Adopted	\$ 13,247,111
2021-2022 Estimate*	\$ 26,413,560
2022-2023 Forecast**	\$ 13,700,000
2022-2023 Adopted	\$ 26,889,687
% of General Fund	1.4 %
% Change from 2021-2022 Adopted	103.0 %

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was increased \$1.6 million from the February Forecast; additional details can be found in the General Fund Overview section.

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 \$26.4 million in 2021-2022 and \$26.9 million in 2022-2023.

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 2021-2022 payment was recently received and totaled \$11.8 million, which is slightly above the 2020-2021 receipts of \$11.5 million. The 2022-2023 budget assumes collections will remain flat at \$11.8 million.

State Grants/Reimbursements

The City receives several reimbursements from the State on an annual basis, which total \$1.9 million in 2022-2023. These ongoing revenues include: Auto Theft reimbursement (\$600,000); 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 \$700,000 in 2022-2023, 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 2021-2022 estimated collection levels.

The 2022-2023 Adopted Budget includes actions to recognize grant funding totaling \$10.5 million from the State for eight new programs, the largest of which is related to the CaliforniansForAll Youth Workforce Program (\$9.2 million). The purpose of this program is to increase youth employment, develop youth interest in and experienced towards a career, and to strengthen city capacity to address key areas of climate, food insecurity, and local pandemic recovery. Additional new grant funding (\$1.3 million) is anticipated to be received for Local Earning Action Planning (\$366,272), Youth Reinvestment (\$333,334), First Five Family Friends Neighbors (\$233,500),

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM STATE OF CALIFORNIA

Senate Bill 2 – Housing and Community Development (\$136,636), Library Services and Technology Act - Holistic Initiative (\$100,000), CALOES Trauma to Triumph (\$87,584), and California Library Association - Lunch at the Library (\$31,500). In addition, the 2022-2023 Adopted Budget, includes rebudgets for State grant funding and reimbursements from 2021-2022 to 2022-2023 for various programs (\$2.7 million), the largest of which is the Mobile Operations and Satellite Expeditionary System (MOSES; \$2.2 million). Additional detail on these budget actions are provided in the *City Departments* section of this document.

REVENUE FROM FEDERAL GOVERNMENT

2020-2021 Actual	\$ 3,733,619
2021-2022 Adopted	\$ 3,684,826
2021-2022 Estimate*	\$ 9,523,327
2022-2023 Forecast	\$ 0
2022-2023 Adopted	\$ 7,111,452
% of General Fund	0.4 %
% Change from 2021-2022 Adopted	93.0 %

* The 2021-2022 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 2021-2022 estimate for various federal grants totals \$9.5 million, which includes various Police grants (\$4.2 million) and Urban Areas Security Initiative (UASI) grants allocated to Police, Fire, and Office of Emergency Management (\$3.1 million).

The 2022-2023 Adopted Budget includes rebudgets for federal grant funding and reimbursements from 2021-2022 to 2022-2023 for various programs (\$6.1 million), the largest of which is the Hazard Mitigation grant (\$1.1 million). In addition, the 2022-2023 Adopted Budget includes actions to recognize funding totaling \$985,474 from the Federal Government for five new grants. New grant funding is anticipated to be received for UASI – Office of Emergency Management (\$470,714), Hazard Mitigation (\$393,041), Northern California Regional Intelligence Center – Police (\$74,782), Emergency Management Performance (\$46,214), and Drug Enforcement Administration (\$723). Additional detail on these budget actions are provided in the *City Departments* section of this document.

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

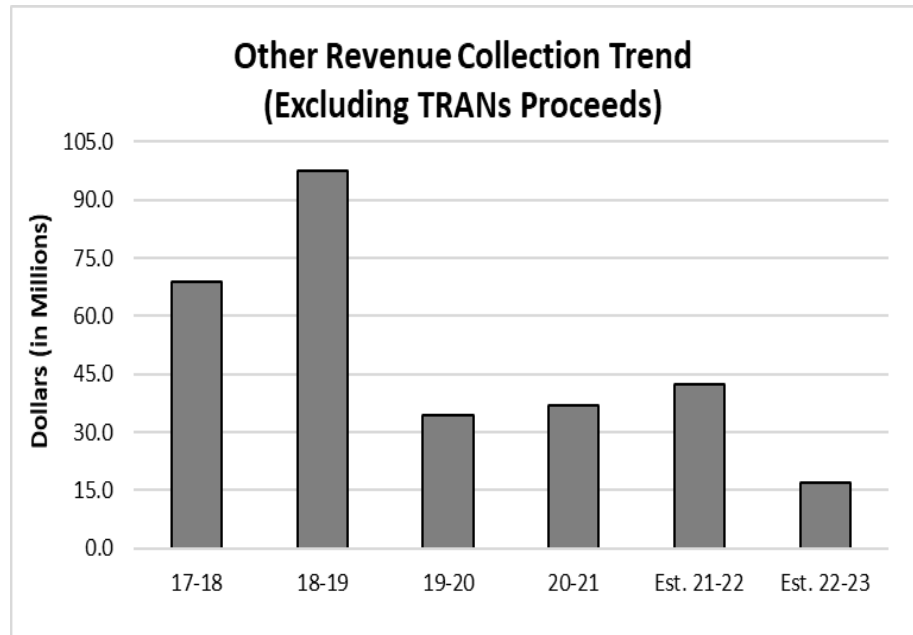
OTHER REVENUE	
2020-2021 Actual	\$ 166,871,618
2021-2022 Adopted	\$ 9,242,806
2021-2022 Estimate*	\$ 327,402,378
2022-2023 Forecast**	\$ 8,652,035
2022-2023 Adopted	\$ 16,823,368
% of General Fund	0.9 %
% Change from 2021-2022 Adopted	82.0 %

* The 2021-2022 Estimate includes revenues associated with the issuance of a \$285 million TRANs based on cash flow needs. The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was increased by \$319,424 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, Sidewalk Repair and Tree Maintenance Activities, and Miscellaneous Other Revenue.



In 2021-2022, the Other Revenue category is expected to generate \$327.4 million. The 2021-2022 estimate includes several one-time allocations, the largest of which reflects borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs; \$285.0 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.

The 2022-2023 Adopted Budget includes actions to recognize a developer payment for the cost of services related to the Diridon Station Development (\$7.4 million) and a grant for Destination Home Silicon Valley (\$178,820). In addition, the 2022-2023 Adopted Budget includes rebudgets

CITY OF SAN JOSE
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

for grant funding from 2021-2022 to 2022-2023 for several San Jose Public Library Fund grants (\$560,000) and includes several actions by the Transportation Department to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels (-\$19,268). Additional detail on these budget actions are provided in the *City Departments* section of this document.

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

Investment Program Reimbursement

The 2022-2023 revenue estimate for Investment Program Reimbursements is \$1.1 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings. This reimbursement amount is slightly below the 2021-2022 estimated level of \$1.2 million.

Public, Education, and Government (PEG) Access Facilities

In 2022-2023, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.7 million, which is slightly above the 2021-2022 estimate of \$1.6 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, which is further described in the *City-Wide Expenses* section of this document.

Sale of Surplus Property

The proceeds from the sale of surplus properties are estimated to generate \$500,000 in 2022-2023 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 2022-2023 revenue estimate for this category is \$2.0 million, which is lower than the 2021-2022 budgeted estimate of \$2.5 million. There is a corresponding City-Wide Expenses allocation to fund the contractual sidewalk repairs, which is further 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 2022-2023 this fee revenue is estimated at \$773,000, which is consistent with the 2021-2022 budgeted estimate. 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
2022-2023 ADOPTED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

TRANSFERS AND REIMBURSEMENTS

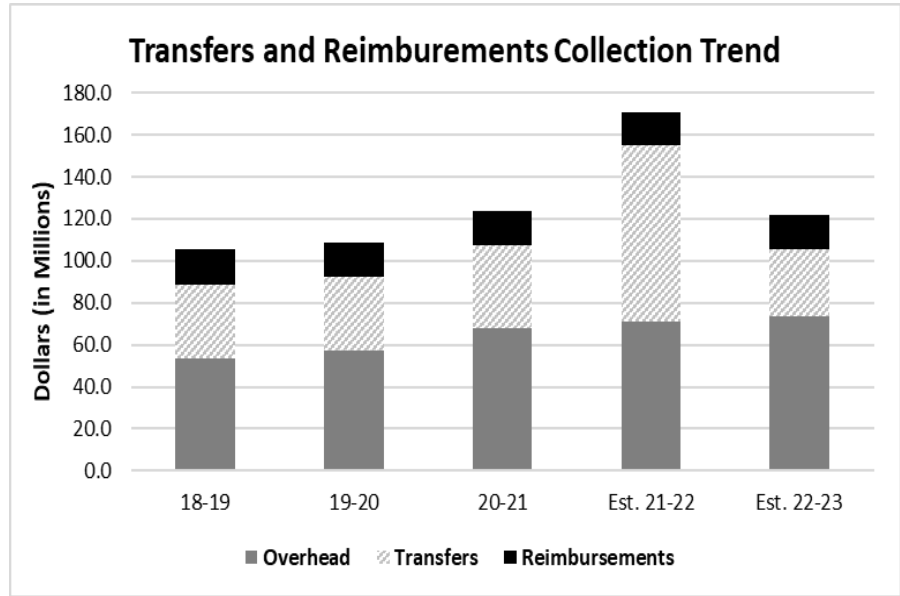
2020-2021 Actual	\$ 123,957,878
2021-2022 Adopted	\$ 157,956,656
2021-2022 Estimate*	\$ 170,683,059
2022-2023 Forecast**	\$ 116,824,956
2022-2023 Adopted	\$ 122,058,848
% of General Fund	6.6 %
% Change from 2021-2022 Adopted	(22.7 %)

* The 2021-2022 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2022-2023 Forecast was decreased by \$4.5 million 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 \$122.1 million in 2022-2023. 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 2022-2023, a total of \$73.8 million in overhead reimbursements are projected based on 2022-2023 overhead rates prepared by the Finance Department applied against the budgeted 2022-2023 applicable salaries. This figure reflects the following: a decrease of \$4.3 million incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$1.5 million incorporated into the 2022-2023 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	\$ 607,023
San José Clean Energy Fund (501)	226,633
Building Development Fee Program Fund (237)	184,090
Homeless Housing, Assistance, and Prevention Fund (454)	181,336
Low and Moderate Income Housing Asset Fund (346)	149,385
Airport Maintenance and Operation Fund (523)	112,672
Public Works Program Support Fund (150)	98,488
Planning Development Fee Program Fund (238)	89,618
San José/Santa Clara Treatment Plant Operating Fund (513)	68,282
Benefit Fund (160)	45,211
Water Utility Fund (515)	39,977
Storm Sewer Operating Fund (446)	38,978
Housing Authority Litigation Award Fund (484)	29,798
Workforce Development Fund (290)	15,322
Vehicle Maintenance and Operations Fund (552)	14,938
General Purpose Parking Fund (533)	10,076
Fire Development Fee Program Fund (240)	7,560
City-Wide Planning Fee Program Fund (239)	6,040
Home Investment Partnership Program Fund (445)	5,322
Housing Homeless Fund (440)	5,322
Community Development Block Grant Fund (441)	4,790
Public Works Development Fee Program Fund (241)	(255,729)
Maintenance Assessment District Funds	(56,031)
Rent Stabilization Program Fee Fund (450)	(53,429)
Homeless Emergency Aid Fund (497)	(41,106)
Multi-Source Housing Fund (448)	(11,426)
Integrated Waste Management Fund (423)	(3,090)
South Bay Water Recycling Operating Fund (570)	(1,158)
Total Adjustments	\$ 1,518,892

Transfers

The Transfers category is projected at \$32.0 million in 2022-2023. The largest component of this category is a transfer from the Airport Maintenance and Operating Fund totaling \$18.4 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 2022-2023 direct and indirect costs associated with these emergency services. Additional large transfers programmed for 2022-2023 include the following: Construction and Conveyance Tax Funds (\$4.9 million) for park maintenance costs and methane monitoring; American Rescue Plan Fund (\$3.5

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TRANSFERS AND REIMBURSEMENTS

Transfers (Cont'd.)

million) to partially reimburse the City for revenue losses resulting from the pandemic; Construction Excise Tax Fund (\$1.8 million); General Purpose Parking Fund (\$926,473); and interest earnings from various funds (\$1.2 million), the largest of which is the Construction and Conveyance Tax Funds (\$1.1 million). The 2022-2023 transfers include three actions that were included in the Mayors June Budget Message for Fiscal Year 2022-2023, as approved by the City Council: increasing the American Rescue Plan transfer to the General Fund by \$200,000 (from \$3.3 million to \$3.5 million) to allow for the partial restoration of branch library hours, increasing the General Purpose Parking Fund transfer by \$100,000 (from \$100,000 to \$200,000) for San Jose Downtown Ice, and recognizing a transfer from the Library Parcel Tax Fund to the General Fund (\$5,000) to partially offset the loss in revenue for the one-time elimination of library fines for seniors.

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 2021-2022 Gas Tax receipts are estimated at \$15.0 million, which is lower than the 2020-2021 actual collections of \$15.9 million. Revenue received from the Gas Tax Fund is heavily reliant on activity levels, therefore, pandemic-related restrictions that resulted in less people driving negatively affected consumption levels. In 2022-2023, Gas Tax receipts are estimated to increase to \$15.5 million. 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 2022-2023 of \$796,377.

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BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 40,500,000
Rebudget: Earmarked Reserves/Expenditures	\$ 376,778,721
Unexpended Earmarked Reserves*	\$ 33,855,000
2021-2022 Ending Fund Balance Reserve*	\$ 38,000,000
2021-2022 Expenditure Savings/Additional Revenue*	\$ 17,500,000
Liquidation of Prior Year Encumbrances*	\$ 500,000
Fund Balance Subtotal:	\$ 507,133,721
Reserve for Encumbrances	\$ 57,027,730
Fund Balance Total:	\$ 564,161,451
% of General Fund**	27.2%

* Used for 2022-2023 Adopted Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance, totaling \$564.2 million, are included as part of the 2022-2023 Adopted Budget. The estimate for the encumbrance reserve is set at the 2020-2021 actual level (\$57.0 million). The Adopted Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2022-2023.

The estimate for unrestricted Beginning Fund Balance is set at \$507.1 million in 2022-2023, which represents a \$440.9 million increase from the 2022-2023 Forecast level of \$66.3 million. When the Forecast was developed, the Beginning Fund Balance projection of \$66.3 million included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$40.5 million; a combination of excess revenues and expenditure savings totaling \$24.5 million; liquidation of reserve funding (\$750,000) from the San José 311 Implementation Reserve, which will support specific costs programmed in 2022-2023; and liquidation of prior year encumbrances (\$500,000).

In the Adopted Budget, Beginning Fund Balance adjustments totaling \$440.9 million are included, which is primarily attributable to the rebudget of 2021-2022 funds for expenditure-related items (\$376.8 million), liquidation of various reserves to the liquidation of various reserves (\$33.1 million) and increased estimated revenue and expenditure savings (\$31.0 million). As a result of these actions, the Beginning Fund Balance increased from the Forecast level of \$66.3 million to \$507.1 million (excluding the Reserve for Encumbrances). Details on the recommended Beginning Fund Balance adjustments included in the Adopted Budget are summarized below.

- Rebudget of 2021-2022 funds for expenditure-related items and unexpended reserves in the amount of \$376.8 million. The rebudgets include \$373.5 million that were brought forward to the City Council in June 2022 after the release of the Proposed Budget (Manager’s Budget Addendum #42) and \$3.3 million for Mayor and City Council rebudgets that were included in the Mayor’s June Budget Message for Fiscal Year 2022-2023.

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BEGINNING FUND BALANCE

- Liquidation of various reserves totaling \$33.1 million, including the 2022-2023 Future Deficit Reserve (\$28.3 million), Sick Leave Payments Upon Retirement Reserve (\$2.0 million), Pest and Turf Management Reserve (\$1.0 million), Recruitment and Retention Reserve (\$550,000), Cannabis Equity Program Reserve (\$500,000), Solid Waste Code Enforcement Reserve (\$400,000), San José BEST Accountability and Oversight Improvements Reserve (\$330,000), and Cultural Facilities Capital Maintenance Reserve (\$25,000); and
- Anticipated fund balance of \$31.0 million generated from additional 2021-2022 revenue and expenditure savings that is anticipated to be available for use in 2022-2023.

As shown in the chart at the beginning of the Beginning Fund Balance discussion, the 2022-2023 Beginning Fund Balance (excluding Reserve for Encumbrances) totals \$507.1 million. Following is a discussion of the Beginning Fund Balance components:

- The Beginning Fund Balance estimate assumed the carryover of the 2021-2022 Contingency Reserve of \$40.5 million, with the assumption that this amount would not be used in 2021-2022 and would be available in 2022-2023. 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 \$376.8 million. Details of the Earmarked Reserves totaling \$257.7 million that were rebudgeted from 2021-2022 to 2022-2023 can be found in the *City-Wide Expenses, Capital, Transfers, and Reserves* section of this document. Major Earmarked Reserve rebudgets include: Measure E – 40% Extremely Low-Income Households Reserve (\$51.5 million); Budget Stabilization Reserve (\$46.5 million); Measure E – 30% Low Income Households Reserve (\$38.6 million); Revenue Loss Reserve (\$30.0 million); Measure E – 15% Homeless Support Programs Reserve (\$19.3 million); Workers' Compensation/General Liability Catastrophic Reserve (\$15.0 million); and Homeless Prevention and Rental Assistance Reserve (\$10.9 million). Expenditure rebudgets totaled \$115.7 million, the majority of which represent Capital Project Expenses and City-Wide Expenses that were not completed in 2021-2022 for which funding was carried over to 2022-2023. In addition, Mayor and City Council rebudgets totaling \$3.3 million were included in the Mayor's June Budget Message for Fiscal Year 2022-2023.
- The use of various Unexpended Earmarked Reserves totaled \$33.9 million. Liquidated reserves included in the Adopted Budget include the 2022-2023 Future Deficit Reserve (\$28.3 million), Sick Leave Payments Upon Retirement (\$2.0 million), Pest and Turf Management Reserve (\$1.0 million), San José 311 Implementation Reserve (\$750,000), and Recruitment and Retention Reserve (\$550,000).
- The 2021-2022 Ending Fund Balance Reserve (\$38.0 million) and the 2021-2022 Expenditure Savings/Additional Revenue (\$17.5 million) represent the total excess revenues and expenditure savings of \$55.5 million expected to be generated at the end of 2021-2022 for use in 2022-2023.
- The Liquidation of Prior Year Encumbrances was estimated at \$500,000 in 2021-2022 to be available for use in 2022-2023.