

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

2021-2022 Actual	\$ 414,123,282
2022-2023 Adopted	\$ 427,000,000
2022-2023 Estimate*	\$ 443,902,000
2023-2024 Forecast**	\$ 460,400,000
2023-2024 Proposed	\$ 460,400,000
% of General Fund	30.1 %
% Change from 2022-2023 Adopted	7.8 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

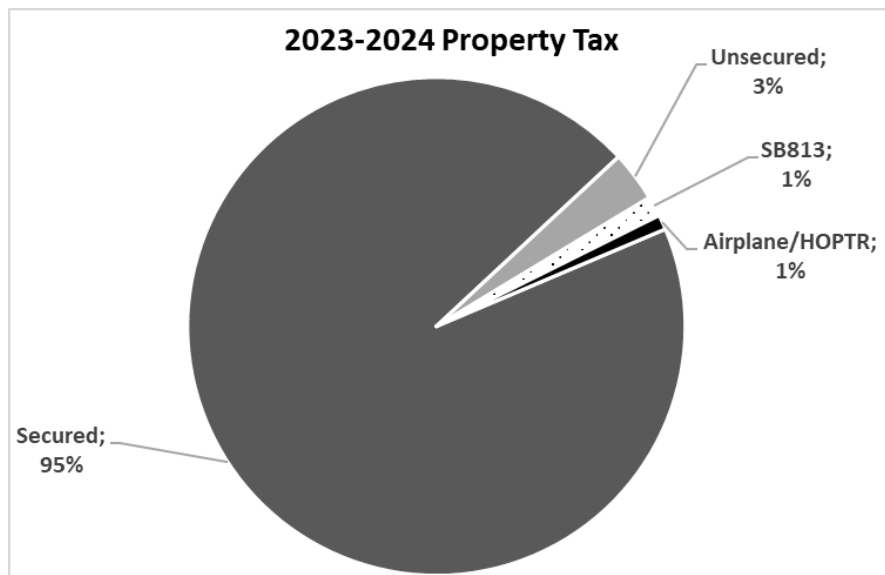
** The 2023-2024 Forecast was increased \$1.7 million from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Property Tax Category	2023-2024 Proposed Budget
Secured Property Tax	\$ 435,000,000
Unsecured Property Tax	15,000,000
SB 813 Property Tax	6,000,000
Aircraft Property Tax	3,500,000
Homeowner’s Property Tax Relief	900,000
Total	\$ 460,400,000

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 2022-2023 Property Tax receipts of \$443.9 million are projected, which are 7.2% above the 2021-2022 actual collection level of \$414.1 million. In 2023-2024, Property Tax receipts are anticipated to grow by approximately 4% from estimated 2022-2023 levels and reach \$460.4 million. Additional information about each of the Property Tax sub-categories is provided on the following pages.

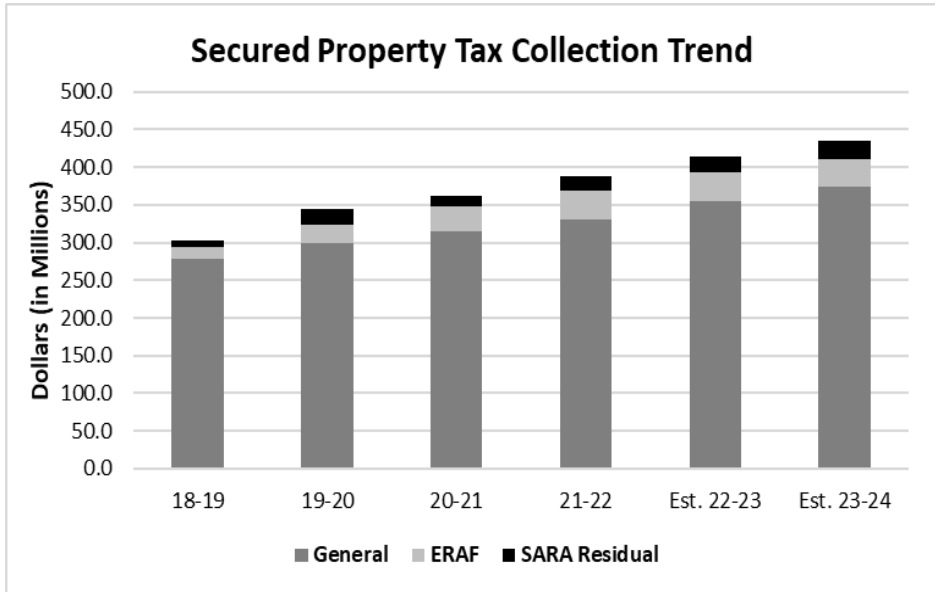


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Secured Property Tax

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 2022-2023, Secured Property Tax



receipts are anticipated to total \$415.1 million, including \$355.3 million in general Secured Property Taxes, \$37.7 million in ERAF revenue, and \$22.0 million from SARA Residual Property Tax receipts. In 2023-2024, Secured Property Tax receipts, which generally will be based on real estate activity through January 1, 2023, are expected to increase by 5% to \$435.0 million.

The general Secured Property Tax receipts are estimated at \$355.3 million in 2022-2023, which is 7.4% above the 2021-2022 collection level. This growth reflects an increase in assessed value due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. On a County-wide basis, the 2022-2023 roll growth was driven primarily by changes in ownership (57.0%), changes in the CCPI (25.1%), and new construction (13.7%).

In 2023-2024, the general Secured Property Tax receipts are estimated to grow by 5.5%, reflecting a 2.0% CCPI and 3.5% increased valuation. The CCPI adjustment for the 2023-2024 tax roll is 2%, which is consistent with the prior year level. In addition, even though the local real estate market has cooled down, sales prices continue to be high, which will continue to be a positive factor driving growth in this category, albeit at a more moderate level. In calendar year 2022 the median single-family home price in the City of San José totaled \$1.5 million, which was 17.5% above the calendar year 2021 median single-family home price of \$1.3 million. Further, the number of single-family and multi-family sales transactions grew 1.0% in calendar year 2022, up by 84 sales from 2021's level of 8,504 sales. As discussed earlier in the budget, significant growth in the local real estate market is not expected to continue in calendar year 2023. While property sales have begun to experience year-over-year declines, home prices are likely to remain high, resulting in the real estate market continuing to be a strong sector of the local economy in future years.

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Secured Property Tax (Cont'd.)

In addition to the changes in assessed value, Secured Property Tax collections are impacted by excess ERAF revenue. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the 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. Based on the most recent information provided by the State of California and Santa Clara County, 2022-2023 ERAF receipts are estimated at \$37.7 million, which is below the 2021-2022 collection level of \$38.9 million. In 2023-2024, ERAF receipts are anticipated to decline slightly again to \$36.0 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% (\$10 - \$11 million annually) is considered at risk for not being distributed; however, a decision for the litigation is not likely to occur this fiscal year.

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 2022-2023, SARA Residual Property Tax receipts are estimated to total \$22.0 million, which is \$3.7 million above the 2021-2022 receipts. In 2023-2024, SARA Residual Property Tax receipts are anticipated to grow 9% from 2022-2023 estimated collections and total \$24.0 million.

It should be noted that final data on the actual tax levy for 2023-2024 is not yet available as adjustments are made through June 30, 2023. 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. Based on actual collections and information provided by Santa Clara County, Unsecured Property Tax receipts are estimated at \$15.5 million in 2022-2023, which is 4.5% above the prior year collection level of \$14.8 million. In 2023-2024 Unsecured Property Taxes are estimated to remain fairly consistent and total \$15.0 million.

Other Property Taxes

For the other Property Tax categories, collections are estimated at \$13.4 million in 2022-2023 and \$10.4 million in 2023-2024. SB 813 Property Tax receipts are estimated at \$8.6 million in 2022-2023 and \$6.0 million in 2023-2024; Aircraft Property Tax receipts are estimated at \$3.9 million in 2022-2023 and \$3.5 million in 2023-2024; and Homeowners Property Tax Relief revenue are anticipated to total approximately \$900,000 in 2022-2023 and 2023-2024.

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SALES TAX

2021-2022 Actual	\$ 323,143,574
2022-2023 Adopted	\$ 331,000,000
2022-2023 Estimate*	\$ 346,400,000
2023-2024 Forecast	\$ 336,400,000
2023-2024 Proposed	\$ 336,400,000
% of General Fund	22.0 %
% Change from 2022-2023 Adopted	1.6 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time

Distribution of Sales Tax

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

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

Revenue Estimates

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 (representing July-September activity); February (representing October-December activity); May (representing January-March activity); and August (representing April-June activity). Based on information received through February 2023 (which reflects two quarters of Sales Tax activity; from July 2022 through December 2022), it is anticipated that 2022-2023 Sales Tax revenue will total \$346.4 million. This robust growth parallels the strong economy through the first half of the fiscal year and high inflation rates that are driving up the prices of goods. As the economy is expected to slow down, Sales Tax revenue is anticipated to be impacted. In 2022-2023, growth is anticipated to slow significantly in the spring and early summer of 2023. Further, in 2023-2024, Sales Tax is anticipated to decline in the first

Sales Tax Category	2023-2024 Proposed Budget
General Sales Tax	\$271,000,000
Local Sales Tax	57,000,000
Proposition 172 Sales Tax	8,400,000
Total	\$336,400,000

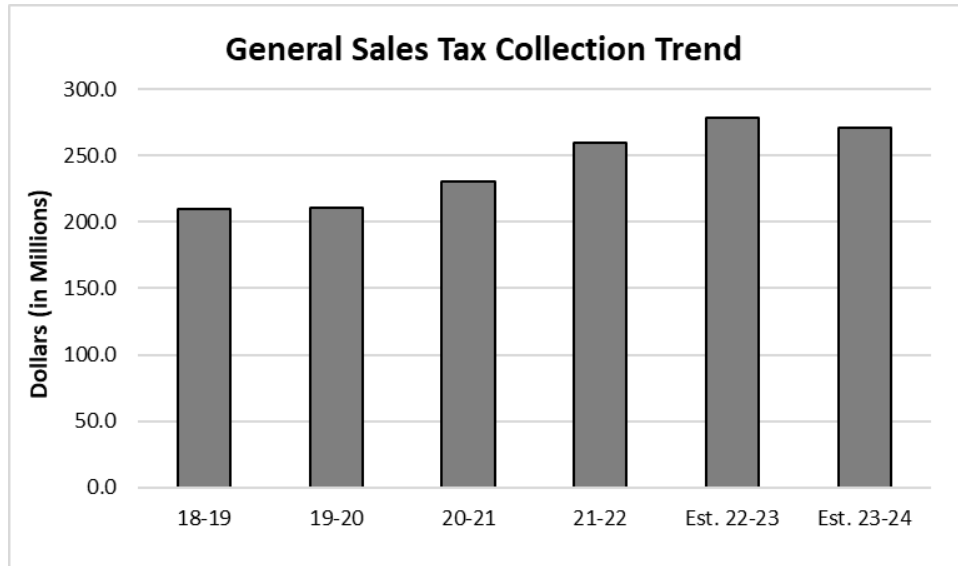
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SALES TAX

quarter (representing July-September 2023 activity), then flatten for two quarters before resuming very slight growth of 1% at the end of 2023-2024. Overall, in 2023-2024, Sales Tax revenue is estimated at \$336.4 million; reflecting a decline of approximately 3% from estimated 2022-2023 collections. 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. General Sales Tax receipts for the first quarter (sales tax activity for July-September) and second quarter (sales tax activity for October-December) were received in November 2022 and



February 2023 and continue to reflect strong growth (11% and 15%, respectively). Due to economy anticipated to begin slowing, third quarter receipts (which will be received in May 2023) are estimated to show growth of only 5%, and the final quarter of 2022-2023 (which will be received in August 2023) is anticipated to be consistent with the 2021-2022 collection level. Based on these assumptions, General Sales Tax collections are anticipated to total \$279.0 million in 2022-2023, which reflects an overall increase of 7.4% from the 2021-2022 collection level.

All General Sales Tax categories have experienced year-over-year growth in 2022-2023 through December 2022 collections resulting from the strong local economy in the first half of the fiscal year and high inflation rates. In 2023-2024, General Sales Tax revenue is anticipated to decline by 10% in the first quarter, then remain flat for two quarters before growing slightly (1%) in the final quarter of the fiscal year. Based on these assumptions, 2023-2024 General Sales Tax revenue is estimated at \$271.0 million, which reflects an overall decline of approximately 3% from the estimated 2022-2023 collection level.

The City's Sales Tax consultant, Avenu Insights & Analytics, has provided performance data for General Sales Tax revenue, as displayed on the chart on the following page. This analysis measures the first and second quarter General Sales Tax receipts for 2021-2022 and 2022-2023, 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 – Second Quarter Payments

Category	2022-2023 % of Total Revenue	2021-2022 % of Total Revenue	% Change by Category
General Retail	18.9%	19.8%	6.1%
Business-to-Business	18.3%	15.7%	30.0%
Transportation	18.0%	18.1%	10.9%
Food Products	13.2%	13.1%	12.2%
Construction	9.0%	9.4%	7.1%
Miscellaneous	0.5%	0.7%	(11.5%)
County Pool	22.1%	23.2%	6.3%
Total	100.0%	100.0%	

As can be seen in the table above, almost all categories have experienced year-over-year growth, the largest of which include General Retail (apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), Business-to-Business (office equipment, electronic equipment, business equipment, energy sales), Transportation (auto parts, auto sales, service stations), Food Products (restaurants, markets, liquor stores), and Construction (wholesale and retail building materials).

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 45% - 50% of the total County Pool.

Local Sales Tax

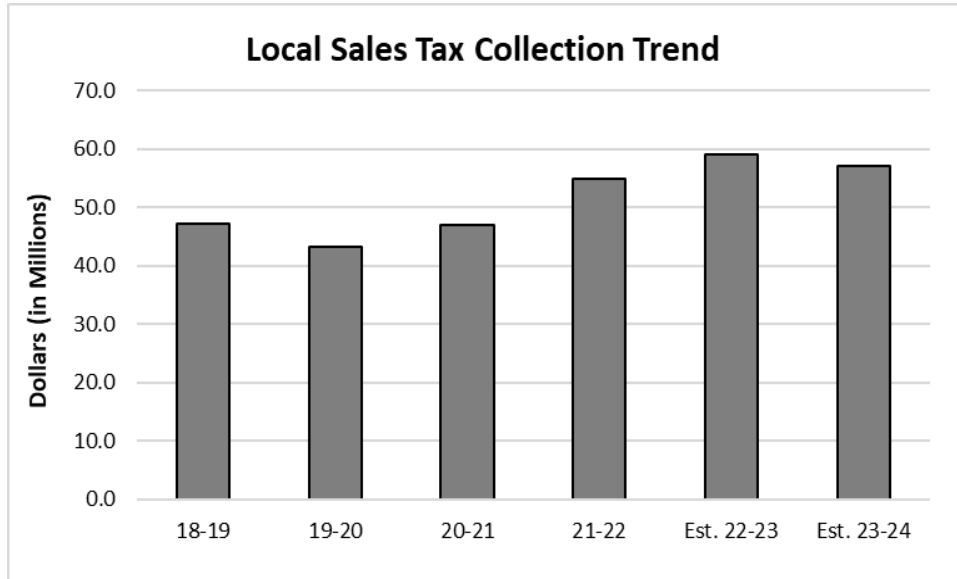
In June 2016, San José voters approved a ¼ cent Local Sales Tax, which was implemented in October 2016. Local Sales Tax is generated based on the destination of the purchased product; therefore, all out-of-state online retailers (including marketplace facilitators) sales tax collections are directly 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 45% - 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.

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Local Sales Tax (Cont'd.)

Similar to General Sales Tax, Local Sales Tax receipts for the first quarter (sales tax activity for July-September) and for the second quarter (sales tax activity from October-December) were received in November 2022 and February 2023 and continue to reflect strong year-over-year growth of approximately 10% per quarter. Due to a



slowing economy, third quarter receipts (which will be received in May 2023) are estimated to show growth of only 3%, and the final quarter of 2022-2023 (which will be received in August 2023) is anticipated to be consistent with the 2021-2022 collection level. Based on these assumptions, Local Sales Tax collections are anticipated to total \$59.0 million in 2022-2023, which reflects an overall increase of 7.5% from the 2021-2022 collection level. In 2023-2024, Local Sales Tax revenue is anticipated to decline by 7% in the first quarter, then remain flat for two quarters before growing slightly (1%) in the final quarter of the fiscal year. Based on these assumptions, 2023-2024 Local Sales Tax revenue is estimated at \$57.0 million, which reflects an overall decline of approximately 3.5% from the estimated 2022-2023 collection level.

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 \$8.4 million in 2022-2023 and 2023-2024.

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TRANSIENT OCCUPANCY TAX	
2021-2022 Actual	\$ 10,515,117
2022-2023 Adopted	\$ 11,000,000
2022-2023 Estimate*	\$ 16,000,000
2023-2024 Forecast	\$ 16,000,000
2023-2024 Proposed	\$ 16,000,000
% of General Fund	1.0 %
% Change from 2022-2023 Adopted	45.5 %

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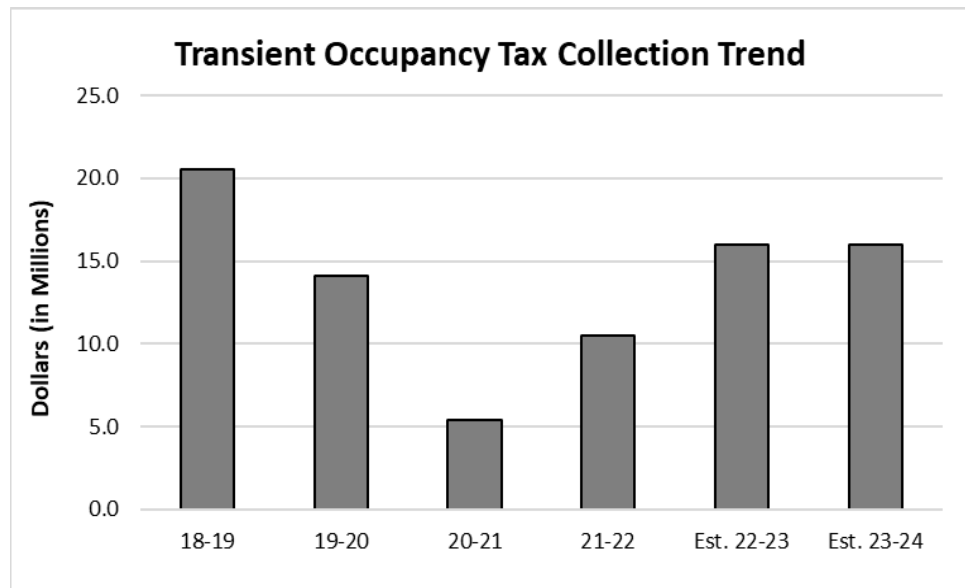
Distribution of Transient Occupancy Tax

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 2022-2023, Transient Occupancy Tax (TOT) receipts in the General Fund (which represent 40% of the total tax) are estimated to reach \$16.0 million, reflecting a 52.2% increase from the 2021-2022 collection level of \$10.5 million, but is still below the pre-pandemic level of approximately \$20 million annually.

Overall room demand and revenues have continued to improve in 2022-2023, with occupancy and room rates peaking at 68.81% and \$160.77 in August 2022 – the second highest monthly performance levels to date since April 2020 and the height of the pandemic’s impacts, only surpassed by June



2022 performance of 72.35% and \$162.92. Although performance declined in November and December, incremental gains were experienced in January and February, following the normal

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TRANSIENT OCCUPANCY TAX

Revenue Estimates (Cont'd.)

holiday and seasonal pattern. Through February 2023, the average hotel occupancy rate reported for the San José market was 62.40%, compared to 54.46% through February 2022. Additionally, the average room rates increased by 31.5%, from \$120.36 to \$158.25, and the year-to-date average revenue-per-available room (RevPAR) increased by 50.63%, from \$65.55 to \$98.74, relative to the same period in 2021-2022.

Reported hotel performance through February 2023 highlights a consistent growth pattern, building on the gains seen during 2021-2022. However, impacts related to a possible upcoming recession introduces new uncertainty into this already volatile revenue source. Therefore, revenue in 2023-2024 are estimated to be consistent with 2022-2023 receipts of \$16.0 million, which reflects a higher RevPAR, offset by lower activity levels.

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FRANCHISE FEES	
2021-2022 Actual	\$ 48,378,348
2022-2023 Adopted	\$ 49,168,393
2022-2023 Estimate*	\$ 45,015,393
2023-2024 Forecast	\$ 50,808,393
2023-2024 Proposed	\$ 51,825,008
% of General Fund	3.4 %
% Change from 2022-2023 Adopted	5.4 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Franchise Category	2023-2024 Proposed Budget
Electric	\$ 22,000,000
Gas	7,500,000
Commercial Solid Waste	14,020,008
Cable Television	8,000,000
Great Oaks Water	240,000
Nitrogen Gas Pipeline Fees	65,000
Total	\$ 51,825,008

Franchise Fees are collected in the Electricity, Gas, Commercial Solid Waste, Cable, City-Generated Tow, Water, and Nitrogen Gas Pipeline categories. Overall, collections are projected at 45.0 million in 2022-2023, which are approximately 7% below the prior year receipts of \$48.4 million. Pacific Gas and Electric (PG&E) recently notified the City that they are changing the timing of Electric and Gas Franchise Fee payments, which impacts 2022-2023 receipts. Previously, PG&E provided 3 advance payments and then a clean-up payment for these franchise fees; however, under the new system PG&E will only provide one payment per year, based on the calendar year. As a result of this timing change, the April 2023 payment only includes a clean-up payment for the 2022 calendar year and no quarterly progress payment will be received in June 2023; instead, the next payment received by the City after April 2023 will not be until April 2024, which will be attributable to activity levels for the 2023 calendar year. In 2023-2024, Franchise Fees are expected to return to normal levels and total \$51.4 million. The 2023-2024 level reflects increased revenue of \$1.0 million related to a Consumer Price Index (CPI) adjustment for the Commercial Solid Waste Franchise Fee. Additional information about each of the Franchise Fees sub-categories is provided below.

Electricity Franchise Fee

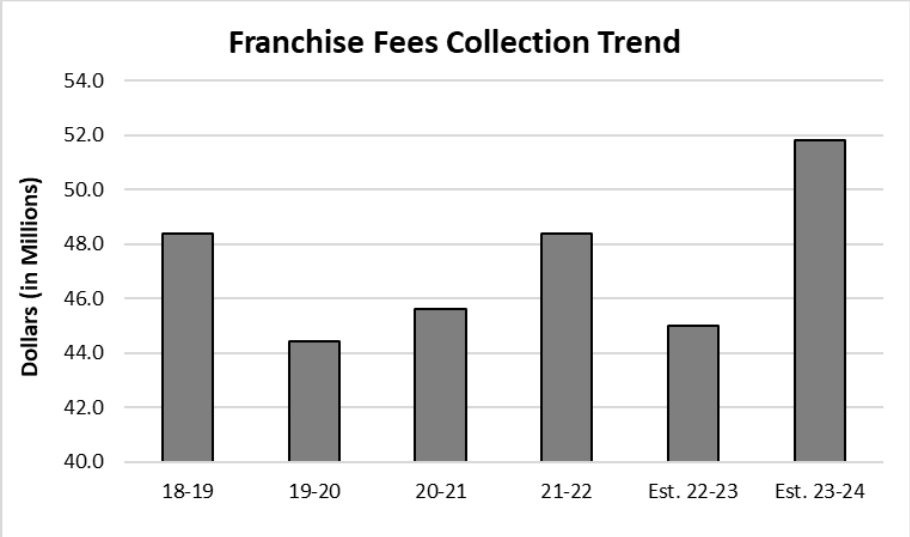
In the Electricity Franchise Fee category, collections in 2022-2023 are anticipated to reach \$16.9 million, which is \$3.9 million below the prior year receipt of \$20.8 million. This decrease is due to the changing of the timing of PG&E's franchise fee payments. In 2023-2024, the Electricity Franchise Fee category is estimated to return to a normal level and total \$22.0 million.

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FRANCHISE FEES

Gas Franchise Fee

In the Gas Franchise Fee category, collections in 2022-2023 are anticipated to reach \$6.8 million, which is slightly higher than the prior year receipt of \$6.6 million. However, due to rate increases over the past year, 2022-2023 receipts would have been significantly higher if the timing of PG&E's franchise fee payments hadn't changed.



In 2023-2024, the Gas Franchise Fee category is estimated to grow to \$7.5 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 \$13.0 million in 2022-2023, 4.7% above the prior year collections, which is primarily due to the 2022-2023 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 to reflect an amount not to exceed the percentage increase in the annual CPI. It should be noted that this increase is not automatic and is subject to City Council approval each year. Therefore, the 2023-2024 Forecast estimate of \$13.0 million does not automatically assume an adjustment. However, the 2023-2024 Proposed Budget includes an action to increase the CSW revenue by 7.8%, which will generate an additional \$1.0 million, bringing the budget estimate to \$14.0 million in 2023-2024.

Cable Television Fee

In the Cable Franchise Fee category, collections in 2022-2023 and 2023-2024 are estimated at \$8.0 million, which is slightly below the \$8.2 million received in the prior year.

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 2022-2023 and 2023-2024, Great Oaks Water receipts are estimated at \$230,000 in 2022-2023 and \$240,000 in 2023-2024, and Nitrogen Gas Pipeline receipts are estimated at \$65,000 in 2022-2023 and 2023-2024.

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UTILITY TAXES

2021-2022 Actual	\$ 103,591,802
2022-2023 Adopted	\$ 107,450,000
2022-2023 Estimate*	\$ 120,950,000
2023-2024 Forecast	\$ 126,550,000
2023-2024 Proposed	\$ 126,550,000
% of General Fund	8.3 %
% Change from 2022-2023 Adopted	17.8 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

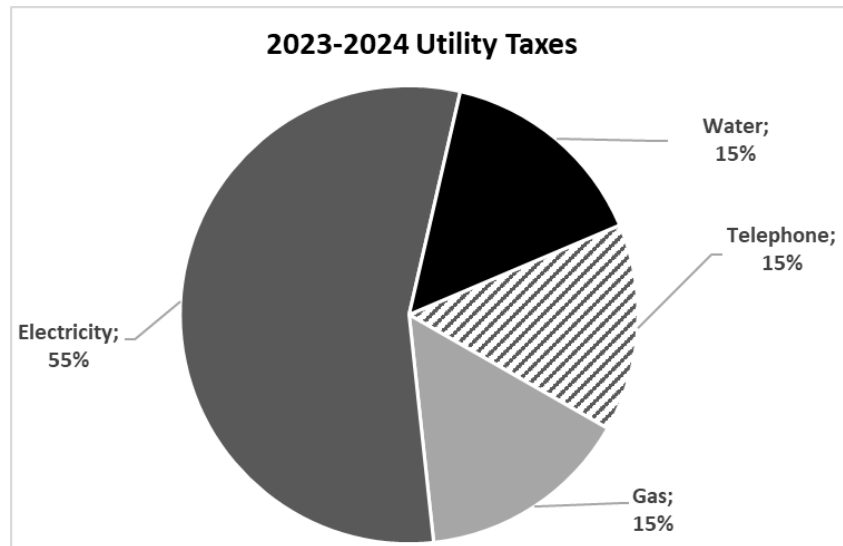
Revenue Estimates

Utility Taxes Category	2023-2024 Proposed Budget
Electricity	\$ 70,000,000
Gas	19,000,000
Water	19,000,000
Telephone	18,550,000
Total	\$ 126,550,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2022-2023 are anticipated to total \$121.0 million, which is significantly above the 2021-2022 collection level of \$103.6 million. This increase is due to higher usage and increased rates, primarily related to the Electricity and Gas Utility Tax categories. In 2023-2024, Utility Tax collections are projected at \$126.6 million. Additional information about each of the Utility Tax sub-categories is provided below.

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$66.0 million in 2022-2023 and grow by approximately 6% to \$70.0 million in 2023-2024. This increase is anticipated due to electricity rate increases and estimated higher usage activity, which will drive up Electricity Utility Tax receipts.



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UTILITY TAXES

Gas Utility Tax

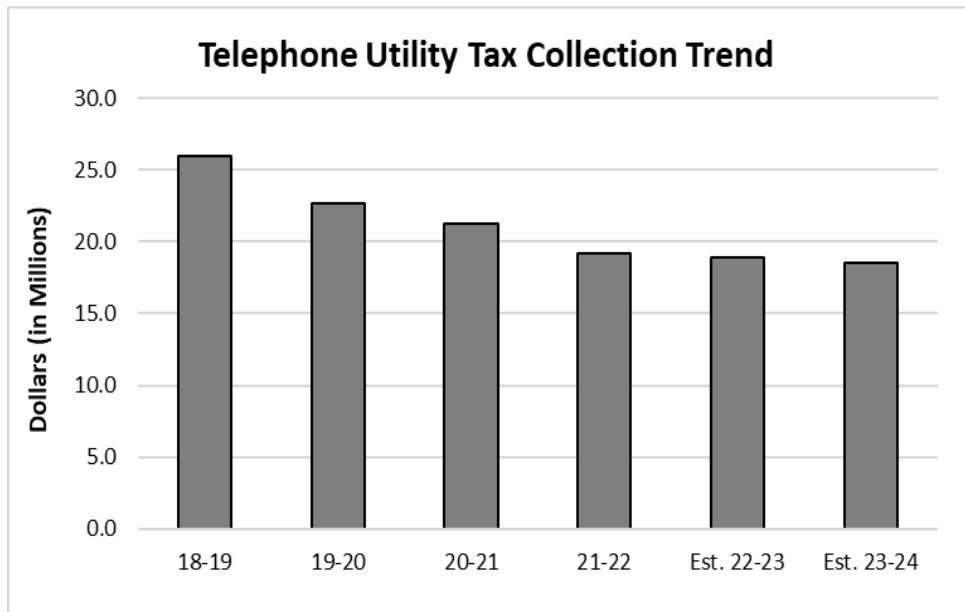
The Gas Utility Tax is anticipated to generate \$18.0 million in 2022-2023 and grow by approximately 5.5% to \$19.0 million in 2023-2024. This increase is anticipated due to gas rate increases and higher usage activity, which will drive up Gas Utility Tax receipts.

Water Utility Tax

Based on current year collection levels, Water Utility Tax receipts of \$18.0 million are anticipated to be received in 2022-2023. In 2023-2024, water rates are anticipated to rise, therefore Water Utility Tax receipts are estimated at \$19.0 million, which reflects a 5.5% increase from the 2022-2023 anticipated collection level.

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 2022-2023 are projected at \$19.0 million, a 1.5% drop from the 2021-2022 collection level. In 2023-2024, receipts are projected to drop slightly again and total \$18.6 million. The



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 that the data component of wireless plans not being taxable.

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BUSINESS TAXES

2021-2022 Actual	\$ 85,375,289
2022-2023 Adopted	\$ 86,000,000
2022-2023 Estimate*	\$ 86,800,000
2023-2024 Forecast	\$ 87,500,000
2023-2024 Proposed	\$ 87,500,000
% of General Fund	5.7 %
% Change from 2022-2023 Adopted	1.7 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

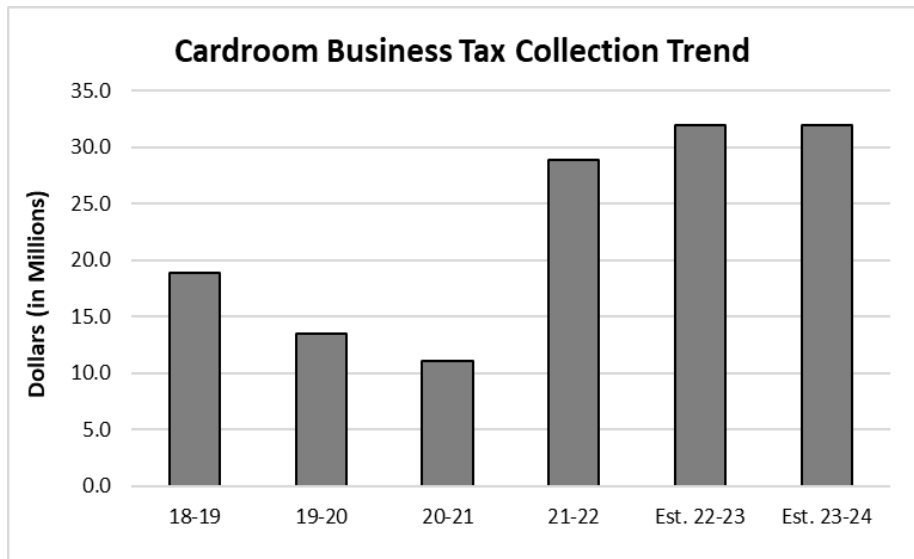
Revenue Estimates

Business Taxes Category	2023-2024 Proposed Budget
Cardroom Business Tax	\$ 32,000,000
General Business Tax	27,500,000
Cannabis Business Tax	15,000,000
Disposal Facility Tax	13,000,000
Total	\$ 87,500,000

This category includes Cannabis Business Tax, Cardroom Business Tax, Disposal Facility Tax, and General Business Tax. Business Taxes are estimated to reach \$86.8 million in 2022-2023, a 1.7% increase from 2021-2022 collections, which is primarily due to increased Cardroom Business Tax revenue, partially offset by lower Cannabis Business Tax receipts. In 2023-2024, Business Taxes revenues are anticipated to grow slightly and total \$87.5 million. Additional information about each of the Business Taxes sub-categories is provided below.

Cardroom Business Tax

Cardroom Business Tax receipts are estimated at \$32.0 million in 2022-2023 and 2023-2024, a 10.9% increase from prior year collections of \$28.9 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.

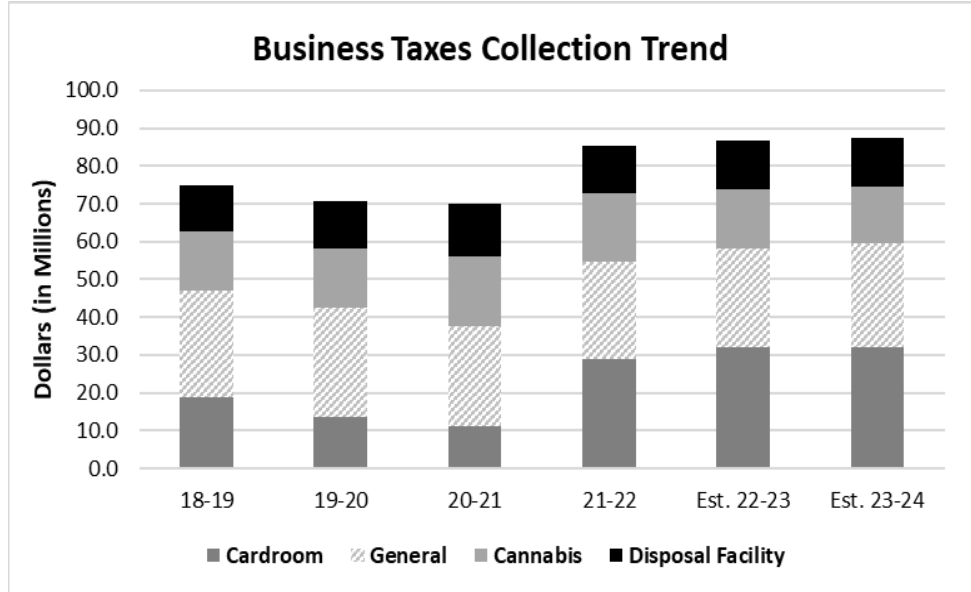


**CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

BUSINESS TAXES

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 2022-2023, General Business Tax proceeds are anticipated to reach \$26.0 million, which is 1% above the 2021-2022 collection level of \$25.7 million. In 2023-2024, General Business Tax revenue is anticipated to grow to \$27.5 million, which reflects a Consumer Price Index (CPI) increase and slightly higher activity levels.

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 licensed dispensaries in San José began in January 2018. Based on current collection trends, it is anticipated Cannabis Business Tax receipts will total \$15.8 million in 2022-2023, which is 12.5% below the prior year level. In 2023-2024 receipts are projected to remain fairly consistent and total \$15.0 million.

Disposal Facility Tax

Disposal Facility Taxes (DFT) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream can vary due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. Based on current collection trends, 2022-2023 DFT collections are estimated at \$13.0 million, which is slightly above the 2021-2022 collection level of \$12.7 million. In 2023-2024, receipts are anticipated to remain consistent at \$13.0 million.

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REAL PROPERTY TRANSFER TAX	
2021-2022 Actual	\$ 110,015,391
2022-2023 Adopted	\$ 65,000,000
2022-2023 Estimate*	\$ 65,000,000
2023-2024 Forecast	\$ 50,000,000
2023-2024 Proposed	\$ 50,000,000
% of General Fund	3.3 %
% Change from 2022-2023 Adopted	(23.1 %)

* Based on current collection trends, it is not anticipated the 2022-2023 estimate will be reached. However, as this tax has only been received since 2020-2021, and therefore limited historical collection trends are known, a refined 2022-2023 estimate is not known. In addition, reductions to the 2022-2023 estimate would require offsetting reductions to corresponding Measure E expenditure allocations. A final reconciliation will be included in the 2022-2023 Annual Report.

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 accordance with City Policy 1-18, Section 22, this tax revenue is allocated for the development of new affordable housing, homeless prevention, and homelessness support programs.

The 2022-2023 budgeted estimate for Real Property Transfer Tax collections totals \$65.0 million, which is significantly below the prior year collections of \$110.0 million. The high 2021-2022 collection level is due to several factors. First, due to the timing of when a payment from Santa Clara County was processed, funding of \$9.7 million was reflected in 2021-2022 but was attributable to 2020-2021 activity. In addition, in comparison to the currently constrained real estate market, a



larger amount of high-value property transfers occurred in the prior year. In 2023-2024 Real Property Transfer Tax collections are anticipated to further drop to \$50.0 million, due to the continued slow-down in the local real estate market. As this revenue source is significantly impacted by high dollar commercial property transactions, if those sales decrease, the tax revenue will be impacted. Real Property Transfer Tax collections began in 2020, therefore limited historical collection information is known. As a result, a conservative estimate of \$50.0 million is anticipated in 2023-2024. 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 and in Attachment D to the City Manager’s Transmittal Memorandum.

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TELEPHONE LINE TAX

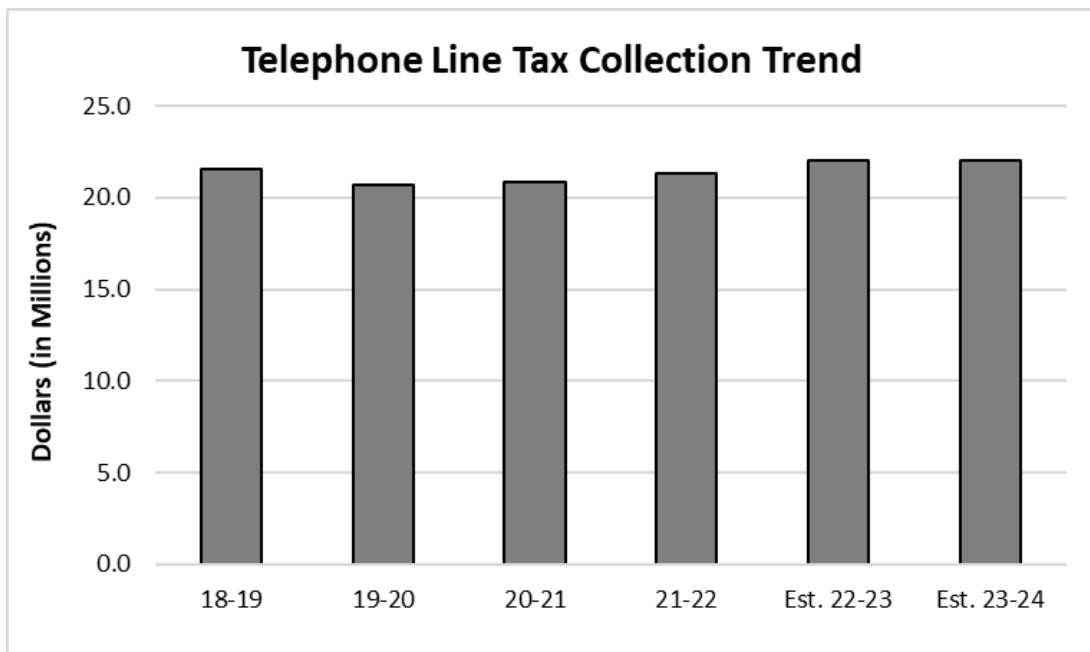
2021-2022 Actual	\$ 21,313,810
2022-2023 Adopted	\$ 20,000,000
2022-2023 Estimate*	\$ 22,000,000
2023-2024 Forecast	\$ 22,000,000
2023-2024 Proposed	\$ 22,000,000
% of General Fund	1.4 %
% Change from 2022-2023 Adopted	10.0 %

* The 2022-2023 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, receipts (excluding compliance revenue) in 2022-2023 and 2023-2024 are estimated to total \$22.0 million, which is consistent with the 2021-2022 actuals. Given the steady nature of collections in this category, receipts are anticipated to remain flat in the out-years of the Forecast as well.



CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS	
2021-2022 Actual	\$ 22,032,078
2022-2023 Adopted	\$ 20,993,100
2022-2023 Estimate*	\$ 20,013,581
2023-2024 Forecast**	\$ 20,361,969
2023-2024 Proposed	\$ 21,920,622
% of General Fund	1.4 %
% Change from 2022-2023 Adopted	4.4 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was increased \$136,408 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Licenses and Permits Category	2023-2024 Proposed Budget
Fire Permits	\$6,710,000
Other Licenses and Permits	15,210,622
Total	\$ 21,920,622

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 \$20.0 million in 2022-2023 and grow to \$21.9 million in 2023-2024. The 2023-2024 Proposed Budget includes actions to increase the Fire Department Non-Development Fee revenue by \$610,000 (from \$6.1 million to \$6.7 million) which reflects a 10% fee increase to all Fire Department Non-Development fees to maintain cost recovery levels. In addition, the 2023-2024 Proposed Budget includes actions to increase the Other Licenses and Permits category by \$948,653 (from \$14.3 million to \$15.2 million) to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. Licenses and permits changes are reflected for the Planning Building and Code Enforcement Department, which includes Multi-Housing Occupancy Permits (\$943,364), Police Department (\$5,269), and Finance Department (\$20).

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

2021-2022 Actual	\$ 22,110,063
2022-2023 Adopted	\$ 23,914,232
2022-2023 Estimate*	\$ 21,046,997
2023-2024 Forecast**	\$ 22,145,907
2023-2024 Proposed	\$ 22,377,680
% of General Fund	1.5 %
% Change from 2022-2023 Adopted	(6.4 %)

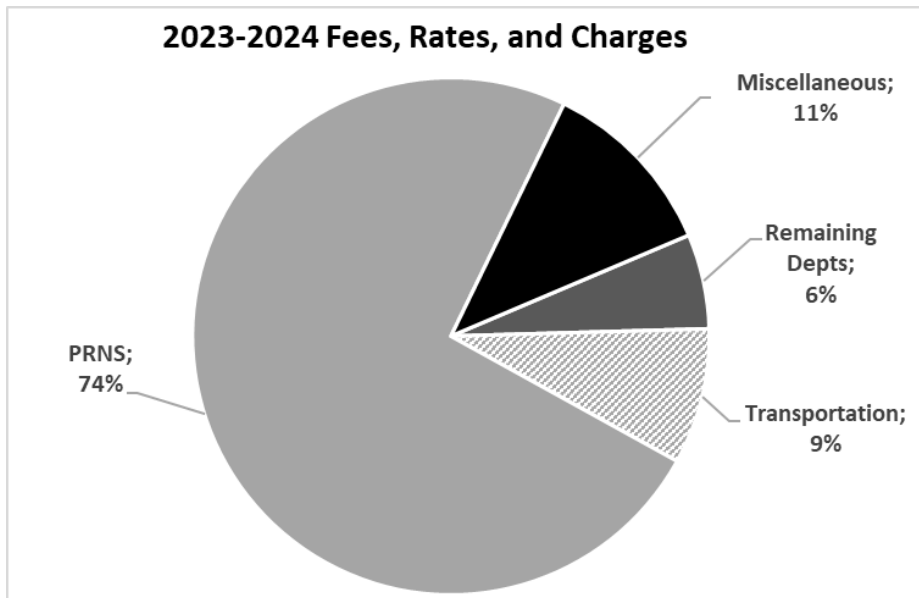
* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was decreased \$177,821 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2023-2024 Proposed Budget
Parks, Recreation and Neighborhood Services	\$ 16,601,901
Transportation	1,898,955
Police	1,256,329
Library	71,000
Miscellaneous	2,549,495
Total	\$ 22,377,680

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 2022-2023, the Fees, Rates, and Charges category is estimated at \$21.0 million, which is slightly lower than the 2021-2022 collection level of \$22.1 million, but is significantly higher than pandemic impacted receipts in 2020-2021 of \$7.4 million.

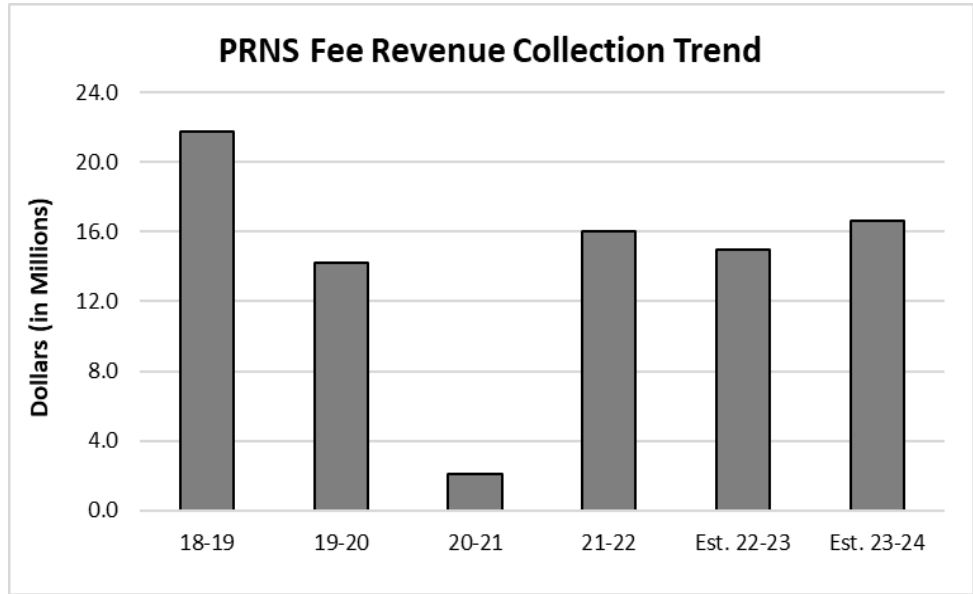
CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

In 2023-2024, the Fees, Rates, and Charges category is estimated at \$22.4 million. The 2023-2024 Proposed Budget includes actions to increase Miscellaneous Fee revenue (\$236,834, which includes an increase to the Solid Waste Enforcement fee of \$177,030), increase the Police Department fee revenue (\$168), and decrease Transportation Department fee revenue (\$107,130) to align various revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. The 2023-2024 Proposed Budget also includes an action to increase PRNS fee revenue by \$101,901 related to Happy Hollow Park and Zoo, which is further described below.

Parks, Recreation and Neighborhood Services Fees

PRNS fee collections are estimated at \$15.0 million in 2022-2023 and \$16.6 million in 2023-2024. While these collections are significantly above the pandemic-impacted receipts in 2020-2021 of \$2.1 million; collections remain significantly below pre-pandemic levels of \$21 - \$22 million annually. PRNS



program delivery and revenue generation fee categories 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. The 2023-2024 Proposed Budget includes an action to add 1.0 Office Specialist position and associated non-personal/equipment funding for Happy Hollow Park and Zoo. This action is offset by additional PRNS fee revenue (\$101,901) that is anticipated to be received in 2023-2024 from the face painting camp program, puppet theater camp program, and proposed fee increases at Happy Hollow Park and Zoo. 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
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

2021-2022 Actual	\$ 14,959,847
2022-2023 Adopted	\$ 12,232,000
2022-2023 Estimate*	\$ 15,014,000
2023-2024 Forecast**	\$ 15,080,000
2023-2024 Adopted	\$ 15,080,000
% of General Fund	1.0 %
% Change from 2021-2022 Adopted	23.3 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

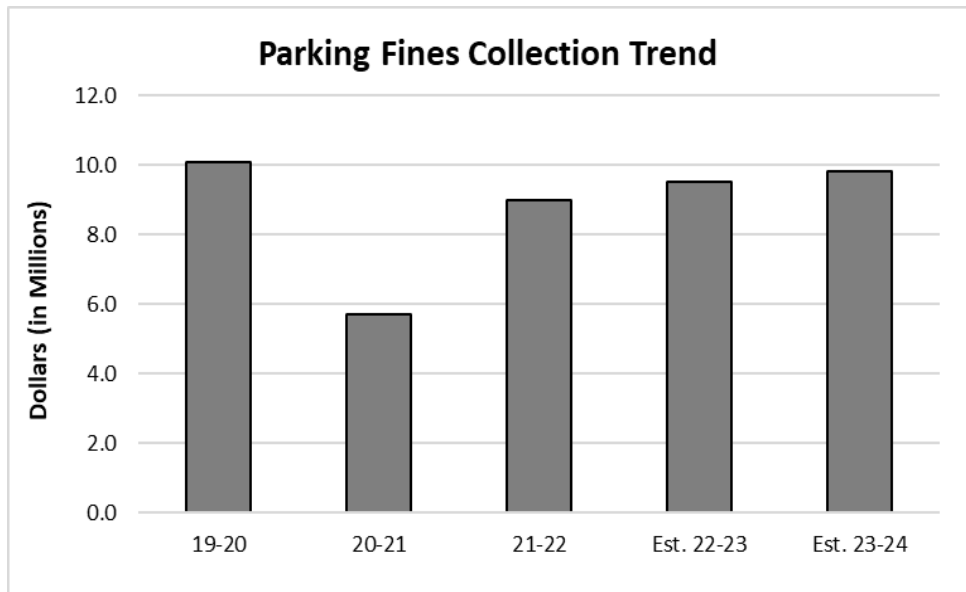
** The 2023-2024 Forecast was decreased \$50,000 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fines, Forfeitures, and Penalties category in 2022-2023 is estimated at \$15.0 million, which is consistent with the 2021-2022 actual collection level. In 2023-2024, Fines, Forfeitures, and Penalties are anticipated to grow slightly to \$15.1 million. This minimal growth is primarily attributable to slightly stronger Parking Fines, which are further discussed below.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. The 2022-2023 estimate for Parking Fines totals \$9.5 million and revenue is anticipated to grow to \$9.8 million in 2023-2024. This collection level has grown from the significantly low collection level received in 2020-



2021 (\$5.7 million) due to the pandemic impacting this category; however, receipts remain far below historical Parking Fine collections of approximately \$11 million - \$12 million annually.

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY	
2021-2022 Actual	\$ 9,126,202
2022-2023 Adopted	\$ 8,779,000
2022-2023 Estimate*	\$ 15,292,000
2023-2024 Forecast	\$ 14,864,000
2023-2024 Proposed	\$ 14,864,000
% of General Fund	1.0 %
% Change from 2022-2023 Adopted	69.3 %

* The 2022-2023 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 \$13.8 million in 2022-2023 and grow to \$14.9 million in 2023-2024, primarily due to higher anticipated interest earnings. Additional information about the largest Revenue from Use of Money and Property components is provided below.

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. Rental of City-Owned Property revenue is anticipated at \$2.5 million in 2022-2023, growing slightly to \$2.6 million in 2023-2024.

General Fund Interest Earnings

The interest earnings collection on the General Fund in 2022-2023 is estimated at \$9.5 million. In 2023-2023, General Fund interest earnings are estimated to grow to \$10.5 million due to higher interest rates and higher assumed cash balances as the City will no longer pre-pay retirement contributions, with the exception of Public Safety positions.

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 2023-2024 revenues are anticipated to total \$756,000, which is set aside in the Digital Inclusion Fund allocation in *City-Wide Expenses* section of this document.

**CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

REVENUE FROM LOCAL AGENCIES

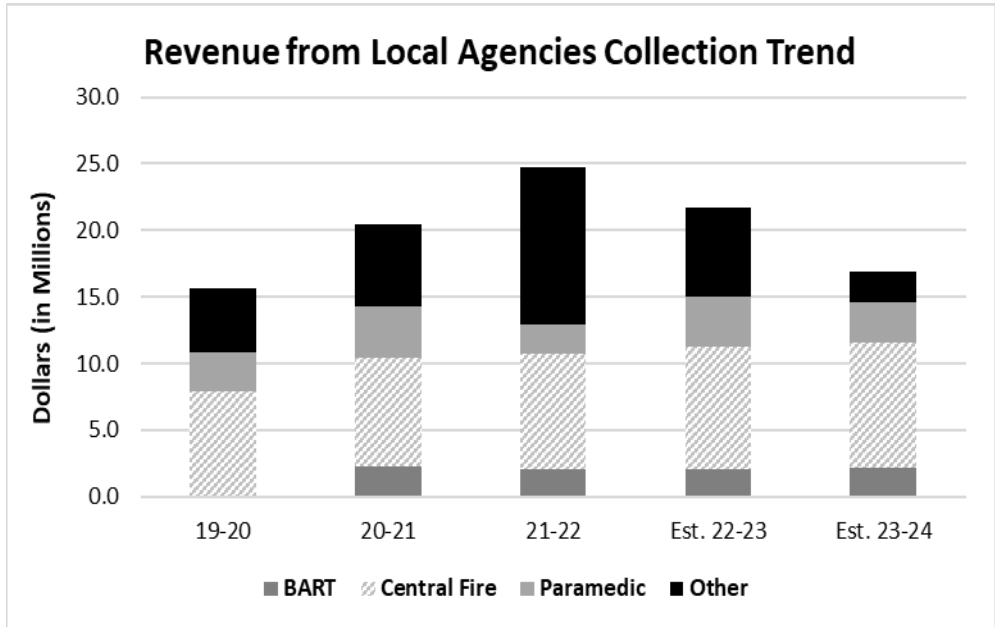
2021-2022 Actual	\$ 24,755,916
2022-2023 Adopted	\$ 17,107,945
2022-2023 Estimate*	\$ 21,706,638
2023-2024 Forecast**	\$ 16,946,171
2023-2024 Proposed	\$ 16,946,171
% of General Fund	1.1 %
% Change from 2022-2023 Adopted	(0.9 %)

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was increased \$25,000 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

In 2022-2023, revenue of \$21.7 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 2023-2024, revenue in this category is projected at \$16.9 million, which is \$4.8 million below the 2022-2023 estimate. The decrease in 2023-2024 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated. Additional information about the largest Revenue from Local Agencies components is provided below.

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. Reimbursement revenue of \$2.1 million is anticipated in 2022-2023 and \$2.2 million in 2023-2024 from the VTA.

CITY OF SAN JOSE
2023-2024 PROPOSED 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 \$9.2 million are anticipated in 2022-2023 and receipts of \$9.4 million are anticipated in 2023-2024.

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 2023-2024, 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 2022-2023, the remaining local agency funding is anticipated to total \$6.7 million. This funding primarily reflects one-time grant or reimbursements anticipated from various local agencies. In 2023-2024, funding of \$2.4 million is anticipated, the largest of which includes payments from other agencies related to Animal Care services (\$1.3 million), reimbursement revenue associated with the Child Interview Center (\$264,302), and the Cambrian 36 Agreement (\$230,000).

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM STATE OF CALIFORNIA	
2021-2022 Actual	\$ 26,241,795
2022-2023 Adopted	\$ 26,889,687
2022-2023 Estimate*	\$ 31,035,841
2023-2024 Forecast**	\$ 12,900,000
2023-2024 Proposed	\$ 17,811,658
% of General Fund	1.2 %
% Change from 2022-2023 Adopted	(33.8 %)

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was decreased \$900,000 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 \$31.0 million in 2022-2023 and \$17.8 million in 2023-2024. The decrease in 2023-2024 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated. Additional information about the largest Revenue from the State components is provided below.

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 2022-2023 payment was recently received and totaled \$10.7 million, which is \$1.1 million below the 2021-2022 receipts of \$11.8 million. The 2023-2024 budget assumes collections will remain flat at \$10.7 million.

State Grants/Reimbursements

The City receives several reimbursements from the State on an annual basis, which total \$2.2 million in 2023-2024, which is consistent with the 2022-2023 estimated collection levels. 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 \$1.0 million in 2023-2024, 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.

The 2023-2024 Proposed Budget includes actions to recognize grant funding totaling \$4.9 million from the State for three grant programs, including the CaliforniansForAll Youth Workforce Development Program (\$2.9 million), 280 Almaden Avenue Beautification Project (\$1.9 million), and Regional Early Action Planning (REAP) Program (\$163,154). Additional detail on these budget actions are provided in the *City Departments* section of this document.

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM FEDERAL GOVERNMENT	
2021-2022 Actual	\$ 3,096,138
2022-2023 Adopted	\$ 7,111,452
2022-2023 Estimate*	\$ 11,599,714
2023-2024 Forecast	\$ 0
2023-2024 Proposed	\$ 403,000
% of General Fund	0.0 %
% Change from 2022-2023 Adopted	(94.3 %)

* The 2022-2023 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. Collections in this category are estimated to reach \$11.6 million in 2022-2023 and \$403,000 in 2023-2024. The decrease in 2023-2024 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated.

The 2023-2024 Proposed Budget includes an action to recognize funding totaling \$403,000 from the Federal Government for a new grant anticipated to be received for the Urban Areas Security Initiative (UASI) for the Office of Emergency Management (\$403,000). Additional detail on this budget action is provided in the *City Departments* section of this document.

**CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

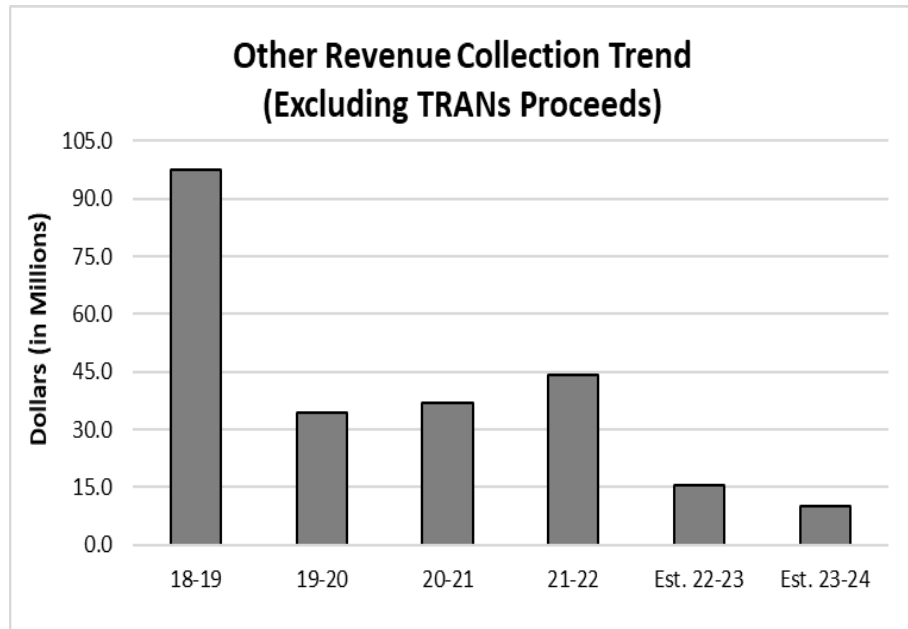
OTHER REVENUE	
2021-2022 Actual	\$ 329,257,694
2022-2023 Adopted	\$ 16,823,368
2022-2023 Estimate*	\$ 290,662,158
2023-2024 Forecast**	\$ 9,768,544
2023-2024 Proposed	\$ 9,980,167
% of General Fund	0.7 %
% Change from 2022-2023 Adopted	(40.7 %)

* The 2022-2023 Estimate includes revenues associated with the issuance of a \$275 million TRANs based on cash flow needs. The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was decreased \$1,720 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 2022-2023, the Other Revenue category is expected to generate \$290.7 million. The 2022-2023 estimate includes several one-time allocations, the largest of which reflects borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs; \$275.0 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.

In 2023-2024, Other Revenue collections are estimated at \$10.0 million include includes actions to recognize a grant for Destination Home Silicon Valley (\$180,000). Additional detail on this budget action is provided in the *City Departments* section of this document. In addition, several

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

actions are included in 2023-2024 in the Transportation Department (\$31,623) to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels .

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

Investment Program Reimbursement

The 2023-2024 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 consistent with the 2022-2023 estimated level of \$1.1 million.

Public, Education, and Government (PEG) Access Facilities

In 2023-2024, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.6 million, which is consistent with the 2022-2023 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 2023-2024 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 2023-2024 revenue estimate for this category is \$2.5 million, which is consistent with the 2022-2023 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 2023-2024 this fee revenue is estimated at \$500,000, which is lower than the 2022-2023 budgeted estimate of \$773,000. There is a corresponding City-Wide Expenses allocation to provide this service, which is further described in the *City-Wide Expenses* section of this document.

CITY OF SAN JOSE
2023-2024 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

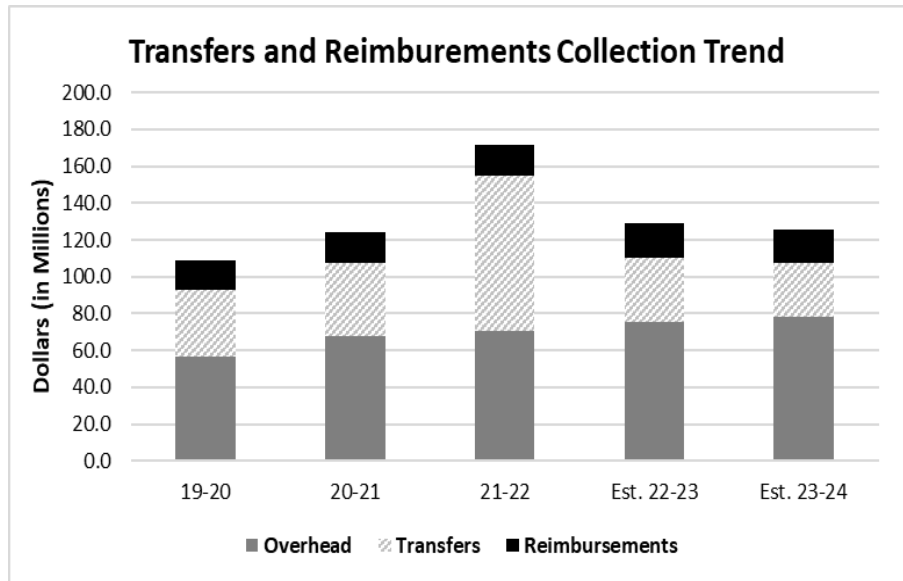
2021-2022 Actual	\$ 171,492,292
2022-2023 Adopted	\$ 122,058,848
2022-2023 Estimate*	\$ 128,760,013
2023-2024 Forecast**	\$ 124,161,469
2023-2024 Proposed	\$ 125,568,078
% of General Fund	8.2 %
% Change from 2022-2023 Adopted	2.9 %

* The 2022-2023 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2023-2024 Forecast was decreased by \$3.0 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 \$125.6 million in 2023-2024. 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 2023-2024, a total of \$78.2 million in overhead reimbursements are projected based on 2023-2024 overhead rates prepared by the Finance Department applied against the budgeted 2023-2024 applicable salaries. This figure reflects the following: a decrease of \$2.8 million incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$1.4 million incorporated into the 2023-2024 Proposed 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 Proposed Budget by fund is detailed below.

Fund	Overhead Adjustment
Capital Funds	\$ 653,594
San José Clean Energy Fund (501)	344,803
Public Works Development Fee Program Fund (241)	160,172
Integrated Waste Management Fund (423)	152,256
Sewer Service and Use Charge Fund (541)	109,356
Home Investment Partnership Program Fund (445)	89,328
San José/Santa Clara Treatment Plant Operating Fund (513)	87,540
Building Development Fee Program Fund (237)	84,520
Airport Maintenance and Operation Fund (523)	66,109
Low and Moderate Income Housing Asset Fund (346)	54,558
Planning Development Fee Program Fund (238)	46,391
Public Works Program Support Fund (150)	35,892
Vehicle Maintenance and Operations Fund (552)	27,928
Rent Stabilization Program Fee Fund (450)	25,740
South Bay Water Recycling Operating Fund (570)	17,928
City-Wide Planning Fee Program Fund (239)	6,324
Community Development Block Grant Fund (441)	2,784
Maintenance Assessment District Funds	2,412
Water Utility Fund (515)	1,584
Storm Sewer Operating Fund (446)	(14,916)
Homeless Housing, Assistance, and Prevention Fund (454)	(23,808)
Fire Development Fee Program Fund (240)	(33,371)
General Purpose Parking Fund (533)	(39,078)
Public Works Small Cell Permitting Fee Program Fund (242)	(451,437)
Total Adjustments	\$ 1,406,609

Transfers

The Transfers category is projected at \$29.6 million in 2023-2024. The largest component of this category is a transfer from the Airport Maintenance and Operating Fund totaling \$19.8 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 2023-2024 direct and indirect costs associated with these emergency services. Additional large 2023-2024 revenue include transfers from Construction and Conveyance Tax Funds (\$4.0 million) for park maintenance costs and methane monitoring, interest earnings from various funds (\$2.6 million), and Construction Excise Tax Fund (\$1.8 million).

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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 2022-2023 Gas Tax receipts are estimated at \$17.4 million, which is higher than the 2021-2022 actual collections of \$15.8 million. Revenue received from the Gas Tax Fund is heavily reliant on activity levels, therefore, as pandemic-related restrictions lifted and gas prices dropped, people have been driving more, which positively impacted consumption levels. In 2023-2024, Gas Tax receipts are estimated to remain fairly flat at \$17.0 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 2023-2024 of \$831,102.

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BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 46,000,000
Unexpended Earmarked Reserves*	\$ 23,817,403
2022-2023 Ending Fund Balance Reserve*	\$ 9,400,000
2022-2023 Expenditure Savings/Additional Revenue*	\$ 55,100,000
Liquidation of Prior Year Encumbrances*	\$ 500,000
Fund Balance Subtotal:	\$ 134,817,403
Reserve for Encumbrances	\$ 53,352,941
Fund Balance Total:	\$ 188,170,344
% of General Fund**	8.7%

* Used for 2023-2024 Proposed Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance, totaling \$188.2 million, are included as part of the 2023-2024 Proposed Budget. The estimate for the encumbrance reserve is set at the 2021-2022 actual level (\$53.4 million). The Proposed Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2023-2024.

The estimate for unrestricted Beginning Fund Balance is set at \$134.8 million in 2023-2024, which represents a \$58.5 million increase from the 2023-2024 Forecast level of \$76.4 million. When the Forecast was initially developed, the Beginning Fund Balance projection totaled \$76.0 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$46.0 million; a combination of excess revenues and expenditure savings totaling \$29.5 million; and the liquidation of prior year encumbrances (\$500,000). After the release of the Five-Year Forecast in February 2023, the Beginning Fund Balance was increased by \$351,447, to reflect the liquidation of reserve funding from the Vehicle Abatement Program Enhancements Reserve (\$177,000) and the East San Jose Small Business Corridor Staffing Reserve (\$174,447). As a result of these actions, the 2023-2024 Revised Forecast Beginning Fund Balance totaled \$76.4 million.

In the Proposed Budget, Beginning Fund Balance adjustments totaling \$58.5 million are included, which is primarily attributable to increased estimated revenue and expenditure savings (\$35.0 million) and the liquidation of various reserves (\$23.5 million). As a result of these actions, the Beginning Fund Balance increased from the Revised Forecast level of \$76.4 million to \$134.8 million (excluding the Reserve for Encumbrances). Details on the recommended Beginning Fund Balance adjustments included in the Proposed Budget are summarized below.

- Anticipated fund balance of \$35.0 million generated from additional 2022-2023 revenue and expenditure savings that is anticipated to be available for use in 2023-2024; and
- Liquidation of various reserves totaling \$23.5 million, including various Measure E Reserves (\$17.5 million), Fire Station FF&E Reserve (\$3.8 million), Recruitment Centralization Pilot Program Reserve (\$1.1 million), Solid Waste Code Enforcement Reserve (\$600,000), Climate and Seismic Resilience Planning Reserve (\$463,000).