

SUPPLEMENTAL

COUNCIL AGENDA: 10-26-10
ITEM: 11.4



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: SEE BELOW

DATE: October 19, 2010

Approved

Paul Kruth

Date

10/20/10

COUNCIL DISTRICT: 9

SNI: None

SUPPLEMENTAL

SUBJECT: CAMBRIAN NO. 36 REORGANIZATION/ANNEXATION TO THE CITY OF SAN JOSE OF AN APPROXIMATELY 103 GROSS ACRE COUNTY ISLAND CONSISTING OF APPROXIMATELY 320 PARCELS GENERALLY BOUNDED BY CENTRAL PARK DRIVE TO THE NORTH, STATE HIGHWAY 17 TO THE WEST, CAMDEN AVENUE TO THE SOUTH AND UNION AVENUE TO THE EAST.

REASON FOR SUPPLEMENTAL

This memorandum transmits to the City Council a study entitled "Study of Fiscal Impacts of Proposed Cambrian No. 36 Unincorporated Island Annexation" prepared by Keyser Marston Associates. Keyser Marston is an independent, well-regarded economic consultant firm that is under contract with the Office of Economic Development. The Study analyzes the expected revenues and expenses resulting from the annexation of the Cambrian No. 36 island to the City of San Jose. The Study also addresses the fiscal implications of options identified in the memorandum to Council dated September 22, 2010 for providing fire service to the area.

ANALYSIS

The Study was prepared to assist the Administration and the City Council to assess various options with respect to providing fire service in the area and to address community concerns that the annexation of the Cambrian No. 36 Island would reduce the City's ability to maintain current levels of service citywide.

Report Findings

The Study documents its approach and assumptions. Given that the area is largely built out, the approach reflects actual revenues and service needs that are currently generated by the area.

Two scenarios are examined:

1. Fire services provided by Central Fire without detachment
2. Fire services provided by Central Fire on a contract basis with detachment from Central Fire

Given the discussions between City Fire and Central Fire, the Administration is recommending that Central Fire should continue to serve the Cambrian No. 36 area if annexed. For this reason, the Study did not examine a scenario of San Jose providing fire services.

The distribution of property tax revenue varies depending on whether or not the area is detached from the Central Fire District as determined by the Master Tax Sharing Agreement and the County of Santa Clara Controller (see table on the next page).

The Study found that revenues would exceed service costs in both scenarios if Cambrian No. 36 is annexed to San Jose. Scenario 1 would result a net positive fiscal impact of approximately \$316,000 on an annual basis. Scenario 2 would result a net positive fiscal impact of approximately \$234,000 on an annual basis. This means that if the Council decides to annex the area, the annexation would be financially beneficial to the San Jose and would help the City provide services citywide. The table on the next page summarizes the results of the Study. The full Study is attached to this report and is also available at:

<http://www.sanjoseca.gov/planning/annex/Cambrian36fiscalimpacts.pdf>

The consultant is planning to attend the Council meeting to discuss the Study with the Council.

TABLE

	<u><i>Scenario 1-</i></u> Central Fire Retained	<u><i>Scenario 2 –</i></u> Detached from Central Fire
<u>Property Tax Allocation</u>		
County of Santa Clara	11.3%	13.8%
City of San Jose	9.8%	15.9%
Central Fire District	12.7%	0.0%
County of Santa Clara Library	0.0%	0.0%
Other Taxing Agencies	<u>66.3%</u>	<u>70.3%</u>
Total	100%	100%
<u>Annual Impact to San Jose</u>		
Property Tax Revenues	\$123,000	\$201,000
Other Revenues	<u>\$442,000</u>	<u>\$442,000</u>
Total Revenues	\$565,000	\$643,000
Fire Protection Expenses	\$0	\$160,000
Other Expenses	<u>\$249,000</u>	<u>\$249,000</u>
Total Annual Expenses	\$249,000	\$409,000
Net Annual Revenues	\$316,000	\$234,000

/s/
 JOSEPH HORWEDEL, DIRECTOR
 Planning, Building and Code Enforcement

For more information contact Laurel Prevetti at 535-7901.

Attachment



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Ms. Laurel Prevetti
City of San José

From: Debbie Kern

Date: October 15, 2010

Subject: Assessment of Fiscal Impacts of Proposed Cambrian No. 36
Unincorporated Island Annexation

ADVISORS IN:

REAL ESTATE
REDEVELOPMENT
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In accordance with your request, Keyser Marston Associates, Inc. (KMA) has evaluated the annual revenues and expenses that would accrue to the City of San José from the annexation of the Cambrian No. 36 unincorporated island. We look forward to discussing the findings of our analysis with you at your earliest convenience.

Approach and Key Assumptions

- The net marginal tax revenue and service cost impacts of the proposed annexation have been estimated on an on-going annual basis.
- A summary of existing development within Cambrian No. 36 is provided on Table 2. As shown, the area contains 322 single family households with an average size of 1,600 square feet, and approximately 60,000 square feet of non-residential space including commercial buildings, offices, a hotel, a service station, and nursery school. The area occupies about 80 acres of built land, or 103 acres including streets and circulation.
- Impacts that have been analyzed include recurring annual impacts to the General Fund, Library Parcel Tax Fund, and Vehicle Maintenance and Operations Fund. The General Fund is the major source of discretionary spending for key City services such as police, fire, and general services. Other funds represent additional City revenues and expenditures that will be impacted by the proposed annexation.

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- Given that the Cambrian No. 36 area is largely built-out, this analysis reflects actual revenues and service needs that are currently being generated by the area. This circumstance is very different than many fiscal impact analyses, which estimate the impacts of future development.
- Consistent with the empirical nature of this analysis, the estimates of property taxes, property taxes in-lieu of motor vehicle license fees, sales taxes, and transient occupancy taxes are based on the actual current assessed value of Cambrian No. 36 and actual retail and hotel sales volumes. The estimates reflect the application of the San José tax rate structure to the current values and sales revenues.
- The portion of the 1% property tax levy to be received by the City's General Fund after the ERAF retention is assumed to be 9.76%, based on the City of San José Proposed Cambrian Annexation Analysis – Impact to Affected Jurisdictions, provided by the County Controller in October 2010.
- Revenues for items such as franchise fees; utility taxes; fines, forfeitures, and penalties; and gas tax funds have been estimated based on per resident or per resident equivalent factors, using the City's FY 2010/11 budget as the revenue basis.
- San José's Library parcel tax will apply to the annexed parcels, at the rates currently in use by the City.
- The City of San Jose Police Department has determined that the area can be absorbed into Police District Tom with minimal effect on the current level of service to the area, given that San Jose Police generally patrols the area including adjacent areas in San Jose. Consistent with this determination, the annual cost to the City of San Jose Police Department to respond to service calls to be generated by the Cambrian area has been estimated based on the assumption that the area's call generation rate remains the same after annexation. The Department's average cost per service call has been applied to the area's historic call rate to yield an average annual service cost estimate.
- The City of San Jose is currently considering several options for providing fire protection to the area, with City Staff recommending that the area remain part of the Santa Clara County Central Fire Protection Special District. Under this recommended structure, the District would continue to receive property tax revenues and provide services. Under the terms of the Master Tax Sharing

Agreement, the Fire District will receive 12.65% (net of ERAF) of the base 1% property tax levy. Per direction by City staff, this analysis assumes that the Fire District continues to directly provide services to the Area.

- There are no parks, libraries, or other facilities in the area that will represent new facility service costs to the City of San José.
- Transportation costs for the maintenance of the existing road and sewer network have been estimated by City of San José staff at approximately \$71,000 annually.
- Impacts to other City services, such as General Government; General Services; Planning, Building, and Code Enforcement; City-Wide Expenditure; and Vehicle Maintenance and Operations, have been estimated on a per resident equivalent basis, reflecting the City's FY 2010/11 budget.

Preliminary Estimates of City Impacts

City Revenues

As shown on Table 1, it is estimated that the annexation will annually generate approximately \$565,000 of revenues to the City.

- Property taxes and property taxes in-lieu of VLF to be generated by the annexation are estimated to represent the largest source of City revenues. Combined, these sources account for 35% of anticipated revenues, or approximately \$195,000 per year. These estimates reflect the current assessed value of properties in the area.
- Sales tax, transient occupancy tax, and public safety tax revenues are estimated to represent the second largest source of revenues, accounting for approximately \$192,000 of annual revenue (34% of total revenue). These estimates are based on existing revenues reported by the County and are consolidated in order to protect the confidentiality of individual business owners. Transient occupancy tax (TOT) revenues included in this analysis include only the portion of TOT revenues that are allocated to the General Fund, which is 40% of the total TOT generated.

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- Other revenues, including Franchise Fees, Utility Taxes, and Telephone Line Taxes, are expected to generate an additional \$178,000 for the City, or 31% of total anticipated revenue.

City Expenses

The annexation is anticipated to annually generate a need for approximately \$249,000 of City services.

- The largest anticipated annual expense will be the cost to provide police protection to the Cambrian No. 36 area. Based on the actual sheriff call records for the area and applying the City's average cost to respond to a call, it is estimated that the annexation will require an additional \$124,000 of annual expenditures by the Police Department. The City of San Jose Police Department has determined that the area can be absorbed into the Dept.'s Tom District with minimal effect on the current level of service to the area, given that San Jose Police generally patrols the area and that annexation would reduce the present confusion as to whether the Sheriff or San Jose Police should respond to crime in the area.
- Consistent with City staff's preferred option for the provision of fire protection services, it has been assumed that the Central Fire Protection District will continue to directly provide fire protection and emergency medical services to the Cambrian No. 36 area. Therefore, the City will not incur any additional costs associated with providing fire protection services.
- Costs to the transportation department estimated by City staff are expected to approximate \$71,000 annually, or 29% of the total. These include road, sidewalk, landscaping, and sewer infrastructure maintenance costs.
- The annexation will impact other City service areas, including City-wide expenditures, general services, the Vehicle Maintenance and Operations Fund, and general government. These impacts have been estimated based on the annexation area's proportionate share of the City's total number of "resident equivalents" applied to each department's budget and assumptions regarding the portion of costs that are fixed versus variable for each service area. The combined cost impact on these other services is estimated to total \$54,000 per year.

Public Infrastructure and Facility Needs

The City's Public Works Department has determined that the public infrastructure to be annexed is in acceptable condition for annexation and will not require the City to incur near term expenses to remedy deferred maintenance.

Net Impacts

- The annexation's estimated net annual impacts on the City's operating revenues and expenditures are summarized in Table 1. As shown, it is estimated that Cambrian No. 36 will annually generate approximately \$316,000 of positive net cash flow to the City.
- Given that the annexed area will generate City tax revenues that exceed City service costs, the annexation will not reduce the level of services provided to or financially burden current City of San Jose residents.

Net Impacts if Area is Detached from Central Fire District and City Enters into Services Contract with Central Fire

At the request of City staff, KMA has estimated the net revenues to the City under the scenario that the Area is detached from the Central Fire District and the City enters into a services contract with Central Fire. Under this scenario, the City General Fund's share of property taxes (after ERAF) would approximate 15.9%. For purposes of this analysis, it has been assumed that the business terms of the services contract with the District would stipulate that the City would pay the District the amount that the District would have otherwise received if the District continued as a taxing agency and provided direct service to the Area. Under this assumption, the City would pay the District 12.7% of the property tax levy or approximately \$160,000 per year for service.

As shown on the table below, under this scenario it is estimated that the City's net annual revenue would approximate \$234,000, which is approximately \$82,000 less than what is estimated under the scenario that the Fire District continues as a taxing agency and directly provides services to the Cambrian Area.

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	<i>Scenario 1 – Special Annexation; Fire District provides Service</i>	<i>Scenario 2 – Traditional Annexation – Area is detached from Fire District and City contracts with Fire District</i>
<i>Allocation of Base Property Taxes (post ERAF)</i>		
County	11.3%	13.8%
City	9.8%	15.9%
Fire District	12.7%	0.0%
County Library	0.0%	0.0%
Other Taxing Agencies	<u>66.3%</u>	<u>70.3%</u>
Total	100.0%	100.0%
<i>Annual Net Impacts on City of San Jose</i>		
Property Tax Revenues	\$123,000	\$201,000
Other Revenues	<u>\$442,000</u>	<u>\$442,000</u>
Total Annual Revenues	\$565,000	\$643,000
Fire Protection Expenses	\$0	\$160,000
Other Expenses	<u>\$249,000</u>	<u>\$249,000</u>
Total Annual Expenses	\$249,000	\$409,000
<i>Net Annual Revenues</i>	<i>\$316,000</i>	<i>\$234,000</i>

Table 1
Summary of Annual Fiscal Impacts
Cambrian 36
Fiscal Impact Analysis
City of San José

Revenues ¹		
General Fund	Amount	% of Total
Property Tax	\$123,000	21.8%
Property Tax In Lieu of VLF	\$72,000	12.7%
Sales, Transient Occupancy, and Public Safety Tax	\$192,000	34.0%
Franchise Fees	\$33,000	5.8%
Utility Tax	\$72,000	12.7%
Telephone Line Tax	\$16,000	2.8%
Licenses and Permits	\$12,000	2.1%
Fines, Forfeitures, and Penalties	\$13,000	2.3%
Other Revenue - Local Agencies and Departmental Charges	\$6,000	1.1%
State of California Motor Vehicle Fees	\$2,000	0.4%
Reimburs. for Services - Gas Tax Funds	\$13,000	2.3%
Total General Fund Revenues	\$554,000	98.1%
Other Funds		
Library Parcel Tax Fund	\$11,000	1.9%
Total Other Fund Revenues	\$11,000	1.9%
Total General Fund and Other Fund Revenues	\$565,000	100.0%
Expenditures ²		
General Fund		
General Government	(\$5,000)	2.0%
Police Protection	(\$124,000)	49.8%
General Services	(\$15,000)	6.0%
Transportation	(\$71,000)	28.5%
Planning, Building, and Code Enforcement	(\$1,000)	0.4%
City-Wide Expenditures	(\$23,000)	9.2%
Total General Fund Revenues	(\$239,000)	96.0%
Other Funds		
Vehicle Maintenance and Operations	(\$10,000)	4.0%
Total Other Fund Expenditures	(\$10,000)	4.0%
Total General Fund and Other Fund Expenditures	(\$249,000)	100.0%
Net Annual Revenue	\$316,000	

¹ See Tables 4A to 4C.

² See Tables 5A to 5B.

Table 2
Existing Development
Cambrian 36
Fiscal Impact Analysis
City of San José

	<u>Households</u>	<u>Rooms</u>	<u>Building Square Feet ²</u>	<u>Average Square Feet per Household</u>	<u>Parcel Area - Acres ²</u>
<u>Residential</u>					
Single Family Households ¹	322	n/a	508,322	1,579	74.7
<u>Non-Residential</u>					
Commercial ²	n/a	n/a	29,251	n/a	4.0
Office ²	n/a	n/a	4,711	n/a	0.3
Hotel ^{2,3}	n/a	38	21,000	n/a	0.5
Service Station ²	n/a	n/a	1,000	n/a	0.3
Nursery School ²	n/a	n/a	2,766	n/a	0.4
	n/a	38	58,728	n/a	5.4
Total Existing Development	322	38	567,050	1,579	80.1
Total Acres (w/ streets) ⁴					103.0

¹ Households per County Island Annexation Infrastructure Cost Summary, 2006/2007.

² Per Realquest, September 2010.

³ Rooms per Carlyle Hotel website and Realquest, September 2010.

⁴ Per City staff.

Table 3
Existing Population and Employment
Cambrian 36
Fiscal Impact Analysis
City of San José

	<u>Population</u>	<u>Employment</u>	<u>Resident Equivalents</u>
			0.33 per employee 1.00 per resident
City of San José 2010 ¹	1,023,083	369,500	1,145,018
Cambrian 36 ²	810	220	883

¹ Population per State of California, Department of Finance, E-1 City/County Population Estimates with Annual Percent Change, January 1 2009 and 2010, employment per Association of Bay Area Governments (AGAB) Projections 2009.

² Per The Nielsen Company, September 2010.

Table 4A
Revenue Source Assumptions
Cambrian 36
Fiscal Impact Analysis
City of San José

<u>General Fund</u>		
Secured and Unsecured Property Tax	0.09763	City share of 1% property tax levy ¹
Property Tax In-Lieu of Motor Vehicle License Fees	\$52,580,539 \$92,565,161,733 \$0.568	Property Tax Based Revenues 2004-05 ^{2,3} 2004-05 San José Gross AV ^{2,3} Per \$1,000 in AV Growth
Sales, Transient Occupancy, and Public Safety Tax	\$191,727	Based on reported aggregated retail and hotel sales ⁴
Franchise Fees	\$43,089,000 1,145,018 \$37.63	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Utility Tax	\$92,900,000 1,145,018 \$81.13	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Telephone Line Tax	\$20,500,000 1,145,018 \$17.90	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Licenses and Permits - Business Tax	\$150 39	Per business ⁷ Businesses ⁸
Licenses and Permits - Miscellaneous	\$8,400,000 1,145,018 \$7.34	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Fines, Forfeitures, and Penalties	\$17,000,000 1,145,018 \$14.85	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Other Revenue - Local Agencies and Departmental Charges	\$7,241,000 1,145,018 \$6.32	Revenues in FY 2010-11 ⁵ Resident equivalents ⁶ Per resident equivalent
Revenue from the State of California - Motor Vehicle Fees	\$2,800,000 1,023,083 \$2.74	Revenues in FY 2010-11 ⁵ Residents ⁶ Per resident

Table 4A
Revenue Source Assumptions
Cambrian 36
Fiscal Impact Analysis
City of San José

General Fund (continued)

Reimbursement for Services -	\$16,626,000	Revenues in FY 2010-11 ⁵
Gas Tax Funds	1,023,083	Residents ⁶
	\$16.25	Per resident

Other Funds

Library Parcel Tax	\$27.81	Per single family parcel ⁹
	\$83.40	Per acre for commercial parcels < 0.5 acres ⁹
	\$97.29	Per acre for commercial parcels > 0.5 acres ⁹
	\$125.08	Per acre for professional parcels < 0.5 acres ⁹
	\$41.69	Per acre for industrial parcels < 0.5 acres ⁹
	\$10.41	Per acre for vacant parcels < 0.5 acres ⁹

¹ San José share of property taxes post-annexation and post ERAF. Per City of San José Proposed Cambrian Annexation Analysis - Impact to Affected Jurisdictions, provided by County controller staff , October 2010.

² Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05. Before 2004/05, VLF was distributed in proportion to population.

³ Per the California State Controller's Office.

⁴ Per City of San José and County staff. Revenue categories are aggregated in order to protect the confidentiality of individual businesses. Transient occupancy tax includes only 4% General Fund component+B27.

⁵ See Appendix A-1.

⁶ See Table 3.

⁷ The base annual tax for San José businesses is \$150 per business. An additional tax of \$18 per employee applies to establishments with more than 8 employees. Since there are 6 employees per business on average in Cambrian 36, per The Nielsen Company, in September 2010, the additional tax is not included. Taxes on residential and commercial landlords are also not included, as development does not meet minimum size thresholds (30 units for residential, 15,000 sf for commercial). Business tax rate schedule per City of San José website, September 2010.

⁸ Per The Nielsen Company, September 2010.

⁹ Per City of San José Memorandum for Approval to Establish the Library Parcel Tax for Fiscal Year 2010-2011, May 27, 2010.

Table 4B
Estimated Annual Revenues
Cambrian 36
Fiscal Impact Analysis
City of San José

	Measure ¹		Revenue
		resident equivalents ²	883
		residents ²	810
		secured and unsecured AV (\$000s) ³	\$126,248
<u>General Fund Revenues</u>			
Property Tax	9.76%	of 1% of AV	\$123,256
Property Tax In Lieu of VLF	\$0.568	per \$1,000 AV	\$71,713
Sales, Transient Occupancy, and Public Safety Tax	\$191,727	sales tax estimate	\$191,727
Franchise Fees	\$37.63	per res. equiv.	\$33,214
Utility Tax	\$81.13	per res. equiv.	\$71,609
Telephone Line Tax	\$17.90	per res. equiv.	\$15,802
Licenses and Permits - Business Tax	\$150	per business	\$5,850
Licenses and Permits - Miscellaneous	\$7.34	per res. equiv.	\$6,475
Fines, Forfeitures, and Penalties	\$14.85	per res. equiv.	\$13,104
Other Revenue - Local Agencies and Departmental Charges	\$6.32	per res. equiv.	\$5,581
State of California Motor Vehicle Fees	\$2.74	per resident	\$2,217
Reimburs. for Services - Gas Tax Funds	\$16.25	per resident	\$13,163
Total General Fund Revenues			\$553,711
<u>Other Fund Revenues</u>			
Library Parcel Tax Fund ⁴			\$10,619
Total Other Fund Revenues			\$10,619
Total General Fund and Other Revenues			\$564,330

¹ See Table 4A.

² See Table 3.

³ Per City of San José Proposed Cambrian Annexation Analysis - Impact to Affected Jurisdictions, provided by City staff , September 2010.

⁴ See Table 4C.

Table 4C
Library Parcel Tax
Cambrian 36
Fiscal Impact Analysis
City of San José

Parcel Type	Number of Parcels ¹	Tax Rate ²	Total Tax
Single Family	309	\$27.81	\$8,593
Commercial Less than 0.5 Acres	18	\$83.40	\$1,501
Commercial More than 0.5 Acres	1	\$97.29	\$97
Professional Less than 0.5 Acres	3	\$125.08	\$375
Industrial Less than 0.5 Acres	1	\$41.69	\$42
Vacant Less than 0.5 Acres	1	\$10.41	\$10
	333	\$31.89	\$10,619

¹ Per Realquest, September 2010.

² See Table 4A.

Table 5A
Operating Expense Assumptions
Cambrian 36
Fiscal Impact Analysis
City of San José

General Fund

General Government	\$25,983,000	Net Expenses in FY 2010/2011 ¹
	25%	Percent variable costs ²
	1,145,018	Resident equivalents ³
	\$5.67	Per resident equivalent

Fire Protection It is assumed that if Cambrian 36 is annexed, the County Fire District will continue to provide fire service, funded by parcel assessments. If an alternative arrangement is reached, such as the City of San José providing full or shared fire protection services, or paying for fire services contracted to the County, it is assumed that costs would be funded through transferred parcel assessments. Regardless of the ultimate structure for the provision of service, no net new City costs are anticipated.

Police Protection ⁴	\$281,028,000	Net Expenses in FY 2010/2011 ¹
	749,607	Citywide service calls ⁵
	\$374.90	Per service call
	330	Service calls on site ⁶

General Services	\$25,462,000	Net Expenses in FY 2010/2011 ¹
	75%	Percent variable costs ²
	1,145,018	Resident equivalents ³
	\$16.68	Per resident equivalent

Public Works Department function is to plan, design, and construct public facilities and infrastructure; regulate/facilitate private development. It is assumed that costs are covered by fees and charges.

Transportation	\$70,775	Annual maintenance cost ⁷
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Library It is assumed that Cambrian 36 residents will continue current library use patterns in the City of San José. There are no libraries in the Cambrian 36 pocket area. No new costs are anticipated.

Parks, Recreation and Neighborhood Services It is assumed that Cambrian 36 residents will continue current park use patterns in the City of San José. There are no parks in the Cambrian 36 pocket area. No new costs are anticipated.

Planning, Building, and Code Enforcement	\$3,600,000	Net Expenses in FY 2010/2011 ¹
	25%	Percent variable costs ²
	1,145,018	Resident equivalents ³
	\$0.79	Per resident equivalent

Table 5A
Operating Expense Assumptions
Cambrian 36
Fiscal Impact Analysis
City of San José

General Fund (continued)

Environmental Services Department function is to provide energy, water and waste water, and recycling and garbage services. It is assumed that costs are covered by fees and charges.

City-Wide Expenditures	\$60,007,000	Net Expenses in FY 2010/2011 ¹
	50%	Percent variable costs ²
	1,145,018	Resident equivalents ³
	\$26.20	Per resident equivalent

Other Funds

Vehicle Maintenance and Operations	\$17,377,000	Expenses in FY 2010/2011 ⁸
	75%	Percent variable costs ²
	1,145,018	Resident equivalents ³
	\$11.38	Per resident equivalent

¹ See Appendix A-2.

² A portion of each expense category is fixed, and does not vary regardless of the amount of development. The estimated percent of variable costs is based on the experiences of other projects, including San José's Soccer Stadium study.

³ See Table 3.

⁴ According to the September 22, 2010 City Memorandum regarding the proposed Cambrian No. 36 annexation, "the San José Police Department determined that the area can be absorbed into District Tom with minimal effect on the current level of service." The Cambrian No. 36 area is currently served by the Santa Clara County Sheriff and the California Highway patrol. This report assumes that service needs will remain unchanged, and bases costs on existing City of San José costs per service call, and historical call data per the City of Campbell.

⁵ Estimated calls in FY 2009-2010 per City of San Jose 2010-2011 Proposed Operating Budget.

⁶ 2007 calls per City of Campbell Memorandum Regarding Study Session to Consider Annexation of Cambrian 36 Pocket Area, June 16, 2009.

⁷ Per County Island Annexation Program Phase 2 and 3 estimates, provided by City staff, September 2010.

⁸ Per City of San Jose 2010-2011 Proposed Operating Budget.

Table 5B
Estimated Annual Expenditures
Cambrian 36
Fiscal Impact Analysis
City of San José

	Measure ¹		Revenue
	resident equivalents ²		883
<u>General Fund Expenditures</u>			
General Government	\$5.67	per res. equiv.	\$5,007
Police Protection	\$375 per call	330 calls	\$123,717
General Services	\$16.68	per res. equiv.	\$14,720
Transportation	\$70,775	annual cost	\$70,775
Planning, Building, and Code Enforcement	\$0.79	per res. equiv.	\$694
City-Wide Expenditures	\$26.20	per res. equiv.	\$23,127
Total General Fund Expenditures			\$238,040
<u>Other Fund Expenditures</u>			
Vehicle Maintenance and Operations ³	\$11.38	per res. equiv.	\$10,046
Total Other Fund Expenditures			\$10,046
Total General Fund and Other Expenditures			\$248,086

¹ See Table 5A.

² See Table 3.

³ The Vehicle Maintenance and Operations Fund is funded by transfers from City departments such as General Services, Human Resources, and Information Technology. The fund is used to finance the maintenance and operations of City vehicles. Expenditures from this fund are included in the analysis, as it represents an ongoing operational expense for the City.

Appendix A-1
Summary of General Fund Revenue Sources ¹
Cambrian 36
Fiscal Impact Analysis
City of San Jose

	FY 2010-11	
	Budget	Basis of KMA Projections
<u>Revenues Included in the Analysis</u>		
Property Tax (includes VLF In-Lieu)		
Secured	\$183,500,000	Development, City share of 1% tax
Unsecured	\$11,200,000	Development, City share of 1% tax
SB 813	\$3,300,000	Included in secured
Homeowner Exemption	<u>\$1,100,000</u>	Included in secured
	\$199,100,000	
Sales Tax		
General	\$123,400,000	County Sales Tax records
Public Safety (Prop. 172)	<u>\$3,800,000</u>	County Sales Tax records
	\$127,200,000	
Transient Occupancy Tax	\$6,684,000	County TOT revenue
Franchise Fees		
Electric Utility Services	\$17,600,000	Resident equivalents
Gas Utility Services	\$6,200,000	Resident equivalents
Water Utility Services	\$239,000	Resident equivalents
Commercial Solid Waste	\$10,400,000	Resident equivalents
Cable Television	\$7,500,000	Resident equivalents
City-Generated Towing	\$1,100,000	Resident equivalents
Nitrogen Pipeline	<u>\$50,000</u>	Resident equivalents
	\$43,089,000	
Utility Tax		
Electricity	\$39,200,000	Resident equivalents
Gas	\$10,600,000	Resident equivalents
Water	\$9,600,000	Resident equivalents
Telephone	<u>\$33,500,000</u>	Resident equivalents
	\$92,900,000	
Telephone Line Tax	\$20,500,000	Resident equivalents
Licenses and Permits		
Business Tax	\$11,000,000	Commercial development
Miscellaneous	<u>\$8,400,000</u>	Resident equivalents
	\$19,400,000	
Fines, Forfeitures and Penalties		
Vehicle Code Fines	\$3,000,000	Resident equivalents
Municipal Court	\$1,000,000	Resident equivalents
Parking Fines	\$10,700,000	Resident equivalents
Business Tax Penalty	\$1,000,000	Resident equivalents
Administrative Citation Program	\$500,000	Resident equivalents
Police False Alarm Fines	\$400,000	Resident equivalents
Other	<u>\$400,000</u>	Resident equivalents
	\$17,000,000	
Revenue from Local Agencies - Other	\$5,949,000	Resident equivalents
Revenue from the State of California - Non- In-Lieu Motor Vehicle Fees	\$2,800,000	Residents
Departmental Charges - Miscellaneous	\$1,292,000	Resident equivalents
Reimbursement for Services - Gas Tax Funds	\$16,626,000	Residents
Included Revenue Subtotal	<u>\$552,540,000</u>	

Appendix A-1
Summary of General Fund Revenue Sources ¹
Cambrian 36
Fiscal Impact Analysis
City of San Jose

	FY 2010-11 Budget	Basis of KMA Projections
<u>Revenues Deducted from Service Costs</u>		
Licenses and Permits		
Fire	\$7,000,000	Deduct from Fire
Building	<u>\$15,400,000</u>	Deduct from Planning, Bldg, Code
	\$22,400,000	
Revenue from Local Agencies		
RDA Convention Center Lease	\$15,012,000	Deduct from City-Wide
RDA - SJ BEST (gang prevention)	\$4,022,000	Deduct from City-Wide
RDA - 8 Police Officer Positions	\$1,167,000	Deduct from Police
RDA - Overhead	\$11,699,000	Deduct from General Government
County - Central Fire District	\$5,600,000	Deduct from Fire
County - Paramedic Program	<u>\$1,800,000</u>	Deduct from Fire
	\$39,300,000	
Revenue from the State of California		
Abandoned Vehicle Fee	\$600,000	Deduct from Police
Auto Theft Reimbursement	\$370,000	Deduct from Police
Highway Maintenance Charges	\$287,000	Deduct from Transportation
Waste Tire Enforcement Reimburs.	<u>\$159,000</u>	Deduct from Transportation
	\$1,416,000	
Revenue from the Federal Government		
Fire Dept. Breathing Apparatus Grant	\$1,700,000	Deduct from City-Wide
Tamiflu Antiviral Medication Grant	\$101,000	Deduct from City-Wide
Emergency Services Grant Reimburs.	<u>\$21,000</u>	Deduct from General Government
	\$1,822,000	
Departmental Charges		
Library	\$1,600,000	Deduct from Library
Parks, Recreation, Neighborhood Services	\$12,000,000	Deduct from Parks, Recreation, NH Services
Planning	\$2,500,000	Deduct from Planning, Bldg, Code Enforcem.
Police	\$1,900,000	Deduct from Police
Public Works	\$4,300,000	Deduct from Public Works
Transportation	\$759,000	Deduct from Transportation
Solid Waste Enforcement	\$3,500,000	Deduct from Planning, Bldg, Code Enforcem.
Animal Control Services	<u>\$708,000</u>	Deduct from General Services
	\$27,267,000	
Other Revenue		
Investment Program Reimbursement	\$2,100,000	Deduct from General Government
PEG Access Facilities	\$1,250,000	Deduct from City-Wide
Sidewalk Repair Svcs. Reimbursement	\$400,000	Deduct from City-Wide
Emergency Tree Services Fees	\$400,000	Deduct from City-Wide
Banking Services	\$1,000,000	Deduct from City-Wide
Parades and Celebrations Reimburs.	\$200,000	Deduct from Police
City Hall Parking	<u>\$100,000</u>	Deduct from Transportation
	\$5,450,000	
Overhead Reimbursements	\$34,406,000	Deduct from General Government
Transfers		
Airport Maint. and Operation - Police	\$10,213,000	Deduct from Police
Airport Maint. and Operation - Fire	\$3,496,000	Deduct from Fire
Capital Fund - Cxn. Excise Tax/Traffic	\$5,700,000	Deduct from Transportation
Capital Fund - Cxn./Conveyance - Parks	\$1,920,000	Deduct from Parks, Rec., NH Svcs.
Integrated Waste Management	\$151,000	Deduct from Environmental Services
Capital Fund - Lake Cunningham M&O	\$651,000	Deduct from Parks, Rec., NH Svcs.
General Purpose Parking	<u>\$462,000</u>	Deduct from Transportation
	\$22,593,000	
Deducted Revenue Subtotal	<u>\$154,654,000</u>	

Appendix A-1
Summary of General Fund Revenue Sources ¹
Cambrian 36
Fiscal Impact Analysis
City of San Jose

	FY 2010-11 Budget	Basis of KMA Projections
<u>Revenues Excluded from the Analysis</u>		
Licenses and Permits		
Cardroom Tax	\$17,700,000	No cardroom in the area
Disposal Facility Tax	<u>\$11,600,000</u>	No disposal facility in the area
	\$29,300,000	
Use of Money and Property		
General Fund Interest Earnings	\$1,200,000	Independent of subject development
Rental of City-Owned Property	\$1,200,000	Independent of subject development
Misc. (Interest, Subrogation Recovery)	<u>\$600,000</u>	Independent of subject development
	\$3,000,000	
Revenue from the State of California		
Anti-Tobacco Settlement	\$9,530,000	Independent of subject development
Aircraft In-Lieu Taxes	\$4,100,000	Independent of subject development
Public Library Fund SB 358 Grant	\$356,000	Independent of subject development
First Five Program Grant	<u>\$250,000</u>	Independent of subject development
	\$14,236,000	
Revenue from the Federal Government		
Stand-Striving Toward Achievement	\$125,000	Independent of subject development
Senior Companion Program	\$130,000	Independent of subject development
Retired and Senior Volunteer Program	<u>\$92,000</u>	Independent of subject development
	\$347,000	
Other Revenue		
Litigation Settlements	\$10,100,000	Independent of subject development
HP Pavillion	\$4,600,000	Independent of subject development
Sale of Surplus Property	\$1,800,000	Independent of subject development
Vehicle Auction Sales	\$232,000	Independent of subject development
Vendor Audits	\$200,000	Independent of subject development
Miscellaneous	<u>\$1,013,000</u>	Independent of subject development
	\$17,945,000	
Transfers		
Anti-Tobacco Settlement	\$6,910,000	One-time balance transfer
Integrated Waste Management	\$2,400,000	One-time unclaimed deposits transfer
Capital Fund - Calpine Open Space	\$1,435,000	One-time reimburs. for Edenvale Comm. Ctr.
Depositors Fund	\$876,000	One-time unclaimed deposits transfer
Low / Mod Housing	\$188,000	One-time SERAF-related Finance transfer
Community Facilities Revenue	\$137,000	One-time transfer
Convention & Cultural Affairs	\$334,000	One-time transfer
Emergency Reserve	\$75,000	One-time transfer
Ice Centre Revenue	\$17,000	One-time transfer
Public Works Program Support	\$88,000	One-time pay-back transfer
Stores	\$20,000	One-time transfer
Vehicle Maintenance and Operation	\$20,000	One-time transfer
Other Transfers	<u>\$2,385,000</u>	Other one-time transfers
	\$14,885,000	
Reimbursement for Services		
Assessment District Funds	\$125,000	Resident equivalents
Deferred Compensation Fund	<u>\$599,000</u>	Resident equivalents
	\$724,000	
Excluded Revenue Subtotal	<u>\$80,437,000</u>	
Total General Fund Revenue ²	<u>\$787,631,000</u>	

¹ For funding City departmental services.

² Total reflects rounding in revenue sub-categories.

Source: City of San Jose 2010-2011 Proposed Operating Budget.

Appendix A-2
Summary of General Fund Budget Expenditures
Cambrian 36
Fiscal Impact Analysis
City of San Jose

Expenditures Included in the Analysis - FY 2010/11 Budget ¹

Departmental

General Government

City Attorney	\$12,048,000
City Auditor	\$2,063,000
City Clerk	\$2,991,000
City Manager	\$10,415,000
Mayor and City Council	\$8,915,000
Economic Development	\$2,945,000
Finance	\$11,701,000
Human Resources	\$7,214,000
Independent Police Auditor	\$854,000
Information Technology	<u>\$15,063,000</u>
	\$74,209,000
(Less) Local Agencies - RDA - Overhead	(\$11,699,000)
(Less) Federal Government - Emergency Services Grant	(\$21,000)
(Less) Other Revenue - Investment Program Reimbursement	(\$2,100,000)
(Less) Overhead Reimbursements	<u>(\$34,406,000)</u>
	<u><u>(\$48,226,000)</u></u>
	\$25,983,000

Fire Protection

	\$151,939,000
(Less) Licenses and Permits - Fire	(\$7,000,000)
(Less) Local Agencies - Central Fire District	(\$5,600,000)
(Less) Local Agencies - Paramedic Program	(\$1,800,000)
(Less) Transfers - Airport Maintenance and Operation - Fire	<u>(\$3,496,000)</u>
	<u><u>(\$17,896,000)</u></u>
	\$134,043,000

Police Protection

	\$295,478,000
(Less) Local Agencies - RDA - 8 Police Officer Positions	(\$1,167,000)
(Less) State of California - Abandoned Vehicle Fee	(\$600,000)
(Less) State of California - Auto Theft Reimbursement	(\$370,000)
(Less) Departmental Charges - Police	(\$1,900,000)
(Less) Other Revenue - Parades and Celebrations Reimburs.	(\$200,000)
(Less) Transfers - Airport Maintenance and Operation - Police	<u>(\$10,213,000)</u>
	<u><u>(\$14,450,000)</u></u>
	\$281,028,000

General Services

	\$26,170,000
(Less) Departmental Charges - Animal Control Services	(\$708,000)
	<u><u>\$25,462,000</u></u>

Public Works

	\$5,294,000
(Less) Departmental Charges - Public Works	(\$4,300,000)
	<u><u>\$994,000</u></u>

Appendix A-2
Summary of General Fund Budget Expenditures
Cambrian 36
Fiscal Impact Analysis
City of San Jose

Expenditures Included in the Analysis - FY 2010/11 Budget ¹ (continued)

Transportation	\$29,639,000
(Less) State of California - Highway Maintenance Charges	(\$287,000)
(Less) State of California - Waste Tire Enforcement Reimburs.	(\$159,000)
(Less) Departmental Charges - Transportation	(\$759,000)
(Less) Other Revenue - City Hall Parking	(\$100,000)
(Less) Transfers - Capital Fund - Constr. Excise Tax/Traffic	(\$5,700,000)
(Less) Transfers - General Purpose Parking	(\$462,000)
	<u>(\$7,467,000)</u>
	\$22,172,000
Library	\$21,140,000
(Less) Departmental Charges - Library	(\$1,600,000)
	<u>\$19,540,000</u>
Parks, Recreation, Neighborhood Services	\$55,821,000
(Less) Departmental Charges - PRNS	(\$12,000,000)
(Less) Transfers - Capital Fund - Cxn./Conveyance - Parks	(\$1,920,000)
(Less) Transfers - Capital Fund - Lake Cunningham M&O	(\$651,000)
	<u>(\$14,571,000)</u>
	<u>\$41,250,000</u>
Planning, Building and Code Enforcement	\$25,000,000
(Less) Licenses and Permits - Building	(\$15,400,000)
(Less) Departmental Charges - Planning	(\$2,500,000)
(Less) Departmental Charges - Solid Waste Enforcement	(\$3,500,000)
Subtotal - Parks, Recreation, Neighborhood Services	<u>(\$21,400,000)</u>
	<u>\$3,600,000</u>
Environmental Services	\$272,000
(Less) Integrated Waste Management Overhead Reimburs.	(\$151,000)
	<u>\$121,000</u>
	<u>\$121,000</u>
Total Departmental Expenditures	\$684,962,000
(Less) Cost Recovery and Fees	(\$130,769,000)
Net Departmental Expenditures	\$554,193,000
City-Wide Expenditures ²	\$83,892,000
(Less) Local Agencies - RDA Convention Center Lease	(\$15,012,000)
(Less) Local Agencies - SJ BEST	(\$4,022,000)
(Less) Federal Government - Fire Dept. Breathing Apparatus	(\$1,700,000)
(Less) Federal Government - Tamiflu Antiviral Medication	(\$101,000)
(Less) Other Revenue - PEG Access Facilities	(\$1,250,000)
(Less) Other Revenue - Sidewalk Repair Services Reimburs.	(\$400,000)
(Less) Other Revenue - Emergency Tree Services Fees	(\$400,000)
(Less) Other Revenue - Banking Services	(\$1,000,000)
	<u>(\$23,885,000)</u>
	<u>\$60,007,000</u>
Net City-Wide Expenditures	\$60,007,000
Net Total Included Expenditures	\$614,200,000

Appendix A-2
Summary of General Fund Budget Expenditures
Cambrian 36
Fiscal Impact Analysis
City of San Jose

Excluded Expenditures - FY 2010/11 Budget

Redevelopment Agency	\$1,832,000
Capital Improvement Program	\$2,173,000
Transfers to Other Funds	\$28,639,000
Earmarked Reserves	\$14,681,000
Contingency Reserves	\$29,309,000
Encumbrance Reserves	\$25,824,000
Total Excluded Expenditures	\$102,458,000

Net Total Expenditures **\$716,658,000**

¹ Cost recovery items (negative amounts) are from revenue items listed on Table A-1.

² Non-departmental, city-wide expenditures.

Source: City of San Jose 2010-2011 Proposed Operating Budget.