

**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**PROPERTY TAX**

2023-2024 Actual	\$ 473,724,109
2024-2025 Adopted	\$ 495,000,000
2024-2025 Estimate*	\$ 504,400,000
2025-2026 Forecast**	\$ 536,500,000
2025-2026 Proposed	\$ 536,500,000
% of General Fund	33.8 %
% Change from 2024-2025 Adopted	8.4 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

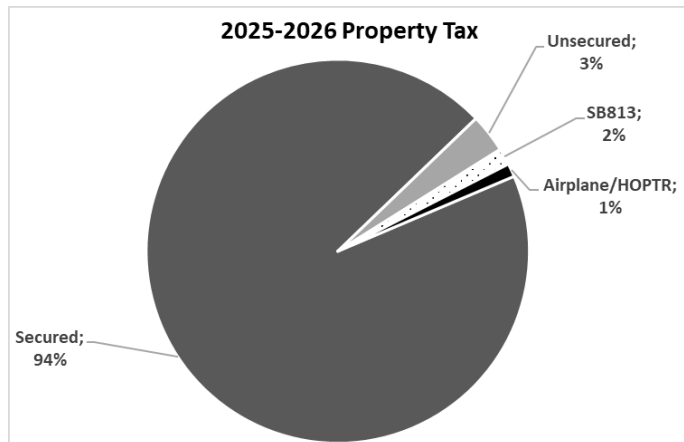
\*\* The 2025-2026 Forecast was increased \$9.5 million from the February Forecast; additional details can be found in the General Fund Overview section.

**Revenue Estimates**

Property Tax Category	2025-2026 Proposed Budget
Secured Property Tax	\$ 505,500,000
Unsecured Property Tax	17,500,000
SB 813 Property Tax	7,500,000
Aircraft Property Tax	5,000,000
Homeowner’s Property Tax Relief	1,000,000
<b>Total</b>	<b>\$ 536,500,000</b>

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 2024-2025 Property Tax receipts of \$504.4 million are projected, which is approximately \$10 million (2%) above the 2024-2025 Adopted Budget estimate, and is \$30.7 million (6.5%) above the 2023-2024 actual collection level of \$473.7 million. In 2025-2026, Property Tax receipts are anticipated to total \$536.5 million, which reflects overall growth of 6.5% from estimated 2024-2025 levels. Additional information about each of the Property Tax sub-categories is provided on the following pages.



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 2024-2025, Secured Property Tax receipts are anticipated to

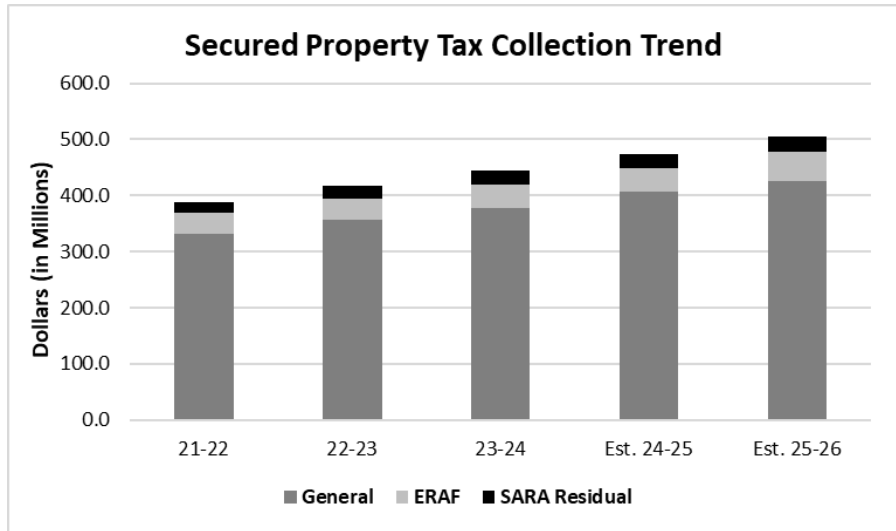
**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

**PROPERTY TAX**

**Secured Property Tax**

total \$473.8 million, including \$406.0 million in general Secured Property Taxes, \$42.3 million in ERAF revenue, and \$25.5 million from SARA Residual Property Tax receipts. In 2025-2026, Secured Property Tax receipts, which was based on real estate activity through December 31, 2024, are expected to increase by 6.5% to \$505.5 million.

The general Secured Property Tax receipts are estimated at \$406.0 million in 2024-2025, which is 7.3% above the 2023-2024 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 2023-2024 roll growth was driven primarily by changes in ownership (41.9%), changes in the CCPI (29.7%), and new construction (16.5%).

In 2025-2026, the general Secured Property Tax receipts are estimated to grow by 5% to \$426.0 million, reflecting a 2.0% CCPI and 3.0% increased valuation. The CCPI adjustment for the 2025-2026 tax roll is 2.0%, which is consistent with the prior year level. In addition, residential sale prices continue to be high and activity levels have grown, which will continue to be a positive factor driving growth in this category, albeit at a more moderate level. In calendar year 2024 the average median single-family home price in the City of San José totaled \$1.7 million, which was 10% above the calendar year 2023 average median single-family home price. The number of single-family and multi-family sales transactions increased 17% in calendar year 2024; up by 864 sales from 2023's level. Moving into 2025, home prices and activity levels are anticipated to remain positive, resulting in a strong residential real estate market. The commercial sector, however, is expected to weaken in the future and will exert some downward pressure within this category.

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

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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**PROPERTY TAX**

**Secured Property Tax** (Cont'd.)

generally occurs in March of each fiscal year. Based on the most recent information provided by the State of California and Santa Clara County, 2024-2025 ERAF receipts are estimated at \$42.3 million, which is 2.0% above the 2023-2024 collection level of \$41.5 million. In 2025-2026 ERAF revenue is estimated to grow by 24% and total \$52.5 million. This significant growth is primarily due to lowering school enrollment figures. However, it is important to note that 18% of ERAF revenue is at risk on an ongoing basis beginning in 2025-2026 (\$10 million annually) and a claw back from 2020-2021 to 2024-2025 (up to \$39 million) due to an anticipated audit from the State Controller's Office that would challenge the ERAF calculation used by Santa Clara County. The County has preemptively filed litigation to dispute the actions taken by the State Controller; however, the timing on a decision for this litigation is not currently known.

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 2024-2025, SARA Residual Property Tax receipts are estimated to total \$25.5 million, which is approximately 5.5% above the 2023-2024 receipts. In 2025-2026, SARA Residual Property Tax receipts are anticipated to grow 6% from 2024-2025 collections and total \$27.0 million.

It should be noted that final data on the actual tax levy for 2025-2026 is not yet available as adjustments are made through June 30, 2025. 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, which may experience a spike in activity due to a softening commercial real estate market. As updated information becomes available, refinements to the Property Tax estimates may be brought forward during a future budget process.

**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 information provided by Santa Clara County, Unsecured Property Tax receipts are estimated at \$17.2 million in 2024-2025, which is 1.8% above the prior year collection level of \$16.9 million. In 2025-2026 Unsecured Property Taxes are estimated to grow by approximately 2% and total \$17.5 million.

**Other Property Taxes**

For the other Property Tax categories, collections are estimated at \$13.4 million in 2024-2025 and \$13.5 million in 2025-2026. SB 813 Property Tax receipts are estimated at \$7.5 million in 2024-2025 and 2025-2026; Aircraft Property Tax receipts are estimated at \$5.0 million in 2024-2025 and 2025-2026; and Homeowners Property Tax Relief revenue are anticipated to total approximately \$900,000 in 2024-2025 and \$1.0 million in 2025-2026.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>SALES TAX</b>
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2023-2024 Actual	\$ 333,411,487
2024-2025 Adopted	\$ 352,000,000
2024-2025 Estimate*	\$ 330,000,000
2025-2026 Forecast	\$ 340,000,000
2025-2026 Proposed	\$ 340,000,000
% of General Fund	21.4 %
% Change from 2024-2025 Adopted	(3.4 %)

\* The 2024-2025 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%
<b>Total</b>	<b>9.375%</b>

**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

Sales Tax Category	2025-2026 Proposed Budget
General Sales Tax	\$272,000,000
Local Sales Tax	60,000,000
Proposition 172 Sales Tax	8,000,000
<b>Total</b>	<b>\$340,000,000</b>

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 2025 (which reflects two quarters of Sales Tax activity; from July 2024 through December 2024), it is anticipated that 2024-2025 Sales Tax revenue will total \$330.0 million. The 2024-2025 Sales Tax estimate is 1% below the prior year receipts of \$333.4 million, which is reflective of a continued suppressed economy. In 2025-2026, activity is anticipated to rebound slightly resulting in Sales Tax growing by 3% to \$340.0 million.

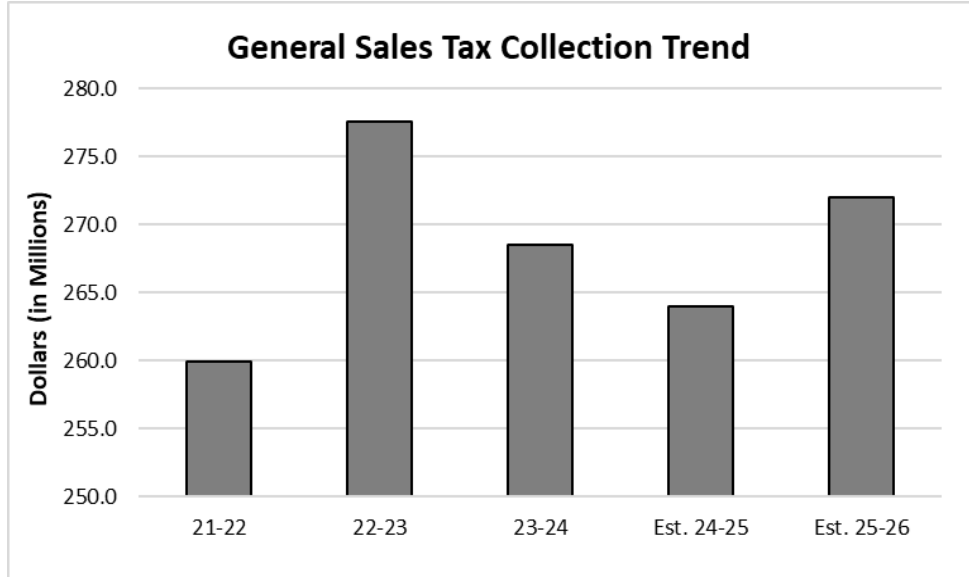
**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**SALES TAX**

Additional information about each of the Sales Tax sub-categories is provided on the following pages.

**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 2024



and February 2025; respectively. First quarter receipts declined 11.4%, but had an underlying decline of only 5.5% due to one-time corrections and payment timing issues. Second quarter receipts grew 8.8%; however, once one-time corrections and payment timing issues were removed, the underlying growth was only 1.0%. Third quarter receipts (which will be received in May 2025) are estimated to have underlying growth of 2.0%; however, due to prior year payments that are not assumed on an ongoing basis, actual collections are estimated to decline 10%. Fourth quarter receipts (which will be received in August 2025) are estimated to have underlying growth of 2.5%; however, due to a prior year negative correction that is not assumed ongoing, actual collections are estimated to grow 5%. Based on these assumptions, General Sales Tax collections are anticipated to total \$264.0 million in 2024-2025, which reflects an overall decrease of 1.8% from the 2023-2024 collection level. In 2025-2026, General Sales Tax is anticipated to grow 3% (underlying growth of 2.5%) and total \$277.0 million.

The City's Sales Tax consultant, Avenu Insights & Analytics, has provided performance data for General Sales Tax revenue, as displayed on the following chart. This analysis measures the first-second quarter General Sales Tax receipts for 2023-2024 and 2024-2025, excluding Sales Tax associated with the Revenue Capture Agreement.

**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**SALES TAX**

**General Sales Tax** (Cont'd.)

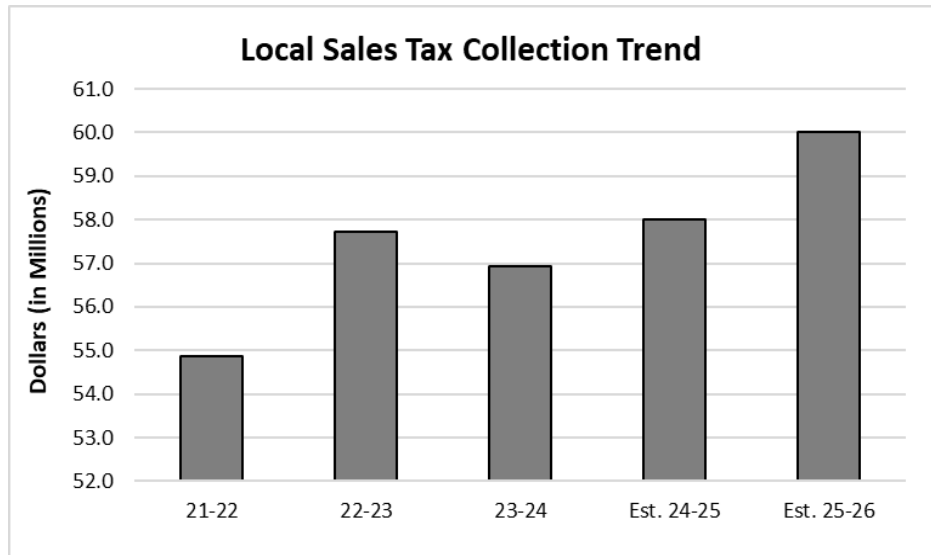
**General Sales Tax Revenue Economic Performance  
First – Second Quarter Payments**

Category	2024-2025 % of Total Revenue	2023-2024 % of Total Revenue	% Change by Category
Business-to-Business	20.3%	20.4%	(2.2%)
General Retail	18.4%	18.9%	(4.5%)
Transportation	15.8%	18.1%	(13.8%)
Food Products	14.7%	14.3%	1.4%
Construction	9.1%	9.3%	(3.1%)
Miscellaneous	0.8%	0.7%	8.0%
County Pool	20.9%	18.3%	12.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

As can be seen in the table above, most sales tax categories declined, with a few reflecting year-over-year growth. Categories that declined include Transportation (-13.8%), General Retail (-4.5%; includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), Construction (-3.1%), and Business-to-Business (-2.2%). Conversely, Sales Tax categories that experienced year-over-year growth includes Miscellaneous (8.0%) and Food Products (1.4%). In addition, the County Pool, which is where the majority of online transactions are captured, also grew through the first half of 2024-2025 compared to the prior year (12.8%). 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



**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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<b>SALES TAX</b>
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**Local Sales Tax** (Cont'd.)

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.

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 2024 and February 2025, respectively. First quarter receipts dropped 4.7% compared to the prior year; however, second quarter collections grew 2.9%. For the remainder of the year, third quarter receipts (which will be received in May 2025) are estimated to grow by 2.5% and the final quarter of 2024-2025 is anticipated to grow by 5% from the same time period in 2023-2024. Based on these assumptions, Local Sales Tax collections are anticipated to total \$58.0 million in 2024-2025, which is 2% above the prior year collection level.

In 2025-2026, Local Sales Tax is anticipated to grow between 2.5%-5% per quarter compared to the 2024-2025 collections for the same time period. Overall, in 2025-2026, Local Sales Tax revenue is estimated at \$60.0 million; reflecting growth of approximately 3.5%.

**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 \$8.0 million in 2024-2025 and 2025-2026.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>TRANSIENT OCCUPANCY TAX</b>	
2023-2024 Actual	\$ 15,894,163
2024-2025 Adopted	\$ 16,000,000
2024-2025 Estimate*	\$ 16,500,000
2025-2026 Forecast	\$ 18,000,000
2025-2026 Proposed	\$ 18,000,000
% of General Fund	1.1 %
% Change from 2024-2025 Adopted	12.5 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

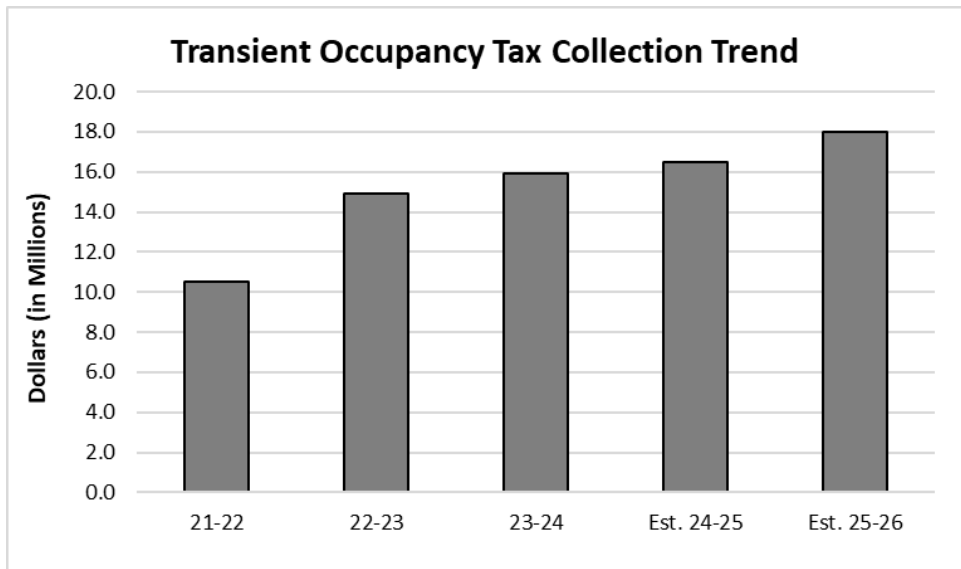
**Distribution of Transient Occupancy Tax**

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

**Revenue Estimates**

In 2024-2025, Transient Occupancy Tax (TOT) receipts in the General Fund (which represent 40% of the total tax) are estimated to reach \$16.5 million, which is 4% above the 2023-2024 collection level. In 2025-2026, TOT revenue is anticipated to grow to \$18.0 million due, in large part, to several sporting events occurring in the areas surrounding San José that will increase hotel occupancy.

Based on December 2024 data, the cumulative average hotel occupancy rate reported for the San José market was 67.6%, an increase from the average of 64.2% through the same period in 2023-2024. The average daily room rate increased 5.6%, from \$159.82 as of December 2023 to \$168.72 as of



December 2024; and the year-to-date average revenue-per-available room (RevPAR) increased by 11.0%, from \$102.68 to \$113.97, relative to the same period in 2023-2024.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>FRANCHISE FEES</b>
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2023-2024 Actual	\$ 52,475,857
2024-2025 Adopted	\$ 55,022,632
2024-2025 Estimate*	\$ 57,057,632
2025-2026 Forecast**	\$ 58,557,632
2025-2026 Proposed	\$ 58,988,263
% of General Fund	3.7 %
% Change from 2024-2025 Adopted	7.2 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

\*\* The 2025-2026 Forecast was increased \$2.5 million from the February Forecast; additional details can be found in the General Fund Overview section.

**Revenue Estimates**

Franchise Category	2025-2026 Proposed Budget
Electric	\$ 30,000,000
Gas	7,800,000
Commercial Solid Waste	15,028,263
Cable Television	5,700,000
Great Oaks Water	300,000
Nitrogen Gas Pipeline Fees	85,000
City-Generated Tow	75,000
<b>Total</b>	<b>\$ 58,988,263</b>

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 \$57.1 million in 2024-2025, which are 8.7% above the prior year receipts of \$52.5 million. The Electric and Gas Franchise Fee payments (which represents 60% of this category) are received as one-time payments from Pacific Gas and Electric (PG&E) in April of each year. The April 2025 payment was received from PG&E and reflected higher growth than anticipated. In 2025-2026, Franchise Fee revenue is anticipated to grow by 3% and total \$59.0 million.

**Electricity Franchise Fee**

In the Electricity Franchise Fee category, based on information provided by PG&E, collections in 2024-2025 are anticipated to reach \$28.5 million, which is 26% above the prior year receipt of \$22.5 million and 14% above the 2024-2025 Adopted Budget estimate of \$25.0 million. In 2025-2026, the Electricity Franchise Fee category is estimated to grow by 5% and total \$26.0 million.

**Gas Franchise Fee**

In the Gas Franchise Fee category, based on information provided by PG&E, collections in 2024-2025 are anticipated at \$7.5 million, which is 12% below the prior year receipts of \$8.5 million and 6% below the 2024-2025 Adopted Budget estimate of \$8.0 million. In 2025-2026, the Gas Franchise Fee category is estimated to grow by 4% and total \$7.8 million. However, it is important

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

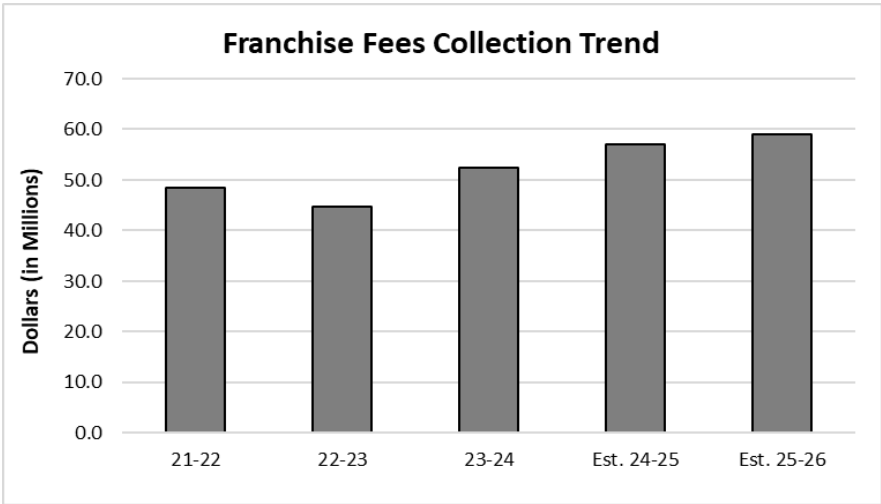
**FRANCHISE FEES**

**Gas Franchise Fee (Cont'd.)**

to note, 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 \$14.6 million in 2024-2025, 5.4% above the prior year collections, which is primarily due to the 2024-2025 CPI-based increase. Collections reflect the revised methodology for assessing this fee that became effective July 1, 2012. On October 19, 2010, the City Council amended the CSW fee to



charge franchises based on geographic collection districts rather than volume. The fee structure is a base of \$5 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and the South District. This revised structure is subject to an annual increase based on the percentage change in the CPI rate during the prior two calendar years. It should be noted that this increase is not automatic and is subject to City Council approval each year. Therefore, the 2024-2025 Forecast estimate of \$14.0 million does not automatically assume an adjustment. However, the 2025-2026 Proposed Budget includes an action to increase the CSW fee by 2.95%, which will generate an additional \$430,631, bringing the budget estimate to \$15.0 million in 2025-2026.

**Cable Television Fee**

In the Cable Franchise Fee category, collections in 2024-2025 are estimated at \$6.0 million, which is 16.5% below the prior year level. In 2025-2026, revenue is anticipated to continue declining and total \$5.7 million. The Cable Franchise Fee historically totaled \$10 million annually, however, as consumers shift to streaming services (which are not taxable), this revenue source has continuously declined.

**Other Franchise Fees**

Remaining franchise fees include City Generated Tow, Great Oaks Water, and Nitrogen Gas Pipeline. City Generated Tow receipts are estimated at \$75,000 in 2024-2025 and 2025-2026, Great Oaks Water receipts are estimated at \$300,000 in 2024-2025 and 2025-2026, and Nitrogen Gas Pipeline receipts are estimated at \$85,000 in 2024-2025 and 2025-2026.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

**UTILITY TAXES**

2023-2024 Actual	\$ 129,770,893
2024-2025 Adopted	\$ 136,000,000
2024-2025 Estimate*	\$ 137,800,000
2025-2026 Forecast	\$ 143,800,000
2025-2026 Proposed	\$ 143,800,000
% of General Fund	9.1 %
% Change from 2024-2025 Adopted	5.7 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

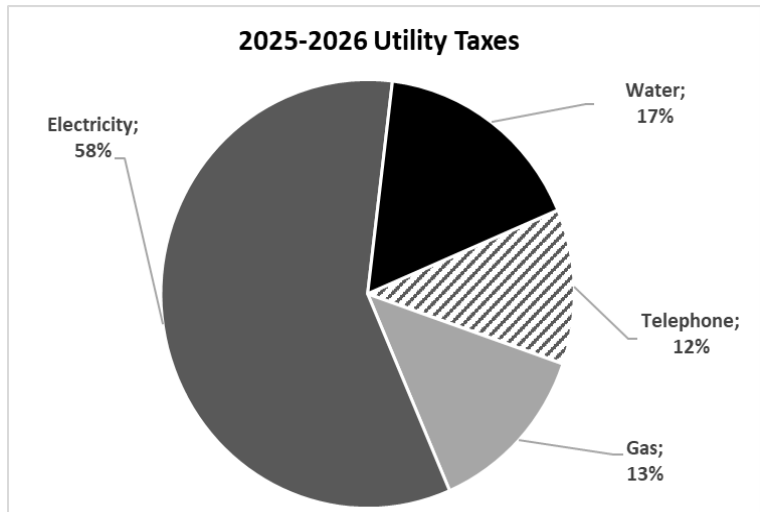
**Revenue Estimates**

Utility Taxes Category	2025-2026 Proposed Budget
Electricity	\$ 84,000,000
Water	24,000,000
Gas	19,000,000
Telephone	16,800,000
<b>Total</b>	<b>\$ 143,800,000</b>

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2024-2025 are anticipated to total \$137.8 million, which is 6% above the 2023-2024 collection level. This increase is due to higher usage and increased rates, primarily related to the Electricity and Gas Utility Tax categories. In 2025-2026, Utility Tax collections are projected at \$143.8 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 \$80.0 million in 2024-2025, which is 10% above the prior year collection level. In 2025-2026, tax revenue is anticipated to grow 5% and total \$84.0 million. This increase is anticipated due to slightly higher activity levels. However, as rates had consistently increased for several years, customers may begin decreasing consumption to lower monthly bills. Therefore, the Administration will continue to monitor Electricity Utility Tax receipts and revise estimates based on updated information, as appropriate.



**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**UTILITY TAXES**

**Water Utility Tax**

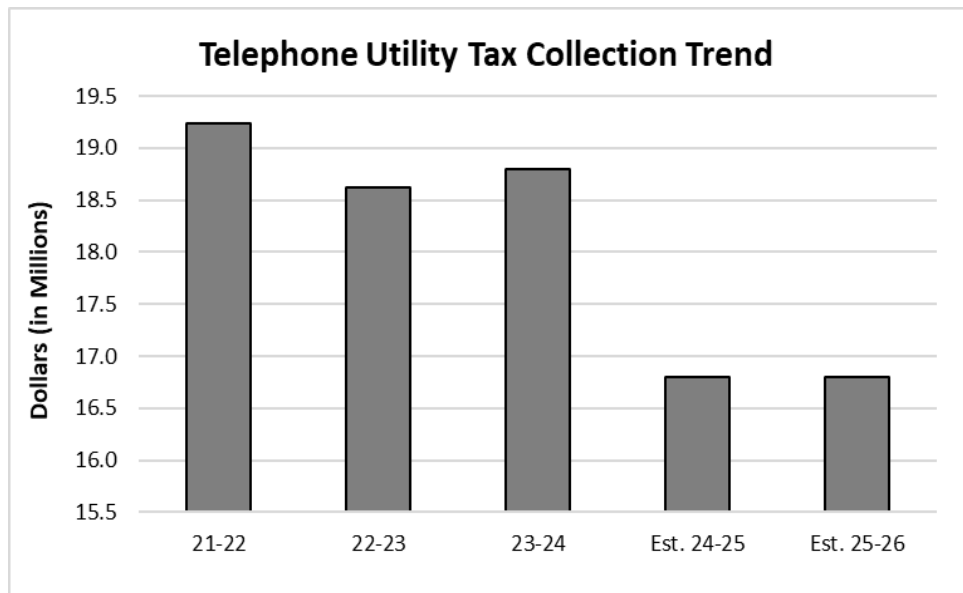
Based on current year collection levels, Water Utility Tax receipts of \$23.0 million are anticipated to be received in 2024-2025, which is 5% above the prior year collection level. In 2025-2026, revenue is anticipated to grow by an additional 5% to \$24.0 million due to slightly higher activity levels.

**Gas Utility Tax**

The Gas Utility Tax is anticipated to generate \$18.0 million in 2024-2025, which is 15% above the prior year collection level. In 2025-2026, tax revenue is anticipated to grow by 5% and total \$19.0 million. This increase is anticipated due to slightly higher activity levels. As rates had consistently increased for several years, customers may begin decreasing consumption to lower monthly bills. The Administration will continue to monitor Electricity Utility Tax receipts and revise estimates based on updated information, as appropriate. It is also important to note, that receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.

**Telephone Utility Tax**

In the Telephone Utility Tax category, revenues are collected on landlines, wireless, VoIP, and prepaid wireless services sold at retail locations. Receipts in 2024-2025 are projected at \$16.8 million, an 11% drop from the 2023-2024 collection level. In 2025-2026, receipts are projected to remain flat at \$16.8 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.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

**BUSINESS TAXES**

2023-2024 Actual	\$ 86,072,405
2024-2025 Adopted	\$ 87,000,000
2024-2025 Estimate*	\$ 85,000,000
2025-2026 Forecast	\$ 80,000,000
2025-2026 Proposed	\$ 85,000,000
% of General Fund	5.4 %
% Change from 2024-2025 Adopted	(2.3 %)

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

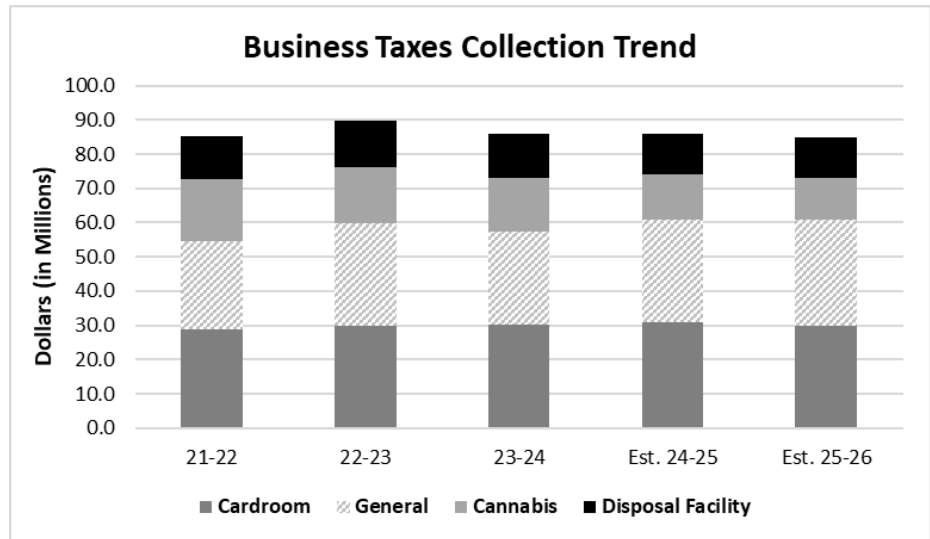
**Revenue Estimates**

Business Taxes Category	2025-2026 Proposed Budget
General Business Tax	\$ 31,000,000
Cardroom Business Tax	30,000,000
Cannabis Business Tax	12,000,000
Disposal Facility Tax	12,000,000
<b>Total</b>	<b>\$ 85,000,000</b>

This category includes Cannabis Business Tax, Cardroom Business Tax, Disposal Facility Tax, and General Business Tax. Business Taxes are estimated to reach \$85.0 million in 2024-2025, which is consistent with the prior year collection level. In 2025-2026, Business Taxes revenues are anticipated to remain at \$85.0 million. Additional information about each of the Business Taxes sub-categories is provided below.

**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



**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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**BUSINESS TAXES**

**General Business Tax (Cont'd)**

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 2024-2025, General Business Tax proceeds are anticipated to reach \$30.0 million, which is 10% above the 2023-2024 collection level of \$27.4 million. In 2025-2026, General Business Tax revenue is anticipated to grow slightly (2%) and total \$31.0 million.

**Cardroom Business Tax**

Cardroom Business Tax receipts are estimated at \$30.0 million in 2024-2025, which is consistent with the 2023-2024 collection level. In February 2025, the California Bureau of Gambling Control published a Notice of Proposed Regulatory Action concerning player-dealer position regulations. A public hearing will occur in May 2025, and a final decision will be rendered after the hearing. The proposed regulatory change, if enacted, would significantly negatively impact Cardroom Business Tax collections. The most recent information provided by the California Bureau of Gambling Control indicated that if changes in the regulation occur, they would not be enforced until June 2026. Therefore, the 2025-2026 Cardroom Business Tax revenue is not anticipated to be impacted and is estimated at \$30.0 million. If the proposed new regulations are enacted in June 2026, beginning in 2026-2027, Cardroom Business Tax collections may experience a decline of 65%-80%. However, cardrooms will likely transition to alternative methods of play that are allowed under the new regulations, which may result in the revenue loss being less significant. The proposed change by the California Bureau of Gambling Control and the cardrooms' potential business revisions as a result of the change will continue to be closely monitored with updates reported back to the City Council through future Bi-Monthly Financial Status Reports and future budget publications.

**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 licensed dispensaries began in San José in January 2018. In 2024-2025 Cannabis Business Tax receipts are estimated at \$13.0 million, which includes \$1.0 million in compliance revenue. In 2025-2026 receipts are projected at \$12.0 million as compliance revenue is not assumed on an ongoing basis due to its inconsistent collection level.

**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, 2024-2025 and 2025-2026 DFT collections are estimated at \$12.0 million, which is 10% below the 2023-2024 collection level.

**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

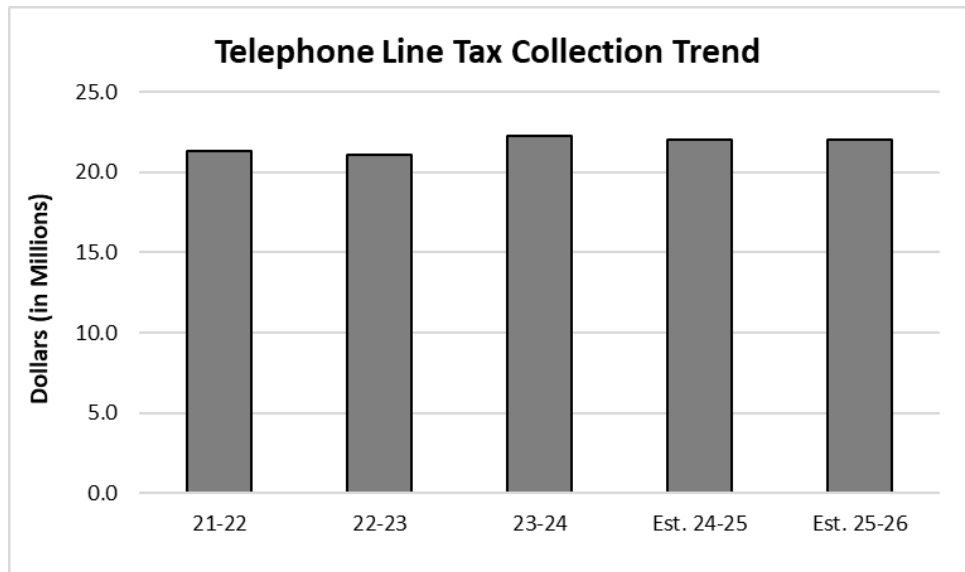
**TELEPHONE LINE TAX**

2023-2024 Actual	\$ 22,291,646
2024-2025 Adopted	\$ 22,000,000
2024-2025 Estimate*	\$ 22,000,000
2025-2026 Forecast	\$ 22,000,000
2025-2026 Proposed	\$ 22,000,000
% of General Fund	1.4 %
% Change from 2024-2025 Adopted	0.0 %

\* The 2024-2025 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 2024-2025 and 2025-2026 are estimated to total \$22.0 million.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>LICENSES AND PERMITS</b>	
2023-2024 Actual	\$ 21,428,006
2024-2025 Adopted	\$ 21,818,390
2024-2025 Estimate*	\$ 21,999,789
2025-2026 Forecast**	\$ 22,069,036
2025-2026 Proposed	\$ 22,574,591
% of General Fund	1.4 %
% Change from 2024-2025 Adopted	3.5 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

\*\* The 2025-2026 Forecast was increased \$48,844 from the February Forecast; additional details can be found in the General Fund Overview section.

**Revenue Estimates**

<b>Licenses and Permits Category</b>	<b>2025-2026 Proposed Budget</b>
Fire Permits	\$ 7,658,544
Other Licenses and Permits	14,916,047
<b>Total</b>	<b>\$ 22,574,591</b>

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 \$22.0 million in 2024-2025 and \$22.6 million in 2025-2026.

The 2025-2026 Proposed Budget includes actions to increase the Fire Department Non-Development Fee revenue by \$430,000 (from \$7.2 million to \$7.7 million) which reflects a 6% fee increase to all Fire Department Non-Development fees to maintain cost recovery levels. In addition, the 2025-2026 Proposed Budget includes actions to increase the Other Licenses and Permits category by a net of \$75,555 (from \$14.8 million to \$14.9 million) to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. Licenses and permits changes are reflected for the Police Department (\$374,938), Planning, Building and Code Enforcement Department (-\$283,179, of which -\$306,715 is related to multiple housing permits), Public Works Department's Animal Care and Services (-\$10,629), and Finance Department (-\$5,575).

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>FEES, RATES, AND CHARGES</b>
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2023-2024 Actual	\$ 25,030,265
2024-2025 Adopted	\$ 27,808,860
2024-2025 Estimate*	\$ 26,383,573
2025-2026 Forecast**	\$ 29,015,321
2025-2026 Proposed	\$ 31,840,531
% of General Fund	2.0 %
% Change from 2024-2025 Adopted	14.5 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

\*\* The 2025-2026 Forecast was decreased \$784,980 from the February Forecast; additional details can be found in the General Fund Overview section.

**Revenue Estimates**

Fees, Rates, and Charges Category	2025-2026 Proposed Budget
Parks, Recreation and Neighborhood Services	\$ 22,681,247
Transportation	1,512,961
Police	783,443
Library	110,000
Miscellaneous	6,752,880
<b>Total</b>	<b>\$ 31,840,531</b>

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 2024-2025, the Fees, Rates, and Charges category is estimated at \$26.4 million, which is slightly higher than the 2023-2024 collection level of \$25.0 million.

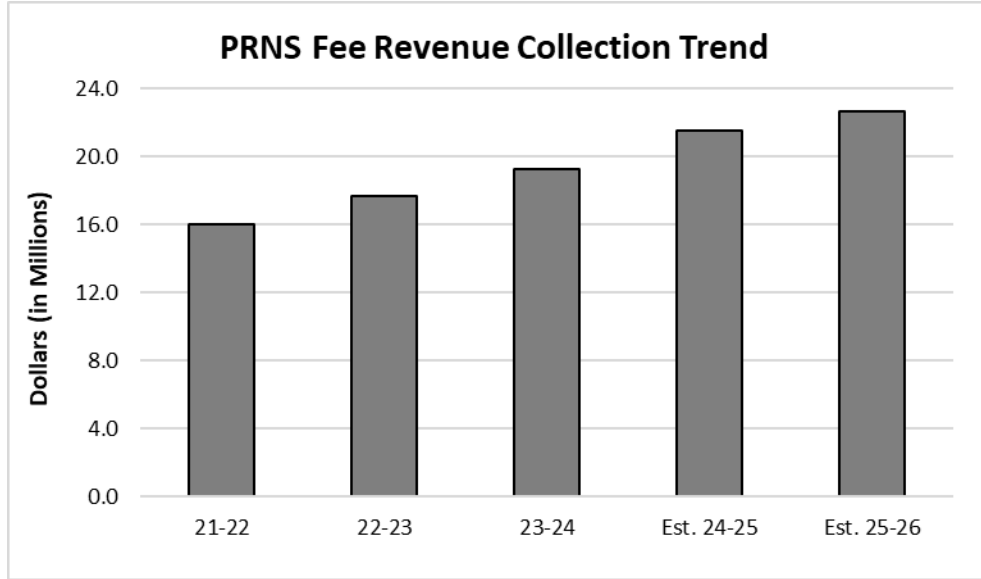
In 2025-2026, the Fees, Rates, and Charges category is estimated at \$31.8 million. The 2025-2026 Proposed Budget increases Miscellaneous Fee revenue by a net of \$2.6 million, which includes revenue associated with the new First Responder Fee scheduled to take effect January 1, 2026 (\$2.0 million), and alignment of various revenues with estimated activity levels, reflection of fee revisions, and maintenance of cost recovery levels (\$604,818). Additional detail on the First Responder Fee is provided in the Fire Department under the *City Departments* section of this document. Actions to increase the Transportation Department fee revenue (\$21,406) and Police Department fee revenue (\$17,739) align various revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. Finally, the 2025-2026 Proposed Budget also includes an action to increase PRNS fee revenue by \$181,247 related to Sports Facilities Reservations, which is further described below.

**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**FEES, RATES, AND CHARGES**

**Parks, Recreation and Neighborhood Services Fees**

PRNS fee collections are estimated at \$21.5 million in 2024-2025 and \$22.7 million in 2025-2026. 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 2025-2026 Proposed Budget includes an action to make permanent a 1.0 Parks Recreation Facilities Supervisor position, offset by a corresponding revenue increase that was previously funded on a one-time pilot basis. As a result of this action, Sports Facilities Reservations fee revenue is anticipated to increase by \$181,247. 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**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>FINES, FORFEITURES, AND PENALTIES</b>	
2023-2024 Actual	\$ 14,322,746
2024-2025 Adopted	\$ 17,604,797
2024-2025 Estimate*	\$ 17,572,000
2025-2026 Forecast	\$ 14,925,000
2025-2026 Proposed	\$ 15,225,000
% of General Fund	1.0 %
% Change from 2024-2025 Adopted	(13.5 %)

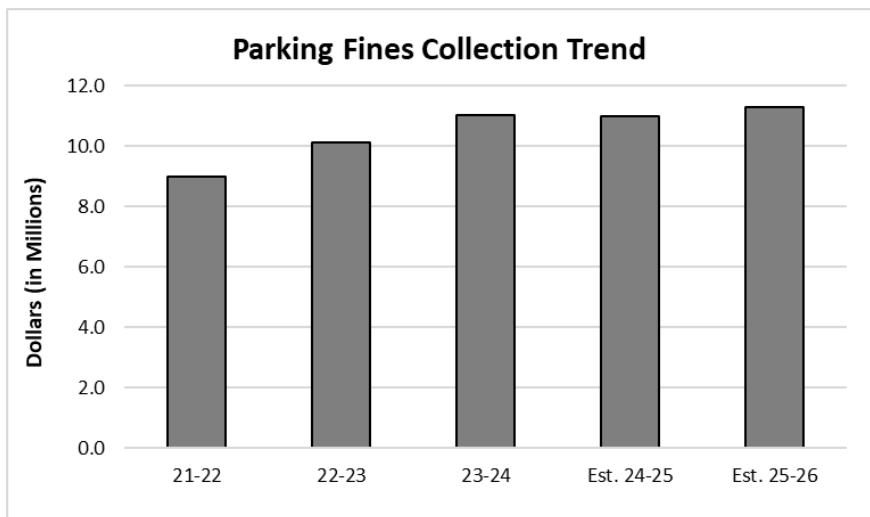
\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

**Revenue Estimates**

Fines, Forfeitures, and Penalties category in 2024-2025 is estimated at \$17.6 million, which is \$3.3 million above the 2023-2024 actual collection level of \$14.3 million. In 2025-2026, revenue is estimated at \$15.2 million, which reflects a Parking Fines revenue increase of \$300,000. The largest component of the Fines, Forfeitures and Penalties category is Parking Fines, which is further described below.

**Parking Fines**

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. Parking Fines are issued to registered vehicle owners when they park on city streets or in City parking facilities in violation of California Vehicle Code and/or San José Municipal Code. Violations include parking in restricted areas



designated by posted signage, curb markings or by permit requirements. Enforcement and the issuance of parking fines promote pedestrian, bicycle and vehicle safety, supports clean neighborhoods and the environment, and encourage parking turnover. The 2024-2025 estimate for Parking Fines totals \$11.0 million, which is consistent with 2023-2024 collection levels. The 2025-2026 Proposed Budget includes an action to implement a Parking Citation Scofflaw Program. The California Vehicle Code, Section 22651(i) authorizes the City to operate a scofflaw program, which permits parking enforcement to tow vehicles known to have been issued five or more unpaid parking citations. Enforcement of this program is anticipated to help encourage payment of unpaid parking citations and to facilitate compliance with parking regulations. As a result of the Parking Citation Scofflaw Program, Parking Fine revenue is anticipated to increase by \$300,000 in 2025-2026 and total \$11.3 million.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>	
2023-2024 Actual	\$ 22,774,861
2024-2025 Adopted	\$ 18,735,000
2024-2025 Estimate*	\$ 21,815,000
2025-2026 Forecast**	\$ 21,935,000
2025-2026 Proposed	\$ 21,935,000
% of General Fund	1.4 %
% Change from 2024-2025 Adopted	17.1 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

\*\* The 2025-2026 Forecast was increased \$100,000 from the February Forecast; additional details can be found in the General Fund Overview section.

**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 \$21.8 million in 2024-2025 and \$21.9 million in 2025-2026. 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 \$3.2 million in 2024-2025, growing to \$3.8 million in 2025-2026.

**General Fund Interest Earnings**

The interest earnings collection on the General Fund in 2024-2025 is estimated at \$16.5 million, which is \$1.4 million below the actual collection level of \$17.9 million in 2023-2024. In 2025-2026, General Fund interest earnings are estimated to drop slightly to \$16.0 million, primarily due to slightly less interest earnings on the General Fund due to the partial spend down of accumulated balances and slightly lower projected interest rates.

**Small Cell Lease Revenue**

Lease revenue received for small cells represents revenue for lease of City-owned light poles from wireless carriers including Verizon, Mobilitie, and AT&T. In 2025-2026 revenues are anticipated to total \$734,000, which is set aside in the Digital Inclusion Fund allocation in *City-Wide Expenses* section of this document.

**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

**REVENUE FROM LOCAL AGENCIES**

2023-2024 Actual	\$ 23,353,375
2024-2025 Adopted	\$ 19,077,112
2024-2025 Estimate*	\$ 23,723,638
2025-2026 Forecast	\$ 18,466,819
2025-2026 Proposed	\$ 18,991,819
% of General Fund	1.2 %
% Change from 2024-2025 Adopted	(0.4 %)

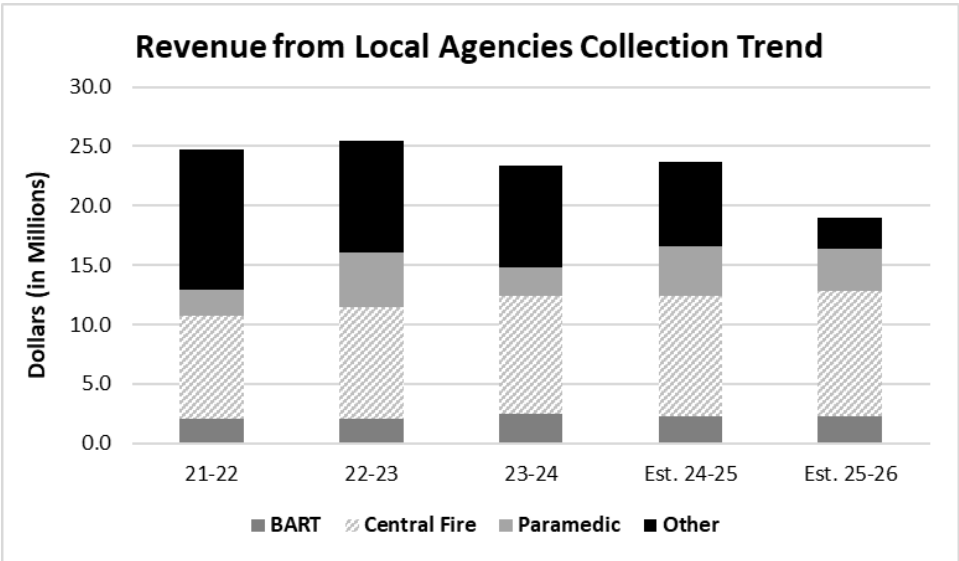
\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

**Revenue Estimates**

In 2024-2025, revenue of \$23.7 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 reimbursement for police services at the Berryessa BART station. In 2025-2026, revenue in this category is projected at \$19.0 million, which is \$4.7 million below the 2024-2025 estimate. The decrease in 2025-2026 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.

**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 \$10.2 million are anticipated in 2024-2025 and \$10.5 million in 2025-2026.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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**REVENUE FROM LOCAL AGENCIES**

**Paramedic Program**

A reimbursement from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) is estimated at \$4.1 million in 2024-2025 and \$3.6 million in 2025-2026. Funding for the Paramedic Program includes the equipment reimbursement component (Annex B, Category A funds) and service-related component (Annex B, Category B funds).

**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 \$2.2 million is anticipated in 2024-2025 and \$2.3 million in 2025-2026 from the VTA.

**Other Local Agency**

In 2024-2025, the remaining local agency funding is estimated at \$7.2 million, which reflects one-time grants or reimbursements (\$5.3 million) and reimbursements that are received on an annual basis (\$2.4 million). In 2025-2026, the budgeted estimate totals \$2.6 million, which includes ongoing reimbursement funding anticipated to be received from various local agencies (\$2.1 million) and new grant or reimbursement funding (\$525,000).

The City receives several reimbursements from local agencies on an annual basis (\$2.1 million in 2024-2025), the largest of which includes reimbursements from other agencies for services related to Animal Care and Services (ACS). This reimbursement is estimated at \$1.1 million in 2024-2025 and 2025-2026. Additional ongoing reimbursements from local agencies (\$1.0 million) include Bus Sheltering Advertising Cambrian 36 Agreement, Child Advocacy Center, Crossing Guard Program, Traffic Maintenance, and Viva CalleSJ.

In addition to ongoing funding, new grant and reimbursement funding is anticipated to be received in 2025-2026 totaling \$525,000. The Proposed Budget also includes actions to reflect three new grants, including Santa Clara County Public Arts Program (\$200,000), Coyote Creek Trail Patrol (\$162,500), and Guadalupe River Trail Patrol (\$162,500). Additional detail on these budget actions is provided in the *City Departments* section of this document.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>REVENUE FROM STATE OF CALIFORNIA</b>	
2023-2024 Actual	\$ 27,444,985
2024-2025 Adopted	\$ 36,803,135
2024-2025 Estimate*	\$ 60,106,285
2025-2026 Forecast	\$ 11,800,000
2025-2026 Proposed	\$ 11,800,000
% of General Fund	0.7 %
% Change from 2024-2025 Adopted	(67.9 %)

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

**Revenue Estimates**

Funding reflected in the Revenue from the State of California category includes Tobacco Settlement funds, State grant revenue, and other State reimbursements. Collections in this category are estimated to reach \$60.1 million in 2024-2025 and \$11.8 million in 2025-2026. The decrease in 2025-2026 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 2024-2025 payment was recently received and totaled \$9.1 million, which is \$500,000 below the 2023-2024 receipts of \$9.6 million. The 2025-2026 budget assumes collections will increase slightly and total \$9.5 million.

**State Grants and Reimbursements**

The City receives several reimbursements from the State on an annual basis, which total \$2.3 million in 2025-2026. These ongoing revenues include: Auto Theft reimbursement (\$600,000); Abandoned Vehicle Abatement (\$400,000); 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 \$1.2 million in 2025-2026, 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.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>REVENUE FROM FEDERAL GOVERNMENT</b>	
2023-2024 Actual	\$ 5,462,136
2024-2025 Adopted	\$ 15,527,645
2024-2025 Estimate*	\$ 14,327,652
2025-2026 Forecast	\$ 0
2025-2026 Proposed	\$ 0
% of General Fund	0.0 %
% Change from 2024-2025 Adopted	N/A

\* The 2024-2025 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 \$14.3 million in 2024-2025. The Proposed Budget does not include new grant revenue for 2025-2026.

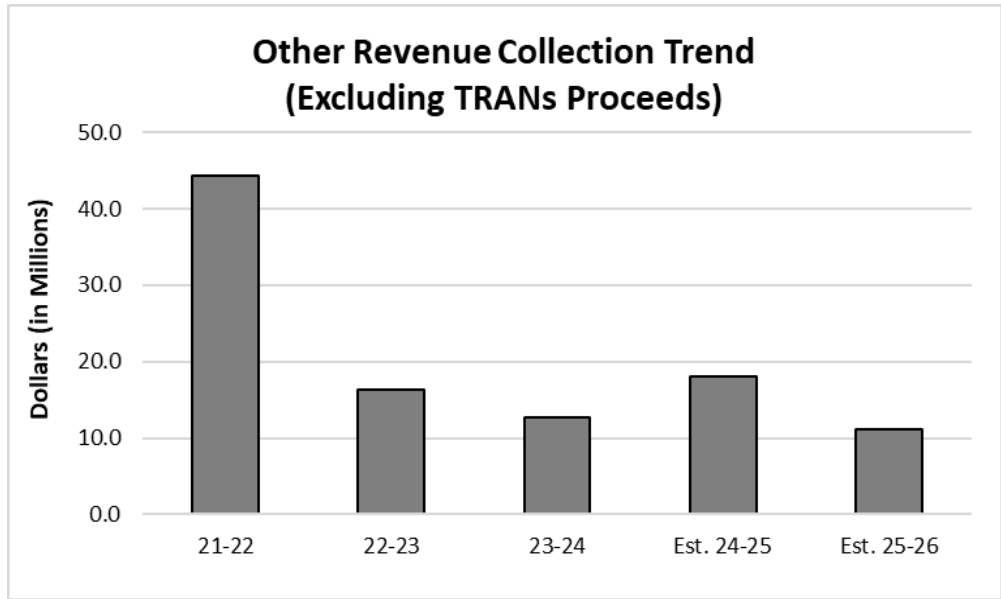
**CITY OF SAN JOSE  
2025-2026 PROPOSED OPERATING BUDGET  
GENERAL FUND REVENUE ESTIMATES**

<b>OTHER REVENUE</b>	
2023-2024 Actual	\$ 12,664,318
2024-2025 Adopted	\$ 9,560,067
2024-2025 Estimate*	\$ 18,085,446
2025-2026 Forecast	\$ 8,528,294
2025-2026 Proposed	\$ 11,066,283
% of General Fund	0.7 %
% Change from 2024-2025 Adopted	15.8 %

\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

**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 2024-2025, this category is expected to generate \$18.1 million and the 2025-2026 estimate totals \$11.1 million. The 2025-2026 Other Revenue estimate assumes the continuation of current year activity levels with revisions, where appropriate, for 2025-2026 costs or agreements and the elimination of one-time funding sources.

The 2025-2026 Proposed Budget includes an action to recognize funding of \$1.6 million that is anticipated to be received as the result of the Finance Department conducting a Business Tax Amnesty Program. This program, which will be administered from January 2026 through December 2026, will allow people engaged in business in San José to pay a defined amount in exchange for forgiveness of an assessment liability, including penalties and interest, for previous non-payment of Business Tax. Additional detail on this budget action is provided in the Finance

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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**OTHER REVENUE**

**Revenue Estimates (Cont'd.)**

Department under the *City Departments* section of this document. In addition, the 2025-2026 Proposed Budget recognizes funding from Pacific Gas and Electric (PG&E) for the City energy development team (\$520,197). Additional detail on this budget action is provided in the Office of Economic Development and Cultural Affairs under the *City Departments* section of this document. The Proposed Budget also recognizes grant revenue from the San José Public Library Foundation (\$439,000) and includes actions in the Transportation Department to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels (\$3,792).

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

**Investment Program Reimbursement**

The 2025-2026 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.

**Public, Education, and Government (PEG) Access Facilities**

In 2025-2026, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.1 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 2025-2026 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 2025-2026 revenue estimate for this category is \$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 2025-2026 this fee revenue is estimated at \$500,000. 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**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

**TRANSFERS AND REIMBURSEMENTS**

2023-2024 Actual	\$ 133,588,823
2024-2025 Adopted	\$ 139,214,498
2024-2025 Estimate*	\$ 144,180,520
2025-2026 Forecast**	\$ 144,318,211
2025-2026 Proposed	\$ 144,667,936
% of General Fund	9.1 %
% Change from 2024-2025 Adopted	3.9 %

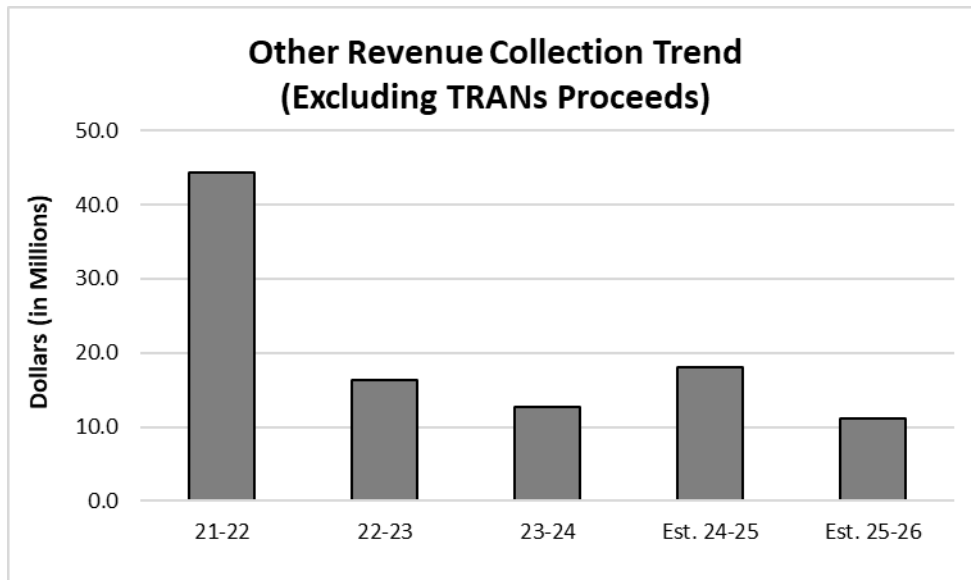
\* The 2024-2025 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

\*\* The 2025-2026 Forecast was increased by \$566,117 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 \$144.7 million in 2025-2026. 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.



**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

**TRANSFERS AND REIMBURSEMENTS**

**Overhead Reimbursements**

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2025-2026, a total of \$88.8 million in overhead reimbursements are projected based on 2025-2026 overhead rates prepared by the Finance Department applied against the budgeted 2025-2026 applicable salaries. This figure reflects the following: an increase of \$45,676 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$349,725 incorporated into the 2025-2026 Proposed Budget generated from various budget actions that changed the staffing 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.

<b>Fund</b>	<b>Overhead Adjustment</b>
San José Clean Energy Fund (501)	\$ 189,098
Integrated Waste Management Fund (423)	143,188
Airport Maintenance and Operation Fund (523)	87,399
Homeless Housing, Assistance, and Prevention Fund (454)	85,669
Multi-Source Housing Fund (448)	55,919
Sewer Service and Use Charge Fund (541)	48,178
Community Development Block Grant Fund (441)	43,100
Housing Authority Litigation Award Fund (484)	22,382
Public Works Development Fee Program Fund (241)	15,616
Vehicle Maintenance and Operations Fund (552)	15,091
Home Investment Partnership Program Fund (445)	13,280
Benefit Fund (160)	11,680
Dental Insurance Benefit Fund (155)	5,648
Inclusionary Fee Fund (451)	5,444
Building Homes and Jobs Act Fund (456)	2,370
Capital Funds	(90,709)
San José/Santa Clara Treatment Plant Operating Fund (513)	(81,755)
Planning Development Fee Program Fund (238)	(79,457)
Low and Moderate Income Housing Asset Fund (346)	(43,363)
Fire Development Fee Program Fund (240)	(40,933)
City-Wide Planning Fee Program Fund (239)	(32,972)
Building Development Fee Program Fund (237)	(15,052)
South Bay Water Recycling Operating Fund (570)	(5,168)
Storm Sewer Operating Fund (446)	(2,511)
Water Utility Fund (515)	(1,774)
Life Insurance Benefit Fund (156)	(643)
<b>Total Adjustments</b>	<b>\$ 349,725</b>

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

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**TRANSFERS AND REIMBURSEMENTS**

**Transfers**

The Transfers category is projected at \$34.9 million in 2025-2026. The largest component of this category is a transfer from the Airport Maintenance and Operation Fund totaling \$22.2 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 2025-2026 direct and indirect costs associated with these emergency services. Additional large 2025-2026 revenues include transfers from Construction and Conveyance Tax Funds (\$4.6 million) for park maintenance costs and methane monitoring, interest earnings that are transferred from various funds to the General Fund (\$4.1 million), and Construction Excise Tax Fund (\$2.1 million). The funding received from the Construction Excise Tax Fund includes \$300,000 to help address the General Fund shortfall, as approved in the 2024-2025 Adopted Budget.

**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. Gas Tax Fund collections are based on a per gallon charge, regardless of gasoline prices, therefore revenue is heavily reliant on activity levels. Higher gasoline consumption levels positively impact revenue collections. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well. In 2024-2025 Gas Tax receipts are estimated at \$19.0 million, which is higher than the 2023-2024 actual collections of \$18.2 million. In 2025-2026, Gas Tax receipts are estimated to grow slightly from the 2024-2025 estimated level and total \$20.0 million.

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 2025-2026 of \$973,108.

**CITY OF SAN JOSE**  
**2025-2026 PROPOSED OPERATING BUDGET**  
**GENERAL FUND REVENUE ESTIMATES**

<b>BEGINNING FUND BALANCE</b>	
Rebudget: Contingency Reserve	\$ 53,000,000
Rebudget: Earmarked Reserves/Expenditures	\$ 282,000
Unexpended Earmarked Reserves*	\$ 20,860,000
2024-2025 Expenditure Savings/Additional Revenue*	\$ 30,398,000
Liquidation of Prior Year Encumbrances*	\$ 1,250,000
<b>Fund Balance Subtotal:</b>	<b>\$ 105,790,000</b>
Reserve for Encumbrances	\$ 97,572,603
<b>Fund Balance Total:</b>	<b>\$ 203,362,603</b>
% of General Fund**	6.6%

\* Used for 2025-2026 Proposed Budget balancing purposes.

\*\* Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance, totaling \$203.4 million, are included as part of the 2025-2026 Proposed Budget. The estimate for the encumbrance reserve is set at the 2023-2024 actual level (\$97.6 million). The Proposed Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2025-2026. The estimate for unrestricted Beginning Fund Balance (excluding the Reserve for Encumbrances) is set at \$105.8 million in 2025-2026.

When the Forecast was initially developed, the Beginning Fund Balance projection totaled \$83.0 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$53.0 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 2025, the Beginning Fund Balance was increased by \$175,000 to reflect expenditure savings from the Customer Service Vision and Standards appropriation that is not anticipated to be expended by the end of 2024-2025 and will be rebudgeted to 2025-2026. As a result of this action, the 2025-2026 Revised Forecast Beginning Fund Balance totaled \$83.2 million. It is important to note that, due to the anticipated underperformance of Sales Tax revenues in 2024-2025, up to approximately \$20.0 million of the Budget Stabilization Reserve may need to be liquidated at the end of 2024-2025 to ensure that fund balance targets assumed in the Five-Year Forecast are met. If the full \$20.0 million is used, along with the \$7.0 million recommended in 2025-2026, the current Budget Stabilization Reserve would decrease from its current level of \$53.0 million to \$26.0 million.

In the Proposed Budget, Beginning Fund Balance adjustments totaling \$22.6 million are included, which attributable to liquidation of the Community and Economic Recovery Reserve (\$11.5 million), partial liquidation of the Budget Stabilization Reserve (\$7.0 million), partial liquidation of the Information Technology Sinking Fund Reserve (\$2.4 million), expenditure savings from the Mobile Data Computer Replacement appropriation (\$898,000), the liquidation of prior year encumbrances in the San Jose Stage Company (\$750,000), and the rebudget of 2024-2025 funds for the Urban Area Security Initiative – Police Department appropriation (\$107,000). As a result of these actions, the Beginning Fund Balance increased from the Revised Forecast level of \$83.2 million to \$105.8 million (excluding the Reserve for Encumbrances).