

# San Jose's Budget: Our Revenues

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# Agenda

1. How residents and businesses contribute to the pot?
2. What the dollars can and can't be used for?
3. Why the funding continues to grow?



# CA City Finance Trends

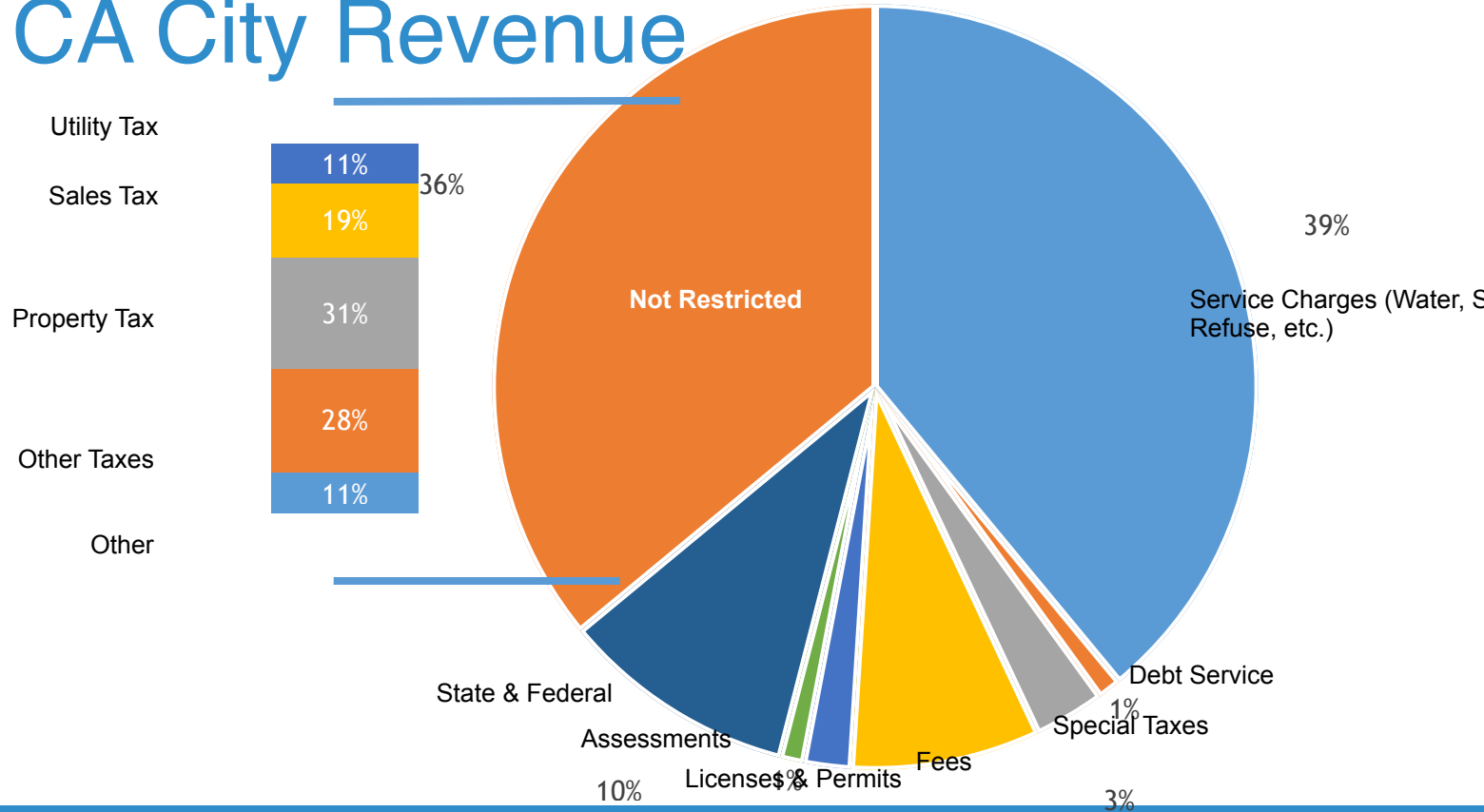
- Federal and State aid declining, down from 21% of total budget to 10%
- Sales Tax is declining
- Prop. 13 & Prop. 218 limits cities tools
- State population growth is higher in cities
- Cities must respond to citizens' demand for a greater array of services
- Public Safety spending is up



# Fees & Charges



# Typical CA City Revenue



# City of San José Budget Overview

<b>2016-2017 ADOPTED CITY BUDGET:</b>	<b>\$2.9 billion</b>
<b>TOTAL NUMBER OF FUNDS:</b>	<b>111</b>
<b>TOTAL NUMBER OF POSITIONS (FTE):</b>	<b>6,099</b>

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# Special Funds

Airport Funds

Community Development Block Grant Fund

Convention and Cultural Affairs Fund

Housing Funds

Integrated Waste Mgmt Fund (Garbage Collection/Recycling)

Municipal Golf Course Fund

Municipal Water Fund

Parking Fund

Sanitary Sewer Funds

Storm Sewer Funds

Waste Water Treatment Plant Funds

Workforce Investment Act Fund



# Special Purpose Funds

- Sewer Service and Use Charge Fund (Enterprise Fund)
  - Purpose of the fund
  - Source of funds
  - Restrictions
- Other Examples: Airport Maintenance & Operation Fund, Housing Trust Fund and Integrated Waste Management Fund



# Capital Programs

## Community and Economic Development

- Developer Assisted Projects

## Environmental & Utility Services

- Sanitary Sewer System
- Storm Sewer System
- Water Pollution Control Plant
- Water Utility System

## Neighborhood Services

- Library
- Parks & Community Facilities

## Public Safety

- Public Safety

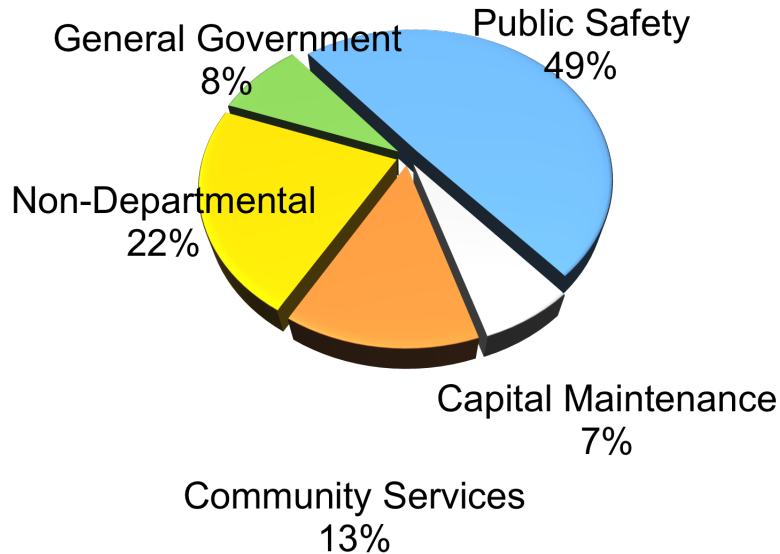
## Transportation and Aviation Services

- Airport
- Parking
- Traffic

## Strategic Support

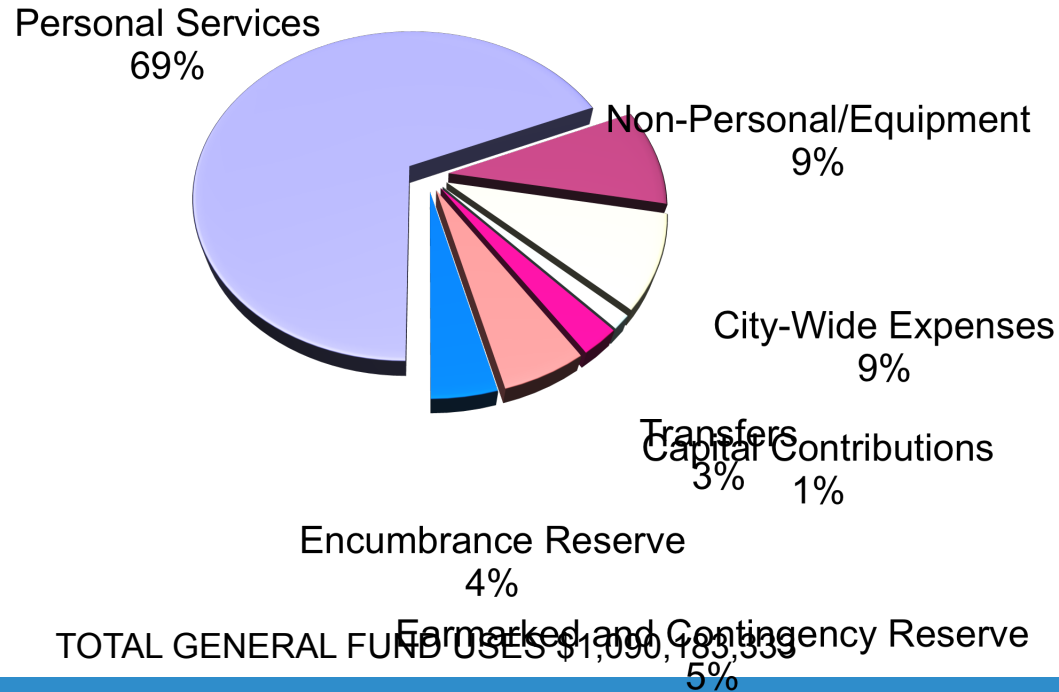
- Communications
- Municipal Improvements
- Service Yards

# 2016-2017 Proposed Budget



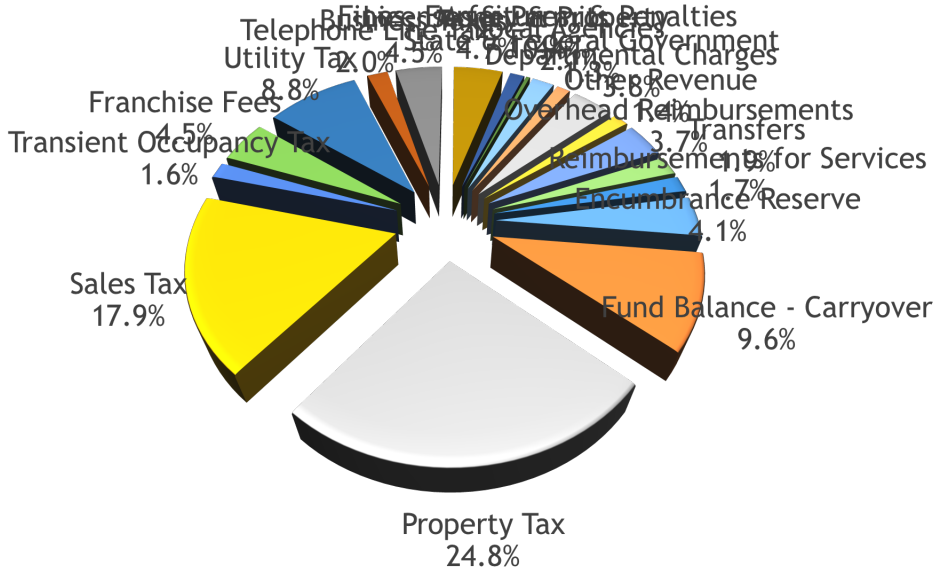
- **Community Services**
  - Environmental Services
  - Housing
  - Parks & Recreation
  - Library
  - Planning, Building & Code Enforcement
- **General Government**
  - Human Resources
  - Economic Development
  - IT
  - Finance
  - Independent Police Auditor
  - City Manager
  - Mayor and Council

# 2016-2017 Proposed Budget – General Fund Uses by Category





# Sources



Total FY 2016-2017 General Fund Sources \$1,090,183,333

# Property Tax

Property Tax Category	Proposed Budget
Secured Property Tax	\$248,300,000
Unsecured Property Tax	\$14,238,000
SB 813 Property Tax	\$4,422,000
Aircraft Property Tax	\$2,635,000
Homeowner's Property Tax Relief Exemption	\$1,030,000
<b>TOTAL</b>	<b>\$270,625,000</b>

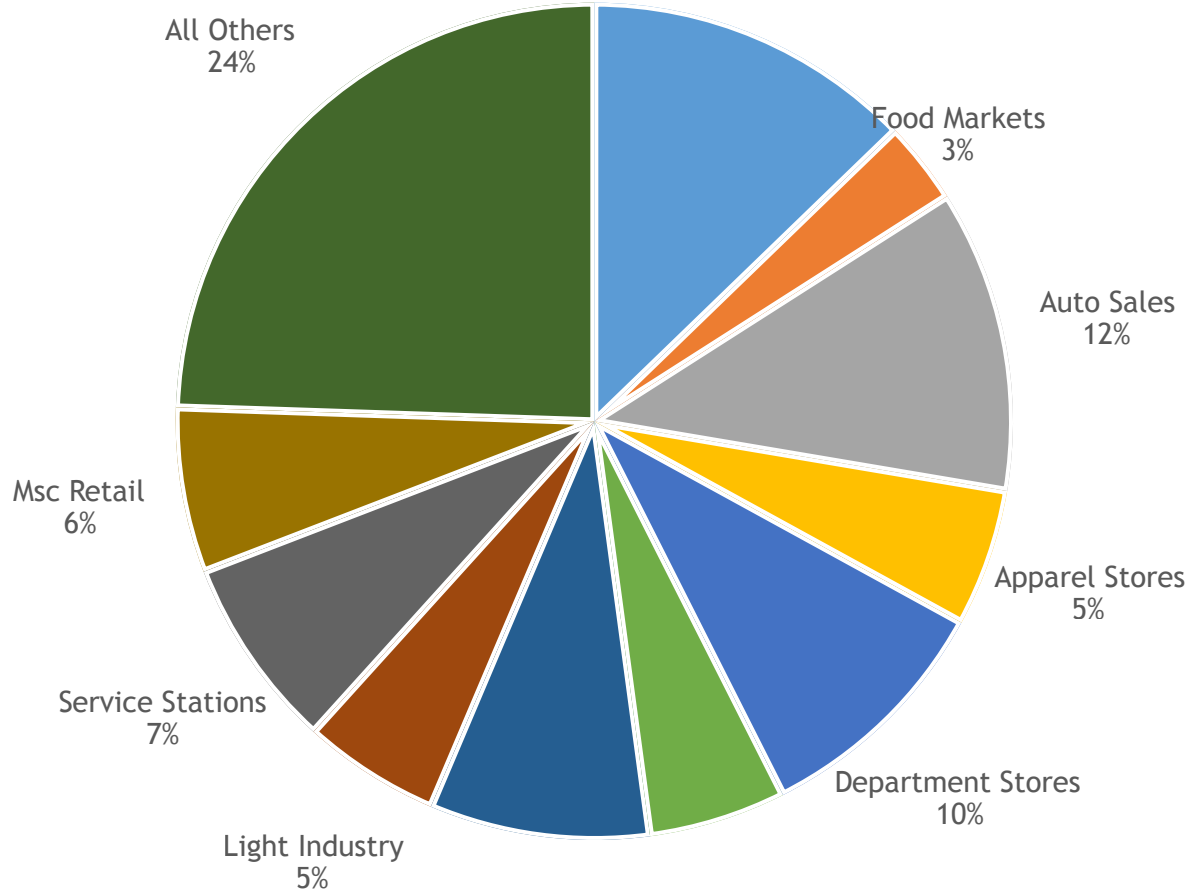
# Sales Tax

Sales Tax Category	Proposed Budget
General Sales	\$188,754,533
Prop 172 Sales Tax	\$5,941,000
<i>Measure B</i>	<i>\$30,000,000</i> <i>(October to June)</i>
<b>TOTAL</b>	<b>\$224,695,533</b>

Economic Sector	% of Total Revenue
General Retail	28.6%
Transportation	22.4%
Business-to-Business	22.2%
Food Products	16%
Construction	10.1%
Miscellaneous	0.7%
<b>TOTAL</b>	<b>100%</b>



# Sales Tax



# Sales Tax – “Top 25”

- American Aviation Supply
- Apple Stores
- Capitol Chevrolet
- Capitol Volkswagen
- Central Concrete Supply
- Chevron Service Supply
- Chevron Service Stations
- Cisco Systems Inc.
- Costco Wholesale
- Home Depot
- Honda of Stevens Creek
- Lowe’s Home Centers
- Macy’s Department Store
- Nordstrom Department Store
- Redapt
- Ross Stores
- Safeway Stores
- Smythe Volvo
- Stevens Creek Audi
- Stevens Creek Toyota
- Sunpower
- Super Micro Computer
- Target Stores
- Trina Solar
- Wal Mart Stores



# Utility Tax

Tax Category	Adopted Budget
Electricity	\$44,818,000
Gas	\$8,925,000
Water	\$12,960,000
Telephone	\$29,046,500
<b>TOTAL</b>	<b>\$95,749,500</b>

# Franchise Fees

Category	Adopted Budget
Electric	\$20,818,000
Gas	\$4,794,000
Commercial Solid Waste	\$11,413,611
Cable Television	\$10,608,000
City Generated Tow	\$900,000
Great Oaks Water	\$311,000
Nitrogen Gas Pipeline Fees	\$66,000
Jet Fuel Pipeline Fees	\$6,000
<b>TOTAL</b>	<b>\$48,916,811</b>

# Business Tax

Category	Adopted Budget
Cardroom Taxes	\$17,800,000
Marijuana Business Taxes	\$7,150,000
<i>General Business Taxes*</i>	<i>\$11,650,000</i>
Disposal Facility Taxes	\$12,200,000
<b>TOTAL</b>	<b>\$48,800,000</b>

*\* Measure G (November 8, 2016) would double General Business Tax*

# Licenses & Permits

Permit Category	Adopted Budget
Building	\$27,500,000
Fire Permits	\$11,211,000
Other Licenses & Permits	\$12,861,000
<b>TOTAL</b>	<b>\$51,572,533</b>

# Department Charges *(Fee Programs)*

Department Charges Category	2016-2017 Adopted Budget
Parks, Recreation & Neighborhood Services	\$20,208,351
Public Works	\$9,815,000
Planning, Building & Code Enforcement	\$4,500,000
Transportation	\$1,536,938
Police Department	\$1,264,034
Library	\$889,044
Misc	\$3,468,607
<b>TOTAL</b>	<b>\$41,681,974</b>



# Transient Occupancy Tax

- 10% Tax on Hotel Room
- \$17.1 million in FY 2016-2017 (Up 15.8%)
- Structure
  - 40% - General Fund
  - 30% - Fund 536 (Convention Center Operating)
  - 15% - Convention & Visitors Bureau
  - 15% - Arts
  
- Additional 4% to fund expansion of Convention Center.

Why does San Jose always seem broke?



# SJ's Long-Term Budgetary Challenges

1. City's share of tax revenues: SMALL
2. (Inflation-adjusted) tax revenues: SHRINKING
3. SMALL TAX BASE
4. Long-term structural COSTS RISING





**1040**

Department of the Treasury—Internal Revenue Service

**U.S. Individual Income Tax Return**

(99)

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning

first name and initial

Last name

Last name

name and initial

nt return, spouse  
address (number and street). If you have a P.O. box, see  
If you have a for

1. Who's Getting All of My Taxes?

# Your property taxes: City gets 14%

K-12 Public  
Schools  
44%

County  
18%

**Cities**  
**14%**

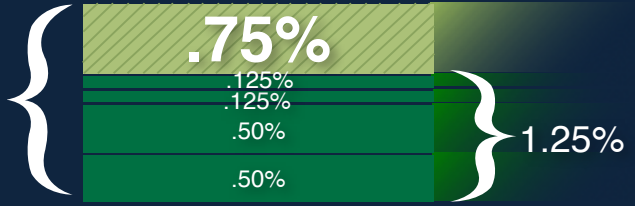
Redev.  
Prop. Tax  
Trust  
11%

Comm.  
Colleges  
7%

Special  
Districts  
6%

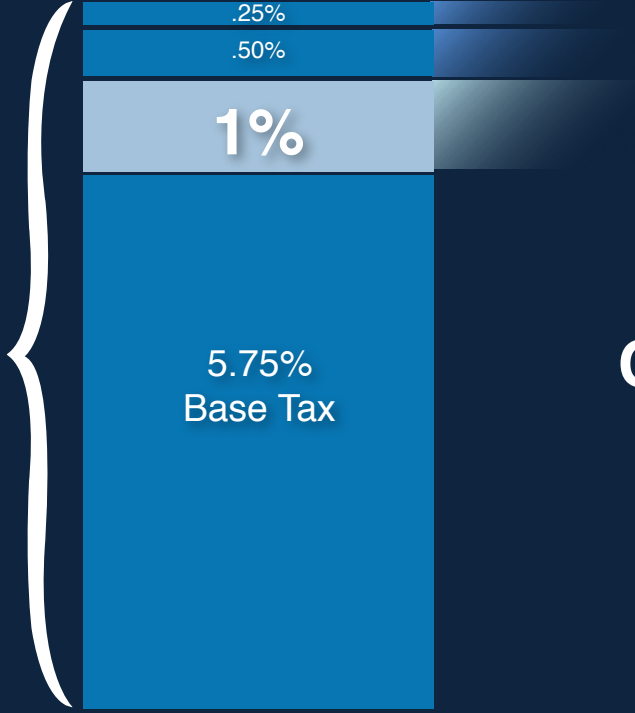


2%  
State Cap  
on local  
"add-on"  
sales taxes



0.75% - **Remaining "Room" Under the Cap**  
0.125% - Santa Clara County  
0.125% - VTA BART  
0.50% - VTA  
0.50% - County Transit District

7.5%  
Statewide  
Tax



0.25% - Santa Clara County  
0.50% - Public Safety Fund (Prop. 172)  
1.00% - Statewide Local "Bradley Burns" Sales Tax (to SJ)

**CITY RECEIVES 11% OF YOUR SALES TAX \$**

Current Tax in SJ

8.75%



Your income taxes: City gets 0%



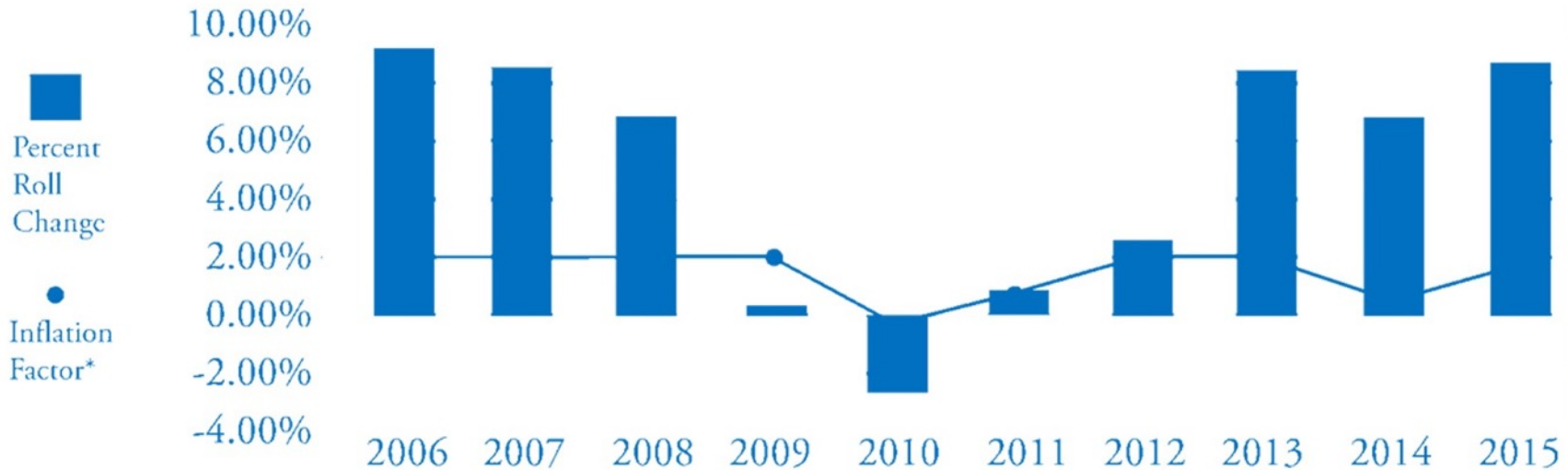
## 2. Honey, I Shrunk Our Tax Revenues\*



\*Inflation-Adjusted

# Property tax revenue won't match economic growth

## Ten-Year Assessment Roll Percentage Growth





# Sales tax declines (as share of GDP)...

**1980**

Services  
47%

Taxable Items  
53%

**Today**

Services, Internet  
and Digital  
67%

Taxable Items  
33%

...As consumer spending shifts...

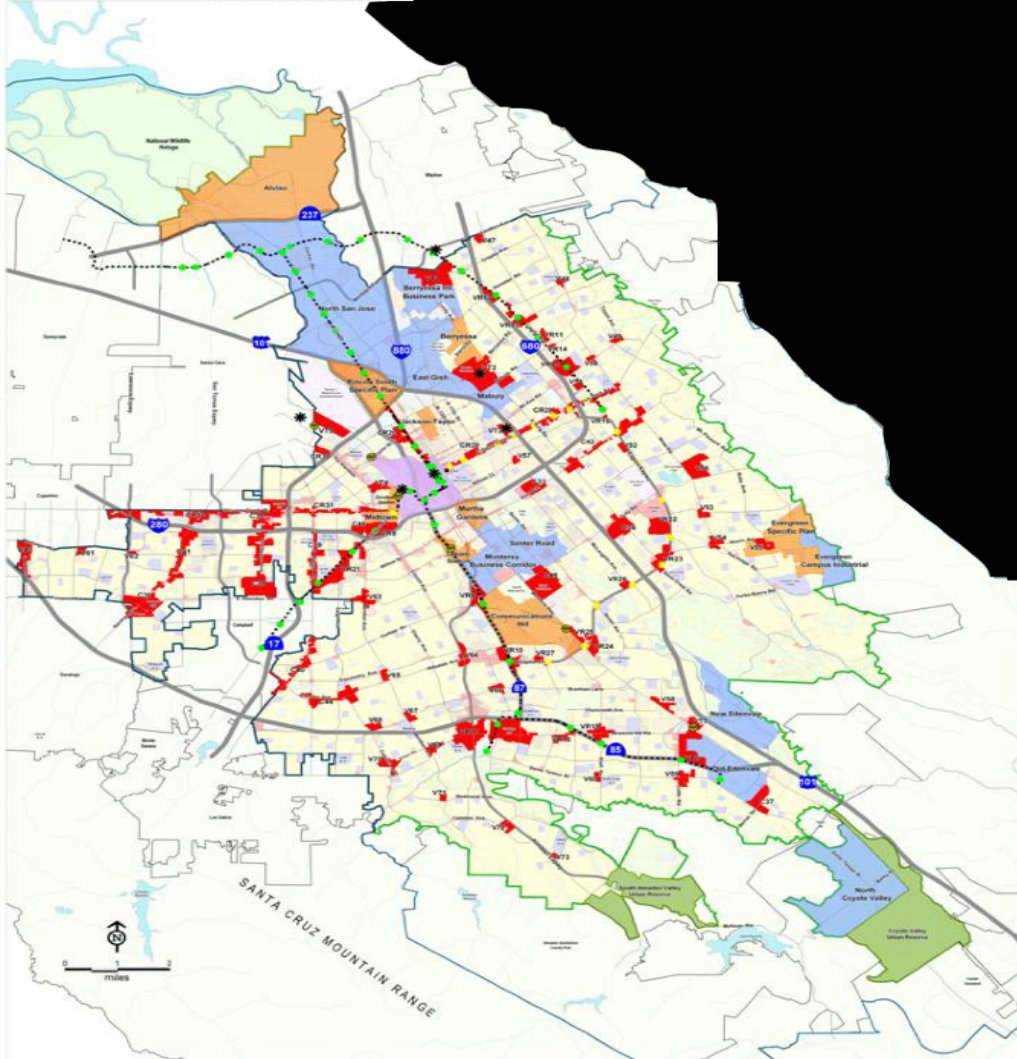
# Utility taxes: When “greener” = “Less green”

PER CAPITA ELECTRICITY CONSUMPTION



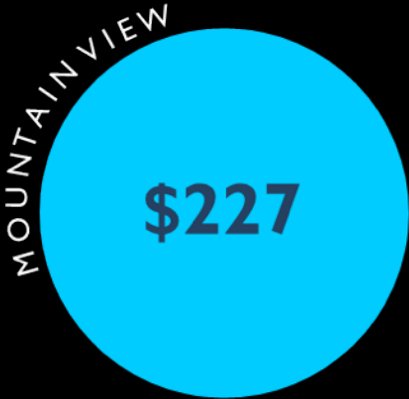
(Source: U.S. Energy Information Administration)





3. Our small  
tax base & the  
perils of land  
use

# PROPERTY TAX PER CAPITA



# SALES TAX PER CAPITA

PALO ALTO

**\$366**

CUPERTINO

**\$359**

MOUNTAIN VIEW

**\$181**

SANTA CLARA

**\$314**

SUNNYVALE

**\$183**

FREMONT

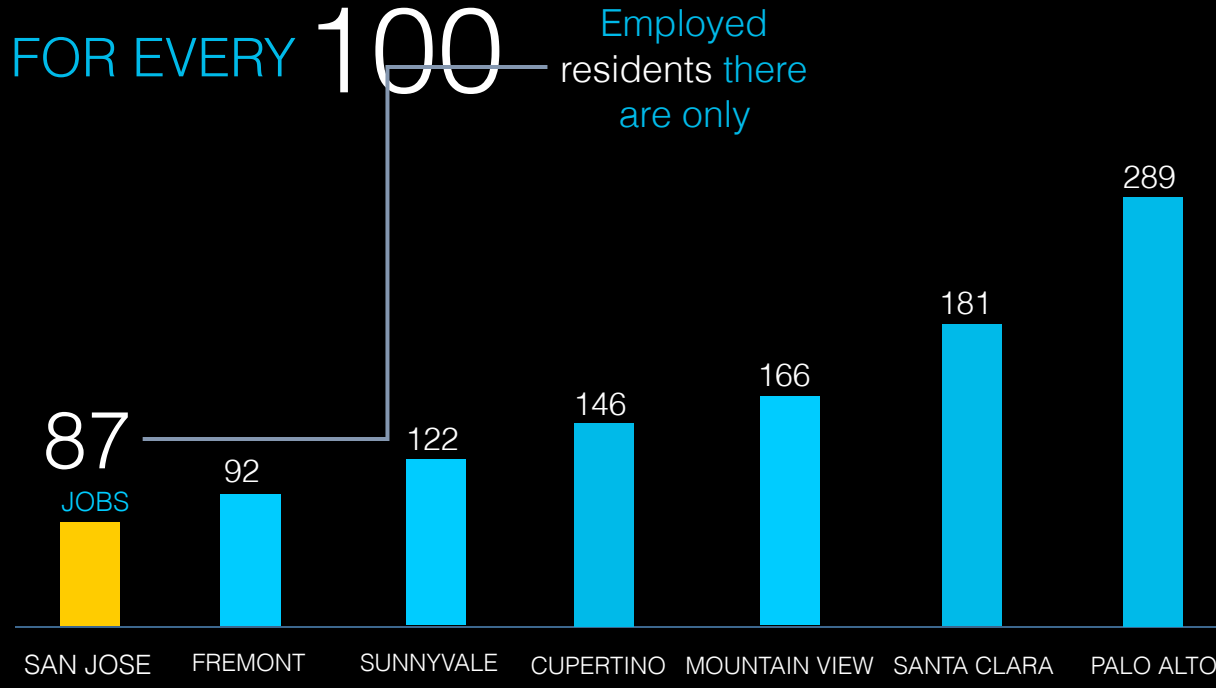
**\$165**

SAN JOSE

**\$137**



# Jobs per employed residents



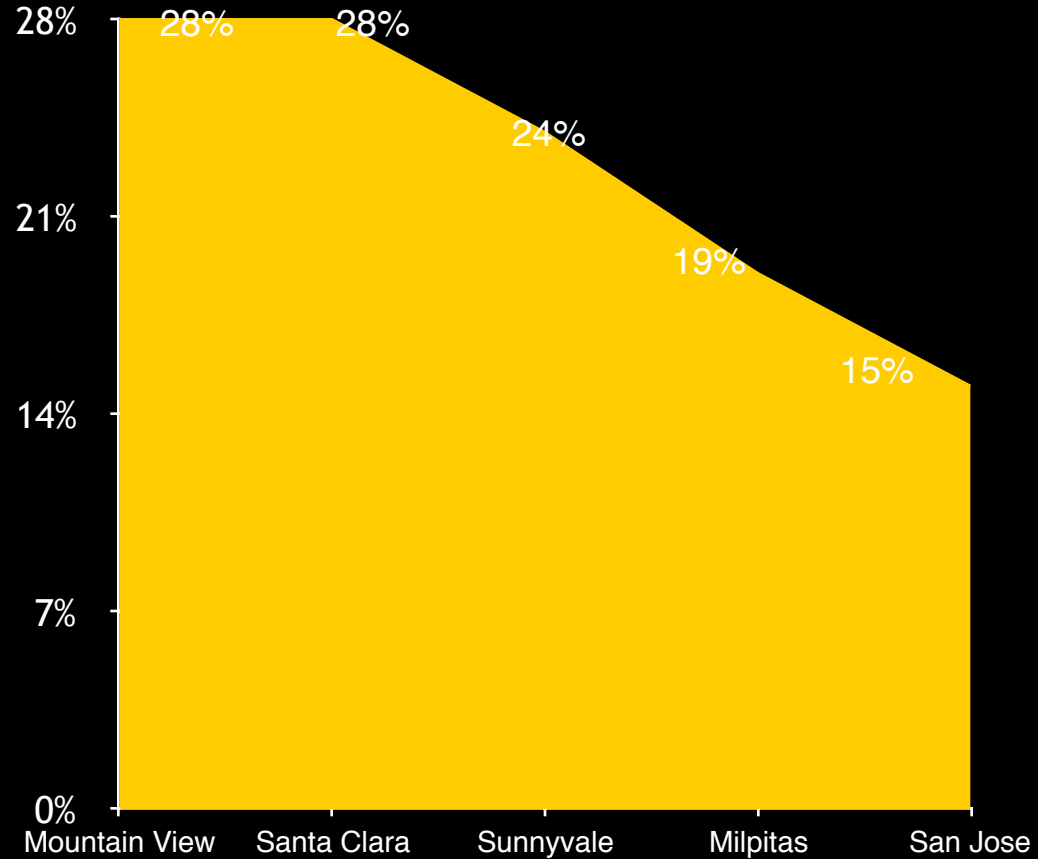
Source: Census, American Community Survey  
2013

SAN JOSE HAS ONLY

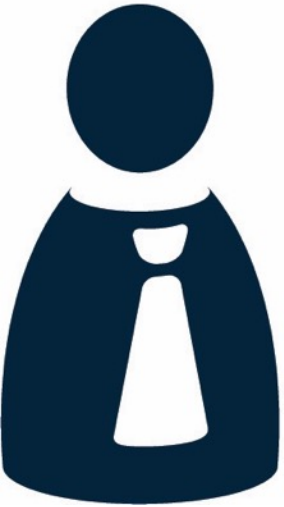
15%

OF ITS LAND FOR  
ECONOMIC BASE

## Share of land in employment uses Employment uses are fiscally positive



# 4. Rising Structural Costs



Labor

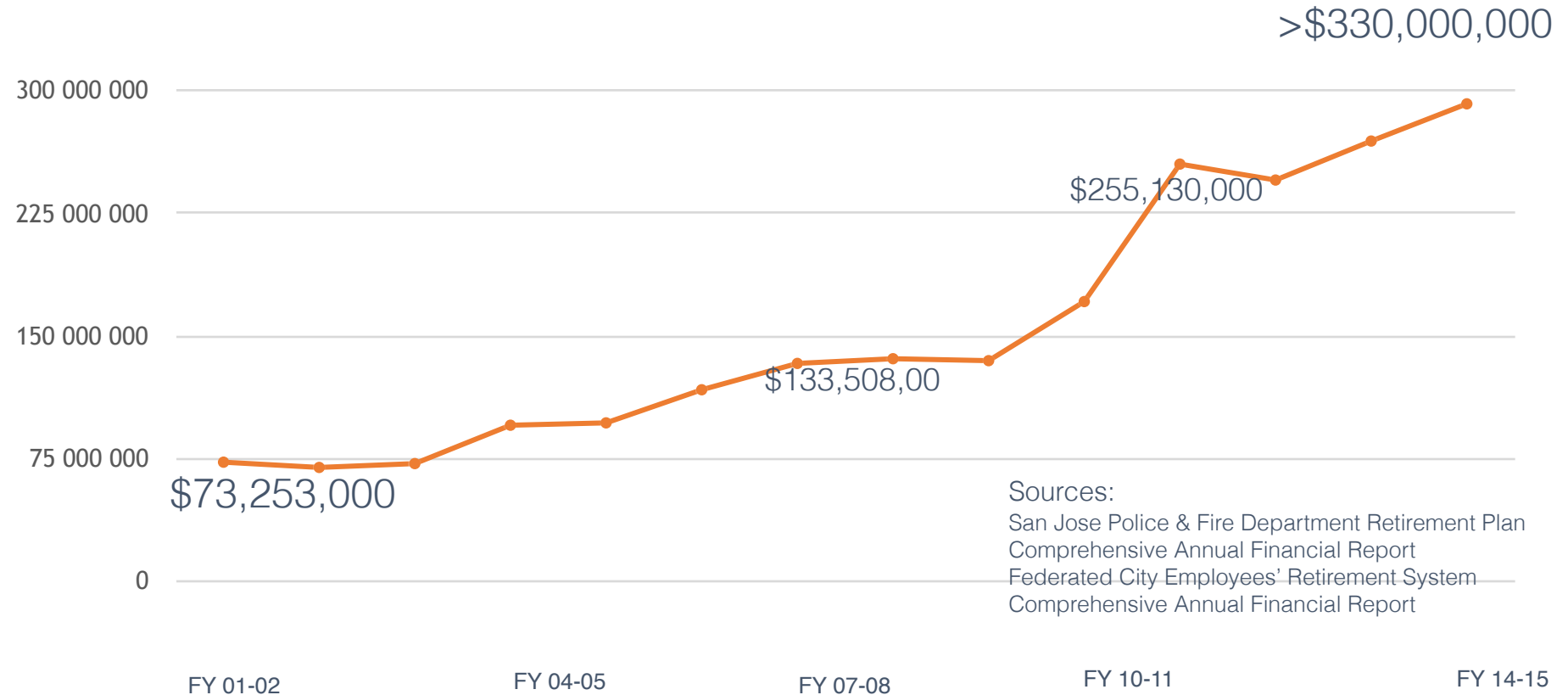


Infrastructure



Population Growth

# Rising retirement contributions







Pothole



# Large Pothole



# An ounce of prevention

Deferred maintenance backlog

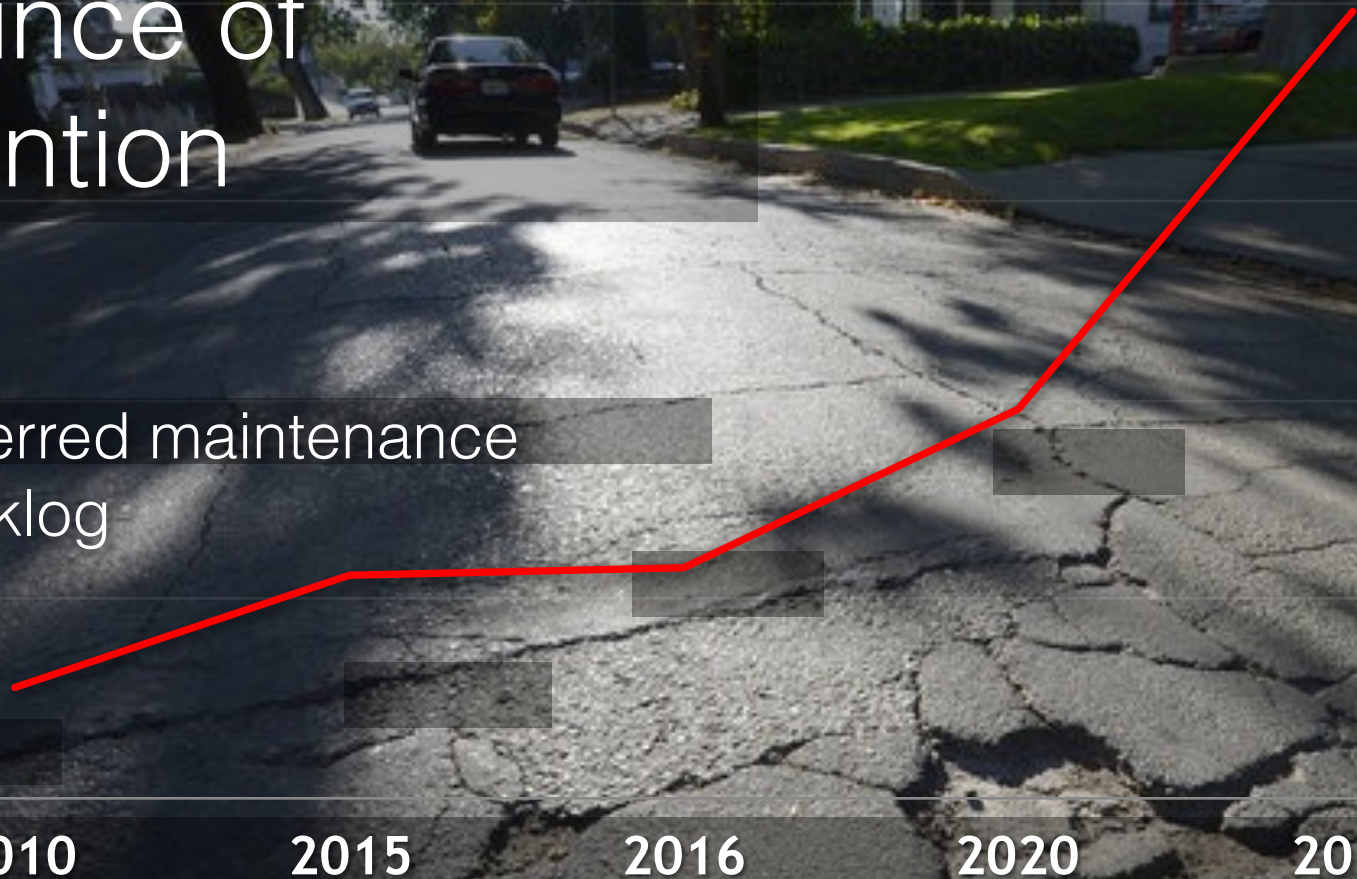
2010

2015

2016

2020

2025

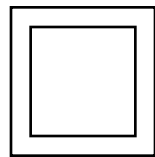




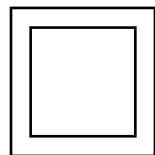
Population growth imposes growing demands on infrastructure and services...



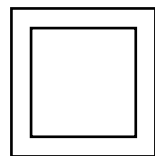
# PRESCRIPTION



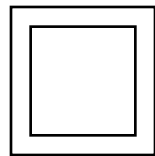
CUT  
COSTS



REDUCE SERVICES



ADD REVENUE



INNOVATE



# Questions