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## **Attachment C: FY 2024-25 GPF Revenue Projections**

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The report has the following section:

1. General Purpose Fund **FY 2024-25** Revenue Projections

**FY 2024-25 General Purpose Fund Revenues**

The FY 2023-25 Adopted Biennial Budget was developed with outdated information due to the February 8, 2023, ransomware attack, which halted the operating capability of most of the City’s technology network systems and software for approximately two months at the time of the budget development. The adjusted projections of the FY 2024-25 GPF revenues by category based on updated data from the FY 2022-23 year-end actual performance are shown in **Table 1** and explained further below. The \$19.21 million increase overall compared to the FY 2024-25 Adopted Budget, net of use of fund balance, is driven by \$20.00 million of anticipated proceeds from the sale of the Raiders Training Facility, which was originally assumed as part of the FY 2023-24 Adopted Budget revenues, but it is now estimated to come in during FY 2024-25 instead.

**Table 1: FY2024-25 GPF Revenues Budget to Actuals (\$ in millions)**

<b>Revenue Category</b>	<b>FY 2024-25 Adopted Budget</b>	<b>FY 2024-25 Year-End Estimate</b>	<b>Year-End \$ Over / (Under) Adjusted Budget</b>	<b>Year-End % Over / (Under) Adjusted Budget</b>
Property Tax	308.93	314.60	5.68	1.8%
Business License Tax	128.14	122.40	(5.74)	(4.5)%
Real Estate Transfer Tax	124.26	117.06	(7.20)	(5.8)%
Sales Tax	69.65	67.01	(2.64)	(3.8)%
Utility Consumption Tax	61.87	68.44	6.57	10.6%
Service Charges	54.37	54.37	—	—%
Fines & Penalties	24.93	23.73	(1.20)	(4.8)%
Transient Occupancy Tax	23.38	21.43	(1.95)	(8.3)%
Parking Tax	11.56	12.74	1.18	10.2%
Interest Income	0.48	5.00	4.51	931.9%
Interfund Transfers	3.19	3.19	—	—%
Licenses & Permits	1.39	1.39	—	—%
Miscellaneous Revenue	1.23	21.23	20.00	1600.26%
<b>Subtotal</b>	<b>813.37</b>	<b>832.58</b>	<b>19.21</b>	<b>2.4</b>
Transfers from Fund Balance	33.84			—%
<b>Total Revenue</b>	<b>847.20</b>	<b>832.58</b>	<b>(14.62)</b>	<b>(1.7)%</b>

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## **FY 2024-25 REVENUE HIGHLIGHTS**

### ***Projected Overages Compared to the Adopted Budget***

**Miscellaneous Revenue** projects to have the biggest increase, projected to come in at \$21.23 million, which is \$20.00 million or 1626% higher when compared to the FY 2024-25 Adopted Budget of \$1.23 million. The increase in FY 2024-25 results from an anticipated sale of the Raiders Training Facility, which assumed \$20.00 million in proceeds in the FY 2023-24 Adopted Budget that are now projected to come in during FY 2024-25 instead.

**Utility Consumption Tax** projects to have the second largest increase compared to the FY 2024-25 Adopted Budget, projecting to come in at \$68.44 million, which is \$6.57 million or 10.6% higher compared to the FY 2024-25 Adopted Budget of \$61.87 million. Higher Utility Costs have driven UCT to come in higher year over year recently, experiencing annual growth of 6.32% in FY 2020-21, 5.32% in FY 2021-22, and 14.99% in FY 2022-23 and are expected to continue growing as PG&E and other utility companies continue to increase utility rates in the near future. The new projection anticipates a CPI growth rate of 3% to the FY 2023-24 year-end projection of \$66.44 million based on the annualized CPI increase as of June 30, 2023, according to the U.S. Bureau of Labor Statistics.

**Property Tax:** projects to have the third largest increase compared to the FY 2024-25 Adopted Budget, projecting to come in at \$314.60 million, which is \$5.68 million or 1.8% higher when compared to the FY 2024-25 Adopted Budget of \$308.93 million. The increase matches the FY 2023-24 projected increase which was based on the overall increase in taxable values for the City of approximately 6.6% according to the 2023 Alameda County Assessor 2022/23 and 2023/24 Secured and Unsecured Tax Rolls that became available after the FY 2023-25 Biennial Budget was adopted by the City.

**Interest Income** projects to have the fourth largest increase compared to the FY 2024-25 Adopted Budget, projecting to come in at \$5.00 million, which is \$4.51 million or 931.9% higher when compared to the FY 2024-25 Adopted Budget of \$0.48 million. The rapid growth in interest rates caused interest earnings to come in \$4.51 million above the FY 2022-23 Adjusted Budget. Since March 2022, the Federal Reserve (FOMC) has raised interest rates 11 times by a combined total of 5.25% basis points which has resulted in the highest interest rates in recent history. The revised projection estimates a similar performance that led to the FY 2022-23 year-end total to continue and projects to end FY 2024-25 at the same amount.

**Parking Tax** in the GPF projects to have the fifth largest increase compared to the FY 2024-25 Adopted Budget, projecting to come in at \$12.74 million, which is \$1.18 million or 10.2% higher when compared to the FY 2024-25 Adopted Budget of \$11.56 million. Parking Tax dropped to a revenue collection low of \$6.26 million in FY 2020-21 as a result of decreased activity due to the Covid 19 Pandemic. It now has bounced back in FY 2022-23 to end at \$12.01 million which exceeds the pre-pandemic level of \$11.05 million experienced in FY 2018-19.

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### ***Projected Shortfalls Compared to the Adopted Budget***

**Real Estate Transfer Tax** projects to have the biggest shortfall in the GPF compared to the FY 2024-25 Adopted Budget, projected to come in at \$117.06 million, which is \$7.20 million or 5.8% lower when compared to the FY 2024-25 Adopted Budget of \$124.26 million, which was developed prior to realizing the steep drop in RETT revenues that FY 2022-23 experienced attributed to rising interest rates that impacted the affordability factor and consequently the number of property sales subject to RETT. The CME Fed Watch Tool<sup>1</sup>, which analyzes the probability of FOMC interest rate moves for upcoming Federal Reserve meeting dates, estimates that interest rates have peaked and will remain constant until May 2024, before starting to drop gradually. Congruently the California Association of Realtors (CAR) released their 2024 Housing and Economic Forecast<sup>2</sup> on September 20, 2023 and predicted that the California housing market will rebound in 2024. According to their forecast, in the State of California, existing, single-family home sales are forecasted to total 327,100 units in 2024, an increase of 22.9% from 2023's projected pace of 266,200. California's median home price is forecast to climb 6.2% to \$860,300 in 2024, following a projected 1.5 percent decrease to \$810,000 in 2023 from 2022's \$822,300. The revised projection applies the CAR anticipated rates to the FY 2023-24 RETT projected year-end total. By the volatile nature of this tax, RETT are not considered a consistent revenue stream. When certain high value commercial properties are sold they can result in anomalously high revenue. These can be unpredictable and cannot be relied upon.

**Business License Tax** projects to have the second biggest shortfall, projected to come in at \$122.40 million, which is \$5.74 million or 4.5% lower compared to the FY 2024-25 Adopted Budget of \$128.14 million. The projection assumes a year over year increase from the FY 2022-23 year-end actual of \$115.38 million of 3% for each year of the Biennial Adopted Budget, based on the CPI for the year ending June 30, 2023, according to the U.S. Bureau of Labor Statistics. The FY 2022-23 baseline represented the first year of Business Tax data while operating under the new Measure T tiered based tax structure.

**Sales Tax** projects to have the third biggest shortfall, projected to come in at \$67.01million, which is \$2.64 million or 3.8% lower compared to the FY 2024-25 Adopted Budget of \$69.65 million. As published in HDL's California Consensus Forecast Report, during Q4 of FY 2022-23, taxable sales overall for all of Alameda County declined 5.4% over the comparable period in FY 2021-22; the Bay Area was down 0.1% during the same comparable time periods. This resulted in a lower year-end total for FY 2022-23 than anticipated in the FY 2022-23 Adjusted Budget, and consequently a lower projection for the subsequent years. HDL projects a 2.1% increase from FY2023-24 to FY2024-25 for Sales Tax receipts state-wide. Because FY 2023-24 has been revised to a lower projection, applying this growth estimate to the FY 2023-24 projection of \$65.63 million for FY 2024-25, results in the fourth largest revenue source for the City projected to come in at \$67.01 million, which is \$2.64 million lower compared to the FY 2024-25 Adjusted Budget of \$69.65 million.

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<sup>1</sup> [CME FedWatch Tool - CME Group, \(November 6, 2023\)](#)

<sup>2</sup> [C.A.R. releases its 2024 California Housing Market Forecast \(prnewswire.com\), source: California Association of Realtors, www.car.org.](#)

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**Transient Occupancy Tax** projects to have the fourth biggest shortfall, projected to come in at \$21.43 million which is \$1.95 million or 8.3% lower compared to the FY 2024-25 Adopted Budget of \$23.38 million. The revised projection is a decrease compared to the FY 2024-25 Adopted Budget, which assumed a more rapid growth rate but represents a 3% growth rate from the FY 2023-24 year-end total, based on the Consumer Price Index (CPI) annualized increase as of June 30, 2023. TOT has experienced a gradual year over year rebound since the FY 2020-21 pandemic low of \$10.61 million was collected, but it is still in progress towards performing at the pre-pandemic high levels of collection, which peaked at \$25.92 million in FY 2018-19.

**Fines and Penalties** projects to have the fifth biggest shortfall, projected to come in at \$23.73 million, which is \$1.20 million or 4.8% lower compared to the FY 2024-25 Adopted Budget of \$24.93 million. The FY 2024-25 Adopted Budget assumed the \$1.20 million in revenue for a Stand-up Scofflaw Detail program, which is a smart parking boot system that was shut down as a result of a California Court of Appeals decision against the City of San Francisco, which made it unlawful for a local agency to tow a legally parked car for unpaid parking citations.