

2013-2014

MID-YEAR  
BUDGET  
REVIEW

SECTION  
II

SELECTED SPECIAL/  
CAPITAL FUNDS  
STATUS REPORT

**2013-2014  
MID-YEAR BUDGET REVIEW**

**II. SELECTED SPECIAL/CAPITAL FUNDS STATUS REPORT**

At mid-year, the City Manager's Budget Office conducts a comprehensive review of expenditure and revenue performance of all operating and capital funds and capital programs through the first six months of the fiscal year. Revenues and expenditures are generally tracking within estimated levels. This section of the report is intended to summarize the results of that review and only discusses selected funds with issues of interest or variances.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &  
AIRPORT REVENUE FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues – Airport Revenue Fund</i>	120,355,823	58,906,169	48.9%
<i>Expenditures – Airport Maintenance and Operation Fund</i>	70,538,994	28,199,265	40.0%

This section discusses the status of the Airport Revenue Fund and the Airport Maintenance and Operation Fund. The Airport Revenue Fund accounts for all general Airport revenues. The Airport Maintenance and Operation Fund, funded by a transfer from the Airport Revenue Fund, accounts for expenditures incurred for the maintenance and operation of the Norman Y. Mineta San José International Airport.

**FUND STATUS**

*Revenues* – General Airport revenue categories include Landing Fees, Terminal Rentals, Airfield, Terminal Concessions, Parking and Roadway, and General and Non-Aviation. Passenger activity levels at the Airport through December 2013 increased by 6.8% when compared to the same period last fiscal year. Overall revenue performance at the Airport of \$58.9 million is tracking slightly above anticipated levels at 48.9%, compared to a benchmark of 48.1%. Airline rates and charges, consisting primarily of landing fees and terminal rentals, and terminal concessions are tracking to meet the budgeted estimates. Parking and roadway revenues are exceeding budgeted levels due to increased passenger activity, reflected in increased activity in daily and hourly parking lots. Airfield revenues are also exceeding budgeted levels due to higher than anticipated off-airport in-flight kitchen revenues.

Total general and non-aviation revenues, consisting of fees associated with hangars, land and building rentals, petroleum program, general aviation, and other non-aviation (miscellaneous) revenues, are tracking below budgeted levels due to the delayed execution of the ground lease and operating agreement with Signature Flight Support for the construction and operation of a Fixed Base Operation on the west side of the Airport. This ground lease and operating agreement was executed in December 2013 and the Airport will begin receiving the associated ground lease revenue from Signature Flight Support for the next two years.

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**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &  
AIRPORT REVENUE FUND**

**FUND STATUS**

*Expenditures* – Operating expenditures, appropriated in the Airport Maintenance and Operation Fund, include Personal Services, Non-Personal/Equipment, and overhead reimbursements. Through December 2013, Airport’s Personal Services and Non-Personal/Equipment expenditures are tracking below budgeted levels.

Personal Services expenditures are tracking at 42.3% of budget compared to the par level of 48.1%. Savings are due to vacancies in most divisions of the department. At the close of December, the Department had 21 vacancies or 11.2% of budgeted positions. On August 27, 2013, the City Council approved amendments to the City of San José Pay Plan for various classifications including the addition of flexibly-staffed levels for the Airport Operations job series. The purpose of the additional classifications is to recognize the increased job expertise as demonstrated by additional airport industry certifications and to provide additional promotional opportunities as a retention incentive for the most difficult to recruit for positions within the Airport Department. Recruitment for several Airport positions is currently underway. Overtime expenditures of \$106,000, or 31.3%, are in line with expectations.

Non-Personal/Equipment expenditures (excluding encumbrances) are tracking at 36.2%, and when encumbrances are included, are tracking at 67.8% of budgeted levels. The Department’s efforts to efficiently operate and maintain the facilities while continuing to be fiscally responsible has resulted in effective cost controls. As directed in the City Council-approved Mayor’s June Budget Message for Fiscal Year 2013-2014, the Department’s Non-Personal/Equipment appropriation was increased by \$500,000 for marketing efforts focused on promoting airline service. With the additional one-time funding, the Department developed the “Fly San José” campaign, which launched in October 2013, to support airline partners by generating demand for flights from the Norman Y. Mineta San José International Airport (SJC), capturing market share that is leaking to other nearby airports, and drawing in new customers from “Opportunity Zones” such as Fremont and the Peninsula. Using digital billboards, print, radio, and online ads, the campaign targets passengers and promotes awareness of new and existing flights and highlights the convenience of flying out of SJC, including the airport’s on-time record, fog-free and clear skies, and ease of on-site parking.

Interdepartmental expenditures (charges for staff and services located in other City departments including the Police and Fire Departments) total \$4.1 million through December 2013 and are tracking at anticipated levels.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &  
AIRPORT REVENUE FUND**

**FUND STATUS**

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance – Airport Revenue Fund</i>	46,247,476	N/A	N/A
<i>Unrestricted Ending Fund Balance – Airport Maintenance and Operation Fund</i>	34,376,319	N/A	N/A

*Fund Balance* – No adjustments to the Ending Fund Balances in the Airport Revenue Fund and in the Airport Maintenance and Operation Fund are recommended at this time.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**BUILDING AND STRUCTURE CONSTRUCTION TAX FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	23,695,000	14,407,809	60.8%
<i>Expenditures</i>	39,609,986	6,181,513	15.6%

**FUND STATUS**

*Revenues* – Tax revenue in the Building and Structure Construction Tax Fund, which is a major funding source for the Traffic Capital Program, is tracking well above anticipated levels. Through December, Building and Structure Construction Tax receipts totaled \$12.5 million and have exceeded the annual budgeted estimate of \$11.0 million. The better than expected performance is primarily due to new multi-family residential and industrial construction activity. Large projects underway include the San Jose Earthquakes soccer stadium, the Samsung Semiconductor facility in North San José, residential development in North San José, and commercial and residential development at the “Hitachi site,” located at the northeast corner of Highway 85 and Cottle Road. In recognition of this improved performance, a recommendation is included in this document to increase the budgeted revenue estimate for this category by \$8.0 million, from \$11.0 million to \$19.0 million. This collection level reflects growth of 37.9% from actual 2012-2013 levels of \$13.8 million. Federal and State grants are the other major revenue sources in the Building and Structure Construction Tax Fund and reimbursements are tracking within anticipated levels.

Through December, additional revenues were received and this report includes recommendations to recognize these revenues. Reimbursements totaling \$30,000 were received from several developers for the purchase of traffic signal controllers, as part of the Traffic Signal & Lighting Program and these funds are recommended to be allocated for this purpose. An upward adjustment of \$25,000 to the San Carlos Streetscape Improvements grant is also recommended to align the total grant amount that is anticipated to be received.

*Expenditures* – Overall, current year expenditures in the Building and Structure Construction Tax Fund are tracking within expected levels. However, a number of expenditure adjustments are recommended in this report to add new grant-related projects, to adjust project budgets based on revised cost estimates, and to correct budget errors. In addition, budget actions are recommended to allocate the additional \$8.0 million in Building and Structure Construction Tax revenue to a Future Projects Reserves (\$7.5 million) and to provide the local grant match for several projects (\$500,000).

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**BUILDING AND STRUCTURE CONSTRUCTION TAX FUND**

**FUND STATUS**

In June 2013, the City Council approved the submittal of several grant applications to the Metropolitan Transportation Commission (MTC) One Bay Area Grant (OBAG) for Surface Transportation Program and Congestion Mitigation and Air Quality (CMAQ) grants. The City of San José was subsequently awarded several multi-year grants for various projects, with the City responsible for a local match for each grant. City funds are recommended to establish the following grant-related projects: The Alameda “Beautiful Way” Phase 2 (\$300,000), Ocala Avenue Pedestrian Improvements (\$100,000), and St. John Bike/Pedestrian Improvements (\$100,000). Grant revenues associated with these projects are anticipated to be received in future years.

An increase to the Traffic Signal & Lighting Program in the amount of \$30,000 is recommended as a result of additional revenues that were received from developers for traffic signal controls, as described above. An increase of \$300,000 is also recommended for the San Carlos Multimodal Streetscape Improvements Phase II project to address unforeseen repairs of structural beams in two basements that must be completed prior to the start of construction. A decrease of \$300,000 is recommended for the Underground Utilities – City Conversions project due to an adjusted project scope that reduces engineering costs.

A few budget adjustments are recommended to correct rebudget actions that were approved as part of the 2012-2013 Annual Report that erroneously reduced project budgets. To correct these errors, upward adjustments are recommended to the following projects: Jackson Street: LRT to Japantown Pedestrian Corridor (\$12,000), Julian Street and St. James Couplet Conversion (\$7,000), and Bike/Pedestrian Project Development (\$3,000), as described in Section III, Recommended Budget Adjustments and Clean-up Actions.

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Unrestricted Ending Fund Balance</i>	3,066,638	N/A	N/A

Fund Balance – A recommendation to increase the Ending Fund Balance by \$3,000 is included in this report as a net result of the actions described above and in Section III, Recommended Budget Adjustments and Clean-up Actions.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	42,318,976	16,345,836	38.6%
<i>Expenditures</i>	76,147,466	14,138,473	18.6%

**FUND STATUS**

*Revenues* – A total of 17 Construction and Conveyance (C&C) Tax Funds are budgeted throughout the Capital Budget. A majority of these funds (13) support the Parks and Community Facilities Development Capital Program, with the remaining four funds supporting the Public Safety Capital Program, Library Capital Program, Service Yards Capital Program, and Communications Capital Program. The primary source of funding in the C&C Tax Funds is C&C Tax receipts. However, grant funding, transfer revenue, and other miscellaneous revenue may also be included in these funds. Through December 2013 revenue in the C&C Tax Funds totaled \$16.3 million, which is 38.6% of the 2013-2014 Modified Budget of \$42.3 million. While C&C Tax receipts are tracking higher than budgeted levels, as discussed in more detail below, the year-to-date revenues are tracking low primarily as the result of grant revenue that has not yet been received, but is anticipated to be received by year-end.

Continuing the trend experienced since mid 2011-2012, C&C Tax revenues are experiencing strong growth compared to receipts from the prior fiscal year. Receipts through December 2013 totaled \$14.7 million, which is an increase of 18.2% from the \$12.4 million collected during the same time period last year. The City has also received information regarding the January Conveyance receipts, which totaled \$4.8 million. This January collection level is, however, below the unprecedented single month receipts of \$6.7 million received in January 2013. Based on stronger than anticipated revenue collections in 2012-2013, the 2013-2014 Adopted Budget estimate of \$30.0 million now represents a 12.8% decline from the actual 2012-2013 receipts. If current collection trends continue, C&C revenues are likely to exceed the 2013-2014 budgeted estimate of \$30.0 million by an estimated \$8.5 million. If warranted, an upward adjustment may be brought forward at year-end.

Nearly 99% of the total C&C Taxes are comprised of conveyance receipts, a tax based on the value of property transfers. Consistent with the C&C Tax performance, housing statistics are also performing strongly. The median single-family home price totaled \$685,000 in December 2013, which is an increase of 17.2% from the \$584,500 median home price in December 2012. The average days-on-market for single-family and multi-family dwellings totaled 37 days in December 2013, similar to the 36 days experienced in December 2012. The number of listings of new single-family and multi-family dwellings on the market has dropped approximately 8.7% from 389 listings in December 2012 to 355 in December 2013. Likely as a result of the lower level of inventory, the property transfers (sales) for all



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**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

**FUND STATUS**

types of residences dropped approximately 3.1% from 675 in December 2012 to 654 in December 2013. Cumulatively, property transfers from July through December totaled 4,190, which was up 0.5% from the 4,171 transfers during the first six months of 2012-2013.

*Expenditures* – Overall, expenditures in the various C&C Tax Funds are generally tracking within expected levels through December and are anticipated to end the year within budgeted levels. Exceptions are several appropriations that transfer interest earnings to the General Fund. Due to higher than anticipated C&C revenues and a slower rate of expenditures, interest earnings - and corresponding transfers of these revenues to the General Fund - are tracking to exceed the budget estimate by \$78,000 in the Parks Central C&C Tax Fund, \$10,000 in the Parks Maintenance Yards C&C Tax Fund, \$6,000 in the Parks Maintenance Yards C&C Fund, \$4,000 in the Fire C&C Tax Fund, and \$2,000 in the Communications C&C Tax Fund. For each of these funds, recommendations are included in this report to increase interest earnings (revenue) and transfers to the General Fund (expenditures) by their respective amounts.

This report also includes a recommendation to establish the Family Camp Repairs – Rim Fire project in the amount of \$900,000 in the Parks City-Wide C&C Tax Fund to pay for necessary repairs and rehabilitation of Family Camp damaged by the Rim Fire forest fire, thereby allowing San José campers to enjoy the facilities this summer. Work includes tent and barn structure replacement, electrical repair, water and sewer system rehabilitation, erosion control, burned tree removal, and related work that will occur over the next four to eight months. While the costs are recommended to be initially supported by the Parks City-Wide C&C Tax Fund, staff anticipates reimbursement in whole or in part by the City's insurance policy covering San José Family Camp, the California Office of Emergency Services (Cal OES) and the Federal Emergency Management Agency (FEMA); the specific amounts from each source are still under discussion. With FEMA's strict timelines for when the work must be completed, staff expects much of the repairs to be finished this spring, thereby minimizing impact to campers over the summer.

Lastly, a technical adjustment is recommended to allow an exchange of funds between the Fire C&C Fund and the Neighborhood Security Bond Fund (Bond Fund). The net-zero transfers of \$575,000 between these two funds allow for Bond Fund expenditures that would be ineligible to receive reimbursement from the bond trustee to be substituted with Fire C&C Fund expenditures that are eligible for reimbursement.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

**FUND STATUS**

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balances</i>	39,733,914	N/A	N/A

*Fund Balance* – With the recommended establishment of the Family Camp Repairs – Rim Fire project, as described above, the Ending Fund Balance in the Parks City-Wide C&C Tax Fund will decrease by \$900,000, from \$3.9 million to \$3.0 million.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION EXCISE TAX FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	56,323,000	38,483,028	68.3%
<i>Expenditures</i>	88,155,132	23,129,968	26.2%

**FUND STATUS**

*Revenues* – Construction Excise Tax receipts are the single largest source of revenue in the Traffic Capital Program, constituting approximately 25% of the budgeted revenue estimate for this fund. Through December, Construction Excise Tax receipts (\$14.5 million) have exceeded the annual budgeted estimate of \$14.0 million. The better than expected performance is primarily due to new multi-family residential construction activity. Large projects underway include the San José Earthquakes soccer stadium, residential development in North San José, and commercial and residential development at the “Hitachi site,” located at the northeast corner of Highway 85 and Cottle Road. In recognition of this improved performance, a recommendation is included in this document to increase the budgeted revenue estimate for this category by \$11.0 million, from \$14.0 million to \$25.0 million. This collection level reflects growth of 40.1% from actual 2012-2013 levels of \$17.8 million.

Other major revenue sources in this fund include federal government revenues related to Caltrans’ relinquishment of certain state routes (\$12.4 million), pavement maintenance from the State Gas Tax allocation (\$9.5 million), pavement maintenance from Measure B (\$5.4 million), and various grants. Most of these revenue sources are received on a reimbursement basis and are tracking within anticipated levels. However, Pavement Maintenance – Measure B receipts totaled \$5.7 million through December and have exceeded the budgeted estimate of \$5.4 million. A recommendation to increase the budgeted revenue estimate for this category by \$286,000, from \$5.4 million to \$5.7 million, is included in this report.

Traffic Impact Fees are appropriated as they are collected from developers and are set aside in a reserve until they can be expended. This report includes recommendations to increase the estimate for Traffic Impact Fees collected in the North San José area (\$1.8 million), the Route 101/Oakland/Mabury area (\$1.4 million), and the Evergreen area (\$397,000) and set those funds in reserve. Additionally, developer contributions of \$3.0 million were received from the Irvine Company and these funds are recommended to be placed in a Downtown and North San José Transportation Improvements Earmarked Reserve, consistent with City Council approval of the Mayor’s March Budget Message for 2013-2014.

This report also includes recommendations to recognize and establish new grant revenue for One Bay Area Grant (OBAG) projects that have been awarded by the Metropolitan Transportation Commission

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**CONSTRUCTION EXCISE TAX FUND**

**FUND STATUS**

(MTC) including OBAG – Pedestrian Oriented Signals (\$158,000) and OBAG – Jackson Complete Streets (\$80,000).

Recommendations to increase the revenue estimates for several existing grants are also included: Safe Access San José (\$200,000) to construct low cost safety improvements such as flashing beacons and ADA ramps; Bus Rapid Transit-Santa Clara/Alum Rock (\$70,000) and Capitol Expressway Light Rail Pedestrian and Bus Improvements (\$70,000) for additional signal design work requested by VTA; and Transportation Fund for Clean Air (TFCA) - Sidewalk Bicycle Racks (\$41,000) to fund the installation of approximately 250 two-bicycle racks in the public right of way throughout the City of San José. A decrease of \$40,000 to the revenue estimate from the VTA grant for signal retiming that is no longer needed for the Santa Clara/Alum Rock Bus Rapid Transit project is also included in this report.

*Expenditures* – Overall, expenditures in the Construction Excise Tax Fund are tracking within expected levels and are anticipated to end the year within budgeted levels. A number of expenditure adjustments are recommended in this report to add new grant-related projects, to adjust project budgets based on revised cost estimates, and to establish reserves. In addition, budget actions are recommended to allocate the additional \$11.0 million in Construction Excise Tax revenue to a Future Projects Reserve (\$8.7 million), a Future Grants Reserve (\$2.0 million), and to provide the local match for several new projects (\$274,000).

In June 2013, the City Council approved the submittal of several grant applications to the Metropolitan Transportation Commission (MTC) One Bay Area Grant (OBAG) for Surface Transportation Program and Congestion Mitigation and Air Quality (CMAQ) grants. The City of San José was subsequently awarded several multi-year grants for various projects and the City is responsible for a local match for each grant. Budget adjustments are recommended to establish these projects, including the Pedestrian Oriented Traffic Signals (\$200,000), East San José Bike/Pedestrian Transit Connection (\$150,000), and Jackson Complete Streets (\$80,000) projects. Funding to begin project design will be offset by additional revenue that is estimated from Construction Excise Tax receipts or grant reimbursements.

As detailed in Section III of this report, other recommended increases to project funding include Safe Access San José (\$264,000), Bus Rapid Transit-Santa Clara/Alum Rock (\$70,000), Capitol Expressway Light Rail Pedestrian Improvements (\$70,000), Bicycle and Pedestrian Facilities (\$59,000), and Pavement Maintenance – Measure B (\$286,000). A decrease of \$40,000 is also recommended to the Signal Retiming – VRF project due to a project scope reduction for the Alum Rock section of this project that will be consolidated with the Santa Clara/Alum Rock Bus Rapid Transit project. A transfer to the Evergreen Benefit Assessment District 91-209 Fund in the amount of \$298,600, offset by a reduction to the Capitol Expressway: Story & Aborn Improvements project, is also recommended to refund developer contributions as a result of project completion.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION EXCISE TAX FUND**

**FUND STATUS**

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	6,671,534	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the Construction Excise Tax Fund is recommended at this time.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONVENTION AND CULTURAL AFFAIRS FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	39,824,789	15,723,297	39.5%
<i>Expenditures</i>	44,989,979	28,352,431	63.0%

**FUND STATUS**

*Revenues* – The Convention and Cultural Affairs Fund is funded primarily from revenues received through the operations of the Convention Center and other cultural facilities (\$21.4 million), the issuance of commercial paper to support the Convention Center expansion and renovation project (\$10.0 million), and through transfers from the Transient Occupancy Tax (TOT) Fund (\$8.5 million). For the first half of the fiscal year, revenues of \$15.7 million are tracking at 39.5% of the budget and include operations revenue of \$8.6 million, \$5.0 million in commercial paper proceeds, and a transfer of \$2.1 million from the TOT Fund. The full TOT transfer and commercial paper proceeds are expected to be received by year-end.

While operations revenues of \$8.6 million have been recognized, the operator of the Convention and Cultural Facilities, Team San Jose (TSJ), has provided financial reports reviewed by the City showing operations revenues through December of \$9.8 million, compared to a December target of \$8.5 million. The better than anticipated revenue performance is primarily due to the increase of food and beverage and contract labor revenues driven by a greater than expected number of contracted events in the facilities managed by TSJ. Due to the strong performance thus far and a revised activity forecast through June, this report includes a recommendation to increase operating revenues by \$3.0 million, from \$21.4 million to \$24.4 million, partially offset by related expenditure increases as described below.

*Expenditures* – Through December, expenditures of \$28.4 million were tracking at 63.0% of the budget. The largest expenditure allocations are for Convention Facility Operations and the Convention Center expansion and renovation project (Kitchen, HVAC). Based on a revised forecast for the remainder of the year, TSJ operating expenses are anticipated to end the year at higher than budgeted levels, due to a greater number of contracted events and related costs, as described previously. Accordingly, this report includes a recommendation to increase the Convention Facilities Operations appropriation by \$2.8 million, from \$22.4 million to \$25.2 million. The increase will primarily cover food and beverage expenses and contract labor costs, which are passed on to facility users. Including the \$3.4 million currently allocated for Cultural Facilities Maintenance, a total of \$28.6 million will be budgeted for TSJ operating expenditures. The Convention Center expansion and renovation project (Kitchen, HVAC), budgeted at \$10.8 million in 2013-2014, was almost fully expended through December and is expected to be completed this fiscal year.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONVENTION AND CULTURAL AFFAIRS FUND**

**FUND STATUS**

This report also recommends increasing the Insurance Expenses by \$26,000, from \$200,000 to \$226,000. This increase follows an earlier \$70,000 increase approved by the City Council in September 2013 that was part of a broader insurance premium adjustment city-wide. The additional \$26,000 more precisely accounts for the insurance coverage of newly renovated space at the Convention Center.

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	900,276	N/A	N/A

*Fund Balance* – A recommendation to increase the Ending Fund Balance by \$174,000, from \$900,000 million to \$1.1 million, is included in this report as a result of the net revenue from additional TSJ activity levels (\$200,000), partially offset by the recommended increase in the Insurance Expenses appropriation (\$26,000) as described above.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**INTEGRATED WASTE MANAGEMENT FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	130,896,149	67,297,261	51.4%
<i>Expenditures</i>	131,279,714	46,177,866	35.2%

**FUND STATUS**

*Revenues* – Revenues in the Integrated Waste Management Fund include payments received from residential solid waste generators under the Recycle Plus Integrated Waste Management Program (Recycle Plus Collection Charges) (\$105.5 million); New Market Tax Credit Reimbursements (NMTC) (\$8.3 million); Lien-Related Charges (\$6.3 million); AB 939 fees (\$3.8 million); Recycle Plus Negotiated Savings (\$2.7 million); payments received from the Construction and Demolition Deposit (CDDD) Program (\$1.0 million) that are identified as ineligible deposits for refund; SB 332 Beverage Container Recycling payments (\$251,286); NMTC developer fees (\$250,000); NMTC Leverage Loan Interest (\$98,000); interest earnings (\$69,000); Household Hazardous Waste revenue from Santa Clara County (\$49,700); miscellaneous revenue (\$188,000); and various grants, including the Economic Development Administration (EDA) Grant (\$2.4 million), Safe Routes to Schools Creative (SRTC) Grant (\$31,000), and Clean Creeks Healthy Commission Grant (\$16,000).

Through December, revenues totaled \$67.3 million, or 51.4% of budget, and were generated primarily from the following: Recycle Plus Collection Charges (\$58.9 million); Recycle Plus Negotiated Savings (\$2.7 million); Lien-Related Charges (\$2.5 million); NMTC Reimbursements (\$1.8 million); and AB 939 fees (\$1.2 million).

Overall, revenues are expected to end the year approximately \$2.3 million below budgeted estimates. This is primarily due to a delay in reimbursement from the EDA for the installation of the photovoltaic (PV) system for the Environmental Innovation Center (EIC). The delay in the completion of the EIC project has impacted the PV installation schedule and, consequently, has postponed the completion of this project. The Administration anticipates completing the installation of the EIC PV system in 2014-2015. It is anticipated that the revenue for the EDA grant will be recommended for rebudget to 2014-2015.

Reimbursements from the NMTC Proceeds/Reimbursements through December are only \$1.8 million, or 22.0% of the budget. However, the construction of the Environmental Innovation Center (EIC) project is anticipated to be completed in March 2014, and reimbursements of an additional \$6.4 million are estimated to be received by year-end.



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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**INTEGRATED WASTE MANAGEMENT FUND**

**FUND STATUS**

*Expenditures* – Through December, \$46.2 million, or 35.2% of the budget, was expended, and an additional \$73.6 million, or 56.0%, was encumbered. The year-to-date expenditures and encumbrances of \$119.8 million were primarily attributed to the actual expenditures and encumbrances of Recycle Plus contracts for Single Family Dwelling (\$51.4 million), Yard Trimmings/Street Sweeping (\$22.5 million), and Multi-Family Dwelling (\$18.1 million). Additional expenditures include IDC Disposal Agreement (\$8.9 million), Environmental Services Department (ESD) Personal Services (\$3.0 million) and Non-Personal/Equipment (\$2.5 million), and Household Hazardous Waste Las Plumas Facility (\$2.8 million), appropriations.

The Administration projects savings of approximately \$2.0 million at the end of 2013-2014 in various appropriations, with the largest estimated savings in ESD Personal Services (\$500,000), Information Technology (IT) Personal Services (\$500,000), Multi-Family Dwelling (\$360,000), and Yard Trimming/Street Sweeping (\$225,000). It is anticipated that the Recycle Plus Contracts appropriations of \$92.1 million will generate savings of approximately \$650,000 due to lower than anticipated inflation-based increases, as stipulated in the contracts with the haulers, lower than anticipated hauler incentive payments for achieving diversion targets, and lower than anticipated expenses for on-demand services (e.g. large civic tonnage fluctuations/changes in yard trimmings, and changes to subscribed cart sizes). It is anticipated that the ESD Personal Services appropriation and the IT Personal Services appropriation will each generate year-end savings of approximately \$500,000 due to several vacancies in both departments, including seven vacancies at the Call Center.

This report includes a recommendation to rebudget \$2.4 million to the Household Hazardous Waste Las Plumas Facility appropriation that was inadvertently omitted from the 2012-2013 Annual Report, offset by a corresponding decrease of \$2.4 million to the Operations and Maintenance Reserve. A recommendation is also included to increase the Planning, Building and Code Enforcement Department Personal Services appropriation by \$17,037 to provide funding for higher than anticipated staffing costs, offset by a reduction to the ESD Personal Services appropriation.

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	173,533	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the Integrated Waste Management Fund is recommended at this time. It is anticipated that the EDA grant revenue will be rebudgeted at year-end due to project delays and as a result the Operations and Maintenance Reserve will be adjusted downward by \$2.3 million to reflect this change. Upon completion of the EIC PV system in 2014-2015, full reimbursement from the EDA grant is anticipated to be received in 2014-2015.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT CAPITAL FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	65,107,000	17,470,926	26.8%
<i>Expenditures</i>	145,390,273	14,984,886	10.3%

**FUND STATUS**

*Revenues* – Budgeted revenue for this fund in the San José/Santa Clara Treatment Plant Capital Fund in 2013-2014 consists of transfers from the City of San José Sewer Service and Use Charge Fund (\$34.6 million) and the Sewage Treatment Plant Connection Fee Fund (\$3.1 million); contributions from the City of Santa Clara and other tributary agencies (\$25.6 million); two federal grants (\$1.0 million); interest earnings (\$450,000); and Calpine Metcalf Energy Center Facilities Repayments (\$389,000). Although, year-to-date only 26.8% of revenues have been received, it is anticipated that all revenues will be received by the end of the year. Additionally, revenue from the Santa Clara Valley Water District (\$1.0 million) has been received for the construction of the recycled water facility which is anticipated to be completed in May 2014.

*Expenditures* – Expenditures in this fund represent the costs of improvements and rehabilitation of the San José-Santa Clara Regional Wastewater Facility. Through December, \$15.0 million, or 10.3%, of the budget was expended and an additional \$33.9 million, or 23.3%, was encumbered.

It is currently estimated that almost all of the \$145.4 million budget will be expended or encumbered on projects and related expenses by the end of the year. Staff anticipates completing and/or awarding projects in 2013-2014, focusing on large efforts such as: Energy Generation Improvements (\$38.4 million), Combined Heat and Power Equipment Repair and Rehabilitation (\$10.6 million), South Bay Water Recycling Extension (\$8.2 million), and Plant Infrastructure Improvements (\$5.4 million). In addition, staff anticipates initiating several programmatic studies that will inform significant projects proposed to begin next fiscal year.

In September 2013, the City Council approved a Master Services Agreement with MWH Americas, Inc. for program management consulting services at the Wastewater Facility. MWH Americas, Inc. was retained to assist with the overall setup and management of the Five-Year Capital Improvement Program. In October 2013, the San José Planning Commission certified the Final Environmental Impact Report for the Plant Master Plan Preferred Alternative. The San José and Santa Clara City Councils formally approved the 30-year master plan in November and December 2013, respectively. The approved master plan provides the framework for over \$1.0 billion in new construction at the Plant over the next 10 to 15 years, and responds to aging infrastructure, future regulations, population growth, and treatment technology improvements.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT CAPITAL FUND**

**FUND STATUS**

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	58,992,299	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the San José/Santa Clara Treatment Plant Capital Fund is recommended at this time.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	71,877,480	\$17,939,747	25.0%
<i>Expenditures</i>	90,639,226	\$40,079,784	44.2%

**FUND STATUS**

*Revenues* – Revenue for the San José-Santa Clara Treatment Plant Operating Fund consists of contributions from participating tributary agencies, interest earnings, and transfers from the Sewer Service and Use Charge Fund. Through December 2013, revenues totaled \$17.9 million, or 25.0% of the budgeted estimate. The largest source of revenue in this fund, the transfer from the Sewer Service and Use Charge Fund (\$41.0 million), has not yet been received. This transfer occurs in two installments on or around February 1<sup>st</sup> and June 1<sup>st</sup>. Revenues from recycled water are estimated to exceed the budgeted levels of \$4.0 million by approximately \$1.0 million due to stronger sales. Weather conditions are resulting in an increased demand for recycled water. Overall, revenues are tracking to meet or exceed budgeted estimates by year-end.

*Expenditures* – Expenditures in this fund represent the costs required for the operation and maintenance of the San José-Santa Clara Regional Wastewater Facility, including the South Bay Water Recycling System and associated regulatory activities. Through December 2013, \$40.1 million, or 44.2% of the budget, has been expended, and an additional \$15.2 million, or 13.6%, has been encumbered. Spending is lower than expected in several appropriations, with the largest savings expected in the Environmental Services Department (ESD) Personal Services, Finance Department Personal Services and Workers' Compensation Claims appropriations. It is estimated that the \$43.3 million ESD Personal Services appropriation may have \$3.2 million in savings by year-end, the \$521,000 Finance Department Personal Services appropriation is estimated to have \$240,000 in savings, and the \$600,000 Workers' Compensation appropriation is estimated to have \$340,000 in savings. These savings are primarily due to approximately 60 position vacancies supported by this fund, including positions in the following classifications: Wastewater Operators, Wastewater Mechanics, Industrial Electricians, Instrument Control Technicians and Wastewater Mechanics/Heavy Diesel Equipment Operator/Mechanics. As of November 2013, the combined vacancy rate for these classifications was approximately 25%. Recruiting efforts have been underway to fill many of these positions; however, there have been significant challenges in recruiting and retaining staff at the Regional Wastewater Facility. A portion of the projected savings in the ESD Personal Services appropriation is recommended to be reallocated to the ESD Non-Personal/Equipment appropriation (\$930,000) and the City Attorney's Personal Services appropriation (\$50,000) as described below.

**2013-2014  
MID-YEAR BUDGET REVIEW**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND**

**FUND STATUS**

Since 2012-2013, the Administration has been making substantial efforts to strategize and manage the staffing challenges at the Wastewater Facility. During 2013-2014, ESD hosted a Wastewater Career Exploration Fair and had over 120 attendees. Another Wastewater Career Exploration Day is planned for spring 2014. Human Resources has also completed a procurement effort to secure third party recruiting resources, with ESD leveraging these resources to fill several positions. Additionally, a master agreement with HKA Enterprises, Inc. to provide temporary staffing resources for Plant Mechanics and Plant Operators was approved by the City Council on March 5, 2013. The temporary Plant Operators and Plant Mechanics have helped bridge the staffing gap in these classifications until permanent employees are hired. The City has also retained PLS Consulting, Inc. to conduct a classification and market study for several mission critical classifications. In Phase I, PLS Consulting, Inc. analyzed the Plant Operator, Plant Mechanic, and Heavy Diesel Equipment Operator Mechanics classifications series. Classification and compensation revisions were recommended and approved by the City Council in August 2013. In Phase II, a review of the Instrumentation, Process Control, and Residual Solids Management classifications began in May 2013 and is anticipated to be completed by spring 2014. In October 2013, the City Council also approved a three-year agreement with Competency Training Systems International to develop and implement a competency based training system that consistently advances the competence of Facility employees, and accelerates integration of new and temporary staff to ensure continued and smooth operation of the Wastewater Facility. ESD will continue to work with the City Manager's Office and the Human Resources Department to identify and pursue ways to retain and recruit critical wastewater facility staff.

An increase of \$930,000 to the ESD Non-Personal/Equipment appropriation of \$28.6 million is recommended to address increased energy costs at the Wastewater Facility. As a result of recent failures, that have since been repaired, with the fuel cell and engine generators that would normally generate electricity, the Wastewater Facility has had to rely heavily on Pacific Gas and Electric (PG&E) electricity purchases. PG&E has also increased prices during peak periods (May 2013 through October 2013). Additionally, one of the main electrical generators is anticipated to be removed from service in February 2014 for major maintenance repairs which will further the Wastewater Facility's reliance on PG&E electricity. An increase of \$50,000 to the City Attorney's Office Personal Services appropriation is recommended for legal services needed for the environmental review of the San José/Santa Clara Water Pollution Control Plant Master Plan project. Sufficient savings in the ESD Personal Services appropriation are available to offset these costs.

All other appropriations in this fund are tracking to meet the estimated budget or are estimated to have slight savings by year-end.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND**

**FUND STATUS**

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	4,031,801	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the San José-Santa Clara Treatment Plant Operating Fund is recommended at this time. Due to projected expenditure savings, it is anticipated that the unrestricted ending fund balance will be higher than budgeted at year-end.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SANITARY SEWER CONNECTION FEE FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	851,000	1,477,045	173.6%
<i>Expenditures</i>	8,753,828	886,803	10.1%

**FUND STATUS**

*Revenues* – Revenue for this fund in the Sanitary Sewer Capital Program consists of joint participation payments, connection fees, and interest earnings. Joint participation revenues reflect cost sharing of actual expenditures incurred in areas benefiting the County Sanitation Districts 2-3 and West Valley Sanitation District (WVSD). Through December, revenues totaling \$1.5 million were received from connection fees and interest. This collection level exceeds the annual budgeted estimate of \$851,000 due to higher than estimated developer contributions for connection fees. Revenues are projected to end the year at \$2.0 million. The additional revenue will be programmed as part of the 2014-2015 Proposed Capital Budget and 2015-2019 Proposed Capital Improvement Program (CIP).

*Expenditures* – Expenditures in this fund represent the costs for increasing the capacity of and expanding the Sanitary Sewer System. Through December, \$887,000, or 10.1%, of the budget had been expended and an additional \$1.3 million, or 14.8%, encumbered.

Staff anticipates expending and encumbering approximately \$6.2 million, or 70.4% of the budget, in 2013-2014, focusing primarily on large efforts such as the Flow Monitoring, Immediate Replacement and Diversion, and Monterey Riverside Relief projects. The Flow Monitoring Program, a city-wide sanitary sewer master planning effort to identify capacity improvement needs and provide for flow analysis and condition assessments, has an unspent balance of approximately \$370,000, or 20.0%, through December. It is anticipated that all of the funds will be expended or encumbered by year-end. The Immediate Replacement and Diversion Projects appropriation (\$769,000), which is used for areas that require immediate sewer replacement as part of maintenance activities and in response to sanitary sewer overflows, has \$718,000, or 91.4%, of the budget unexpended through December. It is anticipated all funds will be expended or encumbered by year-end. The Monterey-Riverside Relief Sanitary Sewer appropriation, which is used for the installation of approximately 4,100 linear feet of 27-inch vitrified clay pipe along Cottle Road between Beswick Drive and Monterey Highway, has had no expenditures through December. It is anticipated, however, that these funds will be expended or encumbered by year-end.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SANITARY SEWER CONNECTION FEE FUND**

**FUND STATUS**

It is expected that at year-end, approximately \$2.6 million, or 29.6%, of the expenditure budget will fall to fund balance or be recommended for rebudget into 2014-2015 as part of the 2014-2015 Proposed Capital Budget and 2015-2019 CIP. This is due to the delay of several long-term capacity enhancement projects, including the Bollinger Road – Blaney Avenue Sanitary Sewer Improvements, North San José Sanitary Sewer Improvements, and Stevens Creek Boulevard Sanitary Sewer Improvements projects. The Bollinger Road – Blaney Avenue project will be delayed since it has been determined that there is no immediate need to improve this section of the sanitary sewer system. The North San José Sanitary Sewer Improvement appropriation funds potential cost sharing arrangements for developer installed sanitary improvements in the area, however, it is anticipated that there will be no improvements in 2013-2014. The Stevens Creek Boulevard Sanitary Sewer Improvements project will be delayed due to the reallocation of staff resources to address unexpected higher priority improvements related to sanitary sewer overflows and/or severely deteriorated sewers.

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	5,893,983	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Sanitary Sewer Connection Fee Fund is recommended at this time.



<b>2013-2014</b> <b>MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	24,929,000	8,530,531	34.2%
<i>Expenditures</i>	110,940,134	11,568,721	10.4%

**FUND STATUS**

*Revenues* – Budgeted revenue for this fund in the Sanitary Sewer Capital Program in 2013-2014 consists of transfers from the Sewer Service and Use Charge Fund (\$23.6 million), reimbursements from the West Valley Sanitation District (WVSD) for joint projects (\$712,000), settlement revenue for a pipeline rehabilitation project on Montague Expressway (\$477,000), and interest (\$140,000). Transfers from the Sewer Service and Use Charge Fund take place in three installments over the year and the remaining two transfers will take place as scheduled in the second half of the fiscal year. It is anticipated that receipts from the WVSD will be approximately \$520,000 by year-end due to the delay of the 60-inch Brick Interceptor Rehabilitation Project. All other revenues are expected to be received by the end of the year, as budgeted.

*Expenditures* – Expenditures in this fund represent the costs of improvements and rehabilitation of the Sanitary Sewer System. Through December, \$11.6 million or 10.4%, of the budget was expended and an additional \$12.4 million or 11.2%, was encumbered. Staff anticipates expending approximately \$78.0 million, or 70.3%, in projects in 2013-2014, focusing on large capacity enhancement efforts such as the Coleman Road Sanitary Sewer Improvements, Husted-Richland Sanitary Sewer Improvements, Monterey-Riverside Relief Sanitary Sewer, Rincon Avenue – Virginia Avenue Sanitary Sewer Improvements, Trimble Road Sanitary Sewer Improvements, and a number of neighborhood sewer improvement projects that will reduce sanitary sewer overflows and/or repair severely deteriorated sewers.

However, it is expected that at year-end, approximately \$32.8 million, or 29.5%, of the expenditure budget will primarily be recommended for rebudget into 2014-2015 as part of the 2014-2015 Proposed Capital Budget and 2015-2019 Proposed Capital Improvement Program (CIP). This is due to the delay of several projects as a result of more urgent projects that were identified during the fiscal year to alleviate ongoing operation and maintenance costs. Award and/or construction of several projects, including the Almaden Expressway Sanitary Sewer Improvements, Minnesota Avenue Sanitary Sewer Improvements, Stevens Creek Boulevard Sanitary Sewer Improvements, Cast Iron Pipe Replacement – West, Kelez Drive and El Prado Drive Sanitary Sewer Replacement, Mackey Avenue Sanitary Sewer Replacement, and Fourth Major Interceptor, Phase IIB/IIIB projects will be now deferred to 2014-2015. The 60” Brick Interceptor Rehabilitation Project comprises the largest portion that is anticipated to be unexpended (\$25.0 million) this year due to the complexity of the design work that will be included in

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND**

**FUND STATUS**

this project. The construction contract award for this project will be delayed to 2014-2015, which will provide additional time for staff to refine the design of this project.

The Bollinger Road – Blaney Avenue Sanitary Sewer Improvements project is estimated to have \$5.6 million in savings by year-end. After further review of this project, it has been determined that there is no immediate need to improve this section of the sanitary sewer system at this time. As a result, a recommendation to reallocate \$5.1 million of this funding to the Immediate Replacement and Diversion Projects (\$2.9 million) and the Urgent Rehabilitation and Repair Projects (\$2.2 million) appropriations is included in this report. The additional funding in these appropriations will address the sanitary sewer overflows and/or severely deteriorated sewers at several locations, including Cinnabar-North Autumn area, West Virginia-Hull Avenue, Pine Avenue, Willowgate, Echo Loop, Electra Way, Madrona Avenue, and Seven Trees area.

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	8,457,904	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Sewer Service and Use Charge Capital Improvement Fund is recommended at this time.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**STORM SEWER CAPITAL FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	19,830,308	6,023,898	30.4%
<i>Expenditures</i>	21,315,849	3,751,698	17.6%

**FUND STATUS**

*Revenues* – The budgeted revenue estimate for this fund in the Storm Sewer Capital Program consists of transfers from the Storm Sewer Operating Fund (\$18.0 million), the California Proposition 84 Stormwater Grant (\$1.8 million) and interest earnings (\$26,000). Through December, revenues totaled \$6.0 million, or 30.4% of the budgeted estimate. Due to project delays with the Martha Gardens Green Alley and Park Avenue Green Avenue projects, reimbursements from the California Proposition 84 Stormwater Grant of \$1.8 million are now estimated to be received in 2014-2015. Transfers from the Storm Sewer Operating Fund take place in three installments over the year and the remaining two transfers will take place as scheduled in the second half of the fiscal year.

*Expenditures* – Expenditures in this fund represent the costs of improvements and rehabilitation of the Storm Sewer System. Through December, \$3.8 million or 17.6% of the budget was expended, and an additional \$3.3 million or 15.4% was encumbered.

It is currently estimated that approximately \$17.8 million, or 83.6%, will be expended or encumbered on projects and related expenses by the end of the year, including the award of the following construction projects: Madrona Avenue Storm Sewer Improvements and Martha Gardens Green Alley. It is anticipated that design or execution of consultant design agreements will occur in 2013-2014 for the following projects: Almaden-Canoas Storm Sewer Improvements, Alviso Storm Pump Station, and Willow Glen-Guadalupe, Phase III.

It is expected that at year-end, approximately \$2.7 million, or 12.6%, of the expenditure budget will be recommended for rebudget into 2014-2015 as part of the 2014-2015 Proposed Capital Budget and 2015-2019 Proposed Capital Improvement Program (CIP). It is anticipated that the Charcot Storm Pump Station at Coyote Creek appropriation will be rebudgeted to allow for the additional coordination necessary with the Santa Clara Valley Water District to identify a suitable site for the pump station. The Park Avenue Green Avenue project is expected to be delayed due to additional coordination necessary to potentially combine grant funding from the California Proposition 84 Stormwater Grant with a separate Metropolitan Transportation Commission grant for roadway/pedestrian improvements into a single project.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**STORM SEWER CAPITAL FUND**

**FUND STATUS**

Approximately \$811,000 of the expenditure budget will be recommended for reallocation in 2014-2015 as part of the 2014-2015 Proposed Capital Budget and 2015-2019 Proposed CIP. The potential scope of the Alviso Pump Station may include the upgrade or complete replacement of the Gold Street pump station and force main. Therefore, the funding in the Gold Street Storm Pump Station Force Main appropriation will be recommended to be reallocated to the Alviso Pump Station project in 2014-2015 as part of the 2014-2015 Proposed Capital Budget and 2015-2019 Proposed CIP.

	<b>2013-2014 Current Modified</b>	<b>2013-2014 YTD Actual</b>	<b>2013-2014 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	1,874,780	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Storm Sewer Capital Fund is recommended at this time.

<b>2013-2014 MID-YEAR BUDGET REVIEW</b>
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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**TRANSIENT OCCUPANCY TAX FUND**

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Revenues</i>	15,906,000	6,548,996	41.2%
<i>Expenditures</i>	19,283,406	7,226,676	37.5%

**FUND STATUS**

*Revenues* – Revenues in the Transient Occupancy Tax (TOT) Fund are tracking above estimated levels. The 2013-2014 Modified Budget assumed a 5.0% increase from 2012-2013 revenues. Through December 2013, Transient Occupancy Tax receipts of \$5.9 million were 9.3% above December 2012 receipts. The TOT Fund has also received \$600,000 from taxes that should have been paid in prior years (\$486,000) and associated penalties (\$114,000). If current collection trends continue, receipts are projected to exceed the budgeted estimate by approximately \$1.3 million. If warranted, an upward adjustment will be brought forward at year-end.

The increase in TOT receipts is due to increased occupancy and average daily room rates. Through December, the average hotel occupancy rate at the 14 major hotels was 68.1%, up from 64.4% for the same period last year, while room rates have increased from \$134.34 to \$149.24 (11.1%). As of December, the year-to-date average revenue-per-available room (RevPAR) metric of \$101.73 represents an increase of 17.3% from the prior year level.

*Expenditures* – Expenditures through December are generally tracking within budgeted levels. The allocations to the three recipient organizations are based on a fixed percentage of TOT receipts, guided by the formula outlined in the Municipal Code. Should TOT collections exceed or fall short of anticipated levels, the allocations to the recipients are adjusted. No adjustment is recommended at this time, but maybe by year-end if revenue collections exceed the budgeted level as currently trending.

	2013-2014 Current Modified	2013-2014 YTD Actual	2013-2014 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,471,592	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the Transient Occupancy Tax Fund is recommended at this time.