

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

STATUS OF GENERAL FUND REVENUES

Overview

General Fund revenues and transfers through December totaled \$303.5 million, or 39% of the budgeted estimate. Based on current collection trends, revenues are tracking to end the year below expected levels.

Significantly lower than budgeted collections (\$12.1 million) are expected in a number of categories, including: Franchise Fees; Licenses and Permits; Departmental Charges; Fines, Forfeitures and Penalties; and Use of Money and Property. The lower collections in these categories are expected to be partially offset by slightly higher collections (\$6.1 million) in three other categories, including Utility Tax, Property Tax, and Transfers and Reimbursements. A description of the performance in each of these categories is included in this section.

Recommended Adjustments

A series of adjustments that result in a net reduction of \$1.9 million to the General Fund revenue estimates are recommended in this document to (1) bring revenue estimates in line with revised projections based on economic

trends and updated collection information; and (2) account for additional new revenue from grant programs and reimbursement for services, available to fund additional related expenditures.

The overall impacts of the recommended actions in the General Fund are summarized in the following chart:

<u>Category</u>	<u>\$ Impacts</u>
Property Tax	1,600,000
Franchise Fees	(3,500,000)
Utility Tax	2,680,000
Licenses and Permits	(3,084,465)
Fines, Forfeitures & Penalties	(1,253,000)
Use of Money and Property	(1,771,918)
Revenue from Local Agencies	(165,443)
Revenue from the State of California	720,367
Revenue from the Federal Government	883,485
Departmental Charges	(1,109,867)
Other Revenue	783,042
Transfers and Reimbursements	2,364,724
Total	<u>(1,853,075)</u>

The following discussion highlights overall General Fund activities through December by revenue category.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

PROPERTY TAX

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$198,249,000	\$58,436,484	29.5%	28.4%	\$1,600,000

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); and Homeowners Property Tax Relief.

The 2009-2010 **Secured Property Tax** budget estimate is \$183.6 million. Through December, actual Current Secured Property Tax collections of \$46.3 million were 3.7% below the prior year receipts of \$48.1 million.

Based on information from the County of Santa Clara Controller-Treasurer's Office, the Secured Property Tax roll is expected to reach \$185.2 million, which is \$1.6 million above the 2009-2010 Modified Budget of \$183.6 million. With the revised Secured Property Tax estimate, a decline of 3.7% from the prior year is projected. This decline is slightly lower than the 4.0% drop assumed when the 2009-2010 Adopted Budget was developed.

The 2009-2010 collections are based on the value of property assessed on January 1, 2009, with any tax roll corrections. In developing this most recent estimate, the County has made a

projection on the value of downward adjustments that will be made during the year. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2010, the Budget Office will continue to work with the County to assess what implications any fluctuation in revenues due to this factor might have for the prospects of total collections in the overall Secured Property Tax category.

The 2009-2010 **Unsecured Property Taxes** budget estimate is \$10.0 million, which is 14.4% below the prior year collection level. Receipts through December of \$11.0 million, however, actually tracked 5.6% above last year and have already exceeded the budgeted estimate. Typically, approximately 90% of the annual revenue for this category is received in October. Based on current collection trends, Unsecured Property Tax receipts is likely to exceed the budgeted estimate.

Through December, **SB 813 Property Tax** receipts (retroactive collections back to the point of sale for reassessments of value due to property resales) of \$944,000 were 25.0% below the prior year level of \$1.3 million. The

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**PROPERTY TAX
(CONT'D.)**

2009-2010 budgeted estimate of \$3.5 million allows for a decline of 37.8% from actual 2008-2009 receipts. A drop was expected in 2009-2010 based on the assumption that the housing market would continue to experience significant declines through 2009-2010. At this point, the drop in receipts is within expected levels and

collections in this category are expected to meet the budgeted estimate by year-end.

An increase of \$1.6 million to the Property Tax revenue estimate is recommended in this report to reflect the higher projected Secured Property Tax revenue.

SALES TAX

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$125,075,000	\$ 38,472,607	30.8%	27.8%	0

The Sales Tax category consists of General Sales Tax and Proposition 172 Sales Tax.

The 2009-2010 budget estimate for **General Sales Tax** is \$121.0 million, which is approximately 5.3% below the 2008-2009 actual collection level.

As discussed in the September-October Bi-Monthly Financial Report, the receipts for the first quarter of **General Sales Tax** for the current year were received in December, and included a correction for a Sales Tax recording error that understated the fourth quarter of General Sales Tax for 2008-2009. These

receipts represented activity for July through September and, factoring out the correction for that error, in total were down 18.2% from the same quarter in the prior year.

When comparing San José's cash receipts to those of other jurisdictions, San José's unadjusted decrease of 12.8% (the recording error affected all jurisdictions) was worse than the performance of Santa Clara County (down 11.9%), but better than Northern California (down 14.0%) and the State as a whole (down 14.8%).

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**SALES TAX
(CONT'D.)**

The City's Sales Tax consultant, MuniServices Company, provided economic performance data, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures sales tax receipts, excluding state and county pools, and adjusts for anomalies, payments to prior periods, and late payments.

On an economic basis, the drop in the most recent quarter was the result of declines in every economic sector:

- General Retail: down 10.3%
- Business-to-Business: down 23.9%
- Transportation: down 21.2 %
- Construction: down 26.1%
- Food Products: down 9.6%
- Miscellaneous: down 17.4%

In this most recent quarter, General Retail remained the largest sector in San José representing 29.3% of the sales tax activity, followed by Business-to-Business (24.9%), Transportation (19.2%), Food Products (16.5%), Construction (9.3%), and Miscellaneous (0.8%).

When the 2009-2010 Adopted Budget was developed, it was assumed that collections in 2009-2010 would decline 5% from the estimated 2008-2009 collection level. However,

actual 2008-2009 Sales Tax receipts in the last two quarters of the fiscal year (-29.3%, -22.8%) ended well below the estimates used in the development of the 2009-2010 budget. As a result, the 2009-2010 revenue estimate was adjusted downward by \$10.7 million as part of the 2008-2009 Annual Report budget actions. That adjustment allows for a 5% decline from actual 2008-2009 receipts.

The lower collections in the first quarter of 2009-2010 are within the budgeted estimate. Information on the second quarter collections (October-December sales activity) for this fiscal year will not be received until late March. The City's Sales Tax performance will continue to be closely monitored to determine if any additional adjustments are necessary to the budgeted estimate.

The 2009-2010 **Proposition 172 Half-Cent Sales Tax** adopted budget estimate of \$4.1 million allows a 3.3% drop from the prior year. Year-to-date receipts of \$1.6 million are 14.9% below the prior year and, if the current collection trend continues, Proposition 172 Half-Cent Sales Tax revenues could end the year below the budgeted estimate. Staff will continue to monitor these revenues closely and bring forward adjustments later in the year, if necessary.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

TRANSIENT OCCUPANCY TAX

Revenue Status				
	2009-2010		2008-2009	2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$6,553,000	\$2,424,856	37.0%	49.3%	0

The 2009-2010 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$6.6 million, which allows for a decline of 15.9% from the 2008-2009 collection level.

Although TOT collections are currently tracking 36.9% below the prior year (29.2% below after adjusting for compliance revenue), this negative variance for the first half of the year is not unexpected, since 2008-2009 TOT collections were relatively strong in the first half of the year and fell significantly in the second half of the year. As 2009-2010 progresses, TOT collections are expected to approach the estimated level.

Through December, the average hotel occupancy rate was 52.1%, down from 57.4% for the same period last year, while average daily room rates have declined from \$134.61 to \$117.29. Horwath HTL, the City's hotel and convention industry consultant, is reviewing TOT collections in connection with the potential Convention Center expansion project, and their findings will be considered in the development of the 2011-2015 General Fund Forecast. Should collections appear to be falling behind anticipated levels as the year progresses, recommendations to adjust the allocations to the three recipients (convention facilities operations and maintenance, Convention and Visitors Bureau, and cultural development) may be brought forward for City Council consideration.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

TELEPHONE LINE TAX

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$21,600,000	\$7,567,397	35.0%	NA	0

The 2009-2010 budget estimate for the General Fund **Telephone Line Tax** is \$21.6 million. This estimate is based on prior-year collection trends for the Emergency Communication System Support (ECSS) Fee which the Telephone Line Tax replaced in spring 2009. The Telephone Line Tax and the ECSS Fee collections totaled \$24.7 million in 2008-2009; however, the Telephone Line Tax is 10% less

than the ECSS Fee so the current year estimate reflects a discount from the prior year collections. If the current collection trend continues, Telephone Line Tax revenues could end the year below the budgeted estimate. Staff will continue to monitor these revenues closely and bring forward adjustments later in the year, if necessary.

FRANCHISE FEES

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$41,422,000	\$16,275,891	39.3%	37.0%	(\$3,500,000)

Franchise Fees contains the following categories: **Electricity, Gas, Commercial Solid Waste, Cable Television, City-Generated Vehicle Tow and Water.**

The annual reconciliation report from Pacific Gas and Electric (PG&E) concerning **Electricity** and **Gas** gross receipts and the resulting amount of franchise fees owed for calendar year 2009 will not be received until April.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**FRANCHISE FEES
(CONT'D.)**

Based on currently available performance data associated with Gas and Electric Utility Tax receipts as well as rate information from PG&E, however, it is estimated that both Gas and Electric Franchise Fees will end the year below the budgeted estimates. The Gas Franchise Fees, which are budgeted at \$5.5 million, are expected to end the year well below the prior year and budgeted estimate due to a substantial drop in gas rates during calendar year 2009. A downward adjustment of \$1.5 million to the Gas Franchise Fee estimate is recommended in this document. The Electric Franchise Fees, which are budgeted at \$15.9 million are also expected to end the year below the budgeted estimate and prior year level due, in part, to a one-time electricity rebate in November 2009. A reduction of \$1.0 million to the Electric Franchise Fee estimate is also recommended in this document.

Commercial Solid Waste (CSW) Franchise Fees collections through December totaled \$4.3 million, or 38.2% of the adopted amount (\$11.3 million). This collection level reflected growth of 23.5% over the prior year primarily due to the timing differences in the payments and variances in accruals. Actual monthly receipts are tracking approximately 5% below the prior year. The lingering effects of the severe economic downturn have negatively impacted collections in this category. Increased recycling may also account for some of this decline.

Growth of 5.5% is needed, however, to meet the 2009-2010 budgeted estimate. This growth is needed because actual 2008-2009 receipts fell below the estimate used to develop the 2009-2010 budgeted estimate. This Mid-Year Budget Review includes a recommendation to decrease the revenue estimate by \$1.0 million (to \$10.3 million). This will allow for a 3.7% decline in this category when compared to the prior year and will bring the estimate closer to year-end expectations.

Cable Television Franchise Fees of \$1.9 million represent collections for only one quarter through December, due to the typical quarter lag in receipts. Year-to-date receipts are tracking 1.6% above the prior year level, which is very close to the 2.0% growth needed to meet the 2009-2010 budgeted revenue estimate of \$7.3 million. Based on current collection trends, fees from this category are expected to end the year close to the budgeted estimate.

City-Generated Vehicle Tow Fees of \$399,000 are tracking within estimated levels and are expected to end the year close to the budget estimate of \$1.2 million.

Water Franchise Fee revenue through December of \$100,000 is currently tracking within estimated levels and is expected to meet the 2009-2010 budget estimate of \$220,000 by year-end.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

UTILITY TAX

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$84,959,000	\$34,599,805	40.7%	41.0%	\$2,680,000

Utility Tax contains the following categories:
Electric, Gas, Water and Telephone.

Electric Utility Tax receipts of \$16.7 million were tracking slightly below the prior year level of \$17.4 million. Growth of 5.2% is needed, however, to meet the Electric Utility budget estimate of \$39.5 million. Based on current collection trends and the loss of revenue associated with a one-time PG&E electricity rebate, collections are currently expected to end the year below the budgeted estimate. A downward adjustment of \$1.92 million to this revenue estimate is recommended in this document to reflect this lower estimated collection level.

Gas Utility Tax receipts of \$2.3 million were 35.1% below the prior year of \$3.5 million, primarily reflecting lower gas costs. When the 2009-2010 Adopted Budget was developed, it was assumed that collections in 2009-2010 would remain at the estimated 2008-2009 levels. However, actual receipts in 2008-2009 fell below expectations. As a result, the budgeted estimate of \$10.4 million requires growth of 7.7% from the actual 2008-2009 collection level. The decline experienced to date is consistent with commercial and

residential forecasts provided by PG&E. The forecasts projected that average gas costs would remain well below prior year levels through the first four months of the fiscal year and then stay close to or rise above the prior year levels later in the year. Based on these projections and the limited collection data, improvement is expected through the remainder of the year, but Gas Utility Tax receipts are still expected to fall below the budgeted estimate by year-end. Based on the actual performance last year and current activity, a downward adjustment of \$1.7 million to this category is recommended in this document.

Water Utility Tax collections of \$3.7 million through December are tracking below the prior year level of \$4.3 million due to differences in the timing of payments. Factoring out these timing differences, receipts are tracking at the 2008-2009 level. Collections are currently on target to meet the budgeted estimate of \$8.5 million by year-end. It should be noted, however, that this category is always subject to fluctuations related to the amount of precipitation received, particularly in the spring.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**UTILITY TAX
(CONT'D.)**

Consumption levels over the next several months will determine if adjustments to the revenue estimate will be appropriate before the end of the year.

Telephone Utility Taxes receipts of \$11.9 million through December are tracking 18.7% above the prior year level of \$10.0 million. Based on the 2008-2009 actual receipts of \$29.2 million and the current collection trends, receipts are on track to exceed the budgeted estimate of \$26.5 million by year-end. Collections in this category reflect the implementation of Measure K that was approved by voters in November 2008 and became effective in April 2009. This measure lowered the tax rate by 10% and modernized the

tax base. Based on recent collection trends, the modernization of the tax base, which included adding international and interstate calls as well as toll free numbers and fax machines, appears to have more than offset the decline in revenues associated with the 10% reduction in the tax rate. Based on current collection trends, an upward adjustment of \$6.3 million to this category is recommended in this document.

On an overall basis, a net increase of \$2.7 million to the Utility Tax revenue estimate is recommended in this document to reflect higher Telephone Utility Tax receipts, partially offset by lower Electric and Gas Utility tax collections.

LICENSES AND PERMITS

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$67,844,301	\$34,301,545	50.6%	53.8%	(\$3,084,465)

Licenses and Permits include the following six major groups of revenue: **Business Tax, Cardroom Business Tax, Disposal Facility Tax, Building Permits, Fire Permits and Miscellaneous Other Licenses and Permits.**

Business Tax – collections of \$7.3 million through December were tracking below the prior year level of \$8.0 million. Collections are expected to fall below both the 2008-2009 collection level of \$12.3 million and the 2009-2010 budget estimate of \$12.6 million.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**LICENSES AND PERMITS
(CONT'D.)**

The Finance Department projects that Business Tax collections will end the year approximately \$1.6 million below the budgeted estimate. The current economic slowdown has impacted the number of businesses as well as staffing levels, which directly impact Business Tax receipts. In addition, this year the City has seen an increase of over 40% in the number of applications for reduced Business Tax rates due to hardship/exemption. A downward adjustment of \$1.6 million is recommended in this document based on the revised projection.

Cardroom Business Tax – collections of \$5.2 million through December were tracking below the prior year level of \$5.8 million. Based on collection trends in recent years and actual performance through December, this revenue category is expected to fall below the 2009-2010 budget estimate of \$13.2 million and a downward adjustment of \$500,000 is recommended in this document.

Disposal Facility Tax (DFT) – Receipts through December of \$4.8 million are tracking 7.0% below the prior year level. Lower retail sales and reduction in construction waste generation appear to have decreased the amount of material disposed in landfills. In addition to the continuing effects of the economic downturn, increased recycling may also account for some of this decline.

When the 2009-2010 Adopted Budget was developed, it was assumed that collections in 2009-2010 would decline 2% from the estimated 2008-2009 collection level. However, actual 2008-2009 Disposal Facility Tax receipts

ended significantly below the estimates used in the development of the 2009-2010 budget. As a result, 2009-2010 collections must now increase by 6.4% to achieve the budget estimate. Based on the current collection trend, it is now estimated that Disposal Facility Tax revenue may end the year \$1.0 million below the budgeted estimate. This report includes a recommendation to decrease the revenue estimate by \$1.0 million to \$11.9 million.

Building Permits – Building Permit receipts through December totaled \$7.8 million, or 52.8% of the modified estimate of \$14.8 million. This collection level was 24.1% below the prior year level of \$10.3 million through the first six months of the year. The 2009-2010 Building Permits budget has been adjusted twice since its adoption in June in recognition of its continued decline. In the Annual Report, revenues were reduced by \$374,000. In November, Council approved a comprehensive plan whereby revenues were reduced by an additional \$1.8 million and 29 positions were eliminated in both the Planning and Building Development Fee Programs. An additional reduction of \$210,000 is recommended in this report to reflect the loss of overhead from the development fee program to the General Fund from actions taken on November 17, 2009.

Through the first six months of the year, only 267 residential building permits have been issued as compared to 1,031 permits issued at this time last year, a 74% drop. Activity has shown some improvement in December with residential permit activity rising to its highest level in a year (231 units).

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**LICENSES AND PERMITS
(CONT'D.)**

Permits were issued for 10 single family units and 221 multi-family units (2 projects). Commercial and industrial activity remained slow. Overall, revenues in December showed improvement. This trend appears to be continuing in January, and Planning, Building and Code Enforcement (PBCE) is hopeful that it will be sustained. Almost all categories are now within anticipated levels and are expected to meet the 2009-2010 budget estimate.

While customer traffic has decreased by 6%, when comparing the first two quarters of 2009-2010 to 2008-2009, Permit Center staff has been reduced by 35% during this time period. As a result, performance has eroded and some customers have been turned away. Of the walk-in customers who receive service, currently 45% (mostly customers with appointments) wait between 30 minutes to one hour, 35% wait more than one hour, and 20% wait more than two hours. PBCE has reassigned staff to the Permit Center from other operations wherever possible in order to ensure that prospective fee-paying customers continue to purchase permits. This has resulted in other services being impacted such as extending out inspection cycle times.

The Budget Office, in conjunction with PBCE, will continue to analyze revenue and expenditure levels to determine if any further adjustments to the revenue estimate will be necessary. Currently the Building Development Fee Program Earmarked Reserve is \$1.4 million. Since, by City Council policy, these fees are cost recovery, any revenue adjustment must be accompanied by a corresponding

adjustment in either the appropriations or the fee reserve.

Fire Permits – Through December, Fire Permits and Licenses collections of \$3.2 million tracked 15.0% below estimated levels and 31.1% below the prior year receipts of \$4.7 million.

Development-related collections of \$1.5 million were 12.6% below estimated levels and 34.8% below the prior year receipts primarily due to lower than anticipated activity for architectural plan check and engineering system permits. As development activities were well below anticipated levels, recommendations were approved in the 2008-2009 Annual Report, including a \$470,000 downward adjustment to revenue, offset by reductions to budgeted costs (\$100,000), and use of the Fire Fee Program Reserve (\$370,000). Additional revisions to the Fire Fee Program were approved on November 17, 2009 as part of a memorandum to rebalance various Fee Program Budgets including the Fire Development Fee Program. Those actions included reducing the Fire Licenses and Permits estimate by \$363,000, offset by a \$218,000 reduction to the Fire Department's personal services budget, a \$66,000 reduction to the Fire Department's portion of an Information Technology position dedicated to Development Services and associated non-personal/equipment budget as a result of eliminating the position, and use of \$80,000 from the Fire Fee Program Reserve.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**LICENSES AND PERMITS
(CONT'D.)**

An additional reduction of \$54,000 to Fire Licenses and Permits is recommended in this report to reflect the loss of overhead from the Fire Development Fee Program to the General Fund as a result of the November 17, 2009 rebalancing actions.

Nonetheless, even with these rebalancing actions, it appears as though development-related collections may fall short of budgeted levels by as much as \$180,000 to \$240,000. The use of the Fire Fee Program Reserve (currently budgeted at \$2.2 million) may be needed if development activities do not increase in the upcoming months.

Non-Development related collections of \$1.7 million were tracking 32.6% below estimated levels and 27.5% below the prior year receipts primarily due to lower than estimated revenues for annual renewable permits partially offset by higher than anticipated inspection activities. Although annual renewable permits are expected to end the year slightly below the budgeted estimate, overall, non-development

activity is expected to meet or possibly exceed budgeted levels.

The City Manager's Budget Office and the Fire Department will continue to monitor receipts closely, and bring forward additional adjustments as necessary.

Animal Care and Services Licensing – collections of \$443,000 through December are tracking above the prior year level of \$377,000. This is primarily the result of two factors: an increase in licensing fees; and an increase in licensing revenue received due to the implementation of a program that pursues owners of unlicensed animals. Included in this document is a recommendation to recognize additional revenue from this program (\$80,000), as well as appropriate funding (\$80,000) for additional animal licensing outreach and processing resources.

Miscellaneous Other Licenses and Permits – Revenues in this category are generally tracking within anticipated levels through December.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

FINES, FORFEITURES, AND PENALTIES

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$18,346,000	\$6,854,802	37.4%	44.9%	(\$1,253,000)

Fines, Forfeitures, and Penalties include the following groups of revenue: **Parking Fines**, the City's share of **Vehicle Code Fines**, **County Municipal Court Fines**, **Administrative Citation Fines and Penalties**, and **Cardroom and Business Tax Penalties**.

Through December, this category has generated \$6.9 million, or 37.4% of the budget estimate. While collections are tracking 9.9% above the prior year, growth of 31.9% is needed to meet the budgeted estimate. This growth was expected to be generated primarily in the Parking Fines area as a result of additional staffing and increases to the parking fines approved for 2009-2010. In addition, performance in 2009-2010 is being compared to collections in 2008-2009 that were lower due to staffing issues and accounting adjustments.

Over half of the revenue in this category is budgeted for Parking Fines (\$11.4 million). Through December, Parking Fines totaled \$4.0 million, or 34.9% of the budgeted estimate of \$11.5 million. Collections are tracking below expected levels and are projected to end the year short of the budgeted level by approximately \$1.3 million due to the economic downturn which has impacted the overall parking activity. Also, a delay in training new staff has impacted the issuance of parking citations. Included in this report is a recommendation to adjust the revenues down by \$1.3 million, which will be slightly offset by recommended reductions to the Parking Citation Processing (\$139,000) and Parking Citations/Jail Courthouse Fees (\$250,000) appropriations as a result of a decline in processing parking citations.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

REVENUE FROM THE USE OF MONEY AND PROPERTY

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$5,270,000	\$1,613,600	30.6%	72.0%	(\$1,771,918)

The largest source of revenue in this category is General Fund Interest Earnings. This category also includes interest on senior staff home loans, rental revenue from the use of certain City facilities, and subrogation recovery revenues. Overall, receipts of \$1.6 million through December were down 67.4% from the prior year

level of \$5.0 million. The lower collection level in 2009-2010 is primarily the result of lower cash balances in the General Fund as well as a lower interest yield. A downward adjustment of \$1.8 million is recommended in this report to bring the revenue estimate in line with current projections.

REVENUE FROM LOCAL AGENCIES

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$51,067,682	\$22,154,669	43.4%	47.0%	(\$165,443)

The largest entities in this category are: the **San Jose Redevelopment Agency** and the **Central Fire District**.

San Jose Redevelopment Agency (SJRA) reimbursements through December totaled \$5.7 million, which is 27.9% of the budgeted estimate of \$20.5 million. It is currently anticipated that the General Fund costs incurred

on behalf of the SJRA will be reimbursed by year-end. A small number of budget adjustments described below would reduce the SJRA reimbursement as part of 2009-2010 budget balancing actions for the Redevelopment Agency as described in Section III of this report.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM LOCAL AGENCIES
(CONT'D.)**

- Decrease of \$155,820 to reflect lower reimbursement for civil service staff. This action is proposed to be offset by an expenditure reduction associated with the elimination of 2.0 civil service positions.
- Decrease of \$50,000 to reflect lower reimbursement for capital improvements that free up funds to support the San José BEST Program.
- Decrease of \$50,000 to reflect lower reimbursement for City Hall rent as a result of the SJRA staff vacating City Hall office space on the 13th floor as of January 1, 2010.

The Redevelopment Agency also reimburses the City for the Convention Center lease payment budgeted at \$14.7 million for 2009-2010. Through December, \$11.1 million has been received. It is anticipated that the full amount of the estimate will be received by year-end.

Through December, payments totaling \$3.0 million have been received from the **Central Fire District** for fire services provided by the City and are tracking within estimated levels. Based on an estimate provided by the Central Fire District staff, collections in this category are expected to fall below the 2009-2010 budgeted estimate of \$6.9 million due to the drop in Property Tax receipts. A downward adjustment to this revenue estimate of \$300,000 is recommended in this document to reflect this lower estimated collection level.

Overall, the other reimbursements from various agencies are typically tracking within estimated levels through December.

As described in Section III of this document, the following adjustments are recommended in this report to the Revenue from Local Agencies category:

- Increase of \$859,820 to recognize funding from the Alum Rock (\$312,385), Berryessa (\$106,257), San Jose Unified (\$342,200), and Santa Clara Unified (\$98,978) School Districts to support the Year 4 After-School Program from January 1 through December 31, 2010.
- Increase of \$89,373 as a technical adjustment to reclassify SJRA reimbursement for planning services from the Other Revenue category to the Revenue from Local Agencies category.
- Increase of \$11,643 to recognize funding from the County of Santa Clara for the Senior Nutrition Program.
- Increase of \$5,400 to recognize a library grant from the Bring Me a Book Foundation under the Read Aloud Collaborative grant program.
- Decrease of \$453,682 as a technical adjustment to reduce funding from the Happy Hollow Park and Zoo Corporation for memberships. This membership revenue will now be directly reflected in the Parks Departmental Charges category and an associated increase is recommended in that category.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM LOCAL AGENCIES
(CONT'D.)**

- Decrease of \$64,314 as a technical adjustment to reclassify the Avoid the 13 grant from the Revenue from Local Agencies category to the Revenue from the State category.
- Decrease of \$57,863 to eliminate funding associated with the San Jose After-School Program Year 3 District contract for the Berryessa School District. This funding was rebudgeted from 2008-2009 to 2009-2010. The District chose not to have the City deliver the program through the first six months of the year.

REVENUE FROM THE STATE OF CALIFORNIA

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$10,029,096	\$4,710,386	47.0%	48.8%	\$720,367

The major State revenues include **Motor Vehicle In-Lieu Fees, Airplane In-Lieu Fees, and State Grants.**

Motor Vehicle In-Lieu Fee (VLF) revenue through December totaled \$674,000, which represents a 55% decrease from the prior year collection level of \$1.5 million. The 2009-2010 Adopted Budget allows for a drop of 30.5%. If current collection trends continue, a downward adjustment to this \$2.8 million revenue estimate will be necessary by year-end.

Airplane In-Lieu Fees of \$3.7 million through December are tracking to meet the budgeted estimate of \$4.1 million, but are 14.7% below

the prior year collection level of \$4.4 million. The decline experienced to date is consistent with the 2009-2010 budgeted estimate, which allows for a drop of 14.8% from the prior year level.

A number of **State Grants** are also budgeted in this category. It is anticipated that the majority of these grant funds will be received as budgeted.

The following adjustments to the Revenue from the State category are recommended in this report. These grant revenues and the associated expenditures are described in Section III of this document.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM THE STATE OF CALIFORNIA
(CONT'D.)**

- Increase of \$249,000 to recognize grant revenue to reimburse the City for prior expenditures associated with the Martin Park Landfill Gas Cutoff Wall Re-bid project.
- Increase of \$183,187 to recognize funding from the Governor's Office of Emergency Services for the 2009-2010 Anti-Drug Abuse Grant.
- Increase of \$83,130 to recognize funding from the State Bureau of Narcotics to support the South Bay Metro Task Force.
- Increase of \$81,387 to recognize the following four grants from the California State Library: Inclusive Early Literacy Services for Young Children (\$39,910); Library Staff Education (\$25,791); Adult Literacy and Families for Literacy (\$10,686); and California Digital Storytelling (\$5,000).
- Increase of \$64,314 as a technical adjustment to reclassify the Avoid the 13 grant from the Revenue from Local Agencies category to the Revenue from the State category.
- Increase of \$30,487 to recognize funding from the California 9-1-1 Emergency Communications Office for Emergency Communications Center equipment.
- Increase of \$25,862 to recognize funding for the Local Enforcement Agency program to be used for landfill enforcement activities.
- Increase of \$3,000 to recognize funding from the Office of the District Attorney acting as the fiscal agent for the State to support the Rapid Enforcement Allied Computer Team (REACT).

REVENUE FROM THE FEDERAL GOVERNMENT

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$6,352,785	\$667,807	10.5%	6.1%	\$854,945

Almost all of the revenue in this category is received from federal grant programs. It is currently assumed that the budgeted grant

proceeds will be collected by the end of the year according to the grant payment schedules that are in effect.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM THE FEDERAL GOVERNMENT
(CONT'D.)**

The largest grants in this category include the following: 2008 Super Urban Area Security Initiative (SUASI) Grant – Police (\$1.5 million); 2008 Super Urban Area Security Initiative (SUASI) Grant – Fire (\$1.0 million); 2008 Internet Crimes Against Children (ICAC) Grant (\$638,000); State Homeland Security Grant Program (\$409,000); 2008 Metropolitan Medical Response System – Fire (\$321,000); and Juvenile Justice and Delinquency Prevention Grant (\$309,000).

The following adjustments are recommended to the Revenue from the Federal Government category as described in Section III of this report:

- Increase of \$676,000 to recognize revenue from the United States Department of Justice for the COPS Technology Program Grant.
- Increase of \$85,000 to recognize reimbursement from the Federal Bureau of Investigation for overtime worked by Police Department personnel for the Santa Clara County Violent Gang Task Force.
- Increase of \$48,000 to recognize funding from the United States Department of Justice for the Bulletproof Vest Partnership Grant.
- Increase of \$31,000 to recognize reimbursement from SUASI for overtime worked by Police Department personnel for the 2009 Urban Shield Exercises.
- Increase of \$13,000 to recognize reimbursement from the Federal Bureau of Investigation for overtime worked by Police Department personnel for the Computer Forensic Laboratory.
- Increase of \$2,700 to recognize revenue from the Council on Aging Silicon Valley for the Senior Companion Program.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM THE FEDERAL GOVERNMENT –
AMERICAN RECOVERY AND REINVESTMENT ACT**

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$10,805,626	\$14,662	0.1%	NA	\$28,540

This category accounts for the revenue associated with the American Recovery and Reinvestment Act of 2009 that is recorded in the General Fund. It is currently assumed that the budgeted grant proceeds will be collected by the end of the year according to the grant payment schedules that are in effect.

The grants in this category include the following: 2009-2013 Recovery Act – Internet Crimes Against Children (ICAC) Grant (\$864,000); Department of Energy Solar America Cities Grant (\$1.1 million); Recovery Act – Energy Efficiency and Conservation Block Grant (\$8.8 million).

The following adjustments are recommended to the Revenue from the Federal Government – American Recovery and Reinvestment Act category:

- Increase of \$28,000 to recognize revenue for Police Department participation in the California Emergency Management Agency (CAL EMA) Anti-Human Trafficking Task Force.
- Increase of \$540 to recognize revenue for the Recovery Act – Energy Efficiency and Conservation Block Grant.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

DEPARTMENTAL CHARGES

Revenue Status				
	2009-2010		2008-2009	2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$28,648,065	\$10,785,440	37.6%	53.8%	(\$1,109,867)

Contained in this revenue category are the various **Fees and Charges** levied to recover costs of services by several City departments. The mid-year status of collections in over 150 different fee types in this category was reviewed.

Police – Through December, Police revenues of \$920,000 were tracking below (20.7%) expected levels of \$1.16 million, but above the prior year level of \$816,000. Photostat (Police Records/Reports) and Impounded Vehicle Release fees were restructured in the 2009-2010 Adopted Operating Budget to achieve a higher level of revenue collections; however, both fees are tracking below estimated levels, 38% and 28% respectively. Lower than estimated revenues in these areas are due mainly to lower activity levels. At this time, revenue is expected to fall below estimated levels by \$400,000-\$500,000 at year-end. The Police Department and City Manager’s Budget Office will continue to analyze revenue levels to determine if adjustments to the revenue estimate will be needed before the end of 2009-2010.

Public Works – Overall, development fee revenues of \$1.6 million through December are tracking within anticipated year-to-date levels,

and the Department anticipates achieving its \$4.6 million adjusted revenue estimate.

While the 2009-2010 Adopted revenue estimate of \$5.6 million was built assuming a significant decline in development-related activity, a downward adjustment was necessary to address even lower than anticipated revenue. In response to a \$1.1 million projected shortfall in the Public Works Development Program, the City Council approved a rebalancing plan on November 17, 2009, that reduced revenue estimates by \$1.0 million (18.0%) bringing the year-end revenue estimate to \$4.6 million. An additional reduction of \$98,665 is recommended in this report to reflect the loss of overhead from the development fee program to the General Fund from actions taken on November 17, 2009.

The Budget Office, in conjunction with the Public Works Department, will continue to analyze revenue and expenditure levels to determine if any adjustments to the revenue estimate will be necessary. As these are cost recovery fees, any adjustment to the revenue estimate would have to be accompanied by a corresponding adjustment in appropriations.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**DEPARTMENTAL CHARGES
(CONT'D.)**

Transportation – Departmental fee revenue of \$344,000 is tracking below expected levels through December due to lower than projected signal review fees and geometric design fees. Since these fees are development-related fees, the decline in developer activity has impacted this revenue category. These lower than anticipated revenue collections are slightly offset by the higher than anticipated revenue collection in residential parking permits. Based on current collection trends, Transportation fees are expected to finish the year below the budgeted estimate of \$1.0 million. Staff will continue to monitor these revenues closely and bring forward adjustments later in the year, if necessary.

Library – Fine revenues (the primary driver of departmental revenues) are divided between San José State University and the City each quarter. Therefore, through December, departmental revenue of \$468,000 only reflects fines received through October. It is anticipated that Library Department revenues should meet the budgeted estimate of \$1.9 million by year-end.

Planning, Building and Code Enforcement (PBCE) – Overall, Planning fee revenues of \$1.2 million were tracking significantly lower than anticipated, reaching only 38.5% of the budgeted year-end estimate of \$3.2 million and tracking well below last year's \$2.4 million level. In line with the other development-related fee areas, the 2009-2010 estimate was built assuming a continuation of last year's activity levels, with no fee increases. However, Planning's revenues have continued to decline to historically low levels and the 2009-2010

budget has been adjusted twice. In the Annual Report, revenues and expenditures were reduced by \$67,000. In November, Council approved a comprehensive plan whereby Planning revenues were reduced by \$722,000 and 29 positions were eliminated in both the Planning and Building Development Fee Programs.

An additional reduction of \$91,021 is recommended in this report to reflect the loss of overhead from the development fee program to the General Fund from actions taken on November 17, 2009.

Almost all of the revenue categories in the Planning Fee Program, including both residential and non-residential, have performed at lower than anticipated levels through the first half of 2009-2010 and will not come close to annual budgeted estimates. Current projections indicate that collections could end the year \$600,000 below the budgeted estimate. That would bring Planning Fee Program revenues down to \$2.5 million – a level not seen since 1994-1995.

The Budget Office, in conjunction with PBCE, will continue to analyze revenue levels to determine if any further adjustments to the revenue estimate will be necessary before the end of the year. The Department will continue to carefully manage all expenditures related to this program as the Planning Development Fee Program Earmarked Reserve has a balance of only \$405,000. Since by City Council policy these are cost recovery fees, any revenue adjustment must be accompanied by a

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**DEPARTMENTAL CHARGES
(CONT'D.)**

corresponding adjustments in either the appropriations or in the fee reserve.

Parks, Recreation and Neighborhood Services (PRNS) – Overall, departmental fee revenues of \$4.2 million totaled 44.7% of the budgeted estimate of \$9.4 million. Collections are generally tracking within anticipated levels, but it is important to recognize that approximately \$2.0 million of the budgeted revenue estimate is due to expected activity at the Happy Hollow Park and Zoo, which is not scheduled to open until March 20, 2010.

Included in this document are budgetary actions related to in-sourcing food and beverage services at Happy Hollow. The 2009-2010 Adopted Budget assumed that the food and beverage services would be outsourced, but the City has so far been unsuccessful in procuring a qualified outside vendor. Instead, PRNS will assume responsibility for providing food and beverage services during the initial months of the park's opening, during which time a long-term plan will be evaluated. A recommendation to decrease the revenue estimate (\$120,000) assumed in the 2009-2010 Adopted Budget as a profit to the City from the outsourced operations is included in this document. Also recommended are increases to the Fee Activity revenue estimate and corresponding expenditure appropriation (\$564,000), which will provide for the City staffing, as well as supplies and materials, necessary to provide the food and beverage service.

When the 2009-2010 Adopted Budget was developed, it was assumed that the Level 2

After-School program offered at elementary school sites would be operated on a cost recovery basis. Although the costs of providing this program, which is funded in the Healthy Neighborhoods Venture Fund, have been lower than anticipated, the revenue is not expected to meet the budgeted estimate of \$567,000 due to lower than anticipated levels of participation. A recommendation is included in this document to decrease the budgeted revenue estimate for the Level 2 After-School program by \$267,000.

Miscellaneous Departmental Charges – This category, which is budgeted at \$6.3 million, includes the Solid Waste Enforcement Fee with a budgeted estimate of \$3.1 million, the Business Tax Administration Fee budgeted at \$1.3 million, various Animal Control Fees budgeted at \$847,000, and other miscellaneous fees budgeted at \$1.1 million.

Solid Waste Enforcement Fee revenues of \$1.2 million were tracking significantly lower than anticipated, reaching only 38.1% of the budgeted year-end estimate of \$3.1 million and falling 24.5% below projected levels. It is anticipated that this fee will end the year \$250,000 below budget based on the latest estimates provided by PBCE. This is primarily due to the significant reduction in construction debris being hauled to landfills for disposal. In addition, revenue estimates were built assuming that an additional facility would have completed all of its permitting with the State and have begun accepting waste earlier in the fiscal year. That facility is now expected to be coming on line late in the fiscal year. A recommendation

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**DEPARTMENTAL CHARGES
(CONT'D.)**

to decrease the Solid Waste Enforcement Fee revenue estimate by \$250,000 is included in this document.

The Business Tax Administration Fee, which was added in 2008-2009, was expected to generate \$1.3 million in 2009-2010. Although collections through September reached \$450,000, the City suspended the fee effective October 2009. A recommendation to decrease

the Business Tax Administration Fee revenue estimate by \$881,000 is included in this document.

Animal Care and Services Departmental Charges are budgeted at \$657,000 and include Animal Control Fees for a variety of services. Collections through December of \$375,000 are within anticipated levels and are expected to reach the budgeted level at year-end.

OTHER REVENUE

Revenue Status

2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$15,667,831	\$9,653,567	61.6%	69.2%	\$783,042

The Other Revenue category contains a number of unrelated revenue sources. Other Revenue collections through December of \$9.7 million were \$5.1 million below the prior year level of \$14.8 million. Collections were higher last year due to the receipt of \$6.0 million in option payments associated with the Airport West property in that year.

Collections in this category are expected to end the year at or above the budgeted estimate. Following is a discussion of the major sub-categories in the Other Revenue category:

In the current year, the City has received \$4.8 million in **HP Pavilion Rental, Parking, Suite, and Naming** revenue, which is approximately 6.7% above the budgeted estimate of \$4.5 million.

Investment Cost Reimbursement and Banking Services revenues through December of \$1.1 million and \$364,000, respectively, are tracking within estimated levels. Any variances in these categories would be offset by a corresponding variance in related expenditures.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**OTHER REVENUE
(CONT'D.)**

SB 90 Reimbursements totaled \$578,000 through December. The 2009-2010 Adopted Budget had not included an estimate for this revenue category due to the uncertainty regarding the payment level from the State.

Through December, revenue from the **Sale of Surplus Property** totaled \$159,000 which is well below the budgeted estimate of \$1,800,000. The General Services Department currently anticipates that the full amount of the estimate will be received by year-end.

As described in Section III of this report, several actions are recommended to recognize revenue and allocate the funds to specific projects:

- Increase of \$778,022 to recognize revenue from the False Claims Act litigation settlement. A portion of these funds (\$366,782) is recommended to be allocated to the City Attorney's office for false claims act enforcement.
- Increase of \$61,893 to recognize funding energy rebates from Pacific Gas & Electric. These funds are recommended to be allocated to the Energy Efficiency Program.
- Increase of \$27,300 to recognize funding from sponsors outside of the City to reimburse costs for the District 8 Day in the Park event co-sponsored by Council District 8.
- Increase of \$5,200 to recognize funding from sponsors outside of the City to reimburse costs for a Diwali Festival and an Indian Flag Raising event co-sponsored by Council District 2.
- Decrease of \$89,373 as a technical adjustment to reclassify SJRA reimbursement for planning services from the Other Revenue category to the Revenue from Local Agencies category.

TRANSFERS AND REIMBURSEMENTS

Revenue Status				
2009-2010		2008-2009		2009-2010
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$85,692,111	\$54,975,578	64.2%	56.6%	\$2,364,724

The following are sources of revenue in this category: reimbursements to the General Fund for **Overhead** costs, revenue received as

Transfers from other City funds, and **Reimbursements** for services rendered.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

Overhead Reimbursements – Overhead associated with operating funds and special funds is currently budgeted at \$27.7 million. In addition, overhead associated with capital funds is budgeted at \$10.2 million for a total revenue estimate of \$37.9 million. Through December, overhead collections of \$30.9 million were tracking above estimated levels due to higher than projected capital project overhead. An increase of \$1.6 million to the Transfers and Reimbursements revenue estimate is recommended to reflect this higher collection level.

Transfers – This category includes \$30.8 million in various transfers. Through December transfers of \$19.7 million were tracking within estimated levels. The following adjustments to Transfers are recommended in this document:

- Increase the transfer from the Airport Maintenance and Operations Fund for Police Services by \$1.0 million to fund Police overtime staffing at the Airport while airport security is elevated to the Orange Alert level.
- Decrease the transfer from the Airport Maintenance and Operations Fund for Police Services by \$342,000 to reflect the

elimination of 5.0 positions in the Police Department related to Airport services.

- Increase the transfers from the Storm Sewer Operating Fund (\$29,000) and the San José-Santa Clara Treatment Plant Operating Fund (\$56,000), totaling \$85,000, to reflect rent payments from Environmental Services Department funds for the continued use of the old Dr. Martin Luther King, Jr. Library. The 2009-2010 Adopted Budget assumed staff would have been relocated at an earlier date than is now expected.

Reimbursement for Services – The budget estimate for this category is \$17.0 million, of which \$16.4 million is expected to be generated from the three **Gas Tax Funds**. Gas Tax collections of \$4.3 million tracked below the prior year level of \$5.5 million due to the timing of payments. Based on current collection trends, receipts in this category are expected to achieve the budgeted estimate. Reimbursements from the Deferred Compensation Fund are also included in this category, and a \$20,000 increase is recommended to provide for consultant costs in the Deferred Compensation Program.

**2009-2010
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

CONCLUSION

A comprehensive review of all General Fund revenue accounts was performed based on activity through the first six months of the year. Based on current collection trends, revenues are tracking to end the year below expected levels. Actions resulting in net downward adjustments to General Fund revenues totaling \$6.0 million and upward adjustments of \$4.1 million to reflect various net-zero grants and reimbursements (\$3.9 million) and other adjustments (\$265,000) are recommended in this document. Given the current economic uncertainty, however, additional adjustments may be needed by year-end.

A number of the lower revenue estimates experienced to date were factored into the 2010-

2011 Preliminary General Fund Forecast that was released in October 2009. The revenue estimates for this year will continue to be updated as part of the final 2011-2015 General Fund Forecast, due to be released late February, as well as the 2010-2011 Proposed Budget, due to be released early May.

As always, staff will continue to closely monitor our current year financial status and report to the City Council any significant developments through the Bi-Monthly Financial Reports. The January/February Bi-Monthly Financial Report will be brought to the Public Safety, Finance and Strategic Support Committee in April.