

OVERALL REVENUES, SPENDING AND STAFFING

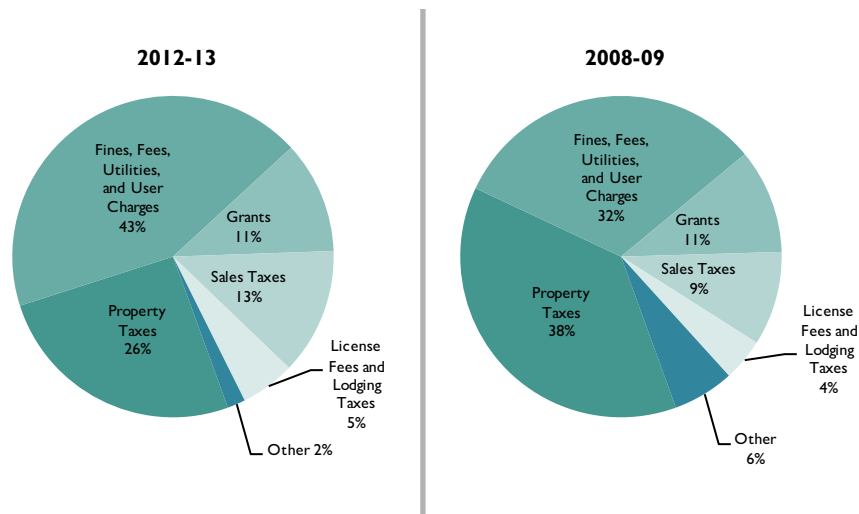
Revenues, Spending and Staffing
Resident perceptions of City Services and City Staff

OVERALL REVENUES, SPENDING AND STAFFING

CITY REVENUES

The City relies on a number of funding sources to support its operations, particularly taxes, grants, fees, fines, and utility and user charges, as seen in the chart below. The composition of general governmental revenues (i.e., excluding business-type activities such as the Airport) has changed dramatically over the past five years as property tax revenue declined significantly. While property tax revenue averaged over \$477 million the previous five years, it returned only \$330 million this year on a financial statement basis.* A portion of the decrease resulted from the redistribution of property tax revenue to the Successor Agency to the Redevelopment Agency (\$75 million in 2012-13). Without the effect of that redistribution, property tax revenues increased by \$12 million over the prior year, reflecting increasing assessed valuations.

General Government and Program Revenues by Type



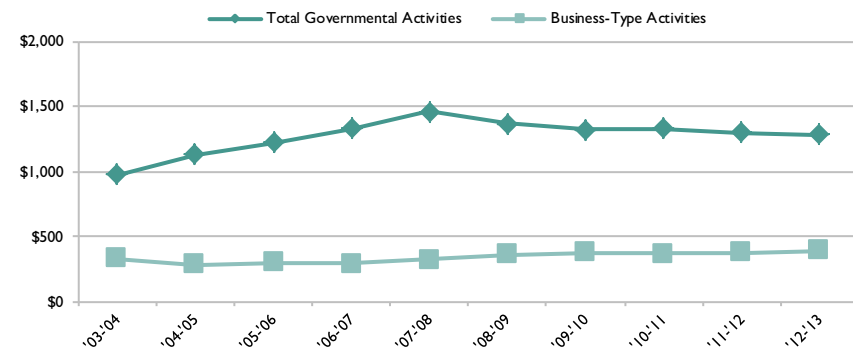
Source: 2008-09 and 2012-13 Comprehensive Annual Financial Report.

* The City's audited Comprehensive Annual Financial Report (CAFR) differs from the City's annual adopted operating budget in the timing and treatment of some revenues and expenditures.

Overall governmental revenues on a financial statement basis remained the same in 2012-13 as in 2011-12, at \$1.29 billion. Among business-type activities, all sources saw increases in revenues over the past ten years to \$0.39 billion.

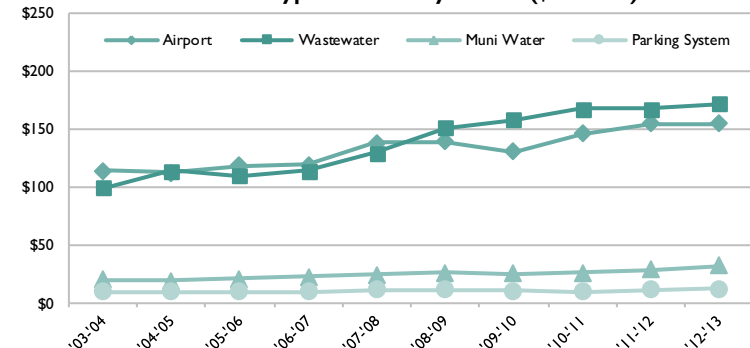
- Airport revenues were up 36 percent
- Wastewater Treatment revenues were up 73 percent
- Muni Water revenues were up 62 percent
- Parking System revenues were up 26 percent

Total City Revenues (\$millions)



Source: 2012-13 Comprehensive Annual Financial Report

Business-Type Revenues by Source (\$millions)

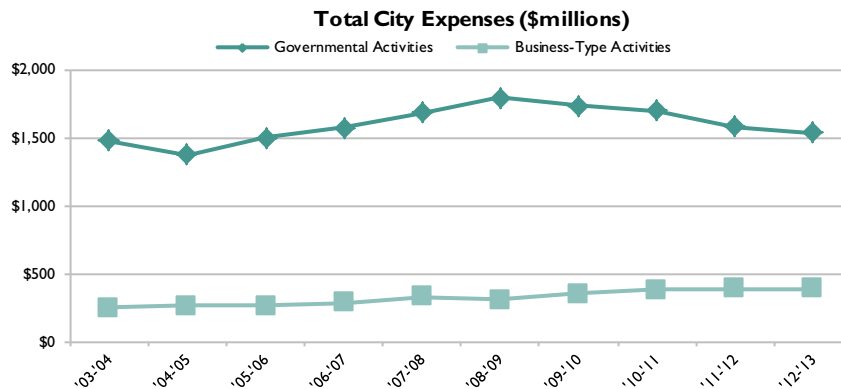


Source: 2012-13 Comprehensive Annual Financial Report

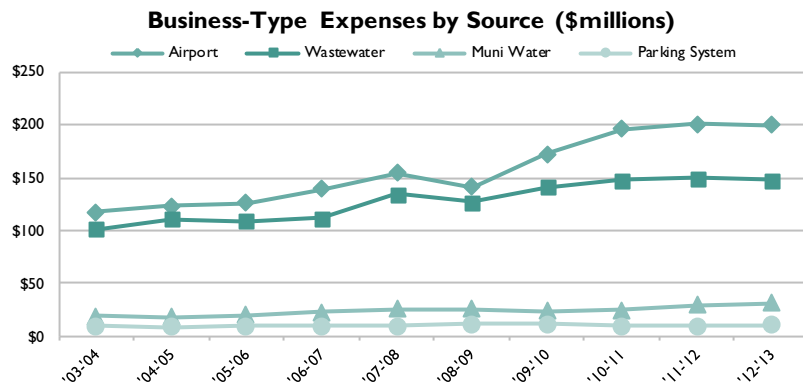
OVERALL REVENUES, SPENDING AND STAFFING

CITY EXPENDITURES

The City's total expenses on a financial statement basis peaked in 2008-09 at \$2.1 billion and have since fallen to \$1.93 billion in 2012-13. Note, this includes non-cash expenses such as depreciation on the City's capital assets. General government expenses fell 14 percent over that time, whereas expenses from business-type activities increased. Airport expenditures increased the most among business-type activities, due to an increase in debt service related to the Airport modernization and expansion program (see Airport chapter for more details).

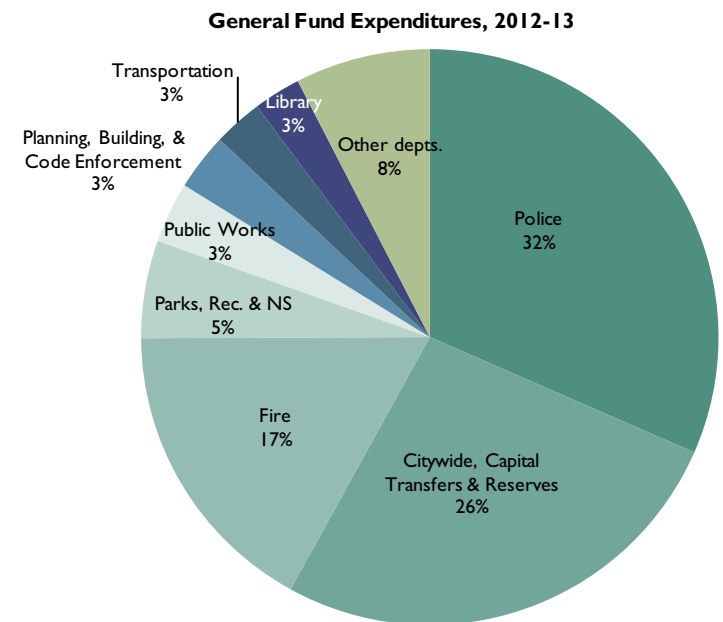


Source: 2012-13 Comprehensive Annual Financial Report



Source: 2012-13 Comprehensive Annual Financial Report

The General Fund is the primary operating fund used to account for the revenues and expenditures of the City which are not related to special or capital funds. Some of the General Fund's larger revenue sources include: property taxes, sales taxes, utility taxes, licenses and permits, and franchise fees. After ten consecutive years of budget cuts, 2012-13 was the first year the City avoided additional cuts in the General Fund. The City was also able to allocate a small surplus of \$9 million in the General Fund in the 2012-13 Operating Budget.



Smaller Departments	% of General Fund	Smaller Departments	% of General Fund
Finance	1.2%	City Auditor	0.2%
City Attorney	1.2%	City Clerk	0.2%
Information Technology	1.1%	Independent Police Auditor	0.1%
City Manager	1.0%	Environmental Services	0.0%
Mayor and City Council	0.9%	Housing	0.0%
Human Resources	0.6%	Airport	0.0%
Economic Development	0.5%	Retirement	0.0%

Source: 2012-13 Adopted Operating Budget

OVERALL REVENUES, SPENDING AND STAFFING

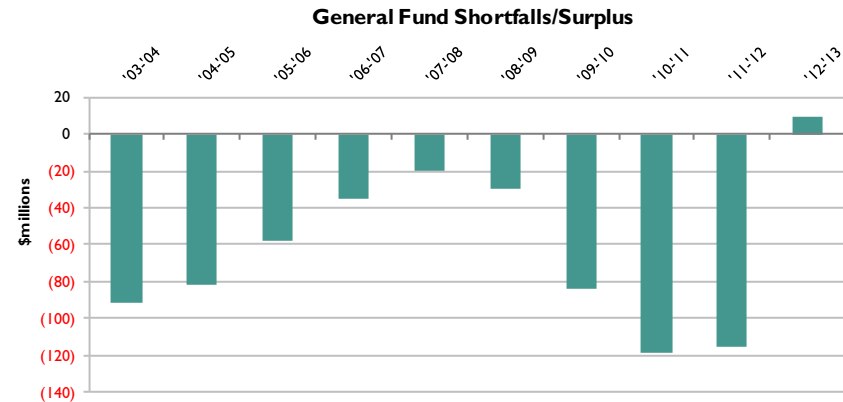
CITY OPERATING BUDGETS

Budgeted City expenditures totaled about \$2.8 billion in 2012-13. Of that, the City directly allocated* approximately \$1.29 billion to City departmental operations during 2012-13. This was a 24 percent increase compared to 10 years ago.

	'12-'13	10 year change
Airport	\$53,017,027	-17%
City Attorney	\$13,716,858	15%
City Auditor	\$1,948,886	-15%
City Clerk	\$1,795,183	-4%
City Manager	\$9,959,137	22%
Citywide Expenditures	\$201,111,662	154%
Economic Development	\$12,566,945	291%
Environmental Services	\$199,568,100	53%
Finance	\$14,386,100	47%
Fire	\$152,614,589	35%
Gen. Fund Cap., Transfers, & Reserves	\$36,763,000	84%
Housing	\$7,705,417	2%
Human Resources	\$7,335,927	1%
Independent Police Auditor	\$997,044	54%
Information Technology	\$15,001,813	3%
Library	\$27,584,037	-1%
Mayor and City Council	\$8,350,543	40%
Parks, Rec., & Neighborhood Services	\$54,737,935	-13%
Planning, Building, & Code Enforcement	\$30,382,428	-51%
Police	\$286,903,343	30%
Public Works	\$80,527,512	-6%
Retirement	\$3,797,386	90%
Transportation	\$68,747,275	10%
Total	\$1,289,518,147	24%

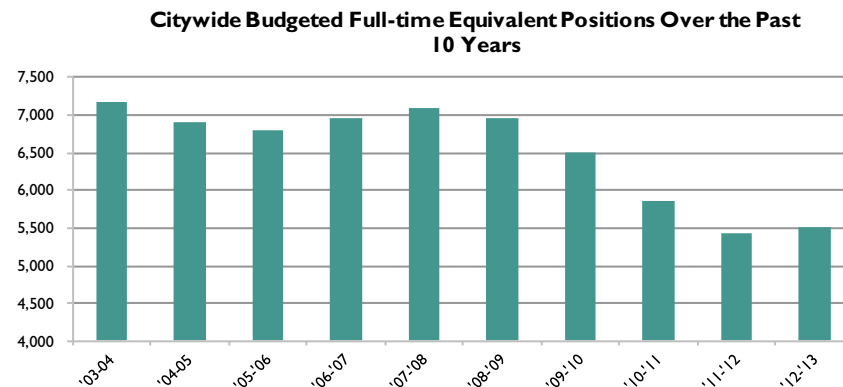
* Department operating expenditures include personal services for all funds, and non-personal/equipment expenditures for all funds with the exception of capital funds. Departmental operating budgets do not include all expenditures such as reserves, capital expenditures, debt service, and pass-through funding. Furthermore, other special funds are not always captured in departmental operation budgets. For example, the Airport's departmental expenditures totaled roughly \$53 million in 2012-13 (as we report in the chart above and in the Airport section), but the Airport had oversight over roughly \$250 million in other expenditures over the course of the year. The City's Operating and Capital Budgets are online at <http://www.sanjoseca.gov/index.aspx?NID=183>

Over the past decade, General Fund shortfalls resulted in operating budget decreases and staffing declines. Fiscal year 2012-13 saw the first General Fund surplus in a decade.



CITY STAFFING

In 2012-13, 62 percent of the General Fund's expenses were allocated for personnel costs. When the City is forced to make major budget cuts, it has to cut staffing. Overall staffing levels decreased by 23 percent over the last ten fiscal years from about 7,200 to 5,500 positions; 1,600 positions were cut in the last six fiscal years.

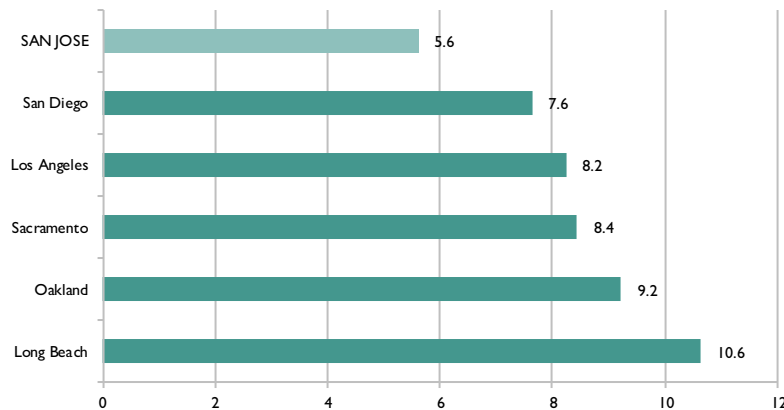


OVERALL REVENUES, SPENDING, AND STAFFING

CITY STAFFING (CONTINUED)

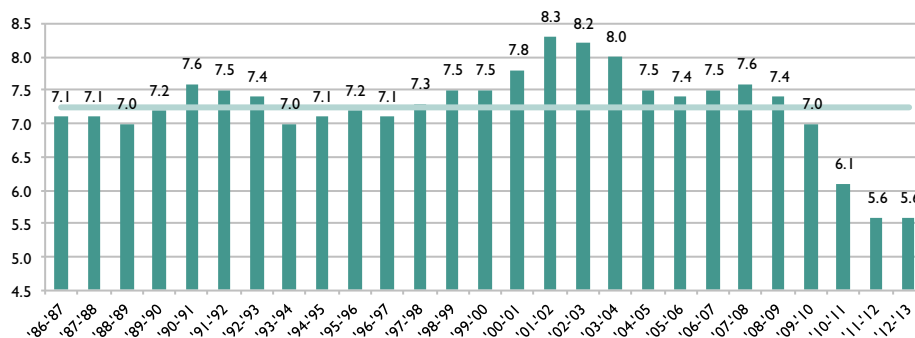
The City of San José employed fewer people per 1,000 residents in 2012-13 than many other large California cities.

2012-13 Authorized Full-Time Positions per 1,000 Residents



San José employed 5.6 employees per 1,000 residents, much less than San José's average of 7.2 positions during the 26 year period from 1987-2013.

Full-Time Employees per 1,000 population
1987-2013



Source: 2011 Fiscal and Service Level Emergency Report, November 2011, San José 2012-13 Operating Budget

In 2012-13 there were 5,524 authorized full-time equivalent positions City-wide. On average, between January and June 2013, about 9.5 percent of full-time and part-time positions were vacant.

Authorized Departmental Staffing	'12-'13	% Change over 10 years
Airport	184	-54%
City Attorney	72	-24%
City Auditor	15	-21%
City Clerk	15	11%
City Manager	59	-13%
Economic Development	76	95%
Environmental Services	499	12%
Finance	115	5%
Fire	763	-8%
Housing	62	-25%
Human Resources	54	-11%
Independent Police Auditor	7	17%
Information Technology	92	-20%
Library	315	-10%
Parks, Recreation, and Neighborhood Services	480	-37%
Planning, Building, and Code Enforcement	231	-32%
Police	1,548	-16%
Public Works	483	-41%
Retirement	36	53%
Transportation	391	-21%
Total	5,497	-23%

Source: San José 2013-14 Operating Budget

Note: This number does not include staff in the Mayor and Council offices, which in 2012-13 included the mayor, 10 city council members, and their policy teams. It also does not include their 16 administrative staff.

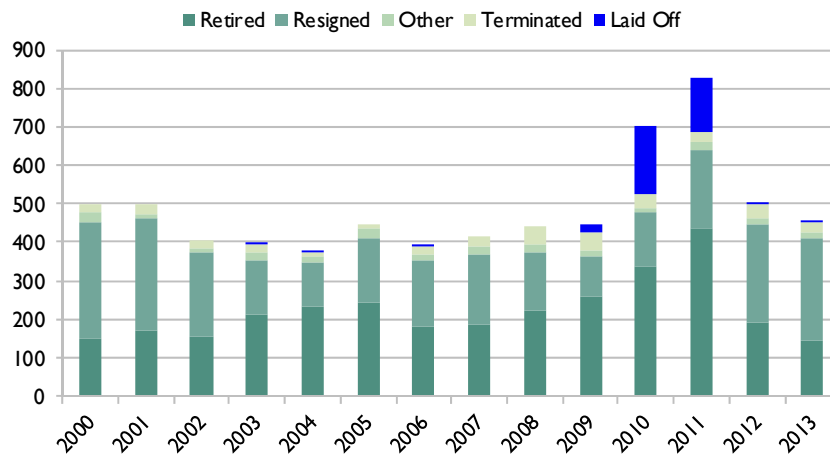
OVERALL REVENUES, SPENDING, AND STAFFING

CITY STAFFING (CONTINUED)

The number of fulltime employees leaving City service has come down from the high seen in 2011 when more than 800 employees left the City. In 2013, 450 individuals left City employment (by comparison, there were about 5,500 total positions within the City). Interestingly, 2012 and 2013 were the first years since 2002 where more staff resigned than retired.

Total employee compensation dropped from a high of approximately \$830 million in 2008-09, to \$750 million in 2012-13, despite the fact that retirement costs have increased dramatically. This is due to a combination of factors including staffing reductions as well as salary reductions that City employees took beginning in 2010-11 and continuing into 2012-13. Retirement benefits as a share of total employee compensation has increased from 11 percent to 32 percent since 2003-04.

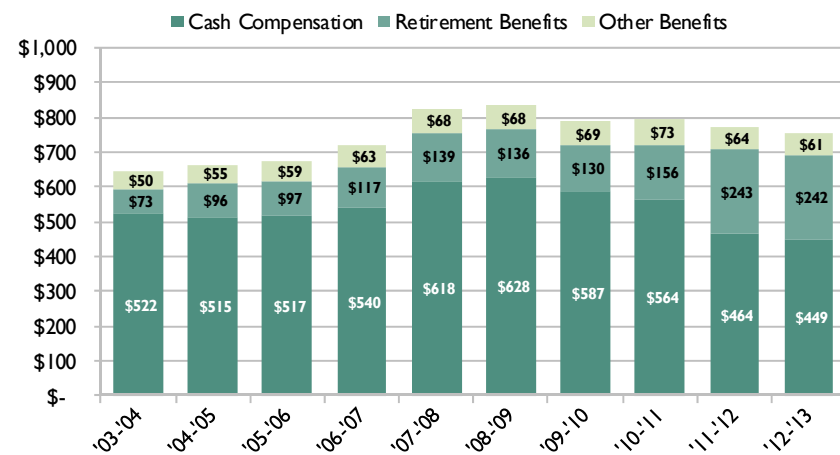
**Number of Fulltime Employees Leaving City Service
by Type of Departure**



Source: Auditor analysis of PeopleSoft records

Note: As the city experienced significant staffing reductions between 2008-09 and 2010-11, bumping increased. Employee bumping is a process where a more senior employee displaces a less senior employee from a job.

**Retirement, Fringe and Cash Compensation for all Funds
(\$millions)**



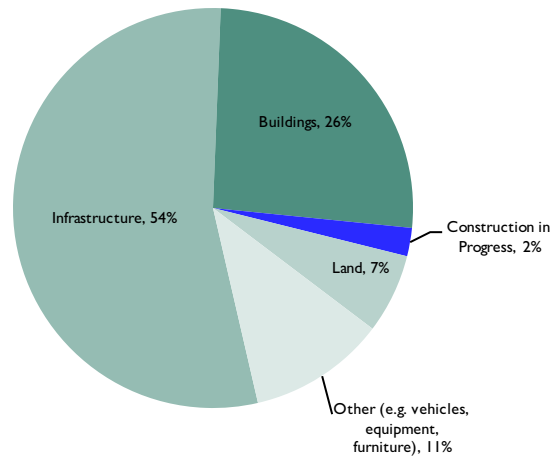
Source: Auditor analysis of PeopleSoft records

Note: Prior year figures have been adjusted to reflect updated information. In prior years, an inconsistent methodology had been applied that utilized the best available information at that time.

OVERALL REVENUE, SPENDING, AND STAFFING

CITY CAPITAL SPENDING

**Net Capital Asset Breakdown,
June 30, 2013**



Source: 2012-13 Comprehensive Annual Financial Report

Capital assets refer to land, buildings, vehicles, equipment, infrastructure (e.g., roads, bridges, sewers), and other assets with a useful life beyond one year. Also included are construction projects currently being built but not yet completed (referred to as construction in progress).

At the end of fiscal year 2012-13 the City owned \$8.3 billion of capital assets. This figure represents the historical purchase or constructed cost less normal wear and tear from regular use (referred to as depreciation).

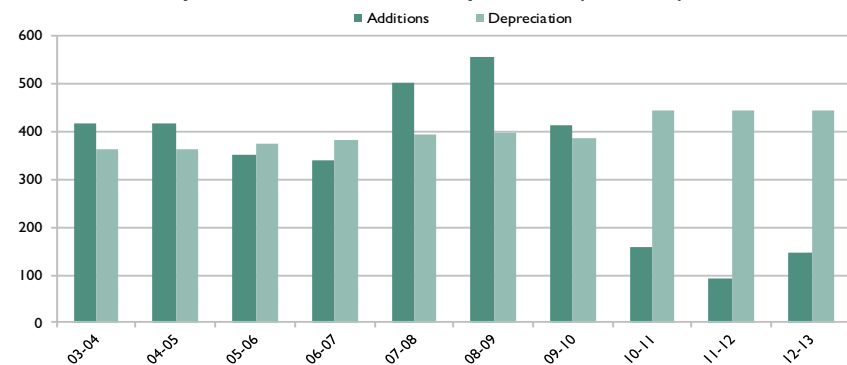
Capital assets used for normal government operations totaled \$6.2 billion and assets used in business-type activities such as the Airport, wastewater treatment, and other fee-based services totaled \$2.1 billion.

In 2012-13, the City added \$145 million in capital assets; however, these were offset by \$443 million in depreciation. Among the additions were multiple completed capital projects at the Airport (e.g., airfield improvements, taxi staging area) and within the Wastewater Treatment

System. The City faces an estimated \$909 million deferred maintenance and infrastructure backlog, with an additional \$148 million needed annually in order to maintain the City's infrastructure in a sustained functional condition. The transportation system (e.g., streets, street lighting) is most affected by the backlog.

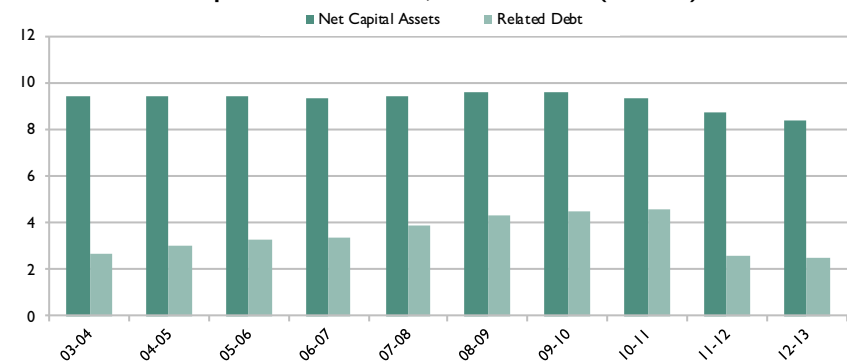
On June 30, 2013, capital asset-related debt totaled \$2.5 billion, about the same as the prior year.

Capital Asset Additions and Depreciation (\$millions)



Source: 2003-04 through 2012-13 CAFRs.

Net Capital Assets and Debt, Fiscal Year End (\$billions)



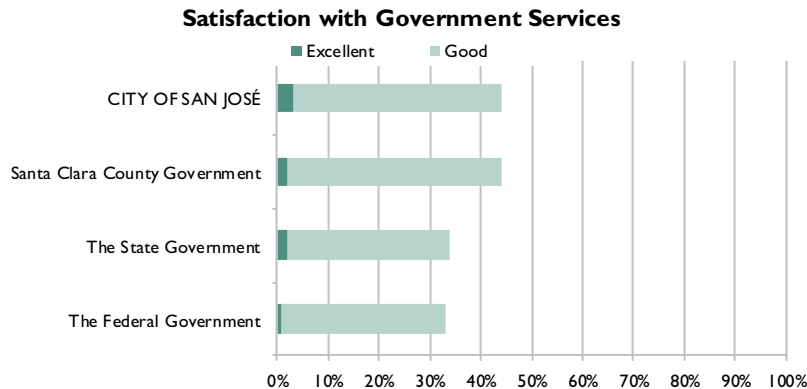
Source: 2003-04 through 2012-13 CAFRs

Note: Capital asset-related debt dropped nearly \$2 billion between 2010-11 and 2011-12 as a result of the transfer of former RDA debt to the SARA.

OVERALL REVENUE, SPENDING, AND STAFFING

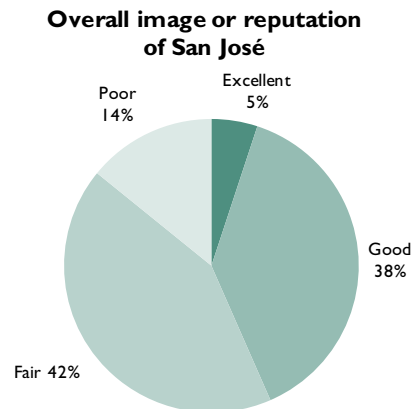
CITYWIDE QUALITY OF SERVICES

In the 2013 National Citizen Survey, 44 percent of San José surveyed residents rated the quality of City services “good” or “excellent.”

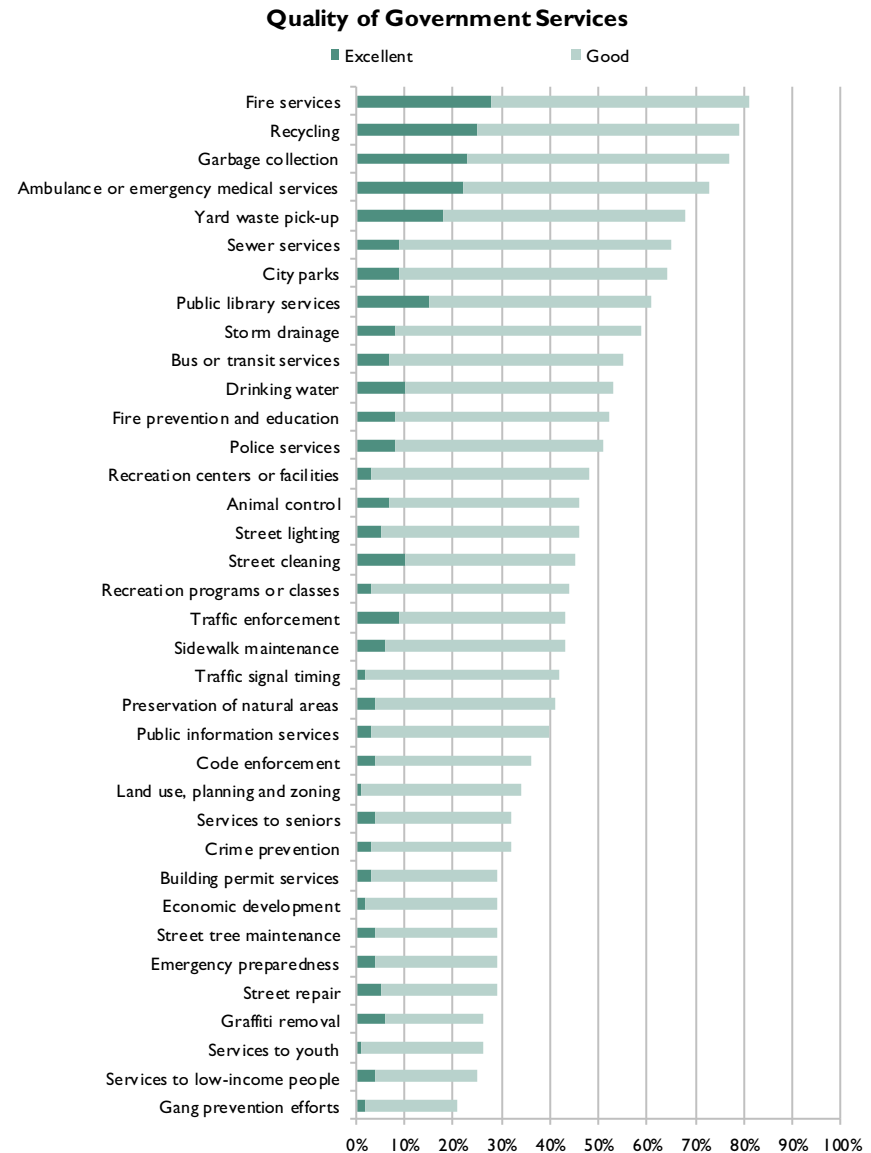


In 2013, residents were asked how they would rate specific government services on a scale of “excellent,” “good,” “fair,” or “poor.” The chart to the right shows the results of this evaluation.

Residents also rated their overall impression of San José’s image or reputation. Less than half of residents, 43 percent, rated the overall image or reputation as good or excellent in 2013.



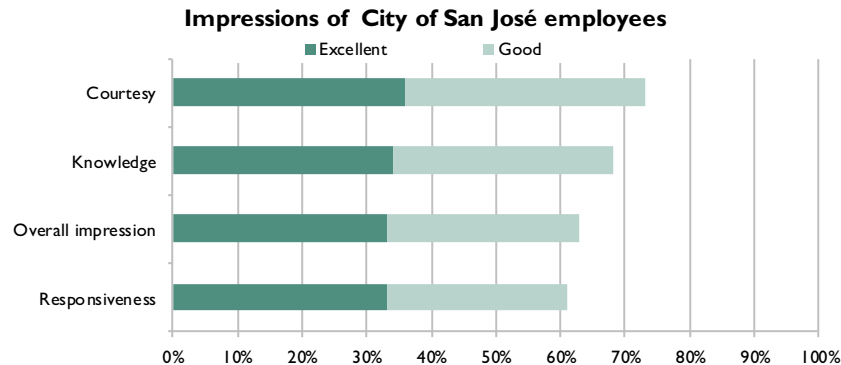
Satisfaction with government services ranges from a high of 81 percent of residents rating fire services as good or excellent to a low of 21 percent rating gang prevention efforts as good or excellent.



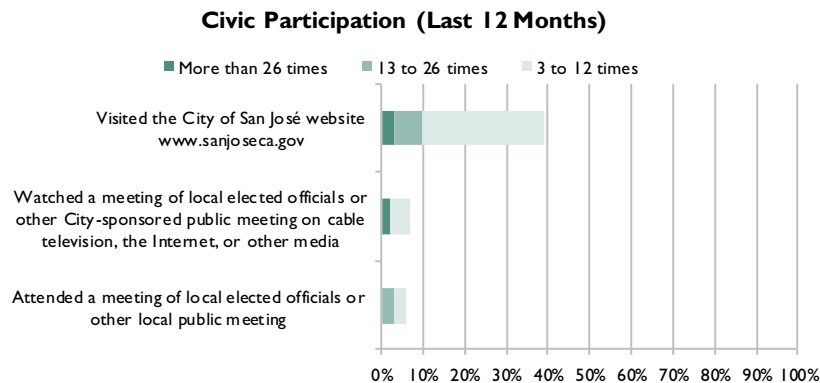
OVERALL REVENUE, SPENDING, AND STAFFING

CITYWIDE PUBLIC TRUST

In the 2013 National Citizen Survey, 45 percent of residents reported that they had some contact with City of San José employees. Of those residents, 63 percent reported their overall impression of City employees as “excellent” or “good.”

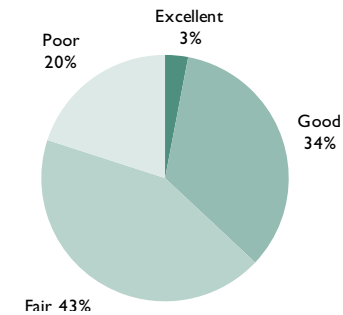


About a quarter of residents rated the job San José does at welcoming citizen involvement as “excellent” or “good.” Most residents did not report having viewed a meeting of elected officials or another public meeting, in person, on TV, the internet, or other media sources. However, 63 percent of residents reported visiting the City’s website at least once in the last 12 months, and 39 percent reported visiting it three or more times.

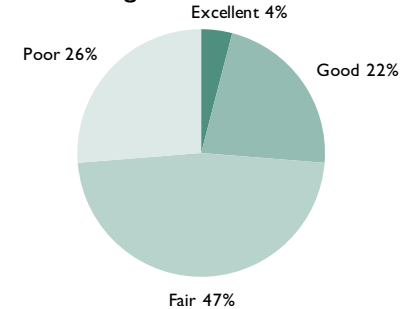


About two-thirds of residents feel that the overall direction San José is taking is “fair” or “poor” and 37 percent feel it is “excellent” or “good.”

The overall direction that San José is taking



The job San José government does at welcoming citizen involvement



The majority of residents feel that the value of services for taxes paid to San José is “fair” or “poor” and less than a third feel it is “excellent” or “good.”

The value of services for the taxes paid to San José

