

Memorandum

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT FOR JANUARY/FEBRUARY 2015

DATE: April 9, 2015

Approved

Date

4/9/15

The Bi-Monthly Financial Report for January/February 2015 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review. The City Manager's Budget Office has analyzed actual expenditures as compared to the 2014-2015 Budget and the Finance Department has prepared a report that reflects the financial results for the eight months ending February 2015.

OVERVIEW

Revenues and expenditures continue to generally track within the budgeted estimates in all City funds. The Administration continues to closely monitor economic conditions and the performance of each fund, and will bring forward budget adjustments to the City Council as part of the 2014-2015 Year-End Clean-up memorandum as necessary. Following are key highlights in this report:

- In the Silicon Valley, strong economic growth continues with median home prices up 12.2% from the same time last year, and unemployment rates continuing to remain below both State and national levels.
- Current actual year-to-date revenue collection trends reflect the strong economic growth as assumed in the development of the 2014-2015 Adopted Budget. In the General Fund, revenues are expected to exceed current budgeted estimates and expenditures are anticipated to generate savings. This is consistent with assumptions used to build the 2016-2020 General Fund Five Year Forecast released in February 2015. Highlights of General Fund activities include:
 - Property Tax receipts are expected to increase over 9% in 2014-2015 and exceed the budgeted estimate of \$234 million. This reflects strong growth in the Secured Property Tax category due primarily to changes in ownership and the full or partial restoration of property values that were temporarily reassessed downwards under Proposition 8 as a result of declining market values and an anticipated one-time payment to the City as a result of excess Educational Revenue Augmentation Fund (ERAF) of \$6.0 million.
 - Transiency Occupancy Tax continues to outpace estimated growth levels of 9.5% with another year of over 10% growth anticipated.
 - Performance of development-related revenues in the General Fund are generally in alignment with forecasted expectations.

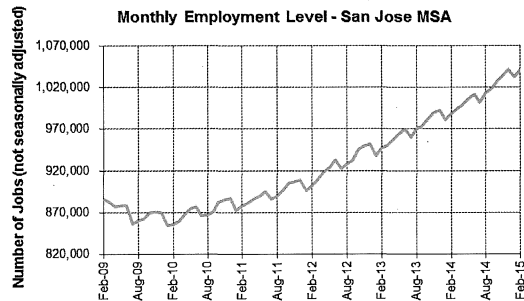
OVERVIEW (Cont'd.)

- General Fund departmental and non-departmental expenditures are tracking within budgeted levels through February and are expected to generate significant savings by year-end. A few departments are tracking close to or slightly above estimated levels, and they will continue to be monitored and appropriation adjustments will be brought forward for City Council consideration if necessary.
- Other construction taxes, including Construction Excise Tax and Building and Structures Tax, continue to experience solid growth though below the record setting levels seen in 2013-2014.
- Construction and Conveyance Tax collections continue to be extremely volatile throughout 2014-2015. As reported in the 2014-2015 Mid-Year Report, compared to prior fiscal year receipts, collection levels experienced growth July 2014 through September 2014, then experienced declines or no growth October 2014 through January 2015. Receipts in February 2015, however, experienced promising growth of 26.1% compared to February 2014 receipts. Receipts in this category are expected to total \$35.0 million in 2014-2015, below the 2014-2015 Adopted Budget estimate of \$39.0 million. This lower projected collection level has been used in the development of the 2015-2016 Proposed Capital budget and 2016-2020 Capital Improvement Program.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 6.3 million passengers, an increase of 6.1% from the figures reported through February of the prior year and compares to a forecasted 2.0% growth in passenger activity in 2014-2015.
- Revenues and expenditures in all other special and capital funds are generally tracking within estimated levels.
- The Administration will continue to report to the City Council any significant developments through future Bi-Monthly Financial Reports.

OVERVIEW (Cont'd.)

Economic Environment

The economic performance in Silicon Valley continues to show moderate economic growth, with increasing housing prices, a declining unemployment rate, and continued strong development activity. Actual revenue performance through the first eight months of the year supports the continuance of the economic recovery. Many local economic indicators, including employment, local construction, and real estate activity measures, show sustained economic growth.



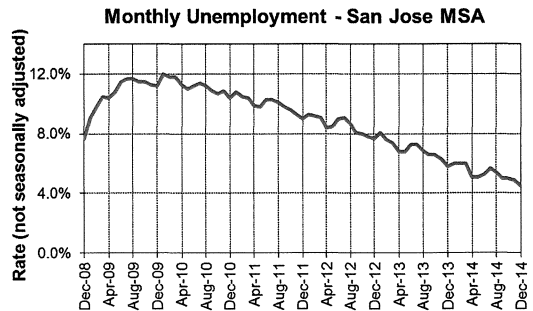
The February 2015 employment level in the San José, Sunnyvale, Santa Clara Metropolitan Statistical Area (San José MSA) of 1.04 million was 5.4% above the February 2014 level of 988,300 and matches the December 2014 level, the highest peak since 2001.

The unemployment rates at the local, State, and national levels continue to reflect improvement from prior year and from prior month levels. In February 2015, the unemployment for the San José Metropolitan Statistical Area of 4.5% represents a 25% decline from the February 2014 rate of 6.0%. In this region, the February 2015 level continues to fall below the unadjusted unemployment rate for both the State (6.8%) and the nation (5.8%).

Unemployment Rate (Unadjusted)

	Feb. 2014	Jan. 2015	Feb. 2015**
San José Metropolitan Statistical Area*	6.0%	4.8%	4.5%
State of California	8.3%	7.3%	6.8%
United States	6.7%	6.1%	5.8%

* San Benito and Santa Clara Counties
 ** Preliminary Estimate
 Source: California Employment Development Department

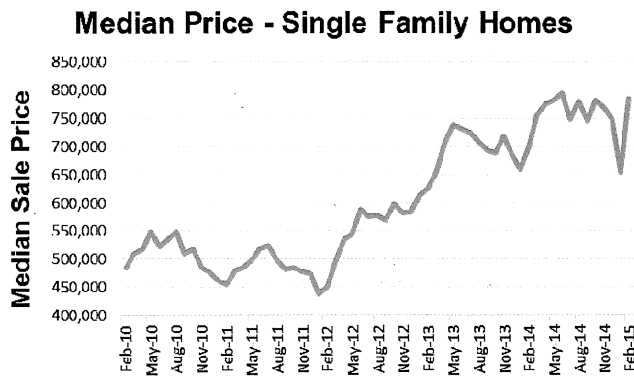


New residential construction activity is lower than prior year levels (\$403.6 million in 2014-2015 compared to \$504.3 million in 2013-2014), although the number of dwellings is fairly consistent (2,960 in 2014-2015 compared to 3,043 in 2015-2016). Valuation for alteration activity increased 14% from \$71.3 million in 2013-2014 to \$81.6 million in 2014-2015.

OVERVIEW (Cont'd.)

Overall, industrial construction valuation is also lower than last year (\$213.0 million in 2014-2015 compared to \$388.4 million in 2013-2014). Consistent with the other categories, commercial construction valuation is lower than last year (\$225.3 million in 2014-2015 compared to \$281.6 million in 2013-2014) primarily as a result of the construction of the San José Earthquakes stadium in 2013-2014. Although lower than 2013-2014 levels, the construction activity in 2014-2015 remains above 2012-2013 levels.

Private Sector Construction Activity (Valuation in \$ Millions)			
	July-Feb. 2013-2014	July-Feb. 2014-2015	% Increase/ (Decrease)
Residential	\$575.5	\$485.2	(16%)
Commercial	\$281.6	\$225.3	(20%)
Industrial	\$388.4	\$213.0	(45%)



Continuing the recent trend, the local real estate market continues to see rising sale prices coupled with low levels of housing inventory. The median single-family home price in February 2015 of \$785,500 is up 12.2% from the February 2014 price of \$700,000. However, the February 2015 number of property transfers of 380 is down 8.4% when compared to the 415 sales that occurred in February 2014. In addition, the average days-on-market for single-family and multi-family dwellings in February

2015 was 38 days, a 5.6% increase from the 36 days experienced in February 2014.

On a national level, the consumer confidence which increased in January, fell slightly in February consistent with 2013-2014. Consumer confidence is still above pre-recession levels and according to Lynn Franco, Director of Economic Indicators for the Conference Board, the consumer confidence index indicates that “consumers remain confident that the economy will continue to expand at the current pace in the months ahead”. The decline in February is due to a continued positive assessment of current conditions offset by a decline in short-term expectations.

As suggested by a number of economic indicators, the local economy continues to experience growth, although the rate of growth has slowed somewhat in comparison to 2013-2014. Economic conditions will continue to be closely monitored and will be factored into the assessment of the City’s performance in 2014-2015, as well as development of the 2015-2016 Proposed Budget scheduled to be released May 1, 2015.

GENERAL FUND

REVENUES

General Fund revenues through February 2015 totaled \$606.6 million, which represents an increase of \$18.4 million (3.1%) from the February 2014 level of \$588.2 million. Both the current and the prior fiscal year include borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes (\$100 million annually in both fiscal years).

Several categories are currently tracking above prior year levels, including Property Tax, Sales Tax, Telephone Line Tax, Transient Occupancy Tax, Franchise Fees, Business Taxes, Fines, Forfeitures and Penalties, Use of Money and Property, Transfers and Reimbursements, and Other Revenue. The higher collections in these categories are partially offset by lower collections in a number of categories, including Utility Tax, Licenses and Permits, Revenue from Local Agencies, Revenue from the State of California, and Revenue from the Federal Government.

Overall, General Fund revenues are tracking to meet or exceed budgeted estimates. All revenues categories will be carefully monitored for the remainder of the year, and any necessary budget adjustments will be brought forward for City Council consideration, as appropriate.

The following discussion highlights General Fund revenue activities through February.

KEY GENERAL FUND REVENUES

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 233,973,240	\$ 132,368,503	\$ 120,764,648

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. Through February, \$132.4 million has been received, reflecting 57% of the 2014-2015 budget for this category. Property tax receipts are projected to exceed the budgeted estimates by year-end based on the latest information from the County of Santa Clara.

The County provided information about an anticipated one-time payment to the City as a result of excess Educational Revenue Augmentation Fund (ERAF). Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In 2013-2014, the City received over \$200,000 from excess funds in 2012-2013. Currently, the County of Santa Clara preliminarily anticipates approximately \$56 million in excess ERAF for Santa Clara County from 2013-2014. It is anticipated that the City will receive

GENERAL FUND (Cont'd.)

approximately \$6 million, which has been accounted for in the development of estimates for 2014-2015 Ending Fund Balance/2015-2016 Beginning Fund Balance.

- The **Secured Property Tax** budget estimate of \$215.2 million was based on the assumption that collections would increase approximately 6% in 2014-2015. However, the revised assessed value for 2014-2015 reflects growth of 7.4%, slightly above the levels assumed in the 2014-2015 budget. As a result of this revised assessed value and a revised estimate from the County of Santa Clara, which includes estimated tax roll corrections of \$25 million County-wide, the current estimate from the County of Santa Clara exceeds the 2014-2015 Adopted Budget estimate by approximately \$3 million. Because tax roll adjustments will continue to occur until the end of May 2015, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.
- **Unsecured Property Tax** collections of \$11.0 million were slightly above prior year collections of \$10.9 million in 2013-2014. Typically collections through February reflect approximately 90% of annual collection levels (which is received in October). Assuming this trend, it is anticipated that collections may fall below (\$150,000-\$300,000) the 2014-2015 Adopted Budget estimate of \$12.9 million, which requires growth of 3.8% from 2013-2014 actual collections. The most recent estimate from the County of Santa Clara for 2014-2015, however, continues to fall even further below the 2013-2014 actual collections.
- **SB 813 Property Tax** collections of \$3.2 million through February were significantly above prior year collection levels of \$1.7 million. The 2014-2015 Adopted Budget estimate of \$2.8 million is well below the 2013-2014 actual collection level of \$5.0 million. Collections in this category were expected to decline due to an anticipated change in methodology for the SB 813 distribution. In 2004-2005, the State Motor Vehicle In-Lieu (VLF) swap involved the permanent conversion of VLF backfill funds to Property Tax as part of the approved State budget. Since SB 813 Property Tax receipts are pooled receipts that are allocated to each jurisdiction based on their share of secured property taxes, an increase in the City's Secured Property Taxes due to the VLF conversion increased the City's share of SB 813. Per conversations with the County of Santa Clara, it was anticipated that beginning in 2014-2015, VLF receipts associated with the swap will not be considered Property Tax for the SB 813 calculation and, therefore, will reduce the City's relative share of this tax. The County of Santa Clara now estimates activity levels to exceed prior year levels by 30% offset by the revision in the calculation methodology, resulting in additional revenue of approximately \$2 million to \$3 million.

Aircraft Property Tax receipts of \$2.35 million have been received through February (funds were received in October), reflecting growth of 13.7% from the prior year. This collection level exceeded the 2014-2015 Adopted Budget estimate of \$2.15 million, which required approximately 1% growth. Typically, collections through October reflect over

GENERAL FUND (Cont'd.)

95% of the annual revenue for this category. Based on actual collections and the latest estimate from the County of Santa Clara, receipts are expected to exceed the budgeted estimate by almost \$250,000.

- Based on the latest estimate from the County, **Homeowners Property Tax Relief** revenue is projected to meet the 2014-2015 Adopted Budget estimate of \$1.03 million.

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 180,024,000	\$ 89,881,593	\$ 85,616,279

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. Overall, revenues are tracking at budgeted estimates and are anticipated to meet or slightly exceed budgeted levels by \$250,000 at this time.

The 2014-2015 Adopted Budget estimate for **General Sales Tax** of \$174.2 million requires growth of 3.7% from the 2013-2014 year-end figure of \$168.0 million. Collections in 2014-2015 will be impacted by prior year accrual adjustments (additional \$835,000), one-time Sales Tax correction payment from the State of (\$682,000), and the Triple Flip payment from the State which was lower (\$1.5 million) than estimates used in the development of the 2014-2015 Adopted Budget. The first quarter 2014-2015 General Sales Tax revenues were up 6.3% from the same quarter in the prior year; however, the second quarter receipts were only up 2.4% from the same quarter in the prior year compared to a budgeted estimate of 4%. When comparing San José's most recent cash receipts to those of other jurisdictions, San José's growth of 2.4% was below the growth level of the State as a whole (up 4.0%), Northern California (3.0%), San Francisco Bay Area (3.9%), and Santa Clara County (5.6%).

The City's Sales Tax consultant, MuniServices, recently provided the City with 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 a local economic basis, growth of 3.2% was realized in the most recent quarter. As shown in the chart on the following page, this growth was the result of flat to modest growth in the three largest economic sectors followed by strong growth in the next couple of sectors, including Food Products (up 9.8%) and Construction (up 4.9%).

GENERAL FUND (Cont'd.)

**Sales Tax Revenue Economic Performance
October 2014 – December 2014**

Economic Sector	% of Total Revenue	% Change
		Oct. – Dec. 2014 to Oct. – Dec. 2014
General Retail	29.2%	2.2%
Business to Business	22.5%	2.1%
Transportation	21.3%	0.0%
Food Products	16.4%	9.8%
Construction	9.9%	4.9%
Miscellaneous	0.7%	2.8%
Total	100.0%	3.2%

Based on the actual first and second quarter cash receipts, one-time adjustments, and an assumed growth of 3.5% for the remaining two quarters, revenues are anticipated to meet or slightly exceed the current estimate by less than \$200,000.

Through February, the **Proposition 172 Sales Tax** receipts of \$3.4 million were up 9.3% from the same period in the prior year. The 2014-2015 budgeted estimate of \$5.8 million requires growth of 7.0% from the 2013-2014 collection level of \$5.4 million. Based on 2014-2015 actual performance and current collection trends, it is anticipated that collections will meet or slightly exceed budgeted estimates this year by less than \$75,000.

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 13,000,000	\$ 8,105,057	\$ 6,689,586

Through February, receipts recorded in the General Fund of \$8.1 million are 21.2% above the prior year's collections for the same period. Once adjusted for compliance revenue (\$185,000), regular Transient Occupancy Tax (TOT) collections are 22.5% above adjusted prior year levels. Based on the current trend, growth is estimated to exceed the 9.5% increase in this category needed to meet the current 2014-2015 Modified Budget of \$13.0 million which was increased by \$1.25 million as part of the 2014-2015 Mid-Year Budget Review. It should be noted that as budgetary estimates are increased, per City Council direction, additional revenue is to be placed in a Cultural Facilities Capital Maintenance Reserve that will be allocated at a future time.

Through February, the average hotel occupancy rate at the 14 major hotels was 75.2%, an improvement from the 68.7% occupancy rate for the same period in 2013-2014. For the same 14 hotels, the average daily room rate through February was \$169.05, up 11.4% from the \$151.73 room rate for the same period in 2013-2014. The year-to-date average revenue-per-available room (RevPAR) metric of \$127.33 represents an increase of 21.8% from the prior year level.

GENERAL FUND (Cont'd.)

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Franchise Fees	\$ 45,346,879	\$ 23,224,927	\$ 22,509,109

Franchise Fees are collected in the Electric, Gas, Cable, Tow, Commercial Solid Waste, Water, and Nitrogen Gas Pipeline categories. Through February, Franchise Fee receipts of \$23.2 million were 3.2% above last year's collection level of \$22.5 million. Overall, it is anticipated that revenues will meet or exceed the current budgeted estimate of \$45.3 million.

Electric and Gas Franchise Fees provided by Pacific Gas & Electric (PG&E) are based on the revenues of that company in a calendar year (revenues in 2014-2015 are based on the calendar year 2014). Actual collections currently reflect formula driven advance amounts and true receipts will not be known until April 2015. Based on current Electricity and Gas Utility Tax receipts for calendar year 2014, it is anticipated that receipts will meet or exceed Adopted Budget estimates of \$19.2 million and \$4.7 million respectively.

Commercial Solid Waste Fees of \$6.5 million through February are slightly above prior year levels of \$6.4 million. Collections are expected to reach the budgeted estimate of \$11.2 million, consistent with the 2014-2015 Adopted Budget level, which reflects the revised methodology of a flat rate for assessing this fee. The revised methodology became effective July 1, 2012.

Cable Franchise Fees of \$4.9 million are 5.8% above the prior year level of \$4.6 million. If collections continue at this trend, receipts are anticipated to slightly exceed the current budgeted estimate of \$9.1 million by \$500,000 to \$700,000.

Collectively, all other franchise fees including Tow, Water, and Nitrogen Gas Pipeline are tracking to end the year around budgeted estimates.

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 94,825,000	\$ 56,248,568	\$ 56,334,613

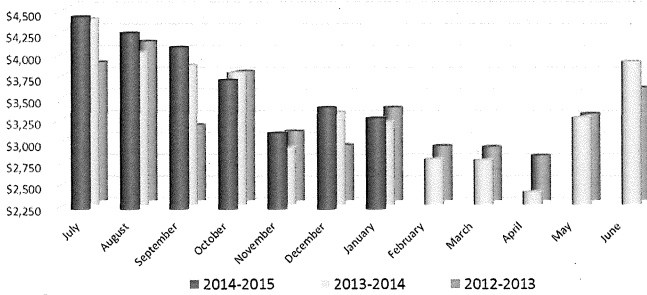
Through February, Utility Tax receipts of \$56.2 million were tracking \$86,000 below last year's collection level of \$56.3 million. The 2014-2015 Adopted Budget estimate requires an increase of 1.1% from the prior year collection level. Overall, based on the current collection trends, Utility Tax receipts are tracking to fall below budgeted levels.

GENERAL FUND (Cont'd.)

**Utility Taxes Actual Collections
(\$'s in thousands)**

Utility Taxes	2013-2014 Actuals	2014-2015 Adopted Budget	February 2015 Actuals	February 2014 Actuals	% Change
Electricity	\$40,892	\$41,300	\$26,608	\$25,701	3.5%
Gas	8,766	9,100	4,830	4,977	-3.0%
Water	11,383	11,400	6,959	7,207	-3.5%
Telephone	32,753	33,025	17,852	18,450	-3.2%
TOTAL	\$93,794	\$94,825	\$56,249	\$56,335	-0.2%

Electric Utility Tax Collections
(Monthly \$'s in thousands)

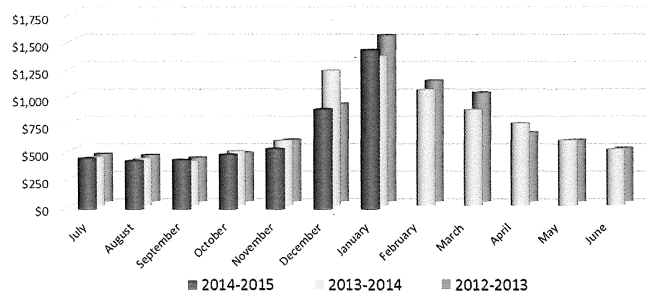


- **Electricity Utility Tax** collections of \$26.6 million are 3.5% above prior year levels, 3.9% above once adjusted for timing differences in payments and year-end accrual variances. Collections are on pace to exceed the 1.0% growth necessary to meet the 2014-2015 Adopted Budget estimate. Rate cases approved with the California Public Utility Commission (CPUC), included increases in both October 2014 as well as January 2015. These rate increases have

been incorporated into the projections and collections will likely exceed budgeted estimates by approximately \$700,000 to \$1 million.

- **Gas Utility Tax** collections are 3.0% below prior year receipts. Once adjusted for timing differences in payments and year-end accrual variances, collections are 3.4% below prior year levels. This falls short of the 3.8% growth necessary to meet the 2014-2015 Adopted Budget estimate. Recent rate cases approved by the CPUC may result in higher revenue

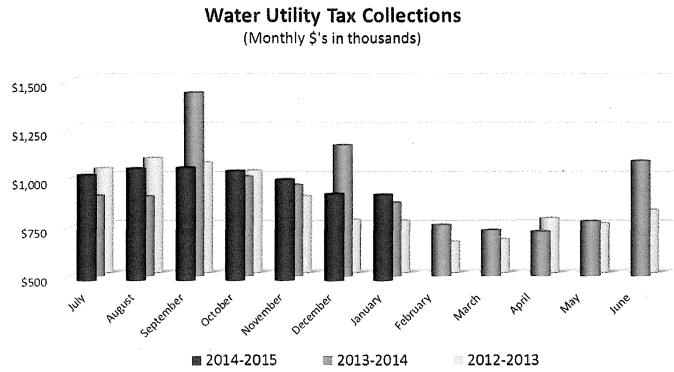
Gas Utility Tax Collections
(Monthly \$'s in thousands)



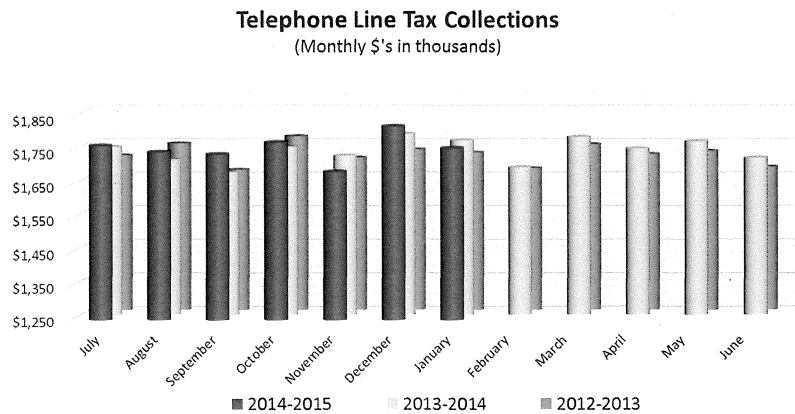
collections through the remainder of the year. Gas Utility Tax receipts are subject to significant fluctuations from the impact of weather conditions and/or rate changes. Based on current collections, receipts are anticipated to fall below budgeted levels. Overall PG&E revenues are estimated to increase 6% between Gas and Electric activity. In aggregate, once adjusted for anticipated rate increases, collections in the Electricity and Gas Utility Tax categories are expected to meet or slightly exceed budgeted estimates.

GENERAL FUND (Cont'd.)

- Collections of \$7.0 million reflect a 3.5% decline in **Water Utility Tax** collections from prior year collections, and a 2.1% decline once adjusted for timing differences in payments and year-end accrual variances. Collections can remain flat to meet the budgeted estimate. The CPUC recently settled a rate case submitted by San Jose Water approving the following rate adjustments: August 2014, 10% increase; September 2014, 10%-11% increase; January 2015, 3% increase. However, consumption levels are down due to the significant measures taken to reduce water usage to address the California drought. Given these offsetting factors, collections are currently anticipated to meet the 2014-2015 Adopted Budget estimate of \$11.4 million by year end; however, this category may experience significant fluctuations due to the current drought conditions.



- **Telephone Utility Tax** primarily consists of three revenues: telephone, cellular, and Voice over Internet Protocol (VoIP). Collections of \$17.9 million are tracking 3.2% below prior year levels primarily due to lower telephone receipts of \$556,000.



Once adjusting for timing difference in payment and accruals, receipts through January continue to track approximately 8.4% (\$1.6 million) below prior year levels. This is primarily due to lower receipts in both telephone and cell phone receipts. The 2014-2015 Adopted Budget estimate of \$33.0 million requires growth of 0.8% from 2013-2014 receipts. As collections are not meeting this budgeted growth, receipts are anticipated to fall below the adopted estimate by approximately \$3 million. In addition, as a result of litigation, it is anticipated that receipts will be impacted by a reduction of \$1.3 million to refund claims made by AT&T Mobility on behalf of its customers against California Utility Users Tax (UUT) cities and counties.

GENERAL FUND (Cont'd.)

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 43,700,000	\$ 29,947,625	\$ 28,711,758

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through February, overall collections of \$29.9 million are tracking above prior year collection levels, reflecting higher collections in General Business Tax, Disposal Facility Tax and Cardroom Tax categories, offset by lower Collections in Marijuana Business Tax. To meet the 2014-2015 Adopted Budget estimate, receipts in this category can drop 3.9% from the actual 2013-2014 collection level. Some categories are anticipated to exceed budgeted estimates by year-end which will offset lower receipts in other categories. Overall, Business Taxes revenues are anticipated to exceed the 2014-2015 Adopted Budget estimate.

The chart below outlines the four types of revenue in the Business Tax category and provides a comparison of 2013-2014 actuals to the 2014-2015 budget as well as collections through February in both the current and prior year.

Business Taxes Actual Collections
 (\$'s in thousands)

Business Taxes	2013-2014 Actuals	2014-2015 Adopted Budget	February 2015 Actuals	February 2014 Actuals	% Change
Cardroom Tax	\$16,325	\$16,000	\$9,813	\$9,390	4.5%
Marijuana Business Tax	6,061	6,000	2,959	3,495	-17.3%
General Business Tax	10,859	11,000	9,993	8,976	11.3%
Disposal Facility Tax	12,233	10,700	7,183	6,851	4.8%
TOTAL	\$45,478	\$43,700	\$29,948	\$28,712	4.3%

- **Cardroom Tax** receipts through February are 4.5% above prior year levels. Collections in this category have remained steady at \$16.3 million for the past two years, however, based on current tracking, receipts are anticipated to exceed prior year and budgeted levels by approximately \$1.0 million in 2014-2015.
- **Marijuana Business Tax** receipts continue to track below (-15.3%, \$536,000) prior year levels, which may be due to the July 2014 start-up and enforcement of the restrictions of the Medical Marijuana Regulatory Program. Based on current collection trends, it is anticipated that receipts will fall approximately \$1.5 million below the budget estimate which allows for a 1.0% decline from 2013-2014 actual collections. The receipts will continue to be monitored closely for the impact of the implementation of the Medical Marijuana Regulatory Program, as well as the potential impacts from any federal actions, and reported through these Bi-Monthly Financial Reports.

GENERAL FUND (Cont'd.)

- **General Business Tax** receipts of \$10.0 million are 11.3% above prior year levels. This is primarily due to a timing difference in billing and does not reflect actual cash collections. Once adjusted for the remaining billing anticipated in 2014-2015 and the historical collections rates of invoices, it is anticipated that collections will meet the \$11.0 million budgeted estimate.
- **Disposal Facility Tax (DFT)** revenue of \$7.2 million through February is tracking 4.8% above the prior year levels. The 2014-2015 Adopted Budget DFT estimate of \$10.7 million was built on lower estimated 2013-2014 collections and assumed a slight decline of approximately 1%. However, based on 2013-2014 actual collections, receipts can now decline 12.5% in 2014-2015. If current collection trends continue, receipts are anticipated to exceed current budgeted estimates by \$1.0 million to \$1.6 million. This category will be closely monitored to determine if the strong collections in 2013-2014 and 2014-2015 are sustained as this category experienced declines in recent years.

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 46,395,293	\$ 35,690,833	\$ 36,276,799

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through February, Licenses and Permits revenue of \$35.7 million tracked 1.6% below the prior year level of \$36.3 million. The 2014-2015 budget estimate, however, allows for a decline of 10.8% from the actual 2013-2014 collection level. While development-related revenues are tracking below the extremely high levels experienced in 2013-2014, activity in this area remains strong and collections are expected to meet or exceed budgeted estimates by year-end. It is anticipated that upward adjustments to this revenue category, offset by development fee related expenditures or increases to development fee reserves, will be brought forward during 2014-2015.

Following is a discussion of the major components of this category.

- **Building Permit** Building Permit revenues of \$18.6 million through February are tracking 8.6% below the 2013-2014 collection level of \$20.4 million for the same period. The 2014-2015 budgeted revenue estimate allows for a drop of 21.1% from the prior year actuals in this category; however, this has not been the case as revenues in building permits, plumbing permits, mechanical permits (excluding new residential), and electrical permits are tracking above estimated levels. Although permit activity in February was strong for commercial and industrial, offset by slow residential activity, year-to-date permit activity in all three categories (residential, commercial, and industrial) was lower than the peak levels experienced through the same period last year. If the current collection trend continues, it is anticipated that Building Permit revenues will exceed the budget estimate of \$25.6 million.

GENERAL FUND (Cont'd.)

- Through February, **Fire Permit** collections of \$8.0 million were below prior year levels (\$8.4 million) by 4.0%. However, the 2014-2015 budgeted revenue estimate of \$11.1 million is at the prior year collection level. This category consists of development and non-development related permits. Development related receipts of \$4.0 million through February are tracking 12.3% below the 2013-2014 collection level of \$4.6 million for the same period, while the budgeted estimate of \$7.0 million allows for a drop of 1.8%. If current collection trends continue, development-related receipts may fall slightly below the budgeted estimate by \$500,000.

At this time, the non-development program revenues of \$4.0 million represent the major billing cycles for non-development fire permits for this fiscal year. With the remaining billing and inspections revenues, non-development program revenues are anticipated to meet the budgeted estimate of \$4.1 million by year-end.

- The **Other Licenses and Permits** collections of \$9.0 million are tracking 20.0% above the 2013-2014 collection level of \$7.5 million. The 2014-2015 budget estimate of \$9.6 million requires growth of 13.9% from the prior year actual collections. The increase in both the budgeted estimate and the actual receipts primarily reflects an increase in multiple housing permit revenue due to the restructuring of this program.

Revenue	2014-2015 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 39,743,435	\$ 27,108,551	\$ 27,628,251

Through February, Departmental Charges revenues of \$27.1 million were tracking 1.9% below the 2013-2014 collection level of \$27.6 million. The 2014-2015 Adopted Budget estimate, however, allows for a decline of 4.7% from the prior year actual receipts. The decrease from the prior year reflects lower collection levels in Planning, Library, Police, and Public Works partially offset by growth in Parks, Recreation, and Neighborhood Services and Transportation Departmental Charges. If current collection trends continue, overall Departmental Charges revenues should meet the budgeted estimate by year-end.

While tracking below the prior year levels, development-related activity continues to show strong collections and are expected to meet the budgeted estimates.

- Through February, **Planning Fee** revenues of \$3.0 million are 7.1% below the prior year collection level of \$3.2 million. The adopted Planning Fee revenue estimate of \$3.6 million allows for a drop of 24.0% from prior year actuals. Overall revenue collections are tracking above estimated levels, and it is anticipated that Planning Fee revenues will achieve, and likely exceed, the budget estimate if current collection trends continue.

GENERAL FUND (Cont'd.)

- **Public Works** revenues through February of \$5.7 million are below the prior year level of \$6.7 million (approximately 15%). The budgeted estimate of \$9.6 million allows for a drop of 1.3%. Revenues in most residential categories are tracking below estimated levels due to fewer single-family and multi-family residential projects that were received. Non-residential revenues are performing at or slightly above anticipated levels. While collections are currently tracking slightly below the budgeted estimates, receipts are expected to meet the budgeted revenue estimate by year-end as there are a number of projects that are expected in the latter half of the fiscal year.

The **Transportation Department** collections of \$1.1 million are tracking above the 2013-2014 collection level of \$886,000. However, with the completion of the re-categorization of subrogation revenue from the Department to Transportation Departmental Charges to the Revenue from the Use of Money and Property category, it is anticipated that receipts in the Departmental Charges category will fall slightly below budgeted levels of \$1.5 million by year end.

The **Parks, Recreation and Neighborhood Services (PRNS) Department** collections of \$11.7 million are tracking 9.4% above prior year levels of \$10.7 million. This increase in receipts is primarily attributed to a significant increase in fee activities which have offsetting expenditure increases as well. Based on the higher collection level, a Mid-Year Budget adjustment was approved that increased both the revenue estimate and PRNS Fee Activities appropriation by \$580,000. The current budget estimate of \$17.1 million requires growth of 3.1% from the prior year. Based on the continued strong performance in this category, additional adjustments to realign both revenue and expenditures for PRNS Fee Activity are anticipated to be necessary by year-end.

EXPENDITURES

Through February, General Fund expenditures (without encumbrances) of \$651.7 million were 6.0% above the prior year level of \$614.4 million. Encumbrances of \$54.5 million were 54.2% above the prior year level of \$35.4 million. This is primarily the result of a \$17.4 million encumbrance for the Energy and Utility Conservation project. Expenditures and encumbrances (\$706.3 million) through February constitute 52.7% of the total 2014-2015 revised budgeted uses of funds (\$1.3 billion, including reserves; \$1.17 billion, or 60.3%, excluding reserves). Overall, expenditures are tracking within estimated levels through February and savings are anticipated by year-end.

Through February, a few departments are tracking slightly above the budgeted estimate in personal services expenditures, including the Office of Economic Development as discussed in this section of the report. It is anticipated that the majority of these higher expenditures will be addressed by reallocating costs to the appropriate funds supported by these departments. Expenditures will continue to be monitored closely to ensure they remain within budgeted levels.

GENERAL FUND (Cont'd.)

KEY GENERAL FUND EXPENDITURES

Department	2014-2015 Budget	YTD Actual	Prior YTD Actual
Police	\$ 324,228,159	\$ 197,194,218	\$ 188,968,875

On an overall basis, the Police Department's expenditures are tracking below estimated levels through February. Personal services expenditures of \$182.7 million tracked below anticipated levels (61.4% compared to the par of 63.5%) due to lower salaries and benefits costs. However, overtime expenditures of \$17.6 million tracked above anticipated levels (70.4% compared to the par of 63.5%). Several actions approved in the 2013-2014 Annual Report and 2014-2015 Mid-Year Budget review increased the Department's overtime funding by \$8.0 million (from \$17.1 million to 25.1 million), but based on current overtime projections, a net-zero shift from anticipated salary/benefit savings will be recommended at year-end to align the budget with expenditures.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of February 2015 was 168,128 hours for sworn personnel. This represents a slight decrease of 906 or 0.5% compared to the February 2014 balance of 169,034.

As of March 2015, the Department had 1,109 authorized sworn staff, of which 136 were vacant (12.3%) and 57 were in training (5.1%), leaving 916 street ready sworn positions (this includes sworn employees on disability/modified duty/other leaves) as shown in the chart below. When sworn employees on Disability/Modified Duty/Other Leaves are excluded, a total of 857 sworn positions were actually available.

Police Current Sworn Staffing Levels

	2013-2014 (as of 4/03/2014)	2014-2015 (as of 3/12/2015)
Authorized Sworn Staffing	1,109	1,109
Vacancies	(91)	(136)
Filled Sworn Staffing	1,018	973
Field Training Officer/Recruits	(47)	(57)
Street-Ready Sworn Positions	971	916
Disability/Modified Duty/Other Leaves	(69)	(59)
Street-Ready Sworn Positions Available	902	857

In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department will conduct three Police Recruit Academies in 2014-2015. The February Academy started with 22 recruits. Although the Department is conducting regular police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2015-2016 with approximately 150 sworn vacancies based on current attrition rates.

GENERAL FUND (Cont'd.)

A total of \$17.3 million (64.9%) of the Department's Non-Personal/Equipment budget was expended or encumbered through February. Excluding the remaining balances for centrally determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$3.6 million, or 24.4% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

Department	2014-2015 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 178,472,336	\$ 109,958,839	\$ 101,856,232

On an overall basis, Fire Department expenditures are tracking within estimated levels. Personal Services expenditures of \$105.3 million are tracking within anticipated levels (62.4% compared to the par of 63.5%). The Fire Department's Non-Personal/Equipment budget of \$9.6 million was 60.9% expended or encumbered through February. Overall, expenditures are expected to end the year within their respective budgeted allocations. Once development fee program expenditures are excluded, personal service expenditures of \$102.4 million are on par with anticipated levels and non-personal/equipment expenditures and encumbrances of \$5.8 million were 61.2% of the budget through February.

Through February, overtime expenditures of \$5.3 million tracked above anticipated levels with 72.7% expended. Overtime expenditures were incurred to backfill positions due to vacancies and absences. Overtime expenditure overages are expected to be offset with salary and benefit savings due to vacancies. Through February, the Department had 23 sworn vacancies. By mid-January, 22 recruits in the September 2014 Firefighter Recruit Academy graduated and have begun duty positions at the fire stations, (The second Firefighter Recruit Academy for 2014-2015 will likely be conducted in July 2015 to fill current vacancies.) Disability usage through February was 22% lower than the same period in 2013-2014, while modified duty was 11% higher. Combined disability and modified duty hours through February were 7% lower than 2013-2014. Although overtime has decreased in February from July to January levels, the Department will continue to work with the Budget Office on necessary adjustments to shift funding between salary/benefits and overtime allocations.

In addition to overtime usage to fill minimum staffing requirements, a portion of the overtime expenditures was attributed to vacation usage and strike team and mutual aid deployments; personnel were sent to respond to fires in Mendocino, Humboldt, King, and Kern counties. Overtime expenditures were also incurred for Urban Shield Training through November 2014 (providing lifesaving extrication of victims trapped in structural collapse during disasters).

Personal services expenditures in the Development Fee Program of \$2.9 million tracked slightly below estimated levels with 60.8% expended. Any savings realized in the Development Fee Program are returned to the Fire Development Fee Program's Earmarked Reserve.

GENERAL FUND (Cont'd.)

In accordance with the City Council’s approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. Of the 34 sworn administrative positions authorized for 2014-2015, the Fire Department had 30 sworn personnel on administrative assignments, as of the end of February 2015.

Department	2014-2015 Department	YTD Actual	Prior YTD Actual
Office of Economic Development	\$ 4,344,861	\$ 2,530,656	\$ 2,419,277

Through February, 60.4% of the General Fund budget for the Office of Economic Development (OED) was expended or committed. Personal Services expenditures totaled \$2.3 million (66.7% of the \$3.5 million budget), exceeding the par level of 63.5%. The Office of Economic Development Non-Personal/Equipment budget of \$842,000 was 34.0% expended or encumbered through February and is anticipated to end the year within budgeted levels.

Personal Services expenditures are tracking above estimated levels by approximately \$260,000. However, once adjustments for anticipated activity in the latter half of the year are completed, the Department is projected to exceed budgeted levels by approximately \$209,000. Higher than estimated expenditures primarily result from unbudgeted Real Estate staff charged to the General Fund for unanticipated projects. The Department plans to realign charges with appropriate funding sources to help mitigate the projected personal services overage. The Department and the Budget Office will continue to closely monitor expenditures and the department expects to remain within the overall departmental budget.

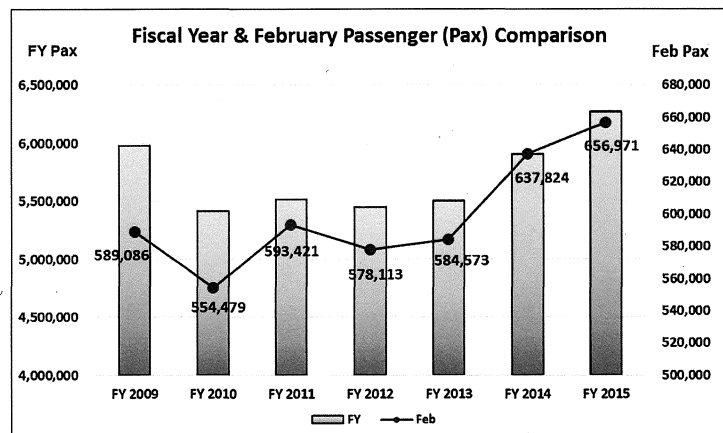
CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2013-2014 Annual Report, increasing the reserve to \$32.7 million. This adjustment was necessary to comply with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be a minimum of 3% of the operating budget. The Contingency Reserve has not been used in 2014-2015.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 6.3 million passengers, an increase of 6.1% from the figures reported through February of the prior year. In the development of the 2014-2015 Adopted Budget, it was assumed that passenger growth in 2014-2015 would increase by 2.0% over the 2013-2014 estimate of 8.91 million passengers.



All revenue-generating activities showed increases compared to the same period of 2013-2014: Traffic Operations (landings and takeoffs) by 3.3%; Landed Weights by 1.7%; Taxicab Operations by 1.7%; Parking Exits by 2.1%; and Gallons of Aviation Fuel Sold by 5.7%. Passenger Facility Charge (PFC) revenues were 6.5% above the same period of the prior year. Fiscal year-to-date mail, freight, and cargo totaled 69.8 million pounds,

which represents a 0.7% increase from February of 2013-2014.

Through February, overall revenue performance at the Airport tracked 1.0% above estimated levels. Parking and Roadway revenues tracked 4.0% higher than the benchmark substantially due to rental car concession fees and higher than anticipated passenger activity. The performance of General and Non-Aviation revenues tracked 8.4% higher than the benchmark due to higher than anticipated tenant reimbursement of terminal repairs costs and interest earnings. All other revenue categories performed on target.

Personal Service expenditures in the Airport Maintenance and Operation Fund were 58.1% of budget compared to the par level of 63.5%. Non-Personal/Equipment expenditures (excluding encumbrances) in the Airport Maintenance and Operation Fund were 49.8% expended compared to the benchmark of 58.6%. Non-Personal/Equipment expenditures (excluding encumbrances) in the Airport Customer Facility and Transportation Fee Fund were 56.0% expended compared to a straight line benchmark of 66.7%.

Construction and Conveyance Tax Funds

Construction and Conveyance (C&C) Tax revenues continue to be volatile throughout 2014-2015. As reported in the 2014-2015 Mid-Year Report, compared to prior fiscal year receipts, collection levels experienced growth July 2014 through September 2014, then experienced declines or no growth October 2014 through January 2015. Receipts in February 2015, however, experienced promising growth of 26.1% compared to February 2014 receipts, which brought the total revenue

OTHER FUNDS (Cont'd.)

collections received year-to-date up to \$22.2 million (63.4% of the modified estimate of \$35.0 million). However, the City has since received March Conveyance Tax receipts totaling \$1.7 million, which represents a decline of 24.5% when compared to the March 2014 receipts.

When the 2014-2015 Adopted Budget was developed, it was assumed that C&C Tax receipts would reach \$39.0 million, which represents a 5.0% increase over the estimated 2013-2014 receipts of \$37.0 million. However, because 2013-2014 receipts of \$35.5 million fell below the estimate, growth of 9.9% is now needed to meet the 2014-2015 Adopted Budget estimate. Receipts estimated through March 2015 of \$23.9 million were up less than 1.0% from the prior year, therefore, a revised 2014-2015 C&C Tax estimate of \$35.0 million is now anticipated. Though budget adjustments have not yet been brought forward for City Council consideration, the \$35.0 million estimate for 2014-2015 will be used in the development of the 2015-2016 Proposed Capital budget and 2016-2020 Capital Improvement Program. This revenue will continue to be monitored to determine if changes to the estimate may be necessary at year-end.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). As discussed in the Overview/Economic Environment section of this report, the strong growth in housing prices supports higher collections in the C&C Tax receipts. However, the low inventory and lower number of transactions is dampening performance in this category.

Other Construction-Related Revenues

Through February, construction activity has remained strong though at levels lower than last year's peak. Residential construction activity is 15.7% lower than the prior year level, which is partially driven by low numbers of new multi-family housing units in December and February. Valuation for new residential construction is 20.0% lower than the prior year while valuation for alteration is 14.4% higher than the prior year level. Overall industrial construction valuation is 45.2% lower than last year, though activity was strong in February, which included permits issued for the Signature Flight Support terminal, hangars, and associated facilities at Norman Y. Mineta San Jose International Airport. In addition, overall commercial construction valuation is 20.0% lower than last year, however permits were issued for a Santana Row project that includes a new 228,385 square foot, six story office building over a four level underground parking garage with a 1,488 square foot retail pavilion.

Construction activities drive revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

- *Construction Excise Tax* – The 2014-2015 budgeted revenue estimate for the Construction Excise Tax is \$21.0 million, a decrease of \$8.3 million (28.3%) from the record setting revenues of \$29.3 million received in 2013-2014. Receipts through February totaled \$15.4 million, which is down 16.4% (\$3.0 million) from prior year collections through February.

OTHER FUNDS (Cont'd.)

Receipts in this category are currently tracking to exceed the budgeted revenue estimate of \$21.0 million.

- *Building and Structure Construction Tax* – The 2014-2015 budgeted revenue estimate for the Building and Structure Construction Tax is \$17.0 million, a decrease of \$5.5 million (24.4%) from the record setting revenues of \$22.5 million received in 2013-2014. Receipts through February totaled \$11.7 million, which is down 22.5% (\$3.4 million) from prior year collections through February. Receipts in this category are currently tracking to meet, and may exceed, the budgeted revenue estimate of \$17.0 million.

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San Jose's (TSJ) operation of the City's Convention and Cultural Facilities. Although operations revenues are managed directly by the operator of the Convention and Cultural Facilities, TSJ has provided financial reports reviewed by the City showing operations revenues through February of \$21.6 million, compared to the February target of \$15.9 million. The higher 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. Because performance in these areas determine the amount of operating subsidy to TSJ, the increased activity levels may allow for a reduction to the Convention Facilities Operations expenditure appropriation (the operating subsidy) if current trends continue. TSJ's activity will be closely monitored to determine if future downward adjustments to the operating subsidy are warranted.

Through February, expenditures of \$7.9 million were tracking at 70.6% of the budget. The largest expenditure allocations to date were paid or encumbered by TSJ and are related to the Convention Facilities Operations costs (\$2.9 million) and to TSJ for the management of the City's Convention and Cultural Facilities (\$1.0 million).

Transient Occupancy Tax (TOT) Fund

Through February 2015, receipts recorded in the TOT Fund of \$12.4 million are 23.5% above the prior year's collections of \$10.0 million for the same period. A portion of this increase is driven by a strong influx of TOT compliance revenue (\$277,000) and penalty payments collected (\$206,000). However, once adjusted for compliance revenues and the penalty payments, receipts through February are approximately 23.9% above adjusted prior year levels. Based on the current trend, growth is estimated to exceed the 9.5% increase needed to meet the current 2014-2015 Modified Budget of \$19.6 million. The 2014-2015 expenditure allocations to the three recipient organizations (Convention and Cultural Affairs Fund, Convention and Visitors Bureau, Cultural Grants/Programs and Services) are anticipated to be fully expended by year-end.

April 9, 2015

Subject: **Bi-Monthly Financial Report for January/February 2015**

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OTHER FUNDS (Cont'd.)

Through February, the average hotel occupancy rate at the 14 major hotels was 75.2%, an improvement from the 68.7% occupancy rate for the same period in 2013-2014. For the same 14 hotels, the average daily room rate through February was \$169.05, up 11.4% from the \$151.73 room rate for the same period in 2013-2014. The year-to-date average revenue-per-available room (RevPAR) metric of \$127.33 represents an increase of 21.8% from the prior year level.

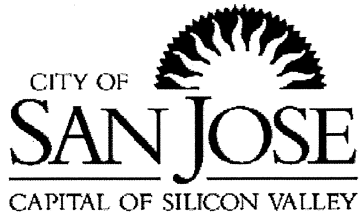
CONCLUSION

Through February, the City's funds continue to perform within or better than budgeted expectations. The 2014-2015 budget was built on the assumption that the economic recovery would continue in 2014-2015 with modest growth. Actual collection trends support this assumption. Currently, the General Fund is expected to end the year with a combination of excess revenues and expenditure savings, generating 2014-2015 Ending Fund Balance. As is the practice each year, the use of this fund balance as a funding source for 2015-2016 was assumed in the General Fund Five-Year Forecast released in February 2015 and will be incorporated into the 2015-2016 Proposed Budget.

As reported in the 2013-2014 Annual Report and the 2014-2015 Mid-Year Budget Review, a number of adjustments to the General Fund as well as other City funds based on actual 2013-2014 performance and current tracking levels were approved. As new information is received, any additional adjustments based on actual 2014-2015 performance will be brought forward as part of the 2014-2015 year-end clean-up memorandum. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.

Margaret McCabon for

JENNIFER A. MAGUIRE
Interim Senior Deputy City Manager /
Budget Director



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the Eight Months Ended February 28, 2015

Fiscal Year 2014-2015

(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Eight Months Ended February 28, 2015
Fiscal Year 2014-2015
(UNAUDITED)

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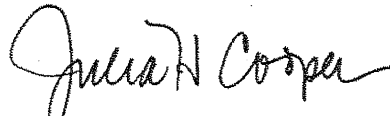
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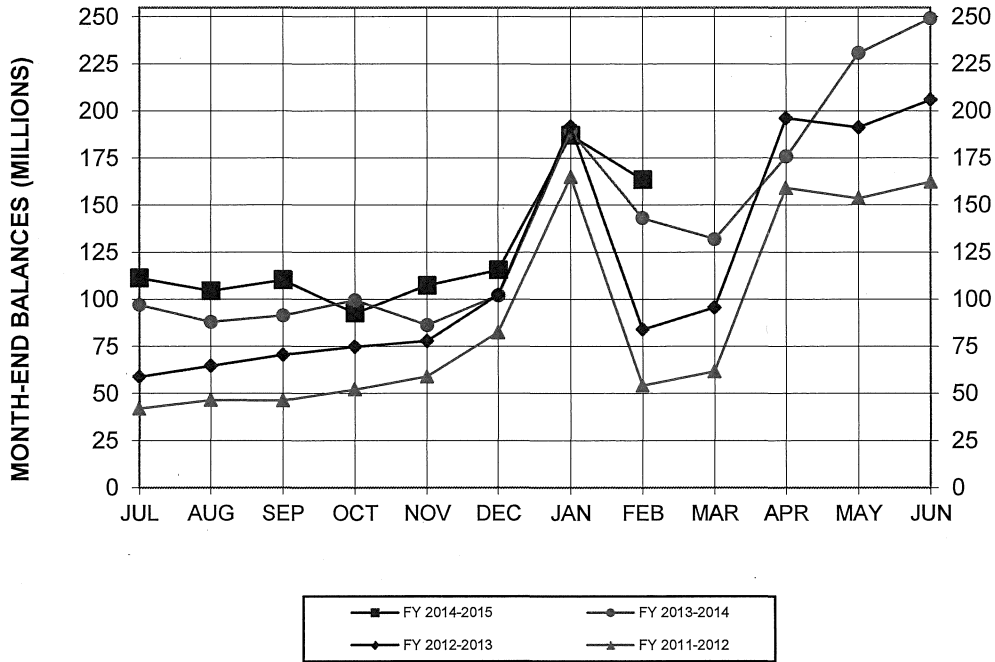
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Submitted by:



JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

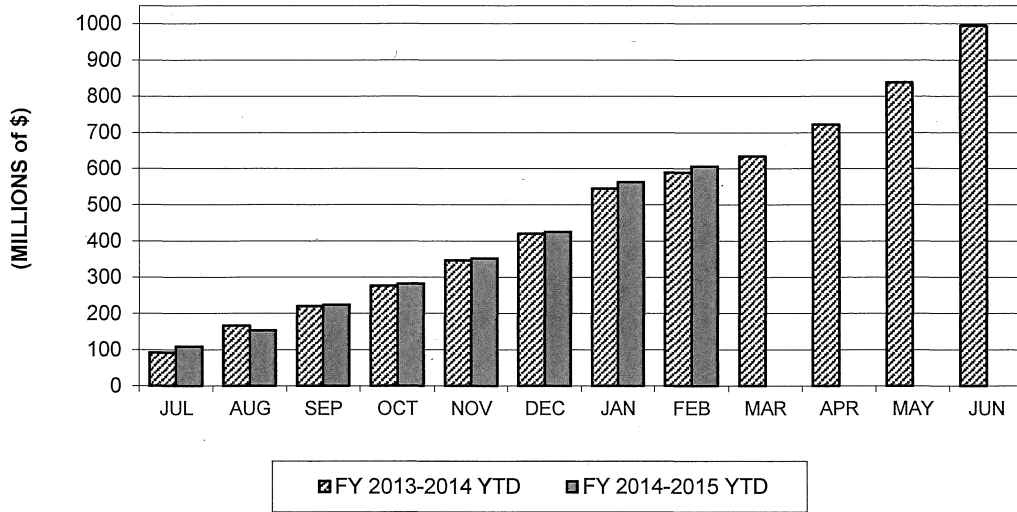
MONTH	FY 2014-2015	FY 2013-2014	FY 2012-2013	FY 2011-2012
JULY (1)	\$ 111,318,585	\$ 97,000,280	\$ 58,791,632	\$ 41,946,493
AUGUST	104,337,113	87,887,607	64,647,700	46,502,235
SEPTEMBER	110,248,937	91,326,643	70,484,194	46,218,737
OCTOBER	92,649,862	99,449,689	74,756,262	52,097,481
NOVEMBER	107,339,933	86,285,372	77,861,880	58,833,627
DECEMBER	115,544,081	102,057,315	102,312,730	82,304,186
JANUARY	187,078,566	189,299,222	191,822,297	164,958,541
FEBRUARY (2)	163,468,559	143,098,965	84,006,185	54,118,810
MARCH		131,881,129	95,600,850	61,586,562
APRIL (3)		175,838,186	196,073,222	159,137,277
MAY (3)		230,678,939	191,101,640	153,526,766
JUNE		249,043,058	205,823,965	162,325,519

Note: (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

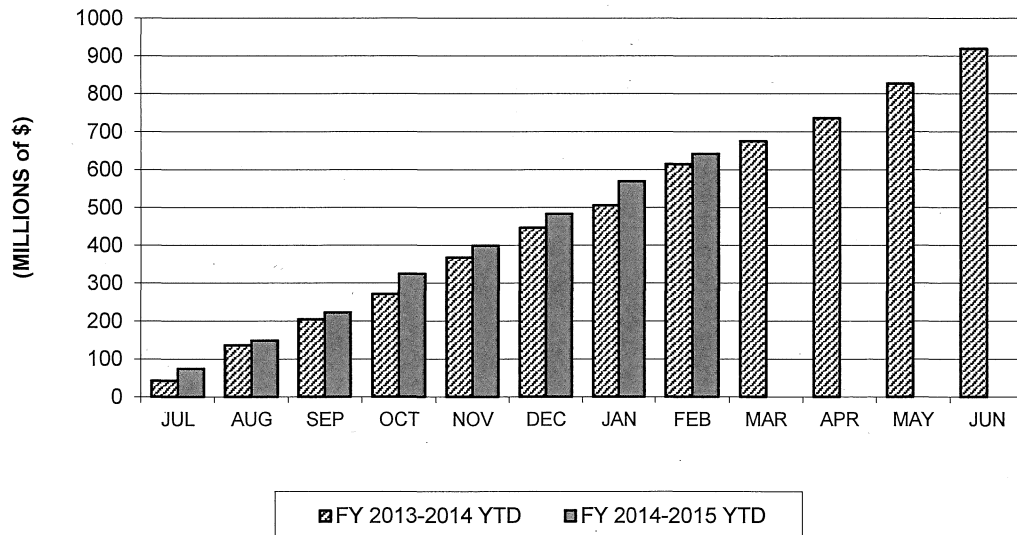
Note: (2) The General Fund cash balance decreased in the month of February for FY 2011-2012 and FY 2012-2013 mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANs) in the amount of \$100 million. Starting from FY 2013-2014, the repayments of TRANs are spread over the second half of the fiscal year.

Note: (3) The General Fund cash balance increases in April, or May of every year mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

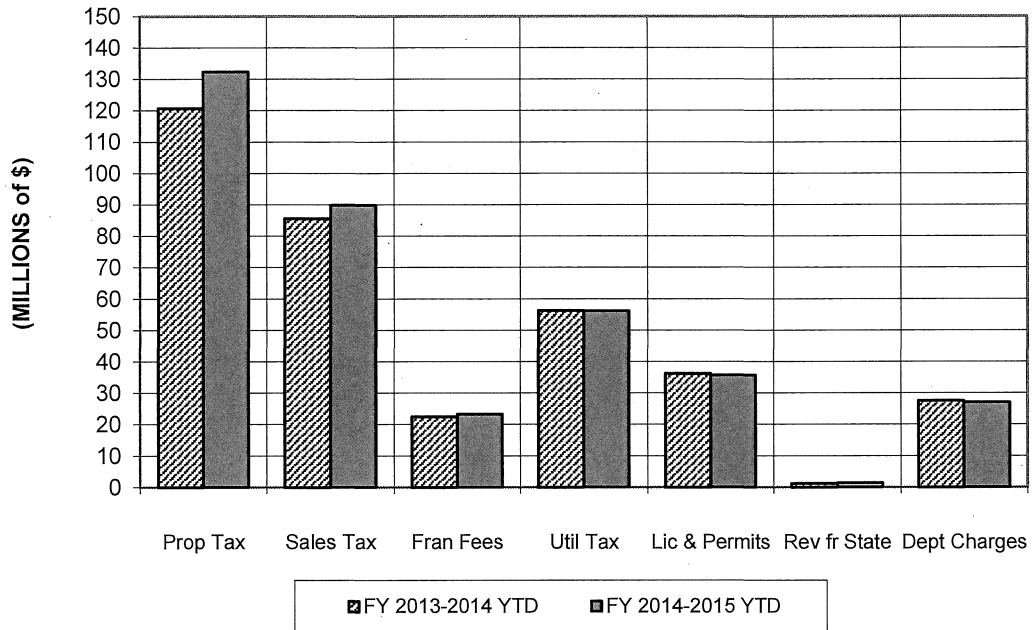
**GENERAL FUND
Comparison of YTD Revenues
Actual**



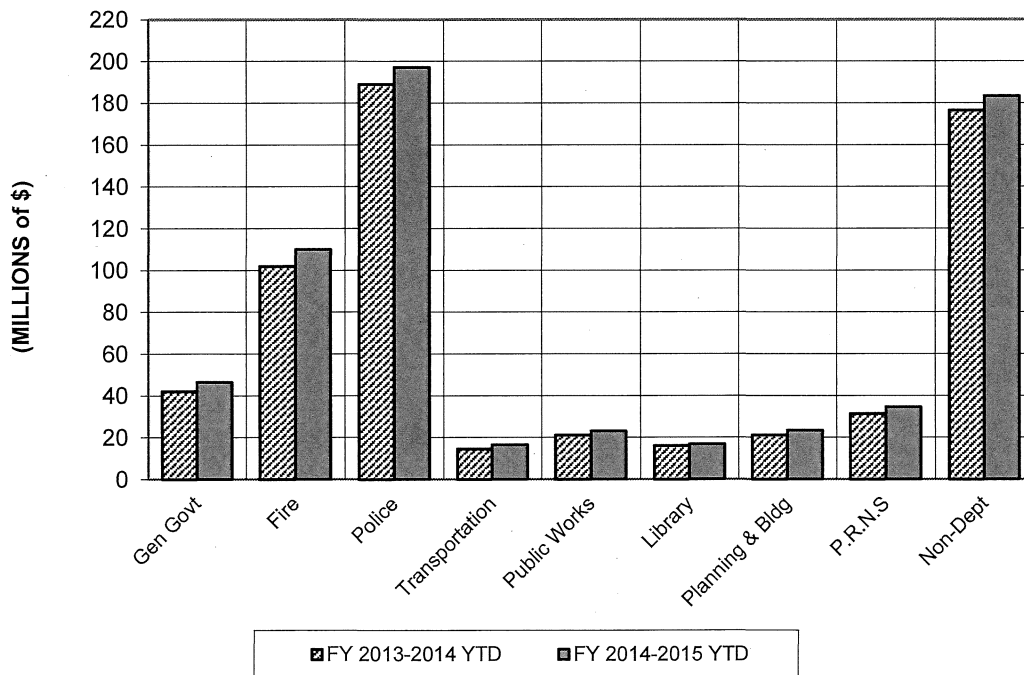
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Months Ended February 28, 2015



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Months Ended February 28, 2015



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)

	ADOPTED FY 2014-2015 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2014-2015 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL(*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	40,664	40,664	40,664	100.00%	18,503	101.77%	18,181	22,161	119.77%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	253,068	17,570	-	270,638	270,638	100.00%	215,181	100.00%	215,181	55,457	25.77%
Total Fund Balance	253,068	17,570	40,664	311,302	311,302	100.00%	233,684	100.14%	233,362	77,618	33.21%
General Revenues											
Property Tax	233,973	-	-	233,973	132,369	56.57%	120,765	54.00%	223,645	11,604	9.61%
Sales Tax (1)	180,024	-	-	180,024	89,882	49.93%	85,616	49.37%	173,412	4,266	4.98%
Telephone Line Tax	20,700	-	-	20,700	12,264	59.25%	11,342	54.81%	20,692	922	8.13%
Transient Occupancy Tax	11,750	1,250	-	13,000	8,105	62.35%	6,690	56.35%	11,873	1,415	21.15%
Franchise Fees	45,347	-	-	45,347	23,225	51.22%	22,509	49.20%	45,749	716	3.18%
Utility Tax	94,825	-	-	94,825	56,249	59.32%	56,335	60.06%	93,794	(86)	-0.15%
Business Taxes	43,700	-	-	43,700	29,948	68.53%	28,712	63.13%	45,478	1,236	4.30%
Licenses and Permits	46,375	20	-	46,395	35,691	76.93%	36,277	69.74%	52,014	(586)	-1.62%
Fines, Forfeits and Penalties	14,205	-	-	14,205	9,747	68.62%	9,016	60.78%	14,835	731	8.11%
Use of Money and Property	2,847	67	-	2,914	3,020	103.64%	2,506	72.16%	3,473	514	20.51%
Revenue from Local Agencies	22,612	4,695	-	27,307	4,522	16.56%	4,683	13.29%	35,228	(161)	-3.44%
Revenue from State of Cal.	11,195	1,343	-	12,538	1,474	11.76%	1,213	10.04%	12,086	261	21.52%
Revenue from Federal Government	4,171	8,236	-	12,407	4,232	34.11%	8,957	67.12%	13,344	(4,725)	-52.75%
Departmental Charges (2)	39,164	579	-	39,743	27,109	68.21%	27,624	66.27%	41,683	(515)	-1.86%
Other Revenues	15,161	150,040	-	165,201	114,368	69.23%	114,136	84.25%	135,479	232	0.20%
Total General Revenues	786,049	166,230	-	952,279	552,205	57.99%	536,381	58.13%	922,785	15,824	2.95%
Transfers & Reimbursements											
Overhead Reimbursements	39,000	(941)	-	38,059	30,953	81.33%	31,188	85.58%	36,445	(235)	-0.75%
Transfers from Other Funds	19,138	420	-	19,558	13,975	71.45%	12,646	74.71%	16,926	1,329	10.51%
Reimbursements for Services	15,776	-	-	15,776	9,461	59.97%	7,967	43.11%	18,481	1,494	18.75%
Total Transfers & Reimburse	73,914	(521)	-	73,393	54,389	74.11%	51,801	72.09%	71,852	2,588	5.00%
Total Sources	1,113,031	183,279	40,664	1,336,974	917,896	68.65%	821,866	66.93%	1,227,999	96,030	11.68%

(1) - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2014-2015 negatively cumulative impact through February 2015 is approximately \$3.9 million.

(2) - See Supplemental Schedules on Page 7

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE	
	FY 2014-2015	BUDGET		FY 2014-2015	ACTUAL(*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR		ACTUAL YEAR-END	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ENCUMBR	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	ACTUAL		ACTUAL (1)(*)	ACTUAL (1)	LESS PRIOR YTD
General Government													
Mayor and Council	11,281	279	58	11,618	5,526	38	47.56%	5,173	60.82%	8,505	353	6.82%	
City Attorney	13,295	132	359	13,786	8,298	523	60.19%	7,378	62.21%	11,859	920	12.47%	
City Auditor	2,290	-	13	2,303	1,416	13	61.49%	1,215	63.75%	1,906	201	16.54%	
City Clerk	2,512	(33)	-	2,479	1,191	70	48.04%	1,164	59.82%	1,946	27	2.32%	
City Manager	12,482	(62)	536	12,956	7,436	788	57.39%	5,878	60.43%	9,727	1,558	26.51%	
Finance	14,024	31	288	14,343	8,137	635	56.73%	7,663	63.52%	12,064	474	6.19%	
Information Technology	15,402	362	1,741	17,505	7,464	2,284	42.64%	6,915	56.67%	12,203	549	7.94%	
Human Resources	7,226	(97)	72	7,201	3,726	668	51.74%	3,495	65.25%	5,356	231	6.61%	
Independent Police Auditor	1,177	24	-	1,201	766	-	63.78%	691	61.97%	1,115	75	10.85%	
Office of Economic Development	4,297	(93)	141	4,345	2,531	93	58.25%	2,419	60.61%	3,991	112	4.63%	
Total General Government	83,986	543	3,208	87,737	46,491	5,112	52.99%	41,991	61.15%	68,672	4,500	10.72%	
0													
Public Safety													
Fire	174,283	3,373	816	178,472	109,959	1,209	61.61%	101,856	62.82%	162,151	8,103	7.96%	
Police	326,289	(3,485)	1,424	324,228	197,194	2,874	60.82%	188,969	62.43%	302,670	8,225	4.35%	
Total Public Safety	500,572	(112)	2,240	502,700	307,153	4,083	61.10%	290,825	62.57%	464,821	16,328	5.61%	
Capital Maintenance													
Transportation	28,344	(48)	1,226	29,522	16,523	1,848	55.97%	14,534	56.66%	25,652	1,989	13.69%	
Public Works	36,838	1,806	256	38,900	23,075	2,227	59.32%	21,138	59.60%	35,467	1,937	9.16%	
Total Capital Maintenance	65,182	1,758	1,482	68,422	39,598	4,075	57.87%	35,672	58.36%	61,119	3,926	11.01%	
Community Service													
Housing	238	1	-	239	142	5	59.41%	111	63.43%	175	31	27.93%	
Library	27,664	28	73	27,765	16,891	404	60.84%	16,100	62.17%	25,898	791	4.91%	
Planning, Bldg & Code Enf.	42,578	1,845	756	45,179	23,449	1,507	51.90%	21,169	62.71%	33,755	2,280	10.77%	
Park, Rec & Neigh Svcs	56,066	1,345	664	58,075	34,502	1,995	59.41%	31,387	60.88%	51,553	3,115	9.92%	
Environmental Services	703	9	18	730	244	24	33.42%	685	97.16%	705	(441)	-64.38%	
Total Community Services	127,249	3,228	1,511	131,988	75,228	3,935	57.00%	69,452	61.96%	112,086	5,776	8.32%	
Total Dept. Expenditures	776,989	5,417	8,441	790,847	468,470	17,205	59.24%	437,940	61.97%	706,698	30,530	6.97%	

(1) Does not include encumbrance balance.

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2014-2015	BUDGET		FY 2014-2015	ACTUAL(*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR		ACTUAL (1)(*)	PRIOR YTD
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL(*)	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	ACTUAL	ACTUAL (1)(*)	ACTUAL (1)	ACTUAL
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	30,127	2,813	1,568	34,508	21,587	5,348	62.56%	17,427	71.63%	24,328	4,160	23.87%
Environmental & Utility Services	1,089	968	310	2,367	995	166	42.04%	943	85.34%	1,105	52	5.51%
Public Safety	19,467	1,717	251	21,435	11,460	294	53.46%	7,508	39.95%	18,792	3,952	52.64%
Recreation & Cultural Services	9,165	636	610	10,411	4,274	1,839	41.05%	3,736	44.62%	8,373	538	14.40%
Transportation Services	5,903	504	345	6,752	3,594	663	53.23%	3,369	61.03%	5,520	225	6.68%
Strategic Support	38,039	154,200	24,911	217,150	101,259	23,702	46.63%	116,916	93.45%	125,113	(15,657)	-13.39%
Total City-wide Expenditures	103,790	160,838	27,995	292,623	143,169	32,012	48.93%	149,899	81.81%	183,231	(6,730)	-4.49%
Other Non-Dept Expenditures:												
Capital Improvements	34,624	9,791	4,228	48,643	3,755	5,309	7.72%	1,694	51.85%	3,267	2,061	121.66%
Transfers to Other Funds	35,917	890	-	36,807	36,342	-	98.74%	24,873	99.96%	24,882	11,469	46.11%
Total Non-Dept Expenditures	174,331	171,519	32,223	378,073	183,266	37,321	48.47%	176,466	83.48%	211,380	6,800	3.85%
Reserves												
Contingency Reserves	32,500	200	-	32,700	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	129,211	6,143	-	135,354	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	161,711	6,343	-	168,054	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,113,031	183,279	40,664	1,336,974	651,736	54,526	48.75%	614,406	66.92%	918,078	37,330	6.08%

(1) Does not include encumbrance balance.

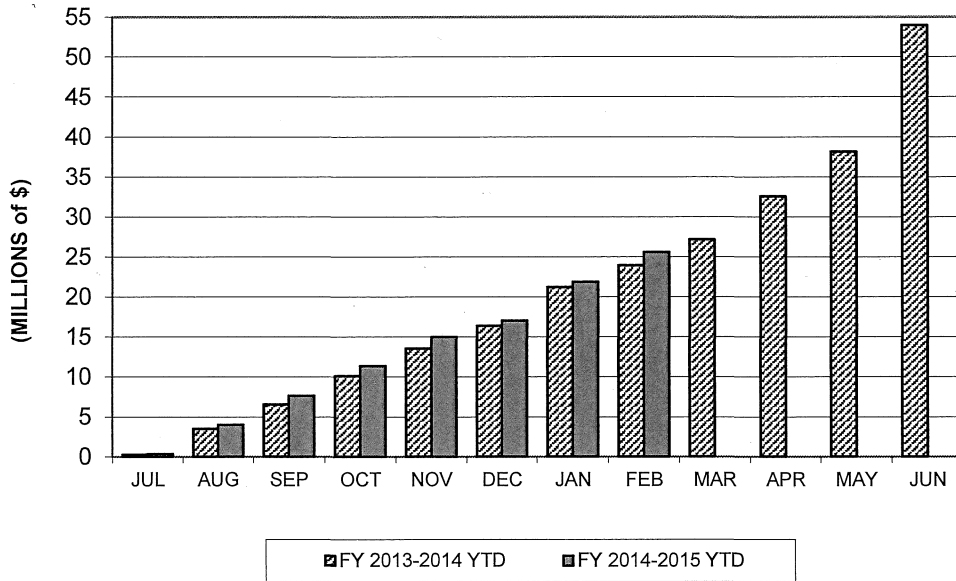
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

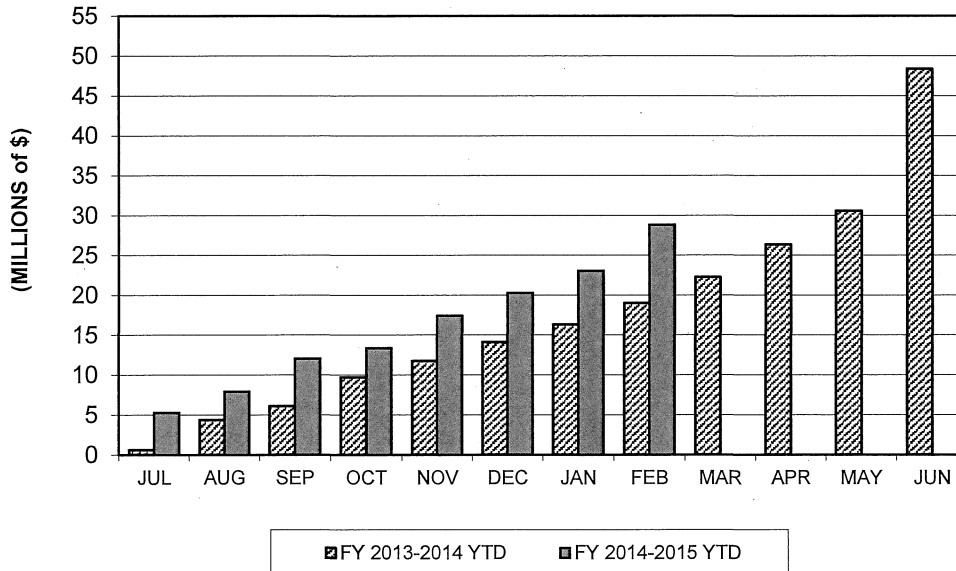
	ADOPTED FY 2014-2015 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2014-2015 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL(*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,182	-	-	1,182	737	62.35%	880	73.09%	1,204	(143)	-16.25%
Public Works	9,604	-	-	9,604	5,677	59.11%	6,675	68.57%	9,734	(998)	-14.95%
Transportation	1,464	(1)	-	1,463	1,133	77.44%	886	73.65%	1,203	247	27.88%
Library	1,050	-	-	1,050	568	54.10%	686	64.17%	1,069	(118)	-17.20%
Planning, Bldg & Code Enf	3,600	-	-	3,600	2,968	82.44%	3,194	67.40%	4,739	(226)	-7.08%
Parks Rec & Neigh Svcs	16,523	610	-	17,133	11,743	68.54%	10,730	64.54%	16,625	1,013	9.44%
Miscellaneous Dept Charges	5,741	(30)	-	5,711	4,283	75.00%	4,573	64.33%	7,109	(290)	-6.34%
Total Departmental Revenues	39,164	579	-	39,743	27,109	68.21%	27,624	66.27%	41,683	(515)	-1.86%

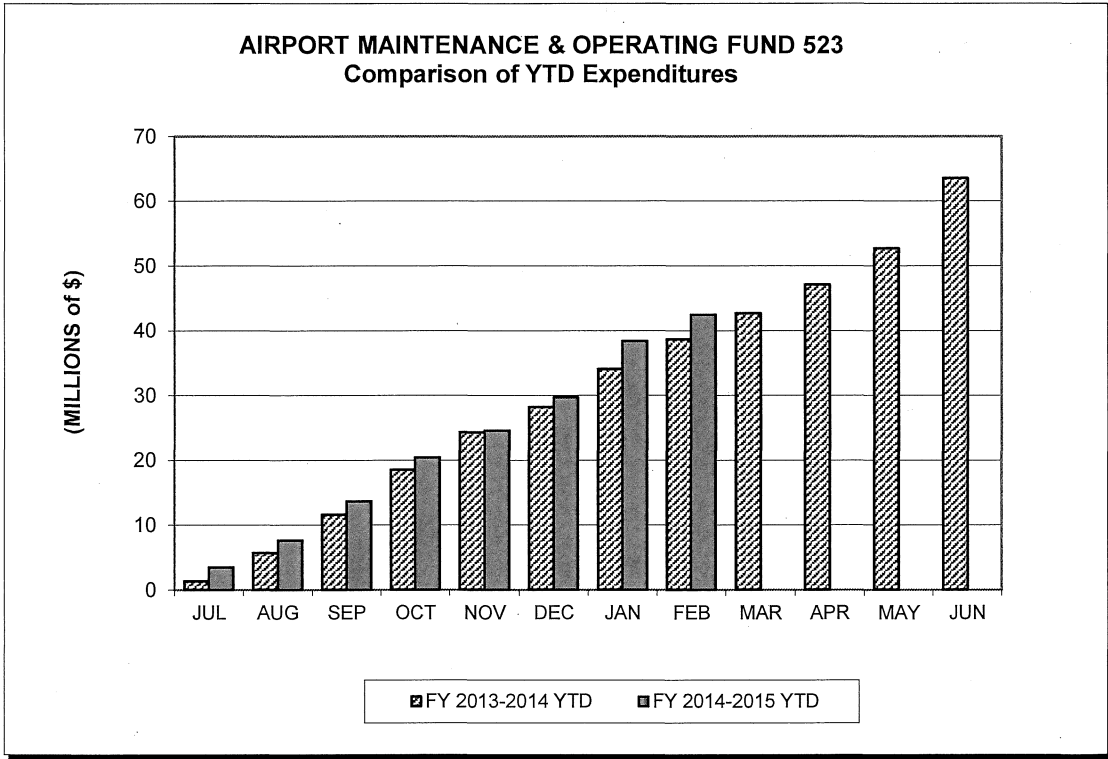
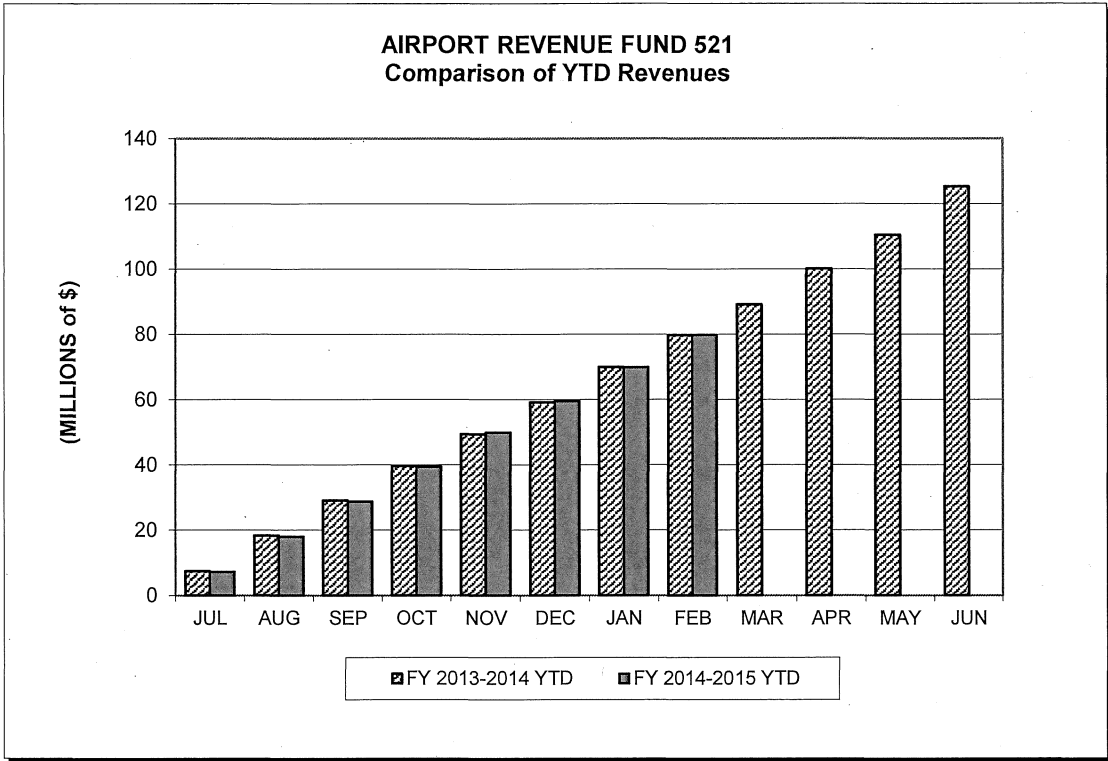
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



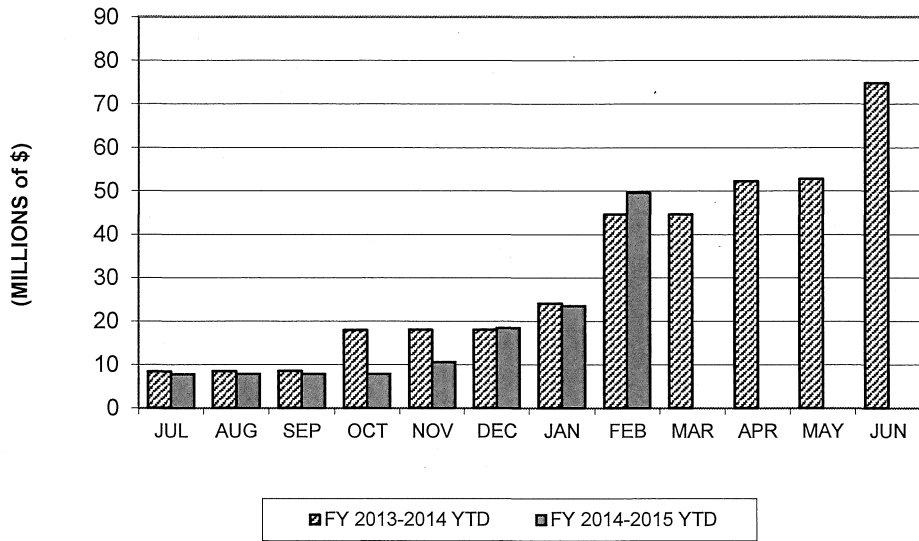
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**





Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

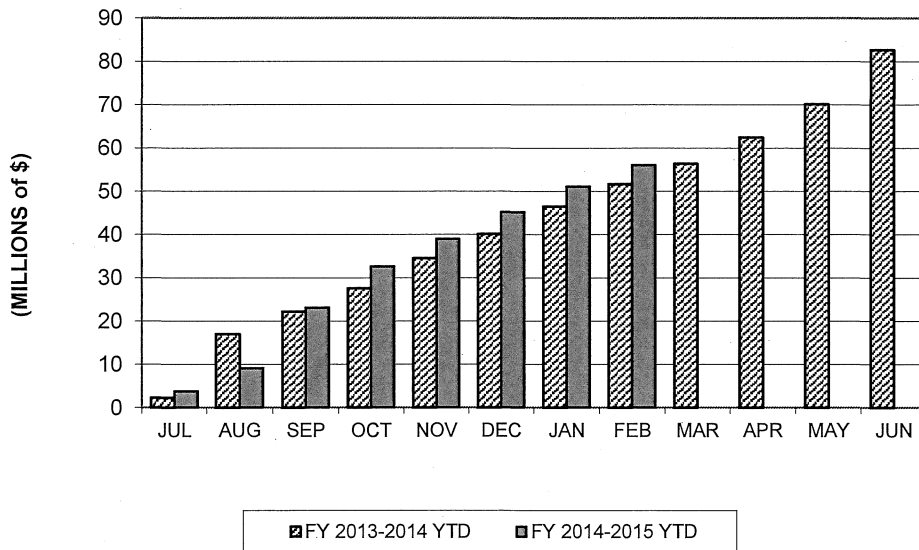
**WPCP OPERATING FUND 513
Comparison of YTD Revenues**



FY 2013-2014 YTD

 FY 2014-2015 YTD

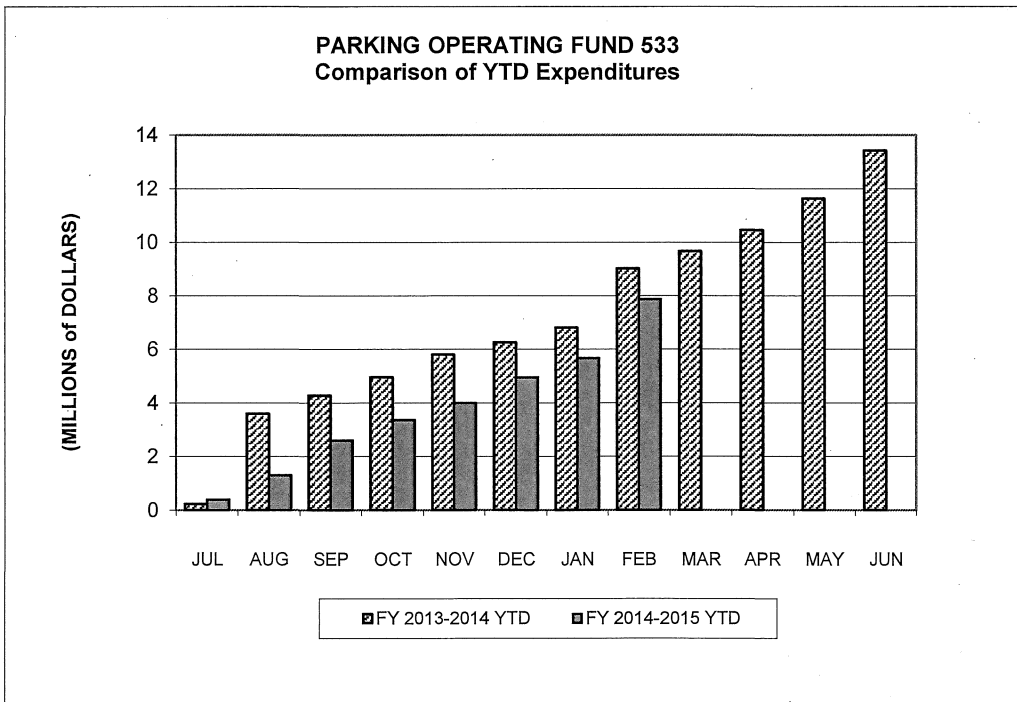
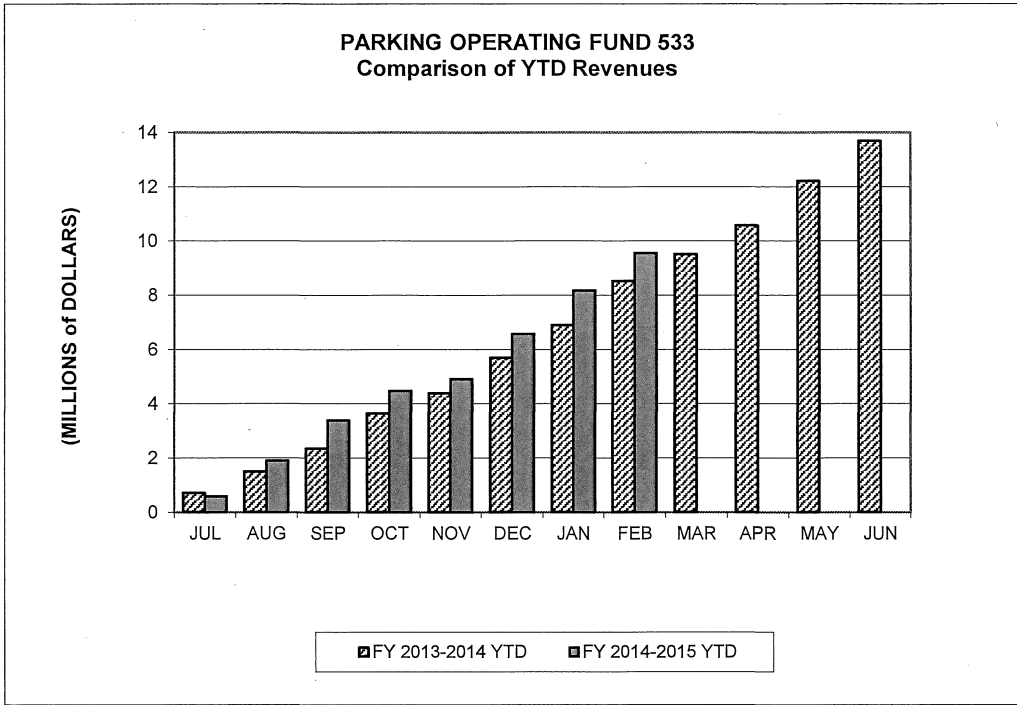
**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**



FY 2013-2014 YTD

 FY 2014-2015 YTD

Note: The graphs above are only for the WPCP operating fund (513).



Note: The graphs above are only for the Parking operating fund (533).

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$'000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	7,316	7,316	7,316	-	2,842
Beginning Fund Balance	72,073	6,112	-	78,185	78,185	-	78,699
Revenues	55,313	2,533	-	57,846	25,608	-	23,908
Total Sources	127,386	8,645	7,316	143,347	111,109	-	105,449
Total Uses	127,386	8,645	7,316	143,347	28,797	7,176	19,000
Airport							
Prior Year Encumbrance	-	-	6,778	6,778	6,778	-	6,383
Beginning Fund Balance	303,449	10,025	-	313,474	313,474	-	327,855
Revenues	356,222	145,417	-	501,639	197,643	-	200,191
Total Sources	659,671	155,442	6,778	821,891	517,895	-	534,429
Total Uses	659,671	155,442	6,778	821,891	215,875	14,787	219,149
Waste Water Treatment							
Prior Year Encumbrance	-	-	92,035	92,035	92,035	-	42,144
Beginning Fund Balance	268,287	31,145	-	299,432	299,432	-	306,847
Revenues	328,982	200	-	329,182	243,320	-	235,663
Total Sources	597,269	31,345	92,035	720,649	634,787	-	584,654
Total Uses	597,269	31,345	92,035	720,649	184,743	107,304	159,277
Parking							
Prior Year Encumbrance	-	-	1,146	1,146	1,146	-	1,032
Beginning Fund Balance	13,492	631	-	14,123	14,123	-	13,066
Revenues	17,333	175	-	17,508	9,555	-	8,519
Total Sources	30,825	806	1,146	32,777	24,824	-	22,617
Total Uses	30,825	806	1,146	32,777	7,861	2,964	9,019
Municipal Water							
Prior Year Encumbrance	-	-	2,399	2,399	2,399	-	976
Beginning Fund Balance	16,546	2,887	-	19,433	19,433	-	18,424
Revenues	40,565	-	-	40,565	29,360	-	28,631
Total Sources	57,111	2,887	2,399	62,397	51,192	-	48,031
Total Uses	57,111	2,887	2,399	62,397	25,416	3,040	23,853

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Gas Tax							
Revenues	15,000	-	-	15,000	9,161	-	7,704
Total Sources	15,000	-	-	15,000	9,161	-	7,704
Total Uses	15,000	-	-	15,000	9,161	-	7,704
Building and Structures							
Prior Year Encumbrance	-	-	4,400	4,400	4,400	-	7,509
Beginning Fund Balance	25,528	5,389	-	30,917	30,917	-	16,215
Revenues	28,806	616	-	29,422	13,949	-	18,084
Total Sources	54,334	6,005	4,400	64,739	49,266	-	41,808
Total Uses	54,334	6,005	4,400	64,739	8,379	5,021	8,876
Residential Construction							
Beginning Fund Balance	1,106	324	-	1,430	1,430	-	986
Revenues	229	-	-	229	238	-	247
Total Sources	1,335	324	-	1,659	1,668	-	1,233
Total Uses	1,335	324	-	1,659	8	-	26
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	163	163	163	-	61
Beginning Fund Balance	2,806	2,741	-	5,547	5,547	-	4,729
Revenues	17,658	1,942	-	19,600	12,378	-	10,026
Total Sources	20,464	4,683	163	25,310	18,088	-	14,816
Total Uses	20,464	4,683	163	25,310	12,092	1,668	10,215
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	17	17	17	-	682
Beginning Fund Balance	4,774	1,219	-	5,993	5,993	-	6,606
Revenues	9,228	395	-	9,623	23,336	-	26,057
Total Sources	14,002	1,614	17	15,633	29,346	-	33,345
Total Uses	14,002	1,614	17	15,633	29,997	414	32,485

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014 BUDGET	BUDGET AMENDMENTS		FY 2013-2014 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Golf							
Beginning Fund Balance	584	(42)	-	542	542	-	460
Revenues	2,167	520	-	2,687	2,260	-	2,403
Total Sources	2,751	478	-	3,229	2,802	-	2,863
Total Uses	2,751	478	-	3,229	2,525	-	2,158
Other Funds							
Prior Year Encumbrance	-	-	17,397	17,397	17,397	-	16,490
Beginning Fund Balance	214,051	48,201	-	262,252	262,252	-	256,246
Revenues	385,731	8,752	-	394,483	271,532	-	265,590
Total Sources	599,782	56,953	17,397	674,132	551,181	-	538,326
Total Uses	599,782	56,953	17,397	674,132	223,998	85,489	224,077

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014 BUDGET	BUDGET AMENDMENTS		FY 2013-2014 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	27,196	27,196	27,196	-	8,077
Beginning Fund Balance	59,511	14,363	-	73,874	73,874	-	61,383
Revenues	70,461	7,780	-	78,241	38,759	-	45,292
Total Sources	129,972	22,143	27,196	179,311	139,829	-	114,752
Total Uses	129,972	22,143	27,196	179,311	35,717	15,114	26,970
Other							
Prior Year Encumbrance	-	-	16,865	16,865	16,865	-	13,287
Beginning Fund Balance	29,515	1,109	-	30,624	30,624	-	38,923
Revenues	10,006	525	-	10,531	1,041	-	353
Total Sources	39,521	1,634	16,865	58,020	48,530	-	52,563
Total Uses	39,521	1,634	16,865	58,020	6,061	21,117	2,958