

Memorandum

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT FOR JANUARY/FEBRUARY 2014

DATE: April 10, 2014

Approved

Date

4/10/14

The Bi-Monthly Financial Report for January/February 2014 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 2013-2014 Budget and the Finance Department has prepared a report that reflects the financial results through February 2014.

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 in all City funds, and will bring forward budget adjustments to the City Council as part of the 2013-2014 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% 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 this strong growth.
- 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 2015-2019 General Fund Five Year Forecast released in February 2014. Highlights of General Fund activities include:
 - Sales Tax receipts continue to show strong growth with a 7.9% increase in the 2nd quarter reflecting sales activity during October through December 2013.
 - Consistent with budgeted expectations, Property Tax receipts are projected to increase almost 8% in 2013-2014. This reflects strong growth in the Secured Property Tax category driven by Proposition 8 adjustments and a 2% California Consumer price Index (CCPI) adjustment. It should be noted, however, that the CCPI for the 2014-2015 property tax roll is only 0.45%.
 - Transiency Occupancy Tax continues to outpace estimated growth levels of 5% with another year of over 10% growth anticipated.

OVERVIEW (CONT'D.)

- Development related revenues in the General Fund continue to outpace prior year levels and an \$11.4 million increase in the budgeted revenue estimates was approved as part of the 2013-2014 Mid-Year Budget Review to more accurately align budgets with current tracking. Construction valuations have exceeded \$1 billion in this fiscal year through February; this is compared to the most recent low of \$566 million in 2009-2010.
 - General Fund departmental and non-departmental expenditures are tracking within budgeted levels through February and are expected to generate significant savings by year-end. While a few departments are tracking close to or slightly above estimated levels, they will continue to be monitored and appropriation adjustments will be brought forward for City Council consideration if necessary.
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- Other construction taxes, including Construction Excise Tax and Building and Structures Tax, are experiencing solid growth with significant adjustments to budgeted revenue estimates approved as part of the 2013-2014 Mid-Year Budget Review.
 - Strong growth in Construction and Conveyance Tax collections continues after the 18.7% and 35.5% growth seen in 2011-2012 and 2012-2013 respectively. Receipts in this category are expected to total \$37.0 million in 2013-2014, which reflects growth of 7.5% over the 2012-2013 collection level and is over 23% above the 2013-2014 Adopted Budget estimate of \$30.0 million, consistent with assumptions used in the City Manager's 2015-2019 Five-Year Forecast.
 - The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.9 million passengers, an increase of 7.3% from the figures reported through February of the prior year and compares to a forecasted 1.5% growth in passenger activity in 2013-2014.
 - 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.

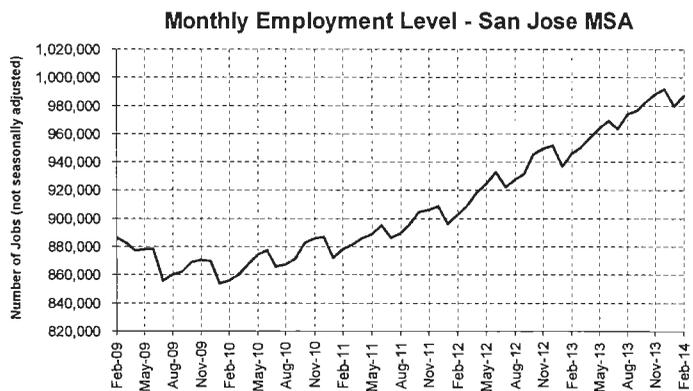
OVERVIEW (CONT'D.)

Economic Environment

The Silicon Valley continues to show growth with continued increases in housing prices, a declining unemployment rate, and strong development activity.

A number of the economic indicators show improvement from the same period a year ago. Employment indicators, residential, commercial and industrial permit activity, median single-family home prices and average days-on market have all improved.

The February 2014 jobs in the San Jose, Sunnyvale, Santa Clara Metropolitan Statistical Area (San Jose MSA) of 986,900 was 4.4% above the February 2013 level of 945,700 and is slightly below a recent peak of December 2013 of 991,900.



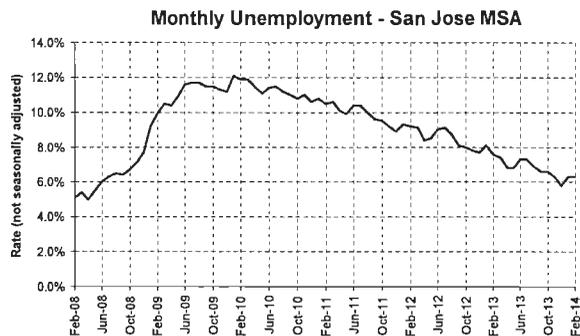
Unemployment Rate (Unadjusted)

	Feb. 2013	Jan. 2014	Feb. 2014**
San Jose Metropolitan Statistical Area*	7.6%	6.3%	6.3%
State of California	9.7%	8.5%	8.5%
United States	8.1%	7.0%	7.0%

* San Benito and Santa Clara Counties
 Source: California Employment Development Department.
 ** February 2014 estimates are preliminary and may be undated.

The unemployment rates at the local, State, and national levels continue to show improvement. In February 2014, the unemployment rate for the San Jose Metropolitan Statistical Area maintained the 6.3% level seen in January, slightly above the December 2013 rate of 5.8% and below the February 2013 rate of 7.6%. The San Jose Metropolitan Statistical Area continues to be less than the unadjusted unemployment rate for both the State (8.5%) and the nation (7.0%).

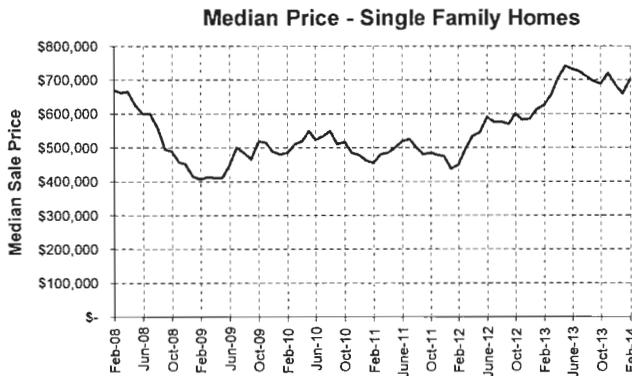
Through February, permit activity continues to track at unprecedented levels, well above the prior year in all categories. Residential construction activity is driven by new construction valuation of \$504.3 million compared to prior year levels of \$289.9 million. The valuation for alteration activity is higher than the prior year as well (\$71.3 million in 2013-2014 vs. \$51.7 million in 2012-2013). Overall, commercial valuation through February of \$281.6 million is 96.8% above prior year levels of \$143.1 million and 75.1% of the 2013-2014 forecasted level of \$375.0 million. Both new commercial construction (\$148.5 million in 2013-2014 vs. \$49.2 million in 2012-2013) and



OVERVIEW (CONT'D.)

alteration activity (\$133.1 million in 2013-2014 vs. \$93.8 million in 2012-2013) are significantly higher than last year at this time. This is partially attributable to the construction of an approximately 16,000-seat outdoor soccer stadium for the San José Earthquakes and a 27,000-square foot Whole Foods Market and separate 6,000-square foot craft beer brewery/tap room building, and a 60,000-square foot Safeway.

Industrial construction valuation of \$388.4 million through February is 175.2% above prior year levels of \$141.1 million level led by new construction activity in August 2013 (\$181.2 million), partially attributable to the Samsung Semiconductor, a 10-story, 680,000-square foot R&D/office building and 1,545-space parking garage.



Continuing the recent housing statistics trend, the local real estate market continues to see rising sale prices coupled with extremely low levels of housing inventory. The median single-family home price in February 2014 of \$700,000 is up 12.0% from the February 2013 price of \$625,000. The February 2014 number of property transfers of 415 is down 7.6% when compared to the 449 sales that occurred in February 2013, and is the lowest figure for February property

transfers since the 258 sales recorded in 2008. The average days-on-market for single-family and multi-family dwellings in February 2014 was 36 days, a 2.7% decline from the 37 days experienced in February 2013.

On a national level, the consumer confidence which increased in January, fell slightly in February. Says Lynn Franco, Director of The Conference Board: “Consumer confidence declined in February, on concern over the short-term outlook for business conditions, jobs, and earnings...while expectations have fluctuated over recent months, current conditions have continued to trend upward and the Present Situation Index is now at its highest level in almost six years. This suggests that consumers believe the economy has improved, but they do not foresee it gaining considerable momentum in the months ahead.”

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

GENERAL FUND

REVENUES

General Fund revenues through February 2014 totaled \$588.2 million, which represents an increase of \$21.7 million (3.8%) from the February 2013 level of \$566.5 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, Transient Occupancy Tax, Utility Taxes, Business Taxes, Licenses and Permits, Use of Money and Property, Departmental Charges, and Transfers and Reimbursements. The higher collections in these categories are partially offset by lower collections in a few categories, including Telephone Line Tax, Revenue from Local Agencies, Revenue from the State of California, Revenue from the Federal Government (including American Reinvestment and Recovery Act funds), and Other Revenue.

General Fund revenues are generally tracking to meet or exceed budgeted estimates. Collections will continue to be carefully monitored to determine if adjustments to revenue estimates are necessary at year-end. As appropriate, any projected excess revenues will be recommended to be set aside in a 2013-2014 Ending Fund Balance Reserve and will be considered in the development of the 2014-2015 Proposed Budget.

It should be noted that there is a Budget Stabilization Reserve of \$10.0 million in 2013-2014 and, consistent with 2012-2013, there is a 2014-2015 Future Deficit Reserve in the amount of \$18.1 million established to address any projected General Fund shortfall in 2014-2015.

The following discussion highlights General Fund revenue activities through February.

KEY GENERAL FUND REVENUES

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 220,850,000	\$ 120,764,648	\$ 111,228,117

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, \$120.8 million has been received, reflecting 54.7% of the 2013-2014 budget for this category. Overall, it is anticipated that property tax receipts will exceed budgeted estimates by year-end.

The **Secured Property Tax** estimate of \$201.4 million, reflecting 91.2% of the Property Tax revenue category, was based on the assumption that collections would increase approximately 8% in 2013-2014. This projected increase, based on the value of property assessed on January 1,

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2013, was anticipated primarily due to two factors: the net increase in residential and commercial valuation resulting from the full or partial restoration of property values that were previously temporarily reassessed downwards under Proposition 8 due to the declining market values; and the change in the California Consumer Price Index (CCPI) of 2.0% for the 2013-2014 tax roll. The County continues to provide projections on year-end receipts with the most recent estimate of \$202.4 million. This estimate takes into account projected downward adjustments that will be made during the year of approximately \$40 million county-wide (excluding redevelopment agency areas), which is consistent with prior year actuals. Given actual adjustments during the year, this estimate remains conservative. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2014, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.

In the **Unsecured Property Tax** category, collections through February totaled \$10.9 million, slightly above the \$10.6 million received through the same period in 2012-2013. Typically collections through October reflect approximately 90% of annual collection levels. Given this trend, it is anticipated that collections may fall slightly below the 2013-2014 Adopted Budget estimate of \$12.6 million by \$100,000. This estimate is consistent with the most recent 2013-2014 projection from the County of Santa Clara as well.

For the **SB 813 Property Tax** category, collections totaled \$1.7 million through February compared to the \$1.6 million received last year at this time. As discussed in the 2013-2014 Mid-Year Budget Review, based on current collection trends and the County of Santa Clara's most recent estimate, receipts in this category are expected to fall below budgeted levels. Over the last few years, revenues in this category had fallen significantly, due, in part, to a substantial number of refunds that were due to property owners as a result of declining home values. In 2011-2012, however, strong growth of 195% was experienced with receipts of \$3.3 million compared to the \$1.1 million collected in 2010-2011. In 2012-2013, collections of \$3.05 million fell \$216,000 from 2011-2012 levels (-6.6%). With the improvement in the real estate market, moderate growth would typically be expected. However, the County continues to anticipate impacts to collections until the backlog of refunds is resolved. The 2013-2014 Adopted Budget assumed collections of \$3.6 million, requiring growth of 18.1% from actual 2012-2013 receipts. Year-end collections are currently tracking to fall below budgeted levels by \$250,000; adjustments will be brought forward by year-end based on actual experience, if needed. It should be noted that collection levels in recent years remain well below the high of \$10.1 million received in 2005-2006 and below levels seen just a few years ago (e.g., \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008).

Aircraft Property Tax receipts through February totaled \$2.1 million, reflecting growth of 3.7% from the prior year collection level. The 2013-2014 Adopted Budget estimate of \$2.2 million requires growth of 5.6% from 2012-2013 receipts of \$2.1 million. If historical trends continue, it is estimated that revenues will end the year close to the budgeted estimate of \$2.2 million. The current County of Santa Clara Assessor's Office estimate of \$2.13 million falls

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slightly below the 2013-2014 budgeted level.

Based on the latest estimate from the County, the **Homeowners Property Tax Relief** revenue is projected to total \$1.03 million in 2013-2014, which is slightly below the budgeted estimate of \$1.05 million.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 172,110,000	\$ 85,616,279	\$ 79,378,614

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. Overall, revenues continue to track above budgeted estimates.

The 2013-2014 modified budget for **General Sales Tax** of \$166.5 million reflects growth of 5% from prior year collections of \$158.6 million. This reflects actual performance for the first quarter (up 8.5%), one-time prior year adjustments and true-up payments, and the assumed growth of 3.5% for the remaining three quarters. General Sales Tax receipts through February of \$82.5 million are tracking 7.9% above the prior year collection level of \$76.5 million and reflects actual first quarter receipts along with “triple flip” payment and advances from the State and one-time prior year adjustments and true-up payments.

While not reflected in the figures through February, the City has received information on the City’s Sales Tax performance in the second quarter that shows an increase of 7.9% from the same quarter in 2012-2013. This represents sales activity from the October – December 2013 period. When comparing San Jose’s cash receipts to those of other jurisdictions, San Jose’s growth of 7.9% outpaced a number of neighboring jurisdictions including Cupertino (-8.4%), Palo Alto (-2.1%), Sunnyvale (4.5%) and Santa Clara County (2.3%). However, it fell slightly below the San Francisco Bay Area growth of 8.2%, Northern California growth of 8.6% and State of California growth of 8.7%.

The City’s Sales Tax consultant, MuniServices Company, 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 for prior periods, and late payments. On an economic basis, sales tax receipts increased 5.8% in the second quarter of 2013-2014 (October through December). This increase was the result of growth in nearly every economic sector excluding General Retail.

GENERAL FUND (CONT'D.)

**Sales Tax Economic Performance
October 2013 – December 2013**

Economic Sector	% of Total Revenue	% Change from 2nd Quarter 2012-2013 to 2nd Quarter 2013-2014
General Retail	28.9%	-1.5%
Business to Business	22.6%	13.5%
Transportation	22.4%	5.2%
Food Products	15.0%	5.1%
Construction	10.5%	14.9%
Miscellaneous	0.6%	3.4%
Total	100.0%	5.8%

The year-over-year increase in cash receipts in the second quarter exceeded the 3.5% growth assumed in the 2013-2014 modified budget, therefore receipts are expected to exceed the current budgeted estimate by \$1.8 million. This higher collections level will be factored into the development of the 2014-2015 Proposed Operating Budget.

Through February, the **Proposition 172 Sales Tax** receipts of \$3.1 million were up 5.9% from the same period in the prior year. The 2013-2014 budgeted estimate of \$5.6 million requires growth of 8.9% from the 2012-2013 collection level of \$5.2 million. Based on 2012-2013 actual performance and current collection trends, it is anticipated that collections may fall slightly below budgeted estimates this year.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 10,600,000	\$ 6,689,586	\$ 5,170,916

Through February 2014, receipts recorded in the General Fund of \$6.7 million are 29.4% above the prior year's collections for the same period. A portion of this increase is driven by a strong influx of TOT compliance revenue (\$225,000) compared to the prior year (\$22,000). Once adjusted for compliance revenue, regular TOT collections are up 25.6% over 2012-2013 collections. However, once adjusted for accruals and differences in payments, receipts through February are approximately 15.1% above adjusted prior year levels. Year-to-date growth exceeds the 5% increase assumed in the development of the 2013-2014 Adopted Budget estimate of \$10.6 million. If current collection trends continue, revenues may end the year \$700,000 above the estimate.

Through February, the average hotel occupancy rate at the 14 major hotels was 68.7%, a slight improvement from the 64.7% occupancy rate for the same period in 2012-2013. For the same 14

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hotels, the average daily room rate through February was \$151.73, up 12.1% from the \$135.35 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$104.55 represents an increase of 19.1% from the prior year level.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 91,895,000	\$ 56,334,613	\$ 50,962,283

Through February, Utility Tax receipts of \$56.3 million were tracking \$5.4 million above last year's collection level of \$51.0 million due primarily to higher collections in the Electricity, Gas, and Water categories. A portion of this variance, however, was due to differences in prior year accruals and timing of payments. The 2013-2014 budgeted estimate requires an increase of 0.9% from the prior year collection level. Overall, based on the current collection trends, Utility Tax receipts are tracking to meet or exceed budgeted estimates. It should be noted that Utility Taxes reflect a one month lag in receipts, therefore, collections through February reflect activity through January.

In the **Electric Utility Tax** category, collections of \$25.7 million reflect activity through January 2014 and were tracking 21% above the prior year levels of \$21.3 million. Once adjusted for timing differences in payments and slight variances in accrual levels collections are tracking 5.8% above prior year levels. This is above the growth of 2.2% needed to meet 2013-2014 Adopted Budget estimate of \$40.2 million. Collections in 2012-2013 were impacted by a refund that was processed by Pacific Gas and Electric (PG&E) in September 2012 for energy usage from April 2011 through June 2012, accounting for the majority of the variance between the two fiscal years as well as the 2.6% rate increase January 2013 and an increase in January 2014 of an average of 0.6%. Based on current collection trends, receipts are currently anticipated to exceed budgeted estimates by approximately \$1.0 million. Because it is uncertain if there will be any one-time adjustments in the current year, and due to the volatility inherent in this revenue category, receipts will be monitored closely for the remainder of the year.

In the **Gas Utility Tax** category, receipts totaled \$5.0 million, up 52% from the prior year collection level of \$3.3 million. Once adjusted for timing differences in payments and slight variances in accrual levels compared to actual June collection levels, receipts are tracking 5.8% above adjusted prior year levels. The 2013-2014 budgeted estimate of \$8.1 million assumed that collections would remain flat at estimated 2012-2013 receipts; however, based on actual 2012-2013 receipts of \$8.4 million, the 2013-2014 Adopted Budget estimate allows for a decline of 3.8% from the 2012-2013 collection level. Based on current trends and an assumed rate increase of approximately 7.3% anticipated in 2014, which may be offset by changes in consumption levels, receipts in this category may exceed budgeted levels by approximately \$700,000. However, Gas Utility Tax receipts are subject to significant fluctuations from the impact of weather conditions and/or rate changes.

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Collections of \$7.2 million in the **Water Utility Tax** category are slightly above the prior year level of \$6.7 million. A portion of this increase is due to year-end accrual differences (-\$182,000) as well as a difference in timing in payments. Adjusting for accruals and differences in payments, receipts through February are approximately 10.4% above adjusted prior year levels. The 2013-2014 Adopted Budget estimate of \$11.4 million was based on growth of 3.6% over the projected 2012-2013 collection level of \$11.0 million which assumed rate increases. However, because revenues in 2012-2013 ended the year below the estimated collection level, an increase of 8.4% is now needed to achieve the budgeted estimate. If current collection trends continue, receipts are projected to fall below the budgeted estimate by approximately \$200,000. It should be noted that this category is always subject to fluctuations related to the amount of precipitation received, particularly in the spring.

Collections in the **Telephone Utility Tax** category of \$18.4 million are 6.4% below the prior year collection level of \$19.7 million primarily due to one-time compliance revenue of \$578,000 received in 2012-2013 as well as differences in prior year accruals and timing of payments. However, when all categories are adjusted for timing difference in payment, accruals, and to exclude compliance revenue, receipts of \$19.4 million are tracking 2.9% above prior year levels of \$18.8 million. The 2013-2014 Adopted Budget estimate of \$32.2 million allows for a slight decline of 2.0% from 2012-2013 actual collections. If current collections continue it is estimated that receipts will end the year above budgeted levels by \$500,000 to \$975,000.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 42,935,000	\$ 28,711,758	\$ 27,715,017

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through February, overall collections of \$28.7 million are tracking slightly above prior year collection levels by 3.6%, reflecting higher collections in the Disposal Facility Tax and Marijuana Business Tax categories, offset by lower collections in the General Business Tax category. To meet the 2013-2014 modified budgeted estimate, receipts in this category can drop 4.9% from the actual 2012-2013 collection level, therefore it is anticipated year end collections will meet budgeted estimates.

Cardroom Tax receipts of \$9.4 million through February were at the prior year levels. The 2013-2014 revenue estimate of \$15.5 million, allows for a decline in collections of 5.0% from the prior year level of \$16.3 million. The budgeted decline assumed normalizing the spike in activity for the opening of M8trix Casino. If current activity and collection trends continue, however, revenues may exceed budgeted estimates by \$500,000 to \$700,000.

Marijuana Business Tax receipts of \$3.5 million are tracking 35.5% above the \$2.6 million collected during the same period last year. In 2013-2014, the budgeted estimate of \$5.4 million requires growth of 27.5%, reflecting the anticipated increase in receipts due to the City Council

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approved increase in the tax rate from 7% to 10% of gross receipts. Collections continue to track at approximately \$500,000 in monthly receipts and are projected to exceed the budgeted estimate by approximately \$600,000. However, collections will be monitored closely as uncertainty continues regarding this program and the potential impacts from any federal actions as well as recommended changes in enforcement.

General Business Tax receipts of \$9.0 million were 3.0% below the prior year level of \$9.3 million. The 2013-2014 Adopted Budget estimate of \$11.5 million allows for a decline of 16.9% from actual 2012-2013 receipts of \$13.9 million. In the development of the 2013-2014 Adopted Budget, it was assumed that receipts would decline as unusually high activity was experienced in 2012-2013 because of the Business Tax Amnesty Program. However, growth from 2011-2012 levels of \$11.3 million was expected as result of both the gradual economic recovery and the ongoing implications of the Amnesty Program. The Finance Department has completed a reconciliation of the outstanding accounts which resulted in a write-off of approximately \$1.0 million, of which sufficient reserves were not intact to offset a current fiscal year revenue impact. Therefore, revenues are anticipated to fall below budgeted levels by approximately \$700,000.

Disposal Facility Tax revenue of \$6.9 million through February is tracking 5.9% above the prior year level of \$6.5 million. This increase primarily reflects increased activity from neighboring agencies dumping in San José landfills, therefore, Disposal Facility Taxes are anticipated to slightly exceed budgeted levels and at least reach prior year levels of \$10.7 million. The 2013-2014 modified budget estimate of \$10.5 million was built on the assumption that revenues would fall due to improvements in the processing of waste for the commercial program as well as the historical downward trend in this category.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 49,268,246	\$ 36,276,799	\$ 31,963,521

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through February, Licenses and Permits revenue of \$36.3 million tracked 13.5% above the prior year level of \$32.0 million. The 2013-2014 modified budget estimate, requires growth of 5.7% from the actual 2012-2013 collection level. Development-related activity continues to experience very strong growth in 2013-2014, exceeding the estimates used to develop the 2013-2014 Adopted Budget. Significant adjustments to revenue estimates were approved in the Mid-Year Budget Review to account for this increased activity and were primarily allocated to the development fee reserves.

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

Building Permit revenue of \$20.4 million through February is tracking 19.9% above the 2012-2013 collection level of \$17.0 million for the same period. As part of the 2013-2014 Mid-Year Budget Review, the 2013-2014 Adopted Budget estimate was increased by \$8.0 million to \$29.0 million to align the budgeted estimate with the strong receipts as a result of increased development activity across all sectors. The revised estimate of \$29.0 million requires growth of 7.1% from prior year levels. A corresponding increase to the Building Development Fee Program Earmarked Reserve from \$15.3 million to \$23.3 million was also approved. All revenue categories are tracking above estimated levels.

Through February, Fire Permit collections of \$8.4 million were tracking above estimated levels and 21.7% above the prior year receipts of \$6.9 million. This category consists of development and non-development related permits. As part of the 2013-2014 Mid-Year Budget Review, the 2013-2014 Adopted Budget estimate for development related revenues was increased \$800,000 to \$7.1 million to align the budgeted estimate with current tracking. Development related receipts of \$4.6 million through February are currently tracking to meet this revised estimate. At this time, the Non-Development program revenues of \$3.8 million through February reflect 93.3% of the \$4.1 million budgeted estimate and represent the four major billing cycles for non-development fire permits for this fiscal year. Collections are anticipated to end the year at budgeted levels.

The Other Licenses and Permits collections of \$7.5 million continue to track 7.1% below 2012-2013 collection levels (\$8.1 million). The 2013-2014 budgeted estimate of \$9.1 million only allows for a decline of 3.8% from the prior year, primarily reflecting a drop in the estimated cardroom permit revenue and off-sale alcohol enforcement collections. If collections continue at this rate, revenues are estimated to fall below budgeted levels by \$600,000 primarily due to lower vacant and dangerous building enforcement revenue collections. As a result of improvements in the housing market, vacant properties are being purchased and brought into compliance at increased speed.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Revenue from Local Agencies	\$ 37,131,820	\$ 4,682,814	\$ 12,818,977

Revenues in this category are provided by many local agencies. The largest sources include reimbursement from the Successor Agency to the Redevelopment Agency of the City of San José, a public entity, reimbursement from the Central Fire District for fire services provided by the City to County properties, CAL-ID support, reimbursement for the City's Paramedic Program, and Senior Nutrition reimbursement. Revenues of \$4.7 million through February are significantly below prior year levels of \$12.8 million, primarily due to a \$6.9 million one-time

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payment from the County of Santa Clara for the recalculation of prior year property tax administration fees. Overall, revenues are expected to fall below budgeted levels by \$1.8 million to \$2.0 million as a result of the anticipated loss of reimbursements for the City's Paramedic Program from the County of Santa Clara.

The largest revenue estimate in the Revenue from Local Agencies is a reimbursement from the Successor Agency to the Redevelopment Agency for the payment of the Convention Center Debt Service. While no revenues have been received through February, it is anticipated that the 2013-2014 budgeted estimate of \$15.3 million will be received by year-end under the current accounting for this payment. The 2013-2014 Modified Budget also includes a reimbursement of \$10.3 million from the Successor Agency to the Redevelopment Agency to reimburse for intra-year loans provided during 2012-2013 from the City to the Successor Agency. Although no reimbursement is reflected through February, the reimbursement was recently completed.

Included in this category are reimbursements for the City's Paramedic Program from the County of Santa Clara. The 2013-2014 budgeted estimate totals \$2.2 million, however, no reimbursement was received through December. In 2012-2013, the City also did not receive payment for the fourth quarter. There are ongoing discussions with the County Board of Supervisors on the timing and potential withholding of payments as the City is having difficulty meeting performance requirements. The situation will continue to be monitored.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 38,179,213	\$ 27,628,251	\$ 23,871,319

Through February, Departmental Charges revenues of \$27.6 million were tracking 15.7% above the 2012-2013 collection level of \$23.9 million. The 2013-2014 modified budget estimate, however, allows for a decline of 1.6% from the prior year actual receipts. The increase from the prior year reflects growth in all departmental charges categories, such as Public Works, Planning, Parks, Recreation, and Neighborhood Services, Transportation, and Police Departmental Charges. If current collection trends continue, overall Departmental Charges revenues should exceed the budgeted estimate by year-end.

Development-related revenues are currently tracking ahead of the prior year collection levels and are expected to exceed the budgeted estimates. Through February, Planning Fee revenue of \$3.2 million is 48.4% above the prior year collection level of \$2.2 million. As part of the 2013-2014 Mid-Year Budget Review, the 2013-2014 Adopted Budget estimate was increased by \$1.0 million to \$4.0 million to align the budgeted estimate with the strong revenue receipts resulting from increased development activity across all sectors. A corresponding increase to the Planning Development Fee Program Earmarked Reserve was approved, increasing the reserve from \$1.3 million to \$2.3 million. The 2013-2014 modified budget revenue estimate of \$4.0 million reflects an increase of 3.4% from the 2012-2013 actual receipts and current collections are

GENERAL FUND (CONT'D.)

tracking to meet this estimate.

Public Works revenues through February of \$6.7 million are 35.3% above the prior year level of \$4.9 million. Revenues in most residential categories are tracking above estimated levels due to several single family and multi-family residential projects that were received in 2013-2014. Non-residential revenues are performing at anticipated levels. As part of the 2013-2014 Mid-Year Budget Review, the 2013-2014 Adopted Budget estimate was increased \$1.6 million to \$9.3 million to align the budgeted estimate with the strong actual revenue collections, requiring growth of 9.5% from the prior year. At this time, collections are projected to meet or exceed the revised budgeted revenue estimate.

EXPENDITURES

Through February, General Fund expenditures (without encumbrances) of \$614.4 million were 6.5% below the prior year level of \$657.0 million. Encumbrances of \$35.4 million were 24.2% above the prior year level of \$28.5 million. Expenditures and encumbrances (\$649.8 million) through February constitute 54.5% of the total 2013-2014 revised budgeted uses of funds (\$1.2 billion, including reserves; \$1.03 billion, or 62.9%, excluding reserves). Overall, expenditures are tracking below estimated levels through February and expenditure savings are anticipated by year-end.

While the large majority of departments are tracking to end the year with savings, there are a few instances where expenditures are tracking above estimated levels, 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.

KEY GENERAL FUND EXPENDITURES

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Police	\$ 312,662,209	\$ 188,968,874	\$ 198,250,294

On an overall basis, the Police Department's expenditures are tracking below estimated levels. Personal services expenditures of \$174.8 million tracked below anticipated levels (60.7% compared to the par of 63.5%). Overtime expenditures of \$14.2 million through February, however, tracked higher than anticipated levels with 66.5% expended of the current \$21.4 million budget. Several actions approved in the 2012-2013 Annual Report and 2013-2014 Mid-Year Budget Review increased the Department's overtime funding by \$5.5 million (from \$15.9 million to \$21.4 million) to ensure the Department has sufficient overtime resources in 2013-

GENERAL FUND (CONT'D.)

2014 including funding to support the new Downtown Foot Patrol Unit, the backfill for vacant positions, and targeted enforcement of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, graffiti, and high profile investigations.

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 2014 was 169,034 hours for sworn personnel. This represents an increase of 7,919 hours (4.9%) compared to the February 2013 balance of 161,115.

The chart below outlines current authorized sworn staffing levels and the number of street-ready sworn positions available at work:

Police Current Sworn Staffing Levels

	2013-2014 (as of 4/03/2014)
Authorized Sworn Staffing	1,109
Vacancies	(91)
Filled Sworn Staffing	1,018
Field Training Officer/Recruits	(47)
Street-Ready Sworn Positions Available	971
Disability/Modified Duty/Other Leaves	(69)
Street-Ready Sworn Positions Working	902

In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department continues to hold two Police Recruit Academies per year (October 2013 and May 2014). At this time, the Department is anticipating that 31 recruits will attend the Academy in May 2014. Although the Department is conducting regular police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2014-2015 with approximately 75-85 sworn vacancies based on current attrition rates.

A total of \$18.0 million (62.9%) 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 \$3.2 million, or 23.1% of the non-centrally-determined appropriation available for the remainder of the fiscal year. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

GENERAL FUND (CONT'D.)

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 164,964,251	\$ 101,856,232	\$ 107,350,586

On an overall basis, Fire Department expenditures are tracking below estimated levels. Personal Services expenditures of \$97.1 million tracked below anticipated levels (62.2% compared to the par of 63.5%). The Fire Department's Non-Personal/Equipment budget of \$8.9 million was 69.0% 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 \$95.0 million tracked below anticipated levels (62.6% compared to par of 63.5%) and non-personal/equipment expenditures and encumbrances of \$6.0 million were 68.8% through February.

With a very small number of sworn positions vacant, the Fire Fighter Recruit Academy scheduled for 2013-2014 will be delayed until August 2014. Currently, there are 15 vacant sworn positions. The existing Fire Fighter eligibility list was established over four years ago and has been exhausted through previous academies. Funding was added in 2013-2014 to establish a new list which would be available for an academy in August, 2014.

Through February, overtime expenditures of \$3.8 million tracked slightly below anticipated levels with 61.4% expended. The overtime budget was increased by \$911,000 as part of the 2013-2014 Mid-Year Budget Review to reflect a reallocation of other personal services savings (\$750,000) as well as to recognize reimbursement for strike team deployments and grant funded training activities conducted in October (\$161,000). Overtime expenditures were incurred to backfill due to vacancies and absences in line duty positions (vacation, strike team deployments, modified duty, sick, disability, and other absences). Year-to-date, the number of disability and modified duty hours is up 9% over last year's historically high levels.

Personal services expenditures in the Development Fee Program of \$2.1 million tracked below estimated levels with 49.5% expended. Any savings realized in the Development Fee Program are returned to the Program's Earmarked Reserve. The Budget Office along with the Fire Department will continue to monitor activity to ensure the department remains within its Personal Services appropriation.

Through February, the Fire Department was staffed with 190 filled Fire Fighter paramedic positions (180 front line Fire Fighter paramedics, 5 Supervisors, and 5 support) compared to the 132 front line Fire Fighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 132 front line Fire Fighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through

GENERAL FUND (CONT'D.)

March was 30, which was below the authorized number of 33 due to vacancies in sworn positions.

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Office of Economic Development	\$ 4,066,246	\$ 2,419,277	\$ 3,595,701

Through February 2014, expenditures for the Office of Economic Development (OED) were tracking above estimated levels with 65.6% expended or committed. Personal Services expenditures totaled \$2.1 million (68.3% of the \$3.0 million budget), exceeding the par level of 63.5%. The Office of Economic Development Non-Personal/Equipment budget of \$1.05 million was 57.4% expended or encumbered through February, but is anticipated to end the year with approximately \$50,000 in savings.

Personal Services expenditures are currently tracking to exceed budgeted levels by approximately \$265,000. However, \$95,000 in erroneous charges will be backed out of this appropriation bringing the projected overage down to \$170,000. This higher expenditure levels is primarily due to unbudgeted Real Estate staff charged to the General Fund. The Department plans to reallocate Non-Personal/Equipment expenditure savings of approximately \$50,000 to partially address the projected Personal Services appropriation budget overage as part of the year-end process. The Department and the Budget Office will continue to closely monitor expenditures and may bring forward to the City Council more adjustments at year-end if needed.

CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2012-2013 Annual Report, increasing the reserve from \$29.3 million to \$31.0 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.

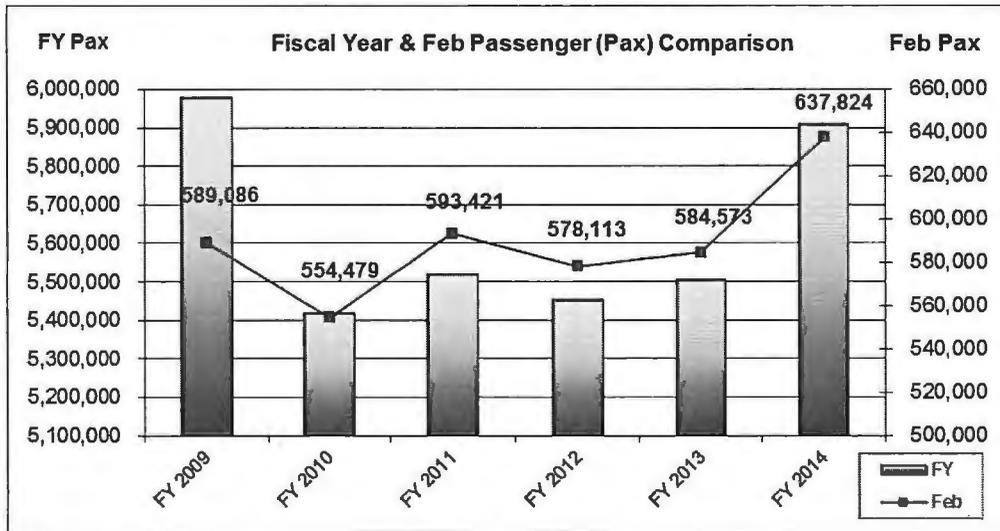
OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.9 million passengers, an increase of 7.3% from the figures reported through February of the prior year. This compares to the Federal Aviation Administration's projection of 0.8% for national enplanement growth in 2013-2014.

OTHER FUNDS (CONT'D.)

All other revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 2.5%; Landed Weights by 6.9%; Taxicab Operations by 8.9%; Parking Exits by 4.9%; and Gallons of Aviation Fuel Sold by 10.4%. Passenger Facility Charge (PFC) revenues were 5.2% above the same period of the prior year. Fiscal year-to-date mail, freight and cargo totaled 69.4 million pounds, which represents a 21.7% increase as compared to February 2013.



Through February, overall revenue performance at the Airport tracked 3.2% above budgeted levels. The airfield and parking and roadway revenue categories were above budgeted levels due to higher than anticipated passenger activity, in-flight kitchen and public parking revenues. All other revenue categories performed on target.

Through February, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures tracked below budgeted levels. Personal Service expenditures in the Airport Maintenance and Operation Fund were 55.9% 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% of the budget through February 2014. Non-Personal/Equipment expenditures (excluding encumbrances) in the Airport Customer Facility and Transportation Fee Fund were 51.7% through February as compared to the benchmark of 58.9%. Some savings were realized in the Airport's Parking Management program due to reduced costs for a new shuttle bus operator agreement and continued transition to cashierless operations. The Administration will continue to closely monitor and report activity, revenue, and expenditure status.

OTHER FUNDS (CONT'D.)

Construction and Conveyance Tax Funds

Construction and Conveyance (C&C) Tax revenues continue to experience growth compared to receipts from the prior fiscal year. Collections through February 2014 totaled \$21.5 million, which is 71.8% of the 2013-2014 estimate of \$30.0 million. This collection level is 3.7% above the \$20.8 million received through February 2013. Furthermore, the City has also received March Conveyance Tax receipts totaling \$2.2 million, representing a 31.0% increase from the \$1.7 million received in March 2013. C&C Revenues are on pace to reach or slightly exceed the \$37.0 million estimated in the City Manager's 2015-2019 Five-Year Forecast, which is 23.3% above the 2013-2014 Adopted Budget estimate of \$30.0 million and 7.5% over the 2012-2013 collection level. Due to the volatile nature of this revenue source, collection receipts will be carefully monitored over the coming months, though an upward adjustment to the 2013-2014 revenue estimate is likely prior to the fiscal year's end.

Nearly 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 performance in the housing market supports the higher collections in the C&C Tax receipts.

Other Construction-Related Revenues

Through February, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are significantly up from 2012-2013 levels through the same period. As discussed in the Economic Environment section of the Overview, construction permit activity in all areas continues to outpace the prior year. Permit 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.

- *Building and Structure Construction Tax* – Receipts through February totaled \$15.1 million. This collection level is up by 79.0% (\$6.7 million) from prior year collections through February, and the category is currently tracking to slightly exceed the budgeted revenue estimate of \$19.0 million by \$2.0 million to \$3.0 million.
- *Construction Excise Tax* – Receipts through February totaled \$18.4 million. This collection level is up by 66.3% (\$7.3 million) from prior year collections through February, and the category is currently tracking to slightly exceed the budgeted revenue estimate of \$25.0 million by \$1.0 million to \$1.5 million.

OTHER FUNDS (CONT'D.)

Convention and Cultural Affairs Fund

Through February, revenues of \$26.1 million are tracking at 52.0% of the budget and include operations revenue of \$11.8 million, \$10.0 million in commercial paper proceeds, and a transfer of \$4.2 million from the Transient Occupancy Tax (TOT) Fund. The full TOT transfer proceeds are expected to be received by year-end.

While operations revenues of \$11.8 million have been recognized, the operator of the Convention and Cultural Facilities, Team San Jose (TSJ), has provided financial reports reviewed by the City showing operations revenues through February of \$14.8 million, compared to a February target of \$11.8 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.

Through February, expenditures of \$33.3 million were tracking at 66.5% of the budget. The largest expenditure allocations are for Convention Facility Operations and the Convention Center expansion and renovation project (Kitchen, HVAC). Based on a revised forecast for the remainder of the year, TSJ operating expenses are anticipated to end the year at higher than budgeted levels, due to a greater number of contracted events and related costs, as described previously. It is anticipated that year-end adjustments will be brought forward to recognize the additional revenue and increase the expenditure appropriations to address this higher activity level.

Transient Occupancy Tax (TOT) Fund

Through February 2014, receipts recorded in the TOT Fund of \$10.0 million are 29.1% above the prior year collections for the same period. A portion of this increase is driven by a strong influx of TOT compliance revenue (\$340,000). However, once adjusted for accruals, compliance revenues, and differences in payments, receipts through February are approximately 15% above adjusted prior year levels. Growth exceeds the 5% increase assumed in the development of the 2013-2014 Adopted Budget estimate of \$15.9 million and if current collection trends continue, revenues may end the year \$2.1 million above the estimate. The 2013-2014 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.

Through February, the average hotel occupancy rate at the 14 major hotels was 68.7%, a slight improvement from the 64.7% occupancy rate for the same period in 2012-2013. For the same 14 hotels, the average daily room rate through February was \$151.73, up 12.1% from the \$135.35 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$104.55 represents an increase of 19.1% from the prior year level.

CONCLUSION

Through February, the City's funds continue to perform within or better than budgeted expectations. The 2013-2014 budget was built on the assumption that the economic recovery would continue in 2013-2014 with modest growth. Actual collection trends support this assumption, with some of the categories outperforming projections. The development-related fees and taxes as well as the property-related Construction and Conveyance Taxes are continuing the strong performance that was experienced in 2012-2013. As appropriate, additional 2013-2014 Ending Fund Balance/2014-2015 Beginning Fund Balance will be allocated as part of the 2014-2015 Proposed Budget.

As reported in the 2012-2013 Annual Report and the 2013-2014 Mid-Year Budget Review, a number of adjustments to the General Fund as well as other City funds based on actual 2012-2013 performance and current tracking levels were approved. As new information is received, any additional adjustments based on actual 2013-2014 performance will be brought forward as part of the 2013-2014 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.



JENNIFER A. MAGUIRE

Deputy City Manager/Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the Eight Months Ended February 28, 2014
Fiscal Year 2013-2014
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Eight Months Ended February 28, 2014
Fiscal Year 2013-2014
(UNAUDITED)

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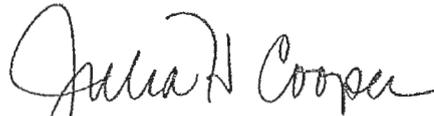
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Finance Department, City of San José
Monthly Financial Report
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(UNAUDITED)

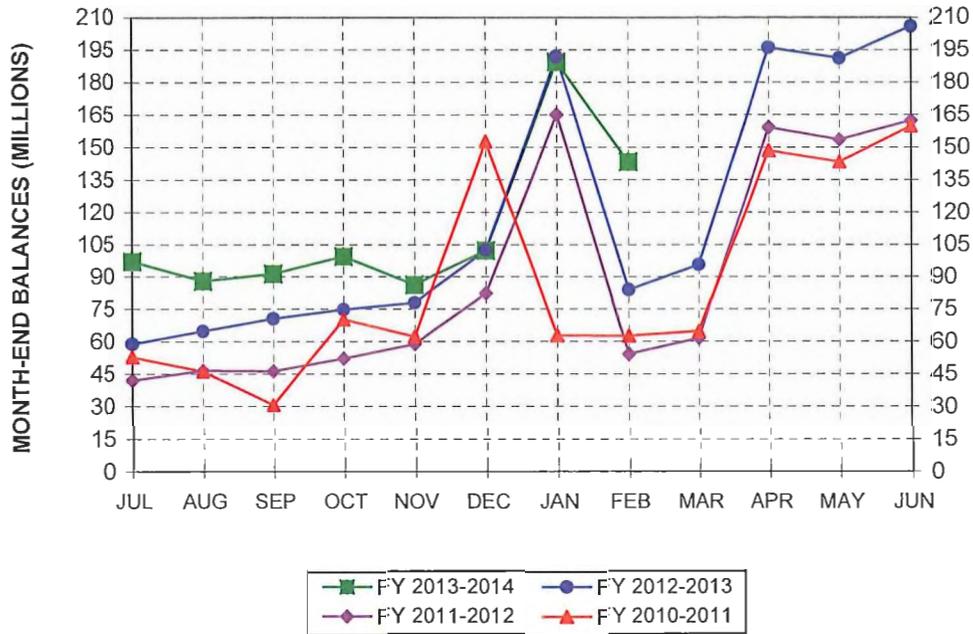
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Submitted by:


JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2013-2014	FY 2012-2013	FY 2011-2012	FY 2010-2011
JULY (1)	\$ 97,000,280	\$ 58,791,632	\$ 41,946,493	\$ 52,614,304
AUGUST	87,887,607	64,647,700	46,502,235	45,992,983
SEPTEMBER	91,326,643	70,484,194	46,218,737	30,525,385
OCTOBER	99,449,689	74,756,262	52,097,481	70,246,706
NOVEMBER	86,285,372	77,861,880	58,833,627	62,333,059
DECEMBER (2)	102,057,315	102,312,730	82,304,186	152,493,162
JANUARY (3)	189,299,222	191,822,297	164,958,541	62,749,463
FEBRUARY (3)	143,098,965	84,006,185	54,118,810	62,572,017
MARCH		95,600,850	61,586,562	64,768,564
APRIL (4)		196,073,222	159,137,277	148,465,097
MAY		191,101,640	153,526,766	143,186,930
JUNE		205,823,965	162,325,519	159,719,466

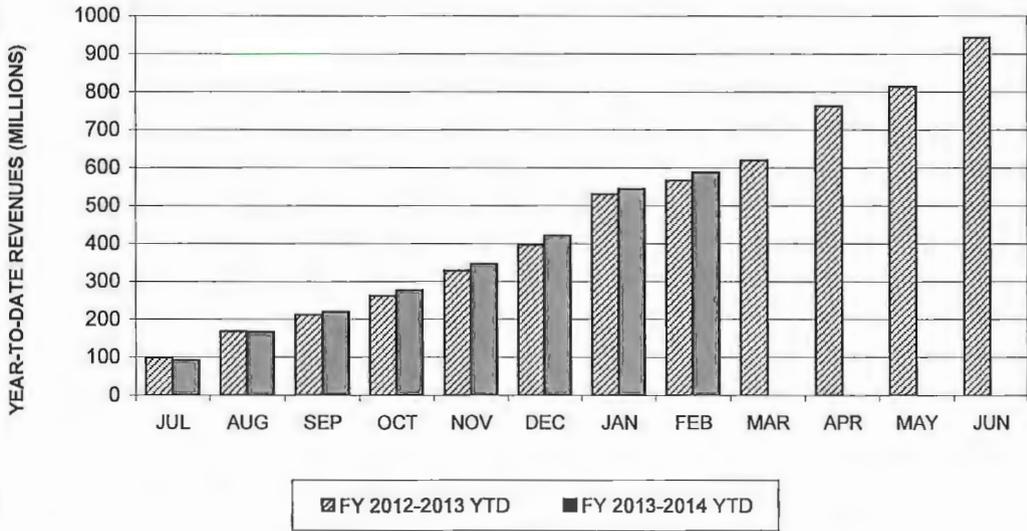
Note: (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

Note: (2) The General Fund cash balance increase in December 2010 was mainly due to the timing of the receipt of \$88.5 million in Property Tax revenue and \$16.7 million in Sales Tax revenue. These revenues are typically posted in January each year.

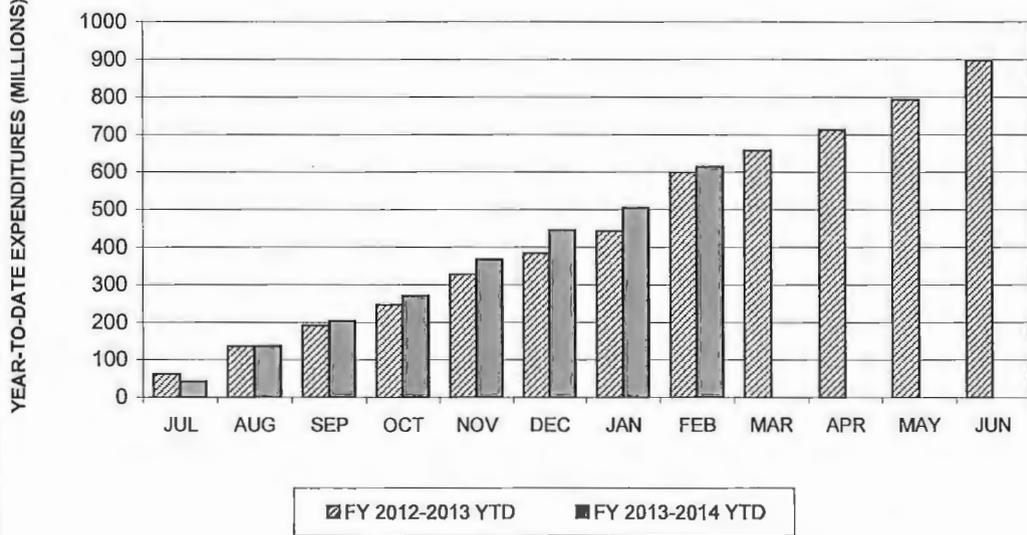
Note: (3) The General Fund cash balance increases in January 2014, 2013 and 2012 was mainly due to the receipts of property taxes; the decreases in January 2011, February 2012 and February 2013 were mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANs) of amounts between \$75 million and \$100 million.

Note: (4) The General Fund cash balance increases each April mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

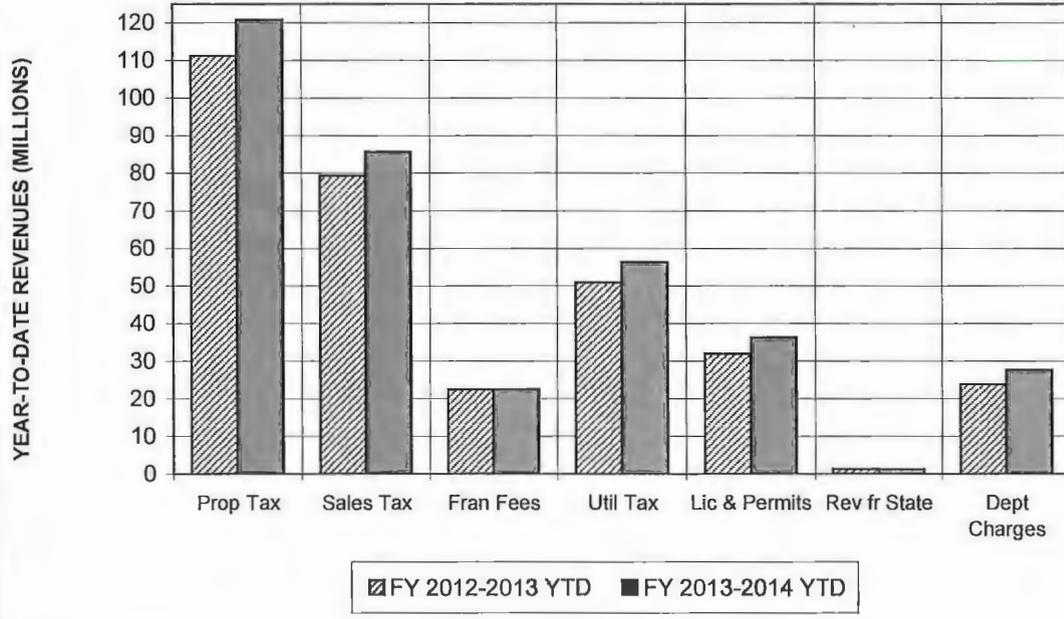
**GENERAL FUND
Comparison of YTD Revenues
Actual**



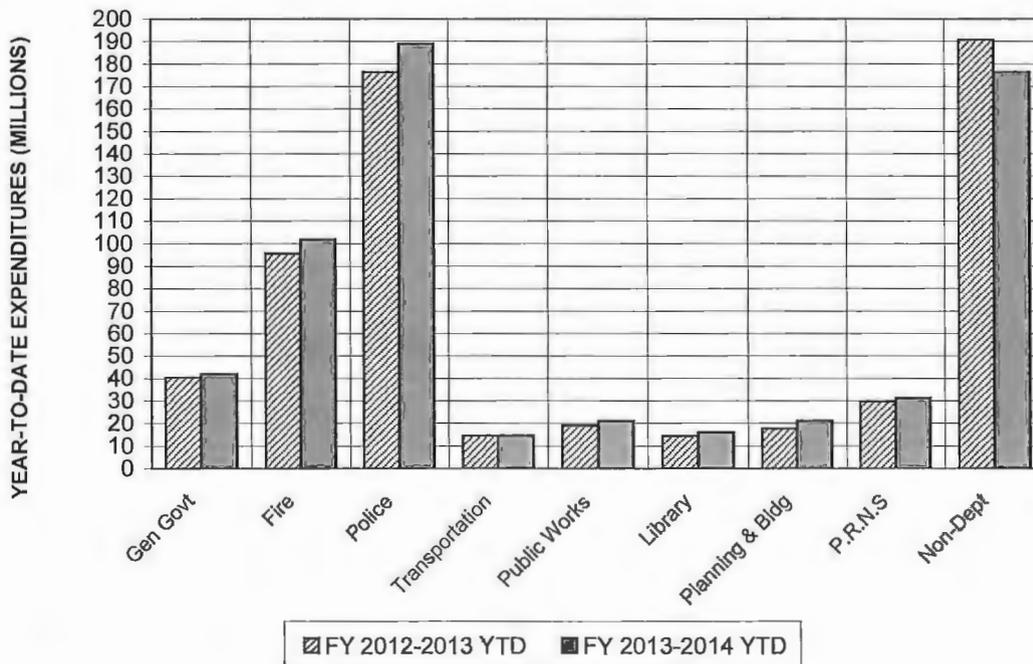
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Eight Months Ended February 28, 2014



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Eight Months Ended February 28, 2014



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(UNAUDITED)
(\$000's)

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	18,503	18,503	18,503	100.00%	18,525	110.95%	16,697	(22)	-0.12%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	213,006	2,175	-	215,181	215,181	100.00%	168,300	100.00%	168,300	46,881	27.86%
Total Fund Balance	213,006	2,175	18,503	233,684	233,684	100.00%	186,825	100.99%	184,997	46,859	25.08%
General Revenues											
Property Tax	220,850	-	-	220,850	120,765	54.68%	111,228	54.25%	205,016	9,537	8.57%
Sales Tax (1)	167,710	4,400	-	172,110	85,616	49.74%	79,379	48.48%	163,751	6,237	7.86%
Telephone Line Tax	20,600	-	-	20,600	11,342	55.06%	12,036	58.31%	20,640	(694)	-5.77%
Transient Occupancy Tax	10,600	-	-	10,600	6,690	63.11%	5,171	51.18%	10,103	1,519	29.38%
Franchise Fees	43,923	-	-	43,923	22,509	51.25%	22,513	51.47%	43,741	(4)	-0.02%
Utility Tax	91,895	-	-	91,895	56,335	61.30%	50,962	55.94%	91,109	5,373	10.54%
Business Taxes	42,435	500	-	42,935	28,712	66.87%	27,715	61.40%	45,140	997	3.60%
Licenses and Permits	40,278	8,990	-	49,268	36,277	73.63%	31,964	68.58%	46,606	4,313	13.49%
Fines, Forfeits and Penalties	15,862	(1,000)	-	14,862	9,016	60.66%	8,968	61.61%	14,555	48	0.54%
Use of Money and Property	2,673	-	-	2,673	2,506	93.75%	2,248	57.77%	3,891	258	11.48%
Revenue from Local Agencies	24,836	12,296	-	37,132	4,683	12.61%	12,819	36.86%	34,779	(8,136)	-63.47%
Revenue from State of Cal.	11,378	500	-	11,878	1,213	10.21%	1,318	7.81%	16,872	(105)	-7.97%
Revenue from Federal Government	11,052	2,060	-	13,112	8,957	68.31%	9,208	47.19%	19,511	(251)	-2.73%
Departmental Charges (2)	35,449	2,730	-	38,179	27,624	72.35%	23,872	61.53%	38,799	3,752	15.72%
Other Revenues	17,646	101,288	-	118,934	114,136	95.97%	118,723	97.41%	121,878	(4,587)	-3.86%
Total General Revenues	757,187	131,764	-	888,951	536,381	60.34%	518,124	59.12%	876,391	18,257	3.52%
Transfers & Reimbursements											
Overhead Reimbursements	36,996	(240)	-	36,756	31,188	84.85%	27,018	83.87%	32,215	4,170	15.43%
Transfers from Other Funds	16,162	500	-	16,662	12,646	75.90%	14,100	72.33%	19,495	(1,454)	-10.31%
Reimbursements for Services	15,243	160	-	15,403	7,967	51.72%	7,246	46.04%	15,737	721	9.95%
Total Transfers & Reimburse	68,401	420	-	68,821	51,801	75.27%	48,364	71.71%	67,447	3,437	7.11%
Total Sources	1,038,594	134,359	18,503	1,191,456	821,866	68.98%	753,313	66.73%	1,128,835	68,553	9.10%

(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 2013-2014 positive cumulative impact through February 2014 is approximately \$1.5 million.
(2) - see Supplemental Schedule on Page 7.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
		ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	ACTUAL	ACTUAL	ACTUAL (1)	ACTUAL	
General Government												
Mayor and Council	11,105	424	36	11,565	5,173	73	44.73%	5,276	63.18%	8,351	(103)	-1.95%
City Attorney	12,376	(5)	327	12,698	7,378	255	58.10%	6,728	60.33%	11,152	650	9.66%
City Auditor	2,114	(10)	13	2,117	1,215	13	57.39%	1,219	66.18%	1,842	(4)	-0.33%
City Clerk	2,256	(21)	72	2,307	1,164	33	50.46%	1,153	64.23%	1,795	11	0.95%
City Manager	11,068	(58)	578	11,588	5,878	743	50.72%	5,991	61.80%	9,694	(113)	-1.89%
Finance	12,772	80	187	13,039	7,663	385	58.77%	7,225	60.28%	11,985	438	6.06%
Information Technology	14,331	183	2,426	16,940	6,915	2,431	40.82%	5,977	54.01%	11,066	938	15.69%
Human Resources	6,371	4	36	6,411	3,495	572	54.52%	3,262	60.15%	5,423	233	7.14%
Independent Police Auditor	1,077	15	1	1,093	691	1	63.22%	605	60.68%	997	86	14.21%
Office of Economic Development	3,694	117	256	4,067	2,419	246	59.48%	3,110	62.14%	5,005	(691)	-22.22%
Total General Government	77,164	729	3,932	81,825	41,991	4,752	51.32%	40,546	60.24%	67,310	1,445	3.56%
Public Safety												
Fire	163,499	897	568	164,964	101,856	1,349	61.74%	95,619	62.84%	152,158	6,237	6.52%
Police	306,848	4,496	1,318	312,662	188,969	3,742	60.44%	176,389	62.16%	283,753	12,580	7.13%
Total Public Safety	470,347	5,393	1,886	477,626	290,825	5,091	60.89%	272,008	62.40%	435,911	18,817	6.92%
Capital Maintenance												
Transportation	27,226	486	346	28,058	14,534	1,710	51.80%	14,540	58.57%	24,823	(6)	-0.04%
Public Works	34,789	548	292	35,629	21,138	1,897	59.33%	19,070	62.12%	30,701	2,068	10.84%
Total Capital Maintenance	62,015	1,034	638	63,687	35,672	3,607	1	33,610	60.53%	55,524	2,062	6.14%
Community Service												
Housing	242	-	-	242	111	-	45.87%	150	61.98%	242	(39)	-26.00%
Library	26,067	147	57	26,271	16,100	344	61.28%	14,452	60.65%	23,829	1,648	11.40%
Planning, Bldg & Code Enf.	37,673	248	969	38,890	21,169	704	54.43%	17,697	61.59%	28,733	3,472	19.62%
Park, Rec & Neigh Svcs	51,919	1,156	376	53,451	31,387	3,093	58.72%	29,665	60.16%	49,311	1,722	5.80%
Environmental Services	1,034	(45)	38	1,027	685	42	66.70%	229	54.65%	419	456	199.13%
Total Community Services	116,935	1,506	1,440	119,881	69,452	4,183	57.93%	62,193	60.66%	102,534	7,259	11.67%
Total Dept. Expenditures	726,461	8,662	7,896	743,019	437,940	17,633	58.94%	408,357	61.75%	661,279	29,583	7.24%

(1) Does not include encumbrance balance.

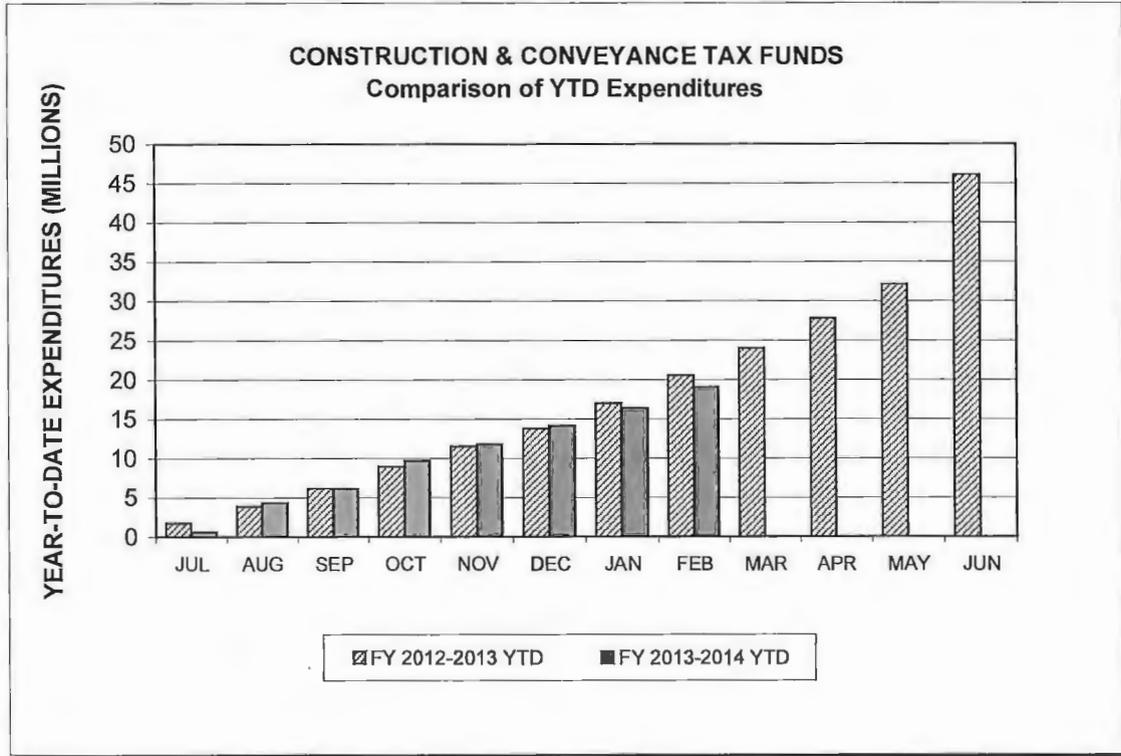
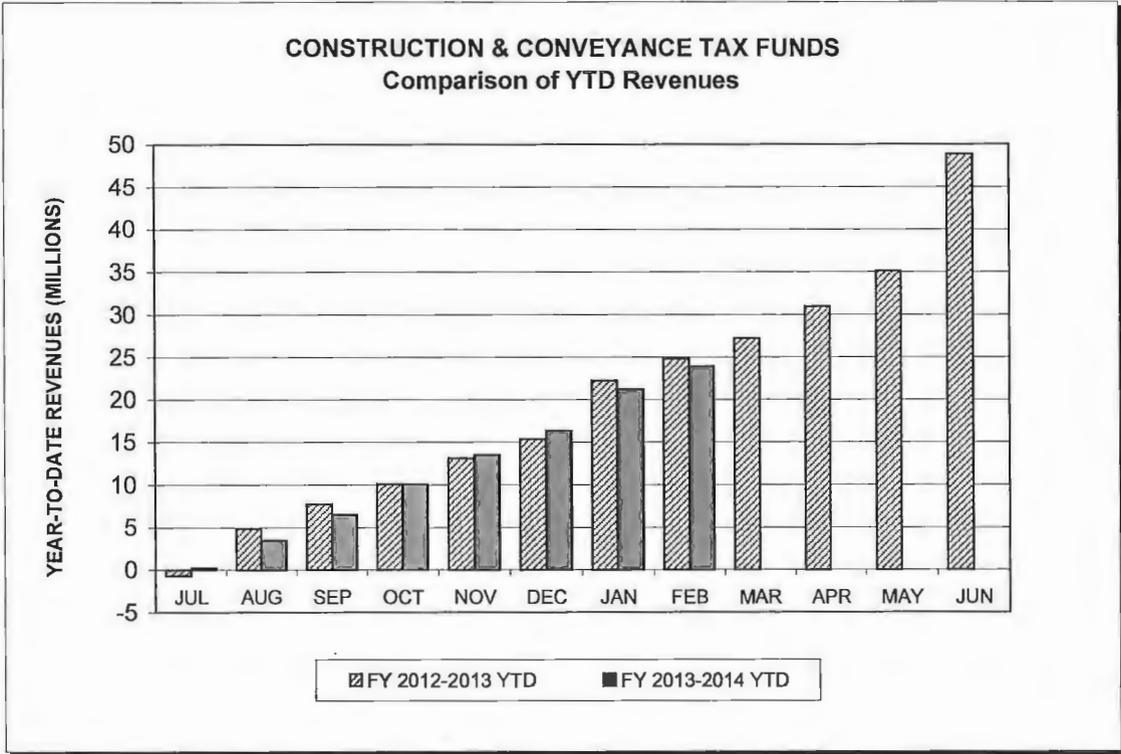
**CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	28,307	897	628	29,832	17,427	2,595	58.42%	5,832	79.04%	20,031	1,595	10.07%
Environmental & Utility Services	2,417	(383)	562	2,596	943	508	36.33%	2,876	66.81%	4,305	(1,933)	-67.21%
Public Safety	19,782	2,076	437	22,295	7,508	347	33.68%	12,623	57.13%	22,096	(5,115)	-40.52%
Recreation & Cultural Services	8,733	484	1,197	10,414	3,736	1,835	35.87%	3,944	47.20%	8,356	(208)	-5.27%
Transportation Services	6,866	79	418	7,363	3,369	730	45.76%	2,577	53.69%	4,800	792	30.73%
Strategic Support	43,483	111,031	6,177	160,691	116,916	8,113	72.76%	118,441	83.69%	141,524	(1,525)	-1.29%
Total City-wide Expenditures	109,588	114,184	9,419	233,191	149,899	14,128	64.28%	156,293	77.71%	201,112	(6,394)	-4.09%
Other Non-Dept Expenditures:												
Capital Improvements	29,437	1,833	1,188	32,458	1,694	3,594	5.22%	5,494	88.93%	6,178	(3,800)	-69.17%
Transfers to Other Funds	25,635	(722)	-	24,913	24,873	-	99.84%	29,002	99.45%	29,162	(4,129)	-14.24%
Total Non-Dept Expenditures	164,660	115,295	10,607	290,562	176,466	17,622	60.73%	190,789	80.69%	236,452	(14,323)	-7.51%
Reserves												
Contingency Reserves	29,309	1,691	-	31,000	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	118,164	8,711	-	126,875	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	147,473	10,402	-	157,875	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,038,594	134,359	18,503	1,191,456	614,406	35,355	51.57%	599,146	66.74%	897,731	15,260	2.55%

(1) Does not include encumbrance balance.

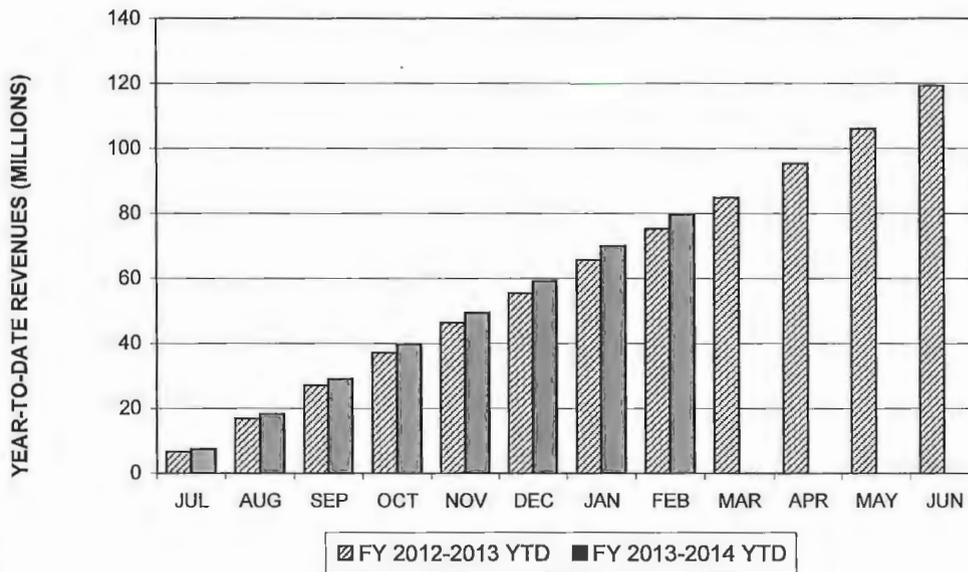
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,155	-	-	1,155	880	76.19%	747	62.09%	1,203	133	17.80%
Public Works	7,750	1,550	-	9,300	6,675	71.77%	4,934	58.11%	8,491	1,741	35.29%
Transportation	1,027	-	-	1,027	886	86.27%	996	70.19%	1,419	(110)	-11.04%
Library	1,049	-	-	1,049	686	65.40%	599	59.19%	1,012	87	14.52%
Planning, Bldg & Code Enf	3,000	1,000	-	4,000	3,194	79.85%	2,178	56.29%	3,869	1,016	46.65%
Parks Rec & Neigh Svcs	15,664	150	-	15,814	10,730	67.85%	10,230	64.87%	15,769	500	4.89%
Miscellaneous Dept Charges	5,804	30	-	5,834	4,573	78.39%	4,189	59.54%	7,036	384	9.17%
Total Departmental Revenues	35,449	2,730	-	38,179	27,624	72.35%	23,873	61.53%	38,799	3,751	15.71%

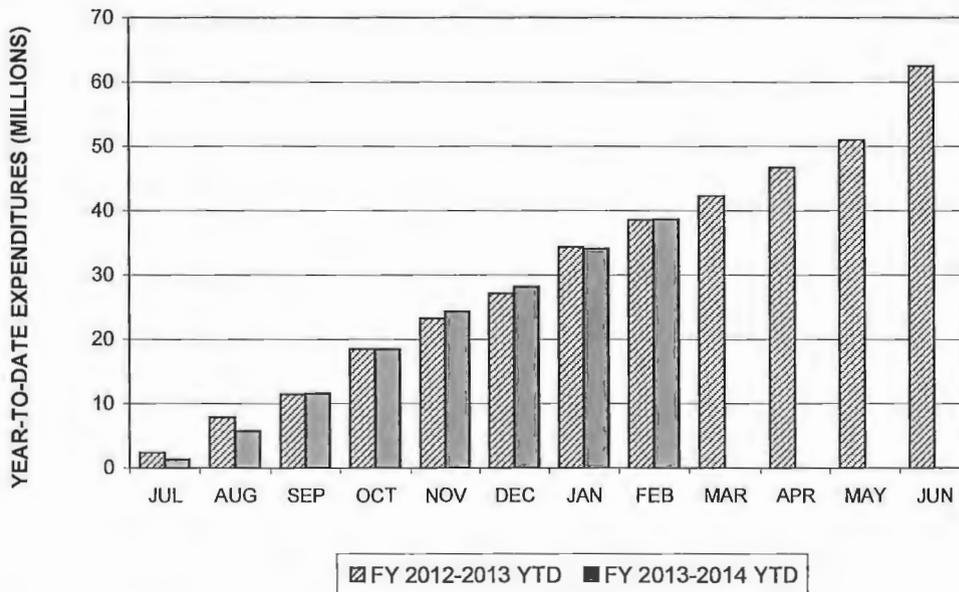


Negative Revenues in July 2012 were caused by the reversal of FY 2011-2012 year-end accrued revenues that exceeded the amount of actual year-end revenues.

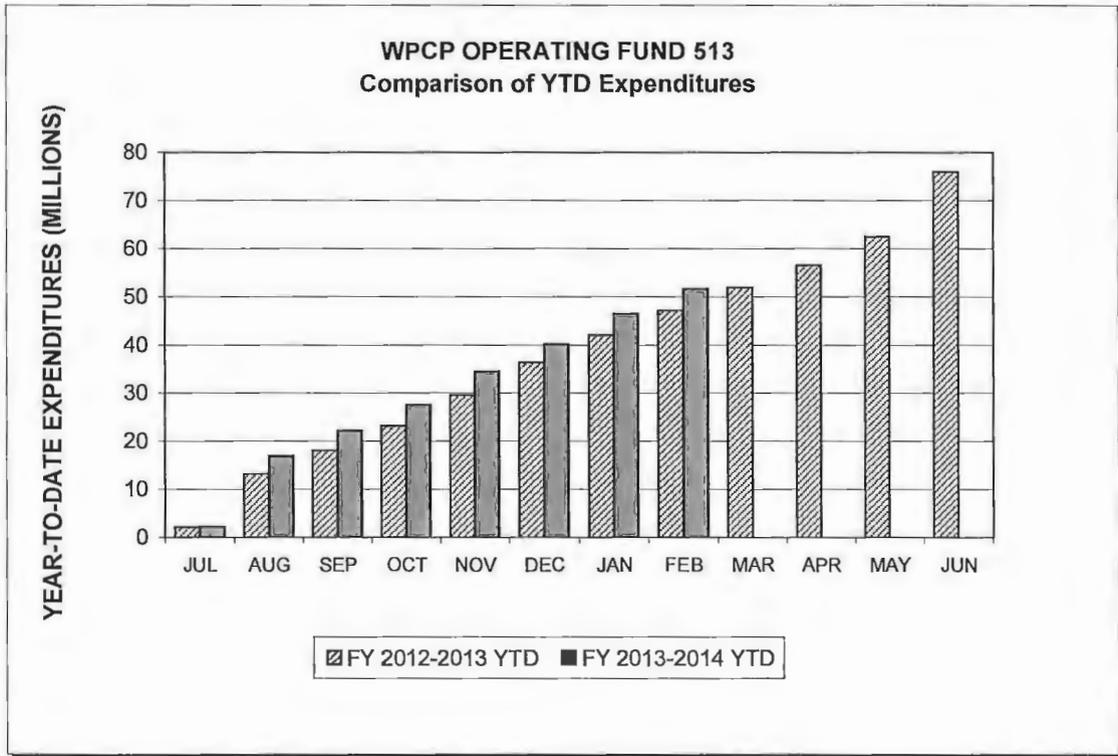
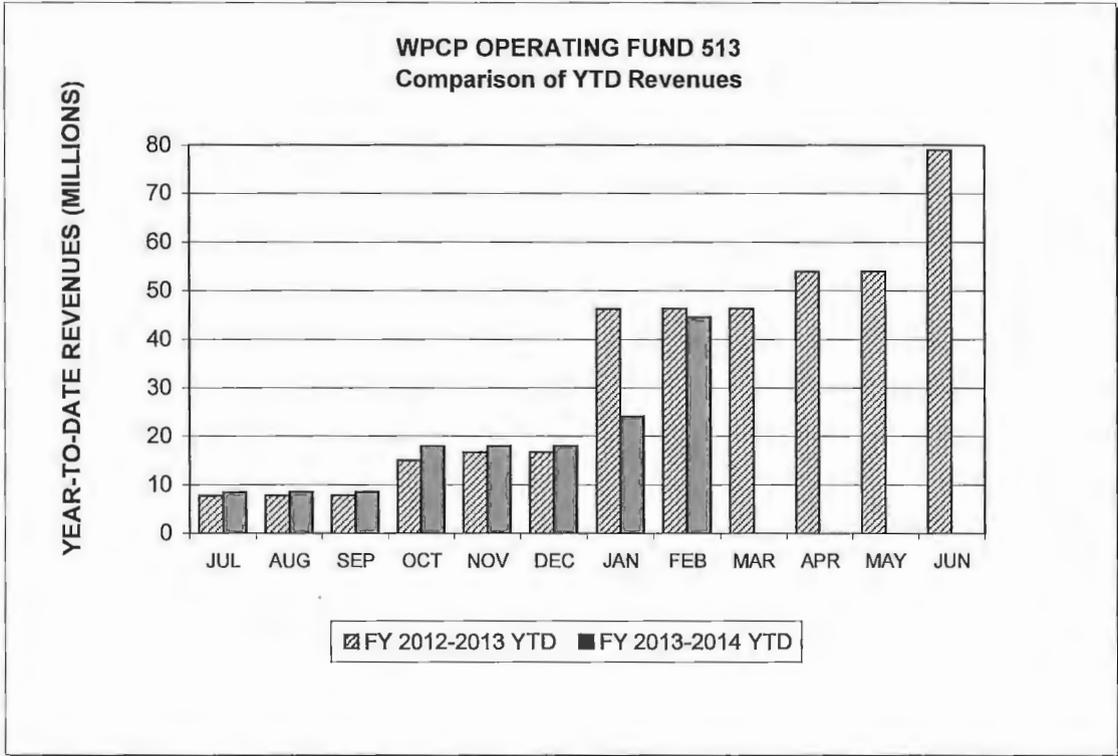
**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues**



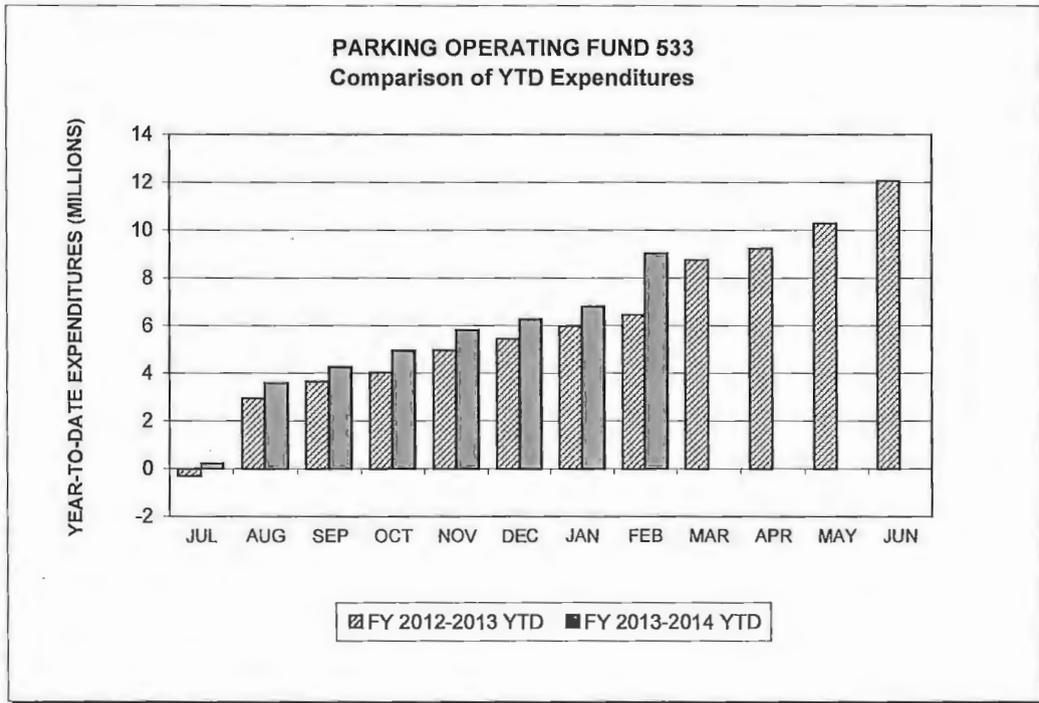
**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**



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



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



Negative Expenditures in July 2012 were caused by the reversal of FY 2011-2012 year-end accrued expenditures that exceeded the amount of actual year-end expenditures.

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, 2014
(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	-	-	2,842	2,842	2,842	-	3,862
Beginning Fund Balance	62,029	16,670	-	78,699	78,699	-	74,587
Revenues	42,698	2,143	-	44,841	23,908	-	24,795
Total Sources	104,727	18,813	2,842	126,382	105,449	-	103,244
Total Uses	104,727	18,813	2,842	126,382	19,000	5,336	20,705
Airport							
Prior Year Encumbrance	-	-	6,383	6,383	6,383	-	7,475
Beginning Fund Balance	317,786	10,069	-	327,855	327,855	-	338,571
Revenues	349,961	1,819	-	351,780	200,191	-	200,398
Total Sources	667,747	11,888	6,383	686,018	534,429	-	546,444
Total Uses	667,747	11,888	6,383	686,018	219,149	17,581	212,597
Waste Water Treatment							
Prior Year Encumbrance	-	-	42,144	42,144	42,144	-	30,226
Beginning Fund Balance	277,989	28,858	-	306,847	306,847	-	279,320
Revenues	292,353	1,248	-	293,601	235,663	-	220,744
Total Sources	570,342	30,106	42,144	642,592	584,654	-	530,290
Total Uses	570,342	30,106	42,144	642,592	159,277	61,798	150,246
Parking							
Prior Year Encumbrance	-	-	1,032	1,032	1,032	-	712
Beginning Fund Balance	12,044	1,022	-	13,066	13,066	-	13,307
Revenues	11,875	660	-	12,535	8,519	-	7,430
Total Sources	23,919	1,682	1,032	26,633	22,617	-	21,449
Total Uses	23,919	1,682	1,032	26,633	9,019	1,893	6,453
Municipal Water							
Prior Year Encumbrance	-	-	976	976	976	-	891
Beginning Fund Balance	16,271	2,153	-	18,424	18,424	-	15,885
Revenues	34,915	2,000	-	36,915	28,631	-	24,916
Total Sources	51,186	4,153	976	56,315	48,031	-	41,692
Total Uses	51,186	4,153	976	56,315	23,853	3,211	20,370

CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(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
Gas Tax							
Revenues	14,500	500	-	15,000	7,704	-	7,018
Total Sources	14,500	500	-	15,000	7,704	-	7,018
Total Uses	14,500	500	-	15,000	7,704	-	7,018
Building and Structures							
Prior Year Encumbrance	-	-	7,509	7,509	7,509	-	3,322
Beginning Fund Balance	14,516	1,699	-	16,215	16,215	-	14,387
Revenues	22,092	9,658	-	31,750	18,084	-	10,738
Total Sources	36,608	11,357	7,509	55,474	41,808	-	28,447
Total Uses	36,608	11,357	7,509	55,474	8,876	7,018	6,631
Residential Construction							
Beginning Fund Balance	1,421	(435)	-	986	986	-	1,258
Revenues	180	4	-	184	247	-	204
Total Sources	1,601	(431)	-	1,170	1,233	-	1,462
Total Uses	1,601	(431)	-	1,170	26	-	25
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	61	61	61	-	116
Beginning Fund Balance	3,934	795	-	4,729	4,729	-	4,299
Revenues	15,906	-	-	15,906	10,026	-	7,788
Total Sources	19,840	795	61	20,696	14,816	-	12,203
Total Uses	19,840	795	61	20,696	10,215	2,113	8,508
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	682	682	682	-	368
Beginning Fund Balance	4,850	1,756	-	6,606	6,606	-	8,526
Revenues	39,810	3,015	-	42,825	26,057	-	12,559
Total Sources	44,660	4,771	682	50,113	33,345	-	21,453
Total Uses	44,660	4,771	682	50,113	32,485	836	17,876

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(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
Golf							
Beginning Fund Balance	339	121	-	460	460	-	375
Revenues	2,556	-	-	2,556	2,403	-	2,201
Total Sources	2,895	121	-	3,016	2,863	-	2,576
Total Uses	2,895	121	-	3,016	2,158	-	2,143
Other Funds							
Prior Year Encumbrance	-	-	16,490	16,490	16,490	-	29,439
Beginning Fund Balance	206,758	49,488	-	256,246	256,246	-	203,121
Revenues	408,420	9,844	-	418,264	265,590	-	258,165
Total Sources	615,178	59,332	16,490	691,000	538,326	-	490,725
Total Uses	615,178	59,332	16,490	691,000	224,077	80,513	210,557

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(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
Construction Excise							
Prior Year Encumbrance	-	-	8,077	8,077	8,077	-	2,492
Beginning Fund Balance	50,773	10,610	-	61,383	61,383	-	46,476
Revenues	53,716	21,074	-	74,790	45,292	-	29,313
Total Sources	104,489	31,684	8,077	144,250	114,752	-	78,281
Total Uses	104,489	31,684	8,077	144,250	26,970	5,430	25,714
Other							
Prior Year Encumbrance	-	-	13,287	13,287	13,287	-	1,377
Beginning Fund Balance	36,004	2,919	-	38,923	38,923	-	53,013
Revenues	9,363	1,236	-	10,599	353	-	3,936
Total Sources	45,367	4,155	13,287	62,809	52,563	-	58,326
Total Uses	45,367	4,155	13,287	62,809	2,958	12,956	6,657

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014
(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
Trust and Agency							
Prior Year Encumbrance	-	-	29	29	29	-	2
Beginning Fund Balance	5,551	953	-	6,504	6,504	-	3,811
Revenues	885	144	-	1,029	967	-	594
Total Sources	<u>6,436</u>	<u>1,097</u>	29	<u>7,562</u>	<u>7,500</u>	-	<u>4,407</u>
Total Uses	<u>6,436</u>	<u>1,097</u>	29	<u>7,562</u>	<u>1,312</u>	14	<u>420</u>