



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR SEPTEMBER/OCTOBER 2011

DATE: December 8, 2011

Approved

Date

12-8-11

The Bi-Monthly Financial Report for September/October 2011 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.

OVERVIEW

Through the first four months of the fiscal year, revenues and expenditures are generally tracking close to the budgeted estimates in all City funds. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments to the City Council during the year if necessary. Following are key highlights in this report:

- Current economic conditions point to continued slow growth through 2011-2012. While economic growth remains positive, high unemployment, a weak housing market, and low consumer confidence are expected to continue impacting economic performance. It currently appears that the Administration has included appropriate growth rates for the City's many revenue sources, consistent with this economic reality.
- While it remains early in the fiscal year, revenues are generally tracking within estimated levels in the General Fund after accounting for adjustments approved as part of the 2010-2011 Annual Report. Collections will be carefully monitored to determine if further adjustments to revenue estimates are necessary. Overall, General Fund expenditures are also tracking close to budgeted levels.
- The Medical Marijuana Regulatory Program continues to be monitored closely as a result of the continued uncertainty of this program. While the Marijuana Business Tax (MBT) revenues are currently tracking to meet or exceed budgeted levels, the estimated fees and charges of \$1.4 million associated with the regulatory program are not expected to be received due to the suspension of the Medical Marijuana Regulatory Ordinance as a result of the Petition for Referendum filed by the Medical Marijuana advocates. Therefore, it is anticipated that expenditure and revenue rebalancing actions will be brought forward as part of the 2011-2012 Mid-Year Budget Review.
- Development-related revenues in the General Fund as well as the development-related taxes are generally tracking to meet or exceed budgeted estimates. Construction and Conveyance Taxes are also tracking close to the budgeted estimate.

OVERVIEW (CONT'D.)

- In June 2011, the Governor signed Assembly Bill XI 26, which approves the dissolution of redevelopment agencies throughout the State, and Assembly Bill XI 27, which enables cities and counties to retain their redevelopment agencies by paying a specified amount to the State as established by a formula. Both bills have a significant fiscal impact to the Low and Moderate Income Housing Fund, which may result in 20% tax increment revenues being pledged to existing obligations. If the redevelopment agencies do dissolve, the Low and Moderate Income Housing Fund will need to be rebalanced by potentially eliminating positions, shifting program costs to other Housing funds, and reducing non-personal/equipment funding for projects. No adjustments to rebalance the fund are recommended at this time because the California Supreme Court granted a Stay pending the Court's ruling on the dissolution of redevelopment agencies throughout the State.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 2.9 million passengers this fiscal year, a decrease of 0.2% from the figures reported through October of the prior year. While passenger activity remains flat, revenues are tracking slightly above budgeted levels and are anticipated to meet budgeted estimates by year end due to conservative revenue estimates.
- The Administration will continue to report to the City Council any and all significant developments through this reporting process.

Economic Environment

The economy continues to reflect a slow and arduous recovery from the 2007-2009 recession. The Legislative Analyst's Office recently released *2012-2013 Budget: California's Fiscal Outlook* includes revised growth assumptions for 2011-2012, reflecting reductions in growth from previous assumptions released in May 2011. The report states that economic recovery is even slower than expected, consistent with the September 2011 UCLA Anderson Forecast which observed that the U.S. economy has stalled.

Consumer confidence also remains weak. The Conference Board Consumer Confidence Index declined sharply in August 2011, remained essentially unchanged in September 2011, and dropped again in October 2011. Lynn Franco, Director of The Conference Board Consumer Research Center stated: "Consumer confidence is now back to levels last seen during the 2008-2009 recession. Consumer expectations, which had improved in September, gave back all of the gain and then some, as concerns about business conditions, the labor market and income prospects increased. Consumers' assessment of present-day conditions did not fare any better. The Present Situation Index posted its sixth consecutive monthly decline, as pessimism about the current economic environment continues to grow."

OVERVIEW (CONT'D.)

In this region, the economic indicators show mixed results. The October 2011 employment level in the San Jose Metropolitan Statistical Area (MSA) of 891,800 was 3.2% above the October 2010 level of 864,500. This employment level is above levels seen in August 2011, however, remains below the recent peak of 930,500 experienced in December 2007.



Unemployment Rate (Unadjusted)

	Oct. 2010	Aug. 2011	Oct. 2011
San Jose Metropolitan Statistical Area*	10.8%	9.6%	9.5%
State of California	12.1%	11.4%	11.2%
United States	9.0%	8.8%	8.5%

* San Benito and Santa Clara Counties

Source: California Employment Development Department.

rate for the State, but remains above the nation, which has a current unadjusted unemployment rate of 8.5%.

The San José metropolitan area has finally dropped out of double-digit unemployment figures; the October 2011 unemployment rate of 9.5% represents a slight decline from the September 2011 rate of 9.6% and is also lower than the 10.8% rate experienced a year ago. In this region, the October 2011 unemployment rate is less than the unadjusted unemployment

Through October, permit valuation for residential construction activity is well below prior year levels; however, permit valuation for commercial and industrial construction activity are tracking above last year. Permits for only 49 dwelling units have been issued through October, which is well below 351 units issued during the same period last fiscal year. Commercial activity is higher with valuation for commercial permit activity at \$79.5 million through October, compared to \$74.2 million through the same period last year. Industrial permit activity is up significantly with valuation at \$59.9 million through October, compared to \$18.5 million collected through the same period last year. The increases in commercial and industrial permit activity are primarily due to alterations, as new construction activity remains weak. This permit activity drives the revenue collection in several construction tax categories and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

OVERVIEW (CONT'D.)



The housing market also remains relatively weak. The October 2011 median single-family home price of \$485,000 is down 6.2% from the October 2010 price of \$517,500. This marks the 13th consecutive month in which the median single-family home price has dropped compared to the same month in the previous year. However, the number of property transfers (sales) for all types of residences has increased by 14% from 576 in October 2010 to 656 in October 2011. The average days-on-market for

single-family and multi-family dwellings totaled 76 days in October 2011, which is consistent with the average days-on-market experienced in October 2010.

The slow pace of recovery from the economic recession is expected to dampen growth in the City's economically sensitive revenue categories. Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2011-2012 as well as development of the 2013-2017 General Fund Forecast.

GENERAL FUND

REVENUES

General Fund revenues through October 2011 totaled \$261.8 million. Although this represents an increase of \$4.7 million from the October 2010 level of \$257.1 million, both totals include borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes. Through October 2011, \$100.0 million has been issued compared to the \$75.0 million issued by this time in 2010, representing a difference of \$25.0 million. Factoring out the TRANs issuance, General Fund revenues totaled \$161.8 million through October 2011 and \$182.1 million through October 2010 – a decrease of \$20.3 million (11.1%) from the prior fiscal year.

The drop in revenues from the prior year was due to lower collections in the following categories: Transfers and Reimbursements primarily due to one-time 2010-2011 operating transfers from the Healthy Neighborhoods Venture Fund, Integrated Waste Management Fund, and various capital funds; Revenue from Local Agencies primarily the result of loss in reimbursement from the San Jose Redevelopment Agency; and Fines, Forfeitures and Penalties primarily due to lower penalties (business tax and code enforcement administrative remedies). These lower collections were primarily due to reductions in these budgeted line items. The lower collections in these categories were partially offset by higher collections in a number of other categories, including but not limited to, Property Tax, Sales Tax, Transient Occupancy

GENERAL FUND (CONT'D.)

Tax, Franchise Fees, Utility Tax, Licenses and Permits, Business Tax, Use of Money and Property, Revenue from the State, Revenue from the Federal Government, Departmental Charges, and Other Revenues.

While it is early in the fiscal year, General Fund revenues are generally tracking to meet budgeted estimates. Based on current tracking and actual performance in 2010-2011, some revenue adjustments were approved in the 2010-2011 Annual Report including a \$6.2 million increase in Sales Tax, partially offset by decreases to Property Tax (\$1.4 million), Revenue from the State of California Motor-Vehicle In-Lieu (\$700,000), Franchise Fees (\$400,000), and Business Tax (\$200,000). Collections will continue to be carefully monitored to determine if further adjustments to revenue estimates are necessary. It should be noted that in 2011-2012 there is no Economic Uncertainty Reserve, while in 2010-2011, \$9.0 million was available as a source of funding to offset downward adjustments, if necessary. However, there is a 2012-2013 Future Deficit Reserve in the amount of \$11.6 million.

The following discussion highlights General Fund revenue activities through October.

KEY GENERAL FUND REVENUES

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 200,095,000	\$ 12,943,341	\$ 12,174,496

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), Aircraft Property Tax, and Homeowners Property Tax Relief. Through October, \$12.9 million has been received, reflecting only 6.5% of the budget for this category. The increase from the prior year was the result of higher Unsecured Property Tax and SB 813 Property Tax collections. Overall, based on information received from the County and current tracking, it appears as though Property Tax collections will be within or maybe slightly below budgeted levels by year end.

As expected, no payments have been received through October for the Secured Property Tax. For 2011-2012, the modified budget estimate for Secured Property Taxes of \$183.3 million allows for a 0.9% increase from 2010-2011 actual collections. The 2011-2012 collections are based on the value of property assessed on January 1, 2011, with any tax roll corrections. In November 2011, the County of Santa Clara provided its latest estimates in projected Secured Property Tax receipts, which incorporated higher projected negative roll corrections. Based on this estimate, a slight downward adjustment to the Secured Property Tax estimate may be necessary. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2012, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections. Any necessary budget adjustments will be brought forward later in the fiscal year.

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In the Unsecured Property Tax category, collections through October totaled \$10.4 million, which was 5.2% above the prior year collection level of \$9.9 million but below the \$11.0 million collected in October 2009. Payments through October historically account for approximately 90% of the total receipts in this category. If this historical collection trend continues, receipts in this category could exceed modified budget estimates of \$11.1 million by \$400,000 - \$500,000. However, the latest estimate from the County remains at the modified budget level of \$11.1 million. The Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.

For the SB 813 Property Tax category, collections totaled \$378,000 through October, while no payments had been received last year at this time. Collections in 2010-2011 were significantly impacted by a backlog of refunds related to home sales in prior years. In 2011-2012, it was assumed that collections would return to normal levels. While collections are expected to improve in 2011-2012, receipts still appear to be impacted by refunds. In its most recent projections, the County lowered its estimate from \$2.3 million to \$1.8 million. While this collection level is up from the \$1.1 million received in 2010-2011, it remains well below the \$3.0 million received in 2009-2010 and \$5.7 million received in 2008-2009. A downward adjustment to the modified budget estimate of \$2.3 million may be necessary by year end.

Aircraft Property Tax category collections through October totaled \$2.2 million and are \$83,000 below the current 2011-2012 Adopted Budget. Typically, over 90% of the annual revenue for this category is received in October; and if this historical trend continues, it is estimated that revenues will meet the budgeted estimate by year end.

It is anticipated that Homeowners Property Tax Relief revenue will be received at approximately the budgeted level of \$1.1 million based on the latest estimate from the County.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 147,129,000	\$ 17,208,965	\$ 14,640,515

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts of \$17.2 million through October reflects the net impact of accruals and deferrals necessary as part of the 2010-2011 fiscal year as well as an advance payment for the first quarter. The current receipts do not yet reflect actual performance in 2011-2012. Information on the first quarter collections for this fiscal year will not be received until December.

The sales tax growth experienced in the last two quarters of 2010-2011 was higher than assumed in the development of the 2011-2012 Adopted Budget. To reflect this higher starting point and the additional one-time true-up revenue received in 2011-2012, a \$6.2 million increase to the 2011-2012 General Sales Tax revenue estimate was approved by City Council in the 2010-2011 Annual Report. This adjustment brings the General Sales Tax estimate to \$143.0 million and

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allows for an expected 2% economic growth in 2011-2012 over the actual 2010-2011 collections and accounts for additional one-time funding in 2011-2012 as a result of true-up adjustments from 2010-2011. The City's Sales Tax performance will be closely monitored in 2011-2012 to determine if any additional adjustments are necessary to the budgeted estimate.

Through October, the Proposition 172 Sales Tax receipts of \$1.1 million were tracking 6.5% above the 2010-2011 collection level of \$1.0 million through the same period. The 2011-2012 budgeted estimate of \$4.1 million requires growth of 1.1% over the prior year collection level.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 7,202,000	\$ 2,207,102	\$ 1,636,077

Through October 2011, receipts recorded in the General Fund of \$2.2 million are 35% above the prior year collection level for the same period. After adjusting for a difference in prior year accruals between the two years, actual TOT receipts are up approximately 18% from the October 2010 level. The 2011-2012 budget assumed an increase of 1.8% from the 2010-2011 estimated level. As a result of higher than anticipated 2010-2011 collections, the budget now allows for a decline of 0.3%. Based on current collection levels, it is anticipated that TOT receipts will at least achieve and will likely exceed the budget revenue estimate of \$7.2 million by year-end.

In October the average hotel occupancy rate at the 14 major hotels was 68.14%, a slight decline from the 68.8% occupancy rate for the same period in 2010-2011. For the same 14 hotels, the average daily room rate through October was \$130.40, up from the \$124.87 room rate for the same period in 2010-2011. The year-to-date average revenue-per-available room (RevPAR) metric of \$74.51 represents an increase of 4.3% from the prior year level.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 88,035,000	\$ 23,216,511	\$ 22,517,139

Through October, Utility Tax receipts of \$23.2 million are tracking 3.1% above last year's collection levels of \$22.5 million. The 2011-2012 budgeted estimate requires growth of 0.2% from the prior year actual collections. Overall, Utility Tax receipts are tracking to meet or exceed the budgeted estimates.

In the Electric Utility Tax category, collections of \$11.1 million were tracking 0.2% above the prior year level through October which is close to the 0.5% growth needed to meet the budgeted estimate or \$39.3 million.

In the Gas Utility Tax category, receipts of \$1.5 million were tracking 1.5% above the prior year level of \$1.4 million through October. The budgeted estimate of \$8.8 million requires growth of

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0.9% from the actual 2010-2011 collection level. The 2011-2012 budgeted estimate assumed that gas rates will increase in 2011-2012, but that reductions in usage will partially offset the effect of the rate increases. Collections continue to track within the budgeted estimate through October. However, because approximately two-thirds of the revenue in this category is typically collected in the second half of the year, receipts in the upcoming months will provide a better indicator of the anticipated year-end performance in this category.

Collections of \$2.9 million in the Water Utility category are tracking 9.8% above the prior year level of \$2.6 million. A portion of this growth, however, was the result of year-end accrual differences. The 2011-2012 estimate of \$9.2 million was based on growth of 5.7% based on projected rate increases of 5.8% in January 2012 with usage levels remaining flat. However, because revenues in 2010-2011 ended the year below the estimated collection level, an increase of 7.1% is now needed to achieve the budgeted estimate. Current tracking indicates that revenues are anticipated to meet budgeted estimates. 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 \$7.8 million were tracking 5.4% above the prior year collection level of \$7.4 million. This increase, however, is partially due to accrual differences between the two fiscal years. Despite the accrual differences, Telephone Utility Tax collections are tracking slightly above the 2010-2011 levels. The 2011-2012 Adopted Budget estimate of \$30.8 million assumed no increase from the estimated 2010-2011 collections; however, because 2010-2011 actual collections of \$31.5 million exceeded the estimate used to develop the 2011-2012 Adopted Budget, collections in this category can now decrease slightly (2.3%) in 2011-2012 from the actual 2010-2011 collections. Based on the current collection trends, it is anticipated that revenues will meet or exceed the current Adopted Budget estimate.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 38,595,000	\$ 11,766,225	\$ 10,855,863

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through October, overall collections of \$11.8 million are tracking 8.4% above the prior year collection level of \$10.9 million, reflecting higher collections in the Cardroom and Marijuana Business Tax categories, partially offset by lower collections in the Business Tax and Disposal Facility Tax categories.

Cardroom Tax receipts of \$3.7 million through October were 13.9% above the prior year level of \$3.2 million. This increase from the prior year primarily reflects the impact of the Cardroom Tax ballot measure that was approved by the voters in June 2010. The ballot measure increased the Cardroom Tax rate from 13% to 15% and increased the maximum number of card tables from 80 to 98. The new rates went into effect on August 13, 2010, so were not reflected in the

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collections for the first two months of last year. Based on current collection trends and actual 2010-2011 receipts of \$14.8 million, Cardroom Tax revenue is expected to meet or slightly exceed the 2011-2012 budgeted estimate of \$14.4 million.

Marijuana Business Tax receipts of \$913,000 through October 2011 reflected collections for July through September 2011 and remain consistent with an average monthly collection of approximately \$320,000. Based on current collection trends, Marijuana Business Tax revenue is tracking to exceed the 2011-2012 budgeted estimate of \$2.5 million. Collections in this category; however, may be impacted in the future based on potential federal actions against medical marijuana collectives and the continued changes to the Medical Marijuana Regulatory Program.

Business Tax receipts of \$4.4 million were 7.7% below the prior year level of \$4.8 million. The 2011-2012 Adopted Budget estimate of \$11.0 million represents an increase of 0.5% from actual receipts in 2010-2011. In the development of the 2011-2012 Adopted Budget, it was assumed that receipts would remain at the 2010-2011 estimated collection level of \$11.0 million. However, actual receipts in 2010-2011 fell slightly below that level at \$10.9 million. Revenues will continue to be monitored closely, and they are currently anticipated to meet 2011-2012 budgeted estimates by year end.

Disposal Facility Tax receipts of \$2.8 million through October are tracking 3.0% below the prior year level of \$2.9 million. This collection level is consistent with the modified budget estimate, which allows for a 3.4% drop from the actual 2010-2011 collections. Based on 2010-2011 actual receipts as well as the continued downward collection trend in this category, a \$200,000 reduction to this revenue estimate was approved by the City Council in the 2010-2011 Annual Report. Currently revenues are tracking to meet the revised budgeted estimate of \$10.7 million.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 34,555,700	\$ 14,030,871	\$ 13,363,798

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through October, Licenses and Permits revenue of \$14.0 million tracked 5.0% above the prior year level of \$13.4 million. The 2011-2012 budget estimate; however, allows for a decline of 10.8% from the 2010-2011 collection level. Development-related activity experienced very strong growth in 2010-2011 due to a surge in collections in December 2010 resulting primarily from two new housing development in North San José. Because this usually high collection level is not expected to continue in 2011-2012, the 2011-2012 budget estimate for the development-related revenues in Building and Fire allow for a decline of 20% from the 2010-2011 collection levels.

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

Building Permit revenue through October totaled \$7.3 million, which is 43.8% of the 2011-2012 revenue estimate of \$16.6 million. Receipts are tracking slightly above the 2010-2011 collection level of \$7.2 million for the same period and well above the budgeted estimate. The 2011-2012 budgeted revenue estimate of \$16.3 million allows for a drop of 26.1% in this category. This decline, however, is not expected to be realized until December as the spike in activity last year during that month is not expected to be repeated in 2011-2012. Revenues in building plan check, other building permit, electrical permit, and permit processing categories are tracking above estimated levels. Strong revenue receipts are being driven by an increase in commercial and industrial permits, offset by slow residential activity. It is anticipated that Building Permit revenues will achieve, and may exceed, the budget estimate.

Through October, Fire Permit collections of \$3.7 million are tracking 12.4% above the prior year receipts of \$3.3 million. The Development Program revenues of \$1.9 million are currently tracking 34.1% above prior year collections through October and may exceed the budgeted estimate of \$4.0 million by approximately \$800,000. Should this current trend continue, recommended adjustments to the revenue estimate will be brought forward later in the year. At this time, Non-Development program revenues of \$1.8 million are tracking 3.2% below prior year collections through October though are projected to end the year at budgeted revenue level of \$3.9 million. The Budget Office and Fire Department will continue to monitor both development and non-development revenues closely.

The Other Licenses and Permits collections of \$3.1 million are tracking 7.8% above the 2010-2011 collection level of \$2.9 million and are tracking within estimated levels. However, growth of 23.5% is needed in 2011-2012 to meet the budgeted estimate, with almost 70.0% of this growth related to the new Medical Marijuana Regulatory Program fees and charges. These fees, however, have not yet been collected in 2011-2012 as a result of the suspension of the Medical Marijuana Regulatory Program Ordinance caused by the Petition for Referendum filed by the Medical Marijuana advocates. It is not anticipated that any of the fees and charges will be collected this fiscal year. As a result revenues are estimated to fall \$1.4 million below budgeted levels and adjustments are anticipated to be brought forward as part of the 2011-2012 Mid-Year Budget Review.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 29,353,372	\$ 11,718,650	\$ 11,637,422

Through October, Departmental Charges revenues of \$11.7 million were tracking 0.7% above the 2010-2011 collection level of \$11.6 million. The 2011-2012 Adopted Budget estimate; however, allows for a decline of 8.0% from the prior year actual receipts. The increase from the

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prior year reflects growth in several departmental charges categories, including Public Works, Transportation, Planning Fees, and Miscellaneous Departmental Charges, partially offset by lower collection in the Police Departmental Charges, Library, and Parks, Recreation and Neighborhood Services categories. If current collection trends continue, overall Departmental Charges revenues should meet the budgeted estimate by year-end. However, Police Departmental Charges, may fall below the budgeted estimate due primarily to lower collections for Impounded Vehicle Releases, Tow Services Dispatch, and miscellaneous revenue slightly offset by higher collections in Photostats (Police Records/Reports), reimbursements from the State for extradition expenses, and One-Day Liquor permits.

Development-related revenues are currently tracking ahead of the prior year collection levels and are expected to meet the budgeted estimates. Through October, Planning Fee revenue of \$837,000 is 11.6% above the prior year collection level of \$750,000. The \$2.5 million adopted Planning Fee revenue estimate; however, allows for a drop of 2.9% from the prior year actuals. Overall revenue collections are tracking within estimated levels and it is anticipated that Planning Fee revenues will achieve the budget estimate.

Public Works revenues through October of \$2.2 million are well above (13.1%) the prior year level of \$1.9 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 the first four months of 2011-2012. Non-residential revenues are performing at anticipated levels. At this time, collections are projected to meet the budgeted revenue estimate of \$4.8 million in the Public Works Fee Program. Due to the volatile nature of these revenues, the City Manager's Budget Office and Public Works Department will continue to monitor both development and utility revenues closely.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Transfers and Reimbursements	\$ 71,076,190	\$ 34,610,527	\$ 50,097,078

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Collections of \$34.6 million through October are tracking well below the prior year level of \$50.1 million primarily due to lower budgeted transfer amounts. The 2010-2011 budget included one-time transfers from the Integrated Waste Management Fund, the Healthy Neighborhoods Venture Fund, and various capital funds, as well as higher transfer amounts from the Airport Operations and Maintenance Fund for police and fire services.

Overhead reimbursements of \$22.5 million are tracking 9.1% below the prior year level of \$24.7 million; this drop exceeds the 6.4% decline factored into the 2011-2012 budget estimate. While overhead reimbursements from the operating funds are expected to meet the budgeted estimate of \$22.5 million, the overhead reimbursements from the capital funds are currently tracking below expected levels and may not meet the budgeted estimate of \$10.8 million. If this trend

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continues a downward adjustment to the capital overhead revenue estimate of at least \$1 million may be necessary by year end. Gas Tax reimbursements of \$2.6 million are tracking within estimated levels and are projected to end the year close to the \$15.7 million budgeted estimate.

EXPENDITURES

Through October, General Fund expenditures (without encumbrances) of \$235.6 million were 11.8% below the prior year level of \$267.1 million. This decrease from the prior year is primarily due to lower City-Wide expenditures (down \$16.7 million), lower Departmental expenditures (Personal Services down \$8.7 million and Non-Personal/Equipment down \$2.5 million), and lower transfers to other funds (down \$4.0 million). Encumbrances of \$37.3 million were 7.7% below the prior year level of \$40.4 million. Expenditures and encumbrances (\$272.9 million) through October constitute 25.8% of the total 2011-2012 revised budgeted uses of funds (\$1.06 billion, including reserves; \$979.9 million, or 27.8%, excluding reserves). Overall, collections are tracking within estimated levels through October.

Departmental personal services and non-personal/equipment expenditures are generally tracking within estimated levels. As the year progresses, departmental expenditures will continue to be monitored closely to ensure they remain within budgeted levels. Any necessary budget adjustments will be brought forward by year-end.

KEY GENERAL FUND EXPENDITURES

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
Police	\$299,728,895	\$86,822,985	\$ 89,016,001

On an overall basis, Police Department expenditures are tracking slightly below estimated levels. Personal Services expenditures of \$79.4 million tracked slightly below anticipated levels (29.0% compared to the par of 29.2%). It should be noted that as sworn police positions become vacant, the Police Department, through coordination with the Budget Office, is reinstating recently laid-off Officers. As of December 1, 2011, only 14 sworn individuals remain on the reinstatement list. Overtime expenditures of \$2.8 million through October tracked at anticipated levels with 29.2% expended. The Department manages overtime usage through various reporting requirements and pre-approval processes in order to readily identify mandatory versus discretionary usage. The processes have improved overtime tracking and in general, have helped reduce overall use of overtime. However, in recent months there has been an increase in high profile cases and events that has required the use of overtime, leading overtime usage to track slightly higher this year compared to 2010-2011. In addition to monitoring overall overtime usage, the Department limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of October 2011 was 164,393 hours for sworn personnel. This represents a decrease of 8,875 hours (5.1%) from the August 2011 balance of

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173,268, and a 36,045 hour decrease (18.0%) compared to the October 2010 balance of 200,438. The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

A total of \$7.4 million (28.8%) of the Department's Non-Personal/Equipment budget was expended or encumbered through October. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$8.4 million, or 72.4% 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.

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
Fire	\$156,164,693	\$ 45,992,911	\$ 47,848,266

Overall, expenditures for the Fire Department were tracking within estimated levels through October, with 29.5% expended. Personal Services expenditures through October tracked within budgeted levels with \$43.3 million expended (29.1% compared to the par of 29.2%). The Fire Department's Non-Personal/Equipment budget of \$7.5 million was 36.2% expended or encumbered through October but is expected to end the year within the budgeted allocation.

Personal Services expenditures are currently tracking within budgeted levels due in part to the savings generated from SAFER Grant positions that have not yet been filled. Once the SAFER-funded fire academy occurs, these expenditures are expected to increase. Overtime expenditures of \$1.7 million are tracking above estimated levels (34.3% compared to the par of 29.2%) through October due in part to higher absence rates than those used to develop the Flexible Brown-out Plan as part of the 2011-2012 Adopted Operating Budget. In the 2010-2011 Annual Report, an upward adjustment of \$760,000 to the Fire Department Personal Services appropriation was approved by the City Council to address higher than anticipated overtime use during the first couple of months of the fiscal year that was necessary to limit fire company brown-outs to only two companies. The Fire Department will continue to implement overtime control measures and monitor minimum staffing on a daily basis. The Budget Office along with the Fire Department will continue to monitor activity to ensure the department remains within its Personal Services appropriation.

Through October, the Fire Department was staffed with 168 filled Firefighter Paramedic positions (156 front-line Firefighter paramedics, 5 Supervisors, and 7 support) compared to the 139 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 139 front-line Firefighter Paramedics.

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It should be noted that the number of sworn administrative staff in the Department through October was 31, which is under 32, the number authorized as part of the City Council's approval of Department absence and vacancy rates (March 2010),

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
City Attorney's Office	\$10,898,182	\$ 3,511,696	\$ 3,634,326

Through October, expenditures for the City Attorney's Office were tracking above estimated levels with 32.2% expended. Personal Services expenditures totaled \$3.2 million (31.9% of the \$10.0 million budget), exceeding the par level of 29.2%. The Attorney's Office Non-Personal/Equipment budget of \$922,000 was 35.8% expended or encumbered through October but is expected to end the year within the budgeted allocation.

Personal services expenditures are tracking above estimated levels due to lower than anticipated savings generated from a budget balancing strategy included as part of the 2011-2012 Adopted Budget. Personal services savings of \$260,000 were assumed in the 2011-2012 Adopted Budget from anticipated vacancies due to retirements and the implementation of voluntary furlough/reduced work week schedules. To date, only three employees have signed up for the voluntary furlough or reduced work week programs, thus minimal savings by year end are expected. In addition, current vacancies thus far have been insufficient to meet a budgeted vacancy factor and to cover unbudgeted vacation sellback expenses; however, it is expected that there will be additional vacancies this year. The City Attorney's Office is committed to ensuring that actual expenditures remain within budgeted levels by year end, and to achieve this, the Office will manage its vacancies, as well as closely control non-personal/equipment expenditures. Any necessary net-zero budget adjustments between the City Attorney Offices' appropriations to ensure expenditures stay within budgeted approved allocations will be brought forward as part of the 2011-2012 Mid-Year Budget Review.

CONTINGENCY RESERVE

The General Fund Contingency Reserve remains at \$29.3 million through October, with no revisions through the first four months of the fiscal year.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San Jose International Airport (SJC) has enplaned and deplaned 2.9 million passengers, a decrease of 0.2% from the figures reported through October of the prior year.

OTHER FUNDS (CONT'D.)

Fiscal year-to-date mail, freight and cargo totaled 29.0 million pounds, which represents an 8.3% decrease from the same period in 2010-2011. Traffic Operations (landings and takeoffs) trailed the prior year by 0.9%, while Landed Weights surpassed last year by 1.5% and Taxicab operations were up by 6.0%.

SJC Passengers	Oct. 2011	Oct. 2010	% Change
Enplaned YTD	1,450,378	1,452,563	-0.15%
Deplaned YTD	1,458,830	1,461,890	-0.21%
YTD Passengers	2,909,208	2,914,453	-0.18%
Monthly Enplanements	343,924	355,537	-3.27%
Monthly Deplanements	345,039	358,291	-3.70%
	688,963	713,828	-3.48%

Overall revenue performance at the Airport tracked above the budget estimate by 4.1% and totaled \$38.2 million through October 2011. The increase was mainly attributed to higher than expected revenue for the common use ticket counters and interest earned on the airport revenue bond reserve account. Through October, Passenger Facility Charge revenue was 4.1% lower than the prior year.

The Airport Operation and Maintenance Fund expenditures tracked below budgeted levels through October 2011. Personal Services expenditures totaled 26.8% of budget, which was below the 29.1% that had been projected. Non-Personal/Equipment expenditures were 17.8% of budget, where the benchmark was 28.2%. Encumbrances of \$8.5 million brought total Personal Services and Non-Personal/Equipment commitments to \$22.2 million, or 21.3% of budget.

Construction and Conveyance Tax Funds

Construction and Conveyance (C&C) Tax revenues are experiencing slight declines from levels collected in 2010-2011. Collections through October 2011 totaled \$5.7 million (27.1% of the 2011-2012 estimate of \$21.0 million), which represents a less than 1% decline from the \$5.8 million collected last year through October 2010. However, the City has also received November Conveyance Tax receipts totaling \$1.4 million, which represents a 16.7% increase from the \$1.2 million received in November 2010. The Adopted C&C Tax estimate allows for a 1.8% drop from the 2010-2011 collection level and receipts are currently tracking to meet this estimate. Due to the volatile nature of this tax, receipts will be closely monitored and if necessary, adjustments will be recommended later in the year.

Nearly 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers, which are the main driver in this revenue category. The relatively flat C&C Tax collection trend is consistent with the weak housing market that was discussed in the Economic Environment section of this document.

OTHER FUNDS (CONT'D.)*Other Construction Related Revenues*

Through October, permit valuation for residential construction activity is below prior year levels; however, permit valuation for commercial and industrial construction activity are above last year's levels. Residential permit activity has declined, with the permits issued for 49 units through October, which is well below the number of permits issued through the same period last year (351 units). Commercial activity is higher with valuation for commercial permit activity at \$79.5 million through October, compared to \$74.2 million through the same period last year. Industrial permit activity is up significantly with valuation at \$59.9 million through August, compared to \$18.5 million collected through the same period last year. The increases in commercial and industrial permit activity are primarily due to alterations, as new construction activity remains weak. These permit activities drive the 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 October totaled \$2.7 million, which is 44.8% of the 2011-2012 revenue estimate of \$6.0 million. This collection level is up (\$785,000) from prior year collections through October and the category is currently tracking to meet or exceed the budgeted revenue estimate.
- *Construction Excise Tax* - Receipts of \$3.4 million are 25% higher than the \$2.7 million collected during the same period last year. This collection level is 42.5% of the 2011-2012 revenue estimate of \$8.0 million, and the category is currently tracking to meet or exceed the budgeted revenue estimate.

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San José's (TSJ) operation of the City's Convention and Cultural Facilities. Through October, revenues and associated non-personal/equipment expenses are tracking higher than budget.

Revenues through October are tracking above anticipated levels. While operating revenues of \$2.8 million have been recognized, additional operating revenues of \$2.2 million have been reported by TSJ but have not yet been recognized in the fund. With a budgeted year-end revenue estimate of \$12.1 million, year-to-date collections of \$5.0 million are higher than the TSJ forecasted level of \$3.3 million. According to TSJ, additional revenue streams, to be realized later in the fiscal year, have been identified which will push actual collections higher than the budgeted level by as much as \$3.5 million. It should be noted, however, that a significant portion of these additional revenues are offset by corresponding additional expenditures.

Expenditures in the Non-Personal/Equipment appropriation reported by TSJ of \$6.4 million are higher than the forecasted level of \$5.0 million. The higher expenditure level is primarily a result of the increased activity, especially in the food and beverage and contractual labor categories. A small portion of the higher than anticipated expenditures are related to facility

OTHER FUNDS (CONT'D.)

expenditures intended to enhance the guest experience, such as carpet, plants, dishes, and flatware. As mentioned previously, these increased expenditure levels are offset by additional revenue. With the increases in activity and revenue levels, an increase to the Non-Personal/Equipment appropriation will likely be requested for the Mid-Year Budget Review. Currently TSJ projects that the appropriation will need an upward adjustment of up to \$3.0 million. Expenditures in this appropriation will continue to be carefully monitored.

The Ending Fund Balance in this fund is necessary to sustain operations through the expansion and renovation to the Convention Center, which is anticipated to have a negative impact to revenue collections during the construction period, as well as to offset any prolonged periods of reduced activity. In the 2010-2011 Annual Report that was approved by the City Council on October 18, 2011, the fund balance was increased by \$1.2 million to \$3.7 million as a result of higher than anticipated revenues and lower than anticipated expenditures in 2010-2011. Based on performance, through the first four months of 2011-2012, TSJ projects that the Ending Fund Balance could be increased by as much as \$500,000 by year end due to the higher than anticipated revenue levels, partially offset by higher expenditures.

Transient Occupancy Tax Fund

Through October 2011, receipts recorded in the TOT Fund of \$3.3 million are 31% above the prior year collection level for the same period. The 2011-2012 budget assumed an increase of 1.8% from the 2010-2011 estimated level, however the budget now allows for a decline of 0.9% based on higher than anticipated 2010-2011 collections. Based on current collection levels, it is anticipated that TOT receipts will achieve or exceed the budgeted revenue estimate of \$10.8 million by year-end.

The 2011-2012 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 the end of the year. It should be noted that increases to the three recipient organizations were approved in the 2010-2011 Annual Report based on higher than anticipated 2010-2011 collections.

Through October, the average hotel occupancy rate at the 14 major hotels was 68.1%, a slight decline from the 68.8% occupancy rate for the same period in 2010-2011. For the same 14 hotels, the average daily room rate through October was \$130.40, up from the \$124.87 room rate for the same period in 2010-2011. The year-to-date average revenue-per-available room (RevPAR) metric of \$74.51 represents an increase of 4.3% from the prior year level.

Municipal Golf Course Fund

Revenues recognized in the Municipal Golf Course Fund (MGCF) represent collections at the City's three golf courses. For the San José Municipal Golf Course, the City receives a fixed percentage of the operator's gross revenues regardless of the operator's costs. For the Los Lagos and Rancho del Pueblo golf courses, the City receives revenues net of any expenses incurred by

OTHER FUNDS (CONT'D.)

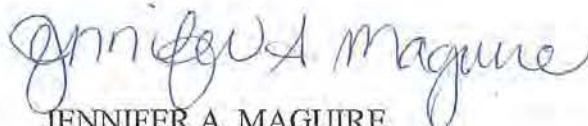
the operators. In months when revenues are not sufficient to cover the operator's expenses, the Municipal Golf Course Fund covers the difference.

For 2011-2012, after overall declines in playing activity, the golf courses were expected to return to 2009-2010 revenue and expense levels. While through October year to date there is improved performance over the prior year (2010-2011), it appears unlikely that performance will return to the 2009-2010 levels expected in the current year budget. San Jose Muni Golf Course revenue is tracking close to budgeted estimates while performance at the Los Lagos and Rancho del Pueblo Golf Courses are currently tracking below budget expectations. As a result it is possible that additional funding of approximately \$100,000 will be required by year-end to cover monthly operating losses at the Rancho and Los Lagos golf courses and revenue at these same courses are expected to fall below the budgeted estimates by approximately \$75,000. If needed these adjustments will be brought forward for City Council consideration at a later date when more firm estimates can be made. There is sufficient fund balance in the Municipal Golf Course Fund to support the current projected shortfall of approximately \$175,000. The City Council will be updated regularly on the status of this fund as the fiscal year progresses.

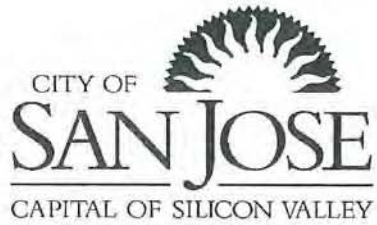
CONCLUSION

Through October, the City's funds are generally performing within budgeted expectations. Current collection trends continue to reflect the assumptions used to develop the 2011-2012 Adopted Budget, a slow economic recovery. The actual performance of the economically sensitive revenues will be closely monitored during the year to determine if any adjustments are necessary.

In the 2010-2011 Annual Report, a number of adjustments to the 2011-2012 General Fund revenue estimates based on actual 2010-2011 performance and updated information were approved by the City Council. These include adjustments to the Sales Tax, Property Tax, Commercial Solid Waste Franchise Fees, and Disposal Facility Tax categories, as well as adjustments to reflect various grants and reimbursements. As new information is received, any additional adjustments in the General Fund as well as other City funds resulting from actual 2011-2012 performance will be brought forward during the year, with the majority of these adjustments presented as part of the 2011-2012 Mid-Year Budget Review or the 2011-2012 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
Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the 4 Months Ended October 31, 2011
Fiscal Year 2011-12
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 4 Months Ended October 31, 2011
Fiscal Year 2011-12
(UNAUDITED)

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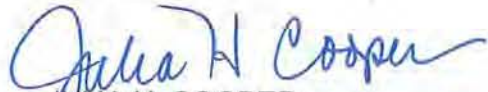
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Finance Department, City of San José
Monthly Financial Report
Financial Results for the 4 Months Ended October 31, 2011
Fiscal Year 2011-12
(UNAUDITED)

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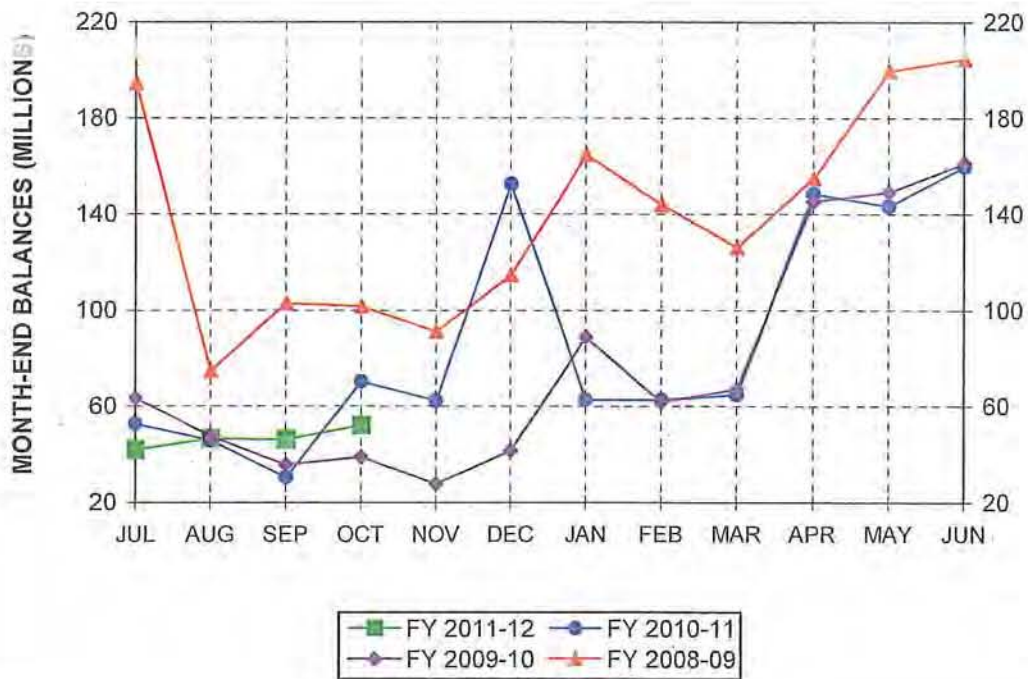
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Submitted by:



JULIA H. COOPER
Acting Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

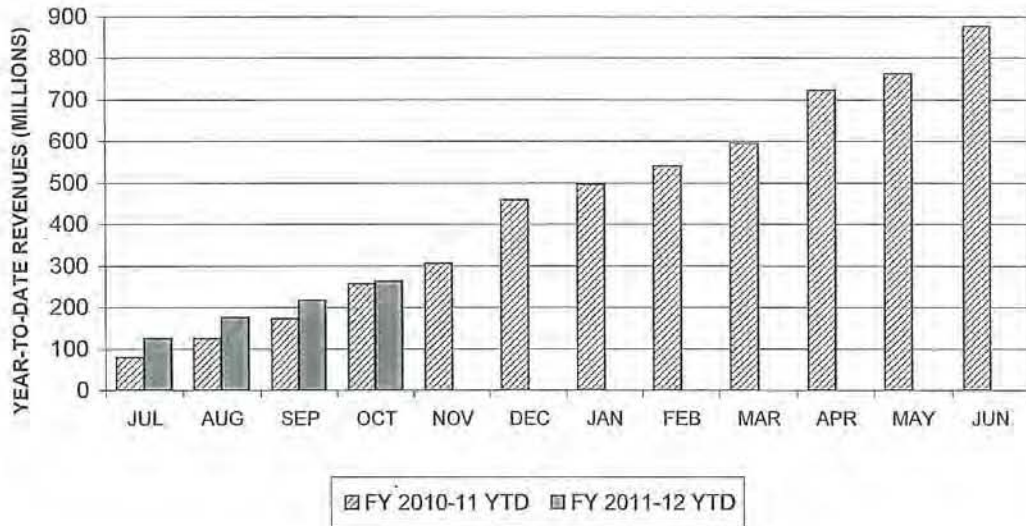
MONTH	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09
JULY (1)	\$ 41,946,493	\$ 52,614,304	\$ 63,344,537	\$ 194,527,843
AUGUST (1)	46,502,235	45,992,983	47,689,216	74,677,718
SEPTEMBER	46,218,737	30,525,385	35,662,298	102,811,355
OCTOBER	52,097,481	70,246,706	38,946,966	101,433,688
NOVEMBER		62,333,059	27,736,074	90,892,525
DECEMBER (2)		152,493,162	41,491,217	114,535,815
JANUARY (3)		62,749,463	88,749,418	164,539,700
FEBRUARY		62,572,017	61,606,869	143,802,507
MARCH		64,768,564	66,979,823	125,900,953
APRIL		148,465,097	145,213,763	154,701,704
MAY		143,186,930	149,064,276	199,321,150
JUNE		159,719,466	161,013,785	204,474,123

Note: (1) The General Fund cash balance decrease in July 2011 (also in August 2008, July 2009 and July 2010) was 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.

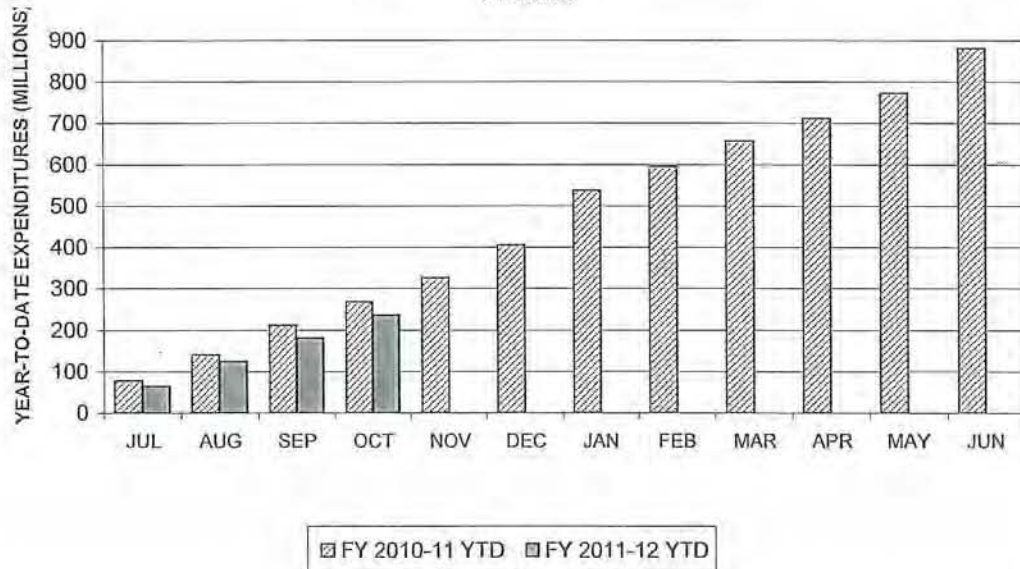
Note: (2) The General Fund cash balance increase in December 2010 was mainly due to the timing of the receipt of \$88.5 million in Property Tax revenue and \$16.7 million in Sales Tax revenue. In addition, these revenues were posted in January in the prior three fiscal years.

Note: (3) The General Fund cash balance decrease in January 2011 was mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANs) in the amount of \$75 million.

**GENERAL FUND
Comparison of YTD Revenues
Actual**



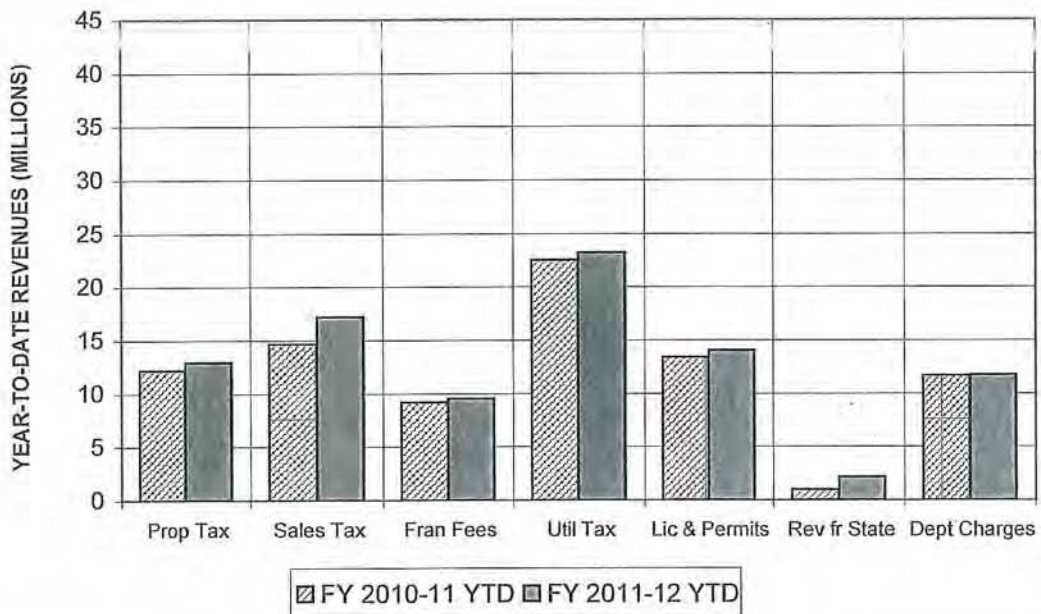
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



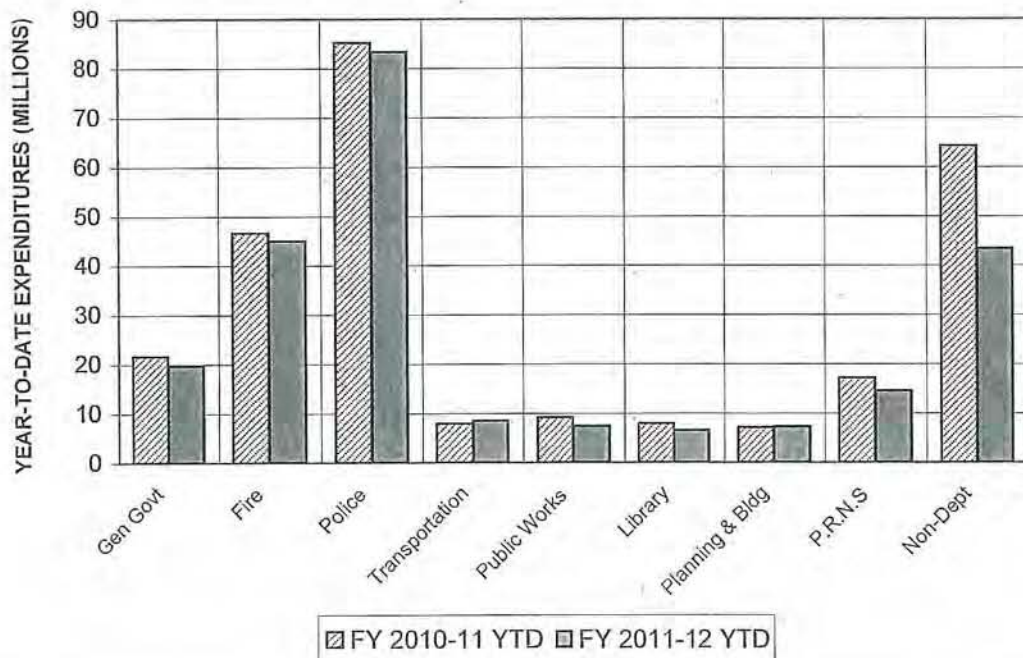
General Fund Revenue includes issuance of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million (\$40 million in July 2010 and \$35 million in October 2010) and \$100 million in July 2011 for cash flow borrowing.

General Fund Expenditures includes repayment of TRANS in the amount of \$75 million in January 2011.

GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 4 Months Ended October 31, 2011



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 4 Months Ended October 31, 2011



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 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	-	-	20,603	20,603	20,603	100.00%	17,417	110.82%	15,717	3,186	18.29%
Liquidation of c/o Encumbrance Available Balance	121,061	16,263	-	137,324	137,324	100.00%	141,398	99.94%	141,484	(4,074)	-2.88%
Total Fund Balance	121,061	16,263	20,603	157,927	157,927	100.00%	158,815	97.96%	162,119	(888)	-0.56%
General Revenues											
Property Tax	201,454	(1,359)	-	200,095	12,943	6.47%	12,174	6.25%	194,814	769	6.32%
Sales Tax (Note 1)	140,906	6,223	-	147,129	17,209	11.70%	14,641	10.61%	137,970	2,568	17.54%
Telephone Line Tax	20,525	-	-	20,525	5,174	25.21%	5,089	24.65%	20,643	85	1.67%
Transient Occupancy Tax	7,202	-	-	7,202	2,207	30.64%	1,636	22.65%	7,222	571	34.90%
Franchise Fees	43,025	(400)	-	42,625	9,542	22.39%	9,199	22.29%	41,273	343	3.73%
Utility Tax	88,035	-	-	88,035	23,217	26.37%	22,517	25.62%	87,985	700	3.11%
Business Taxes	38,795	(200)	-	38,595	11,768	30.49%	10,858	28.60%	37,959	910	6.38%
Licenses and Permits	34,587	(11)	-	34,556	14,031	40.60%	13,364	34.50%	38,735	667	4.99%
Fines, Forfeits and Penalties	17,471	-	-	17,471	5,040	28.85%	5,638	31.46%	17,926	(599)	-10.62%
Use of Money and Property	2,413	61	-	2,474	1,208	48.83%	901	24.79%	3,835	307	34.07%
Revenue from Local Agencies	19,331	2,033	-	21,364	1,979	9.26%	15,492	35.15%	44,975	(13,513)	-87.23%
Revenue from State of Cal.	14,485	684	-	15,149	2,149	14.19%	1,960	5.38%	17,926	1,189	123.85%
Revenue from Federal Government	21,208	2,201	-	23,409	1,569	6.70%	1,292	13.84%	9,332	277	21.44%
Departmental Charges (Note 2)	29,577	(224)	-	29,353	11,719	39.92%	11,637	36.20%	32,150	82	0.70%
Other Revenues (Note 3)	14,919	125,012	-	139,931	107,497	76.82%	81,645	86.20%	92,566	25,852	31.66%
Total General Revenues	693,893	134,020	-	827,913	227,250	27.45%	207,042	26.40%	784,111	20,208	9.76%
Transfers & Reimbursements											
Overhead Reimbursements	37,752	(4,483)	-	33,269	22,868	68.74%	24,735	71.74%	34,480	(1,866)	-7.54%
Transfers from Other Funds	16,745	4,548	-	21,293	9,111	42.79%	26,117	63.01%	41,451	(17,006)	-65.11%
Reimbursements for Services	16,372	142	-	16,514	2,630	15.93%	(755)	-4.68%	16,125	3,385	448.34%
Total Transfers & Reimburse	70,869	207	-	71,076	34,610	48.69%	50,097	54.42%	92,056	(15,487)	-30.91%
Total Sources	\$ 885,823	150,490	20,603	1,056,916	419,787	39.72%	415,954	40.06%	1,036,286	3,833	0.92%

Note 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 2010-2011 impact through October 2011 is approximately \$3.5 million.
 Note 2 - See Supplemental Schedule on Page 7.
 Note 3 - Includes issuance of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million (\$40 million in July 2010 and \$35 million in October 2010) and \$100 million in July 2011 for cash flow borrowing.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 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 PRIOR YTD ACTUAL(1)	LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL	ENCUMBR							
General Government													
Mayor and Council	\$ 10,319	(260)	43	10,102	2,519	44	24.94%	2,137	28.27%	7,559	382	17.88%	
City Attorney	10,790	(127)	235	10,898	3,264	248	29.95%	3,340	29.28%	11,413	(76)	-2.28%	
City Auditor	2,001	(23)	7	1,865	536	6	27.00%	558	31.44%	1,775	(22)	-3.94%	
City Clerk (2)	2,343	(19)	69	2,393	471	56	19.68%	1,437	37.04%	3,860	(966)	-67.22%	
City Manager	10,113	(108)	502	10,507	2,755	720	26.03%	2,948	28.65%	10,291	(216)	-7.23%	
Finance	12,181	(110)	293	12,364	3,256	664	26.33%	3,209	29.27%	10,965	47	1.46%	
Information Technology	13,974	237	611	14,822	3,393	1,121	22.89%	4,271	30.17%	14,155	(876)	-20.56%	
Human Resources	6,024	(70)	98	6,052	1,518	295	25.08%	2,170	31.37%	6,918	(652)	-30.05%	
Redevelopment Agency	-	-	-	-	(8)	-	0.00%	446	34.74%	1,284	(454)	-101.79%	
Independent Police Auditor	963	(10)	3	956	256	3	26.78%	222	26.97%	823	34	15.32%	
Office of Economic Development	5,359	(29)	162	5,492	1,635	1,179	29.77%	825	29.24%	2,821	810	98.18%	
Total General Government	74,067	(519)	2,023	75,571	19,575	4,336	25.90%	21,563	30.00%	71,864	(1,988)	-8.22%	
Public Safety													
Fire	158,624	(2,674)	215	159,165	44,959	1,034	28.79%	46,621	30.52%	152,743	(1,662)	-3.56%	
Police	298,336	(405)	1,798	299,729	83,391	3,432	27.62%	85,291	29.55%	288,599	(1,900)	-2.23%	
Total Public Safety	456,960	(3,079)	2,013	455,894	128,350	4,466	28.15%	131,912	29.89%	441,342	(3,562)	-2.70%	
Capital Maintenance													
Transportation	24,562	(129)	834	25,267	8,509	1,633	33.68%	7,929	28.26%	28,057	580	7.31%	
Public Works	26,447	106	344	26,897	7,341	1,578	27.29%	9,087	30.62%	29,705	(1,756)	-19.30%	
Total Capital Maintenance	51,009	(23)	1,178	52,164	15,850	3,211	30.38%	17,026	29.48%	57,762	(1,176)	-8.91%	

(1) Does not include encumbrance balance.

(2) Mainly due to approximately \$903,000 in Elections expenditures for the cost of the June 8, 2010 election paid in July 2011

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 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
					ACTUAL	ENCUMBR						
Community Service												
Library	22,642	(471)	165	22,336	6,560	281	29.37%	7,917	31.84%	24,868	(1,357)	-17.14%
Planning, Bldg & Code Enf.	27,322	(152)	219	27,379	7,245	237	26.46%	7,159	29.85%	23,985	86	1.20%
Park, Rec & Neigh Svcs	45,550	188	759	46,507	14,455	3,394	31.08%	17,171	31.02%	55,354	(2,716)	-15.82%
Environmental Services	562	16	50	628	238	75	37.90%	128	25.10%	510	110	85.94%
Total Community Services	96,086	(429)	1,193	96,850	28,498	3,987	29.42%	32,375	30.92%	104,717	(3,877)	-11.98%
Total Dept. Expenditures	\$ 678,122	(4,050)	6,407	680,479	192,273	16,000	28.26%	202,876	30.02%	675,705	(10,603)	-5.23%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 22,343	580	1,704	24,827	2,193	3,735	8.90%	15,173	64.71%	23,448	(12,980)	-85.55%
Environmental & Utility Services	10,337	355	-	10,692	1,513	1,886	14.15%	750	18.44%	4,067	763	101.73%
Public Safety	22,873	2,542	1,236	26,651	5,965	1,256	22.36%	6,454	30.88%	20,902	(489)	-7.58%
Recreation & Cultural Services	6,847	906	856	8,609	1,775	3,245	20.62%	3,539	24.80%	14,272	(1,764)	-49.84%
Transportation Services	4,824	141	653	5,618	1,136	763	20.22%	1,038	24.17%	4,295	98	9.44%
Strategic Support (2)	45,717	126,817	5,656	178,190	4,189	6,397	2.35%	6,510	6.25%	104,129	(2,321)	-35.65%
Total City-wide Expenditures	112,941	131,341	10,105	254,387	16,771	17,283	6.59%	38,484	19.58%	171,113	(16,693)	-49.88%
Capital Contributions	9,695	1,201	4,091	14,987	1,518	4,054	10.13%	1,776	37.52%	4,733	(258)	-14.53%
Transfers to Other Funds	25,084	4,816	-	29,910	25,095	-	83.90%	29,009	101.66%	28,534	(3,914)	-13.49%
Total Non-Dept Expenditures	147,730	137,358	14,196	299,284	43,364	21,337	14.50%	64,249	31.44%	204,360	(20,865)	-32.48%
Reserves												
Contingency Reserves	29,309	-	-	29,309	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	30,662	17,182	-	47,844	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	59,971	17,182	-	77,153	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 885,823	150,450	20,603	1,056,916	235,657	37,337	22.30%	267,125	30.35%	880,085	(31,468)	-11.78%

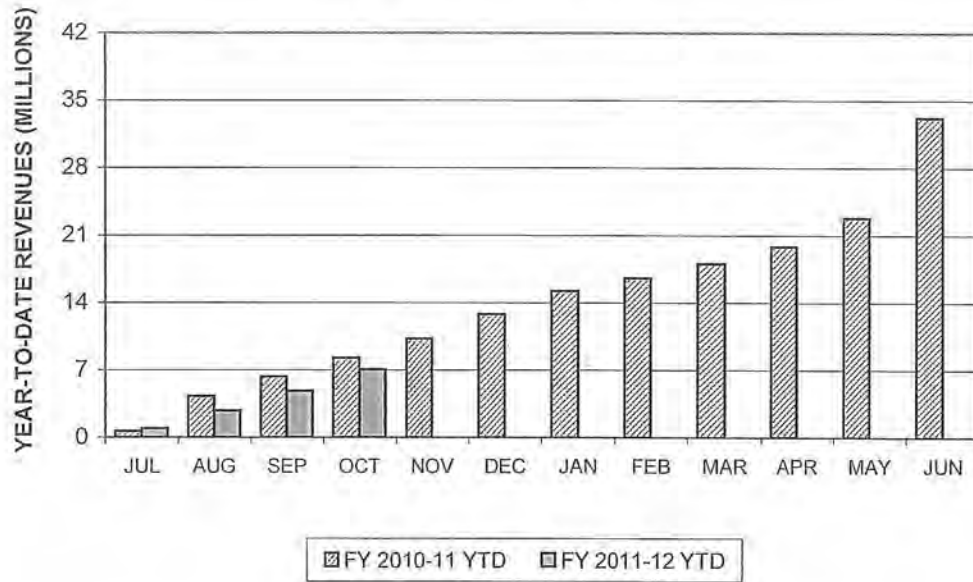
(1) Does not include encumbrance balance.

(2) Includes repayment of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million in January 2011.

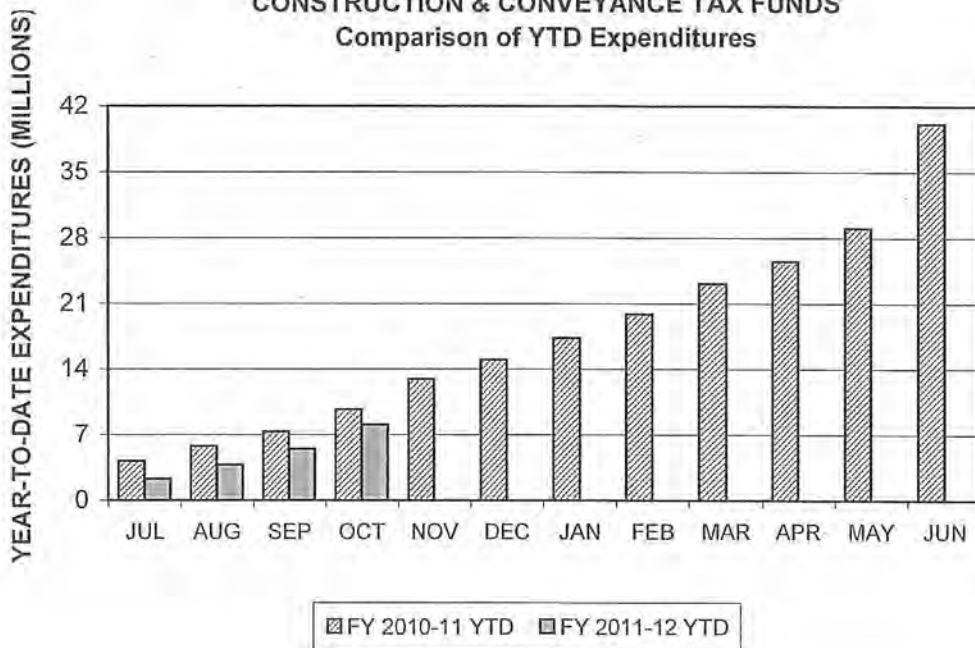
CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 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	1,785	-	-	1,785	576	32.27%	623	35.70%	1,745	(4)	-7.54%
Public Works	4,805	-	-	4,805	2,169	45.14%	1,918	33.70%	5,892	25	13.09%
Transportation	849	-	-	849	437	51.47%	362	33.03%	1,096	7	20.72%
Library	1,411	(300)	-	1,111	(3)	-0.27%	1	0.07%	1,395	(1)	-400.00%
Planning, Bldg & Code Enf	2,469	-	-	2,469	837	33.90%	750	28.31%	2,649	8	11.60%
Parks Rec & Neigh Svcs	12,951	76	-	13,027	5,886	45.03%	6,361	46.39%	13,712	(48)	-7.78%
Miscellaneous Dept Charges	5,307	-	-	5,307	1,837	34.61%	1,622	27.67%	5,861	21	13.26%
Total Departmental Revenues \$	29,577	(224)	-	29,353	11,719	39.92%	11,637	36.20%	32,150	8	0.70%

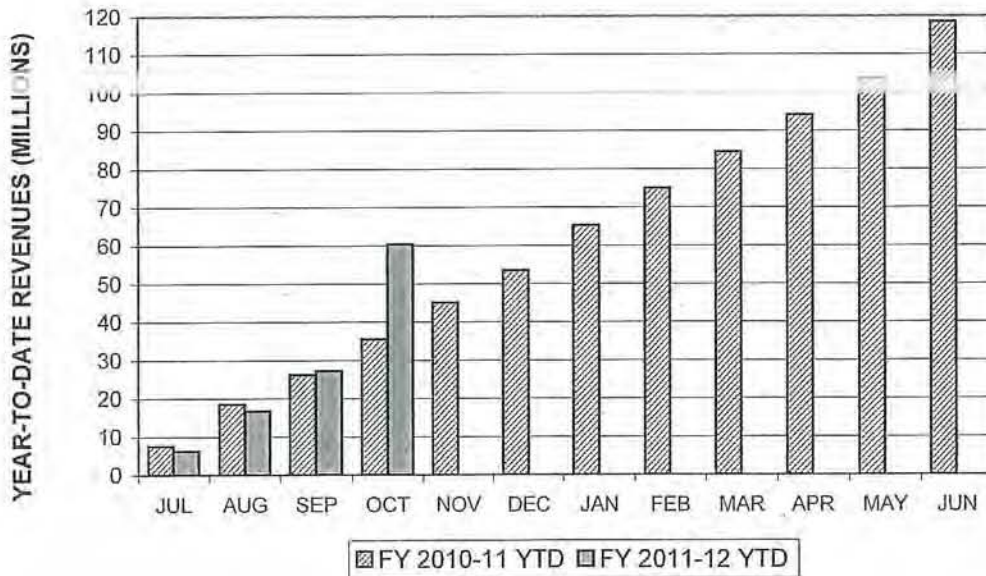
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



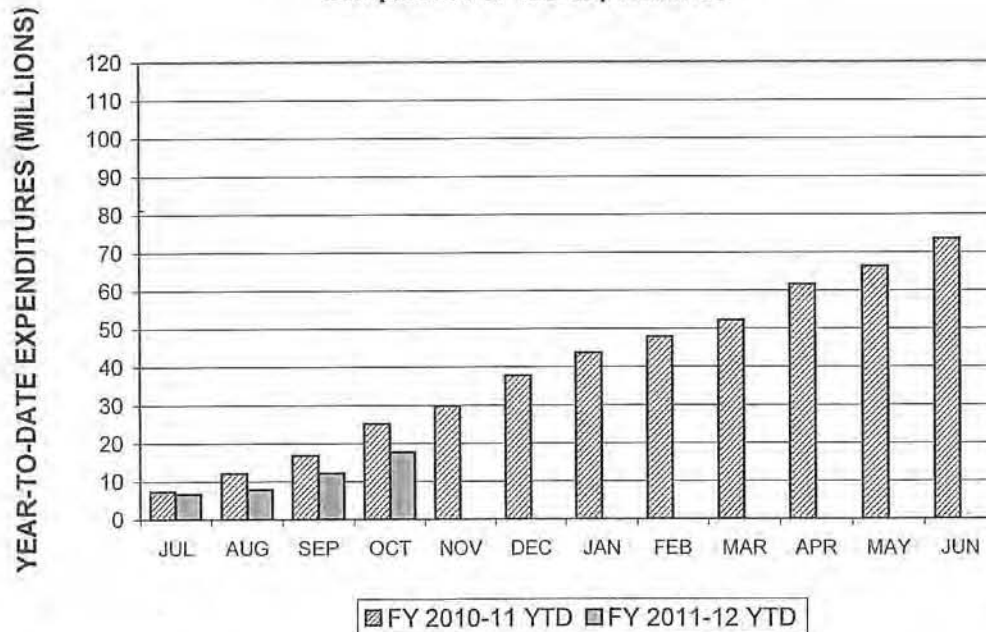
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



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



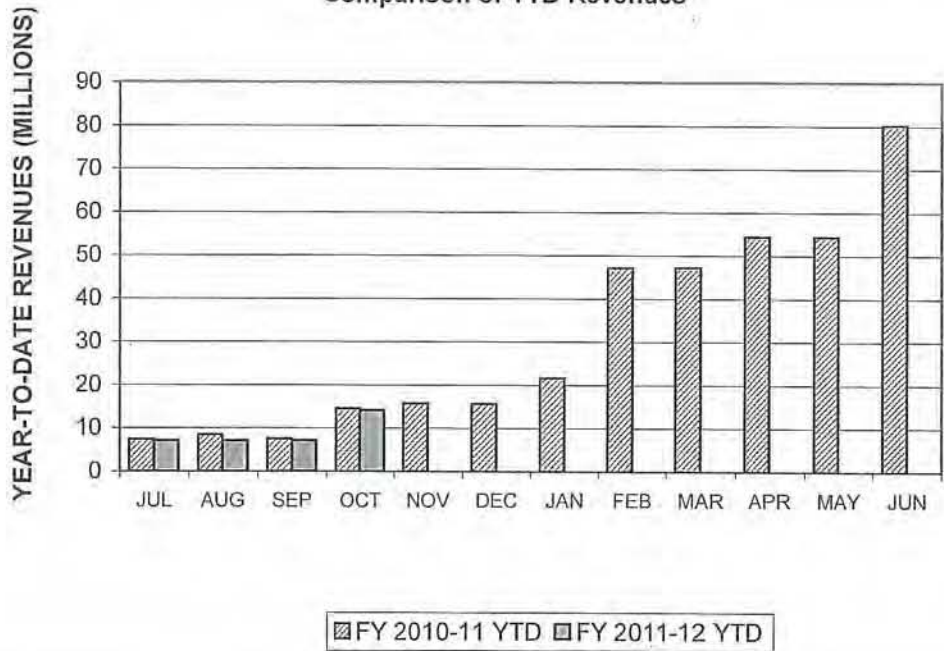
**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**



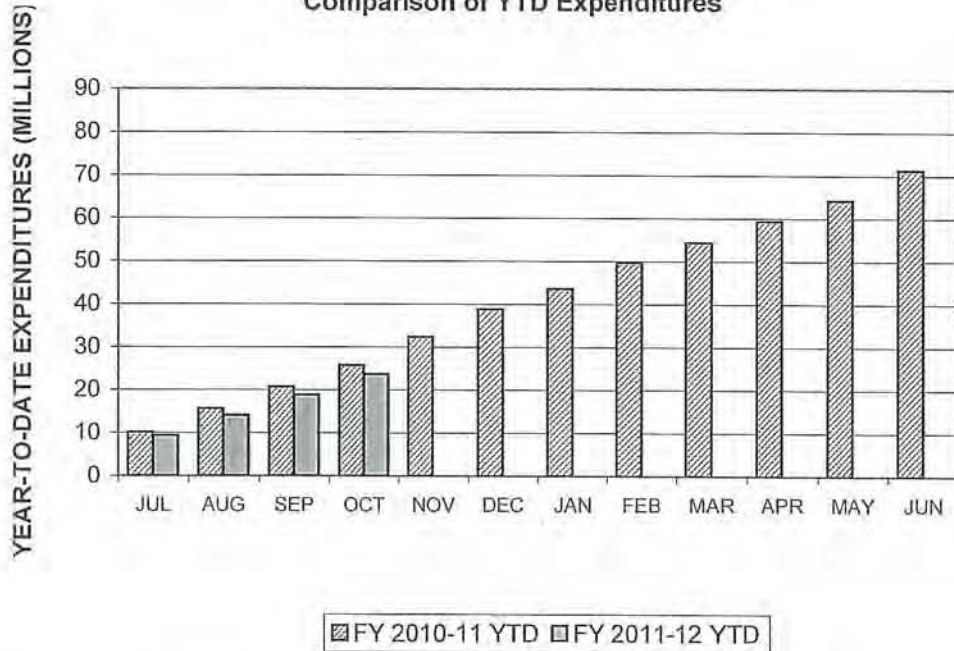
Airport Revenue includes the reimbursement of \$22.2 million in October 2011 for previously paid expenditures from the proceeds of the City's Airport Revenue Bonds, Series 2007A (AMT), pursuant to the Proceeds Allocation Certificate executed on September 30, 2011,

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

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

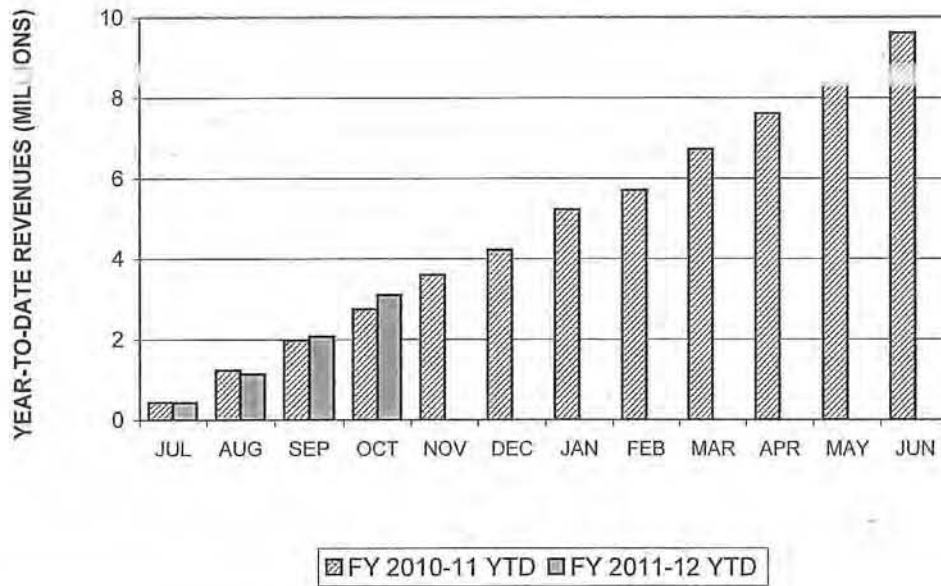


**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**

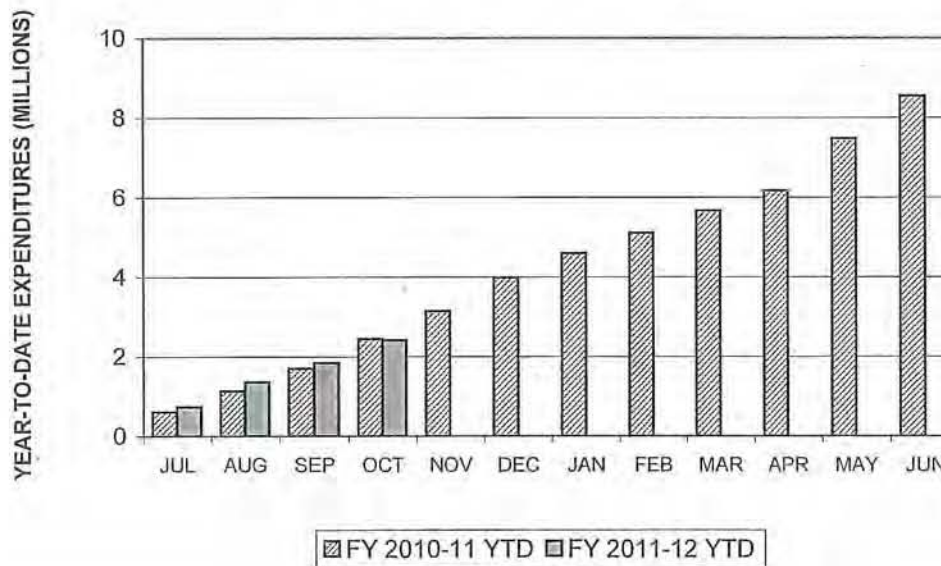


Note: Graphs above are only for WPCP operating fund (513).

**PARKING OPERATING FUND 533
Comparison of YTD Revenues**



**PARKING OPERATING FUND 533
Comparison of YTD Expenditures**



**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	7,964	7,964	7,964	N/A	8,361
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	50,734	20,141	-	70,875	70,875	N/A	76,866
Revenues	29,022	(262)	-	28,760	7,040	N/A	8,256
Total Sources	79,756	19,879	7,964	107,599	85,879	N/A	93,483
Total Uses	79,756	19,879	7,964	107,599	8,068	8,914	9,677
Airport							
Prior Year Encumbrance	-	-	13,253	13,253	13,253	N/A	87,979
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	448,217	(24,570)	-	423,647	423,647	N/A	473,679
Revenues	346,149	2,019	-	348,168	97,846	N/A	91,963
Total Sources	794,366	(22,551)	13,253	785,068	534,746	N/A	653,621
Total Uses	794,366	(22,551)	13,253	785,068	55,453	66,977	98,737
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	45,271	45,271	45,271	N/A	45,659
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	217,419	25,119	-	242,538	242,538	N/A	217,659
Revenues	283,802	1,415	-	285,217	161,115	N/A	153,341
Total Sources	501,221	26,534	45,271	573,026	448,924	N/A	416,659
Total Uses	501,221	26,534	45,271	573,026	60,140	55,665	63,511
(Note 2)							
Parking							
Prior Year Encumbrance	-	-	1,005	1,005	1,005	N/A	780
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	8,021	2,691	-	10,712	10,712	N/A	13,121
Revenues	10,493	(35)	-	10,458	3,097	N/A	2,747
Total Sources	18,514	2,656	1,005	22,175	14,814	N/A	16,648
Total Uses	18,514	2,656	1,005	22,175	2,408	3,744	2,445

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

(1) Does not include encumbrance balance.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Municipal Water							
Prior Year Encumbrance	\$ -	-	1,705	1,705	1,705	N/A	770
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,831	2,375	-	15,206	15,206	N/A	13,297
Revenues	30,814	(126)	-	30,688	13,934	N/A	13,611
Total Sources	43,645	2,249	1,705	47,599	30,845	N/A	27,678
Total Uses	43,645	2,249	1,705	47,599	10,746	2,159	8,894
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	15,667	-	-	15,667	2,629	N/A	519
Total Sources	15,667	-	-	15,667	2,629	N/A	519
Total Uses	15,667	-	-	15,667	2,629	0	(755)
Building and Structures							
Prior Year Encumbrance	-	-	3,767	3,767	3,767	N/A	5,340
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,195	2,674	-	13,869	13,869	N/A	10,510
Revenues	18,349	2,628	-	20,977	5,008	N/A	3,418
Total Sources	29,544	5,302	3,767	38,613	22,644	N/A	19,268
Total Uses	29,544	5,302	3,767	38,613	6,385	5,599	3,749
Residential Construction							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,121	(13)	-	1,108	1,108	N/A	959
Revenues	42	-	-	42	12	N/A	20
Total Sources	1,163	(13)	-	1,150	1,120	N/A	979
Total Uses	\$ 1,163	(13)	-	1,150	13	0	16

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	176	176	176	N/A	198
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,375	465	-	3,840	3,840	N/A	3,366
Revenues	10,807	-	-	10,807	3,314	N/A	2,526
Total Sources	14,182	465	176	14,823	7,330	N/A	6,090
Total Uses	14,182	465	176	14,823	3,931	460	3,669
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	495	495	495	N/A	510
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	5,792	2,630	-	8,422	8,422	N/A	6,321
Revenues	17,294	436	-	17,730	4,092	N/A	4,170
Total Sources	23,086	3,066	495	26,647	13,009	N/A	11,001
Total Uses	23,086	3,066	495	26,647	7,626	354	7,281
Golf							
Prior Year Encumbrance	-	-	7	7	7	N/A	7
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	354	(53)	-	301	301	N/A	1,074
Revenues	2,237	-	-	2,237	1,784	N/A	1,289
Total Sources	2,591	(53)	7	2,545	2,092	N/A	2,370
Total Uses	2,591	(53)	7	2,545	1,419	7	1,386
Other Funds							
Prior Year Encumbrance	-	-	47,648	47,648	47,648	N/A	57,825
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	171,970	28,313	-	200,283	200,283	N/A	214,712
Revenues	440,579	32,553	-	473,132	128,593	N/A	128,051
Total Sources	612,549	60,866	47,648	721,063	376,524	N/A	400,588
Total Uses	612,549	60,866	47,648	721,063	111,433	131,956	131,579

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2010-11	BUDGET		FY 2010-11	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	8,259	8,259	8,259	N/A	7,317
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	19,959	7,965	-	27,924	27,924	N/A	21,343
Revenues	26,276	2,407	-	28,683	8,624	N/A	11,142
Total Sources	46,235	10,372	8,259	64,866	44,807	N/A	39,802
Total Uses	46,235	10,372	8,259	64,866	11,170	5,161	20,642
Redevelopment Projects							
Prior Year Encumbrance	-	-	214	214	214	N/A	2,802
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	466	831	-	1,297	1,297	N/A	3,179
Revenues	3	-	-	3	151	N/A	385
Total Sources	469	831	214	1,514	1,662	N/A	6,366
Total Uses	469	831	214	1,514	(18)	286	2,523
Other							
Prior Year Encumbrance	-	-	5,241	5,241	5,241	N/A	21,528
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	58,017	728	-	58,745	58,745	N/A	67,861
Revenues	12,843	-	-	12,843	1,778	N/A	1,679
Total Sources	70,860	728	5,241	76,829	65,764	N/A	91,068
Total Uses	\$ 70,860	728	5,241	76,829	3,922	5,367	9,079

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2010-11	BUDGET		FY 2010-11	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	\$ -	-	1	1	1	N/A	18
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,316	81	-	2,397	2,397	N/A	2,411
Revenues	77	895	-	972	837	N/A	137
Total Sources	<u>2,393</u>	<u>976</u>	<u>1</u>	<u>3,370</u>	<u>3,235</u>	<u>N/A</u>	<u>2,566</u>
Total Uses	<u>\$ 2,393</u>	<u>976</u>	<u>1</u>	<u>3,370</u>	<u>48</u>	<u>19</u>	<u>191</u>

