



# Memorandum

**TO:** PUBLIC SAFETY, FINANCE, AND  
STRATEGIC SUPPORT COMMITTEE

**FROM:** Margaret McCahan

**SUBJECT:** BI-MONTHLY FINANCIAL REPORT  
FOR JANUARY/FEBRUARY 2018

**DATE:** April 12, 2018

Approved

Date

4/12/18

## RECOMMENDATION

Accept the Bi-Monthly Financial Report on actual revenues and expenditures as compared to the 2017-2018 Budget for the eight months ending February 2018.

## OVERVIEW

The Bi-Monthly Financial Report for January/February 2018 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 2017-2018 Modified Budget and the Finance Department has prepared a report that reflects the financial results for the eight months ending February 2018.

Through February, revenues and expenditures were generally tracking within the budgeted estimates. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments, as necessary, to the City Council as part of the 2017-2018 Year-End Clean-up memorandum, which will be released in June 2018. Following are key highlights in this report:

- Overall, General Fund revenues are currently tracking to exceed the budget, with several categories currently tracking above estimated levels as discussed in this report.
- Most General Fund departmental and non-departmental expenditures are tracking within budgeted levels through February, however, a few departments are tracking close to or slightly above estimated levels. Expenditures will continue to be controlled and monitored to ensure appropriations stay within approved levels to the extent possible.

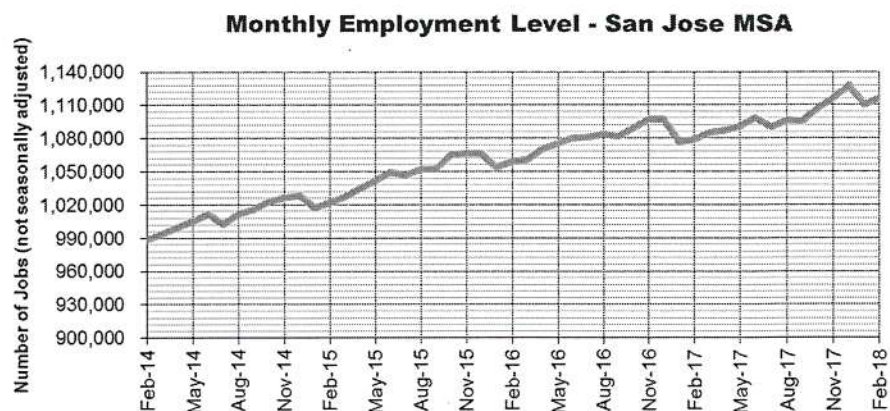
**OVERVIEW (CONT'D.)**

- With the exception of Planning Fees, development-related revenues in the General Fund are currently tracking close to the estimated levels. Development-related tax collections (Building and Structure Construction Tax and Construction Excise Tax), however, are tracking to exceed budgeted levels by year-end.
- The local real estate market continues to be strong, resulting in higher than anticipated Construction and Conveyance Tax collections. If current collection trends continue, these receipts are anticipated to exceed the budgeted estimate by year-end.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 8.7 million passengers, an increase of 17.2% from the figures reported through February of the prior year.
- With lower revenues and higher expenditures, the Self-Insured Medical Fund is expected to end the year with a negative fund balance of approximately \$1.5 million. As part of the 2017-2018 Mid-Year Budget Review, a \$1.65 million reserve was established to address this projected negative balance, and a year-end adjustment will be brought forward as necessary.
- In Silicon Valley, general economic conditions remain positive with strong private development activity, single-family median home price reaching an unprecedented \$1.2 million, and the unemployment rate at 3.0%, remaining below both State and national levels. The Administration will closely monitor the City's economically sensitive revenues to identify any changes in collection trends as appropriate.
- The Administration will continue to report to the City Council all significant developments through future Bi-Monthly Financial Reports.

**Economic Environment**

The Silicon Valley continues to show positive economic performance, but some economic indicators are starting to moderate from the extremely strong growth experienced in recent years.

The February 2018 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.1 million was 2.9% above the February 2017 level of 1.08 million.



**OVERVIEW (CONT'D.)**

<b>Unemployment Rate (Unadjusted)</b>			
	<b>Feb. 2017</b>	<b>Jan. 2018</b>	<b>Feb. 2018**</b>
San Jose Metropolitan Statistical Area*	3.7%	3.0%	3.0%
State of California	5.4%	4.6%	4.5%
United States	4.9%	4.5%	4.4%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** February 2018 estimates are preliminary and may be updated.			

The unemployment rates at the local, State, and national levels have continued to slightly drop compared to the prior year. In February 2018, the unemployment rate for the San José Metropolitan Statistical Area of 3.0% is consistent with the January 2018 unemployment rate and below the February 2017 rate of 3.7%. In this region, the February 2018 unemployment rate continues to be

lower than the unadjusted unemployment rate for the State (4.5%) and the nation (4.4%).

Overall construction activity through February 2018 has decreased 9.4% from 2016-2017 levels. In 2016-2017, building permit valuations reached record levels. The 2017-2018 budget was developed with the expectation that private development activity would remain strong but would drop from the overall high levels experienced in 2016-2017.

Through February, residential permit activity is slightly above prior year levels due to increased new construction (2,196 new dwelling units in 2017-2018 vs. 2,153 in 2016-2017) and increased alteration activity. Valuation for new residential construction is slightly lower (\$401.7 million in 2017-2018 vs. \$402.6 million in 2016-2017), while valuation for alteration activity is higher than the prior year (\$70.2 million in 2017-2018 vs. \$63.8 million in 2016-2017). The 2,196 residential units through February 2018 included 2,042 multi-family units and 154 single family units. Significant residential projects for January and February included a permit issued for a six-unit condominium building (located on Adeline Place in Communications Hill), the remaining balance of a permit issued for a 269-unit apartment building (located over a podium garage on Sunol Street between West San Carlos Street and Auzerais Avenue), and a permit issued for an 83-unit condominium building (located over a podium garage on Charlotte Drive north of Highway 85 and west of Cottle Road).

Commercial valuation through February 2018 is slightly lower than the 2016-2017 level (\$441.3 million in 2017-2018 vs \$447.4 million in 2016-2017). New commercial construction activity is up while alteration activity is down compared to prior year levels.

<b>Private Sector Construction Activity (Valuation in \$ Millions)</b>			
	<b>YTD February 2017</b>	<b>YTD February 2018</b>	<b>% Increase</b>
Residential	\$ 466.4	\$ 471.9	1.2%
Commercial	\$ 447.4	\$ 441.3	(1.4%)
Industrial	\$ 451.6	\$ 324.6	(28.1%)
<b>TOTAL</b>	<b>\$ 1,365.3</b>	<b>\$ 1,237.7</b>	<b>(9.4%)</b>

Industrial construction valuation through February is significantly lower than the 2016-2017 level (\$324.6 million in 2017-2018 vs. \$451.6 million in 2016-2017). New industrial construction activity is higher while alteration

**OVERVIEW (CONT'D.)**

activity has decreased by nearly \$220 million compared to prior year levels. The significant drop in industrial alteration is primarily due to several large relocation projects being completed in 2016-2017, therefore, returning the 2017-2018 activity to the baseline level.

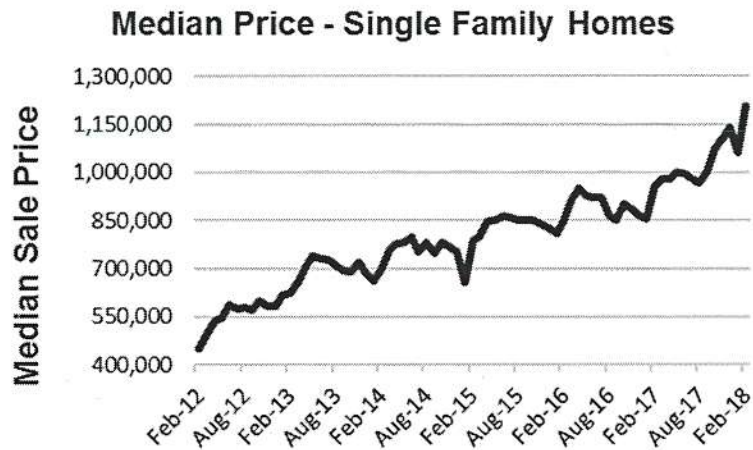
The local real estate market continues to experience strong growth in home prices compared to prior year levels. The median single-family home price in February 2018 of \$1.2 million is up 26.2% from the February 2017 price of \$955,000. The February 2018 level represents the highest single family median home price in the City of San José's history. It is also taking significantly less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in February 2018

totaling 13 days, a 54.6% drop from the 28 days experienced in February 2017. Also of interest is the continued tightening of inventory available in the housing market. The average number of new listings through February 2018 totaled 591, which is 11.7% below the average number of new listings recorded in the same time period of the prior fiscal year. While the median home price has risen

and the length of time to sell these more expensive homes has decreased, the number of property transfers (sales) has dropped. The number of property transfers in February 2018 totaled 398, which represents a 7.7% drop from the 431 transfers that occurred in February 2017. The continuous decrease in property sales compared to prior year levels is primarily attributable to the limited inventory available on the housing market.

On a national level, consumer confidence, which in February had reached its highest point since summer 2001, declined in March. Lynn Franco, Director of Economic Indicators at The Conference Board, stated "Consumer confidence declined moderately in March after reaching an 18-year high in February. Consumers' assessment of current conditions declined slightly, with business conditions the primary reason for the moderation. Consumers' short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. Despite the modest retreat in confidence, index levels remain historically high and suggest further strong growth in the months ahead."

Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2017-2018 as well as the development of the 2018-2019 Proposed Budget, which is scheduled to be released May 1, 2018.



**GENERAL FUND**

**REVENUES**

General Fund revenues through February 2018 totaled \$761.1 million, which represents an increase of \$122.9 million (19.3%) from the February 2017 level of \$638.1 million. This increase in revenue is primarily the result of the change in borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANS), which totaled \$100.0 million in 2016-2017 and increased to \$150.0 million in 2017-2018. TRANS are issued for cash flow purposes each fiscal year. Sales Tax receipts are also tracking \$35 million above the prior year, which is primarily due to the full year implementation of the Local Sales Tax.

While not a comparison to budgeted estimates, several categories are tracking above the prior year level, including Sales Tax, Property Tax, Transient Occupancy Tax, Licenses and Permits, Business Taxes, Use of Money and Property, Revenue from the State, and Other Revenue. The higher collections in these categories are partially offset by lower receipts in a few categories, including Utility Tax, Fines, Forfeitures and Penalties, and Revenue from Local Agencies.

Through February, General Fund revenues are tracking to exceed budgeted estimates by approximately \$26 - \$28 million. Of this amount, \$15 million - \$18 million is expected from additional Property Tax revenue, with the majority generated from the December 2017 Successor Agency to the Redevelopment Agency (SARA) bond refunding (\$11 million). Additional property tax revenue of \$2.6 million may also be received from the sale of SARA properties in 2017-2018. The Sales Tax, Business Taxes, and Other Revenue categories are also expected to generate additional revenue by year-end. The higher revenue collection level will be factored into the development of the 2018-2019 Proposed Budget. In the 2019-2023 General Fund Forecast, it was assumed that \$18 million would be available in 2018-2019 from 2017-2018 ending fund balance generated from excess revenues, expenditure savings, and the liquidation of carryover encumbrances. Due to the higher revenues, this fund balance estimate is expected to be exceeded in the range of \$8 million to \$10 million based on current tracking. Expenditure savings and the liquidation of prior year carryover encumbrances are expected to generate minimal additional fund balance.

The following discussion highlights General Fund revenue activities.

**KEY GENERAL FUND REVENUES**

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Property Tax</b>	<b>\$ 288,990,000</b>	<b>\$ 162,251,032</b>	<b>\$ 151,342,891</b>

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

**GENERAL FUND (CONT'D.)**

property resale), and Homeowners Property Tax Relief. Through February, \$162.3 million has been received, reflecting 56.1% of the 2017-2018 budget for this category. Based on information from the County of Santa Clara, revenues are anticipated to exceed the budget by \$15 million - \$18 million. A significant portion of this variance is due to the Successor Agency to the Redevelopment Agency (SARA) bond refunding in December 2017 that is projected to result in additional property tax distribution to the City of approximately \$11 million. An additional \$2.6 million may also be received from the sale of SARA properties if transactions are completed by June 30, 2018.

**Secured Property Taxes** represent over 90% of the revenue in the Property Tax category. The 2017-2018 Adopted Budget estimate of \$265.8 million was based on assumed growth of 5.3% from the 2016-2017 estimated collection level. The 2017-2018 budgeted estimate includes \$261.8 million from regular Property Tax receipts and \$4.0 million from the distribution of excess Education Revenue Augmentation Fund (ERAF) funds. The current estimate from the County of Santa Clara totals \$269.0 million, which is approximately \$3.2 million above the 2017-2018 Adopted Budget estimate, primarily due to higher projected ERAF payment (\$4.2 million), partially offset by lower projected regular Secured Property Tax receipts (-\$1.0 million). This figure will continue to be adjusted during the year based on actual performance. Tax roll adjustments continue to occur until the end of May 2018, therefore, the Budget Office will continue to work with the County to monitor actual performance and year-end estimates. The Adopted Budget assumed \$4.0 million from excess ERAF funds would be received in 2017-2018. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In March 2017, the County provided information that a payment of \$8.2 million is anticipated to be distributed to the City, which is approximately \$4.2 million higher than the amount assumed in the 2017-2018 Budget.

As a result of the SARA bond refunding that occurred in December 2017, it is estimated the City will receive an additional property tax distribution of approximately \$11 million in 2017-2018 and \$12 million - \$13 million on an ongoing basis. In addition, SARA property sales may generate an additional \$2.6 million in 2017-2018. These figures are still preliminary and will continue to be revised during the current year for 2017-2018 receipts and in future years. The 2017-2018 funding is anticipated to be received in June 2018 and will be included in the 2017-2018 year-End Cleanup memorandum, which will be released in June 2018. As discussed above, the additional Property Tax will also be used as part of the budget balancing strategy for the 2018-2019 Proposed Budget, which will be released on May 1, 2018.

In the **Unsecured Property Tax** category, collections through February of \$13.9 million are \$1.35 million above the prior year collections of \$12.5 million. Current year receipts include an August payment of \$350,000 that accounts for the final reconciliation of the 2016-2017 fiscal year and an October payment of \$13.5 million, which accounts for the majority of the revenue received in this

**GENERAL FUND (CONT'D.)**

category for the year. The most recent 2017-2018 estimate from the County of Santa Clara totals \$14.7 million, which exceeds the budget estimate by approximately \$900,000.

For the **SB 813 Property Tax** category (retroactive collections back to the point of sale for reassessments of value due to property resales) receipts totaled \$3.8 million through February, which is 13% above the prior year levels of \$3.4 million. The 2017-2018 Adopted Budget estimate of \$5.5 million allows for an almost 20% drop from the 2016-2017 actual collection level of \$6.8 million as collections in this category ended 2016-2017 stronger than anticipated. The most recent 2017-2018 estimate from the County of Santa Clara totals \$6.2 million, which is \$700,000 above the budgeted estimate.

**Airplane Property Tax** receipts through February totaled \$2.5 million, which is 5.3% below the prior year collection level of \$2.7 million. Typically, collections through February reflect 95% of the annual revenue for this category. The 2017-2018 Adopted Budget estimate of \$2.9 million assumed receipts would remain consistent with 2016-2017 collections. However, based on current year collections and the latest estimate from the County of Santa Clara, receipts are anticipated to end the year at \$2.7 million, which is \$200,000 below the budgeted estimate.

In the **Homeowners Property Tax Relief** category, receipts through February totaled \$474,000, which is 2.6% below the prior year collection level of \$486,000. Based on the most recent estimate from the County and historical collection patterns, revenue is projected to end the year at \$935,000, which is slightly below the 2017-2018 Adopted Budget estimate of \$1.0 million.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Sales Tax</b>	<b>\$ 224,000,000</b>	<b>\$ 112,203,550</b>	<b>\$ 76,805,330</b>

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. General Sales Tax revenue is tracking slightly below budgeted levels, however, Local Sales Tax revenue is tracking stronger than budgeted. Overall, collections are tracking to exceed budgeted levels by approximately \$7 million by year-end.

When the 2017-2018 Adopted Budget was developed, it was projected that Sales Tax receipts would increase 7.6% from the 2016-2017 estimate of \$211.9 million to \$228.0 million, reflecting anticipated economic growth of 3% and the annualization of the Local Sales Tax. However, because 2016-2017 actual receipts of \$207.7 million ended the year \$4.2 million, or 2.0%, below estimated levels, additional growth would be necessary in 2017-2018 to meet the budgeted estimate. To account for the lower performance in 2016-2017, a downward adjustment of \$4.0 million to the Sales Tax revenue estimate was approved as part of the 2016-2017 Annual Report.

**GENERAL FUND (CONT'D.)**

Following is a discussion of the three Sales Tax components; General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax.

When the 2017-2018 Adopted Budget was developed, the **General Sales Tax** estimate of \$187.0 million reflected growth of 3.9% from the 2016-2017 estimate of \$180.0 million. This reflected underlying quarterly growth of 3.0% as well as net upward adjustments of \$1.5 million to account for prior year accrual adjustments and to reverse a large one-time negative adjustment associated with the jet fuel correction that occurred in 2016-2017. However, because General Sales Tax ended the year below estimated levels, a \$4.0 million reduction (from \$187.0 million to \$183.0 million) was approved as part of the 2016-2017 Annual Report. The modified estimate reflects approximately 3% underlying growth from the 2016-2017 actual collection level with one-time adjustments to account for the additional revenue recognized in 2017-2018 from the under-accrual of revenue in 2016-2017 and to reverse the large one-time correction in 2016-2017.

Information on actual receipts for the first and second quarters of General Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 General Sales Tax revenue (representing activity for July through September 2017) reflected growth of 8.8% from the same quarter in the prior year. However, the first quarter of 2016-2017 included a negative \$2.7 million correction from prior year payments that were made in error. Factoring out that adjustment, receipts in the first quarter of 2017-2018 reflect growth of 2.1% from the prior year. In addition, the second quarter 2017-2018 General Sales Tax revenue (representing activity for October through December 2017) reflected growth of 2.5% from the same quarter in the prior year. To meet the Modified Budget estimate of \$183.0 million, the remaining two quarters would require growth of approximately 4%. If growth of 2% - 3% is realized, collections will fall below the budgeted estimate by \$900,000 - \$1.8 million. Based on current collection trends, it is estimated General Sales Tax will end the year \$1 million - \$2 million below the budgeted level.

The City's Sales Tax consultant, MuniServices, provides economic performance data to the City, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures sales tax receipts, excluding State and county pools, and adjusts for anomalies, payments to prior periods, and late payments. On an economic basis, growth of 3.9% was realized in the most recent quarter. The chart below outlines the various sectors of sales tax and the percentage of the total receipts received.

**Sales Tax Revenue Economic Performance  
September - December 2017**

<b>Economic Sector</b>	<b>% of Total Revenue</b>	<b>% Change Sept. – Dec. 2016 to Sept. – Dec. 2017</b>
General Retail	28.9%	2.6%
Transportation	21.7%	6.7%
Business-to-Business	19.8%	3.0%
Food Products	17.8%	4.6%
Construction	11.1%	3.6%
Miscellaneous	0.7%	-12.8%
<b>Total</b>	<b>100.0%</b>	<b>3.9%</b>



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**GENERAL FUND (CONT'D.)**

Starting in 2016-2017, the Sales Tax category includes **Local Sales Tax**. In June 2016, San José voters approved a ¼ cent local sales tax that was estimated to generate \$30.0 million in 2016-2017 (October 2016 implementation) and \$40.0 annually beginning 2017-2018. However, based on the lower than anticipated performance during the first two quarters of 2016-2017, the 2016-2017 revenue estimate was lowered from \$30.0 million to \$26.0 million. Actual collections ended 2016-2017 at \$26.5 million, which reflected actual performance for the first two quarters (\$8.7 million and \$8.9 million) and estimated receipts of \$8.9 million for the final quarter. Actual Local Sales Tax results for the final quarter of 2016-2017 totaled \$10.2 million, which is \$1.3 million above the amount assumed for the 2016-2017 accrual. The additional revenue generated from this difference is reflected in 2017-2018.

Information on actual receipts for the first and second quarters of Local Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 Local Sales Tax revenue (representing activity for July through September 2017) totaled \$10.5 million. The second quarter 2017-2018 Local Sales Tax revenue (representing activity for October through December 2017) totaled \$11.3 million. Based on 2016-2017 collection trends as well as the receipts for first two quarters of 2017-2018 it is estimated Local Sales Tax will end the year approximately \$8 million - \$9 million above the budgeted estimate of \$35.0 million.

Through February, the **Proposition 172 Sales Tax** receipts of \$3.1 million are 8.5% below the prior year level of \$3.4 million through the same period. The 2017-2018 budgeted estimate of \$6.0 million allows for a 7.4% decrease from the prior year collection level. It is currently anticipated that collections will meet or slightly exceed the budgeted estimate by year-end.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Transient Occupancy Tax</b>	<b>\$ 18,720,000</b>	<b>\$ 10,415,827</b>	<b>\$ 9,768,735</b>

The 2017-2018 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$18.7 million, which was built assuming growth of approximately 4% from the 2016-2017 estimated collection level of \$18.0 million. However, since 2016-2017 actual receipts came in above estimated levels at \$18.3 million, growth of only 2.4% is needed to meet the 2017-2018 budget estimate. Year-to-date TOT receipts through February of \$10.4 million are 6.6% above the prior year collection of \$9.8 million. Based on year-to-date receipts and consistent hotel occupancy and room rates, collections are anticipated to end the year at or slightly above the budgeted estimate.

Through February, the average hotel occupancy rate at the 13 major hotels was 75.5%, which is consistent with the 75.8% occupancy rate for the same period in 2016-2017. The average room rates of \$204.19 is also consistent with the prior year rate of \$204.58. Year-to-date average revenue-per-available room (RevPAR) of \$154.95 is tracking slightly below the prior year level of \$155.22, representing a slight decrease of 0.2%.

**GENERAL FUND (CONT'D.)**

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Utility Tax</b>	<b>\$ 101,320,000</b>	<b>\$ 60,453,415</b>	<b>\$ 60,998,013</b>

Through February, Utility Tax receipts of \$60.5 million are tracking 0.9% (\$545,000) below the prior year collection level of \$61.0 million due primarily to lower collections in the Gas and Telephone Utility Tax categories, partially offset by higher collections in the Electric and Water Utility Tax categories. The 2017-2018 budgeted estimate of \$101.3 million requires an increase of less than 1% from the prior year collection level of \$100.8 million. Based on historical collection trends and the current collection trends, it is anticipated that the overall Utility Tax revenue will meet or slightly exceed the budgeted levels by year-end. Below is a more detailed discussion of the revenue performance in each category.

In the **Electric Utility Tax** category, collections through February totaled \$29.9 million, which represents a 5.3% increase from the \$28.4 million received during the same time period in the prior fiscal year. The 2017-2018 Adopted Budget estimate of \$46.8 million requires growth of 1.8% from the actual 2016-2017 collection levels of \$46.0 million. Based on current collection trends and historical performance, it is currently anticipated that year-end actuals will exceed the budgeted estimate by \$1 million - \$2 million.

In the **Gas Utility Tax** category, receipts through February totaled \$5.5 million, which is 7.5% below prior year collections of \$6.0 million. The 2017-2018 Adopted Budget estimate of \$10.1 million assumed a 3% increase from the 2016-2017 estimate of \$9.8 million. However, revenues in 2016-2017 ended the year at \$11.1 million, therefore the 2017-2018 estimate allows for a 9.4% drop from the prior year collections. Gas Utility Tax revenues are subject to significant fluctuations from the impact of weather conditions and/or rate changes. Therefore, based on current collection trends, recent rate changes, and historical collection trends, it is currently anticipated that collections will meet or fall slightly below the budgeted estimate by year-end.

**Water Utility Tax** collections of \$9.7 million through February are 6.4% above the prior year level of \$9.1 million. While the majority of this growth is the result of payment timing differences, collections are also exceeding the prior year with monthly growth ranging from 5%-10%, which is primarily due to rate increases. The 2017-2018 Adopted Budget estimate of \$14.85 million requires growth of only 0.5% from the actual 2016-2017 receipts of \$14.78 million. Based on historical performance and current collection trends, it is anticipated that year-end actuals will exceed budgeted levels by approximately \$1.5 million - \$2.0 million.

Collections in the **Telephone Utility Tax** category of \$15.2 million through February are 12.6% below the prior year level of \$17.4 million which is primarily due to a decline in the pre-paid calling cards and cellular categories. These drops reflect the competition between cellular carriers and the move from some cellular customers to VOIP and other services which are less expensive. The 2017-2018 Adopted Budget estimate of \$29.6 million requires growth of 2.4% from the actual

**GENERAL FUND (CONT'D.)**

2016-2017 collection levels of \$28.9 million, however, it is currently anticipated that year-end actuals may fall below the budgeted estimate by over \$2.0 million.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Business Taxes</b>	<b>\$ 63,385,000</b>	<b>\$ 46,539,256</b>	<b>\$ 33,491,968</b>

The Business Taxes category consists of the General Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through February, overall collections of \$46.5 million are 39.0% above the prior year collection levels of \$33.5 million, primarily reflecting higher collections in Marijuana Business Tax and General Business Tax categories. The 2017-2018 Adopted Budget estimate of \$63.4 million requires growth of 17% from the actual 2016-2017 collection levels of \$54.2 million. The growth in revenue in 2017-2018 is anticipated due to the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. If current collection trends continue, Business Tax receipts will exceed the budget by approximately \$3 million.

**Cardroom Business Tax** collections reflect the gross receipts tax collected from the two cardrooms located in San José. Through February, receipts of \$11.0 million are 2.9% above the prior year level of \$10.7 million. Receipts in 2016-2017 slightly exceeded expectations, therefore, collections in the category can drop by 1% in 2017-2018 and reach the budgeted estimate of \$18.3 million. Receipts are currently tracking to slightly exceed the budget by \$400,000.

**Marijuana Business Tax** collections reflect marijuana business tax as well as marijuana business tax compliance revenues. Receipts of \$7.0 million are 19.9% above the prior year level of \$5.8 million. The 2017-2018 Adopted Budget estimate was built on the assumption that 2016-2017 collections would total \$9.4 million and remain relatively flat in 2017-2018. However, actual collections in 2016-2017 totaled \$10.5 million, therefore the 2017-2018 budget estimate of \$9.4 million allows for a 10.7% drop from 2016-2017 actual receipts. Based on current collection levels and historic trends, Marijuana Business Tax revenues are anticipated to exceed the budgeted estimate by at least \$2.5 million - \$3.0 million. This figure may increase due to new activity associated with the sale of recreational cannabis at the 16 licensed dispensaries that started in January 2018. There is minimal data currently available regarding this change. January sales data has been received and reconciled, which shows growth of approximately 10% in Marijuana Business Tax revenues. February payments were due to the City by the end of March, and are currently being processed and analyzed. Activity and potential increased revenue associated with the sale of recreational cannabis will continue to be closely monitored and any necessary recommended adjustments to this revenue category will be brought forward at year-end and incorporated into the 2018-2019 budget process.

**GENERAL FUND (CONT'D.)**

**General Business Tax** receipts of \$21.6 million are \$10.8 million, or 100.3% above prior year levels of \$10.8 million. The 2017-2018 Modified Budget estimate of \$23.7 million reflects an increase of 81.9% from the 2016-2017 actual collection level of \$13.0 million. The growth in revenue in 2017-2018 reflects the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax include increasing the base tax, increasing the incremental tax, and making it more progressive, increasing the cap (the maximum amount of the tax affecting large businesses), updating the application of the tax to more classes of business, and adding inflation based adjustments for future tax rates. Based on the remaining billing cycles, receipts are anticipated to meet the budgeted estimate.

**Disposal Facility Tax** revenue through February of \$7.0 million are 12.2% above the prior year level of \$6.2 million and reflect 58.2% of the budgeted estimate of \$12.0 million. The budgeted estimate allows for a decline of 1.3% from the 2016-2017 receipts of \$12.2 million. Based on historical collection trends and recent activity at the landfills, revenues are anticipated to meet or exceed the budgeted estimate. Collections in this category are impacted by waste exports, waste diversion efforts from San José, and other municipalities and members of the public that use landfills within the City, and the economy.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Licenses and Permits</b>	<b>\$ 59,669,916</b>	<b>\$ 44,455,419</b>	<b>\$ 43,578,006</b>

The Licenses and Permits category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through February, revenues of \$44.5 million are 2.0% above the prior year level of \$43.6 million. The 2017-2018 Modified Budget estimate of \$59.7 million requires growth of 3.8% from the 2016-2017 actual collection level (\$57.5 million). Based on current collections and historic collection trends, Licenses and Permits receipts are estimated to meet the budgeted levels by year end.

**Building Permit** revenues of \$22.0 million through February are in-line with the 2016-2017 collection level for the same time period. To meet the 2017-2018 Adopted Budget estimate of \$32.5 million, an increase of 1.2% is needed from prior year actual revenue collections (\$32.1 million) in this category. All Building Permit categories are tracking above expected levels with the exception of the building plan check for residential, commercial, and industrial categories; BSASRF (State of California fee related to building standards) fees; commercial and industrial plumbing permits; and permit processing fees. The 2017-2018 budgeted estimate incorporated fee increases that were projected to increase overall revenues by approximately 14%, which were implemented on August 14, 2017. Activity levels for residential building use are higher than the same time period in the prior year while commercial and industrial categories are lower than in

**GENERAL FUND (CONT'D.)**

2016-2017. Building Permit revenues are anticipated to meet the 2017-2018 budget revenue estimate of \$32.5 million.

Residential activity through February 2018 consisted of 2,042 multi-family units and 154 single-family units for a total of 2,196 units. Major residential projects for January and February included a permit issued for a six-unit condominium building (located at Adeline Place on Communications Hill), the remaining balance of a permit issued for a 269-unit apartment building (located over a podium garage on Sunol Street between West San Carlos Street and Auzerais Avenue), and a permit issued for an 83-unit condominium building (located over a podium garage on Charlotte Drive north of Highway 85 and west of Cottle Road). Commercial activity through February amounted to a valuation of \$441.3 million (new construction valuation of \$296.9 million and alterations of \$144.4 million). Alterations accounted for a majority of the commercial activity during January and February. Industrial activity through February had a valuation of \$324.6 million (new construction valuation of \$183.6 million and alterations of \$141.0 million). A notable project for January was a permit issued for a 150,000 square foot industrial warehouse (located on Piercy Road south of Hellyer Avenue).

Through February, **Fire Permit** collections of \$10.4 million are 1.0% below the 2016-2017 collection level of \$10.5 million for the same period. The 2017-2018 Adopted Budget estimate of \$13.5 million requires a 6.0% increase over the 2016-2017 actual collection level. It is currently anticipated collections will meet or fall slightly below the budgeted estimate by year-end. Revenue will continue to be closely monitored, and if necessary, a budgetary adjustment may be brought forward for City Council consideration as part of the 2017-2018 Year-end Clean-up memorandum in June 2018. The Fire Permits revenue category consist of development and non-development related permits, which are discussed below.

Fire development related receipts of \$5.4 million through February are 10.5% below the 2016-2017 collection levels of \$6.0 million for the same period. The 2017-2018 Adopted Budget estimate of \$8.6 million aligns with the prior year's collections of \$8.6 million. If current collection trends continue, it is anticipated that development-related receipts may end the year approximately \$400,000 below budgeted levels.

Fire non-development revenues through February of \$5.0 million are \$521,000 above collections for the same time period in the prior year, and exceeds the 2017-2018 Adopted Budget of \$4.86 million by approximately \$200,000. Receipts through February represent the four major billing cycles for non-development fee permits for the fiscal year, however, off-cycle permits may still be received and bad debt write-offs may occur during the remainder of the year. It is currently anticipated Non-development revenues will end the year above budgeted levels.

**GENERAL FUND (CONT'D.)**

The **Miscellaneous Other Licenses and Permits** collections through February of \$12.0 million are 9.0% (\$990,00) higher than the 2016-2017 collection level during the same time period primarily due to the timing of payments. The 2017-2018 Adopted Budget estimate requires growth of almost 4% from the prior year actual collections. It is currently anticipated revenues will end the year slightly above budgeted levels.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
<b>Fees, Rates, and Charges</b>	<b>\$ 49,431,983</b>	<b>\$ 31,703,952</b>	<b>\$ 29,580,793</b>

Through February, Fees, Rates, and Charges revenue of \$31.7 million is 7.2%, or \$2.1 million, above the 2016-2017 collection level during the same time period. This increase is primarily due to higher receipts in the Public Works and Planning Department categories, partially offset by lower revenues in the Police and Miscellaneous categories. The 2017-2018 Budget estimate of \$49.4 million requires growth of over 10% from the prior year actual receipts of \$44.9 million. The budgeted increase reflects City Council-approved fee changes for the Development Fee Programs, as well as slight growth in all other Departmental Charges categories. Therefore, although receipts through February are 7.2% higher than the previous year levels, if current collection trends continue, growth of 10% will not be achieved. It is anticipated Fees, Rates, and Charges will end the year approximately \$725,000, or 1.5%, below the budgeted level, which is primarily due to the Planning Fee Program. Following is a discussion of the Planning and Public Works Development Fee Programs and the Parks, Recreation and Neighborhood Services Department fees.

Through February, **Planning, Building and Code Enforcement (PBCE) Planning Fee** revenues of \$4.1 million are 46.9% above the prior year collection level of \$2.8 million. However, to meet the 2017-2018 Adopted Budget estimate of \$7.7 million, an increase of 73.8% is needed from prior year actual revenue of \$4.4 million. The significant increase in revenue was anticipated in 2017-2018 due to City Council-approved fee changes, which were implemented on August 14, 2017. Through February, several fee revenues have been strong in the Planning Fee category, including residential and non-residential tentative maps; sale of publications and record retention; public information services; non-residential general plan amendments; residential planned development rezonings/rezonings, non-residential conventional rezonings/rezonings; annexations; non-residential site development permits; non-residential planned development permits; non-residential development permit adjustments; and residential conditional use permits. However, lower than estimated fee revenues for multiple permits, including Public noticing; preliminary review; residential general plan amendments; non-residential planned development rezoning/rezonings; residential conventional rezonings/rezonings; residential and non-residential environmental clearances; residential site development permits; residential planned development permits; residential development permit adjustments; non-residential conditional use permits; single family design review; and miscellaneous permits. Taking into consideration

**GENERAL FUND (CONT'D.)**

collections through February, Planning Fee revenues are anticipated to end the year at \$6.2 million, which is \$1.5 million below the 2017-2018 budget revenue estimate of \$7.7 million. Projected expenditure savings resulting from vacant positions may offset a portion of this lower collection level. In addition, an action to use a portion of the Planning Development Fee Program Reserve that currently totals \$1.8 million may be recommended at year-end to address any net shortfall between revenues and expenditures. To align revenues and expenditures in 2018-2019, fee changes will be brought forward as part of the 2018-2019 Proposed Fees and Charges report, which will be released on May 4, 2018.

**Public Works Fee** revenues through February of \$8.1 million are 18.4% above the prior year level of \$6.9 million for the same time period. The 2017-2018 budget revenue estimate of \$12.4 million requires growth of 13.9% from 2016-2017 actual collection levels of \$10.9 million. The revenue collections are comprised of \$4.9 million from the Development Services Fee Program and \$3.2 million from the Utility Fee Program. Revenues in engineering residential and private street engineering categories are below estimated levels due to lower activity levels. However, these are offset by significantly higher than estimated collections in the utility excavation and grading permits revenue categories. Public Works Fee revenues are currently anticipated to end the year within budgeted levels.

**Parks, Recreation and Neighborhood Services (PRNS) Fees, Rates, and Charges** consist of Summer Swim, Happy Hollow Park and Zoo, Sports Facilities Reservations, Family Camp, Gym and Fitness Fees, Community Center Facility Rentals, Fee Activity, Skate Park Fees, Park Permits, and Parking Revenue. Through February, PRNS revenue totals \$14.7 million, which is 2.0% above the prior year level of \$14.4 million. To meet the 2017-2018 revenue estimate of \$21.7 million, an increase of 3.8% is needed from prior year actual of \$21.0 million. Revenues are projected to end the year \$350,000, or 1.6%, below the budgeted level. Most of the projected shortfall is due to lower fee activity and operating revenues at Happy Hollow Park and Zoo.

Happy Hollow Park and Zoo (HHPZ) fee activity revenues (including food & beverage, fee classes, and special events) is anticipated to end the year \$200,000 below the budgeted level of \$6.6 million, primarily due to a slow start in corporate rental activity, which is partially offset by stronger than anticipated performance in other lines of business (food and beverage, in particular). The corporate rental program revenue shortfall is partially offset by program cost savings. Despite the projected 2017-2018 loss in corporate rental, the program is gaining momentum as PRNS strongly promotes the program and, to date, has conducted 40 walk-through tours in the last several months, with 24 prospective clients in active discussions about future rental events. Of these, 17 clients have been given quotes through early September 2018, totaling a potential \$248,000 in revenue (11 of these have been quoted at \$111,000 within 2017-2018). Prospects remain promising and heightened interest and revenue growth is anticipated as the spring and summer seasons begin.

The Happy Hollow Park and Zoo's operating revenues budget in 2017-2018 totals \$6.1 million. As previously discussed in the Bi-Monthly Financial Report for September/October 2017 and the 2017-2018 Mid-Year Budget Review, this revenue was anticipated to fall below the budgeted

**GENERAL FUND (CONT'D.)**

estimate by over \$400,000 by year-end. However, operating revenues have recently begun to improve, and it is now anticipated the revenues will only end the year approximately \$100,000 below budgeted levels. Anticipated improvements in this revenue category include growth in membership sales, admissions, and parking revenues. Gate and membership revenues are anticipated to continue increasing as the spring and summer months approach due to heightened public interest in several new attractions that are anticipated to open as discussed above. In addition, the re-opening of the Japanese Friendship Gardens has had a positive impact on parking revenues, which is anticipated to continue into the upcoming spring and summer months.

**EXPENDITURES**

Through February, General Fund expenditures (without encumbrances) of \$786.1 million are 13.4% above the prior year level of \$693.1 million. Encumbrances of \$65.6 million are 25.0% above the prior year level of \$52.5 million. Total General Fund expenditures and encumbrances through February of \$851.7 million constitute 57.0% of the total 2017-2018 Modified Budget (\$1.5 billion including reserves; \$1.3 billion, or 63.5%, excluding reserves). While expenditures through February in most categories are within estimated levels, a number of departments are tracking slightly above the budgeted estimate in personal services expenditures, including the City Attorney's Office, the City Manager's Office, the Office of Economic Development, as well as the Fire, Police, Public Works, and Environmental Services Departments. With the exception of the Police, Fire, and Public Works Departments that are discussed below, these higher expenditure levels were primarily due to the booking of expenses in the General Fund rather than other special/capital funds or higher than anticipated personal services costs at this point in the year. These expenditures will be closely monitored and any expenses booked incorrectly will be corrected, as appropriate. Except for the Police and the Public Works Departments, the remaining departments are anticipated to end the year within budgeted levels. However, minimal savings from expenditure appropriations and the liquidation of prior year carryover encumbrances are expected at year-end.

Following is a discussion of the performance of the Police and Fire Departments, the largest General Fund departments. In addition, the Public Works Department is discussed as the personal services expenditures are anticipated to exceed the budgeted estimate by year-end.



**GENERAL FUND (CONT'D.)**

**KEY GENERAL FUND EXPENDITURES**

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
<b>Police</b>	<b>\$ 384,069,791</b>	<b>\$ 240,847,228</b>	<b>\$ 213,526,645</b>

Overall, the Police Department's expenditures are slightly above the estimated levels through February. Personal Services expenditures of \$223.0 million, or 62.64% of the Modified Budget, are slightly higher than the expected levels of 61.69% at this point of the year. The overtime budget was increased from \$17.3 million to \$30.3 million as part of the Annual Report, which was approved by the City Council on October 17, 2017. Including this adjustment, overtime continues to track well above the budgeted level. Through February, overtime expenditures totaled \$28.1 million, representing 92.4% of the Modified Budget of \$30.3 million.

Based on current overtime trends, and taking into account the three academies that will occur in 2017-2018, personal services expenditures are anticipated to exceed the Modified Budget by year-end by \$3 - \$5 million (0.8% - 1.4%). The Police Department has worked diligently to fill vacancies in both sworn and civilian positions. Vacancy savings have been used to backfill positions in Patrol. However, as the Department fills vacancies, these savings have decreased. While the goal is to fill the vacancies and eliminate the need to backfill positions, new recruits are in academy training and field training for 10-12 months and not available to respond to calls for service. Because overtime has been used to staff patrol while the officers are in training, without the associated vacancy savings, personal services are projected to exceed the budget.

To address the personal services overage, the Police Department implemented various cost control procedures, including capping overtime pay per pay-period, increasing review of overtime usage per unit, and reallocating sworn staff to maximize levels in Patrol. The Department issued a directive to eliminate all discretionary overtime and also issued overtime reduction targets to each Bureau Chief. In addition, as recruits become street ready, overtime hours that are used to backfill patrol vacancies will decrease.

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 2018 was 251,683 hours for sworn personnel. This represents an increase of 20,363 hours or 8.8% compared to the February 2017 balance of 231,320. The Police Department released an internal memorandum reporting on the high level of compensatory time and has directed sworn staff to decrease their balances to 240 hours or less as required by the Memorandum of Agreement with the POA. This reduction in the compensatory balance for sworn staff is expected to alleviate the one-time payout expenses the Department has been incurring for staff with more than 480 compensatory hours.

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

	2016-2017 (as of 3/17/2017)	2017-2018 (as of 3/16/2018)
<b>Authorized Sworn Staffing</b>	<b>1,109</b>	<b>1,109</b>
Vacancies	(177)	(69)
<b>Filled Sworn Staffing</b>	<b>932</b>	<b>1,040</b>
Field Training Officer/Recruits	(74)	(156)
<b>Street-Ready Sworn Positions Available</b>	<b>858</b>	<b>884</b>
Disability/Modified Duty/Other Leaves	(68)	(72)
<b>Street-Ready Sworn Positions Working</b>	<b>790</b>	<b>812</b>

To fill the vacant sworn positions and put more Police Officers back on patrol, the Department is conducting three Police Recruit Academies in 2017-2018; the first academy began in October 2017, the second one began in February 2018, and the third academy will begin in June 2018. The October 2017 Academy currently has 53 recruits and the February 2018 Academy also has 53 recruits. It is anticipated that the June 2018 Academy will have 60 recruits.

A total of \$17.8 million (63.6%) of the Police 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 \$3.4 million, or 21.0% of the non-centrally-determined appropriation available for the remainder of the year. Any uncommitted Non-Personal/Equipment savings that are available will be used to partially offset the Personal Services overage.

It is anticipated that a year-end clean-up budget action will be necessary in June 2018 to increase the Police Department's Personal Services budget, which will be partially offset by a reduction to the Non-Personal/Equipment budget. The Department will continue to work to minimize any year-end overage.

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
<b>Fire</b>	<b>\$ 219,993,082</b>	<b>\$ 136,740,239</b>	<b>\$ 125,801,888</b>

Overall, Fire Department expenditures are slightly above the estimated levels through February. Personal Services expenditures of \$130.1, or 61.86% of the Modified Budget, are slightly higher than the expected levels of 61.69% at this point of the year. The Fire Department's Non-Personal/Equipment budget of \$9.7 million has been 68.62% expended or encumbered through February, and are expected to end the year within budgeted levels.

Through February, Personal Services expenditure levels are slightly higher than estimated levels primarily due to overtime usage. Overtime expenditures of \$11.0 million represent 70.5% of current year budget, which are significantly higher than the prior year overtime expenditures of \$8.7 million. Overtime was leveraged to deploy Strike Teams and California Task Force 3

**GENERAL FUND (CONT'D.)**

resources for events such as Hurricane Harvey, Hurricane Irma, the Detwiler, Tubbs and Thomas fires. The 2017-2018 Mid-Year Budget Review included several actions to align the current year overtime budget with anticipated year-end expenditures, which increased the Fire Department's overtime budget from \$9.76 million to \$16.0 million. Additional reimbursements for expenditures have been requested from the State of California and the Federal Emergency Management Agency (FEMA) totaling approximately \$1.0 million. Once this funding is received, a request will be brought forward for City Council consideration to recognize the funding and increase the overtime budget. Factoring in this adjustment, it is anticipated the Department's Personal Services expenditures will end the year within budgeted levels.

Overtime expenditures were also incurred to backfill vacancies and absences in line duty positions. Absences and vacancies in line positions are supplemented with relief personnel and/or off-duty personnel who are brought back on overtime to backfill vacant line positions. In February 2018, the vacancy rate for sworn positions was 5.4%, compared to 7.8% in 2017. Overall, the average vacancy rate of 5.1% is lower than the average vacancy rate of 6.75% at this time last year; but is above the budgeted rate of 2.8%. However, the 2017-2018 Firefighter Recruit Academy started on November 6, 2017 and recently completed, with a total of 22 Firefighter Recruits. Factoring in the graduating recruits, the number of vacant sworn staff decreases from 28 to 6. In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of February, of the 32 current authorized staffing level, the Fire Department had 31 sworn personnel on administrative assignments.

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
<b>Public Works</b>	<b>\$ 45,129,468</b>	<b>\$ 30,303,313</b>	<b>\$ 28,505,946</b>

Overall, Public Works Department expenditures are tracking above estimated levels. Through February, the Public Works Department Personal Services expenditures (including Fee Program) total \$20.4 million, or 64.1% of the Modified Budget. This expenditure level exceeds the expected level of 61.7% due to higher non fee-related expenditures. The Non-Fee Personal Services expenditures total \$14.2 million or 67.1% of the Modified Budget of \$21.2 million, while the Fee Program Personal Services expenditures tracked below budget. The Public Works Department's Non/Personal Equipment budget of \$13.3 million (\$13.0 million for Non-Fee Development) was 74.55% expended or encumbered (74.9% for Non-Fee Development) through February. It is currently anticipated the Non-Personal/Equipment budget will end the year within budgeted levels.

The projected Personal Services overage in the Public Works Department is attributable to a combination of factors, including higher than anticipated overtime, part-time employee, and retirement expenditures. Retirement costs are impacted when vacant positions that are budgeted at the Tier II level are filled with existing City employees who are classified as Tier 1. If current expenditure trends continue through the remainder of the year, the Personal Services expenditures

**GENERAL FUND (CONT'D.)**

may exceed the budget by up to \$1.8 million. To alleviate the projected shortfall to the extent possible, the Public Works Department is decreasing overtime and part-time usage and shifting focus to Capital-funded projects, as appropriate. In addition, any uncommitted Non-Personal/Equipment savings that are available at year-end will be used to partially offset the Personal Services overage. While these efforts are expected to reduce the overage, it is anticipated that a year-end clean-up action will be necessary to increase the Personal Services appropriation by approximately \$900,000, due primarily to the higher retirement costs. It is important to note that higher retirement costs in the Public Works Department are expected to be offset by retirement savings in other departments.

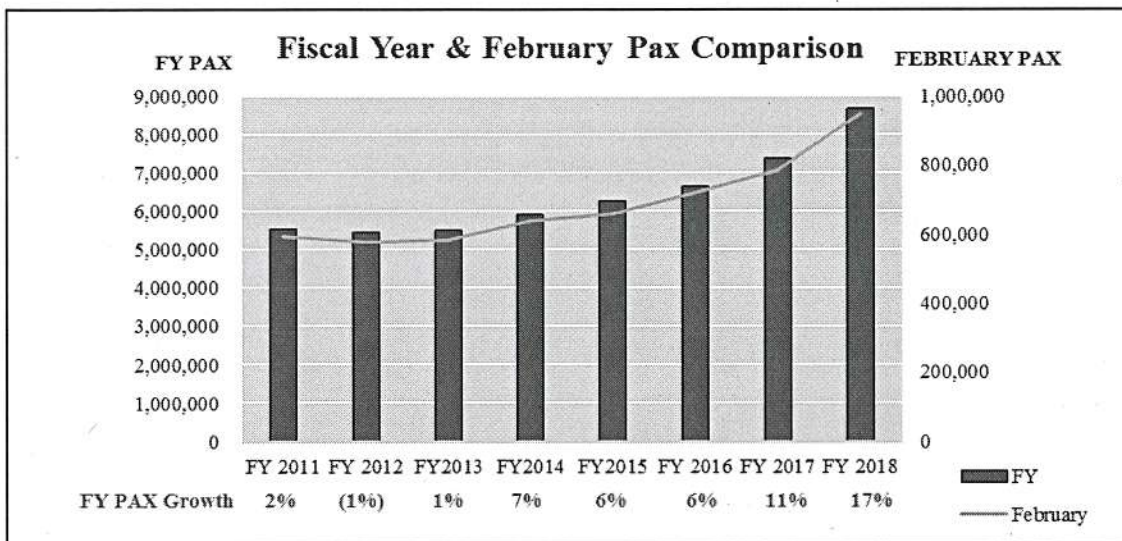
**CONTINGENCY RESERVE**

The General Fund Contingency Reserve was amended as part of the 2016-2017 Annual Report, increasing the Reserve by \$500,000; from \$36.0 million to \$36.5 million. The increased reserve level complies with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be at 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 8.7 million passengers, an increase of 17.2% from the figures reported through February of the prior year. International passengers represent an increase of 9.4% from the prior fiscal year boosted by the start of Aeromexico to Guadalajara in July 2017 and Volaris to Morelia and Zacatecas in December 2017. The chart below depicts the year-over-year change for the month of February and Fiscal Year-to-Date for the last eight years.



Fiscal year-to-date mail, freight and cargo totaled 79.9 million pounds, which represents a 0.7% decrease over year-to-date February of 2016-2017. Many revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 13.4%; Landed Weights by 14.7%; Gallons of aviation fuel sold by 18.2%; Ground Transportation (taxicabs and Transportation Network Companies (TNC's)) operations by 110.4%; and Parking exits by 6.3%. The Ground Transportation operations increase is partially attributed to the municipal code change that became effective in October 2017, which allowed for tracking and charging of both TNC passenger drop-off and pick-up trips.

Through February, overall revenue performance at the Airport is 6% above estimated levels. Airfield revenues are 17% higher than the benchmark substantially due to air carrier parking, in-flight kitchen, and ground support concession revenues. General and Non-Aviation revenue are 8% higher than the benchmark primarily due to interest earnings and compressed natural gas (CNG) tax rebates. In addition, both Parking & Roadway (P&R) and Terminal Concessions revenues are 13% higher than the benchmark. P&R is higher than benchmark due to public parking and ground transportation trip fee revenue and Terminal Concessions are higher than benchmark due to food & beverage, advertising, and lounge revenues. Terminal Rentals, however, are tracking slightly below the budgeted estimate based on the final rates that were set after the development of the budget.

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

Through February, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures are below budgeted levels. In the Maintenance and Operation Fund, Personal Service expenditures were 55.4% of budget compared to the benchmark of 61.5%, while Non-personal/Equipment expenditures (excluding encumbrances) were 45.6% compared to the benchmark of 58.3%. Non-personal/Equipment expenditures in the Customer Facility and Transportation Fee Fund were 59.5% compared to the straight-line benchmark of 66.7%.

**Construction and Conveyance Tax Funds**

Collections through February 2018 totaled \$27.4 million, which is 65.1% of the 2017-2018 Modified Budget estimate of \$42.0 million. This collection level is 13.2% above the \$24.2 million received through February 2017. In addition, the City has received March Conveyance receipts from Santa Clara County, which total \$2.6 million, a 22.3% increase from the \$2.1 million Conveyance receipts received in March 2017.

The 2017-2018 Adopted Capital Budget was developed with the assumption that C&C Tax receipts would total \$38.0 million in 2016-2017 and dip slightly to \$36.0 million in 2017-2018. These assumptions were based on historical collection trends and actual receipts received in 2016-2017, allowing for some moderation in activity levels. In the last quarter of 2016-2017, however, tax receipts had a stronger than expected performance, which resulted in the 2016-2017 receipts totaling \$43.3 million. Due to the unanticipated high collections in 2016-2017, the 2017-2018 C&C Tax Adopted Budget estimate of \$36.0 million, allowed for a 16.9% decline in tax revenue from the 2016-2017 actual tax collection. Due to the high C&C collections through the first half of the fiscal year, the 2017-2018 Mid-Year Review, which was approved by the City Council on February 13, 2018, increased the C&C budget estimate to \$42.0 million. Based on year-to-date collections, it is anticipated receipts will exceed the Modified Budget.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). Similar to the current trend with C&C collection levels, the local real estate market is continuing to experience extremely strong growth in median home prices compared to prior year levels. The median single-family home price in February 2018 of \$1.2 million is up 26.2% from the February 2017 price of \$955,000 and represents the highest single family median home price in the City's history. It is also taking significantly less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in February 2018 totaling 13 days, a 54.6% drop from the 28 days experienced in February 2017. Also of interest is the continued tightening of inventory available in the housing market. The average number of new listings through February 2018 totaled 591, which is 11.7% below the average number of new listings recorded in the same time period of the prior fiscal year. While the median home price has risen and the length of time to sell these more expensive homes has decreased, the number of property transfers (sales) has dropped. The number of property transfers in February 2018 totaled 398, which represents a 7.7% drop from the 431 transfers that occurred in February 2017. The continuous decrease in property sales compared to prior year levels is primarily attributable to the limited inventory available in the housing market.

## OTHER FUNDS (CONT'D.)

### Other Construction-Related Revenues

Through February, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are tracking lower than receipts in 2016-2017 through the same period, as anticipated. Construction activities drive revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees. Following is a discussion on the overall performance of both the Construction Excise and Building and Structure Construction taxes.

The 2017-2018 revenue estimate for the **Construction Excise Tax** is \$24.0 million, a decrease of \$6.2 million (20.5%) from the extremely high 2016-2017 collection level of \$30.2 million. Receipts through February totaled \$20.9 million (87.1% of estimated revenue), approximately \$589,000 (2.7%) below the same period in 2016-2017. Activity levels for the residential category were higher and commercial activity was lower than the same time period in the prior fiscal year. Permit valuations have stabilized after experiencing an exceptionally high activity level in October 2017 and revenues are anticipated to reach the target amount. The 2017-2018 Adopted Capital Budget was developed with the assumption the high Construction Excise Tax collections experienced in 2016-2017 would not be sustainable, therefore, the 2017-2018 estimate allowed for a 20.5% decrease. However, based on year-to-date performance and historical trends, it is anticipated Construction Excise Tax revenue will exceed the estimated budget by year-end. The 2019-2023 Five Year Forecast and Revenue Projections increased projected revenue for 2017-2018 to \$27.0 million, which has also been incorporated into the development of the 2019-2023 Proposed Capital Improvement Program and programmed for pavement maintenance in accordance with previous City Council direction. Due to the volatile nature of this revenue category, activity will continue to be closely monitored throughout the year.

The 2017-2018 revenue estimate for the **Building and Structure Construction Tax** is \$18.0 million, a decrease of \$5.3 million (22.9%) from the extremely high 2016-2017 collection level of \$23.3 million. Receipts through February totaled \$15.4 million (85.7% of estimated revenue), approximately \$1.6 million (9.6%) below the same time period in 2016-2017. Activity levels for the residential category of building use was higher than the same time period in the prior fiscal year, while the commercial and industrial activities were lower. Permit valuations have stabilized after experiencing an exceptionally high activity level in October 2017 and revenues are anticipated to reach the target amount. Similar to the Construction Excise Tax, the 2017-2018 Adopted Capital Budget was developed with the assumption the high Building and Structure Construction Tax collections experienced in 2016-2017 would not be sustainable, therefore, the 2017-2018 estimate allowed for a 22.9% decrease. However, based on year-to-date performance and historical trends, it is anticipated Building and Structure Construction Tax will exceed the estimated budget by year-end. The 2019-2023 Five Year Forecast and Revenue Projections increased projected revenue for 2017-2018 to \$20.0 million, which has also been incorporated into the development of the 2019-2023 Proposed Capital Improvement Program. Due to the volatile nature of this revenue category, activity will continue to be closely monitored throughout the year.

**OTHER FUNDS (CONT'D.)****Self-Insured Medical Fund**

The Self-Insured Medical Fund was established in January 2017 to account for the City-funded Preferred Provider Organization (PPO) plan. On June 21, 2016, the City Council authorized the City Manager to enter an agreement with Blue Shield of California to provide a City-funded PPO medical insurance plan for employees, pre-65 retirees, and dependents. In 2016, the City issued an off-cycle RFP to identify a health care provider with rates competitive with Kaiser to create a more sustainable non-Kaiser option. Sutter Health Plus offered an HMO plan that could compete with Kaiser but did not offer a PPO plan. Blue Shield would provide a City-funded PPO plan but would not offer a fully insured PPO plan. To retain a PPO and offer active employees and retirees options, the Administration recommended the City-funded PPO plan.

The 2017-2018 revenue estimate for the Self-Insured Medical Fund of \$13.6 million, represents an increase of \$6.9 million, or 102.9%, from the 2016-2017 collection level of \$6.7 million. This significant increase is primarily due to 2016-2017 only representing six months of collection as the fund was established in January 2017. Receipts through February totaled \$9.1 million (66.8% of the budget), which is approximately \$6.0 million higher than the same period for 2016-2017. Current year revenues have primarily been generated from Reimbursements from Retirement Funds (\$7.0 million), Participant Contributions (\$1.1 million), and Reimbursements from City Funds (\$982,000). While revenues are slightly above the estimated levels through February, it is primarily due to the additional month of retiree contributions in August 2017. Based on year-to-date information and the most current enrollment data, it is anticipated that the total revenues generated from the Self-Insured Medical Fund will end the year at \$12.3 million, which is \$1.3 million, or 9.4%, below the budget. This figure takes into account the plan enrollment changes that occurred in January 2018 during the open enrollment period. During the open enrollment period for the 2018 calendar year, enrollees in the plan declined 14.4%, including a 10.7% drop for active employees and a 15.4% drop for retirees. This loss far exceeded the estimated decline of 2% expected from rate increases implemented effective January 2018. Retirees account for 77.5% of the participants in this plan, therefore, the largest negative revenue variance is anticipated in the reimbursements from Retirement Funds, which is expected to end the year at \$9.1 million, which is 11.2% below the budget.

In addition, through February expenditures are higher than anticipated. Expenditures totaled \$9.1 million through February, or 69.2% of the budget, which is significantly higher than the 61.7% expected at this point in the year. This variance is primarily due to higher than anticipated Payment of Claims expenditures. The Self-Insured Medical Fund Payment of Claims expenditures totaled \$8.2 million through February, which represents 70.0% of the \$11.8 million Modified Budget. Based on current trends and the actuarial analysis, it is anticipated that the Payment of Claims will end the year approximately \$900,000, or 8.0%, above the budget. The higher expenditures in this area will be partially offset by savings in other appropriations; however, it is anticipated the total expenditures in the fund will end the year approximately \$800,000, or 6.2% above the budgeted level.



### OTHER FUNDS (CONT'D.)

With both lower projected revenues and higher expenditures negatively affecting the Self-Insured Medical Fund, the Ending Fund Balance is projected to end the year at negative \$1.5 million. To offset the projected shortfall in the Self-Insured Medical Fund, a \$1.65 million reserve was established as part of the 2017-2018 Mid-Year Budget Review. A recommendation will be included as part of the 2017-2018 Year-end Clean-up Report to allocate funding from the reserve, as necessary.

### CONCLUSION

Overall, the City's funds appear to be performing within budgeted expectations through February. While there are individual variances by revenue and expenditure categories, overall General Fund revenues are tracking above estimated levels and expenditures are within budgeted levels through February. As has been reported in previous Bi-Monthly Financial Reports and the 2017-2018 Mid-Year Report, the local economy continues to show positive economic performance, but some economic indicators are starting to moderate from the extremely strong growth experienced in recent years.

A limited number of adjustments to the General Fund as well as other City funds based on actual 2016-2017 performance and 2017-2018 performance experienced through the first half of the year have been approved. As new information is received, any additional adjustments based on actual 2017-2018 performance will be brought forward as part of the 2017-2018 Year-end Clean-up memorandum and will be factored into the 2018-2019 budget process, as appropriate.

As always, the Administration will continue to report to the City Council any significant developments through future Bi-Monthly Financial Reports and other budget reporting processes.



MARGARET MCCAHAN  
Budget Director



## **FINANCE DEPARTMENT**

### Monthly Financial Report

Financial Results for the Month Ended February 28, 2018

Fiscal Year 2017-2018

*(UNAUDITED)*

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**Finance Department, City of San José**  
**Monthly Financial Report**  
**Financial Results for the Month Ended February 28, 2018**  
**Fiscal Year 2017-2018**  
*(UNAUDITED)*

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**Finance Department, City of San José**  
**Monthly Financial Report**  
**Financial Results for the Month Ended February 28, 2018**  
**Fiscal Year 2017-2018**  
*(UNAUDITED)*

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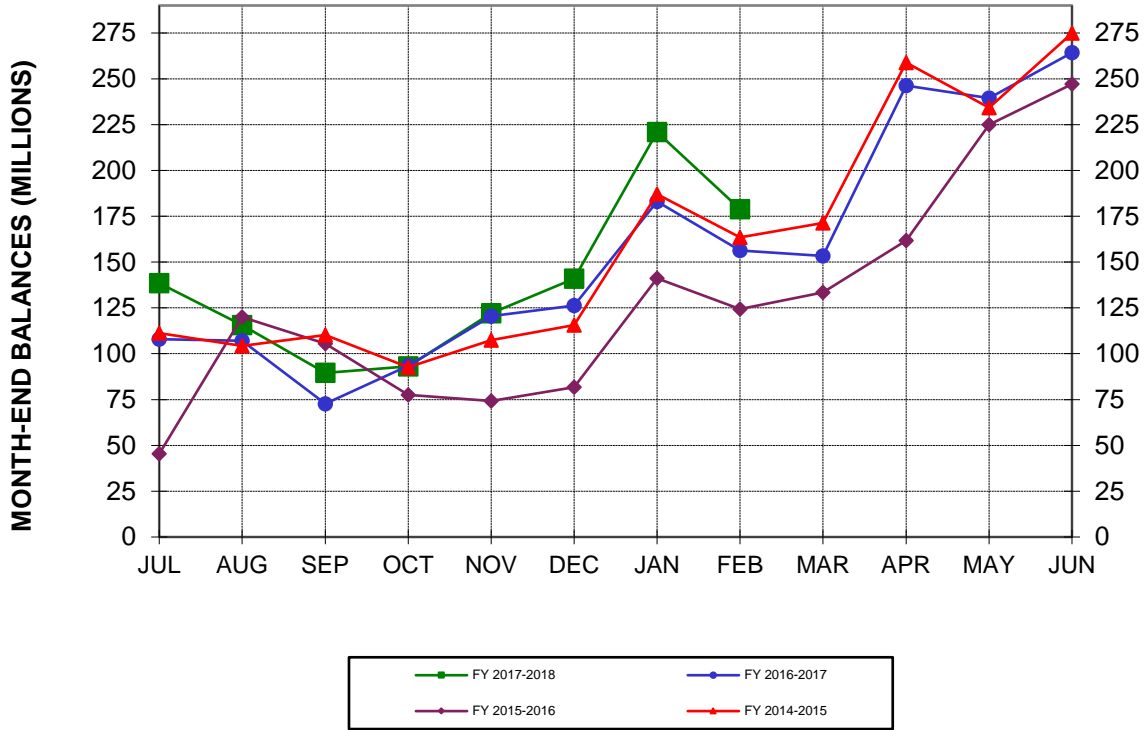
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Submitted by:



JULIA H. COOPER  
Director, Finance Department

**GENERAL FUND**  
**Comparison of Cash Balances vs. Prior Year's Balance**



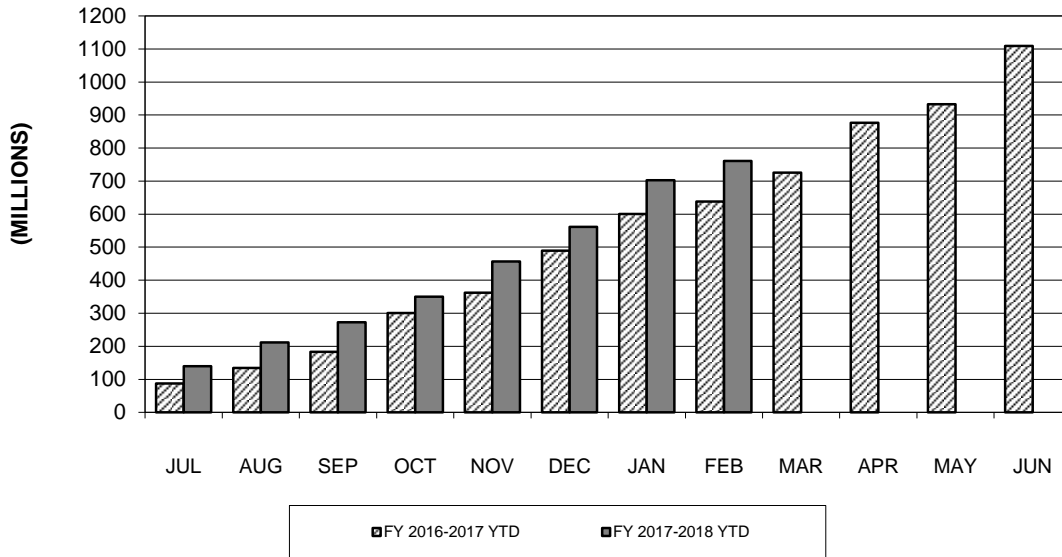
**GENERAL FUND MONTHLY CASH BALANCES**

MONTH	FY 2017-2018	FY 2016-2017	FY 2015-2016	FY 2014-2015
JULY (1)	\$ 138,576,379	\$ 108,012,647	\$ 45,401,908	\$ 111,318,585
AUGUST	115,540,880	107,081,005	119,988,835	104,337,113
SEPTEMBER	89,537,017	72,718,873	105,422,447	110,248,937
OCTOBER	93,031,593	93,456,157	77,571,562	92,649,862
NOVEMBER	122,022,698	120,485,944	74,153,007	107,339,933
DECEMBER	140,886,445	126,203,310	81,796,424	115,544,081
JANUARY	220,937,707	183,072,948	141,189,103	187,078,566
FEBRUARY	178,836,751	156,320,836	124,444,495	163,468,559
MARCH	-	153,282,389	133,493,608	171,379,481
APRIL (2)	-	246,281,183	161,690,247	258,939,637
MAY	-	239,467,743	224,983,657	234,171,050
JUNE	-	264,266,135	247,092,735	274,909,173

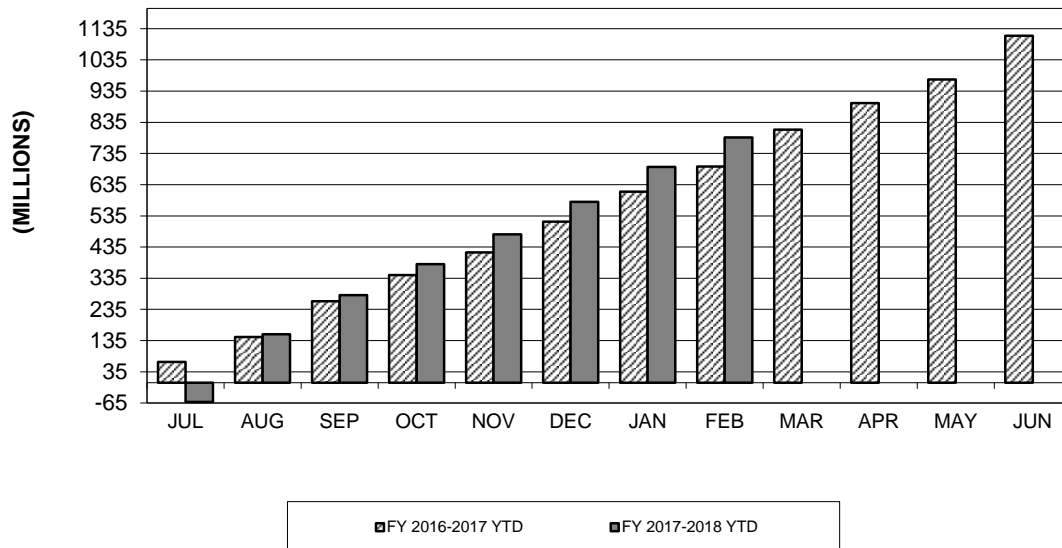
(1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

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

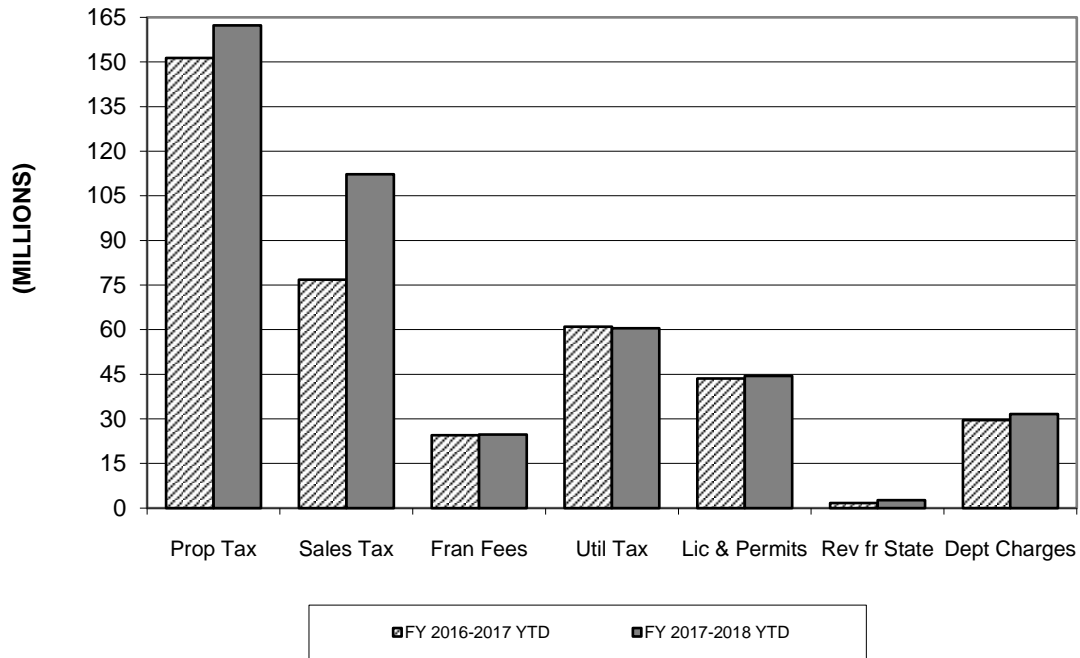
**GENERAL FUND**  
**Comparison of YTD Revenues vs. Prior YTD Revenues**  
**Actual**



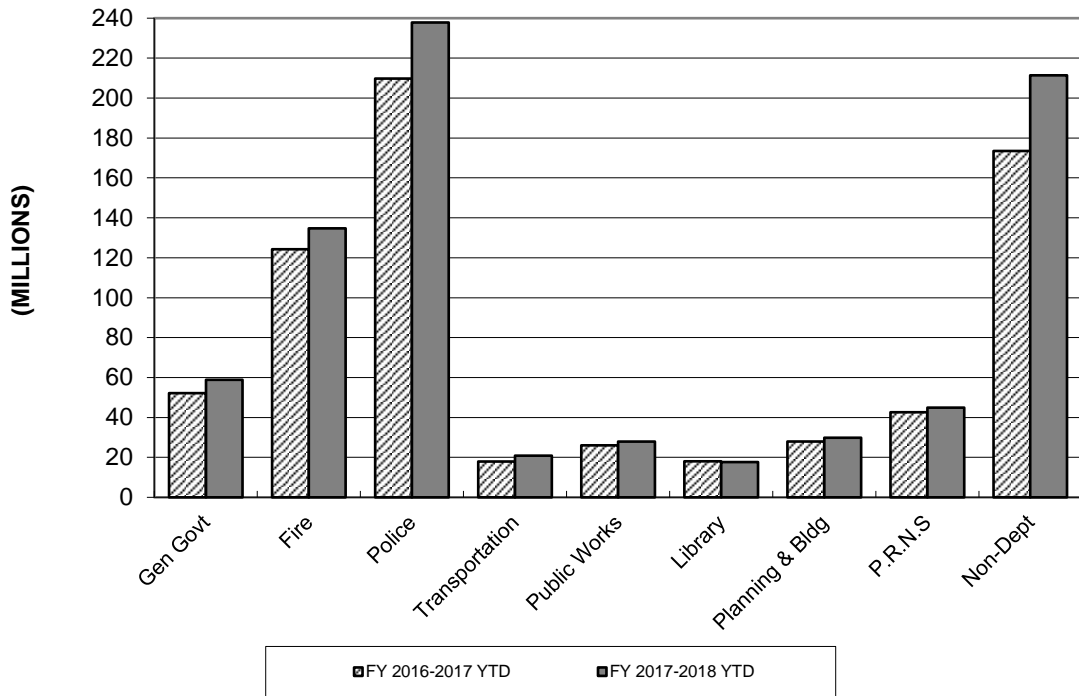
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**GENERAL FUND MAJOR REVENUES**  
**Comparison of YTD Actual vs. Prior YTD Actual**



**GENERAL FUND MAJOR EXPENDITURES**  
**Comparison of YTD Actual vs. Prior YTD Actual**



**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS**  
**FOR THE MONTHS ENDED FEBRUARY 28, 2018**  
*(UNAUDITED)*  
*( \$000's )*

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
<b>Fund Balance</b>											
Prior Year Encumbrances	-	-	46,920	46,920	46,920	100.00%	38,699	103.21%	37,497	8,221	21.24%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	217,204	23,969	-	241,173	241,173	100.00%	255,206	100.00%	255,206	(14,033)	-5.50%
<b>Total Fund Balance</b>	<b>217,204</b>	<b>23,969</b>	<b>46,920</b>	<b>288,093</b>	<b>288,093</b>	<b>100.00%</b>	<b>293,905</b>	<b>100.41%</b>	<b>292,703</b>	<b>(5,812)</b>	<b>-1.98%</b>
<b>General Revenues</b>											
Property Tax	288,990	-	-	288,990	162,251	56.14%	151,343	54.76%	276,388	10,908	7.21%
Sales Tax (1)	228,000	(4,000)	-	224,000	112,204	50.09%	76,805	36.98%	207,695	35,399	46.09%
Telephone Line Tax	20,000	-	-	20,000	11,792	58.96%	11,714	57.82%	20,260	78	0.67%
Transient Occupancy Tax	18,720	-	-	18,720	10,416	55.64%	9,769	53.46%	18,275	647	6.62%
Franchise Fees	50,813	-	-	50,813	24,756	48.72%	24,508	49.37%	49,642	248	1.01%
Utility Tax	101,320	-	-	101,320	60,453	59.67%	60,997	60.52%	100,786	(544)	-0.89%
Business Taxes	63,300	85	-	63,385	46,539	73.42%	33,492	61.84%	54,159	13,047	38.96%
Licenses and Permits	59,778	(108)	-	59,670	44,455	74.50%	43,578	75.04%	58,075	877	2.01%
Fines, Forfeits and Penalties	15,336	-	-	15,336	9,380	61.16%	9,644	59.00%	16,345	(264)	-2.74%
Use of Money and Property	5,640	65	-	5,705	5,100	89.40%	4,306	63.45%	6,787	794	18.44%
Revenue from Local Agencies	26,040	(2,298)	-	23,742	6,283	26.46%	6,938	25.03%	27,717	(655)	-9.44%
Revenue from State of Cal.	12,962	1,220	-	14,182	2,698	19.02%	1,713	12.32%	13,906	985	57.50%
Revenue from Federal Government	2,792	2,870	-	5,662	2,048	36.17%	1,844	41.96%	4,394	204	11.06%
Fees, Rates and Charges	48,499	933	-	49,432	31,626	63.98%	29,589	65.95%	44,864	2,037	6.88%
Other Revenues	28,829	155,129	-	183,958	163,056	88.64%	113,531	95.88%	118,408	49,525	43.62%
<b>Total General Revenues</b>	<b>971,019</b>	<b>153,896</b>	<b>-</b>	<b>1,124,915</b>	<b>693,057</b>	<b>61.61%</b>	<b>579,771</b>	<b>56.97%</b>	<b>1,017,701</b>	<b>113,286</b>	<b>19.54%</b>
<b>Transfers &amp; Reimbursements</b>											
Overhead Reimbursements	46,593	(10)	-	46,583	39,992	85.85%	33,398	85.10%	39,248	6,594	19.74%
Transfers from Other Funds	23,866	-	-	23,866	8,541	35.79%	7,122	21.35%	33,354	1,419	19.92%
Reimbursements for Services	17,970	-	-	17,970	19,404	107.98%	17,834	99.31%	17,958	1,570	8.80%
<b>Total Transfers &amp; Reimburse</b>	<b>88,429</b>	<b>(10)</b>	<b>-</b>	<b>88,419</b>	<b>67,937</b>	<b>76.84%</b>	<b>58,354</b>	<b>64.44%</b>	<b>90,560</b>	<b>9,583</b>	<b>16.42%</b>
<b>Total Sources</b>	<b>1,276,652</b>	<b>177,855</b>	<b>46,920</b>	<b>1,501,427</b>	<b>1,049,087</b>	<b>69.87%</b>	<b>932,030</b>	<b>66.53%</b>	<b>1,400,963</b>	<b>117,057</b>	<b>12.56%</b>

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



**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**EXPENDITURES**  
**FOR THE MONTHS ENDED FEBRUARY 28, 2018**  
*( UNAUDITED )*  
*( \$000's )*

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	PRIOR YEAR-END	CUR YTD LESS	% CHANGE		
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR			ACTUAL (1)(*)	PRIOR YTD	LESS PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL (*)	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	ACTUAL			ACTUAL (1)(*)	ACTUAL (1)	LESS PRIOR YTD	ACTUAL
<b>General Government</b>															
Mayor and Council	14,017	399	170	14,586	7,168	126	49.14%	7,165	64.34%	11,137		3	0.04%		
City Attorney	14,795	934	754	16,483	9,663	906	58.62%	8,365	57.66%	14,507		1,298	15.52%		
City Auditor	2,454	(21)	-	2,433	1,383	-	56.84%	1,341	61.04%	2,197		42	3.13%		
City Clerk	2,878	(14)	4	2,868	1,687	43	58.82%	1,415	61.58%	2,298		272	19.22%		
City Manager	15,617	2,469	1,261	19,347	11,129	1,735	57.52%	8,088	55.10%	14,679		3,041	37.60%		
Finance	16,052	72	516	16,640	9,509	941	57.15%	8,872	57.63%	15,395		637	7.18%		
Information Technology	21,138	163	1,448	22,749	9,257	2,557	40.69%	8,741	47.20%	18,518		516	5.90%		
Human Resources	8,877	18	127	9,022	5,113	1,592	56.67%	4,261	53.34%	7,989		852	20.00%		
Independent Police Auditor	1,346	(3)	2	1,345	782	7	58.14%	767	63.60%	1,206		15	1.96%		
Office of Economic Development	5,711	57	576	6,344	3,246	609	51.17%	3,168	53.63%	5,907		78	2.46%		
Total General Government	102,885	4,074	4,858	111,817	58,937	8,516	52.71%	52,183	55.61%	93,833		6,754	12.94%		
<b>Public Safety</b>															
Fire	219,215	(103)	881	219,993	134,662	2,078	61.21%	124,257	61.65%	201,539		10,405	8.37%		
Police	382,041	768	1,261	384,070	237,859	2,988	61.93%	209,749	60.63%	345,924		28,110	13.40%		
Total Public Safety	601,256	665	2,142	604,063	372,521	5,066	61.67%	334,006	61.01%	547,463		38,515	11.53%		
<b>Capital Maintenance</b>															
Transportation	35,326	317	637	36,280	20,948	2,487	57.74%	17,932	59.34%	30,217		3,016	16.82%		
Public Works	43,878	526	725	45,129	27,967	2,348	61.97%	26,040	59.94%	43,440		1,927	7.40%		
Total Capital Maintenance	79,204	843	1,362	81,409	48,915	4,835	60.09%	43,972	59.70%	73,657		4,943	11.24%		
<b>Community Service</b>															
Housing	830	-	60	890	205	308	23.03%	151	23.20%	651		54	35.76%		
Library	32,488	(43)	138	32,583	17,722	745	54.39%	18,044	60.91%	29,626		(322)	-1.78%		
Planning, Bldg & Code Enf.	54,487	516	2,691	57,694	29,804	2,601	51.66%	27,955	57.70%	48,453		1,849	6.61%		
Parks, Rec & Neigh Svcs	75,570	445	737	76,752	44,989	3,876	58.62%	42,618	60.41%	70,552		2,371	5.56%		
Environmental Services	2,748	267	96	3,111	1,548	784	49.76%	687	48.93%	1,404		861	125.33%		
Total Community Services	166,123	1,185	3,722	171,030	94,268	8,314	55.12%	89,455	59.37%	150,686		4,813	5.38%		
Total Dept. Expenditures	949,468	6,767	12,084	968,319	574,641	26,731	59.34%	519,616	60.03%	865,639		55,025	10.59%		

(1) Does not include encumbrance balance.

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

**CITY OF SAN JOSE  
GENERAL FUND SOURCE AND USE OF FUNDS  
EXPENDITURES  
FOR THE MONTHS ENDED FEBRUARY 28, 2018  
( UNAUDITED )  
( \$000's )**

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL (*)	ENCUMBR						
<b>Non-Dept Expenditures</b>												
City-wide Expenditures:												
Econ & Neighborhood Develop.	31,501	(14,382)	5,912	23,031	8,831	7,872	38.34%	10,418	27.49%	37,893	(1,587)	-15.23%
Environmental & Utility Services	1,585	1,518	297	3,400	1,278	450	37.59%	812	41.71%	1,947	466	57.39%
Public Safety	19,425	5,012	344	24,781	13,948	2,712	56.29%	10,231	57.56%	17,776	3,717	36.33%
Recreation & Cultural Services	10,022	488	611	11,121	4,969	1,766	44.68%	5,082	54.32%	9,356	(113)	-2.22%
Transportation Services	3,550	(649)	2	2,903	1,316	84	45.33%	3,692	58.37%	6,325	(2,376)	-64.36%
Strategic Support	51,783	157,618	3,889	213,290	129,121	3,797	60.54%	103,423	71.90%	143,846	25,698	24.85%
<b>Total City-wide Expenditures</b>	<b>117,866</b>	<b>149,605</b>	<b>11,055</b>	<b>278,526</b>	<b>159,463</b>	<b>16,681</b>	<b>57.25%</b>	<b>133,658</b>	<b>61.55%</b>	<b>217,143</b>	<b>25,805</b>	<b>19.31%</b>
Other Non-Dept Expenditures:												
Capital Improvements	41,739	4,420	23,781	69,940	19,521	22,207	27.91%	11,775	23.88%	49,301	7,746	65.78%
Transfers to Other Funds	32,445	32	-	32,477	32,445	-	99.90%	28,051	99.94%	28,068	4,394	15.66%
<b>Total Non-Dept Expenditures</b>	<b>192,050</b>	<b>154,057</b>	<b>34,836</b>	<b>380,943</b>	<b>211,429</b>	<b>38,888</b>	<b>55.50%</b>	<b>173,484</b>	<b>58.91%</b>	<b>294,512</b>	<b>37,945</b>	<b>21.87%</b>
<b>Reserves</b>												
Contingency Reserve	36,000	500	-	36,500	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	99,134	16,531	-	115,665	-	-	0.00%	-	0.00%	3	-	0.00%
<b>Total Reserves</b>	<b>135,134</b>	<b>17,031</b>	<b>-</b>	<b>152,165</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>3</b>	<b>-</b>	<b>0.00%</b>
<b>Total Uses</b>	<b>1,276,652</b>	<b>177,855</b>	<b>46,920</b>	<b>1,501,427</b>	<b>786,070</b>	<b>65,619</b>	<b>52.35%</b>	<b>693,100</b>	<b>59.74%</b>	<b>1,160,154</b>	<b>92,970</b>	<b>13.41%</b>

(1) Does not include encumbrance balance.

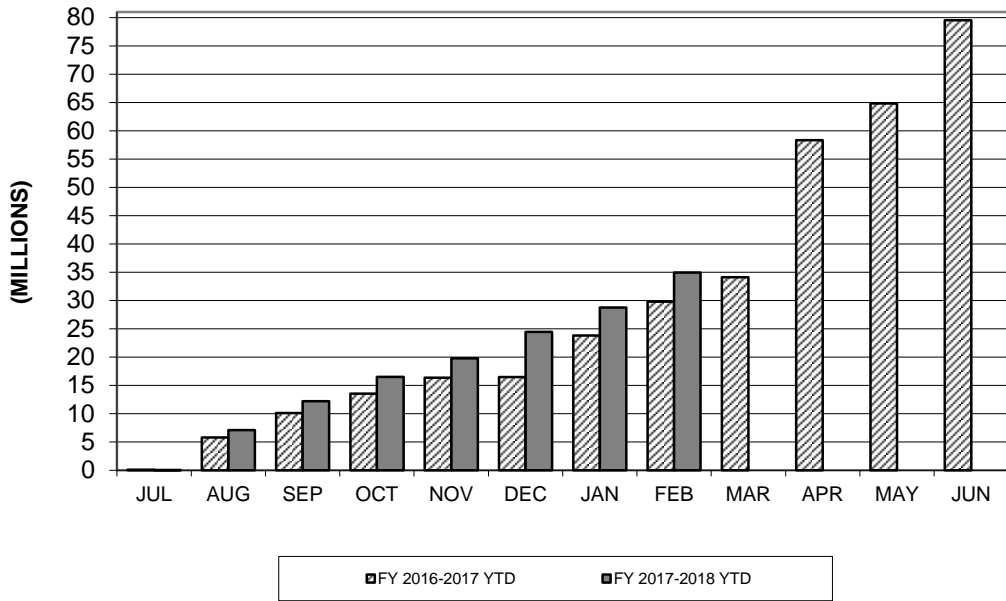
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**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**FOR THE MONTHS ENDED FEBRUARY 28, 2018**  
**SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES**  
*(UNAUDITED)*  
*( \$000's )*

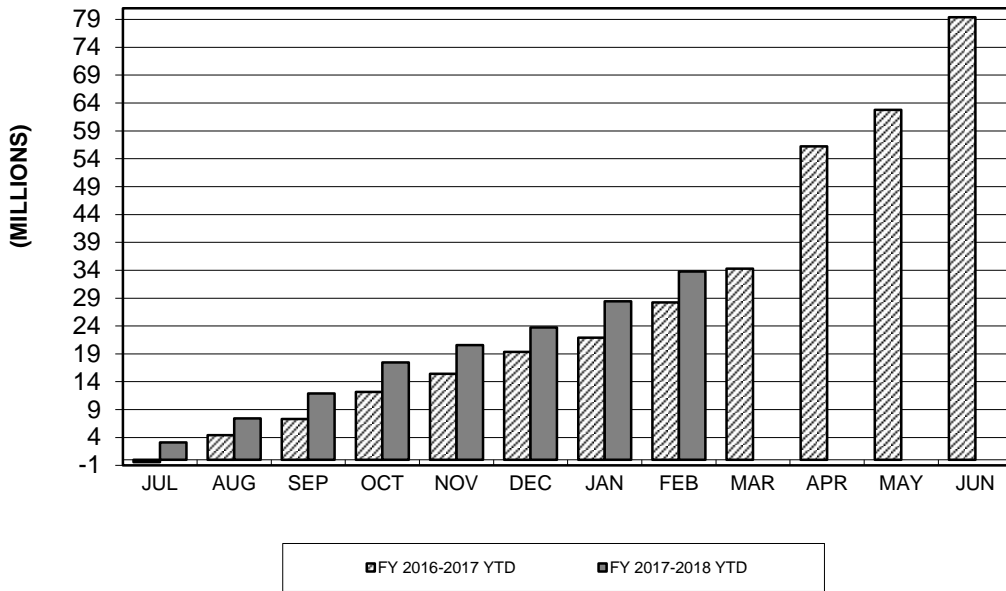
	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,373	-	-	1,373	861	62.71%	1,088	90.22%	1,206	(227)	-20.86%
Public Works	11,585	-	-	11,585	8,136	70.23%	6,871	62.96%	10,914	1,265	18.41%
Transportation	1,675	-	-	1,675	1,238	73.91%	1,149	72.04%	1,595	89	7.75%
Library	775	-	-	775	375	48.39%	310	47.69%	650	65	20.97%
Planning, Bldg & Code Enf	7,730	-	-	7,730	4,033	52.17%	2,799	62.93%	4,448	1,234	44.09%
Parks Rec & Neigh Svcs	21,748	-	-	21,748	14,692	67.56%	14,418	68.79%	20,958	274	1.90%
Miscellaneous Dept Charges	3,613	933	-	4,546	2,291	50.40%	2,954	58.00%	5,093	(663)	-22.44%
<b>Total Departmental Revenues</b>	<b>48,499</b>	<b>933</b>	<b>-</b>	<b>49,432</b>	<b>31,626</b>	<b>63.98%</b>	<b>29,589</b>	<b>65.95%</b>	<b>44,864</b>	<b>2,037</b>	<b>6.88%</b>

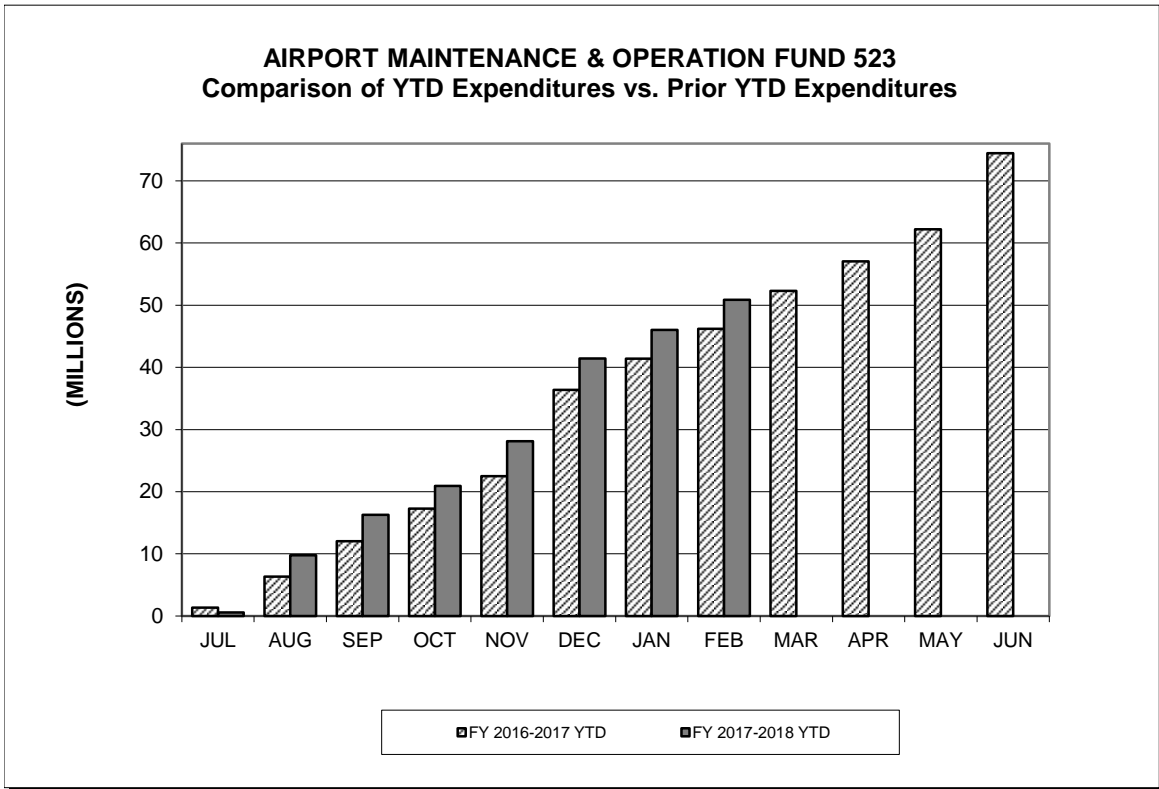
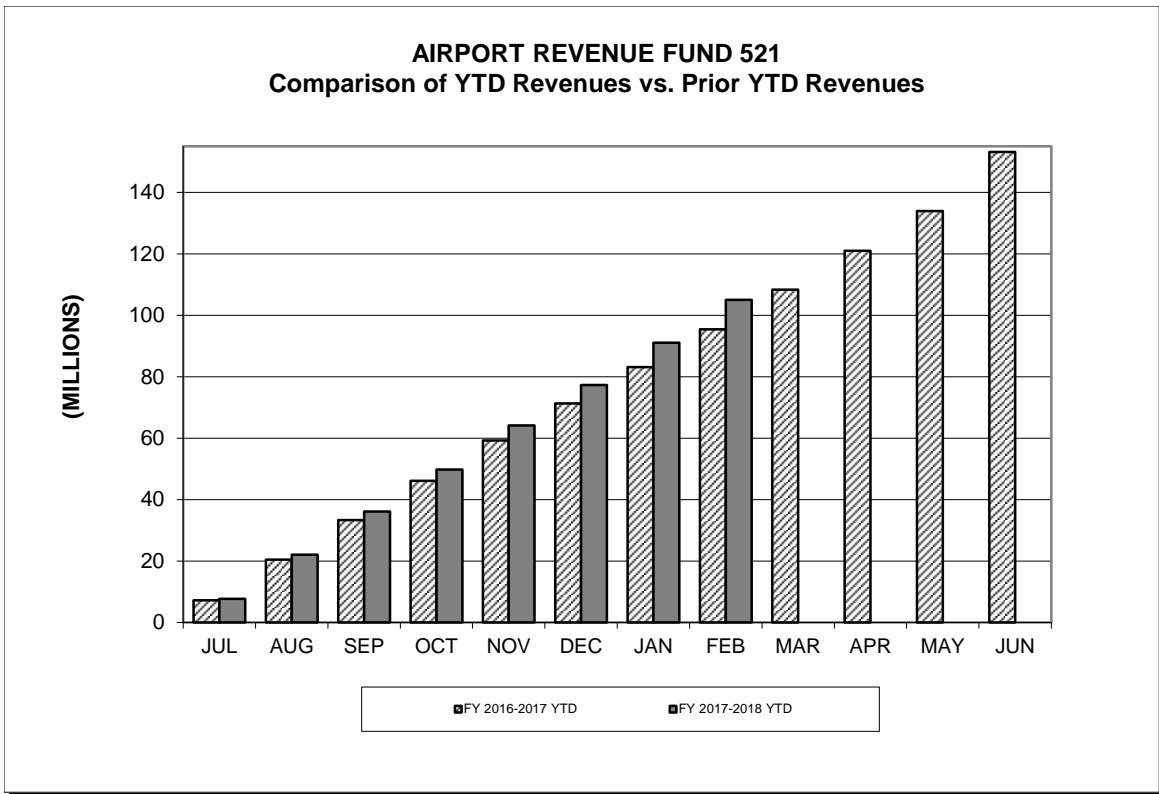
(\*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary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

**CONSTRUCTION & CONVEYANCE TAX FUNDS**  
**Comparison of YTD Revenues vs. Prior YTD Revenues**



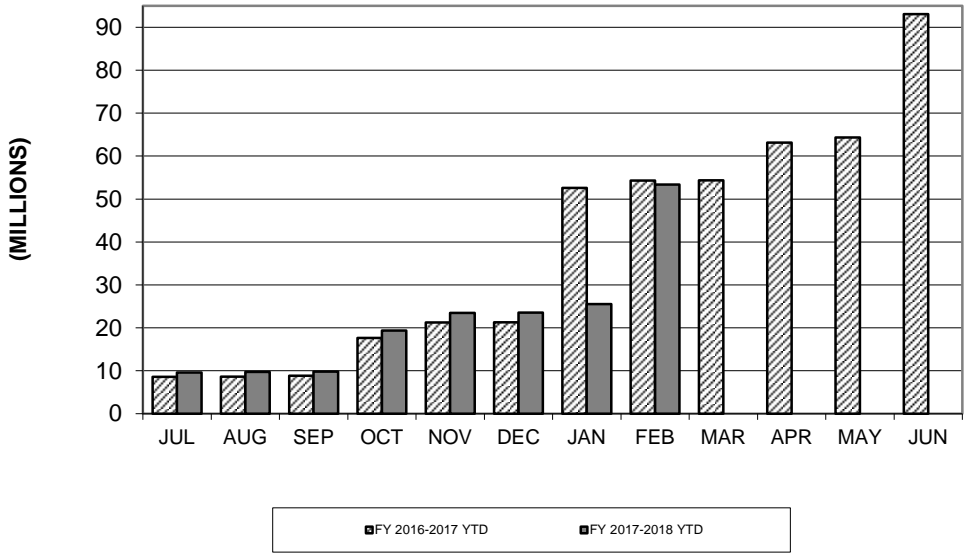
**CONSTRUCTION & CONVEYANCE TAX FUNDS**  
**Comparison of YTD Expenditures vs. Prior YTD Expenditures**



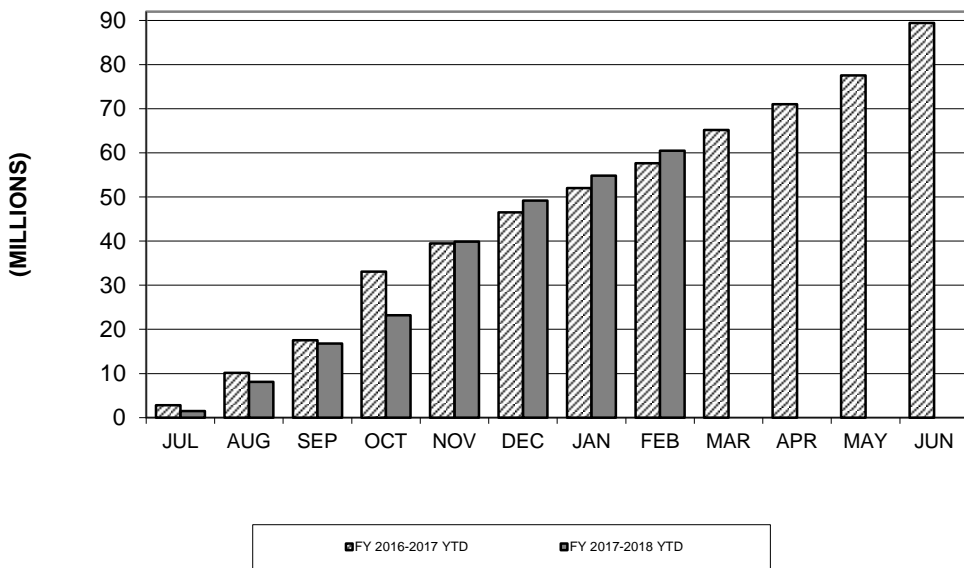


Note: The graphs above include the Airport Revenue Fund (521) and Airport Maintenance & Operation fund (523) only.

**WPCP OPERATION FUND 513  
Comparison of YTD Revenues vs. Prior YTD Revenues**

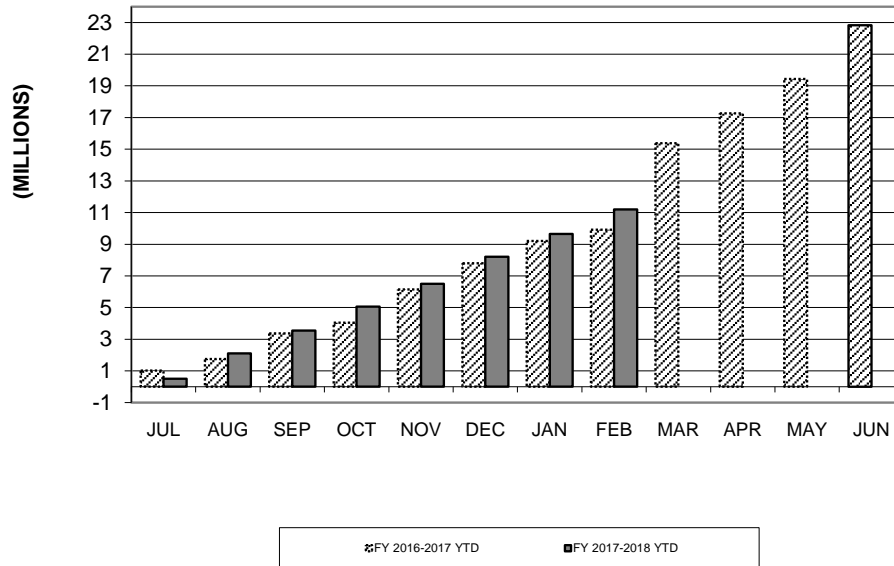


**WPCP OPERATION FUND 513  
Comparison of YTD Expenditures vs. Prior YTD Expenditures**

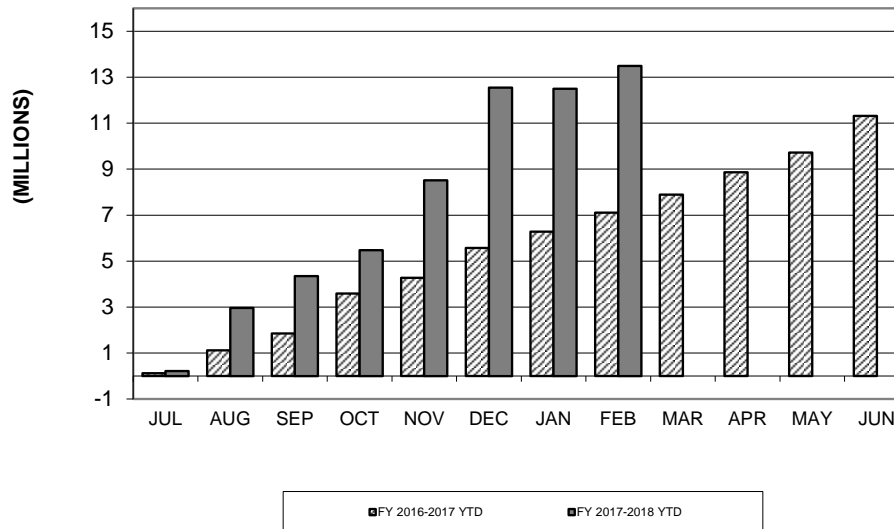


Note: The graphs above are only for the WPCP Operation Fund (513).

**GENERAL PURPOSE PARKING FUND 533**  
**Comparison of YTD Revenues vs. Prior YTD Revenues**



**GENERAL PURPOSE PARKING FUND 533**  
**Comparison of YTD Expenditures vs. Prior YTD Expenditures**



Note: The graphs above are only for the General Purpose Parking Fund (533).

**CITY OF SAN JOSE  
SPECIAL FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE MONTHS ENDED FEBRUARY 28, 2018  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
<b>Construction/Conveyance Tax</b>							
Prior Year Encumbrance	-	-	11,423	11,423	11,423	-	6,330
Beginning Fund Balance	70,197	5,983	-	76,180	76,180	-	81,510
Revenues	49,355	31,510	-	80,865	34,974	-	29,805
<b>Total Sources</b>	<b>119,552</b>	<b>37,493</b>	<b>11,423</b>	<b>168,468</b>	<b>122,577</b>	<b>-</b>	<b>117,645</b>
<b>Total Uses</b>	<b>119,552</b>	<b>37,493</b>	<b>11,423</b>	<b>168,468</b>	<b>33,786</b>	<b>14,383</b>	<b>28,229</b>
<b>Airport</b>							
Prior Year Encumbrance	-	-	19,711	19,711	19,711	-	20,463
Beginning Fund Balance	266,405	18,754	-	285,159	285,159	-	290,940
Revenues	460,128	(6,621)	-	453,507	252,021	-	217,165
<b>Total Sources</b>	<b>726,533</b>	<b>12,133</b>	<b>19,711</b>	<b>758,377</b>	<b>556,891</b>	<b>-</b>	<b>528,568</b>
<b>Total Uses</b>	<b>726,533</b>	<b>12,133</b>	<b>19,711</b>	<b>758,377</b>	<b>261,799</b>	<b>39,450</b>	<b>227,092</b>
<b>Waste Water Treatment</b>							
Prior Year Encumbrance	-	-	195,221	195,221	195,221	-	192,814
Beginning Fund Balance	200,202	9,072	-	209,274	209,274	-	219,673
Revenues	462,916	-	-	462,916	280,769	-	270,397
<b>Total Sources</b>	<b>663,118</b>	<b>9,072</b>	<b>195,221</b>	<b>867,411</b>	<b>685,264</b>	<b>-</b>	<b>682,884</b>
<b>Total Uses</b>	<b>663,118</b>	<b>9,072</b>	<b>195,221</b>	<b>867,411</b>	<b>220,006</b>	<b>184,337</b>	<b>204,551</b>
<b>Parking</b>							
Prior Year Encumbrance	-	-	2,939	2,939	2,939	-	804
Beginning Fund Balance	22,153	6,473	-	28,626	28,626	-	20,244
Revenues	16,731	-	-	16,731	11,193	-	9,918
<b>Total Sources</b>	<b>38,884</b>	<b>6,473</b>	<b>2,939</b>	<b>48,296</b>	<b>42,758</b>	<b>-</b>	<b>30,966</b>
<b>Total Uses</b>	<b>38,884</b>	<b>6,473</b>	<b>2,939</b>	<b>48,296</b>	<b>13,495</b>	<b>4,262</b>	<b>7,108</b>
<b>Municipal Water</b>							
Prior Year Encumbrance	-	-	3,791	3,791	3,791	-	5,815
Beginning Fund Balance	17,170	5,615	-	22,785	22,785	-	20,223
Revenues	52,109	-	-	52,109	34,527	-	33,120
<b>Total Sources</b>	<b>69,279</b>	<b>5,615</b>	<b>3,791</b>	<b>78,685</b>	<b>61,103</b>	<b>-</b>	<b>59,158</b>
<b>Total Uses</b>	<b>69,279</b>	<b>5,615</b>	<b>3,791</b>	<b>78,685</b>	<b>34,019</b>	<b>4,741</b>	<b>31,848</b>



**CITY OF SAN JOSE  
SPECIAL FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE MONTHS ENDED FEBRUARY 28, 2018  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
<b>Gas Tax</b>							
Revenues	17,300	-	-	17,300	8,659	-	8,706
<b>Total Sources</b>	<b>17,300</b>	<b>-</b>	<b>-</b>	<b>17,300</b>	<b>8,659</b>	<b>-</b>	<b>8,706</b>
<b>Total Uses</b>	<b>17,300</b>	<b>-</b>	<b>-</b>	<b>17,300</b>	<b>8,659</b>	<b>-</b>	<b>8,706</b>
<b>Building and Structures</b>							
Prior Year Encumbrance	-	-	10,831	10,831	10,831	-	6,980
Beginning Fund Balance	39,882	5,932	-	45,814	45,814	-	44,040
Revenues	31,421	828	-	32,249	19,736	-	17,410
<b>Total Sources</b>	<b>71,303</b>	<b>6,760</b>	<b>10,831</b>	<b>88,894</b>	<b>76,381</b>	<b>-</b>	<b>68,430</b>
<b>Total Uses</b>	<b>71,303</b>	<b>6,760</b>	<b>10,831</b>	<b>88,894</b>	<b>26,421</b>	<b>7,961</b>	<b>10,410</b>
<b>Residential Construction</b>							
Beginning Fund Balance	1,801	278	-	2,079	2,079	-	1,840
Revenues	217	-	-	217	246	-	209
<b>Total Sources</b>	<b>2,018</b>	<b>278</b>	<b>-</b>	<b>2,296</b>	<b>2,325</b>	<b>-</b>	<b>2,049</b>
<b>Total Uses</b>	<b>2,018</b>	<b>278</b>	<b>-</b>	<b>2,296</b>	<b>363</b>	<b>-</b>	<b>23</b>
<b>Transient Occupancy Tax</b>							
Prior Year Encumbrance	-	-	642	642	642	-	498
Beginning Fund Balance	5,094	2,716	-	7,810	7,810	-	7,722
Revenues	28,101	-	-	28,101	15,682	-	14,696
<b>Total Sources</b>	<b>33,195</b>	<b>2,716</b>	<b>642</b>	<b>36,553</b>	<b>24,134</b>	<b>-</b>	<b>22,916</b>
<b>Total Uses</b>	<b>33,195</b>	<b>2,716</b>	<b>642</b>	<b>36,553</b>	<b>18,374</b>	<b>3,016</b>	<b>17,488</b>
<b>Conventions, Arts &amp; Entertainment</b>							
Prior Year Encumbrance	-	-	2,686	2,686	2,686	-	199
Beginning Fund Balance	12,337	836	-	13,173	13,173	-	12,506
Revenues	14,705	241	-	14,946	7,453	-	9,372
<b>Total Sources</b>	<b>27,042</b>	<b>1,077</b>	<b>2,686</b>	<b>30,805</b>	<b>23,312</b>	<b>-</b>	<b>22,077</b>
<b>Total Uses</b>	<b>27,042</b>	<b>1,077</b>	<b>2,686</b>	<b>30,805</b>	<b>7,541</b>	<b>3,557</b>	<b>6,548</b>

**CITY OF SAN JOSE  
SPECIAL FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE MONTHS ENDED FEBRUARY 28, 2018  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
<b>Golf</b>							
Beginning Fund Balance	182	24	-	206	206	-	743
Revenues	3,220	-	-	3,220	3,139	-	2,542
<b>Total Sources</b>	<b>3,402</b>	<b>24</b>	<b>6</b>	<b>3,432</b>	<b>3,351</b>	<b>-</b>	<b>3,285</b>
<b>Total Uses</b>	<b>3,402</b>	<b>24</b>	<b>6</b>	<b>3,432</b>	<b>2,540</b>	<b>6</b>	<b>2,495</b>
<b>Other Funds</b>							
Prior Year Encumbrance	-	-	40,343	40,343	40,343	-	36,702
Beginning Fund Balance	320,874	23,788	-	344,662	344,662	-	317,749
Revenues	392,768	9,322	-	402,090	319,562	-	282,334
<b>Total Sources</b>	<b>713,642</b>	<b>33,110</b>	<b>40,343</b>	<b>787,095</b>	<b>704,567</b>	<b>-</b>	<b>636,785</b>
<b>Total Uses</b>	<b>713,642</b>	<b>33,110</b>	<b>40,343</b>	<b>787,095</b>	<b>241,853</b>	<b>119,569</b>	<b>211,041</b>

**CITY OF SAN JOSE**  
**CAPITAL PROJECT FUNDS**  
**SOURCE AND USE OF FUNDS**  
**FOR THE MONTHS ENDED FEBRUARY 28, 2018**  
*(UNAUDITED)*  
*( \$000's )*

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
<b>Construction Excise</b>							
Prior Year Encumbrance	-	-	24,912	24,912	24,912	-	32,198
Beginning Fund Balance	76,720	6,722	-	83,442	83,442	-	71,089
Revenues	83,693	20,294	-	103,987	46,641	-	43,323
<b>Total Sources</b>	<b>160,413</b>	<b>27,016</b>	<b>24,912</b>	<b>212,341</b>	<b>154,995</b>	<b>-</b>	<b>146,610</b>
<b>Total Uses</b>	<b>160,413</b>	<b>27,016</b>	<b>24,912</b>	<b>212,341</b>	<b>34,491</b>	<b>15,494</b>	<b>32,720</b>
<b>Other</b>							
Prior Year Encumbrance	-	-	383	383	383	-	1,716
Beginning Fund Balance	28,513	3,644	-	32,157	32,157	-	30,917
Revenues	9,583	63	-	9,646	488	-	716
<b>Total Sources</b>	<b>38,096</b>	<b>3,707</b>	<b>383</b>	<b>42,186</b>	<b>33,028</b>	<b>-</b>	<b>33,349</b>
<b>Total Uses</b>	<b>38,096</b>	<b>3,707</b>	<b>383</b>	<b>42,186</b>	<b>612</b>	<b>11,673</b>	<b>1,243</b>

**CITY OF SAN JOSE  
OTHER FUND TYPES  
SOURCE AND USE OF FUNDS  
FOR THE MONTHS ENDED FEBRUARY 28, 2018  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018 BUDGET	BUDGET AMENDMENTS		FY 2017-2018 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
<b>Trust and Agency</b>							
Prior Year Encumbrance	-	-	39	39	39	-	87
Beginning Fund Balance	5,151	3,500	-	8,651	8,651	-	9,527
Revenues	1,644	1,148	-	2,792	3,172	-	2,326
<b>Total Sources</b>	<u>6,795</u>	<u>4,648</u>	<u>39</u>	<u>11,482</u>	<u>11,862</u>	<u>-</u>	<u>11,940</u>
<b>Total Uses</b>	<u>6,795</u>	<u>4,648</u>	<u>39</u>	<u>11,482</u>	<u>618</u>	<u>208</u>	<u>2,925</u>