

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

**SUBJECT: 2007-2008 MID-YEAR
BUDGET REVIEW REPORT**

DATE: January 29, 2008

RECOMMENDATIONS

1. Approval of the 2007-2008 Mid-Year Budget Review Report.
2. Adoption of related Appropriation Ordinance and Funding Sources Resolution amendments in various funds as detailed in Section III (Appropriation/Clean-Up Adjustment Actions) in the 2007-2008 Mid-Year Budget Review.
3. Approval of the addition of 2.5 positions in the Parks, Recreation and Neighborhood Services Department and the elimination of 6.0 positions in the Planning, Building and Code Enforcement Department as described in Section III of the 2007-2008 Mid-Year Review document.

OUTCOME

The Mid-Year Budget Review document is designed to provide an understanding of the City's financial condition during the first six months of 2007-2008. Approval of the budget actions included in the Mid-Year Budget Review will address current year funding needs, fund various grant-supported activities, and process technical adjustments and corrections.

EXECUTIVE SUMMARY

Through December, the City's overall finances remain sound, with revenues generally tracking at or slightly above estimated levels and expenditures remaining within budgeted levels. If current trends continue, it is anticipated that upward adjustments to various revenue categories will be possible by year-end. In addition, a number of departments are expected to end 2007-2008 with savings, as was the case in 2006-2007. The expenditure savings are the result of cost control measures, such as the hiring freeze, that have generated savings in recent years as well as the difficulty in filling vacant positions.

On an overall basis, it is anticipated that approximately \$25 million from a combination of excess revenue and expenditure savings will be available at the end of the fiscal year. This is consistent with the estimated Ending Fund Balance projections that were used in developing the 2009-2013 Preliminary General Fund Forecast that was issued in November 2007.

While the City's financial performance in the current year remains on track, the deteriorating economic conditions are expected to impact the City's revenues to a larger extent than anticipated when the Preliminary 2009-2013 General Fund Forecast was developed in November 2007. The revenue estimates for this year will be updated again as part of the final 2009-2013 General Fund Forecast and Revenue Projections document due to be released in February. This forecast will serve as the starting point for developing the revenue estimates for 2008-2009.

As has been the practice in recent years, Mid-Year Budget adjustments are recommended in the General Fund as well as a number of special and capital funds. These recommendations implement technical adjustments based on updated information and, in a limited number of instances, to address funding issues in the current year. Across all funds, the number of new projects for City Council consideration has been restricted to only those very few items that are critical, have their own funding source, or implement City Council direction. In general, new and ongoing funding requests are brought forward during the annual budget process to ensure that these items are being considered with all other City Council priorities and potential funding needs.

In the General Fund, proposed adjustments result in a net decrease of \$780,000 in both revenues and expenditures. This reflects an increase of \$1.9 million related to various grant and reimbursement-related expenditures, offset by a decrease of \$2.7 million to the Building and Public Works Development Fee Programs based on lower revenue collections in the current year. In addition, there are several net zero expenditure adjustments recommended, including actions to allocate reserve funding and to implement City Council direction. One of the largest adjustments includes the shift of \$1.1 million from the General Fund South San José Police Substation project to replenish the Future Capital Projects (FF&E) Reserve. Associated actions are recommended in the Public Safety Bond Fund to shift funding from the Public Art allocation to the South San José Police Substation project to ensure full funding of this project. A separate memorandum on the options to restore funding for public art at the Police Substation will be released and available for review as part of this Mid-Year Budget Review on the February 12th City Council Agenda. Budget actions are also recommended to add \$600,000 to the Comprehensive General Plan Update to address additional and increased costs for the Environmental Impact Report and Transportation elements. Other recommended actions include the use of the Officeholder Accounts Earmarked Reserve to fund new Council District Constituent Outreach appropriations. A no cost item is proposed to add 1.5 positions to form a Volunteer Coordination Unit to support and enhance parks maintenance efforts. This pilot program is expected to increase involvement in volunteer services and would be funded by the existing Public-Private Parks Maintenance Partnership appropriation.

BACKGROUND

The annual adopted budget is a financial plan predicated on the best information available at the time it is prepared. As with any budget, however, changing conditions may create the need to modify the original plan. Through its budget policies, the City Council has, therefore, designated mid-year as the appropriate time to perform a comprehensive review of the current year's budget, and the Mid-Year Budget Review as the appropriate vehicle for consideration of

any revisions to the budget. In compliance with that process and the adopted budget schedule, this document is hereby presented to Council. It contains a comprehensive review of the status of the City's 2007-2008 Capital and Operating budgets. This review, although concentrating heavily on the status of the General Fund, also provides information of several operating and capital funds. City Council review of this report is agendaized for the February 12, 2008 Council meeting.

The Mid-Year Review document includes the following sections:

- **Transmittal Memorandum** – An overall summary of the contents of the Mid-Year Budget Review Report.
- **Section I: Operating Budget Status Report** – A review of the General Fund revenues and expenditures through Mid-Year and a review of selected special funds that have revenue and/or expenditure variances from the modified budget or other issues of interest.
- **Section II: Capital Budget Programs Status Report** – A review of the financial status of each Capital Budget Program.
- **Section III: Budget Augmentations/Reductions and Clean-up Adjustments** – A summary of the proposed budget augmentations/reductions in the General Fund and special/capital funds. A summary of clean-up adjustments in a number of funds is also included to provide technical appropriation and revenue estimate adjustments.
- **Section IV: Appendices** – Financial results, prepared by the Finance Department, for all budgeted fund groups for the first six months of the year.

ANALYSIS

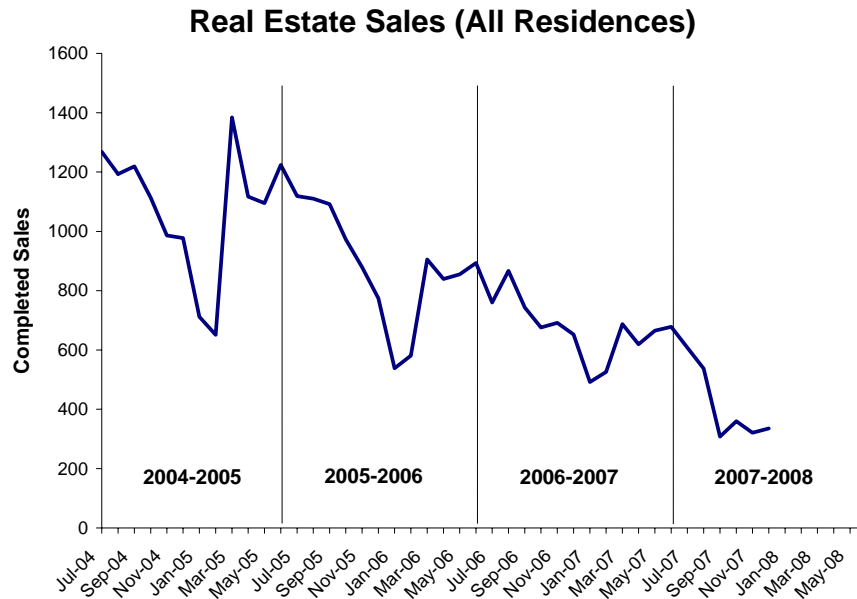
The Analysis section includes the following: an overview of the current economic environment; a discussion of General Fund performance through December; a summary of proposed General Fund budget revisions included in the Mid-Year Budget Review document; the status of selected special funds; and an overview of capital budget programs.

THE CITY AND THE ECONOMIC ENVIRONMENT

When the 2007-2008 Adopted Budget was prepared, it was assumed that only modest economic growth would be experienced during the fiscal year. It was also assumed that the impacts of the slowing housing market would continue to hamper growth in this region, along with the State and the nation.

As expected, the economic indicators through the first half of the fiscal year, particularly the housing-related ones, were not positive. As the year has progressed, however, the economic news has gotten progressively worse, with increasing volatility in the stock market, continued fallout from the sub-prime mortgage crisis, the weakness in the dollar, and an increasing number of economists pointing to the likelihood of a recession.

As shown in the following chart, the number of housing sales in San José dropped significantly in 2006-2007 and is continuing to fall with a 44% decline through December of this fiscal year.

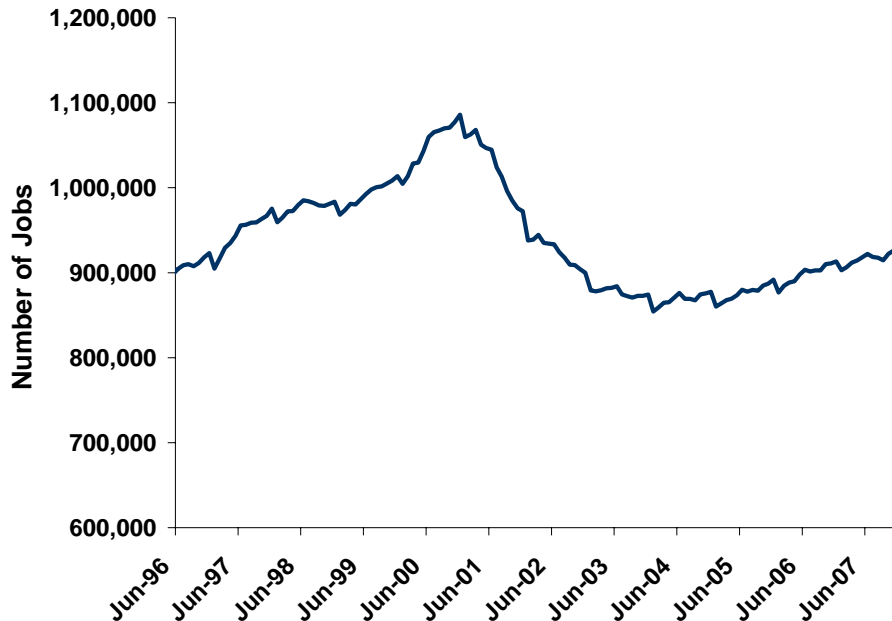


It is expected that the housing market will continue to experience weak performance through 2007-2008 and into next fiscal year. This will most directly impact Construction and Conveyance Tax receipts and the SB 813 Property Tax receipts, which already declined 15% and 21%, respectively, in 2006-2007. As anticipated, Construction and Conveyance Tax receipts are down 26% through the first half of this fiscal year. The significant slowdown in this area is also expected to negatively impact Sales Tax collections with the downward spending in construction materials and the reduction of consumer spending, as the “wealth effect” associated with housing appreciation diminishes. Over the last year, Sales Tax growth has been minimal, with almost no increase in the most recent quarter after factoring out a large one-time adjustment. The weak Sales Tax performance in the most recent quarter was the result of declines in the Construction (down 3.4%) and the Transportation (down 7.8%) sectors.

Also as anticipated, the major impact on Secured Property Taxes resulting from the current slowdown is not expected to be realized until 2008-2009 and 2009-2010, since current year Secured Property Tax receipts are based on the value of property assessed as of January 1, 2007, with adjustments for roll corrections. While real estate activity had started to slow in 2006, performance during that period was still able to generate relatively strong growth for Property Tax receipts in the current fiscal year. If there are greater than anticipated reductions in home prices, however, there is a risk that a larger than expected number of properties will be reassessed during 2007-2008, which would impact Secured Property Tax receipts.

In the area of job growth, the employment figure for December 2007 (926,400) was 1.4% above the December 2006 figure of 913,400 jobs. This growth rate is tracking slightly below the job growth of 2.1% experienced in 2006-2007. The following table illustrates the changes in the number of jobs by fiscal year from the peak in 2000-2001 of 1.1 million jobs to the December 2007 figure of 926,400 jobs.

**Total Jobs Comparison
San José Metropolitan Statistical Area (Santa Clara County)**



The unemployment figures also continue to inch upwards. The unemployment rate of 5.1% in December 2007 was slightly above the November 2007 figure of 5.0% but was up from 4.1% a year ago. This unemployment rate was below the unadjusted figure for the State of 5.9%, but above the unadjusted figure for the nation of 4.8% in December 2007.

With signs of increasing weakness, local economic conditions will need to be closely monitored and factored into the assessment of the City's performance in 2007-2008 as well as development of the final 2009-2013 General Fund Forecast. (A preliminary forecast was released in November, with a final General Fund Forecast planned to be released in February 2008.)

In the November 2007 Preliminary General Fund Forecast, it was assumed that the national and California economies would experience slower than previously anticipated growth, but would not sink into an actual recession as a result of the continued impact of the housing market slowdown and the lingering impacts of the sub-prime mortgage problems. The likelihood of the economy sinking into a recession, however, has clearly increased since that Forecast was issued. In the out-years of that Forecast, economic growth was expected to improve somewhat as the housing market begins to recover from the current slowdown. These basic assumptions will be revisited in the development of the February Forecast. It is currently anticipated that some of the revenue projections will need to be adjusted downwards based on the current economic conditions.

GENERAL FUND PERFORMANCE

Through December, General Fund revenues and transfers totaled \$287.5 million, or 36.7% of budgeted estimates. This amount was \$9.0 million, or 3.0%, below the amount received last year at this time. This lower collection level, however, was the result of timing differences between collections in the two years. After taking these timing differences into account, a number of the revenue categories are currently tracking ahead of both the prior year and the current budgeted estimates.

As was projected in the November Forecast and recent Monthly Financial Reports, it is anticipated that additional revenue over the budgeted estimates will be available by year-end if current collection trends continue. This higher collection level was taken into consideration in the development of the Preliminary 2009-2013 General Fund Forecast that was issued in November 2007. This Forecast, which still resulted in a projected General Fund shortfall of \$24.8 million in 2008-2009, assumed that approximately \$25 million would be available at the end of 2007-2008 from a combination of excess revenues and expenditure savings for use in 2008-2009. Revenue and expenditure data to date is still generally consistent with those projections.

General Fund expenditures through December totaled \$393.9 million. This represented an increase of \$39.1 million, or 11%, from the December 2006 level of \$354.8 million. Encumbrances totaling \$48.1 million were also \$8.8 million (22%) above the December 2006 level of \$39.3 million. City Departments will be directed to evaluate these encumbrances at the end of the year and liquidate those that are no longer necessary. Expenditures and encumbrances through December of \$442.0 million constituted 46.1% of the total 2007-2008 modified budgeted use of funds amount (excluding reserves) of \$959.4 million. This was in line with the 45.0% experienced in last year's budget at this time. Overall, expenditures are tracking as anticipated and are expected to end the year within budget. Year-end savings are anticipated in both the departmental and non-departmental categories.

Section I of this document provides a detailed discussion of the General Fund revenue and expenditure performance through December.

PROPOSED GENERAL FUND AUGMENTATION/REDUCTION RECOMMENDATIONS

Actions resulting in a net reduction of \$780,000 to the General Fund revenues and expenditures are recommended in this Mid-Year Budget Review. This reflects the net result of an increase of \$1.9 million related to various grant and reimbursement-related expenditures, offset by a decrease of \$2.7 million to the Building and Public Works Development Fee Programs based on lower revenue collections in the current year. In addition, there are a number of net zero expenditure adjustments recommended, including actions to allocate reserves and to implement City Council direction. The budget actions have been limited to technical adjustments and those items that are necessary to address current year problems or to implement City Council direction.

The following chart summarizes these recommended adjustments.

PROPOSED GENERAL FUND ADJUSTMENTS

PROPOSED REVENUE ADJUSTMENTS

- Grants/Reimbursements	\$ 1,895,180
- Development Fee Programs	(2,675,000)
Total Proposed Revenue Adjustments	\$ (779,820)

PROPOSED EXPENDITURE ADJUSTMENTS

- Grants/Reimbursements	\$ 1,895,180
- Required Adjustments	
Expenditure Augmentations	1,783,546
Earmarked Reserves/Expenditure Reductions	(2,083,723)
Sub-Total Required Adjustments	(300,177)
- Previous Council Direction	
Future Capital Projects (FF&E) Reserve Restoration	1,100,000
South San José Police Substation	(1,100,000)
Other Council Direction - Expenditure Augmentations	625,177
Earmarked Reserves/Expenditure Reductions	(325,000)
Sub-Total Previous Council Direction	300,177
- Development Fee Programs	
Expenditure Adjustments	(1,025,000)
Development Fee Reserves	(1,650,000)
- Sub-Total Development Fee Programs	(2,675,000)
Total Proposed Expenditure Adjustments	\$ (779,820)

Following is a brief description of the General Fund expenditure adjustments recommended in this report. Additional information on these adjustments is provided in Section III of this document.

Summary of Proposed Expenditure Adjustments in the General Fund

GRANTS/REIMBURSEMENTS (items supported by various grants or reimbursements)

<i>Public Safety and Homeland Security Activities</i> – Recognizes and appropriates grants and reimbursements that will be received for police and homeland security activities. They include Police Department overtime for Level Orange security reimbursed by Airport funds (\$977,000) and miscellaneous police (\$281,421) and homeland security (\$23,728) grants.	\$1,282,149
<i>Economic Development and Miscellaneous Activities</i> – Allocates grants and reimbursements received for Pre-Development (\$50,000), gated ticket events (\$12,803), and green vehicle/alternative vehicle education (\$21,000).	\$83,803
<i>Neighborhood Services Activities</i> – Recognizes and appropriates grants and reimbursements for Happy Hollow Marketing (\$107,877), Historic Preservation (\$100,000), San José After School Program (\$95,625), Senior Nutrition (\$45,993), Landfill Enforcement (\$29,433), Senior Companion Program (\$10,800), Census Bureau Addressing (\$5,000), and Library Grant activities (\$2,500).	\$397,228

Summary of Proposed Expenditure Adjustments in the General Fund (Cont'd.)

<i>Benchmarking Study</i> – Recognizes and appropriates a reimbursement to San José as the lead agency (of seven) to complete the Multi-Agency Capital Project Benchmarking Study, which evaluates capital project delivery cost performance and assists with performance improvement.	\$132,000
Total Grants and Reimbursements	\$1,895,180

REQUIRED ADJUSTMENTS (items considered unavoidable and/or prudent to fund)

<i>Airport Police Services</i> – Provides funding to repay the Airport for the overpayment for Police services between 2003-2004 and 2006-2007. Funding was set aside as a reserve in the 2006-2007 Annual Report to account for potential funds that might be due back to the Airport.	\$646,871
<i>Comprehensive General Plan Update</i> – Increases the Comprehensive General Plan Update appropriation for additional and increased costs for the Environmental Impact Report (EIR) and Transportation elements. Addressing global warming and water quality in the EIR were not initially anticipated. San José will be the first major California city that will have to address global warming in its EIR. Clarification of the additional costs associated with sustainability/Green Vision/climate change is also necessary. Finally, recent environmental reports have seen cost increases of 15-40% in basic hourly rates. These consultant cost elements are fully funded by a surcharge on development permits. A “bridge” loan of \$600,000 is necessary and will be repaid as revenues from the developer fees assessed for this purpose are received. It will take approximately three years to repay this loan, with interest.	\$600,000
<i>Sunshine Reforms: Website</i> – Adds funding to complete an audit of the City’s website in response to recommendations included in the Sunshine Reform Task Force Phase II Report. Funding for this purpose was set aside as a reserve in the 2007-2008 Adopted Budget for Sunshine Reform.	\$250,000
<i>Workers’ Compensation State License</i> – Increases the appropriation for the State Workers’ Compensation State License Fee to cover an increase recently announced by the State.	\$140,000
<i>Annexations</i> – Sets aside funding for staff to extend the current phasing of annexation of unincorporated islands of up to 150-acres within the City of San José from three years to five years.	\$56,720
<i>Traffic Signals</i> – Adds funding for equipment to resolve an unanticipated problem with LEDs in traffic signals when service is interrupted by PG&E.	\$50,000
<i>Citation Hearing Officers</i> – Reallocates funding from the Department of Transportation to the Finance Department to reflect the transfer of costs associated with the contractual citation hearing officers for the parking citation appeals process.	\$27,733
<i>Senior Nutrition Program</i> – Adds funding for the non-reimbursed portion of Senior Nutrition Program increases.	\$12,222

Summary of Proposed Expenditure Adjustments in the General Fund (Cont'd.)

Use of Earmarked Reserves/Expenditure Savings – Reduces the following reserves and expenditure appropriations to fund the recommended Required Adjustments: Salaries and Benefits Reserve (\$725,000); Airport Police Services Reserve (646,871); Sunshine Reform Reserve (\$250,000); Workers Compensation Claims (\$140,000); Police Officer’s Professional Liability Insurance (\$120,000); General Liability Insurance (\$117,399); Planning, Building and Code Enforcement Department Personal Services (\$56,720); and Department of Transportation personal services (\$27,733). (\$2,083,723)

Total Required Adjustments (\$300,177)

PREVIOUS COUNCIL DIRECTION (items that have already been approved by City Council and require budget actions to implement)

Future Capital Projects (FF&E) Reserve – Replenishes a portion of the Future Capital Projects (FF&E) Reserve as approved in concept by Council on December 18, 2007 for the South San José Police Substation Project. This addition is offset by a reduction to the General Fund South San José Police Substation Project (a corresponding increase to the project in the Neighborhood Security Bond Fund, offset by a reduction in the Public Art allocation for Public Safety Bond projects, is also included to ensure full funding for the construction of the Substation). Per City Council direction given on December 18, 2007, it should be noted that a separate memorandum on the options to restore funding for public art at the Police Substation will be released and available for review as part of this Mid-Year Budget Review on the February 12th agenda. \$1,100,000

History San José – Provides additional funding to History San José’s annual operating subsidy. As part of a Council action on December 18, 2007, the City agreed to increase the 2007-2008 annual operating subsidy for History San José. \$300,177

Arts Stabilization Flexible Fund – Establishes an Arts Stabilization Flexible Fund from the uncommitted portion of the Arts Stabilization Loan Fund. As part of a Council action on October 2, 2007, the City agreed to establish this Flexible Fund to help identify and assist local arts organizations to avert potential financial crises. \$200,000

Constituent Outreach – On November 20, 2007, the City council approved the Mayor’s Biennial Ethics Review recommendation to phase out existing and prohibit new Officeholder Accounts. The Mayor had also recommended that as part of the Mid-Year Budget actions, each Council Office be allocated \$10,000 and the Mayor’s Office be allocated \$25,000 to offset some of the expenses associated with holding office that had been previously paid for through the Officeholder Accounts. These new allocations would be funded from the Officeholder Accounts Reserve that had been established in the 2007-2008 Adopted Budget for this purpose. \$125,000

Enhanced Parks Maintenance – Creates a temporary Community Coordinator, a Volunteer Coordinator PT and Non-Personal/Equipment funding for a pilot Volunteer Coordination Unit to support parks maintenance efforts. This pilot is expected to increase volunteer involvement, allowing the City to leverage and shift parks maintenance resources to meet shortfalls in other areas. The annual cost of the pilot program in \$143,000, with a partial year cost of \$48,000 in 2007-2008. The existing Public-Private Parks Maintenance Partnership appropriation would provide the funding for the pilot. \$0

Summary of Proposed Expenditure Adjustments in the General Fund (Cont'd.)

Use of Earmarked Reserves/Expenditure Savings – Reduces the following reserves and expenditure appropriations to fund the recommended Prior Council Direction items: South San José Police Substation (\$1.1 million); Arts Stabilization Loan Fund (\$200,000); and Officeholder Accounts Reserve (\$125,000). (\$1,425,000)

Total Previous Council Direction **\$300,177**

DEVELOPMENT FEE PROGRAMS (items that support and are funded by the Building, Fire, Planning, and Public Works Development Fee Programs)
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Expenditure Adjustments – Decreases the Planning, Building, and Code Enforcement Personal Services appropriation by \$1.0 million and eliminates six vacant positions in the Building Division (two of which are temporary) to offset a reduction in the Building Development Fee Program revenue estimate based on current collection trends. Also decreases the Public Works Personal Services appropriation by a net of \$25,000, which reflects a decrease of \$205,000 to offset the lower Public Works Development Fee Program revenue collections and an increase of \$180,000 that is supported by the Building Fee Reserve to enhance customer service by Public Works staff located on the first floor of the Customer Service Center. (\$1,025,000)

Development Fee Program Reserves – Reduces the Building Fee Program Reserve by \$1,180,000 to offset a reduction in the revenue estimate (\$1.0 million) and to fund additional expenditures in the Public Works Development Fee Program (\$180,000). Also reduces the Public Works Fee Program Reserve by \$470,000 to offset the remainder of the reduction in the revenue estimate. (\$1,650,000)

Total Development Fee Programs **(\$2,675,000)**

Total Mid-Year General Fund Recommended Adjustments	(\$779,820)
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STATUS OF SELECTED SPECIAL FUNDS

Airport Operating Funds

The Airport Maintenance and Operation Fund is the primary operating fund that supports Airport operations, including Airport staff, Airport police services, Fire Station 20 aircraft rescue and fire fighting services, interdepartmental charges, and overhead to the General Fund. At mid-year, revenues are tracking above budgeted estimates and are at levels higher than the same period in 2006-2007 due to conservative revenue estimating. Expenditures through December are tracking below estimates, primarily due to continued controlled spending in 2007-2008.

Passenger activity at the Airport experienced mixed results compared to last fiscal year. Passenger traffic, landings and takeoffs exceeded prior year levels and cargo weights and rental car activity trailed prior year levels. Although overall passenger activity growth has been minimal year-to-date, the Airport's fiscal situation remains stable.

Convention and Cultural Affairs Fund

On an overall basis, revenues in the Convention and Cultural Affairs Fund are performing as anticipated. Occupancy is at approximately 75% for actual event time, which is slightly above last year's levels. Expenditures through December in the Convention and Cultural Affairs Fund are tracking slightly below expectations in personal services due to position vacancies. Non-personal/equipment expenditures are tracking slightly above anticipated levels due to the use of contract labor to cover its vacancies. A transfer of personal services savings to the Non-personal/Equipment appropriation in the amount of \$200,000 is recommended in this report to properly align the contract labor costs with the budget.

Transient Occupancy Tax Fund

Revenues in the Transient Occupancy Tax Fund are tracking above budgeted levels. Overall, occupancy rates for the first six months of the fiscal year averaged 58.6%, which is slightly higher than last year's level of 57.4%. Room rates have also increased from last year's average of \$125 to \$138. If this trend continues, revenue would end the year approximately 10% above budget. Expenditures through December in the Transient Occupancy Tax Fund are tracking as anticipated.

STATUS OF CAPITAL BUDGET PROGRAMS

Capital Budget Revenues

Section II of this report contains a detailed update on the financial status of each Capital Program, including a discussion of the major revenue sources. As has been reported in Monthly Financial Reports, the major economically sensitive revenue sources that support the Capital Program are tracking to end the year within adopted estimates. With the continued slowdown of the local real estate market, these revenues will need to be watched closely and downward adjustments, if necessary, will be recommended at year-end. In addition, it is anticipated that the major non-economically sensitive revenues such as transfers and contributions from other agencies that support many of the capital programs will perform as projected.

The Building and Structure Construction Taxes and the Construction Excise Taxes that support the Traffic Capital Program are currently expected to meet the budgeted estimates by year-end. Through December, Building and Structure Construction Taxes totaled \$5.8 million, which represents an increase of 2.1% through the first six months of last year and 57% of the current budgeted estimate of \$10.2 million. Construction Excise Tax collections through December totaled \$8.7 million, up 11.4% from last year and 59% of the budgeted estimate. It should be noted, however, that with the continuation of the housing slowdown, the portion of Construction Excise Tax receipts related to the residential sector was down 69% in December 2007 compared to December 2006. Though this decrease has been offset to date by an increase in taxes associated with commercial development (up 135% in December 2007 compared to December 2006), we remain concerned over the long-term impact on these tax collections should a prolonged residential real estate slowdown continue.

As discussed in recent Monthly Financial Reports, Construction and Conveyance Tax (C&C) revenues that support many of the capital programs continue to experience a steep decline, reflecting the greatly reduced level of real estate transactions city-wide. Performance through December represents the worst C&C performance in at least a decade. Through December, C&C taxes totaling \$13.3 million have been received, which represents a decline of 25% from last year. Since nearly 98% of the C&C taxes are comprised of conveyance receipts, property transfers are the main driver in this revenue category. The drop off in December meant that in 18 of the past 20 months revenues have declined compared to the same month in the prior year. A number of factors suggest these revenues have not yet reached bottom. The drops in recent months have been much worse. Receipts dropped 52% in October, 21% in November, and 44% in December compared to the same month in the prior year. The number of property transfers for all types of residences in the first half of 2007-2008 declined by 44% and the number of days on the market for completed sales continues to rise steadily.

Given the current economic conditions in this region, a fall off in the housing market that drives the C&C Tax collections had been anticipated for the last couple of years. As a significant decline had been projected when the budget was developed, even at the reduced levels, these revenues are still expected to meet the budgeted estimate by year-end but will need to be watched carefully. The 2007-2008 budget estimate of \$27 million allows for a decline of 35% compared to 2006-2007 actual performance. Adjustments to the current year revenue estimates will be brought forward at the end of the fiscal year, if necessary, based on actual collections.

Capital Program Adjustments

A series of recommended Appropriation Ordinance and Funding Sources Resolution amendments to the Adopted Capital Budget are included in Section III of this report. Following is a summary of the most significant adjustments:

- In the *Airport Capital Program*, adjustments to revenues (\$36.2 million) to reflect actual bond proceeds issued to support the Airport Terminal Area Improvement projects and an additional transfer from the new \$5.00 Customer Facility Charge that became effective January 1, 2008 to support the Consolidated Rental Car Garage (\$2.2 million) are recommended. In addition, a limited number of augmentations are proposed, including the North Concourse Building project (\$6.5 million) and the Public Parking Garage (\$1.7 million). Lastly, the receipt of a grant and corresponding appropriation of funds to enhance the Compressed Natural Gas Fueling Station (\$747,000) are recommended.
- In the *Library Capital Program*, project savings from the Almaden (\$200,000), Edenvale (\$750,000), and Santa Teresa (\$2.0 million) branch libraries are recommended to be reallocated to the Contingency Reserve (\$2.95 million). Funding is also recommended to be reallocated for New Branch Opening Day Collections (\$4.5 million) from a reserve in the Construction and Conveyance Tax Fund.
- In the *Parking Capital Program*, additional funding is recommended for the Convention Center Deck Repair (\$310,000) project.

- In the *Parks and Community Facilities Development Capital Program* the reallocation of funds to the Happy Hollow Park and Zoo project, as approved in concept by the City Council during the construction award of the zoo and attractions phase (\$3.9 million from City-wide C&C Fund and the Parks and Recreation Bond Projects Fund) is recommended. Other major changes in this program include funding for Rosemary Garden Park Improvements (\$50,000) and Flickinger Park (\$107,000) in the Park Trust Fund; and Pools and Fountains (\$101,000) in the Parks Central C&C Fund. In addition, grant funded projects included in this document include Alma Community Center Improvements (\$285,000) in District 7 C&C Fund; Vietnamese Cultural Heritage Garden Improvements (\$297,000) in the City-Wide C&C Fund. Lastly, the reallocation of funds from the Calpine Open Space reserve to the District 2 Community Center reserve (\$500,000) is recommended for funds recently received from Calpine.
- In the *Public Safety Capital Program*, the reallocation of \$1.1 million in the Public Art-Police Bond Projects appropriation to the South San José Police Substation is recommended. As authorized by the City Council on December 18, 2007, this action would replenish the General Fund Future Capital Projects (FF&E) Reserve by reallocating funding in the Neighborhood Security Bond Fund from public art to the South San José Police Substation project. A corresponding decrease to this project in the General Fund is recommended to allow for the reserve to be replenished. It should be noted that a separate memorandum on the options to restore funding for public art at the Police Substation will be released and available for review as part of this Mid-Year Budget Review on the February 12th Agenda.
- In the *Traffic Capital Program*, the appropriation of project funding and associated revenue for the Route 101/Blossom Hill project (\$1.75 million) is recommended. In addition, augmentations for the Seismic Bridge Retrofit Julian Street (\$650,000), William Street (\$330,000), and Southwest Expressway (\$83,000) projects are recommended in the Building and Structure Tax Fund.
- In the *Water Pollution Control Capital Program*, funding is recommended to be reallocated from the Fuel Cell Cogeneration project to the Alternative Disinfection (\$4.0 million) and M5, Ring Buss and Cable Replacement (\$1.8 million) projects to fund other high priority projects. In addition, the Dissolved Air Flotation Pressure Retention Tanks and Valve project (\$650,000) is recommended to be accelerated from 2010-2011. Lastly, an adjustment (\$2.6 million) to the WPCP Reliability Improvement project is recommended to address an accounting error in which an encumbrance was mistakenly liquidated and redistributed in the previous year.

LOOKING FORWARD

MODIFICATIONS TO COST CONTROL MEASURES

For the past five years, the City has implemented various cost control measures as initially directed by the Mayor's Proposed Budget Strategy memorandum as approved by the City Council on February 4, 2003. These cost control measures are applied to hiring, as well as

several expenditures categories, including technology purchases, marketing/outreach, vehicle acquisition, and office and space renovations, regardless of the funding source. Requests to unfreeze positions and purchase items subject to the cost control measures are reviewed by the City Manager's Office and the respective departments, as appropriate.

Given the length of time these cost control measures have remained in place, it seems an appropriate time to reevaluate these measures and identify streamlining opportunities. Based on a review of the current cost control measures, changes will be implemented that will decrease some of the City Manager's Office oversight and delegate authority to departments to control these spending items given the continued fiscal condition of the City. While all expenditures covered by the current cost control measures would continue to be reviewed by the department directors, expenditure thresholds would be developed to determine those items that require additional review and approval by the City Manager's Office, or designated department.

It is important to note, however, that no changes to the current hiring freeze and review process are contemplated at this time. All exemptions for position hiring (with the exception of sworn Police Department and Fire Department positions, public safety dispatcher positions, parking and traffic control positions and unbenefited part-time positions that are automatically exempt from the hiring freeze) will remain under the control of the Assistant City Manager and Budget Office Director. This policy has been very effective in generating savings during the year and minimizing layoffs as the City has reduced positions over the last several years and should remain in place until significant progress has been made in resolving the City's structural deficit problem.

NEXT STEPS IN THE 2008-2009 BUDGET DEVELOPMENT PROCESS

Planning efforts are well underway on the development of the 2008-2009 Proposed Operating and Capital Budgets. The 2009-2013 General Fund Forecast serves as a starting point in the budget development process as it compares the projected revenues and expenditures for the upcoming five-year period. As reported to the City Council in November, the Preliminary 2009-2013 General Fund Forecast showed a General Fund deficit of \$24.8 million in 2007-2008 and \$75.4 million over the next four years. In late February, the Administration will bring forward an updated 2009-2013 General Fund Forecast that will take into consideration the actual performance through the first half of 2007-2008 and revised revenue and expenditure assumptions based on the current economic environment. The deteriorating economic conditions are expected to negatively impact the revenue estimates that were initially developed in November 2007.

The Mayor's March Budget Message, as reviewed and approved by the City Council, will serve as a guiding document for the Administration in its development of the 2008-2009 Proposed Budget. It is anticipated that Mayor's March Budget Message will incorporate feedback from the Community Budget Survey, Neighborhood Association/Youth Commission Priority Setting Session, City Council/City Management Team Strategic Planning Retreat, and any direction

provided by the Mayor's Budget Shortfall Advisory Group as approved by the City Council in resolving the General Fund structural budget deficit.

PUBLIC OUTREACH/INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

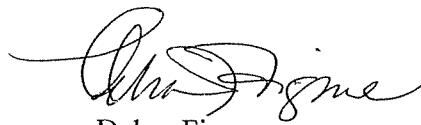
This document is posted on the City's website for February 12, 2008 Council agenda. Additional outreach efforts have been conducted for certain projects by various City departments.

CONCLUSION

Through the mid-point of the year, the City's finances remain in sound condition, with revenues generally tracking at or slightly above estimated levels and expenditures remaining within the budgeted allocations. While the City's financial performance in the current year remains on track, the deteriorating economic conditions are expected to impact the City's revenues in the coming fiscal year to a larger extent than anticipated when the Preliminary 2009-2013 General Fund Forecast was developed in November 2007. The revenue estimates for 2007-2008 will serve as the starting point for developing the estimates for 2008-2009. The estimates for 2008-2009 and the remaining years of the forecast will be updated as part of the final 2009-2013 General Fund Forecast due to be released in February.

The Mid-Year Budget actions recommended in this document are intended to address current year issues, implement City Council direction, and to fund grant or reimbursement-related activities. Any new and ongoing funding requests will be brought forward during the annual budget process to ensure that these items are being considered with all other City Council priorities and potential funding needs.

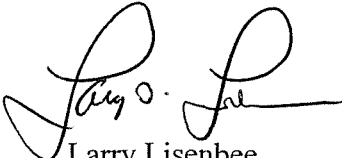
As always, the Administration will continue to closely monitor the City's current year financial status and report to the City Council any and all significant developments through the regular Bi-Monthly Financial Reports.


Debra Figone
City Manager

Certification of Funds

I hereby certify that there will be available for appropriation in the designated funds and in the amounts as listed below in fiscal year 2007-2008 monies in excess of those heretofore appropriated therefrom:

Airport Capital Improvement Fund	\$ 527,000
Airport Customer Facility & Transportation Fund	2,247,000
Airport Fiscal Agent Fund	42,700,000
Airport Maintenance and Operations Fund	79,700
Airport Revenue Bond Improvement Fund	38,447,000
Benefit Fund	1,812,000
Building and Structure Construction Tax Fund	1,750,000
Community Facilities District #12 (Basking Ridge) Fund	222,000
Construction & Conveyance Tax – Council District 7	285,000
Construction & Conveyance Tax – Council District 9	220,000
Construction & Conveyance Tax – City-Wide	297,000
Dental Insurance Fund	58,000
Gift Trust Fund	169,784
Home Investment Partnership Program Fund	642,563
Maintenance Assessment District Fund #10	70
Multi-Source Housing Fund	4,197,250
Redevelopment Agency Capital Projects (City Side)	25,000
Supplemental Law Enforcement Services Fund	36,000



Larry Lisenbee
Budget Director

2007-2008
MID-YEAR BUDGET REVIEW
Section I

I. OPERATING BUDGET STATUS REPORT

At mid-year, the City Manager's Budget Office conducts a comprehensive review of expenditure and revenue performance in the General Fund and special operating funds through the first six months of the fiscal year. This section of the report is intended to summarize the results of that review. The section is organized as follows:

- A. **General Fund Source and Use of Funds** – Included is a Mid-Year Status Report Source and Use of Funds showing overall modifications to the 2007-2008 budget, actual revenues and expenditures through December 31, 2007, and proposed changes recommended as part of this document.

- B. **Status of General Fund Revenues** - The mid-year status of General Fund revenue collections is discussed at the revenue category level in this section.

- C. **Status of General Fund Expenditures** - The status of overall General Fund expenditures is provided. Included is a discussion of those departments with significant variances or issues of interest and documentation on the changes to the Contingency Reserve through December 2007.

- D. **Status of Selected Special Funds** – A review of the mid-year status of revenue collections and expenditures for selected special funds with issues of interest or variances is provided.

GENERAL FUND
2007-2008 MID-YEAR STATUS REPORT
(December 31, 2007)

SOURCE OF FUNDS	(A) 2007-2008 ADOPTED BUDGET	(B) CURRENT- YEAR MODIFICATIONS	(C) CARRYOVER ENCUMBRANCES	(A+B+C) CURRENT MODIFIED BUDGET	ACTUALS THROUGH DECEMBER	PRIOR-YEAR ACTUALS THROUGH DECEMBER	2007-2008 PROPOSED CHANGES
FUND BALANCE							
Encumbrance Reserve		0	28,219,179	28,219,179	28,219,179	48,529,453	
Liquidation of C/O Encumbrances		0		0		0	
Carryover	205,468,471	42,161,439	0	247,629,910	247,629,910	209,492,629	
SUBTOTAL	205,468,471	42,161,439	28,219,179	275,849,089	275,849,089	258,022,082	0
GENERAL REVENUE							
Property Tax	198,154,000	0	0	198,154,000	29,021,036	53,662,644	
Sales Tax	152,636,000	0	0	152,636,000	29,639,282	37,615,828	
Transient Occupancy Tax	8,988,000	0	0	8,988,000	3,704,788	3,180,891	
Franchise Fees	39,032,000	0	0	39,032,000	16,150,679	14,947,258	
Utility Tax	79,141,000	0	0	79,141,000	33,206,587	29,338,360	
Licenses & Permits	79,719,404	(233,074)	0	79,486,330	40,800,685	39,761,364	(1,987,197)
Fines, Forfeitures & Penalties	14,707,600	0	0	14,707,600	7,334,648	6,628,390	
Revenue From Money/Property	13,909,080	0	0	13,909,080	7,594,793	6,269,334	
Revenue From Local Agencies	47,243,063	2,122,298	0	49,365,361	18,285,643	16,128,554	4,993
Revenue From State Government	10,429,201	(34,706)	0	10,394,495	8,532,902	8,030,085	576,272
Revenue From Federal Governmen	6,142,948	4,302,751	0	10,445,699	2,004,716	1,657,670	26,112
Departmental Charges	30,714,618	138,900	0	30,853,518	15,596,319	14,468,461	(675,000)
Other Revenue	18,527,194	3,978,239	0	22,505,433	11,320,611	13,216,443	298,000
SUBTOTAL	699,344,108	10,274,408	0	709,618,516	223,192,689	244,905,282	(1,756,820)
TRANSFERS AND REIMBURSEMENTS							
Overhead Reimbursements	33,134,567	0	0	33,134,567	26,562,935	19,830,056	
Transfers	49,645,659	400,000	0	50,045,659	31,437,153	27,127,484	977,000
Reimbursements for Services	17,824,541	0	0	17,824,541	6,297,348	4,584,943	
SUBTOTAL	100,604,767	400,000	0	101,004,767	64,297,436	51,542,483	977,000
TOTAL SOURCE OF FUNDS	1,005,417,346	52,835,847	28,219,179	1,086,472,372	563,339,214	554,469,847	(779,820)

GENERAL FUND
2007-2008 MID-YEAR STATUS REPORT
(December 31, 2007)

<u>USE OF FUNDS</u>	(A) 2007-2008 ADOPTED BUDGET	(B) CURRENT- YEAR MODIFICATIONS	(C) CARRYOVER ENCUMBRANCES	(A+B+C) CURRENT MODIFIED BUDGET	ACTUALS THROUGH DECEMBER	PRIOR-YEAR ACTUALS THROUGH DECEMBER	2007-2008 PROPOSED CHANGES
DEPARTMENTAL							
City Attorney	13,385,143	401,459	1,606,734	15,393,336	5,818,704	5,384,397	5,979
City Auditor	2,834,886	241,255	9,734	3,085,875	1,063,755	1,117,472	(6,519)
City Clerk	3,045,577	770,711	37,628	3,853,916	868,803	766,506	4,948
City Manager	9,775,730	2,686,454	339,484	12,801,668	5,066,108	3,863,870	(199,740)
Economic Development	4,460,576	21,130	608,777	5,090,483	2,018,880	2,613,162	12,175
Emergency Services	531,913	5,670		537,583	206,822	175,402	1,080
Environmental Services	1,785,919	(282,349)	355,689	1,859,259	227,158	426,274	21,534
Finance	11,486,503	338,601	468,995	12,294,099	4,990,687	4,674,239	15,224
Fire	134,390,115	17,262,590	363,968	152,016,673	74,550,478	58,306,714	10,549,714
General Services	19,389,324	171,749	2,118,478	21,679,551	8,772,391	8,530,313	47,923
Human Resources	7,723,686	94,551	160,222	7,978,459	3,230,995	2,828,236	3,006
Independent Police Auditor	832,794	27,931	8,824	869,549	376,875	341,783	1,536
Information Technology	16,989,863	252,106	738,799	17,980,768	7,092,885	6,666,690	271,993
Library	28,807,311	582,628	92,980	29,482,919	12,835,645	11,780,084	(24,664)
Mayor and City Council	9,665,219	(219,973)	27,840	9,473,086	3,313,319	3,180,101	154,776
Parks, Recreation & Neighb. Svces	65,046,290	219,698	3,788,703	69,054,691	29,222,444	27,129,880	(697,465)
Planning, Building & Code Enforce	39,284,064	251,017	311,102	39,846,183	15,425,903	15,029,138	(911,760)
Police	281,142,125	1,856,471	2,452,650	285,451,246	125,784,760	115,488,812	1,663,321
Public Works	10,641,058	186,990	322,276	11,150,324	5,290,967	4,729,244	(4,343)
Redevelopment Agency	1,410,680	41,531		1,452,211	585,455	586,863	2,932
Transportation	34,267,239	(38,155)	772,861	35,001,945	13,954,214	13,160,070	102,463
SUBTOTAL	696,896,015	24,872,065	14,585,744	736,353,824	320,697,248	286,779,250	11,014,113
NON-DEPARTMENTAL							
City-Wide Expenses	128,085,249	11,930,587	9,555,126	149,570,962	39,773,179	33,788,797	2,918,672
Capital Contributions	22,379,718	17,593,696	4,078,309	44,051,723	7,341,391	5,242,313	(1,398,042)
Transfers	28,876,906	566,000		29,442,906	26,133,310	28,961,208	646,871
Earmarked Reserves	100,040,659	(3,391,344)		96,649,315		0	(13,961,434)
Contingency Reserve	29,138,799	1,264,843		30,403,642		0	
Encumbrance Reserve				0		0	
SUBTOTAL	308,521,331	27,963,782	13,633,435	350,118,548	73,247,880	67,992,318	(11,793,933)
TOTAL USE OF FUNDS	<u>1,005,417,346</u>	<u>52,835,847</u>	<u>28,219,179</u>	<u>1,086,472,372</u>	<u>393,945,128</u>	<u>354,771,568</u>	<u>(779,820)</u>

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

STATUS OF GENERAL FUND REVENUES

Overview

Current Year Performance

On an overall basis, revenues and expenditures are currently performing within expected levels and are tracking to meet budgeted estimates. The economically sensitive General Fund revenue categories generally ended 2006-2007 at or slightly above estimated levels, which will help provide a buffer if the slowdown in 2007-2008 is more severe than anticipated.

Expenditures are tracking within estimated levels through December. Cost control measures remain in place, such as the hiring freeze, and have generated significant savings in recent years. If current expenditure trends continue, there are a number of departments that would end 2007-2008 with savings, as was the case in 2006-2007.

On an overall basis, it is anticipated that approximately \$25 million in excess revenue and expenditure savings will be available by year-end. This was the Ending Fund Balance figure that was used in developing the 2009-2013 Preliminary General Fund Forecast that was issued in November 2007.

Comparison to Prior Year

General Fund revenues and transfers through December totaled \$287.5 million, or 35.5% of budgeted estimate. This amount was \$9.0 million, or 3.0%, below the amount received last year at this time. This lower collection level, however, was the result of timing differences between collections in the two years. For example, amounts for Property Tax that were booked in December in 2006-2007 were not

booked until January in 2007-2008. After taking these timing differences into account, however, current collections are running ahead of both the prior year and the current budgeted estimates. A notable exception to this trend is the lower than projected revenues in the Building and Public Works Development Fee Programs.

Recommended Adjustments

Minimal revenue adjustments are recommended in this report that result in a net reduction of \$779,820. Additional adjustments may be brought forward at year-end based on the collection trends at that time.

City Council actions are recommended to account for additional new revenue of \$1.9 million from grant programs and reimbursement for services, available to fund additional related expenditures, and to decrease development-related estimates by \$2.7 million, based on current collection trends.

The overall impacts of the recommended actions in the General Fund are summarized in the following chart:

Category	\$ in thousands
Transfers and Reimbursements	\$ 977
Revenue from the State of California	576
Other Revenue	298
Revenue from the Federal Government	26
Revenue from Local Agencies	5
Departmental Charges	(675)
Licenses and Permits	(1,987)
Total	<u>(\$ 780)</u>

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

Overview (Cont'd.)

Recommended Adjustments (Cont'd.)

The grants and reimbursements include an increase of \$977,000 to the Transfers and Reimbursement category to reflect the increase in the Airport reimbursement for additional Police overtime costs associated with the "Orange Alert" level at the Airport. Other grants include the Internet Crimes Against Children Task Force grant from the State (\$250,000), an Anti-Drug Abuse grant from the State (\$132,552), and reimbursement from other local cities for a Multi-Agency Capital Project Benchmarking Study (\$132,000).

Downward adjustments to the Building (\$2.0 million) and Public Works (\$675,000) Development Fee Programs are recommended based on current collection trends. The projected gap between revenues and expenditures in these Fee Programs is

recommended to be addressed by a combination of downward revenue revisions, expenditure reductions, and the use of portions of the development fee program reserves.

If overall General Fund collections were to continue at current rates, it is anticipated that additional upward adjustments will be possible by year-end. If so, these actions will be brought forward for Council consideration at the end of the year. The current collection trends will also be factored into the final 2009-2013 General Fund Forecast scheduled to be released in February 2008.

General Fund Revenue by Category

The following discussion highlights overall General Fund activities through December by revenue category.

PROPERTY TAX

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$198,154,000	\$29,021,036	14.6%	28.3%	\$0

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the

point of sale for reassessments of value due to property resale); and Homeowners Property Tax Relief.

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**PROPERTY TAX
(CONT'D.)**

The 2007-2008 **Current Secured Property Tax** budget estimate is \$181.4 million. Through December, actual Current Secured Property Tax collections of \$17.2 million were significantly below the prior year collection level of \$42.7 million. This is, however, the result of a timing issue related to the booking of Property Tax receipts last year, when compared to the current year.

Based on information from the County of Santa Clara Controller-Treasurer's Office, the Secured Property Tax roll is expected to reach \$182.8 million, which is almost \$1.5 million above the 2007-2008 budget estimate. This would result in overall growth of approximately 7.5% over the 2006-2007 collection level.

The 2007-2008 **Current and Prior Unsecured Property Taxes** budget estimate is \$10.7 million, which is virtually unchanged from the actual collections in 2006-2007. The largest payment for the Unsecured Property Tax category is received in October of each year. Although receipts to date of \$10.3 million are tracking ahead of the budgeted level, the latest estimates from the County of Santa Clara project that the Unsecured Receipts will end the year at approximately the budgeted estimate. County staff pointed out that there were some large refunds in the Unsecured category between October and November.

Year-to-date **Current SB 813 Property Tax** receipts (retroactive collections back to the point of sale for reassessments of value due to property resales) of \$1.3 million are currently

tracking below the prior year level of \$1.4 million. The year-to-date receipts, however, reflect one less payment than was booked last year through December. Factoring out this timing difference, collections would actually exceed the prior year collection level.

This collection pattern is unusual given the large declines in the number of real estate transactions that have occurred. From July through December 2007, the number of residential property sales declined 44% when compared to the same period last year. While no drop is currently reflected in year-to-date receipts, it is anticipated that collections will fall significantly in this area during the remainder of the year based on the slowdown in the housing market. Collections in the next several months will provide a much better indicator of receipts in this category since approximately 80% of the revenue in this category is typically collected in the second half of the year.

A significant drop-off in this category was anticipated when the 2007-2008 Adopted Budget was developed based on the assumption that real estate sales would continue to decline through this fiscal year. In 2006-2007, receipts fell 20.7% in this category. Receipts can fall an additional 38% from the \$8.0 million collected in 2006-2007 and still meet the 2007-2008 budget estimate of \$5.0 million.

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

SALES TAX

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$152,636,000	\$29,639,282	19.4%	25.1%	\$0

The Sales Tax category consists of General Sales Tax and Proposition 172 Sales Tax.

The 2007-2008 budget estimate for **General Sales Tax** is \$147.9 million. To meet this estimate, growth of 1.8% over the 2006-2007 collection level is necessary. It is currently anticipated that this estimate will be met based on the first quarterly Sales Tax data as well as information on the 2007-2008 Sales Tax payment from the State associated with the "triple flip". Growth of approximately 1% is needed through the remaining three quarters to meet the General Sales Tax estimate.

Information on the first quarter 2007-2008 General Sales Tax receipts was received in December. These receipts represented activity for July through September, and in total were up 11.7% from the same quarter in the prior year. This growth, however, is misleading since this most recent quarter is being compared to the first quarter of 2006-2007 in which a large one-time negative adjustment was processed that resulted in a drop of 9.0% in that quarter. When the 2007-2008 budget estimate was developed, the revenue estimate for the first quarter was adjusted upwards based on the assumption that

the one-time negative adjustment from 2006-2007 would not impact 2007-2008.

Factoring out the impact of the one-time correction, growth of 1.5% was experienced in the first quarter of 2007-2008 when compared to the same quarter in the previous year. Over a two-year period, growth in this quarter has only been 1.7%.

Additional data on the performance in the first quarter of 2007-2008 has also been received from the City's Sales Tax consultant, MuniServices Company. This data showed a slight decline of 1.0% on an economic basis when compared to the same quarter in the prior year. The economic growth data 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, the slight decline in the most recent quarter was the result of decreases of 7.8% in the Transportation sector and 3.4% in the Construction sector. These decreases were

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**SALES TAX
(CONT'D.)**

partially offset by growth of 2.2% in the Business-to-Business sector, 1.5% in the General Retail category, and 3.3% in Food Products.

General Retail remains the largest sector in San José representing 27% of the sales tax activity, followed by Business to Business (24.5%), Transportation (22.8%), Food Products (14.3%), Construction (10.8%), and Miscellaneous (0.6%).

Jurisdictions across California experienced slowdowns or even declines in sales tax revenue

during the most recent quarter. The Bay Area experienced growth of 1.1%, while Northern California declined 2.1%. Southern California and the State as a whole also experienced declines of 3.3% and 2.8%, respectively.

The 2007-2008 **Proposition 172 Half-Cent Sales Tax** budget estimate is \$4.7 million, which is 2.5% above the actual 2006-2007 receipts. Receipts through December of \$1.9 million were 8.6% below the prior year. It is expected that collections in this category will fall below the budgeted estimate based on current collection trends.

TRANSIENT OCCUPANCY TAX

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$8,988,000	\$3,704,788	41.2%	37.0%	\$0

The 2007-2008 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (4.0% of the 10.0% total tax) is \$9.0 million. When the Adopted Budget was developed, it was assumed that growth of 7% over the 2006-2007 year-end estimate would be achieved in 2007-2008. Because collections in 2006-2007 exceeded projections, growth of just

over 4% is needed to meet the 2007-2008 budgeted estimate.

Through December, Transient Occupancy Tax collections of \$3.7 million were tracking 16.5% above the prior year collection level of \$3.2 million for the same period. This increase reflects year-end accounting adjustments as well as actual growth in collections.

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**TRANSIENT OCCUPANCY TAX
(CONT'D.)**

Occupancy rates for the first six months of the fiscal year averaged 58.6%, which is higher than last year's average of 57.4%. Room rates have also increased from an average of \$125 to \$138.

If current collection trends continue, the 2007-2008 budget estimate will be exceeded at year-end. Given the volatility of this category, however, no adjustment is recommended at this time. Staff will continue to closely monitor this revenue source.

FRANCHISE FEES

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$39,032,000	\$16,150,679	41.4%	37.0%	\$0

Franchise Fees contains the following categories: **Electricity, Gas, Commercial Solid Waste, Cable Television, City-Generated Vehicle Tow and Water.**

The annual reconciliation report from Pacific Gas and Electric (PG&E) concerning **Electricity** and **Gas** gross receipts and the resulting amount of franchise fees owed for calendar year 2007 will not be received until April, and, as a result, firm conclusions cannot be drawn concerning the status of these two revenue accounts until that report is received. Based on the Gas and Electric Utility Tax collection trends, however, it is estimated that Electricity Franchise Fees estimate of \$15.1

million and the Gas Franchise Fee estimate of \$5.3 million will be met.

Commercial Solid Waste (CSW) Franchise Fees collections through December of \$4.5 million were tracking within estimated levels. It is anticipated that the budgeted estimate of \$11.6 million will be met or slightly exceeded.

Cable Television Franchise Fees of \$1.8 million represent only one quarter's collection through December, due to the typical quarter lag in receipts. Year-to-date receipts reflect a 19.9% increase over the prior year, and fees from this category are expected to exceed the budgeted estimate of \$5.5 million by approximately \$1 million.

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**FRANCHISE FEES
(CONT'D.)**

City-Generated Vehicle Tow Fees of \$0.5 million were tracking at or slightly below estimated levels and are expected to come close to the 2007-2008 budget estimate of \$1.3 million by year-end.

Water Franchise Fees revenue through December of \$100,000 was also tracking within estimated levels and is expected to meet the 2007-2008 budget estimate of \$224,000.

UTILITY TAX

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$79,141,000	\$33,206,587	42.0%	37.1%	\$0

Utility Tax contains the following categories:
Electric, Gas, Water and Telephone.

Electric Utility Tax receipts of \$17.3 million were tracking well above the prior year level of \$14.5 million due primarily to the timing differences in the booking of payments. Based on current collection trends, receipts are expected to meet or slightly exceed the budget estimate of \$37.0 million by year-end. Growth of less than 1% over the prior year collection level is needed to meet this estimate.

Gas Utility Tax receipts of \$3.2 million through December were tracking above the prior year level of \$2.1 million due to the timing of payments and higher actual collections. The 2007-2008 Adopted Budget estimate of \$9.7 million assumed no growth in this category.

While Gas Utility Tax collections were strong through the first half of the year, it is still too early to accurately project year-end performance. Collections in the next several months will provide a much better indicator of receipts in this category since over 70% of the revenue in this category is typically collected in the second half of the year. Collections in this category may also be impacted by the 10/20 Plus Winter Gas Savings Program offered by PG&E that will give customers a credit of up to 20% on their March or April bill if they reduce their natural gas usage in January and February. This is the same program that was offered last year.

Water Utility Tax collections of \$3.6 million through December were tracking above the prior year level of \$3.3 million. Collections are

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**UTILITY TAX
(CONT'D.)**

currently on target to slightly exceed the budgeted estimate of \$7.7 million by year-end. It should be noted, however, that this category is always subject to fluctuations related to the amount of precipitation received, particularly in the spring. Consumption levels over the next several months will determine if adjustments to the revenue estimate will be appropriate before the end of the year.

Telephone Utility Taxes receipts of \$9.0 million through December were tracking slightly below the prior year level of \$9.4 million primarily as a result of timing differences in the booking of payments. It is currently anticipated that receipts will meet or slightly exceed the budgeted estimate of \$24.7 million by year-end.

LICENSES AND PERMITS

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$79,486,330	\$40,800,685	51.3%	53.3%	(\$1,987,197)

Licenses and Permits include the following six major groups of revenue: **Business Tax, Cardroom Business Tax, Disposal Facility Tax, Building Permits, Fire Permits and Miscellaneous Other Licenses and Permits.**

Business Tax – collections of \$9.6 million through December were tracking at the prior year level and are expected to meet or slightly exceed the budgeted estimate of \$12.6 million by year-end.

Cardroom Business Tax – collections of \$5.0 million through December were tracking slightly below the prior year level of \$5.2 million. Based on 2006-2007 collections of

\$12.5 million, 2005-2006 collections of \$11.2 million, and actual performance through December, this revenue category is expected to meet the budget estimate of \$11.8 million by year-end.

Disposal Facility Tax (DFT) – Disposal Facility Tax revenue of \$5.4 million through December is tracking slightly below the \$5.7 million collected through the same period last year but is currently expected to meet the budget estimate of \$15.0 million by year-end.

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LICENSES AND PERMITS
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Building Permits – Building Permit receipts through December totaled \$10.1 million, or 40.5% of the adopted estimate of \$25.0 million. This collection level is 4.4% below the prior year level of \$10.6 million. The 2007-2008 estimate was built assuming a continuation of the activity levels projected for 2006-2007, with a fee increase of 5%. However, since actual 2006-2007 receipts of \$21.9 million ended the year below estimated levels, growth of 14.4% would actually be needed to meet the 2007-2008 estimate.

In contrast with the budgeted estimates, however, collections through December are actually tracking well below (16%) projected levels. Revenues in all but building plan check are tracking significantly below expectations and could end the year below projected levels by as much as \$2.5 million. In December, residential building permit activity dropped to levels not seen since late 2001 with permits issued for 37 units. Through December, a total of 606 residential units have been permitted compared to last year's 1,650 units. Commercial activity in December was very high. Through December, construction valuation for commercial development was \$254.6 million compared to \$96.3 million in 2006-2007. For December, industrial activity (\$3.0 million) dipped to its lowest level in three and a half years. Through December, cumulative construction valuation was \$148.7 million compared to \$109 million in 2006-2007. Total construction valuation during calendar year 2007 rose to \$977 million, a 15% increase from the prior year and a four-year high. This

increase was due to a surge in non-residential activity in the final quarter, stemming primarily from some office construction and renovation projects. Offsetting this increase was a fall-off in residential development. As a result, non-residential valuation outpaced residential valuation by a 2-1 margin. The historical norm is a 50-50 split.

Since the tremendous development boom ended in 2000-2001, there had been a shift from commercial and industrial construction activity (where valuations are higher relative to corresponding service demand) toward residential construction activity. In 2003, the Building Program implemented a new fee structure for residential projects. It was determined that the long-standing valuation-based method of calculating permit and plan check fees was less precise in matching fees and the cost of providing service. The commercial and industrial sectors fee structure was not changed at that time because of a lack of activity in those areas in order to complete the analysis. For 2006-2007, analysis was completed and a new fee structure based on time was implemented for commercial, industrial and mixed use projects. It appears that further refinements may be necessary as activity is once again strong in the commercial and industrial sectors but yet revenues are not being collected at levels necessary to sustain the program. The Budget Office has been working with the Planning, Building and Code Enforcement Department to develop a strategy to provide stability within this program.

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**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**LICENSES AND PERMITS
(CONT'D.)**

Included in this report is a recommended downward adjustment of \$2.0 million to the budgeted revenue estimate. A combination of a \$1.0 million reduction to the Building Fee Reserve and a personal services reduction of \$1.0 million, which includes the elimination of six vacant positions, is recommended to offset this shortfall. Staff will continue to work to control expenditures to minimize any gap between revenue and expenditures in this fee program and achieve the Council-directed cost-recovery status of this program.

Fire Permits – collections through December of \$5.1 million were tracking slightly above estimated levels and well above (51.7%) the prior year receipts of \$3.3 million. Over half of the growth from the prior year was, however, the result of accounting differences and an error in the categorization of miscellaneous revenues. In 2006-2007, receipts were understated because approximately \$700,000 was not deferred from 2005-2006 to 2006-2007. After adjusting for deferrals, Fire Permit revenues were tracking approximately 25% above 2006-2007 levels. Additionally, miscellaneous revenues of \$304,000 were incorrectly booked to Fire Permits and will be reallocated. These include legal settlements totaling \$271,000 and State reimbursements totaling \$32,385. Factoring out these revenues, Fire Permits were tracking 17.7% above 2006-2007 levels.

Development-related collections of \$2.6 million were 31.5% above the \$2.0 million received through December 2006, due to higher than anticipated revenue in non-renewable permits,

inspections, and plan check fees. Overall development activity is currently exceeding budgeted revenue estimates primarily due to increased activity in commercial and industrial development, despite the slowdown in residential development. Development-related revenues are expected to end the year above budgeted levels.

Although non-development permit revenues through December of \$2.2 million were tracking 4.6% above prior year adjusted receipts, annual renewable permit receipts are expected to end the year at lower than budgeted levels. In anticipation of this lower collection level, the Fire Department will institute expenditure control measures for overtime and non-personal/equipment items to ensure that expenditures for non-development activities align more closely to the year-end estimated revenues.

The Budget Office and Fire Department will continue to closely monitor receipts and bring forward budget actions for Council consideration in the future, if necessary.

Miscellaneous Other Licenses and Permits – Revenues are tracking as anticipated, with the exception of the Multiple Housing Permits, which are projected to end the year \$100,000 below the budget estimate of \$3.0 million. An upward adjustment of \$12,803 is recommended in this category to recognize additional gated event revenue received from the Gay Pride Festival and the Jazz Festival. These funds are recommended to be allocated to the Parades, Festivals, and Celebration Grants Program.

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**STATUS OF GENERAL FUND REVENUES
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FINES, FORFEITURES, AND PENALTIES

Revenue Status				
	2007-2008		2006-2007	2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$14,707,600	\$7,334,648	49.9%	47.2%	\$0

Fines, Forfeitures, and Penalties include the following groups of revenue: **Parking Fines**, the City's share of **Vehicle Code Fines**, **Administrative Citation Fines and Penalties**, and **Cardroom** and **Business Tax Penalties**.

Through December, this category has generated \$7.3 million, an increase of 10.7% from last year. Based on collections to date and historical collection trends, receipts are expected to meet or slightly exceed the budgeted estimate by year-end.

Over half of the revenue in this category is generated from Parking Fines. Through December, Parking Fines totaled \$3.7 million, or 45.3% of the budgeted estimate of \$8.2 million. It is currently projected that collections in this area will be close to the budgeted estimate by year-end.

Collections are tracking higher than budgeted in the vehicle code fines and business tax penalties sub-categories.

REVENUE FROM THE USE OF MONEY AND PROPERTY

Revenue Status				
	2007-2008		2006-2007	2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$13,909,080	\$7,594,793	54.6%	40.1%	\$0

The largest source of revenue in this category is **General Fund Interest Earnings**. This category also includes interest earnings from several other funds, interest on senior staff

loans, and rental revenue generated from City property.

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**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**REVENUE FROM THE USE OF MONEY AND PROPERTY
(CONT'D.)**

Overall, receipts of \$7.6 million through December were up 21.1% from the prior year level of \$6.3 million, primarily reflecting higher cash balances. This category, however, is now beginning to be impacted by falling interest earning rates. Due to the strong collections in the first half of the fiscal year and the higher than anticipated cash balances, overall revenues in this category are still expected to meet or slightly exceed the budgeted estimate by year-end.

The budget estimate for the General Fund interest earnings was developed assuming an

average cash balance of \$210 million and an average interest rate of 4.4%. Through December, the average interest yield of 4.0% was tracking slightly below the budgeted estimate. However, the average cash balance of \$254.5 million significantly exceeded the budgeted estimate, resulting in higher overall collections.

The interest earnings from several other funds are booked into the General Fund. Collections from these funds are also tracking higher than anticipated due to higher cash balances.

REVENUE FROM LOCAL AGENCIES

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$49,365,361	\$18,285,643	37.0%	35.6%	\$4,993

The largest entities in this category are: the **Redevelopment Agency**, the **Water Pollution Control Plant** and **Municipal Water System**, and the **Central Fire District**.

Redevelopment Agency reimbursements through December totaled \$3.6 million, which is 21.6% of the budgeted estimate of \$16.5 million. Collections are currently tracking below anticipated levels because the \$4.0 million in reimbursements for City projects to

help support the costs of San José BEST was not received through December. This payment is expected to be received in January, which will bring collections closer in line with expectations. It is anticipated that all General Fund costs incurred on behalf of the Redevelopment Agency will be reimbursed by year-end.

The Redevelopment Agency also reimburses the City for the Convention Center lease payment

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REVENUE FROM LOCAL AGENCIES
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budgeted at \$14.0 million for 2007-2008. Through December, \$10.1 million has been received. It is anticipated that the full amount of the estimate will be received by year-end

Payments are also received from the **Water Pollution Control Plant** and the **Municipal Water System** enterprise funds in lieu of various taxes and fees, which the City would receive if these operations were privately owned. While no payments have been received to date, it is anticipated that the actual payments will be close to the budgeted estimate of \$4.3 million.

Through December, the payments of \$2.0 million from the **Central Fire District** for fire services provided by the City are tracking slightly lower than projected. Based on 2006-2007 actual collections and projected receipts for this year, performance in this category may fall below the budgeted estimate of \$6.5 million.

Overall, the **Other Reimbursements** from various agencies are typically tracking within estimated levels through December.

The following adjustments are recommended in this report to the Revenue from Local Agencies category:

- Increase of \$53,540 to recognize funding from the County of Santa Clara for school crossing guard services at various County crossing sites for this fiscal year.

- Increase of \$45,993 to recognize additional funding from the County of Santa Clara for the Senior Nutrition Program. This increase provides various cost-of-living adjustments for existing services, impacting various nutrition sites.
- Increase of \$107,877 to recognize additional revenue from the Happy Hollow Corporation to support a temporary Marketing/Public Outreach Representative position.
- Increase of \$95,625 to recognize funding from the Berryessa Union School District to expand the after school program at Summerdale Elementary School.
- Decrease of \$298,042 to reflect the write-off of revenue from the Silicon Valley Regional Interoperability Project that had been anticipated to provide a portion of the matching funds for the 2003-2004 COPS Interoperable Communications Grant. These funds, which had been initially recognized in 2003-2004 when the grant was approved, will not be received by the City. It was determined that this was not an eligible source of matching funds. The Communications Construction and Conveyance Tax Fund has now been used to provide the necessary matching funds for the project.

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REVENUE FROM THE STATE OF CALIFORNIA

Revenue Status				
2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$10,394,495	\$8,532,902	82.1%	61.6%	\$576,272

The major State revenues include **Motor Vehicle In-Lieu Fees, Airplane In-Lieu Fees, and State Grants.**

Motor Vehicle In-Lieu Fee (VLF) revenue through December totaled \$2.1 million, which represents a 33.5% decrease from the prior year collection level of \$3.2 million. Collections in the prior year were unusually high due to one-time payments from the State associated with prior year collections in 2004-2005 and 2006-2007 that totaled over \$700,000. With the current economic conditions, growth in this category is not anticipated through the remainder of the year. It is currently projected that collections may fall below the budgeted estimate of \$6.4 million by approximately \$500,000.

Airplane In-Lieu Fees of \$4.8 million through December have already exceeded the budgeted estimate of \$1.5 million and the prior year collection level of \$2.1 million. This collection level is far above historical levels and reflects a significant effort by the County of Santa Clara to audit these payments and make necessary adjustments.

The **State Grants** category includes the SB 358 Public Library Grant (\$371,000), the Waste Tire Enforcement Grant (\$231,000), and various other miscellaneous grants. The SB 358 Public Library Grant was adjusted downwards from \$550,000 to \$371,000 as part of the 2006-2007 Annual Report actions based on updated information from the State. It is anticipated that the remaining grants will be received as budgeted.

The following adjustments are recommended in this report to the Revenue from the State category. These grant revenues and the associated expenditures are described in Section III of this document.

- Increase of \$250,000 to recognize an Internet Crimes Against Children Task Force grant for the 2008 calendar year.
- Increase of \$132,552 to recognize an Anti-Drug Abuse grant from the Governor's Office of Emergency Services that will be distributed by the County of Santa Clara.
- Increase of \$91,814 to recognize a Sobriety Checkpoint grant from the State Office of Traffic Safety.

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**REVENUE FROM THE STATE OF CALIFORNIA
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- Increase of \$29,433 to recognize grant funding for the Local Enforcement Agency program to be used for landfill enforcement activities.
- Increase of \$28,996 to recognize funding for homeland security preparedness that will be used for training and training materials on the use of personal protective equipment.
- Increase of \$18,728 to recognize funding from the State Homeland Security Grant Program to support the San Jose Prepared! Program.
- Increase of \$16,737 to recognize funding from the State Office of Traffic Safety to support the Avoid the 13 Checkpoints.
- Increase of \$5,000 to recognize funding for addressing work performed for the State of California Local Update of Census Address Program.
- Increase of \$2,500 to recognize grant funding received under the California Cultural Crossroads Grant Program.
- Increase of \$512 to the Airplane-in-Lieu revenue estimate to fund the rebudget of the Alcoholic Beverage Control Grant.

REVENUE FROM THE FEDERAL GOVERNMENT

Revenue Status				
2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$10,445,699	\$2,004,716	19.2%	11.9%	\$26,112

Almost all of the revenue in this category is received from federal grant programs. It is currently assumed that the budgeted grant proceeds will be collected by the end of the year according to the grant payment schedules that are in effect.

The largest grants in this category include the following: Bay Area Super Urban Area Security Initiative (SUASI) Grant (\$4.3 million); Community Oriented Policing Services (COPS) Interoperable Communications Grant (\$3.8 million); Urban Area Security Initiative (UASI) Grant (\$448,000); 2006 Bureau of Justice Grant

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**REVENUE FROM THE FEDERAL GOVERNMENT
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to fund a mobile street unit and other services (\$395,000); Comprehensive Approaches to Sex Offender Management (\$250,000); Metropolitan Medical Strike Team Grant (\$225,000); and Internet Crimes Against Children (\$224,000).

The following adjustments are recommended to the Revenue from the Federal Government category to recognize changes in grant funding:

- Increase of \$10,800 to recognize additional funding for the Senior Companion Program

to provide a program for frail homebound seniors.

- Increase of \$10,000 to recognize funding from the U.S. Department of Energy for a Clean Cities Grant to provide funding for alternative fuel vehicles education.
- Increase of \$5,312 to recognize additional funding from the Bay Area Super Urban Area Security Initiative to provide funding for staff to attend a Law Enforcement Intelligence Unit (LEIU) training course.

DEPARTMENTAL CHARGES

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$30,853,518	\$15,596,319	50.5%	48.6%	(\$675,000)

Contained in this revenue category are the various **Fees and Charges** levied to recover costs of services by several City departments. The mid-year status of collections in over 150 different fee types in this category was reviewed.

Library – Overall, departmental fee revenue of \$423,000 was tracking slightly below anticipated levels through December because a portion of the Fines revenue collected between October and December will not be reflected in

the collection figures until January. Library revenues are projected to meet the budgeted estimate of \$1.3 million by year-end.

Parks, Recreation and Neighborhood Services (PRNS) – Through December, departmental fee revenue of \$5.0 million was tracking above anticipated levels and should meet or slightly exceed the budget estimate of \$8.0 million by year-end. A number of the fee categories were tracking slightly higher than projected, including the Animal Control

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DEPARTMENTAL CHARGES
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Services fees, activity charges for classes, and park revenues, including Happy Hollow. The Adult Sports category, however, was tracking slightly below expectations.

Planning, Building and Code Enforcement (PBCE) – Overall, planning fee revenues of \$3.7 million were tracking higher than anticipated at 59% of the budgeted estimate of \$6.3 million. This is approximately 25% above anticipated levels and well ahead of last year's \$2.5 million level. In line with the other development-related fee areas, the 2007-2008 estimate was built assuming a continuation of the activity levels of last year, with the higher fee levels approved by City Council.

Several revenue categories have performed better than anticipated in the first half of 2007-2008 and are either close to or have already exceeded annual budgeted estimates. In the Non-Residential category, these include Conventional Rezoning/Rezoning Permits, Planned Development Permits and Conditional Use Permits. In the Residential category, the Planned Development Permits also have almost achieved its 2007-2008 revenue estimate with six months remaining. These increases have been partially offset by lower than anticipated collections in the remaining categories, including annexations, environmental impact reports and tentative maps. Current projections indicate that collections may end the year above the budgeted estimate by as much as \$500,000. No adjustments are recommended at this time. This is a welcome sign for all development

partners as the Planning Fee Program begins the process for all development. The Budget Office, in conjunction with PBCE, will continue to analyze revenue levels to determine if any adjustments to the revenue estimate will be necessary before the end of the year.

Police – Through December, Police revenues of \$817,000 were tracking within estimated levels and are expected to meet the budget estimate of \$1.7 million by year-end.

Public Works – Departmental fee revenue of \$3.1 million through December represented a disappointing decrease of 14.9% from 2006-2007 levels. An increase of 9.9% to fees in this program was approved in the Adopted Budget. It now appears unlikely that year-end collections will meet the Adopted estimate of \$8.7 million. To reflect the lower collection level, a downward revision of \$675,000 to the revenue estimate is recommended in this document. This decrease is proposed to be offset by a corresponding reduction in the Public Works Development Fee Program personal services budget (\$205,000) and the Development Fee Program Earmarked Reserve (\$470,000). These actions are recommended to balance anticipated revenues with expenditures.

The majority of revenue categories in the Public Works Fee Program have performed at lower than anticipated levels through the first half of 2007-2008, including residential engineering, private streets engineering and inspection, electrical design, and non-residential materials

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**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

**DEPARTMENTAL CHARGES
(CONT'D.)**

testing. The poor performance in these categories has been partially offset by higher than anticipated collections in a few categories, including non-residential engineering, utility excavations, and planned development permits.

The department will continue to carefully manage all expenditures related to this program, while being mindful of performance, as the Public Works Development Fee Program Earmarked Reserve will only be left with \$450,000 if the recommendations included in this document are approved. Given the structural deficit that currently exists in this program, the availability of bridge funding in the fee reserve is critical. The Public Works Department will do everything possible to maintain this reserve as a means of balancing the program budget for 2008-2009, as the department works to implement a revised fee structure that will fully recover costs and improve cycle time performance.

The Budget Office, in conjunction with the Public Works Department, will continue to analyze revenue and expenditure levels to determine if any further adjustments to the

revenue estimate will be necessary. As by Council directive these are cost recovery fees, any revenue adjustment is accompanied by a corresponding adjustment in appropriations or in the fee reserve.

Transportation – Departmental fee revenue of \$438,000 through December is tracking slightly below projected levels due to lower development-related tree planting charges and residential signal design and review. If current collection trends continue, revenues may fall slightly below the budget estimate of \$1.0 million by the end of the year.

Miscellaneous Departmental Charges – This category includes the Solid Waste Enforcement Fee with a budgeted estimate of \$3.3 million, and other miscellaneous fees and legal settlement estimates budgeted at \$560,000. Through December, collections of \$2.2 million in this category are tracking within estimated levels. The Solid Waste Enforcement Fee receipts of \$1.9 million are tracking within budgeted levels and should come close to the budgeted estimate by year-end.

OTHER REVENUE

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$22,505,433	\$11,320,611	50.3%	48.7%	\$298,000

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OTHER REVENUE
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The Other Revenue category contains a number of unrelated revenue sources. Other Revenue collections through December of \$11.3 million are tracking within estimated levels.

Following is a discussion of the major sub-categories in the Other Revenue category:

In the current year, the City has received \$4.2 million in **HP Pavilion Rental, Parking, Suite, and Naming** revenue, which is slightly below the budget estimate of \$4.5 million due to lower than projected Arena Suite revenue.

FMC Land Lease revenue is received from the Airport in an amount sufficient to cover the debt service payments made from the General Fund. Through December, \$2.1 million of the \$5.5 million budgeted has been received.

Through December, \$1.2 million of the \$2.9 million budgeted revenue for the **Coyote Valley Specific Plan** has been received.

Banking Services revenue of \$365,000 tracked at 34.8% of the budgeted estimate of \$1.1 million. While this revenue category is tracking slightly below projected levels, any variance in this revenue would be offset by corresponding variance in related expenditures.

Sidewalk Repair Activity revenue is received when the City performs sidewalk repair services and the property owners reimburse the City for those costs. Through December, Sidewalk Repair revenue of \$168,000 was 42% of the adopted estimate. Activity in this category

typically increases in the second half of the year, but collections may still fall short of the budgeted estimate of \$400,000. Any shortfall, however, should be offset by lower expenditures.

No revenue estimate for **SB 90 Reimbursements** from the State for State-mandated programs was included in the 2007-2008 Adopted Budget based on the experience in recent years where the State discontinued many of these payments due to budget constraints. Actual collections through December totaled \$274,000.

Through December, revenue from the **Sale of Surplus Property** totaled less than \$2,000, which was well below the budget estimate of \$2.4 million. The revenue estimate was increased in December 2007 by \$2.3 million to reflect the sale of surplus City property located on Corte De Rosa and Camden Avenue. The General Fund proceeds from this sale were allocated to the Police Substation project. Based on information from the Public Works Department, it is currently anticipated that \$2.9 million will be received by the end of the year from the sale of City property.

As described in Section III of this report, the following actions are recommended to recognize revenue in this category:

- Increase of \$132,000 to recognize funding from other local jurisdictions for the Multi-Agency Capital Project Benchmarking Study.

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**OTHER REVENUE
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- Increase of \$100,000 to recognize funding from KB Homes for historic preservation activities.
- Increase of \$50,000 to recognize revenue received from the Coleman Airport Partners, LLC and Earthquakes Soccer, LLC per the executed Exclusive Negotiating Agreement (ENA) to cover any City costs incurred from the obligations of the ENA and for pre-development costs.
- Increase of \$11,000 to recognize AAA Greenlight Initiative Grant funds from the American Automobile Association (AAA) that will provide funding for green vehicle driver training and education outreach.
- Increase of \$5,000 to recognize funding from Pacific Gas and Electric to establish a PG&E CERT Grant to fund a Spanish-language trainer for the San José Prepared Program.

TRANSFERS AND REIMBURSEMENTS

Revenue Status

2007-2008		2006-2007		2007-2008
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$101,004,767	\$64,297,436	63.7%	49.2%	\$977,000

The following are sources of revenue in this category: reimbursements to the General Fund for **Overhead** costs, revenue received as **Transfers** from other City funds, and **Reimbursements** for services rendered.

Overhead Reimbursements – Overhead associated with operating and capital funds is currently budgeted at \$33.1 million. Net zero overhead adjustments are recommended to reflect the final 2007-2008 overhead amounts based on the Adopted Budget personal services

costs in the various special funds and a correction to the overhead rates for the Treatment Plant Operating Fund and the Water Utility Fund. Corresponding adjustments in each of the impacted funds are also recommended. These revisions to the special funds result in a net downward adjustment of \$29,000 to the General Fund overhead figure that is offset by an upward adjustment to the overhead associated with capital funds. The overhead for capital funds is based on actual capital expenditures and collections through

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TRANSFERS AND REIMBURSEMENTS
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December are tracking above estimated levels. If current trends continue, the overhead associated with capital funds is projected to exceed the budgeted estimate by over \$1 million.

Transfers – This category includes \$50 million in various transfers. Transfers of \$31 million through December were tracking within estimated levels and are expected to end the year at the budgeted level. Included in this report is an upward adjustment of \$977,000 to reflect the increased reimbursement from the Airport for additional Police overtime associated with the “Orange Alert” security level.

Reimbursements for Services – The budget estimate for this category is \$17.8 million, of which \$17.2 million is expected to be generated from the three **Gas Tax Funds**. Gas Tax collections of \$6.1 million tracked above the prior year level of \$4.5 million because the December receipts were booked this year but were not reflected last year due to the monthly closing schedule. Once this timing difference is taken into account, collections are tracking as anticipated. Collections in this category are expected to meet the budget estimate by year-end.

CONCLUSION

A comprehensive review of all General Fund revenue accounts was performed based upon receipts through the first six months of the year. As described, revenues were generally tracking at or slightly above projected levels and it is anticipated that total collections should end the year slightly above the budgeted estimate. Included in this document is a net downward adjustment of \$780,000 to the General Fund revenue estimates. This reflects an increase of \$1.9 million to recognize various grants and reimbursements offset by a decrease of \$2.7 million to the Building and Public Works development fee program revenues based on the lower actual collections.

The Preliminary 2009-2013 General Fund Forecast assumed that a total of \$24.6 million

would be available from excess revenues, expenditure savings and the liquidation of carryover encumbrances in 2007-2008 for use in 2008-2009. Consistent with this assumption, it is anticipated that additional upward adjustments to the revenue estimates will be possible by year-end and will account for a portion of the fund balance figure. The revenue estimates for this year will be updated as part of the final 2009-2013 General Fund Forecast due to be released in February and will serve as the starting point for developing the estimates for 2008-2009.

As always, staff will continue to closely monitor our current year financial status and report to the City Council any significant developments through the Bi-Monthly Financial Reports.

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STATUS OF GENERAL FUND EXPENDITURES

Overview

General Fund expenditures through December totaled \$393.9 million. This represented an increase of \$39.1 million, or 11%, from the December 2006 level of \$354.8 million. Encumbrances totaling \$48.1 million were also \$8.8 million (22%) above the December 2006 level of \$39.3 million. Expenditures and encumbrances through December of \$442.0 million constituted 46.1% of the total 2007-2008 modified budgeted use of funds amount

(excluding reserves) of \$959.4 million. This was generally consistent with the 45.0% experienced in last year's budget at this time. Overall, expenditures are tracking as anticipated and are expected to end the year within budget.

The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

**2007-2008 General Fund Expenditures through December
(\$ in Thousands)**

Category	Current Budget	Y.T.D. Actual	% of Budget	Prior Year % of Budget
Personal Services	614,720	281,802	45.8%	45.0%
Non-Personal/Equipment	108,942	33,731	31.0%	30.8%
Other Departmental	12,691	5,154	40.6%	39.1%
City-Wide Expenses	149,571	39,784	26.6%	24.0%
Capital Contributions	44,052	7,341	16.7%	15.7%
Transfers	29,443	26,133	88.8%	99.3%
Reserves	127,053	-	0.0%	0.0%
Total	1,086,472	393,945	36.3%	35.4%

Departmental Expenditures

Personal Services costs represent the largest single expense category for the City. These costs accounted for 71.5% of the expenditures to date. Through December, Personal Services expenditures for all City departments totaled 45.8% of the current modified budget, a slight increase from last year's level of 45.0%, and very close to the budgeted expectations of 45.9%.

Non-Personal/Equipment expenditures of \$33.7 million are also tracking within anticipated levels with 31.0% expended through December. In addition to the funds actually expended, \$27.0 million was encumbered, bringing the total amount of funding committed to \$60.7 million, or 55.7% of the budget. These expenditures are also expected to remain within budget for all departments.

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**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview (Cont'd.)

Departmental Expenditures (Cont'd.)

The Other Departmental category includes the budget for the Mayor and City Council, Library Grants, and Parks, Recreation and Neighborhood Services Fee Activities. Other Departmental Expenditures totaled \$5.2 million or 40.6% of the budget. With encumbrances, the total amount committed increases slightly to \$5.5 million, or 43.0% of the budget.

Based on current trends, it is anticipated that all departments will remain within budget. There is an expectation that there will be some expenditure savings at the end of the fiscal year that will contribute to the Ending Fund Balance figure, which will be incorporated into the 2009-2013 General Fund Forecast.

Non-Departmental Expenditures

Through December, 26.6% of City-Wide Expenses budget of \$149.6 million has been expended. With encumbrances, however, the total amount of funding committed equals 36.7% of the budget.

Within City-Wide Expenses, the Community and Economic Development and Strategic Support City Service Area categories represent the largest portion of funding. For the first six months of the year, these two categories are 54.0% and 29.5% committed, respectively. The expenditure tracking for these City-Wide allocations can vary significantly depending on payment schedules and the timing of projects. In some instances, the appropriations will not be

fully expended by year-end because of the multi-year nature of some of these larger projects. Most of those savings will need to be rebudgeted to 2008-2009.

The Workers' Compensation Claims appropriation of \$17.9 million is a major component of the City-Wide Expenses - Strategic Support category. For the first half of the year, this appropriation tracked below budgeted levels. Only 36.4% of the appropriation was expended.

For several years now, Workers' Compensation Claims has experienced lower than budgeted expenditures, reflecting the impact of both City-initiated efforts and State-initiated program reforms. Based on projected activity, it is anticipated that this appropriation will have year-end savings.

General Liability Claims, another component of City-Wide Expenses, Strategic Support, is also tracking below budgeted levels during the first six months of the year. Only 14.3% of the appropriation has been expended or encumbered. Expenditures in this category are traditionally difficult to predict, though, given the nature of litigation. The Budget Office, in concert with the City Attorney's Office, will continue to monitor this appropriation as the year progresses.

Through December, the Sick Leave Payouts Upon Retirement allocation of \$13.7 million was only 14.0% expended. While expenditures

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**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview (Cont'd.)

Non-Departmental Expenditures (Cont'd.)

are expected to increase in the second half of the year, year-end savings in this appropriation are anticipated.

The remaining City-Wide Expenses categories, Environmental and Utility Services, Public Safety, Neighborhood Services, and Transportation and Aviation Services, tracked at 58.8%, 28.2%, 42.3%, and 42.1% committed, respectively, through December. The commitment in Environmental and Utility Services category appears high, but actually reflects only a timing issue – the IDC Garbage Disposal Fees is a contractual obligation with the City that tends to be paid at the beginning of the year. It is still anticipated that the expenditure items within Environmental and

Utility Services will end the year within budgeted levels.

Through December, General Fund Capital expenditures totaled \$7.3 million and encumbrances totaled \$5.5 million, bringing the amount committed to \$12.8 million, or 29.1% of the budget. It is anticipated that almost all of the budgeted amount will be expended or rebudgeted to 2008-2009 to complete various capital projects.

The Transfers category is 88.8% expended through December. Almost all of the transfers are processed at the beginning of the year. There are no expenditures in the Reserves category because expenditures cannot be charged directly to a reserve.

Discussion of Selected General Fund Departments and Major Variances

Expenditure Status (\$ in thousands)		
<u>Department</u>	<u>2007-2008 Budget</u>	<u>Y.T.D. Actual</u>
Fire	\$152,017	\$74,550

Overall, expenditures for the Fire Department were tracking above estimated levels through December with 49.0% expended.

Personal Services expenditures of \$71.6 million were tracking higher than estimated (49.6% versus a par level of 45.9%) due to retroactive payouts resulting from the International

Association of Firefighters (IAFF) arbitration resolution. As part of the 2006-2007 Annual Report, the Fire Department's 2007-2008 personal services budget was increased by \$16.9 million to address the impact of salary adjustments on 2007-2008 costs. A Mid-Year Budget action is recommended in this document

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**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments and Major Variances (Cont'd.)

to distribute the remaining \$10.4 million from the Salary Reserve to the Fire Department to complete the retroactive payouts for the period from 2005-2006 through 2006-2007. These actions will bring the personal services expenditures back within budgeted levels.

Through December, overtime expenditures were lower than projected with \$3.5 million expended (29.5%). The lower overtime expenditure level was due to a higher number of temporary positions occupied by recent academy graduates. These positions are available to fill in minimum staffing duty positions and prevent the need to call back personnel on overtime when absences or vacancies occur. Additionally, budgeted overtime activities, such as the Fire Engineer Academy and Special Operations training, have not yet occurred. At this time, the Fire Department expects that overtime expenditures at year-end will be lower than budgeted. Savings in this category, however, will be needed to offset projected higher expenditures in salaries and benefits associated with the overstrength positions that fill minimum staffing needs. On an overall basis, the Fire Department anticipates ending the year within the budgeted allocation for Personal Services expenditures.

Through December, the Fire Department had a total of 266 filled paramedics (172 front-line, 4 Supervisors, and 90 support). Of the 26 Firefighters that graduated from the January 2007 Academy in April 2007, 25 secured paramedic accreditation through October 2007. Of the 25 recruits that began the April 2007 Academy, 19 graduated in August 2007, with seven completing paramedic accreditation through December 2007. The remaining 12 Firefighters are expected to complete their paramedic accreditation by March 2008. A Firefighter-EMT Recruit Academy began in November 2007 with 30 Recruits. The Department projects it will have no problem maintaining the target staffing level of 154 front-line Firefighter Paramedics. The number of targeted front-line Firefighter Paramedics increased (from 147) for Fire Station 33 that came online in August 2007, and Fire Station 35 that came online in October 2007.

The Department's Non-Personal/Equipment budget of \$7.7 million was 55.8% expended or encumbered through December. The Department estimates that it will end the year within the budgeted allocation.

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**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments and Major Variances (Cont'd.)

Expenditure Status (\$ in thousands)		
<u>Department</u>	<u>2007-2008 Budget</u>	<u>Y.T.D. Actual</u>
Police	\$285,451	\$125,785

On an overall basis, the Police Department expenditures are tracking close to estimated levels with 44.1% of the budget expended through December.

Personal Services expenditures of \$118.8 million tracked close to anticipated levels (45.6% compared to the par of 45.9%). Overtime expenditures of \$4.3 million through December tracked above anticipated levels with 54.8% expended. This was partially due to special summer events that occurred downtown and higher overtime use for homicide investigations. The largest portion of the higher overtime expenditures, however, was incurred for staffing the “high” security threat level, or “Orange Alert” advisory, issued by the Federal Department of Homeland Security at the Airport. Overtime expenditures through December related to the increased security threat level totaled \$450,000, with additional overtime of approximately \$527,000 projected in the second half of the year. To fund this higher expenditure level, an increase of \$977,000 to the Department’s Personal Services Appropriation is recommended in this report, offset by a corresponding increase to the reimbursement to the General Fund from the Airport Maintenance and Operating Fund.

The Personal Services budget includes \$1.3 million that was rebudgeted from 2006-2007 to fund the Police Department’s Sworn Hire Ahead program. An additional \$762,000 was rebudgeted as part of the 2006-2007 Annual Report for this program. Under the Sworn Hire Ahead program, the Police Department hires new Officers to fill vacant positions before the positions become vacant to allow for the lengthy training period. The goal is to have a “street ready” officer available within 90 days of a vacancy. The Budget Office will continue to work closely with the Police Department to monitor this program and the overall Personal Services expenditures to ensure expenditures are within approved appropriations by year-end.

To implement the Sworn Hire Ahead Program and to staff the new positions added in the 2007-2008 budget, the Police Department graduated 30 Police recruits from the July 2007 Academy, with the officers expected to be street-ready in April 2008. In addition, the Department hired 45 Police recruits for the January 2008 Recruit Academy, with officers expected to be street-ready in October 2008.

The compensatory time balance at the end of December 2007 was 242,051 hours for sworn

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**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments and Major Variances (Cont'd.)

personnel. This represents a decrease of 3,773 hours (1.5%) from the November 2007 balance of 245,824, but an 11,940 hour increase (5.2%) compared to the December 2006 balance of 230,111. The increase in sworn compensatory time balances continues to be due to a number of factors including responses to specific types of crimes, such as homicides, which require immediate and intensive investigations, and the need to backfill for vacancies. The Department's sworn compensatory time reduction program for personnel with balances

over 240 hours is expected to limit growth for the next quarter; however, this area is a growing concern and staff will continue to monitor balances closely throughout the fiscal year.

A total of \$10.6 million (42.8%) of the Department's Non-Personal/Equipment budget was expended or encumbered through December. It is estimated that the Department will end the year within its allocation.

CONTINGENCY RESERVE

Through December, the General Fund Contingency Reserve was at \$30.4 million, up by \$1.3 million from the 2007-2008 Adopted Budget level of \$29.1 million. The following revisions to the Contingency Reserve were approved through December:

- A decrease of \$150,000 to support the completion of the Evergreen-East Hills Development Policy Update.

- An increase of \$1,264,843 to bring the Contingency Reserve to 3% of the budget based on the Annual Report actions.
- An increase of \$150,000 to restore the funding that was used to support the Evergreen-East Hills Development Policy Update.

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STATUS OF SELECTED SPECIAL FUNDS

The large majority of special fund operating budgets are tracking within estimated levels. A number of these funds, however, have been negatively impacted by the current economic conditions. Following are status reports for selected special operating funds that have significant revenue and/or expenditure variances from the modified budget or other issues of interest through the first six months of the year. As a result of our review of these funds, several actions are recommended as part of this report to address variances that have been identified to date and bring expenditure appropriations and/or revenue estimates back in line with revised projections. These funds will continue to be monitored to ensure they stay at appropriate levels through the end of the year.

Airport Operating Funds Overview

Airport Activity

Activity at Mineta San José International Airport through mid-year has shown mixed results compared to last fiscal year-to-date activity. Passenger traffic, landings, and takeoffs exceeded the prior year levels while cargo weights and rental car activity trailed prior year levels.

During the first six months of 2007-2008, one new commuter airline, ExpressJet Airlines (doing business as Delta Express), began service with four daily flights to Los Angeles. Overall year-to-date passenger activity increased only slightly, by 4,573 passengers, or 0.1%. Operations at the Airport (landings and takeoffs) increased by a slightly larger amount (2.5%), with passenger carrier operations remaining constant and commuter activity increasing 10.3% resulting from the new service provided

by ExpressJet Airlines. Rental car contracts, representing activity through November, trailed last year by 1.2% and cargo activity has declined 5.7%. Parking hourly exits were down by 6.2% for the year and daily exits decreased by 2.5%. As a result, parking revenue was down 1.7% from the previous year. General Aviation itinerant, local, and military operations activity increased by 6.8% from last year.

Although overall passenger traffic has not kept pace with projections, the Airport's fiscal situation remains stable. Revenues to date are slightly higher than projected and due to the continuation of a high number of vacancies, personal services expenditures tracked significantly below budgeted levels. The Airport will continue to carefully monitor activity, as well as the fiscal impacts, and report on the same in the Monthly Financial Report.

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Section I**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Operating Funds Overview
(Cont'd.)**

Airport Revenues

As of December 31, 2007, year-to-date operating revenues in the Airport Revenue Fund, excluding carryover surplus and coverage, totaled \$54.0 million. Revenues were 5.5% higher than the budgeted estimate and were greater than the same period of the prior year. Overall revenue performance is moderate, however terminal rentals, terminal concessions and miscellaneous rents performed strongly. Consistent with prior years, certain revenues were not recorded in December due to the closure of City offices for the holiday furlough.

The Airport will continue to closely monitor the impact of construction activities on Airport parking and concession revenues. Both parking spaces and concession locations have recently been reduced in order to create space for capital construction activity. In addition, the introduction of the new airline agreements on December 1, 2007 changes the rates for landing fees and terminal rents. During the second half of the year, it is anticipated that landing fees will increase and terminal rents will decrease. Both of these factors could have an impact on actual revenue collections in 2007-2008, and the extent of the impacts will be reported in the Monthly Financial Reports and included in the 2008-2009 Proposed Budget.

Airport Expenditures

Overall, expenditures in Airport Operating funds are tracking below year-to-date estimates. Unlike the previous six years, a Cost/Position Management Plan was not considered necessary for 2007-2008. Several factors, including expenditure savings in 2006-2007 and debt restructuring, have provided a stable budget position for the Airport. However, the conservative approach to spending adopted in previous years continues in the current year.

Two operating funds exist to finance Airport services: the Airport Maintenance and Operation Fund; and the Airport Customer Facilities and Transportation Fee Fund. The Airport Maintenance and Operation Fund provides funding for personal and non-personal/equipment expenditures associated with Airport operations, including but not limited to, Airport staff, Airport police services, Station 20 aircraft rescue and fire fighting services, interdepartmental charges, and overhead to the General Fund. The Airport Customer Facilities and Transportation Fee Fund accounts for costs associated with rental car busing services between the consolidated rental car facility and the terminals.

Airport Maintenance and Operation Fund departmental expenditures through December are tracking below budgeted levels in both personal services and non-personal/equipment categories.

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Operating Funds Overview
(Cont'd.)**

Airport Expenditures (Cont'd.)

Personal services costs in the Airport Customer Facilities and Transportation Fee Fund are also tracking below estimated levels due to a staff vacancy. Non-personal/equipment expenditures are tracking below budgeted levels primarily due to reduced shuttle bus expenses resulting from a reduction to the size of the shuttle bus fleet. New Compressed Natural Gas (CNG) shuttle buses, which will replace the current diesel buses in the rental car fleet, are expected in April 2008. Once received, the entire Airport

shuttle bus fleet - parking and rental car - will operate on alternatively fueled ("clean") vehicles.

In summary, although overall activity at the Airport is not meeting growth projections, revenues are still running slightly higher than budgeted and expenditures are tracking less than budgeted. A more detailed financial summary of the mid-year status of the Airport Maintenance and Operation Fund and the Airport Revenue Fund are included in the next section of this document.

Airport Maintenance and Operation Fund

	2007-2008 Adopted Budget	Change	2007-2008 Current Modified	2007-2008 YTD Actual	2007-2008 % of Budget	2006-2007 % of Budget
<i>Beginning Fund Balance</i>	8,983,343	475,422	9,458,765	N/A	N/A	N/A
<i>Encumbrance Reserve</i>	5,081,974	(828,251)	4,253,723	N/A	N/A	N/A
<i>Revenues</i>	107,210,201	0	107,210,201	53,605,098	50.0%	49.8%
TOTAL SOURCES	121,275,518	(352,829)	120,922,689	53,605,098		
<i>Expenditures</i>	102,511,103	5,270,123	107,781,226	45,784,939	42.5%	35.9%
<i>Encumbrance Reserve</i>	5,081,974	(5,081,974)	0	N/A	N/A	N/A
<i>Other Reserves</i>	3,779,080	(787,755)	2,991,325	N/A	N/A	N/A
<i>Ending Fund Balance - Reserved per Master Trust Agreement</i>	3,016,772	867,461	3,884,233	N/A	N/A	N/A
<i>Ending Fund Balance - Other Reserves</i>	6,886,589	(620,684)	6,265,905	N/A	N/A	N/A
TOTAL USES	121,275,518	(352,829)	120,922,689	45,784,939		

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Maintenance and Operation Fund
(Cont'd.)**

Fund Status

Revenues – Revenue for this fund consists of a transfer from the Airport Revenue Fund. The 2007-2008 transfer into the Airport Maintenance and Operation Fund continues to occur as budgeted. An increase to the transfer from the Airport Revenue Fund totaling \$79,700 is recommended to recognize additional revenue associated with a grant from the Valley Transportation Authority (VTA). The grant provides supplemental financial support to the Airport's existing Ground Transportation Compressed Natural Gas (CNG) Conversion Incentive program. Airport Ground Transportation vehicle owners, mainly taxis and shuttle vans, will benefit from financial incentives to replace or convert existing vehicles to alternatively fueled ("clean") vehicles.

Expenditures – Expenditures in this fund represent operating costs for the Airport, direct charges from various City departments that provide support services to the Airport, and transfers to the General Fund for Police and Fire services. Through December, both Airport personal and non-personal/equipment expenditures were tracking below budgeted levels.

In personal services, the Airport Department continued to operate with significant vacancies. In December there were 50.6 vacancies, while the average number of vacant positions during the first six months of 2007-2008 was

45.7. The Airport expended \$190,440 or 49.0% of its overtime budget through December. This represented an increase from 2006-2007 of \$26,087 or 15.9% in overtime expenditures. At this time it is anticipated that 2007-2008 overtime expenditures may exceed budget by year-end. Historically, overtime is primarily used for providing coverage for vacant positions and the need to maintain constant staffing levels. While this continues to apply, unique projects in the current year also require the use of overtime. The Airport is in the process of upgrading the network and installing software updates after hours to minimize disruption to users. Additionally, technology overtime services have been provided in relocating tenants to support the Terminal Area Improvement Program (TAIP). Overtime expenditures will be closely monitored for the balance of the fiscal year.

Current savings in non-personal/equipment expenditures for Airport operations are widespread across most categories. Conservative spending, as in previous years, continues to generate savings. Additionally, lower than anticipated rate increases for the parking shuttle bus operator and private security agreements resulted in contractual services savings. One category of expenditures that will be closely monitored is vehicle maintenance and operating costs. Year-to-date expenses show increases in equipment repair and parts mainly due to the aging fleet of vehicles and equipment.

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Maintenance and Operation Fund
(Cont'd.)**

Fund Status (Cont'd.)

Expenditures (Cont'd.)

Interdepartmental expenditures (charges for staff and services located in other City departments including Police and Fire) totaled \$12.6 million through December and tracked at anticipated levels. It is recommended in this report to increase the transfer for Police Services by approximately \$977,000 to fund added police overtime expenses related to checkpoint staffing which have accrued due to the continuation of Level Orange Alert security enhancements instituted in August 2006. Additionally, as described in the Revenue section above, an increase of \$79,700 is

recommended to the Airport Non-Personal/Equipment appropriation to recognize grant revenue from the VTA. These grant funds will be used, along with curfew fine moneys, to provide financial incentives to encourage Airport Ground Transportation operators to replace or convert existing vehicles to alternatively fueled ("clean") vehicles.

Airport Workers' Compensation claims to-date totaled \$151,485 (27.1% spent), a decrease of \$150,404 from the mid-year total for 2006-2007.

Fund Balance – No adjustment to the ending fund balance in the Airport Maintenance and Operation Fund is recommended at this time.

Airport Revenue Fund

	2007-2008 Adopted Budget	Change	2007-2008 Current Modified	2007-2008 YTD Actual	2007-2008 % of Budget	2006-2007 % of Budget
<i>Beginning Fund Balance</i>	12,172,346	9,861,594	22,033,940	N/A	N/A	N/A
<i>Revenues</i>	117,310,993	0	117,310,993	53,978,605	46.0%	46.8%
<i>Transfers</i>	11,712,270	0	11,712,270	0	N/A	N/A
TOTAL SOURCES	141,195,609	9,861,594	151,057,203	53,978,605		
<i>Expenditures</i>	132,683,309	0	132,683,309	59,797,179	45.1%	45.0%
<i>Unrestricted Ending Fund Balance</i>	8,512,300	9,861,594	18,373,894	N/A	N/A	N/A
TOTAL USES	141,195,609	9,861,594	151,057,203	59,797,179		

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Section I**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Revenue Fund
(Cont'd.)**

Fund Status

Revenues – As indicated in the overview, despite the lack of growth in activity at the Airport, overall revenue collections in the Airport Revenue Fund are tracking slightly above the estimated budget. Overall, performance of airline rates and charges revenue categories exceed the budgeted benchmark by 2.4%. Increased terminal rental rates boosted the terminal rental category while a decrease in the landing fee rate partially offset the gain. Airfield revenues are tracking at 12.8% above the budgeted estimate primarily due to higher ground concession fee and in-flight kitchen revenues.

The increased collection levels in terminal concessions and miscellaneous rents can be attributed to a variety of factors, in particular; higher holdroom and baggage claim fees, advertising, food and beverage, and other space rent, which are partially offset by lower than projected Orange Alert surcharge revenue.

Parking and roadway revenues also performed above budgeted levels. The 5.9% decline of short-term parking collections was accompanied by a slight understatement of certain revenues that were not recorded in December due to the closure of City offices for the holiday furlough. An increase in rental car concession fees pushed revenue in this category ahead of the year-to-date estimate. Receipt of a Compressed Natural Gas (CNG) tax credit and the increased transfer

of interest and excess reserve from the Fiscal Agent contributed to a 1.7% increase over budget in general and non-aviation revenues. The increase is partially negated by lower than anticipated investment income and the delayed receipt of fuel farm rental fees.

Petroleum program revenues exceeded mid-year budget estimates by 9.2%, which can be attributed to higher ground fuel sales and strong demand for compressed natural gas.

A reallocation of Construction Laydown revenue is recommended in this document, which shifts this revenue from an Airport Operating Fund to an Airport Capital Fund. There is also an increase of \$79,700 to recognize additional revenue associated with a grant from the Valley Transportation Authority (VTA). In addition, a transfer from the General Fund is recommended to recognize previous years' savings (\$647,000) associated with Airport police services.

Expenditures – Expenditures in this fund consist entirely of transfers to other funds. Transfers are made on a monthly basis in accordance with the Master Trust Agreement. A \$79,700 increase to the Airport Maintenance and Operation Fund transfer is recommended for grant funds received from the VTA to provide supplemental financial support to the Airport's existing Ground Transportation CNG Conversion Incentive program. Additionally, a

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Airport Revenue Fund
(Cont'd.)**

Fund Status (Cont'd.)

Expenditures (Cont'd.)

\$1,125,000 decrease in the transfer to the Airport Surplus Revenue Fund corresponds to the decision to recognize construction laydown revenue directly into the Capital program.

Fund Balance – The Fund Balance will increase as a result of the reimbursement of \$647,000 in prior years' Airport Police Services savings.

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

Convention and Cultural Affairs Fund

	2007-2008 Adopted Budget	Change	2007-2008 Current Modified	2007-2008 YTD Actual	2007-2008 % of Budget	2006-2007 % of Budget
<i>Beginning Fund Balance</i>	2,088,479	1,991,877	4,080,356	N/A	N/A	N/A
<i>Encumbrance Reserves</i>	150,320	188,112	338,432	N/A	N/A	N/A
<i>Revenues</i>	18,535,173	150,000	18,685,173	8,288,514	44.4%	38.0%
TOTAL SOURCES	20,773,972	2,329,989	23,103,961	8,288,514		
<i>Expenditures</i>	16,064,246	1,864,289	17,928,535	8,491,980	47.4%	51.8%
<i>Encumbrance Reserves</i>	150,320	(150,320)	0	N/A	N/A	N/A
<i>Other Reserves</i>	200,000	500,000	700,000	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	4,359,406	116,020	4,475,426	N/A	N/A	N/A
TOTAL USES	20,773,972	2,329,989	23,103,961	8,491,980		

Fund Status

Revenues – On an overall basis, revenues in the Convention and Cultural Affairs Fund are tracking as anticipated. Team San José (TSJ) management continues to actively evaluate the current business environment and identify potential business opportunities to increase revenue. Through December, according to TSJ, Building Rental revenues are tracking as expected, as are most other revenue sources such as labor and equipment rentals.

Approximately 44% (\$8.3 million) of the Fund’s revenues (\$18.7 million) came from transfers from the Transient Occupancy Tax

Fund and the General Purpose Parking Fund. Those transfers were made based on budgeted estimates.

Expenditures – Expenditures through December in the Convention and Cultural Affairs Fund are tracking below expected levels in personal services due to high vacancy levels. Conversely, non-personal/equipment expenditures are tracking slightly above anticipated levels due to the use of contract labor to cover vacancies. A transfer of personal services savings to the Non-Personal/Equipment appropriation in the amount of \$200,000 is recommended in this report to better align the budget with contract labor costs.

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Section I**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Convention and Cultural Affairs Fund
(Cont'd.)**

Fund Status (Cont'd.)

Fund Balance – No adjustments to the Ending Fund Balance in the Convention and Cultural Affairs Fund will be required at this time.

**2007-2008
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

Transient Occupancy Tax Fund

	2007-2008 Adopted Budget	Change	2007-2008 Current Modified	2007-2008 YTD Actual	2007-2008 % of Budget	2006-2007 % of Budget
<i>Beginning Fund Balance</i>	3,752,561	423,566	4,176,127	N/A	N/A	N/A
<i>Encumbrance Reserve</i>	78,258	48,439	126,697	N/A	N/A	N/A
<i>Revenues</i>	13,450,000	0	13,450,000	5,552,798	41.3%	43.2%
TOTAL SOURCES	17,280,819	472,005	17,752,824	5,552,798		
<i>Expenditures</i>	15,940,693	454,773	16,395,466	8,051,520	49.1%	33.3%
<i>Encumbrance Reserve</i>	78,258	(78,258)	0	N/A	N/A	N/A
<i>Other Reserves</i>	90,000	0	90,000	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,171,868	95,490	1,267,358	N/A	N/A	N/A
TOTAL USES	17,280,819	472,005	17,752,824	8,051,520		

Fund Status

Revenues – Revenues in the Transient Occupancy Tax Fund are tracking above budgeted levels. For 2007-2008, the Adopted Budget estimate assumed a growth rate of 7% over estimated 2006-2007 receipts. However, because 2006-2007 revenue levels exceeded projections, only 4% growth is needed in 2007-2008 to meet the budgeted level by year end. Half way through the year, revenues are running approximately 13% above prior year levels.

Overall, occupancy rates for the first six months of the fiscal year averaged 58.6%, which is slightly higher than last year's level of 57.4%. Room rates have also increased slightly from last year's average of \$125.1 to \$138.0. If

current trends continue, revenue could end the year approximately 10%-15% above budgeted levels.

Expenditures – Expenditures through December in the Transient Occupancy Tax Fund are tracking as anticipated. The year-to-date expenditures are higher compared to 2006-2007 due to a change in how the scheduled payments to the Convention and Visitors Bureau (CVB) are charged. Payments to CVB are split between the General Fund and the Transient Occupancy Tax Fund. Previously, due to declining collections which resulted in cash flow issues, all payments to CVB were charged to the General Fund appropriation first, and when that appropriation was exhausted, charges were made to the Transient Occupancy Tax

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

**Transient Occupancy Tax Fund
(Cont'd.)**

Fund Status (Cont'd.)

General Fund and in this fund during the entire year.

Expenditures (Cont'd.)

Fund. Since then, collections in this fund have recovered and it is no longer necessary to charge these payments first to the General Fund. All payments are now split accordingly in the

Fund Balance – No adjustments to the Ending Fund Balance in the Transient Occupancy Tax Fund are required.

**2007-2008
MID-YEAR BUDGET REVIEW
Section II**

CAPITAL BUDGET PROGRAMS STATUS REPORT

At mid-year, the City Manager's Budget Office conducts a comprehensive review of each capital budget program. This section of the report summarizes the financial status of each program, including a discussion of the major revenue sources and any major expenditure variances.

The 2007-2008 Adopted Capital Budget totaled \$2.0 billion. Through the first six months of the year, the City Council approved budget adjustments that, in total, decreased the capital budget by \$89.1 million to a total of \$1.91 billion. All of the decrease (\$96.2 million) reflects the impact of technical adjustments that were processed as part of the 2006-2007 Annual Report. These adjustments included a reduction of \$195.9 million to account for changes to fund balance as a result of lower revenue collections, the largest of which were due to bond proceeds that were not issued in 2006-2007 for the Airport; partially offset by expenditure savings, project augmentations and rebudgets. The remainder of approved adjustments to the budget through the first six months of the fiscal year included the addition of a small number of new projects, projects with changes in cost and/or scope, as well as technical adjustments to funding sources.

During the first half of the year, revenues and project expenditures were generally tracking within budget. The continued slowdown in the local real estate market has, however, negatively impacted a number of the development-sensitive revenues. In addition, the continuing rise in construction costs remains a concern for projects scheduled to be awarded through the remainder of the year. As a result, we may continue to see projects that experience funding shortfalls that could require budget adjustments or changes in project scopes.

AIRPORT

Financial Status

The Airport Capital Program is composed of four funds: The Airport Capital Improvement Fund, the Airport Revenue Bond Improvement Fund, the Airport Renewal and Replacement Fund, and the Airport Passenger Facility Charge (PFC) Fund.

Revenues recorded into Airport capital funds include grant income, commercial paper proceeds, PFC's, bond proceeds, interest income, the collection of an additional \$5.00 Customer Facility Charge that went into effect

January 1, 2008 and the transfer of construction laydown revenue. In addition, Airport operating revenues support the funding of the Airport Renewal and Replacement Fund capital projects.

The Airport Capital Improvement Fund is funded by grant revenue. Principally, these are federal grants administered by the Federal Aviation Administration (FAA) under its Airport Improvement Program (AIP). Most grants provide an 80% reimbursement of project costs. The Airport's 20% local share is primarily funded by the Airport PFC Fund or the Airport Renewal and Replacement Fund. Overall, grant income in the Airport Capital

**2007-2008
MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

AIRPORT (CONT'D.)

Financial Status (Cont'd.)

Improvement Fund appears to be tracking below budgeted levels since grant revenues are typically received on a reimbursement basis; however, the full amount of budgeted revenue is still expected to be received by year-end. Commitments through December in the Airport Capital Improvement Fund totaled \$14.3 million, or approximately 29.4% of the budget for capital projects. Mid-year adjustments recommended in this report for this fund include recognition of an increase in grant income in the amount of \$527,000 to establish a new project, Compressed Natural Gas (CNG) Fueling Station Upgrades; and augmentation of the North Concourse Building (\$27,000) project to ensure sufficient funding to complete this project's outstanding tasks. The net impact of these actions is a decrease to Ending Fund Balance in the amount of \$27,000.

The Airport Revenue Bond Improvement Fund provides funding for major capital projects financed by bond issuances and other debt instruments. Revenues are tracking above anticipated levels through December due to bond proceeds in excess of budgeted amounts. Expenditures are tracking within expected levels through December.

The Airport is currently using bond proceeds, including the 2007 Airport Revenue Bonds issued in September 2007, along with commercial paper to provide funding for projects in this fund. Mid-year adjustments recommended in this report for this fund include

the transfer of funds from the Customer Facility and Transportation Fee Fund to recognize additional revenue from an additional \$5.00 Customer Facility Charge (CFC) levied on each rental car contract effective from January 1, 2008 through June 30, 2008. This revenue provides partial funding for the design and construction of the Consolidated Rental Car Garage. Also recommended in this report is an increase to the budget for Transfers from the Airport Fiscal Agent Fund (525), recognizing additional bond proceeds available at the closing of the 2007 Airport Revenue Bonds.

Commitments through December in the Airport Revenue Bond Improvement Fund totaled \$289.3 million, or approximately 31.6% of the budget for capital projects. There are several mid-year adjustments recommended in this report for this fund, including the establishment of one new project, South Apron Replacement (\$200,000); reallocation of current funding in various appropriations related to the North Concourse Building project, including Master Plan Miscellaneous Precursor projects, Central Plant Expansion, Electrical Distribution System, and Utility Infrastructure projects; and an augmentation to the Airfield Lighting Control and Taxiway V Lighting System project (\$200,000), which is fully offset by a reduction in the West Side Airfield Reconstruction project. The overall realignment of funding for the North Concourse Building project is necessary to ensure funding is available in the proper appropriations to allow uninterrupted completion of outstanding tasks. An additional reallocation from the Terminal Area Improvement, Phase I project to the Public Parking Garage (\$1.7 million) will increase the

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

AIRPORT (CONT'D.)

Financial Status (Cont'd.)

budget for the latter project to \$15 million to fund the 15% design development documents of the public parking structure and the first floor public parking planned in the Consolidated Rental Car Garage. Also recommended in this fund is an increase to the budget for principal and interest payments due to the continuation of the commercial paper program approved by City Council in January 2007. The net impact of these actions is an increase to Ending Fund Balance in the amount of approximately \$35.0 million.

The Airport Renewal and Replacement Fund's revenue primarily comes from operating revenues included in the calculation of the annual rates and charges and funneled to this fund via the Airport Surplus Revenue Fund. Included in this report is a recommendation in this fund to reflect the addition to the budget of Construction Laydown Revenue associated with the lease of Airport West land directly to the Capital Program. This adjustment merely reflects a reallocation of revenues from an Airport operating fund to an Airport capital fund. There is no net adjustment to these revenues.

Although no transfers were made through December, the transfer from the Airport Surplus Revenue Fund is expected to be made prior to the end of the fiscal year. Projects in this fund support capital projects that are not approved for grant, PFC, or bond funding.

Commitments through December in the Airport Renewal and Replacement Fund totaled \$8.3 million, or 44.1% of the budget for capital projects, and are tracking within estimated budget levels. There are several mid-year appropriation adjustments recommended in this report, including the establishment of two new projects, Baggage Handling Maintenance (\$152,000) and Compressed Natural Gas (CNG) Fueling Station Upgrades (\$200,000); the augmentation of the FIS 3rd Floor Lounge Build-Out (\$160,000), Equipment, Operating (\$20,000), and Facilities Maintenance Equipment (\$40,000) projects; and elimination of funding for the International Garbage Sterilizer (\$450,000) project. In addition, current funding in Master Plan Miscellaneous Precursor Projects (\$373,000) would be reallocated to the North Concourse Building project as part of an overall realignment of funding for the North Concourse Project. This will ensure funding is available in the proper appropriations to allow uninterrupted completion of outstanding tasks. These actions result in a net decrease of \$165,000 to Ending Fund Balance.

The Airport PFC Fund includes projects that have been approved by the FAA for funding from PFC's, which is a \$4.50 fee charged to departing passengers. Projects within this fund are determined in consultation with the airlines that utilize the Airport facilities. PFC revenue collections are tracking slightly below estimated levels. Commitments through December in the Airport PFC Fund totaled approximately \$6.7 million or 15.9% of the budget for capital projects. No mid-year adjustments are recommended in this fund.

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

CIVIC CENTER

Financial Status

The 2007-2008 budget for this capital program primarily reflects project closeout costs. In addition, funding in this program includes approved city-wide infrastructure projects that were funded from interest earnings in the construction bonds, including technology improvements and the cleanup of Watson Park. The 2007-2008 sources of funding for this program include existing fund balances and commercial paper proceeds. Commercial paper provided interim financing to complete construction of City Hall and the off-site garage. Bonds will be issued to provide permanent funding for the garage later this fiscal year.

On the revenue side, commercial paper issuance in the Civic Center Improvement Fund totaled \$216,000 through December compared to a budget of \$10.9 million. The remaining commercial paper issuance scheduled in this fund, allocated for technology, fixtures, and equipment, will be made as actual expenditures occur later in this fiscal year.

On the expenditure side, appropriations are tracking within expected levels. The projects funded in the remaining allocations include project closeout costs, equipment procurement for the Storage Area Network (SAN) and the Network Operations Center (NOC) at City Hall, cable/fiber connections to public safety facilities, voice and data network enhancements at the Police Administration Building, secondary cooling at the City Hall NOC, and cleanup of Watson Park. Any unspent project

funds are anticipated to be rebudgeted at year-end to fund the completion of these projects.

COMMUNICATIONS

Financial Status

The Communications Capital Program was established to replace and upgrade the public safety and non-public safety radio equipment and is funded from Construction and Conveyance (C&C) Taxes.

As discussed in detail elsewhere in this document, C&C Tax receipts have been declining, due to the slowdown in the local real estate market. The 2007-2008 Adopted Capital Budget estimate for C&C Taxes is \$27 million, of which 3.40% is allocated to the Communications Capital Program. The adopted estimate allows for a 35% drop from the 2006-2007 collection level of \$41.8 million. Through December, Construction and Conveyance Tax receipts total \$13.3 million or 49% of the adopted estimate. At this point, it is anticipated that C&C revenues will meet the adopted level of \$27 million. However, if revenues continue to decline a downward adjustment to the estimate may be necessary later in the year.

Expenditures within this fund are tracking below budgeted levels through December. The Fire Radio Infrastructure System project and the Trunking Radio System Feasibility Study are expected to be completed within this fiscal year. Motorola, the City's Fire Radio vendor, has received the order for the Fire Radio Infrastructure System project, and Fire radio

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

COMMUNICATIONS (CONT'D.)

Financial Status (Cont'd.)

sites are being prepped in anticipation of the equipment's arrival.

DEVELOPER ASSISTED PROJECTS

Financial Status

The Developer Assisted Projects Capital program includes the Underground Utility Fund and the Residential Construction Tax Contribution Fund, which are used primarily to receive money from and/or provide payments to developers and utility companies for the construction of street improvements throughout the City and to encourage the undergrounding of existing overhead utilities. The Underground Utility Fund is supported by In-Lieu fees paid by developers. Revenue collections through December of \$342,000 are significantly behind pace for achieving the adopted estimate of \$1,345,000. It is now anticipated that year-end collections will approximate \$900,000, and the revenue estimate is recommended to be adjusted accordingly in this document. The reduction to the revenue estimate is recommended to be offset by a decrease to Ending Fund Balance. Expenditures are tracking below budgeted levels through December.

The Residential Construction Tax Contribution Fund generates its revenue from the Residential Construction Tax. Revenue collections in this category (\$40,000) are also well below

anticipated levels and on pace to fall short of the adopted estimate (\$256,000). No decrease to the budgeted estimate is recommended at this time, but staff will continue to monitor these revenues closely and a downward adjustment, if necessary, may be recommended at year-end. Sufficient fund balance exists to offset any shortfall in this area. Expenditures in all categories are tracking below expected levels.

LIBRARY

Financial Status

The Library Capital Program provides funding to construct new library facilities, renovate existing facilities, acquire materials, install automation equipment to provide information access and electronic processing, and support other miscellaneous facility improvements. The Library Capital Program is funded primarily from Construction and Conveyance (C&C) Taxes, proceeds from the Library Bond Measure, and proceeds from the Library Parcel Tax.

As discussed in detail elsewhere in this document, C&C Tax receipts have been declining, due to the slowdown in the local real estate market. The 2007-2008 Adopted Capital Budget estimate for C&C Taxes is \$27 million, of which 14.22% is allocated to the Library Capital Program. The adopted estimate allows for a 35% drop from the 2006-2007 collection level of \$41.8 million. Through December, Construction and Conveyance Tax receipts total \$13.3 million or 49% of the adopted estimate. At this point, it is anticipated that C&C

**2007-2008
MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

LIBRARY (CONT'D.)

Financial Status (Cont'd.)

revenues will meet the adopted level of \$27 million. However, if revenues continue to decline a downward adjustment to the estimate may be necessary later in the year. Included in this document is a recommendation to reduce the Reserve: New Branch Opening Day Collections allocation and move the funding to an active appropriation (\$4,500,000). This funding will allow new materials to be purchased for the Pearl Avenue, Willow Glen, Santa Teresa, East San José Carnegie, Bascom and Southeast Branches.

On November 7, 2000, City voters approved Measure O, a \$212 million general obligation bond for library improvements. In June 2006, a total of \$60.0 million in bond proceeds were issued to provide sufficient funding for 2006-2007 and 2007-2008 expenditures. To date, a total of \$211.8 million in Library bond proceeds have been issued, which leaves a remaining issuance of \$11.2 million. It is anticipated that the remaining bond proceeds will be issued at the end of the fiscal year to ensure sufficient funding for the remaining Library Bond projects.

Expenditures in the Branch Libraries Bond Projects Fund are generally tracking within estimated levels, however, there are several adjustments recommended in this report. The Santa Teresa Branch project received favorable construction bids, therefore a recommendation

to reduce the project budget by \$2,000,000 is recommended. The Edenvale Branch and Almaden Branch libraries are both complete, therefore, this document includes a recommendation to reduce the Edenvale Branch project budget by \$750,000 and the Almaden Branch project budget by \$200,000. A corresponding increase to the Library Bond Projects Contingency Reserve of \$2,950,000 is also recommended to reflect the savings from these three projects. An increase to the Cambrian Branch project (\$22,000) is recommended to ensure adequate funding is available to complete post construction work and an increase to the Land Acquisition appropriation (\$85,000) is recommended to ensure funding is available in case the City and Evergreen Valley College reach a final agreement to lease land for the Southeast Branch Library. These two recommendations are offset by a recommended \$107,000 reduction to the Branch Libraries Bond Projects Ending Fund Balance.

The Library Parcel Tax Fund revenues and expenditures are tracking within estimated levels through December. No adjustments to this fund are recommended at this time.

PARKING

Financial Status

The Parking Capital Program provides funding to maintain and improve existing parking facilities, upgrade and replace both on-street

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

PARKING

Financial Status (Cont'd.)

and off-street parking equipment, and develop parking facilities. The Parking Capital Program is funded from the General Purpose Parking Fund.

Revenues in the General Purpose Parking Fund are primarily generated from fees charged at downtown garages, lots, and parking meters. A portion of those revenues is transferred to the Parking Capital Program to fund capital improvements. Revenues are currently tracking slightly higher than projected estimates primarily due to the Enhanced Parking Security and Cleaning Plan, which charged customers a flat \$5 rate on Thursday, Friday, and Saturday nights after 10 pm through the end of December 2007, and a flat \$2 rate everyday after 6 pm starting January 2008.

Through December, capital project expenditures in the General Purpose Parking Fund are tracking within generally expected ranges. However, there are a number of adjustments being recommended in this report. An increase of \$70,000 is recommended for the Police Parking Garage Security appropriation to fund the enhanced security for the City's parking garages. An increase of \$310,000 is also recommended for the Facility Improvements and Maintenance project to fund the implementation of the Convention Center Deck Repair project. The scope of this project has increased significantly due to additional damage

discovered during construction. The use of Ending Fund Balance is recommended to offset these increases.

Additionally, an increase of \$132,000 to the Revenue Control Upgrades project is also recommended to fund system-wide upgrades to the credit card processing equipment at all parking garages and at the central server to meet the Payment Card Industry Data Security Standard requirements. A corresponding decrease of \$132,000 from the Minor Parking Facility Repairs appropriation is recommended to offset this increase.

**PARKS AND COMMUNITY
FACILITIES DEVELOPMENT**

Financial Status

The Parks and Community Facilities Development Capital Program is a long-term capital investment plan for the acquisition, development, and maintenance of parks, recreational facilities, trails and open space.

The Parks Capital Program is funded primarily through Construction and Conveyance (C&C) Tax revenue and proceeds from the Parks Bond Measure. In addition to these revenues, the Parks Capital program is also supported by grants from the federal and State governments, developer's contributions and fees.

As previously reported in Monthly Financial Reports, Construction and Conveyance

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

**PARKS AND COMMUNITY
FACILITIES DEVELOPMENT
(CONT'D.)**

Financial Status (Cont'd.)

collections have been declining due to the slowdown in the local real estate market. Nearly 98% of the total C&C Taxes are comprised of conveyance receipts, or property transfers, which are the main driver in this revenue category. The number of property transfers for all types of residences in the first half of 2007-2008 has decreased by 44% compared to the first six months of 2006-2007. The average days on market has also steadily grown from a low of 39 days in June 2007 to 60 days in December. The December figure represents a 9% increase from the 55 days houses remained on the market in December 2006.

Fortunately, a significant drop-off in the housing market had been anticipated in the Adopted Budget. The 2007-2008 Adopted Capital Budget estimate for C&C Taxes is \$27 million, of which 65.2% is allocated to the Parks Capital Program. The adopted estimate allows for a 35% drop from the 2006-2007 collection level of \$41.8 million. Through December, Construction and Conveyance Tax receipts total \$13.3 million or 49% of the adopted estimate. This figure represents a 25% decrease from the \$17.6 million collected through December 2006, however, it should be noted that October (52%) and December (44%) have experienced significantly larger declines. In addition to

these revenues, the City has since received January Conveyance Tax receipts totaling \$2.6 million. This amount is 34% lower than the January 2007 amount of \$3.9 million. With this decrease, Construction and Conveyance collections have now experienced decreases in 19 out of the last 21 months when compared to the same months in the prior year. At this point, it is still anticipated that C&C revenues will meet the adopted level of \$27 million but will need to be carefully watched. If revenues continue to decline, a downward adjustment to the estimate may be necessary later in the year. Due to the volatile nature of this tax revenue, staff will continue to monitor receipts closely and make additional recommendations, if necessary, at a later date.

On November 7, 2000, City voters approved Measure P, a \$228 million general obligation bond for park and recreational improvements. In June 2007, a total of \$22.1 million in bond proceeds were issued to provide sufficient funding for 2007-2008 expenditures. To date, a total of \$200.2 million in Parks bond proceeds have been issued, which leaves a remaining issuance of \$27.8 million. It is anticipated that the remaining bond proceeds will be issued at the end of the fiscal year to ensure sufficient funding for the remaining Parks Bond projects.

In the other funds that support the Parks and Community Facilities Development Capital Program, revenues and expenditures are tracking within estimated levels through December.

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

**PARKS AND COMMUNITY
FACILITIES DEVELOPMENT
(CONT'D.)**

Financial Status (Cont'd.)

A revenue estimate increase of \$297,000 and a corresponding increase to the Vietnamese Cultural Heritage Garden project is recommended in the City-Wide C&C Tax Fund section of this document to recognize funding anticipated to be received from the Vietnamese Heritage Society (VHS). This funding will be utilized for Department of Public Works plan review and construction inspection fees associated with the Vietnamese Cultural Heritage Garden project. Also, a \$285,000 revenue increase with a corresponding increase to the Alma Community Center Improvements project is recommended in the Council District 7 C&C Tax Fund section of this document to recognize Proposition 40 grant funding anticipated to be received from the State of California. A \$24,000 revenue decrease is also recommended in the Council District 3 C&C Tax Fund section of this document to reflect grant funding for the Selma Olinder Park. Final payment of \$301,000 was received from the State of California for Proposition 13 grant funding, however, a total of \$425,000 was budgeted. Partially offsetting this decrease in anticipated grant funding was the receipt of a Proposition 12 grant (\$100,000), also for Selma Olinder Park, but the revenue was not previously budgeted. Finally, a recommendation is included in the Council District 9 C&C Tax Fund section of this document to reflect the receipt of Proposition 40

grant funding (\$220,000) from the State of California for Butcher Dog Park.

As previously approved by the City Council, this document includes a recommendation to increase the Happy Hollow Park and Zoo project. The approved Happy Hollow Park and Zoo-Zoo and Attractions award memorandum included a recommendation to use funding which was allocated to the parking lot and bridge phases of the project for the Zoo and Attractions phase. This action was approved with the caveat that the funding would later be replaced with a combination of the City-Wide C&C Tax Fund (\$1,200,000) and the Parks and Recreation Bond Projects Fund (\$2,700,000). In accordance with this direction, therefore, actions recommended in this document, restore the budget for the parking lot and bridge phases of the project.

A number of adjustments are recommended in this document to reflect anticipated expenditure changes. They include: Parks and Community Facilities Development Office (\$300,000) (Parks Central C&C Tax Fund); City-wide Skateboard Park Development (\$64,000) (Parks City-Wide C&C Tax Fund); Columbus Park Horseshoe Court (\$64,000) (Parks City-Wide C&C Tax Fund); Public Works Capital Management Costs (\$42,000) (Lake Cunningham Fund); Family Camp Lease (\$25,000) (Parks City-Wide C&C Tax Fund); Refund Developers (\$25,000) (Council District 3 C&C Tax Fund); Public Works Capital Management Costs (\$8,000) (Park Yards C&C Tax Fund); Canyon Creek Park Perimeter Landscaping (\$9,000) (Council District 8 C&C

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

**PARKS AND COMMUNITY
FACILITIES DEVELOPMENT
(CONT'D.)**

Financial Status (Cont'd.)

Tax Fund); and Scott and Clifton Park Real Estate Services (\$4,000) (Subdivision Park Trust Fund). The C&C and Lake Cunningham Fund adjustments mentioned above are all funded by the individual fund's Ending Fund Balance. Adjustments in the Subdivision Park Trust Fund are offset by the Reserve: Future PDO/PIFO Projects.

In addition, several actions are recommended in this document to appropriate new funds or to activate existing reserves for new Capital projects. These projects include: Reserve: Calpine Open Space (\$500,000) (Parks City-Wide C&C Tax Fund); Reserve: District 2 Community Center (Parks City-Wide C&C Tax Fund) (\$500,000); Aquatics Master Plan Implementation (\$250,000) (Council District 2 C&C Tax Fund); Flickinger Park Improvements (\$107,000) (Subdivision Park Trust Fund); Pools and Fountains (\$101,000) (Parks Central C&C Tax Fund); and Rosemary Garden Park Improvements (\$50,000) (Subdivision Park Trust Fund).

For more detailed information on all the adjustments made to the Parks Capital Program, please refer to Section III of this document.

PUBLIC SAFETY

Financial Status

The Adopted 2007-2008 Public Safety Capital Program is funded from three sources: proceeds from the Neighborhood Security Act Bond Measure (\$106.1 million); Fire Construction and Conveyance (C & C) Tax Fund (\$10.7 million) and the General Fund (\$9.9 million).

On March 5, 2002, the voters in San José approved Measure O, the "9-1-1, Fire, Police, Paramedic and Neighborhood Security Act", a \$159 million general obligation bond for Police and Fire capital improvements. A total of \$146.7 million of bonds have been issued in prior fiscal years, and the 2007-2008 Adopted Capital Budget includes an additional bond issuance of \$12.3 million. Through December, revenues and expenditures in this program are tracking within estimated levels.

As discussed elsewhere in this document, C&C Tax receipts have been declining, due to the slowdown in the local real estate market. The 2007-2008 Adopted Capital Budget estimate for C&C Taxes is \$27 million, of which 8.40% is allocated to the Fire Department as part of the Public Safety Capital Program. The adopted estimate allows for a 35% drop from the 2006-2007 collection level of \$41.8 million. Through December, Construction and Conveyance Tax receipts total \$13.3 million or 49% of the adopted estimate. At this point, it is anticipated that C&C revenues will meet the adopted level of \$27 million. However, if revenues continue

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

PUBLIC SAFETY (CONT'D.)

Financial Status (Cont'd.)

to decline a downward adjustment to the estimate may be necessary later in the year.

In the Neighborhood Security Act Bond Fund, the reallocation of \$1,100,000 in the Public Art - Police Bond Projects appropriation to the South San José Police Substation is recommended. As authorized by the City Council on December 18, 2007, this action would replenish the General Fund Future Capital Projects (FF&E) Reserve by reallocating funding in the Neighborhood Security Bond Fund from the Public Art - Police Bond Projects to the South San José Police Substation project. Options to replenish public art at the substation will be discussed in a separate memorandum to be considered as part of the Mid-Year Budget Review.

Expenditures in this program, including General Fund funded apparatus replacements, are tracking within anticipated levels. Major projects, including Fire Station 12 and Fire Station 17, are currently underway. Unexpended funds for these projects will be recommended later in this year to be carried over to 2008-2009 to allow for project completion.

SANITARY SEWER

Financial Status

The Sanitary Sewer System of the City of San José consists of approximately 2,000 miles of sewer mains ranging in diameter from six to 90 inches. The system serves the City as well as three other jurisdictions, and conveys sewage to the San José/Santa Clara Water Pollution Control Plant. The Sanitary Sewer Capital Program has two major funding sources: the Sewer Service and Use Charge Capital Improvement Fund and the Sanitary Sewer Connection Fee Fund. These funds are supported through transfers from the Sewer Service and Use Charge Fund, joint participation revenues, connection fee revenues, interest, and other miscellaneous revenue.

The Sewer Service and Use Charge Capital Improvement Fund is funded through transfers from the Sewer Service and Use Charge Fund and interest earnings. Transfers through December have totaled \$4.83 million, or 33.4% of the budgeted amount (\$14.48 million), and subsequent transfers are expected to occur as planned. Through the first six months, interest earnings and miscellaneous revenues are tracking well above anticipated levels at \$827,000 or 97.8% of the budgeted amount (\$846,000). On the expenditure side, projects are occurring as anticipated and any remaining savings at year-end are expected to be rebudgeted to complete on-going projects.

Joint participation revenues, connection fees, and interest earnings support the Sanitary Sewer

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

SANITARY SEWER (CONT'D.)

Financial Status (Cont'd.)

Connection Fee Fund. Joint participation revenues, usually invoiced and accrued at the end of the fiscal year, reflect cost sharing of actual expenditures incurred during the fiscal year. Corresponding project expenditure savings will offset any potential shortfall in this category. Through December, joint participation revenue collected was \$658,000 or 230% of the budgeted amount (\$286,000). Collections of Sanitary Sewer Connection Fees totaled \$443,000 or 36.5% of the budgeted amount (\$1,215,000) due to lower activity levels. Sufficient fund balance is available to offset any potential shortfall in this area. Staff will continue to monitor these revenues closely and bring forward adjustments at year-end, if necessary. Interest income and miscellaneous revenues total \$216,000 through December, compared to the budgeted amount of \$53,000. The higher than estimated revenues are due to interest being earned on a higher than estimated fund balance. On the expenditure side, expenditures are occurring as anticipated and any remaining savings at year-end are expected to be rebudgeted to complete remaining projects.

An increase to the appropriation for Public Works Capital Management Costs (\$159,000) is recommended in this report. This allocation, which funds the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, needs to be increased due to higher

than anticipated project-related expenditures in the fund.

SERVICE YARDS

Financial Status

The Service Yards Capital Program funds the construction and capital improvements for City Service Yards, which house all the support shops that maintain City vehicles, buildings, sanitary sewers, storm drains, streets, and related facilities. The Service Yards Capital Program is supported by the Construction and Conveyance (C&C) Tax Fund.

As discussed in detail elsewhere in this document, C&C Tax receipts have been declining, due to the slowdown in the local real estate market. The 2007-2008 Adopted Capital Budget estimate for C&C taxes is \$27 million, of which 8.78% is allocated to the Service Yards Program. The adopted estimate allows for a 35% drop from the 2006-2007 collection level of \$41.8 million. Through December, Construction and Conveyance Tax receipts total \$13.3 million or 49% of the adopted estimate. At this point, it is anticipated that C&C revenues will meet the adopted level of \$27 million. However, if revenues continue to decline a downward adjustment to the estimate may be necessary later in the year.

Expenditures in the fund are tracking as expected and should end the year within the budgeted allocation.

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

STORM SEWER

Financial Status

The purpose of the Storm Sewer System is to collect storm water separate from the Sanitary Sewer System, assure through best practices the quality of the runoff, and convey it to nearby creeks and rivers. The Storm Sewer Capital Program is primarily funded by Storm Drainage Fees, transfers from the Storm Sewer Operating Fund and interest earnings.

In the Storm Sewer Capital Fund, transfers from the Storm Sewer Operating Fund have totaled \$1,900,000 or 67.3% of the budgeted amount (\$2,825,000). The full amount is expected to be transferred by year-end. Through December, interest earnings are tracking below projected levels at \$49,000, which represents 24.5% of the budgeted amount (\$200,000). If the overall revenue collected does fall below the budgeted estimate by year-end, there is sufficient ending fund balance to cover any shortfall in this fund.

In the Storm Drainage Fee Fund, Storm Drainage Fees generate the majority of revenues for this fund. Through December, these collections totaled \$159,000, which is 52.3% of the estimated revenues (\$304,000). Overall, revenues in this fund are tracking to end the year slightly below the budgeted level. It is expected that revenue will decline slightly during the next six months as a result of slower than projected activities. If the overall revenue collected does fall below the budgeted estimate by year-end, there is sufficient Ending Fund Balance to cover any shortfall in this fund.

An increase to the appropriation for Public Works Capital Management Costs by \$80,000 is recommended in this report. This allocation, which funds the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, needs to be increased due to higher than anticipated project-related expenditures in the fund.

Expenditures in both of these funds are tracking as expected and should end the year within the budgeted allocation.

TRAFFIC

Financial Status

The Traffic Capital Program's mission is to implement a safe, efficient, and environmentally sensitive surface transportation system. The Traffic Capital Program is funded primarily by Building and Structure Construction Taxes and Construction Excise Taxes. Revenues in both categories are tracking above estimated levels at mid-year and current collection rates are projected to meet their budgeted estimates by year-end. With the continued slowdown of the local real estate market, however, these revenues will need to be watched carefully. Adjustments will be recommended at year-end, if necessary.

Building and Structure Construction Tax Fund

Building and Structure Construction Tax receipts through December totaled \$5.8 million (56.9% of the current 2007-2008 estimate

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

TRAFFIC (CONT'D.)

Building and Structure Construction Tax Fund
(Cont'd.)

of \$10.2 million). This represents a slight increase (2.1%) from last year's year-to-date receipts of \$5.7 million. The budgeted estimate for this category allows for a 4.3% drop in 2007-2008 compared to actual 2006-2007 performance. Current projections indicate that revenues will meet the budgeted estimate by year-end. Staff will continue to monitor these revenues closely and report current status in future Monthly Financial Reports.

Revenue from grants and reimbursements are generally tracking within estimated levels. However, there is an adjustment being recommended in this report. An increase of \$1,750,000 in the revenue estimate is recommended to establish the Route 101: Blossom Hill Interchange Improvements project. Funding has been received from the Hitachi Developer for the planned improvements to the Route 101 and Blossom Hill Interchange.

On the expenditure side, there are a number of adjustments recommended in this report. Increases to the following projects: \$650,000 to the Seismic Bridge Retrofit – Julian Street, \$330,000 to the Seismic Bridge Retrofit – William Street, and \$83,000 to the Seismic Bridge Retrofit – Southwest Street are recommended to provide funding for construction and project management costs. These expenditures are anticipated to be reimbursed by federal and State grant funding

upon completion of the projects. Also, an increase of \$70,000 to the ITS: Stevens Creek – West project is recommended to support the additional staff time necessary to complete re-scoping of the project, additional design review, and to rebid the construction contract. In addition, an increase of \$12,000 to the Oakland Road: Route 101 to Montague project is recommended to support increased project costs associated with land acquisition. Lastly, a decrease of \$380,000 is recommended to the Refund to Developers appropriation because the payment owed to the developer was paid last fiscal year. The appropriation was inadvertently rebudgeted as part of the 2006-2007 Annual Report and this adjustment corrects it. To offset all the actions recommended in this document, a decrease of \$765,000 to Ending Fund Balance is recommended.

Construction Excise Tax Fund

Tax receipts through December for the Construction Excise Tax Fund totaled \$8.7 million, which represents an 11.4% increase over last year's \$7.84 million received over the same period. Collections for the first six months of the year total 59.1% of the 2007-2008 estimate of \$14.8 million. The budgeted estimate for this category requires only a 2.0% increase in 2007-2008 compared to actual 2006-2007 performance. At this point, therefore, Construction Excise Tax receipts are expected to meet budgeted estimates by year-end. It should be noted, however, that reflecting the housing slowdown, the residential portion of this tax is down significantly (69%) compared to December 2006. While this decrease has been offset by a substantial increase of taxes

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

TRAFFIC (CONT'D.)

Construction Excise Tax Fund (Cont'd.)

associated with the commercial sector compared to December 2006, we remain cautious over the long-term impact on these tax collections should a prolonged residential slowdown continue. Staff will continue to monitor these revenues closely, and report current status in future Monthly Financial Reports. Other revenues from grants and reimbursements are generally tracking within estimated levels.

There are a number of actions recommended in this report to adjust revenues and expenditures based on current activity and project needs. Some projects in the Traffic Capital Program are on a reimbursement basis. Either federal, State, or local agencies reimburse the City as the costs in projects occur. If there are no costs being incurred, the amount of reimbursement decreases. As a result of this, a decrease of \$190,000 in revenue as well as a decrease to the BART Project Management project appropriation is recommended reflecting savings resulting from staff vacancies supporting the BART project. In addition, decreases to the Ortho Photo Project (\$156,000) and its corresponding revenue are recommended due to the Santa Clara County's decision to not exercise the option for expanded work scope. In contrast, an increase of \$35,000 is recommended to the Traffic Safety Improvements project and the corresponding revenue to recognize funding received from Walton San José Investors, LLC for the sidewalk modification design and construction

of the taxi stand bay in front of the Marriott Hotel.

An increase of \$352,000 is recommended to the Public Works Management Costs appropriation in this fund to support higher than anticipated administrative and management costs based on projected capital project expenditures. Lastly, a decrease of \$662,000 is recommended to the Refund to Developers appropriation because the payment owed to the developer was paid last fiscal year. The appropriation was inadvertently rebudgeted as part of the 2006-2007 Annual Report and this adjustment corrects it. An increase of \$310,000 to ending fund balance is recommended to offset all the actions recommended in this document.

Other Funds

The Traffic Capital Program is also supported in small part by the Major Collectors and Arterials Fund. This fund allocates developer contributions for specific purposes related to major collectors and arterials, including signal retiming necessitated by increased congestion caused by development. Revenues received through December totaled \$384,000 or 153.6% of the 2007-2008 budgeted estimate of \$250,000. This revenue source is traditionally very unpredictable since it is based on developers' decisions.

The Traffic Capital Program also receives significant funding from the General Fund. Activity in this portion of the Traffic Program is tracking within expected ranges.

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

TRAFFIC (CONT'D.)

Other Funds (Cont'd.)

In overall terms, expenditures in all four funds included in the Traffic Capital Program are tracking within generally expected levels. Although a small number of projects have schedule extensions, most construction projects that are programmed to award contracts in the current year are anticipated to do so before the end of 2007-2008.

WATER POLLUTION CONTROL

Financial Status

The San José/Santa Clara Water Pollution Control Plant is a regional wastewater treatment facility serving eight tributary sewage collection agencies, including municipalities and sanitary sewer districts. The Water Pollution Control Capital Program is funded primarily through contributions from Tributary Agencies, interest, transfers from Sewer Service & Use Charge Fund and Sewage Treatment Plant Connection Fee Fund, Silver Creek pipeline contributions from the Santa Clara Valley Water District, grant revenues from the United States Bureau of Reclamation (USBR), and Proposition 13 funding from the State Water Resources Control Board.

Revenues from Tributary Agencies are tracking close to year-to-date estimates. While collections through the first six months of the year totaled only \$4.6 million, or 30% of the

budgeted amount (\$15.4 million), it is still expected that the budgeted amount will be received by year-end. A total of \$235,000 or 60% of the Calpine Metcalf Repayment has also been received.

Through December, interest revenues totaled only \$1,378,000 or 23.7% of the budgeted amount (\$5.8 million) and will end the year below the adopted estimate. Transfers from the Sewer Service & Use Charge Fund and the Sewage Treatment Plant Connection Fee Fund on the other hand are occurring as scheduled and are expected to reach the budgeted amount for 2007-2008 (\$27.8 million). If the overall revenue collected does fall below the budgeted estimate by year-end, there is sufficient Ending Fund Balance to cover any shortfall in this fund.

For capital projects, the \$10.1 million appropriated to the Fuel Cell Cogeneration System is recommended to be partially reallocated to other higher priority projects with the remaining funds returning to fund balance. This project is being eliminated from the current year. The contractor refrained from executing the contract after disagreement with the City regarding future upgrades that would have committed the City to a long-term upgrade agreement with the contractor. A different approach to this project is under review and planning for this project along with other high priority projects will be included in the 2009-2013 Proposed Capital Improvement Program. Funding of \$4.0 million is recommended to augment the Alternative Disinfection project to address design changes and upgrades, as well as compensate for delay of construction. For the M5, Ring Buss and Cable Replacement project,

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MID-YEAR BUDGET REVIEW
Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

**WATER POLLUTION CONTROL
(CONT'D.)**

Financial Status (Cont'd.)

an additional \$1.8 million is recommended to address higher than anticipated construction costs. The Dissolved Air Floatation Pressure Retention Tanks and Valve project originally planned for 2010-2011, is recommended to be accelerated (\$650,000) to this fiscal year. This action will address the increased deterioration of these tanks over what was previously estimated. It would be more beneficial to commence the replacement of the tanks now rather than wait any longer. A \$2.6 million adjustment to the WPCP Reliability Improvement project is necessary to address an accounting error in which this amount was mistakenly liquidated and redistributed to fund projects in the previous year. This adjustment will allow the City to fulfill its contractual commitment and to pay the contractor on time. Sufficient Ending Fund Balance exists to offset this adjustment.

Expenditures in this program are tracking as estimated and are expected to end the year within the budgeted allocations.

WATER UTILITY SYSTEM

The San José Municipal Water System provides water utility service, in accordance with State of California Department of Health Services requirements, to areas approved for development by the City Council and within the City's water service area. The Water Utility

System Capital Program is funded primarily through fees paid by developers for direct services, interest, and transfers from the Water Utility Fund.

Through December, fee collections in the Water Utility System Capital Fund totaled only \$32,000, or 3.7% of the budgeted amount for 2007-2008 (\$865,000). This fee revenue is tracking far below expected levels due to much lower than anticipated activity. Service Connection and Advanced System Design fees are reimbursements for actual expenditures. Expenditure savings in these categories will offset the overall fee revenue shortfall. The budgeting of these expenditures and corresponding revenue are made to ensure that as development activity occurs, sufficient allocations exists to keep projects moving forward. Staff will continue to monitor these revenues and reevaluate the assumptions that will be used to develop 2009-2013 Proposed Capital Improvement Program. Revised revenue levels will balance the expected activity given the real estate downturn while ensuring sufficient expenditure budgets are available if development activity increases. Additionally, interest earnings totaled \$103,000 through December, or 67% of the annual budget estimate of \$153,000. Interest earnings are expected to exceed the budgeted amount due to higher than anticipated cash levels. Overall, higher than expected interest collections and expenditure savings mentioned above should offset the shortfall in fee revenues. Transfers from the Water Utility Fund are occurring as scheduled.

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Section II**

**CAPITAL BUDGET PROGRAMS STATUS REPORT
(CONT'D.)**

**WATER UTILITY SYSTEM
(CONT'D.)**

Financial Status (Cont'd.)

The Major Facilities Fee Fund receives revenue from a connection fee charged to developers and, according to State law, the revenue, as well as interest income, may be used only for the construction of new facilities to service future developments. Due to increased development activities in the first half of the year in areas covered by Vision North San José, fee collections totaled \$113,000, or 75.3% of the

budgeted amount for 2007-2008 (\$150,000). The revenue collected is set aside in a reserve for projects necessitated by system growth.

Interest earnings totaled \$58,000 or 33.7% of the budgeted amount (\$172,000). If the overall revenue collected does fall below the budgeted estimate by year-end, there is sufficient ending fund balance to cover any shortfall in this fund.

Expenditures in this program are tracking as estimated and are expected to end the year within the budgeted allocations.

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MID-YEAR BUDGET REVIEW
Section III

**BUDGET AUGMENTATIONS/REDUCTIONS AND
CLEAN-UP ADJUSTMENTS**

Recommended Augmentation/Reduction Adjustments Overview

This section of the Mid-Year Budget Review summarizes proposed budget augmentations/reductions in all funds and includes a breakdown by the General Fund and by Special/Capital Funds. Both the General Fund and Special/Capital Funds sections are divided into the following two parts:

Augmentation/Reduction Summary – The summary that follows describes all proposed augmentations and reductions, except for those detailed in the Clean-Up Adjustment Actions section. The General Fund Augmentations and Reductions are organized into four categories: Required Adjustments, Grants/Reimbursements, Development Fee Programs, and Previous Council Direction. The Special Fund/Capital Funds Augmentations and Reductions are organized by fund.

- The Required Adjustments category contains various recommended adjustments that are considered unavoidable and/or prudent to fund. All the recommended adjustments are fully offset with savings or the use of reserves. The largest proposed changes include: a transfer to the Airport for reimbursement of overpayment for Police services at the Airport during the period 2003-2004 through 2006-2007 (\$646,871), increased funding for the Comprehensive General Plan Update due to additional elements and increased costs (\$600,000), and the recommended release of the Sunshine Reform Reserve to the Information Technology Department for a third party review and planning effort to improve the capacity and usefulness of the City's websites (\$250,000).
- In the Grants/Reimbursements category, revenues received or anticipated to be received from various outside sources are recognized with corresponding appropriations recommended to implement the grants.
- The Development Fee Programs category includes various adjustments to expenditures, revenues, and reserves to reflect projected revenue shortfalls in the Building and Public Works Fee Programs. These actions are recommended to bring expenditures in line with the adjusted revenue estimates while maintaining service levels. In the Planning, Building and Code Enforcement Department's Building Development Fee Program this includes a recommended decrease to the Personal Services appropriation through the elimination of six vacant positions (two of which were temporary), reclassification of four vacant positions, and salary savings (\$1,000,000), a reduction to the Building Fee Program Reserve (\$1,000,000), offset by a reduction to the Program's revenue estimate (\$2,000,000). Recommended actions in the Public Works Development Fee Program include a decrease to the Personal Services appropriation due to salary savings (\$205,000), a reduction to the Public Works Development Fee Program reserve

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Section III

**BUDGET AUGMENTATIONS/REDUCTIONS AND
CLEAN-UP ADJUSTMENTS
(CONT'D.)**

Recommended Augmentation/Reduction Adjustments Overview (Cont'd.)

Development Fee Programs (Cont'd.)

(\$470,000), offset by a reduction to the Program's revenue estimate (\$675,000). An increase to the Public Works Personal Services appropriation is also recommended to maintain current customer service levels in the first floor Customer Service Center, offset by a reduction in the Building Fee Program Reserve (\$180,000).

- The Previous Council Direction category includes various adjustments that are required to reflect previous City Council actions. Some of the recommended adjustments include an increase to the Future Capital Projects (FF&E) Reserve to replenish the General Fund for the temporary funding of the Police substation (\$1,100,000), increased funding to History San José (\$300,177), the establishment of an arts stabilization flexible fund to help avert financial crises among local arts organizations (\$200,000), the elimination of Mayor and Council Officeholder Accounts and a reallocation of funds to Mayor and Council offices, and the addition of 1.50 positions for a public-private parks maintenance partnership. These adjustments are recommended to be offset by corresponding actions for a net zero cost impact, with the exception of the History San José action, which is recommended to be offset by savings in other General Fund appropriations as discussed in the Required Adjustments category.
- Within the Special Fund/Capital Funds Augmentations summary, there are a number of adjustments to Public Works Capital Management Cost appropriations. These adjustments are recommended in order to bring these appropriations to a level necessary to adequately fund each fund's fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects.

Augmentation/Reduction Adjustment Actions – Describes, in a table, the funding source or appropriation adjustments that are required to enact the augmentations and reductions described above.

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Section III**

**BUDGET AUGMENTATIONS/REDUCTIONS AND
CLEAN-UP ADJUSTMENTS
(CONT'D.)**

Recommended Clean-Up Adjustment Actions Overview

The ongoing review and monitoring of the budget through six months of the fiscal year have indicated specific areas where clean-up appropriation actions are required. Revisions are typically required to fully implement City Council direction, to correct existing appropriations, or to provide adjustments necessary to continue City operations.

Tables are provided in this section of the report (with the proposals listed in title only) to summarize the recommended adjustments for the General Fund and Special/Capital Funds. The following types of adjustments are included in this section:

- Net-Zero Salary Program Adjustments – The 2007-2008 Salary Program includes appropriation adjustments to various departments and funds to reflect salary and benefit changes that became effective after the adoption of the 2007-2008 Operating Budget. The largest adjustment reflects \$10.43 million in retroactive payments for salary increases resulting from the International Association of Fire Fighters (IAFF) arbitration resolution. The General Fund increases were all anticipated and are funded from the Salaries and Benefits Reserve.
- Net-Zero Voluntary Furlough/Special Reduced Work Week Program Adjustments – Also included in this section are adjustments to various departments to reflect implementation of the Voluntary Furlough/Special Reduced Work Week Program. Savings (\$374,000 in the General Fund, \$986,000 in all funds) are generated from employees taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. These savings were assumed in the development of the 2007-2008 Adopted Operating Budget. The actions reflected here remove the funds from the departments and restore the savings to the Salaries and Benefits Reserve where they were temporarily removed as part of the Adopted Budget.
- Net-Zero Overhead Adjustments – Overhead adjustments are recommended to reflect updated overhead rates that changed after the adoption of the 2007-2008 Adopted Operating Budget and to prevent negative appropriations by year-end or reduce appropriations for lower than previously assumed overhead rates. The recommended actions are primarily offset by fund balances in special and capital funds, based on the revised overhead rates.
- Net-Zero Movements Between Appropriations – Included in this section is a revision to reallocate rent costs for the Old Martin Luther King, Jr. Library among the various Environmental Services funds based on the current occupancy of the facility.

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MID-YEAR BUDGET REVIEW
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**BUDGET AUGMENTATIONS/REDUCTIONS AND
CLEAN-UP ADJUSTMENTS
(CONT'D.)**

Recommended Clean-Up Adjustment Actions Overview (Cont'd.)

- Rebudget Adjustments not Included in the Annual Report – A revision is proposed to correct an appropriation for an Alcoholic Beverage Control Grant rebudget that is necessary to complete this project and was inadvertently not included in the 2006-2007 Annual Report (approved by Council on October 16, 2007).
- SJRA Project Close-out Adjustments – Revisions are proposed to process the close-out of completed San José Redevelopment Agency-funded projects executed by the City, and to augment appropriations anticipated to be extended at year-end. Per Project Services Memorandum (PSM) agreements, the City executes construction-related projects on behalf of the Agency, and the Agency reimburses the City through the transfer of funds to the Services For Redevelopment Capital Projects Fund. At the completion of a project, construction-related savings are due to the Agency in the form of a refund. Included in this section are either adjustments to increase projects so that refunds can be made to the Agency or adjustments to decrease completed projects that do not require refunds to the Agency. While the actions recommended in this document represent several years' worth of completed project reconciliations, the process for completing project close-outs in this fund has been altered. Per the 2007-2008 cooperation agreement between the City and the Agency, a reconciliation will be completed immediately following project completion, which should prevent future delays in processing refunds to the Agency. Liquidations of carryover encumbrances in these completed projects (\$203,000) will help offset refunds to the Agency and be reconciled in the Services for Redevelopment Capital Projects Fund Ending Fund Balance at the conclusion of the fiscal year.
- Various Net-Zero Technical Adjustments – Several cost-neutral adjustments are included which would either move funding from one appropriation to another for a similar purpose, or from one appropriation to another to correct inadvertent budgeting errors. The largest adjustment that falls under this category is a \$1.0 million reduction to the Parks, Recreation and Neighborhood Services Department budget for the Parks Maintenance Enhancement Strategy, with a corresponding establishment of a City-wide Parks Maintenance Enhancement Strategy appropriation. Also recommended is a \$500,000 reduction to the Workers' Compensation Claims appropriation, with a corresponding establishment of a Workers' Compensation Gain Sharing appropriation.

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED ADJUSTMENTS				
<i>Airport Police Services Reserve</i>	EARMARKED RESERVES		(\$646,871)	
Liquidates the majority of the Earmarked Reserve that was established for the payment of prior year Airport Police Services overpayments. This reserve was established as part of the 2006-2007 Annual Report to account for potential funds due back to the Airport for overpayment of Police Services costs during the period between 2003-2004 and 2006-2007. The Airport and Police Departments, along with the assistance of the Budget Office, reviewed all data for this time period and determined the actual amount of funding due back to the Airport.				
<i>Airport Police Services Transfer to Airport Revenue Fund</i>	TRANSFERS		\$646,871	
Establishes a transfer from the General Fund to the Airport Revenue Fund (Fund 521) for reimbursement of overpayment of Police Services costs at the Airport, as described above.				
<i>Annexations</i>	PLAN, BLDG AND CODE ENF		(\$56,720)	
Decreases the Planning, Building and Code Enforcement Department's personal services allocation for annexation support. In 2006-2007, a Planner position was added to support a three-year effort to annex up to 150 acres of unincorporated islands (areas that are entirely or predominantly surrounded by annexed territory of the City of San José) within the City of San José Urban Service Area. As the annexations will now be performed over a five-year period, the Planner position is recommended to be reduced by one-half and the funds reallocated to establish a reserve for 2009-2010 annexations. The costs for 2008-2009 were assumed in the most recent Five-Year Forecast.				
<i>Annexations Reserve</i>	EARMARKED RESERVES		\$56,720	
Establishes an Earmarked Reserve for Annexations that will be performed in 2009-2010, as described above.				
<i>Citation Hearing Officers</i>	FINANCE		\$27,733	
Increases the Finance Department's personal services funding to reflect the transfer of costs associated with the contractual citation hearing officers from the Department of Transportation. Currently, the Department of Transportation issues parking citations to violators and adjudicates parking citation appeals; however, it has been determined that the issuing and adjudicating staff should not be located within the same department. A corresponding action in the Department of Transportation to transfer this funding is also recommended in this report.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED ADJUSTMENTS				
<i>Citation Hearing Officers</i>	TRANSPORTATION		(\$27,733)	
Decreases the Department of Transportation's personal services funding to transfer the costs associated with the contractual citation hearing officers to the Finance Department. Currently, the Department of Transportation issues parking citations to violators and adjudicates parking citation appeals; however, the issuing and adjudicating staff should not be located within the same department. A corresponding action for the Finance Department to receive the transfer is also recommended in this report.				
<i>Comprehensive General Plan Update</i>	CITY-WIDE EXPENSES		\$600,000	
Increases the Comprehensive General Plan Update appropriation for additional and increased costs for the Environmental Impact Report (EIR) and Transportation elements. Addressing global warming and water quality in the EIR were not anticipated. San José will be the first major California city that will have to address global warming in its EIR. Clarification of the additional sustainability/Green Vision/climate change costs is also necessary. Finally, recent environmental reports have seen cost increases of 15-40% in basic hourly rates. These consultant cost elements are fully funded by a surcharge on development permits. A "bridge" loan of \$600,000 is necessary and will be repaid as revenues from developer fees assessed for this purpose are received. It will take approximately three years to repay this loan, with interest.				
<i>Insurance Premiums</i>	CITY-WIDE EXPENSES		(\$117,399)	
Reduces a portion of the Insurance Premiums appropriation to provide funding for additional costs for History San José, the Senior Nutrition Program, and Traffic Signals, as described elsewhere in this document. Due to the volatility of the insurance market, the 2007-2008 Adopted Budget assumed increases greater than those being realized. Generally, the City has been able to achieve better terms and conditions at somewhat lower costs compared to the previous year.				
<i>Police Officers Professional Liability Insurance</i>	CITY-WIDE EXPENSES		(\$120,000)	
Reduces a portion of the Police Officers Professional Liability Insurance appropriation to provide funding for additional costs for History San José. Due to the volatility of the insurance market, the 2007-2008 Adopted Budget assumed increases greater than what are being realized. Generally the City was able to achieve better terms and conditions at somewhat lower costs as compared to a year ago.				
<i>Senior Nutrition Program</i>	PARKS, REC AND NEIGH SVCS		\$12,222	
Increases the Senior Nutrition Program based on increases approved by Santa Clara County in its 2007-2008 Nutrition Agreement. This increase provides various cost-of-living adjustments for existing services, impacting various nutrition sites. This funding is the City's contribution for three of the nutrition sites.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED ADJUSTMENTS				
<i>Sunshine Reform Reserve</i>	EARMARKED RESERVES		(\$250,000)	
Eliminates the Sunshine Reform Reserve and reallocates the funding to complete a third party review aimed at enhancing the capacity and effectiveness of the City's website, as recommended by the Sunshine Reform Task Force. A corresponding increase to the Information Technology Department is described below.				
<i>Sunshine Reforms: Website</i>	INFORMATION TECHNOLOGY		\$250,000	
Increases the Information Technology Department's Non-Personal/Equipment appropriation for an evaluation of the City's website needs, effectiveness, and other Sunshine Reform technology requirements. The 2007-2008 Adopted Budget set aside a \$250,000 reserve to address the impact of Sunshine Reforms on the City's websites pending Sunshine Reform Task Force recommendations. The Task Force recently approved technology recommendations that will be included in its Phase Two Report. These include a number of website changes such as improved navigation, organization, accessibility, as well as consistency in titling and linking styles, and the implementation of interactive services. These funds would support a consultant audit to review, assess, plan, and improve the City's websites.				
<i>Traffic Signals</i>	TRANSPORTATION		\$50,000	
Increases the Department of Transportation's Non-Personal/Equipment appropriation to resolve an unanticipated problem with the light emitting diodes (LEDs) in traffic signals. The voltage to the traffic controller drops as a result of PG&E service interruptions. When the voltage drops, the traffic signal correctly goes into the flashing red mode, but the green LEDs are still visible when they should not be. When this problem occurs, the motorist can see both a red and green light at the same time. This additional funding will reimburse the Department for the installation of a voltage sensing relay which has now resolved this problem.				
<i>Use of Salaries and Benefits Reserve</i>	EARMARKED RESERVES		(\$725,000)	
Utilizes a portion of the Salaries and Benefits Earmarked Reserve to provide funding for additional costs for the General Plan Update and History San José, as described elsewhere in this section. An increase for health premiums of 12%, effective January 2008, was assumed in the development of the 2007-2008 Adopted Budget. The actual health premiums only increased 8%, resulting in savings in the Salary and Benefits Earmarked Reserve that can be reallocated.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED ADJUSTMENTS				
<i>Workers' Compensation Claims</i>	CITY-WIDE EXPENSES		(\$140,000)	
Reallocates funds from the Workers' Compensation Claims appropriation to the Workers' Compensation State License Fee appropriation for the workers' compensation State license payment for 2007-2008. Based on lower claims through December, sufficient savings in the Workers' Compensation Claims appropriation are available to shift these funds.				
<i>Workers' Compensation State License Fee</i>	CITY-WIDE EXPENSES		\$140,000	
Increases the appropriation for the Workers' Compensation State License Fee by \$140,000 to cover the cost of the payment due to the State for 2007-2008.				
TOTAL REQUIRED ADJUSTMENTS			(\$300,177)	\$0
GRANTS/REIMBURSEMENTS				
<i>2006 State Homeland Security Grant Program (SHSGP)</i>	CITY-WIDE EXPENSES		\$18,728	\$18,728
Appropriates additional funding from the 2006 SHSGP to support the San Jose Prepared! program. Funding will be used for translation of the two hour preparedness class into Chinese, training materials for the two hour class in English, Spanish, and Vietnamese, quarterly newsletters to participants, and fire suppression equipment used in the 20-hour course. A corresponding increase to Revenue from the State is also recommended.				
<i>AAA Greenlight Initiative Grant</i>	ENVIRONMENTAL SERVICES		\$11,000	\$11,000
This action recognizes revenue in the amount of \$11,000 received through the American Automobile Association (AAA) and appropriates the funds accordingly. This grant provides funding for green vehicle driver training and education outreach.				
<i>Anti-Drug Abuse Grant</i>	CITY-WIDE EXPENSES		\$132,552	\$132,552
Provides funding from the Governor's Office of Emergency Services to the Police Department's Metro Unit to purchase surveillance cameras and equipment, covert digital audio/video recorders, non-ballistic tactical vests, and an audio body wire system. A corresponding increase to Revenue from the State is also recommended.				
<i>Avoid the 13 Checkpoints</i>	POLICE		\$16,737	\$16,737
Provides funding for sworn overtime staffing for holiday and weekend driving under the influence (DUI) checkpoints as part of the county-wide Avoid the 13 campaign. The County of Santa Clara provides reimbursement of these activities from the State Office of Traffic Safety. A corresponding increase to Revenue from the State is also recommended.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS				
<i>COPS 2003-2004 Interoperable Communications Grant</i>	CAPITAL CONTRIBUTIONS		(\$298,042)	(\$298,042)
<p>This grant, which funds a construction/upgrade project of the County-wide microwave network, required matching funds totaling \$1,230,722. Of this amount, \$298,042 in contributions from the Silicon Valley Regional Interoperability Project (SVRIP) was not received. It was determined that the funding source for this group's match was a federal grant and ineligible for matching fund purposes. As a result, the appropriated grant amount, as well as previously declared revenue related to this project, must be reduced by \$298,042. On December 11, 2007, the City Council decreased the Simulcast Sites appropriation in the Construction Tax and Property Conveyance (C&C) Tax Fund: Communications Purposes by \$500,000 and established a new \$500,000 appropriation in the C&C Tax Fund: Communications Purposes for the COPS 2003-2004 Interoperable Communications Grant to fully fund the matching portion of the grant and purchase equipment to complete this project.</p>				
<i>Census Bureau Addressing</i>	PLAN, BLDG AND CODE ENF		\$5,000	\$5,000
<p>Provides funding for addressing work performed for the State of California Local Update of Census Address program. The cost of this adjustment will be offset by an increase to the estimate for Revenue from the State.</p>				
<i>Clean Cities Grant</i>	ENVIRONMENTAL SERVICES		\$10,000	\$10,000
<p>This action recognizes revenue in the amount of \$10,000 received through the United States Department of Energy and appropriates the funds accordingly. This grant provide funding for education on alternative fuel vehicles.</p>				
<i>County Crossing Guard Services</i>	POLICE		\$53,540	\$53,540
<p>Provides funding for school crossing guard services at various County crossing sites for the period of July 1, 2007-June 30, 2008. The County will provide full reimbursement for costs related to intersections that are 100% within the County's jurisdiction and partial reimbursement for intersections that are partly in the City. A corresponding increase to Revenue from Local Agencies is also recommended.</p>				
<i>Economic Development Pre-Development Activities</i>	CITY-WIDE EXPENSES		\$50,000	\$50,000
<p>Increases the Economic Development Pre-Development Activities appropriation and recognizes revenue received from the Coleman Airport Partners, LLC and Earthquakes Soccer LLC per the executed Exclusive Negotiating Agreement (ENA). The City will offer developers the opportunity to exclusively negotiate with the City to develop a project proposal for the development of a soccer stadium and development of the remaining property with retail, hotel, and industrial/office projects. This payment will defray any City costs incurred from the obligations of the ENA and for pre-development costs.</p>				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS				
<i>Happy Hollow: Marketing/Public Outreach Representative</i>	PARKS, REC AND NEIGH SVCS	1.00	\$107,877	\$107,877
Increases the Parks, Recreation and Neighborhood Services Personal Services appropriation and adds a 1.0 temporary Marketing/Public Outreach Representative position to support marketing, promotions, and event services. The cost of the position will be reimbursed by the Happy Hollow Corporation.				
<i>Historic Preservation</i>	CITY-WIDE EXPENSES		\$100,000	\$100,000
Increases the Historic Preservation appropriation to recognize funding received from KB Homes for Historic Preservation activities. This increase is entirely offset by a reimbursement from KB Homes.				
<i>Internet Crimes Against Children Task Force Grant</i>	CITY-WIDE EXPENSES		\$250,000	\$250,000
Provides funding for training and equipment to assist in the investigation, arrest, and prosecution of individuals who use the Internet to exploit children. The State of California provides reimbursement for these activities, and the grant period is from January 1, 2008 to December 31, 2008. A corresponding increase to Revenue from the State is also recommended.				
<i>Law Enforcement Intelligence Unit (LEIU) Training</i>	POLICE		\$5,312	\$5,312
Provides funding from the Bay Area Super Urban Area Security Initiative (UASI) for two Officers assigned to the Special Investigations Unit to attend a LEIU training course. A corresponding increase to Revenue from the Federal Government is also recommended.				
<i>Library Grants</i>	LIBRARY		\$2,500	\$2,500
Increases the Library Grants appropriation to recognize the receipt of a \$2,500 grant from the State of California under the California Cultural Crossroads grant program.				
<i>Local Enforcement Agency (LEA) Grant</i>	PLAN, BLDG AND CODE ENF		\$29,433	\$29,433
Provides grant funding from the State for the Local Enforcement Agency (LEA) program to be used for landfill enforcement activities. A corresponding increase to Revenue from the State is also recommended.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS				
<i>Multi-Agency Benchmarking Study</i>	CITY-WIDE EXPENSES		\$132,000	\$132,000
Establishes a new appropriation to allow the City to manage a Multi-Agency Capital Project Benchmarking Study with MWH Americas, Inc. The benchmarking study, which is managed on a rotating basis by the seven contributing cities, allows agencies to evaluate their project delivery cost performance and assist with performance improvement. This proposed increase will have a net zero impact on the General Fund as the other six agencies will now pay their \$22,000 share to the General Fund.				
<i>Orange Security Alert</i>	POLICE		\$977,000	\$977,000
Provides funding to the Police Department for overtime staffing at the Airport while airport security is elevated to the Orange Alert level. This increase will be reimbursed by a transfer from the Airport Maintenance and Operations Fund.				
<i>PG&E Community Emergency Response Team (CERT) Grant</i>	CITY-WIDE EXPENSES		\$5,000	\$5,000
Establishes a PG&E CERT Grant appropriation to fund a Spanish-language trainer for the San Jose Prepared! program. A corresponding increase to Other Revenue is also recommended.				
<i>Parades, Festivals, and Celebrations Grants Program</i>	ECONOMIC DEVELOPMENT		\$12,803	\$12,803
Increases the Office of Economic Development's non-personal/equipment funding and recognizes gated event revenue received from the Gay Pride Festival (\$3,051) and the Jazz Festival (\$9,752). The funding will be dedicated to the Parades, Festivals, and Celebrations Grants Program.				
<i>Respiratory Fit Testing and Training</i>	POLICE		\$28,996	\$28,996
As a part of homeland security preparedness, this action provides funding for training and training materials to use personal protective equipment, including respirators and disposable protective body coverings. The Police Department has been fully reimbursed for the start-up costs of training an instructor (\$13,500) and disposable training materials (\$15,496). A corresponding increase to Revenue from the State is also recommended.				
<i>San José After School - Year 2 District Contracts</i>	CITY-WIDE EXPENSES		\$95,625	\$95,625
Provides funding to the Parks, Recreation and Neighborhood Services Department from the Berryessa Union School District to expand the after school program at Summerdale Elementary School. The District received funding from the California Department of Education's 21st Century Community Learning Centers program.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS				
<i>Senior Companion Program</i>	PARKS, REC AND NEIGH SVCS		\$10,800	\$10,800
This action recognizes revenue from the Council of Aging Silicon Valley and appropriates the funds accordingly. Funds will be utilized to provide a program for frail homebound seniors. The Senior Companion Program recruits and trains people 60 years and older to be companions to other elders who are in poor health and who run the risk of being institutionalized without a companion's help.				
<i>Senior Nutrition Program</i>	PARKS, REC AND NEIGH SVCS		\$45,993	\$45,993
Increases the Senior Nutrition Program based on increases approved by Santa Clara County in its 2007-2008 Nutrition Agreement. This increase provides various cost-of-living adjustments for existing services, impacting nine nutrition sites. All costs will be reimbursed by the County.				
<i>Sobriety Checkpoint Grant 2007-08</i>	CITY-WIDE EXPENSES		\$91,814	\$91,814
Provides funding for sworn overtime staffing to conduct Driving Under the Influence (DUI) checkpoints during major mobilization periods, i.e. during the Christmas/New Year holiday season, 4th of July, and Labor Day as well as other designated peak holiday/weekend periods. The State Office of Traffic Safety (OTS) fund via the University of California provides reimbursement of these activities for the period of October 1, 2007 through September 30, 2008. A corresponding increase to Revenue from the State is also recommended.				
TOTAL GRANTS/REIMBURSEMENTS		1.00	\$1,894,668	\$1,894,668

DEVELOPMENT FEE PROGRAMS

<i>Building Fee Program</i>	PLAN, BLDG AND CODE ENF	(6.00)	(\$1,000,000)	(\$2,000,000)
Decreases the Planning, Building and Code Enforcement Department's Personal Services appropriation to offset a projected shortfall in Development Fee Program revenues. Several actions are recommended to more closely align revenues and expenditures and ensure that service delivery goals are met. These include the elimination of six vacant positions, two of which were temporary (3.0 Senior Office Specialists and 3.0 Building Inspectors); reclassification of 4.0 vacant Senior Principal Permit Specialist positions to 4.0 Permit Specialist positions; elimination of personal services Program savings that has accumulated due to a number of staff vacancies. In addition, the Building Development Fee Program Earmarked Reserve is recommended to be reduced by \$1.0 million. A corresponding reduction to the estimate for Building Development Fee Program revenue is also recommended.				

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
DEVELOPMENT FEE PROGRAMS				
<i>Building Fee Program Reserve</i>	EARMARKED RESERVES		(\$1,180,000)	
Decreases the Building Fee Program Earmarked Reserve by \$1,180,000 to offset the reduction to the Building Fee Program revenues (\$1.0 million) and the addition of expenditures in the Public Works Development Fee Program (\$180,000) that are described in this section.				
<i>Public Works Development Fee Program</i>	PUBLIC WORKS		\$180,000	
Increases the Public Works Development Fee Program Personal Services appropriation in order to maintain current customer service levels provided by Public Works staff in the first floor Customer Service Center. As the primary recipients of the enhanced service are Building Fee Program customers, a corresponding reduction to the Building Fee Reserve is also recommended.				
<i>Public Works Development Fee Program Personal Services</i>	PUBLIC WORKS		(\$205,000)	
A decrease to the Public Works Department's Personal Services appropriation is recommended to offset a projected shortfall in Development Fee Program revenues. Savings will be accumulated in the Program due to a number of staff vacancies.				
<i>Public Works Development Fee Program Reserve</i>	EARMARKED RESERVES		(\$470,000)	
A decrease in the amount of \$470,000 to the Public Works Department's Development Fee Program Earmarked Reserve is recommended to offset lower revenue collections. A corresponding reduction to the estimate for Public Works Development Fee Program revenue is also recommended elsewhere in this section.				
<i>Public Works Development Fee Program Revenue</i>	REVENUE ADJUSTMENTS			(\$675,000)
Decreases the revenue estimate for Departmental Charges to reflect lower than anticipated collections in the Public Works Development Fee Program. Corresponding reductions to the Public Works Development Fee Program Personal Services appropriation and the Public Works Development Fee Program Earmarked Reserve are also recommended in this document.				
TOTAL DEVELOPMENT FEE PROGRAMS		(6.00)	(\$2,675,000)	(\$2,675,000)

PREVIOUS COUNCIL DIRECTION

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
PREVIOUS COUNCIL DIRECTION				
<i>Arts Stabilization Flexible Fund</i>	CITY-WIDE EXPENSES		\$200,000	
Establishes the Arts Stabilization Flexible Fund appropriation to the Office of Economic Development. On October 2, 2007, the City Council approved the recommendation to establish a Flexible Fund from the uncommitted portion of the Arts Stabilization Loan Fund. The Flexible Fund will provide the means for the City to identify and help avert potential financial crises among local arts organizations through "early warning systems" and assistance to improve the financial management capacity of potentially troubled arts organizations. A corresponding decrease to the Arts Stabilization Loan Fund is also recommended below.				
<i>Arts Stabilization Loan Fund</i>	CITY-WIDE EXPENSES		(\$200,000)	
Decreases the Arts Stabilization Loan Fund to offset establishing the Arts Stabilization Flexible Fund as recommended above.				
<i>Constituent Outreach: Mayor and City Council Offices</i>	MAYOR & COUNCIL			
On December 18, 2007, the City Council approved the elimination of existing Officeholder Accounts. To offset expenses previously associated with holding office, that were paid for through Officeholder Accounts, the City Council also approved an appropriation of \$10,000 to each Council Office and \$25,000 to the Mayor's Office for constituent outreach. A corresponding decrease to the Officeholder Accounts Earmarked Reserve, established in the 2007-2008 Adopted Budget, is also recommended elsewhere in the document.				
<i>Constituent Outreach: Council District # 1</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 2</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 3</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 4</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 5</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 6</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 7</i>	MAYOR & COUNCIL		\$10,000	

General Fund Augmentation/Reduction Summary

2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
PREVIOUS COUNCIL DIRECTION				
<i>Constituent Outreach: Council District # 8</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District # 9</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Council District #10</i>	MAYOR & COUNCIL		\$10,000	
<i>Constituent Outreach: Mayor's Office</i>	MAYOR & COUNCIL		\$25,000	
<i>Future Capital Projects (FF&E) Reserve</i>	EARMARKED RESERVES		\$1,100,000	
Increases the Future Capital Projects (FF&E) Reserve in the amount of \$1.1 million. As authorized by the City Council on December 18, 2007, this action would replenish the General Fund Future Capital Projects (FF&E) Reserve, which had temporarily funded the project pending final approval of Municipal Code changes for public art, by reallocating funding in the Neighborhood Security Bond Fund from the Public Art - Police Bond Projects to the South San José Police Substation project. Options to restore funding for public art at the substation will be discussed in a separate memorandum.				
<i>History San José</i>	CITY-WIDE EXPENSES		\$300,177	
Provides additional funding to History San José's annual operating subsidy. A City Council action on December 18, 2007 increased the annual operating subsidy to History San José from \$574,823 to \$875,000.				
<i>Officeholder Accounts Reserve</i>	EARMARKED RESERVES		(\$125,000)	
As directed by the City Council on December 18, 2007, this action reallocates and distributes the Officeholder Accounts Earmarked Reserve to the Mayor and City Council Offices. This reserve was established in the 2007-2008 Adopted Budget for possible use in the event that Council eliminated officeholder accounts.				
<i>Public-Private Parks Maintenance Partnership</i>	CITY-WIDE EXPENSES	1.50		
Creates a temporary 1.0 Community Coordinator, a temporary 0.50 Volunteer Coordinator PT and non-personal/equipment funding for a pilot Volunteer Coordination Unit to support and enhance parks maintenance efforts. The pilot program is expected to increase involvement in volunteer services, allowing the Parks, Recreation and Neighborhood Services Department to leverage and shift parks maintenance resources to meet shortfalls in other areas. The expenditure would be funded by the Public-Private Parks Maintenance Partnership city-wide appropriation.				

**General Fund Augmentation/Reduction Summary
2007-2008 Mid-Year Budget Review**

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
PREVIOUS COUNCIL DIRECTION				
<i>South San José Police Substation</i>	CAPITAL CONTRIBUTIONS		(\$1,100,000)	
Decreases funding for the South San José Police Substation in the General Fund in order to replenish the Future Capital Projects (FF&E) Reserve. As mentioned above, funding from the Public Art - Police Bond Projects is recommended to be reallocated to the South San José Police Substation project in the Neighborhood Security Act Bond Fund to ensure full funding for the construction of the substation. A separate memorandum on this Council Agenda will present options to replenish the public art for the substation project.				
TOTAL PREVIOUS COUNCIL DIRECTION		1.50	\$300,177	\$0

**GENERAL FUND AUGMENTATION /
REDUCTION TOTALS**

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
(3.50)	(\$780,332)	(\$780,332)

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT CAPITAL IMPVT FUND (520)				
<i>Compressed Natural Gas (CNG) Fueling Station Upgrades</i>	Airport Capital Program		\$527,000	
Establishes a Compressed Natural Gas (CNG) Fueling Station Upgrades appropriation to enable the Airport to upgrade its CNG station and increase its capacity. Funding of this upgrade will, for example, increase electrical power and ancillary equipment, which will allow fueling of the Airport's CNG bus fleet to continue to occur during non-peak hours, thereby reducing the impact to the public. The majority of funding for this project is being provided through a Valley Transportation Authority grant.				
<i>Compressed Natural Gas Fueling Station Upgrades Grant</i>	Airport Capital Program			\$527,000
Recognizes grant income received from the Valley Transportation Authority to upgrade the Airport's Compressed Natural Gas (CNG) fueling station. There is a local share match requirement of \$200,000 which is also recommended in the Airport Renewal and Replacement Fund (Fund 527).				
<i>Ending Fund Balance Adjustment</i>	Airport Capital Program		(\$27,000)	
Decreases the Ending Fund Balance to offset the adjustment to the North Concourse Building project.				
<i>North Concourse Building</i>	Airport Capital Program		\$27,000	
Increases the North Concourse Building appropriation by \$27,000 to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
TOTAL AIRPORT CAPITAL IMPVT FUND (520)			\$527,000	\$527,000
AIRPORT CUST FAC & TRANS FD (519)				
<i>Customer Transport Fee</i>	Airport			\$2,247,000
Recognizes additional revenue for the Airport that results from the Senate bill that approved the collection of an additional \$5 on each Airport rental car contract, effective January 1, 2008. These additional funds will support the financing of the Airport Consolidated Rental Car Garage. A corresponding transaction to transfer these funds to the Airport Revenue Bond Improvement Fund is also being recommended.				
<i>Transfer to Airport Revenue Bond Improvement Fund</i>	Airport		\$2,247,000	
Transfer from the Airport Customer Facility and Transportation Fee Fund to the Airport Revenue Bond Improvement Fund (Fund 526) the revenue collected from the additional \$5 on each Airport rental car contract effective January 1, 2008. These additional resources will support the financing of the Airport Consolidated Rental Car Garage. A corresponding transaction in the Airport Revenue Bond Improvement Fund is also recommended.				
TOTAL AIRPORT CUST FAC & TRANS FD (519)			\$2,247,000	\$2,247,000

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT FISCAL AGENT FUND (525)				
<i>Airport Bond Revenue</i>	Airport			\$36,200,000
Increases Bond Revenue in the Airport Fiscal Agent Fund (Fund 525) to reflect actual funds available at the closing of the 2007 A and B Bond Series. The original budget estimated in the spring is less than the final proceeds that were issued in the summer and this adjustment is recommended to correctly reflect actual receipts and to ensure that there is sufficient funding available to support Airport capital projects.				
<i>Airport Bond Revenue/Trans to Airport Rev Bond Improvement Fund</i>	Airport		\$36,200,000	
Increases the Transfer to the Airport Revenue Bond Improvement Fund (Fund 526) to reflect actual funds available at the closing of the 2007 A and B Bond Series. The original budget estimated in the spring is less than the final proceeds that were issued in the summer and this adjustment is recommended to reflect actual receipts and to ensure that the transfers to the Airport Revenue Bond Improvement Fund are accurate and available to support Airport capital projects.				
<i>Airport Interest Revenue</i>	Airport			\$6,500,000
Increases the Interest Revenue appropriation resulting from the 2007 A and B Bond Series issue to reflect the estimated interest earnings on reserve and capitalized interest accounts that are associated with the debt service.				
<i>Airport Interest Revenue/Reserve for Debt Service</i>	Airport		\$6,500,000	
Increases the Reserve for Debt Service to reflect the adjusted need for interest earnings on reserve and capitalized interest accounts due to the 2007 A and B Bond Series issue.				
TOTAL AIRPORT FISCAL AGENT FUND (525)			\$42,700,000	\$42,700,000

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT MAINT & OPER FUND (523)				
<i>CNG Conversion Incentive Program</i>	Airport		\$79,700	
Increases the Airport's Non-Personal/Equipment appropriation to recognize grant revenue received from the Valley Transportation Authority. This additional funding will, along with existing Curfew Program funds already earmarked for this program, encourage the owners of Airport Ground Transportation vehicles, such as taxis and shuttle vans, to convert or replace existing vehicles to alternatively fueled vehicles. These funds are estimated to convert 55 vehicles and support the expansion of the Airport's Compressed Natural Gas (CNG) station.				
<i>CNG Conversion Incentive Program/Transfer from Airport Rev Fund</i>	Airport			\$79,700
Increases the transfer from the Airport Revenue Fund (Fund 521) to recognize grant revenue received from the Valley Transportation Authority. This additional funding will provide supplemental financial support to the Airport's existing Compressed Natural Gas (CNG) Conversion Incentive program.				
<i>Orange Security Alert</i>	Airport		(\$977,000)	
Decreases the Orange Security Alert appropriation to cover the additional costs associated with Police Services. Due to the Orange Alert status still in place at the Airport, the Transportation Security Administration mandates law enforcement officers at Airport security checkpoints. This reduction funds the transfer to the General Fund to pay for the current level of overtime needed in 2007-2008.				
<i>Orange Security Alert/Transfer to the General Fund for Police Services</i>	Airport		\$977,000	
Increases the Transfer from the Airport Maintenance and Operation Fund (Fund 523) that reimburses the General Fund for Police Services required at the Airport. Due to the Orange Alert status still in place, the Transportation Security Administration mandates extra Airport checkpoint security. This increase reimburses police overtime expenses in 2007-2008.				
TOTAL AIRPORT MAINT & OPER FUND (523)			\$79,700	\$79,700

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT RENEW & REPL FUND (527)				
<i>Baggage Handling Maintenance</i>	Airport Capital Program		\$152,000	
Establishes a Baggage Handling Maintenance appropriation to purchase parts and supplies for the existing baggage handling conveyor and conveyor belts system in Terminal A. This system is currently experiencing increased failures due to the age of the equipment and the wear and tear of the conveyor belts.				
<i>Compressed Natural Gas (CNG) Fueling Station Upgrades</i>	Airport Capital Program		\$200,000	
Establishes a Compressed Natural Gas (CNG) Fueling Station appropriation in the amount of \$200,000 to reflect the local share match of the grant received from the Valley Transportation Authority. There is a corresponding transaction recommended in the Airport Capital Improvement Fund (Fund 520).				
<i>Construction Laydown Revenue</i>	Airport Capital Program			\$1,125,000
Establishes a Construction Laydown revenue line item in the Airport Renewal and Replacement Fund (Fund 527) that reallocates this funding from the Airport Revenue Fund (Fund 521). These revenues are for the use of the FMC site for construction laydown for the capital program and will now be recorded directly into this Airport capital fund. There are corresponding transactions recommended elsewhere in this document that remove this funding from the Airport operating funds.				
<i>Ending Fund Balance Adjustment</i>	Airport Capital Program		(\$165,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Equipment, Operating</i>	Airport Capital Program		\$20,000	
Increases the Equipment, Operating appropriation by \$20,000 in order to purchase one battery powered vehicle to test as a potential alternative to traditional gas powered vehicles. Due to the age of the fleet for various trade vehicles, the Airport would like to explore alternative ways to decrease vehicle maintenance costs.				
<i>FIS 3rd Floor Lounge Build Out</i>	Airport Capital Program		\$160,000	
Increases the FIS 3rd Floor Lounge Build Out appropriation by \$160,000 to cover the increased project costs needed to complete this project.				
<i>Facilities Maintenance Equipment</i>	Airport Capital Program		\$40,000	
Increases the Facilities Maintenance Equipment appropriation by \$40,000 to purchase several pieces of equipment such as: a thermal imaging camera to help isolate hot spots in piping or potential problems in the HVAC system, bar coding equipment to tag and identify all assets in the terminals, and a DVR surveillance system to enhance security in and around areas on the Airport campus.				
<i>International Garbage Sterilizer</i>	Airport Capital Program		(\$450,000)	
Eliminates funding from the International Garbage Sterilizer appropriation. The funding that was originally programmed for this project was to enable the Airport to process international garbage on site, however, that funding is no longer needed since the Airport has contracted with SkyChef to carry out this task.				

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT RENEW & REPL FUND (527)				
<i>Master Plan Miscellaneous Precursor Projects</i>	Airport Capital Program		(\$373,000)	
Decreases the Master Plan Miscellaneous Precursor Projects appropriation by \$373,000 and reallocates those resources to the North Concourse Building appropriation in order to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
<i>North Concourse Building</i>	Airport Capital Program		\$416,000	
Establishes in this fund the North Concourse Building appropriation in order to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
<i>Transfer from Airport Surplus Revenue Fund</i>	Airport Capital Program			(\$1,125,000)
Decreases the Transfer from the Airport Surplus Revenue Fund (Fund 524) by \$1.1 million. This reduced transfer reflects the reallocation of the collection of construction laydown revenues from Airport operating funds to an Airport capital fund. These revenues will now be recorded directly into the Airport Renewal and Replacement Fund (Fund 527). There are corresponding transactions recommended elsewhere in this document.				
TOTAL AIRPORT RENEW & REPL FUND (527)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT REV BOND IMP FUND (526)				
<i>Airfield Lighting Control and Taxiway V Lighting System</i>	Airport Capital Program		\$200,000	
Establishes in this fund the Airfield Lighting Control and Taxiway V Lighting System appropriation since the Federal Aviation Administration stated that no grant funds were available for this project. There is already another \$200,000 budgeted for this project in the Airport Renewal and Replacement Fund (Fund 527). This funding will allow the Airport to complete the replacement of the airfield lighting control system.				
<i>Central Plant Expansion</i>	Airport Capital Program		(\$963,000)	
Decreases the Central Plant Expansion appropriation by \$963,000 and reallocates those resources to the North Concourse Building appropriation in order to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
<i>Electrical Distribution System</i>	Airport Capital Program		\$150,000	
Increases the Electrical Distribution System appropriation by \$150,000. These resources are recommended to be reallocated from the Utility Infrastructure project in order to ensure sufficient funding is available to complete the electrical distribution system upgrades at the Airport.				
<i>Ending Fund Balance Adjustment</i>	Airport Capital Program		\$35,035,000	
Increases the Ending Fund Balance to offset the actions recommended in this report.				
<i>Master Plan Miscellaneous Precursor Projects</i>	Airport Capital Program		(\$4,130,000)	
Decreases the Master Plan Miscellaneous Precursor Projects appropriation by \$4.1 million and reallocates those resources to the North Concourse Building appropriation in order to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
<i>North Concourse Building</i>	Airport Capital Program		\$6,105,000	
Increases the North Concourse Building appropriation by \$6.1 million in order to ensure there is sufficient funding to complete this project. The completion date for the North Concourse is still anticipated to be late summer 2008.				
<i>Principal and Interest Payments</i>	Airport Capital Program		\$2,200,000	
Increases the Principal and Interest Payments appropriation by \$2.2 million to reflect the need for additional interest payments. During the development of the 2007-2008 Adopted Budget, the Airport anticipated that new bonds would be issued in order to refund outstanding commercial paper (CP), and accommodate ongoing capital project expenditures. The current financial plan would refund part of the outstanding CP, and continue CP funding for several projects, therefore, CP interest costs will be higher than the amount budgeted.				

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT REV BOND IMP FUND (526)				
Public Parking Garage	Airport Capital Program		\$1,707,000	
Increases the Public Parking Garage appropriation by \$1.7 million to bring the project's budget to a total of \$15 million to fund the 15% design development documents. The funding for this recommended adjustment will come from the Terminal Area Improvement Program, Phase I appropriation, as described elsewhere in this section.				
South Apron Replacement	Airport Capital Program		\$200,000	
Establishes the South Apron Replacement appropriation to advance funding needed to complete pre-design activities and begin a consultant selection process as identified in the timeline that was presented to the Federal Aviation Administration (FAA). This project will receive funding from the FAA in 2008-2009.				
Terminal Area Improvement, Phase I	Airport Capital Program		(\$1,707,000)	
Decreases the Terminal Area Improvement Program, Phase I appropriation by \$1.7 million in order to bring the project budget for the Public Parking Garage appropriation to a total of \$15 million to fund the 15% design development documents. A corresponding increase to the Public Parking Garage appropriation is also recommended elsewhere in this document.				
Transfer from Airport Fiscal Agent Fund	Airport Capital Program			\$36,200,000
Increases the transfer from the Airport Fiscal Agent Fund (Fund 525) for bond revenues that are available at the closing of the 2007 A and B Bond Series. The original budget estimated in the spring is less than the final proceeds that were issued in the summer and this adjustment is recommended to correctly reflect actual receipts and to ensure that there is sufficient funding available to support Airport capital projects.				
Transfer from Customer Facility and Transportation Fee Fund	Airport Capital Program			\$2,247,000
Establishes a transfer from the Customer Facility and Transportation Fee Fund (Fund 519) to recognize additional revenue that results from the Senate bill that went into effect January 1, 2008 which permits the Airport to collect an additional \$5 on each Airport rental car contract. These additional funds will support the financing of the Airport Consolidated Rental Car Garage. A corresponding transaction to transfer these funds from the Customer Facility and Transportation Fee Fund is also recommended elsewhere in this document.				
Utility Infrastructure	Airport Capital Program		(\$150,000)	
Decreases the Utility Infrastructure appropriation by \$150,000 and reallocates those resources to the Electrical Distribution System project in order to ensure there is sufficient funding to complete this project.				
West Side Airfield Reconstruction	Airport Capital Program		(\$200,000)	
Decreases the West Side Airfield Reconstruction project by \$200,000 to fund the Airfield Lighting Control and Taxiway V Lighting System project. This recommended funding adjustment will allow the Airport to complete the replacement of the airfield lighting control system.				

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT REV BOND IMP FUND (526)				
TOTAL AIRPORT REV BOND IMP FUND (526)			\$38,447,000	\$38,447,000
AIRPORT REVENUE FUND (521)				
<i>Airport Construction Laydown</i>	Airport			(\$1,125,000)
Reallocates an Airport revenue source from the Airport Revenue Fund (Fund 521) to the Airport Renewal and Replacement Fund (Fund 527). Receipt of these revenues are technically not eligible to be received in this fund due to tax issues and are, therefore, recommended to be reallocated to an Airport capital fund, the Airport Renewal and Replacement Fund (Fund 527). A corresponding transaction in Fund 527 is also recommended.				
<i>Airport Construction Laydown/Transfer to Airport Surplus Rev Fund</i>	Airport		(\$1,125,000)	
Decreases the transfer to the Airport Surplus Revenue Fund (Fund 524) since construction laydown revenues are more accurately received in an Airport capital fund, instead of an Airport operating fund (e.g., Fund 524). A corresponding action in the Airport Renewal and Replacement Fund (Fund 527) is recommended elsewhere in this document.				
<i>Airport Police Services Reimbursement/Unrestricted Ending Fund Bal</i>	Airport		\$646,871	
Increases the Airport's Ending Fund Balance as an offset to the transfer from the General Fund for reimbursement of overpayment of Police Services costs at the Airport.				
<i>CNG Conversion Incentive Prog/Trans to Airport Main & Op Fund</i>	Airport		\$79,700	
Transfers to the Airport Maintenance and Operation Fund (Fund 523) grant revenue received from the Valley Transportation Authority in the amount of \$79,700 to provide supplemental financial support to the Airport's existing Compressed Natural Gas (CNG) Conversion Incentive program.				
<i>CNG Conversion Incentive Program</i>	Airport			\$79,700
Recognizes grant revenue received from the Valley Transportation Authority in the amount of \$79,700 to provide supplemental financial support to the Airport's existing Compressed Natural Gas (CNG) Conversion Incentive program. A corresponding transaction in the Airport Maintenance and Operation Fund (Fund 523) is recommended elsewhere in this document.				
<i>Transfer from the General Fund/Airport Police Services</i>	Airport			\$646,871
Establishes a revenue estimate for a transfer from the General Fund to the Airport Revenue Fund (Fund 521) to account for a reimbursement to be received by the General Fund for previous overpayments of Police services costs at the Airport. As part of the 2006-2007 Annual Report, an earmarked reserve was established to account for potential funds due back to the Airport to cover the period between 2003-2004 and 2006-2007. The Airport and Police Departments, along with assistance of the Budget Office, have reviewed all data for this time period and have determined the actual amount of funding to be returned to the Airport.				
TOTAL AIRPORT REVENUE FUND (521)			(\$398,429)	(\$398,429)

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT SURPLUS REV FD (524)				
<i>Airport Construction Laydown/Trans to Airport Renewal & Replacemnt Fund</i>	Airport		(\$1,125,000)	
Reduces the Transfer to the Airport Renewal and Replacement Fund (Fund 527) to reflect the reallocation of an Airport revenue source from the Airport Revenue Fund (Fund 521). Receipt of these revenues are technically not eligible to be received in an Airport operating fund due to tax issues and are, therefore, recommended to be reallocated to an Airport capital fund, the Airport Renewal and Replacement Fund. A corresponding action in the Airport Renewal and Replacement Fund is recommended above.				
<i>Airport Construction Laydown/Transfer from Airport Revenue Fund</i>	Airport			(\$1,125,000)
Reduces the Transfer from the Airport Revenue Fund (Fund 521) to reflect the reallocation of an Airport revenue source from the Airport Revenue Fund to the Airport Renewal and Replacement Fund (Fund 527). Receipt of these revenues are technically not eligible to be received in an Airport operating fund due to tax issues and are, therefore, recommended to be reallocated to an Airport capital fund, the Airport Renewal and Replacement Fund. A corresponding action in the Airport Renewal and Replacement Fund is recommended below.				
TOTAL AIRPORT SURPLUS REV FD (524)			(\$1,125,000)	(\$1,125,000)
BENEFIT FUND (160)				
<i>FICA-Medicare</i>	Human Resources		\$500,000	\$500,000
Increases funding in the FICA-Medicare appropriation to account for higher than anticipated contributions due to increased hiring and salaries.				
<i>General Employee Vision</i>	Human Resources		\$12,000	\$12,000
Increases funding in the General Employee Vision appropriation due to increased employee enrollment.				
<i>Health Premiums</i>	Human Resources		\$1,300,000	\$1,300,000
Increases the Health Premiums appropriation and corresponding revenue due to a 7.95% increase to the City's portion of health rates, effective January 2008. In addition, \$200,000 is required to cover additional costs associated with a retroactive premium reconciliation with the health plan providers. Funding for this increase was anticipated in the General Fund and budgeted in the Salary Reserve.				
TOTAL BENEFIT FUND (160)			\$1,812,000	\$1,812,000

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
BLDG & STRUCT CONST TAX FD (429)				
<i>Ending Fund Balance Adjustment</i>	Traffic Capital Program		(\$765,000)	
Reduces the Ending Fund Balance to offset the actions recommended in this report.				
<i>ITS: Stevens Creek - West</i>	Traffic Capital Program		\$70,000	
Increases the ITS: Stevens Creek - West project to support the additional staff time necessary to complete re-scoping the project, additional design review, and to rebid the construction contract. When the construction contract first went out for bids, the lowest construction bid received was at 50% over the engineer's estimate.				
<i>Oakland Road: Route 101 to Montague</i>	Traffic Capital Program		\$12,000	
Increases the Oakland Road: Route 101 to Montague project to support increased project costs associated with land acquisition.				
<i>Refund to Developers</i>	Traffic Capital Program		(\$380,000)	
This action eliminates the Refund to Developers appropriation due to the fact that these payments were already made in 2006-2007.				
<i>Route 101: Blossom Hill Interchange Improvements</i>	Traffic Capital Program		\$1,750,000	\$1,750,000
Establishes the Route 101: Blossom Hill Interchange Improvements project and recognizes the corresponding revenue received from the Hitachi developer to support planned improvements to the Route 101 and Blossom Hill interchange. The planned improvements will include ramp modifications and bridge and roadway widening.				
<i>Seismic Bridge Retrofit - Julian Street</i>	Traffic Capital Program		\$650,000	
Increases the Seismic Bridge Retrofit - Julian Street project. Previous project funding was for planning activities and design, and this additional funding will provide for construction and project management.				
<i>Seismic Bridge Retrofit - Southwest Street</i>	Traffic Capital Program		\$83,000	
Increases the Seismic Bridge Retrofit - Southwest Street project. Previous project funding was for planning activities and design, and this additional funding will provide for construction and project management.				
<i>Seismic Bridge Retrofit - William Street</i>	Traffic Capital Program		\$330,000	
Increases the Seismic Bridge Retrofit - William Street project. Previous project funding was for planning activities and design, and this additional funding will provide for construction and project management.				
TOTAL BLDG & STRUCT CONST TAX FD (429)			\$1,750,000	\$1,750,000

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
BRANCH LIB BOND PROJECT FD (472)				
<i>Almaden Branch</i>	Library Capital Program		(\$200,000)	
Decreases the Almaden Branch project to reflect project savings. The Almaden Branch Library is now operational and final payments to the contractor are being made. Final cost estimates indicate this project will complete with approximately \$200,000 remaining in the budget.				
<i>Cambrian Branch</i>	Library Capital Program		\$22,000	
Increases the Cambrian Branch project by \$22,000. The Cambrian Branch project was completed in 2006-2007, and project savings of \$22,000 were redistributed to the Branch Libraries Bond Projects Fund Ending Fund Balance. However, additional post-construction work consisting of some redesign and reconstruction of the bio-swale and the need for additional lighting in the storytelling area has recently been identified.				
<i>Contingency Reserve: Library Bond Projects</i>	Library Capital Program		\$2,950,000	
Increases the Contingency Reserve to reflect project savings from the Almaden Branch, Edenvale Branch, and Santa Teresa Branch projects.				
<i>Edenvale Branch</i>	Library Capital Program		(\$750,000)	
Decreases the Edenvale Branch project to reflect significant project savings. The Edenvale Branch Library is now operational and final payments to the contractor are being made. Final cost estimates indicate this project will complete with approximately \$750,000 remaining in the budget.				
<i>Ending Fund Balance Adjustment</i>	Library Capital Program		(\$107,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Land Acquisition</i>	Library Capital Program		\$85,000	
Increases the Land Acquisition appropriation by \$85,000. The Library Department is currently in discussions with Evergreen Valley College to place the new Southeast Branch Library on the College campus. The estimated payment to Evergreen Valley College is \$1,000,000, however the Land Acquisition appropriation only has \$915,000 allocated for this purpose. This recommended increase would ensure sufficient funding is available if the City and the College reach a final agreement.				
<i>Santa Teresa Branch</i>	Library Capital Program		(\$2,000,000)	
Decreases the Santa Teresa Branch project by \$2,000,000 to reflect project savings. Construction bids received for the project were substantially lower than anticipated, therefore, this action would shift the estimated savings to the Contingency Reserve: Library Bond Projects allocation.				
TOTAL BRANCH LIB BOND PROJECT FD (472)			\$0	\$0

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CFD #12 (Basking Ridge)				
<i>Community Facilities District #12 (Basking Ridge)</i>	Transportation		\$222,000	\$222,000
This action establishes the Community Facilities District #12 (Basking Ridge) Fund. The district was formed through Council approval on November 8, 2005, and in order to establish the fund, the following actions are being recommended: 1) recognize assessments collected (\$222,000), 2) establish a Personal Services appropriation (\$50,000), and 3) establish a Non-personal/Equipment appropriation (\$172,000).				
TOTAL CFD #12 (Basking Ridge)			\$222,000	\$222,000
CIVIC CENTER PRKNG FUND (433)				
<i>Commercial Paper Transfer</i>	New City Hall Capital Program		\$25,000	
Establishes a Transfer to the Trustee-held Tax-Exempt Projects Fund in the Civic Center Parking Fund (433) in the amount of \$25,000 to make available for other authorized purposes commercial paper that was originally issued but is not now needed for the Civic Center Off-Site Parking Garage project.				
<i>Reserve for Civic Center Off-Site Parking Garage</i>	New City Hall Capital Program		(\$25,000)	
Decreases the Reserve for the Civic Center Off-Site Parking Garage project to offset the action recommended above.				
TOTAL CIVIC CENTER PRKNG FUND (433)			\$0	\$0
COMM DEV BLOCK GRANT FD (441)				
<i>Emergency and Minor Repair Program</i>	Housing		\$500,000	
Establishes an Emergency and Minor Repair Program appropriation to the Housing Department. This program, which was formerly administered by Economic and Social Opportunities, Inc. (ESO), is now being administered by the Housing Department. This new program will continue to address urgent and minor health and safety repairs and accessibility improvements for low-income homeowners.				
<i>Homeowner Energy Conservation</i>	Housing		(\$500,000)	
Decreases the Homeowner Energy Conservation project and shifts funding to the Emergency and Minor Repair Program appropriation, as described above. The Homeowner Energy Conservation project, which was formerly administered by Economic and Social Opportunities, Inc. (ESO), is now being administered by the Housing Department. This program will continue to address urgent and minor health and safety repairs and accessibility improvements for low-income homeowners. However, because energy improvement projects related to energy conservation are currently being provided to low-income households through multiple community-based organizations in San José, the Housing Department will no longer be administering this piece. For this reason, the name of the program will be called the "Emergency and Minor Repair Program."				
TOTAL COMM DEV BLOCK GRANT FD (441)			\$0	\$0

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX CENTRAL FD (390)				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		(\$401,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Parks and Community Facilities Development Office</i>	Parks & Comm Fac Dev Capital Program		\$300,000	
Increases the Parks and Community Facilities Development Office appropriation by \$300,000. Overhead costs were inadvertently not included when staff developed the Parks and Community Facilities Development Office costs for 2007-2008. This allocation will ensure sufficient funding is available for staff costs in the current fiscal year.				
<i>Pools and Fountains</i>	Parks & Comm Fac Dev Capital Program		\$101,000	
Establishes an appropriation for non-personal/equipment funding for City owned pools and fountains. During the 2007-2008 budget process the City Council approved a recommendation to shift this responsibility from the General Fund to the Parks Central Construction and Conveyance Tax Fund. However, a budget allocation was inadvertently never established in the Parks Central Construction and Conveyance Tax Fund.				
TOTAL CONST/CONV TAX CENTRAL FD (390)			\$0	\$0
CONST/CONV TAX FD-FIRE FUND (392)				
<i>City-Building Energy Projects Program</i>	Public Safety Capital Program		\$66,000	
Increases funding for Fire facility upgrades that would generate energy savings. These upgrades, which were identified by PG&E energy audits on City facilities, are prioritized by pay-back of energy savings, most of which would occur in less than five years. This is a rebudgeting of prior year funds that was inadvertently omitted from the 2006-2007 Annual Report.				
<i>Ending Fund Balance Adjustment</i>	Public Safety Capital Program		(\$67,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Transfer to the City Hall Debt Service Fund</i>	Public Safety Capital Program		\$1,000	
Increases the Transfer to the City Hall Debt Service Fund by \$1,000 to correct an inadvertant budgeting error. This adjustment will ensure sufficient funding for the fund's fair share of these costs.				
TOTAL CONST/CONV TAX FD-FIRE FUND (392)			\$0	\$0

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX PKS CD3 FD (380)				
<i>Earned Revenue</i>	Parks & Comm Fac Dev Capital Program			(\$24,000)
Decreases the Earned Revenue appropriation by \$24,000 due to the reconciliation of two State grants. The City recently received Proposition 12 grant funding from the State of California totaling \$100,000 for Selma Olinder Park, which was not previously budgeted. The City also received final payment from the State of California for Proposition 13 grant funding for Selma Olinder Park. The City was anticipating receiving \$425,000 from the Proposition 13 grant, however, due to decreased project costs, which is the basis of the grant amount, only \$301,000 was received. This action, therefore, reduces the Earned Revenue by \$24,000 due to the decrease in the Proposition 13 grant (\$124,000), partially offset by the receipt of the Proposition 12 grant (\$100,000).				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		\$1,000	
Increases the Ending Fund Balance to offset actions recommended in this report.				
<i>Refund Developers</i>	Parks & Comm Fac Dev Capital Program		(\$25,000)	
This action eliminates the Refund Developers appropriation due to the fact that these payments were made in 2006-2007.				
TOTAL CONST/CONV TAX PKS CD3 FD (380)			(\$24,000)	(\$24,000)
CONST/CONV TAX PKS CD7 FD (385)				
<i>Alma Community Center Improvements</i>	Parks & Comm Fac Dev Capital Program		\$285,000	
Increases the Alma Community Center Improvements appropriation by \$285,000 to ensure adequate funding to complete the project. Proposed improvements include expanding the existing parking lot, renovating the basketball court, and providing minor landscaping and lighting enhancements.				
<i>Earned Revenue</i>	Parks & Comm Fac Dev Capital Program			\$285,000
Increases the Earned Revenue estimate by \$285,000 in anticipation of the receipt of Proposition 40 grant funding from the State of California. The State of California has awarded the City of San José \$300,000 under the Proposition 40 grant program for the Alma Community Center project. These funds are received on a reimbursement basis. It is anticipated \$285,000 will be expended and subsequently reimbursed in 2007-2008, with the remaining \$15,000 being expended and subsequently reimbursed in 2008-2009.				
TOTAL CONST/CONV TAX PKS CD7 FD (385)			\$285,000	\$285,000

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX PKS CD8 FD (386)				
<i>Canyon Creek Park Perimeter Landscaping</i>	Parks & Comm Fac Dev Capital Program		\$9,000	
Increases the Canyon Creek Park Perimeter Landscaping project by \$9,000 to ensure sufficient funding is available to complete this project. Additional funding is needed for staff costs associated with the General Services Department, which oversees this minor construction contract.				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		(\$9,000)	
Decreases the Ending Fund Balance to offset the increase to the Canyon Creek Park Perimeter Landscaping project.				
TOTAL CONST/CONV TAX PKS CD8 FD (386)			\$0	\$0
CONST/CONV TAX PKS CD9 FD (388)				
<i>Earned Revenue</i>	Parks & Comm Fac Dev Capital Program			\$220,000
Increases the estimate for Earned Revenue to recognize the receipt of Proposition 40 grant funding from the State of California. This grant was received to reimburse the City for costs incurred for the Butcher Dog Park project. Since the grant funding is received on a reimbursement basis, the Council District 9 Construction and Conveyance Tax Fund Ending Fund Balance previously provided the funds to construct the park, in anticipation of being reimbursed when the grant funds were received.				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		\$220,000	
Increases the Ending Fund Balance to offset a recommended increase to the estimate for Earned Revenue.				
TOTAL CONST/CONV TAX PKS CD9 FD (388)			\$220,000	\$220,000

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX PKS CW FD (391)				
<i>City-wide Skateboard Park Development</i>	Parks & Comm Fac Dev Capital Program		(\$64,000)	
Decreases the City-wide Skateboard Park Development project by \$64,000. During the 2006-2007 Annual Report process, this appropriation should have been decreased due to higher than anticipated expenditures in 2006-2007, however, the Columbus Park Horseshoe Court project was inadvertently decreased instead.				
<i>Columbus Park Horseshoe Court</i>	Parks & Comm Fac Dev Capital Program		\$64,000	
Increases the Columbus Park Horseshoe Court project by \$64,000. During the Annual Report process, the Columbus Park Horseshoe Court project was inadvertently decreased by \$64,000, rather than the City-wide Skateboard Park Development project.				
<i>Earned Revenue</i>	Parks & Comm Fac Dev Capital Program			\$297,000
Increases the Earned Revenue estimate in anticipation of the receipt of funding from the Vietnamese Heritage Society (VHS). VHS is allocating additional funding for Department of Public Works staff to provide plan review and construction inspection services for the Vietnamese Cultural Heritage Garden project. Per the agreement between the City and VHS, the City is only responsible for plan review and inspection services totaling \$80,000, and VHS is required to pay for all additional services. The City has already expended \$80,000, therefore VHS is now responsible for all additional plan review and inspection services.				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		(\$1,225,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Family Camp Lease</i>	Parks & Comm Fac Dev Capital Program		\$25,000	
Increases the Family Camp Lease allocation by \$25,000 to ensure sufficient funding is available to pay the United States Forest Service for lease costs associated with Family Camp. The United States Forest Service has not invoiced the City for lease costs associated with Family Camp for three years, pending the determination of a revised lease level. The United States Forest Service has recently invoiced the City for \$55,000 for 2005 and 2006, and it is estimated the 2007 bill will be approximately \$30,000. The current Family Camp Lease allocation totals \$60,000, therefore an additional \$25,000 is needed to ensure sufficient funding is available to pay the United States Forest Service.				
<i>Happy Hollow East Side Improvements</i>	Parks & Comm Fac Dev Capital Program		\$1,200,000	
Increases the Happy Hollow East Side Improvements appropriation by \$1,200,000. On November 20, 2007, the City Council approved the award of the Happy Hollow Park and Zoo-Zoo and Attractions (Phase IIA) project. Included in the approved award memorandum was a recommendation to use \$3,900,000 that was allocated for the Happy Hollow Parking Lot and Bridge phases (Phase I and Phase IIB) of the Happy Hollow Park and Zoo project, with the caveat that the funding would be replaced with a combination of the City-Wide Construction and Conveyance Tax Fund (\$1,200,000) and the Parks and Recreation Bond Projects Fund (\$2,700,000). This recommended action will restore the project funding for the Happy Hollow Parking Lot and Bridge phases, thereby increasing the entire Happy Hollow Park and Zoo project budget.				

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX PKS CW FD (391)				
Reserve: Calpine Open Space	Parks & Comm Fac Dev Capital Program		(\$500,000)	
Decreases the Reserve: Calpine Open Space appropriation and shifts funding to the Reserve: District 2 Community Center appropriation.				
Reserve: District 2 Community Center	Parks & Comm Fac Dev Capital Program		\$500,000	
Establishes a \$500,000 reserve for the future design and construction of a community center in Council District 2. Additional funding for this project has already been allocated in the Park Trust Fund and the Council District 2 Construction and Conveyance Tax Fund.				
Vietnamese Cultural Heritage Garden	Parks & Comm Fac Dev Capital Program		\$297,000	
Increases the Vietnamese Cultural Heritage Garden appropriation to provide additional funding for Department of Public Works staff to review plans and inspect the construction project. The Vietnamese Heritage Society will reimburse the City for these services.				
TOTAL CONST/CONV TAX PKS CW FD (391)			\$297,000	\$297,000
CONST/CONV TAX SRVC YDS FD (395)				
Commercial Paper Transfer	Service Yards Capital Program		\$50,000	
Establishes a Transfer to the Trustee-held Tax-Exempt Projects Fund in the Construction Tax and Property Conveyance Tax Fund: Service Yards Purposes in the amount of \$50,000 to make available for other authorized purposes commercial paper that was originally issued but is not now needed for the Central Service Yard Phase II project.				
Ending Fund Balance Adjustment	Service Yards Capital Program		(\$83,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
Transfer to the City Hall Debt Service Fund	Service Yards Capital Program		\$33,000	
Increases the Transfer to the City Hall Debt Service Fund (\$33,000) to correct an inadvertent budgeting error. This adjustment will ensure sufficient funding for the fund's fair share of these costs.				
TOTAL CONST/CONV TAX SRVC YDS FD (395)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TX FD - PKS MAINT (398)				
Ending Fund Balance Adjustment	Parks & Comm Fac Dev Capital Program		(\$8,000)	
Decreases the Ending Fund Balance to offset the increase to the Public Works Capital Management Costs appropriation.				
Public Works Capital Management Costs	Parks & Comm Fac Dev Capital Program		\$8,000	
Establishes an appropriation for Public Works Capital Management Costs in the amount of \$8,000. This allocation, which will fund the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, was inadvertently omitted from the 2007-2008 Adopted Budget.				
TOTAL CONST/CONV TX FD - PKS MAINT (398)			\$0	\$0
CONST/CONV TX FD PKS CD2 FD (378)				
Aquatics Master Plan Implementation	Parks & Comm Fac Dev Capital Program		\$250,000	
Establishes a new appropriation for the Aquatics Master Plan Implementation project. This funding will enable staff to perform an assessment in Council District 2 to determine potential sites to construct a swimming pool.				
Reserve: Aquatics Master Plan Implementation	Parks & Comm Fac Dev Capital Program		(\$250,000)	
Reduces the Reserve: Aquatics Master Plan Implementation appropriation. A related action establishes an active appropriation to begin this project.				
TOTAL CONST/CONV TX FD PKS CD2 FD (378)			\$0	\$0
CONSTR/CONV TAX LIB FD (393)				
New Branch Opening Day Collections	Library Capital Program		\$4,500,000	
Increases the New Branch Opening Day Collections project by \$4,500,000. This additional allocation will ensure adequate funding is available to purchase new material for the Pearl Avenue, Willow Glen, Santa Teresa, East San José Carnegie, Bascom, and Southeast Branch Libraries.				
Reserve: New Branch Opening Day Collections	Library Capital Program		(\$4,500,000)	
Eliminates the New Branch Opening Day Collections reserve. It is recommended that this funding be used to increase the New Branch Opening Day Collections active appropriation to allow new materials to be purchased for several branches coming on-line in the near future.				
TOTAL CONSTR/CONV TAX LIB FD (393)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONSTRUCTION EXCISE TAX FD (465)				
<i>BART Project Management</i>	Traffic Capital Program		(\$190,000)	(\$190,000)
Decreases the BART Project Management project and the corresponding revenue from the Valley Transportation Authority (VTA) due to staff vacancies supporting the BART project. The funding for this project is on a grant reimbursement basis; therefore, the amount of grant reimbursement from VTA will be lower because there are lower than estimated staff costs.				
<i>Ending Fund Balance Adjustment</i>	Traffic Capital Program		\$310,000	
Increases the Ending Fund Balance to offset the actions recommended in this report.				
<i>Ortho Photo Project</i>	Traffic Capital Program		(\$156,000)	(\$156,000)
Decreases the Ortho Photo Project and the corresponding revenue due to the Santa Clara County's decision to not exercise the option for expanded work scope associated with the Ortho Photo Project.				
<i>Public Works Capital Management Costs</i>	Traffic Capital Program		\$352,000	
Increases the appropriation for Public Works Capital Management Costs by \$352,000. The adjustment to this allocation, which funds the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, is necessary due to higher than anticipated project-related expenditures in the fund.				
<i>Refund to Developers</i>	Traffic Capital Program		(\$662,000)	
This action eliminates the Refund to Developers appropriation due to the fact that these payments were made in 2006-2007.				
<i>Traffic Safety Improvements</i>	Traffic Capital Program		\$35,000	\$35,000
Increases the Traffic Safety Improvements project and recognizes additional revenue received from Walton San José Investors, LLC for the sidewalk modification design and construction of the Taxi Stand Bay in front of the Marriott Hotel. The first half of the payment has been received (\$17,500) as a deposit for the project, and the second half of the payment (\$17,500) will be received upon completion of the project by year-end.				
TOTAL CONSTRUCTION EXCISE TAX FD (465)			(\$311,000)	(\$311,000)
CONV/CULTURAL AFFAIRS FUND (536)				
<i>Non-Personal/Equipment Adjustment</i>	Convention Facilities Dept		\$200,000	
Increases the Convention Facilities Non-Personal/Equipment appropriation to pay for contract labor used to backfill for vacant Team San Jose positions.				
<i>Personal Services Adjustment</i>	Convention Facilities Dept		(\$200,000)	
Decreases the Convention Facilities Personal Services appropriation to pay for contract labor used to backfill for vacant Team San Jose positions.				
TOTAL CONV/CULTURAL AFFAIRS FUND (536)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
DENTAL INSURANCE FUND (155)				
Ending Fund Balance Adjustment	Human Resources		(\$6,300)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
Non-Personal/Equipment	Human Resources		\$6,300	
Increases Non-Personal/Equipment funding due to increased administrative costs as a result of increased enrollment in the Delta Dental PPO plan.				
Prepaid Dental Plan	Human Resources		\$58,000	\$58,000
Increases funding for the Prepaid Dental Plan appropriation due to increased plan enrollment.				
TOTAL DENTAL INSURANCE FUND (155)			\$58,000	\$58,000
ECON DEV ENHANCEMENT FD (439)				
Ending Fund Balance Adjustment	Economic Development		(\$570,460)	
Reduces the Ending Fund Balance to offset actions recommended in this report.				
Loan Expenditures	Economic Development		(\$80,000)	
Decreases the Loan Expenditures appropriation to offset the recommended increase to the Small Business Loan Program.				
Small Business Loan Program	Economic Development		\$650,460	
Establishes the Small Business Loan Program appropriation to provide loan funding for small local businesses. The Redevelopment Agency had previously provided funding to the City for this program, which was established in 2002. The funding provides direct loans to eligible and qualified borrowers to close the gap in financing when the lender does not provide the total amount of funds requested.				
TOTAL ECON DEV ENHANCEMENT FD (439)			\$0	\$0
EDW BYRNE MEMORIAL JAG FD (474)				
Ending Fund Balance Adjustment	Police		(\$7,892)	
Reduces the Ending Fund Balance in the Edward Byrne Memorial Justice Assistance Grant (JAG) Fund to fund actions recommended in this report.				
JAG 2005-07	Police		\$3,828	
This action appropriates funding in the Edward Byrne Memorial Justice Assistance Grant (JAG) Fund 2005-07 grant cycle that was unexpended and unencumbered by June 30, 2007 in order to return the unused balance to the federal government.				
JAG 2006-08	Police		\$4,064	
This action appropriates unexpended and unencumbered interest revenue in the Edward Byrne Memorial Justice Assistance Grant (JAG) Fund 2006-08 grant cycle in order to use the funding before the grant spending deadline of June 30, 2008.				
TOTAL EDW BYRNE MEMORIAL JAG FD (474)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
GENERAL PURPOSE PARKING FD (533)				
<i>Facility Improvements and Maintenance</i>	Parking Capital Program		\$310,000	
Increases the Facility Improvements and Maintenance appropriation to fund the implementation of the Convention Center Deck Repair project. The scope of the project increased significantly due to additional damage discovered during construction.				
<i>Minor Parking Facility Repairs</i>	Parking Capital Program		(\$132,000)	
Decreases the Minor Parking Facility Repairs project to offset the increase recommended to the Revenue Control Upgrades project.				
<i>Revenue Control Upgrades</i>	Parking Capital Program		\$132,000	
Increases the Revenue Control Upgrades project to fund system-wide upgrades to the credit card processing equipment at all parking garages and at the central server to meet the Payment Card Industry Data Security Standard requirements. These upgrades are mandated by the credit card industry and must be implemented to protect the customers and to reduce liability. A corresponding decrease to the Minor Parking Facility Repairs project is also recommended to fund this project.				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$380,000)	
Reduces the Ending Fund Balance to offset the actions recommended in this report.				
<i>Police Parking Garage Security</i>	Transportation		\$70,000	
Increases the Police Parking Garage Security appropriation to fund the enhanced security for the City's parking garages. The Police Department patrols the Market Street Garage and Third Street Garage on Friday and Saturday late evenings from 10 pm to 3 am. The initial budget estimate allowed for four officers and one supervisor, but after implementation, it was determined that, at certain times during the year, it was necessary to staff up to six officers and one supervisor.				
TOTAL GENERAL PURPOSE PARKING FD (533)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
GIFT TRUST FUND (139)				
<i>Books for Little Hands</i>	Finance		\$3,000	\$3,000
Recognizes and appropriates gifts made to support the Books for Little Hands program through purchases of Family Learning kits and materials.				
<i>Library - General Gifts</i>	Finance		\$165,784	\$165,784
Increases the Library - General Gifts appropriation to recognize and appropriate gifts made to support the following: the purchase of materials and programming needs for branch libraries (\$3,000), the Reading Readiness program (\$1,000), collection enhancement for the Almaden Branch (\$16,000), collection enhancement, programming and supplies for the Rose Garden Branch (\$4,500), programs and initiatives for the King Library (\$15,825), furnishings, fixtures, equipment and materials for the Edenvale Branch (\$75,000), materials for the California Room at the San José Public Library (\$709), Chinese materials for branch libraries (\$20,000), and the Alviso Homework Center to promote academic achievement and advancement for students in grades 1-12 (\$29,750).				
<i>Library Literacy Project</i>	Finance		\$1,000	\$1,000
Recognizes and appropriates gifts made to support the Library Literacy project. This funding will be used to support literacy programming.				
TOTAL GIFT TRUST FUND (139)			\$169,784	\$169,784
HOME INVEST PART PROG FUND (445)				
<i>Housing Rehabilitation Program Projects</i>	Housing		\$642,563	\$642,563
Increases the Housing Department's Earned Revenue estimate with a corresponding increase to the Rental Rehabilitation Program appropriation to account for projects that began in 2006-2007, but will be completed in 2007-2008. This funding, which represents federal grant reimbursement revenue from Housing and Urban Development (HUD), will be used to complete approximately 30 single-family housing rehabilitation projects for low-income households in San José.				
TOTAL HOME INVEST PART PROG FUND (445)			\$642,563	\$642,563

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
LAKE CUNNINGHAM FUND (462)				
Ending Fund Balance Adjustment	Parks & Comm Fac Dev Capital Program		(\$42,000)	
Decreases the Ending Fund Balance to offset the increase to the Public Works Capital Management Costs appropriation.				
Public Works Capital Management Costs	Parks & Comm Fac Dev Capital Program		\$42,000	
Establishes an appropriation for Public Works Capital Management Costs in the amount of \$42,000. This allocation, which will fund the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, is necessary due to higher than anticipated project-related expenditures in the fund.				
TOTAL LAKE CUNNINGHAM FUND (462)			\$0	\$0
LOW/MOD INCOME HOUSING FD (443)				
Ending Fund Balance Adjustment	Housing		(\$250,000)	
Reduces the Ending Fund Balance to fund the Housing Debt Service adjustment recommended in this report.				
Housing Debt Service	Housing		\$250,000	
Increases the Housing Debt Service appropriation to account for unanticipated interest rate increases to the Department's variable-rate tax allocation bonds. These variable-rate tax allocation bonds are used to fund low- and moderate-income household projects.				
San José State Teacher Loan Program	Housing		\$150,000	
Increases the San José State Teacher Loan Program appropriation to ensure adequate funding based on higher than anticipated usage. There is a corresponding reduction recommended in the Teacher/First Time Buyer Loan Program appropriation.				
Teacher/First Time Buyer Loan Program	Housing		(\$150,000)	
Decreases the Teacher/First Time Buyer Loan Program appropriation to offset anticipated costs in the San José State Teacher Loan Program. Due to underutilization, the Housing Department does not anticipate the full allocation for the Teacher/First Time Buyer Loan Program to be expended; therefore, it is recommended that these resources be reallocated to the San José State Teacher Loan Program.				
TOTAL LOW/MOD INCOME HOUSING FD (443)			\$0	\$0
M.D.#10 OKMD STRM PMP STN FD(363)				
Maintenance District #10 (Oakmead Storm Station)	Transportation		\$70	\$70
Increases the Department of Transportation's Non-Personal/Equipment appropriation and recognizes interest earnings in order to close out this fund at the end of 2007-2008. The maintenance costs for the Oakmead Storm Station were transferred to the Storm Sewer Operating Fund as part of the 2005-2006 Adopted Operating Budget.				
TOTAL M.D.#10 OKMD STRM PMP STN FD(363)			\$70	\$70

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
MAJR COLLECT AND ARTRLS FD (421)				
Ending Fund Balance Adjustment	Traffic Capital Program		(\$2,000)	
Reduces the Ending Fund Balance to offset the action recommended in this report.				
Public Works Capital Management Costs	Traffic Capital Program		\$2,000	
Establishes an appropriation for Public Works Capital Management Costs in the amount of \$2,000. This allocation, which will fund the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, was inadvertently omitted from the 2007-2008 Adopted Budget.				
TOTAL MAJR COLLECT AND ARTRLS FD (421)			\$0	\$0
MULTI-SOURCE HOUSING FD (448)				
Ending Fund Balance Adjustment	Housing		(\$29,088)	
Reduces the Ending Fund Balance to fund the HOPWA/SHAPPS adjustment recommended in this report.				
HOPWA SHAPPS Projects	Housing		\$29,088	
Increases the Housing Opportunities for Persons with AIDS/HIV/Shared Housing Assistance Placement and Supportive Services Program (HOPWA/SHAPPS) appropriation in the Housing Department to fund prior year commitments. This funding provides nonprofits with resources and incentives to devise long-term strategies for meeting the housing needs of individuals with AIDS and their families. These projects are expected to be completed in 2007-2008.				
In-Lieu Fee Projects	Housing		\$4,197,250	\$4,197,250
Increases the In-Lieu Fee appropriation in the Housing Department to fund additional In-Lieu Fee projects. These projects will be funded by revenue from in-lieu fees as a result of recent amendments to the City's Inclusionary Housing Policy. To date, the Department has received a total of \$5.7 million in In-Lieu Fee revenue from projects such as Laurel Place, Park Avenue Lofts, and Fruitdale Station. This revenue will be used to fund financing for the acquisition and rehabilitation of existing housing, financing for predevelopment activities prior to affordable housing development, and support to other general affordable housing projects.				
TOTAL MULTI-SOURCE HOUSING FD (448)			\$4,197,250	\$4,197,250

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
NEIGHBHD SECURITY BOND FD (475)				
<i>Public Art - Police Bond Projects</i>	Public Safety Capital Program		(\$1,100,000)	
Decreases the Public Art - Police Bond Projects appropriation by \$1.1 million to provide funding for the South San José Police Substation project. As authorized by the City Council on December 18, 2007, this action would replenish the General Fund Future Capital Projects (FF&E) Reserve, which had temporarily funded the project pending final approval of Municipal Code changes for public art, by reallocating funding in the Neighborhood Security Bond Fund from the Public Art - Police Bond Projects to the South San José Police Substation project. Options to restore funding for public art at the substation will be discussed in a separate memorandum.				
<i>South San José Police Substation</i>	Public Safety Capital Program		\$1,100,000	
Increases the South San José Police Substation appropriation, as mentioned above, in order to replenish the General Fund Future Capital Projects (FF&E) Reserve by reallocating funds from the Public Art - Police Bond Projects appropriation.				
TOTAL NEIGHBHD SECURITY BOND FD (475)			\$0	\$0
PARKS & REC BOND PROJ FD (471)				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		(\$2,700,000)	
Decreases the Ending Fund Balance to offset the increase to the Happy Hollow Park and Zoo Renovation and Improvements project.				
<i>Happy Hollow Park and Zoo Renovation and Improvements</i>	Parks & Comm Fac Dev Capital Program		\$2,700,000	
Increases the Happy Hollow East Side Improvements appropriation by \$2,700,000. On November 20, 2007, the City Council approved the award of the Happy Hollow Park and Zoo-Zoo and Attractions (Phase IIA) project. Included in the approved award memorandum was a recommendation to use \$3,900,000 that was allocated for the Happy Hollow Parking Lot and Bridge phases (Phase I and Phase IIB) of the Happy Hollow Park and Zoo project, with the caveat that the funding would be replaced with a combination of the City-Wide Construction and Conveyance Tax Fund (\$1,200,000) and the Parks and Recreation Bond Projects Fund (\$2,700,000). This recommended action will restore the project funding for the Happy Hollow Parking Lot and Bridge phases, thereby increasing the entire Happy Hollow Park and Zoo project budget.				
TOTAL PARKS & REC BOND PROJ FD (471)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
PUBLIC WKS PRO SUPPORT FD (150)				
<i>Ending Fund Balance Adjustment</i>	Public Works		(\$142,000)	
Decreases the Ending Fund Balance to offset the action recommended in this report.				
<i>Recruiting and Hiring Services</i>	Public Works		\$142,000	
Increases the Public Works Personal Services appropriation to provide funding for an additional Human Resources Matrix Analyst and a student intern for the remainder of 2007-2008. This adjustment will help to reduce the large number of vacancies in the department that is impacting the department's ability to meet capital project schedule commitments.				
TOTAL PUBLIC WKS PRO SUPPORT FD (150)			\$0	\$0
REDEV CAPITAL PROJECT FD (450)				
<i>Additional Contingency Services</i>	Transportation		\$25,000	\$25,000
Increases funding to the Additional Contingency Services appropriation in the amount of \$25,000 for PSM 499, Amendment 1. This project consists of services that require special expert resources and/or equipment, outside of the existing staff, dedicated to enhanced blight abatement services. These include, but are not limited to, street sweeping, concrete work, lighting installations, curb and street striping, extraordinary tree pruning, signage installation, maintenance on Agency properties, or special small projects, all of which require specialized staff, equipment and materials. This also includes the purchase of supplies to perform graffiti removal services. All additional services will be requested and approved by the Agency's Property Management Officer. The source of funding for this project would be a transfer from the Redevelopment Agency in the total amount of \$25,000.				
TOTAL REDEV CAPITAL PROJECT FD (450)			\$25,000	\$25,000
RES CONST TAX CONTR FUND (420)				
<i>Ending Fund Balance Adjustment</i>	Developer Assisted Capital Program		\$14,000	
Increases the Ending Fund Balance to offset actions recommended in this report.				
<i>Refund to Developers</i>	Developer Assisted Capital Program		(\$15,000)	
This action eliminates the Refund to Developers appropriation due to the fact that these payments were made in 2006-2007.				
<i>Transfer to the City Hall Debt Service Fund</i>	Developer Assisted Capital Program		\$1,000	
Increases the Transfer to the City Hall Debt Service Fund by \$1,000 to correct an inadvertent budgeting error. This adjustment will ensure sufficient funding for the funds fair share of these costs.				
TOTAL RES CONST TAX CONTR FUND (420)			\$0	\$0

**Special/Capital Funds Augmentation/Reduction Summary
2007-2008 Mid-Year Budget Review**

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SANITARY SEWER CONN FEE FD (540)				
<i>Ending Fund Balance Adjustment</i>	Sanitary Sewer Capital Program		(\$159,000)	
Reduces the Ending Fund Balance to fund actions recommended in this report.				
<i>Public Works Capital Management Costs</i>	Sanitary Sewer Capital Program		\$159,000	
Increases the appropriation for Public Works Capital Management Costs by \$159,000. This allocation, which funds the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, needs to be increased due to higher than anticipated project-related expenditures in the fund.				
TOTAL SANITARY SEWER CONN FEE FD (540)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SJ-SC TRMNT PLANT CAP FUND (512)				
<i>Alternative Disinfection Project</i>	Water Pollution Control Capital Program		\$4,035,000	
Increases the Alternative Disinfection appropriation to cover additional costs due to several design changes and cost factors that have impacted this project since the initial engineer's estimate two years ago. Among these are significant design changes to make the overall treatment system operate as efficiently as possible and to evaluate the use of ultra-violet disinfection in the future.				
<i>Dissolved Air Flotation Pressure Retention Tanks & Valves Replacemnt</i>	Water Pollution Control Capital Program		\$650,000	
Establishes the Dissolved Air Flotation Pressure Retention Tanks and Valves Replacement appropriation to accelerate this project. This project was originally planned in the current 5-year CIP to start in 2010-2011. However, during the current year, four of the tanks and valves were found to be corroding and leaking at a much faster rate than originally estimated. With the additional funding provided by the elimination of the Fuel Cell Cogeneration System project, it would be more beneficial to commence the replacement of the tanks in the current year rather than wait any longer. By accelerating this project, repair and maintenance costs can be reduced and associated inflationary costs from waiting two more years can be avoided.				
<i>Ending Fund Balance Adjustment</i>	Water Pollution Control Capital Program		\$1,020,000	
Increases the Ending Fund Balance due to actions recommended in this report.				
<i>Fuel Cell Cogeneration System Project</i>	Water Pollution Control Capital Program		(\$10,117,000)	
Eliminates the Fuel Cell Cogeneration System appropriation as the contractor chosen for this project has decided against executing the contract and the Department has decided to defer this project in order to fund other projects in the current fiscal year. This project was intended to alleviate the water pollution control plant's decreasing ability to generate sufficient electricity on-site.				
<i>M5, Ring Buss, and Cable Replacement</i>	Water Pollution Control Capital Program		\$1,800,000	
Increases the M5, Ring Buss, and Cable Replacement appropriation due to higher costs related to changes made in order for the entire electrical system to be more efficient, reliable, and easier to operate. The revised engineer's estimate is \$1.8 million, or about 14% higher than anticipated in the current year capital budget.				
<i>Transfer to the City Hall Debt Service Fund</i>	Water Pollution Control Capital Program		\$1,000	
Increases the Transfer to the City Hall Debt Service Fund by \$1,000 to correct an inadvertent budgeting error. This adjustment will ensure sufficient funding for the fund's fair share of these costs.				
<i>WPCP Reliability Improvement</i>	Water Pollution Control Capital Program		\$2,611,000	
Additional funding of \$2.6 million is needed to correct an accounting error in which an encumbrance was mistakenly liquidated and redistributed in the previous year. This adjustment will allow the City to complete its contractual obligation and to pay the contractor on time.				
TOTAL SJ-SC TRMNT PLANT CAP FUND (512)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
STORM SEWER CAPITAL FUND (469)				
<i>Ending Fund Balance Adjustment</i>	Storm Sewer Capital Program		(\$80,000)	
Reduces the Ending Fund Balance to fund actions recommended in this report.				
<i>Public Works Capital Management Costs</i>	Storm Sewer Capital Program		\$80,000	
Increases the appropriation for Public Works Capital Management Costs by \$159,000. This allocation, which funds the fair share of Public Works Department administrative and management costs necessary to ensure the delivery of capital projects, needs to be increased due to higher than anticipated project-related expenditures in the fund.				
TOTAL STORM SEWER CAPITAL FUND (469)			\$0	\$0
SUBDIVISION PARK TRUST FUND (375)				
<i>Flickinger Park Improvements</i>	Parks & Comm Fac Dev Capital Program		\$107,000	
Increases the Flickinger Park Improvements project by \$107,000. Project funding was eliminated during the 2006-2007 Annual Report process, however, funding is still needed for park improvements. Improvements at the park include the installation of a portable water line to the restroom, repair of an existing irrigation booster pump, electrical upgrades to the existing snack shack, fence repair at the baseball fields, and landscape improvements.				
<i>Reserve: Future PDO/PIFO Projects</i>	Parks & Comm Fac Dev Capital Program		(\$161,000)	
Decreases the Reserve: Future PDO/PIFO Projects to offset actions recommended in this report.				
<i>Rosemary Garden Park Improvements</i>	Parks & Comm Fac Dev Capital Program		\$50,000	
Establishes a new appropriation for the Rosemary Garden Park Improvements project. Proposed improvements at the park include turf renovations, and repairs to the existing bocce ball court.				
<i>Scott and Clifton Park Real Estate Services</i>	Parks & Comm Fac Dev Capital Program		\$4,000	
Increases the Scott and Clifton Park Real Estate Services project by \$4,000. Additional funding is needed for an asbestos and lead based paint survey, which now needs to be done at Scott and Clifton Park.				
TOTAL SUBDIVISION PARK TRUST FUND (375)			\$0	\$0

Special/Capital Funds Augmentation/Reduction Summary 2007-2008 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SUPPL LAW ENF SVCES FUND (414)				
Ending Fund Balance Adjustment	Police		(\$42,631)	
Reduces the Ending Fund Balance to fund actions recommended in this report.				
SLES Grant 2004-06	Police		\$9,712	
This action appropriates funding that was unexpended and unencumbered by June 30, 2006 in order to return the unused balance to the State.				
SLES Grant 2005-2007	Police		\$6,601	
This action appropriates funding that was unexpended and unencumbered by June 30, 2007 in order to return the unused balance to the State.				
SLES Grant 2006-08	Police		\$62,318	\$36,000
This action appropriates unexpended and unencumbered interest revenue in order to use the funding before the grant spending deadline of June 30, 2008.				
TOTAL SUPPL LAW ENF SVCES FUND (414)			\$36,000	\$36,000
UNDERGROUND UTILITY FUND (416)				
Ending Fund Balance Adjustment	Developer Assisted Capital Program		(\$446,000)	
Reduces the Ending Fund Balance to offset actions recommended in this report.				
Transfer to the City Hall Debt Service Fund	Developer Assisted Capital Program		\$1,000	
Increases the Transfer to the City Hall Debt Service Fund by \$1,000 to correct an inadvertant budgeting error. This adjustment will ensure sufficient funding for the fund's fair share of these costs.				
Underground Utility In-Lieu Fee Collections	Developer Assisted Capital Program			(\$445,000)
Reduces the estimate for Underground Utility In-Lieu Fee Collections from \$1,345,000 to \$900,000 to more accurately reflect actual revenue collections.				
TOTAL UNDERGROUND UTILITY FUND (416)			(\$445,000)	(\$445,000)

**General Fund
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE	NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	
CAPITAL CONTRIBUTIONS						
COPS 2003-2004 Interoperable Communications Grant			(\$298,042)	(\$298,042)	(\$298,042)	\$0
South San José Police Substation			(\$1,100,000)	(\$1,100,000)		(\$1,100,000)
CAPITAL CONTRIBUTIONS Total	\$0	\$0	(\$1,398,042)	(\$1,398,042)	(\$298,042)	(\$1,100,000)
CITY-WIDE EXPENSES						
2006 State Homeland Security Grant Program (SHSGP)			\$18,728	\$18,728	\$18,728	\$0
Anti-Drug Abuse Grant			\$132,552	\$132,552	\$132,552	\$0
Arts Stabilization Flexible Fund			\$200,000	\$200,000		\$200,000
Arts Stabilization Loan Fund			(\$200,000)	(\$200,000)		(\$200,000)
Comprehensive General Plan Update			\$600,000	\$600,000		\$600,000
Economic Development Pre-Development Activities			\$50,000	\$50,000	\$50,000	\$0
Historic Preservation			\$100,000	\$100,000	\$100,000	\$0
History San José			\$300,177	\$300,177		\$300,177
Insurance Premiums			(\$117,399)	(\$117,399)		(\$117,399)
Internet Crimes Against Children Task Force Grant			\$250,000	\$250,000	\$250,000	\$0
Multi-Agency Benchmarking Study			\$132,000	\$132,000	\$132,000	\$0
PG&E Community Emergency Response Team (CERT) Grant			\$5,000	\$5,000	\$5,000	\$0
Police Officers Professional Liability Insurance			(\$120,000)	(\$120,000)		(\$120,000)
Public-Private Parks Maintenance Partnership				\$0		\$0
San José After School - Year 2 District Contracts			\$95,625	\$95,625	\$95,625	\$0

**General Fund
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE Revenue	NET COST
	Personal Services	Non-Personal/ Equipment	Other			
CITY-WIDE EXPENSES						
Sobriety Checkpoint Grant 2007-08			\$91,814	\$91,814	\$91,814	\$0
Workers' Compensation Claims			(\$140,000)	(\$140,000)		(\$140,000)
Workers' Compensation State License Fee			\$140,000	\$140,000		\$140,000
CITY-WIDE EXPENSES Total	\$0	\$0	\$1,538,497	\$1,538,497	\$875,719	\$662,778
EARMARKED RESERVES						
Airport Police Services Reserve			(\$646,871)	(\$646,871)		(\$646,871)
Annexations Reserve			\$56,720	\$56,720		\$56,720
Building Fee Program Reserve			(\$1,180,000)	(\$1,180,000)		(\$1,180,000)
Future Capital Projects (FF&E) Reserve			\$1,100,000	\$1,100,000		\$1,100,000
Officeholder Accounts Reserve			(\$125,000)	(\$125,000)		(\$125,000)
Public Works Development Fee Program Reserve			(\$470,000)	(\$470,000)		(\$470,000)
Sunshine Reform Reserve			(\$250,000)	(\$250,000)		(\$250,000)
Use of Salaries and Benefits Reserve			(\$725,000)	(\$725,000)		(\$725,000)
EARMARKED RESERVES Total	\$0	\$0	(\$2,240,151)	(\$2,240,151)	\$0	(\$2,240,151)
ECONOMIC DEVELOPMENT						
Parades, Festivals, and Celebrations Grants Program		\$12,803		\$12,803	\$12,803	\$0
ECONOMIC DEVELOPMENT Total	\$0	\$12,803	\$0	\$12,803	\$12,803	\$0
ENVIRONMENTAL SERVICES						
AAA Greenlight Initiative Grant		\$11,000		\$11,000	\$11,000	\$0
Clean Cities Grant		\$10,000		\$10,000	\$10,000	\$0

**General Fund
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE	NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	
ENVIRONMENTAL SERVICES Total	\$0	\$21,000	\$0	\$21,000	\$21,000	\$0
FINANCE						
Citation Hearing Officers	\$27,733			\$27,733		\$27,733
FINANCE Total	\$27,733	\$0	\$0	\$27,733	\$0	\$27,733
INFORMATION TECHNOLOGY						
Sunshine Reforms: Website		\$250,000		\$250,000		\$250,000
INFORMATION TECHNOLOGY Total	\$0	\$250,000	\$0	\$250,000	\$0	\$250,000
LIBRARY						
Library Grants			\$2,500	\$2,500	\$2,500	\$0
LIBRARY Total	\$0	\$0	\$2,500	\$2,500	\$2,500	\$0
MAYOR & COUNCIL						
Constituent Outreach: Mayor and City Council Offices				\$0		\$0
Constituent Outreach: Council District # 1			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 2			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 3			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 4			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 5			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 6			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 7			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 8			\$10,000	\$10,000		\$10,000
Constituent Outreach: Council District # 9			\$10,000	\$10,000		\$10,000

**General Fund
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE Revenue	NET COST
	Personal Services	Non-Personal/ Equipment	Other			
MAYOR & COUNCIL						
Constituent Outreach: Council District #10			\$10,000	\$10,000		\$10,000
Constituent Outreach: Mayor's Office			\$25,000	\$25,000		\$25,000
MAYOR & COUNCIL Total	\$0	\$0	\$125,000	\$125,000	\$0	\$125,000
PARKS, REC AND NEIGH SVCS						
Happy Hollow: Marketing/Public Outreach Representative	\$107,877			\$107,877	\$107,877	\$0
Senior Companion Program		\$10,800		\$10,800	\$10,800	\$0
Senior Nutrition Program	\$16,798	\$29,195		\$45,993	\$45,993	\$0
Senior Nutrition Program		\$12,222		\$12,222		\$12,222
PARKS, REC AND NEIGH SVCS Total	\$124,675	\$52,217	\$0	\$176,892	\$164,670	\$12,222
PLAN, BLDG AND CODE ENF						
Annexations	(\$56,720)			(\$56,720)		(\$56,720)
Building Fee Program	(\$1,000,000)			(\$1,000,000)	(\$2,000,000)	\$1,000,000
Census Bureau Addressing		\$5,000		\$5,000	\$5,000	\$0
Local Enforcement Agency (LEA) Grant		\$29,433		\$29,433	\$29,433	\$0
PLAN, BLDG AND CODE ENF Total	(\$1,056,720)	\$34,433	\$0	(\$1,022,287)	(\$1,965,567)	\$943,280
POLICE						
Avoid the 13 Checkpoints	\$16,737			\$16,737	\$16,737	\$0
County Crossing Guard Services	\$53,540			\$53,540	\$53,540	\$0
Law Enforcement Intelligence Unit (LEIU) Training		\$5,312		\$5,312	\$5,312	\$0
Orange Security Alert	\$977,000			\$977,000	\$977,000	\$0

**General Fund
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE Revenue	NET COST
	Personal Services	Non-Personal/ Equipment	Other			
POLICE						
Respiratory Fit Testing and Training		\$28,996		\$28,996	\$28,996	\$0
POLICE Total	\$1,047,277	\$34,308	\$0	\$1,081,585	\$1,081,585	\$0
PUBLIC WORKS						
Public Works Development Fee Program	\$180,000			\$180,000		\$180,000
Public Works Development Fee Program Personal Services	(\$205,000)			(\$205,000)		(\$205,000)
PUBLIC WORKS Total	(\$25,000)	\$0	\$0	(\$25,000)	\$0	(\$25,000)
REVENUE ADJUSTMENTS						
Public Works Development Fee Program Revenue				\$0	(\$675,000)	\$675,000
REVENUE ADJUSTMENTS Total	\$0	\$0	\$0	\$0	(\$675,000)	\$675,000
TRANSFERS						
Airport Police Services Transfer to Airport Revenue Fund			\$646,871	\$646,871		\$646,871
TRANSFERS Total	\$0	\$0	\$646,871	\$646,871	\$0	\$646,871
TRANSPORTATION						
Citation Hearing Officers	(\$27,733)			(\$27,733)		(\$27,733)
Traffic Signals		\$50,000		\$50,000		\$50,000
TRANSPORTATION Total	(\$27,733)	\$50,000	\$0	\$22,267	\$0	\$22,267
Total General Fund Augmentation/Reduction Actions	\$90,232	\$454,761	(\$1,325,325)	(\$780,332)	(\$780,332)	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT CAPITAL IMPVT FUND (520)								
Airport Capital Program								
Compressed Natural Gas (CNG) Fueling Station Upgrades			\$527,000		\$527,000			\$527,000
Compressed Natural Gas Fueling Station Upgrades Grant					\$0	\$527,000		(\$527,000)
Ending Fund Balance Adjustment				(\$27,000)	(\$27,000)			(\$27,000)
North Concourse Building			\$27,000		\$27,000			\$27,000
Total AIRPORT CAPITAL IMPVT FUND (520)	\$0	\$0	\$554,000	(\$27,000)	\$527,000	\$527,000	\$0	\$0
AIRPORT CUST FAC & TRANS FD (519)								
AIRPORT								
Customer Transport Fee					\$0	\$2,247,000		(\$2,247,000)
Transfer to Airport Revenue Bond Improvement Fund			\$2,247,000		\$2,247,000			\$2,247,000
Total AIRPORT CUST FAC & TRANS FD (519)	\$0	\$0	\$2,247,000	\$0	\$2,247,000	\$2,247,000	\$0	\$0
AIRPORT FISCAL AGENT FUND (525)								
AIRPORT								
Airport Bond Revenue					\$0	\$36,200,000		(\$36,200,000)
Airport Bond Revenue/Trans to Airport Rev Bond Improvement Fund			\$36,200,000		\$36,200,000			\$36,200,000
Airport Interest Revenue					\$0	\$6,500,000		(\$6,500,000)
Airport Interest Revenue/Reserve for Debt Service			\$6,500,000		\$6,500,000			\$6,500,000
Total AIRPORT FISCAL AGENT FUND (525)	\$0	\$0	\$42,700,000	\$0	\$42,700,000	\$42,700,000	\$0	\$0
AIRPORT MAINT & OPER FUND (523)								
AIRPORT								
CNG Conversion Incentive Program		\$79,700			\$79,700			\$79,700
CNG Conversion Incentive Program/Transfer from Airport Rev Fund					\$0	\$79,700		(\$79,700)
Orange Security Alert			(\$977,000)		(\$977,000)			(\$977,000)
Orange Security Alert/Transfer to the General Fund for Police Services			\$977,000		\$977,000			\$977,000
Total AIRPORT MAINT & OPER FUND (523)	\$0	\$79,700	\$0	\$0	\$79,700	\$79,700	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT RENEW & REPL FUND (527)								
Airport Capital Program								
Baggage Handling Maintenance			\$152,000		\$152,000			\$152,000
Compressed Natural Gas (CNG) Fueling Station Upgrades			\$200,000		\$200,000			\$200,000
Construction Laydown Revenue					\$0	\$1,125,000		(\$1,125,000)
Ending Fund Balance Adjustment				(\$165,000)	(\$165,000)			(\$165,000)
Equipment, Operating			\$20,000		\$20,000			\$20,000
FIS 3rd Floor Lounge Build Out			\$160,000		\$160,000			\$160,000
Facilities Maintenance Equipment			\$40,000		\$40,000			\$40,000
International Garbage Sterilizer			(\$450,000)		(\$450,000)			(\$450,000)
Master Plan Miscellaneous Precursor Projects			(\$373,000)		(\$373,000)			(\$373,000)
North Concourse Building			\$416,000		\$416,000			\$416,000
Transfer from Airport Surplus Revenue Fund					\$0	(\$1,125,000)		\$1,125,000
Total AIRPORT RENEW & REPL FUND (527)	\$0	\$0	\$165,000	(\$165,000)	\$0	\$0	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT REV BOND IMP FUND (526)								
Airport Capital Program								
Airfield Lighting Control and Taxiway V Lighting System			\$200,000		\$200,000			\$200,000
Central Plant Expansion			(\$963,000)		(\$963,000)			(\$963,000)
Electrical Distribution System			\$150,000		\$150,000			\$150,000
Ending Fund Balance Adjustment				\$35,035,000	\$35,035,000			\$35,035,000
Master Plan Miscellaneous Precursor Projects			(\$4,130,000)		(\$4,130,000)			(\$4,130,000)
North Concourse Building			\$6,105,000		\$6,105,000			\$6,105,000
Principal and Interest Payments			\$2,200,000		\$2,200,000			\$2,200,000
Public Parking Garage			\$1,707,000		\$1,707,000			\$1,707,000
South Apron Replacement			\$200,000		\$200,000			\$200,000
Terminal Area Improvement, Phase I			(\$1,707,000)		(\$1,707,000)			(\$1,707,000)
Transfer from Airport Fiscal Agent Fund					\$0	\$36,200,000		(\$36,200,000)
Transfer from Customer Facility and Transportation Fee Fund					\$0	\$2,247,000		(\$2,247,000)
Utility Infrastructure			(\$150,000)		(\$150,000)			(\$150,000)
West Side Airfield Reconstruction			(\$200,000)		(\$200,000)			(\$200,000)
Total AIRPORT REV BOND IMP FUND (526)	\$0	\$0	\$3,412,000	\$35,035,000	\$38,447,000	\$38,447,000	\$0	\$0
AIRPORT REVENUE FUND (521)								
AIRPORT								
Airport Construction Laydown					\$0	(\$1,125,000)		\$1,125,000
Airport Construction Laydown/Transfer to Airport Surplus Rev Fund			(\$1,125,000)		(\$1,125,000)			(\$1,125,000)
Airport Police Services Reimbursement/Unrestricted Ending Fund Bal				\$646,871	\$646,871			\$646,871
CNG Conversion Incentive Prog/Trans to Airport Main & Op Fund			\$79,700		\$79,700			\$79,700
CNG Conversion Incentive Program					\$0	\$79,700		(\$79,700)
Transfer from the General Fund/Airport Police Services					\$0	\$646,871		(\$646,871)
Total AIRPORT REVENUE FUND (521)	\$0	\$0	(\$1,045,300)	\$646,871	(\$398,429)	(\$398,429)	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT SURPLUS REV FD (524)								
AIRPORT								
Airport Construction Laydown/Trans to Airport Renewal & Replacemnt			(\$1,125,000)		(\$1,125,000)			(\$1,125,000)
Airport Construction Laydown/Transfer from Airport Revenue Fund					\$0	(\$1,125,000)		\$1,125,000
Total AIRPORT SURPLUS REV FD (524)	\$0	\$0	(\$1,125,000)	\$0	(\$1,125,000)	(\$1,125,000)	\$0	\$0
BENEFIT FUND (160)								
HUMAN RESOURCES								
FICA-Medicare			\$500,000		\$500,000	\$500,000		\$0
General Employee Vision			\$12,000		\$12,000	\$12,000		\$0
Health Premiums			\$1,300,000		\$1,300,000	\$1,300,000		\$0
Total BENEFIT FUND (160)	\$0	\$0	\$1,812,000	\$0	\$1,812,000	\$1,812,000	\$0	\$0
BLDG & STRUCT CONST TAX FD (429)								
Traffic Capital Program								
Ending Fund Balance Adjustment				(\$765,000)	(\$765,000)			(\$765,000)
ITS: Stevens Creek - West			\$70,000		\$70,000			\$70,000
Oakland Road: Route 101 to Montague			\$12,000		\$12,000			\$12,000
Refund to Developers			(\$380,000)		(\$380,000)			(\$380,000)
Route 101: Blossom Hill Interchange Improvements			\$1,750,000		\$1,750,000	\$1,750,000		\$0
Seismic Bridge Retrofit - Julian Street			\$650,000		\$650,000			\$650,000
Seismic Bridge Retrofit - Southwest Street			\$83,000		\$83,000			\$83,000
Seismic Bridge Retrofit - William Street			\$330,000		\$330,000			\$330,000
Total BLDG & STRUCT CONST TAX FD (429)	\$0	\$0	\$2,515,000	(\$765,000)	\$1,750,000	\$1,750,000	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
BRANCH LIB BOND PROJECT FD (472)								
Library Capital Program								
Almaden Branch			(\$200,000)		(\$200,000)			(\$200,000)
Cambrian Branch			\$22,000		\$22,000			\$22,000
Contingency Reserve: Library Bond Projects			\$2,950,000		\$2,950,000			\$2,950,000
Edenvale Branch			(\$750,000)		(\$750,000)			(\$750,000)
Ending Fund Balance Adjustment				(\$107,000)	(\$107,000)			(\$107,000)
Land Acquisition			\$85,000		\$85,000			\$85,000
Santa Teresa Branch			(\$2,000,000)		(\$2,000,000)			(\$2,000,000)
Total BRANCH LIB BOND PROJECT FD (472)	\$0	\$0	\$107,000	(\$107,000)	\$0	\$0	\$0	\$0
CFD #12 (Basking Ridge)								
TRANSPORTATION								
Community Facilities District #12 (Basking Ridge)	\$50,000	\$172,000			\$222,000	\$222,000		\$0
Total CFD #12 (Basking Ridge)	\$50,000	\$172,000	\$0	\$0	\$222,000	\$222,000	\$0	\$0
CIVIC CENTER PRKNG FUND (433)								
New City Hall Capital Program								
Commercial Paper Transfer			\$25,000		\$25,000			\$25,000
Reserve for Civic Center Off-Site Parking Garage			(\$25,000)		(\$25,000)			(\$25,000)
Total CIVIC CENTER PRKNG FUND (433)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COMM DEV BLOCK GRANT FD (441)								
HOUSING								
Emergency and Minor Repair Program			\$500,000		\$500,000			\$500,000
Homeowner Energy Conservation			(\$500,000)		(\$500,000)			(\$500,000)
Total COMM DEV BLOCK GRANT FD (441)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONST/CONV TAX CENTRAL FD (390)								
Parks & Comm Fac Dev Capital Program								
Ending Fund Balance Adjustment				(\$401,000)	(\$401,000)			(\$401,000)
Parks and Community Facilities Development Office			\$300,000		\$300,000			\$300,000
Pools and Fountains			\$101,000		\$101,000			\$101,000
Total CONST/CONV TAX CENTRAL FD (390)	\$0	\$0	\$401,000	(\$401,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX FD-FIRE FUND (392)								
Public Safety Capital Program								
City-Building Energy Projects Program			\$66,000		\$66,000			\$66,000
Ending Fund Balance Adjustment				(\$67,000)	(\$67,000)			(\$67,000)
Transfer to the City Hall Debt Service Fund			\$1,000		\$1,000			\$1,000
Total CONST/CONV TAX FD-FIRE FUND (392)	\$0	\$0	\$67,000	(\$67,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX PKS CD3 FD (380)								
Parks & Comm Fac Dev Capital Program								
Earned Revenue					\$0	(\$24,000)		\$24,000
Ending Fund Balance Adjustment				\$1,000	\$1,000			\$1,000
Refund Developers			(\$25,000)		(\$25,000)			(\$25,000)
Total CONST/CONV TAX PKS CD3 FD (380)	\$0	\$0	(\$25,000)	\$1,000	(\$24,000)	(\$24,000)	\$0	\$0
CONST/CONV TAX PKS CD7 FD (385)								
Parks & Comm Fac Dev Capital Program								
Alma Community Center Improvements			\$285,000		\$285,000			\$285,000
Earned Revenue					\$0	\$285,000		(\$285,000)
Total CONST/CONV TAX PKS CD7 FD (385)	\$0	\$0	\$285,000	\$0	\$285,000	\$285,000	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONST/CONV TAX PKS CD8 FD (386)								
Parks & Comm Fac Dev Capital Program								
Canyon Creek Park Perimeter Landscaping			\$9,000		\$9,000			\$9,000
Ending Fund Balance Adjustment				(\$9,000)	(\$9,000)			(\$9,000)
Total CONST/CONV TAX PKS CD8 FD (386)	\$0	\$0	\$9,000	(\$9,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX PKS CD9 FD (388)								
Parks & Comm Fac Dev Capital Program								
Earned Revenue					\$0	\$220,000		(\$220,000)
Ending Fund Balance Adjustment				\$220,000	\$220,000			\$220,000
Total CONST/CONV TAX PKS CD9 FD (388)	\$0	\$0	\$0	\$220,000	\$220,000	\$220,000	\$0	\$0
CONST/CONV TAX PKS CW FD (391)								
Parks & Comm Fac Dev Capital Program								
City-wide Skateboard Park Development			(\$64,000)		(\$64,000)			(\$64,000)
Columbus Park Horseshoe Court			\$64,000		\$64,000			\$64,000
Earned Revenue					\$0	\$297,000		(\$297,000)
Ending Fund Balance Adjustment				(\$1,225,000)	(\$1,225,000)			(\$1,225,000)
Family Camp Lease			\$25,000		\$25,000			\$25,000
Happy Hollow East Side Improvements			\$1,200,000		\$1,200,000			\$1,200,000
Reserve: Calpine Open Space			(\$500,000)		(\$500,000)			(\$500,000)
Reserve: District 2 Community Center			\$500,000		\$500,000			\$500,000
Vietnamese Cultural Heritage Garden			\$297,000		\$297,000			\$297,000
Total CONST/CONV TAX PKS CW FD (391)	\$0	\$0	\$1,522,000	(\$1,225,000)	\$297,000	\$297,000	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONST/CONV TAX SRVC YDS FD (395)								
Service Yards Capital Program								
Commercial Paper Transfer			\$50,000		\$50,000			\$50,000
Ending Fund Balance Adjustment				(\$83,000)	(\$83,000)			(\$83,000)
Transfer to the City Hall Debt Service Fund			\$33,000		\$33,000			\$33,000
Total CONST/CONV TAX SRVC YDS FD (395)	\$0	\$0	\$83,000	(\$83,000)	\$0	\$0	\$0	\$0
CONST/CONV TX FD - PKS MAINT (398)								
Parks & Comm Fac Dev Capital Program								
Ending Fund Balance Adjustment				(\$8,000)	(\$8,000)			(\$8,000)
Public Works Capital Management Costs			\$8,000		\$8,000			\$8,000
Total CONST/CONV TX FD - PKS MAINT (398)	\$0	\$0	\$8,000	(\$8,000)	\$0	\$0	\$0	\$0
CONST/CONV TX FD PKS CD2 FD (378)								
Parks & Comm Fac Dev Capital Program								
Aquatics Master Plan Implementation			\$250,000		\$250,000			\$250,000
Reserve: Aquatics Master Plan Implementation			(\$250,000)		(\$250,000)			(\$250,000)
Total CONST/CONV TX FD PKS CD2 FD (378)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTR/CONV TAX LIB FD (393)								
Library Capital Program								
New Branch Opening Day Collections			\$4,500,000		\$4,500,000			\$4,500,000
Reserve: New Branch Opening Day Collections			(\$4,500,000)		(\$4,500,000)			(\$4,500,000)
Total CONSTR/CONV TAX LIB FD (393)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONSTRUCTION EXCISE TAX FD (465)								
Traffic Capital Program								
BART Project Management			(\$190,000)		(\$190,000)	(\$190,000)		\$0
Ending Fund Balance Adjustment				\$310,000	\$310,000			\$310,000
Ortho Photo Project			(\$156,000)		(\$156,000)	(\$156,000)		\$0
Public Works Capital Management Costs			\$352,000		\$352,000			\$352,000
Refund to Developers			(\$662,000)		(\$662,000)			(\$662,000)
Traffic Safety Improvements			\$35,000		\$35,000	\$35,000		\$0
Total CONSTRUCTION EXCISE TAX FD (465)	\$0	\$0	(\$621,000)	\$310,000	(\$311,000)	(\$311,000)	\$0	\$0
CONV/CULTURAL AFFAIRS FUND (536)								
CONVENTION FACILITIES DEPT								
Non-Personal/Equipment Adjustment		\$200,000			\$200,000			\$200,000
Personal Services Adjustment	(\$200,000)				(\$200,000)			(\$200,000)
Total CONV/CULTURAL AFFAIRS FUND (536)	(\$200,000)	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0
DENTAL INSURANCE FUND (155)								
HUMAN RESOURCES								
Ending Fund Balance Adjustment				(\$6,300)	(\$6,300)			(\$6,300)
Non-Personal/Equipment		\$6,300			\$6,300			\$6,300
Prepaid Dental Plan			\$58,000		\$58,000	\$58,000		\$0
Total DENTAL INSURANCE FUND (155)	\$0	\$6,300	\$58,000	(\$6,300)	\$58,000	\$58,000	\$0	\$0
ECON DEV ENHANCEMENT FD (439)								
ECONOMIC DEVELOPMENT								
Ending Fund Balance Adjustment				(\$570,460)	(\$570,460)			(\$570,460)
Loan Expenditures			(\$80,000)		(\$80,000)			(\$80,000)
Small Business Loan Program			\$650,460		\$650,460			\$650,460
Total ECON DEV ENHANCEMENT FD (439)	\$0	\$0	\$570,460	(\$570,460)	\$0	\$0	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
EDW BYRNE MEMORIAL JAG FD (474)								
POLICE								
Ending Fund Balance Adjustment				(\$7,892)	(\$7,892)			(\$7,892)
JAG 2005-07			\$3,828		\$3,828			\$3,828
JAG 2006-08			\$4,064		\$4,064			\$4,064
Total EDW BYRNE MEMORIAL JAG FD (474)	\$0	\$0	\$7,892	(\$7,892)	\$0	\$0	\$0	\$0
GENERAL PURPOSE PARKING FD (533)								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$380,000)	(\$380,000)			(\$380,000)
Police Parking Garage Security			\$70,000		\$70,000			\$70,000
Parking Capital Program								
Facility Improvements and Maintenance			\$310,000		\$310,000			\$310,000
Minor Parking Facility Repairs			(\$132,000)		(\$132,000)			(\$132,000)
Revenue Control Upgrades			\$132,000		\$132,000			\$132,000
Total GENERAL PURPOSE PARKING FD (533)	\$0	\$0	\$380,000	(\$380,000)	\$0	\$0	\$0	\$0
GIFT TRUST FUND (139)								
FINANCE								
Books for Little Hands			\$3,000		\$3,000	\$3,000		\$0
Library - General Gifts			\$165,784		\$165,784	\$165,784		\$0
Library Literacy Project			\$1,000		\$1,000	\$1,000		\$0
Total GIFT TRUST FUND (139)	\$0	\$0	\$169,784	\$0	\$169,784	\$169,784	\$0	\$0
HOME INVEST PART PROG FUND (445)								
HOUSING								
Housing Rehabilitation Program Projects			\$642,563		\$642,563	\$642,563		\$0
Total HOME INVEST PART PROG FUND (445)	\$0	\$0	\$642,563	\$0	\$642,563	\$642,563	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
LAKE CUNNINGHAM FUND (462)								
Parks & Comm Fac Dev Capital Program								
Ending Fund Balance Adjustment				(\$42,000)	(\$42,000)			(\$42,000)
Public Works Capital Management Costs			\$42,000		\$42,000			\$42,000
Total LAKE CUNNINGHAM FUND (462)	\$0	\$0	\$42,000	(\$42,000)	\$0	\$0	\$0	\$0
LOW/MOD INCOME HOUSING FD (443)								
HOUSING								
Ending Fund Balance Adjustment				(\$250,000)	(\$250,000)			(\$250,000)
Housing Debt Service			\$250,000		\$250,000			\$250,000
San José State Teacher Loan Program			\$150,000		\$150,000			\$150,000
Teacher/First Time Buyer Loan Program			(\$150,000)		(\$150,000)			(\$150,000)
Total LOW/MOD INCOME HOUSING FD (443)	\$0	\$0	\$250,000	(\$250,000)	\$0	\$0	\$0	\$0
M.D.#10 OKMD STRM PMP STN FD(363)								
TRANSPORTATION								
Maintenance District #10 (Oakmead Storm Station)		\$70			\$70	\$70		\$0
Total M.D.#10 OKMD STRM PMP STN FD(363)	\$0	\$70	\$0	\$0	\$70	\$70	\$0	\$0
MAJR COLLECT AND ARTRLS FD (421)								
Traffic Capital Program								
Ending Fund Balance Adjustment				(\$2,000)	(\$2,000)			(\$2,000)
Public Works Capital Management Costs			\$2,000		\$2,000			\$2,000
Total MAJR COLLECT AND ARTRLS FD (421)	\$0	\$0	\$2,000	(\$2,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
MULTI-SOURCE HOUSING FD (448)								
HOUSING								
Ending Fund Balance Adjustment				(\$29,088)	(\$29,088)			(\$29,088)
HOPWA SHAPPS Projects			\$29,088		\$29,088			\$29,088
In-Lieu Fee Projects			\$4,197,250		\$4,197,250	\$4,197,250		\$0
Total MULTI-SOURCE HOUSING FD (448)	\$0	\$0	\$4,226,338	(\$29,088)	\$4,197,250	\$4,197,250	\$0	\$0
NEIGHBHD SECURITY BOND FD (475)								
Public Safety Capital Program								
Public Art - Police Bond Projects			(\$1,100,000)		(\$1,100,000)			(\$1,100,000)
South San José Police Substation			\$1,100,000		\$1,100,000			\$1,100,000
Total NEIGHBHD SECURITY BOND FD (475)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PARKS & REC BOND PROJ FD (471)								
Parks & Comm Fac Dev Capital Program								
Ending Fund Balance Adjustment			(\$2,700,000)		(\$2,700,000)			(\$2,700,000)
Happy Hollow Park and Zoo Renovation and Improvements			\$2,700,000		\$2,700,000			\$2,700,000
Total PARKS & REC BOND PROJ FD (471)	\$0	\$0	\$2,700,000	(\$2,700,000)	\$0	\$0	\$0	\$0
PUBLIC WKS PRO SUPPORT FD (150)								
PUBLIC WORKS								
Ending Fund Balance Adjustment			(\$142,000)		(\$142,000)			(\$142,000)
Recruiting and Hiring Services	\$142,000				\$142,000			\$142,000
Total PUBLIC WKS PRO SUPPORT FD (150)	\$142,000	\$0	\$0	(\$142,000)	\$0	\$0	\$0	\$0

**Special/Capital Funds
 Augmentation/Reduction Adjustment Actions
 2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
REDEV CAPITAL PROJECT FD (450)								
TRANSPORTATION								
Additional Contingency Services			\$25,000		\$25,000	\$25,000		\$0
Total REDEV CAPITAL PROJECT FD (450)	\$0	\$0	\$25,000	\$0	\$25,000	\$25,000	\$0	\$0
RES CONST TAX CONTR FUND (420)								
Developer Assisted Capital Program								
Ending Fund Balance Adjustment				\$14,000	\$14,000			\$14,000
Refund to Developers			(\$15,000)		(\$15,000)			(\$15,000)
Transfer to the City Hall Debt Service Fund			\$1,000		\$1,000			\$1,000
Total RES CONST TAX CONTR FUND (420)	\$0	\$0	(\$14,000)	\$14,000	\$0	\$0	\$0	\$0
SANITARY SEWER CONN FEE FD (540)								
Sanitary Sewer Capital Program								
Ending Fund Balance Adjustment				(\$159,000)	(\$159,000)			(\$159,000)
Public Works Capital Management Costs			\$159,000		\$159,000			\$159,000
Total SANITARY SEWER CONN FEE FD (540)	\$0	\$0	\$159,000	(\$159,000)	\$0	\$0	\$0	\$0
SJ-SC TRMNT PLANT CAP FUND (512)								
Water Pollution Control Capital Program								
Alternative Disinfection Project			\$4,035,000		\$4,035,000			\$4,035,000
Dissolved Air Flotation Pressure Retention Tanks & Valves Replacemnt			\$650,000		\$650,000			\$650,000
Ending Fund Balance Adjustment				\$1,020,000	\$1,020,000			\$1,020,000
Fuel Cell Cogeneration System Project			(\$10,117,000)		(\$10,117,000)			(\$10,117,000)
M5, Ring Buss, and Cable Replacement			\$1,800,000		\$1,800,000			\$1,800,000
Transfer to the City Hall Debt Service Fund			\$1,000		\$1,000			\$1,000
WPCP Reliability Improvement			\$2,611,000		\$2,611,000			\$2,611,000
Total SJ-SC TRMNT PLANT CAP FUND (512)	\$0	\$0	(\$1,020,000)	\$1,020,000	\$0	\$0	\$0	\$0

**Special/Capital Funds
Augmentation/Reduction Adjustment Actions
2007-2008 Mid-Year Budget Review**

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
STORM SEWER CAPITAL FUND (469)								
Storm Sewer Capital Program								
Ending Fund Balance Adjustment				(\$80,000)	(\$80,000)			(\$80,000)
Public Works Capital Management Costs			\$80,000		\$80,000			\$80,000
Total STORM SEWER CAPITAL FUND (469)	\$0	\$0	\$80,000	(\$80,000)	\$0	\$0	\$0	\$0
SUBDIVISION PARK TRUST FUND (375)								
Parks & Comm Fac Dev Capital Program								
Flickinger Park Improvements			\$107,000		\$107,000			\$107,000
Reserve: Future PDO/PIFO Projects			(\$161,000)		(\$161,000)			(\$161,000)
Rosemary Garden Park Improvements			\$50,000		\$50,000			\$50,000
Scott and Clifton Park Real Estate Services			\$4,000		\$4,000			\$4,000
Total SUBDIVISION PARK TRUST FUND (375)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUPPL LAW ENF SVCES FUND (414)								
POLICE								
Ending Fund Balance Adjustment				(\$42,631)	(\$42,631)			(\$42,631)
SLES Grant 2004-06			\$9,712		\$9,712			\$9,712
SLES Grant 2005-2007			\$6,601		\$6,601			\$6,601
SLES Grant 2006-08			\$62,318		\$62,318	\$36,000		\$26,318
Total SUPPL LAW ENF SVCES FUND (414)	\$0	\$0	\$78,631	(\$42,631)	\$36,000	\$36,000	\$0	\$0
UNDERGROUND UTILITY FUND (416)								
Developer Assisted Capital Program								
Ending Fund Balance Adjustment				(\$446,000)	(\$446,000)			(\$446,000)
Transfer to the City Hall Debt Service Fund			\$1,000		\$1,000			\$1,000
Underground Utility In-Lieu Fee Collections					\$0	(\$445,000)		\$445,000
Total UNDERGROUND UTILITY FUND (416)	\$0	\$0	\$1,000	(\$446,000)	(\$445,000)	(\$445,000)	\$0	\$0

**General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
CITY ATTORNEY							
Salary Program	\$26,022			\$26,022			\$26,022
Tech Adjust: Civil Investigations Overtime (from Police Dept)	\$13,298			\$13,298			\$13,298
Voluntary Furlough/Special Reduced Work Week Program	(\$33,341)			(\$33,341)			(\$33,341)
CITY ATTORNEY Total	\$5,979	\$0	\$0	\$5,979	\$0	\$0	\$5,979
CITY AUDITOR							
Salary Program	\$5,445			\$5,445			\$5,445
Voluntary Furlough/Special Reduced Work Week Program	(\$11,964)			(\$11,964)			(\$11,964)
CITY AUDITOR Total	(\$6,519)	\$0	\$0	(\$6,519)	\$0	\$0	(\$6,519)
CITY CLERK							
Salary Program	\$6,561			\$6,561			\$6,561
Voluntary Furlough/Special Reduced Work Week Program	(\$1,613)			(\$1,613)			(\$1,613)
CITY CLERK Total	\$4,948	\$0	\$0	\$4,948	\$0	\$0	\$4,948
CITY MANAGER							
Salary Program	\$29,057			\$29,057			\$29,057
Tech Adjust: Retiree Healthcare (GASB) Team (to City-Wide)		(\$200,000)		(\$200,000)			(\$200,000)
Voluntary Furlough/Special Reduced Work Week Program	(\$28,797)			(\$28,797)			(\$28,797)
CITY MANAGER Total	\$260	(\$200,000)	\$0	(\$199,740)	\$0	\$0	(\$199,740)

**General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

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Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
CITY-WIDE EXPENSES							
Rebudget: Alcoholic Beverage Control Grant Rebudget			\$512	\$512	\$512		\$0
Tech Adjust: Comp General Plan Update (from PBCE)			\$149,663	\$149,663			\$149,663
Tech Adjust: Historic Preservation (from Planning Reserve)			\$30,000	\$30,000			\$30,000
Tech Adjust: Retiree Healthcare (GASB) Team (from City Mgr)			\$200,000	\$200,000			\$200,000
Tech Adjust: Workers' Comp Claims (to WC Gainsharing)			(\$500,000)	(\$500,000)			(\$500,000)
Tech Adjust: Workers' Comp Gain Sharing Pro (from WC Claims)			\$500,000	\$500,000			\$500,000
Tech Adjust: Old City Hall Remaining Syst Migration (to below)			(\$100,000)	(\$100,000)			(\$100,000)
Tech Adjust: Parks Maint Enhancement Strategy (from PRNS)			\$1,000,000	\$1,000,000			\$1,000,000
Tech Adjust: Tech Legacy Applications Migration (from above)			\$100,000	\$100,000			\$100,000
CITY-WIDE EXPENSES Total	\$0	\$0	\$1,380,175	\$1,380,175	\$512	\$0	\$1,379,663
EARMARKED RESERVES							
Salary Program			(\$12,244,437)	(\$12,244,437)			(\$12,244,437)
Tech Adjust: Planning Fee Reserve (to City-Wide Hist Presvtn)			(\$30,000)	(\$30,000)			(\$30,000)
Vol Furlough/Special Reduced Work Week Program/Salary Reserve			\$374,298	\$374,298			\$374,298
EARMARKED RESERVES Total	\$0	\$0	(\$11,900,139)	(\$11,900,139)	\$0	\$0	(\$11,900,139)
ECONOMIC DEVELOPMENT							
Salary Program	\$7,544			\$7,544			\$7,544
Voluntary Furlough/Special Reduced Work Week Program	(\$8,172)			(\$8,172)			(\$8,172)
ECONOMIC DEVELOPMENT Total	(\$628)	\$0	\$0	(\$628)	\$0	\$0	(\$628)

General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
EMERGENCY SERVICES							
Salary Program	\$1,080			\$1,080			\$1,080
EMERGENCY SERVICES Total	\$1,080	\$0	\$0	\$1,080	\$0	\$0	\$1,080
ENVIRONMENTAL SERVICES							
Salary Program	\$534			\$534			\$534
ENVIRONMENTAL SERVICES Total	\$534	\$0	\$0	\$534	\$0	\$0	\$534
FINANCE							
Salary Program	\$34,369			\$34,369			\$34,369
Voluntary Furlough/Special Reduced Work Week Program	(\$46,878)			(\$46,878)			(\$46,878)
FINANCE Total	(\$12,509)	\$0	\$0	(\$12,509)	\$0	\$0	(\$12,509)
FIRE							
Salary Program	\$10,734,724			\$10,734,724			\$10,734,724
Voluntary Furlough/Special Reduced Work Week Program	(\$6,154)			(\$6,154)			(\$6,154)
FIRE Total	\$10,728,570	\$0	\$0	\$10,728,570	\$0	\$0	\$10,728,570
GENERAL SERVICES							
Salary Program	\$51,019			\$51,019			\$51,019
Voluntary Furlough/Special Reduced Work Week Program	(\$3,096)			(\$3,096)			(\$3,096)
GENERAL SERVICES Total	\$47,923	\$0	\$0	\$47,923	\$0	\$0	\$47,923

**General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
HUMAN RESOURCES							
Salary Program	\$20,882			\$20,882			\$20,882
Voluntary Furlough/Special Reduced Work Week Program	(\$17,876)			(\$17,876)			(\$17,876)
HUMAN RESOURCES Total	\$3,006	\$0	\$0	\$3,006	\$0	\$0	\$3,006
INDEPENDENT POLICE AUDITOR							
Salary Program	\$1,536			\$1,536			\$1,536
INDEPENDENT POLICE AUDITOR Total	\$1,536	\$0	\$0	\$1,536	\$0	\$0	\$1,536
INFORMATION TECHNOLOGY							
Salary Program	\$31,096			\$31,096			\$31,096
Voluntary Furlough/Special Reduced Work Week Program	(\$9,103)			(\$9,103)			(\$9,103)
INFORMATION TECHNOLOGY Total	\$21,993	\$0	\$0	\$21,993	\$0	\$0	\$21,993
LIBRARY							
Salary Program	\$63,490			\$63,490			\$63,490
Voluntary Furlough/Special Reduced Work Week Program	(\$90,654)			(\$90,654)			(\$90,654)
LIBRARY Total	(\$27,164)	\$0	\$0	(\$27,164)	\$0	\$0	(\$27,164)
MAYOR & COUNCIL							
Salary Program			\$29,776	\$29,776			\$29,776
MAYOR & COUNCIL Total	\$0	\$0	\$29,776	\$29,776	\$0	\$0	\$29,776

**General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
PARKS, REC AND NEIGH SVCS							
Salary Program	\$193,895			\$193,895			\$193,895
Tech Adjust: Parks Maint Enhancement Strategy (to City-Wide)	(\$800,000)	(\$200,000)		(\$1,000,000)			(\$1,000,000)
Voluntary Furlough/Special Reduced Work Week Program	(\$68,252)			(\$68,252)			(\$68,252)
PARKS, REC AND NEIGH SVCS Total	(\$674,357)	(\$200,000)	\$0	(\$874,357)	\$0	\$0	(\$874,357)
PLAN, BLDG AND CODE ENF							
Contractual Building Inspectors	(\$250,000)	\$250,000		\$0			\$0
Salary Program	\$274,810			\$274,810			\$274,810
Tech Adjust: Comprehensive General Plan Update (to City-Wide)	(\$149,663)			(\$149,663)			(\$149,663)
Voluntary Furlough/Special Reduced Work Week Program	(\$14,620)			(\$14,620)			(\$14,620)
PLAN, BLDG AND CODE ENF Total	(\$139,473)	\$250,000	\$0	\$110,527	\$0	\$0	\$110,527
POLICE							
Salary Program	\$601,194			\$601,194			\$601,194
Tech Adjust: Civil Investigations Overtime (to Attorney's Office)	(\$13,298)			(\$13,298)			(\$13,298)
Voluntary Furlough/Special Reduced Work Week Program	(\$6,160)			(\$6,160)			(\$6,160)
POLICE Total	\$581,736	\$0	\$0	\$581,736	\$0	\$0	\$581,736
PUBLIC WORKS							
Salary Program	\$22,849			\$22,849			\$22,849
Voluntary Furlough/Special Reduced Work Week Program	(\$2,192)			(\$2,192)			(\$2,192)
PUBLIC WORKS Total	\$20,657	\$0	\$0	\$20,657	\$0	\$0	\$20,657

**General Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal Equipment	Other		Revenue	Beg Fund Balance	
REDEVELOPMENT AGENCY							
Salary Program	\$2,932			\$2,932			\$2,932
REDEVELOPMENT AGENCY Total	\$2,932	\$0	\$0	\$2,932	\$0	\$0	\$2,932
TRANSPORTATION							
Salary Program	\$105,622			\$105,622			\$105,622
Voluntary Furlough/Special Reduced Work Week Program	(\$25,426)			(\$25,426)			(\$25,426)
TRANSPORTATION Total	\$80,196	\$0	\$0	\$80,196	\$0	\$0	\$80,196
Total General Fund Clean-Up Actions	\$10,640,700	(\$150,000)	(\$10,490,188)	\$512	\$512	\$0	\$0

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT CUST FAC & TRANS FD (519)								
AIRPORT								
Salary Program	\$2,603	\$303			\$2,906			\$2,906
Salary Program/Use of Contingency Reserve			(\$2,906)		(\$2,906)			(\$2,906)
Total AIRPORT CUST FAC & TRANS FD (519)	\$2,603	\$303	(\$2,906)	\$0	\$0	\$0	\$0	\$0
AIRPORT MAINT & OPER FUND (523)								
CITY MANAGER								
Salary Program	\$147				\$147			\$147
INFORMATION TECHNOLOGY								
Salary Program	\$535				\$535			\$535
CITY ATTORNEY								
Salary Program	\$1,227				\$1,227			\$1,227
FINANCE								
Salary Program	\$361				\$361			\$361
PUBLIC WORKS								
Salary Program	\$524				\$524			\$524
PLAN, BLDG AND CODE ENF								
Salary Program	\$168				\$168			\$168
PARKS, REC AND NEIGH SVCS								
Salary Program	\$1,301				\$1,301			\$1,301
AIRPORT								
Salary Program	\$193,268	\$11,455			\$204,723			\$204,723
Salary Program/Use of Salary Reserve			(\$208,986)		(\$208,986)			(\$208,986)
Voluntary Furlough/Red Work Week Pgm/Use of Salary Reserve			\$77,734		\$77,734			\$77,734
Voluntary Furlough/Reduced Work Week Program	(\$77,734)				(\$77,734)			(\$77,734)
Total AIRPORT MAINT & OPER FUND (523)	\$119,797	\$11,455	(\$131,252)	\$0	\$0	\$0	\$0	\$0
CFD #2 AND CFD #3 FUND (369)								

Special/Capital Fund
 Clean-Up Adjustment Actions
 2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CFD #2 AND CFD #3 FUND (369)								
TRANSPORTATION								
Salary Program	\$565			(\$565)	\$0			\$0
Total CFD #2 AND CFD #3 FUND (369)	\$565	\$0	\$0	(\$565)	\$0	\$0	\$0	\$0
CFD #8 COMM HILL FD (373)								
TRANSPORTATION								
Salary Program	\$633			(\$633)	\$0			\$0
Total CFD #8 COMM HILL FD (373)	\$633	\$0	\$0	(\$633)	\$0	\$0	\$0	\$0
COMMUNITY FAC DIST #1 FUND (371)								
TRANSPORTATION								
Salary Program	\$126			(\$126)	\$0			\$0
Total COMMUNITY FAC DIST #1 FUND (371)	\$126	\$0	\$0	(\$126)	\$0	\$0	\$0	\$0
CONV/CULTURAL AFFAIRS FUND (536)								
FINANCE								
Salary Program/Overhead			\$303		\$303			\$303
CONVENTION FACILITIES DEPT								
Salary Program	\$31,574			(\$31,877)	(\$303)			(\$303)
Total CONV/CULTURAL AFFAIRS FUND (536)	\$31,574	\$0	\$303	(\$31,877)	\$0	\$0	\$0	\$0
DENTAL INSURANCE FUND (155)								
HUMAN RESOURCES								
Salary Program	\$776			(\$776)	\$0			\$0
Total DENTAL INSURANCE FUND (155)	\$776	\$0	\$0	(\$776)	\$0	\$0	\$0	\$0
ECON DEV ENHANCEMENT FD (439)								
ECONOMIC DEVELOPMENT								
Overhead Adjustment			(\$63,822)	\$63,822	\$0			\$0

Special/Capital Fund
 Clean-Up Adjustment Actions
 2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
ECON DEV ENHANCEMENT FD (439)								
Total ECON DEV ENHANCEMENT FD (439)	\$0	\$0	(\$63,822)	\$63,822	\$0	\$0	\$0	\$0
GENERAL PURPOSE PARKING FD (533)								
FINANCE								
Salary Program			\$660		\$660			\$660
TRANSPORTATION								
Overhead Adjustment		(\$81,239)		\$81,239	\$0			\$0
Salary Program	\$5,887				\$5,887			\$5,887
Salary Program				(\$6,547)	(\$6,547)			(\$6,547)
Total GENERAL PURPOSE PARKING FD (533)	\$5,887	(\$81,239)	\$660	\$74,692	\$0	\$0	\$0	\$0
HOME INVEST PART PROG FUND (445)								
HOUSING								
Salary Program	\$2,653			(\$2,653)	\$0			\$0
Total HOME INVEST PART PROG FUND (445)	\$2,653	\$0	\$0	(\$2,653)	\$0	\$0	\$0	\$0
INTEGRATED WASTE MGT FUND (423)								
INFORMATION TECHNOLOGY								
Salary Program	\$15,180				\$15,180			\$15,180
FINANCE								
Salary Program	\$4,469				\$4,469			\$4,469
TRANSPORTATION								
Salary Program	\$1,103				\$1,103			\$1,103
ENVIRONMENTAL SERVICES								
Overhead Adjustment			\$83,204	(\$83,204)	\$0			\$0
Salary Program	\$12,740				\$12,740			\$12,740
Salary Program				(\$33,492)	(\$33,492)			(\$33,492)
Total INTEGRATED WASTE MGT FUND (423)	\$33,492	\$0	\$83,204	(\$116,696)	\$0	\$0	\$0	\$0
LIBRARY PARCEL TAX FUND (418)								

Special/Capital Fund
 Clean-Up Adjustment Actions
 2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
LIBRARY PARCEL TAX FUND (418)								
LIBRARY								
Salary Program	\$6,222			(\$6,222)	\$0			\$0
Total LIBRARY PARCEL TAX FUND (418)	\$6,222	\$0	\$0	(\$6,222)	\$0	\$0	\$0	\$0
LIFE INSURANCE FUND (156)								
HUMAN RESOURCES								
Salary Program	\$116			(\$116)	\$0			\$0
Total LIFE INSURANCE FUND (156)	\$116	\$0	\$0	(\$116)	\$0	\$0	\$0	\$0
LOW/MOD INCOME HOUSING FD (443)								
CITY MANAGER								
Salary Program	\$100				\$100			\$100
INFORMATION TECHNOLOGY								
Salary Program	\$796				\$796			\$796
CITY ATTORNEY								
Salary Program	\$1,321				\$1,321			\$1,321
FINANCE								
Salary Program	\$742				\$742			\$742
Salary Program/Overhead			\$338		\$338			\$338
HOUSING								
Overhead Adjustment			\$8,803	(\$8,803)	\$0			\$0
Salary Program	\$21,319				\$21,319			\$21,319
Salary Program				(\$25,244)	(\$25,244)			(\$25,244)
PUBLIC WORKS								
Salary Program	\$419				\$419			\$419
PLAN, BLDG AND CODE ENF								
Salary Program	\$209				\$209			\$209
Total LOW/MOD INCOME HOUSING FD (443)	\$24,906	\$0	\$9,141	(\$34,047)	\$0	\$0	\$0	\$0

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
M.D. #15 SILVER CREEK FUND (368)								
TRANSPORTATION								
Salary Program	\$838			(\$838)	\$0			\$0
Total M.D. #15 SILVER CREEK FUND (368)	\$838	\$0	\$0	(\$838)	\$0	\$0	\$0	\$0
M.D. #2 TRADE ZONE/LUNDY FD (354)								
TRANSPORTATION								
Salary Program	\$105			(\$105)	\$0			\$0
Total M.D. #2 TRADE ZONE/LUNDY FD (354)	\$105	\$0	\$0	(\$105)	\$0	\$0	\$0	\$0
MULTI-SOURCE HOUSING FD (448)								
HOUSING								
Salary Program	\$1,492			(\$1,492)	\$0			\$0
Total MULTI-SOURCE HOUSING FD (448)	\$1,492	\$0	\$0	(\$1,492)	\$0	\$0	\$0	\$0
PUBLIC WKS PRO SUPPORT FD (150)								
INFORMATION TECHNOLOGY								
Salary Program			\$838		\$838			\$838
PUBLIC WORKS								
Salary Program	\$10,906				\$10,906			\$10,906
Salary Program/Use of Reserve for Compensated Absence Liabilities				(\$11,744)	(\$11,744)			(\$11,744)
Total PUBLIC WKS PRO SUPPORT FD (150)	\$10,906	\$0	\$838	(\$11,744)	\$0	\$0	\$0	\$0
REDEV CAPITAL PROJECT FD (450)								
FINANCE								
SJRA Project Close-outs: Ending Fund Balance Adjustment				(\$358,213)	(\$358,213)			(\$358,213)
TRANSPORTATION								
SJRA Project Close-outs: Delmas Park-Sidewalks			\$9,962		\$9,962			\$9,962
SJRA Project Close-outs: Towers Lane Improvements			(\$31,960)		(\$31,960)			(\$31,960)
SJRA Project Close-outs: Traffic Signal at King/Wilshire			\$28,227		\$28,227			\$28,227

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
REDEV CAPITAL PROJECT FD (450)								
PUBLIC WORKS								
SJRA Project Close-outs: 6th and Reed Improvements			(\$1,002)		(\$1,002)			(\$1,002)
SJRA Project Close-outs: Alameda at Martin/Cleaves Improvements			(\$5,137)		(\$5,137)			(\$5,137)
SJRA Project Close-outs: Auzerais Streetscape			\$24,608		\$24,608			\$24,608
SJRA Project Close-outs: Bellevue Park			\$21,540		\$21,540			\$21,540
SJRA Project Close-outs: Capitol Park Neighborhood Center			\$47,471		\$47,471			\$47,471
SJRA Project Close-outs: Gateway East Sanitary Sewer Improvements			(\$20,823)		(\$20,823)			(\$20,823)
SJRA Project Close-outs: Greater Gardner Street Reconstruction			\$44,994		\$44,994			\$44,994
SJRA Project Close-outs: King and Story Road Improvements			(\$658)		(\$658)			(\$658)
SJRA Project Close-outs: Mayfair Streetlights			\$33,828		\$33,828			\$33,828
SJRA Project Close-outs: McLaughlin Ave Improvement			(\$862)		(\$862)			(\$862)
SJRA Project Close-outs: Meadowfair Park Phase II			(\$3,499)		(\$3,499)			(\$3,499)
SJRA Project Close-outs: Monterey Corridor Median Improvement			(\$12,840)		(\$12,840)			(\$12,840)
SJRA Project Close-outs: Prusch Park Construction			\$1,532		\$1,532			\$1,532
SJRA Project Close-outs: Scott Street Streetscape			\$33,727		\$33,727			\$33,727
SJRA Project Close-outs: Thirteenth Street Streetscape Project			\$32,030		\$32,030			\$32,030
SJRA Project Close-outs: Traffic Signal at 7th and Martha			\$29,730		\$29,730			\$29,730
SJRA Project Close-outs: University SNI Pedestrian Light Project			\$10,877		\$10,877			\$10,877
SJRA Project Close-outs: Washington/Edenvale Great Oaks St Lights			\$5,918		\$5,918			\$5,918
SJRA Project Close-outs: William St & McLaughlin Ave Improvement			\$75,851		\$75,851			\$75,851
SJRA Project Close-outs: Zanker Rd Median Island Landscape Improv			\$22,053		\$22,053			\$22,053
PARKS, REC AND NEIGH SVCS								
SJRA Project Close-outs: Fuller Ave Linear Park			\$3,730		\$3,730			\$3,730
SJRA Project Close-outs: TRAIL: Coyote Crk Trl/Martha St Bridge			(\$13,423)		(\$13,423)			(\$13,423)
SJRA Project Close-outs: Welch Park			\$22,339		\$22,339			\$22,339
Total REDEV CAPITAL PROJECT FD (450)	\$0	\$0	\$358,213	(\$358,213)	\$0	\$0	\$0	\$0
SEWER SVC & USE CHARGE FD (541)								
INFORMATION TECHNOLOGY								
Salary Program	\$1,537				\$1,537			\$1,537

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
SEWER SVC & USE CHARGE FD (541)								
CITY ATTORNEY								
Salary Program	\$910				\$910			\$910
FINANCE								
Salary Program	\$1,447				\$1,447			\$1,447
Salary Program/Overhead			\$3,470		\$3,470			\$3,470
TRANSPORTATION								
Salary Program	\$47,407				\$47,407			\$47,407
PUBLIC WORKS								
Salary Program	\$3,440				\$3,440			\$3,440
PLAN, BLDG AND CODE ENF								
Salary Program	\$540				\$540			\$540
GENERAL SERVICES								
Salary Program	\$247				\$247			\$247
ENVIRONMENTAL SERVICES								
Old Martin Luther King Building Rent		(\$5,134)	\$5,134		\$0			\$0
Overhead Adjustment			\$2,824	(\$2,824)	\$0			\$0
Salary Program	\$2,974				\$2,974			\$2,974
Salary Program				(\$61,972)	(\$61,972)			(\$61,972)
Total SEWER SVC & USE CHARGE FD (541)	\$58,502	(\$5,134)	\$11,428	(\$64,796)	\$0	\$0	\$0	\$0
SJ-SC TRMNT PLANT OPER FUND (513)								
CITY MANAGER								
Salary Program	\$172				\$172			\$172
INFORMATION TECHNOLOGY								
Salary Program	\$628				\$628			\$628
CITY ATTORNEY								
Salary Program	\$209				\$209			\$209
HUMAN RESOURCES								
Salary Program	\$113				\$113			\$113

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
SJ-SC TRMNT PLANT OPER FUND (513)								
FINANCE								
Salary Program	\$215				\$215			\$215
PUBLIC WORKS								
Salary Program	\$215				\$215			\$215
PARKS, REC AND NEIGH SVCS								
Salary Program			\$1,256		\$1,256			\$1,256
ENVIRONMENTAL SERVICES								
Old Martin Luther King Building Rent		(\$58,674)	\$58,674		\$0			\$0
Overhead Adjustment		\$398,209		(\$398,209)	\$0			\$0
Salary Program	\$151,105	\$5,078			\$156,183			\$156,183
Salary Program				(\$158,991)	(\$158,991)			(\$158,991)
Total SJ-SC TRMNT PLANT OPER FUND (513)	\$152,657	\$344,613	\$59,930	(\$557,200)	\$0	\$0	\$0	\$0
STORES FUND (551)								
FINANCE								
Salary Program	\$3,074			(\$3,074)	\$0			\$0
Total STORES FUND (551)	\$3,074	\$0	\$0	(\$3,074)	\$0	\$0	\$0	\$0
STORM SEWER OPERATING FD (446)								
INFORMATION TECHNOLOGY								
Salary Program	\$920				\$920			\$920
FINANCE								
Salary Program	\$116				\$116			\$116
Salary Program/Overhead			\$1,434		\$1,434			\$1,434
TRANSPORTATION								
Salary Program	\$26,274				\$26,274			\$26,274
PUBLIC WORKS								
Salary Program	\$389				\$389			\$389

**Special/Capital Fund
Clean-Up Adjustment Actions
2007-2008 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
STORM SEWER OPERATING FD (446)								
PLAN, BLDG AND CODE ENF								
Salary Program	\$427				\$427			\$427
ENVIRONMENTAL SERVICES								
Old Martin Luther King Building Rent		\$63,776	(\$63,776)			\$0		\$0
Overhead Adjustment			(\$47,395)	\$47,395		\$0		\$0
Salary Program	\$11,403					\$11,403		\$11,403
Salary Program				(\$40,963)	(\$40,963)			(\$40,963)
Total STORM SEWER OPERATING FD (446)	\$39,529	\$63,776	(\$109,737)	\$6,432	\$0	\$0	\$0	\$0
UNEMPLOYMENT INSUR FD (157)								
HUMAN RESOURCES								
Salary Program	\$242			(\$242)		\$0		\$0
Total UNEMPLOYMENT INSUR FD (157)	\$242	\$0	\$0	(\$242)	\$0	\$0	\$0	\$0
VEHICLE MAINT & OPER FUND (552)								
INFORMATION TECHNOLOGY								
Salary Program			\$161			\$161		\$161
HUMAN RESOURCES								
Salary Program			\$105			\$105		\$105
GENERAL SERVICES								
Salary Program			\$44,594			\$44,594		\$44,594
Salary Program				(\$47,086)	(\$47,086)			(\$47,086)
Salary Program/Overhead			\$2,226			\$2,226		\$2,226
Total VEHICLE MAINT & OPER FUND (552)	\$0	\$0	\$47,086	(\$47,086)	\$0	\$0	\$0	\$0
WATER UTILITY FUND (515)								
INFORMATION TECHNOLOGY								
Salary Program	\$1,327					\$1,327		\$1,327
FINANCE								
Salary Program	\$872					\$872		\$872

Special/Capital Fund
 Clean-Up Adjustment Actions
 2007-2008 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
WATER UTILITY FUND (515)								
ENVIRONMENTAL SERVICES								
Overhead Adjustment		(\$436,658)		\$436,658	\$0			\$0
Salary Program	\$15,459	\$1,465		(\$19,123)	(\$2,199)			(\$2,199)
Total WATER UTILITY FUND (515)	\$17,658	(\$435,193)	\$0	\$417,535	\$0	\$0	\$0	\$0



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the 6 Months Ended December 31, 2007
Fiscal Year 2007-08

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 6 Months Ended December 31, 2007
Fiscal Year 2007-08

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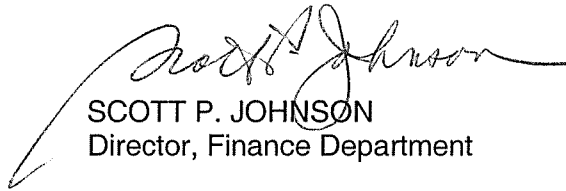
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Finance Department, City of San José
Monthly Financial Report
Financial Results for the 6 Months Ended December 31, 2007
Fiscal Year 2007-08

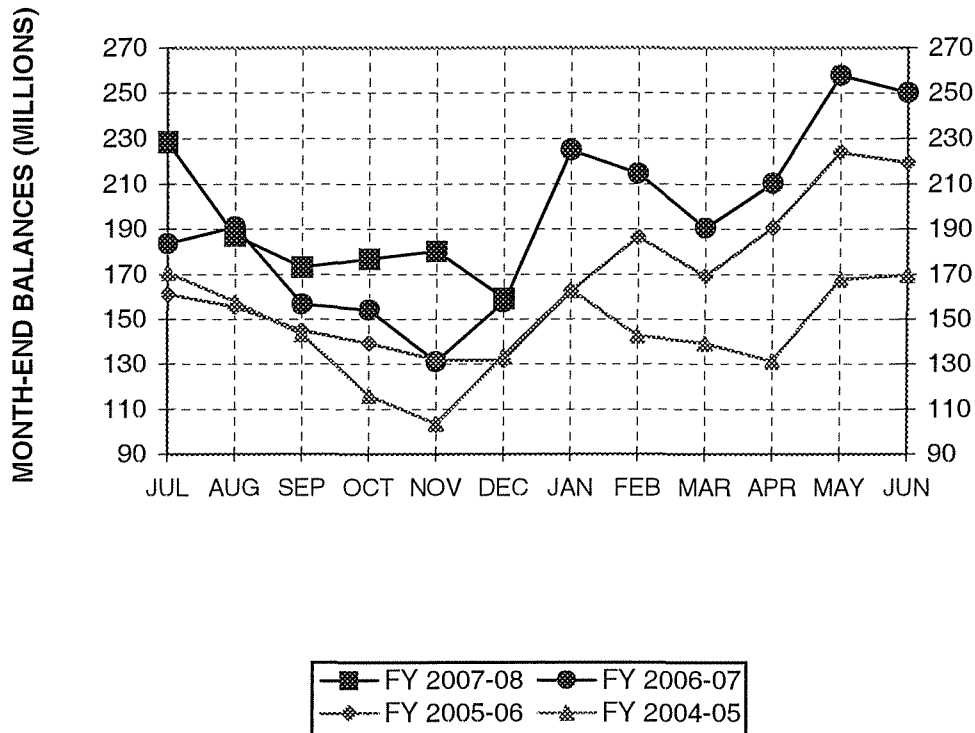
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Submitted by:


SCOTT P. JOHNSON
Director, Finance Department

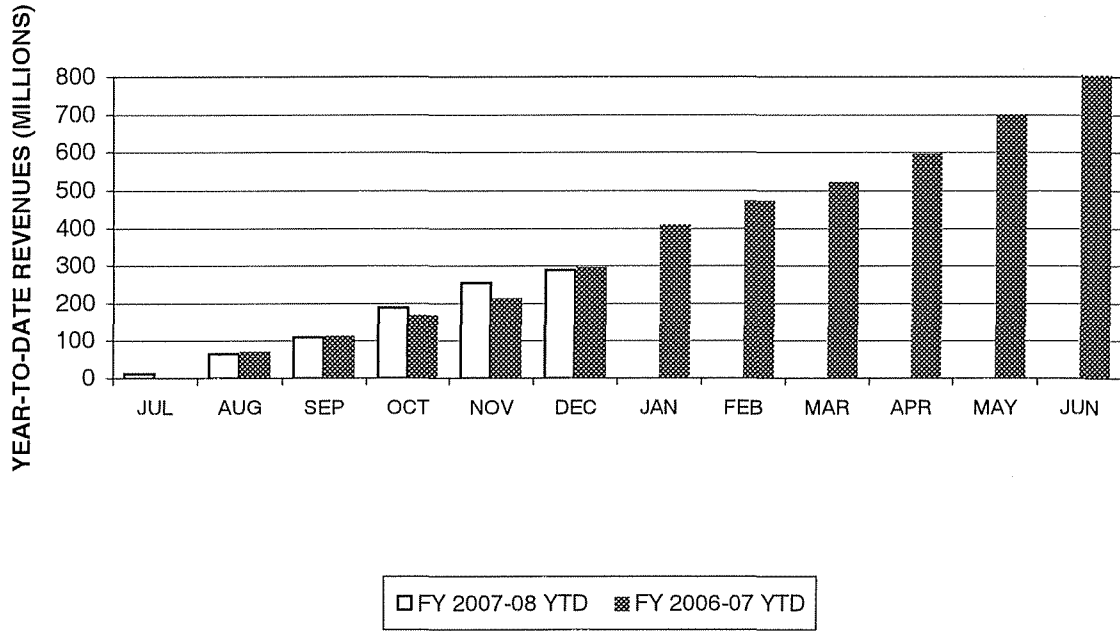
GENERAL FUND Comparison of Cash Balances



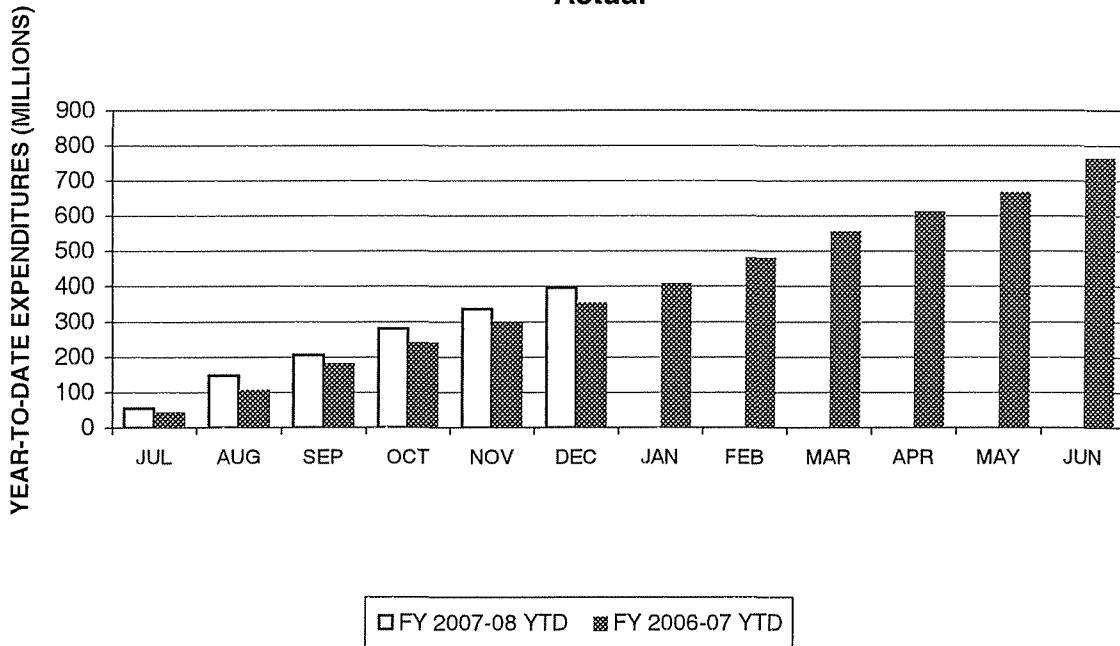
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05
JULY	\$ 228,551,607	\$ 183,638,084	\$ 161,103,519	\$ 170,866,370
AUGUST	186,835,010	190,974,568	155,276,638	157,724,418
SEPTEMBER	173,043,887	156,674,730	144,980,057	143,118,210
OCTOBER	176,617,539	154,011,382	139,052,451	115,750,195
NOVEMBER	180,164,388	131,009,877	131,757,140	103,292,889
DECEMBER	159,164,830	157,479,064	131,612,938	133,482,542
JANUARY		224,766,520	162,598,761	162,721,265
FEBRUARY		214,574,932	186,471,797	142,587,409
MARCH		190,320,128	169,141,222	139,318,867
APRIL		210,342,744	190,637,410	131,310,126
MAY		257,771,653	224,072,193	167,609,044
JUNE		250,180,874	219,498,514	169,498,646

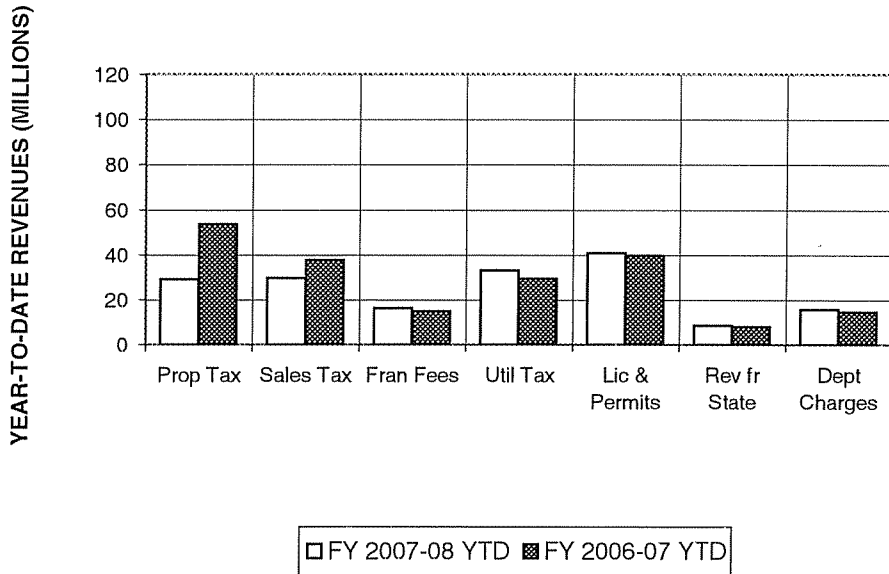
**GENERAL FUND
Comparison of YTD Revenues
Actual**



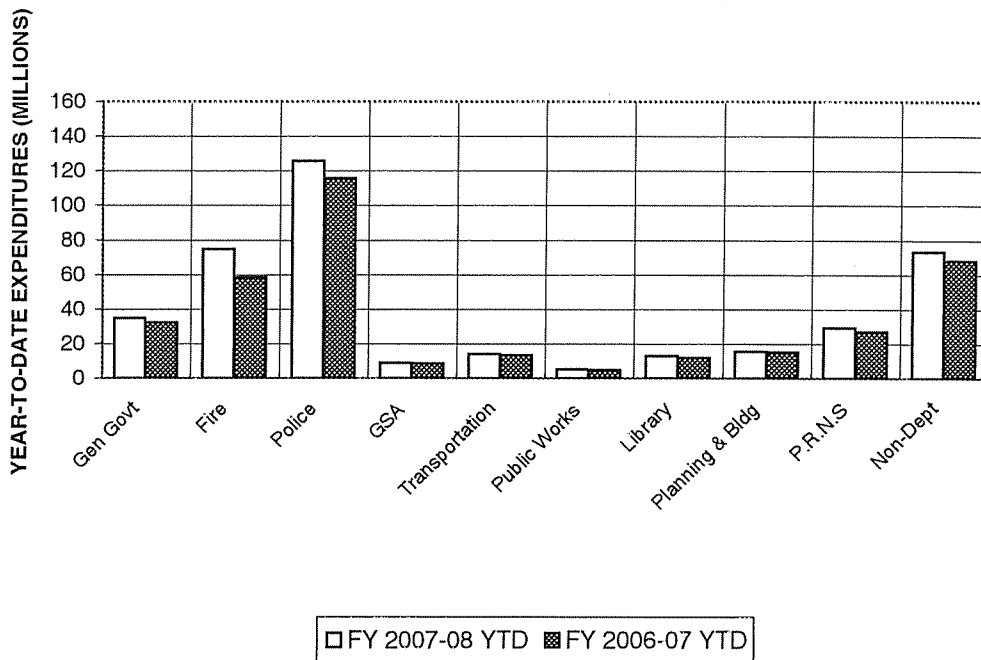
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 6 Months Ended December 31, 2007



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 6 Months Ended December 31, 2007



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2007-2008 impact through December 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$18 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	\$ -	-	28,219	28,219	28,219	100.00%	26,012	103.53%	25,124	2,207	8.48%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	205,468	42,161	-	247,630	247,630	100.00%	209,493	100.04%	209,418	38,137	18.20%
Total Fund Balance	205,468	42,161	28,219	275,849	275,849	100.00%	235,505	100.41%	234,542	40,344	17.13%
General Revenues											
Property Tax (Note 2 & 3)	198,154	-	-	198,154	29,021	14.65%	53,663	28.29%	189,683	(24,642)	-45.92%
Sales Tax (Note 2 & 3)	152,636	-	-	152,636	29,639	19.42%	37,616	25.08%	149,962	(7,977)	-21.21%
Transient Occupancy Tax	8,988	-	-	8,988	3,705	41.22%	3,181	36.99%	8,600	524	16.47%
Franchise Fees	39,032	-	-	39,032	16,151	41.38%	14,947	36.98%	40,415	1,203	8.05%
Utility Tax	79,141	-	-	79,141	33,207	41.96%	29,338	37.08%	79,129	3,868	13.18%
Licenses and Permits	79,719	(233)	-	79,486	40,801	51.33%	39,761	53.33%	74,562	1,039	2.61%
Fines, Forfeits and Penalties	14,708	-	-	14,708	7,335	49.87%	6,628	47.17%	14,052	706	10.66%
Use of Money and Property	13,909	-	-	13,909	7,595	54.60%	6,269	40.10%	15,634	1,325	21.14%
Revenue from Local Agencies	47,243	2,122	-	49,365	18,286	37.04%	16,129	35.59%	45,314	2,157	13.37%
Revenue from State of Cal.	10,429	(35)	-	10,394	8,533	82.09%	8,030	61.64%	13,028	503	6.26%
Revenue from Federal Government	6,143	4,303	-	10,446	2,005	19.19%	1,658	11.92%	13,907	347	20.94%
Departmental Charges (Note 1)	30,715	139	-	30,854	15,596	50.55%	14,468	48.55%	29,801	1,128	7.80%
Other Revenues	18,527	3,978	-	22,505	11,321	50.30%	13,216	48.72%	27,128	(1,896)	-14.34%
Total General Revenues	699,344	10,274	-	709,619	223,193	31.45%	244,905	34.93%	701,215	(21,713)	-8.87%
Transfers & Reimbursements											
Overhead Reimbursements	33,135	-	-	33,135	26,563	80.17%	19,830	57.81%	34,301	6,733	33.95%
Transfers from Other Funds	49,646	400	-	50,046	31,437	62.82%	27,127	51.48%	52,699	4,310	15.89%
Reimbursements for Services	17,825	-	-	17,825	6,297	35.33%	4,585	25.84%	17,746	1,712	37.35%
Total Transfers & Reimburse	100,605	400	-	101,005	64,297	63.66%	51,542	49.21%	104,746	12,755	24.75%
Total Sources	\$ 1,005,417	52,836	28,219	1,086,472	563,339	51.85%	531,953	51.12%	1,040,503	31,386	5.90%

Note 1 - See Supplemental Schedule on Page 7

Note 2 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2007-2008 impact through December 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$18 million.

Note 3 - Sales Tax and 3rd Property Tax advance were received during holiday closure in December 2007 and booked in January 2008.

**CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE	
					ACTUAL	ENCUMBR			OF PRIOR	BUDGETARY		LESS PRIOR YTD ACTUAL	%
									YEAR-END	BASIS			
General Government													
Mayor and Council	\$ 9,665	(220)	28	9,473	3,313	68	34.98%	3,180	47.70%	6,695	133	4.19%	
City Attorney	13,385	401	1,607	15,393	5,819	1,521	37.80%	5,384	43.56%	13,969	434	8.07%	
City Auditor	2,835	241	10	3,086	1,064	57	34.47%	1,117	47.15%	2,380	(54)	-4.81%	
City Clerk	3,046	771	38	3,854	869	66	22.54%	767	20.84%	3,716	102	13.35%	
City Manager	9,776	2,732	339	12,847	5,066	467	39.43%	3,864	43.26%	9,271	1,202	31.11%	
Finance	11,487	339	469	12,294	4,991	588	40.59%	4,674	47.04%	10,451	316	6.77%	
Information Technology	16,990	252	739	17,981	7,093	1,745	39.45%	6,667	44.54%	15,707	426	6.39%	
Employee Services	7,724	95	160	7,978	3,231	397	40.50%	2,828	43.93%	6,598	403	14.24%	
Redevelopment Agency	1,411	42	-	1,452	585	-	40.31%	587	47.02%	1,248	(1)	-0.24%	
Independent Police Auditor	833	28	9	870	377	2	43.34%	342	45.09%	767	35	10.27%	
Office of Economic Development	4,461	21	602	5,083	2,019	619	39.72%	2,611	57.34%	5,263	(592)	-22.69%	
Office of Emergency Services	532	6	-	538	207	-	38.47%	175	42.47%	413	31	17.91%	
Total General Government	82,143	4,707	4,000	90,849	34,633	5,530	38.12%	32,197	44.52%	76,478	2,436	7.57%	
Public Safety													
Fire	134,390	17,263	364	152,017	74,550	1,379	49.04%	58,307	45.93%	127,314	16,244	27.86%	
Police	281,142	1,856	2,453	285,451	125,785	3,617	44.07%	115,489	44.86%	259,901	10,296	8.92%	
Total Public Safety	415,532	19,119	2,817	437,468	200,335	4,995	45.79%	173,796	45.21%	387,215	26,540	15.27%	
Capital Maintenance													
General Services	19,389	172	2,118	21,680	8,772	6,258	40.46%	8,530	45.08%	21,189	242	2.84%	
Transportation	34,267	(38)	773	35,002	13,954	2,435	39.87%	13,160	42.99%	31,386	794	6.03%	
Public Works	10,641	137	322	11,100	5,291	1,166	47.67%	4,729	48.02%	10,186	562	11.88%	
Total Capital Maintenance	64,298	271	3,213	67,782	28,018	9,859	41.34%	26,420	44.49%	62,761	1,598	6.05%	

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD		REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % PRIOR YEAR-END		% CHANGE			
		BUDGET	AMENDMENTS		C/O ENCUMBR	ACTUAL			ENCUMBR	OF PRIOR YEAR-END ACTUAL	BUDGETARY BASIS ACTUAL	CUR YTD ACTUAL(1)	LESS PRIOR YTD ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL
Community Service														
Library	28,807	583	93	29,483	12,836	755	43.54%	11,780	43.71%	27,041	1,056	8.96%		
Planning, Bldg & Code Enf.	39,284	251	311	39,846	15,426	600	38.71%	15,029	45.69%	33,220	397	2.64%		
Park, Rec & Neigh Svcs	65,046	220	3,796	69,062	29,222	4,979	42.31%	27,132	47.35%	61,104	2,091	7.71%		
Environmental Services	1,786	(282)	356	1,859	227	654	12.22%	426	32.15%	1,682	(199)	-46.71%		
Total Community Services	134,924	771	4,556	140,250	57,711	6,988	41.15%	54,367	45.89%	123,047	3,344	6.15%		
Total Dept. Expenditures	\$ 696,896	24,868	14,586	736,349	320,697	27,373	43.55%	286,779	45.19%	649,501	33,918	11.83%		
Non-Dept Expenditures														
City-wide Expenditures:														
Econ & Neighborhood Develop.	\$ 29,920	1,799	2,092	33,811	14,936	3,328	44.18%	6,698	27.09%	26,814	8,238	122.99%		
Environmental & Utility Services	1,352	14	318	1,684	251	740	14.91%	435	41.66%	1,361	(183)	-42.22%		
Public Safety	5,623	8,615	2,067	16,305	2,731	1,859	16.75%	8,436	57.51%	16,740	(5,704)	-67.62%		
Recreation & Cultural Services	11,338	1,594	1,860	14,792	3,727	2,524	25.19%	3,488	40.64%	10,491	239	6.86%		
Transportation Services	3,133	(18)	325	3,440	807	641	23.46%	651	33.54%	2,266	156	23.99%		
Strategic Support	76,719	(119)	2,894	79,494	17,321	6,094	21.79%	14,082	33.64%	44,822	3,239	23.00%		
Total City-wide Expenditures	128,085	11,885	9,555	149,526	39,773	15,185	26.60%	33,789	36.40%	102,494	5,984	17.71%		
Capital Contributions	22,380	17,594	4,078	44,052	7,341	5,499	16.67%	5,242	61.11%	12,657	2,099	40.04%		
Transfers to Other Funds	28,877	566	-	29,443	26,133	-	88.76%	28,961	98.31%	29,459	(2,828)	-9.76%		
Total Non-Dept Expenditures	179,342	30,045	13,633	223,020	73,248	20,685	32.84%	67,992	51.96%	144,610	5,256	7.73%		
Reserves														
Contingency Reserves	29,139	1,265	-	30,404	-	-	0.00%	-	0.00%	-	-	0.00%		
Earmarked Reserves	100,041	(3,341)	-	96,699	-	-	0.00%	-	0.00%	-	-	0.00%		
Total Reserves	129,179	(2,077)	-	127,103	-	-	0.00%	-	0.00%	-	-	0.00%		
Total Uses	\$ 1,005,417	52,836	28,219	1,086,472	393,945	48,057	36.26%	354,772	46.35%	794,111	39,174	11.04%		

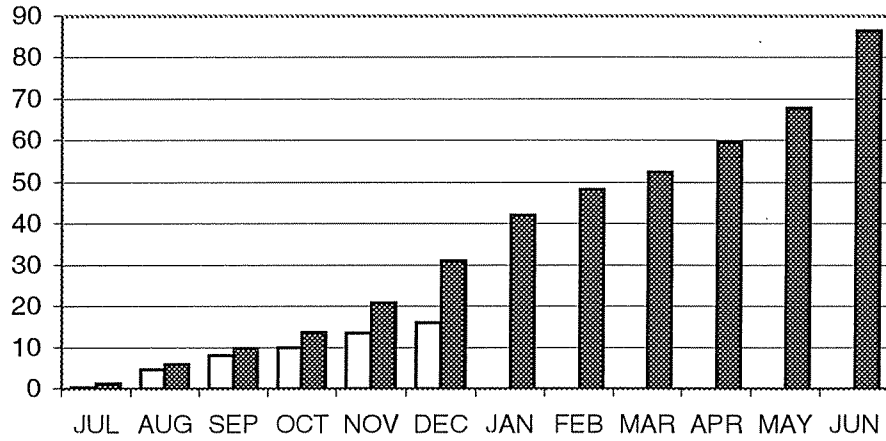
(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED	YTD		REVISED	CUR	CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2007-08	BUDGET	C/O	FY 2007-08	YTD	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	OF BUDGET	ACTUAL	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
								ACTUAL	ACTUAL	ACTUAL	ACTUAL
Police	\$ 1,568	139	-	1,707	817	47.87%	890	52.54%	1,693	(72)	-8.13%
Public Works	8,674	-	-	8,674	3,064	35.32%	3,602	44.67%	8,063	(538)	-14.94%
Transportation	1,049	-	-	1,049	438	41.75%	615	49.41%	1,244	(177)	-28.74%
Library	1,307	-	-	1,307	423	32.38%	396	29.32%	1,351	27	6.81%
Planning, Bldg & Code Enf	6,264	-	-	6,264	3,811	60.85%	2,568	48.13%	5,337	1,243	48.39%
Parks Rec & Neigh Svcs	7,953	-	-	7,953	4,971	62.51%	4,593	54.56%	8,419	378	8.23%
Miscellaneous Dept Charges	3,900	-	-	3,900	2,071	53.12%	1,805	48.85%	3,694	267	14.79%
Total Departmental Revenues	\$ 30,715	139	-	30,854	15,596	50.55%	14,468	48.55%	29,801	1,128	7.80%

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

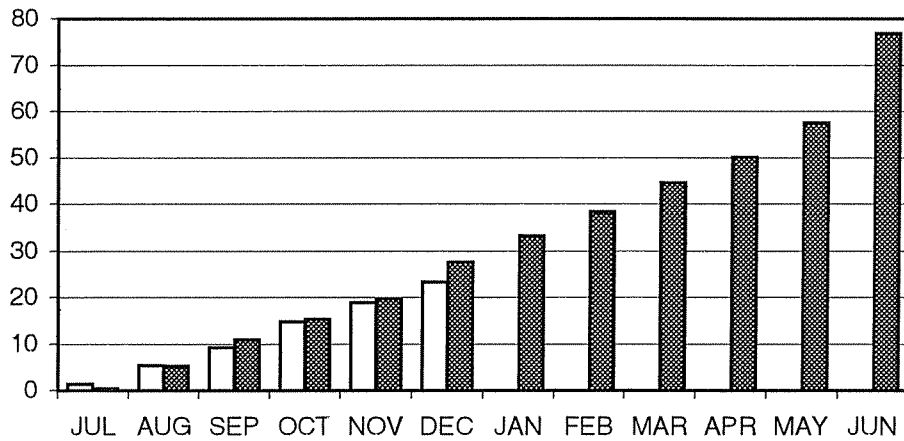
YEAR-TO-DATE REVENUES (MILLIONS)



□ FY 2007-08 YTD ■ FY 2006-07 YTD

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

YEAR-TO-DATE EXPENDITURES (MILLIONS)



□ FY 2007-08 YTD ■ FY 2006-07 YTD

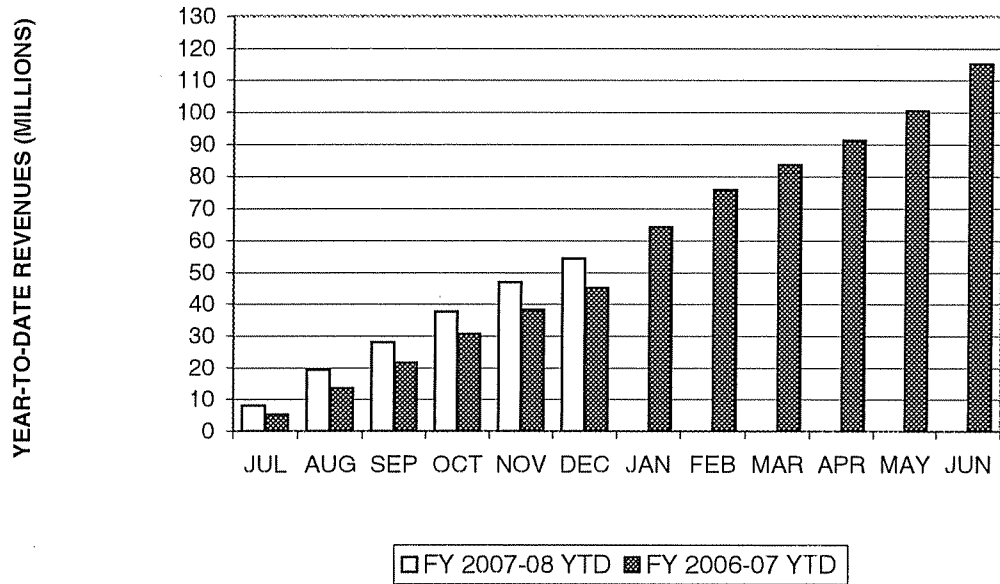
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2007-08	BUDGET		FY 2007-08	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	13,333	13,333	13,333	N/A	21,604
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	84,720	16,289	-	101,009	101,009	N/A	83,440
Revenues	43,610	6,369	-	49,979	15,910	N/A	30,974
Total Sources	128,330	22,658	13,333	164,321	130,252	N/A	136,018
Total Uses	128,330	22,658	13,333	164,321	23,295	14,827	27,585
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,200	-	-	17,200	6,115	N/A	5,993
Total Sources	17,200	-	-	17,200	6,115	N/A	5,993
Total Uses	17,200	-	-	17,200	6,115	-	4,480
Building and Structures							
Prior Year Encumbrance	-	-	8,047	8,047	8,047	N/A	10,261
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	13,599	6,382	-	19,982	19,982	N/A	25,820
Revenues	19,753	1,799	-	21,552	7,647	N/A	6,250
Total Sources	33,352	8,181	8,047	49,581	35,675	N/A	42,331
Total Uses	33,352	8,181	8,047	49,581	7,312	11,632	9,310
Residential Construction							
Prior Year Encumbrance	-	-	1	1	1	N/A	1
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,370	(33)	-	1,337	1,337	N/A	1,207
Revenues	256	-	-	256	40	N/A	171
Total Sources	1,626	(33)	1	1,594	1,378	N/A	1,379
Total Uses	\$ 1,626	(33)	1	1,594	55	-	64

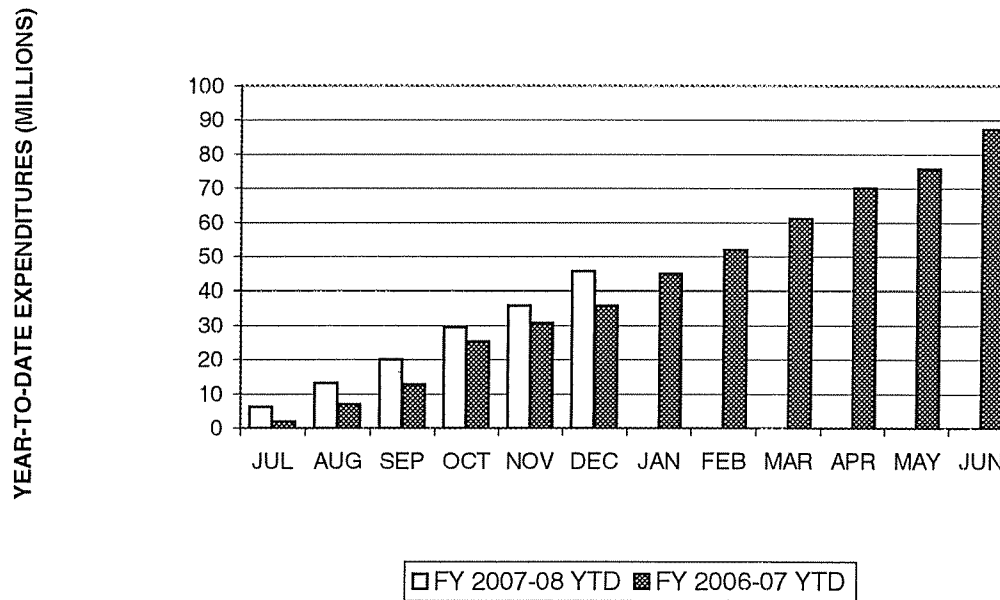
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2007-08 BUDGET	BUDGET AMENDMENTS		FY 2007-08 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	127	127	127	N/A	78
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,753	424	-	4,176	4,176	N/A	3,706
Revenues	13,450	-	-	13,450	5,553	N/A	4,871
Total Sources	17,203	424	127	17,753	9,856	N/A	8,655
Total Uses	17,203	424	127	17,753	8,052	663	4,637
Conventions, Arts & Enter							
Prior Year Encumbrance	-	-	338	338	338	N/A	150
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,088	1,992	-	4,080	4,080	N/A	578
Revenues	18,535	150	-	18,685	8,289	N/A	6,710
Total Sources	20,624	2,142	338	23,104	12,707	N/A	7,438
Total Uses	20,624	2,142	338	23,104	8,492	438	7,673
Golf							
Prior Year Encumbrance	-	-	11	11	11	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	698	135	-	833	833	N/A	764
Revenues	2,180	-	-	2,180	1,734	N/A	1,724
Total Sources	2,878	135	11	3,024	2,577	N/A	2,498
Total Uses	2,878	135	11	3,024	1,317	11	863
Other Funds							
Prior Year Encumbrance	-	-	52,108	52,108	52,108	N/A	51,611
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	170,368	16,833	-	187,201	187,201	N/A	172,292
Revenues	443,023	18,338	-	461,360	196,623	N/A	149,677
Total Sources	613,391	35,171	52,108	700,669	435,932	N/A	373,581
Total Uses	\$ 613,391	35,171	52,108	700,669	197,715	116,818	163,636

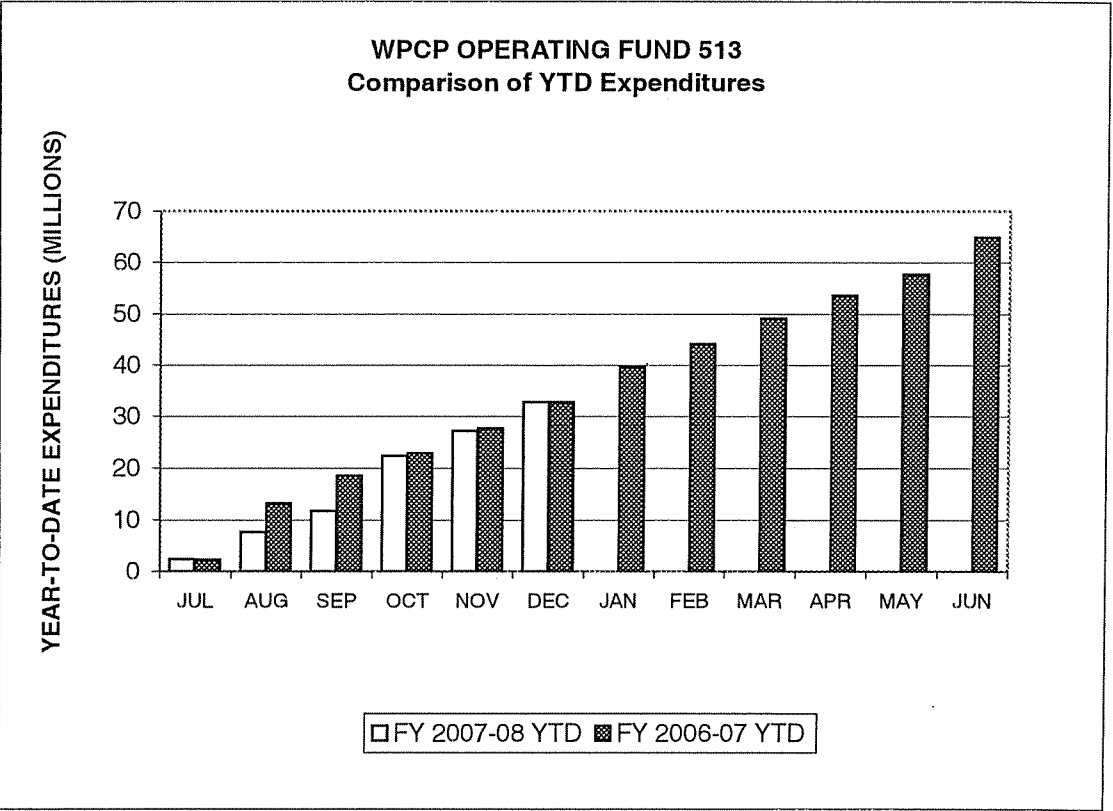
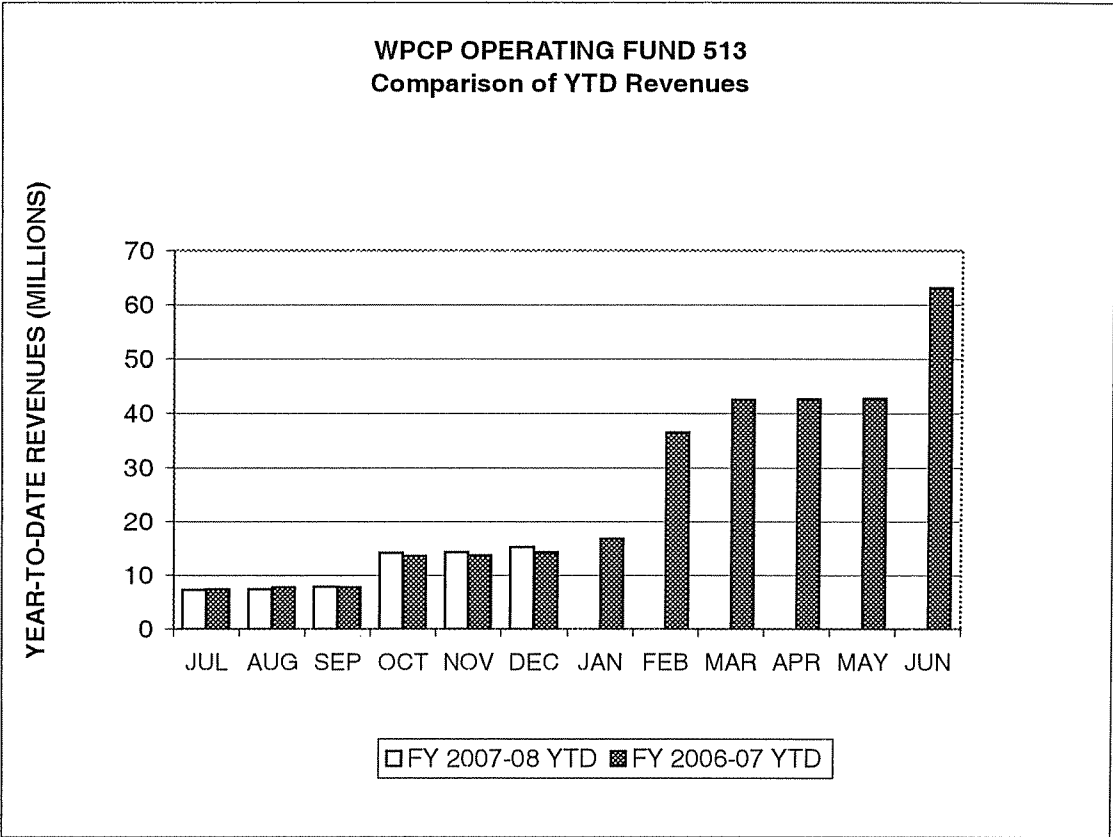
**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues**



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

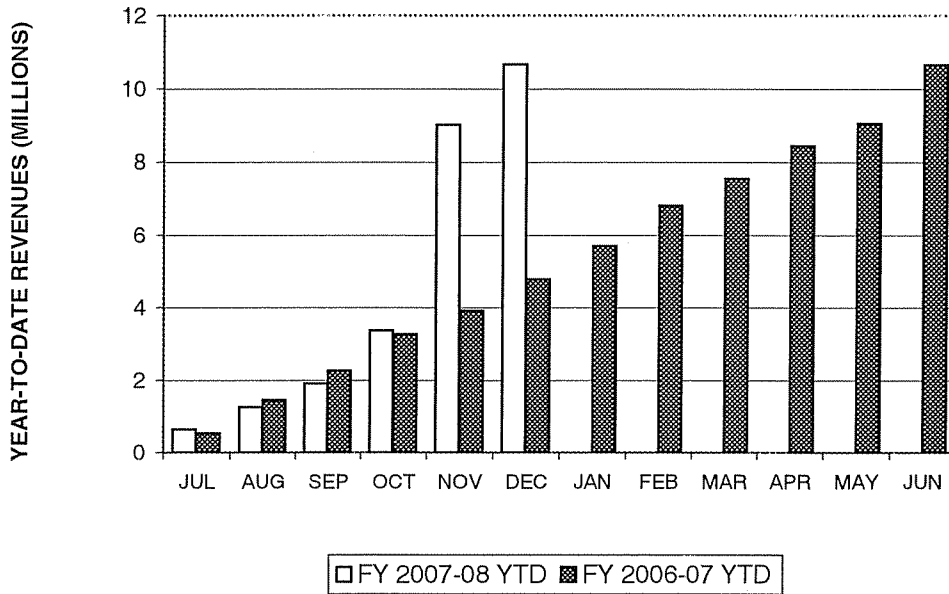


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

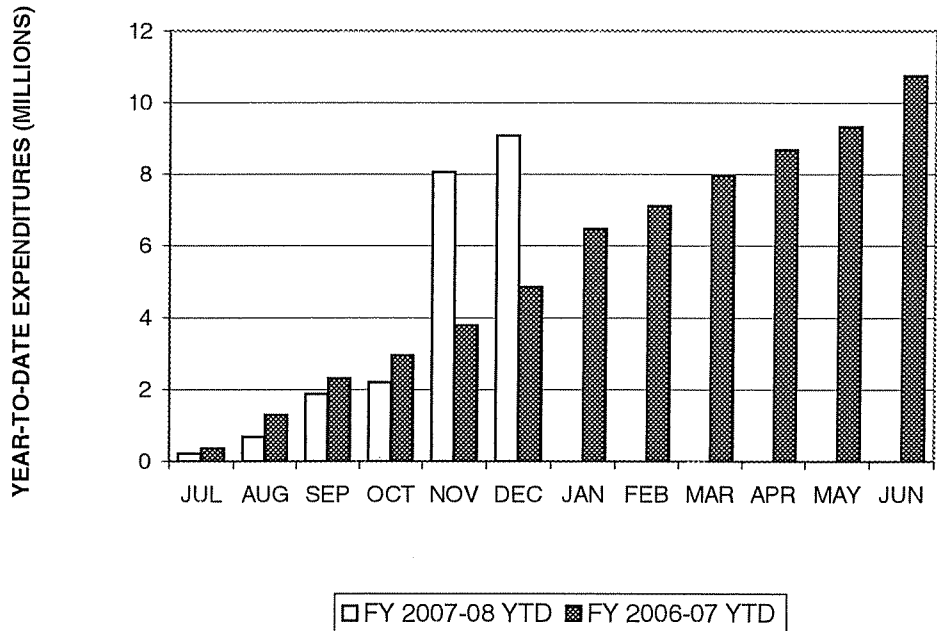


Note: Graphs above are only for WPCP operating fund (513).

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



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



Note: Revenue and expenditure increased in November, 2007 due to a transfer of \$5.1 million from General Purpose Parking Fund to Parking Capital Development Fund.

**CITY OF SAN JOSE
ENTERPRISE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2007-08 BUDGET	BUDGET AMENDMENTS		FY 2007-08 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Airport							
Prior Year Encumbrance	\$ -	-	190,033	190,033	190,033	N/A	71,348
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	685,863	(211,934)	-	473,929	473,929	N/A	456,618
Revenues	1,308,762	9,571	-	1,318,333	155,358	N/A	127,176
Total Sources	1,994,625	(202,363)	190,033	1,982,295	819,320	N/A	655,142
Total Uses	1,994,625	(202,363)	190,033	1,982,295	207,953	237,272	143,144
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	37,754	37,754	37,754	N/A	86,118
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	147,623	38,437	-	186,060	186,060	N/A	164,205
Revenues	248,843	-	-	248,843	138,177	N/A	42,220
Total Sources	396,466	38,437	37,754	472,657	361,991	N/A	292,544
Total Uses	396,466	38,437	37,754	472,657	90,328	42,220	96,105
(Note 2)							
Municipal Water							
Prior Year Encumbrance	-	-	1,603	1,603	1,603	N/A	1,864
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,481	(607)	-	10,874	10,874	N/A	11,018
Revenues	28,798	-	-	28,798	16,106	N/A	15,118
Total Sources	40,279	(607)	1,603	41,276	28,583	N/A	27,999
Total Uses	40,279	(607)	1,603	41,276	13,658	2,420	12,907
Parking							
Prior Year Encumbrance	-	-	869	869	869	N/A	2,115
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,816	1,229	-	13,045	13,045	N/A	12,338
Revenues	10,425	5,100	-	15,525	10,652	N/A	4,767
Total Sources	22,241	6,329	869	29,439	24,566	N/A	19,220
Total Uses	\$ 22,241	6,329	869	29,439	9,068	2,368	4,848

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

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

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$'000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2007-08 BUDGET	BUDGET AMENDMENTS		FY 2007-08 BUDGET	ACTUAL	ENCUMBER	Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	7,483	7,483	7,483	N/A	2,768
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,004	3,118	-	15,122	15,122	N/A	20,714
Revenues	32,584	15,926	-	48,510	13,542	N/A	17,012
Total Sources	44,588	19,044	7,483	71,115	36,147	N/A	40,494
Total Uses	44,588	19,044	7,483	71,115	22,395	7,144	13,937
Redevelopment Projects							
Prior Year Encumbrance	-	-	3,057	3,057	3,057	N/A	4,137
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,654	4,716	-	7,370	7,370	N/A	7,887
Revenues	103	3,611	-	3,714	4,191	N/A	2,401
Total Sources	2,757	8,327	3,057	14,141	14,618	N/A	14,425
Total Uses	2,757	8,327	3,057	14,141	1,835	5,062	2,587
Other							
Prior Year Encumbrance	-	-	47,667	47,667	47,667	N/A	45,779
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	260,216	2,187	-	262,404	262,404	N/A	223,739
Revenues	69,540	7,868	-	77,408	8,311	N/A	4,974
Total Sources	329,756	10,056	47,667	387,479	318,382	N/A	274,492
Total Uses	\$ 329,756	10,056	47,667	387,479	29,997	34,340	25,008

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	\$ -	-	28	28	28	N/A	105
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,345	(156)	-	2,189	2,189	N/A	3,209
Revenues	1,211	160	-	1,370	1,592	N/A	1,751
Total Sources	<u>3,556</u>	<u>4</u>	<u>28</u>	<u>3,587</u>	<u>3,809</u>	<u>N/A</u>	<u>5,065</u>
Total Uses	<u>\$ 3,556</u>	<u>4</u>	<u>28</u>	<u>3,587</u>	<u>642</u>	<u>11</u>	<u>1,808</u>