



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL
REPORT FOR JANUARY/
FEBRUARY 2009

DATE: April 8, 2009

Approved

Date

4/9/09

The Bi-Monthly Financial Report (MFR) for January/February 2009 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review.

OVERVIEW

The severe and unprecedented slowdown in the economy continues to greatly impact revenue collections in the General Fund as well as several other operating and capital funds. To address these negative impacts, the 2008-2009 Mid-Year Budget Review included downward revisions to revenue estimates totaling approximately \$150 million in a number of funds, along with necessary expenditure adjustments and the elimination of 88.5 positions. In addition, the budgets for the Building, Fire, and Planning development fee programs were reduced by \$8.6 million and 52 positions were eliminated in January 2009 to reflect the lower revenue collections in those programs. With these adjustments, revenues and expenditures are generally expected to meet the revised budget estimates and the year-end fund balance target. However, as the economic situation continues to worsen, significant areas of concern remain. Sales Tax collections in the most recent quarter fell below levels assumed at mid-year, Transient Occupancy Tax collections dropped significantly in the last two months, and development activity continues to weaken. It is likely that further adjustments in these areas will be necessary before the close of the fiscal year. The Administration will continue to closely monitor economic conditions and the performance in the City's funds to determine if adjustments will be necessary by year-end.

Following are key highlights in this report:

- The State Board of Equalization recently released Sales Tax data for the second quarter of 2008-2009 (October – December 2008 activity). The 8.5% decline in the most recent quarter was substantially worse than anticipated. As part of the 2008-2009 Mid-Year Budget Review, the General Sales Tax revenue estimate was adjusted downwards by \$6 million to allow for a drop of 6.5% in the last three quarters of the fiscal year. Combined with the first quarter actual results, an overall drop of 5% for 2008-2009 was projected. For the remaining two quarters of 2008-2009, collections can now drop by only 5.7% to meet the modified General Sales Tax revenue estimate of \$142.0 million. Given the decline in the most recent quarter and the continuing decline in the economy, it is now anticipated that the drop in Sales Tax receipts could be much greater. For example, if revenues decline by 8% in the last two

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quarters of the fiscal year, sales tax receipts will end the year \$1.7 million below the budgeted estimate. This shortfall would increase to \$3.2 million if sales tax receipts dropped by 10% in the last two quarters. These drops in the current fiscal year would also be carried over to 2009-2010, requiring a downward adjustment to the starting point for that year. A proposed adjustment to the 2009-2010 Sales Tax estimate will be incorporated into the 2009-2010 Proposed Operating Budget.

- In the Development Fee Programs, activity continues its precipitous drop. In January, the revenue estimates for the Building, Fire and Planning Fee Programs were reduced dramatically based on the lower activity levels. It is now anticipated that further reductions in these programs as well as the Public Works Fee Development Fee Program will be necessary before the end of the fiscal year.
- Transient Occupancy Tax (TOT) receipts were tracking below the budgeted estimate through February. If the steep declines experienced in January and February continue through the remainder of the fiscal year, downward adjustments to the TOT revenue estimates in the General Fund and the TOT Fund will be necessary. In the Transient Occupancy Tax Fund, this is expected to impact the transfers to the three recipient organizations (Convention and Visitors Bureau, Cultural Grants, and Convention Facilities) this fiscal year.
- The record slowdown in the real estate market continues to negatively impact City revenues. To account for the larger than anticipated decline in activity, the Construction and Conveyance Tax estimate was revised downwards as part of the 2008-2009 Mid-Year Budget Review. The modified estimate of \$19 million allows for a decline of 29% compared to 2007-2008 actual performance of \$26.8 million. Collections through February totaled \$12.8 million, which represented a decline of 26% from the \$17.4 million collected through February 2008. In addition to these revenues, the City has since received March Conveyance Tax receipts totaling \$1.1 million, which was a decline of 15% from the March 2008 collection level. At this point, it is assumed that C&C receipts will meet the revised revenue estimate by year-end.
- Airport activity continues to be severely impacted by the economic slowdown. Through February, the Airport enplaned and deplaned 6.0 million passengers, a decrease of 13.7% from last year. For the month of February, activity was down 20.5%. Earlier this fiscal year, a 10% annual drop in activity was assumed. It is anticipated that the cost-saving measures implemented this year will be sufficient to cover any revenue shortfalls associated with lower activity levels. In the upcoming years, the Airport expects to face continued fiscal challenges as a result of the severe problems plaguing the entire Airline industry, the current recession, and additional costs scheduled to come on line. In response, significant cost cutting measures will be brought forward in the annual budgets for at least the next two fiscal years.
- On an overall basis, expenditures are tracking within estimated levels through February. Tight cost control measures remain in place, including the City-wide hiring freeze, which have generated significant savings in recent years. Even after the mid-year implementation of General Fund Cost/Position Management Plans, there are a number of departments that are currently projected to end 2008-2009 with savings.

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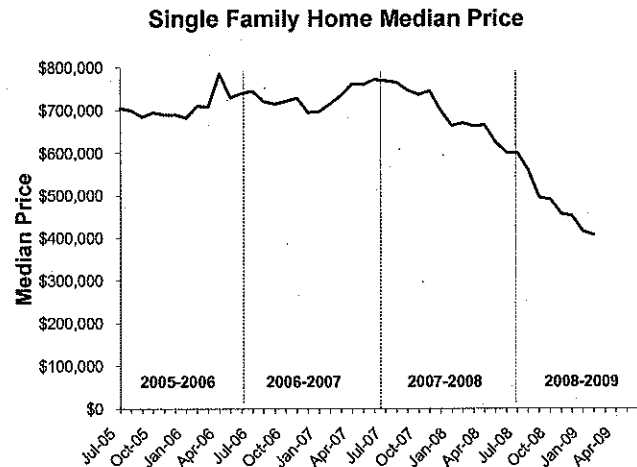
Economic Environment

The deep global recession is expected to continue to negatively impact the City's financial performance through at least 2009 and likely well into 2010.

The key economic indicators are in fact dismal with few signs of improvement. The median home price for single family homes within the City, for example, has dropped 39% from \$670,000 in February 2008 to \$406,500 in February 2009. The February 2009 figure represents the lowest median home price within the City since winter 2000. With the significant decline in home prices, there has been an increase in the number of transfers. In February 2009, the 501 property transfers for all types of residences were up 94% from the extremely low level of 258 properties transferred in February 2008. The February 2009 activity level is more in line with the typical performance for that month (February 2007 – 526 property transfers; February 2006 – 581 property transfers; and February 2005 – 651 property transfers).

According to the information released last week by the County Assessor, the drop in home prices will result in an overall decline in the property assessment roll for 2009-2010. Over the last 75 years, the county property assessment roll has declined only four times: three times in the 1930s during the "Great Depression" and once when Proposition 13 went into effect. A significant downward adjustment (a decline of 6.5%) to the 2009-2010 Property Tax estimate is necessary and will be incorporated into the 2009-2010 Proposed Budget.

As is the case for the State and the nation, the number of jobs has also been declining for the past four months and remains below the prior year level. The Employment figure for February 2009 (892,400) was below both the January 2009 employment level (897,000) and the February 2008 employment level (911,400).



Unemployment Rate (Unadjusted)

	Feb. 2008	Jan. 2009	Feb. 2009
San José Metropolitan Statistical Area	5.2%	9.4%	10.0%
State of California	6.1%	10.6%	10.9%
United States	5.2%	8.5%	8.9%

Source: California Employment Development Department

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Economic Environment (Cont'd.)

The unemployment rates at the local, State, and national levels have gone up significantly in recent months to some of the highest rates in decades. The San Jose metropolitan area continues to increase with a rate of 10.0% in February 2009. This figure is almost double the 5.2% rate experienced a year ago. When comparing the February 2009 unemployment rate in this region with the State and the nation, this area fares slightly better than the State that has an unadjusted unemployment rate of 10.9%, but is worse than the nation, which currently has an unadjusted unemployment rate of 8.9%.

On a national level, consumer confidence as measured by the Conference Board Consumer Confidence Index held steady in March after declining sharply to a new all-time low in February. Says Lynn Franco, Director of the Conference Board Consumer Research Center: "Apprehension about the outlook for the economy, the labor market and earnings continues to weigh heavily on consumers' attitudes. Looking ahead consumers remain extremely pessimistic about the short-term future and do not foresee a turnaround in economic conditions over the coming six months."

The most recent economic forecasts are also not promising. According to the newly released March 2009 UCLA Anderson Forecast, the state of the national economy is bleak. The Gross Domestic Product (GDP), which declined by 6.1% in the last quarter of 2008, is projected to continue to decline for the first three quarters of 2009. National unemployment is expected to peak at over 10% in mid-2010 and the employment recovery will be "long and arduous." The California economy is also expected to remain in turmoil for the foreseeable future. UCLA Anderson Forecast Senior Economist Jerry Nicklesburg states that the California Forecast "reflects a deeper and longer recession than we previously thought." Weak performance is projected for the first three quarters of 2009 and virtually no growth for the last quarter of 2009. The economy is expected to begin to pick up by 2010 with growth returning to somewhat more normal levels by the end of that year. The unemployment rate in California is expected to reach a high of 11.9% in the second quarter of 2010 and remain at the double-digit level through 2011. According to Nickelsburg, "Though the California economy will be growing in 2011, it will not be generating enough jobs to drive the unemployment rate below double digits until the following year."

GENERAL FUND

REVENUES

General Fund revenues through February 2009 totaled \$479.1 million. This was a decrease of \$3.8 million (0.8%) from the February 2008 level of \$482.9 million. Collections were lower than the prior year in several categories, including Licenses and Permits, Use of Money and Property, Revenue from the State, Revenue from the Federal Government, and Transfers and Reimbursements. These lower collections were partially offset by higher receipts in the Other Revenue, Revenue from Local Agencies, Property Tax, and Utility Tax categories.

Based on collections through February, it is still anticipated that General Fund revenues will meet the overall modified budget estimate by year-end. At this point, the lower collections in certain areas, such as Sales Tax, are projected to be offset by slightly higher collections in other areas. However, if the economically sensitive revenues experience more severe declines, a net downward adjustment to the General Fund revenue estimate may be necessary by year-end. Given the current volatility in collections, this scenario is definitely possible. The Budget Office will continue to refine its revenue estimates as additional information becomes available.

The following discussion highlights General Fund revenue activities through February.

KEY GENERAL FUND REVENUES

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Property Tax	\$ 207,392,000	\$ 111,777,538	\$ 108,083,718

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.

Secured Property Tax accounts for \$97.9 million of the \$111.8 million in Property Tax revenue received through February 2009. Based on information from the County of Santa Clara, Secured Property Tax receipts are projected to meet the revised budget estimate of \$191.2 million. This would result in Secured Property Tax growth of 4.2%. The 2008-2009 collections are based on the value of property assessed on January 1, 2008, with any roll corrections. Tax roll adjustments are still occurring and will continue to take place until the end of May 2009. The Budget Office is continuing to work with the County to assess what implications any fluctuation in revenues due to this factor may have on growth expectations for the overall Secured Property Tax category.

The largest payment for the Unsecured Property Tax category is received in October of each year. Receipts of \$10.4 million are tracking to meet the budgeted estimate of \$11.1 million. The latest estimate from the County of Santa Clara is consistent with this year-end projection.

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GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Property Tax (Cont'd.)**

The SB 813 Property Tax category generated revenues of \$3.0 million through February, which is a decline of 22% from the \$3.8 million collected through the same period last year. The drop off in this category has been much more pronounced in the last two months. Through December, collections were only 6.5% below the prior year. However, receipts declined 30% in the months of January and February 2009 when compared to the same months in the previous year. A significant decline in the collection level was anticipated when the 2008-2009 Adopted Budget was developed. The budgeted revenue estimate allows for a 50% drop in collections based on the assumption that the sharp declines in the housing market were expected to continue to impact collections in this category through 2008-2009. Based on collections through February, receipts can fall by 77% in the remaining months of the fiscal year and still meet the budgeted estimate. At this point, it is anticipated that the SB 813 Property Tax revenue estimate will be met by year-end.

It is also anticipated that the Homeowners Property Tax Relief will come in at the budgeted level of \$1.1 million.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Sales Tax	\$ 146,313,000	\$ 74,192,746	\$ 75,038,748

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts through February of \$71.6 million are tracking very close to the prior year collection level of \$72.4 million. This reflects actual performance for the first quarter along with a "triple flip" payment and advances from the State.

While not reflected in the figures through February, the City has received preliminary information on the City's Sales Tax performance in the second quarter that shows an overall decline of 8.5%. This represents sales activity from October through December 2008. While cash receipts were down 8.5%, Sales Tax collections on an economic basis were down even further by 10.4%. The City's Sales Tax consultant, MuniServices Company, provided economic performance data, which is considered to be a more accurate measure of the actual sales tax activity in San Jose for a particular period. This 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 drop in the most recent quarter was the result of declines in all sectors except Business-to-Business: Business-to-Business (up 1.4%); General Retail (down 8.6%); Transportation (down 28.1%); Construction (down 15.2%); Food Products (down 5.2%); and Miscellaneous (down 21.7%).

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Sales Tax (Cont'd.)

As discussed in an information memorandum distributed to the City Council on March 20, 2009, the Sales Tax decline in the most recent quarter was even larger than anticipated in our revised budget estimate. As part of the 2008-2009 Mid-Year Budget Review, the General Sales Tax revenue estimate was lowered by \$6 million to allow for a drop of 6.5% for the remaining three quarters of the fiscal year. With actual performance through the first two quarters, collections can drop only 5.7% for the last two quarters of the year to meet the budgeted estimate. However, given the decline in the most recent quarter and the severe downturn in the economy, it is anticipated that the drop could be much greater. For example, if revenues decline by 10% in the last two quarters of the fiscal year, sales tax receipts will end the year \$3.2 million below the estimate. The decline in the current year would also be carried over to 2009-2010 as an adjusted starting point for that year. A proposed downward adjustment to the 2009-2010 Sales Tax estimate will be incorporated into the 2009-2010 Proposed Operating Budget that is scheduled to be released on May 1, 2009.

Reflecting the dramatic impact of the current recession on the local and State economies, almost all cities in this area and throughout the State experienced significant declines in the most recent quarter as shown in the chart below.

**Sales Tax Cash Receipts Analysis
Comparison of 4th Quarter 2007 and 4th Quarter 2008**

	% Change
City of San Jose	-8.5%
Campbell	-8.3%
Cupertino	-19.3%
Gilroy	-15.7%
Milpitas	+15.3%
Morgan Hill	-14.8%
Palo Alto	-14.9%
Santa Clara	-11.5%
Sunnyvale	-13.9%
Santa Clara County	-9.7%
San Francisco Bay Area	-9.4%
Northern California	-9.2%
Southern California	-12.0%
State of California	-10.8%

Through February, the Proposition 172 Sales Tax receipts of \$2.6 million were tracking 2.4% below the prior year collection level. This collection level is currently on track to meet the modified budget estimate of \$4.3 million by year-end. The budget estimate for this category was reduced as part of the 2008-2009 Mid-Year Budget Review to allow for a drop of 4.5% this fiscal year.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transient Occupancy Tax	\$ 8,918,000	\$ 5,301,301	\$ 5,483,202

Through February, Transient Occupancy Tax (TOT) receipts of \$5.3 million were 3.3% below last year's level of \$5.5 million. The year-to-date receipts include revenue from compliance efforts, a portion of which will be transferred to the Transient Occupancy Tax Fund. Factoring out the compliance revenue adjustments, TOT collections were tracking 7% below the prior year. The budgeted estimate, which was adjusted downwards as part of the 2008-2009 Mid-Year Budget Review, allows for a drop of 6.7%. When the mid-year actions were approved, year-to-date receipts were down only 2.8%.

While Transient Occupancy Tax (TOT) revenues appear to be tracking close to the modified budget estimate through February, receipts are expected to end the year well below the budgeted estimate based on recent activity. TOT receipts for the months of January and February were approximately 20% below the prior year level for the same period. Preliminary information for March also shows a significant decline. If these collection trends continue, TOT revenue allocated to the General Fund is projected to end the year approximately \$600,000 to \$1 million below the budgeted estimate. An independent consultant, Horwath HDL, which had prepared TOT revenue projections at the end of 2008 for the Convention Center expansion project, is recalculating its TOT estimates to incorporate performance in the last couple of months.

The lower TOT collection level is driven by declines in both the occupancy and room rates for the City's hotels. The occupancy and room rates at the 14 major hotels continue to decline, reflecting the severe downturn in the economy. In February, total occupancy at the 14 major hotels was 55.83%, which was well below the prior year level of 70.84%. The average room rate has also declined from \$151.18 in February 2008 to \$126.14 in February 2009.

Staff will continue to closely monitor performance in this area and will bring forward any necessary adjustments to the TOT revenue estimate by year-end.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Utility Tax	\$ 83,690,000	\$ 52,131,113	\$ 50,198,419

Through February, Utility Tax receipts of \$52.1 million were up 3.9% from last year's collection level of \$50.2 million. Current revenues are tracking to meet the budgeted estimate, which requires overall growth of 1.7% from the prior year.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Utility Tax (Cont'd.)

Collection in the Electric and Gas Utility Tax category are currently projected to end the year slightly below the budgeted estimates while collections in the Water and Telephone Utility Tax categories are expected to exceed the budgeted estimates. In the Electric Utility Tax category, collections of \$23.7 million were tracking close to the prior year level of \$23.6 million. Growth of 4.3% is needed, however, to meet the Electric Utility budget estimate of \$38.8 million. In the Gas Utility Tax category, receipts of \$5.9 million were tracking 5.2% below the prior year level of \$6.2 million through February. The budgeted estimate of \$10.7 million allows for a drop of 5.1% from the prior year collection level. Gas Utility Tax collections were tracking very close to the budgeted estimate through February due to stronger collections in the first six months of the fiscal year. In January and February, Gas Utility Tax revenue was down 20% when compared to the prior year, reflecting declines in the price of gas. Based on the recent collection trends, it is expected that Gas Utility Tax receipts will end the year below the budgeted estimate.

Collections of \$6.3 million in the Water Utility category are tracking slightly above the prior year level of \$5.3 million. This higher collection level was primarily due to an accrual adjustment at the end of 2007-2008. Collections are currently on target to exceed the budgeted estimate of \$8.5 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.

Collections in the Telephone Utility Tax category of \$16.2 million were tracking above the prior year collection level of \$15.1 million. Based on the 2007-2008 actual receipts of \$26.1 million and the current collection trends, receipts are on track to meet or slightly exceed the budgeted estimate of \$25.7 million by year-end. This collection level may be impacted by the November 2008 ballot measure approved by the voters that is scheduled to take effect in April 2009. This measure lowered the tax rate by 10% and modernized the tax base. Any adjustment to this revenue estimate will be brought forward at the end of the fiscal year based on actual performance.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Licenses and Permits	\$ 71,515,470	\$ 48,496,337	\$ 52,592,939

Through February, Licenses and Permits revenue of \$48.5 million tracked 7.8% below the prior year level of \$52.6 million. Significant budget adjustments were brought forward in January 2009 and as part of the 2008-2009 Mid-Year Budget Review to bring these revenue estimates into alignment with current year collection trends. Careful monitoring will continue through the remainder of the fiscal year to determine if additional revenue adjustments are necessary.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Licenses and Permits (Cont'd.)

Cardroom Business Tax receipts of \$8.1 million through February were above the prior year level of \$7.1 million. Based on strong collections throughout this fiscal year, the revenue estimate for this category was increased by \$1 million as part of the 2008-2009 Mid-Year Budget Review. It is anticipated that this higher estimate will be slightly exceeded by year-end if current collection trends continue. In the Business Tax category, however, revenues of \$9.2 million through February were tracking well below the prior year level of \$12.7 million. A portion of this drop was the result of changes to the billing cycle. Factoring out this difference, collections are still expected to fall below the 2007-2008 collection level of \$12.6 million. The current economic slowdown has impacted the number of businesses as well as staffing levels, which directly impact Business Tax receipts. To reflect the lower collection level, the Business Tax revenue estimate was lowered by \$1.0 million to \$12.3 million as part of the 2008-2009 Mid-Year Budget Review. It is currently anticipated that this lower revenue estimate will be met by year-end.

Disposal Facility Tax revenue of \$7.2 million through February is tracking 3.2% below the prior year level of \$7.4 million. The 2008-2009 Adopted Budget allows for a drop of 5.3% in this category. Receipts are experiencing declines due to the slowdown in economic activity, which has led to the disposal of fewer tons of solid waste. Given the current economic conditions, collections may end the year slightly below the budgeted estimate. Staff will continue to monitor these revenues closely and bring forward adjustments at year-end, if necessary.

Fire Permit revenues through February of \$5.2 million were tracking 2% below estimated levels of \$5.3 million and 10% below the prior year receipts of \$5.8 million. Development-related collections of \$2.8 million were tracking 6% below estimated levels and 16% below the \$3.3 million received through February 2008, due to lower than anticipated revenue in non-renewable permits and plan check fees. A downward adjustment to the budgeted revenue estimate from \$5.7 million to \$4.7 million was made in the 2008-2009 Mid-Year Report to account for lower Fire Development Fee Program activities. Overall, development receipts are still projected to end the year lower than the adjusted budgeted revenue estimate (\$4.7 million) due to decreased activity in residential, commercial, and industrial development. A revenue shortfall by year-end should be offset by a combination of savings from vacant positions or additional use of the Fire Development Fee Program Reserve. Non-development permit revenues through February of \$2.4 million were tracking 11.7% above prior year receipts. Annual renewable permit receipts are expected to end the year at budgeted levels.

Building Permit revenues of \$12.3 million were tracking 6.9% below the 2007-2008 collection level of \$13.2 million. The modified budget estimate of \$18.0 million allows for a drop of 8.8%. From the beginning of the fiscal year, collections in this category were tracking well below

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Licenses and Permits (Cont'd.)

expectations. To address this lower collection level, the revenue estimate was adjusted downwards by a total of \$5.9 million in January 2009 and in the 2008-2009 Mid-Year Budget Review. While receipts through February were tracking to meet the significantly lower revenue estimate, the slow activity in March is expected to bring collections below even the modified budget estimate. In March, permits for only 15 new residential dwelling units were issued. This followed two months in which no building permits were issued for new residential dwelling units. Based on recent collection trends, an additional downward adjustment of up to \$1 million may be necessary by year-end. Small expenditure savings and the Building Fee Program Reserve of \$1.2 million are available to offset this potential shortfall. Staff will bring forward any necessary adjustments by the close of the fiscal year.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Revenue from Local Agencies	\$ 51,216,643	\$ 34,043,292	\$ 30,221,303

This category includes reimbursement from the Redevelopment Agency for City services, grants from various agencies, reimbursement for fire suppression services in unincorporated County pockets, and reimbursement for emergency medical services. Revenues through February of \$34.0 million were above the prior year level of \$30.2 million due to differences in the timing of payments and budgeted reimbursements. This fiscal year, the City has received \$22.6 million from the Redevelopment Agency to reimburse the City for eligible expenditures and the Convention Center Debt Service payments, which is above the prior year level of \$19.4 million. Revenues in this category are currently expected to end the year close to the budgeted estimate.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Revenue from the State	\$ 12,000,228	\$ 7,689,932	\$ 10,791,390

This Revenue from the State category includes Airplane and Motor Vehicle In-lieu payments as well as various State reimbursements and grants. Through February, Airplane In-Lieu fees of \$4.4 million were tracking slightly below the prior year collection level of \$4.8 million but are expected to meet the modified budget estimate of \$4.6 million by year-end.

Motor Vehicle In-Lieu payments of \$2.1 million through February were tracking approximately 32% below the prior year level of \$3.0 million. Based on the significant decline in revenues experienced this year, the 2008-2009 revenue estimate was adjusted downwards by \$2.1 million (from \$5.1 million to \$3 million) as part of the 2008-2009 Mid-Year Budget Review. With this adjustment, collections can fall 27% this fiscal year. The drop-off in revenues, however, has been more severe than anticipated at mid year and a further reduction to this revenue estimate is likely to be necessary before the end of the fiscal year.

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

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Departmental Charges	\$ 28,647,659	\$ 18,425,399	\$ 19,107,791

Through February, Departmental Charges revenues of \$18.4 million were tracking 3.6% below the 2007-2008 collection level of \$19.1 million. The modified budget estimate of \$28.6 million allows for a drop of 7.1%. Based on the slowdown in development activity, however, revenue in this category is expected to fall below the budgeted estimate by year-end.

Planning Permit revenue of \$3.0 million was 37.5% below the prior year collection level of \$4.8 million. The modified budget estimate of \$4.8 million allows for a drop of 27.9%. Similar to the Building Permits activity, collections in this category have been tracking well below expectations from the beginning of the fiscal year. To address this lower collection level, the revenue estimate was adjusted downwards by a total of \$1.9 million in January 2009 and in the 2008-2009 Mid-Year Budget Review. The revised budget estimate may still be too high based on the weak performance through February. If current collection trends continue, revenues could end the year \$700,000 below the revised estimate. The Planning Fee Program Reserve (\$519,000) and expenditure savings could be used to offset all or a portion of this shortfall. Staff will continue to closely monitor revenues in this category and will bring forward additional budget adjustments if necessary.

Public Works revenues through February of \$4.4 million were 9.0% above the prior year level of \$4.0 million. To meet the 2008-2009 budget estimate of \$7.5 million, growth of 4.3% over the prior year is necessary. While it may appear that collections are within projected levels, it is now considered almost certain that revenues will fall well below the budgeted estimate by year-end. In 2007-2008, a significant portion of the revenue was received at the end of the fiscal year. This is not expected to be the case this year. Based on the weak performance in recent months, the Public Works Department anticipates that revenues will likely end the year at \$5.6 million, which is \$1.9 million below the budgeted estimate. To address a portion of this shortfall, the Public Works Department has redeployed staff to other functions and continues to hold two positions vacant. The use of the Fee Reserve (\$131,000) and Non-Personal/Equipment savings are expected to address a portion of the shortfall. However, a gap of approximately \$700,000 is expected to remain at year-end and a General Fund subsidy will be required for this fee program by year end.

Collections in the majority of other fee areas, including Library, Parks, Recreation and Neighborhood Services, and Transportation are on target to meet or exceed the budgeted estimates by year-end. In the Miscellaneous Departmental Charges category, the Solid Waste Enforcement Fee revenue may end the year below the budgeted estimate by as much as \$350,000 based on current collection trends. The Police Department Fees were also tracking below projected levels through February due primarily to lower than anticipated Police Officer Standards and Training (POST) reimbursement from the State.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Other Revenue	\$ 21,234,692	\$ 19,045,606	\$ 14,816,910

The Other Revenue category contains a number of unrelated revenue sources. While almost all of the line items in this category are tracking within estimated levels, it is anticipated that overall receipts will exceed the budgeted estimate due to higher than projected Sale of Surplus Property proceeds. The sale proceeds total \$2.3 million through February, which is above the budgeted estimate of \$961,000 due to the sale of the Stockton Warehouse at Stockton and Julian for \$1.6 million. Budget actions will be brought forward before the end of the fiscal year to recognize this additional revenue. While this revenue is by Council policy used to increase the Economic Uncertainty Reserve, the Administration may be required to recommend allocating these additional funds to offset General Fund revenue shortfalls in other areas.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transfers and Reimbursements	\$ 104,720,541	\$ 71,401,607	\$ 73,252,672

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Transfers and Reimbursement collections of \$71.4 million through February were tracking below the prior year level of \$73.3 million due primarily to slightly lower overhead reimbursements and lower Gas Tax payments. Overall, collections in the Transfers and Reimbursements category are expected to meet or slightly exceed budgeted estimates by year-end based on higher overhead reimbursements from capital funds.

While the operating overhead reimbursements are typically received at the budgeted level, the capital overhead reimbursements are received based on actual capital expenditures. These reimbursements are currently tracking above anticipated levels based on the activity levels in the capital funds and should exceed the budget estimate by year-end.

GENERAL FUND (CONT'D.)

EXPENDITURES (CONT'D.)

Through February, General Fund expenditures of \$568.5 million were 4.2% above the prior year level of \$545.6 million. Encumbrances of \$43.8 million were slightly below prior year level of \$45.7 million.

Expenditures and encumbrances (\$612.3 million) through February constitute 63.2% of the total 2008-2009 revised budgeted uses of funds (\$968.3 million, excluding reserves). On an overall basis, cumulative departmental and non-departmental expenditures are tracking within budgeted levels. Expenditures are, however, tracking higher than expected in the Parks, Recreation, and Neighborhood Services Department.

As has been the case in past years, General Fund expenditure savings are anticipated and included in the ending fund balance calculation used to develop the budget for the following year. To begin setting aside the expenditure savings into the 2008-2009 Ending Fund Balance allocation and to address current year revenue shortfalls, Cost/Position Management Plans were approved as part of the 2008-2009 Mid-Year Budget Review report. These plans reduced current year expenditure budgets by \$9.4 million.

Following is a discussion of the expenditure performance for the Police and Fire Departments, the City's largest General Fund departments, as well as the Parks, Recreation and Neighborhood Services Department.

KEY GENERAL FUND EXPENDITURES

<u>Department</u>	<u>2008-2009 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Police	\$295,412,257	\$177,154,699	\$180,354,802

On an overall basis, Police Department expenditures appear to be tracking under estimated levels. Personal Services expenditures of \$166.6 million tracked below anticipated levels (61.8% compared to the par of 64.8%). It should be noted, however, that the retroactive salary adjustments resulting from the new Memorandum of Agreement (MOA) that was signed between the City and the Police Officers' Association (POA) for the period July 1, 2008 to June 30, 2010 are not yet reflected in the actual expenditures. The budget adjustment of \$10.8 million to address these costs was added in February 2009. Once the retroactive payments are reflected, Personal Services expenditures are expected to be close to the anticipated level.

Overtime expenditures of \$6.6 million through February tracked above anticipated levels with 72.3% expended. The higher overtime expenditure level was due, in part, to automated payouts for compensatory time over Fair Labor Standards Act (FLSA) levels (240 hours for non-sworn and 480 for sworn personnel) that were implemented at the beginning of 2008-2009. These payments accounted for approximately \$904,000 of overtime expenditures through February.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

Police Department (Cont'd.)

Overtime has also been incurred to backfill for vacant positions in the Communications Unit. A portion (\$573,000) of the overtime expenditures was for staffing the "high" security threat level, or "Orange Alert" advisory, issued by the federal Department of Homeland Security at the Airport, with additional overtime of approximately \$382,000 projected through year-end. A transfer of \$955,000 from the Airport Operations and Maintenance Fund was approved during the Mid-Year Budget Review to cover this overtime cost. At this time, the Department estimates that it will end the year within its Personal Services appropriation. The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

The Department's Sworn Recruitment and Training Program aims to fill vacant positions with street ready officers within an average of 90 days. A total of \$6.4 million was budgeted in the 2008-2009 Adopted Budget to fund the Sworn Recruitment and Training Program's July 2008 and January 2009 Academies for a total of 78 recruits. The Department has 1,392 authorized sworn staff and graduated 22 Police recruits from the July 2008 Academy, with the officers anticipated to be street-ready in April 2009. In addition, the Department hired 47 Police recruits for the January 2009 Recruit Academy, and at this time the remaining 42 recruits are expected to be street ready by October 2009.

The compensatory time balance at the end of February 2009 was 243,564 hours for sworn personnel. This represents a decrease of 3,557 hours (1.4%) from the January 2009 balance of 247,121, but an 11,597 hour increase (5.0%) compared to the February 2008 balance of 231,967. The increase in sworn compensatory time balances is attributed to a number of factors including responses to specific types of crimes which require immediate and intensive investigations, and the need to backfill for street-ready vacancies. A \$1.0 million buy down of compensatory time was approved in the 2007-2008 Annual Report, through a rebudget of Personal Services savings, to further assist the Department in maintaining MOA compliance and reducing the compensatory time balance liability to the City. This funding was used for a one-time buy-down of 100% of sworn personnel in the Bureau of Investigations (BOI) and 30% of sworn personnel in BFO over 240 hours. The Police Department will continue to monitor the balance and, to the extent possible, implement measures to curb the level of compensatory time accrued.

A total of \$14.9 million (57.8%) of the Department's Non-Personal/Equipment budget was expended or encumbered through February. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

<u>Department</u>	<u>2008-2009 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$ 159,172,627	\$ 102,311,063	\$ 106,002,016

Overall, expenditures for the Fire Department were tracking close to estimated levels through February.

Personal services expenditures of \$98.1 million through February were 65.0% expended, which is slightly above the par level of 64.8%. Salary and retirement expenditures tracked above the anticipated level while overtime and health expenditures tracked within estimated levels. Savings from recent retirements and newly vacated positions along with efforts by the Department to closely manage its personal services expenditures are expected to bring the Personal Services allocation within appropriated levels.

Through February, the Fire Department had a total of 275 filled paramedics (169 front-line, 5 Supervisors, and 101 support), compared to the 157 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The July Firefighter Paramedic Academy graduated 24 Recruits in November 2008. All of these positions are expected to receive paramedic accreditation by April 2009. The next Academy will be held in April 2009. The Department anticipated that it will have no problem maintaining the target staffing level of 157 front-line Firefighter Paramedics.

The Department's Non-Personal/Equipment budget of \$8.2 million was 65.4% expended or encumbered through February and is expected to end the year within the budgeted allocation.

<u>Department</u>	<u>2008-2009 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Parks, Recreation and Neighborhood Services	\$ 59,858,026	\$ 36,943,297	\$ 40,314,166

Personal Services expenditures in the Parks, Recreation and Neighborhood Services (PRNS) Department are tracking higher than anticipated through February at 67.1% expended (compared to the par level of 64.8%). The department has a lower number of vacancies than in prior years, resulting in a higher expenditure level. In addition, there are charges currently reflected in the General Fund that need to be moved to more appropriate funding sources. The PRNS Department is reviewing its expenditures to ensure that they are aligned to the proper funding source. Non-personal/Equipment and Fee Activity expenditures are tracking within expected levels through February. The department does anticipate that it will end the year within its overall budget. Appropriation adjustments may need to be brought forward at the end of the

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

Parks, Recreation and Neighborhood Services Department (Cont'd.)

fiscal year to shift funding between the Personal Services, Non-personal/Equipment and Fee Activity appropriations based on actual expenditure patterns.

CONTINGENCY RESERVE

Through February, the General Fund Contingency Reserve was at \$30.9 million, up by \$646,711 from the 2008-2009 Adopted Budget level of \$30.3 million. The following revisions to the Contingency Reserve were approved through February:

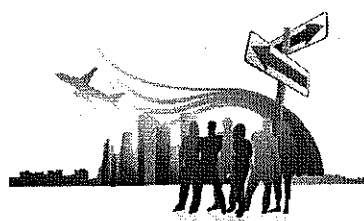
- An increase of \$534,642 to bring the Contingency Reserve to 3% of the budget based on the Annual Report actions.
- An increase of \$112,069 to reimburse the General Fund for prior year expenditures associated with the Willows Senior Center Fire Damage Repair Project.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 6.0 million passengers. This is a large decrease of 13.7% from the figures reported through February of the prior year. For the month of February, activity was down 20.5%.

Fiscal year-to-date mail, freight and cargo totaled 97.9 million pounds, which represents a 17.7% decrease from 2007-2008. Traffic Operations (landings and takeoffs) trailed the prior year by 13.9%, Landed Weights by 10.4%, and Taxicab operations trailed last fiscal year by 16.4%. Passenger Facility Charge (PFC) revenues were 15.4% less than the prior year.



<u>SJC Passengers</u>	<u>Feb. 2009</u>	<u>Feb. 2008</u>	<u>% Change</u>
Enplaned YTD	2,977,674	3,449,952	-13.7%
Deplaned YTD	3,001,843	3,476,099	-13.6%
YTD Passengers	5,979,517	6,926,051	-13.7%
Monthly Enplanements	293,910	371,367	-20.9%
Monthly Deplanements	295,179	369,263	-20.1%
February	589,089	740,630	-20.5%

After incorporating mid-year adjustments, operating revenues through February 2009 are tracking slightly above budgeted estimates. Stronger-than-expected results were realized in ground support concession fees and rental car concession fees. Conservative budgeting results in overall revenues tracking above the budget estimate even though revenue related to some passenger activities has declined compared to the same period last year. Year-to-date parking revenues total \$16.0 million, which trail behind last year's collections by 14.4% (\$18.7 million). Food and beverage revenues are tracking 5.4% lower than the prior year. Decreases are the result of reduced passenger levels as well as construction activities that impact the number of parking spaces and food and beverage outlets.

While revenues to date are within estimates, collections are beginning to show the impact of declining passenger activity. Any decreases in revenue associated with the declines in passenger activity beyond the 10% drop that was forecasted at the beginning of the fiscal year will be covered with surpluses generated by implementation of the 2008-2009 Airport Cost/Position Management Plan as described below.

The Airport Maintenance and Operations Fund expenditure budget includes mid-year adjustments reflecting Cost/Position Management Plan reductions of \$7.2 million (52.0 position eliminations), which are partially offset by salary plan and overhead rate adjustments and various non-personal/equipment cost increases. Operating expenses are tracking below estimated levels in both personal services and non-personal/equipment categories. Personal services expenditures are 63.4% of the modified budget compared to par levels of 64.8% while non-personal

OTHER FUNDS (CONT'D.)

Airport Funds (Cont'd.)

expenditures are 47.0% of the modified budget compared to the budget estimate of 53.8%. Encumbrances of \$9.1 million bring total personal and non-personal/equipment commitments to \$54.2 million, or 65.0% of the modified budget.

Year-to-date revenues from the Airport Customer Facilities and Transportation Fee Fund total \$4.6 million or 10.6% less than the budget estimate and 16.4% less than last year. Expenditures in the fund total \$3.1 million, 6.3% less than the budget estimate, but 10.5% greater than last year. Any shortfall that this fund experiences will be paid in full by the rental car companies.

Benefit Funds

In February 2009, Congress approved new legislation, included in the American Recovery and Reinvestment Act (ARRA), requiring employers to assist in funding 65% of COBRA (*Consolidated Omnibus Budget Reconciliation Act*) costs to employees who were "involuntarily terminated" between September 1, 2008 and December 31, 2009. These costs are to be reimbursed via tax credit by the federal government on a quarterly basis. This new legislation is anticipated to have budgetary impacts in both the current fiscal year as well as 2009-2010. Currently, Human Resources Department staff is working to identify the budget impacts of this legislation. At this point, the department has identified approximately 25 former employees that may be eligible for the subsidy and will be given an opportunity to enroll during April and May 2009. The Human Resources Department projects that a portion of the eligible former employees will choose not to enroll due to gaining alternative health care coverage. Should it be necessary, 2008-2009 budget adjustments will be recommended to account for these additional costs before the close of the fiscal year. It is currently anticipated that these additional costs will be reimbursed by the federal government on a quarterly basis. The 2009-2010 Budget will also need to reflect the impact of this new legislation.

Construction and Conveyance Tax Funds

Due to the drop in the local real estate market, Construction and Conveyance Tax revenues continue to experience severe declines. 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 median home price for single family homes within the City dropped 39% from \$670,000 in February 2008 to \$406,500 in February 2009. The February 2009 figure represents the lowest median home price within the City since winter 2000. The number of property transfers for all types of residences, however, increased 94% from the prior year (from 258 transfers to 501 transfers). This higher level of activity is likely attributed to the low median home price. It is important to note that the February 2009 activity level is more in line with the typical performance for that month (February 2007 – 526 property transfers; February 2006 – 581 property transfers; and February 2005 – 651 property transfers). The average amount of time to

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OTHER FUNDS (CONT'D.)

Construction and Conveyance Tax Funds (Cont'd.)

sell these homes has decreased slightly from 65 days in February 2008 to 64 days in February 2009.

Through the first half of the fiscal year, C&C Tax collections experienced sharper declines than originally anticipated. Therefore, as part of the 2008-2009 Mid-Year Budget Review the C&C estimate for the current year was decreased to \$19 million from the adopted estimate of \$23 million. With the exception of the Fire Construction and Conveyance Tax Fund, all of the Construction and Conveyance Tax Funds had sufficient ending fund balance to offset this drop in revenue.

The 2008-2009 Construction and Conveyance Tax revised estimate of \$19 million allows for a decline of 29% compared to 2007-2008 actual performance of \$26.8 million. Collections through February totaled \$12.8 million, which represents a decline of 26% from the \$17.4 million collected through February 2008. In addition to these revenues, the City has since received March Conveyance Tax receipts totaling \$1.1 million, which is a decline of 15% from the March 2008 collection level. With this decrease, Construction and Conveyance collections have now experienced decreases in 32 out of the last 35 months when compared to the same months in the prior year. Given the current state of the economy, which may continue to impact the housing market, staff will continue to monitor receipts closely and make additional recommendations, if necessary, at a later date.

Other Construction-Related Revenues

Through February, permit valuations for residential and industrial construction activity were above prior year levels while commercial construction activity was below prior year levels. It should be noted, however, that residential activity was higher than last year only due to above average December collections that resulted from residential permits that were pulled prior to the implementation of new building codes. Residential activity has been extremely sluggish, and for the second consecutive month, for example, no building permits were issued for new dwelling units in February. February commercial activity was slow with valuation for commercial permit activity at \$14.1 million (compared to a monthly average valuation of \$28.5 million in the prior year). Industrial activity in February was also slow, though tracking higher than at this point last year, with valuation for industrial permit activity at \$7.7 million (compared to a monthly average valuation of \$22.7 million in the prior year). This permit activity drives the revenue collection in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Actual receipts for the construction-related revenues are tracking well below the prior year through February. Adjustments to reduce the revenue estimates for several of these revenue categories were brought forward as part of the 2008-2009 Mid-Year Budget Review. The

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

majority of these construction-related revenues are now expected to meet or exceed the modified budget estimates. Following is a discussion of the performance for the individual revenue categories:

- *Building and Structure Construction Tax* – Receipts through February totaled \$5.7 million, which is 87.3% of the 2008-2009 modified revenue estimate. This collection level is approximately 18.6% below the prior year collections (\$7.0 million) through February. Collections in this category, however, are volatile based on developer activity levels. For the first half of 2008-2009, collection levels averaged \$860,000 per month. However, in recent months, receipts averaged approximately \$250,000 (compared to a monthly average in 2007-2008 of \$800,000). As part of the 2008-2009 Mid-Year Budget Review, the revenue estimate was adjusted downward by \$2.2 million bringing the estimate to \$6.5 million. The modified budgeted estimate (\$6.5 million) for this category allows for a 32.4% drop in 2008-2009 compared to 2007-2008 actual collections. If the current collection trend continues, receipts are expected to meet the revised estimate by year-end.
- *Construction Excise Tax* – Receipts of \$6.5 million through February dropped 38.0% from the \$10.5 million collected during the same period last year. Collections in this category, however, are volatile based on developer activity levels. For the first half of 2008-2009, collection levels averaged \$987,000 per month. However, in recent months, receipts averaged approximately \$250,000 (compared to a monthly average in 2007-2008 of \$1 million). The revenue estimate was adjusted downward by \$5.975 million bringing the estimate to \$7.0 million as part of the 2008-2009 Mid-Year Budget Review, and budget actions were brought forward to rebalance the Construction Excise Tax Fund based on the lower revenue estimate. The modified budgeted estimate for this category (\$7.0 million) allows for a 48.3% drop in 2008-2009 compared to 2007-2008 actual collections. If the current collection trend continues, receipts are expected to meet the revised estimate by year-end.
- *Residential Construction Taxes* – Receipts totaled \$89,000 through February, which represented 89.2% of the modified 2008-2009 estimate of \$100,000, and were slightly above fees received through the same period last year (\$71,000). Large revenue collections were received in December (\$60,000) which represents the majority of the revenue collected year-to-date. This occurred as a result of residential permits that were pulled prior to the implementation of new building codes. However, in recent months, the revenue collections for this category have totaled less than \$500. As a result, the revenue estimate was adjusted downward by \$50,000 as part of the 2008-2009 Mid-Year Budget Review. If this trend of revenue collections continues for the remainder of the year, receipts are expected to end the year slightly below the modified revenue estimate.
- *Municipal Water Service Connection Fees* – Receipts totaled \$83,000 through February, which represented 22.5% of the current 2008-2009 estimate of \$370,000. Because Municipal

OTHER FUNDS (CONT'D.)

Other Construction-Related Revenues (Cont'd.)

Water Service Connection Fees recover actual costs to install new services, this lower collection level is offset by lower costs.

- *Municipal Water Major Facilities Fees* – Collections totaled \$491,000 through February, which exceeded the entire 2008-2009 budgeted estimate of \$100,000. Three large payments were received during the year. These revenues are volatile, difficult to predict, and can vary significantly based on the size of individual developments.
- *Sanitary Sewer Fees* – Fees totaling \$495,000 were collected through February, approximately 5.9% below the fees collected through the same period last year (\$526,000). Larger than anticipated collections resulted from several large developments. Collections, however, for several months reached as low as \$8,000 (compared to historical monthly collection averages of \$75,000 to \$150,000). As a result, the revenue estimate was adjusted downward by \$407,000 as part of the 2008-2009 Mid-Year Budget Review to \$500,000. Projections indicate that we will end the year above the modified revenue estimate.
- *Storm Drain Fees* – Storm Drain Fees totaled \$67,000, which represents 53.4% of the modified 2008-2009 estimate of \$125,000. This revenue estimate was adjusted downward by \$184,000 as part of the 2008-2009 Mid-Year Budget Review due to slowing development activity. Collections through February were 62.9% below the fees received through the same period last year (\$180,000). The modified budget estimate for this category, however, allows for only a 49.4% drop in 2008-2009. As a result, it is anticipated that revenues collected in this category will end the year below the modified budget estimate.

Housing Funds

Significant mid-year budget adjustments were approved to bring anticipated 2008-2009 revenues and expenditures into alignment in the Housing Funds. Actions were approved in the Low and Moderate Income Housing Fund to address the possibility that \$85 million in bond proceeds may not be received this fiscal year. At this point, it is still considered likely that these bonds will not be issued in 2008-2009. The Housing Department is pursuing a new line-of-credit to provide financing until bonds can be issued. In the Multi-Source Housing Fund, mid-year budget adjustments were approved to reduce the revenue estimates for reimbursement from the State and in-lieu fees. To date, the City has not yet received revenue from the State for State-reimbursed projects and, at this point, this revenue is not expected to be received this fiscal year. The Housing Department will continue to manage activity in that fund to ensure that the fund remains in balance at year-end.

OTHER FUNDS (CONT'D.)

Transient Occupancy Tax Fund

Transient Occupancy Tax (TOT) collections of \$7.3 million through February were 11% below the prior year collection level of \$8.2 million. Current year collections, however, do not include revenue from compliance efforts that will be transferred from the General Fund. Factoring in the compliance revenue adjustments, TOT collections were tracking 7.9% below the prior year. However, growth of 4% is needed to meet the 2008-2009 budgeted estimate.

TOT receipts are expected to end the year well below the budgeted estimate. When the 2008-2009 Mid-Year Budget Review was developed, it was projected that collections would end the year 6.7% below 2007-2008 levels. While no adjustment to the revenue estimate was brought forward at that time, it was assumed that sufficient Ending Fund Balance and expenditure savings would be available to offset the projected 2008-2009 revenue shortfall of \$1.5 million with adjustments to the three recipient organizations (Convention and Visitors Bureau, Cultural Grants, and Convention Facilities) brought forward in 2009-2010.

This strategy is not expected to be possible with the TOT declines experienced in recent months. In January and February, receipts were down approximately 20% from last year, far exceeding the decline assumed in the Mid-Year Budget Review. Preliminary information for March also shows significantly lower TOT receipts. If current collection trends continue, TOT revenues are expected to fall below the budgeted estimate by an additional \$900,000 to \$1.5 million by year-end. To address the lower revenue collections, budget actions would be necessary to reduce current year costs in order to remain with a positive ending fund balance. An independent consultant, Horwath HDL, which had prepared TOT revenue projections at the end of 2008 for the Convention Center expansion project, is also recalculating its TOT estimates to incorporate performance in the last couple of months and the current Convention Center expansion schedule. This information will be used in the evaluation of the TOT impacts for both the current year and 2009-2010. The three recipients will be notified of the revenue shortfall anticipated by year-end and the reduction to the budgeted transfers that will be required by June.

CONCLUSION

The unprecedented deterioration of the national and local economies continues to negatively impact revenue collections in a number of City funds. Budget adjustments were brought forward as part of the 2008-2009 Mid-Year Budget Review to bring projected revenues and expenditures into alignment based upon the information available at that time. However, there are areas in which revenues are now falling at a greater rate than assumed in the Mid-Year Budget Review. It is anticipated that further downward adjustments will be needed to the revenue estimates for Sales Tax, Transient Occupancy Tax, and the development fee programs.

HONORABLE MAYOR AND CITY COUNCIL

April 8, 2009

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CONCLUSION (CONT'D.)

The Administration will continue to closely monitor the economic situation and collections of the City's economically sensitive revenues to assure we react quickly and appropriately given the severity of the economic situation and the extremely volatile financial environment. Any necessary adjustments will be brought forward by the end of the fiscal year or sooner if considered necessary. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.



JENNIFER A. MAGUIRE

Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the 8 Months Ended February 28, 2009
Fiscal Year 2008-09

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 8 Months Ended February 28, 2009
Fiscal Year 2008-09

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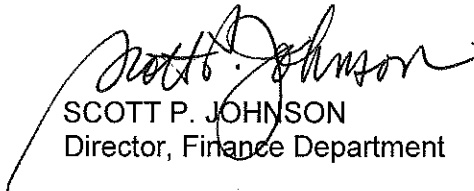
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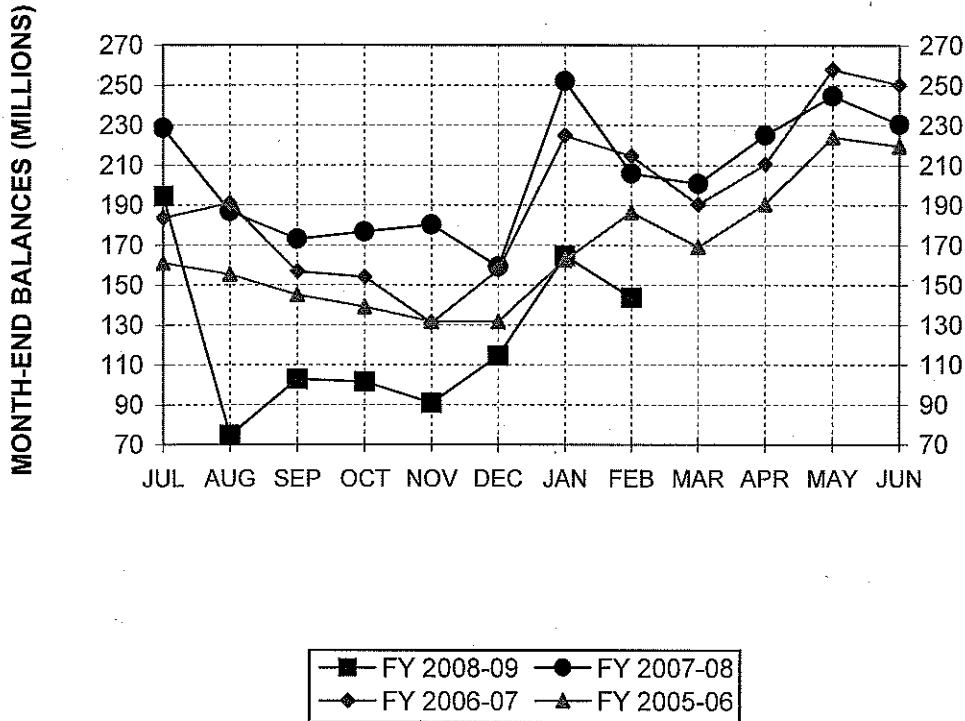
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Submitted by:


SCOTT P. JOHNSON
Director, Finance Department

GENERAL FUND Comparison of Cash Balances

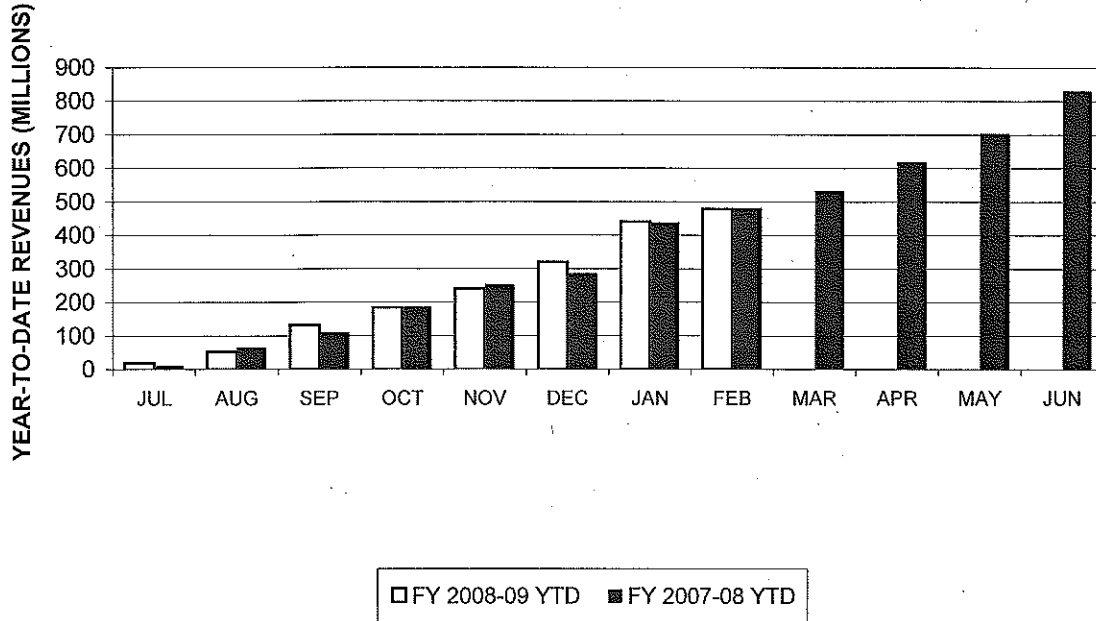


GENERAL FUND MONTHLY CASH BALANCES

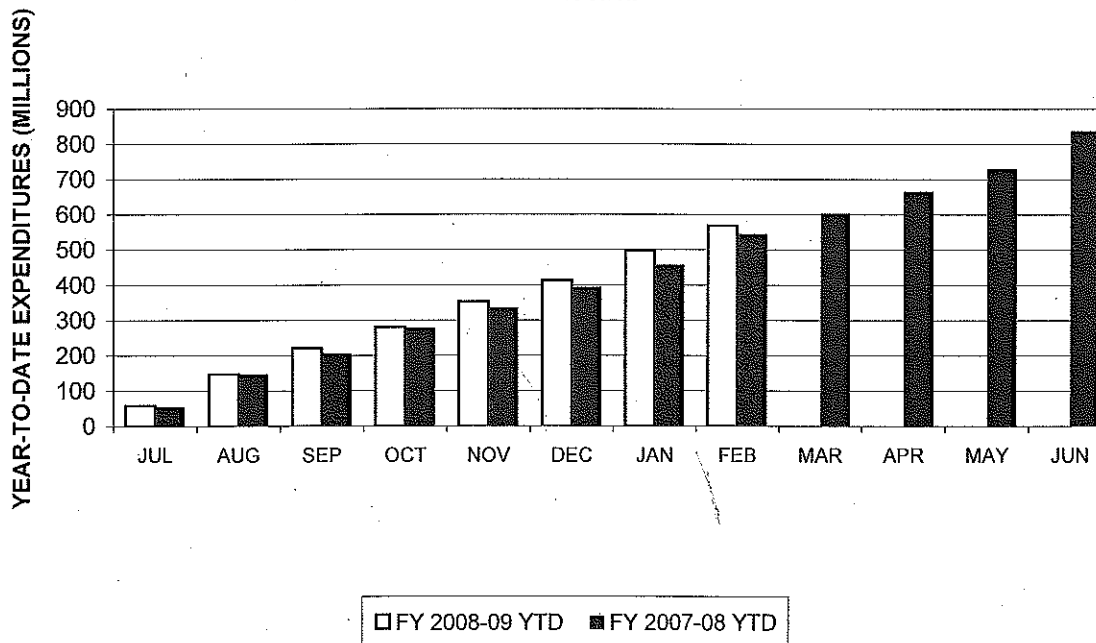
MONTH	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06
JULY	\$ 194,527,843	\$ 228,551,607	\$ 183,638,084	\$ 161,103,519
AUGUST (1)	74,677,718	186,835,010	190,974,568	155,276,638
SEPTEMBER	102,811,355	173,043,887	156,674,730	144,980,057
OCTOBER	101,433,688	176,617,539	154,011,382	139,052,451
NOVEMBER	90,892,525	180,164,388	131,009,877	131,757,140
DECEMBER	114,535,815	159,164,830	157,479,064	131,612,938
JANUARY	164,539,700	251,792,153	224,766,520	162,598,761
FEBRUARY	143,802,507	205,882,438	214,574,932	186,471,797
MARCH		200,763,696	190,320,128	169,141,222
APRIL		225,008,853	210,342,744	190,637,410
MAY		244,545,422	257,771,653	224,072,193
JUNE		230,556,706	250,180,874	219,498,514

Note: (1) The General Fund cash balance decreased by \$91.6 million in August 2008 due to the decision to pay the City's portion of retirement contributions in a lump-sum rather than in bi-weekly contributions.

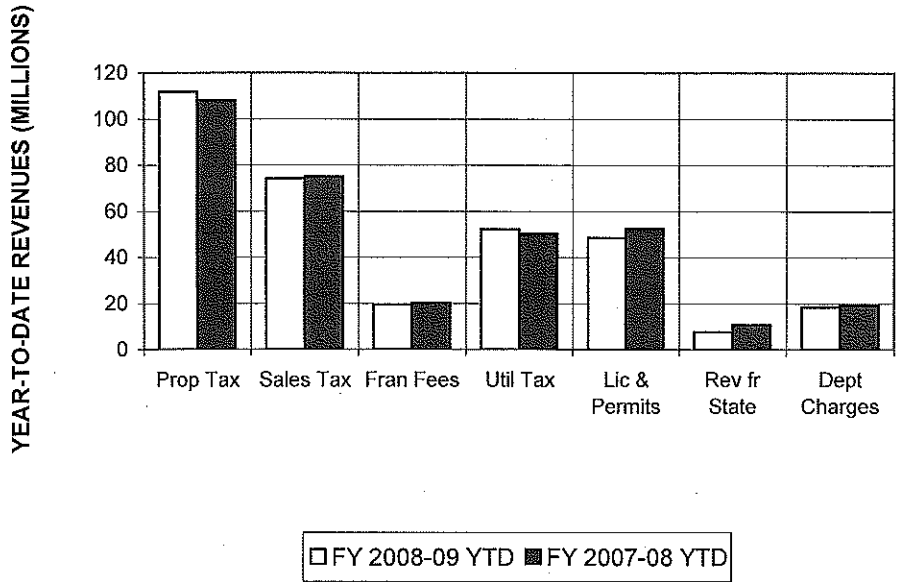
**GENERAL FUND
Comparison of YTD Revenues
Actual**



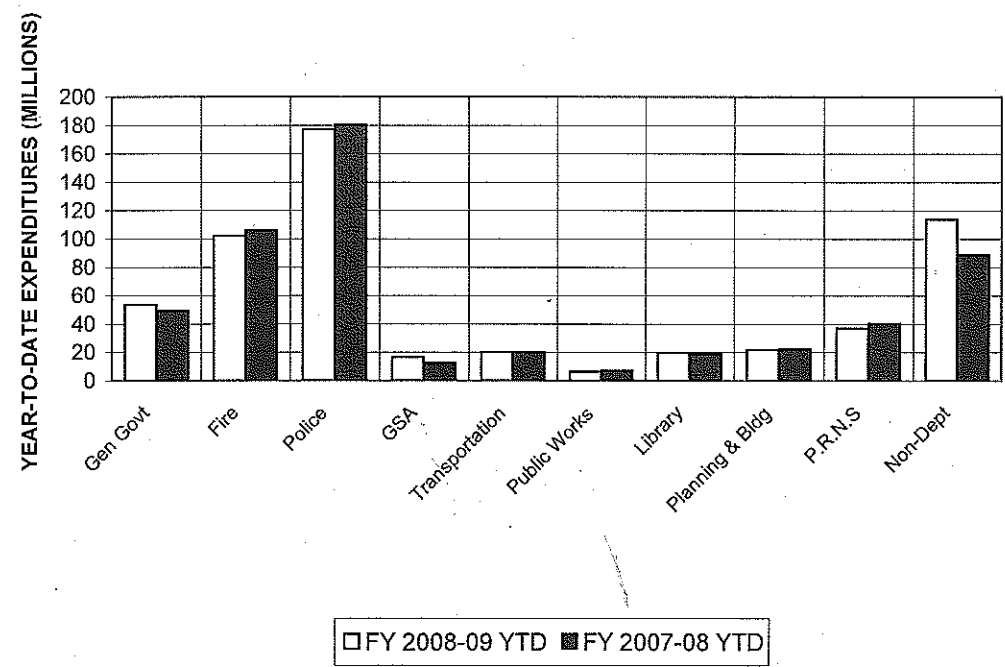
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 8 Months Ended February 28, 2009



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 8 Months Ended February 28, 2009



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2008-2009 impact through February 2009 is approximately \$2.6 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	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	\$ -	-	39,519	39,519	39,519	100.00%	26,397	25,096	13,122	13,122	49.71%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	202,882	20,769	-	223,651	223,651	100.00%	247,630	247,630	(23,979)	(23,979)	-8.68%
Total Fund Balance	202,882	20,769	39,519	263,170	263,170	100.00%	274,027	272,726	(10,857)	(10,857)	-3.96%
General Revenues											
Property Tax	208,267	(875)	-	207,392	111,778	53.90%	108,084	203,718	3,694	3,694	3.42%
Sales Tax (Note 1)	152,536	(6,223)	-	146,313	74,193	50.71%	75,039	154,002	(846)	(846)	-1.13%
Transient Occupancy Tax	9,972	(1,054)	-	8,918	5,301	59.44%	5,483	9,560	(82)	(82)	-3.32%
Franchise Fees	41,621	-	-	41,621	19,483	46.81%	20,217	41,084	(734)	(734)	-3.63%
Utility Tax	83,690	-	-	83,690	52,131	62.29%	50,198	82,254	1,933	1,933	3.85%
Licenses and Permits	78,884	(7,369)	-	71,515	48,496	67.81%	52,593	74,059	(7,097)	(7,097)	-7.79%
Fines, Forfeits and Penalties	15,726	(570)	-	15,156	9,427	62.20%	10,131	15,601	(704)	(704)	-6.95%
Use of Money and Property	13,222	(2,468)	-	10,753	6,884	62.16%	10,367	17,891	(3,683)	(3,683)	-35.53%
Revenue from Local Agencies	48,072	3,145	-	51,217	34,043	66.47%	30,109	49,127	3,934	3,934	13.07%
Revenue from State of Cal.	10,265	1,735	-	12,000	7,690	64.08%	10,791	12,314	(3,101)	(3,101)	-28.74%
Revenue from Federal Government	3,815	2,082	-	5,897	975	16.53%	2,625	7,409	(1,650)	(1,650)	-62.86%
Departmental Charges (Note 2)	30,863	(2,216)	-	28,647	18,426	64.32%	19,108	30,842	(682)	(682)	-3.57%
Other Revenues	17,496	3,739	-	21,235	19,046	89.69%	14,461	23,416	4,585	4,585	31.71%
Total General Revenues	714,429	(10,075)	-	704,354	407,673	57.88%	409,206	721,257	(1,633)	(1,633)	-0.37%
Transfers & Reimbursements											
Overhead Reimbursements	34,254	1,614	-	35,868	27,929	77.87%	29,282	37,680	(1,353)	(1,353)	-4.62%
Transfers from Other Funds	51,717	(182)	-	51,535	35,326	68.55%	35,153	51,105	173	173	0.49%
Reimbursements for Services	17,818	(500)	-	17,318	8,147	47.04%	9,287	17,699	(1,140)	(1,140)	-12.28%
Total Transfers & Reimbursements	103,789	932	-	104,721	71,402	68.18%	73,722	106,484	(2,320)	(2,320)	-3.15%
Total Sources	\$ 1,021,100	11,626	39,519	1,072,245	742,245	69.22%	756,965	1,100,467	(14,710)	(14,710)	-1.94%

Note 1 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2008-2009 impact through February 2009 is approximately \$2.6 million.

Note 2 - See Supplemental Schedule on Page 7

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09		YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS		CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
				BUDGET	BUDGET	ACTUAL	ENCUMBR				ACTUAL	ACTUAL		
General Government														
Mayor and Council	\$ 10,339	(372)	90	10,067	5,291	159	52.61%	4,749	63.05%	7,532	7,532	542	11.41%	
City Attorney	13,384	66	1,734	15,184	8,733	1,442	57.51%	8,296	62.27%	13,323	13,323	437	5.27%	
City Auditor	2,642	3	162	2,807	1,545	132	55.04%	1,394	67.05%	2,079	2,079	151	10.83%	
City Clerk	4,470	116	11	4,597	2,444	9	53.17%	1,276	52.76%	2,419	2,419	1,168	91.54%	
City Manager	12,094	(90)	348	12,362	7,315	308	59.17%	7,282	64.48%	11,293	11,293	33	0.45%	
Finance	12,502	5	293	12,800	7,737	582	60.45%	7,106	63.33%	11,221	11,221	631	8.88%	
Information Technology	17,274	121	699	18,094	10,371	1,759	57.32%	9,961	64.27%	15,499	15,499	410	4.12%	
Human Resources	7,914	12	162	8,088	4,834	277	59.77%	4,582	63.86%	7,175	7,175	252	5.50%	
Redevelopment Agency	1,897	54	-	1,951	1,306	-	66.94%	803	68.34%	1,175	1,175	503	62.64%	
Independent Police Auditor	830	9	7	846	549	4	64.89%	526	65.34%	805	805	23	4.37%	
Office of Economic Development	4,274	161	337	4,772	3,027	188	63.43%	2,890	66.51%	4,345	4,345	137	4.74%	
Office of Emergency Services	541	7	-	548	329	-	60.04%	308	117.56%	262	262	21	6.82%	
Total General Government	88,161	102	3,843	92,106	53,481	4,860	58.06%	49,173	63.76%	77,128	77,128	4,308	8.76%	
Public Safety														
Fire	158,203	540	430	159,173	102,311	1,216	64.28%	106,002	67.00%	158,203	158,203	(3,691)	-3.48%	
Police	281,147	11,637	2,628	295,412	177,155	4,276	59.97%	180,396	64.47%	279,794	279,794	(3,241)	-1.80%	
Total Public Safety	439,350	12,177	3,058	454,585	279,466	5,492	61.48%	286,398	65.39%	437,997	437,997	(6,932)	-2.42%	
Capital Maintenance														
General Services	24,927	(461)	768	25,234	16,487	2,808	65.34%	12,401	68.93%	17,992	17,992	4,086	32.95%	
Transportation	32,895	(271)	930	33,554	20,171	1,783	60.12%	20,106	61.51%	32,688	32,688	65	0.32%	
Public Works	9,860	374	54	10,288	6,276	574	61.00%	7,070	71.31%	9,915	9,915	(794)	-11.23%	
Total Capital Maintenance	67,682	(358)	1,752	69,076	42,934	5,165	62.15%	39,577	65.31%	60,595	60,595	3,357	8.48%	

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL	ENCUMBR						
Community Service												
Library	29,575	423	258	30,256	19,734	305	66.22%	18,803	65.60%	28,661	931	4.95%
Planning, Bldg & Code Enf.	36,780	(2,892)	698	34,586	21,873	475	63.24%	22,299	65.17%	34,218	(426)	-1.91%
Park, Rec & Neigh Svcs	59,009	(599)	1,455	59,865	36,943	5,016	61.71%	40,314	63.30%	63,687	(9,371)	-8.36%
Environmental Services	842	(110)	345	1,077	335	281	31.10%	347	30.15%	1,151	(12)	3.46%
Total Community Services	126,206	(3,176)	2,756	125,784	78,885	6,077	62.71%	81,763	64.02%	127,717	(2,878)	-3.52%
Total Dept. Expenditures	\$ 721,399	8,743	11,409	741,551	454,766	21,594	61.33%	456,911	64.95%	703,437	(2,145)	-0.47%
Non-Dept Expenditures												
City-wide Expenditures:	\$											
Econ & Neighborhood Develop.	30,566	5,530	1,659	37,755	22,252	3,830	58.94%	16,460	58.57%	28,103	5,792	35.19%
Environmental & Utility Services	989	2,161	125	3,275	1,429	302	43.63%	402	38.43%	1,046	1,027	255.47%
Public Safety	5,861	1,126	2,399	9,386	4,127	908	43.97%	4,197	47.23%	8,886	(70)	-1.67%
Recreation & Cultural Services	12,652	1,535	1,107	15,294	4,975	2,452	32.53%	4,761	53.12%	8,962	214	4.49%
Transportation Services	3,034	694	478	4,206	1,012	939	24.06%	1,172	56.76%	2,065	(160)	-13.65%
Strategic Support	69,557	(1,073)	4,235	72,719	31,824	4,146	43.76%	26,649	59.31%	44,929	5,175	19.42%
Total City-wide Expenditures	122,659	9,973	10,003	142,635	65,619	12,577	46.00%	53,641	57.07%	93,991	11,978	22.33%
Capital Contributions	33,663	(6,536)	18,107	45,234	12,363	9,672	27.33%	8,606	78.62%	10,947	3,757	43.66%
Transfers to Other Funds	32,812	6,075	-	38,887	36,750	-	91.93%	26,421	86.99%	30,374	9,329	35.31%
Total Non-Dept Expenditures	189,134	9,512	28,110	226,756	113,732	22,249	50.16%	88,668	65.53%	135,312	25,064	28.27%
Reserves												
Contingency Reserves	30,294	647	-	30,941	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	80,273	(7,276)	-	72,997	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	110,567	(6,629)	-	103,938	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 1,021,100	11,626	39,519	1,072,245	568,498	43,843	53.02%	545,579	65.05%	838,749	22,919	4.20%

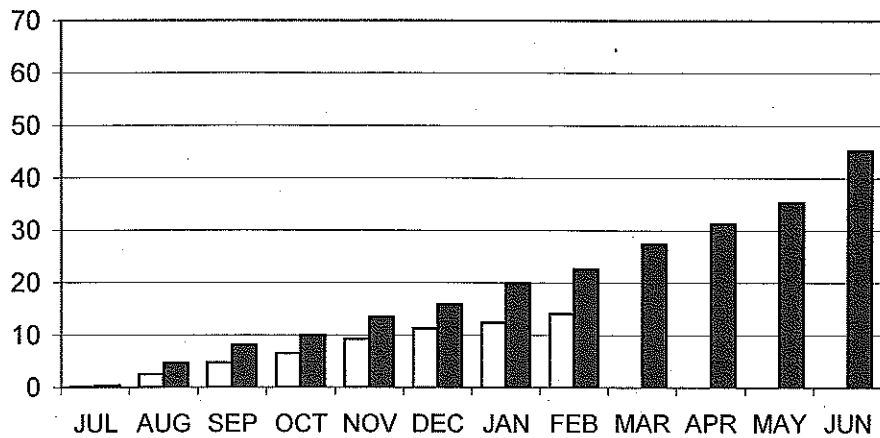
(1) Does not include encumbrance balance.

CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 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		% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
										PRIOR YTD	ACTUAL	
Police	1,763	-	-	1,763	1,020	57.86%	1,075	63.84%	1,684	(55)	(55)	-5.12%
Public Works	7,511	-	-	7,511	4,368	58.15%	4,009	55.67%	7,201	359	359	8.95%
Transportation	956	-	-	956	788	82.43%	558	39.74%	1,404	230	230	41.22%
Library	1,216	-	-	1,216	652	53.62%	717	53.31%	1,345	(65)	(65)	-9.07%
Planning, Bldg & Code Enf	6,702	(1,948)	-	4,754	3,147	66.20%	4,923	74.70%	6,590	(1,776)	(1,776)	-36.08%
Parks Rec & Neigh Svcs	6,357	188	-	6,545	5,411	82.67%	5,908	65.31%	8,893	(397)	(397)	-6.84%
Miscellaneous Dept Charges	6,358	(456)	-	5,902	3,040	51.51%	2,018	54.17%	3,725	1,022	1,022	50.64%
Total Departmental Revenues	\$ 30,863	(2,216)	-	28,647	18,426	64.32%	19,108	61.95%	30,842	(682)	(682)	-3.57%

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

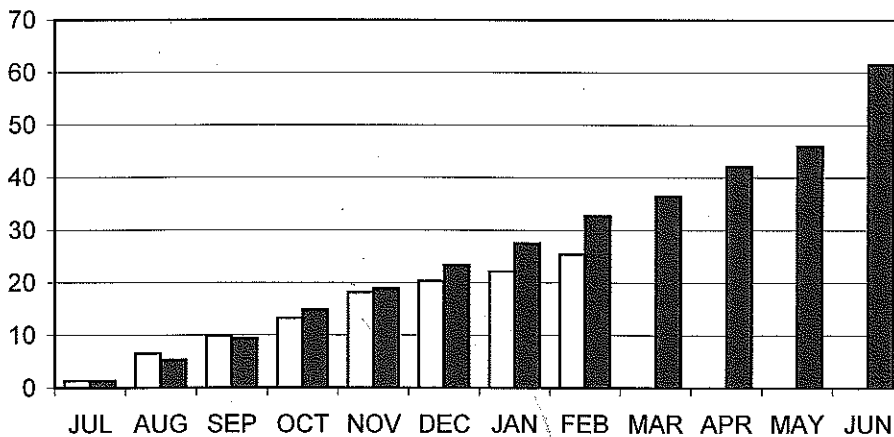
YEAR-TO-DATE REVENUES (MILLIONS)



□ FY 2008-09 YTD ■ FY 2007-08 YTD

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

YEAR-TO-DATE EXPENDITURES (MILLIONS)



□ FY 2008-09 YTD ■ FY 2007-08 YTD

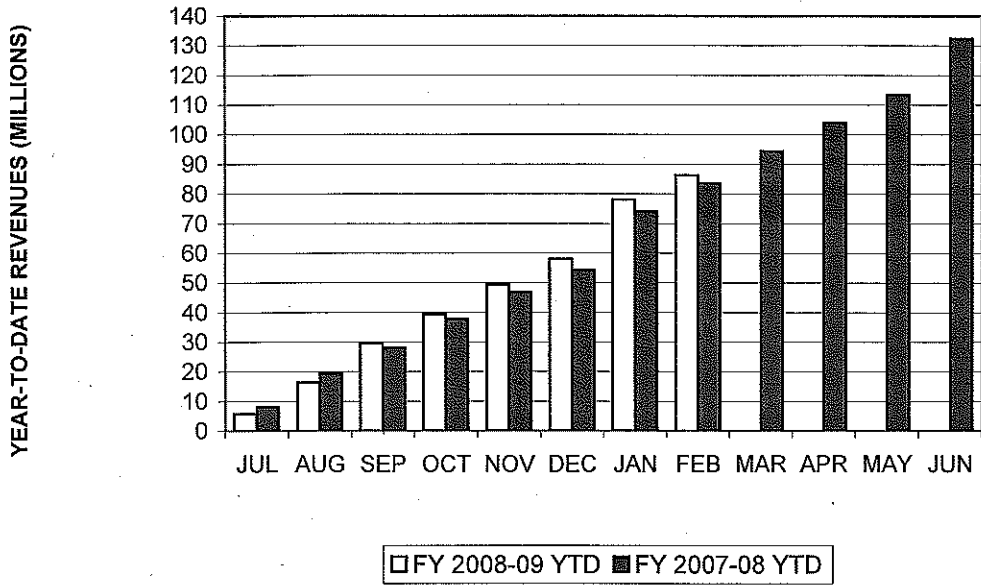
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	11,383	11,383	11,383	N/A	13,248
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	80,039	6,598	-	86,637	86,637	N/A	101,009
Revenues	49,982	(16,929)	-	33,053	14,067	N/A	22,665
Total Sources	130,021	(10,331)	11,383	131,073	112,087	N/A	136,922
Total Uses	130,021	(10,331)	11,383	131,073	25,394	7,606	32,665
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,200	-	-	17,200	8,031	N/A	9,017
Total Sources	17,200	-	-	17,200	8,031	N/A	9,017
Total Uses	17,200	-	-	17,200	8,031	0	9,017
Building and Structures							
Prior Year Encumbrance	-	-	6,613	6,613	6,613	N/A	8,038
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,701	5,535	-	18,236	18,236	N/A	19,982
Revenues	15,813	4,754	-	20,567	9,505	N/A	9,829
Total Sources	28,514	10,289	6,613	45,416	34,354	N/A	37,849
Total Uses	28,514	10,289	6,613	45,416	14,255	4,969	10,138
Residential Construction							
Prior Year Encumbrance	-	-	-	-	-	N/A	1
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,315	24	-	1,339	1,339	N/A	1,337
Revenues	150	(50)	-	100	89	N/A	71
Total Sources	1,465	(26)	-	1,439	1,428	N/A	1,409
Total Uses	\$ 1,465	(26)	-	1,439	95	0	74

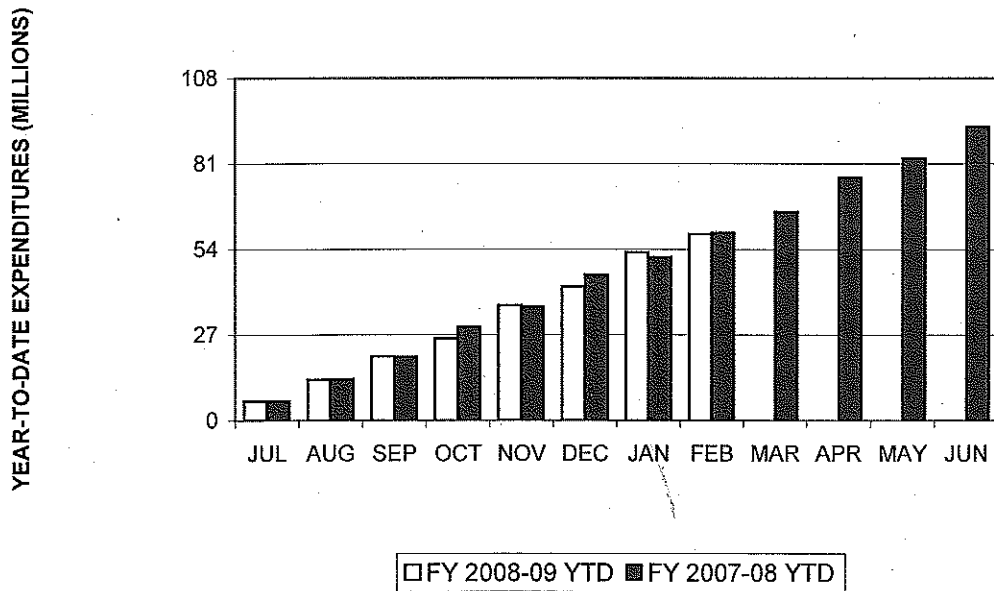
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	401	401	401	N/A	127
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	4,058	59	-	4,117	4,117	N/A	4,176
Revenues	14,984	-	-	14,984	7,385	N/A	8,236
Total Sources	19,042	59	401	19,502	11,903	N/A	12,539
Total Uses	19,042	59	401	19,502	10,784	748	9,647
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	689	689	689	N/A	338
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	6,429	1,177	-	7,606	7,606	N/A	4,080
Revenues	19,887	(819)	-	19,068	12,011	N/A	10,321
Total Sources	26,316	358	689	27,363	20,306	N/A	14,739
Total Uses	26,316	358	689	27,363	12,220	594	12,064
Golf							
Prior Year Encumbrance	-	-	-	-	-	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	791	134	-	925	925	N/A	833
Revenues	2,123	(190)	-	1,933	1,675	N/A	1,805
Total Sources	2,914	(56)	-	2,858	2,600	N/A	2,649
Total Uses	2,914	(56)	-	2,858	2,063	7	1,897
Other Funds							
Prior Year Encumbrance	-	-	54,679	54,679	54,679	N/A	50,359
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	193,130	20,767	-	213,897	213,897	N/A	187,201
Revenues	617,629	(88,406)	-	529,223	288,220	N/A	283,405
Total Sources	810,759	(67,639)	54,679	797,799	556,796	N/A	520,965
Total Uses	\$ 810,759	(67,639)	54,679	797,799	298,933	119,408	264,969

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

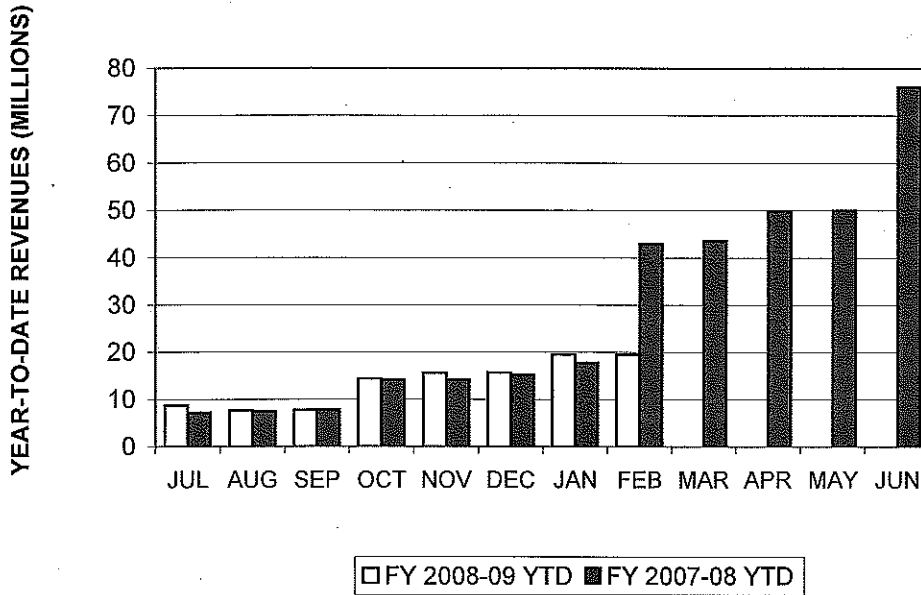


**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**

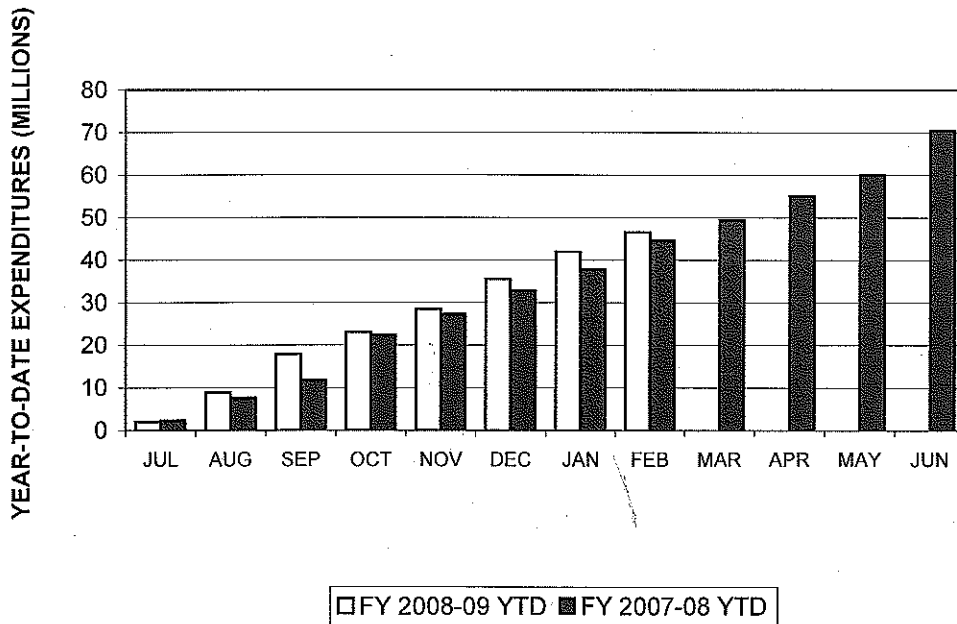


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

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

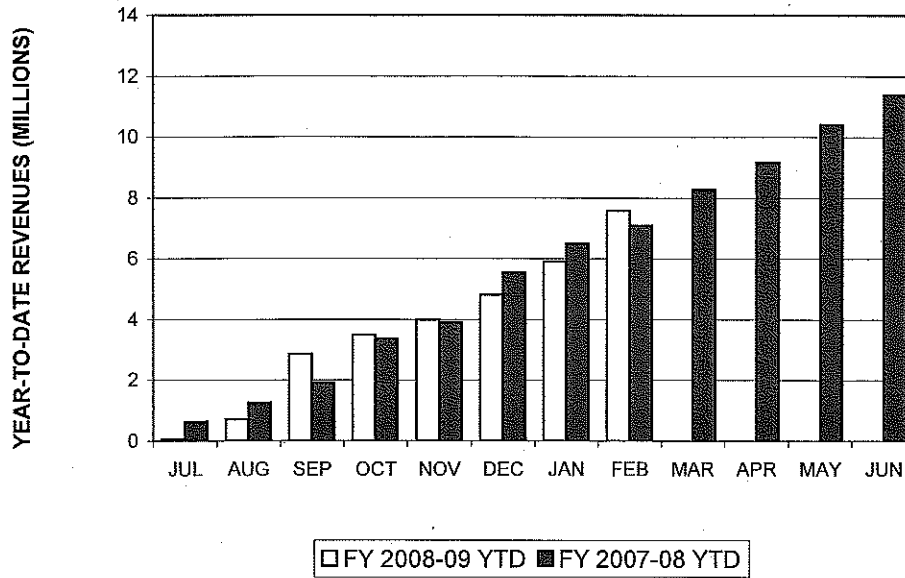


**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**

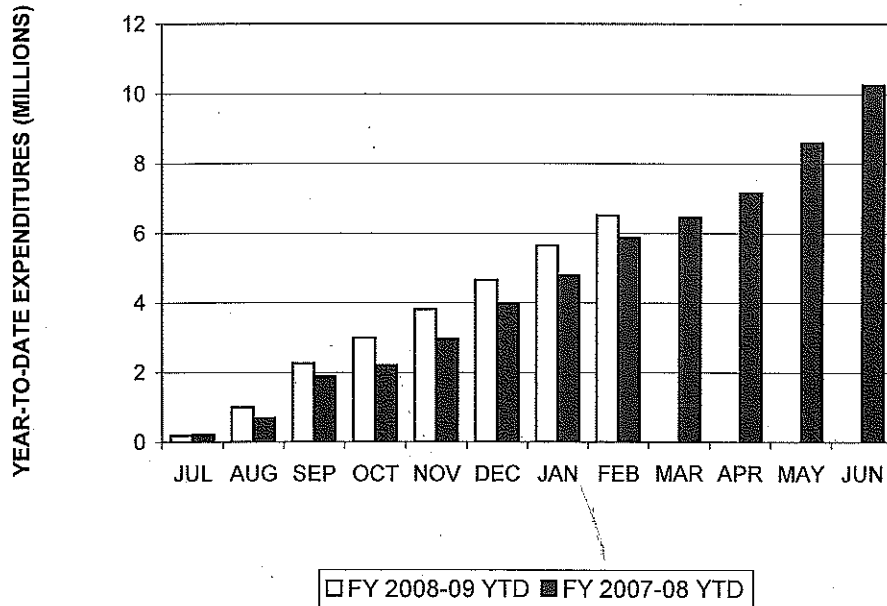


Note: Graphs above are only for WPCP operating fund (513).

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



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



Accounting transfers that artificially increased revenues and expenditures by the same amount were included in fund 533. An adjustment has been made to net out these transfers so that actual and operational revenues and expenditures can be compared to prior year amounts.

**CITY OF SAN JOSE
ENTERPRISE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2008-09 BUDGET	BUDGET AMENDMENTS		FY 2008-09 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Airport							
Prior Year Encumbrance	\$ -	-	496,117	496,117	496,117	N/A	188,960
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	589,935	40,923	-	630,858	630,858	N/A	473,929
Revenues	404,483	(12,169)	-	392,314	321,380	N/A	216,743
Total Sources	994,418	28,754	496,117	1,519,289	1,448,355	N/A	879,632
Total Uses	994,418	28,754	496,117	1,519,289	366,732	454,389	306,434
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	54,729	54,729	54,729	N/A	36,224
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	170,257	1,500	-	171,757	171,757	N/A	186,060
Revenues	245,551	35,970	-	281,521	170,187	N/A	179,690
Total Sources	415,808	37,470	54,729	508,007	396,673	N/A	401,974
Total Uses	415,808	37,470	54,729	508,007	125,209	56,942	146,563
(Note 2)							
Municipal Water							
Prior Year Encumbrance	-	-	1,636	1,636	1,636	N/A	1,143
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	9,155	262	-	9,417	9,417	N/A	10,874
Revenues	30,433	35	-	30,468	21,555	N/A	19,981
Total Sources	39,588	297	1,636	41,521	32,608	N/A	31,998
Total Uses	39,588	297	1,636	41,521	17,384	2,564	18,214
Parking							
Prior Year Encumbrance	-	-	1,159	1,159	1,159	N/A	868
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,442	1,748	-	14,190	14,190	N/A	13,045
Revenues	16,954	(5,100)	-	11,854	7,579	N/A	12,193
Total Sources	29,396	(3,352)	1,159	27,203	22,928	N/A	26,106
Total Uses	\$ 29,396	(3,352)	1,159	27,203	6,507	1,815	10,973
(Note 3)							

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.

Note 3 - Accounting transfers that artificially increased revenues and expenditures by the same amount were included in the parking funds. An adjustment has been made to net out these transfers so that actual and operational revenues and expenditures can be compared to prior year amounts.

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2008-09 BUDGET	BUDGET AMENDMENTS		FY 2008-09 BUDGET	ACTUAL	ENCUMBER	Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	8,239	8,239	8,239	N/A	7,280
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	16,636	(7,037)	-	9,599	9,599	N/A	15,122
Revenues	29,535	3,969	-	33,504	21,670	N/A	16,537
Total Sources	46,171	(3,068)	8,239	51,342	39,508	N/A	38,939
Total Uses	46,171	(3,068)	8,239	51,342	26,170	3,927	25,787
Redevelopment Projects							
Prior Year Encumbrance	-	-	5,019	5,019	5,019	N/A	3,057
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,340	4,734	-	8,074	8,074	N/A	7,370
Revenues	-	1,651	-	1,651	3,423	N/A	5,439
Total Sources	3,340	6,385	5,019	14,744	16,516	N/A	15,866
Total Uses	3,340	6,385	5,019	14,744	5,856	1,795	3,168
Other							
Prior Year Encumbrance	-	-	129,053	129,053	129,053	N/A	47,536
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	140,942	3,715	-	144,657	144,657	N/A	262,404
Revenues	30,429	3,024	-	33,453	8,386	N/A	10,856
Total Sources	171,371	6,739	129,053	307,163	282,096	N/A	320,796
Total Uses	\$ 171,371	6,739	129,053	307,163	76,173	94,705	39,906

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 28, 2009
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2008-09 BUDGET	BUDGET AMENDMENTS		FY 2008-09 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Trust and Agency							
Prior Year Encumbrance	\$ -	-	33	33	33	N/A	28
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,197	181	-	2,378	2,378	N/A	2,189
Revenues	203	313	-	516	685	N/A	1,782
Total Sources	2,400	494	33	2,927	3,096	N/A	3,999
Total Uses	\$ 2,400	494	33	2,927	433	36	760