



Memorandum

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE
FROM: Jennifer A. Maguire
SUBJECT: BI-MONTHLY FINANCIAL REPORT FOR JANUARY/FEBRUARY 2013
DATE: April 4, 2013

Approved  Date 4-10-2013

The Bi-Monthly Financial Report for January/February 2013 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review. The City Manager's Budget Office has analyzed actual expenditures as compared to the 2012-2013 Budget and the Finance Department has prepared a report that reflects the financial results ending February 2013.

OVERVIEW

Revenues and expenditures are generally tracking within the budgeted estimates in all City funds. The Administration will continue to closely monitor economic conditions and the performance in all funds, bringing forward budget adjustments to the City Council by year end if necessary. Following are key highlights in this report:

- Current economic conditions continue to show economic recovery through 2012-2013, with significant improvement in certain areas, such as employment, development activity, and housing. However, the Administration continues to monitor the federal fiscal policy, as there continues to be a considerable amount of uncertainty surrounding sequestration which has impacted overall consumer confidence levels.
- General Fund revenues are tracking within estimated levels and in some cases, to exceed budgeted levels. General Fund expenditures are tracking below estimated levels through February with some savings anticipated by year-end. As a result of this tracking, a \$12.0 million 2012-2013 Ending Fund Balance Reserve was set aside as part of the 2012-2013 Mid-Year Budget Review through the recognition of additional revenues of \$7.6 million and expenditure savings of \$4.4 million. This more accurately aligned the budget with anticipated activity levels and proactively set aside General Fund ending fund balance assumed as part of the 2013-2014 budget development process.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.5 million passengers through February, an increase of 1.0% from the figures reported through February of the prior year and above the flat passenger activity forecast for 2012-2013.

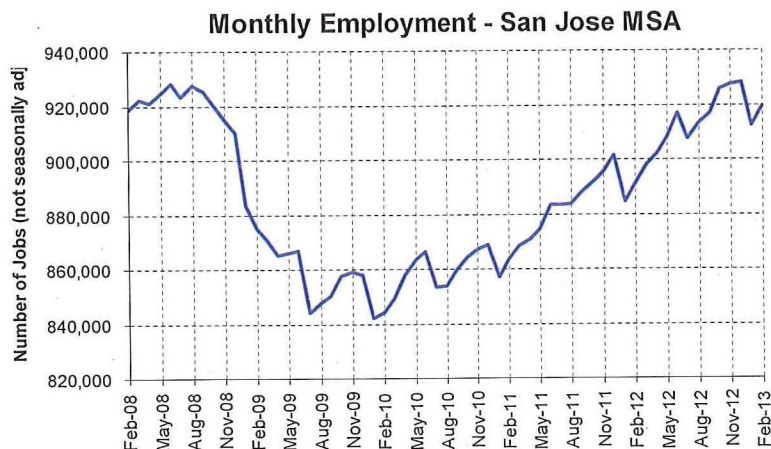
OVERVIEW (CONT'D.)

- Development-related revenues in the General Fund as well as the development-related taxes are continuing the strong performance that was experienced in 2011-2012 and are currently tracking to exceed revised budgeted estimates. Construction and Conveyance Taxes are also experiencing solid growth and revenue estimates were revised upward as part of the 2012-2013 Mid-Year Budget Review to reflect this increased activity. Current revenues are projected to meet or exceed the revised estimated level.
- The Administration will continue to report to the City Council any and all significant developments through this reporting process.

Economic Environment

The majority of economic indicators reviewed as part of this report show significant improvement from the same period a year ago. Employment indicators, residential, and industrial permit activity, median single-family home prices and days on market have all improved. Weaker performance, however, was experienced in the Consumer Confidence indicator and commercial permit activity, which showed declines and are continuing to track below prior year levels.

Consumer confidence rebounded in February from a January decline; however, it declined again in March 2013. According to Lynn Franco, Director of Economic Indicators at the Consumer Conference Board: “Consumer Confidence fell sharply in March...The month’s retreat was driven primarily by a sharp decline in expectations...The loss of confidence, particularly expectations, mirrors the losses experienced this past December and January. The recent sequester has created uncertainty regarding the economic outlook and as a result, consumers are less confident.”



The February 2013 employment level in the San José, Sunnyvale, Santa Clara Metropolitan Statistical Area (San José MSA) of 919,200 was 3.1% above the February 2012 level of 891,200, reflecting continued growth in this area, however, does reflect a decline from levels seen in December 2012 of 928,300.

OVERVIEW (CONT'D.)

Unemployment Rate (Unadjusted)

	Feb. 2012	Jan. 2013	Feb. 2013**
San José Metropolitan Statistical Area*	9.2%	8.2%	7.6%
State of California	11.3%	10.4%	9.7%
United States	8.7%	8.5%	8.1%

* San Benito and Santa Clara Counties

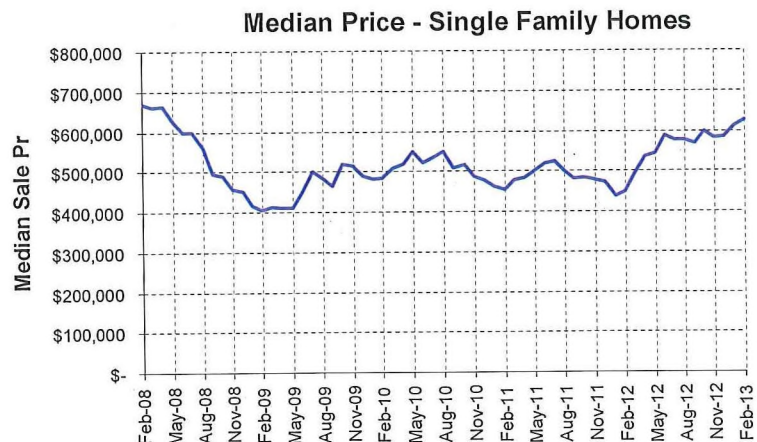
** Feb. 2013 estimates are preliminary and may be updated

Source: California Employment Development Department

The unemployment rates at the local, State, and national levels continue to show improvement. The unemployment rate for the San José Metropolitan Statistical Area dipped to 7.6% in February 2013. This rate represents a significant drop from February 2012, when the rate was 9.2%. In this region, the February 2013 unemployment rate is significantly less than the unadjusted unemployment rate for the State (9.7%) and is also below the nation (8.1%).

Through February 2013, residential permit activity remained strong with total permits of 2,051 units compared to the prior year level of 1,226. Commercial activity through February was moderate, with permit valuation of \$143.1 million compared to \$152.3 million through the same period last year. Industrial permit activity continues strong activity with valuation of \$141.1 million through February, compared to \$87.7 million collected through the same period last year.

The median single-family home price in February 2013 of \$625,000 is up almost 39% from the February 2012 price of \$450,000. This February 2013 figure represents the highest median single-family home price since May 2008. Further, the amount of time it is taking to sell these houses is dropping significantly. The average days-on-market for single-family and multi-family dwellings in February 2013 was 37 days, which is a decrease of almost 52% from the 77 days experienced in February 2012. However, the February 2013 number of property transfers totaled 449, which represents a decrease of over 20% when compared to February 2012 number of sales.



As suggested by the solid performance in a number of economic indicators, the local economy continues to experience growth. Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2012-2013 as well as development of the 2013-2014 Proposed Budget.

GENERAL FUND

REVENUES

General Fund revenues through February 2013 totaled \$566.5 million which represents a slight increase of \$14.7 million (2.7% above) the February 2012 level of \$551.8 million. Both totals include borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes (\$100 million annually in both fiscal years).

Revenues are higher than prior year levels primarily due to a \$6.9 million payment from the County of Santa Clara for the recalculation of prior year property tax administration fees and an additional \$5.0 million due to the sale of property. Several categories are currently tracking above the prior year level, including Sales Tax, Transient Occupancy Tax, Franchise Fees, Business Tax, Licenses and Permits, Revenue from Local Agencies, Revenue from the Federal Government, Departmental Charges, and Other Revenue, due to growth in these line items as well as the timing of payments. These higher levels of revenue are offset by categories with lower collection levels including: Utility Tax, Fines, Forfeitures and Penalties, Revenue from the State, and Transfers and Reimbursements. The lower collection level is primarily the result of differences in the timing of payments or one-time payments and grants that occurred in 2011-2012, rather than declines attributed to actual activity levels.

General Fund revenues are generally tracking to meet or exceed budgeted estimates. Collection will continue to be carefully monitored to determine if any adjustments to revenue estimates are necessary at year-end.

It should be noted that although there is no Economic Uncertainty Reserve in 2012-2013, there is a 2013-2014 Future Deficit Reserve in the amount of \$29.4 million. This reserve was established in the 2012-2013 Adopted Budget and increased as part of the 2012-2013 Mid-Year Budget Review actions to address the projected General Fund shortfall in 2013-2014 as estimated in the February 2012 Five-Year Forecast and to address other 2013-2014 one-time funding needs.

The following discussion highlights General Fund revenue activities through February 2013.

KEY GENERAL FUND REVENUES

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 202,925,000	\$ 111,228,117	\$ 112,494,049

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), and Homeowners Property Tax Relief. Through February, \$111.2 million has

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been received, reflecting 54.8% of the budget for this category. The slight decrease in collections (-1.1%) compared to the prior year was primarily the result of lower Secured and Airplane In-Lieu Property Tax, partially offset by higher Unsecured and SB 813 Property Tax collections. Overall, Property Tax receipts are expected to meet or slightly exceed budgeted levels by year end, and will continue to be monitored closely.

Secured Property Tax receipts account for \$96.5 million of the \$111.2 million received through February 2013. The 2012-2013 Adopted Budget estimate of \$185.36 million requires growth of 0.7% from the 2011-2012 actual collections. The 2012-2013 collections are based on the value of property assessed on January 1, 2012, with any tax roll corrections. The County of Santa Clara has provided an updated estimate for 2012-2013 Secured Property Tax of \$185.9 million, which continues to be slightly above the 2012-2013 Adopted Budget estimate. In developing this most recent estimate, the County has made a projection on the value of downward adjustments that will be made during the year of approximately \$50 million county-wide (excluding former redevelopment agency areas), which is higher than in prior years and higher than actual net downward adjustments experienced in 2011-2012 which were approximately \$40 million county-wide (excluding former redevelopment agency areas). This is a preliminary estimate from the County and will continue to be adjusted before year-end based on actual experience. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2013, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.

In the Unsecured Property Tax category, collections through February totaled \$10.6 million, \$146,000 above the prior year level of \$10.4 million and reflect approximately 90% of the annual revenue for this category. Current actuals include the final reconciliation of the 2011-2012 fiscal year (\$395,000). In 2011-2012, this true-up payment from the prior fiscal year totaled \$749,000. The 2012-2013 Adopted Budget estimate of \$11.5 million reflects estimated growth of approximately 3.0% from 2011-2012 collections. Based on the historical collection trend and the most recent estimate from the County of Santa Clara for 2012-2013 (\$11.7 million), revenues are anticipated to end the year at or slightly above the budgeted level.

For the SB 813 Property Tax category, collections totaled \$1.6 million through February, which is up 12.8% from the \$1.4 million received last year at this time. In recent years, collections in this category fell significantly, due, in part, to a substantial number of refunds that were due to property owners as a result of declining home values. In 2011-2012, however, receipts of \$3.3 million reflected strong growth and were 194.8% above the 2010-2011 actuals of \$1.1 million which also exceeded the budgeted estimate of \$2.9 million. The most recent estimate from the County assumes receipts remain at the 2011-2012 actual collection level of \$3.3 million. However, the 2012-2013 Adopted Budget assumed receipts would remain at the estimated 2011-2012 collection level of \$2.9 million. Based on higher than anticipated receipts in 2011-2012, collections can drop 11.2% in 2012-2013 and meet the budgeted estimate. It should be noted that collection levels in recent years remain well below the high of \$10.1 million received in

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2005-2006 and below levels seen just a few years ago (e.g., \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008). Aircraft Property Tax receipts of \$2.0 million typically reflect 90% of the annual revenue for this category. If this historical trend continues, it is estimated that revenues will exceed the budgeted estimate of \$2.1 million by year end. It should be noted that the County of Santa Clara Assessor's Office currently estimates \$2.2 million, a 1.3% increase from 2011-2012 receipts of \$2.17 million.

Homeowners Property Tax Relief revenue totaled \$519,000 through February. Based on the latest estimate from the County, the Homeowners Property Tax Relief revenue is projected to total \$1.05 million in 2012-2013, which is slightly below the \$1.07 million currently budgeted for this category.

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 161,270,000	\$ 79,378,614	\$ 77,046,380

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. Overall, revenues continue to track above budgeted estimates and adjustments in both the 2011-2012 Annual Report and the 2012-2013 Mid-Year Budget Review were approved totaling an increase of \$8.6 million. Additional detail on these two sales tax categories is provided below.

The 2012-2013 modified budget estimate for General Sales Tax of \$156.2 million reflects growth of 5% from prior year collections of \$149.4 million. This reflects actual performance for the first quarter (up 6.4%), one-time prior year adjustments and true-up payments, and the assumed growth of 3% for the remaining three quarters. General Sales Tax receipts through February of \$76.5 million are tracking 2.6% above the prior year collection level of \$74.6 million and represent actual first quarter receipts along with "triple flip" payment and advances from the State and one-time prior year adjustments and true-up payments.

While not reflected in the figures through February, the City has received information on the City's Sales Tax performance in the second quarter that shows an increase of 4.9% from the same quarter in 2011-2012. This represents sales activity from the October – December 2012 period. When comparing San José's cash receipts to those of other jurisdictions, San José's growth of 4.9% was below levels seen by both the Santa Clara County (up 9.4%) and the San Francisco Bay Area (up 5.3%), however, was above Northern California (up 3.9%) and the State as a whole (up 3.5%). Staff will continue to work closely with the City's Sales Tax consultant and will monitor receipts in the upcoming quarters to understand the components of growth for the most recent quarter.

The year-over-year increase in cash receipts in the second quarter exceeded the 3.0% growth assumed in the 2012-2013 Modified Budget. Based on this higher collection level, receipts are

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anticipated to exceed the modified budget by approximately \$588,000. The higher collection level will be factored into the development of the 2013-2014 Proposed Budget.

Through February, the Proposition 172 Sales Tax receipts of \$2.9 million are tracking 16.9% above the 2011-2012 collection level of \$2.5 million through the same period. This growth exceeds the 8.8% year-over-year increase assumed as part of the 2012-2013 modified budget estimate of \$5.1 million. Based on current collection trends, it is anticipated that revenues will exceed the budgeted estimate by year-end.

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 10,100,000	\$ 5,170,916	\$ 4,693,080

Through February 2013, receipts recorded in the General Fund of \$5.2 million are 11.5% above the prior year collection level for the same period. Based on activity through December, the budget estimate for this category was increased from \$9.1 million to \$10.1 million as part of the 2012-2013 Mid-Year Budget Review, requiring growth of 12.4% from 2011-2012 actual collections. Receipts are tracking close to the budgeted estimate and will be closely monitored through the remainder of the year.

Through February, the average hotel occupancy rate at the 14 major hotels was 64.65%, a substantial improvement from the 58.93% occupancy rate for the same period in 2011-2012. For the same 14 hotels, the average daily room rate through February was \$135.36, up significantly from the \$124.93 room rate for the same period in 2011-2012. The year-to-date average revenue-per-available room (RevPAR) metric of \$87.76 represents an increase of 18.7% from the prior year level and is attributable to the combined effect of increased room rates and occupancy levels.

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 90,973,000	\$ 50,962,283	\$ 51,318,952

Collections through February of \$51.0 million are tracking 0.7% below prior year levels of \$51.3 million. This is primarily due to a \$1.6 million one-time settlement agreement payment received from Pacific Gas and Electric in 2011-2012. Excluding this one-time payment receipts through February are tracking 2.4% above prior year levels. Based on current collection trends, overall, Utility Tax receipts are tracking to end the year at budgeted estimates.

In the Electric Utility Tax category, collections of \$21.3 million were tracking 12.7% below the prior year level of \$24.3 million through February. The majority of this decline is due to the

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one-time settlement agreement payment received from Pacific Gas and Electric in 2011-2012. After adjusting for this one-time payment as well as payment timing differences, Electric Utility Tax receipts are tracking 1.7% below the prior year. Growth of 2.6%, however, is needed to meet the 2012-2013 budgeted estimate of \$40.1 million. Based on current collection levels, revenues may fall below this estimate by approximately \$400,000 to \$800,000. Therefore, collections will continue to be monitored closely for the remainder of the year.

In the Gas Utility Tax category, receipts of \$3.3 million were tracking 12.3% below the prior year level of \$3.7 million through February due primarily to payment timing differences. Once adjusted for this, collections were tracking 4% below the prior year through February. The 2012-2013 budgeted estimate of \$8.0 million reflects a decline of 9.0% from 2011-2012 actual collections of \$8.8 million and is consistent with information from PG&E on the drop in gas prices. Actual collections in the Gas Utility Tax area are subject to significant fluctuations from the impact of weather conditions and/or rate changes, as such, revenues will continue to be monitored closely for projected year end performance.

Collections of \$6.7 million in the Water Utility Tax category are tracking 12.8% above the prior year level of \$6.0 million. The 2012-2013 estimate of \$11.0 million requires growth of 15.4% over 2011-2012 receipts. Based on current collections, revenues are estimated to meet the budgeted estimate. However, it should be noted that this category is always subject to fluctuations related to the amount of precipitation received, particularly in the spring.

Collections in the Telephone Utility Tax category of \$19.7 million were tracking 14.0% above the prior year collection level of \$17.3 million, due, in part, to timing differences in payments. Once adjusted for this, revenues reflect growth of 5.0% from the prior year through February. The 2012-2013 budget estimate of \$31.9 million assumed a 1.5% increase from the 2011-2012 actual collection level of \$31.4 million. However, given the recent collection trends in this category, revenues are anticipated to meet or exceed the current budget estimate.

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 42,400,000	\$ 27,715,017	\$ 26,014,258

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through February, overall collections of \$27.7 million are tracking above the prior year collection level and are anticipated to exceed budgeted amounts by year end.

Cardroom Tax receipts of \$9.4 million through February were 8.4% above the prior year level of \$8.7 million. This increase from the prior year primarily reflects general economic growth and a spike in activity resulting from the opening of Casino M8trix in August 2012. Growth of 7.1% over the 2011-2012 actual collection level is needed to meet the 2012-2013 budgeted estimate of

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\$16.0 million. If current collection trends continue, Cardroom Tax revenues are tracking to meet this estimate.

Marijuana Business Tax receipts of \$2.6 million are tracking above the \$2.2 million collected during the same period last year. Based on current collection trends and actual receipts of \$3.7 million in 2011-2012, Marijuana Business Tax revenue is currently tracking to exceed the 2012-2013 budgeted estimate of \$3.7 million by up to \$300,000. However, there is some uncertainty regarding this program and the potential impacts from any federal actions, therefore, staff will continue to closely monitor this revenue category.

Business Tax receipts of \$9.3 million were 5.8% above the prior year level of \$8.8 million. No growth from the prior year, however, is necessary to meet the budgeted estimate of \$11.3 million. The positive collection trend in this category reflects the gradual economic recovery as well as efforts by the Finance Department to maximize the receipt of this tax. Additionally, on October 23, 2012, the City Council approved a Business Tax Amnesty Program that is also expected to increase receipts in this category. Based on current collection trends and the implementation of the Amnesty Program, revenues are anticipated to exceed the 2012-2013 budgeted estimate by \$500,000 to \$845,000. Additional Amnesty Program revenues will be incorporated in the 2013-2014 budget process as appropriate.

Disposal Facility Tax revenue of \$6.5 million through February is tracking 0.7% above the prior year level of \$6.4 million. The 2012-2013 budgeted estimate of \$11.4 million requires growth of 2.1% from the 2011-2012 actual receipts of \$11.2 million. Disposal Facility Taxes (DFT) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream varies due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. In recent years, revenues in this category have declined due, in large part, to increased waste diversion and the overall slowdown in the economy. In 2012-2013, receipts have been tracking to meet or slightly exceed the prior year collection level. However, improvements in the processing of waste for the commercial program are expected to reduce DFT collections beginning in the second half of 2012-2013. The commercial program represents approximately 10-15% of total DFT associated waste. To account for the potential impact of this change as well as the historical downward trend in this category, actual collections are anticipated to fall below the budgeted estimate of \$11.4 million by year end.

Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 39,093,779	\$ 31,963,521	\$ 30,592,474

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through February, Licenses and Permits revenue of \$32.0 million are tracking 4.5% above the prior year level of \$30.6 million. The 2012-2013 budget estimate, however, allows for a decline

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of 13.5% from the actual 2011-2012 collection level. Development-related activity experienced very strong growth in 2011-2012 and has continued its solid performance in 2012-2013.

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

Building Permit revenue of \$17.0 million through February is tracking 10.3% above the 2011-2012 collection level of \$15.4 million for the same period as well as above the 2012-2013 year-to-date estimate of \$13.3 million. The 2012-2013 budgeted revenue estimate of \$20.7 million allows for a drop of 17.0% year-over-year in this category; however, this has not been the case as revenues in building plan check, building permits, plumbing permits, mechanical permits, electrical permits, and permit processing categories are tracking well above estimated levels. Strong revenue receipts are being driven by an increase in residential and industrial permits, offset by slow commercial activity. It is anticipated that Building Permit revenues will achieve, and likely exceed, the budget estimate as a result of increased development activity. This additional activity has necessitated additional staffing resources to meet the plan check and inspection service demands. Separate actions to increase revenues and staffing resources were approved by the City Council on January 29, 2013. These actions included the addition of 10 positions for the Building Development Fee Program, offset by additional revenues of \$915,000, in order to keep pace with the increased demand. Further information on the approved actions can be found at: <https://ca-sanjose.civicplus.com/DocumentCenter/View/11261>.

Through February, overall Fire Permit collections of \$6.9 million were tracking above estimated levels, but 5.2% below the prior year receipts of \$7.3 million. The budgeted estimate of \$9.5 million is consistent with prior year collection level. The development-related revenues, which totaled \$4.1 million through February, are currently tracking to exceed the budgeted estimate of \$5.4 million by approximately \$900,000. This increased activity has resulted in the need for additional resources to meet the plan check and inspection service demands. Separate actions to increase revenues, staffing and other resources were approved by the City Council on January 29, 2013. At this time, the Fire Department projects that the Non-Development program will end the year at budgeted revenue levels of \$4.1 million. The City Manager's Budget Office and the Fire Department will continue to monitor both the development and non-development revenues closely.

The Other Licenses and Permits collections of \$8.1 million are tracking slightly above the 2011-2012 collection level of \$7.9 million and are tracking above estimated levels. The 2012-2013 budgeted estimate of \$9.0 million allows for a decline of 4.9% from the prior year, primarily reflecting a drop in the estimated cardroom regulation fee revenue due to changes in the delivery of the regulatory program, and a lower estimate for the vacant/dangerous buildings permits. The vacant/dangerous buildings permit revenue, however, continues to track above estimated levels and the cardroom permit revenue is also exceeding the budgeted estimate.

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Revenue	2012-2013 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 32,934,892	\$ 23,871,319	\$ 21,322,425

Through February, Departmental Charges revenues of \$23.9 million are tracking 2.6% above the 2011-2012 collection level of \$21.3 million. The 2012-2013 Adopted Budget estimate, however, allows for a decline of 3.9% from the prior year actual receipts. The increase from the prior year reflects growth in several departmental charges categories including: Public Works; Planning; Parks, Recreation, and Neighborhood Services; Transportation; and Miscellaneous Departmental Charges. These higher receipts were partially offset by lower collections in the Police and Library Departmental Charges categories. If current collection trends continue, overall Departmental Charges revenues should meet or exceed the budgeted estimate by year-end.

Development-related revenues are currently tracking ahead of the prior year collection levels and are expected to exceed the budgeted estimates. Through February, Planning Fee revenue of \$2.2 million is 30.7% above the prior year collection level of \$1.6 million. The \$2.6 million revenue estimate allows for a drop of 9.2% from the prior year actuals; however, overall revenue collections are tracking above estimated levels and it is anticipated that Planning Fee revenues will achieve, and likely exceed, the budget estimate. Public Works revenues through February of \$4.9 million are tracking 19.3% above the prior year level of \$4.1 million. The 2012-2013 modified budget estimate of \$6.0 million, however, allows for a decline of 16.9% from the prior year collection level. Revenues in most residential categories are tracking above estimated levels due to several single-family and multi-family residential projects that were received in the first eight months of 2012-2013. Non-residential revenues are also performing above anticipated levels. Collections are projected to exceed the budgeted revenue estimate by approximately \$1.2 million. The City Manager's Budget Office and Public Works Department will continue to monitor both development and utility revenues closely.

EXPENDITURES

Through February, General Fund expenditures (without encumbrances) of \$599.1 million were 2.2% above the prior year level of \$586.4 million. This increase from the prior year is primarily due to higher City-Wide Expenses (\$16.2 million) and capital expenditures (\$2.6 million), partially offset by lower departmental expenditures (down \$5.1 million). The increase in City-Wide Expenses compared to 2011-2012 is due to the timing of a Convention Center lease payment of \$12.3 million, which took place earlier in 2012-2013. The lower departmental expenditures are primarily a result of lower Personal Services (\$10.0 million) expenditures, particularly in the Police (\$8.5 million) and Fire (\$2.5 million) Departments, partially offset by higher Non-Personal/Equipment expenditures (\$5.0 million).

Encumbrances of \$34.3 million were 2.7% above the prior year level of \$33.4 million. Expenditures and encumbrances (\$633.5 million) through February constitute 57% of the total 2012-2013 revised budgeted uses of funds (\$1.1 billion, including reserves; or 64.4% of

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budgeted uses of funds of \$983.8 million, excluding reserves). Overall, expenditures are tracking within estimated levels and are expected to end the year slightly below the modified budget.

Through February, a few departments are tracking slightly above the budgeted estimate in personal services expenditures, including the Public Works and Environmental Services Departments. It is anticipated that the majority of these higher expenditures will be addressed by reallocating costs to the appropriate funds supported by these departments. It should be noted that in order to assist in establishing the 2012-2013 Ending Fund Balance as part of the 2012-2013 Mid-Year Budget Review, \$2.3 million in reductions to department personal services appropriations were approved as a result of vacancy savings. As the year progresses, expenditures will continue to be monitored closely to ensure they remain within budgeted levels.

In the City-Wide Expenses category, expenditures are tracking within estimated levels through February. With the adjustments made in the 2012-2013 Mid-Year Budget Review to increase the Workers' Compensation expenditures by \$1 million, expenditures are tracking within this revised budgeted estimate.

KEY GENERAL FUND EXPENDITURES

Department	2012-2013 Budget	YTD Actual	Prior YTD Actual
Police	\$ 293,447,580	\$ 176,389,485	\$ 183,166,114

On an overall basis, Police Department expenditures are tracking slightly below estimated levels and are expected to end the year with savings. Personal Services expenditures of \$164.3 million tracked under anticipated levels (61.5% compared to the par of 63.5%), and overtime expenditures of \$11.1 million through February tracked slightly under anticipated levels with 62.6% expended. Overtime has primarily been used to backfill for vacant patrol positions, expand targeted enforcement of high crime activity related to gangs through suppression cars, and provide funding to continue backgrounding efforts on an overtime basis until a contract was signed in early 2013. Several actions approved in the Annual Report increased the Department's overtime funding by \$3.9 million (from \$13.3 million to \$17.2 million) to ensure the Department has sufficient overtime resources in 2012-2013, based on discussions that occurred as part of the City Council Study Session on Public Safety on September 18, 2012. An additional action in the Mid-Year Budget Review reallocated additional salary savings of \$500,000 to overtime to allow the Department to continue targeted investigations such as seeking out persons who are prohibited from carrying guns but are known to have them in their possession as well as account for any increased need for targeted enforcement through the remainder of 2012-2013.

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Overtime consists of overtime expenditures and compensatory time. In addition to monitoring overall overtime usage, the Memorandum of Agreement with the Police Officer's Association limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of February 2013 was 161,115 hours for sworn personnel. This represents a slight increase of 530 hours (0.3%) from the December 2012 balance of 160,585, but a 2,092 hour decrease (1.3%) compared to the February 2012 balance of 163,207. The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

As of February, the Department had 1,109 authorized sworn staff, of which there were 62 sworn vacancies (5.6%) and 119 positions that were not filled with street ready personnel (10.7%). In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department is budgeted to conduct two Police Officer Recruit Academies, one in September 2012 and another one in April 2013. The Department had 43 recruits in the September 2012 academy and these Police Officers are anticipated to be street ready in July 2013. There are also 14 direct hire officers that completed an academy elsewhere and were eligible to immediately begin the Field Training Officer (FTO) program. These direct hire officers were anticipated to complete FTO in January 2013; however, they are now anticipated to complete FTO in June 2013 due to additional training needs. The April Academy is expected to start on April 15, 2013 with 50 recruits. It is anticipated that approximately 41 of these recruits will successfully complete the academy and the FTO programs and be street-ready by January 2014.

Of the 441 authorized non-sworn positions, the Department had 59 vacancies (13.4%) as of February. Within the non-sworn positions, the department has 161 positions in the Communications Unit (9-1-1 Emergency Dispatch Center), and, as of February, 26 (16.1%) positions were vacant. The Police Department and the Human Resources Department are closely working together to develop a strategy to fill the Communications vacancies as quickly as possible as well as other critical non-sworn vacancies within the Police Department. The Department plans to conduct three Basic Dispatcher Academies in 2013, in February, July, and November, as opposed to the usual two academies. The February Academy has 12 recruit dispatchers and call-takers, another 50 applicants are moving forward to the background phase for the July Academy, and the Department currently has approximately 1,600 applicants to screen for the November Academy.

A total of \$15.7 million (59.8%) of the Department's Non-Personal/Equipment budget was expended or encumbered through February. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$3.7 million, or 28.3% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

GENERAL FUND (CONT'D.)

Department	2012-2013 Budget	YTD Actual	Prior YTD Actual
Fire	\$155,074,123	\$95,619,319	\$ 97,616,764

Overall, expenditures for the Fire Department were tracking slightly lower than budgeted estimates through February, with 61.7% expended. Personal Services expenditures through February tracked lower than budgeted levels with \$91.2 million expended (62.2% compared to the par of 63.5%). The Fire Department's Non-Personal/Equipment budget of \$8.3 million was 67.5% expended or encumbered through February. Both appropriations are expected to end the year within their respective budgeted allocation.

Although personal services expenditure levels are tracking slightly below budgeted estimates primarily due to the time needed to hire the SAFER 2011 Firefighters, overtime expenditures of \$4.7 million are tracking above estimated levels (81.3% compared to the par of 63.5%). The daily deployment of Engine 29 has contributed to the increased overtime usage. Engine 29 is activated daily to mitigate the impact of the temporary relocation of Fire Station 5 personnel to Fire Station 34. Fire Station 5 has been temporarily closed while urgent repairs are completed. The Fire Department will continue to implement overtime control measures specifically as it relates to activities not related to filling minimum staffing requirements. The Department continues to manage daily staffing deployments to balance service needs with available resources, while ensuring that total personal services expenditures will remain within budgeted levels by year-end.

Through February, the Fire Department was staffed with 177 filled Firefighter Paramedic positions (164 front-line Firefighter Paramedics, 5 Supervisor Paramedics, and 8 Support Paramedics) compared to the 139 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 139 front-line Firefighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through February was 36. The authorized number of 33 sworn administrative staff was exceeded due to the temporary administrative assignment of 1.0 Firefighter and 1.0 Fire Captain who were assisting with the October 2012 Firefighter Recruit Academy. These temporary assignments ended on February 28. In addition, 3.0 Firefighters are on temporary administrative assignments. The Fire Department is currently evaluating their staffing allocation and anticipates reducing the number of sworn administrative staff by March to more closely align with authorized levels.

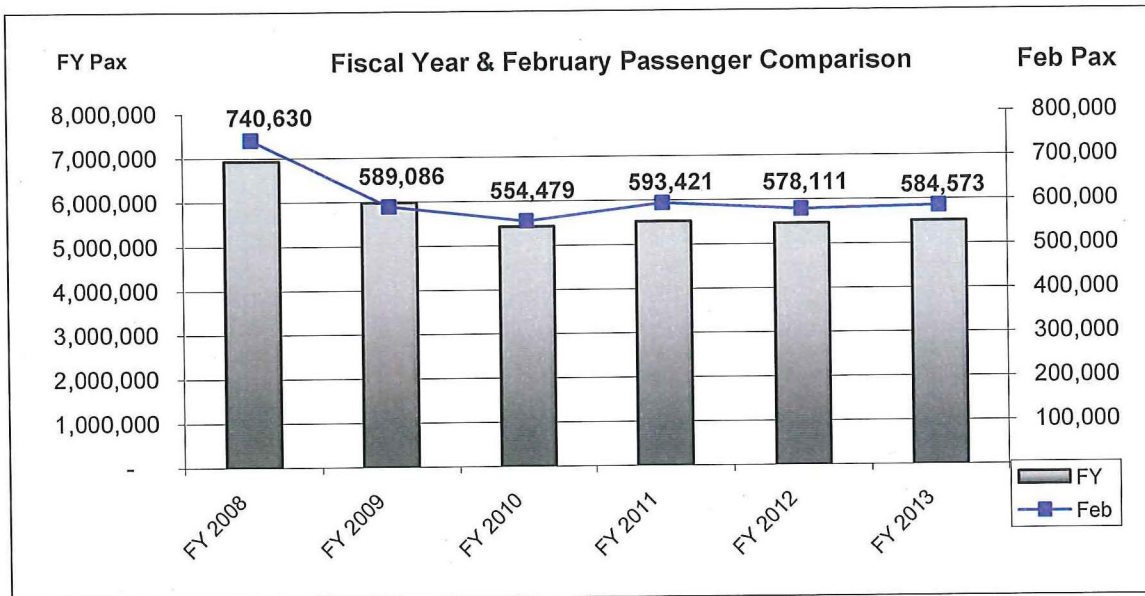
CONTINGENCY RESERVE

The General Fund Contingency Reserve remains at \$29.3 million through February, with no revisions recommended.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.5 million passengers, an increase of 1.0% from the figures reported through February of the prior year.



Traffic Operations (landings and takeoffs) trail the prior year by 0.3%, consistent with a drop in Landed Weights by 0.3%. Taxicab operations exceed last fiscal year by 1.4%, parking exits by 2.7%, and gallons of aviation fuel sold by 3.9%. Passenger Facility Charge (PFC) revenues were 0.9% higher than the same period of the prior year. Fiscal year-to-date mail, freight and cargo totaled 57.0 million pounds, which represents a 1.7% increase over the amount recorded through February of 2011-2012.

Overall, revenue performance at the Airport through February tracked above budgeted estimates by 3.0%. Airline rates and charges, primarily landing fees and terminal rentals, tracked slightly above the budget estimate, as did airfield revenues. Public parking also exceeded the estimated budget by 7% and the rental car concession revenues were tracking 3% higher than the prorated budget. Performance of the terminal concessions and miscellaneous rents category was tracking to meet the budget estimate while other general and non-aviation category performed above the budget estimate due to increased fuel flowage fees effective in November. Overall, operating expenditures were tracking within budget and savings are projected by year-end.

Construction and Conveyance Tax Funds

Continuing the trend experienced since mid 2011-2012, Construction and Conveyance (C&C) Tax revenues are experiencing strong growth compared to receipts from the prior fiscal year. Collections through February 2013 totaled \$20.8 million, which is 69.3% of the modified 2012-

OTHER FUNDS (CONT'D.)

2013 estimate of \$30.0 million. This collection level is up almost 57.6% from the \$13.2 million received through February 2012. The City has also received March Conveyance Tax receipts of \$1.7 million, which is consistent with the receipts received in March 2012. Based on the stronger than anticipated revenue collections at the end of 2011-2012 and through the first half of 2012-2013, the C&C Tax revenue estimate was increased from \$21.0 million to \$30.0 million as part of the 2012-2013 Mid-Year Budget Report. Collections are tracking to meet this modified budget estimate by year-end.

Nearly 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). As discussed in the Overview/Economic Environment section of this report, the strong performance in the housing market supports the higher collections in the C&C Tax receipts.

Other Construction-Related Revenues

Through February, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are up from 2011-2012 levels through the same period. Residential construction activity is significantly higher than prior year levels, and is primarily driven by new construction (2,051 new dwelling units in 2012-2013 vs. 1,226 in 2011-2012). While valuation for new residential construction is significantly higher than the prior year (\$289.9 million in 2012-2013 vs. \$209.2 million in 2011-2012), valuation for alteration activity is only marginally higher (\$51.7 million in 2012-2013 vs. \$48.1 million in 2011-2012). Overall construction valuation for industrial activity is also higher than the February 2012 level (\$141.1 million in 2012-2013 vs. \$87.7 million in 2011-2012), partially attributable to two four-story parking garages at Cisco's 3.3 million square-foot "Site 4" campus. Overall commercial activity is down from the February 2012 level due to lower alterations valuation (\$93.8 million vs. \$116.6 million) that is partially offset by higher new construction valuation (\$49.2 million in 2012-2013 vs. \$35.6 million in 2011-2012). These permit activities drive revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

- *Building and Structure Construction Tax* – Receipts through February totaled \$8.4 million. This collection level is up by 11.2% (\$850,000) from prior year collections through February, and the category is currently tracking to exceed the budgeted revenue estimate of \$10.0 million.
- *Construction Excise Tax* – Receipts through February totaled \$11.1 million. This collection level is up by 0.7% (\$80,000) from prior year collections through February, and the category is currently tracking to exceed the budgeted revenue estimate of \$13.0 million.

OTHER FUNDS (CONT'D.)

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San José's (TSJ) operation of the City's Convention and Cultural Facilities. Through February, operating revenues and expenses are tracking higher than TSJ's original projections due to greater than anticipated use of the cultural facilities, thereby increasing revenues and costs related to food and beverage and contract labor. This increased activity necessitated an increase to operating revenues and expenses as part of the 2012-2013 Mid-Year Budget Review by \$6.3 million and \$5.5 million, respectively.

Operating revenues have continued their strong pace, with TSJ collecting \$12.0 million through February. If collections remain at this level, revenues could exceed the already increased budgeted estimate of \$17.9 million by an additional \$3.1 million, which would bring the year-end total to \$21.0 million. With \$14.9 million expended through February, expenditures mimic the trajectory of revenues and could exceed budgeted estimate of \$2.18 million by an additional \$2.8 million, which would bring the year-end total to \$24.6 million. All other appropriations within the fund are tracking within anticipated levels.

The Ending Fund Balance in this fund is necessary to sustain operations through the expansion and renovation to the Convention Center, which is anticipated to have a negative impact to revenue collections during the construction period, as well as offset any prolonged periods of reduced activity. Renovation impacts have thus far been limited and actions included in the 2012-2013 Mid-Year Budget Review increased the fund balance from \$2.1 million to \$2.5 million. Activity through February and projections through year end, indicate that the fund will meet or exceed the City Council-approved goal of retaining an Ending Fund Balance of \$1.5 million at the end of the expansion/renovation project, now scheduled to complete in the fall of 2013.

Integrated Waste Management Fund

The Integrated Waste Management Fund receives revenues from various sources including residential solid waste generators under the Recycle Plus Collection Charges, New Market Tax Credit Reimbursements (NMTC), Lien-Related Charges, AB939 fees, Construction and Demolition Deposit Program, SB 332 Beverage Container Recycling payments, and various grants.

Through February, revenues totaled \$84.7 million, or 64.2% of budget. Although the majority of revenue sources in this fund are tracking to end the year at or above budgeted estimates, overall revenues are expected to the end the year \$7.9 million below budgeted levels primarily due to lower than expected NMTC proceeds scheduled to be received during the current fiscal year. As of February, reimbursements of only \$1.8 million of the \$10.9 million budgeted NMTC proceeds have been received, and it is estimated that only \$3.3 million will be received by year-end due to hazardous material abatement issues and construction delays of the Environmental Innovation

OTHER FUNDS (CONT'D.)

Center (EIC) project. Upon project completion, the City will be fully reimbursed for eligible project expenses, which is anticipated in 2013-2014.

Expenditures and encumbrances through February totaled \$120.6 million, or 85.1% of budget. There are projected 2012-2013 savings in various appropriations of approximately \$5.9 million. The majority of the savings is estimated to be in the Household Hazardous Waste Las Plumas Facility appropriation (\$2.0 million); Single-Family Recycle Plus, Multi-Family Recycle Plus and Yard Trimmings/Street Sweeping appropriations (\$1.2 million); Environmental Services Department (ESD) Personal Services (\$650,000), ESD Non-Personal/Equipment (\$578,000); and CEC grant (\$445,000). The Administration has also liquidated several prior year carry-over encumbrances totaling approximately \$700,000. These savings are not sufficient to offset the anticipated reduction in NMTC reimbursements that are projected to be received by year end. Upon completion of this project, which is anticipated in the fall 2013, remaining NMTC reimbursements will be received.

Overall, the fund balance is expected to decrease by approximately \$1.3 million. The Administration will recommend a year-end adjustment to lower the Reserve for Operations and Maintenance from \$4.3 million to \$3.0 million to temporarily offset this decrease until the grant revenues are received next year.

Transient Occupancy Tax Fund

Through February 2013, receipts recorded in the TOT Fund of \$7.7 million are 11.2% above the prior year collection level for the same period. Based on activity through December, the budget estimate for this category was increased from \$13.7 million to \$15.2 million as part of the 2012-2013 Mid-Year Budget Review, requiring growth of 12.8% from 2011-2012 actual collections. Receipts are tracking close to the budgeted estimate and will be closely monitored through the remainder of the year.

The 2012-2013 allocations to the three recipient organizations (Convention and Cultural Affairs Fund, Convention and Visitors Bureau, Cultural Grants/Programs and Services) are anticipated to be fully expended by the end of the year.

Through February, the average hotel occupancy rate at the 14 major hotels was 64.65%, a substantial improvement from the 58.93% occupancy rate for the same period in 2011-2012. For the same 14 hotels, the average daily room rate through February was \$135.36, up significantly from the \$124.93 room rate for the same period in 2011-2012. The year-to-date average revenue-per-available room (RevPAR) metric of \$87.76 represents an increase of 18.7% from the prior year level and is attributable to the combined effect of increased room rates and occupancy levels.

OTHER FUNDS (CONT'D.)

Public Works Program Support Fund

Revenues through February are tracking significantly lower than anticipated levels and are anticipated to end the year \$1.8 million below the estimate of \$14.4 million. The Public Works Program Support Fund is comprised of two major components, Program Support Costs and Compensated Absences. The Public Works Program Support Cost estimates are collected based on rates allocated through the Public Works Cost Allocation Plan (PWCAP) to collect an amount for the estimated Public Works support cost to each capital program. It is anticipated that the year end collection for the Public Works Program Support Costs will fall short of the \$7.1 million estimate by \$1.3 million. This shortfall is primarily due to lower than anticipated capital expenditures. The second major component of the Public Works Program Support Fund is Compensated Absences. The Compensated Absences estimates are collected based on rates that are developed using estimated absence costs and direct labor costs. Absence costs can fluctuate depending on when staff utilizes paid time off, which can result in substantial over or under collections. It is anticipated that the year end collection for the Compensated Absences will fall short of the \$7.2 million estimate by almost \$500,000.

Expenditures through February are tracking lower than anticipated due to savings in Personal Services as a result of vacancies in the Department and savings in Non-Personal/Equipment. Total expenditure savings of \$753,000 are projected by year-end.

The net shortfall for the Public Works Program Support Fund in the amount of \$1.0 million will be reflected in a decrease in the estimated 2012-2013 Ending Fund Balance in this fund (from \$1.4 million to \$343,000). Recommendations are anticipated to be brought forward through the 2013-2014 budget process in order to right-size this fund for both Public Works Program Support Costs and Compensated Absences.

CONCLUSION

Through February, the City's funds are generally performing within budgeted expectations. The 2012-2013 budget was built on the assumption that the economic recovery would continue in 2012-2013 with modest growth. Actual collection trends support this assumption, with some of the categories exceeding expectations. The development-related fees and taxes as well as the property-related Construction and Conveyance Taxes are continuing the strong performance that was experienced in 2011-2012 and are currently tracking to exceed the budgeted estimates. As appropriate, additional 2012-2013 Ending Fund Balance/2013-2014 Beginning Fund Balance will be allocated as part of the 2013-2014 Proposed Budget which would provide additional funds for allocation in the Proposed Budget.

As new information is received, any additional adjustments in the General Fund as well as other City funds resulting from actual 2012-2013 performance will be brought forward before the end

HONORABLE MAYOR AND CITY COUNCIL

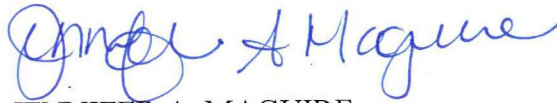
April 4, 2013

Subject: Bi-Monthly Financial Report for January/February 2013

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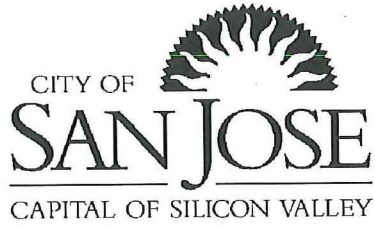
CONCLUSION (CONT'D.)

of the year. 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 Eight Months Ended February 28, 2013
Fiscal Year 2012-2013
(*UNAUDITED*)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Eight Months Ended February 28, 2013
Fiscal Year 2012-2013
(UNAUDITED)

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Finance Department, City of San José
Monthly Financial Report
Financial Results for the Eight Months Ended February 28, 2013
Fiscal Year 2012-2013
(UNAUDITED)

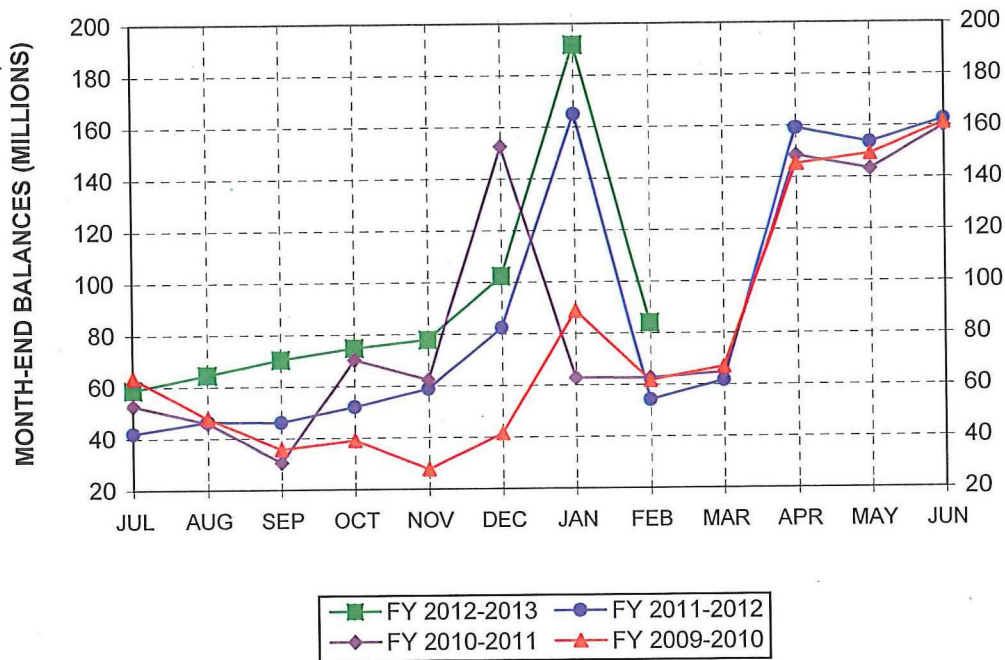
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Submitted by:


JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2012-2013	FY 2011-2012	FY 2010-2011	FY 2009-2010
JULY (1)	\$ 58,791,632	\$ 41,946,493	\$ 52,614,304	\$ 63,344,537
AUGUST	64,647,700	46,502,235	45,992,983	47,689,216
SEPTEMBER	70,484,194	46,218,737	30,525,385	35,662,298
OCTOBER	74,756,262	52,097,481	70,246,706	38,946,966
NOVEMBER	77,861,880	58,833,627	62,333,059	27,736,074
DECEMBER (2)	102,312,730	82,304,186	152,493,162	41,491,217
JANUARY (3)	191,822,297	164,958,541	62,749,463	88,749,418
FEBRUARY (3)	84,006,185	54,118,810	62,572,017	61,606,869
MARCH		61,586,562	64,768,564	66,979,823
APRIL (4)		159,137,277	148,465,097	145,213,763
MAY		153,526,766	143,186,930	149,064,276
JUNE		162,325,519	159,719,466	161,013,785

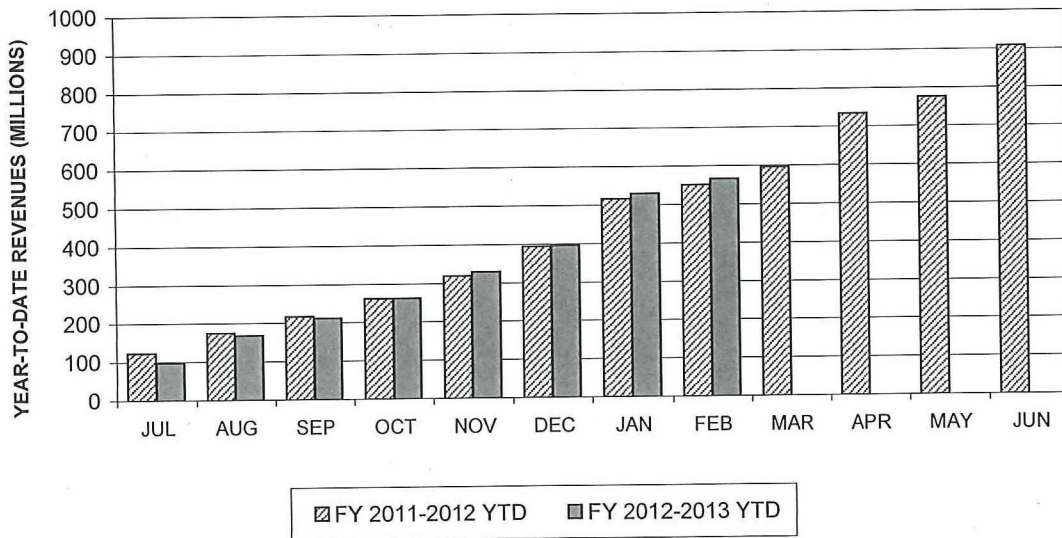
Note: (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

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

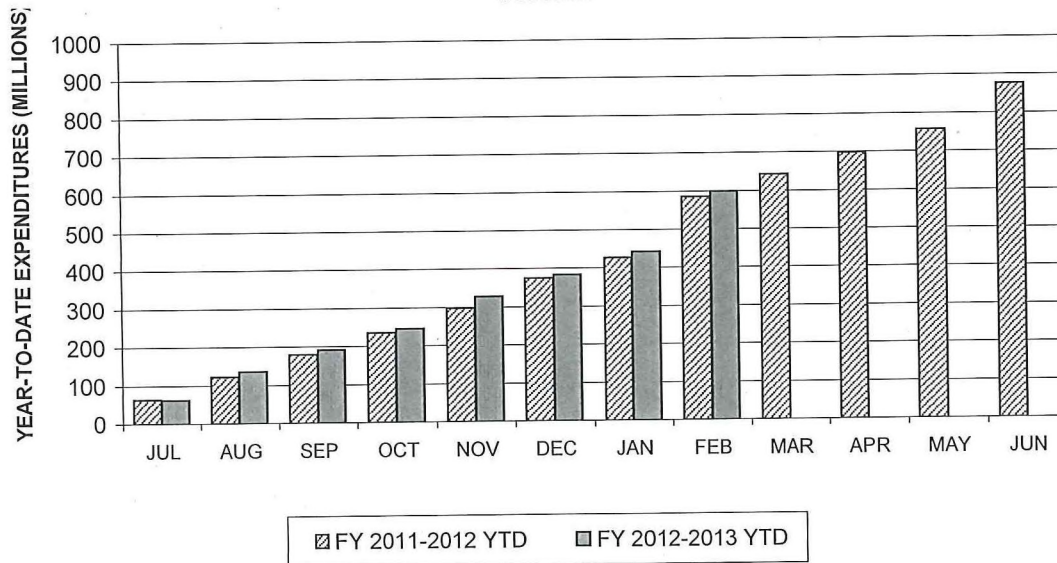
Note: (3) The General Fund cash balance decreases in January 2011, February 2012 and February 2013 was mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANS) of amounts between \$75 million and \$100 million.

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

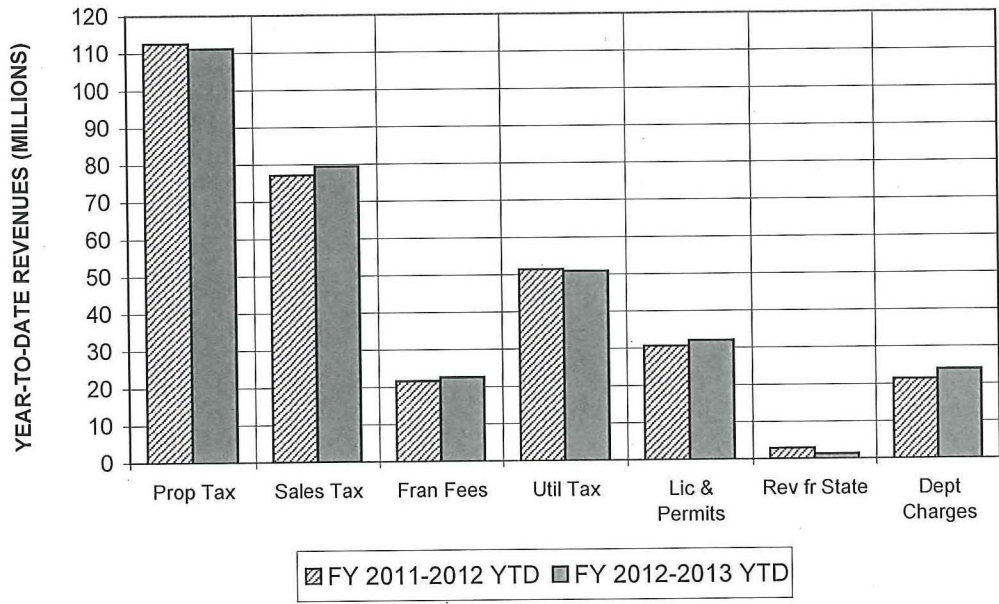
**GENERAL FUND
Comparison of YTD Revenues
Actual**



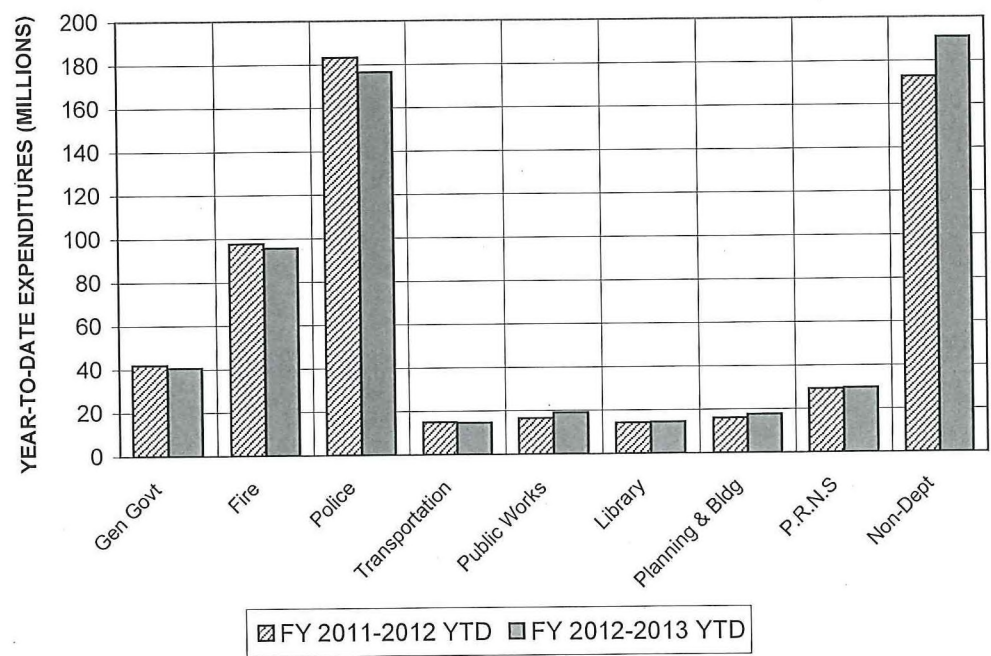
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Eight Months Ended February 28, 2013



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Eight Months Ended February 28, 2013



(1) Non-Departmental year-over-year variance is mainly due to the City's payment to the Successor Agency of the Redevelopment Agency (SARA) for the principal and first interest installment of the 2001F bond payment. This Convention Center Lease expenditure was not reflected in FY 2011-2012 and was not reflected in that year until June 2012.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
 (\$000's)

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	18,525	18,525	18,525	100.00%	19,956	113.03%	17,656	(1,431)	-7.17%
Liquidation of c/o Encumbrance Available Balance	155,467	12,833	-	168,300	168,300	100.00%	137,537	100.00%	137,537	30,763	22.37%
Total Fund Balance	155,467	12,833	18,525	186,825	186,825	100.00%	157,493	101.48%	155,193	29,332	18.62%
General Revenues											
Property Tax	202,925	(1)	-	202,924	111,228	54.81%	112,494	55.77%	201,712	(1,266)	-1.13%
Sales Tax (1)	152,680	8,590	-	161,270	79,379	49.22%	77,046	50.02%	154,027	2,333	3.03%
Telephone Line Tax	20,525	-	-	20,525	12,036	58.64%	11,936	58.14%	20,529	100	0.84%
Transient Occupancy Tax	8,715	1,385	-	10,100	5,171	51.20%	4,639	51.64%	8,984	532	11.47%
Franchise Fees	43,625	-	-	43,625	22,513	51.61%	21,626	51.85%	41,709	887	4.10%
Utility Tax	91,855	(882)	-	90,973	50,962	56.02%	51,319	56.78%	90,383	(357)	-0.70%
Business Taxes	40,550	1,850	-	42,400	27,715	65.37%	26,014	63.24%	41,134	1,701	6.54%
Licenses and Permits	37,813	1,281	-	39,094	31,964	81.76%	30,593	69.79%	43,838	1,371	4.48%
Fines, Forfeits and Penalties	16,708	(1,250)	-	15,458	8,968	58.02%	11,042	60.15%	18,358	(2,074)	-18.78%
Use of Money and Property	2,911	-	-	2,911	2,248	77.22%	2,255	73.74%	3,058	(7)	-0.31%
Revenue from Local Agencies	29,250	8,574	-	37,824	12,819	33.89%	8,419	28.05%	30,017	4,400	52.26%
Revenue from State of Cal.	10,747	1,793	-	12,540	1,318	10.51%	2,813	19.51%	14,419	(1,495)	-53.15%
Revenue from Federal Government	16,611	6,575	-	23,186	9,208	39.71%	7,605	38.60%	19,700	1,603	21.08%
Departmental Charges (2)	32,126	809	-	32,935	23,873	72.49%	21,322	62.21%	34,276	2,551	11.96%
Other Revenues	16,270	105,493	-	121,763	118,723	97.50%	110,801	95.34%	116,221	7,922	7.15%
Total General Revenues	723,311	134,217	-	857,528	518,125	60.42%	499,924	59.63%	838,365	18,201	3.64%
Transfers & Reimbursements											
Overhead Reimbursements	32,349	-	-	32,349	27,018	83.52%	27,319	84.21%	32,441	(301)	-1.10%
Transfers from Other Funds	18,998	1,120	-	20,118	14,100	70.09%	16,594	76.45%	21,706	(2,494)	-15.03%
Reimbursements for Services	15,685	(500)	-	15,185	7,245	47.71%	7,940	51.36%	15,459	(695)	-8.75%
Total Transfers & Reimburse	67,032	620	-	67,652	48,363	71.49%	51,853	74.50%	69,606	(3,490)	-6.73%
Total Sources	945,810	147,670	18,525	1,112,005	753,313	67.74%	709,270	66.71%	1,063,164	44,043	6.21%

(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 2012-2013 positive cumulative impact through February 2013 is approximately \$1.8 million.
 (2) - See Supplemental Schedule on Page 7.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)	PRIOR YTD % OF PRIOR YEAR-END		PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL	ENCUMBR			ACTUAL	ACTUAL			
General Government													
Mayor and Council	\$ 11,022	(250)	16	10,788	5,276	40	48.91%	5,479	64.74%	8,463	(203)	-3.71%	
City Attorney	12,114	(9)	186	12,291	6,728	227	54.74%	7,126	65.79%	10,832	(398)	-5.59%	
City Auditor	2,011	(13)	6	2,004	1,179	13	60.83%	1,174	65.92%	1,781	45	3.83%	
City Clerk	2,069	(1)	-	2,068	1,153	106	55.75%	1,030	61.97%	1,662	123	11.94%	
City Manager	10,759	(531)	538	10,766	5,991	694	55.65%	5,994	61.82%	9,696	1 (3)	-0.05%	
Finance	12,276	411	227	12,914	7,225	616	55.95%	6,825	62.46%	10,927	400	5.86%	
Information Technology	13,362	(478)	2,066	14,950	5,977	2,441	39.98%	7,269	60.81%	11,953	(1,292)	-17.77%	
Human Resources	5,982	10	25	6,017	3,262	679	54.21%	3,301	61.53%	5,365	(39)	-1.18%	
Independent Police Auditor	1,066	(1)	1	1,066	605	1	56.75%	586	62.74%	934	19	3.24%	
Office of Economic Development	5,255	5	295	5,555	3,110	625	55.99%	3,158	70.74%	4,464	(48)	-1.52%	
Total General Government	75,916	(857)	3,360	78,419	40,546	5,442	51.70%	41,942	63.47%	66,077	(1,396)	-3.33%	
Public Safety													
Fire	151,324	3,202	548	155,074	95,619	1,222	61.66%	97,617	63.47%	153,790	(1,998)	-2.05%	
Police	294,753	(2,803)	1,498	293,448	176,389	3,581	60.11%	183,166	63.45%	288,670	(6,777)	-3.70%	
Total Public Safety	446,077	399	2,046	448,522	272,008	4,803	60.65%	280,783	63.46%	442,460	(8,775)	-3.13%	
Capital Maintenance													
Transportation	25,906	(14)	728	26,620	14,540	1,016	54.62%	14,969	61.81%	24,218	(429)	-2.87%	
Public Works	30,600	155	294	31,049	19,070	1,749	61.42%	16,446	62.01%	26,523	2,624	15.96%	
Total Capital Maintenance	56,506	141	1,022	57,669	33,610	2,765	58.28%	31,415	61.91%	50,741	2,195	6.99%	
Community Service													
Housing	254	-	-	254	150	-	59.06%	(1)	0.00%	-	151	100.00%	
Library	24,031	(74)	133	24,090	14,452	323	59.99%	14,160	64.60%	21,920	292	2.06%	
Planning, Bldg & Code Enf.	33,927	593	195	34,715	17,697	976	50.98%	16,075	62.41%	25,759	1,622	10.09%	
Park, Rec & Neigh Svcs	49,381	467	230	50,078	29,665	3,866	59.24%	29,170	62.06%	47,003	495	1.70%	
Environmental Services	428	10	24	462	229	45	49.57%	267	68.64%	389	(38)	-14.23%	
Total Community Services	108,021	996	582	109,599	62,193	5,210	56.75%	59,671	62.76%	95,071	2,522	4.23%	
Total Dept. Expenditures	\$ 686,520	679	7,010	694,209	408,357	18,220	58.82%	413,811	63.24%	654,349	(5,454)	-1.32%	

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)

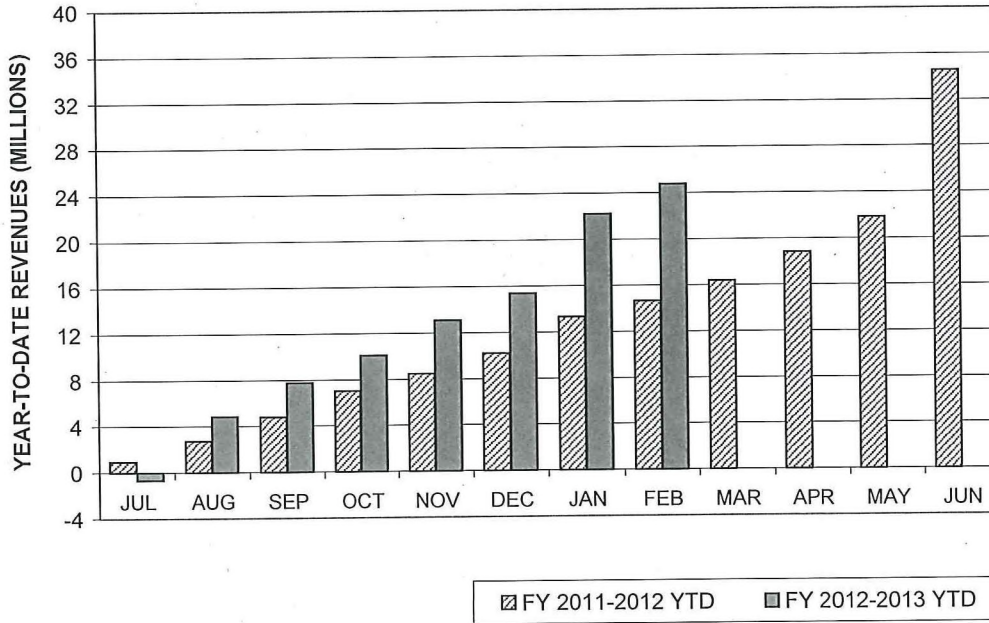
ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)	PRIOR YEAR-END		CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
				ACTUAL	ENCUMBR			BUDGETARY BASIS	ACTUAL		
Non-Dept Expenditures											
City-wide Expenditures:											
Econ & Neighborhood Develop.	\$ 21,744	575	22,577	15,832	1,015	70.12%	4,708	23,126	11,124	236.28%	
Environmental & Utility Services	5,951	539	6,553	2,876	699	43.89%	3,479	5,398	(603)	-17.33%	
Public Safety	19,815	3,574	24,181	12,623	2,225	52.20%	13,059	22,390	(436)	-3.34%	
Recreation & Cultural Services	7,592	2,482	10,281	3,951	2,987	38.43%	4,403	7,975	(452)	-10.27%	
Transportation Services	7,776	(350)	7,685	2,570	1,031	33.44%	2,637	4,612	(67)	-2.54%	
Strategic Support (2)	46,985	115,592	5,784	118,441	6,727	70.35%	111,802	123,744	6,639	5.94%	
Total City-wide Expenditures	109,863	122,412	239,638	156,293	14,684	65.22%	140,088	187,245	16,205	11.57%	
Other Non-Dept Expenditures:											
Capital Improvements	15,640	919	20,711	5,463	1,410	26.38%	2,822	5,571	2,641	93.59%	
Transfers to Other Funds	39,387	(10,378)	29,009	29,002	-	99.98%	29,814	30,222	(812)	-2.72%	
Other Operating Expenditures	-	282	282	31	2	10.99%	-	-	31	100.00%	
Total Non-Dept Expenditures	164,890	113,235	289,640	190,789	16,096	65.87%	172,724	223,038	18,065	10.46%	
Reserves											
Contingency Reserves	29,309	-	29,309	-	-	0.00%	-	-	-	0.00%	
Earmarked Reserves	65,091	33,756	98,847	-	-	0.00%	-	-	-	0.00%	
Total Reserves	94,400	33,756	128,156	-	-	0.00%	-	-	-	0.00%	
Total Uses	\$ 945,810	147,670	1,112,005	599,146	34,316	53.88%	586,535	877,387	12,611	2.15%	

(1) Does not include encumbrance balance.

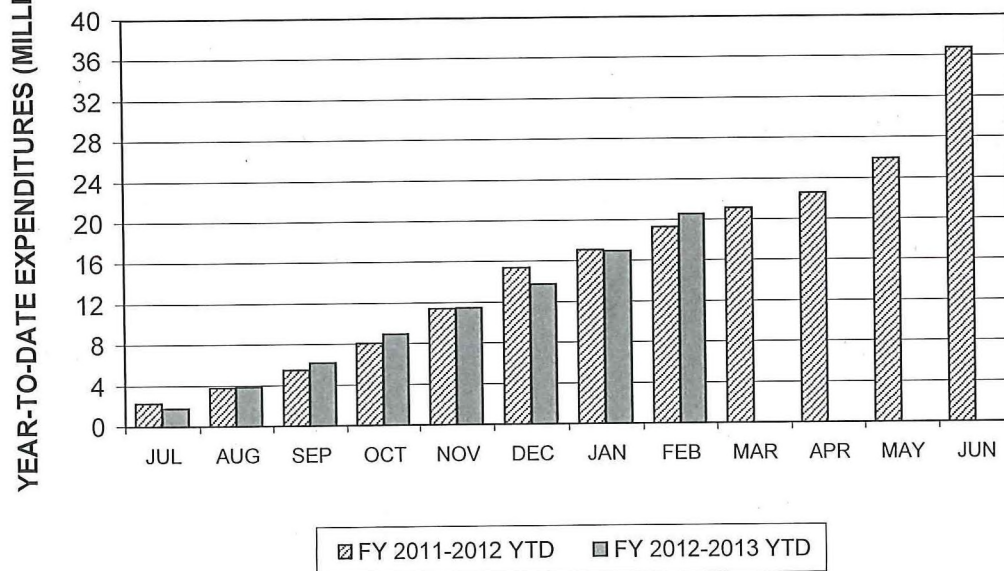
CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD %		PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
								OF PRIOR YEAR-END ACTUAL	ACTUAL			
Police	1,436	-	-	1,436	747	52.02%	1,066	70.32%	1,516	(319)	-29.92%	
Public Works	5,650	385	-	6,035	4,934	81.76%	4,137	56.98%	7,261	797	19.27%	
Transportation	1,135	-	-	1,135	996	87.75%	856	66.10%	1,295	140	16.36%	
Library	1,305	-	-	1,305	599	45.90%	626	53.37%	1,173	(27)	-4.31%	
Planning, Bldg & Code Enf	2,600	-	-	2,600	2,178	83.77%	1,646	57.05%	2,885	532	32.32%	
Parks Rec & Neigh Svcs	14,450	424	-	14,884	10,230	68.73%	9,313	63.56%	14,652	917	9.85%	
Miscellaneous Dept Charges	5,540	-	-	5,540	4,189	75.61%	3,678	66.95%	5,494	511	13.89%	
Total Departmental Revenues \$	32,126	809	-	32,935	23,873	72.49%	21,322	62.21%	34,276	2,551	11.96%	

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

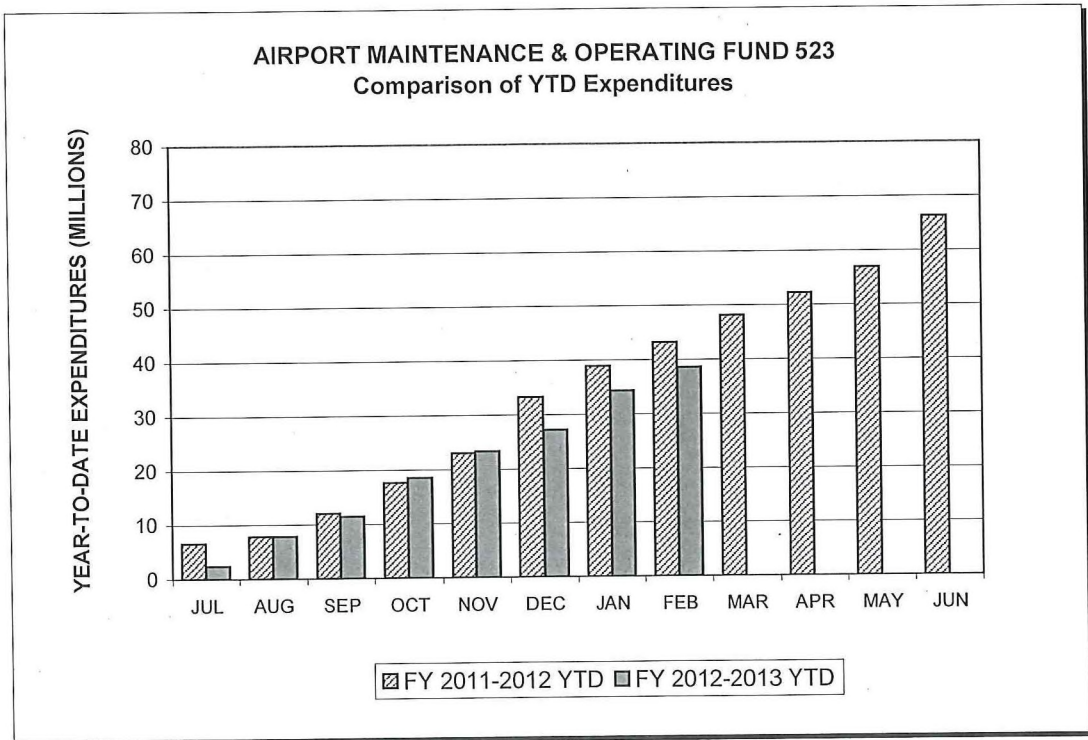
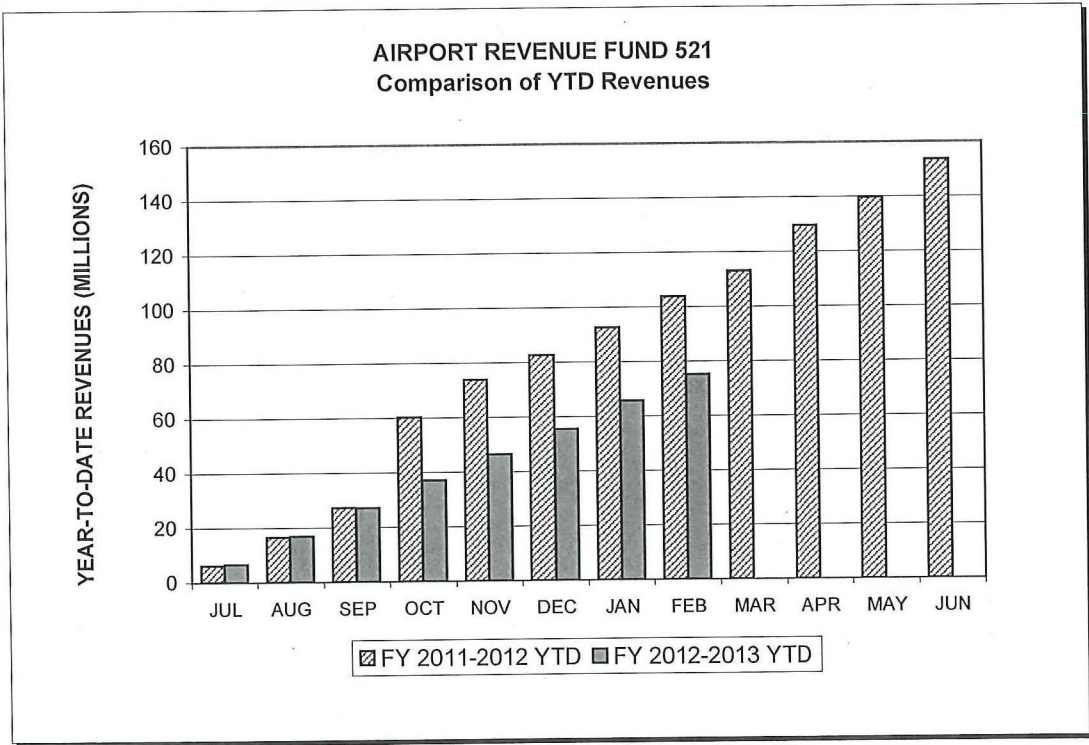


**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



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

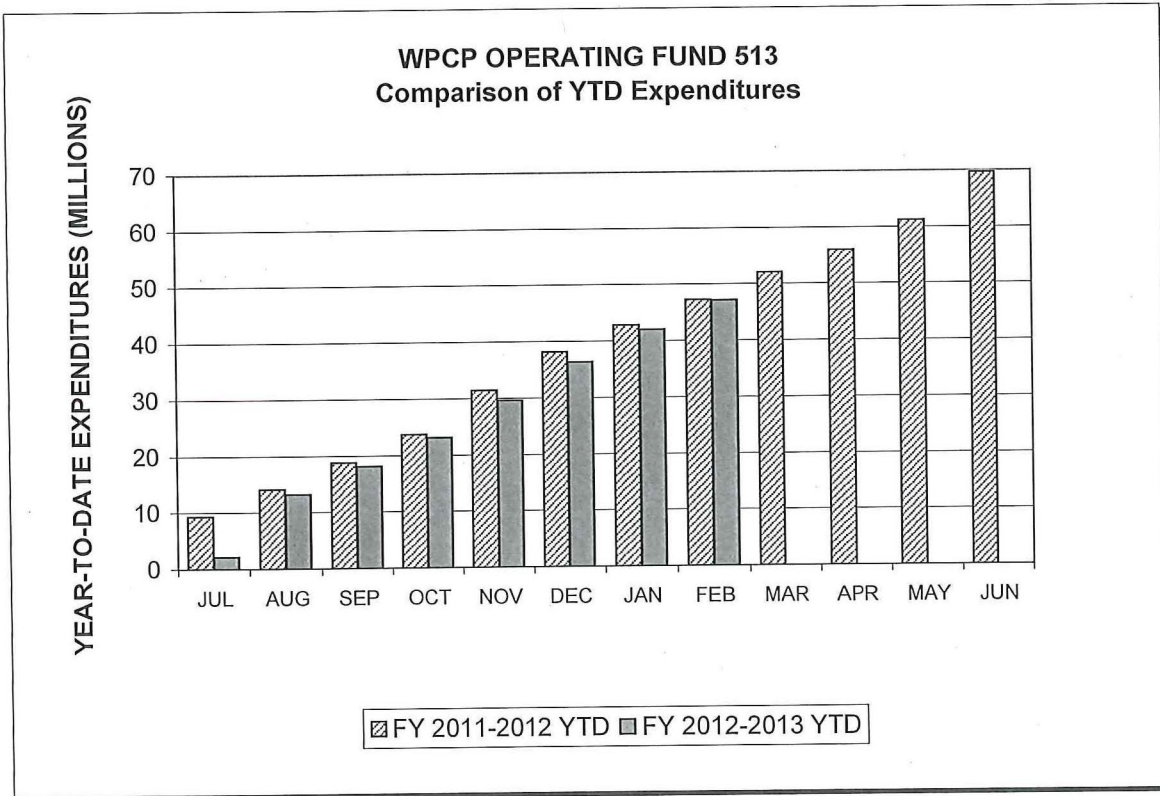
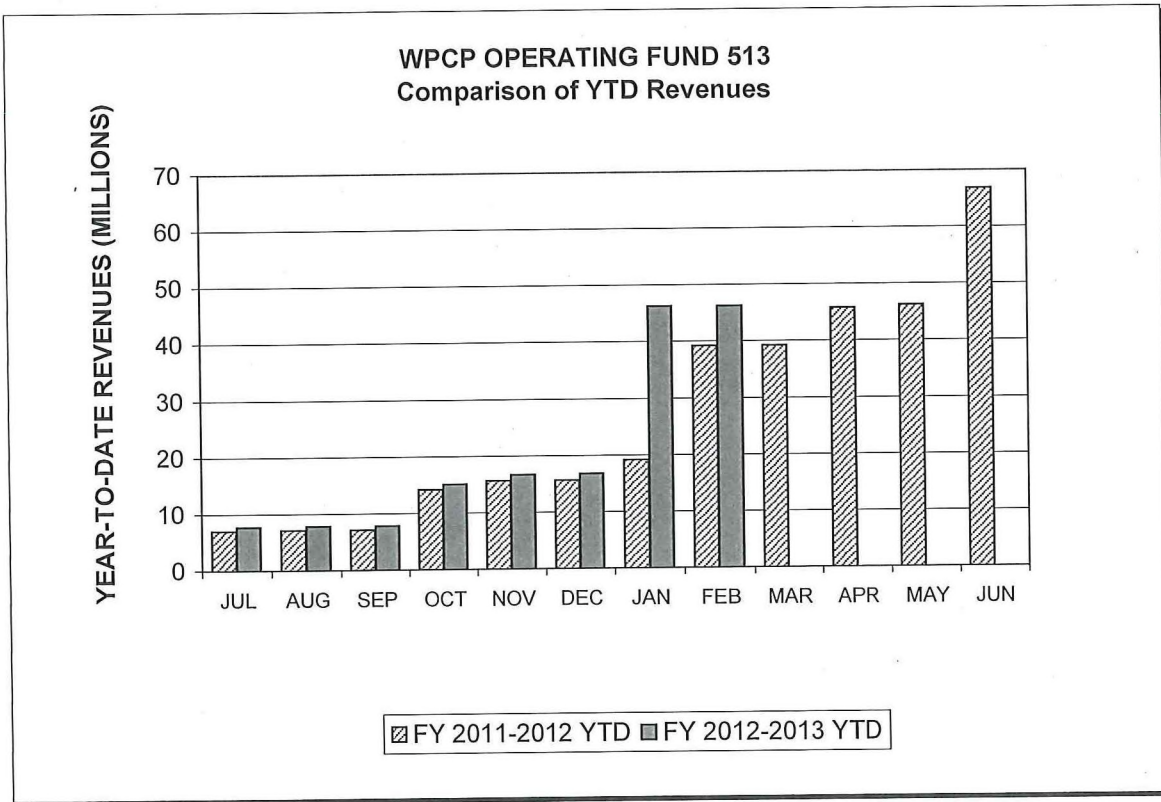
Increase in Revenues year over year is mainly due to a \$7.57 million increase in Construction and Conveyance Tax Collections and \$2.51 million increase in transfers from other funds.



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

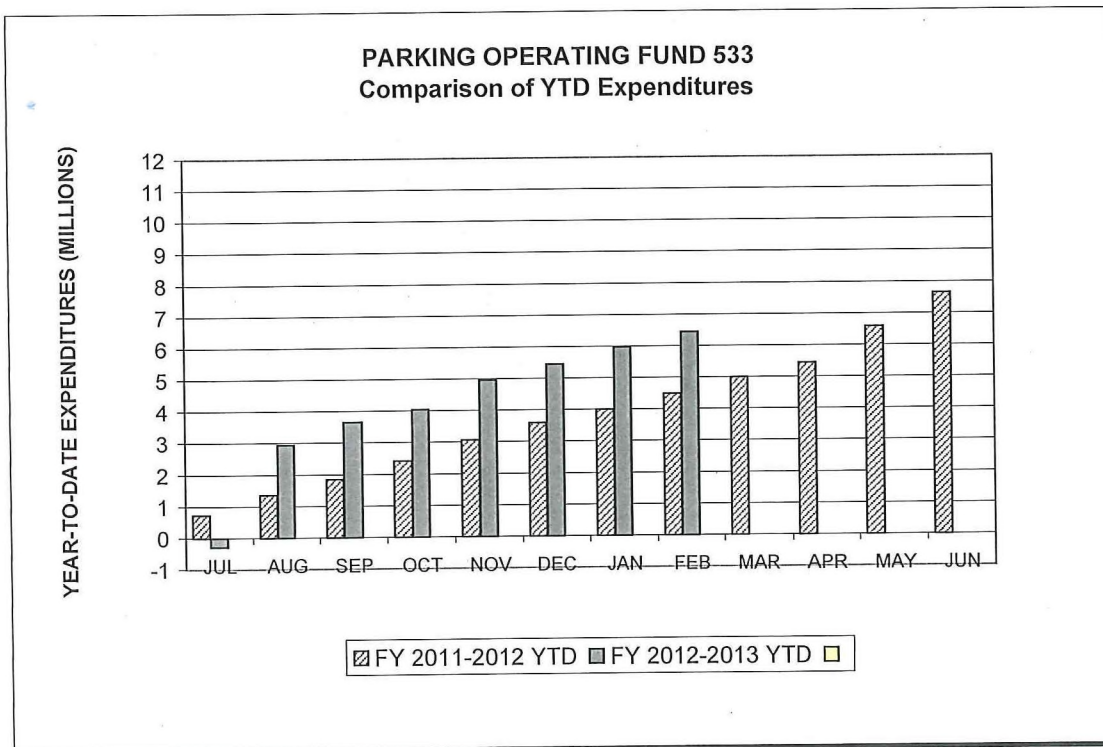
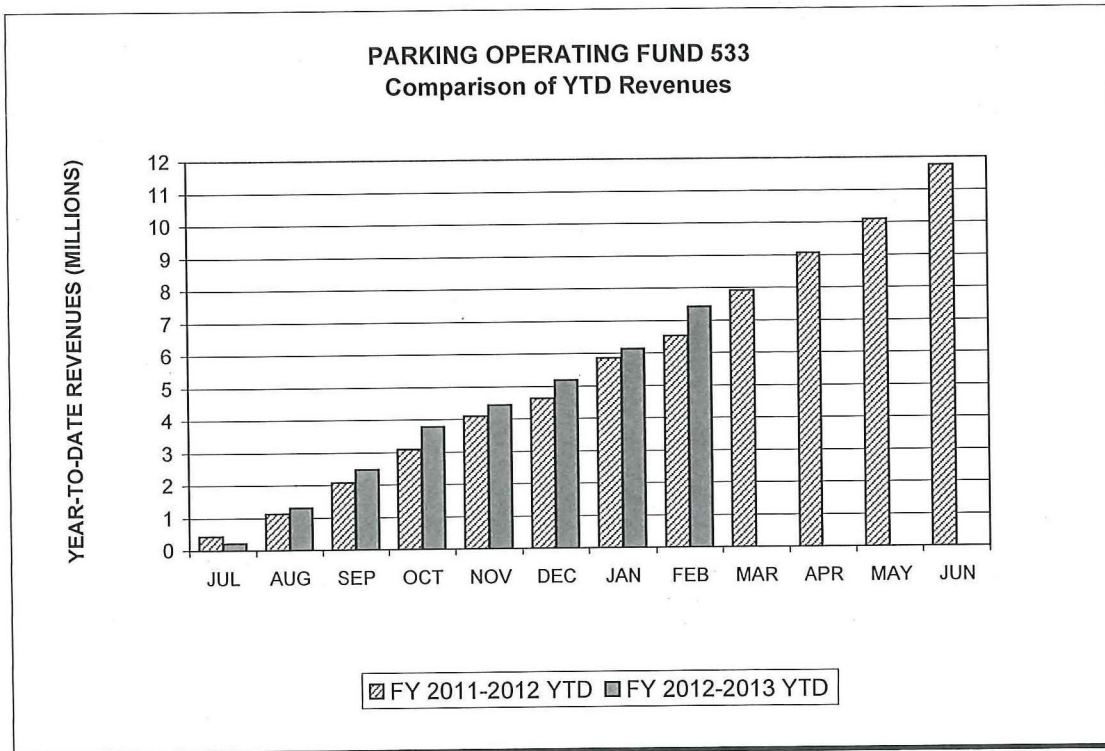
Low Expenditures in July 2012 were caused by a combination of two factors: 1) the reversal of FY 2011-2012 year-end accrued expenditures that exceeded the amount of actual year-end expenditures and 2) the timing of the payment of July expenditures in August.

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



Low Expenditures in July 2012 were caused by a combination of two factors: 1) the reversal of FY 2011-2012 year-end accrued expenditures that exceeded the amount of actual year-end expenditures and 2) the timing of the payment of July expenditures in August.

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



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

The increase in Parking Expenditures in August 2012 was due to a \$1.68 million payment made to the Successor Agency of the Redevelopment Agency that was used to pay the debt service on the Series 2001A bond.

Note: The graphs above are only for the Parking operating fund (533).

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	3,862	3,862	3,862	N/A	7,585
Beginning Fund Balance	52,553	22,034	-	74,587	74,587	N/A	70,785
Revenues	27,346	23,082	-	50,428	24,795	N/A	14,672
Total Sources	79,899	45,116	3,862	128,877	103,244	N/A	93,042
Total Uses	79,899	45,116	3,862	128,877	20,548	7,287	19,299
Airport (1)							
Prior Year Encumbrance	-	-	7,475	7,475	7,475	N/A	12,481
Beginning Fund Balance	370,663	(32,092)	-	338,571	338,571	N/A	423,647
Revenues	340,377	(2,949)	-	337,428	200,398	N/A	198,293
Total Sources	711,040	(35,041)	7,475	683,474	546,444	N/A	634,421
Total Uses	711,040	(35,041)	7,475	683,474	212,597	16,660	188,922
Waste Water Treatment (2)							
Prior Year Encumbrance	-	-	30,226	30,226	30,226	N/A	43,841
Beginning Fund Balance	246,362	32,958	-	279,320	279,320	N/A	243,067
Revenues	275,183	74	-	275,257	220,744	N/A	216,105
Total Sources	521,545	33,032	30,226	584,803	530,290	N/A	503,013
Total Uses	521,545	33,032	30,226	584,803	150,246	38,664	150,725
Parking							
Prior Year Encumbrance	-	-	712	712	712	N/A	1,005
Beginning Fund Balance	11,524	1,783	-	13,307	13,307	N/A	10,712
Revenues	10,456	669	-	11,125	7,430	N/A	6,539
Total Sources	21,980	2,452	712	25,144	21,449	N/A	18,256
Total Uses	\$ 21,980	2,452	712	25,144	6,453	2,776	4,497
Municipal Water							
Prior Year Encumbrance	\$ -	-	891	891	891	N/A	1,563
Beginning Fund Balance	13,545	2,340	-	15,885	15,885	N/A	15,206
Revenues	31,803	-	-	31,803	24,916	N/A	23,879
Total Sources	45,348	2,340	891	48,579	41,692	N/A	40,648
Total Uses	45,348	2,340	891	48,579	20,370	1,704	20,479

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

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

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2012-2013	BUDGET		FY 2012-2013	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Gas Tax							
Revenues	15,000	-	-	15,000	7,018	N/A	7,537
Total Sources	15,000	-	-	15,000	7,018	N/A	7,537
Total Uses	15,000	-	-	15,000	7,018	0	7,537
Building and Structures							
Prior Year Encumbrance	-	-	3,322	3,322	3,322	N/A	3,718
Beginning Fund Balance	11,597	2,790	-	14,387	14,387	N/A	13,869
Revenues	20,073	1,061	-	21,134	10,738	N/A	10,984
Total Sources	31,670	3,851	3,322	38,843	28,447	N/A	28,571
Total Uses	31,670	3,851	3,322	38,843	6,631	4,433	12,899
Residential Construction							
Beginning Fund Balance	1,074	184	-	1,258	1,258	N/A	1,108
Revenues	102	-	-	102	204	N/A	157
Total Sources	1,176	184	-	1,360	1,462	N/A	1,265
Total Uses	\$ 1,176	184	-	1,360	25	0	22
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	116	116	116	N/A	176
Beginning Fund Balance	2,206	2,093	-	4,299	4,299	N/A	3,840
Revenues	13,081	2,076	-	15,157	7,788	N/A	6,968
Total Sources	15,287	4,169	116	19,572	12,203	N/A	10,984
Total Uses	15,287	4,169	116	19,572	8,508	1,669	7,962
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	368	368	368	N/A	495
Beginning Fund Balance	7,654	872	-	8,526	8,526	N/A	8,422
Revenues	27,826	8,398	-	36,224	12,559	N/A	12,438
Total Sources	35,480	9,270	368	45,118	21,453	N/A	21,355
Total Uses	35,480	9,270	368	45,118	17,876	758	14,677

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR	
	FY 2012-2013	BUDGET		FY 2012-2013	ACTUAL	ENCUMBR	Y-T-D	
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL	
Golf								
Prior Year Encumbrance	-	-	-	-	-		N/A	5
Beginning Fund Balance	328	47	-	375	375		N/A	301
Revenues	2,375	-	-	2,375	2,201		N/A	2,205
Total Sources	<u>2,703</u>	<u>47</u>	<u>-</u>	<u>2,750</u>	<u>2,576</u>		<u>N/A</u>	<u>2,511</u>
Total Uses	<u>2,703</u>	<u>47</u>	<u>-</u>	<u>2,750</u>	<u>2,143</u>	<u>0</u>		<u>2,129</u>
Other Funds								
Prior Year Encumbrance	-	-	29,439	29,439	29,439		N/A	32,824
Beginning Fund Balance	186,132	16,989	-	203,121	203,121		N/A	199,381
Revenues	399,756	8,272	-	408,028	258,165		N/A	295,344
Total Sources	<u>585,888</u>	<u>25,261</u>	<u>29,439</u>	<u>640,588</u>	<u>490,725</u>		<u>N/A</u>	<u>527,549</u>
Total Uses	<u>\$ 585,888</u>	<u>25,261</u>	<u>29,439</u>	<u>640,588</u>	<u>210,557</u>	<u>86,746</u>		<u>284,825</u>

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2012-2013 BUDGET	BUDGET AMENDMENTS		FY 2012-2013 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	2,492	2,492	2,492	N/A	8,203
Beginning Fund Balance	35,268	11,208	-	46,476	46,476	N/A	27,924
Revenues	42,294	13,996	-	56,290	29,313	N/A	23,756
Total Sources	77,562	25,204	2,492	105,258	78,281	N/A	59,883
Total Uses	77,562	25,204	2,492	105,258	25,714	10,209	19,948
Redevelopment Projects							
Prior Year Encumbrance	-	-	37	37	37	N/A	213
Beginning Fund Balance	-	2	-	2	2	N/A	1,297
Revenues	-	-	-	-	-	N/A	153
Total Sources	-	2	37	39	39	N/A	1,663
Total Uses	-	2	37	39	24	13	299
Other							
Prior Year Encumbrance	-	-	1,377	1,377	1,377	N/A	5,235
Beginning Fund Balance	53,165	(152)	-	53,013	53,013	N/A	58,745
Revenues	14,233	950	-	15,183	3,936	N/A	2,145
Total Sources	67,398	798	1,377	69,573	58,326	N/A	66,125
Total Uses	\$ 67,398	798	1,377	69,573	6,657	14,582	7,103

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2012-2013 BUDGET	BUDGET AMENDMENTS		FY 2012-2013 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Trust and Agency							
Prior Year Encumbrance	\$ -	-	2	2	2	N/A	-
Beginning Fund Balance	4,106	(295)	-	3,811	3,811	N/A	2,397
Revenues	80	371	-	451	594	N/A	1,069
Total Sources	<u>4,186</u>	<u>76</u>	<u>2</u>	<u>4,264</u>	<u>4,407</u>	<u>N/A</u>	<u>3,466</u>
Total Uses	<u>\$ 4,186</u>	<u>76</u>	<u>2</u>	<u>4,264</u>	<u>420</u>	<u>65</u>	<u>235</u>