



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR JULY/AUGUST 2013

DATE: October 9, 2013

Approved

Date

10/9/13

The Bi-Monthly Financial Report for July/August 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 2013-2014 Budget and the Finance Department has prepared a report that reflects the financial results for the two months ending August 2013.

OVERVIEW

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

- While it is very early in the fiscal year, overall revenues appear to be tracking within estimated levels in the General Fund. As part of City Council's review of the 2012-2013 Annual Report on October 8, 2013, several revenue estimate increases were approved, including the following major adjustments:
 - An upward adjustment of \$2.4 million to the Sales Tax estimate to reflect actual third and fourth quarter 2012-2013 performance that was up 7% and 4%, respectively, compared to the estimate of 3%. From this higher base, a 3% growth assumption has been applied, which is slightly lower than the 4% growth factor used in the 2013-2014 Adopted Budget, but is consistent with the most recent forecast provided by the City's Sales Tax consultant, MuniServices. It is anticipated that a portion of the growth in 2013-2014 will be generated from the Business Cooperation Program;
 - An upward adjustment of \$10.3 million to recognize reimbursement from the Successor Agency to the Redevelopment Agency for City financial support in 2012-2013 that was originally anticipated to be received last year but is now expected to be received in 2013-2014;
 - A net decrease to Transfers and Reimbursements of \$243,000 to reflect the net impact of a reduction in reimbursements from the Airport Operating and Maintenance Fund overhead reimbursements (\$420,000) and additional proceeds from the final close-out of select special funds (\$177,000); and

OVERVIEW (CONT'D.)

- Several net-zero transactions to reflect changes to various grants and reimbursements (\$2.0 million).

- Overall, departments are tracking within budgeted levels through August. While a few departments are tracking slightly above estimated levels, they will continue to be monitored and appropriation adjustments will be brought forward for City Council consideration if necessary. While the Police Department expenditures were tracking within estimated levels through August, the 2012-2013 Annual Report included budget actions to increase the overtime budget by \$2.2 million (from \$15.9 to \$18.1 million), which is approximately equivalent to the overtime expenditures for 2012-2013. This funding will primarily help expand targeted enforcement of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, graffiti, and high profile investigations. This additional funding was provided by reallocating \$1.5 million in anticipated vacancy savings from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation and by rebudgeting \$750,000 in Police Department savings from 2012-2013 to 2013-2014.

- 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 2012-2013 and are currently tracking to meet or exceed the budgeted estimates. Construction and Conveyance Tax collections are also experiencing solid growth and are also on track to exceed the budgeted estimate.

- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 1.64 million passengers through the first two months of the fiscal year, an increase of 6.0% from the figures reported through August of the prior year (\$1.55 million) and compared to a 1.5% passenger activity forecast.

- In the Silicon Valley, economic growth continues with median home prices up 23% from the same time last year, and unemployment rates remaining below both State and national levels. The Administration will closely monitor the performance of the City's economically sensitive revenues to identify any changes in collection trends as appropriate.

- The Administration will continue to report to the City Council any and all significant developments through future Bi-Monthly Financial Reports and the 2013-2014 Mid-Year Budget Review.

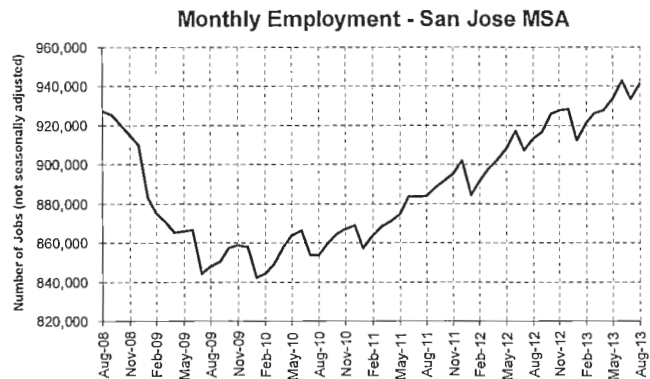
OVERVIEW (CONT'D.)

Economic Environment

The Silicon Valley continues to show moderate economic growth with increasing housing prices, a declining unemployment rate, and increasing development activity.

A number of the economic indicators show improvement from the same period a year ago. Employment indicators, residential, commercial and industrial permit activity, median single-family home prices and average days-on market, have all improved.

The August 2013 employment level in the San Jose Sunnyvale Santa Clara Metropolitan Statistical Area (San Jose MSA) of 941,300 was 3.1% above the August 2012 level of 913,400 though falls slightly below the recent peak of 942,900 in June 2013.



Unemployment Rate (Unadjusted)

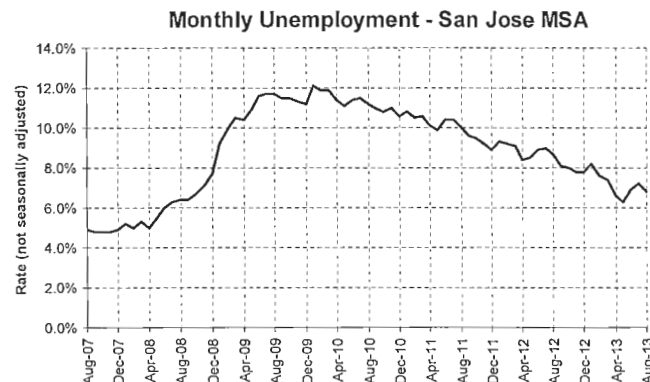
	Aug. 2012	Jul. 2013	Aug. 2013**
San Jose Metropolitan Statistical Area*	8.7%	7.2%	6.8%
State of California	10.4%	8.7%	8.8%
United States	8.2%	7.4%	7.3%

* San Benito and Santa Clara Counties
 Source: California Employment Development Department.
 ** August 2013 estimates are preliminary and may be updated.

State (8.8%) and the nation, which has a current unadjusted unemployment rate of 7.3%.

Through August, permit activity is tracking well above the prior year in all categories. Residential construction activity is higher than prior year levels, and is primarily driven by new construction (604 new dwelling units in 2013-2014 vs. 464 in 2012-2013). Valuation for new residential construction is higher than the prior year

The unemployment rates at the local, State, and national levels continue to show improvement, but remain high compared to “normal levels.” In August 2013, the unemployment rate for the San Jose Metropolitan Statistical Area of 6.8% represents a slight decline from the July 2013 rate of 7.2% and is well below the 8.7% rate experienced a year ago. In this region, the August 2013 unemployment rate is less than the unadjusted unemployment rate for the

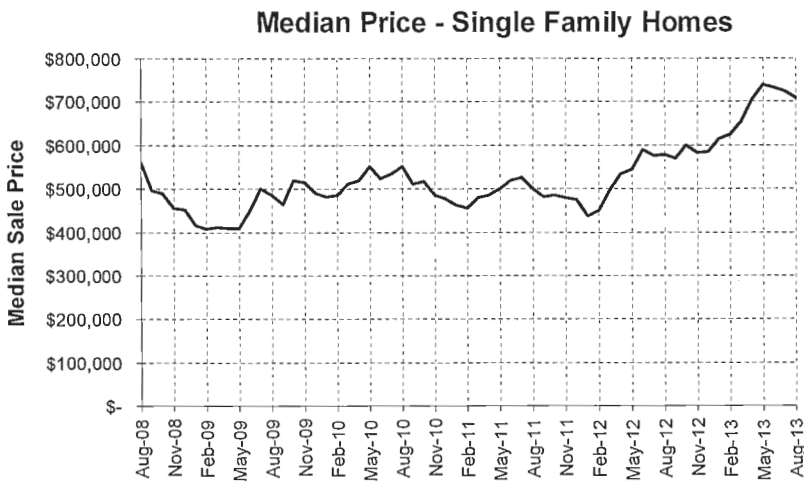


OVERVIEW (CONT'D.)

(\$81.0 million in 2013-2014 vs. \$49.5 million in 2012-2013), and valuation for alteration activity is higher than the prior year (\$18.5 million in 2013-2014 vs. \$13.2 million in 2012-2013).

Overall commercial valuation through August is significantly higher from the 2012-2013 level (\$115.3 million in 2013-2014 vs. \$20.0 million in 2012-2013). New commercial construction is significantly higher than last year (\$68.6 million in 2013-2014 vs. \$3.1 million in 2012-2013), and alteration activity is significantly higher (\$46.8 million in 2013-2014 vs. \$16.8 million for 2012-2013). This is partially attributable to the construction of an approximately 16,000-seat outdoor soccer stadium for the San José Earthquakes and 27,000-square foot Whole Foods Market and separate 6,000-square foot craft beer brewery/tap room building.

Industrial construction valuation through August is also significantly higher than the 2012-2013 level (\$256.4 million in 2013-2014 vs. \$32.7 million in 2012-2013), led by new construction activity in August 2013, partially attributable to the Samsung Semiconductor, a 10-story, 680,000-square foot R&D/office building and 1,545-space parking garage.



Housing statistics have significantly improved compared to the same time period in the prior fiscal year. The median single-family home price in August 2013 of \$710,000 is up 22.9% from the August 2012 price of \$577,500. 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 August

2013 was 22 days, which is a 50% decline from the 44 days in August 2012. Finally, the August 2013 number of property transfers of 784 represents an increase of 8.1% when compared to the 725 sales in August 2012.

On a national level, consumer confidence, which increased slightly in August, decreased in September. Says Lynn Franco, Director of The Conference Board Consumer Research Center: "Consumer Confidence decreased in September as concerns about the short-term outlook for both jobs and earnings resurfaced, while expectations for future business conditions were little changed. Consumers' assessment of current business and labor market conditions, however, was

OVERVIEW (CONT'D.)

more positive. While overall economic conditions appear to have moderately improved, consumers are uncertain that the momentum can be sustained in the months ahead.”

As suggested by 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 2013-2014 as well as development of the 2015-2019 General Fund Forecast.

GENERAL FUND

REVENUES

General Fund revenues through August 2013 totaled \$166.2 million, which represents a decrease of \$1.9 million (1.2% below) from the August 2012 level of \$168.1 million. In both the current and the prior fiscal years, the majority of revenue through August can be attributed to borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes (\$100 million annually in both fiscal years).

Several categories are currently tracking below the prior year level, including Property Tax, Sales Tax, Transient Occupancy Tax, Telephone Tax, Utility Tax, Use of Money and Property and Transfers and Reimbursements. However, for several of these categories, the lower collection level is primarily the result of differences in the timing of payments and true-up adjustments from the prior year rather than declines attributed to actual activity levels. The lower collections in these categories are partially offset by higher collections in a number of categories, including Franchise Fees, Licenses and Permits, Fines, Forfeitures, and Penalties, Revenue from the Federal Government, and Departmental Charges. These higher collections were primarily due to growth in these budgeted line items as well as the timing of payments.

Though it is early in the fiscal year, General Fund revenues are generally tracking to meet budgeted estimates. Based on current tracking and actual performance in 2012-2013, limited revenue adjustments were incorporated in the 2012-2013 Annual Report, including a \$2.4 million increase in the Sales Tax estimate; a technical adjustment to increase the estimate for Revenue from Local Agencies by \$10.3 million for a Successor Agency to the Redevelopment Agency reimbursement to reflect a budgeted 2012-2013 cash flow reimbursement now anticipated to be received in 2013-2014; and a net decrease to Transfers and Reimbursements of \$243,000 to reflect the net impact of a reduction in reimbursements from the Airport Operating and Maintenance Fund overhead reimbursements (\$420,000), partially offset by additional proceeds from the final close-out of select special funds (\$177,000). Several net-zero transactions, totaling \$2.0 million, were also included to reflect changes to various grants and reimbursements.

It should be noted that there is a Budget Stabilization Reserve of \$10.0 million in 2013-2014 and, consistent with 2012-2013, there is a 2014-2015 Future Deficit Reserve in the amount of \$12.0

GENERAL FUND (CONT'D.)

million. This reserve was established in the 2013-2014 Adopted Budget and amended in the Annual Report to address the projected General Fund shortfall in 2014-2015 as originally estimated in the February 2013 Five-Year Forecast and updated as part of the 2013-2014 Adopted Budget.

The following discussion highlights General Fund revenue activities through August.

KEY GENERAL FUND REVENUES

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 220,850,000	\$ 231,875	\$ 516,009

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 August, \$232,000 has been received, reflecting only 0.1% of the 2013-2014 budget for this category. The decrease in collections compared to the prior year was the result of lower Unsecured Property Tax receipts.

For 2013-2014, the Adopted Budget estimate for Secured Property Taxes of \$201.4 million was based on the assumption that collections would increase approximately 8% in 2013-2014. This projected increase was anticipated primarily due to two factors: the net increase in residential and commercial valuation primarily due to the full or partial restoration of property values that were previously temporarily reassessed downwards under Proposition 8 due to the declining market values; and the change in the California Consumer Price Index (CCPI). The CCPI adjustment for the 2013-2014 tax roll is an increase of 2.0%. With improvements in the real estate market, the assessed value for a large number of properties that had previously received a Proposition 8 reduction will be fully or partially restored to the factored base year value in 2013-2014. Because collections in 2012-2013 fell slightly below expectations, growth of 8.1% is needed to meet the 2013-2014 budgeted estimate. While no actual payments had been received through August for the Secured Property Tax, the very preliminary estimate from the County of Santa Clara is consistent with assumptions used in the development of the 2013-2014 Adopted Budget, reflecting growth of approximately 8%, which includes estimated tax roll corrections of \$50.0 million County-wide. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2014, 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, the largest payment is received in October of each year. The revenue received through August (\$109,000) accounts for the final reconciliation of the 2012-2013 fiscal year. In 2012-2013, this true-up payment from the prior fiscal year totaled \$403,000. In the 2013-2014 Adopted Budget, the revenue estimate assumed collection levels

GENERAL FUND (CONT'D.)

would remain flat at \$12.6 million; however, the most recent projection from the County of Santa Clara for 2013-2014 is slightly below this estimate.

For the SB 813 Property Tax category, collections totaled \$131,000 through August, while \$113,000 had been received last year at this time. Over the last few years, collections in this category had fallen significantly, due, in part, to a substantial number of refunds that were owed to property owners as a result of declining home values. In 2011-2012, growth of 12.9% was experienced with receipts of \$3.27 million. In 2012-2013, however, revenue in this category of \$3.05 million fell \$216,000 from 2011-2012 levels (-6.6%). With the improvement in the real estate market, moderate growth in this category would typically be expected. However, collections are expected to be impacted as the County continues to completely resolve the backlog of refunds. The 2013-2014 Adopted Budget assumed collections of \$3.6 million, requiring growth of 18.1% from actual 2012-2013 collections. This figure will be adjusted during the year based on actual experience. It should be noted that collections remain well below the peak of \$10.1 million in 2005-2006 and below levels seen in recent years (e.g., \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008).

Aircraft Property Tax receipts are typically received in October of each year. The current 2013-2014 Adopted Budget estimate of \$2.2 million requires growth of 5.6% from 2012-2013 receipts of \$2.1 million. The current County of Santa Clara Assessor's Office estimate falls below the 2013-2014 budgeted level; however, this estimate is preliminary and will continue to be monitored.

Based on the latest estimate from the County, the Homeowners Property Tax Relief revenue is projected to total \$1.0 million in 2013-2014, which is slightly below the budgeted estimate of \$1.05 million.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 167,710,000	(\$ 3,001,568)	(\$ 1,908,778)

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts through August still reflected a negative amount of \$3.0 million due to the 2012-2013 year-end accrual to account for the last quarter of 2012-2013. The current receipts do not yet reflect actual performance in 2013-2014. Information on the first quarter collections for this fiscal year will not be received until late December.

In 2012-2013, General Sales Tax collections of \$158.6 million were 6.2% above the 2011-2012 collection level of \$149.4 million. This increase reflected actual performance for the first three quarters of 2012-2013, during which growth of 6.4% (1st quarter), 4.9% (2nd quarter) and 7.0% (3rd quarter) was experienced, as well as estimated growth of 3.0% for the 4th quarter and prior year State triple flip true-up adjustments. Because a three-month lag exists between the period of

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sales activity and when the City receives its quarterly Sales Tax allocation, the fourth quarter (April through June) was accrued to 2013-2014 based on a 3.0% growth projection. Since the accrual was processed, Sales Tax results for the fourth quarter have become available and show an actual increase of 4.0%. This higher growth rate generated an additional \$300,000 in revenue.

The growth of 4.0% in San José in the 4th quarter of 2012-2013 fell below overall sales tax growth in the State (up 6.6%), Northern California (up 4.9%), the San Francisco Bay Area (up 4.5%), and the County of Santa Clara (up 5.5%). In contrast to the growth experienced in San José, there were some local jurisdictions that experienced declines in this same quarter, including Monte Sereno (-25.3%), Milpitas (-5.9%), Los Altos (-2.8%), and Los Gatos (-2.2%). Some neighboring jurisdictions also saw double digit growth including Palo Alto (up 40.8%), Saratoga (up 32.5%), and Los Altos Hills (26.5%).

The City's Sales Tax consultant, MuniServices Company, recently provided the City with economic performance data, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures sales tax receipts, excluding State and county pools and adjusts for anomalies, payments for prior periods, and late payments. On an economic basis, sales tax receipts increased 3.2% in the fourth quarter of 2012-2013 (April through June). This increase was the result of growth in every economic sector except the Business to Business category.

**Sales Tax Economic Performance
 April 2013 – June 2013**

Economic Sector	% of Total Revenue	% Change from 4th Quarter 2011-2012 to 4th Quarter 2012-2013
Transportation	24.1%	3.1%
General Retail	27.0%	4.5%
Business to Business	22.4%	(1.9%)
Food Products	15.6%	5.0%
Construction	10.1%	9.3%
Miscellaneous	0.8%	10.0%
Total	100.0%	3.2%

Based on higher actual 2012-2013 receipts, the 2012-2013 state triple flip true-up payment that will be received in 2013-2014, and revised 2013-2014 growth assumptions, an increase to the 2013-2014 General Sales Tax budget estimate of \$2.4 million was approved as part of the 2012-2013 Annual Report actions, increasing the estimate from \$162.1 million to \$164.5 million.

When the 2013-2014 Adopted Budget revenue projection was developed, actual 2012-2013 data was available for the first two quarters, and it was assumed that 3% growth would be realized in the last two quarters of 2012-2013 when compared to the same quarters in the prior year,

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followed by a 4.0% growth in 2013-2014. However, as discussed above, actual increases in the last two quarters of 2012-2013 were 7.0% and 4.0%, respectively. From this higher base, the 2013-2014 growth assumption was revised downward 4% to 3%. This revised growth assumption is consistent with the most recent forecast provided by MuniServices.

With the recommended change to the underlying 2013-2014 growth assumption from the actual 2012-2013 receipts as well as adjustments associated with the true-up payment from 2012-2013, the 2013-2014 Modified Budget estimate of \$164.5 million reflects an increase of 3.7% from the 2012-2013 year-end figure of \$158.6 million.

Through August, the Proposition 172 Sales Tax receipts of \$485,000 were tracking at the 2012-2013 collection level of \$483,000 through the same period. The 2013-2014 budgeted estimate of \$5.6 million requires growth of 8.9% from the prior year collection level of \$5.2 million.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 10,600,000	\$ 318,788	\$ 957,654

Through August 2013, Transient Occupancy Tax (TOT) receipts recorded in the General Fund of \$319,000 are tracking well below the prior year collection level of \$958,000 for the same period. The variance from prior year receipts is due to differences in payment timing. Once adjusted for these timing differences, receipts through August (reflecting activity through July) of \$906,000 reflect approximate growth of 10% compared to prior year collection levels during the same period. The 2013-2014 Adopted Budget assumes a 5% increase from 2012-2013 collections. While it is still early in the fiscal year, at this point TOT receipts are on pace to meet or exceed the budget estimate of \$10.6 million.

Through August, the average hotel occupancy rate at the 14 major hotels was 72.0%, an improvement from the 67.6% occupancy rate for the same period in 2012-2013. For the same 14 hotels, the average daily room rate through August was \$146.20, up 13.3% from the \$129.00 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$105.20 represents an increase of 20.7% from the prior year level.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 91,895,000	\$ 4,831,396	\$ 8,365,747

Through August, Utility Tax receipts of \$4.8 million were tracking \$3.5 million below last year's collection level of \$8.4 million due primarily to lower collections in the Electricity, Gas, and Water Utility Tax categories. A portion of this variance, however, was due to differences in prior year accruals and timing of payments. The 2013-2014 budgeted estimate requires an increase of 0.8% from the prior year collection level. Overall, based on the current collection

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trends, Utility Tax receipts are tracking close to budgeted estimates.

In the Electric Utility Tax category, collections of \$531,000 are \$3.5 million below prior year levels of \$4.1 million. The variance reflects a difference in timing of payments offset by year-end accruals. Once adjusted for this, receipts of \$4.7 million are approximately 14% higher than prior year levels. This is above the growth of 2.2% needed to meet the 2013-2014 Adopted Budget estimate of \$40.2 million.

In the Gas Utility Tax category, receipts of \$127,000 were tracking 68.9% below the prior year level of \$411,000 through August. Factoring out year-end accruals and differences in timing, actual receipts were at prior year levels. The 2013-2014 budgeted estimate of \$8.1 million assumed that collections would remain flat from estimated 2012-2013 receipts; however, based on actual 2012-2013 receipts of \$8.4 million, the 2013-2014 Adopted Budget estimate allows for a decline of 3.8% from the actual 2012-2013 collection level. Actual collection in the Gas Utility Tax area are subject to significant fluctuations from the impact of weather conditions and/or rate changes, therefore, collections in the next several months will provide a much better indicator of receipts in this category since approximately two-thirds of the revenue in this category is typically collected in the second half of the year.

Collections of \$733,000 in the Water Utility category are 41.5% below the prior year level of \$1.1 million. A portion of this decline is due to year end accrual differences (-\$182,000) as well as a difference in timing in payments. Adjusting for accruals and differences in payments, receipts through August (reflecting activity through July) are approximately 11% below prior year levels. The 2013-2014 Adopted Budget estimate of \$11.4 million was based on growth of 3.6% over the projected 2012-2013 collection level of \$11.0 million based on anticipated rate increases. However, because revenues in 2012-2013 ended the year below the estimated collection level, an increase of 8.4% is now needed to achieve the budgeted estimate. 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 \$2.9 million were tracking 10.0% above the prior year collection level of \$2.6 million. The 2013-2014 Adopted Budget estimate of \$32.2 million allows for a slight decline of 2.0% from 2012-2013 actual collections.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 42,435,000	\$ 4,831,396	\$ 4,813,236

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through August, overall collections of \$4.8 million are tracking at prior year collection levels, reflecting higher collections in the Disposal Facility Tax, Cardroom Tax, and Marijuana Business Tax categories, offset by lower collections in the General Business Tax category. To meet the 2013-2014 budgeted estimate, receipts in this category can drop 6.0%

GENERAL FUND (CONT'D.)

from the actual 2012-2013 collection level. This is consistent with assumptions used in the development of the 2013-2014 budget; 2012-2013 includes a spike in General Business Tax activity as a result of the Business tax Amnesty Program.

Cardroom Tax receipts of \$1.3 million through August were 11.3% above the prior year level of \$1.2 million. The 2013-2014 revenue estimate of \$15.5 million, allows for a decline in collections of 5.0% from the prior year level of \$16.3 million. The budgeted decline assumed normalizing the spike in activity for the opening of M8trix Casino. Receipts in the category continue to be volatile and the economic recovery may result in receipts ending the year above budgeted levels.

Marijuana Business Tax receipts of \$547,000 are tracking slightly above the \$522,000 collected during the same period last year. In 2013-2014, the budgeted estimate of \$5.4 million requires growth of 27.5%, reflecting the anticipated increase in receipts due to the City Council approved increase in the tax rate from 7% to 10% of gross receipts. Collections will be monitored closely to determine if activity will reach the budgeted estimate. In addition, there continues to be some uncertainty regarding this program and the potential impacts from any federal actions.

Business Tax receipts of \$2.0 million were 29.9% below the prior year level of \$2.8 million. The 2013-2014 Adopted Budget estimate of \$11.5 million allows for a decline of 16.9% from actual 2012-2013 receipts. In the development of the 2013-2014 Adopted Budget, it was assumed that receipts would decline as unusually high activity was experienced in 2012-2013 because of the Business Tax Amnesty Program. However, growth from 2011-2012 levels of \$11.3 million was expected as result of both the gradual economic recovery and the ongoing implications of the Amnesty Program. Based on current collection trends, revenues are anticipated to meet the 2013-2014 budgeted estimate by year end.

Disposal Facility Tax revenue of \$974,000 through August is tracking \$696,000 above the prior year level of \$278,000. This increase reflects differences in the timing of collections and does not indicate that revenues will end the year higher than expected. Once adjusted for these timing differences, Disposal Facility Taxes are anticipated to meet budgeted levels. The 2013-2014 Adopted Budget estimate of \$10.0 million was built on the assumption that revenues would fall due to improvements in the processing of waste for the commercial program as well as the historical downward trend in this category. From the 2012-2013 actual collection level of \$10.7 million, the 2013-2014 Adopted Budget allows for a 6.6% decline in receipts. Based on current tracking, revenues are anticipated to meet budgeted levels though will be monitored closely.

GENERAL FUND (CONT'D.)

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 40,278,246	\$ 9,822,845	\$ 8,652,823

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through August, Licenses and Permits revenue of \$9.8 million tracked 13.5% above the prior year level of \$8.7 million. The 2013-2014 budget estimate, however, allows for a decline of 13.6% from the actual 2012-2013 collection level. Development-related activity continued to experience very strong growth in 2012-2013, exceeding the estimates used to develop the 2013-2014 Adopted Budget, and that strong performance has continued in the first two months of the fiscal year. If current collection trends continue, an upward adjustment to this revenue category, offset by development fee related expenditures or increases to development fee reserves, may be brought forward during 2013-2014.

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

Building Permit revenues of \$4.4 million through August is tracking 5.8% above the 2012-2013 collection level of \$4.1 million for the same period and above the budgeted estimate. The 2013-2014 budgeted revenue estimate allows for a drop of 22.4% from the prior year actuals 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 through the first two months of the year. Strong revenue receipts are being driven by increased activity in all categories (residential, commercial, and industrial). If the current collection trend continues, it is anticipated that Building Permit revenues will exceed the budget estimate of \$21.0 million.

Through August, Fire Permit collections of \$3.0 million are tracking above estimated levels (6.1%) and significantly above the prior year receipts of \$1.9 million (57%) through August primarily due to higher collections in the non-development fee program. This increase, however, is primarily due to the timing of payments as the Fire Department had not completed its annual renewable quarterly billing for the 2nd quarter in 2012-2013 as it has done in 2013-2014. The Development Fee Program revenue collections of \$1.1 million are tracking well above estimated year-to-date levels of \$973,000 (17%). The Non-Development Fee Program revenue collections of \$1.8 million are tracking at estimated year-to-date levels of \$1.8 million. Fire Permit collections are currently expected to end the year at budgeted revenue levels.

The Other Licenses and Permits collections of \$2.5 million are tracking 6.1% below the 2012-2013 collection level of \$2.6 million, but are tracking within estimated levels. The 2013-2014 budgeted estimate allows for a decline of 5.8% from the prior year, primarily reflecting a drop in the estimated cardroom permit revenue and off-sale alcohol enforcement collections.

GENERAL FUND (CONT'D.)

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 35,449,213	\$ 8,165,585	\$ 7,466,691

Through August, Departmental Charges revenues of \$8.2 million were tracking 9.4% above the 2012-2013 collection level of \$7.5 million. The 2013-2014 Adopted Budget estimate, however, allows for a decline of 8.6% 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 Police Departmental Charges, partially offset by lower collection in the Library and Miscellaneous Departmental Charges categories. If current collection trends continue, overall Departmental Charges revenues should 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 if trends continue. Through August, Planning Fee revenue of \$889,000 is 58.3% above the prior year collection level of \$561,000. The \$3.0 million adopted Planning Fee revenue estimate allows for a drop of 22.5% from the prior year actuals. Overall revenue collections are tracking above estimated levels and it is anticipated that Planning Fee revenues will exceed the budget estimate if the current collection trend continues.

Public Works revenues through August of \$1.5 million are 40.8% above the prior year level of \$1.1 million. The 2013-2014 budgeted estimate of \$7.8 million allows for a drop of 8.7% from the 2012-2013 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 two months of 2013-2014. Non-residential revenues are performing at anticipated levels. If trends continue, collections are projected to exceed the budgeted revenue estimate of \$7.8 million in the Public Works Development Fee Program.

EXPENDITURES

Through August, General Fund expenditures (without encumbrances) of \$135.9 million were 0.1% above the prior year level of 135.8 million. Encumbrances of \$39.6 million were 6.3% above the prior year level of \$37.3 million. Expenditures and encumbrances (\$175.5 million) through August constitute 15.2% of the total 2013-2014 revised budgeted uses of funds (\$1.2 billion, including reserves; \$1.01 billion, or 17.4%, excluding reserves). Overall, expenditures are tracking within estimated levels through August.

Through August, a few departments are tracking slightly above the budgeted estimate in personal services expenditures, including the Office of Economic Development, Independent Police Auditor, Fire Department, and Environmental Services Departments. It is anticipated that the majority of these higher expenditures will be addressed by reallocating costs to the appropriate

GENERAL FUND (CONT'D.)

funds supported by these departments. As the year progresses, expenditures will continue to be monitored closely to ensure they remain within budgeted levels.

KEY GENERAL FUND EXPENDITURES

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Police	\$308,314,176	\$ 40,775,898	\$ 37,075,007

On an overall basis, Police Department expenditures are tracking slightly below estimated levels. Personal Services expenditures of \$36.7 million tracked under anticipated levels (13.1% compared to the par of 13.5%). While the salary and benefits line items tracked with savings due to vacancies, overtime expenditures of \$3.0 million through August tracked above anticipated levels with 19.0% expended. In the 2013-2014 Adopted Budget, the overtime allocation of \$16.0 million included a \$4 million one-time augmentation to backfill for vacant patrol positions, maintain targeted enforcement of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, and graffiti, conduct high profile investigations, and backfill for civilian vacancies as needed. The 2012-2013 Annual Report included budget actions to increase the overtime budget by \$2.2 million (from \$15.9 to \$18.1 million), which is approximately equivalent to the overtime expenditures for 2012-2013. This additional funding was provided by reallocating \$1.5 million in anticipated vacancy savings from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation and by rebudgeting \$750,000 in Police Department savings from 2012-2013 to 2013-2014. With this adjustment, the overtime expenditures will be in closer alignment with the budget. Overtime also consists of compensatory time. The compensatory time balance at the end of August 2013 was 167,310 hours for sworn personnel. This represents a decrease of 2,397 hours (1.4%) compared to the August 2012 balance of 169,707.

As of August 2013, the Department had 1,107 authorized sworn staff (excluding 2.0 position in the City Attorney's Office) of which 994 were street ready (89.8% - including any sworn employees on disability leave), 40 were in training (3.6%), and 73 were vacant (6.6%). In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department continues to hold two Police Recruit Academies per year with the most recent one held in April 2013. This Academy graduated 40 recruits on September 27, 2013 who will move to the Field Training Officer (FTO) Program in October 2013. The Department is budgeted to conduct two academies in 2013-2014 beginning in October 2013 and April 2014. At this time, the Department is anticipating 60 recruits in the October 2013 Academy and 60 recruits in the April 2014 Academy. However, with current attrition projections, the Department's full street ready sworn staffing level is not anticipated to change this year.

GENERAL FUND (CONT'D.)

A total of \$8.6 million (31.1%) of the Department's Non-Personal/Equipment budget was expended or encumbered through August. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$7.3 million, or 50.0% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 159,746,734	\$ 22,008,660	\$ 20,023,505

Overall, expenditures for the Fire Department were tracking slightly higher than budgeted estimates through August, with 13.8% expended. Personal Services expenditures through August tracked slightly higher than budgeted levels with \$21.1 million expended (14.0% compared to the par of 13.5%). The Fire Department's Non-Personal/Equipment budget of \$8.7 million was 26.3% expended or encumbered through August, but is expected to end the year within the budgeted allocation.

Personal services expenditure levels tracked higher than estimated due to higher overtime usage through August. Overtime expenditures were incurred to backfill vacancies and absences in line duty positions (vacation, strike team deployments, modified duty, sick, disability, and other absences). Through August, overtime expenditures tracked at 17.8% compared to prior year average expenditures of 15.8% through August. Strike team deployments accounted for a portion of this higher overtime usage through August. Strike teams were deployed to several fires throughout California in July and August, which resulted in the need for the Department to backfill duty positions with overtime. Reimbursements for strike team deployments, and other reimbursable expenditures will be brought forward at a later date. The Fire Department's Personal Services appropriation will be carefully monitored by both the Budget Office and the Fire Department for the remainder of the year to ensure expenditures remain within overall approved levels.

Through August, the Fire Department was staffed with 188 filled Fire Fighter Paramedic positions (178 front-line Fire Fighter paramedics, 5 Supervisors, and 5 support) compared to the 139 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 139 front-line Fire Fighter 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 August was 27, which was below the authorized number of 33 due to vacancies in line positions.

GENERAL FUND (CONT'D.)

CONTINGENCY RESERVE

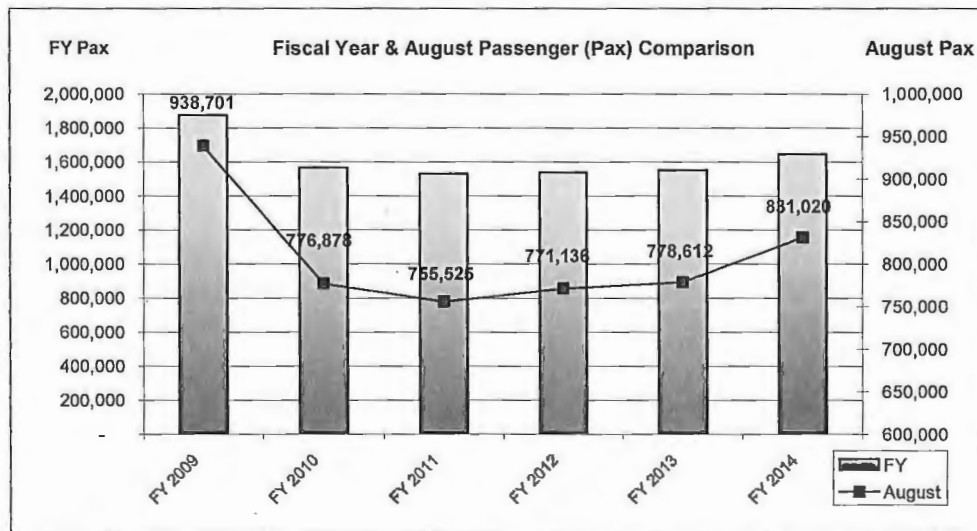
The General Fund Contingency Reserve remained at \$29.3 million through August, with no revisions through the first two months of the fiscal year. However, an increase to the Contingency Reserve of \$1.7 million was included in the 2012-2013 Annual Report actions, bringing the reserve to \$31.0 million. This adjustment was necessary to comply with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be a minimum of 3% of the operating budget.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 1.6 million passengers, an increase of 6.0% from the figures reported through August of the prior year. This compares to a forecasted passenger growth of 1.5% in 2013-2014.

All revenue-generating activities showed increases compared to the same period of 2012-2013: Traffic Operations (landings and takeoffs) by 2.2%; Landed Weights by 7.4%; Taxicab Operations by 9.9%; Parking Exits by 3.7%; and Gallons of Aviation Fuel Sold by 8.4%. Passenger Facility Charge (PFC) revenues were 3.6% above the 2012-2013 collection level. Fiscal year-to-date mail, freight, and cargo totaled 16.1 million pounds, which represents a 17.0% increase from August of 2012-2013.



Through August, overall revenue performance at the Airport tracked 3.3% above estimated levels. The airfield and parking and roadway revenue categories were above budgeted levels.

OTHER FUNDS (CONT'D.)

Due to higher than anticipated passenger activity, in-flight kitchen, public parking and rental car concession fee revenues tracked above budgeted levels.

Through August, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures tracked below budgeted levels. Personal services expenditures were 11.9% of budget compared to the par level of 13.5%, while non-personal/equipment expenditures (excluding encumbrances) were at 5.3% in the Maintenance and Operation Fund and at 8.5% in the Customer Facility and Transportation Fee Fund compared to the benchmark of 10.0%.

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 August 2013 totaled \$2.7 million, up 8.0% from the \$2.5 million received through August 2012. Furthermore, the City has also received September Construction and Conveyance Tax receipts, which total \$2.7 million. This represents a 3.8% increase from the \$2.6 million received in September 2012. Based on the stronger than anticipated revenue collections in 2012-2013, the 2013-2014 Adopted Budget estimate of \$30.0 million now represents a 12.8% decline from the actual 2012-2013 collection level of \$34.4 million. Due to the volatile nature of this revenue source, collection receipts will be carefully monitored over the coming months to determine if an upward adjustment to the 2013-2014 revenue estimate is warranted.

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 August, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are up from 2012-2013 levels through the same period. As discussed in the economic section of this report, residential construction, commercial permit, and industrial permit activity are all tracking above prior year levels. Residential permit activity is higher than prior year levels by 30%, and is primarily driven by new construction. Overall commercial valuation is significantly higher from the August 2013 level (\$115.3 million in 2013-2014 vs. \$20.0 million in 2012-2013) and reached 50% of the forecasted activity for the full fiscal year. New commercial construction is significantly higher than last year (\$68.6 million in 2013-2014 vs. \$3.1 million in 2012-2013), and alteration activity is significantly higher (\$46.8 million in 2013-2014 vs. \$16.8 million for 2012-2013). This is partially attributable to the construction of an approximately 16,000-seat outdoor soccer stadium for the San José Earthquakes and 27,000-square foot Whole Foods Market and separate 6,000

square foot craft beer brewery/tap room building. Industrial construction valuation is also

OTHER FUNDS (CONT'D.)

significantly higher than the August 2013 level by \$223.7 million (\$256.4 million in 2013-2014 vs. \$32.7 million in 2012-2013). This increase can primarily be attributed to new construction activity in August 2013, partially reflecting the Samsung Semiconductor, a 10-story, 680,000-square foot R&D/office building and 1,545-space parking garage. 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 August totaled \$5.0 million. This collection level is up by 217.3% (\$3.4 million) from prior year collections through August, and the category is currently tracking to exceed the 2013-2014 budgeted revenue estimate of \$11.0 million. To meet this estimate, collections can actually decline 20% from the 2012-2013 collection level of \$13.8 million
- *Construction Excise Tax* – Receipts through August totaled \$4.3 million. This collection level is up by 125.8% (\$2.4 million) from prior year collections through August, and the category is currently tracking to exceed the 2013-2014 budgeted revenue estimate of \$14.0 million. To meet this estimate, collections can actually decline 21% from the 2012-2013 collection level of \$17.8 million.

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 August, operating revenues were \$1.6 million, \$105,000 greater than the year-to-date estimate of \$1.5 million, and expenses were \$3.6 million, \$337,000 greater than the year-to-date estimate of \$3.2 million. These increases were primarily due to increased revenues and expenses related to food and beverage services, contract labor and maintenance activity. According to TSJ, operating revenues are forecasted to exceed the budget estimate by \$4.0 million by year-end, while operating expenses are anticipated to exceed the current budget by \$3.6 million, for a net gain of approximately \$400,000 to the fund. Staff will continue to closely monitor activity to determine the need for any future budget adjustments.

Transient Occupancy Tax Fund

Due to the delay between when TOT receipts are due from hotels and when they are received and processed by the City, this report only covers July TOT receipts. Through this period, the City has received \$1.4 million, a 9.8% increase compared to the previous year's collection over the same period. The 2013-2014 budget assumes a 5% increase from 2012-2013 collections. While it is still early in the fiscal year, at this point TOT receipts are on pace to meet or exceed the budget estimate of \$15.9 million.

OTHER FUNDS (CONT'D.)

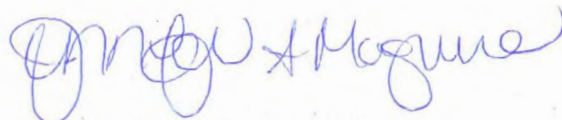
The 2013-2014 allocations to the three recipient organizations (Convention and Cultural Affairs Fund, Convention and Visitors Bureau, Cultural Grants/Programs and Services) are anticipated to be fully expended by the end of the year.

Through August, the average hotel occupancy rate at the 14 major hotels was 72.0%, a slight improvement from the 67.6% occupancy rate for the same period in 2012-2013. For the same 14 hotels, the average daily room rate through August was \$146.20, up 13.3% from the \$129.00 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$105.20 represents an increase of 20.7% from the prior year level.

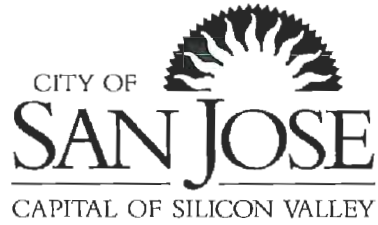
CONCLUSION

Through August, the City's funds appear to be performing within budgeted expectations. The 2013-2014 Adopted Budget was built on the assumption that the economic recovery would continue in 2013-2014 with modest growth. While limited information is available on the 2013-2014 fiscal year, 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 2012-2013 and are currently tracking to meet or exceed the budgeted estimates.

As reported in the 2012-2013 Annual Report, there are a number of 2013-2014 adjustments to the General Fund as well as other City funds based on actual 2012-2013 performance and updated information. Any additional adjustments resulting from 2013-2014 performance will be brought forward during the year, with the majority of these adjustments presented as part of the 2013-2014 Mid-Year Budget Review or the 2013-2014 year-end clean-up memorandum. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.



JENNIFER A. MAGUIRE
Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the Two Months Ended August 31, 2013
Fiscal Year 2013-2014
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Two Months Ended August 31, 2013
Fiscal Year 2013-2014
(UNAUDITED)

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Fiscal Year 2013-2014
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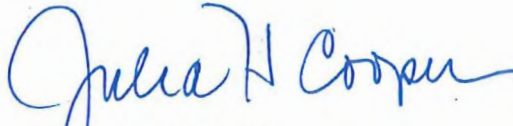
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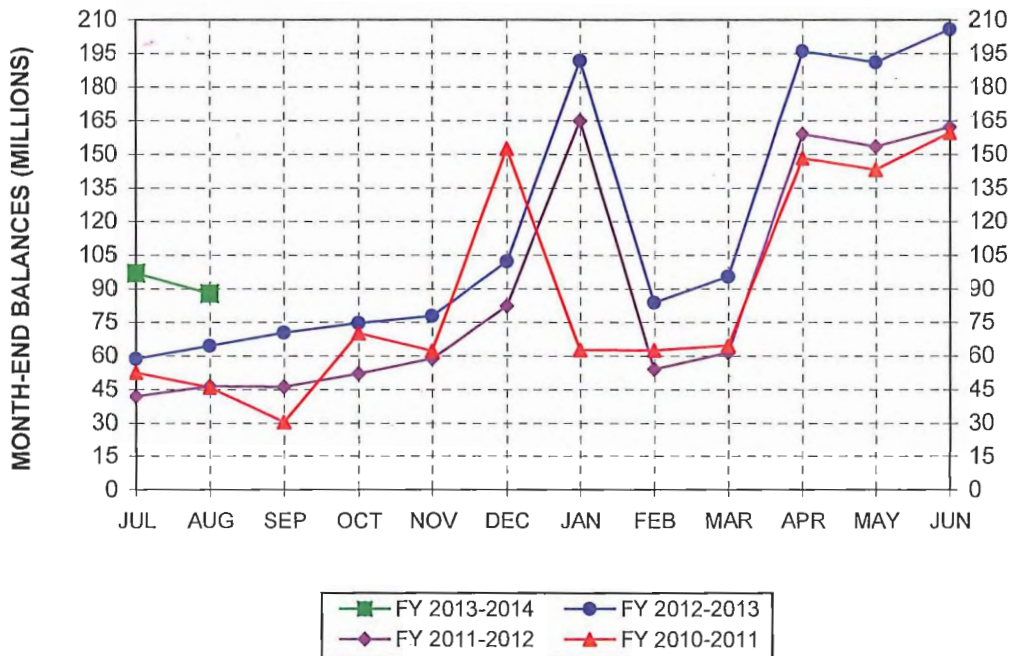
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Submitted by:



JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2013-2014	FY 2012-2013	FY 2011-2012	FY 2010-2011
JULY (1)	\$ 97,000,280	\$ 58,791,632	\$ 41,946,493	\$ 52,614,304
AUGUST	87,887,607	64,647,700	46,502,235	45,992,983
SEPTEMBER		70,484,194	46,218,737	30,525,385
OCTOBER		74,756,262	52,097,481	70,246,706
NOVEMBER		77,861,880	58,833,627	62,333,059
DECEMBER (2)		102,312,730	82,304,186	152,493,162
JANUARY (3)		191,822,297	164,958,541	62,749,463
FEBRUARY (3)		84,006,185	54,118,810	62,572,017
MARCH		95,600,850	61,586,562	64,768,564
APRIL (4)		196,073,222	159,137,277	148,465,097
MAY		191,101,640	153,526,766	143,186,930
JUNE		205,823,965	162,325,519	159,719,466

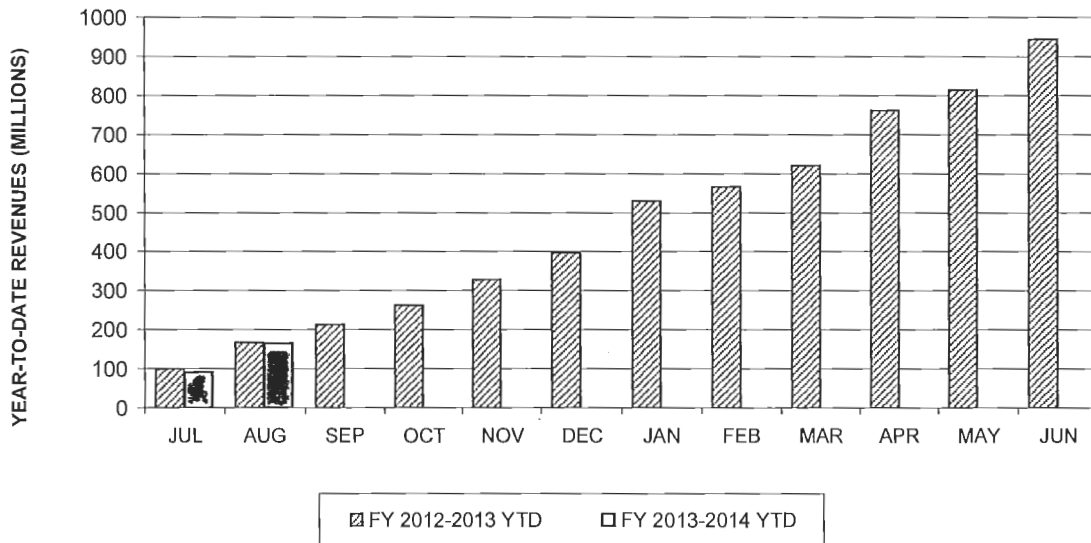
Note: (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

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.

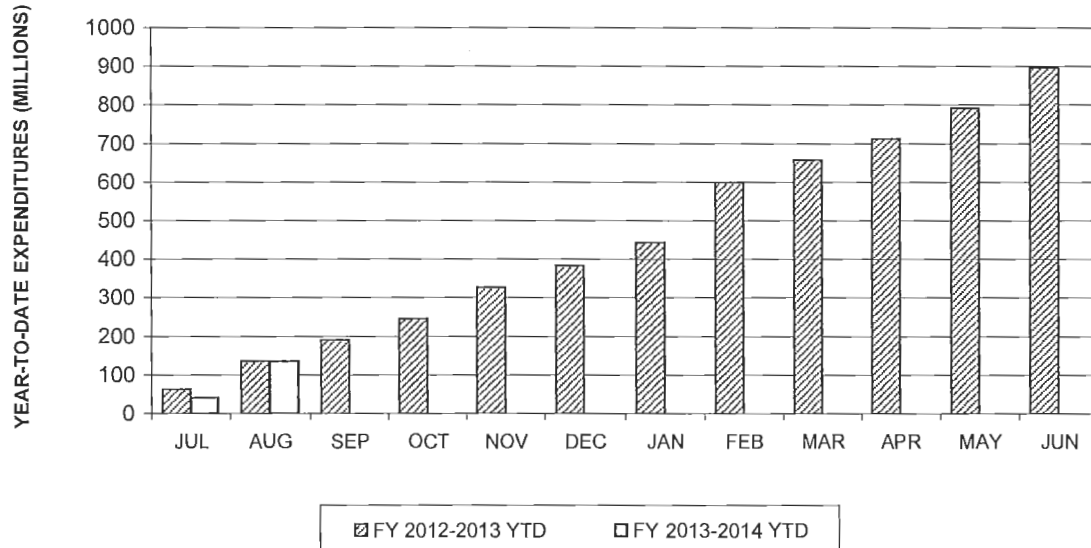
Note: (4) The General Fund cash balance increases each April mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

**GENERAL FUND
Comparison of YTD Revenues
Actual**



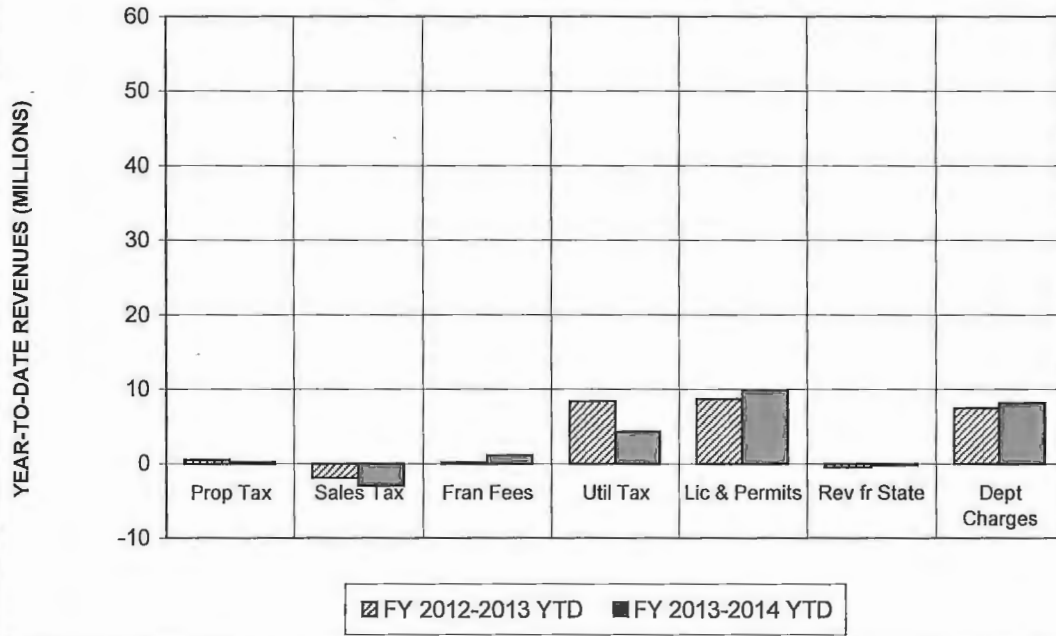
FY 2012-2013 YTD
 FY 2013-2014 YTD

**GENERAL FUND
Comparison of YTD Expenditures
Actual**

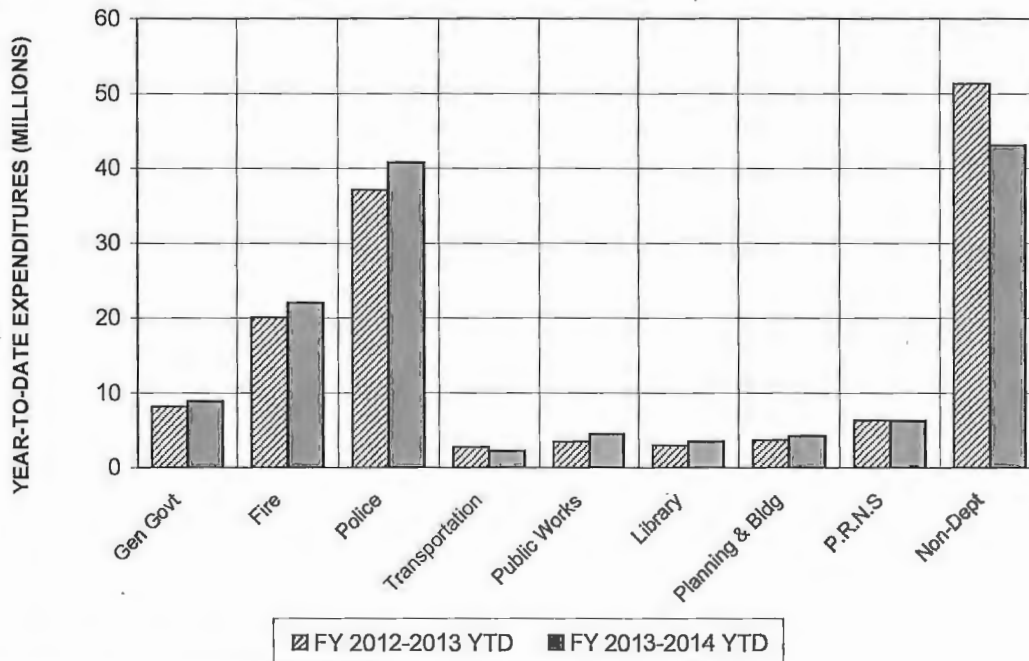


FY 2012-2013 YTD
 FY 2013-2014 YTD

GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Two Months Ended August 31, 2013



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Two Months Ended August 31, 2013



Negative General Fund Revenue amounts, notably Sales Tax and Revenue from the State, were caused by the reversal of amounts accrued in FY 12-13 that have not yet been received in full as of August 31, 2013 but are expected to be received shortly thereafter.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 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	-	-	19,122	19,122	19,122	100.00%	20,009	119.84%	16,697	(887)	-4.43%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	213,006	-	-	213,006	213,006	100.00%	155,467	92.37%	168,300	57,539	37.01%
Total Fund Balance	213,006	-	19,122	232,128	232,128	100.00%	175,476	94.85%	184,997	56,652	32.28%
General Revenues											
Property Tax	220,850	-	-	220,850	232	0.11%	516	0.25%	205,016	(284)	-55.04%
Sales Tax (1)	167,710	-	-	167,710	(3,002)	-1.79%	(1,909)	-1.17%	163,751	(1,093)	-57.26%
Telephone Line Tax	20,600	-	-	20,600	1,569	7.62%	1,728	8.37%	20,640	(159)	-9.20%
Transient Occupancy Tax	10,600	-	-	10,600	319	3.01%	958	9.48%	10,103	(639)	-66.70%
Franchise Fees	43,923	-	-	43,923	1,118	2.55%	196	0.45%	43,741	922	470.41%
Utility Tax	91,895	-	-	91,895	4,285	4.66%	8,366	9.18%	91,109	(4,081)	-48.78%
Business Taxes	42,435	-	-	42,435	4,831	11.38%	4,813	10.66%	45,140	18	0.37%
Licenses and Permits	40,278	-	-	40,278	9,823	24.39%	8,653	18.57%	46,606	1,170	13.52%
Fines, Forfeits and Penalties	15,862	-	-	15,862	1,513	9.54%	1,371	9.42%	14,555	142	10.36%
Use of Money and Property	2,673	-	-	2,673	335	12.53%	418	10.74%	3,891	(83)	-19.86%
Revenue from Local Agencies	24,836	233	-	25,069	375	1.50%	358	1.03%	34,779	17	4.75%
Revenue from State of Cal.	11,378	-	-	11,378	(214)	-1.88%	(491)	-2.91%	16,872	277	56.42%
Revenue from Federal Government	11,052	-	-	11,052	580	5.25%	(440)	-2.26%	19,511	1,020	231.82%
Departmental Charges (2)	35,449	-	-	35,449	8,165	23.03%	7,467	19.25%	38,799	698	9.35%
Other Revenues	17,646	100,000	-	117,646	107,254	91.17%	107,003	87.80%	121,878	251	0.23%
Total General Revenues	757,187	100,233	-	857,420	137,183	16.00%	139,007	15.86%	876,391	(1,824)	-1.31%
Transfers & Reimbursements											
Overhead Reimbursements	36,996	-	-	36,996	23,105	1	20,542	63.77%	32,215	2,563	12.48%
Transfers from Other Funds	16,162	-	-	16,162	5,865	0	7,137	36.61%	19,495	(1,272)	-17.82%
Reimbursements for Services	15,243	-	-	15,243	20	0	1,400	8.90%	15,737	(1,380)	-98.57%
Total Transfers & Reimburse	68,401	-	-	68,401	28,990	0	29,079	43.11%	67,447	(89)	-0.31%
Total Sources	1,038,594	100,233	19,122	1,157,949	398,301	0	343,562	30.44%	1,128,835	54,739	15.93%

(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 2013-2014 negative cumulative impact through August 2013 is approximately \$0.5 million.

(2) - See Supplemental Schedule on Page 7.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O ENCUMBR	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	YEAR-END	BASIS	ACTUAL (1)	LESS PRIOR YTD
								ACTUAL	ACTUAL		ACTUAL	
General Government												
Mayor and Council	11,105	-	36	11,141	1,111	44	9.97%	977	11.70%	8,351	134	13.72%
City Attorney	12,376	-	327	12,703	1,514	266	11.92%	1,337	11.99%	11,152	177	13.24%
City Auditor	2,114	-	13	2,127	236	13	11.10%	235	12.76%	1,842	1	0.43%
City Clerk	2,256	-	72	2,328	242	89	10.40%	191	10.64%	1,795	51	26.70%
City Manager	11,068	-	578	11,646	1,216	827	10.44%	1,217	12.55%	9,694	(1)	-0.08%
Finance	12,772	-	323	13,095	1,563	670	11.94%	1,563	13.04%	11,985	-	0.00%
Information Technology	14,331	-	2,399	16,730	1,587	2,566	9.49%	1,034	9.34%	11,066	553	53.48%
Human Resources	6,371	-	37	6,408	788	1,134	12.30%	682	12.58%	5,423	106	15.54%
Independent Police Auditor	1,077	-	1	1,078	144	7	13.36%	122	12.24%	997	22	18.03%
Office of Economic Development	3,694	-	282	3,976	481	265	12.10%	792	15.82%	5,005	(311)	-39.27%
Total General Government	77,164	-	4,068	81,232	8,882	5,881	10.93%	8,150	12.11%	67,310	732	8.98%
Public Safety												
Fire	163,499	-	690	164,189	22,009	1,458	13.40%	20,024	13.16%	152,158	1,985	9.91%
Police	306,848	-	1,466	308,314	40,776	4,532	13.23%	37,075	13.07%	283,753	3,701	9.98%
Total Public Safety	470,347	-	2,156	472,503	62,785	5,990	13.29%	57,099	13.10%	435,911	5,686	9.96%
Capital Maintenance												
Transportation	27,226	-	581	27,807	2,228	1,872	0	2,754	11.09%	24,823	(526)	-19.10%
Public Works	34,789	-	322	35,111	4,510	3,083	0	3,463	11.28%	30,701	1,047	30.23%
Total Capital Maintenance	62,015	-	903	62,918	6,738	4,955	0	6,217	11.20%	55,524	521	8.38%
Community Service												
Housing	242	-	-	242	19	-	0	37	15.29%	242	(18)	100.00%
Library	26,067	-	69	26,136	3,523	547	0	2,975	12.48%	23,829	548	18.42%
Planning, Bldg & Code Enf.	37,673	-	970	38,643	4,227	919	0	3,666	12.76%	28,733	561	15.30%
Park, Rec & Neigh Svcs	51,919	-	492	52,411	6,259	4,428	0	6,303	12.78%	49,311	(44)	-0.70%
Environmental Services	1,034	-	42	1,076	417	65	38.75%	38	9.07%	419	379	997.37%
Total Community Services	116,935	-	1,573	118,508	14,445	5,959	12.19%	13,019	12.70%	102,534	1,426	10.95%
Total Dept. Expenditures	726,461	-	8,700	735,161	92,850	22,785	12.63%	84,485	12.78%	661,279	8,365	9.90%

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)

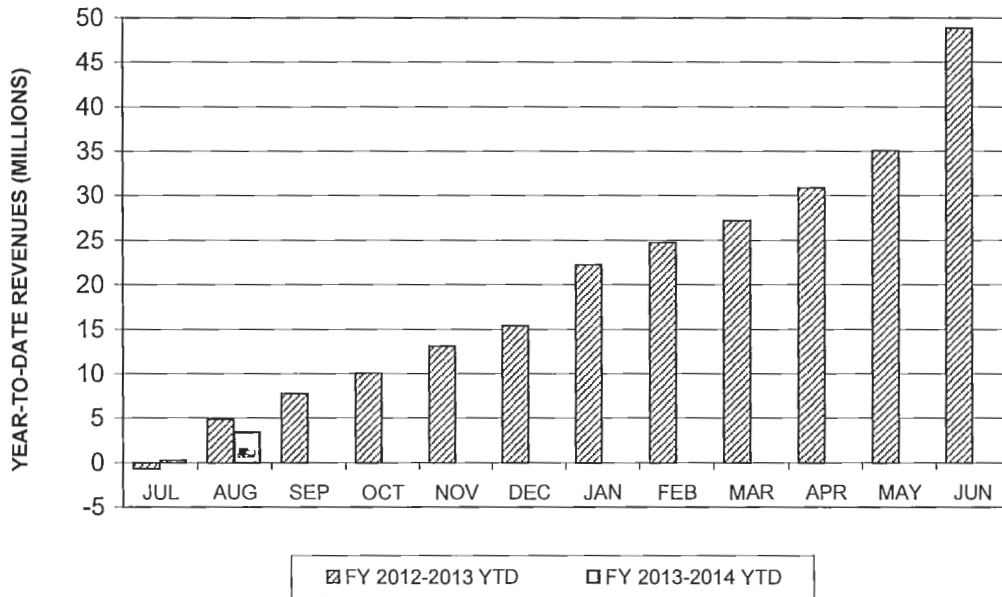
	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	YEAR-END	BASIS	ACTUAL (1)	LESS PRIOR YTD
		ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	ACTUAL	ACTUAL	ACTUAL (1)	ACTUAL	
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	28,307	-	145	28,452	13,037	4,365	45.82%	13,304	66.42%	20,031	(267)	-2.01%
Environmental & Utility Services	2,417	-	588	3,005	149	574	4.96%	499	11.59%	4,305	(350)	-70.14%
Public Safety	19,782	233	438	20,453	1,818	491	8.89%	3,775	17.08%	22,096	(1,957)	-51.84%
Recreation & Cultural Services	8,733	-	1,197	9,930	626	1,179	6.30%	(30)	-0.36%	8,356	656	-2186.67%
Transportation Services	6,866	-	427	7,293	507	455	6.95%	296	6.17%	4,800	211	71.28%
Strategic Support	43,483	100,000	6,204	149,687	1,089	7,220	0.73%	2,244	1.59%	141,524	(1,155)	-51.47%
Total City-wide Expenditures	109,588	100,233	8,999	218,820	17,226	14,284	7.87%	20,088	9.99%	201,112	(2,862)	-14.25%
Other Non-Dept Expenditures:												
Capital Improvements	29,437	-	1,423	30,860	208	2,552	0.67%	2,754	44.58%	6,178	(2,546)	-92.45%
Transfers to Other Funds	25,635	-	-	25,635	25,635	-	100.00%	28,447	97.55%	29,162	(2,812)	-9.89%
Other Operating Expenditures	-	-	-	-	-	-	#DIV/0!	-	0.00%	-	-	100.00%
Total Non-Dept Expenditures	164,660	100,233	10,422	275,315	43,069	16,836	15.64%	51,289	21.69%	236,452	(8,220)	-16.03%
Reserves												
Contingency Reserves	29,309	-	-	29,309	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	118,164	-	-	118,164	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	147,473	-	-	147,473	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,038,594	100,233	19,122	1,157,949	135,919	39,621	11.74%	135,774	15.12%	897,731	145	0.11%

(1) Does not include encumbrance balance.

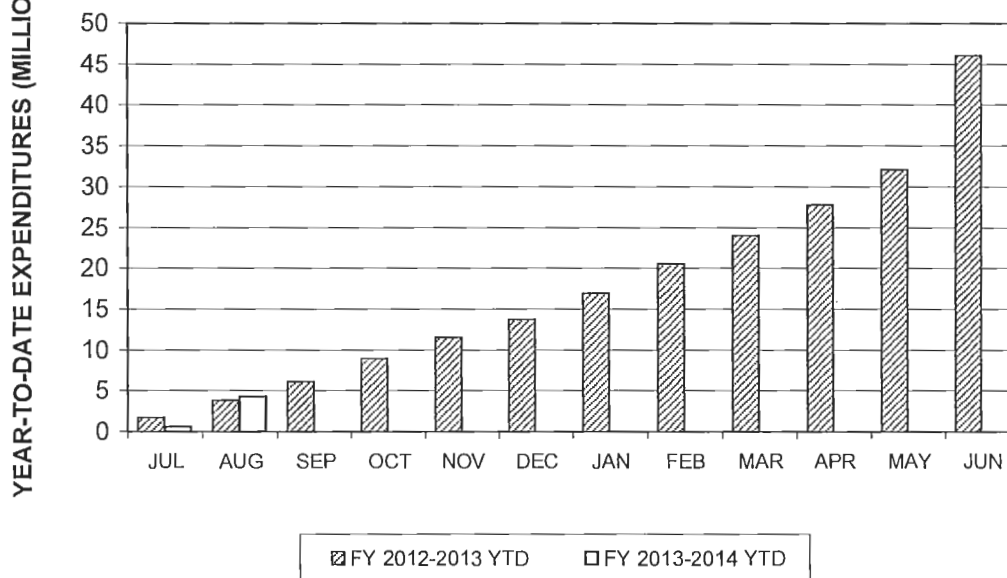
CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE TWO MONTHS ENDED AUGUST 31, 2013
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	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 % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,155	-	-	1,155	233	20.17%	187	15.54%	1,203	46	24.60%
Public Works	7,750	-	-	7,750	1,547	19.96%	1,099	12.94%	8,491	448	40.76%
Transportation	1,027	-	-	1,027	218	21.23%	150	10.57%	1,419	68	45.33%
Library	1,049	-	-	1,049	4	0.38%	112	11.07%	1,012	(108)	-96.43%
Planning, Bldg & Code Enf	3,000	-	-	3,000	889	29.63%	571	14.76%	3,869	318	55.69%
Parks Rec & Neigh Svcs	15,664	-	-	15,664	4,685	29.91%	4,395	27.87%	15,769	290	6.60%
Miscellaneous Dept Charges	5,804	-	-	5,804	589	10.15%	953	13.54%	7,036	(364)	-38.20%
Total Departmental Revenues	35,449	-	-	35,449	8,165	23.03%	7,467	19.25%	38,799	698	9.35%

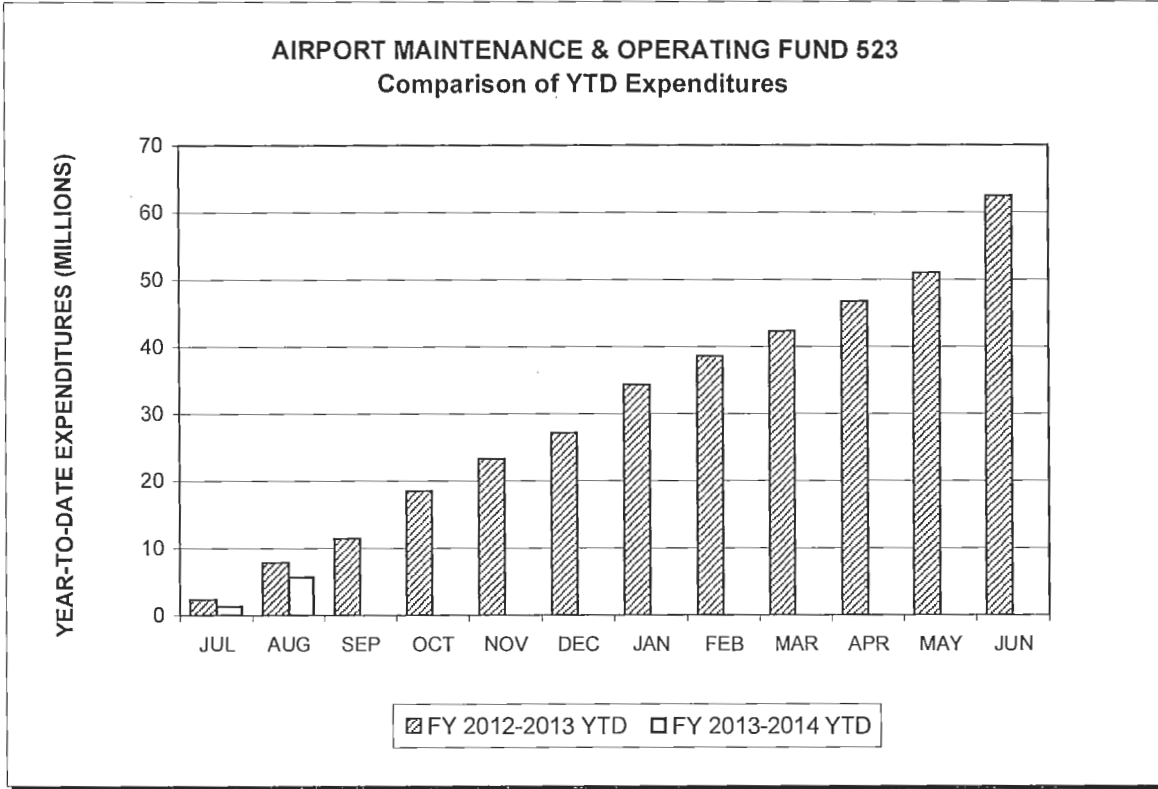
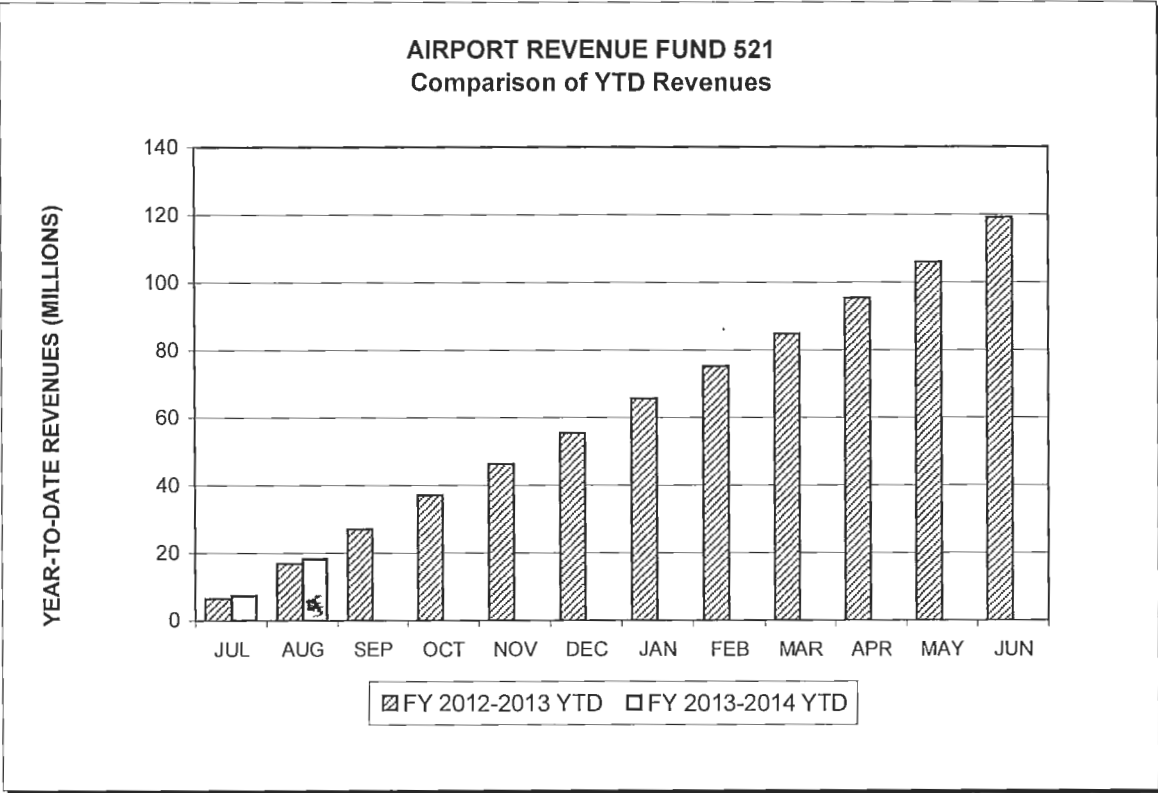
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



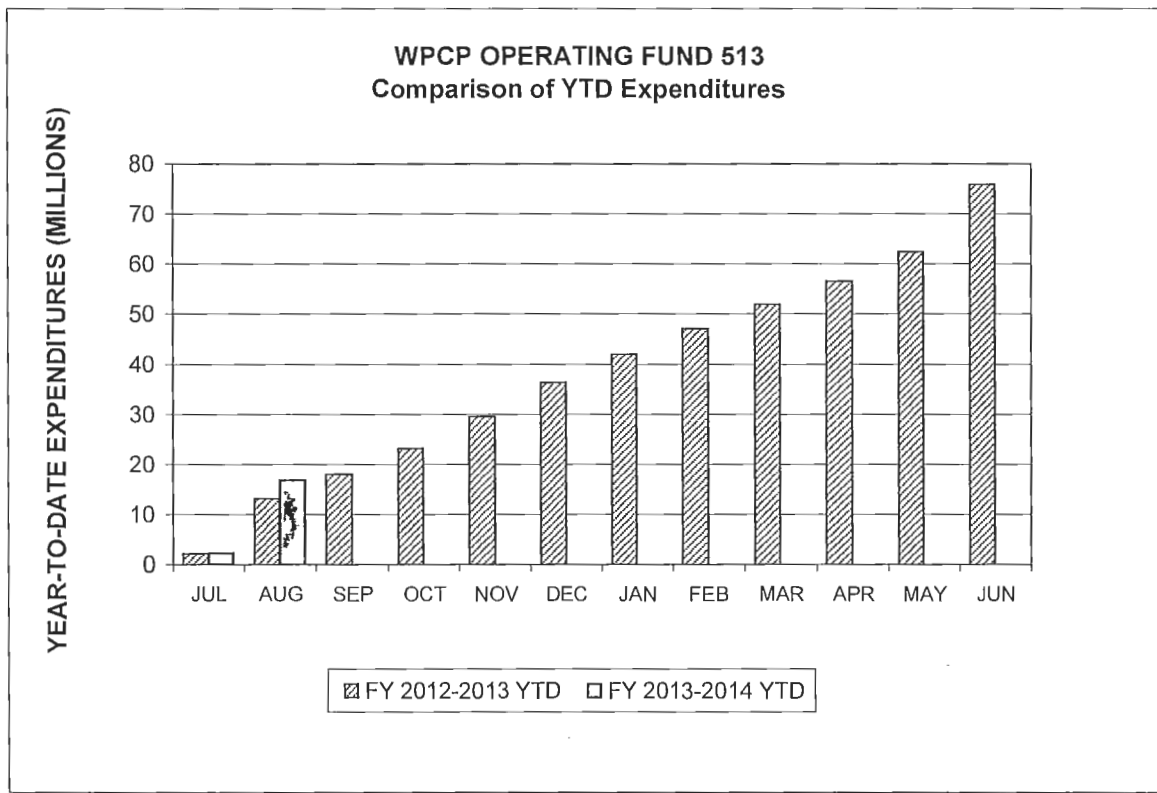
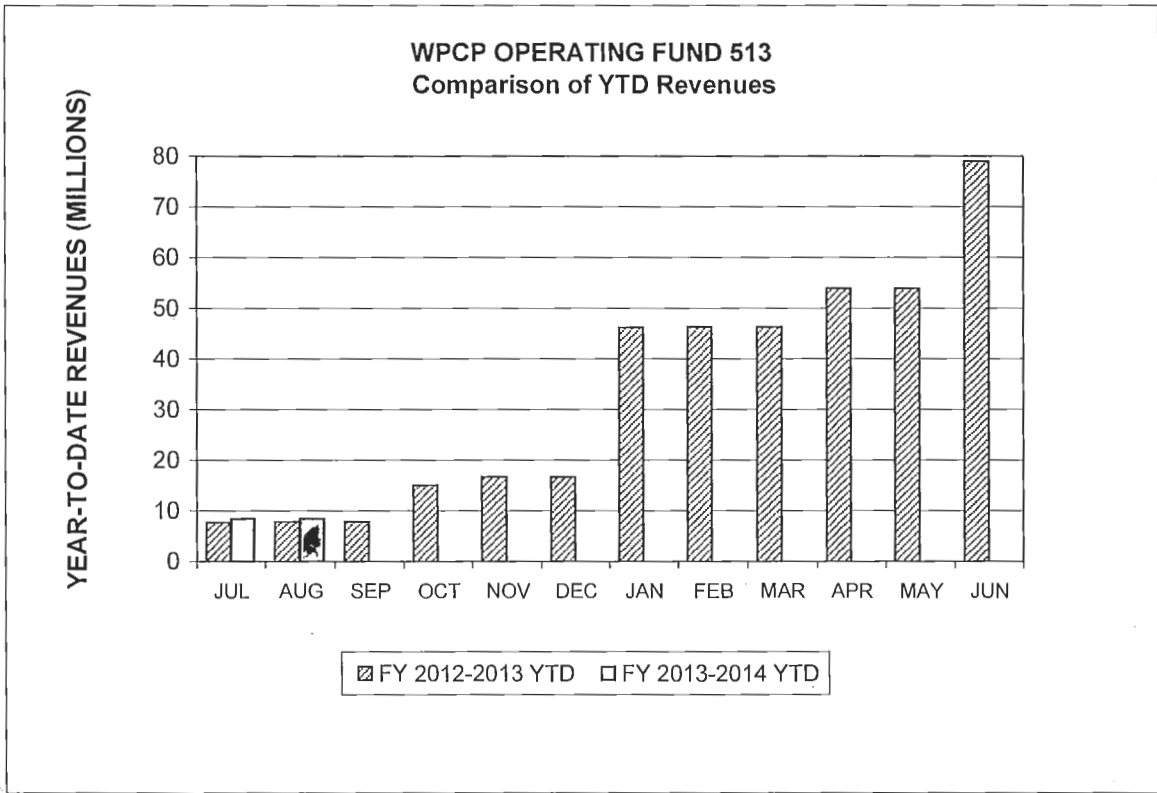
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



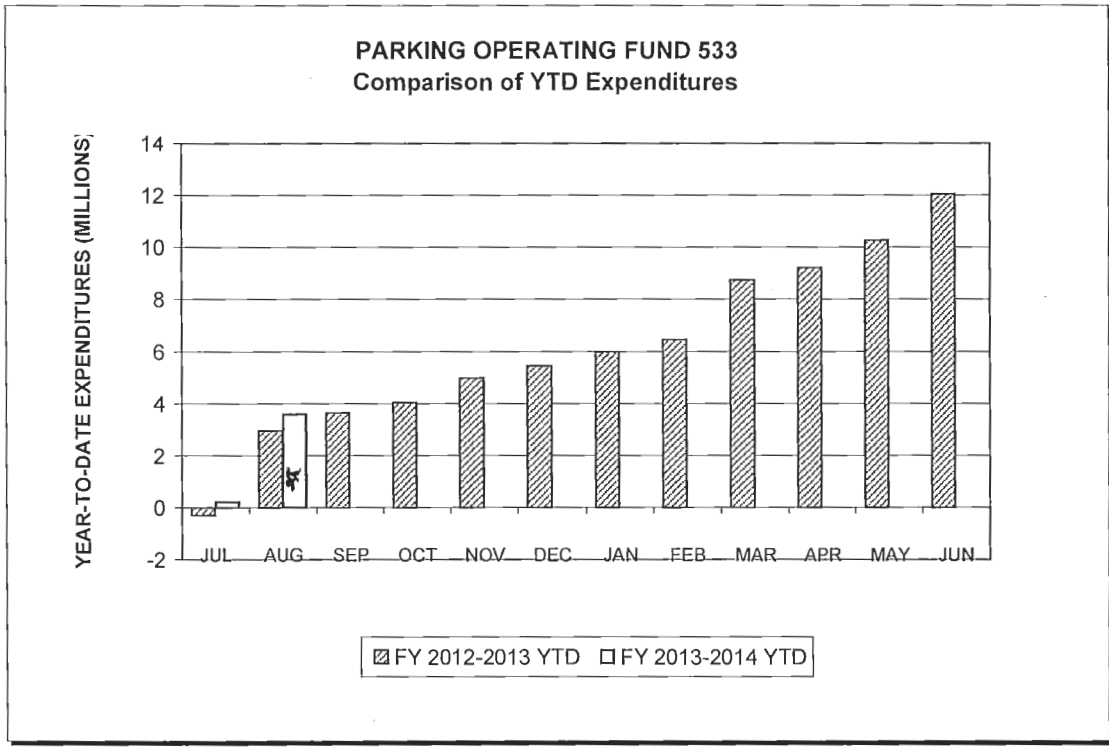
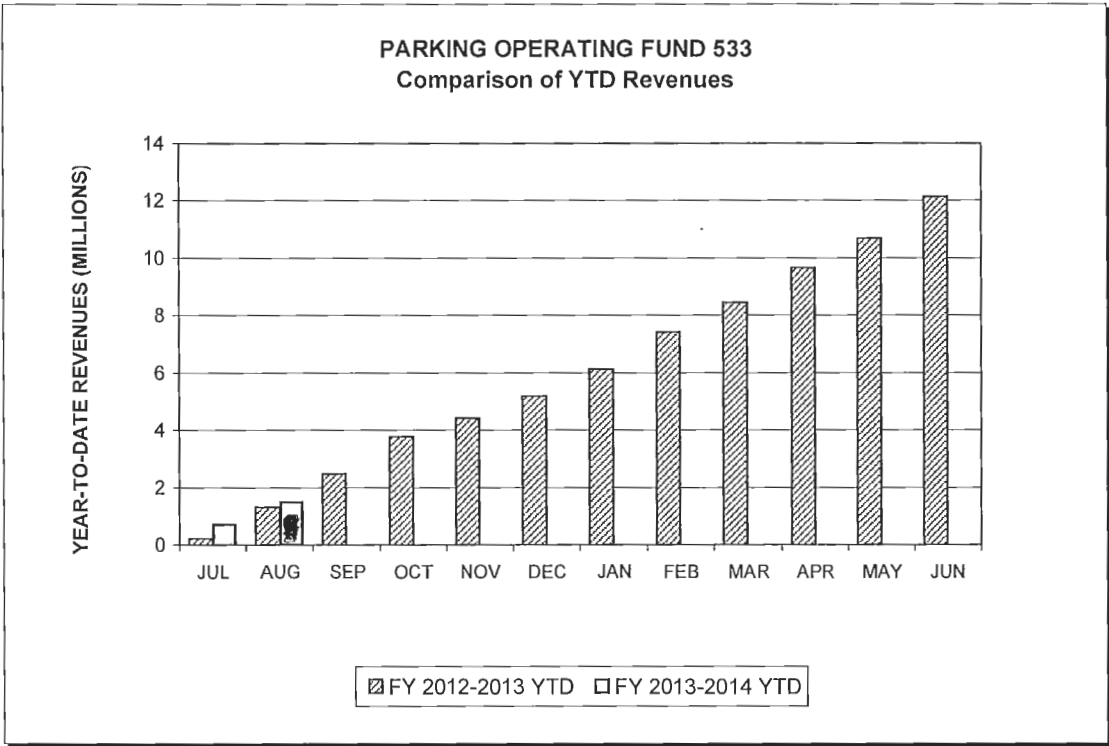
Negative Revenues in July 2012 were caused by the reversal of FY 2011-2012 year-end accrued revenues that exceeded the amount of actual year-end revenues.



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



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.

Parking Expenditures in August 2012, March 2013 and August 2013 includes payments totalling \$1.7 million made to the Successor Agency of the Redevelopment Agency (SARA) that were 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 TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	3,049	3,049	3,049	-	4,478
Beginning Fund Balance	62,029	495	-	62,524	62,524	-	56,040
Revenues	42,698	382	-	43,080	3,462	-	4,844
Total Sources	104,727	877	3,049	108,653	69,035	-	65,362
Total Uses	104,727	877	3,049	108,653	4,348	5,410	3,858
Airport							
Prior Year Encumbrance	-	-	8,000	8,000	8,000	-	9,520
Beginning Fund Balance	317,786	-	-	317,786	317,786	-	370,663
Revenues	349,961	-	-	349,961	33,190	-	30,924
Total Sources	667,747	-	8,000	675,747	358,976	-	411,107
Total Uses	667,747	-	8,000	675,747	28,766	25,796	31,148
Waste Water Treatment							
Prior Year Encumbrance	-	-	45,864	45,864	45,864	-	33,113
Beginning Fund Balance	277,989	-	-	277,989	277,989	-	246,362
Revenues	292,353	-	-	292,353	139,046	-	138,543
Total Sources	570,342	-	45,864	616,206	462,899	-	418,018
Total Uses	570,342	-	45,864	616,206	38,962	53,586	32,627
Parking							
Prior Year Encumbrance	-	-	1,179	1,179	1,179	-	854
Beginning Fund Balance	12,044	-	-	12,044	12,044	-	11,524
Revenues	11,875	-	-	11,875	1,501	-	1,312
Total Sources	23,919	-	1,179	25,098	14,724	-	13,690
Total Uses	23,919	-	1,179	25,098	3,597	1,983	2,949
Municipal Water							
Prior Year Encumbrance	-	-	1,407	1,407	1,407	-	1,400
Beginning Fund Balance	16,271	125	-	16,396	16,396	-	13,545
Revenues	34,915	-	-	34,915	9,624	-	8,421
Total Sources	51,186	125	1,407	52,718	27,427	-	23,366
Total Uses	51,186	125	1,407	52,718	5,906	3,802	5,612

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014 BUDGET	BUDGET AMENDMENTS		FY 2013-2014 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Gas Tax							
Revenues	14,500	-	-	14,500	1,513	-	1,400
Total Sources	14,500	-	-	14,500	1,513	-	1,400
Total Uses	14,500	-	-	14,500	20	-	1,400
Building and Structures							
Prior Year Encumbrance	-	-	7,531	7,531	7,531	-	3,762
Beginning Fund Balance	14,516	-	-	14,516	14,516	-	11,597
Revenues	22,092	-	-	22,092	5,494	-	1,574
Total Sources	36,608	-	7,531	44,139	27,541	-	16,933
Total Uses	36,608	-	7,531	44,139	1,825	7,708	1,789
Residential Construction							
Beginning Fund Balance	1,421	-	-	1,421	1,421	-	1,074
Revenues	180	-	-	180	13	-	47
Total Sources	1,601	-	-	1,601	1,434	-	1,121
Total Uses	1,601	-	-	1,601	2	-	6
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	120	120	120	-	116
Beginning Fund Balance	3,934	-	-	3,934	3,934	-	2,206
Revenues	15,906	-	-	15,906	488	-	1,458
Total Sources	19,840	-	120	19,960	4,542	-	3,780
Total Uses	19,840	-	120	19,960	817	4,035	1,484
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	698	698	698	-	387
Beginning Fund Balance	4,850	89	-	4,939	4,939	-	7,654
Revenues	39,810	-	-	39,810	790	-	851
Total Sources	44,660	89	698	45,447	6,427	-	8,892
Total Uses	44,660	89	698	45,447	9,024	1,621	5,900

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Golf							
Beginning Fund Balance	339	-	-	339	339	-	328
Revenues	2,556	-	-	2,556	2,137	-	1,932
Total Sources	2,895	-	-	2,895	2,476	-	2,260
Total Uses	2,895	-	-	2,895	1,406	-	1,245
Other Funds							
Prior Year Encumbrance	-	-	19,005	19,005	19,005	-	34,801
Beginning Fund Balance	206,758	551	-	207,309	207,309	-	186,132
Revenues	431,152	(22,123)	-	409,029	92,278	-	86,097
Total Sources	637,910	(21,572)	19,005	635,343	318,592	-	307,030
Total Uses	637,910	(21,572)	19,005	635,343	39,997	134,246	37,967

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	8,108	8,108	8,108	-	3,105
Beginning Fund Balance	50,773	-	-	50,773	50,773	-	35,268
Revenues	53,716	494	-	54,210	5,915	-	6,364
Total Sources	104,489	494	8,108	113,091	64,796	-	44,737
Total Uses	104,489	494	8,108	113,091	5,632	16,869	4,745
Redevelopment Projects							
Prior Year Encumbrance	-	-	-	-	-	-	37
Total Sources	-	-	-	-	-	-	37
Total Uses	-	-	-	-	-	-	-
Other							
Prior Year Encumbrance	-	-	13,577	13,577	13,577	-	1,491
Beginning Fund Balance	36,004	613	-	36,617	36,617	-	53,480
Revenues	9,363	-	-	9,363	281	-	2,790
Total Sources	45,367	613	13,577	59,557	50,475	-	57,761
Total Uses	45,367	613	13,577	59,557	597	13,388	2,980

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	36	36	36	-	2
Beginning Fund Balance	5,551	-	-	5,551	5,551	-	4,106
Revenues	885	-	-	885	694	-	67
Total Sources	<u>6,436</u>	<u>-</u>	<u>36</u>	<u>6,472</u>	<u>6,281</u>	<u>-</u>	<u>4,175</u>
Total Uses	<u>6,436</u>	<u>-</u>	<u>36</u>	<u>6,472</u>	<u>130</u>	<u>45</u>	<u>47</u>