DISCUSSION OF SIGNIFICANT VARIANCES BY FUND
(Revenue and/or Expenditure Variances of 5% or greater)

GENERAL FUND

General Fund – Total revenues of $1.0 billion were slightly below the 2014-2015 Modified Budget level by $18.1 million (1.7%). This negative variance was partially due to lower collections from various grants and reimbursements that were not received in 2014-2015, but that were rebudgeted to 2015-2016 in the 2015-2016 Adopted Budget ($16.9 million). After adjusting for grant- and reimbursement-related revenues not received in 2014-2015 but rebudgeted to 2015-2016, revenues for the over 450 revenue accounts budgeted and monitored annually ended the year $2.6 million (0.25%) below budgeted estimates. Once adjusted for the Development Fee Programs, which ended the year slightly below the estimate and is a reconciling item for the Development Fee Program Reserves, and other revenue-related adjustments required to close out 2014-2015, there was a net positive revenue variance of $1.3 million (0.12%) for 2014-2015.

Total expenditures and encumbrances of $1.1 billion were $90.1 million below (7.6%) the modified budget of $1.2 billion (when excluding $192.3 million in reserves). A majority of these savings were anticipated and assumed as savings or rebudget adjustments in the 2015-2016 Adopted Budget or are recommended for rebudget in the Annual Report ($71.6 million). The resulting expenditure savings after rebudgets totaled $18.5 million. After adjusting for 2014- 2015 expenditure cleanup adjustments and assumed savings, expenditure savings totaled $8.8 million (0.6%). Detailed information on the General Fund revenues and expenditures can be found in *Section II. General Fund Performance.*

SPECIAL REVENUE FUNDS

Airport Customer Facility and Transportation Fee Fund **–** Total revenues were above budget by $1.4 million (6.8%), due to higher than anticipated car rental activity at the Airport. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Airport Maintenance and Operation Fund **–** Total revenues were below the budgeted estimate by $10.1 million (12.9%), due to lower than anticipated Transfers from the Airport Revenue Fund. Total expenditures were below budgeted estimate by $6.6 million (8.6%), which were due to savings targets implemented in personal services and non-personal/equipment appropriations. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

SPECIAL REVENUE FUNDS

Business Improvement District Fund – Total revenues were $1.1 million (21.5%) lower than the budget as a result of a reduction in the collection of 2014-2015 district assessments made possible due to the distribution of available fund balances in each district. Total expenditures of $5.4 million were below budget by $891,000 (14.3%). The negative variance is a result of reduced district disbursements and the timing and processing of incoming cash during the fourth quarter. Payments received during the fourth quarter of 2014-2015 will be dispersed during the first quarter of 2015-2016.

Community Development Block Grant Fund – Total revenues of $8.6 million were $685,000 (7.4%) lower than budgeted, due to the receipt of fewer housing loan rehabilitation payments ($327,000) and other loan repayments ($190,000). Additionally, no developer payments were collected, which contributed to $225,000 of the revenue variance. Higher than budgeted miscellaneous revenue ($58,000) partially offset this revenue variance. After rebudgets, total expenditures were lower than the budgeted level by $3.2 million (25.4%), primarily due to unexpended funds in the Community Development Improvements - Capital Projects appropriation ($1.9 million) and the Housing Rehabilitation Loans and Grants appropriation ($1.3 million).

Community Facilities Revenue Fund – Total revenues of $8.7 million were higher than budgeted by $583,000 (7.2%). This variance is due primarily to higher than anticipated revenues from the Hayes Center for Debt Expenses ($344,000), as a payment was received in 2014-2015 for debt payments in 2013-2014, and Capital Improvement ($95,000) for a reimbursement received from Wyndham for prior year software upgrades not fully expended. After rebudgets, expenditures ended the year below budget by $1.1 million (10.7%), due to savings in Operating/Debt Subsidy ($600,000), which was due to better performance at the Hayes Mansion; Debt Service Payments for the Hayes Phase III ($344,000), which was due to lower debt payments; and Hayes Repair and Improvements ($200,000), which was due to project delays.

Convention and Cultural Affairs Fund – Expenditures totaled $8.9 million and consisted primarily of the City's contribution to operate, maintain, and market the Convention Center and other cultural facilities managed by Team San Jose ($5.0 million); several capital improvement projects for these facilities ($2.8 million); and a Transfer to the General Fund ($1.1 million), which includes City overhead, Team San Jose contract oversight, Broadway San José ticket revenue, and cultural facility cost-sharing. After accounting for rebudgets, total expenditures ended the year with $1.6 million (13.9% of the modified budget) in savings, primarily attributed to capital project savings of $749,000 and a lower than anticipated subsidy to Team San José ($682,000) for facility operations due to higher activity levels. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

SPECIAL REVENUE FUNDS

Convention Center Facilities District Revenue Fund **–** Total revenues of $14.7 million were above budget by $1.1 million (8.4%), due to higher special tax revenues received from hotels belonging to the Convention Center Facilities District (CCFD). Revenues in this fund are first used to meet all Convention Center bond covenants, including full funding of the Debt Service Reserve and the Revenue Stabilization Reserve, to protect against any economic downturn. Secondly, any additional funds in the CCFD Fund are to be used to pay debt service expenses associated with the Convention Center Expansion/Renovation project and/or other capital expenses at the Convention Center. Budget actions are recommended in this report to allocate fund balance in this fund to capital investments in the Convention Center.

Federal Drug Forfeiture Fund **–** Total revenues of $23,000 were below budget by $242,000 (91.5%), due to lower than budgeted Federal Drug Forfeiture receipts. The expenditure savings of $510,000 (76.9%) are the result of unexpended funds for non-personal/equipment and personal services.

General Purpose Parking Fund **–** After rebudgets, expenditures ended the year $2.8 million (14.1%) below the budget, primarily due to lower than budgeted debt service payments for the 4th and San Fernando garage ($1.7 million), with the remaining debt service payment balance paid directly by the Successor Agency to the Redevelopment Agency, savings in contractual services for parking operations ($492,000), various capital projects ($292,000), and Department of Transportation position vacancies ($162,000). Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Gift Trust Fund **–** The positive revenue variance of $589,000 (962.5%) is due to the receipt of unanticipated gifts and the accumulation of unbudgeted interest earnings at the end of 2014-2015. These funds are allocated to specific gifts elsewhere in this report.

Home Investment Partnership Program Trust Fund **–** Total revenues of $8.3 million were $4.8 million (36.9%) lower than budgeted, due to the timing of federal grant reimbursements for construction of the Donner Lofts Apartments project. Federal grant revenue reimbursements will be received in 2015-2016, as the project is expected to be completed in summer 2016. After rebudgets, total expenditures were lower than budgeted by $1.8 million (14.0%), primarily due to lower expenditures in Tenant Based Rental Assistance housing coupons ($1.4 million).

Housing Trust Fund **–** Total revenues of $3.1 million were $2.3 million (43.3%) lower than budgeted largely because revenue from a development agreement ($2.6 million) was inadvertently deposited to the Multi-Source Housing Fund (448) in 2014-2015. Included in this report is a recommendation to transfer $2.6 million from the Multi-Source Housing Fund (448) to the Housing Trust Fund (440) to more accurately align revenues.

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

SPECIAL REVENUE FUNDS

Ice Centre Revenue Fund – Total expenditures of $2.1 million ended the year $1.0 million (32.9%) below budget, due to savings in reimbursements for previously approved repairs at the Sharks Ice at San José ($850,000) and lower than budgeted debt service payments ($185,000). A majority of the unexpended funds is recommended to be allocated to the Previously Approved Repairs Reserve.

Library Parcel Tax Fund **–** After rebudgets, total expenditures ended the year below budget by $1.3 million (14.8%), due primarily to a high number of vacancies. The vacancies contributed to lower than anticipated personal services expenditures ($1.0 million).

Low and Moderate Income Housing Asset Fund **–** Total revenue of $34.1 million exceeded the budget by $14.1 million (70.3%) mainly due to a number of developers refinancing their projects and pre-paying their City loans at the end of 2014-2015 as a result of low interest rates and other economic factors. Loan repayments were received from projects, including Monte Vista Gardens ($6.1 million), Parkview Family ($4.9 million), and other Housing Department projects ($2.8 million).

Total expenditures ended the year $13.6 million (51.5%) below budget, largely due to financing the construction for the Metropolitan Apartments project from the Federal HOME Investment Partnership Program Fund (445) rather than the Low and Moderate Income Housing Asset Fund (346). As a result, the Housing Loans and Grants appropriation experienced $12.5 million in savings. The Housing Department's Non-Personal/Equipment appropriation savings of $223,000 and Loan Management appropriation savings of $188,000 also contributed to the variance to the budget. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Multi-Source Housing Fund **–** Total expenditures, including rebudgets, of $19.7 million were $8.0 million (29.0%) below budget, primarily due to project savings in the Capital Grant Program appropriation ($4.8 million) resulting from project delays. In addition, savings in the CalHome (Rehab) Program ($1.4 million) and CalHome (BEGIN) Program ($900,000) also contributed to the variance to the budget, due to lower than anticipated program activity.

San José Arena Capital Reserve Fund **–** After rebudgets, total expenditures were $1.2 million (23.5%) below the budget due to savings in reimbursements for previously approved repairs at the SAP Center. The unexpended funds are recommended to be allocated to the Previously Approved Repairs Reserve elsewhere in this report.

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

SPECIAL REVENUE FUNDS

Special Assessment Maintenance District Funds – The combined expenditures ended the year $2.2 million (27.2%) below budget primarily as the result of lower than budgeted expenditures in Community Facilities District #8 (Communications Hill) ($322,000), Maintenance District #15 (Silver Creek Valley) ($303,000), Maintenance District #1 (Los Paseos) ($223,000), Maintenance District #21 (Gateway Place-Airport Parkway) ($186,000), Maintenance District #19 (River Oaks Area Landscaping) ($136,000), and Maintenance Distrcit #8 (Zanker - Montague) ($130,000). The remaining savings of $920,000 were generated across the other Special Assessment Maintenance District Funds, all with variances below $130,000. Expenditure variances were primarily the result of delays in planned rehabilitation work due to competing workload demands and contractual award delays.

State Drug Forfeiture Fund – Total revenues of -$178,000 were below budget by $383,000 (187.0%), due to lower than budgeted revenues from grants and a refund of funds that the City received in error from the County of Santa Clara District Attorney's Office.

Storm Sewer Operating Fund – Total expenditures, including rebudgets, of $36.0 million ended the year $2.8 million (7.1%) below the budget due primarily to Environmental Services Department personal services ($862,000) and non-personal/equipment ($703,000) cost savings, Department of Transportation non-personal/equipment ($436,000) and personal services ($247,000) cost savings, and savings related to Yard Trimmings/Street Sweeping ($298,000). Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Supplemental Law Enforcement Services Fund – Total revenues of $1.8 million were higher than budgeted by $455,000 (34.8%), due to higher than anticipated revenues from Supplemental Law Enforcement Services grants.

Vehicle Maintenance and Operations Fund – Total revenues of $20.3 million were $1.7 million (7.6%) below budget, due primarily to lower than anticipated Transfers in Departmental Charges (M&O) ($1.1 million) and Transfers in Replacement Charges: Police ($600,000). Total expenditure savings of $1.7 million (6.9%) were primarily due to lower than budgeted project expenditures in Inventory Purchase ($767,000), Diesel Retrofit Program ($281,000), and Vehicle Replacement – General Fleet ($200,000).

Water Utility Fund – The negative expenditure variance of $2.8 million (7.3%) is due to primarily to Environmental Services Department non-personal/equipment cost savings ($2.7 million), which were largely a result of fewer potable and recycled water purchases. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

CAPITAL FUNDS

Building and Structure Construction Tax Fund – After rebudgets, total expenditures of $49.3 million ended the year below budget by $3.1 million (5.9%), due to savings in Capital Program and Public Works Department Support Costs ($337,000), CIP Delivery Management costs ($337,000), and the Traffic Forecasting and Analysis project ($305,000), as well as savings in other capital projects.

Construction and Conveyance Tax Funds – The C&C Tax Funds revenue collection was $2.8 million higher than the budgeted estimate of $57.8 million, primarily due to higher than budgeted C&C Tax revenue ($2.2 million), transfers between funds ($1.2 million), and grant revenues ($292,000), partially offset by lower than budgeted developer contributions and miscellaneous revenue ($888,000). This report includes a recommendation to rebudget $1.8 million from the 2006 Tax Allocation Bond for the Dr. Martin Luther King, Jr. Library Capital Improvements that was not received in 2014-2015, but is anticipated to be received in 2015-2016. After accounting for this rebudget, the revised revenue variance increases to $4.7 million.

Major Facilities Fund – Total revenues of $370,000 were $358,000 (2,979.4%) above the budgeted estimate due to the collection of Major Facilities Developer Fees ($351,000) and higher interest earnings ($6,000). Major facilities fees are budgeted as actual collections occur due to the volatile nature of these revenues. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance*.

San José/Santa Clara Treatment Plant Capital Fund – The expenditure savings of $31.2 million (17.7%) after rebudgets are due primarily to savings in numerous projects. Projects with the largest savings were Energy Generation Improvements ($6.4 million), Plant Electrical Reliability ($6.1 million), Plant Instrument Air System Upgrade ($3.7 million), Program Management ($3.0 million), Equipment Replacement ($2.2 million), Plant Infrastructure Improvements ($2.0 million), Urgent and Unscheduled Treatment Plant Rehabilitation ($1.8 million), and Secondary and Nitrification Clarifier Rehabilitation ($1.8 million). Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Sanitary Sewer Connection Fee Fund – The negative revenue variance of $305,000 (25.2%) is due primarily to lower connection fees ($124,000) and lower joint participation revenue ($207,000). Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

DISCUSSION OF SIGNIFICANT VARIANCES BY FUND

CAPITAL FUNDS

Sewer Service and Use Charge Capital Improvement Fund **-** The negative expenditure variance of $5.9 million (5.3%) is due primarily to savings in numerous projects. Projects with the largest savings were Urgent Rehabilitation and Repair Projects ($1.2 million), Trimble Road Sanitary Sewer Improvements ($749,000), Cast Iron Pipe Replacement - West ($661,000), South White Road Sanitary Sewer Improvements ($500,000), and Reinforced Concrete Pipe Rehabilitation Program ($500,000). Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Storm Drainage Fee Fund – The positive revenue variance of $144,000 (90.9%) is due primarily to the collection of higher storm drainage fees ($144,000) from developers. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Storm Sewer Capital Fund **–** The negative expenditure variance of $9.0 million (39.3%), after rebudgets, is due primarily to savings in several projects. Projects with the largest savings were Large Trash Capture Devices ($3.3 million), Willow Glen-Guadalupe, Phase III ($1.4 million), and Charcot Storm Pump Station at Coyote Creek ($1.0 million), which is recommended in this report to be placed into a reserve for future use. Additional information on this fund can be found in *Section III. Selected Special/Capital Funds Budget Performance.*

Subdivision Park Trust Fund – The positive revenue variance of $26.0 million (783.2%) is mainly attributed to higher than anticipated in-lieu fees ($20.3 million) and grant revenue ($5.4 million). Due to the uncertainty of when in-lieu fees are paid by the developer, historically these funds are not included in the budget for the Subdivision Park Trust Fund until they are received.

Underground Utility Fund – The negative revenue variance of $343,000 (42.3%) reflects lower than budgeted developer contributions ($349,000) partially offset by higher than budgeted interest earnings ($3,000) and miscellaneous revenues ($3,000). The expenditure savings of $1.7 million (82.2%) primarily reflects unexpended project funds, including Underground Utility Program ($1.5 million), Underground Utility Program 20A ($70,000), and Underground Utility Administration ($58,000).

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