

**2014-2015**

**ANNUAL**

**REPORT**

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**T**RANSMITTAL

**M**EMORANDUM

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Norberto Dueñas

**SUBJECT:** 2014-2015 ANNUAL REPORT

**DATE:** September 30, 2015

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## **RECOMMENDATION**

It is recommended that the City Council:

- (a) Accept the 2014-2015 City Manager's Annual Report of the Finances of the City of San José in compliance with City Charter Section 701 (F).
- (b) Adopt Appropriation Ordinance and Funding Sources Resolution amendments in various operating and capital funds to implement the 2014-2015 Annual Report recommendations, including appropriate technical adjustments, as detailed in Section IV. Recommended Budget Adjustments and Clean-Up/Rebudget Actions.
- (c) Adopt a resolution amending the Fiscal Year 2015-2016 Schedule of Fees and Charges (Resolution 72737, as amended) to decrease the Minor Development Signal Design: Traffic Controller Fee from \$6,041 to \$5,083 per controller.

## **OUTCOME**

In accordance with Section 701 (F) of the San José City Charter, the 2014-2015 Annual Report describes the financial status of the City at the end of the 2014-2015 fiscal year. As specified in the City Charter, the focus of the City Manager's Annual Report is a comparison of actual revenue collections and expenditures to projections and appropriations included in the City's budget. This will provide the City Council with the information necessary to review the financial performance of all City funds. In addition, this report provides a comparison of the actual 2014-2015 Ending Fund Balance for each fund to the estimate used in the development of the 2015-2016 Adopted Budget as well as information on the status of the year-end reserve levels for each of the City's budgeted funds.

Approval of the recommended budget actions will implement required fund balance reconciliations as well as necessary rebudget and clean-up adjustments based on the final 2014-2015 financial performance (unaudited). The document also includes actions that are necessary to revise the 2015-2016 budget to align budgeted revenue and expenditures with the most current information, correct technical problems, recognize new or adjust existing grant, reimbursement or fee activity revenues and expenditures, fund a very limited number of urgent fiscal/program needs in the General Fund, and reflect changes in project and program allocations based on revised cost estimates as well as establish a limited number of new projects and programs in special and capital funds.

**EXECUTIVE SUMMARY**

The Administration proactively managed the City's over 100 budgeted funds in 2014-2015. Budget actions were brought forward during the year to ensure that revenues and expenditures remained in alignment with actual performance. Through this careful management, the various City funds generally ended the year with revenues close to the budgeted estimates and expenditures below the budgeted allocations.

As the local economy continued to grow at a moderate pace and as expenditures were closely forecasted and monitored, the City's budget remained stable in 2014-2015. Accordingly, the City was fortunate to allocate a small surplus as opposed to addressing the severe shortfalls often seen in the recent past. However, with a surplus of only \$2.5 million, the 2014-2015 Adopted Budget continued to hold the line with a limited number of new actions in strategically important areas, avoided service cuts, allowed for incremental increases in employee compensation, and continued to identify service delivery efficiencies and cost savings that could be obtained while maintaining service levels. As always, the City will maintain its focus on rebuilding services within available resources to meet the needs of the San José community.

In the General Fund, both the revenues and expenditures ended the year very close to budgeted expectations. At the end of 2014-2015, there was \$12.7 million (0.5% of the 2014-2015 Modified Budget total sources and uses) in additional General Fund 2014-2015 Ending Fund Balance above the level assumed in the development of the 2015-2016 Adopted Budget. These funds are recommended to be allocated in the 2014-2015 Annual Report as shown below.

**PROPOSED 2015-2016 GENERAL FUND ADJUSTMENTS (\$000s)**

<b>Additional 2014-2015 Ending Fund Balance for Annual Report</b>	<b>\$ 12,694</b>
<b>Clean-Up Actions</b>	
Development Fee Programs Reconciliation	(213)
Rebudgets/Clean-Up Adjustments	(2,520)
<b>Sub-total Clean-Up Actions</b>	<b>\$ (2,733)</b>
<b>Fund Balance Available After Clean-up Actions</b>	<b>\$ 9,961</b>
<b>Recommended Budget Adjustments</b>	
Required Technical/Rebalancing Actions	(9,646)
Grants/Reimbursements/Fee Activities (\$4.1 million in net-zero adjustments)	0
Urgent Fiscal/Program Needs	(315)
<b>Sub-total Recommended Budget Adjustments</b>	<b>\$ (9,961)</b>
<b>Remaining Balance After Clean-ups/Recommended Adjustments</b>	<b>\$ 0</b>

## **EXECUTIVE SUMMARY**

When bringing forward recommendations for the use of the additional 2014-2015 Ending Fund Balance, the Administration considers clean-up actions associated with the close-out of the 2014-2015 fiscal year to be essentially non-discretionary and the highest priority. These clean-up actions result in a net decrease to the available fund balance of \$2.7 million and are broken down into two categories: changes to the Development Fee Programs reserves to reconcile actual 2014-2015 performance (-\$213,000); and adjustments to rebudget amounts that were carried over to 2015-2016 to complete projects and technical adjustments to other revenue and expenditure line items (\$2.5 million). After accounting for those clean-up actions, the additional General Fund 2014-2015 Ending Fund Balance was within \$9.96 million (0.3%) of the 2014-2015 Modified Budget (sources and uses). This fund balance was generated from slightly higher revenues (\$1.3 million) and net expenditure savings (\$8.8 million), partially offset by lower than estimated liquidation of prior year encumbrances (\$131,000). The remaining General Fund balance of \$9.96 million is recommended to fund various required technical/rebalancing actions (\$9.6 million) and a very small number of recommended actions to address urgent fiscal/program needs (\$315,000).

The largest actions include a \$9.8 million revenue decrease to reflect the one-time loss of reimbursement revenue from the Successor Agency to the Redevelopment Agency associated with the City's advance of funds for the Convention Center debt service payment, an allocation of \$2.5 million to purchase radios that can operate on the Silicon Valley Regional Communications System (SVRCS) and communicate with neighboring agencies during Super Bowl 50, and an increase of \$500,000 to maintain a 3% Contingency Reserve. In addition, \$4.1 million in net-zero adjustments to various grants, reimbursements and fee activities are also included.

While the recommended General Fund budget actions address required current year needs, insufficient ending fund balance remains to allocate resources per the Operating Budget and Capital Improvement Program City Council Policy (1-18). Under this policy, any additional fund balance after the necessary clean-up adjustments are typically to be allocated 50% to unmet/deferred infrastructure and maintenance needs and 50% to offset any projected deficit for the following year. Because a deficit is not projected for 2016-2017, these funds would have been recommended to be allocated to unmet/deferred infrastructure needs such as the Silicon Valley Regional Communications System or pavement maintenance.

As we move forward, the Administration will continue to monitor and report on the City's financial performance through Bi-Monthly Financial Reports and the Mid-Year Budget Review. The financial results of 2014-2015 will also be factored into the development of the 2017-2021 General Fund Five-Year Forecast that will be released in February 2016.

## **BACKGROUND**

Each year the City issues the Annual Report at the end of September, three months after the close of the fiscal year, as required by the City Charter. Following is a description of the various sections of the Annual Report document.

- **Transmittal Memorandum** – This section provides an overall summary of the 2014-2015 Annual Report.
- **Section I: Financial Performance Summary (All Funds)** – This section provides a comparison of the 2014-2015 budget to actual revenues received and expenditures incurred by fund as well as a discussion of revenue and/or expenditure variances of \$100,000 and 5% or greater to the budget. This section also provides a comparison of the year-end actual 2014-2015 Ending Fund Balance by fund to the 2014-2015 Ending Fund Balance/2015-2016 Beginning Fund Balance estimate used in the development of the 2015-2016 Adopted Budget. In addition, a listing of the Earmarked and Contingency Reserves that were available at the end of 2014-2015 by fund is included.
- **Section II: General Fund Financial Performance** – This section provides a summary of the General Fund performance in 2014-2015, including the following: Results of Operations in the General Fund; Revenue Performance; and Expenditure Performance.
- **Section III: Selected Special/Capital Funds Financial Performance** – This section provides financial information on the 2014-2015 year-end performance for selected special and capital funds that represent major City operations. It includes a discussion of variances between actual and budgeted revenues and expenditures as well as a comparison between the actual ending fund balance and the fund balance estimated for 2014-2015 in the development of the 2015-2016 Adopted Budget.
- **Section IV: Recommended Budget Adjustments and Clean-Up/Rebudget Actions** – This section provides a description of the recommended budget adjustments and clean-up actions for City Council consideration. The proposed actions generally fall into three categories: (1) adjustments to the 2015-2016 Beginning Fund Balance amounts in various funds, including the General Fund, based on the final reconciliation of 2014-2015; (2) upward and downward adjustments to the rebudget figures to ensure the appropriate amount of unexpended funds are carried over to 2015-2016 to complete projects; and (3) actions based on more recent information that are necessary to revise the 2015-2016 budget to align budgeted revenue and expenditures with the most current information, correct technical problems, recognize new or adjust grant, reimbursement or fee activity revenues and expenditures, fund a limited number of urgent fiscal/program needs in the General Fund, and reflect changes in project and program allocations based on revised cost estimates as well as establish a limited number of new projects and programs in special and capital funds.

## **BACKGROUND**

- **Section V: Financial Statements** – This section provides the financial results (unaudited), prepared by the Finance Department, for all budgeted fund groups for 2014-2015. It should be noted that audited financial results will be released later in the fall as part of the 2015 Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2015. Final fund balance reconciliations to the CAFR will be conducted for all funds and, while very few adjustments are typically necessary, any final adjustments will be brought forward for City Council consideration as part of the 2015-2016 Mid-Year Budget Review.
- **Section VI: Appendix** – This section includes the “2014-2015 Fire Department Vacancy and Absence Rates and Their Impact on Overtime” Information Memorandum. This report is prepared annually by the Fire Department in response to the City Auditor’s April 2001 “Audit of the City of San Jose Fire Department’s Overtime Expenditures”. Through 2011-2012, this report was presented to the Public Safety, Finance, and Strategic Support Committee (PSFSS). At the PSFSS Committee meeting on March 21, 2013, the Administration’s recommendation to incorporate the Fire Department’s annual vacancy and absence rates and their impact on overtime into the Annual Report was approved.

## **ANALYSIS**

This Analysis section includes the following:

- an overview of the economic environment;
- a discussion of the 2014-2015 budget performance of all City funds;
- a discussion of the 2014-2015 budget performance for the General Fund;
- a discussion of the components of the 2014-2015 General Fund ending fund balance;
- an analysis of the impact of the General Fund performance on the 2015-2016 Adopted Budget; and
- a discussion of the 2014-2015 budget performance of selected special and capital funds.

<b>Economic Environment</b>
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When the 2014-2015 Adopted Budget was developed, solid economic growth was expected to continue in 2014-2015. This assumption has proven true, with continued improvement in economic indicators and actual revenue performance during 2014-2015. Employment indicators, residential and industrial permit activity, median single-family home prices and days on market have all improved.

**ANALYSIS**

**Economic Environment**



The June 2015 employment level in the San José – Sunnyvale - Santa Clara Metropolitan Statistical Area (MSA) of 1.1 million was 5.5% above the June 2014 level of 1.0 million. This employment level is now above the pre-recession peak of 930,500 experienced in December 2007. This represents the fifth consecutive year of sustained growth from June to June. The growth is underscored by the current low unemployment that the San José – Sunnyvale – Santa Clara MSA is experiencing.

**Unemployment Rate (Unadjusted)**

The unemployment rate in the San José metropolitan area also improved in 2014-2015, dropping from 5.3% in June 2014 to 4.0% in June 2015. These rates remain well below the double digit levels that had been experienced in recent years. The June 2014 unemployment rate in this region is less than the unadjusted rate for the State (6.2%) and the nation (5.5%).

	<b>June 2013</b>	<b>June 2014</b>	<b>June 2015</b>
SJ Metropolitan Statistical Area*	6.9%	5.3%	4.0%
State of California	9.2 %	7.4%	6.2%
United States	7.5%	6.3%	5.5%

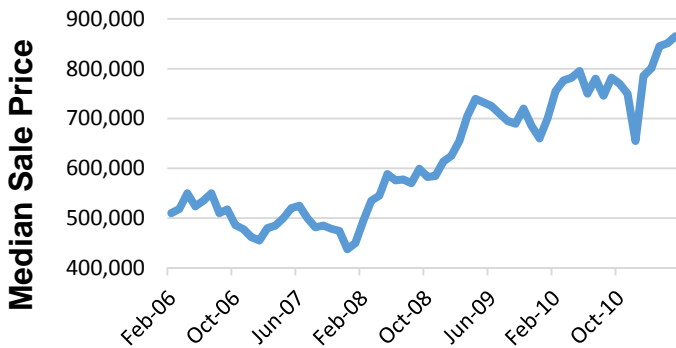
\* San Benito and Santa Clara Counties  
 Source: California Employment Development

Construction activity was moderate in 2014-2015, with total fiscal year end valuation of \$1.3 billion, a 22% decrease from the prior year of \$1.7 billion but still well above the 2012-2013 level of \$1.0 billion. The 3,241 permits for new residential units issued through June 2015 was below the prior year level of 4,724 by 32%. Residential valuation of \$580.9 million in 2014-2015 was significantly lower than the 2013-2014 level of \$835.6 million. Commercial valuation of \$380.0 million was lower than the prior year level of \$398.5 million, and industrial activity of \$359.9 million also fell below last year’s level of \$457.4 million. Major projects contributing to the tax receipts in 2014-2015 were Westfield Valley Fair Parking Garage, Century Center Towers, Lexington Luxury Apartments, and a new office building at Santana Row. Overall, this construction activity drives the revenue collection in several construction tax categories and is an indicator of future activity for categories such as storm and sanitary sewer system fees.

## ANALYSIS

### **Economic Environment**

**Median Price - Single Family Homes**



The housing market also continued to improve in 2014-2015. The median price for single family homes increased in value, with a median home price in June 2015 of \$865,000, up 8.75% from the June 2014 price of \$795,400. In addition, the amount of time it takes to sell a home (single-family and multi-family dwelling units) has decreased in the past year from 20 days in June 2014 to 17 days in June 2015, a 17.5% decrease. The June 2015 figure reflects the fewest

days on market since June 2005. The number of home sales (single-family and multi-family dwelling units), has also increased over the past year (2.2%) from 7,824 sales in 2013-2014 to 7,992 sales in 2014-2015, but is still below the 2012-2013 level of 8,091 sales.

### **2014-2015 Budget Performance (All Funds)**

As shown in Section I of this document, City revenues (excluding Beginning Fund Balances) totaled \$2.58 billion in 2014-2015 and an additional \$61.5 million was rebudgeted from 2014-2015 to 2015-2016. In several funds, grants and expenditure-related reimbursements were not received in 2014-2015 and were rebudgeted since they are now expected to be received in 2015-2016. Together, the actual revenues and rebudgets of \$2.64 billion were 0.9% (\$23.4 million) below the budgeted estimate of \$2.62 billion.

In 2014-2015, expenditures (excluding Reserves and Ending Fund Balances) totaled \$2.75 billion and an additional \$379.2 million was rebudgeted from 2014-2015 to 2015-2016. The combined expenditures and rebudgets of \$3.13 billion, which was \$151.9 million (4.6%) below the modified budget of \$3.28 billion. At the end of 2014-2015, the Contingency and Earmarked Reserves for all City funds totaled \$680.9 million, which represented 16.2% of the total 2014-2015 Modified Budget of \$4.19 billion (including interfund transfers, loans, and contributions). In the General Fund, Reserves totaled \$192.3 million.

The financial performance in 2014-2015 is used as the starting point for 2015-2016. The collective 2014-2015 Ending Fund Balances for all City funds totaled \$1.49 billion, which was \$133.7 million above the 2014-2015 Ending Fund Balance estimates of \$1.36 billion used in the development of the 2015-2016 Adopted Budget. After adjusting for additional rebudgets of \$17.7 million recommended in this report, the adjusted 2014-2015 Ending Fund Balance variance for all funds falls to \$116.1 million, or 2.8% of the 2014-2015 Modified Budget. The adjusted fund balance variance totaled \$10.0 million in the General Fund, \$36.9 million in the special funds, and \$69.2 million in the capital funds.



**ANALYSIS**

**2014-2015 General Fund Budget Performance**

The City's General Fund ended the 2014-2015 fiscal year within budgeted levels. As shown in the chart below, the General Fund Ending Fund Balance of \$265.5 million was \$12.7 million (0.5% of the 2014-2015 Modified Budget total sources and uses) above the fund balance estimate assumed when the 2015-2016 Adopted Budget was developed. The following table summarizes the General Fund performance in 2014-2015, comparing the actual results to the modified budget and the estimates used to develop the 2015-2016 Adopted Budget.

**Table 1**  
**General Fund Year-End Status**  
**For the Year Ended June 30, 2015**  
**(\$000s)**

	<b>2014-2015 Modified Budget</b>	<b>2014-2015 Year-end Estimate</b>	<b>2014-2015 Budgetary Basis Actual</b>	<b>Actual to Budget Variance</b>	<b>Actual to Estimate Variance</b>
<b>Sources</b>					
<i>Beginning Fund Balance</i>	270,638	270,638	270,637	(1)	(1)
<i>Carryover Encumbrances</i>	39,408	39,408	39,408	-	-
<i>Liquidation of Carry- over Encumbrances</i>	-	1,500	1,369	1,369	(131)
<i>Revenue</i>	<u>1,066,876</u>	<u>1,066,876</u>	<u>1,048,677</u>	<u>(18,199)</u>	<u>(18,199)</u>
<i>Total Sources</i>	<u>1,376,922</u>	<u>1,378,422</u>	<u>1,360,091</u>	<u>(16,831)</u>	<u>(18,331)</u>
<b>Uses</b>					
<i>Expenditures/Transfers</i>	1,184,635	1,125,812	1,094,571	(90,064)	(31,241)
<i>Reserves</i>	<u>192,287</u>	<u>(216)</u>	<u>-</u>	<u>(192,287)</u>	<u>216</u>
<i>Total Uses</i>	<u>1,376,922</u>	<u>1,125,596</u>	<u>1,094,571</u>	<u>(282,351)</u>	<u>(31,025)</u>
<i>Ending Fund Balance</i>	<u>-</u>	<u>252,826</u>	<u>265,520</u>	<u>265,520</u>	<u>12,694</u>

Note: In the chart above, the General Fund excludes the Emergency Reserve Fund and the Cash Reserve Fund, which are budgeted as separate funds and reflected separately in this document. In the 2014-2015 Comprehensive Financial Report (CAFR), the Emergency Reserve Fund and Cash Reserve Fund will be displayed as part of the General Fund to comply with GASB 54 reporting requirements.

In 2014-2015, General Fund revenues of \$1.1 billion ended the year \$18.2 million (1.7%) below both the modified budget and the estimate used to develop the 2015-2016 Adopted Budget. Other funding sources included the liquidation of prior year carryover encumbrances totaling \$1.4 million, which fell \$131,000 below the estimate of \$1.5 million used to develop the 2015-2016 Adopted Budget. General Fund expenditures/transfers of \$1.09 billion were \$90.1 million (7.6%) below the modified budget of \$1.2 billion and \$31.2 million (2.8%) below the estimate used to develop the 2015-2016 Adopted Budget. Budgeted reserves of \$192.3 million remain unexpended at year-end.

## **ANALYSIS**

### **2014-2015 General Fund Budget Performance**

When comparing the actual revenue and expenditure performance to the estimates used to develop the 2015-2016 Adopted Budget, a portion of these variances is related to various grants and reimbursements that were not received in 2014-2015, but are expected to be received in 2015-2016. A total of \$16.9 million of grant and reimbursement revenues and expenditures were rebudgeted to 2015-2016 in the 2015-2016 Adopted Budget. This resulted in lower actual revenues and expenditures in 2014-2015, with no net impact to the General Fund. After factoring out the lower revenues and expenditures associated with these grants and reimbursements, revenues fell slightly below the estimate by \$1.3 million (0.1%), expenditures savings totaled \$14.1 million (1.2%, excluding reserves), and a \$131,000 shortfall from the liquidation of carryover encumbrances when compared to year-end estimated levels. Further adjustments to these figures are necessary to account for the recommended rebudget and clean-up actions in the Annual Report.

In this Annual Report document, budget actions are recommended to distribute the additional fund balance of \$12.7 million. Per City Council Policy 1-18, when determining the proposed distribution of these funds, the first priority is to complete clean-up actions associated with the final reconciliation of 2014-2015. Recommended clean-up actions of a net \$2.7 million primarily reflect an adjustment of \$213,000 to reconcile the actual performance of the Development Fee Programs for 2014-2015. After accounting for these actions and \$2.5 million in required expenditure rebudgets and other clean-up adjustments to close-out 2014-2015, \$9.96 million (0.4%) in additional ending fund balance is available. This fund balance was generated from net additional revenues of \$1.3 million and net expenditure savings of \$8.8 million, slightly offset by lower than estimated liquidation of prior year encumbrances (\$131,000).

The additional General Fund balance of \$9.96 million (0.4%) available for distribution is recommended to be allocated to address various required technical and rebalancing actions (\$9.6 million), and a very limited number of recommended urgent fiscal/program needs (\$315,000), which are described later in this transmittal memorandum.

To identify revenue and expenditure trends, the actual 2014-2015 revenues and expenditures are compared to the prior year. Table 2 below compares the City's financial performance in 2014-2015 with the financial performance of the prior year.

**ANALYSIS**

**2014-2015 General Fund Budget Performance**

**Table 2  
 General Fund  
 Comparison of Year-End Actuals With Prior Year  
 (\$000s)**

	<b>2013-2014 Actuals</b>	<b>2014-2015 Actuals</b>	<b>Change</b>	<b>% Change</b>
<b>Source of Funds</b>				
Beginning Fund Balance	234,831	311,414	76,583	32.6%
Revenues	1,008,010	1,048,677	40,667	4.0%
<b>Total Source of Funds</b>	<b>1,242,841</b>	<b>1,360,091</b>	<b>117,250</b>	<b>9.4%</b>
<b>Use of Funds</b>				
Personal Services	604,436	649,086	44,650	7.4%
Non-Personal/Equipment/Other	110,804	115,085	4,281	3.9%
City-Wide Expenses	224,597	264,174	39,577	17.6%
Capital Contributions	7,495	29,470	21,975	293.2%
Transfers	24,882	36,756	11,874	47.7%
Reserves	-	-	-	N/A
<b>Total Use of Funds</b>	<b>972,214</b>	<b>1,094,571</b>	<b>122,357</b>	<b>12.6%</b>

As shown in Table 2, 2014-2015 General Fund revenues of \$1.05 billion represent an increase of 4.0% from the 2013-2014 collection level of \$1.0 billion. The categories that experienced the largest increases included: Property Tax, Sales Tax, Transient Occupancy Tax, Business Taxes, and Other Revenue categories. The largest declines from the prior year were experienced in the Utility Tax, Licenses and Permits, Fines, Forfeitures & Penalties, and Revenue from Local Agencies categories.

General Fund expenditures of \$1.09 billion in 2014-2015 were 12.6% above (\$122.4 million) prior year expenditure levels of \$972.2 million. This increase is due to higher Personal Services (\$44.7 million), City-Wide Expenses (\$39.6 million), Capital Improvements (\$22.0 million), and Transfers (\$11.9 million), and Non-Personal/Equipment (\$4.3 million).

A detailed discussion of the General Fund revenue and expenditure performance is provided in Section I of this document.

**ANALYSIS**

**2014-2015 General Fund Ending Fund Balance**

The current budgeting practice of the City is to use the projected level of fund balance expected to remain in the General Fund at the end of any fiscal year as a funding source for the following year. The Ending Fund Balance estimate always contains two components: the portion of the fund balance that needs to be rebudgeted for completing projects or retaining reserves; and the portion which is undesignated and available as a general funding source in the coming year. In the 2015-2016 Adopted Budget, a total fund balance estimate of \$252.8 million was included as a funding source. As discussed earlier, the 2014-2015 General Fund Ending Fund Balance of \$265.5 million was \$12.7 million above this estimate.

The components of the 2014-2015 General Fund Ending Fund Balance include additional funding sources, expenditure/transfer savings, and unexpended reserves as described below:

**2014-2015 General Fund  
 Ending Fund Balance Components**

<b>Fund Balance Component</b>	<b>\$ Amount (\$ in 000s)</b>
Additional Funding Sources	\$ (16,831)
Expenditure/Transfer Savings	90,064
Unexpended Reserves	192,287
<b>TOTAL</b>	<b>\$ 265,520</b>

The total Sources of Funds ended the year \$16.8 million below the modified budget as a result of lower revenues (\$18.2 million), which were partially offset by the liquidation of carryover encumbrances (\$1.4 million). After net-zero revenue rebudgets and additional rebudget and clean-up actions recommended in the Annual Report, there is an adjusted revenue surplus of \$1.3 million (0.1%) from the modified budget. Major adjustments include the rebudget of \$2.0 million in federal government revenue for the United States Patent and Trademark Office – Tenant Improvements Project.

For the Uses of Funds, expenditure and transfer savings totaled \$90.1 million, while unexpended reserves totaled \$192.3 million, representing the largest component of the 2014-2015 Ending Fund Balance. Of the \$90.1 million in expenditure/transfer savings, almost 85% of these savings (\$75.7 million) was assumed as savings in the development of the 2015-2016 budget or rebudgeted to 2015-2016 to complete projects. Clean-up expenditure actions of \$5.4 million are recommended in this document to reconcile the Development Fee Programs for 2014-2015 (\$1.3 million) and to adjust various rebudget amounts and clean up appropriations (\$4.1 million). After accounting for these technical adjustments, the remaining General Fund expenditures and transfer savings totaled \$8.8 million, or 0.6% of the modified budget (excluding reserves).

## ANALYSIS

### **2014-2015 General Fund Ending Fund Balance**

General Fund Reserves, totaling \$192.3 million at the end of 2014-2015, include three categories: Earmarked Reserves (\$138.9 million) established to address specific needs per City Council direction; the Ending Fund Balance Reserve (\$19.8 million) established during 2014-2015 from excess revenues and expenditure savings that are programmed for use in the 2015-2016 Adopted Budget; and the Contingency Reserve (\$33.6 million) set at a minimum of 3% of expenditures per City Council policy.

The 2015-2016 Adopted Budget assumed that \$192.5 million would be available at year-end to be carried over to 2015-2016, with reserves either re-established or used as a funding source as part of the 2015-2016 Adopted Budget. This exceeded the estimated fund balance by approximately \$216,000 due to an over-rebudget of development fee program reserves (\$211,000), the General Plan Update Reserve (\$413,000), and the Fiscal Reform Plan Implementation Reserve (\$150,000), offset by savings in the Employee Market Competitive Reserve (\$500,000), Salary and Benefit Reserve (\$51,000) and Wellness Program Reserve (\$7,700). Downward rebudget adjustments are recommended in the Annual Report to reconcile the final reserves.

Following is additional information regarding the three reserve categories.

- ***Earmarked Reserves (\$138.9 million)*** – At the end of 2014-2015, the most significant reserves included the following: Building Development Fee Program Reserve (\$28.3 million); Police Department Staffing/Operations Reserve (\$18.0 million); Workers’ Compensation/General Liability Catastrophic Reserve (\$15.0 million); Budget Stabilization Reserve (\$10.0 million); Fire Development Fee Program Reserve (\$6.6 million); Retiree Healthcare Solutions Reserve (\$6.2 million); Public Works Development Fee Program Reserve (\$6.0 million); Sick Leave Upon Retirement Reserve (\$6.0 million); and Salaries and Benefits Reserve (\$5.3 million). The majority of the Earmarked Reserves were either approved for rebudget or used as a funding source in the 2015-2016 Adopted Budget. As referenced above, downward rebudget adjustments are recommended in the Annual Report to reconcile reserves that were over-rebudgeted.
- ***Ending Fund Balance Reserve (\$19.8 million)*** – Annually, as part of the General Fund Forecast and during the development of the Proposed Budget for the following year, a certain amount of current year unrestricted ending fund balance is estimated to be available at the end of the year as a funding source for the following year’s budget. This ending fund balance is expected to be generated from additional revenues above budgeted levels, expenditure savings, and the liquidation of carryover encumbrances during the year. To ensure a majority portion of the 2014-2015 ending fund balance was available for use as assumed in the development of the 2015-2016 Adopted Budget, funding of \$19.8 million was proactively set aside during 2014-2015.

**ANALYSIS**

**Impacts on the 2015-2016 General Fund Budget**

- **Contingency Reserve (\$33.6 million)** – The City Council has established a budget policy of maintaining a minimum 3% Contingency Reserve in the General Fund. At the end of 2014-2015, the Contingency Reserve Balance was \$33.6 million. As part of the 2015-2016 Adopted Budget, the full Contingency Reserve was rebudgeted and additional funding of \$400,000 was included in order to comply with the Council Policy of maintaining a 3.0% Contingency Reserve in the General Fund. It is important to note, however, that if this Contingency Reserve is ever needed, it is only sufficient enough to cover General Fund payroll expenditures for approximately two and a half weeks in the event of an emergency. This level of reserve is a very low amount for a city the size of San José. Based on the Annual Report actions, an increase to the Contingency Reserve of \$500,000 (from \$34.0 million to \$34.5 million) is recommended in this document to maintain the 3% Contingency Reserve Policy.

As discussed above, it was assumed that \$252.8 million would remain at the end of 2014-2015 and would be carried over to 2015-2016 as Beginning Fund Balance as part of the adoption of the 2015-2016 General Fund Budget. These funds, which were expected to be generated from unexpended reserves, unexpended funds that were rebudgeted to 2015-2016, expenditure savings and the liquidation of carryover encumbrances, were programmed for use in the 2015-2016 Adopted Budget. The actual General Fund Ending Fund Balance was above the estimate used in the 2015-2016 Adopted Budget by \$12.7 million, due to excess revenues and additional expenditure savings.

The following chart details the recommended uses of the \$12.7 million additional fund balance as well as other budget adjustments that are recommended as part of this report. Recommended clean-up actions will result in a decrease to the available fund balance by \$2.7 million, reflecting a downward adjustment of \$213,000 to reconcile the actual performance of the Development Fee Programs in 2014-2015 as well as a net downward adjustment of \$2.5 million to account for additional rebudget and clean-up actions to close-out 2014-2015. Once these adjustments have been accounted for, the net available fund balance available for allocation totals \$9.96 million. This additional fund balance is proposed to be allocated to address required technical/rebalancing needs as well as a very limited number of urgent fiscal/program needs in the current year.

**ANALYSIS**

**Impacts on the 2015-2016 General Fund Budget**

**PROPOSED 2015-2016 GENERAL FUND ADJUSTMENTS (\$000s)**

<b>Additional 2014-2015 Ending Fund Balance</b>	<b>\$ 12,694</b>
<b>Clean-Up Actions</b>	
Development Fee Programs Reconciliation	(213)
Rebudgets/Clean-Up Adjustments	(2,520)
<b>Sub-total Clean-Up Actions</b>	<b>(2,733)</b>
<b>Fund Balance Available After Clean-Up Actions</b>	<b>\$ 9,961</b>
<b>Recommended Budget Adjustments</b>	
<b>Required Technical/Rebalancing Actions</b>	
- Revenue from Local Agencies (SARA Reimbursement - Convention Center)	(9,800)
- Contingency Reserve (3% Policy)	(500)
- PRNS, Library, PW Personal Svcs (Part-Time Unbenefited Sick Leave Payments)	(175)
- PBCE Non-Pers/Equip (Solid Waste/Multiple Housing Fee Programs - Vehicles)	(120)
- Air Service Incentive Program Reserve/Transfers and Reimbursements	(79)
- Finance Non-Personal/Equipment (Lien Program)	(60)
- Transfer to the Downtown Property and Business Improvement District Fund	(4)
- Fire Pers. Svcs./Non-Pers/Equip (Fire Communications Consultant Services)	0
- HR Pers. Svcs./Non-Pers/Equip (Physician Services)	0
- Police Department Overtime (\$8.5M from Salaries and Benefits to Overtime)	0
- Transfer from San José Arena Enhancement Fund (Fund Close-Out)	50
- Voluntary Furlough/Reduced Work Week Program	92
- Transfer from Convention and Cultural Affairs Fund (Broadway SJ Ticket Revenue)	112
- Police Personal Services (Retiree Healthcare Rate Correction)	838
<b>Sub-total Required Technical/Rebalancing Actions</b>	<b>\$ (9,646)</b>
<b>Grants/Reimbursements/Fees</b> (\$4.1 million in net-zero adjustments)	<b>\$ 0</b>
<b>Urgent Fiscal/Program Needs</b>	
- Super Bowl 50 - Silicon Valley Regional Communications System-Radios (Police)	(2,500)
- Super Bowl 50 - Police Department Staffing/Operations Reserve	2,500
- Super Bowl 50 - DOT-Palms/Turf Paint, SJ Mus. of Art Sign, PRNS-Rangers/Trail	(365)
- Super Bowl 50 - Cultural Facilities Capital Maintenance Reserve	150
- Minimum Wage Study	(100)
<b>Sub-total Urgent Fiscal/Program Needs</b>	<b>\$ (315)</b>
<b>Total Recommended Budget Adjustments</b>	<b>\$ (9,961)</b>
<b>Remaining Balance After Recommended Adjustments</b>	<b>\$ 0</b>

## **ANALYSIS**

### **Impacts on the 2015-2016 General Fund Budget**

Following is a summary of the recommended actions. These adjustments are described in more detail in Section IV of this report.

#### **Clean-Up Actions (-\$2.7 Million)**

- **Development Fee Programs Reconciliation (-\$0.21 million)** – Consistent with the budget policy enacted several years ago, year-end reconciliations of the revenues and expenditures in the Development Fee Programs are conducted to determine if revenues exceeded or fell below costs. To meet the commitment to the development community that all development fees will be used solely to support development fee activities, any excess revenues and interest earnings above actual costs are placed in Development Fee Program Reserves. Based on 2014-2015 results, \$213,000 is recommended to be added to the Development Program Fee Reserves (Building, Fire, Planning, and Public Works), preserving any net savings between revenues and expenditures in these programs.
- **Rebudgets/Clean-Up Adjustments (-\$2.52 million)** – A series of adjustments are recommended to complete existing projects in 2015-2016 and to reflect any necessary technical budget adjustments. The Annual Report is the point in the budget process where action is required to rebudget unexpended funds from the prior year that were not anticipated when the Adopted Budget was approved, but are required to complete a project in the current year. Also recommended are actions that actually reduce previous rebudgets to reflect instances where expenditures, for which rebudgets were approved, actually occurred in 2014-2015, therefore, the funds are not available for rebudget to 2015-2016. Other technical adjustments include the reconciliation of restricted program funding (e.g. General Plan Update, 4<sup>th</sup> Street Garage Banquet Facility Maintenance and Operations, Public, Education, and Government Access activities) and the repayment of previous contributions for Leland Sports Fields to the Council District 10 Construction and Conveyance Tax Fund.

#### **Recommended Budget Adjustments (-\$10.0 million)**

A number of General Fund budget adjustments are recommended to address current year funding needs that have emerged since the 2015-2016 budget was approved or to correct 2015-2016 budget amounts. These adjustments total \$10.0 million and can be classified under three categories: 1) Required Technical/Rebalancing Actions that align budgeted revenue and expenditures with the most current information or correct technical problems in the budget with a net General Fund cost of \$9.6 million; 2) Grants/Reimbursement/Fee Activities that have a net-zero impact totaling \$4.1 million and recognize new or adjusted grant, reimbursement, or fee activity revenue and adjust the appropriations for these purposes; and 3) Urgent Fiscal/Program Needs that recommend additional funding to comply with actions recently authorized by the City Council or that the Administration has deemed cannot or should not wait until later in the year with a net cost of \$315,000.



## ANALYSIS

### **Impacts on the 2015-2016 General Fund Budget**

A summary of these adjustments include:

- **Required Technical/Rebalancing Actions (\$-9.65 million)**
  - This action decreases the estimate for *Revenue from Local Agencies* by \$9.8 million to reflect the one-time loss of reimbursement revenue from the *Successor Agency to the Redevelopment Agency of San José (SARA)* associated with the City's advance of funds for the Convention Center debt service payment. Because of cash flow issues due to the timing of when SARA's debt service payments are required to be paid, the General Fund has been advancing funds to SARA since 2012-2013 to pay the debt service on certain City-backed debt. Accordingly, a reimbursement agreement was established between the City and SARA to reimburse the General Fund within the same fiscal year the advance was made for fiscal year's 2012-2013 through 2014-2015. However, due to the recent passage of California Senate Bill 107 on September 22, 2015, which amended redevelopment dissolution law, the mechanism allowing SARA to reimburse the City on an intra-year basis has been disallowed. Consequently, the City will not receive reimbursement for the 2015-2016 loan from the General Fund of approximately \$9.8 million to SARA made in August 2015 to cover the Convention Center debt payment. The loan will not be repaid until there is sufficient property tax revenue to pay all other enforceable obligations since obligations to the City are subordinate to all other enforceable obligations. Based on continued, moderate tax increment growth, repayment is expected in 10 to 15 years. Based on the current level of annual distributions from the Redevelopment Property Tax Trust Fund (RPTTF) and the continued ability to reserve RPTTF each year for debt service, it is anticipated that SARA will be able to pay all of its debt service going forward without an advance from the City, therefore, this is considered a one-time loss for the General Fund. However, this may change if property tax revenues decrease in the future. The City Administration, in conjunction with the City Attorney's Office, will pursue any and all remedies to reverse the loss of the SARA reimbursement and the City Council will be updated as appropriate. (-\$9.8 million)
  - Per City Council Policy I-18, Operating Budget and Capital Improvement Program Policy, the General Fund *Contingency Reserve* is to be set at a minimum of 3% of the operating budget. This action increases the Contingency Reserve from \$34.0 million to \$34.5 million to ensure compliance with the 3% funding requirement for the 2015-2016 Adopted Budget. (-\$500,000)

## ANALYSIS

### **Impacts on the 2015-2016 General Fund Budget**

- This action increases the *Parks, Recreation, and Neighborhood Services* (\$100,000), *Library* (\$60,000), and *Public Works* (\$15,000) *Departments' Personal Services* appropriations to reflect the estimated costs related to part-time unbenefited *Sick Leave Payments* as a result of the new Healthy Workplace Healthy Family Act of 2014. Effective July 1, 2015, California employers are required to provide paid sick leave to their employees, including part-time, per diem, and temporary employees who work at least 30 days within a year in California with some specific exceptions. Employees will earn at least one hour of paid leave for every 30 hours worked and will be paid at their regular hourly rate. Although the City of San José has always provided sick leave for its full-time and part-time benefited employees (20 hours or more per week), the City has previously not done so for its part-time unbenefited (19 hours or less per week) and temporary employees. This adjustment will bring the City into compliance with the new law. (-\$175,000)
- This action increases the *Planning, Building and Code Enforcement Department's Non-Personal/Equipment* appropriation by \$120,000 for the replacement of two trucks for the *Solid Waste Enforcement Fee Program* (\$90,000) and one sedan for the *Multiple Housing Fee Program* (\$30,000). Fee revenues received in 2014-2015 were higher than estimated in the two programs and will offset this action. (-\$120,000)
- This action eliminates the *Air Service Incentive Program Reserve* of \$400,000 and reduces the *Overhead Reimbursement* from the Airport Maintenance and Operation Fund to the General Fund by \$478,753. The Municipally-Funded Air Service Incentive Program, a provision in the Airline-Airport Lease and Operating Agreements that was approved by the City Council in March 2007, requires that should the percentage growth in annual enplanements at the Airport exceed the growth in annual enplanements nationwide, the City shall reduce the amount of its General Fund overhead expenses in the following fiscal year by a corresponding percentage and that funding shall be paid to the airlines. For 2012-2013 and 2013-2014, a total of \$1.362 million in reduced General Fund overhead reimbursements has resulted from this program. In 2014-2015, the percentage growth in annual enplanements at the Airport was 5.5% which exceeded the FAA's projection of 2.6% for national enplanement growth. In order to comply with the provision of the Agreements, the overhead reimbursement from the Airport Maintenance and Operation Fund will be reduced by 2.9% (from the Adopted Budget overhead rate of 24.24% to 21.34%), or \$478,753, in 2015-2016 bringing the three-year total for this program to \$1.84 million. In anticipation of this reduction, the 2015-2016 Adopted Budget included an Air Service Incentive Program Reserve of \$400,000 to offset the projected loss in General Fund overhead revenue. Because the actual overhead reduction was slightly above the estimate incorporated into the 2015-2016 Adopted Budget, this action results in net overage of \$78,753 to be absorbed by the General Fund. (-\$79,000)

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### Impacts on the 2015-2016 General Fund Budget

- This action increases the *Finance Department's Non-Personal/Equipment* appropriation by \$60,000 to account for the costs associated with administering *Lien Program* releases for two lien programs which existed previously: (Sidewalk Lien and Administrative Remedies Lien) and three new lien programs added in 2015-2016: (Tree Lien, Abatement Lien, and Neglected Vacant House Lien) for which the costs were inadvertently not budgeted. The City pays the County of Santa Clara a fee when liens are filed and when liens are released. This action reflects the funding needed to pay the County based on estimated activity levels in 2015-2016. Any necessary ongoing adjustments will be brought forward as part of the 2016-2017 budget process as appropriate. (-\$60,000)
- This action increases the *Transfer from the General Fund to the Downtown Property and Business Improvement District (PBID)* by \$4,442 (from \$705,320 to \$709,762) to align the assessment rates used to calculate the transfer amount with the assessment rates adopted in April 2015. The 2015-2016 Adopted Operating Budget assumed an approximate 3% assessment rate increase based on the most recent Consumer Price Index (CPI) and other program costs, however a 5% rate increase was approved by the PBID Board in April 2015. The General Fund pays the assessment for City-owned facilities and a contractually determined amount for the downtown transit mall. (-\$4,000)
- This action increases the *Fire Department's Non-Personal/Equipment* and decreases their *Personal Services* appropriation by \$50,000, reallocating savings associated with a part-time Dispatcher position that has been vacant for one year and a temporary reduction in Fire Communications overtime to fund *Fire Communications Consultant Services*. This action funds a consultant agreement for the performance of call review for Medical Priority Dispatch System (MPDS) and Fire Priority Dispatch System (FPDS) calls. Due to high vacancies in the Senior Public Safety Dispatcher position (4 of 11), current staff perform minimum levels of call review on MPDS calls and have temporarily ceased call review on FDPS calls. This reduction in service may jeopardize the Fire Department's Accredited Center of Excellence accreditation by the National/International Academies of Emergency Dispatch (ACE). The consultant will also review other emergency dispatch areas and recommend targeted training to improve performance, recommend updates to protocols, software, and quality assurance scoring standards, provide feedback to Dispatchers and review and support ACE accreditation activities as needed. (\$0)
- This action increases the *Human Resources Department's Non-Personal/Equipment* and decreases the Human Resources Departments Personal Services appropriation by \$100,000 to provide funding for contractual *Physician Services* for Employee Health Services. Due

**ANALYSIS**

**Impacts on the 2015-2016 General Fund Budget**

to the recent vacancy of the in-house physician position, contractual services funding is needed to continue this service on a temporary basis while the permanent service delivery model is determined. A service delivery evaluation is currently underway for Employee Health Services, and the Administration anticipates returning to the City Council with a recommendation on the service delivery model as part of the 2016-2017 Budget process. (\$0)

- This action increases ***Police Department Overtime*** funding in 2015-2016 by \$8.5 million (from \$18.8 million to \$27.3 million). This funding will primarily be used to continue to backfill for vacant sworn and civilian positions and continue the expanded targeted enforcement levels of high crime activity as well as provide resources for various activities associated with the upcoming 2016 Super Bowl in conjunction with the City of Santa Clara. This action reallocates \$8.5 million in anticipated 2015-2016 vacancy savings from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation. (\$0)
- This action establishes a ***Transfer from the San José Arena Enhancement Fund*** in the amount of \$50,388. The San José Arena Enhancement Fund provides for debt service repayment for SAP Arena Enhancements under the existing agreement with Sharks Sports Entertainment (SSE), and revenues to the fund include General Fund payments and interest. A year-end reconciliation has identified \$50,388 of excess General Fund payments that were deposited into the San José Arena Enhancement Fund. These funds are no longer necessary to retire debt and are recommended to be transferred to the General Fund, the originating funding source, in order to close out the fund. (\$50,000)
- Adjustments to various departments' Personal Services appropriations reflect implementation of the ***Voluntary Furlough/Reduced Work Week Program*** in 2015-2016. Savings in the General Fund (\$242,000) will be generated from employees voluntarily taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. Savings of \$150,000 were assumed in the development of the 2015-2016 Adopted Budget and this amount was temporarily funded from the General Fund Salaries and Benefits Earmarked Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and appropriately restore the funding to the Salaries and Benefits Earmarked Reserve (\$150,000). The remaining savings of \$92,000 are recommended to offset other budget actions in this report. (\$92,000)

## ANALYSIS

### **Impacts on the 2015-2016 General Fund Budget**

- This action increases the *Transfers from the Convention and Cultural Affairs Fund* by \$111,533. Team San Jose collects \$1 for every ticket sold for a Broadway San José show and then remits these payments to the City for repayment of a past loan made to the American Musical Theater (AMT) in the amount of \$1.0 million. In 2014-2015, \$131,533 was generated from these payments, which was \$71,533 above the \$60,000 assumed in the budget. To account for this actual year-end performance, an increase to the transfer from the Convention and Cultural Affairs Fund to the General Fund is recommended. Given last year's activity, the ticket surcharge revenue estimate for 2015-2016 is anticipated to increase by \$40,000, from \$60,000 to \$100,000. These funds are also recommended to be transferred to the General Fund, the originating funding source of the AMT loan. In total, as of June 2015, payments of \$345,215 have been made towards the original \$1.0 million loan, leaving a remaining balance of \$654,785. Corresponding actions in the Convention and Cultural Affairs Fund are included elsewhere in this report. (\$112,000)
  
- This action decreases the *Police Department Personal Services* appropriation in the amount of \$838,000 to recognize retirement savings from a *Correction to the City's Retiree Healthcare Rate* for positions represented by the San Jose Police Officer's Association (POA). On September 23, 2014, the POA filed a grievance regarding the interpretation of the retiree healthcare ramp up related to annual required contribution rates for retiree healthcare and believed that the contribution rate should remain at 9.51%, which was established by the Retirement Board on May 1, 2014. While the City maintained its interpretation of the retiree healthcare funding methodology, the City and POA agreed on February 24, 2015 to roll back the contribution rate from 10% to 9.51% for POA members. As a result, the City rate was also lowered from 11% to 10.31% to maintain previously agreed upon funding splits. In 2014-2015, the City pre-paid these contributions to the Police and Fire Retirement Fund, and a subsequent credit for the slightly higher pre-payment is expected to be reflected in the next valuation. Given the timing of the grievance settlement and the Measure B settlement discussions that were ongoing through July 2015, the City continued to carry the slightly higher retiree healthcare rates in the development of the 2015-2016 budget not knowing the final outcome of the issue. Because the final 2015-2016 City contribution rate for retiree healthcare costs will remain at the 10.31% level for employees represented by the POA, a reduction to the Police Department personal services budget is recommended to reflect this change. (\$838,000)

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### Impacts on the 2015-2016 General Fund Budget

- **Grants/Reimbursements/Fees (\$0)**

- A series of net-zero adjustments totaling \$4.1 million are recommended to reflect new or updated revenues and expenditures for **Grants, Reimbursements, and/or Fees** for the following Departments: Parks, Recreation and Neighborhood Services (\$2.1 million), Fire (\$1.1 million), Planning, Building, and Code Enforcement (\$422,000), Police (\$247,000), Library (\$206,000), and Mayor and City Council (\$17,000). These adjustments are described in *Section IV. Recommended Budget Adjustments and Clean-Up/Rebudget Actions*.

- **Urgent Fiscal/Program Needs (-\$0.32 million)**

- This action establishes a **Silicon Valley Regional Communications System – Radios (Police)** appropriation in the Communications Capital Improvement Program to purchase radios that are necessary for Super Bowl 50 held during the week of January 31, 2016. These funds, in addition to funds of \$500,000 already budgeted in the Communications Construction and Conveyance Tax Fund, will purchase 500 portable (handheld) radios for the Police Department to ensure Patrol and Special Operations officers are able to connect to the Silicon Valley Regional Communications System (SVRCS). With the purchase of these 500 portable radios, the current number of radios purchased for the Police Department will total 1,145 out of the 1,666 radios anticipated to be needed to connect to the SVRCS in the near future. Due to the level of participation the City is expected to contribute for Super Bowl 50, it is required that all Patrol and Special Operations officers are readily available and able to communicate with the City of Santa Clara and other neighboring jurisdictions for coordination and in the event of an emergency. A reduction to the Police Department Staffing/Operations Reserve is recommended to offset this action. (-\$2.5 million)
- This action decreases the **Police Department Staffing/Operations Reserve** by \$2.5 million, and when combined with other actions described elsewhere in this report, brings the reserve to \$2.3 million for the purchase of public safety portable (handheld) radios for the Police Department that are necessary to ensure the Patrol and Special Operations officers are able to connect to the Silicon Valley Regional Communications System. Due to the level of participation the City is expected to contribute for Super Bowl 50 held during the week of January 31, 2016, it is required that all Patrol and Special Operations officers are readily available and able to communicate with the City of Santa Clara and other neighboring jurisdictions for coordination and in the event of an emergency. An increase to the Silicon Valley Regional Valley Regional Communications System - Radios appropriation is recommended elsewhere in this report to offset this action. (\$2.5 million)

## ANALYSIS

### Impacts on the 2015-2016 General Fund Budget

- These actions provide funding in preparation for events and visitors in downtown San José for *Super Bowl 50* the week of January 31, 2016. In the *Transportation Department*, a total of \$160,000 for *Palm Tree Maintenance and Turf Painting* is recommended. The department will prune, spray, and fertilize palm trees in the downtown area to improve the trees' overall health and condition, and will paint turf along South Almaden Boulevard and Park Avenue with a green color treatment that sustains its color for 10 to 14 weeks. The establishment of a *San José Museum of Art Sign Replacement* project in the amount of \$150,000 to replace the museum's banner sign on the south side of the building is also recommended. Installed 25 years ago, the sign is faded, tearing, detaching from the building's rock face. Replacing the sign in the next few months will prevent potential rapid deterioration of the sign during the winter months and preserve the building's aesthetic value in preparation of the crowds expected downtown for Super Bowl 50. A reduction to the Cultural Facilities Capital Maintenance Reserve is recommended below to offset this action. Finally, in the *Parks, Recreation, and Neighborhood Services Department*, funding of \$55,000 is recommended for Park Ranger coverage at all downtown parks and trails from 11AM to 11PM for the two week period prior to and the day of the Super Bowl, and for two maintenance teams, each with a Groundswoker and a Maintenance Assistant, to maintain *Parks and Trails* daily at the Guadalupe River Park and throughout the downtown area. (-\$365,000)
- This action decreases the *Cultural Facilities Capital Maintenance Reserve* from \$3.64 million to \$3.49 million to establish the San José Museum of Art Sign Replacement project in the amount of \$150,000 as described above. The museum's banner sign located on the south side of the building is 25 years old and is faded, tearing, and detaching from the building's rock face. Replacing the sign in the next few months will prevent potential rapid deterioration of the sign during the winter months and preserve the building's aesthetic value in preparation of the crowds expected downtown for Super Bowl 50 the week of January 31, 2016. An offsetting action to fund the sign replacement is recommended above. (-\$150,000)
- This action establishes a *Minimum Wage Study* appropriation to the Office of Economic Development in the amount of \$100,000. This funding will provide for a study, approved by the City Council on Sept. 15, 2015, to assess the economic benefit, as well as the impact on businesses and employment rates, that would result from a change to the minimum wage. The study will also consider regional impacts, consistency, and the state-wide initiative to increase California's minimum wage currently under consideration for 2021. (-\$100,000)

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### **Impacts on the 2015-2016 General Fund Budget**

- **Other Adjustments (\$0)**

- Decrease the Minor Development Signal Design: Traffic Controller Fee, from \$6,041 per controller to \$5,083 per controller to correct an inadvertent error in the 2015-2016 Fees and Charges Report. The fee is charged to developers for City labor costs associated with plan and specification preparation, review, and approval of both Residential and Non-Residential design or modification of traffic signals as well as the time needed to field test and activate those signals.

### **2014-2015 Selected Special/Capital Funds Budget Performance**

#### **Airport Operating Funds**

The Airport served 9.55 million passengers in 2014-2015, which was an overall increase of 5.4% from 2013-2014. Moreover, the percentage growth in annual enplanements at the Airport in 2014-2015 was 5.5%, which exceeded the Federal Aviation Administration's projection of 2.6% for national enplanement growth for 2014-2015. This increase in passenger enplanements triggered the activation of the Municipally-Funded Air Service Incentive Program, a provision in the Airline-Airport Lease and Operating Agreements that was approved by the City Council in March 2007. Under this provision, if the percentage growth in annual enplanements at the Airport exceeds the forecasted growth in annual enplanements nationwide, the City shall reduce the amount of its General Fund overhead expenses in the following fiscal year by a corresponding percentage. Budget actions are recommended in this report to reduce the 2015-2016 overhead reimbursement from the Airport Maintenance and Operation Fund to the General Fund by \$479,000 to reflect a reduction of the overhead rate by 2.9% (from the adopted overhead rate of 24.24% to 21.34%) and return those funds to the airlines. A reserve of \$400,000 was established in the 2015-2016 Adopted Budget to address this anticipated General Fund overhead reduction and budget actions are recommended in this report to allocate funds for the payment to the airlines. Additional airport activity categories that demonstrated growth as compared to 2013-2014 include parking exits, pounds of mail/freight/cargo, traffic operations, gallons of aviation fuel sold, taxicab operations, and landed weights. For 2015-2016, passenger growth is anticipated to increase by 2.0% over the 2014-2015 estimate of 9.49 million passengers.



**ANALYSIS**

**2014-2015 Selected Special/Capital Funds Budget Performance**



Overall, revenue performance exceeded the budget by \$1.9 million (1.6%). Airline Rates and Charges (combined total of landing fees and terminal rents) and all other operating categories, including transfers, ended the year at \$125.6 million, which was \$1.9 million above the budget of \$123.7 million. This positive variance is mainly attributed to the parking and roadways revenue category, which was above the budgeted estimate by \$1.9 million (4.3%) due to higher revenues from parking and rental car concession fees associated with increased passenger activity.

The Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operational Fund had a combined year-end expenditure savings of \$6.9 million (7.1%) compared to the budgeted levels of \$97.4 million. The \$2.6 million in personal services savings was the result of position vacancies experienced during the year. The non-personal/equipment expenditure savings of \$3.2 million resulted from adhering to strict cost controls, prioritizing needs and deferring purchases. Savings were also realized from the transition to cashierless parking lot operations, lower Letter of Credit fees for the Commercial Paper Program, and lower costs from the shuttle bus operator agreement.

These savings resulted in a lower than anticipated operating expense transfer from the Airport Revenue Fund to the Airport Maintenance and Operating Fund and higher year-end fund balance in the Airport Revenue Fund. The additional fund balance in the Airport Revenue Fund will contribute towards the development of the 2016-2017 budget.

## **ANALYSIS**

### **2014-2015 Selected Special/Capital Funds Budget Performance**

#### **Convention and Cultural Affairs Fund/Convention Facilities District Revenue Fund**

Strong activity at the Convention Center and other cultural facilities managed by Team San Jose continued in 2014-2015, as did the historically large transfers from the Transient Occupancy Tax (TOT) Fund. After accounting for additional revenues and savings related to various unexpended capital and operating appropriations (\$296,000) and the additional transfer from the TOT Fund due to higher than anticipated TOT receipts in 2014-2015 as discussed in greater detail below (\$442,000), the 2015-2016 Ending Fund Balance will grow by approximately \$738,000 to \$2.2 million. Similarly, the Convention Center Facilities District Revenue (CCFD) Fund received record amounts of hotel tax revenue in 2014-2015, increasing the available fund balance in 2015-2016 from \$7.5 million to \$8.7 million. Taken together, these two funds provide significant resources for capital rehabilitation at the Convention Center and cultural facilities now and in the future.

Actions are recommended as part of the Annual Report to increase capital investments at these facilities by approximately \$3.5 million to address critical rehabilitation and preventative maintenance needs, such as lighting and electrical controls, boilers, kick plates/corner guards, escalators, exterior rehabilitation, and point of sale systems. In the Convention and Cultural Affairs Fund, additional funding of \$2.3 million is recommended to fund a portion of costs, with the CCFD funding the remaining balance. In addition, a reduction of \$3.1 million in existing capital project funding in the Convention and Cultural Affairs Fund is recommended with a corresponding increase in the CCFD Fund to shift some of the current capital projects to the CCFD Fund given the increased resources in that fund due to the strong performance of the hotel tax.

With the recommended Annual Report actions, the unrestricted ending fund balance in the Convention and Cultural Affairs Fund will increase from \$1.5 million to \$2.9 million, while the CCFD Fund unrestricted ending fund balance will decrease from \$7.5 million to \$4.4 million.

#### **Low and Moderate Income Housing Asset Fund**

The Low and Moderate Income Housing Asset Fund manages a multifamily loan portfolio of approximately \$600 million. Due to low interest rates and other economic factors, a number of developers refinanced their projects and pre-paid their City loans last fiscal year and in the early part of this year.

In 2014-2015, the Low and Moderate Income Housing Asset Fund received total revenue in excess of \$34.1 million, which exceeded the 2014-2015 estimated revenue amount of \$20.4 million by \$13.7 million. This variance was largely the result of loan repayments exceeding estimated amounts by \$13.6 million. The bulk of these loan repayments were received from projects including Monte Vista Gardens, Parkview Family, and The Met. Additionally, total expenditures in 2014-2015 were \$10.7 million, or \$2.9 million less than the 2014-2015 estimated expenditures

## **ANALYSIS**

### **2014-2015 Selected Special/Capital Funds Budget Performance**

of \$13.6 million. These savings were largely due the Vermont House project beginning construction this year rather than last year.

At the beginning of 2015-2016, eight multifamily project loan repayments totaling \$32.1 million were received that were not included in the Low and Moderate Income Housing Asset Fund's 2015-2016 Adopted Budget. As a result, total revenue in 2015-2016 is recommended to increase from \$7.0 million to \$39.1 million. This revenue, along with the additional funding from the 2014-2015 reconciliation, will generate additional resources of \$47.8 million. It is recommended that these funds be allocated to the Housing Projects Reserve (increase of \$40.9 million, from \$24.0 million to \$64.9 million), the Housing Loans and Grants appropriation (increase of \$6.6 million, from \$1.3 million to \$7.9 million), Housing Predevelopment Activity (\$200,000), and Housing Dept. Non-Personal/Equipment rebudget (\$190,000).

Once the Housing Department works through its list of proposed developments with prior funding commitments to ensure adequate funding, a Notice of Funding Availability (NOFA) for new multifamily and homeless unit developments will be issued in the spring of 2016. It is important to note that the Department must accumulate significant funds prior to issuing a NOFA so that developers can be assured that funds will be available when committed to projects by the City. Within the next two months, the Housing Department will provide the City Council with a memorandum detailing its development funding strategy through 2016-2017.

### **Transient Occupancy Tax Fund**

Transient Occupancy Tax (TOT) receipts totaled \$22.4 million, \$4.5 million (25.2%) above 2013-2014 record collections of \$17.9 million. Total collections in 2014-2015 also exceeded the modified budget estimate of \$21.5 million. This collection level marks the fifth consecutive year of improved collections. The strong revenue performance is reflective of the steadily increasing hotel occupancy, which grew from 70.6% to 75.8%, as well as the increase in average room rates, from \$154 to \$174, for the City's 14 largest hotels. The 2015-2016 Adopted Budget revenue estimate is currently budgeted at \$22.1 million. Should the upward trend in revenue collections continue, an adjustment to the 2015-2016 budgeted revenue estimate will be brought forward for City Council consideration later this year.

As part of the reconciliation of year-end actual TOT receipts to projections used in the development of the 2015-2016 Adopted Budget, this report recommends allocating the additional \$884,000 in 2015-2016 to the following categories according to the City Council approved distribution formula: Cultural Development (\$221,000), Convention and Visitor's Bureau (\$221,000), and Transfer to the Convention and Cultural Affairs Fund (\$442,000).

**ANALYSIS**

**2014-2015 Selected Special/Capital Funds Budget Performance**

**Capital Fund Major Revenues**

A number of taxes and fees levied on construction and property resale (conveyance) activity provide a large source of revenue to the City’s Capital program. The 2014-2015 actual collections in nearly all major capital revenue categories ended the year close to budgeted estimates. The chart below provides a comparison of estimated revenues to actual revenues for these types of revenues, and a discussion of the three largest revenue sources follows.

**Construction-Related Capital Program Revenues Comparison  
 (\$ in Thousands)**

	<b>2014-2015 Estimate*</b>	<b>2014-2015 Actuals</b>	<b>% Variance</b>
Construction and Conveyance Tax	\$35,000	\$41,223	17.8%
Building and Structure Construction Tax	\$17,000	\$16,561	(2.6%)
Construction Excise Tax	\$22,000	\$21,671	(1.5%)
Municipal Water System Fees	\$225	\$294	30.7%
Residential Construction Tax	\$325	\$266	(18.2%)
Sanitary Sewer Connection Fee	\$950	\$895	(5.8%)
Storm Drainage Connection Fee	\$200	\$187	(6.5%)

\* Revenue estimate used in the development of the 2015-2016 Adopted Capital Budget.

• **Construction and Conveyance Tax**

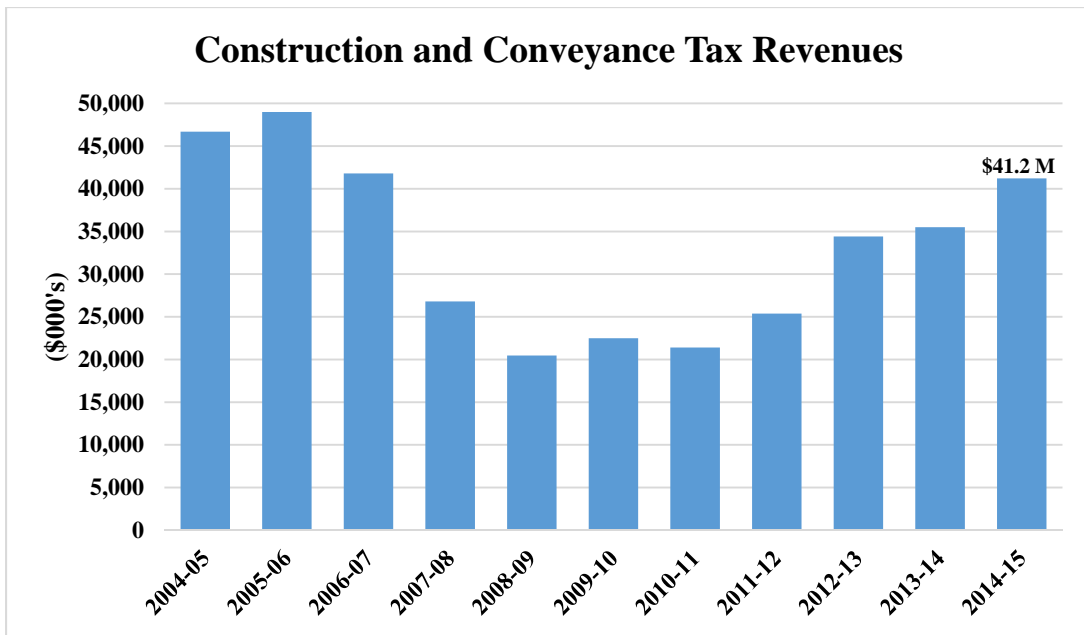
Real estate activity (primarily housing re-sales) determines the collection level of one of the major capital revenue sources, the Construction & Conveyance (C&C) Tax. Approximately 99% of C&C Tax is derived from a tax imposed upon each transfer of real property, with the remaining 1% generated from a construction tax levied on most types of construction. C&C Tax revenues, which are a significant source of funds for the Parks and Community Facilities Development, Library, Fire, Service Yards, and Communications capital programs, totaled \$41.2 million in 2014-2015. This collection level was \$5.7 million (16.1%) above 2013-2014 collections of \$35.5 million, \$2.2 million (5.7%) above the budget estimate of \$39.0 million, and \$6.2 million (17.8%) above the estimate of \$35.0 million that was assumed in the development of the 2015-2016 Adopted Capital Budget.

**ANALYSIS**

**2014-2015 Selected Special/Capital Funds Budget Performance**

**Capital Fund Major Revenues**

The following graph displays the collection history of Construction and Conveyance (C&C) Tax receipts.



The 2014-2015 tax receipts represent the highest collection level since the peak years of 2004-2005 through 2006-2007 (when annual collections exceeded \$41.0 million in each of those years, peaking at \$49.0 million in 2005-2006) as a result of the recovering real estate market. Changes in home prices and the number of sales are major drivers of C&C Tax receipts. The median home price for single family homes within the City increased from \$795,400 in June 2014 to an unprecedented high of \$865,000 in June 2015, which represents an 8.8% increase. In addition, the number of home sales (single-family and multi-dwelling units) have increased over the past year, with a significant portion of the activity occurring in the last four months of the fiscal year. The number of sales in 2014-2015 totaled 7,992, which is a 2.1% increase from the 2013-2014 level of 7,824. Of the total number of 2014-2015 sales, 3,164 sales (39.6%) occurred in March-June 2015, which represents a 12.2% increase from the same period of time in 2013-2014. Finally, the amount of time it takes to sell a home (single-family and multi-family dwelling units) has dropped in the past year from 20 days in June 2014 to 17 days in June 2015. The June 2015 figure represents the shortest duration of time homes have stayed on the market since June 2005, when it took only 15 days to sell a home.

## ANALYSIS

### **2014-2015 Selected Special/Capital Funds Budget Performance**

#### **Capital Fund Major Revenues**

The 2014-2015 C&C Tax revenue estimate of \$39.0 million was built on the assumption that collections would remain strong and that there would be a 5% growth over projected total collections of \$37.0 million in 2013-2014. However, because actual receipts in 2013-2014 of \$35.5 million fell below the estimate, growth of 9.9% was needed in 2014-2015 to meet the budgeted estimate. Beginning in November 2014, collection levels began to significantly decline. Therefore, the 2015-2016 Adopted Capital Budget was developed with the assumption that C&C receipts would total \$35.0 million in 2014-2015 and stay steady in 2015-2016. In the last quarter of 2014-2015, however, tax receipts had an extremely strong performance, which resulted in the 2014-2015 receipts of \$41.2 million. This collection level exceeded the 2014-2015 Modified Budget by \$2.2 million and the 2014-2015 estimate by \$6.2 million. Due to the unanticipated high collections in 2014-2015, the 2015-2016 C&C Tax estimate of \$35.0 million, allows for a 17.7% drop from the 2014-2015 actual tax collection. Receipts in 2015-2016 will be closely monitored, and an upward adjustment to the estimated revenue may be recommended at a later date, with corresponding adjustments to fund balances as appropriate.

- **Building and Structure Construction Tax and the Construction Excise Tax**

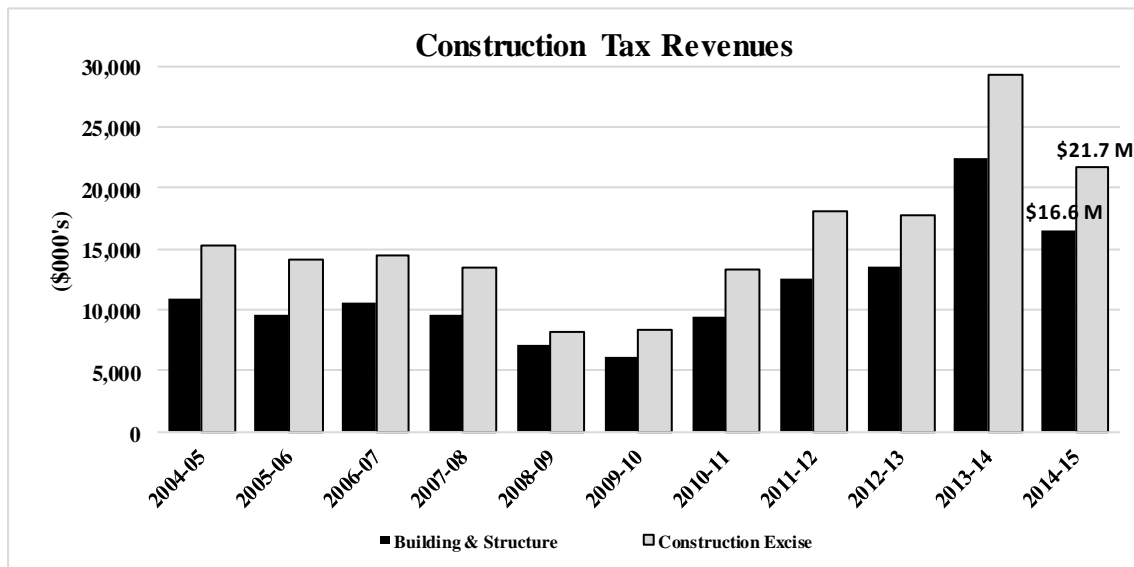
The Building and Structure Construction Tax and the Construction Excise Tax are major sources of funding for the Traffic Capital Program. Year-end collections in the Building and Structure Construction Tax category totaled \$16.6 million in 2014-2015. This collection level was 2.6% (\$439,000) below the revenue estimate of \$17.0 million used to develop to the 2015-2016 Adopted Capital Budget, and represents a 26.3% (\$5.9 million) decrease from 2013-2014 collections of \$22.5 million. Construction Excise Tax receipts for 2014-2015 totaled \$21.7 million, 1.5% (\$329,000) below the revenue estimate of \$22.0 million used to develop the 2015-2016 Adopted Capital Budget, and represents a 25.9% (\$7.6 million) decrease from 2013-2014 collections of \$29.3 million.

The graph on the following page displays the collection history of both the Building and Structure and Construction Excise Tax receipts. While down from last year's historically high level, revenue growth has continued its upward trend from the low in 2009-2010. Notable developments that contributed to Building and Structure Construction Tax and Construction Excise Tax revenues included the Century Center Towers and the Lexington Luxury Apartments residential developments, the Westfield Valley Fair parking garage, and a new office building at Santana Row.

**ANALYSIS**

**2014-2015 Selected Special/Capital Funds Budget Performance**

**Capital Fund Major Revenues**



With the anticipation that revenue collections will continue to moderate from the 2013-2014 peaks, the 2015-2016 Adopted Budget estimate for the Building and Structure Construction Tax allows for a 16% decrease from actual 2014-2015 collections, and the estimate for the Construction Excise Tax now allows for a 12% decrease. Given the volatile nature of these taxes and the pace of projects in the development pipeline, staff will continue to carefully monitor these revenue sources.

**Special and Capital Funds Budget Adjustments**

Several budget adjustments for both special and capital funds are included in this report, including recognition of grants, net-zero transfers/reallocations, and new allocations for a small number of high priority projects and programs.

Actions are recommended in the Federal Drug Forfeiture Fund to establish a Body Worn Cameras (BWC) appropriation to the Police Department in the amount of \$1.2 million to purchase approximately 600 BWCs, and associated evidence management services, for sworn field personnel once the BWC pilot program is concluded and the results are evaluated. While the intent is to ultimately supply all sworn field personnel with BWCs, because the number of cameras purchased with this initial funding may differ due to the procurement process and selected vendor, the Patrol Division and Special Operations are designated as the highest priority and will be the first to receive the BWCs. The Police Department had applied for federal grant funds of \$600,000 to cover a portion of the cost of the BWCs and the 2015-2016 budget currently includes \$613,000

## **ANALYSIS**

in grant matching funds in the State Drug Forfeiture Fund. Since the City was notified in September 2015 that the grant was not awarded, this action funds the purchase and implementation of the BWCs and, when combined with the \$500,000 also set aside in the Supplemental Law Enforcement Services Fund, enables a total of \$1.7 million for the procurement process in 2015-2016 with the rollout tentatively scheduled for spring 2016. As part of the BWC pilot program evaluation, staff will analyze the need for additional ongoing costs, such as data storage and staffing, which will be brought forward as part of the 2016-2017 Proposed Budget, as appropriate. As the grant was not awarded, the match of \$613,000 in the State Drug Forfeiture Fund is no longer needed and is recommended to be eliminated.

Aside from the capital investments at the Convention Center and other cultural facilities managed by Team San Jose as described above, the most notable recommended adjustments are in the Park and Community Facilities Development Capital Program. Some of the recommended adjustments include the allocation of planning and design funds for St. James Park Capital Vision (\$500,000), design review and inspection costs related to the Communications Hill II Hillsdale Fitness Staircase (\$300,000) and Communications Hill II Turnkey Park (\$279,000), Happy Hollow Park and Zoo Enhancements (\$195,000) for the purchase and installation of the new Dragon's Flyers ride, and Super Bowl 50 - Strategic Capital Replacement and Maintenance Needs (\$150,000) for the replacement of the existing turf at Cesar Chavez Park.

In the Traffic Capital Program, the notable recommended adjustments increase funding for the Pavement Maintenance – State Gas Tax project (\$1.1 million) to allocate final gas taxes collected in excess of the 2014-2015 State Gas Tax revenue estimate, and increase to the Local Transportation Policy and Planning allocation (\$125,000) for consultant services to define San José's transportation impact review policies and ensure the City's compliance with California Senate Bill 743 for the revised California Environmental Quality Act (CEQA).

Finally, the rebudget of unexpended funds for projects and programs extending into 2015-2016 is recommended in this report. Details of these adjustments can be found in Section IV of this report.

## **NEXT STEPS**

The results of the 2014-2015 Annual Report will provide an updated starting point for monitoring 2015-2016 financial performance. The revenue and expenditure trends will be factored into the analysis of the General Fund and the numerous special and capital funds. Information on the City's budget for 2015-2016 will be provided in Bi-Monthly Financial Reports and the 2015-2016 Mid-Year Budget Review. These reports will also provide information on the current economic environment and its impact on the City's revenue collections.

The 2014-2015 Annual Report results will also be factored into the 2016-2017 budget development process. The General Fund Five-Year Forecast is scheduled to be released in late February 2016. The 2016-2017 Proposed Capital and Operating Budgets are scheduled to be released in late April 2016 and May 1, 2016, respectively.



## **PUBLIC OUTREACH/INTEREST**

This document is posted on the City's website for the October 20, 2015, City Council agenda.

## **COORDINATION**

The City Manager's Budget Office coordinated with the Finance Department on the reconciliation of the City's funds and coordinated with all City Departments and City Council appointees, as applicable, on recommended budget adjustments that are brought forward in this document.

## **CONCLUSION**

Through careful fiscal management, the revenues for the various City funds ended the year close to the estimated levels and expenditures were below the budgeted allocations. When the 2014-2015 Adopted Budget was developed, it was assumed that economic growth would continue in 2014-2015. Economic indicators and actual revenue performance supported this general assumption, with a number of revenue categories, such as Property Tax, Sales Tax, Transient Occupancy Tax, and Construction and Conveyance Tax experiencing strong growth. Those revenue categories associated with private development and construction projects, such as development-related fees and taxes, moderated from the peak activity levels of 2013-2014.

In the General Fund, the additional fund balance at the end of 2014-2015 after considering clean-up adjustments totaled \$9.96 million. Recommendations are included in this report to allocate those funds to various required technical and rebalancing actions (\$9.6 million) and to address urgent fiscal/program needs (\$315,000). The largest actions include a \$9.8 million revenue decrease to reflect the one-time loss of reimbursement revenue from the Successor Agency to the Redevelopment Agency associated with the City's advance of funds for the Convention Center debt service payment, an allocation of \$2.5 million to purchase Police Department radios that can operate on the Silicon Valley Regional Communications System (SVRCS) and communicate with neighboring agencies during Super Bowl 50, and an increase of \$500,000 to maintain a 3% Contingency Reserve.

The Administration will continue to monitor and report on the City's budget performance through Bi-Monthly Financial Reports and the Mid-Year Budget Review. The financial results of 2014-2015, as well as the actual performance in 2015-2016, will be factored into the development of the 2016-2017 budget. The 2017-2021 General Fund Five-Year Forecast will be released in February 2016 for budget planning purposes.



Norberto Dueñas  
City Manager

**CERTIFICATION OF FUNDS**

I hereby certify that there will be available for appropriation in the designated funds and in the amounts as listed below in fiscal year 2015-2016 monies in excess of those heretofore appropriated therefrom:

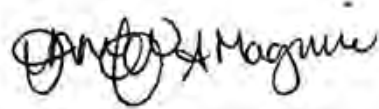
General Fund	\$8,911,497
Airport Capital Improvement Fund	\$2,384,843
Airport Customer Facility & Transportation Fee Fund	\$653,650
Airport Fiscal Agent Fund	\$1,472,061
Airport Passenger Facility Charge Fund	\$661,947
Airport Renewal and Replacement Fund	\$811,444
Airport Revenue Fund	\$7,165,707
Airport Surplus Revenue Fund	\$32,851
Building and Structure Construction Tax Fund	\$6,080,042
Branch Libraries Bond Projects Fund	\$2,468,709
Cash Reserve Fund	\$1
City Hall Debt Service Fund	\$75,942
Civic Center Construction Fund	\$29
Community Development Block Grant Fund	\$1,382,969
Community Facilities Revenue Fund	\$1,369,587
Community Facilities District Fund #1	\$47,533
Community Facilities District Fund #2 and #3	\$184,782
Community Facilities District Fund #8	\$172,940
Community Facilities District Fund #11	\$23,988
Community Facilities District Fund #12	\$69,291
Community Facilities District Fund #13	\$28,819
Community Facilities District Fund #14	\$62,378
Construction and Conveyance Tax – Central Fund	\$127,804
Construction and Conveyance Tax – Communications	\$359,117
Construction and Conveyance Tax – Fire	\$1,467,082
Construction and Conveyance Tax – Library	\$1,077,194
Construction and Conveyance Tax – Council District 1	\$264,981
Construction and Conveyance Tax – Council District 2	\$121,041
Construction and Conveyance Tax – Council District 3	\$303,681
Construction and Conveyance Tax – Council District 4	\$277,537
Construction and Conveyance Tax – Council District 5	\$131,744
Construction and Conveyance Tax – Council District 6	\$42,838
Construction and Conveyance Tax – Council District 7	\$972,974
Construction and Conveyance Tax – Council District 8	\$260,382
Construction and Conveyance Tax – Council District 9	\$490,533
Construction and Conveyance Tax – Council District 10	\$282,155
Construction and Conveyance Tax – City-Wide	\$4,747,967
Construction and Conveyance Tax – Parks Yards	\$168,744
Construction and Conveyance Tax – Service Yards	\$756,048

**CERTIFICATION OF FUNDS**

Construction Excise Tax Fund	\$12,511,316
Contingent Lien District Fund	\$107,896
Convention and Cultural Affairs Fund	\$1,613,921
Convention Center Facilities District Project Fund	\$105,371
Convention Center Facilities District Revenue Fund	\$1,145,458
Dental Insurance Fund	\$233,868
Downtown Property and Business	
Improvement District Fund	\$89,909
Edward Byrne Memorial Justice Assistance	
Grant Trust Fund	\$4,440
General Purpose Parking Fund	\$1,727,992
Gift Trust Fund	\$448,165
Housing Trust Fund	\$285,607
Ice Centre Revenue Fund	\$1,026,198
Improvement District Fund	\$1,999,554
Library Parcel Tax Fund	\$1,534,036
Life Insurance Fund	\$13,765
Low and Moderate Income Housing Asset Fund	\$47,830,596
Maintenance District Fund #1	\$88,995
Maintenance District Fund #2	\$19,061
Maintenance District Fund #5	\$59,145
Maintenance District Fund #8	\$129,574
Maintenance District Fund #9	\$50,060
Maintenance District Fund #11	\$8,613
Maintenance District Fund #13	\$7,371
Maintenance District Fund #15	\$267,307
Maintenance District Fund #18	\$44,450
Maintenance District Fund #19	\$137,910
Maintenance District Fund #20	\$19,801
Maintenance District Fund #21	\$96,420
Maintenance District Fund #22	\$41,097
Major Collectors and Arterials Fund	\$71,904
Major Facilities Fund	\$249,527
Multi-Source Housing Fund	\$1,680,533
Municipal Golf Course Fund	\$28,532
Neighborhood Security Bond	\$442,182
Parks and Recreation Bond Projects Fund	\$49,084
Public Works Program Support Fund	\$496,908
San José Arena Capital Reserve Fund	\$1,400,384
Sewer Service and Use Charge Fund	\$1,278,765
Sewer Service and Use Charge Capital	
Improvement Fund	\$10,527,808
San Jose-Santa Clara Treatment Plant Capital Fund	\$28,258,446

**CERTIFICATION OF FUNDS**

San Jose-Santa Clara Treatment Plant Operating Fund	\$3,254,998
San Jose-Santa Clara Treatment Plant Income Fund	\$17
Sewage Treatment Plant Connection Fee Fund	\$75,965
Storm Drainage Fee	\$97,680
Storm Sewer Capital Fund	\$8,206,177
Storm Sewer Operating Fund	\$1,654,292
Subdivision Park Trust Fund	\$598,103
Supplemental Law Enforcement Services Fund	\$324,492
Transient Occupancy Tax Fund	\$3,478,542
Underground Utility Fund	\$1,535,516
Unemployment Insurance Fund	\$174,859
Vehicle Maintenance and Operations Fund	\$258,998
Water Utility Fund	\$683,248
Water Utility Capital Fund	\$173,996
Workforce Investment Act Fund	\$3,667,346



Jennifer A. Maguire  
Senior Deputy City Manager / Budget Director

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