

MID-YEAR
BUDGET REVIEW

2014-2015


OFFICE OF THE CITY MANAGER
JANUARY 2015

2014-2015

MID-YEAR
BUDGET
REVIEW

TABLE OF CONTENTS

	TRANSMITTAL MEMORANDUM	1
I.	GENERAL FUND STATUS REPORT	I - 1
	A. STATUS OF GENERAL FUND REVENUES	I - 2
	B. STATUS OF GENERAL FUND EXPENDITURES	I - 19
II.	SELECTED SPECIAL/CAPITAL FUNDS STATUS REPORT	II - 1
III.	RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS	III - 1
IV.	APPENDIX	IV
	A. FINANCIAL RESULTS	1



2014-2015

MID-YEAR
BUDGET
REVIEW



TRANSMITTAL
MEMORANDUM





Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: 2014-2015 MID-YEAR
BUDGET REVIEW REPORT

DATE: January 30, 2015

Approved

Date

1/30/15

RECOMMENDATIONS

- A. Approval of the 2014-2015 Mid-Year Budget Review Report.
- B. Adoption of related Appropriation Ordinance and Funding Sources Resolution amendments in various funds as detailed in Section III (Recommended Budget Adjustments and Clean-Up Actions) of the 2014-2015 Mid-Year Budget Review Report.
- C. Adoption of an ordinance ratifying the following 2013-2014 Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes:
 - a. Increase the Transfer to the General Fund – Interest Earnings by \$674; and
 - b. Decrease the Ending Fund Balance by \$674.

OUTCOME

The Mid-Year Budget Review Report provides an assessment of the City's budget condition in the current fiscal year as compared to the 2014-2015 Modified Budget based on actual performance during the first six months of 2014-2015. Based on this analysis, a limited number of budget revisions are recommended to address projected revenue and expenditure variances, account for new grants and reimbursements, and better position the City for the 2015-2016 budget process.

EXECUTIVE SUMMARY

The 2014-2015 Adopted Operating Budget built on the progress achieved over the previous two years to recover from a very difficult period of severe shortfalls and sacrifices. With an improving economy and closely aligned revenues and expenses, the budget held the line with a limited number of new actions in strategically important areas and avoided service reductions, while allowing for incremental increases in employee compensation in a phased effort to restore pay cuts made in prior years.

Budget actions in 2014-2015 enabled the City to:

- Provide service enhancements targeted toward community safety;
- Make investments to support future growth and development in the City;
- Address a small number of critical unmet/deferred infrastructure needs;
- Continue on an ongoing basis many of those services funded on a one-time basis in 2013-2014;
- Continue investments in the City's capital infrastructure;
- Fund a limited number of programs/initiatives identified in the Mayor's March and June Budget Messages; and
- Implement several service delivery efficiencies and cost reduction/revenue strategies.

The Administration is closely monitoring the City's budget to ensure that current year revenues and expenditures are meeting expectations, which is necessary to maintain budget stability and avoid service disruptions in any given year. Through the first half of the year, City funds are generally performing within expected 2014-2015 budgeted levels. There are a very few isolated instances where current year performance is not meeting budgeted estimates. Budget actions are recommended in this document to address those problems without any service impacts.

Mid-Year Budget Review Highlights

General Fund

- If current collection trends continue, General Fund revenues are expected to slightly exceed the budgeted estimate by year-end. This is the result of stronger performance in several categories, such as Property Tax, Sales Tax, Transient Occupancy Tax, and Business Taxes. Overall, General Fund expenditures are also tracking within estimated levels and are projected to generate overall savings by year-end. Both excess revenues and additional expenditure savings are necessary to assist in meeting the 2015-2016 ending fund balance estimate used as an ongoing funding source in the Five-Year General Fund Forecast.
- A series of Mid-Year Budget Review actions are recommended based on actual performance through December and projected activity through the remainder of the year. Major actions include the following:
 - Address a limited number of urgent fiscal/program needs with a net cost of \$500,000. This includes adding \$500,000 to the Planning, Building, and Code Enforcement Department to begin a Downtown San José Environmental Impact Report (EIR) because the City has only up to 8 to 12 months before the Downtown's residential capacity is reached under the existing EIR. In the Police Department, salary and benefit savings are recommended to be reallocated to: 1) establish a \$5.0 million Police Department Overtime Reserve for 2015-2016 that would be used to backfill for vacant sworn positions and maintain targeted enforcement of high crime activity through suppression cars as well as cover civilian staffing vacancies, as needed; and 2) fund a consultant agreement (\$125,000) to perform a professional review of data on limited detentions collected by the Police Department. In the Finance Department, salary and benefit

savings of \$50,000 would also be reallocated to hire a certified accounting firm to provide assistance in the implementation of the Governmental Accounting Standards Board (GASB) 68 statement, the new pension standard that requires a major change in the accounting of pension plans.

- Implement required technical/rebalancing with a net impact of \$2.95 million. Notable actions include increased funding to address higher relocation cost estimates for City staff related to the United States Patent and Trademark Office move (\$850,000); establishing an Energy Services Company (ESCO) Debt Service appropriation (\$1.1 million) offset with Pacific Gas and Electric rebates (\$955,000) related to the conversion of 18,127 streetlights to LED lightbulbs; adjustments to the Public Works Department related to increased retirement, custodial, and utility costs (\$1.4 million); increasing the Transient Occupancy Tax estimate (\$1.25 million) to reflect the high usage of San José hotels and, in accordance with prior City Council direction, place these funds in a reserve for future capital maintenance of the City’s cultural facilities; increasing the transfer to the Municipal Golf Course Fund (\$300,000) to address operating losses at the Los Lagos Golf Course; establishing a transfer to the Economic Development Administration Loan Fund (\$165,000) to pay off a Federal Economic Development Administration loan obligation; and other various net expenditure adjustments (\$104,000).
- Implement grants/reimbursements/fees adjustments totaling \$3.4 million with a net-zero impact on the General Fund. The largest adjustments include actions to recognize and appropriate funding to support the following: Senior Nutrition Program (\$776,000); Parks, Recreation, and Neighborhood Services Fee Activities (\$580,000); and Sidewalk Repairs (\$500,000).
- Implement a variety of clean-up actions that recognize a total savings of \$3.4 million, including actions to recognize savings (-\$2.9 million) attributable to the City for decreased medical and dental premium costs and savings from the portion of Management Pay for Performance Program costs (-\$546,000) that were not required to be distributed to departments.

Special/Capital Funds

- Most of the revenues and expenditures in the City’s special and capital funds are generally performing within expected levels through December. Budget adjustments are recommended in several cases to adjust for revised revenue and cost estimates, to address critical current year funding needs, and to recognize various grants and reimbursements. Some of the major recommended adjustments are highlighted below.
 - In the Neighborhood Security Bond Fund, a recommendation is included to recognize \$525,000 in revenues from a settlement agreement with The Guarantee Company of North America for construction costs related to Fire Station 24. A portion of this payment will fund additional close-out costs (\$50,000) related to the South San José Police Substation project and the remaining portion of the payment (\$475,000) is recommended to be placed in the Fire Station 37 (Willow Glen) Reserve.

- In the Municipal Golf Course Fund, budget actions are recommended to account for the continued poor performance at the Los Lagos Golf Course, including an additional transfer from the General Fund of \$300,000 (from \$1.9 million to \$2.2 million) to ensure the fund can cover its expenses and sufficient fund balance remains in 2014-2015. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. The review of the Municipal Golf Course Fund has also been approved to be in the City Auditor’s 2014-2015 Audit Work Plan.
- In the Transient Occupancy Tax (TOT) Fund, a recommendation is included to increase the revenue estimate by \$1.9 million, reflecting growth of approximately 10% from 2013-2014 collection levels and exceeding the 5% growth assumed in the budget. The additional revenue will be placed into a reserve that will be allocated as part of the 2015-2016 budget process to cultural arts, to the Convention and Visitors’ Bureau, and to the Convention and Cultural Affairs Fund.

Looking forward, the Administration is scheduled to release the 2016-2020 General Fund Five-Year Forecast on February 27, 2015, and the 2015-2016 Proposed Capital and Operating Budgets on April 22, 2015 and May 1, 2015, respectively. Analysis from this Mid-Year Budget Review will be factored into both the Forecast and Proposed Budgets, as appropriate.

BACKGROUND

The annual Adopted Budget is a financial plan predicated on the best information available at the time it is prepared. As with any budget, however, changing conditions create the need to modify the original plan. Through its budget policies, the City Council has designated mid-year as the appropriate time to perform a comprehensive review of the current year’s budget, and the Mid-Year Budget Review as the appropriate vehicle for consideration of any revisions to the budget. This Mid-Year Budget Review Report complies with that policy. It contains a comprehensive review of the status of the City’s 2014-2015 Operating and Capital Budgets.

The Mid-Year Budget Review Report includes the following sections:

- **Transmittal Memorandum** – An overall summary of the contents of the Mid-Year Budget Review Report.
- **Section I: General Fund Status Report** – A review of the General Fund revenues and expenditures through Mid-Year.
- **Section II: Selected Special/Capital Funds Status Report** – A review of selected special and capital funds that have revenue and/or expenditure variances from the Modified Budget or other issues of interest.
- **Section III: Recommended Budget Adjustments and Clean-up Actions** – The Recommended Budget Adjustments detail the proposed budget augmentations/reductions in the General Fund and special/capital funds. The Clean-up Actions detail the technical

appropriation and revenue estimate adjustments for the General Fund and special/capital funds.

- **Section IV: Appendix** – This section includes the financial results, prepared by the Finance Department, for all budgeted fund groups for the first six months of the year.

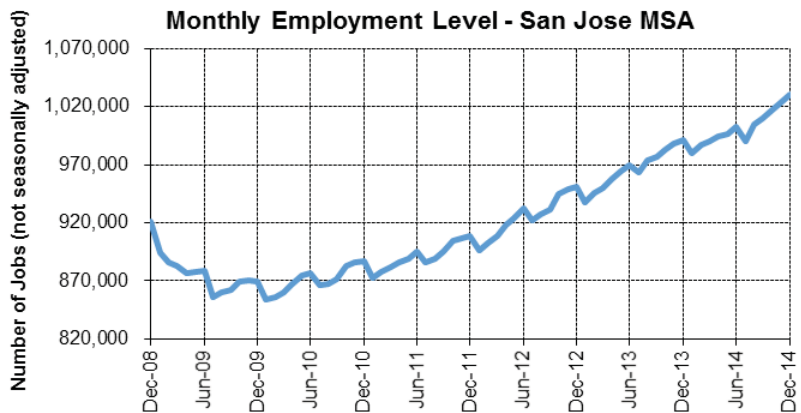
ANALYSIS

The Analysis section includes the following: an overview of the current economic environment; a discussion of General Fund performance through December; a summary of recommended General Fund budget adjustments included in the Mid-Year Budget Review Report; a status report on selected special and capital funds; and the status of a City Council referral related to the North San José Traffic Impact Fee.

ECONOMIC ENVIRONMENT

Economic performance in Silicon Valley continues its strong pace, consistent with the assumptions used in the development of the 2014-2015 Adopted Budget. Actual revenue performance through the first six months of the year supports the continuance of the economic recovery. Most local economic indicators, including employment, local construction, and real estate activity measures, show sustained economic growth. National economic indicators, including consumer confidence, also demonstrate an economy that continues to grow at a moderate pace.

The San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) continues to report positive trends in employment. Total employment grew by 39,300 jobs, or 4.0%, from the previous peak of 991,900 in December 2013 to a preliminary estimate of 1,031,200 in December 2014. Job gains in industries dominated by high tech, including computer systems design and computer and electronic products manufacturing, accounted for 43.3% of the total job gain (17,000 jobs). The largest single category of growth was Professional and Business Services (11,600 jobs), up 6.0% from last December.¹



¹ State of California Employment Development Department Labor Market Information Division Press Release, January 23, 2015

As noted in The Beacon Employment Report, along with a substantial year over year decline in the statewide unemployment rate, workers are becoming more optimistic about their employment prospects by choosing to re-enter the job market. From December 2013 to December 2014, 260,500 residents entered the labor force, the largest December-to-December increase since 1999 to 2000.²

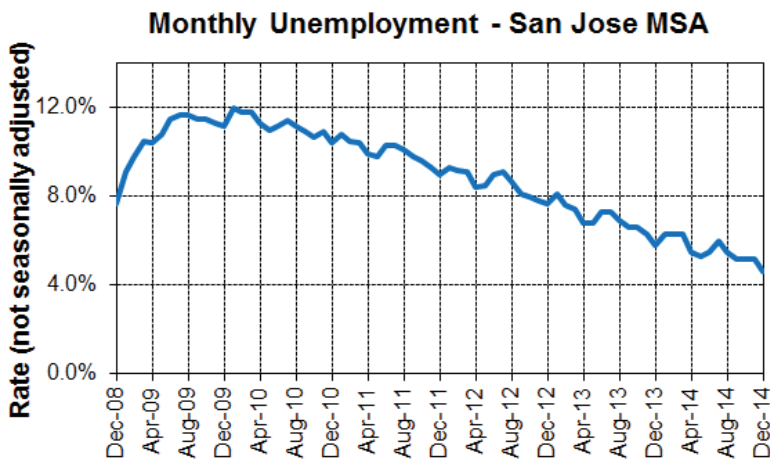
Unemployment Rate (Unadjusted)

	Dec. 2013	Nov. 2014	Dec. 2014**
San José Metropolitan Statistical Area*	5.8%	5.2%	4.6%
State of California	7.9%	7.1%	6.7%
United States	6.5%	5.5%	5.4%

* San Benito and Santa Clara Counties
 ** Preliminary Estimate
 Source: California Employment Development Department

In December 2014, the unemployment rate in the San José Metropolitan Statistical Area (MSA) fell to 4.6%, down from the December 2013 rate of 5.8%. This compares favorably to the revised rate from November 2014 of 5.2%, to the unadjusted employment rate for California of 6.7%, and to the overall rate for the nation of 5.4%.

Construction activity remains a key economic strength for the region, with all sectors on pace to outperform 2011-2012 and 2012-2013, though activity will not reach last year’s record levels. The table below shows decreases compared to last year; however, activity is generally proceeding in alignment with estimates used in the development of the budget, though activity for December 2014 appeared anomalously low. Activity will continue to be closely monitored throughout the remainder of the year.



Residential activity continued the solid performance experienced over the past several years, with notable multi-family projects such as the Century Center Towers, a 376-unit twin tower on North First Street north of Skyport Drive, and a 200-unit apartment building located west of Cottle Road and north of Highway 85. The number of new residential units through December 2014 totaled 2,249, which was down from 2,522 units through December 2013 but was up from the 1,519 units through December 2012.

² Beacon Economics, Employment Report, January 2015

**Private Sector Construction Activity
 (Valuation in \$ Millions)**

	July-Dec. 2013	July-Dec. 2014	% Increase/ (Decrease)
Residential	\$ 451.2	\$ 363.3	(19%)
Commercial	\$ 239.5	\$ 130.7	(45%)
Industrial	\$ 379.2	\$138.2	(64%)

Commercial activity, while lower than this time last year, is tracking to meet initial estimates and is highlighted by the 200-room, seven story AC Hotel on W. Santa Clara Street near the SAP Center, and the Almaden Ranch project, a shopping complex headlined by Bass Pro Shops at the corner of Almaden Expressway and Chynoweth Avenue. Though also down from last year's peak, industrial activity

remains on pace to meet expectations, with several important projects proceeding this year, including new research and development office buildings for Super Micro and Legacy 101 in North San José. Aside from the new construction notables, alteration activity in both commercial and industrial sectors remains steady at \$152.9 million through December, or 56% of the annual estimate.

Performance in the housing market continues to be strong, though the persistent lack of inventory has restrained growth. The median single-family home price was \$750,000 in December 2014, which is an increase of 9.5% from the median home price of \$685,000 in December 2013. The average days-on-market for single-family and multi-family dwellings was 20, a significant drop from the prior year average days-on-market of 37. The number of listings of new single-family and multi-family dwellings on the market has dropped approximately 15.5%, from 355 listings in December 2013 to 300 in December 2014. The number of property transfers (sales) for all types of residences fell below last year's levels, from 654 in December 2013 to 615 in December 2014. Cumulatively, property transfers from July through December totaled 4,002, which was down 4.5% from the 4,190 transfers during the first six months of 2013-2014.

Median Price - Single Family Homes



The leading Consumer Confidence indicator, The Conference Board's *Consumer Confidence Survey*, reports that consumer confidence of 92.6 in December is up from November's 91.0 (in 1985 it was at 100)⁴. In general, consumers' expectations of overall economic conditions have improved. Consumers were positive in their assessment of the job market, with the proportion stating jobs are "plentiful" increasing from 16.2% to 17.1% in the last month, and those claiming jobs are "hard to get" decreasing from 28.7 % to 27.7%.

⁴ The Conference Board, Consumer Confidence Survey, December 30, 2014

According to Lynn Franco, Director of Economic Indicators at The Conference Board, “Consumer confidence rebounded modestly in December, propelled by a considerably more favorable assessment of current economic and labor market conditions. As a result, the Present Situation Index (98.6) is now at its highest level since February 2008 (Index, 104.0). Consumers were moderately less optimistic about the short-term outlook in December, but even so, they are more confident at year-end than they were at the beginning of the year.”⁵

On a national level, the December 2014 UCLA Anderson Forecast anticipates annual real Gross Domestic Product (GDP) growth of 3% over the next two years, as opposed to the 2% annual growth experienced since 2009. A falling unemployment rate is expected to lead to improved wage growth averaging approximately 3.5% per year, as compared 1.8% average increase since 2009. In addition to wage growth and the resulting increase in consumer spending, the nation should anticipate more aggressive corporate investment in equipment and software, both of which should benefit San José and the Silicon Valley.⁶

Economic conditions will continue to be closely monitored and factored into the 2016-2020 General Fund Five-Year Forecast, scheduled to be released on February 27, 2015, and the upcoming releases of both the Proposed Capital and Operating Budgets, scheduled to be released on April 22, 2015 and May 1, 2015, respectively.

GENERAL FUND PERFORMANCE

General Fund revenues and transfers through December totaled \$425.4 million, or 41.7% of the budgeted estimate. Based on current collection trends, existing revenues are tracking to end the year approximately \$10 million above budgeted levels (variance of approximately 1%). Through December, the majority of revenues tracked at or above budgeted collections, including: Sales Tax, Transient Occupancy Tax, Business Taxes, and Property Tax. These positive variances are partially offset by lower collections in a limited number of categories, including Licenses and Permits and Revenue from both the State and Federal Government.

In this document, an overall net increase of \$5.6 million to the General Fund revenue estimates is recommended. This is primarily due to the recognition of grants, reimbursements, and/or fee related funds (\$3.4 million) as well as a small number of required technical/rebalancing actions to increase revenue estimates by a net \$2.2 million to bring estimates in line with revised projections for Transient Occupancy Tax (\$1.25 million) and to recognize anticipated PG&E rebates for the conversion to 18,127 streetlights to LED light bulbs (\$955,000). The revenue estimates for this year will continue to be updated and refined as part of the upcoming Five-Year Forecast and Proposed Budget process and will be reported through the release of the Bi-Monthly Financial Reports.

General Fund expenditures through December totaled \$482.8 million, or 36.1% of the total 2014-2015 Modified Budget. This represents an increase of \$37.3 million, or 8.4%, from the December 2013 level of \$445.5 million. Encumbrances totaling \$67.4 million were nearly

⁵ The Conference Board, Consumer Confidence Survey, December 30, 2014

⁶ UCLA Anderson Forecast December 2014.

double the December 2013 level of \$34.1 million. Expenditures and encumbrances through December of \$550.2 million constituted 41.1% of the total Modified Budget (including reserves) of \$1.3 billion; without reserves of \$165.5 million, expenditures and encumbrances constituted 46.9% of the total Modified Budget. Overall, General Fund expenditures are tracking within anticipated levels and are expected to end the year with savings. Both excess revenues and additional expenditure savings are necessary to assist in meeting the 2015-2016 ending fund balance estimate used as an ongoing funding source in the Five-Year General Fund Forecast.

There are a limited number of budget adjustments recommended to address urgent fiscal or program needs. Other technical/rebalancing actions, clean-up actions, and net-zero grants, reimbursements, and fee adjustments are also recommended in this report. As with revenues, General Fund expenditure adjustments result in a net increase of \$5.6 million.

The revenue and expenditure adjustments are summarized below and described in more detail in Section III, Recommended Budget Adjustments and Clean-Up Actions of this report. A more detailed discussion of both the General Fund revenue and expenditure performance is also provided in Section I of this report.

RECOMMENDED GENERAL FUND BUDGET ADJUSTMENTS

As previously stated, the budget actions recommended in the Mid-Year Budget Review result in a net increase of \$5.6 million to General Fund revenues and expenditures. The recommended Mid-Year Budget Review actions accomplish the following: 1) fund a limited number of urgent fiscal or program needs; 2) implement required technical/rebalancing adjustments; 3) recognize various revenue-supported grants, reimbursements, and fee adjustments; and 4) implement clean-up actions.

The chart on the following page summarizes these recommended adjustments.

**2014-2015 MID-YEAR BUDGET REVIEW
 RECOMMENDED GENERAL FUND BUDGET ACTIONS**

BUDGET CATEGORY	Use of Funds (\$ in Millions)	Source of Funds (\$ in Millions)
Urgent Fiscal/Program Needs		
PBCE – Update Downtown Environmental Impact Report (EIR)	\$0.500	
Police Net-Zero Shifts (2015-2016 Overtime Reserve/Limited Detentions Study)	0.000	
Finance Net-Zero Shift (GASB 68 Implementation)	0.000	
Total Urgent Fiscal/Program Needs	\$0.500	\$0.000
Required Technical/Rebalancing Actions		
US Patent and Trademark Office – City Staff Relocation	\$0.850	
Energy Services Company Debt Service/PG&E Rebates	1.086	\$0.955
Public Works Adjustments (Retirement/Custodial/Utilities)	1.400	
Cultural Facilities Capital Maint. Res./Transient Occupancy Tax	1.250	1.250
Transfer to the Municipal Golf Course Fund (Los Lagos Subsidy)	0.300	
Transfer to the Economic Development Admin Loan Fund	0.165	
Other Net Expenditure Adjustments	0.104	
Total Required Technical/Rebalancing Actions	\$5.155	\$2.205
Grants/Reimbursements/Fees		
Various Grants/Reimbursements/Fee Adjustments	\$3.419	\$3.419
Clean-Up Actions		
Benefits Program (Health/Dental Programs)	(\$2.887)	
Management Pay for Performance Program	(0.546)	
Other Net Clean-Up Adjustments	(0.005)	\$0.012
Various Net-Zero Adjustments	0.000	0.000
Total Clean-Up Actions	(\$3.438)	\$0.012
Total Recommended Adjustments	\$5.636	\$5.636

Following is a brief description of the General Fund revenue and expenditure adjustments recommended in this report. Additional information on these adjustments is provided in Section III, Recommended Budget Adjustments and Clean-Up Actions, of this report.

URGENT FISCAL/PROGRAM NEEDS

- **Planning, Building and Code Enforcement Department – Update Downtown Environmental Impact Report (EIR) (\$500,000):** This action increases the Planning, Building and Code Enforcement Non-Personal/Equipment appropriation by \$500,000 to provide for consultant and other contractual services funding to update the Downtown San José Environmental Impact Report (EIR). The consultant work will start this fiscal year with the goal of completing the update before new projects approach the development capacities that exist under the current EIR. The consultants will provide specialized legal consultation

and prepare environmental analysis, including traffic studies, noise reports, and air quality assessments to update the Downtown Strategy 2000. Based on current market conditions and projections, the City has up to 8 to 12 months before it may reach the current residential unit capacity. Without an updated EIR, development beyond the current capacity will not be allowed to proceed, and projects will need to complete individual EIR's to receive the necessary approval. A portion of the requested funding will also cover community outreach necessary as part of the EIR update process.

- ***Finance Department Net-Zero Shift – GASB 68 Implementation (\$0):*** This action increases the Finance Department Non-Personal/Equipment appropriation by \$50,000 for the implementation of the Governmental Accounting Standards Board (GASB) 68 statement in 2014-2015. A certified accounting firm will be used to provide assistance in the implementation of GASB 68, the new pension standard that requires a major change in the accounting of pension plans. Engaging a certified accounting firm will ensure efficient and effective implementation of the standard by addressing auditors' requirements, reporting, and control issues. Finance Department Personal Services savings are available to offset this cost due to a high number of vacancies in the Department.
- ***Police Department Net-Zero Shifts (Overtime Reserve/Limited Detentions Study) (\$0):*** The following net-zero shifts in Police Department funding are recommended:
 - *2015-2016 Police Department Overtime Reserve (\$5,000,000)/Police Department Personal Services (-\$5,000,000)* – This action reduces the Police Department Personal Services appropriation and reallocates the funds to a 2015-2016 Police Department Overtime Reserve. The Department is anticipated to begin 2015-2016 with approximately 140 sworn vacancies based on current attrition rates. Similar to past practice, it is anticipated that additional overtime funding will be needed to supplement 2015-2016 vacancy savings to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available to cover civilian staffing vacancies, as needed. Police Department salary and benefit savings are anticipated to be sufficient by year-end to fund this action.
 - *Police Department Non-Personal/Equipment (Limited Detentions Study) (\$125,000)/Police Department Personal Services (-\$125,000)* – This action increases the Police Department Non-Personal/Equipment appropriation for a consultant agreement to perform a professional review of data collected by the Police Department related to limited detentions. The Independent Police Auditor's Year End Report for 2011 included a recommendation to adopt a curb-sitting policy that requires Police Officers to document in the Computer Aided Dispatch (CAD) system or in an incident report when officers curb-sit individuals. Curb-sitting is considered a limited detention by the Police Department, and in December 2013, the Police Department revised its Duty Manual to begin documenting limited detentions during self-initiated pedestrian and self-initiated vehicle stops. The Police Department has gathered data for one year and a professional review of that data by an outside consultant is now recommended in order to analyze and interpret the data as well as conduct focus groups in a timely manner. This study will put into context the data on limited detentions, help explain the police detention techniques,

provide transparency on this issue, and will assist the Police Department in reviewing and revising its current policy if needed to ensure that members of the public are treated in a consistent and fair manner. Once completed, the results will be presented to Department members, City leaders, the Independent Police Auditor, the Chief's Community Advisory Board and the community. Police Department salary and benefit savings are available to offset this cost.

REQUIRED TECHNICAL/REBALANCING ACTIONS

- ***United States Patent and Trademark Office – City Staff Relocation (\$850,000)***: This action increases the United States Patent and Trademark Office - City Staff Relocation appropriation by \$850,000 (from \$4,450,000 to \$5,300,000) to address design modifications associated with the workspace remodel within the City Hall Tower to house relocated City staff from the City Hall Wing. Costs have increased because of the need for additional hard wall construction in order to meet security, confidentiality, and high-density file storage requirements for various City offices, including the City Clerk's Office, City Auditor's Office, Office of Employee Relations, Human Resources Department, and the Police Department's Gaming Unit.
- ***Energy Services Company (ESCO) Debt Service (\$1,086,000)/PG&E Rebate Revenue (\$955,000)***: This action establishes an Energy Services Company (ESCO) Debt Service appropriation to the Finance Department in the amount of \$1,086,000 to fund the 2014-2015 debt service payment to Bank of America for the Energy and Utility Conservation Measures Program. This action also increases the estimate for Other Revenue in the amount of \$955,000 to recognize anticipated Pacific Gas and Electric rebates for the conversion of 18,127 streetlights to LED light bulbs, which will be used to offset the majority of the ESCO debt service payment this fiscal year.
- ***Public Works Department Adjustments (Retirement/Custodial/Utilities) (\$1,400,000)***: A number of adjustments in the Public Works Department are recommended to bring the budget in line with current projections. Major recommendations include the following:
 - ***Public Works Personal Services (Retirement) (\$800,000)*** - This action increases the Public Works Department Personal Services appropriation in the amount of \$800,000 to fund higher than anticipated retirement costs for the fiscal year. During the development of the 2014-2015 Adopted Budget, new and vacant positions were budgeted at Tier 2 retirement costs; however, many of the vacant positions have been filled with current City employees that fall under the higher costs of the Tier 1 retirement system. This action will better align the budget with projected retirement costs. It is anticipated that retirement savings in other departments and funds will be available by year-end to offset these costs.
 - ***Public Works Department Non-Personal/Equipment (Custodial Services Contract and Activity) (\$350,000)*** - This action increases the Public Works Department Non-Personal/Equipment appropriation by \$350,000 to fund the living wage increase of 10.3% as well as the required paid time off provision included in the custodial services contract approved by City Council on October 28, 2014 (\$120,000) and support the increased use

of custodial services due to a higher demand for services (\$230,000). As part of the 2014-2015 Adopted Budget, custodial services costs were increased by 3.0% over the prior year to cover the cost of living adjustment provided for in the original contract. However, the new contract recently approved by the City Council indexes compensation adjustments to 80% of the increase in the City's living wage rate. In November 2014, the living wage rate for custodial agreements increased 12.9% and the new contract allowed for an increase of 80% of that amount, or 10.3%. This increase resulted in a higher than budgeted custodial services contract amount for 2014-2015. In addition, over the past couple of years, facility usage has increased, which has resulted in service levels being incrementally enhanced above the minimum two days per week to meet minimum standards of cleanliness at many locations, including community centers and reuse sites. The ongoing increase to the custodial contract will be addressed as part of the development of the 2015-2016 Base Budget.

- *Public Works Department Non-Personal/Equipment (Gas and Electricity) (\$250,000)* - This action increases the Public Works Department Non-Personal/Equipment appropriation by \$250,000 to fund higher than anticipated gas and electricity costs. Actual gas and electric utility rates are higher than those used to develop the 2014-2015 Adopted Budget. Usage of both utilities is similar to the amount assumed in the budget development process. This action will better align the budget with projected utility costs.
- ***Cultural Facilities Capital Maintenance Reserve (\$1,250,000)/Transient Occupancy Tax (\$1,250,000)***: This action increases the Transient Occupancy Tax revenue estimate by \$1.25 million, from \$11.75 million to \$13.0 million, to reflect the strong year-to-date collections which continue to track well above the prior year and current budgeted levels. This increase would allow for revenue growth of approximately 10% from the 2013-2014 collection levels compared to a budgeted estimate of 5%. These funds are recommended to be placed in a Cultural Facilities Capital Maintenance Reserve for potential allocation during the 2015-2016 Proposed Budget process. In accordance with City Council direction approved as part of the Mayor's March Budget Message for Fiscal Year 2014-2015, the growth in General Fund Transient Occupancy Tax (TOT) revenues above the established 2013-2014 base level is to be allocated for capital maintenance of the City's cultural facilities. As outlined in Manager's Budget Addendum #23 to the 2014-2015 Proposed Budget, there is a capital replacement and maintenance project approval process for cultural facilities.
- ***Transfer to the Municipal Golf Course Fund (Los Lagos Subsidy) (\$300,000)***: This action increases the Transfer to the Municipal Golf Course Fund from the General Fund in the amount of \$300,000, from \$1.9 million to \$2.2 million, bringing the General Fund subsidy level above the 2013-2014 level of \$2.0 million. During 2014-2015, performance in the Municipal Golf Course Fund has not been meeting expectations, primarily due to lower activity and higher costs at the Los Lagos Golf Course. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at Los Lagos Golf Course could total \$550,000 at year-end. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, the review of the Municipal Golf Course Fund has been approved to be on the City Auditor's 2014-2015 Audit

Work Plan. This action recommends an increase to General Fund subsidy to ensure the Municipal Golf Course Fund can cover its expenses and sufficient fund balance remains in that fund in 2014-2015. This increase would add to the \$300,000 increase approved as part of the 2013-2014 Annual Report.

- ***Transfer to the Economic Development Administration Loan Fund (\$165,000):*** This action establishes a transfer to the Economic Development Administration Loan Fund in the amount of \$165,000 to pay off a Federal Economic Development Administration (EDA) loan obligation. Under the City's Revolving Loan Fund Program, there remain 13 loans to small businesses that have been in default for over five years and are not expected to be repaid. The EDA has granted the Housing Department's request to voluntarily terminate the loans if the obligation associated with these loans is repaid. This repayment is necessary because the City did not meet the EDA's due diligence requirement to file a lien at the time the businesses filed for bankruptcy. The cost to pursue repayment in bankruptcy for these relatively small loans was a primary factor that impacted the City's ability to meet the EDA requirements.
- ***Other Net Expenditure Adjustments (\$104,000):*** A number of adjustments to various expenditure line items are recommended to bring the budget in line with current projections. Major recommendations include the following:
 - *SAP Center Renegotiation (\$40,000)* - This action increases the SAP Center Renegotiation appropriation by \$40,000 (from \$100,000 to \$140,000) and ensures the necessary resources are available for the continued negotiation of the SAP Center operating agreement with the San Jose Sharks.
 - *Customer Satisfaction Survey (Bi-Annual) (\$25,000)* - This action increases the Customer Satisfaction Survey (Bi-Annual) appropriation by \$25,000 (from \$55,000 to \$80,000) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.
 - *Independent Police Auditor Personal Services (Correction/Bilingual Pay) (\$35,000)* - This action increases the Independent Police Auditor's Personal Services appropriation by \$35,000 to address an inadvertent error that occurred during the development of the 2014-2015 Adopted Budget, and, in addition, provides bilingual pay for several employees that were recently certified.
 - *Annual Audit Contractual Increase (\$3,000)* - This action increases the Annual Audit appropriation by \$3,000 (from \$225,000 to \$228,000) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.
 - *Bond Project Audits Contractual Increase (\$1,000)* - This action increases the Bond Project Audits appropriation by \$1,000 (from \$56,500 to \$57,500) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.
 - *Fire Department Overtime (\$0)* - This action increases the Fire Department's overtime budget by \$2.0 million, from \$5.3 million to \$7.3 million, offset by departmental salaries and benefits savings due to vacancies. This adjustment will bring the overtime budget in

line with projected expenditures and ensure that sufficient funding is available to maintain current minimum staffing levels. Overtime has been used to backfill vacancies and absences in line duty positions (vacation, strike team deployments, modified duty, sick leave, disability, and other absences). One factor impacting overtime this year is the number of vacancies, which so far have averaged 3.9%, which is higher than the budgeted rate of 2.8%. Strike Team deployments have also impacted overtime and a separate budget action is recommended to recognize reimbursement revenue and allocate those funds to Fire Department overtime to support those deployments.

- *Police Department Non-Personal/Equipment (\$116,000)/Police Department Personal Services (-\$116,000)* - This action increases the Police Department Non-Personal/Equipment appropriation to address a cost increase associated with the Police Academies. In November 2014, the Police Department was notified by the South Bay Regional Training Consortium that the cost of future Police Academy trainings will increase significantly, due to the need for additional logistical support that arose from conducting an academy at a City site and the new overlapping academy model. The new pricing is proposed to take effect with the February 2015 Academy class. This higher cost will also be factored into the development of the 2015-2016 Base Budget. Police Department salary and benefit savings are available to offset this cost.
- *Finance Department Non-Personal/Equipment (\$40,000)/Finance Department Personal Services (-\$40,000)* - This action increases the Finance Department Non-Personal/Equipment appropriation by \$40,000 to purchase new currency counters for counterfeit detection as the existing equipment is beginning to break down. Personal Services savings are available to offset this cost due to a high number of vacancies in the Department.
- *Various Mayor and Council Transition Year Reconciliations Net-Zero Adjustments* - This action increases and decreases various Mayor and City Council appropriations in accordance with City Council policy that states that in Mayor and City Council transition years, remaining funds from the Mayor and Council Districts' appropriations for the first six months of the year (July – December) shall be reallocated to the appropriation established for the last six months of the year (January – June) for that specific office as part of the Mid-Year Budget Review Report.

GRANTS/REIMBURSEMENTS/FEES

- A series of revenue-supported adjustments totaling \$3.4 million (with a net-zero impact on the General Fund) are recommended to reflect new or updated revenues and expenditures for grants, reimbursements, and/or fee activities. The largest grants, reimbursements, and fees support the following:
 - *Development Fee Programs* - Actions are included to increase Planning and Building Development Fee Programs Non-Personal/Equipment appropriations, offset by vacancy savings, to fund peak staffing contractual services costs (\$182,000). In addition, the Public Works Development Fee Program Personal Services appropriation is recommended to be increased from reserves (\$350,000) to fund additional staffing needs.

- *Other Grants and Reimbursements* - Actions are included to recognize additional grants, reimbursement and fees and allocate those funds to support the following: Parks, Recreation and Neighborhood Services Department grants and reimbursements (\$1,067,000), Transportation Department reimbursements (\$500,000), Fire Department reimbursements (\$379,000), Police Department grants and reimbursements (\$296,000), Public Works Department (\$151,000), Office of Economic Development (\$95,000), Library Grants (\$70,000), and Mayor and City Council sponsorship revenue (\$85,000).

CLEAN-UP ACTIONS

- ***Benefits Program (Health/Dental Programs) (-\$2,887,000):*** Various actions are recommended to decrease department budgets to realize health plan savings (-\$849,000), return the associated portions of these savings to development fee program reserves (\$62,000), and liquidate health and dental program savings in the Salaries and Benefits Reserve (-\$2,100,000). The Salaries and Benefits Reserve allocation was set aside during the development of the 2014-2015 Adopted Budget in anticipation of an increase in lowest cost health plan rates forecasted at 10% based on national and City trend information received from the City's Human Resources Department benefits consultant. A 2.5% increase to dental rates were forecasted based on actuarial information from the Human Resources Department and an evaluation of funding levels in the Dental Insurance Fund. Actual costs declined year-over-year resulting in a 4.54% reduction in health and no increase to dental rates.
- ***Management Pay for Performance Program (-\$546,000):*** Various actions are recommended to increase Personal Services appropriations for Management Pay for Performance Program costs in departmental budgets that do not anticipate generating sufficient vacancy savings to cover these increased costs (\$726,000). This action is offset by the liquidation of the Salaries and Benefits Reserve allocation set aside for the Management Pay for Performance Program in the 2014-2015 Adopted Budget (-\$1,272,000), generating net savings of \$546,000.
- ***Other Net Clean-Up Adjustments (\$17,000):*** Technical adjustments are recommended to reflect 2013-2014 performance, including an increase to the Beginning Fund Balance (\$12,000) based on final reconciliation of 2013-2014 actual General Fund revenue and expenditure performance to the Consolidated Annual Financial Report (CAFR) and a decrease to the Fire Development Fee Program Reserve based on final reconciliation of program costs (-\$5,000).
- ***Various Net-Zero Adjustments (\$0):*** To implement a variety of clean-up actions, a number of technical and net-zero adjustments are recommended, including the following:
 - *Reallocation of City-Wide Expenses and Departmental Expenditures* - The reallocation between departmental personal services and non-personal/equipment budgets and City-Wide Expenses appropriations are recommended in this report.
 - *Reallocation of Revenue Estimates* - The reallocation between revenue categories for several sources are recommended in this report.

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

A comprehensive review of the special and capital funds as well as all of the capital projects is conducted as part of the 2014-2015 Mid-Year Budget Review. The special and capital funds are generally tracking within estimated levels through December. Section II of this report contains the status of selected special and capital funds with issues of interest or variances.

Special Funds

Following is a summary of activity in selected special funds through December.

- ***Airport Funds*** – Passenger activity levels at the Norman Y. Mineta San José Airport through the first six months of 2014-2015 showed an increase of 7.0% compared to the same period last fiscal year and exceeded the passenger growth projection of 2.0%. Overall operating revenues through December 2014 totaled \$59.5 million, or 48.1% of the budgeted estimate, and are in line with expectations. While passenger activity and parking/rental car revenue are exceeding estimates, other operating revenues are tracking within estimated levels. Personal services expenditures and non-personal/equipment expenditures (excluding encumbrances) are tracking below budgeted estimates at 39.0%, or \$29.7 million. Despite recent positive growth in passenger numbers, the Airport continues to face a challenging environment. Strategies to improve operating efficiencies, recruit, develop and retain staff, contain costs, and achieve financial sustainability are critical. Air service development, retention of existing capacity, and growth in destinations, carriers, flights, and passenger levels are high priorities along with maintaining safety and security and are all key to long-term success.
- ***Convention and Cultural Facilities Fund*** – In accordance with the new agreement with Team San Jose (TSJ) that manages the City’s Convention Center and other cultural facilities, revenues and expenditures generated by facility operations no longer flow through the Convention and Cultural Affairs Fund. Rather, the net operating subsidy to TSJ as well as TSJ incentive and management fees as other non-TSJ related expenses, such as capital investments and insurance costs, are reflected in the Convention and Cultural Affairs Fund. However, TSJ has provided financial reports reviewed by the City showing operations revenues through December of \$15.7 million, compared to the December target of \$11.7 million.
- ***Municipal Golf Course Fund*** – As previously discussed, performance in the Municipal Golf Course Fund has not been meeting expectations, primarily due to lower activity and higher costs at the Los Lagos Golf Course. Once adjusted for differences in timing of payments and year-end accruals, Los Lagos has a net operating loss of \$239,000 through December, which is well above last year's levels of \$57,000 net operating loss through December. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at Los Lagos Golf Course could total \$550,000 at year end. To address this estimated loss, the Mid-Year Budget Review recommends an increase of \$300,000 (from \$1.9 million to \$2.2 million) to the transfer from the General Fund to the Municipal Golf Course Fund to ensure sufficient fund balance remains in this fund in 2014-2015; this increase adds to the \$300,000 increase approved as part of the 2013-2014 Annual Report

actions and brings the General Fund subsidy above the 2013-2014 level of \$2.0 million. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. The review of the Municipal Golf Course Fund has also been approved to be in the City Auditor's 2014-2015 Audit Work Plan. Additional adjustments to align the budget with expected performance are also recommended, including a \$275,000 increase to the Los Lagos Golf Course expenditure appropriation, a \$50,000 decrease to the Los Lagos Golf Course Earned Revenue estimate, and a \$25,000 decrease to the Ending Fund Balance.

- ***Transient Occupancy Tax Fund*** – Transient Occupancy Tax (TOT) collections continue to be very strong. Collections are on pace to reach \$19.6 million, an increase of \$1.9 million over the budget estimate of \$17.7 million. This reflects growth of approximately 10% from 2013-2014 collection levels, exceeding the 5% growth assumed in the budget. The additional revenue is recommended to be recognized as part of this report and placed into a reserve for allocation as part of the 2015-2016 budget process to Cultural Arts, to the Convention and Visitors' Bureau, and to the Convention and Cultural Affairs Fund. The increase in TOT is driven by an increase of hotel occupancy and room rates. Through December, the average occupancy rate for the City's 14 major hotels was 75.5%, up from 68.1% for the same period last year, while room rates have increased from \$149.16 to \$163.72 (9.8%). In addition, the average revenue-per-available-room (RevPAR) through December increased to \$123.86, representing an increase of 21.8% from the prior year level.

Capital Funds

Following is a discussion of the major revenues that support the capital program and the major capital program expenditure revisions recommended in this report.

Construction Related Revenues

Private sector construction activity constitutes a significant source of tax revenues that are reinvested back into the City's transportation system infrastructure. As described in the "Economic Environment" section of this message, residential, commercial and industrial development activity in 2014-2015 has remained strong, though at levels lower than last year's peak. A discussion of the performance for Building and Structure Construction Tax and Construction Excise Tax, the two largest construction-related revenue sources follows. These taxes are also an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

- ***Building and Structure Construction Tax*** – Through December, tax receipts totaled \$7.7 million, representing 45.2% of the annual budgeted estimate of \$17.0 million. Unusually low activity levels were experienced in December and if this collection trend continues, Building and Structure Construction Tax receipts may fall short of the budgeted estimate. Any potential impacts to the Traffic Capital Program will be closely monitored and incorporated into the development of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program.

- **Construction Excise Tax** – Through December, tax receipts totaled \$9.9 million, or 46.9% of the budget, and are on pace to meet the 2014-2015 Adopted Budget estimate of \$21.0 million.

Construction and Conveyance Taxes

Nearly 99% of the total Construction and Conveyance (C&C) Taxes are comprised of conveyance receipts, a tax based on the value of property transfers. When the 2014-2015 Adopted Budget was developed, it was assumed that C&C Tax receipts would increase 5.0% over estimated 2013-2014 receipts and reach a total of \$39 million. However, because 2013-2014 receipts fell below the estimate, growth of 9.9% is now needed to meet the 2014-2015 Adopted Budget estimate. Receipts through December 2014 were up only 6.8% from the prior year and have continued to fall in recent months; therefore, a revised 2014-2015 C&C Tax estimate of \$35 million is now anticipated. Though budget adjustments are not recommended as part of this report, the \$35 million estimate for 2014-2015 will be used in the development of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program. This revenue will continue to be monitored to determine if changes to the estimate may be necessary at a later date.

Major Capital Program Expenditure Revisions

A series of recommended Appropriation Ordinance and Funding Sources Resolution amendments to the Adopted Capital Budget are included in Section III of this report. Following is a summary of the most significant adjustments:

- **Municipal Improvements Capital Program** – As discussed earlier, a recommendation is included to increase the United States Patent and Trademark Office – City Staff Relocation project by \$850,000 (from \$4.45 million to \$5.3 million) to cover an anticipated increase in staff costs. The increase in construction costs that is reimbursed by the federal government is still under negotiation and any associated budget adjustments will be brought forward as a separate item for City Council approval once negotiations are finalized.
- **Public Safety Capital Program** – A recommendation is included to recognize \$525,000 in revenues from a settlement agreement with The Guarantee Company of North America for construction costs related to Fire Station 24. A portion of this payment will fund additional close-out costs (\$50,000) related to the South San José Police Substation project and the remaining portion of the payment (\$475,000) will be placed in the Fire Station 37 (Willow Glen) Reserve.
- **Parks and Community Facilities Development Capital Program** – A recommendation is included in this report to increase project funding for the Hillview Park Renovation project in the Council District 5 Construction and Conveyance Tax Fund (\$105,000) to replace the burned down tot lot, widen the pathway, and install landscaping, park benches, and trash receptacles that were not included in the initial project scope. Funding of \$140,000 is included in the Subdivision Park Trust Fund to allow design and master planning efforts to begin for Essex Park, a new 2.4 acre neighborhood park in Council District 4. Funding is also recommended to be allocated in the Subdivision Park Trust Fund for the Bramhall Park

Restroom and Concession Building (\$120,000), which would allow for the design of the new restroom/concession/storage building to begin. In addition, a recommendation is included to establish the Branham Park Playground Renovation project in the Subdivision Park Trust Fund (\$86,000) and the Council District 9 Construction and Conveyance Tax Fund (\$14,000), which will allow the expansion of the project scope to include fencing improvements, planting of new trees, renovation of the play area, additional security lighting, and replacement of the gravel pathway with concrete. Finally, a recommendation is included in this report to recognize revenue received from a developer and allocate the funding for design review and inspection costs related to Richardson Park.

- ***Traffic Capital Program*** – Recommendations are included to recognize and appropriate \$606,000 to the Pavement Maintenance – Measure B project to reflect additional revenues received to seal and resurface streets in the City. Also included is a recommendation to reallocate funds from the Transportation Grants Reserve to the ITS: Transportation Incident Management Center (TiMC) project (\$650,000) to provide sufficient funding to award the first phase of the TiMC Event Tracking System Implementation agreement. As a result of project delays, recommendations are included to decrease the project funding and corresponding grant reimbursements for the Pedestrian Oriented Traffic Signals (\$1.0 million), St. John Multimodal Improvements Phase I (\$750,000), and the Safe Routes to School Program (\$500,000). Lastly, developer traffic impact fees received to date are being recognized and set aside in a reserve for the following areas: North San José (\$5.0 million), Evergreen (\$200,000), and Route 101/Oakland/Mabury (\$471,000).
- ***Airport Capital Program*** – A recommendation is included to increase the Federal Inspection Facility Sterile Corridor Extension project by \$1.2 million, offset by corresponding grant revenues from FAA, to provide for increased scope of work for the project.
- ***Water Utility System Capital Program*** – A recommendation is included to establish a Safety and Security appropriation (\$400,000) to prevent security breaches and improve safety at the water facilities by installing and repairing fencing, railings, and concrete block walls.

COUNCIL REFERRALS

The City Council had previously directed the Administration to provide an update or recommendation for action on the following item.

North San José Traffic Impact Fee Modifications. At its meeting on November 18, 2014, the City Council directed staff to return in June 2015 to present a work plan and approach that would facilitate a reduced North San José Traffic Impact Fee on office/R&D development, including potential modification to the transportation infrastructure plan, and any resulting impacts to the General Fund or other funding sources. The City Council also directed staff to identify any additional resources to complete any modifications to the North San José Area Development Policy during the 2014-2015 Mid-Year Budget Review or the 2015-2016 budget process.

To meet this direction, staff is developing a work plan for analyzing the North San José Area Development Policy and potential changes to the Traffic Impact Fee. In addition to evaluating the transportation infrastructure currently required under the Policy, this analysis will also

encompass staff's experience to date with the implementation of the Policy in order to gain a better understanding of how the Traffic Impact Fee is affecting new development proposals in the area. Staff will report to City Council in June on the proposed work plan and any associated request for resources will be brought forward if needed during the development of the 2015-2016 budget.

PUBLIC OUTREACH/INTEREST

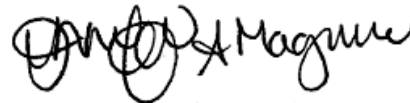
This report is posted on the City's website for the February 10, 2015 City Council meeting.

CONCLUSION

Through December, the City's over 100 operating and capital funds are generally performing within expected levels. The 2014-2015 Adopted Budget was built on the assumption that continued economic growth would be experienced in 2014-2015, and actual collection trends support this assumption.

As part of the Mid-Year Budget Review, budget adjustments are recommended in the General Fund and many special and capital funds to fund a very limited number of urgent fiscal/program needs, to bring projected revenues and expenditures into alignment based on performance through the first half of the fiscal year, to account for updated cost projections, to implement technical adjustments, and to recognize various grants, reimbursements, and fees. The adjustments brought forward in this report reflect our best estimate of the financial performance of the City's funds based on activity through the first half of the fiscal year.

The Administration will continue to closely monitor performance and provide status reports on the City's finances through the Bi-Monthly Financial Reports. These reports will highlight any significant developments as well as identify any potential budget actions necessary to ensure the City's funds remain in balance by year-end. Diligent monitoring, continued budgetary discipline, and timely actions are critical components to maintaining the City's fiscal health.

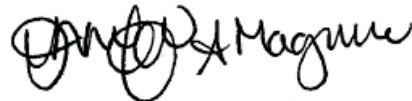


Jennifer A. Maguire
Interim Senior Deputy City Manager /
Budget Director


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 2014-2015 monies in excess of those heretofore appropriated therefrom:

Airport Capital Improvement Fund	446,000
Airport Fiscal Agent Fund	144,836,295
Airport Surplus Revenue Fund	135,000
Business Improvement District Fund	3,258
Construction Excise Tax Fund	4,968,879
Convention Center Facilities District Revenue Fund	1,168,000
Economic Development Administration Loan Fund	165,000
Edward Byrne Memorial Justice Assistance Grant Trust Fund	523
General Fund	5,635,839
General Purpose Parking Fund	174,800
Gift Trust Fund	42,102
Housing Trust Fund	4,300,000
Library Parcel Tax Fund	255,724
Life Insurance Fund	100,000
Low and Moderate Income Housing Asset Fund	3,326,000
Multi-Source Housing Fund	164,539
Municipal Golf Course Fund	250,000
Neighborhood Security Bond Fund	525,000
San José/Santa Clara Treatment Plant Capital Fund	30,181
Storm Sewer Operating Fund	180,528
Subdivision Park Trust Fund	261,000
Supplemental Law Enforcement Services Fund	232,482
Transient Occupancy Tax Fund	1,942,000
Water Utility Fund	15,707



Jennifer A. Maguire
Interim Senior Deputy City Manager /
Budget Director



2014-2015

MID-YEAR
BUDGET
REVIEW



SECTION

I

**GENERAL FUND
STATUS REPORT**



**2014-2015
MID-YEAR BUDGET REVIEW**

I. GENERAL FUND STATUS REPORT

At mid-year, the City Manager's Budget Office conducts a comprehensive review of expenditure and revenue performance in the General Fund through the first six months of the fiscal year. This section of the report is intended to summarize the results of that review. The section is organized as follows:

- A. **Status of General Fund Revenues** – The mid-year status of General Fund revenue collections is discussed at the revenue category level in this section. Included is a discussion of proposed revenue revisions for each revenue category.

- B. **Status of General Fund Expenditures** – The status of overall General Fund expenditures is provided. Included is a discussion of expenditures in the Police and Fire Departments and the Office of Economic Development as well as the status of the Contingency Reserve through December 2014.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

OVERVIEW

General Fund revenues and transfers through December totaled \$437.0 million, or 42.9% of the budgeted estimate. Based on current collection trends, existing revenues are tracking to end the year approximately \$10 million above budgeted levels (variance of approximately 1% when excluding the Beginning Fund Balance).

The following table details actual 2014-2015 General Fund revenue collections through December as compared with budgeted revenue estimates and 2013-2014 actual collections for the same period a year ago. It also details any proposed changes to each category:

2014-2015 General Fund Revenue Status through December (\$ in Thousands)

Category	Budget Estimate	Y.T.D Actual	% of Estimate	2013-2014 % of Actual	Proposed Changes
General Revenue					
Property Tax	\$ 233,973	\$ 66,912	28.6%	27.3%	\$ -
Sales Tax	180,024	45,745	25.4%	24.6%	-
Telephone Tax	20,700	7,533	36.4%	35.5%	-
Transient Occupancy Tax	11,750	5,748	48.9%	36.3%	1,250,000
Franchise Fees	45,347	18,641	41.1%	39.4%	-
Utility Tax	94,825	34,404	36.3%	41.8%	-
Business Taxes	43,700	22,248	50.9%	46.6%	-
Licenses and Permits	46,455	27,441	59.1%	56.7%	(60,000)
Fines, Forfeitures, and Penalties	14,205	7,292	51.3%	41.6%	-
Use of Money and Property	2,914	2,125	72.9%	54.2%	-
Revenue from Local Agencies	26,462	3,753	14.2%	8.6%	845,589
Revenue from the State of California	11,925	1,089	9.1%	10.2%	612,681
Rev. from State Govt. - Recovery Act	-	-	N/A	100.0%	-
Revenue from Federal Government	11,019	2,942	26.7%	48.2%	447,914
Rev. from Fed. Govt. - Recovery Act	-	-	N/A	100.0%	-
Departmental Charges	39,164	20,680	52.8%	50.4%	580,000
Other Revenue	163,399	112,657	68.9%	80.4%	1,802,085
Sub-Total General Revenue	945,862	379,210	40.1%	40.0%	5,478,269
Transfers and Reimbursements					
Overhead Reimbursements	38,059	29,377	77.2%	79.6%	-
Transfers	19,412	8,726	45.0%	59.6%	146,000
Reimbursements for Services	15,775	8,083	51.2%	36.8%	-
Sub-Total Transfers and Reimbursements	73,246	46,186	63.1%	63.9%	146,000
TOTALS	\$ 1,019,108	\$ 425,396	41.7%	41.7%	\$ 5,624,269

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

OVERVIEW

Through December, the majority of revenues tracked at or above budgeted collections, including: Property Tax, Sales Tax, Transient Occupancy Tax, and Business Taxes. These positive variances are partially offset by lower collections in a limited number of categories, including Licenses and Permits, and Revenue from the both the State and Federal Government.

Recommended Adjustments

As described below, limited revenue adjustments are recommended in this document to accomplish the following actions: (1) implement required technical/rebalancing adjustments; (2) account for additional new revenue from grants, reimbursements, and fees available to fund additional related expenditures; and (3) complete clean-up actions.

- Implement required technical and rebalancing actions to increase revenue estimates in limited areas to bring estimates in line with revised projections. Major actions include:
 - Increase the estimate for Transient Occupancy Tax by \$1.25 million (from \$11.75 million to \$13.0 million) to reflect projected growth of approximately 10% from 2013-2014 actual collections. This increase is recommended to be allocated to a Cultural Facilities Capital Maintenance Reserve in accordance with City Council approved direction which provides that any growth in the General Fund receipts from the 2013-2014 base level is to be allocated for capital maintenance of the City's cultural facilities.
 - Increase the Other Revenue estimate by \$955,000 to recognize anticipated Pacific Gas and Electric (PG&E) rebates for the conversion to 18,127 streetlights to LED lightbulbs. The streetlight conversions were funded by Energy Services Company (ESCO) lease-purchase agreement proceeds and the rebate revenue would partially offset the ESCO debt service payment due in 2014-2015.
- Recognize grant, reimbursement, and/or fee related funds (\$3.4 million).
 - The largest items in this category include reimbursement from the County of Santa Clara for the Senior Nutrition Program (\$776,000), Parks, Recreation and Neighborhood Services fee activities (\$500,000), and Sidewalk Repairs (\$500,000) funded by property owners. Offsetting increases to the corresponding expenditures are also recommended.
- Net zero technical clean-up adjustments to appropriately categorize revenues and increase the 2014-2015 Beginning Fund Balance (\$11,570) to reflect the final reconciliation of 2013-2014 activity.

In total, adjustments recommended in this document result in a net addition of \$5.6 million to the General Fund revenue estimates. Additional detail on these recommended adjustments can be found in Section III of this document. The following discussion highlights major General Fund activities through December in various revenue categories.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

PROPERTY TAX

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$233,973,240	\$66,912,353	28.6%	27.3%	\$0

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Airplane In-Lieu Tax, and Homeowners Property Tax Relief. Overall, Property Tax revenues are projected to exceed the budgeted estimate based on the most recent estimates from the County Assessor's Office.

The County has provided preliminary information about an anticipated one-time payment to the City as a result of excess Educational Revenue Augmentation Fund (ERAF). Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In 2013-2014, the City received over \$200,000 from excess funds in 2012-2013. Currently, the County of Santa Clara preliminarily anticipates approximately \$56 million in excess ERAF for Santa Clara County from 2013-2014. Final figures will not be available until the end of February 2015; however, current estimates are approximately \$4 million for the City of San José.

In the 2014-2015 Adopted Budget, the **Secured Property Tax** estimate of \$215.2 million was based on the assumption that collections would increase approximately 6% in 2014-2015. However, the revised assessed value for 2014-2015 reflects growth of 7.4%, slightly above the levels assumed in the 2014-2015 budget. As a result of this revised assessed value and a revised estimate from the County of Santa Clara, which includes estimated tax roll corrections of \$25 million County-wide, the current estimate from the County of Santa Clara exceeds the 2014-2015 Adopted Budget estimate by approximately \$3 million. This figure will be adjusted during the year based on actual experience. Because tax roll adjustments will continue to occur until the end of May 2015, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.

The 2014-2015 **Unsecured Property Taxes** budget estimate is \$12.9 million and requires 3.8% growth from prior year collection levels. Receipts through December of \$11.0 million typically reflect approximately 90% of the annual revenue for this category (which is received in October). Assuming this trend, it is anticipated that collections may fall slightly below (\$150,000-\$300,000) the 2014-2015 Adopted Budget estimate of \$12.9 million. The most recent estimate from the County of Santa Clara for

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

PROPERTY TAX

2014-2015, however, continues to fall even further below the 2013-2014 actual collections.

SB 813 Property Tax receipts (retroactive collections back to the point of sale for reassessments of value due to property resales) totaled \$1.7 million through December, which is significantly higher than prior year levels of \$595,000, and is tracking to exceed the 2014-2015 Adopted Budget estimate of \$2.8 million. The adopted estimate is well below the 2013-2014 actual collection level of \$5.0 million. Collections in this category were expected to decline due to an anticipated change in methodology for the SB 813 distribution. In 2004-2005, the State Motor Vehicle In-Lieu (VLF) swap involved the permanent conversion of VLF backfill funds to Property Tax as part of the approved State budget. Since SB 813 Property Tax receipts are pooled receipts that are allocated to each jurisdiction based on their share of secured property taxes, an increase in the City's Secured Property Taxes due to the VLF conversion increased the City's share of SB 813. Per conversations with the County of Santa Clara, it was anticipated that beginning in 2014-2015, VLF receipts associated with the swap will not be considered Property Tax for SB 813 calculation and therefore, will reduce the City's relative share of this tax. The County of Santa Clara now estimates collections to exceed prior year levels by 30% or \$3 million to \$4 million despite this change in calculation methodology. This estimate is based on the significant increase in current year receipts and reflects the revised calculation discussed above. It should be noted that collection levels in recent years remain well below the high of \$10.1 million received in 2005-2006 and below levels seen just a few years ago (e.g., \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008).

Aircraft Property Tax receipts through December totaled \$2.35 million, reflecting growth of 13.7% from the prior year. This collection level exceeded the 2014-2015 Adopted Budget estimate of \$2.15 million, which required growth of approximately 1%. Typically, collections through October reflect 95% of the annual revenue for this category. Based on this collection trend and the latest estimate from the County of Santa Clara, it is estimated that revenues will exceed the budgeted estimate by approximately \$250,000.

Based on the latest estimate from the County, the **Homeowners Property Tax Relief** revenue is projected to meet the 2014-2015 Adopted Budget estimate of \$1.03 million.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

SALES TAX

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$180,024,000	\$45,745,483	25.4%	24.6%	\$0

The Sales Tax category consists of General Sales Tax and Proposition 172 Sales Tax. Overall, revenues are tracking above budgeted estimates and are anticipated to exceed budgeted levels by \$1.0 million at this time.

The 2014-2015 Adopted Budget estimate for **General Sales Tax** of \$174.2 million requires growth of 3.7% from the 2013-2014 year-end figure of \$168.0 million. Collections in 2014-2015 will be impacted by prior year accrual adjustments, one-time payments, and the Triple Flip payment from the State. Information on actual receipts for the first quarter of General Sales Tax for the current year was received in December and represented activity for July through September 2014. The first quarter 2014-2015 General Sales Tax revenues were up 6.3% from the same quarter in the prior year. When comparing San José's cash receipts to those of other jurisdictions, San José's growth of 6.3% was consistent with the growth level of the State as a whole (up 6.3%); however, it was below Northern California (6.7%), San Francisco Bay Area (7.8%), and Santa Clara County (8.6%).

The City's Sales Tax consultant, MuniServices Company, provides economic performance data to the City, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures sales tax receipts, excluding State and county pools, and adjusts for anomalies, payments to prior periods, and late payments. On an economic basis, growth of 4.0% was realized in the most recent quarter. The chart below outlines the various sectors of sales tax and the percentage of the total receipts received.

Sales Tax by Sector Year Ending September 2014

Economic Sector	% of Total Revenue
General Retail	26.1%
Transportation	23.3%
Business-to-Business	22.5%
Food Products	15.9%
Construction	11.6%
Miscellaneous	0.6%
Total	100.0%

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

SALES TAX

Overall, after factoring in year-end accrual adjustments, one-time payments, the Triple Flip payment from the State, and actual growth in cash receipts for the first quarter of 6.2% compared to the budgeted level of 4.0%, it is anticipated that receipts will exceed the budgeted estimate by \$1.0 million. Information on the second quarter collections (October-December sales activity) for this fiscal year will not be received until March 2015. It should be noted that it is anticipated that the State of California will begin to wind down the Triple Flip which will result in additional one-time remittances of revenues, however, no figures are currently available.

Through December, the **Proposition 172 Sales Tax** receipts of \$2.5 million are tracking 10.9% above the prior year level of \$2.3 million through the same period. The 2014-2015 budgeted estimate of \$5.8 million requires growth of 7.0% from the 2013-2014 collection level of \$5.4 million. Based on 2013-2014 actual performance and current collection trends, it is anticipated that collections will meet budgeted estimates this year.

TRANSIENT OCCUPANCY TAX

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$11,750,000	\$5,748,315	48.9%	36.3%	\$1,250,000

The 2014-2015 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$11.75 million, which was built assuming growth of approximately 5% from the 2013-2014 estimated collection level. However, since 2013-2014 actual receipts came in higher than assumed in the 2014-2015 budget development, growth of approximately 1% (excluding compliance revenues) is needed to meet the budgeted estimate. Year-to-date receipts of \$5.7 million are 33.3% above the prior year. A portion of this variance, however, is attributed to the timing of collections. Factoring out those timing differences, receipts are up 26.4% from the 2013-2014 collection level. Due to the strong performance thus far and a revised activity forecast through June, this report includes a recommendation to increase the budgeted estimate by \$1.3 million, representing an increase of approximately 10% from the 2013-2014 collection level. Per City Council direction, this \$1.3 million of additional revenue is further recommended to be placed in a Cultural Facilities Capital Maintenance Reserve that will be allocated in 2015-2016. Additional details can be found in Section III of this report.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

TRANSIENT OCCUPANCY TAX

Through December, the average hotel occupancy rate at the 14 major hotels was 75.5%, an improvement from the 68.1% occupancy rate for the same period in 2013-2014, while room rates have risen from \$149.16 to \$163.72 (9.8%). The year-to-date average revenue-per-available room (RevPAR) metric of \$123.86 represents an increase of 21.8% from the prior year level.

FRANCHISE FEES

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$45,346,879	\$18,641,342	41.1%	39.4%	\$0

Franchise Fees are collected in the Electric, Gas, Cable, Tow, Commercial Solid Waste, Water, and Nitrogen Gas Pipeline categories. Through December, Franchise Fee receipts of \$18.6 million were 3.5% above last year's collection level of \$18.0 million. Overall, it is anticipated that revenues will meet or exceed the current budgeted estimate of \$45.3 million, which allows for a slight decline of 1% from 2013-2014 collections of \$45.7 million.

Electric and Gas Franchise Fees provided by Pacific Gas & Electric (PG&E) are based on the revenues of that company in a calendar year (revenues in 2014-2015 are based on calendar year 2014). Actual collections currently reflect formula driven advance amounts; true receipts will not be known until April 2015. Based on current Electricity and Gas Utility Tax receipts for calendar year 2014, it is anticipated that receipts will meet or exceed the 2014-2015 Adopted Budget estimates of \$19.2 million and \$4.7 million respectively.

Commercial Solid Waste Fees of \$4.7 million through December are slightly above prior year levels of \$4.6 million. Collections are expected to reach the 2014-2015 Adopted Budget estimate of \$11.2 million, which reflects the revised methodology of a flat rate for assessing this fee. The revised methodology became effective July 1, 2012.

Cable Franchise Fees of \$2.4 million are above prior year levels of \$2.3 million; receipts are anticipated to meet or exceed the current budgeted estimate of \$9.1 million.

Collectively, all other franchise fees including Tow, Water, and Nitrogen Gas Pipeline are tracking to end the year close to the budgeted estimates.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

UTILITY TAX

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$94,825,000	\$34,404,163	36.3%	41.8%	\$0

Utility Tax contains the following categories: Electric, Gas, Water and Telephone. Collections through December of \$34.4 million were tracking 12.2% below the prior year level of \$39.2 million. The majority of this decline, however, was due to differences in the timing of payments and prior year accruals. The 2014-2015 budgeted estimate assumes a slight increase of approximately 1% from the prior year. Based on current collection trends, overall, Utility Tax receipts are tracking to fall slightly below or meet budgeted estimates. Below is a more detailed discussion of the revenue performance in each category and adjustments to the revenue estimate.

Through December, **Electric Utility Tax** receipts of \$16.9 million were 12.1% below the prior year level of \$19.2 million and reflect activities through November 2014. Once adjusted for timing differences in payments and accrual differences, collections are tracking 4.3% above the adjusted prior year levels of \$17.9 million. Collections are on pace to exceed the 1.0% growth necessary to meet the 2014-2015 Adopted Budget estimate. After recent rate cases approved by the California Public Utility Commission (CPUC), rates were adjusted in the fall of 2014 and are anticipated to be increased again in January 2015. Therefore, once adjusting for these anticipated rate increases, collections in this category are estimated to exceed budgeted estimates by approximately \$700,000 to \$1 million. Because of the uncertainty of any one-time adjustments and the volatility inherent in this revenue category, receipts will continue to be monitored closely for the remainder of the year.

Gas Utility Tax receipts through December of \$1.9 million were below prior year collections of \$2.4 million. However, once adjusted for timing differences in payments and slight variances in accrual levels, receipts are tracking 2.5% above adjusted prior year levels. This falls slightly below the 3.8% growth necessary to meet the 2014-2015 Adopted Budget estimate. However, recent rate cases approved by the CPUC may result in higher revenue collections through the remainder of the year. Overall PG&E revenues are estimated to increase 6% between Gas and Electric activity. Therefore, once adjusted for these anticipated rate increases, collections are estimated to meet budgeted estimates. Gas Utility Tax receipts are subject to significant fluctuations from the impact of weather conditions and/or rate changes. Collections will continue to be monitored closely since approximately two-thirds of the revenue in this category is typically collected in the second half of the year.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

UTILITY TAX

Water Utility Tax collections of \$5.1 million through December are 5.9% below the prior year level of \$5.4 million, however, once adjusted for accruals and timing differences in payments, receipts through December are approximately 0.4% over adjusted prior year levels of \$5.2 million. The CPUC recently settled a rate case submitted by San Jose Water approving the following rate adjustments: August 2014, 10% increase; September 2014, 10%-11% increase; January 2015, 3% increase. Receipts showed a year-over-year decline of 25% in September, representing the significant measures taken to reduce water usage to address the California drought. However, October and November receipts were both up approximately 5% from 2013 levels which, were the first months of receipts that began to reflect the August and September 2014 rate increases. Collections are currently anticipated to meet the 2014-2015 Adopted Budget estimate of \$11.4 million by year end; however, this category may experience significant fluctuations due to the current drought conditions.

Telephone Utility Tax receipts of \$10.5 million through December are tracking 14.1% below the prior year level of \$12.2 million. Once adjusting for timing difference in payment and accruals, receipts through December are actually tracking approximately 8.4% below prior year levels or \$1.1 million. This is primarily due to lower receipts in both telephone and cell phone receipts. The 2014-2015 Adopted Budget estimate of \$33.0 million requires growth of 0.8% from 2013-2014 receipts. As collections are not meeting this budgeted growth, receipts are anticipated to fall below the adopted estimate by \$2 million. In addition, as a result of litigation, it is anticipated that receipts will be impacted by a reduction of \$1.3 million to refund claims made by AT&T Mobility on behalf of its customers against California UUT cities and counties.

BUSINESS TAXES

Revenue Status

2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$43,700,000	\$22,248,117	50.9%	46.6%	\$0

Business Taxes include the following major groups of revenue: Cardroom Business Tax, General Business Tax, Marijuana Business Tax, and Disposal Facility Tax. Overall, this category is tracking to exceed the modified budget of \$43.7 million.

Cardroom Business Tax collections reflect the gross receipts tax collected from the two cardrooms located in San José. Collections of \$6.9 million through December are 4.7% above the prior year

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

BUSINESS TAXES

collection level of \$6.6 million. The 2014-2015 Adopted Budget estimate of \$16.0 million allows for a decline in collections of 2.0% from the prior year level of \$16.3 million. However, if receipts in this category continue to track at prior year levels, it is anticipated that revenues may exceed the budgeted estimate by \$800,000 to \$1.0 million in 2014-2015.

General Business Tax receipts of \$8.6 million are 15.6% above prior year levels of \$7.4 million. This is primarily due to a timing difference in billing and does not reflect actual cash collections. Once adjusted for the remaining billing cycles, account closeouts and cleanups anticipated in 2014-2015, and the historical collections rates of invoices, it is anticipated that collections will end the year at the budgeted estimate of \$11.0 million.

Marijuana Business Tax collections of \$2.0 million are 16.8% below the prior year collection level of \$2.4 million, primarily as a result of the enforcement of the Medical Marijuana Regulatory Program that was implemented in July 2014. Based on current collection trends and closures of collectives that did not and/or may not pass the regulatory process, it is anticipated that receipts will total \$4.5 million in 2014-2015, which is 25% below the budgeted estimate of \$6.0 million and also well below the 2013-2014 actual collections of \$6.1 million. The receipts will continue to be monitored closely for the ongoing impact of the implementation of the Medical Marijuana Regulatory Program, as well as the potential impacts from any federal actions.

Disposal Facility Tax (DFT) receipts through December of \$4.7 million are tracking 0.7% below the prior year level of \$4.8 million and reflect 44.3% of the budgeted estimate of \$10.7 million. The 2014-2015 Adopted Budget estimate of \$10.7 million was built on the assumption that revenues would fall due to improvements in the processing of waste for the commercial program as well as the historical downward trend in this category. From the 2013-2014 actual collection level of \$12.2 million, the 2014-2015 Adopted Budget allows for a 12.5% decline in receipts. Based on current tracking, revenues are anticipated to exceed budgeted levels by \$1.4 million, due primarily to an increase in waste from neighboring jurisdictions.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

LICENSES AND PERMITS

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$46,455,293	\$27,440,671	59.1%	56.7%	(\$60,000)

Licenses and Permits include the following major groups of revenue: Building Permits, Fire Permits and Miscellaneous Other Licenses and Permits. Through December, revenues of \$27.4 million are tracking 7.0% below the prior year level of \$29.5 million and overall, revenues are estimated to meet or exceed budgeted levels.

Development-related activity experienced very significant growth in 2012-2013 and 2013-2014; strong performance continues in 2014-2015, though not at least year's peak levels.

Building Permits revenues of \$13.5 million through December are tracking 16.2% below the 2013-2014 collection level of \$16.1 million for the same period. The 2014-2015 budgeted revenue estimate allows for a drop of 21.1% from the prior year actuals in this category; however, this has not been the case as revenues in building permits, plumbing permits, mechanical permits (excluding non-residential), and electrical permits are tracking above estimated levels. Revenue receipts are being driven by a continued high level of construction activity. If the current collection trend continues, it is anticipated that Building Permit revenues will achieve, and may exceed, the budget estimate of \$25.6 million.

Fire Permits through December, Fire Permit collections of \$5.8 million were below prior year levels of \$6.3 million. However, the 2014-2015 budgeted revenue estimate of \$11.1 million is at the prior year collection level. This category consists of development and non-development related permits. Development related receipts of \$2.9 million through December are tracking 18.5% below the 2013-2014 collection level of \$3.6 million for the same period, while the budgeted estimate of \$7.0 million allows for a drop of 1.8%. While only half way through the fiscal year, if current collection trends continue, development-related receipts may fall slightly below the budgeted estimate.

At this time, the non-development program revenues of \$2.9 million represent two of the major billing cycles for non-development fire permits for this fiscal year. With the remaining billing cycle and inspections revenues, non-development program revenues are anticipated to meet or slightly exceed the budgeted estimate of \$4.1 million by year-end.

Miscellaneous Other Licenses and Permits – Revenues of \$8.1 million are tracking 14.5% above prior year levels of \$7.1 million and are generally tracking at anticipated levels through December. The 2014-

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

LICENSES AND PERMITS

2015 budget estimate requires growth of 14.8% from the prior year actual collections, primarily reflecting a significant increase in multiple housing permits in 2014-2015.

REVENUE FROM LOCAL AGENCIES

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$26,461,494	\$3,752,812	14.2%	8.6%	\$845,589

Funding in this category is provided by many local agencies. The largest sources include reimbursement from the Successor Agency to the Redevelopment Agency of the City of San José, a public entity, reimbursement from the Central Fire District for fire services provided by the City to County properties, reimbursement for the City's Paramedic Program (currently not budgeted in 2014-2015), and Senior Nutrition reimbursement. Revenues are generally performing close to budgeted levels through December, however, it is anticipated that they will fall below budgeted levels by year end as a result of anticipated activities associated with the Successor Agency. A recommended increase of \$845,589 to the budgeted revenue estimate is included in this report and discussed in further detail in Section III of this report.

The largest revenue estimate in the Revenue from Local Agencies category is a reimbursement from the Successor Agency to the Redevelopment Agency for the payment of the Convention Center Debt Service. While no revenues have been received through December, it is anticipated that the 2014-2015 budgeted estimate of \$15.3 million will be received by year-end under the current accounting for this payment. The 2014-2015 Modified Budget also includes a reimbursement of \$2.1 million from the Successor Agency to the Redevelopment Agency to reimburse for intra-year loans provided during 2014-2015 from the City to the Successor Agency. Overall, the City's General Fund Modified Budget assumes a net subsidy to the Successor Agency of \$1.3 million to provide funding for administrative costs and unsecured obligations. However, based on current cash flow projections updated for the actual January 2015 tax distribution, it is anticipated that the subsidy to the Successor Agency from the City will need to be increased in both the General Fund and the General Purpose Parking Fund. Therefore, should projected cash flow levels remain the same, reimbursements are anticipated to fall below budgeted levels by \$1.5 million. This would result in a net subsidy from the General Fund to the Successor Agency of \$2.8 million in 2014-2015.

This category typically includes reimbursements for the City's Paramedic Program from the County of Santa Clara. Although the 2014-2015 budgeted estimate is currently zero, it is anticipated that approximately \$1.5 million will be received as a result of the completion of current negotiations and the

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

REVENUE FROM LOCAL AGENCIES

execution of a Second Amendment to the 911 Emergency Medical Services (EMS) Provider Agreement between the City and the County of Santa Clara. The \$1.5 million figure represents only the portion of the Amendment associated with EMS Resource Management and is calculated from when the County began withholding payments, beginning the fourth quarter of 2012-2013 through the end of 2014-2015, with the exception of two payments authorized by the County and made by Rural Metro during 2013-2014. The staff will continue to monitor performance levels associated with the remainder of the Amendment.

Minimal budget adjustments are recommended in this report to recognize grant and reimbursement revenues and allocate funding. Section III of this document provides a description of these actions.

DEPARTMENTAL CHARGES

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$39,163,435	\$20,679,491	52.8%	50.4%	\$580,000

Contained in this revenue category are the various Fees and Charges levied to recover costs of services by several City departments. The mid-year status of collections in over 150 different fee types in this category was reviewed.

Total revenues of \$20.7 million are tracking slightly below the prior year of \$21.0 million (-1.5%) and are tracking to end the year at the budgeted estimate of \$39.2 million. Collections in the Public Works, Planning, Police, Library, and Parks, Recreation and Neighborhood Services (PRNS) Departments are tracking to meet or exceed estimated levels, while the Transportation Department is tracking to fall below budgeted levels due to the reclassification of subrogation recovery revenues from Departmental Charges to Use of Money and Property. An action to increase the PRNS budgeted revenue estimate by \$580,000 to account for increased participation levels in recreation classes offered is recommended, bringing the budgeted level to \$17.1 million. An associated increase to the PRNS Fee Activities appropriation is recommended to provide for additional staff and vendor hours needed to support the increased class participation levels.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

DEPARTMENTAL CHARGES

Development-related activity experienced very significant growth in 2012-2013 and 2013-2014, and although not at prior year levels, strong performance continues in 2014-2015. Below are highlights of the current status of the development-related fee programs:

Public Works – Public Works revenues through December of \$4.5 million are below the prior year level of \$5.1 million (approximately 11%). Revenues in most residential categories are tracking below estimated levels due to fewer single-family and multi-family residential projects that were received in the first half of 2014-2015. Non-residential revenues are performing at or slightly above anticipated levels. At this time, collections are projected to meet the budgeted revenue estimate of \$9.6 million. A recommendation is included in this report to liquidate a portion of the Public Works Development Fee Program Earmarked Reserve and increase the Public Works Development Fee Program Personal Services appropriation by \$350,000 to address increased inspection activity for works-in-progress projects funded by fees paid in previous years.

Planning, Building and Code Enforcement (PBCE) – Through December, Planning Fee revenues of \$2.2 million is 12.8% below the prior year collection level of \$2.5 million. The adopted Planning Fee revenue estimate of \$3.6 million allows for a drop of 24.0% from prior year actuals. Overall revenue collections are tracking above estimated levels, and it is anticipated that Planning Fee revenues will achieve, and may exceed, the budget estimate if current collection trends continue.

OTHER REVENUE

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$163,398,596	\$112,656,876	68.9%	80.4%	\$1,802,085

The Other Revenue category contains a number of unrelated revenue sources. Other Revenue collections through December totaled \$112.7 million compared to prior year levels of \$110.5 million. Collections in this category are expected to end the year within the budgeted estimate, including the various adjustments recommended in the report that are described in more detail in Section III.

Following is a discussion of the other major sub-categories in the Other Revenue category:

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

OTHER REVENUE

Beginning in 2010-2011, the City has been required to issue **Tax and Revenue Anticipation Notes (TRANS)** annually for cash flow purposes due to the pre-payment of the City's retirement contributions. In 2014-2015, \$100.0 million was required to be issued, which is the same amount that was issued in 2013-2014.

In the current year, the City has received \$5.5 million in **SAP Center Rental, Parking, and Naming** revenue in accordance with the arena agreement, which is consistent with the budgeted estimate of \$5.5 million.

Investment Cost Reimbursement revenues through December of \$1.0 million are tracking slightly below estimated levels. Some of this low trend can be attributed to the City's failure to meet the floor for the Payment Manager Program. Under this program, a new vendor payment process would allow vendors to receive electronic payments in-lieu of manual checks. Vendors choosing to participate in receiving the City's payments in this faster and more efficient manner would incur a small fee assessed by the banking services provider. The banking services provider would then share a portion of this revenue with the city once a predefined level of participation is reached. The current participation has not reached this level and therefore no revenue sharing is anticipated for 2014-2015. The reduction of anticipated revenues that were expected to be generated from this program (\$250,000) has been accounted for as part of the financial analysis of the General Fund and ongoing implications will be addressed during the development of the 2015-2016 budget.

SB 90 Reimbursements totaled \$761,000 through December compared to the 2014-2015 Adopted Budget estimate of \$300,000. An upward adjustment may be brought forward at year-end depending on the final SB 90 reimbursements and the overall performance of the Other Revenue category.

Through December, revenue from the **Sale of Surplus Property** totaled \$1.4 million compared to \$599,000 in the prior year. Additionally, there was an increase of \$39.6 million to the budget estimate to reflect the sale of 22.8 acres of Airport West to Coleman Airport Partners for the Coleman Highline mixed use development. Once received, the proceeds from the sale will be used primarily to pay down 2008F Bonds and most of the Section108 HUD loan related to the property. The Office of Economic Development currently anticipates that revenues in this category will meet or exceed the budgeted estimate of \$40.1 million in 2014-2015.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND REVENUES

TRANSFERS AND REIMBURSEMENTS

Revenue Status				
2014-2015		2013-2014		2014-2015
<u>Budget Estimate</u>	<u>YTD Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$73,246,139	\$46,185,680	63.1%	63.9%	\$146,000

The following are sources of revenue in this category: reimbursements to the General Fund for Overhead costs, revenue received as Transfers from other City funds, and Reimbursements for services rendered. Collections of \$46.2 million through December are tracking slightly above prior year levels of \$45.9 million primarily due to higher than budgeted reimbursements for services partially offset by lower transfers. Overall, collections are currently tracking close to the budgeted estimate.

Overhead Reimbursements associated with special funds are currently budgeted at \$26.8 million and capital funds are budgeted at \$11.3 million for a total category revenue estimate of \$38.1 million. Through December, overhead collections of \$29.4 million were tracking 1.3% above prior year levels of \$29.0 million. This reflects higher receipts in special funds. This budgeted increase reflects increases in salary levels and activity and was assumed in the development of 2014-2015 Adopted Budget. Overhead reimbursements associated with special funds are expected to end the year close to the budgeted estimate; however, the overhead associated with capital funds may fall slightly below the budgeted estimate due to position vacancies in various capital programs.

Transfers includes \$19.4 million in various transfers. Through December, transfers of \$8.7 million were tracking within estimated levels though below prior year levels of \$10.1 million. It is estimated that receipts may fall slightly below the budgeted levels primarily due to a lower than anticipated transfer from the Construction and Conveyance Tax Fund based on lower revenue collections in that fund.

The budget estimate for **Reimbursement for Services** is \$15.8 million, of which \$15.0 million is expected to be generated from the three **Gas Tax Funds**. Currently, Gas Tax revenues of \$7.9 million were up from the prior year levels of \$6.7 million by 19.1% and are tracking to exceed the budgeted estimate by approximately \$1.0 million by year-end.

CONCLUSION

A comprehensive review of all General Fund revenue accounts was performed based on activity through the first six months of the year. Based on current collection trends, existing revenues are generally performing within budgeted expectations and are projected to end the year with approximately \$10.0

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND REVENUES

CONCLUSION

million in additional revenues. This positive variance represents approximately 1% of the budget. Additional revenue is expected to be generated from several categories, including Property Tax, Sales Tax, Transient Occupancy Tax, and Business Taxes.

In total, a net increase of \$5.6 million to the General Fund revenue estimates is recommended in this document. This increase primarily reflects a \$3.4 million increase as a result of net-zero Grants Reimbursements and Fees adjustments as well as a net increase of \$2.2 million in general revenue activity.

The revenue estimates for this year will continue to be updated and used as a starting point in the development of the 2016-2020 General Fund Forecast, due to be released late February, as well as the 2015-2016 Proposed Budget, due to be released on May 1, 2015. As always, staff will continue to closely monitor the City's current year financial status and report to the City Council any significant developments through the Bi-Monthly Financial Reports. The January/February Bi-Monthly Financial Report will be brought to the Public Safety, Finance and Strategic Support Committee in April.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

General Fund expenditures through December totaled \$482.8 million, or 36.1% of the total 2014-2015 Modified Budget. This represents an increase of \$37.3 million, or 8.4%, from the December 2013 level of \$445.5 million. Encumbrances totaling \$67.4 million were nearly double the December 2013 level of \$34.1 million. Expenditures and encumbrances through December of \$550.2 million constituted 41.1% of the total Modified Budget (including reserves) of \$1.3 billion; without reserves of \$165.5 million, expenditures and encumbrances constituted 46.9% of the total Modified Budget. The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

2014-2015 General Fund Expenditures through December (\$ in Thousands)

Category	Current Budget*	YTD Actual	% of Budget	Prior Year % of Budget
Departmental Expenditures				
Personal Services	\$ 670,804	\$ 308,355	46.0%	45.2%
Non-Personal/Equipment	102,908	36,187	35.2%	36.0%
Other Departmental	17,901	7,885	44.0%	40.0%
<i>Subtotal Departmental Expenditures</i>	<u>791,613</u>	<u>352,427</u>	44.5%	43.8%
Non-Departmental Expenditures				
City-Wide Expenses	\$ 297,082	\$ 92,561	31.2%	40.2%
Capital Contributions	47,793	1,473	3.1%	4.2%
Transfers	36,342	36,342	100.0%	100.0%
Reserves	165,470	-	0.0%	0.0%
<i>Subtotal Non-Departmental</i>	<u>546,687</u>	<u>130,376</u>	23.8%	27.5%
Total	\$ 1,338,300	\$ 482,803	36.1%	37.8%

* Figures include carryover encumbrances which will be adjusted to reflect final 2013-2014 audited financials after the printing of this document.

Overall, General Fund expenditures are tracking within anticipated levels and are expected to end the year with savings to assist in meeting the 2015-2016 ending fund balance estimate used as a funding source in the Five-Year General Fund Forecast.

Recommended Adjustments

Various budget adjustments are recommended in this document to accomplish the following major urgent and required items:

- Address a limited number of urgent fiscal/program needs, including: the establishment of a \$5.0 million Police Department Overtime Reserve for 2015-2016, funded by Police Department salary and benefit savings; provide funding for a Downtown Environmental Impact Review (\$500,000); provide funding for a Limited Detention Policing Study (\$125,000) offset by Police Department salary and benefit savings; and Government Accounting Standards Board (GASB) 68 training (\$50,000), offset by Finance Department personal services savings.

2014-2015
MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

- Implement required technical and rebalancing actions including:
 - Increasing the United States Patent and Trademark Office – City Staff Relocation project (\$850,000); and
 - Establish an Energy Services Company (ESCO) Debt Service appropriation in the amount of \$1.1 million to pay for the Energy and Utility Conservation Measures program, partially offset by an increase in revenue (\$955,000).
 - Addressing updated cost estimates, funding needs, and technical adjustments, including additional funding for Public Works Department retirement costs (\$800,000), for the Municipal Golf Course Fund (\$300,000), and others discussed in further detail below.
- Appropriate additional grant, reimbursement, and/or fee related funds (\$3.4 million).
- Implement clean up actions that reduce Personal Services appropriations to reflect a 4.5% reduction in the City’s lowest cost health plan rate (\$849,000).

In total, adjustments recommended in this document result in a net increase of \$5.6 million to General Fund expenditures. Additional information on these adjustments can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this document. The following discussion highlights major General Fund expenditure activities through December.

DEPARTMENTAL EXPENDITURES

Departmental expenditures include personal services (salaries, overtime, retirement, health, and other fringe benefit costs), non-personal/equipment, and other departmental expenses. Personal services’ costs represent the largest single General Fund expense category for the City. These costs accounted for 63.9% of the General Fund expenditures to date.

Through December, personal services expenditures for all City departments totaled 46.0% of the current Modified Budget, which is slightly below expectations (48.1%) at this point of the year. This expenditure level was slightly above the 45.2% expended through December last year. Overall, Personal Services expenditures are tracking to end the year with savings. As of January 5, 2015, the City had 593 vacancies city-wide (all funds) compared to 543 vacancies in the prior year, representing a vacancy factor of over 10%. Of the vacant positions, 367 are budgeted in the General Fund compared to 331 in the prior year. Although some of these vacancies are backfilled with temporary staffing resources, vacancy savings have been accumulating throughout the organization. As described in Section III of this document, a number of reallocations of personal services savings to non-personal/equipment are recommended to reflect the use of temporary staffing or contractual services until vacancies are filled. In addition, budget actions are recommended to reallocate salary and benefit savings to overtime for the Fire Department and to establish a 2015-2016 Police Department Overtime Reserve.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

Non-Personal/Equipment expenditures of \$36.2 million are also tracking within anticipated levels with 35.2% expended through December, slightly below prior year levels of 36.0% in December 2013. In addition to expenditures, \$18.6 million was encumbered, bringing the total amount of funding committed to \$54.8 million, or 53.2% of the \$102.9 million budget. Overall, these expenditures are expected to remain within budget for all departments with some savings generated by year-end. As a result of the high vacancy levels, as discussed above, many departments have needed to backfill with temporary staffing or contractual services to continue service delivery. As described in Section III of this document, the reallocation of personal services savings to Non-Personal/Equipment appropriations is recommended for the Finance, Human Resources, Information Technology, and Planning, Building and Code Enforcement Departments, as well as the City Attorney’s Office, to ensure sufficient funding for the backfilling of vacant positions with temporary staffing or contractual services to maintain service delivery levels.

The Other Departmental category includes the budget for the Mayor and City Council, Library Grants, and Parks, Recreation and Neighborhood Services Fee Activities. Other Departmental Expenditures totaled \$7.9 million (44.0%) of the \$17.9 million budget through December, above prior year levels of \$6.9 million (40.0%) in December 2013. In addition to expenditures, \$100,000 was encumbered, bringing the total amount of funding committed to \$8.0 million, or 44.6% of the Modified Budget.

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Expenditure Status (\$ in thousands)			
<u>Department</u>	<u>2014-2015 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$178,167	\$83,197	\$76,703

On an overall basis, Fire Department expenditures are tracking within estimated levels. Personal Services expenditures of \$79.9 million are on par with anticipated levels (47.4% compared to the par of 48.1%). The Fire Department’s Non-Personal/Equipment budget of \$9.6 million was 51.3% expended or encumbered through December. Overall, expenditures are expected to end the year within their respective budgeted allocations. Once development fee program expenditures are excluded, personal services expenditures of \$77.7 million continue to be on par with anticipated levels and non-personal/equipment expenditures and encumbrances of \$4.8 million were 51.4% of the budget through December.

Through December, overtime expenditures of \$4.3 million tracked above anticipated levels with 80.8% expended. To provide sufficient resources for overtime expenditures necessary to backfill positions due to vacancies, this report includes a recommendation to shift \$2.0 million in salary and benefit savings to overtime. There are 22 recruits in the September 2014 Firefighter Recruit Academy who are expected to

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

graduate at the end of January. A second Firefighter Recruit Academy in May/June 2015 will fill the remaining nine current sworn vacancies and the additional 15 vacancies anticipated in early 2015. Overall, the average vacancy rate of 3.9% has exceeded the budgeted rate of 2.8%. A portion of the higher than estimated overtime expenditures was also attributed to vacation usage and strike team and mutual aid deployments; personnel were sent to respond to fires in Mendocino, Humboldt, King, and Kern counties. The Department continues to seek reimbursements from the federal government for costs associated with strike team deployments and actions are being brought forward in this report to recognize and allocate those funds during 2014-2015 (\$308,000). Disability usage through December was 18% lower than the same period in 2013-2014, while modified duty was 10% higher. Combined disability and modified duty hours through December were 7% lower than 2013-2014.

Personal services expenditures in the Development Fee Program of \$2.2 million tracked slightly below estimated levels with 47.0% expended. Any savings realized in the Development Fee Program are returned to the Program’s Earmarked Reserve. The Fire Department and the Budget Office will continue to monitor activity to ensure the department remains within its Personal Services appropriation.

In accordance with the City Council’s approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of December, the Fire Department has 35 sworn personnel on administrative assignments, one more than the current authorized level, reflecting one employee on a temporary administrative assignment. It is anticipated that staffing levels will be within approved levels by the first quarter of 2015.

Expenditure Status (\$ in thousands)

<u>Department</u>	2014-2015 <u>Budget</u>	YTD <u>Actual</u>	Prior YTD <u>Actual</u>
Police	\$329,286	\$147,508	\$139,101

On an overall basis, the Police Department’s expenditures are tracking below estimated levels through December. Personal services expenditures of \$138.4 million tracked below anticipated levels (45.7% compared to the par of 48.1%) due to lower salaries and benefits costs. However, overtime expenditures of \$13.1 million tracked above anticipated levels (52.8% compared to the par of 48.1%). To address higher overtime costs, the 2013-2014 Annual Report included budget actions to increase the overtime budget by \$7.8 million (from \$17.1 million to \$24.8 million), which is approximately equivalent to the overtime expenditures for 2013-2014, with an adjustment for the recent sworn and non-sworn salary increases. Overtime expenditures may exceed this revised budget by year end, but there are sufficient salary and benefit savings to offset this cost.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Based on current trends, personal services expenditures are tracking to end the year with savings between approximately \$11.0 million and \$12.0 million, which represents approximately 4% of the personal services budget. Of this amount, \$5.0 million is recommended to be set aside in a Police Department Overtime Reserve for use in 2015-2016 as has been the practice in recent years. Although the Police Department is conducting regular police officer recruit academies to hire for the sworn vacancies and continues to review strategies to improve the rate of sworn hiring and training, the Department is anticipated to begin 2015-2016 with approximately 140 sworn vacancies based on current attrition rates. The recommended overtime reserve will supplement 2015-2016 vacancy savings to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars as well as cover for civilian vacancies. Budget actions are also recommended in this report to reallocate salary and benefit savings of \$241,000 to non-personal/equipment to address urgent departmental needs, including a study on limited detentions (\$125,000) and an increase to address higher police recruit academy costs (\$116,000). Approximately \$4.0 million of the personal services savings is attributed to lower retirement costs, which will be evaluated on a city-wide level to ensure all of the retirement contribution obligations are met by year-end. After factoring out the recommended funding reallocations and the retirement savings, the remaining personal services savings in the Department are estimated between \$2.0 million to \$3.0 million.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of December 2014 was 178,576 hours for sworn personnel. This represents an increase of 8,167 or 4.8% compared to the December 2013 balance of 170,409.

As of January 2015, the Department had 1,109 authorized sworn staff, of which 118 were vacant (10.6%) and 42 were in training (3.8%), leaving 949 street ready sworn positions (this includes sworn employees on disability/modified duty/other leaves) as shown in the chart below. When sworn employees on Disability/Modified Duty/Other Leaves are excluded, a total of 882 sworn positions were actually available. This compares to 895 positions one year ago.

	2013-2014 (as of 1/16/2014)	2014-2015 (as of 1/08/2015)
Authorized Sworn Staffing	1,109	1,109
Vacancies	(63)	(118)
Filled Sworn Staffing	1,046	991
Field Training Officer/Recruits	(76)	(42)
Street-Ready Sworn Positions	970	949
Disability/Modified Duty/Other Leaves	(75)	(67)
Street-Ready Sworn Positions Available	895	882

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department will conduct three Police Recruit Academies in 2014-2015 with the next one beginning in February 2015. Currently, 25 recruits are scheduled to begin the February 2015 Academy.

A total of \$12.6 million (47.6%) of the Department’s Non-Personal/Equipment budget was expended or encumbered through December. Excluding the remaining balances for centrally determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$6.4 million, or 44.6% of the non-centrally-determined appropriation available for the remainder of the fiscal year. The Police Department and Budget Office will continue to monitor expenditures closely, although expenditures are anticipated to remain within budgeted levels by year-end.

Expenditure Status (\$ in thousands)			
<u>Department</u>	<u>2014-2015 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Office of Economic Development	\$4,280	\$1,946	\$1,820

Through December 2014, non-fee activity expenditures for the Office of Economic Development (OED) were tracking above estimated levels with 49.1% expended or committed. Personal Services expenditures totaled \$1.7 million (53.9% of the \$3.2 million budget), exceeding the par level of 48.1%. The Office of Economic Development Non-Personal/Equipment budget of \$854,000 was 31.1% expended or encumbered through December and is anticipated to end the year within budgeted levels.

Personal Services expenditures are currently tracking above estimated levels by approximately \$260,000; however, after factoring in the salary program budget adjustments recommended in this report and adjustments for anticipated activity in the latter half of the year, the Department is projected to exceed budgeted levels by approximately \$100,000 to \$150,000. Higher than estimated expenditures primarily result from a greater proportion of Real Estate staff charged to the General Fund for unanticipated projects than authorized in the budget. The Department is in the process of realigning charges with appropriate funding sources to prevent any personal services overage. The Department and Budget Office will continue to closely monitor expenditures to ensure expenditures remain within authorized levels by year-end.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

With a Modified Budget of \$546.7 million, Non-Departmental Expenditures include City-Wide Expenses, Capital Contributions, Transfers, and Reserves.

Through December, City-Wide Expenses totaled \$92.6 million, or 31.2% of the Modified Budget of \$297.1 million. Adjusting for differences in timing variances that occurred in 2013-2014, as a result of the transition to a third party administrator for some of the Workers' Compensation payments, City-Wide Expenses totaled \$96.7 million or 41.8% of the Modified Budget in December 2013. When expenditures and encumbrances of \$43.6 million are combined, the total amount of funding committed (\$136.2 million) was 45.8% of the budget. Overall, expenditures are anticipated to generate savings by year-end, primarily due to savings in overall workers' compensation claims costs and sick leave payments upon retirement.

2014-2015 City-Wide Expenses
Expenditures by City Service Area
(\$ in Thousands)

City Service Area	Current Budget	YTD Actual	% of Budget	Prior Year Actual	Prior Year % of Budget
Community & Economic Development	\$ 34,373	\$ 17,247	50.2%	\$ 16,672	57.3%
Environmental & Utility Services	2,367	970	41.0%	825	31.6%
Neighborhood Services	9,858	2,950	29.9%	2,922	29.0%
Public Safety	20,320	9,118	44.9%	5,724	25.6%
Transportation & Aviation Services	6,252	2,616	41.8%	2,515	32.3%
Strategic Support	223,912	59,660	26.6%	64,291	40.4%
TOTAL	297,082	92,561	31.2%	92,949	40.2%

The expenditure tracking for City-Wide Expenses can vary significantly depending on payment schedules and the timing of projects. In 2014-2015, as in 2013-2014, expenditures through December reflect the partial payment of the \$100 million Tax and Revenue Anticipation Notes (TRANS) of \$50.0 million. In some instances, the appropriations will not be fully expended by year-end because of the multi-year nature of some larger projects. As needed, recommendations will likely be brought forward at the end of the year to rebudget any savings to 2015-2016 to complete projects in progress.

Adjustments to City-Wide Expenses appropriations are recommended in this report to align the budget with the year-end expenditure projections, additional details on these actions can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this 2014-2015 Mid-Year Budget Review. Key actions recommended in this report include:

2014-2015
MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

- Establish an Energy Services Company (ESCO) Debt Service appropriation in the amount of \$1.1 million to pay for the Energy and Utility Conservation Measures program, partially offset by an increase in revenue (\$955,000) to recognize rebates for the conversion to LED streetlights.
- Increases totaling \$84,000 reflecting increased contractual costs for various services including the Bi-Annual Customer Satisfaction Survey (\$25,000), the SAP Center Renegotiations (\$40,000), and Audits (\$4,000).
- Recognizing various net zero grants, reimbursements, and fees of \$1.2 million. These expenditure increases are offset by corresponding increases in grant revenue or fee revenue.

In total, adjustments recommended in this report result in a net increase of \$2.4 million to City-Wide Expenses. Additional information on these adjustments can be found in Section III of this report.

The following highlights key appropriations in City-Wide Expenses across the five different City Service Areas (CSAs):

- The \$100.4 million **Tax and Revenue Anticipation Notes (TRANS)** appropriation for the issuance, principal, and interest costs associated with the repayment of TRANS for cash flow purposes was issued in July 2014 and is tracking within budgeted levels; minor savings between \$75,000 and \$125,000 from the ancillary costs are anticipated. This appropriation constitutes the largest allocation in the Strategic Support CSA.
- **Worker's Compensation Claims** appropriations totaling \$19.6 million are budgeted in four of the six CSAs with total expenditures of \$8.9 million through December 2014, or approximately 45% of the Modified Budget. This is slightly higher than last year's expenses through December, after correcting for timing differences, of \$8.1 million, or 40.0% of budgeted levels. If current expenditure trends continue, savings of approximately \$500,000 are anticipated by year-end across all appropriations.

Although overall savings are anticipated, both the Public Works and Police Departments are currently tracking to exceed budgeted levels. Therefore, net zero adjustments to increase these allocations by \$100,000 and \$175,000, respectively, are recommended in this report. Public Works' projected overage reflects increased claims during the first half of the year. The projected overage in the Police Department is due to the close-out of older claims resulting in more settlement awards, and due to an increase in complex medical issues. These increases are offset by reductions in the Workers' Compensation Other Departments appropriation and the PRNS Workers' Compensation appropriation, which are both anticipated to have savings by year-end.

- In the Strategic Support CSA, the **General Liability Claims** appropriation totals \$13.5 million, of which approximately 36% is expended or encumbered through December compared to 55.1% or

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

expended encumbered through December 2013. Higher year-to-date expenditures occurred in 2013-2014 as a result of two significant settlements paid in the first six months which skewed payments above historical levels. It should be noted that the litigation exposure far exceeds the amount in this appropriation and the corresponding reserve (\$15.0 million) combined.

- The appropriation for **FMC Debt Service Payments** in the Strategic Support CSA totals \$36.6 million as a result of an adjustment of \$33.6 million to reflect the sale of 22.8 acres comprising a portion of the Coleman Highline mixed use development. The net sale proceeds of \$33.6 million are to be used to pay down debt associated with the property.
- In the Strategic Support CSA, **Sick Leave Payment Upon Retirement** expenditures of \$960,000 through December reflect 19.2% of the total 2014-2015 budget of \$5.0 million. The majority of the expenses in this appropriation typically occur in the second half of the year. Historically, only 15%-30% of the total year end expenditures occur through December.
- In the Community and Economic Development CSA, the **Homeless Rapid Rehousing** and **Homeless Response Team** appropriations have expended or encumbered 54% and 77% of their respective budgets. These two appropriations provide critical resources to address the City's ongoing efforts related to homelessness.
- In the Neighborhood Services CSA, the **San José BEST and Safe Summer Initiative Programs** appropriation has year-to-date expenditures of \$1.8 million with an additional \$1.8 million encumbered, reflecting 57% of the total budget of \$6.3 million. This appropriation supports gang prevention and intervention efforts across the City.

Through December, **General Fund Capital** expenditures totaled \$1.5 million and encumbrances totaled \$5.2 million, bringing the amount committed to \$6.6 million, or 13.9% of the \$47.8 million budget. Overall, once adjusted to include the recommended \$850,000 increase in this report for the United States Patent and Trademark Office Tenant improvements appropriation, General Fund Capital expenditures are expected to end the year without savings, as a substantial portion of the projects in process will be recommended for rebudget into 2015-2016.

Transfers of \$36.3 million are 100.0% expended through December as anticipated. All of the transfers to the General Fund are processed at the beginning of the year and have been completed. A recommended increase to the transfer to the Municipal Golf Course Fund of \$300,000 is included in this report to ensure sufficient fund balance remains in this fund in 2014-2015.

There are no expenditures against the **Reserves** budget of \$165.5 million because expenditures cannot be charged directly to a reserve. Several budget actions are recommended in this report that impact General Fund Reserves. The major actions are described below.


**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

- Establish a **2015-2016 Police Department Overtime Reserve** (\$5.0 million) that would be funded from Police Department salary and benefits savings. As discussed in this report, the Police Department is expected to begin 2015-2016 with approximately 140 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed in 2015-2016 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available to cover for civilian staffing vacancies as needed. The establishment of this reserve will provide the necessary overtime funding to continue to address these and other Police needs in 2015-2016.
- Establish the **Cultural Facilities Capital Maintenance Reserve** (\$1.25 million). In accordance with City Council direction approved as part of the Mayor's March Budget Message for Fiscal Year 2014-2015, the growth in General Fund Transient Occupancy Tax (TOT) revenues above the established 2013-2014 base level is to be allocated for capital maintenance of the City's cultural facilities. Based on collections through December, TOT receipts are expected to exceed the budgeted estimates by at least \$1.25 million and these funds are recommended to be set aside in reserve for allocation during the 2015-2016 Proposed Budget process.
- A total decrease of \$3.4 million to the **Salaries and Benefits Earmarked Reserve** is recommended to reflect:
 - Liquidation of the health and dental program savings in the Salaries and Benefits Reserve (\$2.1 million). Funding was programmed into the reserve during the development of the 2014-2015 Adopted Budget in anticipation of an increase in the lowest cost health plan rates, which were forecast at 10% based on national and City trend information. A 2.5% increase to dental rates were forecast based on actuarial information and an evaluation of funding levels in the Dental Insurance Fund. Actual costs declined year-over-year, resulting in a 4.54% reduction in health and no increase to dental rates; and
 - Liquidation of funding associated with the management pay for performance program (\$1.3 million) set aside as part of the 2014-2015 Adopted Budget. This is partially offset by the distribution of \$726,000 to those departments with insufficient vacancy savings to cover these increased costs.

No budget action is recommended for the Contingency Reserve, which currently totals \$32.7 million and complies with the City Council policy to set aside 3% of expenditures.



2014-2015

MID-YEAR
BUDGET
REVIEW



SECTION

II

SELECTED SPECIAL/
CAPITAL FUNDS
STATUS REPORT



**2014-2015
MID-YEAR BUDGET REVIEW**

II. SELECTED SPECIAL/CAPITAL FUNDS STATUS REPORT

At mid-year, the City Manager's Budget Office conducts a comprehensive review of expenditure and revenue performance of all operating and capital funds and capital programs through the first six months of the fiscal year. Revenues and expenditures are generally tracking within estimated levels. This section of the report is intended to summarize the results of that review and only discusses selected funds with issues of interest or variances.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND & AIRPORT REVENUE FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues – Airport Revenue Fund</i>	123,705,020	59,507,566	48.1%
<i>Expenditures – Airport Maintenance and Operation Fund</i>	76,118,655	29,697,435	39.0%

This section discusses the status of the Airport Revenue Fund and the Airport Maintenance and Operation Fund. The Airport Revenue Fund accounts for all general Airport revenues. The Airport Maintenance and Operation Fund, funded by a transfer from the Airport Revenue Fund, accounts for expenditures incurred for the maintenance and operation of the Norman Y. Mineta San José International Airport.

FUND STATUS

Revenues – General Airport operating revenue categories include Landing Fees, Terminal Rentals, Airfield, Terminal Concessions, Parking and Roadway, and General and Non-Aviation. Passenger activity levels at the Airport through December 2014 increased by 7.0% when compared to the same period last fiscal year. This growth level exceeded the 2.0% increase assumed in the development of the 2014-2015 Adopted Budget and has contributed to stronger revenue performance in certain categories.

Overall revenue performance at the Airport of \$59.5 million is tracking at 48.1% of the budgeted estimate and is in line with expectations through December. While many of the revenue categories are tracking at or above estimated levels, airline rates and charges, consisting primarily of landing fees, terminal rentals, and terminal concessions, are tracking below budgeted estimates. While landing fees are on target, air service incentive credits have reduced revenue collection for terminal rents. Parking and roadway revenues are exceeding budgeted levels due to increased passenger activity, reflected in increased activity in daily and hourly parking lots as well as increased rental car concession fee collection. Airfield revenues are also exceeding budgeted levels due to higher than anticipated off-airport in-flight kitchen revenues. Total general and non-aviation revenues, consisting of fees associated with hangars, land and building rentals, petroleum program, general aviation, and other non-aviation (miscellaneous) revenues, are tracking above budgeted levels due to the receipt of one-time insurance claim proceeds related to the water main break that occurred in December 2013. Overall, revenues are tracking to meet or exceed budgeted estimates by year-end.

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &
AIRPORT REVENUE FUND**

FUND STATUS

Expenditures – Operating expenditures, appropriated in the Airport Maintenance and Operation Fund, include Personal Services, Non-Personal/Equipment, and Overhead reimbursements. Through December 2014, Airport’s Personal Services and Non-Personal/Equipment expenditures are tracking below budgeted levels.

Personal Services expenditures are tracking at 43.7% of budget compared to the par level of 48.1%. Savings are due to vacancies in most divisions of the department. At the close of December, the Department had 18 vacancies or 9.6% of budgeted positions. Recruitment efforts for several of these positions are currently underway; 11 of the 18 vacant positions are in different stages of the recruitment process and may be filled before the end of the year. Overtime expenditures of \$178,000, or 52.3%, are tracking above budget primarily due to minimum staffing requirements for the Airport Operations section and will be closely monitored for the remainder of the fiscal year.

Non-Personal/Equipment expenditures (excluding encumbrances) are tracking at 38.3%, and when encumbrances are included, are tracking at 70.0% of budgeted levels. It is anticipated that through conservative spending and close monitoring, the Airport’s Non-Personal/Equipment appropriation will end the year within budgeted levels.

Several Non-Personal/Equipment appropriation adjustments are recommended in this report to realign ongoing funding and increase Airport Police Department (APD) service hours. Additional funding of \$55,000 to complete the initial market analysis in the first year of the air service development consultant agreements is proposed. A net-zero shift of \$10,000 from the Office of Economic Development’s (OED) Personal Services appropriation to OED’s Non-Personal/Equipment appropriation to cover anticipated increases in contractual services costs to maintain the Public Art exhibits at the Airport is also included. In addition, funding of \$146,000 is recommended to transfer to the General Fund for APD services. This action will provide additional overtime hours for police officers at terminal security checkpoints and will ensure that necessary safety and security levels for the Airport are maintained. The net additions are recommended to be funded by the Operations Contingency.

Interdepartmental expenditures (charges for staff and services located in other City departments including the Police and Fire Departments) total \$2.8 million through December 2014 and are tracking below anticipated levels.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &
AIRPORT REVENUE FUND**

FUND STATUS

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance – Airport Revenue Fund</i>	54,025,336	N/A	N/A
<i>Unrestricted Ending Fund Balance – Airport Maintenance and Operation Fund</i>	33,517,251	N/A	N/A

Fund Balance – No adjustments to the Ending Fund Balances in the Airport Revenue Fund and in the Airport Maintenance and Operation Fund are recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

BUILDING AND STRUCTURE CONSTRUCTION TAX FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	30,120,000	9,808,871	32.6%
<i>Expenditures</i>	52,121,130	6,887,504	13.2%

FUND STATUS

Revenues – Tax revenue in the Building and Structure Construction Tax Fund, which is a major funding source for the Traffic Capital Program, is tracking below anticipated levels. Through the first half of 2014-2015, Building and Structure Construction Tax receipts totaled \$7.7 million, which is 45.3% of the 2014-2015 Adopted Budget estimate of \$17.0 million. If collections continue at the current pace, it is anticipated tax receipts will fall short of the budgeted estimate by \$1.0 million to \$2.0 million. This revenue will continue to be monitored and, if necessary, a recommendation to decrease the budgeted estimate may be brought forward at a future date. Federal and State grants are the other major revenue sources in the Building and Structure Construction Tax Fund and are generally tracking within estimated levels. Variances in collections are typically due to timing differences for grant-supported projects.

Included in this report are recommendations to recognize revenues that have been received, but were not anticipated when developing the 2014-2015 Adopted Budget. This report recommends an increase to the Earned Revenue estimate by \$40,000 to recognize funding received from the Valley Transportation Authority (VTA) for Cameleon ITS camera command and control software. In addition, this report includes a recommendation to increase the Earned Revenue estimate for the Traffic Signal Controller Fee Collection in the amount of \$12,000 to recognize unanticipated fee collections that were received from developers. A downward adjustment of \$750,000 to the Earned Revenue estimate for the Community Design and Transportation grant that funds the St. John Street Multimodal Improvements Phase I project is recommended due to environmental clearance delays. This grant funding will likely be reallocated to 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program. The corresponding expenditure adjustments for these actions are discussed below, and further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

Expenditures – Overall, expenditures through December in the Building and Structure Construction Tax Fund are tracking within expected levels and are anticipated to end the year within budgeted levels. This report, however, includes several expenditure adjustments, which are described below. Further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

BUILDING AND STRUCTURE CONSTRUCTION TAX FUND

FUND STATUS

Included in this report is a recommendation to increase the ITS: Transportation Incident Management Center (TiMC) project by \$650,000 to ensure sufficient funding is available to award the first phase of the TiMC Event Tracking System Implementation agreement. This project, which is anticipated to be awarded by June 2015, provides the first level of software integration and interface work with the Metropolitan Transportation Commission’s (MTC) 511 freeway information system, first responder computer aided dispatch system, and commercially available real time traffic service applications. A recommendation to decrease the Transportation Grants Reserve allocation to fund the TiMC Event Tracking System Implementation agreement is also included in this report. In addition, it is currently estimated that an additional \$600,000 will be needed in subsequent fiscal years to fully implement this multi-year project. This funding need will be further evaluated and a recommendation to allocate the additional funding may be included as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program.

To align with the revenue adjustments discussed above, corresponding increases to the Safety-Traffic Signals Rehabilitation (\$40,000) and the Traffic Signal Improvement Program (\$12,000) projects, and a decrease to the St. John Multimodal Improvements Phase I project (\$750,000) are recommended in this report.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,464,493	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Building and Structure Construction Tax Fund is recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION AND CONVEYANCE TAX FUNDS

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	57,845,906	17,040,414	29.5%
<i>Expenditures</i>	93,970,136	20,308,988	21.6%

FUND STATUS

Revenues – A total of 17 Construction and Conveyance (C&C) Tax Funds are budgeted throughout the Capital Budget. A majority of these funds (13) support the Parks and Community Facilities Development Capital Program, with the remaining four funds supporting the Public Safety Capital Program, Library Capital Program, Service Yards Capital Program, and Communications Capital Program. Revenues in the C&C Tax Funds are comprised of C&C Tax receipts, grant funding, transfer revenue, and other miscellaneous revenue. Through December 2014, revenue in the C&C Tax Funds totaled \$17.0 million, which is 29.5% of the 2014-2015 Modified Budget of \$57.8 million. Year-to-date revenues are tracking below budgeted levels primarily due to lower than anticipated C&C Tax collections, as well as transfers between funds that have not yet occurred, but are anticipated to occur by year-end.

Through December, C&C Tax revenues totaled \$15.7 million, or 40.3% of the budgeted estimate of \$39.0 million. When the 2014-2015 C&C Tax revenues were developed, receipts were continuing to experience strong growth when compared to receipts from the prior year. However, while revenues continued this growth trend through October 2014, beginning in November, receipts began experiencing no growth or declines when compared to the same time period in the prior fiscal year. Through October 2014, C&C Tax revenues totaled \$10.2 million, which represented growth of 20.0% when compared to the \$8.5 million collected through October 2013. November through December 2014 collections, however, totaled \$5.4 million, which represented a decline of 11.5% from the \$6.1 million received during the same time period in 2013. Furthermore, the City has recently received January 2015 Conveyance receipts of \$3.9 million, which represents a significant drop of 17.0% from the \$4.7 million received in January 2014. When the 2014-2015 Adopted Budget was developed, it was assumed that C&C Tax receipts would increase 5.0% over estimated 2013-2014 receipts of \$37.5 million. However, because 2013-2014 receipts of \$35.5 million fell below the estimate, growth of 9.9% is now needed to meet the 2014-2015 Adopted Budget estimate. Receipts through December 2014 of \$15.7 million were up only 6.8% from the prior year and have continued to fall in recent months, therefore, a revised 2014-2015 C&C Tax estimate of \$35.0 million is now anticipated. Though budget adjustments are not recommended as part of this report, the \$35 million estimate for 2014-2015 will be used in the development of the 2015-2016 Proposed Capital budget and 2016-2020 Capital Improvement Program. This revenue will continue to be monitored to determine if changes to the estimate may be necessary at a later date.

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION AND CONVEYANCE TAX FUNDS

FUND STATUS

Nearly 99% of the total C&C Taxes are comprised of conveyance receipts, a tax based on the value of property transfers. The median single-family home price totaled \$750,000 in December 2014, which is an increase of 9.5% from the \$685,000 median home price in December 2013. The amount of time it is taking to sell these homes is also declining, with the average days-on-market for single-family and multi-family dwellings totaling 20 days in December 2014, a 46.0% drop from the 37 days experienced in December 2013. However, the number of listings of new single-family and multi-family dwellings on the market has dropped 15.5%, from 355 listings in December 2013 to 300 in December 2014. Likely as a result of the lower level of inventory, the number of property transfers (sales) for all types of residences dropped 6.3%, from 654 in December 2013 to 613 in December 2014. Cumulatively, property transfers from July through December totaled 4,002, which represents a 4.5% decline from the 4,190 transfers during the first six months of 2013-2014. The decreased level of property transfers is the primary reason for the lower levels of revenue than originally anticipated.

Expenditures – Overall, expenditures in the various C&C Tax Funds are tracking within expected levels and are anticipated to end the year within budgeted levels. Through December, expenditures total \$20.3 million, 21.6% of the 2014-2015 Modified Budget (\$94.0 million). This report, however, recommends a few expenditure adjustments or new expenditure allocations, which are described below. Further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

The Council District 5 C&C Tax Fund includes a recommendation to allocate an additional \$105,000 to the Hillview Park Renovation project. The current project scope includes funding for the construction of an exercise path/track, exercise stations, a new youth lot, signage, and pathways. However, the tot lot at this park has recently burned down, therefore, additional project funding (\$60,000) is necessary to demolish the burned structure and install a new play structure and resilient rubber surfacing. Additionally, increased project funding (\$45,000) is recommended in this report to widen the park pathway from four feet to eight feet and install landscaping, park benches, and trash receptacles that were not included in the initial project scope.

The Service Yards C&C Tax Fund includes a recommendation to establish the Central Service Yard Real Estate Services allocation in the amount of \$25,000. This project will fund real estate services related to the sale of the City's 5.22 acre former Corporation Yard, located in Japantown between Taylor and Jackson Streets and Sixth and Seventh Streets.

The Council District 9 C&C Tax Fund includes a recommendation to establish the Branham Park Playground Renovation project for \$14,000. This funding, in conjunction with an additional \$86,000 recommended to be allocated from the Subdivision Park Trust Fund, will allow input from the community and Council District 9 Office to be added to the existing project scope. The current project

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION AND CONVEYANCE TAX FUNDS

FUND STATUS

budget, which is completely funded in the Park Trust Fund, totals \$367,000. This report recommends allocating an additional \$100,000 (\$86,000 in the Subdivision Park Trust Fund and \$14,000 in the Council District 9 C&C Tax Fund), which will allow the project scope to expand and include fencing improvements, planting of new trees, renovating the play area, adding security lighting, and replacing the gravel pathway with concrete.

Lastly, a technical adjustment is recommended in the Fire C&C Tax Fund to decrease the Beginning Fund Balance and Ending Fund Balance by \$7,000 to accurately reflect interest earnings that were received in 2013-2014.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balances</i>	32,456,681	N/A	N/A

Fund Balance – A recommendation to decrease the Ending Fund Balance by \$176,000 is included in this report as a net result of the actions described above and are further detailed in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION EXCISE TAX FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	73,272,000	31,524,358	43.0%
<i>Expenditures</i>	146,739,590	30,228,196	20.6%

FUND STATUS

Revenues – Construction Excise Tax receipts are the single largest source of revenue in the Traffic Capital Program, constituting approximately 25% of the budgeted revenue estimate for this fund. Through December, Construction Excise Tax receipts totaled \$9.9 million, or 46.9% of the budget, and are on pace to meet the budgeted estimate of \$21.0 million. Residential, Commercial and Industrial permit activity was strong at the beginning of the fiscal year; however, activity levels dropped in December. Activity is expected to remain steady for the remainder of the fiscal year.

Other major revenue sources in this fund include federal government revenues related to Caltrans’ relinquishment of certain state routes (\$12.4 million), pavement maintenance from the One Bay Area Grant (\$11.7 million), pavement maintenance from the State Gas Tax allocation (\$9.5 million), pavement maintenance from Measure B (\$5.4 million), and various grants. Most of these revenue sources are received on a reimbursement basis and are tracking within anticipated levels. Traffic Impact Fees are appropriated as they are collected from developers and are set aside in a reserve until they can be expended.

Included in this report are several recommendations to account for budgeted grants that, due to project delays, are no longer anticipated to be received in 2014-2015, but are anticipated to be reallocated to 2015-2016 and 2016-2017 as part of the Proposed 2016-2020 Capital Improvement Program (CIP). These grants include the One Bay Area Grant for Pedestrian Oriented Traffic Signals (\$1.0 million) and the One Bay Area Grant for the Safe Routes to School Program (\$500,000). In addition, a recommendation is included in this report to eliminate the Innovative Bicycle Detection Grant from the Metropolitan Transportation Commission - Climate Initiatives Fund (\$83,000). Due to lack of staffing resources available to support the implementation of the system, as well as the expiration of the consultant contract, the project is no longer moving forward. The Metropolitan Transportation Commission has approved this grant funding to be reallocated for a new purpose, which will be included as part of the Proposed 2016-2020 CIP. The corresponding expenditure adjustments for these actions are discussed below, and further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION EXCISE TAX FUND

FUND STATUS

Traffic Impact Fees are appropriated as they are collected from developers and are set aside in a reserve until they can be expended. This report includes recommendations to increase the estimate for Traffic Impact Fees collected in the North San José area (\$5.0 million), Route 101/Oakland/Mabury area (\$471,450), and the Evergreen area (\$199,668).

Also included in this report is a recommendation to increase the revenue received from Santa Clara County for Pavement Maintenance – Measure B (\$606,000) and the North San José Deficiency Plan Fees (\$227,000), to reflect higher revenues received than were anticipated when developing the 2014-2015 Adopted Capital Budget.

Expenditures – Overall, expenditures in the Construction Excise Tax Fund are tracking within expected levels and are anticipated to end the year within budgeted levels. However, a number of expenditure adjustments are recommended in this report, which are summarized below.

Recommendations to decrease the Pedestrian Oriented Traffic Signals (\$1.0 million) and the Safe Routes to School Program (\$500,000) are included in this report. These projects have both experienced delays; therefore, the funding is expected to be reallocated to 2015-2016 as part of the Proposed 2016-2020 CIP.

A recommendation to increase the Land Management and Weed Abatement project (\$150,000) is included in this report, which will ensure sufficient funding is available to award the contract agreement. The Traffic Signal Preventative Maintenance project (\$40,000) is recommended to be increased, due to the cost associated with the purchase of a new utility bucket truck being higher than anticipated. An increase to the Capital Program and Public Works Department Support Service Costs (\$250,000) is recommended, to account for the higher than anticipated Public Works support costs. Also included is a recommendation to decrease the Trail: Guadalupe River/Tasman Under-Crossing project (\$200,000), due to project completion. These savings are recommended to be reallocated to the North San José Traffic Impact Fees Reserve.

As discussed above, revenues from several Traffic Impact Fees were received through December 2014. This report includes recommendations to allocate this funding to the North San José Traffic Impact Fees Reserve (\$5.0 million), Route 101/Oakland/Mabury Impact Fees Reserve (\$471,450), and Evergreen Traffic Impact Fees Reserve (\$199,668). The use of these funds are restricted to designated areas and will be allocated as projects are identified. Recommendations to increase the North San José Deficiency Plan Improvements project (\$227,000) and Pavement Maintenance – Measure B project (\$606,000) reflect higher revenues received than estimated.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION EXCISE TAX FUND

FUND STATUS

As discussed above, the Innovative Bicycle Detection System project is recommended to be eliminated as a result of a loss of grant funding for the project. This report includes a recommendation to increase the Innovative Bicycle Detection System (\$9,000) to refund the granting agency for past expenditure reimbursements. Also, the local match funding for the project is no longer needed; therefore, a decrease to the Bicycle and Pedestrian Facilities allocation is recommended (\$169,000). The Metropolitan Transportation Commission has approved for these funds to be reallocated for a different purpose, which will be included as part of the Proposed 2016-2020 CIP.

Further detail regarding all of these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,926,415	N/A	N/A

Fund Balance – A recommendation to decrease the Ending Fund Balance in the Construction Excise Tax Fund by \$363,000, from \$1.9 million to \$1.6 million, is included in this report. This adjustment is the result of increases to the Capital Program and Public Works Department Support Service Costs (\$250,000), Land Management and Weed Abatement (\$150,000), Traffic Signal Preventative Maintenance (\$40,000), Innovative Bicycle Detection System (\$9,000), and the loss of grant revenue related to the Innovative Bicycle Detection System (\$83,000), partially offset by a decrease to the Bicycle and Pedestrian Facilities project (\$169,000).

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONVENTION AND CULTURAL AFFAIRS FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	9,622,780	2,308,752	24.0%
<i>Expenditures</i>	10,755,597	5,813,063	54.0%

FUND STATUS

In accordance with the new agreement with Team San Jose (TSJ) that manages the City’s Convention Center and other cultural facilities, revenues and expenditures generated by facility operations no longer flow through the Convention and Cultural Affairs Fund. Rather, the net operating subsidy to TSJ as well as TSJ incentive and management fees as other non-TSJ related expenses, such as capital investments and insurance costs, are reflected in the Convention and Cultural Affairs Fund.

Revenues – The Convention and Cultural Affairs Fund is funded almost entirely from revenues received through transfers from the Transient Occupancy Tax (TOT) Fund (\$9.6 million). For the first half of the fiscal year, revenues of \$2.3 million are tracking at 24.0% of the budget. The full TOT transfer is expected to be received by year-end.

While not reflected in the Convention and Cultural Affairs Fund, TSJ has provided financial reports reviewed by the City showing operations revenues through December of \$15.7 million, compared to the December target of \$11.7 million. The higher than anticipated revenue performance is primarily due to the increase in food and beverage and contract labor revenues driven by a greater than expected number of contracted events in the facilities managed by TSJ. Because performance in these areas determine the amount of operating subsidy to TSJ, the increased activity levels may allow for a reduction to the Convention Facilities Operations expenditure appropriation (the operating subsidy) if current trends continue. TSJ’s activity will be closely monitored to determine if future downward adjustments to the operating subsidy are warranted.

Expenditures – Through December, expenditures of \$7.2 million (including encumbrances) were tracking at almost 67% of the budget. The largest expenditure allocations to date were paid or encumbered by TSJ and are related to the Convention Facilities Operations costs (\$2.9 million) and to TSJ for the management of the City’s Convention and Cultural Facilities (\$1.0 million).

This report includes recommendations to increase the Rehabilitation/Repair – Miscellaneous appropriation by \$350,000, from \$385,000 to \$735,000, to fund the installation and monthly rental costs of temporary boilers at the Convention Center until permanent repairs can be made. Due to higher than anticipated claims, an increase to the Workers’ Compensation Claims appropriation by \$50,000, from \$50,000 to \$100,000, is also recommended.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

CONVENTION AND CULTURAL AFFAIRS FUND

FUND STATUS

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,555,236	N/A	N/A

Fund Balance – A recommendation to decrease the Ending Fund Balance by \$400,000, from \$1.6 million to \$1.2 million, is included in this report as a result of anticipated expenses related to the Rehabilitation/Repair – Miscellaneous appropriation (\$350,000) and Convention Workers’ Compensation Claims appropriation (\$50,000), as described above.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

INTEGRATED WASTE MANAGEMENT FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	128,601,644	68,640,896	53.4%
<i>Expenditures</i>	132,143,294	43,720,099	33.1%

FUND STATUS

Revenues – Revenues in the Integrated Waste Management Fund include payments received from residential solid waste generators under the Recycle Plus Integrated Waste Management Program (Recycle Plus Collection Charges) (\$110.0 million); Lien-Related Charges (\$6.1 million); Recycle Plus Negotiated Savings (\$2.7 million); New Market Tax Credit Reimbursements (NMTC) (\$2.1 million); AB 939 fees (\$1.6 million); payments received from the Construction and Demolition Diversion Deposit (CDDD) Program (\$800,000) that are identified as ineligible deposits for refund; Las Plumas Tenant Utility Reimbursements (\$400,000); NMTC developer fees (\$250,000); SB 332 Beverage Container Recycling payments (\$250,000); miscellaneous revenue (\$238,000); NMTC Leverage Loan Interest (\$98,000); interest earnings (\$49,000); Franchise Applications (\$3,000); and various grants, including the Economic Development Administration (EDA) Grant (\$2.4 million), California Energy Commission Grant (\$1.6 million), and Clean Creeks Healthy Communities Grant (\$25,000).

Through December, revenues totaled \$68.6 million, or 53.4% of budget, and were generated primarily from the following: Recycle Plus Collection Charges (\$60.2 million); Lien-Related Charges (\$5.6 million); Recycle Plus Negotiated Savings (\$1.3 million); AB 939 fees (\$366,000); and NMTC Reimbursements (\$313,000). The reimbursements from the NMTC Proceeds of \$313,000 represent only 15% of the budgeted estimate. However, the finalization of all Environmental Innovation Center (EIC) related costs is expected to be complete by the end of 2014-2015, and reimbursements of an additional \$1.8 million are estimated to be received by year-end.

Overall, revenues are expected to end the year approximately \$2.3 million above budgeted estimates. This is due primarily to projected increases in revenue from Recycle Plus Collection Charges (\$1.2 million) and Lien-Related Charges (\$932,000), reflecting higher activity levels.

Expenditures – Through December, \$43.7 million, or 33.1% of the budget, was expended, and an additional \$73.0 million, or 55.2%, was encumbered. The year-to-date expenditures and encumbrances of \$116.7 million were attributed primarily to the actual expenditures and encumbrances of Recycle Plus contracts for Single-Family Dwelling (\$51.0 million), Yard Trimmings/Street Sweeping (\$22.9 million), and Multi-Family Dwelling (\$18.6 million). Additional expenditures include IDC Disposal Agreement

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

INTEGRATED WASTE MANAGEMENT FUND

FUND STATUS

(\$8.0 million), Environmental Services Department (ESD) Personal Services (\$3.3 million), Single Family Dwelling Processing (\$2.5 million), ESD Non-Personal/Equipment (\$2.2 million), and General Fund Overhead (\$2.1 million) appropriations.

The Administration projects savings of approximately \$2.6 million by the end of the year in various appropriations, with the largest estimated savings in Single-Family Dwelling (\$928,000), ESD Personal Services (\$540,000), Finance Department Personal Services (\$276,000), ESD Non-Personal/Expenditures (\$212,000), and Information Technology Department (IT) Personal Services (\$203,000). It is anticipated that the Recycle Plus Contracts appropriations of \$92.4 million will generate savings of approximately \$1.2 million due to lower than anticipated inflation-based increases, as stipulated in the contracts with the haulers, lower than anticipated hauler incentive payments for achieving diversion targets, and lower than anticipated expenses for on-demand services (e.g. large civic tonnage fluctuations/changes in yard trimmings, and changes to subscribed cart sizes). It is anticipated that the ESD, Finance, and IT Personal Services appropriations will generate year-end savings totaling approximately \$1.0 million due to vacancies in these departments, some of which will likely be eliminated in 2015-2016 as a result of the Single-Family Dwelling billing process shifting to the County of Santa Clara's property tax roll.

This report includes recommendations to increase the Capital Program and Public Works Department Support Service Costs appropriation by \$22,000 (from \$0 to \$22,000), due to inadvertent omission of this appropriation during the development of the 2014-2015 Adopted Budget. Due to higher than anticipated claims, an increase to the Workers' Compensation Claims appropriation of \$25,000 (from \$40,000 to \$65,000) is also recommended.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	514,340	N/A	N/A

Fund Balance – A recommendation to decrease the ending fund balance by \$47,000 (from \$514,000 to \$467,000) is included in this report as a result of anticipated expenses related to the Capital Program and Public Works Department Support Service Costs (\$22,000) and Workers' Compensation Claims (\$25,000) appropriations, as described above.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

MUNICIPAL GOLF COURSE FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	2,437,000	2,169,983	89.0%
<i>Expenditures</i>	2,577,000	1,890,026	73.3%

FUND STATUS

Revenues – Budgeted revenues for this fund consist of the following: a subsidy from the General Fund (\$1.9 million), course fees from the Los Lagos and San José Municipal Golf Courses (\$500,000), and miscellaneous revenues and interest (\$37,000). Through December, the full subsidy of \$1.9 million has been received from the General Fund. Course revenues totaled \$249,000, or 49.8% of the budgeted estimate, and are tracking below anticipated levels due primarily to performance at the Los Lagos Golf Course. Miscellaneous revenues and interest totaled \$21,000, or 57.0% of the budgeted estimate.

For the Los Lagos Golf Course, only the net profits from operations of the course are paid into the Municipal Golf Course Fund. The 2014-2015 Adopted Budget revenue estimate for Los Lagos assumed net operating revenues of \$80,000. This estimate was built on the assumption that net revenues from this course would remain flat with 2011-2012 (\$85,000), 2012-2013 (\$83,000), and the 2013-2014 modified revenue estimate (\$90,000). However, activity at the Los Lagos Golf Course through the first half of 2014-2015 is down significantly, compared to the first half of 2013-2014. Rounds of golf played through November 2014 decreased by 11.3% from November 2013. Through December 2013, \$23,000 of net revenue was collected; however, no net revenue has been collected through December 2014. The budgeted revenue estimate for Los Lagos was revised as part of 2013-2014 Annual Report actions, bringing the projected revenue target down from \$80,000 to \$50,000. Based on a few more months of data since the release of the 2013-2014 Annual Report, activity levels have not improved. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, a review of the Municipal Golf Course Fund has been approved to be on the City Auditor’s 2014-2015 Audit Work Plan. In the meantime, because of declining revenues and increasing golf course maintenance expenditures, little to no revenue is now anticipated for Los Lagos Golf Course by year-end. As a result, this document includes a recommendation to eliminate the Los Lagos Golf Course budgeted revenue estimate (\$50,000). No net operating revenue is assumed for the Rancho del Pueblo Golf Course.

**2014-2015
MID-YEAR BUDGET REVIEW**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

MUNICIPAL GOLF COURSE FUND

FUND STATUS

Revenues from the San José Municipal Golf Course totaled \$249,000 through December and are based on a fixed percentage of the gross sales, regardless of operator costs. This collection level is close to the prior year actual of \$259,000 through December 2013. Based on historical tracking, it is anticipated that revenues generated from the San José Municipal Golf Course will end 2014-2015 at budgeted levels of \$450,000, which is approximately the same as the 2013-2014 year-end actuals of \$452,000.

All revenues generated in this fund are intended to offset or partially offset the debt service costs of these facilities. Although the San José Municipal Golf Course has no debt service obligations, its revenue helps offset the debt service costs and the net operating losses from the Los Lagos and Rancho del Pueblo Golf Courses. Due to the fact that the course fees have been unable to cover both the fixed costs of operating the facilities and the debt service, a General Fund subsidy has been required to support the debt service payments. Currently, the subsidy is budgeted at \$1.9 million for 2014-2015. The subsidy was increased by \$300,000 as part of the 2013-2014 Annual Report actions and an additional increase of \$300,000 (from \$1.9 million to \$2.2 million) is recommended in this document to partially offset the operating losses in this fund and ensure the fund has sufficient fund balance by year-end.

Expenditures – Expenditures in the Municipal Golf Course Fund are generally incurred for two purposes: payments to course operators in months when course fees are unable to cover the fixed costs of operating the facilities at the Los Lagos and Rancho del Pueblo Golf Courses; and payment of the debt service for the bonds used to develop the two courses.

Expenditures in this fund are tracking to exceed the budget due primarily to performance at the Los Lagos Golf Course. Los Lagos is tracking significantly worse than 2013-2014 levels. Through December, Los Lagos had a net operating loss of \$272,000. Once adjusted for differences in timing of payments and year-end accruals, as reported in the operator's profit and loss statements, the true net operating loss year-to-date for 2014-2015 is \$239,000, whereas the true net operating loss was \$57,000 through the same period last year. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at the Los Lagos Golf Course could total \$550,000 if current trends continue. To address this higher projected operating loss, this document includes a recommendation to increase the Los Lagos Golf Course expenditure appropriation by \$275,000, from \$275,000 to \$550,000, which is well above the \$175,000 assumed in the 2014-2015 Adopted Budget.

Through December, the Rancho del Pueblo Golf Course had a net operating loss of \$163,000. Once adjusted for differences in timing of payments and year-end accruals, as reported in the operator's profit and loss statements, the true net operating loss year-to-date for 2014-2015 is \$156,000, whereas the true

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

MUNICIPAL GOLF COURSE FUND

FUND STATUS

net operating loss was \$145,000 through the same period last year. The current 2014-2015 Modified Budget allows for a net operating loss of \$330,000, a 1.3% increase from 2013-2014 actuals. At this point in the fiscal year, projections show that Rancho del Pueblo will end the year at budgeted levels.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	402,442	N/A	N/A

Fund Balance – In addition to recommendations to decrease the Los Lagos budgeted revenue estimate by \$50,000 and increase the Los Lagos expenditure appropriation by \$275,000, this document includes recommendations to increase the Transfer from the General Fund to the Municipal Golf Course Fund by \$300,000 and decrease the Ending Fund Balance in the Municipal Golf Course Fund by \$25,000, in order to maintain a sufficient Ending Fund Balance. As previously discussed, the Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is reviewing activity tracking and trends as well as analyzing course operating expenditures to better understand the courses’ performance and the factors driving it. Additionally, a review of the Municipal Golf Course Fund is on the City Auditor’s 2014-2015 Audit Work Plan.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

SAN JOSÉ/SANTA CLARA TREATMENT PLANT CAPITAL FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	76,229,000	16,812,227	22.1%
<i>Expenditures</i>	177,065,119	18,536,371	10.5%

FUND STATUS

Revenues – Budgeted revenue for the San José/Santa Clara Treatment Plant Capital Fund consists of transfers from the City of San José Sewer Service and Use Charge Fund (\$48.0 million) and the Sewage Treatment Plant Connection Fee Fund (\$3.1 million); contributions from the City of Santa Clara and other tributary agencies (\$23.9 million); interest earnings (\$569,000); Calpine Metcalf Energy Center Facilities Repayments (\$389,000); and a U.S. Bureau of Reclamation Grant (\$250,000). Although through December only 22.1% of revenues have been received, it is anticipated that revenues will end the year close to the budgeted estimate. Additionally, revenue from the refund of a Heavy Loader purchased in 2013-2014 has been received in 2014-2015 (\$598,000), as well as revenue from the SBWR Master Plan Grant (\$165,000).

Expenditures – Expenditures in this fund represent the costs of improvements and rehabilitation of the San José-Santa Clara Regional Wastewater Facility. Through December, \$18.5 million, or 10.5%, of the budget was expended and an additional \$71.0 million, or 40.1%, was encumbered.

It is currently estimated that the majority of the \$177.1 million budget will be expended or encumbered on projects and related expenses by the end of the year. Staff anticipates continuing to make progress on large efforts in 2014-2015, such as: Energy Generation Improvements (\$42.9 million), Plant Instrument Air System Upgrade (\$8.5 million), Plant Electrical Reliability (\$8.3 million), and Iron Salt Feed Station (\$4.9 million).

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	74,831,259	N/A	N/A

Fund Balance – An increase of \$30,181 to both the 2014-2015 Beginning Fund Balance and 2014-2015 Unrestricted Ending Fund Balance is recommended to reflect a minor fund balance adjustment that occurred after the production of the 2013-2014 Annual Report.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	85,567,784	18,500,995	21.6%
<i>Expenditures</i>	98,129,550	45,145,561	46.0%

FUND STATUS

Revenues – Revenue for the San José-Santa Clara Treatment Plant Operating Fund consists primarily of transfers from the Sewer Service and Use Charge Fund, contributions from participating tributary agencies, recycled water sales, and interest earnings. Through December, revenues totaled \$18.5 million, or 21.6% of the budgeted estimate. The largest source of revenue in this fund, the transfer from the Sewer Service and Use Charge Fund (\$52.0 million), has not yet been received. This transfer occurs in two installments on or around February 1st and June 1st. Contributions from Santa Clara and other agencies, however, are estimated to come in lower than budgeted levels by \$1.5 million. These contributions are made in four installments based on the amounts provided in the Proposed Budget. However, after the Comprehensive Annual Financial Report is released and prior year actuals are determined, agencies are credited. As such, lower than expected expenditures last year are causing this year’s agency reimbursement revenue to fall a bit short. Revenues from recycled water are estimated to exceed the budgeted levels of \$4.7 million by approximately \$1.4 million due to stronger sales. Weather conditions are resulting in an increased demand for recycled water. Overall, revenues are tracking to come in lower than the budgeted estimate by approximately \$300,000.

Expenditures – Expenditures in this fund represent the costs required for the operation and maintenance of the San José-Santa Clara Regional Wastewater Facility, including the South Bay Water Recycling System and associated regulatory activities. Through December, \$45.1 million, or 46.0% of the budget, has been expended, and an additional \$14.4 million, or 14.7%, has been encumbered. Spending is lower than expected in several appropriations, with the largest savings expected in the Environmental Services Department (ESD) Personal Services, Workers’ Compensation Claims, and Finance Department Personal Services appropriations. It is estimated that the ESD Personal Services appropriation (\$49.0 million) may have \$2.3 million in savings by year-end due to vacancies; the Workers’ Compensation appropriation (\$645,000) is estimated to have \$162,000 in savings; and the Finance Department Personal Services appropriation (\$490,000) is estimated to have \$104,000 in savings.

A net-zero shift of \$200,000 from the ESD Personal Services to ESD Non-Personal/Equipment appropriation is recommended in this report to cover an increase in contract staffing costs through the end of 2014-2015. All other appropriations in this fund are tracking to meet the estimated budget or are estimated to have slight savings by year-end.

2014-2015 MID-YEAR BUDGET REVIEW

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND
FUND STATUS**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	5,622,541	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the San José-Santa Clara Treatment Plant Operating Fund is recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

SANITARY SEWER CONNECTION FEE FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	1,211,000	554,009	45.7%
<i>Expenditures</i>	10,683,879	740,155	6.9%

FUND STATUS

Revenues – Revenue for this fund in the Sanitary Sewer Capital Program consists of connection fees, joint participation payments, and interest earnings. Through December, revenues totaled \$554,000, or 45.7% of budget. Connection fees totaled \$563,000 (56% of the \$1.0 million estimate). Joint participation revenues, which reflect cost sharing of actual expenditures incurred in areas benefiting the County Sanitation Districts 2-3 and West Valley Sanitation District (WVSD), were actually a negative \$47,000 through December. The fund has yet to receive reimbursements for cost sharing activities this year and the negative figure to date reflects a credit to the other agencies from the actual prior year activities. Overall, revenues are projected to end the year at budgeted levels.

Expenditures – Expenditures in this fund represent the costs for increasing the capacity of and expanding the Sanitary Sewer System. Through December, \$740,000, or 6.9% of the budget, had been expended, and an additional \$1.4 million, or 12.8%, encumbered.

Staff anticipates expending and encumbering approximately \$9.3 million, or 87% of the budget, in 2014-2015, focusing primarily on large efforts such as Immediate Replacement and Diversion, Monterey Riverside Relief, and the 30” Old Bayshore Supplement projects. The Immediate Replacement and Diversion Projects appropriation (\$1.7 million), which is used for areas that require immediate sewer replacement as part of maintenance activities and in response to sanitary sewer overflows; the Monterey-Riverside Relief Sanitary Sewer appropriation (\$1.6 million), which is used for the installation of approximately 4,100 linear feet of 27-inch vitrified clay pipe along Cottle Road between Beswick Drive and Monterey Highway; and the 30” Old Bayshore Supplement appropriation (\$1.3 million), which is used for the construction of 5,540 linear feet of 30-inch diameter relief sewer parallel to an existing 30-inch pipe on Old Bayshore Highway between Commercial Street and Zanker Road, have had no expenditures through December. It is anticipated, however, that all these funds will be expended or encumbered by year-end.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

SANITARY SEWER CONNECTION FEE FUND

FUND STATUS

It is expected that at year-end, approximately \$1.3 million, or 13% of the expenditure budget, will fall to fund balance or be recommended for rebudget into 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program. This is due to the delay of several long-term capacity enhancement projects, including the Capitol Avenue Sanitary Sewer Improvements, Husted Avenue Sanitary Sewer Improvement – Phase II, and Rincon Avenue – Virginia Avenue Sanitary Sewer Improvements projects. The schedule for these projects are extended by a few months to allow staff to focus on higher priority projects related to sanitary sewer overflows, as well as due to staff turnover.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	3,905,697	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Sanitary Sewer Connection Fee Fund is recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	24,065,000	7,843,815	32.6%
<i>Expenditures</i>	112,757,800	11,683,740	10.4%

FUND STATUS

Revenues – Budgeted revenue for this fund in the Sanitary Sewer Capital Program consists of transfers from the Sewer Service and Use Charge Fund (\$23.0 million), reimbursements from the West Valley Sanitation District (WVSD) for joint projects (\$815,000), and interest earnings (\$250,000). Transfers from the Sewer Service and Use Charge Fund take place in three installments over the year and the remaining two transfers will take place as scheduled in the second half of the fiscal year. Revenues are expected to end the year close to the budgeted estimate.

Expenditures – Expenditures in this fund represent the costs of improvements and rehabilitation of the Sanitary Sewer System. Through December, \$11.7 million or 10.4% of the budget, was expended and an additional \$21.4 million, or 19.0%, was encumbered. Staff anticipates expending approximately \$74.1 million, or 66%, in projects in 2014-2015, focusing on large capacity enhancement efforts such as the Monterey-Riverside Relief Sanitary Sewer, 30” Old Bayshore Supplement, Fourth Major Interceptor, Phase IIB/IIIB, and a number of neighborhood sewer improvement projects that will reduce sanitary sewer overflows and/or repair severely deteriorated sewers.

However, it is expected that approximately \$38.4 million, or 34%, of the budget will not be expended by year-end, and the majority of these funds will be recommended for rebudget into 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Proposed Capital Improvement Program (CIP). This is due to the delay of several projects as a result of more urgent projects that were identified during the fiscal year to alleviate ongoing operation and maintenance costs. Award and/or construction of several projects, including the Rincon Avenue – Virginia Avenue Sanitary Sewer Improvement, Husted Avenue Sanitary Sewer Improvement – Phase II, Capitol Avenue Sanitary Sewer Improvements, Spreckles Sanitary Sewer Force Main Supplement, Phase II, Coleman Road Sanitary Sewer Improvements, and Trimble Road and Capewood Lane Sanitary Sewer Improvement projects will likely be deferred to 2015-2016. The 60” Brick Interceptor Rehabilitation Project comprises the largest portion that is anticipated to be unexpended (\$27.4 million) this year due to the complexity of the design work that will be included in this project. The construction contract award for this project will be delayed to 2015-2016, which will provide additional time for staff to refine the design of this project.

2014-2015 MID-YEAR BUDGET REVIEW

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND
FUND STATUS**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	5,178,555	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Sewer Service and Use Charge Capital Improvement Fund is recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

STORM SEWER CAPITAL FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	13,801,000	11,974,971	86.8%
<i>Expenditures</i>	22,790,260	2,016,341	8.8%

FUND STATUS

Revenues – The budgeted revenue estimate for this fund in the Storm Sewer Capital Program consists of a transfer from the Storm Sewer Operating Fund (\$11.9 million), the California Proposition 84 Stormwater Grant (\$1.8 million), and interest earnings (\$25,000). Through December, revenues totaled \$12.0 million, or 86.8% of the budgeted estimate. Due to project delays with the Martha Gardens Green Alley and Park Avenue Green Avenue projects, reimbursements from the California Proposition 84 Stormwater Grant of \$1.8 million are now estimated to be received in the second part of 2014-2015.

Expenditures – Expenditures in this fund represent the costs of improvements and rehabilitation of the Storm Sewer System. Through December, \$2.0 million, or 8.8% of the budget, was expended, and an additional \$4.6 million, or 20.0%, was encumbered.

It is currently estimated that approximately \$18.1 million, or 79%, will be expended or encumbered on projects and related expenses by the end of the year, including the award of the Martha Gardens Green Alley and Large Trash Capture Devices projects. It is anticipated that design or execution of consultant design agreements will occur in 2014-2015 for the Alviso Storm Pump Station and Outfall Rehabilitation projects.

It is expected that approximately \$3.5 million, or 15.6% of the budget, will not be expended by year-end. These funds will either be recommended for rebudget into 2015-2016 or redistributed to other high priority projects as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Proposed Capital Improvement Program (CIP). It is anticipated that \$1.0 million from the Park Avenue Green Avenue project will be rebudgeted due to delays in obtaining final approval by the California Department of Industrial Relations for the City of San José labor compliance program. In addition, ongoing coordination is required to potentially combine grant funding from the California Proposition 84 Stormwater Grant for the Park Avenue Green Avenue project and the Metropolitan Transportation Commission grant funding for the Park Avenue Multimodal Improvement project into a single project. It is also anticipated that \$500,000 of the \$1.5 million budgeted for the Charcot Storm Pump Station at Coyote Creek will be carried over to 2015-2016, as there is currently insufficient funding to support the complete construction of this project; while \$1.0 million is being used this year to obtain equipment, the remaining funding will be needed for future years. The Willow Glen-Guadalupe Phase III project budgeted at \$1.4 million is also not expected

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

STORM SEWER CAPITAL FUND

FUND STATUS

to move forward in 2014-2015 and the project allocation will be reevaluated as part of the development of the 2016-2020 Proposed CIP. Based upon staff evaluation of the existing storm drainage system during recent storm events for the Almaden-Canoas Storm Sewer Improvements project, no further improvements are required; therefore, the remaining \$600,000 is expected to be available for other projects.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	2,859,669	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Storm Sewer Capital Fund is recommended at this time.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

TRANSIENT OCCUPANCY TAX FUND

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	17,658,000	8,928,945	50.6%
<i>Expenditures</i>	21,939,295	7,882,128	35.9%

FUND STATUS

Revenues – Through December 2014, revenues recorded in the Transient Occupancy Tax (TOT) Fund of \$8.9 million are above the prior year’s collections of \$6.5 million for the same period and are tracking to exceed the budgeted estimate by year-end. The majority of the collections are attributed to the Transient Occupancy Tax, which is currently at \$8.6 million, 45.2% above the prior year’s collection (\$5.9 million). A portion of the variance, however, is attributed to the timing of collections. Factoring out those timing differences, receipts are up almost 27% from the prior year. The TOT Fund has also received \$298,000 in associated penalties related to taxes that should have been paid in previous years. Based on the current trend, growth is estimated to exceed the 5.0% increase assumed in the development of the 2014-2015 Adopted Budget estimate of \$17.7 million. Due to the strong performance thus far and a revised activity forecast through June, this report includes a recommendation to increase the budgeted estimate by \$1.9 million, from \$17.7 million to \$19.6 million, representing an increase of approximately 10% from the 2013-2014 collection levels. This \$1.9 million of additional revenue is further recommended to be placed in a reserve for future distribution in 2015-2016, as described below.

The increase in TOT receipts is due to the increased occupancy and average daily room rates. Through December, the average hotel occupancy rate at the 14 major hotels was 75.5%, an improvement from the 68.1% occupancy rate for the same period in 2013-2014, while room rates have risen from \$149.16 to \$163.72 (9.8%). The year-to-date average revenue-per-available room (RevPAR) metric of \$123.86 represents an increase of 21.8% from the prior year level.

Expenditures – Expenditures through December are generally tracking within budgeted levels. By ordinance, the TOT Fund tax revenue is distributed into three categories (San José Convention and Visitors Bureau, Cultural Development, and Convention Facilities Operation Subsidy through a transfer to the Convention and Cultural Affairs Fund). The allocations to the three recipient organizations are based on a fixed percentage of TOT receipts, guided by the formula outlined in the Municipal Code. Based on the additional revenue as discussed above, the establishment of a reserve for future distribution is recommended with allocations to the three recipient organizations as follows: \$971,000 for the Convention and Cultural Affairs Fund, \$485,500 for the Convention and Visitors Bureau, and \$485,500 for Cultural Development. Placing the additional funding in reserve, rather than increasing the 2014-2015 recipient appropriations, will allow for further monitoring of the tax collections to ensure all funding is received as projected by year-end.

2014-2015 MID-YEAR BUDGET REVIEW

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

TRANSIENT OCCUPANCY TAX FUND

FUND STATUS

This report also recommends shifting \$65,000 from the Cultural Grants appropriation to the Cultural Grants Administration appropriation for temporary staffing for the Office of Cultural Affairs, to assist with projects that have been delayed due to the need for existing staff to address other urgent cultural needs, such as the repurposing of the Hammer Theater Center subsequent to the bankruptcy of the San Jose Repertory Theater.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,428,443	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Transient Occupancy Tax Fund is recommended at this time.

2014-2015

MID-YEAR
BUDGET
REVIEW

SECTION
III

RECOMMENDED
BUDGET ADJUSTMENTS AND
CLEAN-UP ACTIONS

**2014-2015
MID-YEAR BUDGET REVIEW**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS**

RECOMMENDED BUDGET ADJUSTMENTS

This section of the Mid-Year Budget Review describes recommended budget adjustments and is broken down by General Fund and Special/Capital Funds. This section consists of the following types of changes:

General Fund

Urgent Fiscal/Program Needs – These actions recommend additional funding to address a limited number of urgent fiscal/program needs. These adjustments are being brought forward for City Council consideration as part of this report, rather than later through the annual budget process, to address issues that the Administration has deemed can or should not wait until later in the year. Additional detailed information on these adjustments can be found in the following pages of this section.

Required Technical/Rebalancing Actions – These actions recommend current year adjustments to align budgeted revenue and expenditures with the most current information, or to correct technical problems in the 2014-2015 Adopted Budget. Additional detailed information on these adjustments can be found in the following pages of this section.

Grants/Reimbursements/Fees – These actions, which have a net-zero impact, recognize new or adjusted grant, reimbursement, or fee activity revenue and adjust the appropriations for these purposes, as appropriate. Additional detailed information on these adjustments can be found in the following pages of this section.

Special/Capital Funds

Special/Capital Fund Adjustments – These actions adjust revenue estimates based on actual performance; recognize revenues from fees, grants, and reimbursements; adjust project and program allocations based on revised cost estimates and project timing; reallocate project funding from reserves; and establish a limited number of new projects and programs.

**2014-2015
MID-YEAR BUDGET REVIEW**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS**

RECOMMENDED CLEAN-UP ACTIONS

General Fund & Special/Capital Funds

This section consists of clean-up actions for the General Fund and Special/Capital Funds. The following types of adjustments are included:

Fund Balance Reconciliations – These actions revise the Beginning Fund Balance estimates in the 2014-2015 budget based on a reconciliation to the final audited 2013-2014 Comprehensive Annual Financial Report.

Benefits Program – Various actions are recommended to decrease department budgets to realize these health plan savings (-\$849,000), return the associated portions of these savings to development fee program reserves (\$62,000), and liquidate health and dental program savings in the Salaries and Benefits Reserve (-\$2,100,000). The Salaries and Benefits Reserve allocation was set aside during the development of the 2014-2015 Adopted Budget in anticipation of an increase in the lowest cost health plan rates forecasted at 10% based on national and City trend information received from the City's Human Resources Department benefits consultant. A 2.5% increase to dental rates was forecasted based on actuarial information from the Human Resources Department and an evaluation of funding levels in the Dental Insurance Fund. Actual costs declined year-over-year resulting in a 4.54% reduction in health and no increase to dental rates.

Management Pay for Performance Program – Various actions are recommended to increase Personal Services appropriations for Management Pay for Performance Program costs in departmental budgets that do not anticipate generating sufficient vacancy savings to cover these costs (\$726,000). This action is offset by the liquidation of the Salaries and Benefits Reserve allocation set aside for the Management Pay for Performance Program in the 2014-2015 Adopted Budget (-\$1,272,000).

Technical Adjustments – These actions correct errors or align revenues and/or expenditures among appropriations and funds for previously approved budget actions:

- Net-Zero Funding Transfers/Reallocations – These actions include net-zero transfers between appropriations, funds and revenue categories, and the redistribution of funding allocations.

**2014-2015
MID-YEAR BUDGET REVIEW**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS**

RECOMMENDED CLEAN-UP ACTIONS

General Fund & Special/Capital Funds

- Previously Approved Repairs – These technical adjustments to the San José Arena Capital Reserve Fund and the Ice Centre Revenue Fund from Previously Approved Repairs Reserves and Ending Fund Balance are recommended to reimburse SAP Center Management for capital repair expenses incurred at the San José Arena (SAP Center) and Shark’s Ice at San José. These capital repairs were approved by City Council as part of previous capital improvement programs. Authorized repairs include electrical, mechanical, structures, miscellaneous, and unanticipated/emergency repairs.
- Technical Corrections – These actions revise project appropriations in the 2014-2015 budget to correct inadvertent rebudget or allocation errors, offset by Ending Fund Balance or corresponding project appropriation actions. For example, this includes the reversal of an action in the Community Development Block Grant Fund approved as part of the 2013-2014 Annual Report to reallocate funding from the Housing Rehabilitation Loans and Grants appropriation to the Capital Projects Reserve that was completed in error.

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
URGENT FISCAL/PROGRAM NEEDS				
<i>2015-2016 Police Department Overtime Reserve</i>	EARMARKED RESERVES		\$5,000,000	
<p>This action establishes a \$5.0 million Police Department Overtime Earmarked Reserve for 2015-2016. As of January 8, 2015, authorized sworn staffing levels totaled 1,109, of which 991 were filled. Although the Department is conducting regular police officer recruit academies to hire for the sworn vacancies and continues to review strategies to improve the rate of sworn hiring and training, the Department is anticipated to begin 2015-2016 with approximately 140 sworn vacancies based on current attrition rates. Similar to past practice, it is anticipated that additional overtime funding will be needed to supplement 2015-2016 vacancy savings to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available to cover civilian staffing vacancies, as needed. This action is recommended to be funded by Police Department salary and benefit savings that are tracking to be available by year-end. A corresponding action to decrease the Police Department's Personal Services appropriation is also recommended in this report.</p>				
<i>Finance Department Non-Personal/Equipment (Reallocation from Personal Services for GASB 68)</i>	FINANCE		\$50,000	
<p>This action increases the Finance Department Non-Personal/Equipment appropriation by \$50,000 for the implementation of the Governmental Accounting Standards Board (GASB) Statement 68. A certified accounting firm will be used to provide assistance in the implementation of GASB 68, the new pension standard that requires a major change in the accounting of pension plans. Engaging a certified accounting firm will ensure efficient and effective implementation of the standard by addressing auditors' requirements, reporting, and control issues. Personal Services savings are available to offset this cost due to a high number of vacancies in the Department. A corresponding decrease to the Finance Department Personal Services appropriation is recommended elsewhere in this report.</p>				
<i>Finance Department Personal Services (Reallocation to Non-Personal/Equipment)</i>	FINANCE		(\$50,000)	
<p>This action decreases the Finance Department Personal Services appropriation by \$50,000 to provide for consultant services funding for a certified accounting firm to assist in the implementation of the Governmental Accounting Standards Board (GASB) Statement 68, the new pension standard that requires a major change in the accounting of pension plans. Personal Services savings are available due to a high number of vacancies in the Department. A corresponding increase to the Finance Department Non-Personal/Equipment appropriation is recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
URGENT FISCAL/PROGRAM NEEDS				
<i>Planning, Building and Code Enforcement Non-Personal/Equipment (Update Downtown Environmental Impact Report)</i>	PLANNING, BLDG, & CODE ENF		\$500,000	
<p>This action increases the Planning, Building and Code Enforcement Non-Personal/Equipment appropriation by \$500,000 to provide for consultant and other contractual services funding to update the Downtown San José environmental impact report (EIR). The consultant work will start this fiscal year with the goal of completing the update before new projects approach the development capacities that exist under the current EIR. The consultants will provide specialized legal consultation and prepare environmental analysis, including traffic studies, noise reports, and air quality assessments to update the Downtown Strategy 2000. Based on current market conditions and projections, the City has up to 8 to 12 months before it may reach the current residential unit capacity. Without an updated EIR, development beyond the current capacity will not be allowed to proceed, and projects will need to complete individual EIR's to receive the necessary approval. A portion of the requested funding will also cover community outreach necessary as part of the EIR update process.</p>				
<i>Police Department Non-Personal/Equipment (Reallocation from Personal Services for Limited Detentions Study)</i>	POLICE		\$125,000	

This action increases the Police Department Non-Personal/Equipment appropriation for a consultant agreement to perform a professional review of data on limited detentions collected by the Police Department. The Independent Police Auditor's Year End Report for 2011 included a recommendation to adopt a curb-sitting policy that requires Police Officers to document in the Computer Aided Dispatch (CAD) system or in an incident report when officers curb-sit individuals. Curb-sitting is considered a limited detention by the Police Department, and in December 2013, the Police Department revised its Duty Manual to begin documenting limited detentions during self-initiated pedestrian and self-initiated vehicle stops. The Police Department has gathered data for one year and a professional review of that data by an outside consultant is now recommended in order to analyze and interpret the data as well as conduct focus groups in a timely manner. This study will put into context the data on limited detentions, help explain the police detention techniques, provide transparency on this issue, and will assist the Police Department in reviewing and revising its current policy if needed to ensure that members of the public are treated in a consistent and fair manner. Once completed, the results will be presented to Department members, City leaders, the Independent Police Auditor, the Chief's Community Advisory Board and the community. Police Department Personal Services savings are available to offset this cost and a corresponding action to decrease the Personal Services appropriation is recommended elsewhere in this report.

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
URGENT FISCAL/PROGRAM NEEDS				
<i>Police Department Personal Services (Reallocation to Non-Personal/Equipment)</i>	POLICE		(\$125,000)	
<p>This action decreases the Police Department Personal Services appropriation to provide funding for a consultant agreement to analyze and interpret the data collected from the Police Department on limited detentions that are documented when officers curb-sit individuals. There are sufficient vacancy savings to offset this cost and a corresponding increase to the Non-Personal/Equipment appropriation is recommended elsewhere in this report.</p>				
<i>Police Department Personal Services (Reallocation to Police Department Overtime Reserve)</i>	POLICE		(\$5,000,000)	
<p>This action decreases the Police Department Personal Services appropriation and reallocates the funds to a 2015-2016 Police Department Overtime Reserve. The Department is anticipated to begin 2015-2016 with approximately 140 sworn vacancies based on current attrition rates. Similar to past practice, it is anticipated that additional overtime funding will be needed to supplement 2015-2016 vacancy savings to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available to cover civilian staffing vacancies, as needed. Police Department salary and benefit savings are anticipated to be sufficient by year-end to fund this action. A corresponding action to increase the Police Department Overtime Reserve appropriation is also recommended in this report.</p>				
TOTAL URGENT FISCAL/PROGRAM NEEDS			\$500,000	\$0

REQUIRED TECHNICAL/REBALANCING ACTIONS

<i>Annual Audit Contractual Increase</i>	CITY-WIDE EXPENSES	\$3,000
<p>This action increases the Annual Audit appropriation by \$3,000 (from \$225,000 to \$228,000) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.</p>		
<i>Bond Project Audits Contractual Increase</i>	CITY-WIDE EXPENSES	\$1,000
<p>This action increases the Bond Project Audits appropriation by \$1,000 (from \$56,500 to \$57,500) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.</p>		

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Council District #1 (January – June) Transition Year Reconciliation</i>	MAYOR & COUNCIL		\$60,664	
This action increases the Council District #1 (January – June) appropriation by \$60,664 in accordance with City Council policy that states that in Mayor and City Council transition years, remaining funds from the Mayor and Council Districts’ appropriations for the first six months of the year (July – December) shall be reallocated to the appropriation established for the last six months of the year (January – June) for that specific office as part of the Mid-Year Budget Review Report.				
<i>Council District #1 (July – December) Transition Year Reconciliation</i>	MAYOR & COUNCIL		(\$60,664)	
This action decreases the Council District #1 (July – December) appropriation by \$60,664 and recommends the funding be reallocated to the Council District #1 (January – June) appropriation as discussed above.				
<i>Council District #5 (January – June) Transition Year Reconciliation</i>	MAYOR & COUNCIL		\$20,379	
This action increases the Council District #5 (January – June) appropriation by \$20,379 in accordance with City Council policy that states that in Mayor and City Council transition years, remaining funds from the Mayor and Council Districts’ appropriations for the first six months of the year (July – December) shall be reallocated to the appropriation established for the last six months of the year (January – June) for that specific office as part of the Mid-Year Budget Review Report.				
<i>Council District #5 (July – December) Transition Year Reconciliation</i>	MAYOR & COUNCIL		(\$20,379)	
This action decreases the Council District #5 (July – December) appropriation by \$20,379 and recommends the funding be reallocated to the Council District #5 (January – June) appropriation as discussed above.				
<i>Council District #7 (January – June) Transition Year Reconciliation</i>	MAYOR & COUNCIL		\$537	
This action increases the Council District #7 (January – June) appropriation by \$537 in accordance with City Council policy that states that in Mayor and City Council transition years, remaining funds from the Mayor and Council Districts’ appropriations for the first six months of the year (July – December) shall be reallocated to the appropriation established for the last six months of the year (January – June) for that specific office as part of the Mid-Year Budget Review Report.				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Council District #7 (July – December) Transition Year Reconciliation</i>	MAYOR & COUNCIL		(\$537)	
This action decreases the Council District #7 (July – December) appropriation by \$537 and recommends the funding be reallocated to the Council District #5 (January – June) appropriation as discussed above.				
<i>Council District #9 (January – June) Transition Year Reconciliation</i>	MAYOR & COUNCIL		(\$433,968)	
This action decreases the Council District #9 (January – June) appropriation by \$433,968 in accordance with City Council policy that states that in Mayor and City Council transition years, when an incumbent remains in office, the funds from the Council District's appropriation for the second half of the year (January – June) should be reallocated into the appropriation for the first half of the year (July – December) as part of the annual Mid-Year Budget Review Report.				
<i>Council District #9 (July – December) Transition Year Reconciliation</i>	MAYOR & COUNCIL		\$433,968	
This action increases the Council District #9 (July – December) appropriation by \$433,968 (from \$434,688 to \$868,656) in accordance with City Council policy as discussed above.				
<i>Cultural Facilities Capital Maintenance Reserve</i>	EARMARKED RESERVES		\$1,250,000	
This action establishes a Cultural Facilities Capital Maintenance Reserve in the amount of \$1.25 million. In accordance with City Council direction approved as part of the Mayor's March Budget Message for Fiscal Year 2014-2015, the growth in General Fund Transient Occupancy Tax (TOT) revenues above the established 2013-2014 base level is to be allocated for capital maintenance of the City's cultural facilities. Based on collections through December, TOT receipts are expected to exceed the budgeted estimates by at least \$1.25 million and these funds are recommended to be set aside in reserve for possible allocation during the 2015-2016 Proposed Budget process. As outlined in Manager's Budget Addendum #23 to the 2014-2015 Proposed Budget, there is a capital replacement and maintenance project approval process for cultural facilities. A corresponding increase to the estimate for TOT revenue is recommended elsewhere in this report.				
<i>Customer Satisfaction Survey (Bi-Annual)</i>	CITY-WIDE EXPENSES		\$25,000	
This action increases the Customer Satisfaction Survey (Bi-Annual) appropriation by \$25,000 (from \$55,000 to \$80,000) to reflect contractual increases that were higher than assumed in the development of the 2014-2015 Adopted Budget.				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Earned Revenue - Transient Occupancy Tax</i>	REVENUE ADJUSTMENTS			\$1,250,000
<p>This action increases the Transient Occupancy Tax revenue estimate by \$1.25 million, from \$11.75 million to \$13.0 million, to reflect the strong year-to-date collections which continue to track well above the prior year and current budgeted levels. This increase would allow for revenue growth of approximately 10% from the 2013-2014 collection levels compared to a budgeted estimate of 5%. A corresponding increase is recommended in the Transient Occupancy Fund, which receives 60% of this tax. Please refer to the Status of the General Fund Revenues section of this report (Section I. B.) for more detailed information of the General Fund performance and the Status of Selected Special and Capital Funds (Section II) for a discussion of the actions in the Transient Occupancy Tax Fund.</p>				
<i>Energy Services Company (ESCO) Debt Service/Other Revenue (PG&E Rebates)</i>	CITY-WIDE EXPENSES		\$1,086,000	\$955,000
<p>This action establishes an Energy Services Company (ESCO) Debt Service appropriation to the Finance Department in the amount of \$1,086,000 to fund the 2014-2015 debt service payment to Bank of America for the Energy and Utility Conservation Measures Program. This action also increases the estimate for Other Revenue in the amount of \$955,000 to recognize anticipated Pacific Gas and Electric rebates for the conversion of 18,127 streetlights to LED light bulbs, which will be used to offset the majority of the ESCO debt service payment this fiscal year.</p>				
<i>Finance Department Non-Personal/Equipment (Reallocation from Personal Services for Currency Counters)</i>	FINANCE		\$40,000	
<p>This action increases the Finance Department Non-Personal/Equipment appropriation by \$40,000 to purchase new currency counters for counterfeit detection as the existing equipment is beginning to break down. Personal Services savings are available to offset this cost due to a high number of vacancies in the Department. A corresponding decrease to the Finance Department Personal Services appropriation is recommended elsewhere in this report.</p>				
<i>Finance Department Personal Services (Reallocation to Non-Personal/Equipment)</i>	FINANCE		(\$40,000)	
<p>This action decreases the Finance Department Personal Services appropriation by \$40,000 to provide funding to purchase new currency counters for counterfeit detection as the existing equipment is beginning to break down. Personal Services savings are available due to a high number of vacancies in the Department. A corresponding increase to the Finance Department Non-Personal/Equipment appropriation is recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Fire Department Overtime</i>	FIRE			
<p>This action increases the Fire Department's overtime budget by \$2.0 million (from \$5.3 million to \$7.3 million) offset by departmental salaries and benefits savings due to vacancies. This adjustment will bring the overtime budget in line with projected expenditures and ensure that sufficient funding is available to maintain current minimum staffing levels. Overtime has been used to backfill vacancies and absences in line duty positions (vacation, strike team deployments, modified duty, sick leave, disability, and other absences). One factor impacting overtime this year is the number of vacancies, which so far have averaged 3.9%, which is higher than the budgeted rate of 2.8%. Strike Team deployments have also impacted overtime and a separate budget action is recommended to recognize reimbursement revenue and allocate those funds to Fire Department overtime to support those deployments.</p>				
<i>Independent Police Auditor Personal Services (Correction/Bilingual Pay)</i>	INDEPENDENT POLICE AUDITOR		\$35,000	
<p>This action increases the Independent Police Auditor's Personal Services appropriation by \$35,000 to address an inadvertent error that occurred during the development of the 2014-2015 Adopted Budget (\$34,000) and to provide funding for bilingual pay for several employees that were recently certified (\$1,000).</p>				
<i>Office of the Mayor (January – June) Transition Year Reconciliation</i>	MAYOR & COUNCIL		\$210,778	
<p>This action increases the Office of the Mayor (January – June) appropriation by \$210,778 in accordance with City Council policy that states that in Mayor and City Council transition years, remaining funds from the Mayor and Council Districts' appropriations for the first six months of the year (July – December) shall be reallocated to the appropriation established for the last six months of the year (January – June) for that specific office as part of the Mid-Year Budget Review Report.</p>				
<i>Office of the Mayor (July – December) Transition Year Reconciliation</i>	MAYOR & COUNCIL		(\$210,778)	
<p>This action decreases the Office of the Mayor (July – December) appropriation by \$210,778 and recommends the funding be reallocated to the Office of the Mayor (January – June) appropriation as discussed above.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
---------------	-------------------	------------------	---------------------------	-----------------------

REQUIRED TECHNICAL/REBALANCING ACTIONS

<i>Police Department Non-Personal/Equipment (Reallocation from Personal Services for Police Academies)</i>	POLICE		\$116,000	
--	--------	--	-----------	--

This action increases the Police Department Non-Personal/Equipment appropriation to address a cost increase associated with the Police academies. In November 2014, the Police Department was notified by the South Bay Regional Training Consortium that the cost of future Police Academy trainings will increase significantly, due to the need for additional logistical support that arose from conducting an academy at a City site and the new overlapping academy model. The new pricing is proposed to take effect with the February 2015 Academy class. This higher cost will also be factored into the development of the 2015-2016 Base Budget. Police Department Personal Services savings are available to offset this cost, and a corresponding decrease to the Personal Services appropriation is recommended elsewhere in this report.

<i>Police Department Personal Services (Reallocation to Non-Personal/Equipment)</i>	POLICE		(\$116,000)	
---	--------	--	-------------	--

This action decreases the Police Department Personal Services appropriation to provide funding for the increased contractual services costs associated with the Police academies. In November 2014, the Police Department was notified by the South Bay Regional Training Consortium that the cost of future Police Academy trainings will increase significantly, due to the need for additional logistical support that arose from conducting an academy at a City site and the new overlapping academy model. There are sufficient vacancy savings to offset this cost and a corresponding increase to the Non-Personal/Equipment appropriation is recommended elsewhere in this report.

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Public Works Department Non-Personal/Equipment (Custodial Services Contract and Activity)</i>	PUBLIC WORKS		\$350,000	
<p>This action increases the Public Works Department Non-Personal/Equipment appropriation in the amount of \$350,000 to fund the living wage increase of 10.3% as well as the required paid time off provision included in the custodial services contract approved by City Council on October 28, 2014 (\$120,000) and support the increased use of custodial services due to a higher demand for services (\$230,000). As part of the 2014-2015 Adopted Budget, custodial services costs were increased by 3.0% over the prior year to cover the cost of living adjustment provided for in the original contract. However, the new contract recently approved by the City Council indexes compensation adjustments to 80% of the increase in the City's living wage rate. In November 2014, the living wage rate for custodial agreements increased 12.9% and the new contract allowed for an increase of 80% of that amount, or 10.3%. This increase resulted in a higher than budgeted custodial services contract amount for 2014-2015. In addition, over the past couple of years, facility usage has increased, which has resulted in service levels being incrementally enhanced above the minimum two days per week to meet minimum standards of cleanliness at many locations, including community centers and reuse sites. The ongoing increase to the custodial contract will be addressed as part of the development of the 2015-2016 Base Budget.</p>				
<i>Public Works Department Non-Personal/Equipment (Gas and Electricity)</i>	PUBLIC WORKS		\$250,000	
<p>This action increases the Public Works Department Non-Personal/Equipment appropriation by \$250,000 to fund higher than anticipated gas and electricity costs. Actual gas and electric utility rates are higher than those used to develop the 2014-2015 Adopted Budget. Usage of both utilities is similar to the amount assumed in the budget development process. This action will better align the budget with projected utility costs.</p>				
<i>Public Works Department Personal Services (Retirement)</i>	PUBLIC WORKS		\$800,000	
<p>This action increases the Public Works Department Personal Services appropriation in the amount of \$800,000 to fund higher than anticipated retirement costs for the fiscal year. During the development of the 2014-2015 Adopted Budget, new and vacant positions were budgeted at Tier 2 retirement costs; however, many of the vacant positions have been filled with current City employees that fall under the higher costs of the Tier 1 retirement system. This action will better align the budget with projected retirement costs. It is anticipated that retirement savings in other departments and funds will be available by year-end to offset these costs.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>SAP Center Renegotiation</i>			\$40,000	
<p>This action increases the SAP Center Renegotiation appropriation by \$40,000 (from \$100,000 to \$140,000) and ensures the necessary resources are available for the continued negotiation of the SAP Center operating agreement with the San Jose Sharks.</p>				
<i>Transfer to Economic Development Administration Loan Fund</i>			\$165,000	
<p>This action establishes a transfer to the Economic Development Administration Loan Fund in the amount of \$165,000 to pay off a Federal Economic Development Administration (EDA) loan obligation. Under the City's Revolving Loan Fund Program, there remain 13 loans to small businesses that have been in default for over five years and are not expected to be repaid. The EDA has granted the Housing Department's request to voluntarily terminate the loans if the obligation associated with these loans is repaid. This repayment is necessary because the City did not meet the EDA's due diligence requirement to file a lien at the time the businesses filed for bankruptcy. The cost to pursue repayment in bankruptcy for these relatively small loans was a primary factor that impacted the City's ability to meet the EDA requirements. Corresponding actions in the Economic Development Administration Loan Fund are recommended elsewhere in this report.</p>				
<i>Transfer to Municipal Golf Course Fund (Los Lagos Subsidy)</i>			\$300,000	
<p>This action increases the Transfer to the Municipal Golf Course Fund from the General Fund in the amount of \$300,000 (from \$1.9 million to \$2.2 million) bringing the General Fund subsidy level above the 2013-2014 level of \$2.0 million. During 2014-2015, performance in the Municipal Golf Course Fund has not been meeting expectations, primarily due to lower activity and higher costs at the Los Lagos Golf Course. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at Los Lagos Golf Course could total \$550,000 at year-end. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, the review of the Municipal Golf Course Fund has been approved to be on the City Auditor's 2014-2015 Audit Work Plan. To account for actual performance in this Fund, this action recommends an increase to the transfer from the General Fund to the Municipal Golf Course Fund to ensure the fund can cover its expenses and sufficient fund balance remains in that fund in 2014-2015. This increase would add to the \$300,000 increase approved as part of the 2013-2014 Annual Report action. Elsewhere in this document, additional adjustments are recommended in the Municipal Golf Course Fund, including a \$275,000 increase to the Los Lagos Golf Course expenditure appropriation, a \$50,000 decrease to the Los Lagos Golf Course Earned Revenue, and a \$25,000 decrease to the Ending Fund Balance.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>United States Patent and Trademark Office - City Staff Relocation</i>	CAPITAL PROJECTS		\$850,000	
<p>This action increases the United States Patent and Trademark Office - City Staff Relocation appropriation by \$850,000 (from \$4.45 million to \$5.3 million) to address design modifications associated with the workspace remodel within the City Hall Tower to house relocated City staff from the City Hall Wing. Costs have increased because of the need for additional hard wall construction in order to meet security, confidentiality, and high-density file storage requirements for various City offices, including the City Clerk's Office, City Auditor's Office, Office of Employee Relations, Human Resources Department, and the Police Department's Gaming Unit.</p>				
TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS			\$5,155,000	\$2,205,000
GRANTS/REIMBURSEMENTS/FEEES				
<i>1st Act Silicon Valley Digital Media Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$6,000	\$6,000
<p>This action increases the 1st Act Silicon Valley Digital Media Grant appropriation and the estimate for Other Revenue by \$6,000 to fund "The Studio", a space for youth at Roosevelt and Seven Trees Community Centers that encourages youth to become more engaged and connect with each other through self-expression using digital outlets. The intent of this program is to spark the next generation of creative thinkers, artists and innovators, by creating digital media, including documentaries, music videos, and public service announcements on issues that are important to them.</p>				
<i>2015 California Gang Reduction, Intervention and Prevention (CALGRIP) Grant/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$278,000	\$278,000
<p>This action establishes the 2015 California Gang Reduction, Intervention and Prevention (CALGRIP) Grant appropriation to the Parks, Recreation and Neighborhood Services Department and increases the estimate for Revenue from the State of California by \$278,000. This action recognizes and appropriates \$278,000 of \$474,222 in grant funding from the State of California's Board of State and Community Corrections; the remaining \$196,222 will be allocated in 2015-2016. This California Gang Reduction, Intervention and Prevention (CALGRIP) grant is a collaborative effort targeting gang-impacted youth through the implementation of proven intervention, substance abuse and remedial (GED)/vocational education strategies with the intent to reduce gang and youth violence. Twenty percent of this grant must be allocated to community-based organizations, and the remaining grant funds will be allocated toward 2.0 Youth Outreach Worker II and 1.0 Youth Outreach Specialist temporary positions, materials and supplies, and evaluation and data collection.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Arts Capacity Building Project/Other Revenue</i>	CITY-WIDE EXPENSES		\$50,000	\$50,000
<p>This action establishes an Arts Capacity Building Project appropriation to the Office of Economic Development and increases the estimate for Other Revenue to recognize grant funding from William and Flora Hewlett Foundation. The DeVos Institute of Arts Management is bringing its flagship two-year training and professional development curriculum to San José as an investment in the future sustainability and financial health of leading San José arts organizations. This two-year capacity-building training program for 15 to 20 arts organizations is estimated to cost \$300,000. In addition to this \$50,000 grant funding, this project is also receiving \$50,000 from the City’s Cultural Grants Program and the remaining \$200,000 is anticipated to be fulfilled by various private and corporate partners.</p>				
<i>Building Development Fee Program - Non-Personal/Equipment (Reallocation from Personal Services for Peak Staffing)</i>	PLANNING, BLDG, & CODE ENF		\$100,000	
<p>This action increases the Planning, Building and Code Enforcement Department’s Building Development Fee Program Non-Personal/Equipment appropriation by \$100,000 to provide additional funding for peak staffing agreements (from \$800,000 to \$900,000), which will be funded by vacancy savings in the Building Development Fee Program Personal Services appropriation. Development services has experienced a continued increase in inspection services, plan checks, and plan reviews. In order to meet the higher demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. The 2013-2014 Annual Report included an increase of \$500,000 for peak staffing funding in the Building Development Fee Program; however, it is projected that additional funding is needed for the use of seven peak staffing contracted employees through the remainder of the fiscal year. A corresponding decrease to the Building Development Fee Program Personal Services appropriation is also included elsewhere in this report to offset this action.</p>				
<i>Building Development Fee Program - Personal Services (Reallocation to Non-Personal/Equipment for Peak Staffing)</i>	PLANNING, BLDG, & CODE ENF		(\$100,000)	
<p>This action decreases the Planning, Building and Code Enforcement Department’s Building Development Fee Program Personal Services appropriation by \$100,000 to reflect vacancy savings. These savings will be reallocated to the Building Development Fee Program Non-Personal/Equipment appropriation to provide additional funding for peak staffing agreements as described elsewhere in this report. A corresponding increase to the Building Development Fee Program Non-Personal/Equipment appropriation is also included elsewhere in this report to offset this action.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Building Public Will for the Arts (California Arts Council)/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$15,000	\$15,000
<p>This action establishes a Building Public Will for the Arts appropriation to the Office of Economic Development and increases the estimate for Revenue from State of California to recognize grant funding from the California Arts Council. The Building Public Will program is a national initiative, with the City of San José selected as the sole California pilot community, designed to use research-based findings to create communications strategies to build public will in a way that creates sustainability for the arts and culture as a recognized, valued, and expected part of everyday life. This funding of \$15,000 and an additional \$30,000, which is recommended elsewhere in this document, will help towards meeting the \$100,000 goal to complete this analysis. The remaining funds are anticipated to be fulfilled by various collaborating partners from other cities and states.</p>				
<i>Building Public Will for the Arts (Hewlett Foundation and Packard Foundation)/Other Revenue</i>	CITY-WIDE EXPENSES		\$30,000	\$30,000
<p>This action establishes a Building Public Will for the Arts appropriation to the Office of Economic Development and increases the estimate for Other Revenue to recognize grant funding from David and Lucille Packard Foundation (\$20,000) and William and Flora Hewlett Foundation (\$10,000). The Building Public Will program is a national initiative, with the City of San José selected as the sole California pilot community, designed to use research-based findings to create communications strategies to build public will in a way that creates sustainability for the arts and culture as a recognized, valued, and expected part of everyday life. This funding of \$30,000 and an additional \$15,000, which is recommended elsewhere in this document, will help towards meeting the \$100,000 goal to complete this analysis. The remaining funds are anticipated to be fulfilled by various collaborating partners from other cities and states.</p>				
<i>California Task Force 3 National Urban Search and Rescue Team/Revenue from Federal Government</i>	FIRE		\$17,169	\$17,169
<p>This action increases the Fire Department Personal Services appropriation and the estimate for Revenue from Federal Government to recognize grant funding to support California Task Force 3 (National Urban Search and Rescue Team) training. The award of \$17,169 reimburses the Department for training exercises that took place from July 2014 through November 2014.</p>				
<i>Council District #10 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$500	\$500
<p>This action increases the Council District 10 appropriation and corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 Winter Walk Event (WOWW).</p>				

General Fund Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Council District #2 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$7,840	\$7,840
This action increases the Council District #2 appropriation and the corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 Indian Flag Raising Event (\$3,000) and the 2014 VillageFest Event (\$4,840).				
<i>Council District #4 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$500	\$500
This action increases the Council District #4 appropriation and the corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 7th Annual Breakfast with Santa event.				
<i>Council District #6 Surplus Campaign Funds/Other Revenue</i>	MAYOR & COUNCIL		\$18,632	\$18,632
This action appropriates funding to Council District #6 and provides a corresponding increase to the estimate for Other Revenue, in the amount of \$18,632, to reflect revenue to the City in the form of a donation of surplus campaign funds from Councilmember Oliverio. Under San José Municipal Code Section 12.06.720, a candidate has two choices for the disposition of any surplus campaign funds: 1) return the funds to contributors on a pro rata basis, or 2) donate the funds to the City's General Fund. Councilmember Oliverio's campaign has issued a check for the balance of the campaign account, which has been received by the Office of the City Clerk and deposited in the General Fund.				
<i>Council District #7 (July - December) Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$4,500	\$4,500
This action increases the Council District #7 appropriation and the corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 Mid-Autumn Festival Event.				
<i>Council District #8 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$12,199	\$12,199
This action increases the Council District #8 appropriation and corresponding estimate for Other Revenue to reflect sponsorship funding received for the Music and Movie Night Summer Series (\$349) and the 2014 Day in the Park event (\$11,850).				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Council District #8 Surplus Campaign Funds/Other Revenue</i>	MAYOR & COUNCIL		\$6,481	\$6,481
<p>This action appropriates funding to Council District #8 and provides a corresponding increase to the estimate for Other Revenue, in the amount of \$6,481, to reflect revenue to the City in the form of a donation of surplus campaign funds from Vice Mayor Herrera. Under San José Municipal Code Section 12.06.720, a candidate has two choices for the disposition of any surplus campaign funds: 1) return the funds to contributors on a pro rata basis, or 2) donate the funds to the City's General Fund. Vice Mayor Herrera's campaign has issued a check for the balance of the campaign account, which has been received by the Office of the City Clerk and deposited in the General Fund.</p>				
<i>Council District #9 (July - December) Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$1,400	\$1,400
<p>This action increases the Council District #9 (July – December) appropriation and corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 Celebrate Cambrian & Resource Fair event.</p>				
<i>Fire Department Non-Personal/Equipment (Reallocation from Personal Services for Fee Study)</i>	FIRE		\$30,000	
<p>This action increases the Non-Development Fee Program portion of the Fire Department Non-Personal/Equipment appropriation by \$30,000, reallocated from Non-Development Fee Program vacancy savings. As part of the 2014-2015 Adopted Budget, funding was added for a consultant to conduct a fee study of the Fire Department Non-Development Fee Program. However, after receiving the results of the Request for Proposal (RFP) posted in September in 2014, no bidders were identified within the authorized level of \$40,000. This action would increase the funding for this fee study from \$40,000 to \$70,000. With the higher project budget, the Fire Department is confident that additional bidders will be identified. A corresponding decrease to the Fire Department Personal Services appropriation is included elsewhere in this report.</p>				
<i>Fire Department Personal Services (Reallocation from Non-Development Fee Program Vacancy Savings to Non-Personal/Equipment)</i>	FIRE		(\$30,000)	
<p>This action decreases the Fire Department Personal Services appropriation by \$30,000 to provide additional funding for a consultant to conduct a fee study of the Fire Department Non-Development Fee Program. A corresponding increase to the Fire Department Non-Personal/Equipment appropriation is recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Fire Department Personal Services and Non-Personal/ Equipment (Strike Team)/Revenue from Federal Government</i>	FIRE		\$307,745	\$307,745
<p>This action increases the Fire Department Personal Services (\$305,799) and Non-Personal/Equipment (\$1,946) appropriations and the estimate for Revenue from the Federal Government to reimburse for Strike Teams that were deployed to assist with fires (July through September 2014) in the following counties: Humboldt, Kern, King, and Mendocino. Strike Team reimbursements include costs associated with the backfill need of the department while teams are deployed, as well as the associated apparatus costs.</p>				
<i>Library Grants (California Library Literacy Services)/Revenue from State of California</i>	LIBRARY		\$70,225	\$70,225
<p>This action increases the Library Grants appropriation and the estimate for Revenue from State of California by \$70,225 to recognize receipt of the California Library Literacy Services grant. This funding, which will purchase books, materials and computer software, supports the Adult Literacy and Families for Literacy program. This program helps adults to increase their basic literacy skills as well as address the literacy needs of their young children.</p>				
<i>Maddie Lifesaving Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$151,500	\$151,500
<p>This action increases the Maddie Lifesaving Grant appropriation to the Public Works Department and the corresponding estimate for Other Revenue in the amount of \$151,500 for a grant received from the Duffield Family Foundation, dba Maddie's Fund. This grant will enhance the Animal Care and Services Division's ability to support and manage additional off-site adoption drives along with providing promotion and outreach activities that would otherwise be beyond the resource capability of the division. There is no City matching requirement for this grant.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>National Forum Capacity - Building Grant OJJDP 2012-2015/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$123,000	\$123,000
<p>This action increases the National Forum Capacity - Building Grant OJJDP 2012-2015 appropriation to the Parks, Recreation and Neighborhood Services Department and the estimate for Revenue from the Federal Government by \$123,000. The Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded a grant of \$125,000 in 2012-2013, and a supplemental agreement for \$170,000 in 2013-2014. The original agreement supported efforts by the Mayor's Gang Prevention Task Force (MGPTF) to address youth and gang violence through partnerships, sharing common challenges, data-driven strategies, and comprehensive planning efforts. This supplemental agreement for \$222,200 - of which \$123,000 will be allocated in 2014-2015 and \$99,200 in 2015-2016 - extends the efforts well underway by the MGPTF, with a focus on services for gang-impacted female youth. These additional funds are intended to enhance service effectiveness, reduce high-risk behaviors, and establish the San José BEST Learning Community to support continuous program enhancements and improvements. Grant funds will be used for supplies and books related to juvenile justice implementation, management information system costs, and costs associated with a current temporary analyst that has been funded by the OJJDP grant since its inception.</p>				
<i>Office of the Mayor (July – December) Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$33,000	\$33,000
<p>This action increases the Office of the Mayor (July – December) appropriation and corresponding estimate for Other Revenue to reflect sponsorship funding received for the 2014 End of Term Reception Event.</p>				
<i>PG&E Summer Cooling Shelter Program Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$7,000	\$7,000
<p>This action increases the PG&E Summer Cooling Shelter Program Grant appropriation to the Parks, Recreation and Neighborhood Services Department and increases the corresponding estimate for Other Revenue to recognize a PG&E Summer Cooling Shelter Program grant in the amount of \$7,000. PG&E supports local governments in raising awareness of heat safety measures and in sheltering residents to mitigate health risks on extremely hot days.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Parks, Recreation and Neighborhood Services Fee Activities/Departmental Charges</i>	PARKS, REC, & NEIGH SVCS		\$580,000	\$580,000
<p>This action increases the Parks, Recreation and Neighborhood Services Department (PRNS) Fee Activities appropriation and the PRNS Departmental Charges revenue estimate by \$580,000. Through the first six months of the year, PRNS Fee Activities are tracking to exceed the budgeted revenue estimate by \$580,000, due to increased revenue from the preschool program, which was rebranded in the summer, and the Recreation of City Kids (R.O.C.K.) programs, which is after school programming for kids provided at school sites. The associated increase in the Fee Activities appropriation will provide for programming costs, such as additional instructors and supplies.</p>				
<i>Parks, Recreation and Neighborhood Services Non-Personal/Equipment (Senior Nutrition Program)/Revenue from Local Agencies</i>	PARKS, REC, & NEIGH SVCS		\$775,589	\$775,589
<p>This action increases the Parks, Recreation and Neighborhood Services Department Non-Personal/Equipment appropriation and the estimate for Revenue from Local Agencies by \$775,589 for the Senior Nutrition Program. This funding from the County of Santa Clara Department of Aging and Adult Services will be used to reimburse the City's vendor for the cost of meals for seniors at all thirteen senior nutrition sites from July 2014 through March 2015. It is anticipated that additional actions will be brought forward during 2014-2015 to recognize the reimbursement from the County for the last quarter of the fiscal year.</p>				
<i>Planning Development Fee Program - Non-Personal/Equipment (Reallocation from Personal Services for Peak Staffing)</i>	PLANNING, BLDG, & CODE ENF		\$82,000	
<p>This action increases the Planning, Building and Code Enforcement Department's Planning Development Fee Program Non-Personal/Equipment appropriation by \$82,000 to provide additional funding for peak staffing agreements (from \$340,000 to \$422,000), which will be funded by vacancy savings in the Planning Development Fee Program Personal Services appropriation. Development services has experienced a continued increase in inspection services, plan checks, and plan reviews. In order to meet the higher demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. The 2013-2014 Annual Report included an increase of \$200,000 for peak staffing funding in the Planning Development Fee Program; however, it is projected that additional funding is needed for the use of three peak staffing contracted employees through the remainder of the fiscal year. A corresponding decrease to the Planning Development Fee Program Personal Services appropriation is also included elsewhere in this report to offset this action.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Planning Development Fee Program - Personal Services (Reallocation to Non-Personal/Equipment for Peak Staffing)</i>	PLANNING, BLDG, & CODE ENF		(\$82,000)	
<p>This action decreases the Planning, Building and Code Enforcement Department's Planning Development Fee Program Personal Services appropriation by \$82,000 to reflect vacancy savings. These savings will be reallocated to the Planning Development Fee Program Non-Personal/Equipment appropriation to provide additional funding for peak staffing agreements as described elsewhere in this report. A corresponding increase to the Planning Development Fee Program Non-Personal/Equipment appropriation is also included elsewhere in this report to offset this action.</p>				
<i>Police Department Overtime/Transfers and Reimbursements (Reallocation from Airport Maintenance and Operation Fund)</i>	POLICE		\$146,000	\$146,000
<p>This action increases the Police Department's Personal Services appropriation by \$146,000 to provide additional service hours at the Norman Y. Mineta San Jose International Airport (SJC). Due to the increased passenger activity, additional overtime hours for police officers at terminal security checkpoints are needed to ensure that necessary safety and security levels are maintained. The Airport Maintenance and Operation Fund will support this increased funding and a corresponding increase to the revenue estimate for Transfers and Reimbursements is also recommended to offset this action.</p>				
<i>Public Works Development Fee Program - Personal Services</i>	PUBLIC WORKS		\$350,000	
<p>This action increases the Public Works Development Fee Program Personal Services appropriation by \$350,000 to fund increased inspection activity for works-in-progress projects funded by fees paid in previous fiscal years. The Department has been able to re-deploy resources from capital projects to support the additional workload in the Development Fee Program and to allow the Department to maintain current services levels. A corresponding decrease to the Public Works Development Fee Program Earmarked Reserve is also recommended elsewhere in this report.</p>				
<i>Public Works Development Fee Program Reserve</i>	EARMARKED RESERVES		(\$350,000)	
<p>This action decreases the Public Works Development Fee Program Earmarked Reserve by \$350,000 (from \$6.4 million to \$6.0 million) to address increased inspection activity in the Public Works Development Fee Program due to works-in-progress projects funded by fees paid in previous fiscal years. A corresponding increase to the Public Works Development Fee Program - Personal Services appropriation is also recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>San José BEST and Safe Summer Initiatives Programs (Parent Project)/Other Revenue</i>	CITY-WIDE EXPENSES		\$3,168	\$3,168
<p>This action increases the San José BEST and Safe Summer Initiatives Programs (BEST Program) appropriation to the Parks, Recreation and Neighborhood Services Department and the estimate for Other Revenue by \$3,168 for Parent Project. This action reflects payments received in 2014-2015 from parents who attend anti-gang seminars and reimburse the BEST Program for the cost of the training materials received. These funds offset the cost of producing these materials.</p>				
<i>Santa Clara County Homeland Security Training and Exercise Grant Advisory Group/Revenue from State of California</i>	FIRE		\$53,821	\$53,821
<p>This action increases the Fire Department Personal Services appropriation and the estimate for Revenue from State of California to support various Urban Search and Rescue (USAR) specialized training activities. The award of \$53,821 from a Santa Clara County Homeland Security Training and Exercise grant reimburses the Department for training activities including rescue systems, confined space, trench rescue, river flood, and urban shield.</p>				
<i>Senior Education and Outreach Grant/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$70,000	\$70,000
<p>This action increases the Senior Education and Outreach Grant appropriation and the estimate for Revenue from Local Agencies by \$70,000. This action recognizes and appropriates \$70,000 of \$280,000 in grant funding awarded from the Santa Clara County Mental Health Department to the Parks, Recreation and Neighborhood Services Department; the remaining \$210,000 will be allocated in 2015-2016. This grant supports Geriatric Specialists, who work at the senior nutrition sites and Grace Community Center and identify key mental health issues faced by the senior participants at their center and, as requested by senior participants, link individuals to mental health interventions.</p>				
<i>Sidewalk Repairs/Other Revenue</i>	CITY-WIDE EXPENSES		\$500,000	\$500,000
<p>This action increases the Sidewalk Repairs appropriation to the Department of Transportation by \$500,000 (from \$1.022 million to \$1.522 million). The sidewalk repair program has identified additional work, estimated at approximately \$2.0 million over the current budget, that is ready to issue to contractors from tree inventory and normal sidewalk inspections. Contractor and inspection capacity would allow for \$500,000 of that additional work to be completed this fiscal year. Sidewalk repairs are the responsibility of the property owner and any contractual repair work performed by the City is invoiced back to the property owner for reimbursement. A corresponding increase to the Other Revenue estimate is also recommended to recognize the payments from property owners.</p>				

**General Fund Recommended Budget Adjustments Summary
2014-2015 Mid-Year Budget Review**

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>State of California Department of Justice Santa Clara County Specialized Enforcement Team (SCCSET)/Revenue from State of California</i>	POLICE		\$150,000	\$150,000
<p>This action increases the Police Department's Personal Services and Non-Personal/Equipment appropriations and recognizes Revenue from the State of California in the amount of \$150,000 to support the Santa Clara County Specialized Enforcement team in investigating narcotics-related activities. The funds will be used for overtime (\$75,000), specialized equipment (\$50,000), and training and travel (\$25,000).</p>				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$3,419,269	\$3,419,269

General Fund Recommended Budget Adjustments Totals

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
	\$9,074,269	\$5,624,269

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT CAPITAL IMPVT FUND (520)				
<i>Federal Inspection Facility Sterile Corridor Extension/Earned Revenue (FAA Grants)</i>	Airport Capital Program		\$1,161,000	\$1,161,000
This action establishes a Federal Inspection Facility Sterile Corridor Extension appropriation and increases the estimate for Earned Revenue by \$1,161,000. Federal Aviation Administration (FAA) grant funding was awarded for the construction of a secure interior corridor connecting Terminal B Gates 17 and 18 to the ramp which leads deplaning international passengers to the U.S. Customs and Border Protection Document Examination Hall. Prior to the FAA award, this project was solely funded by the Airport Revenue Improvement Fund.				
<i>Taxiway W Improvements/Earned Revenue (FAA Grants)</i>	Airport Capital Program		(\$715,000)	(\$715,000)
This action eliminates the Taxiway W Improvements appropriation and decreases the estimate for Earned Revenue by \$715,000 to reflect the completion of the project. A full length taxiway is now available to serve large aircraft on the Airport's Westside.				
TOTAL AIRPORT CAPITAL IMPVT FUND (520)			\$446,000	\$446,000
AIRPORT CUST FAC & TRANS FD (519)				
<i>CFC Audit</i>	Airport		\$1,000	
This action increases the CFC Audit appropriation to the Airport Department by \$1,000 to ensure that sufficient funding is available to cover the annual independent audit costs of the Customer Facility Charge (CFC) as required by the California Civil Code Section 1936. A corresponding decrease to the Operations Contingency is recommended to offset this action.				
<i>Operations Contingency</i>	Airport		(\$1,000)	
This action decreases the Operations Contingency appropriation to offset the action recommended in this report.				
TOTAL AIRPORT CUST FAC & TRANS FD (519)			\$0	\$0
AIRPORT FISCAL AGENT FUND (525)				
<i>Bond Issuance Costs</i>	Airport		\$1,020,581	
This action establishes a Bond Issuance Costs appropriation in the amount of \$1,020,581 to ensure compliance with the Governmental Accounting Standards Board (GASB) Statement 65. To adhere to GASB Statement 65, costs associated with bond issuance, which were previously included in the Principal and Interest Payments appropriation, must be classified and appropriated separately. Corresponding actions in the Principal and Interest Payments and Debt Service Reserve are recommended elsewhere in this report to offset this action.				
<i>Debt Service Reserve</i>	Airport		(\$4,669,917)	
This action decreases the Debt Service Reserve by \$4,669,917 to offset the actions recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT FISCAL AGENT FUND (525)				
<i>Earned Revenue</i>	Airport			\$144,836,295
<p>This action increases the Earned Revenue by \$144,836,295 to recognize proceeds from the issuance of Series 2014 Bonds. In August 2014, the City Council approved the issuance of the Series 2014A, Series 2014B, and Series 2014C Bonds (collectively, the "Series 2014 Bonds") to refund three series of outstanding City of San José Airport Revenue Bonds (Series 2001A Bonds, Series 2004C Bonds, and Series 2004D Bonds). A corresponding increase to the Principal and Interest Payments appropriation is also recommended to offset this action.</p>				
<i>Principal and Interest Payments</i>	Airport		\$148,485,631	
<p>This action increases the Principal and Interest Payments appropriation by \$148,485,631 to reflect the application of proceeds from the issuance of Series 2014 Bonds as well as the use of a portion of the Debt Service Reserve. This recommendation increases the Principal Payment by \$149,735,000 (from \$23,450,000 to \$173,185,000) to ensure sufficient funding is available to make the scheduled bond principal payment this year. This is partially offset by lower than anticipated Interest Payment of \$1,249,369 (from \$73,922,588 to \$72,673,219) due to lower interest rates. A corresponding decrease to the Debt Service Reserve is also recommended to partially offset this action.</p>				
TOTAL AIRPORT FISCAL AGENT FUND (525)			\$144,836,295	\$144,836,295
AIRPORT MAINT & OPER FUND (523)				
<i>Airport Non-Personal/Equipment (Air Service Development Consultants)</i>	Airport		\$55,000	
<p>This action increases the Non-Personal/Equipment appropriation to the Airport Department by \$55,000 for air service development consultant services. In August 2014, the City Council approved a three-year master agreement with Seabury APG and Avia Solutions to provide air service development services for the Norman Y. Mineta San José International Airport (SJC). This funding is necessary to complete the initial market analysis this year, which is critical to recruiting new airlines and bringing new air service to SJC. A corresponding decrease to the Operations Contingency appropriation is also recommended to offset this action.</p>				
<i>Operations Contingency</i>	Airport		(\$201,000)	
<p>This action decreases the Operations Contingency appropriation to offset the actions recommended in this report.</p>				
<i>Transfer to the General Fund for Police Services</i>	Airport		\$146,000	
<p>This action increases the Transfer to the General Fund for Police Services by \$146,000 to provide additional service hours at the Norman Y. Mineta San José International Airport. Due to the increased passenger activity, additional overtime hours for police officers at terminal security checkpoints are needed to ensure that necessary safety and security levels are maintained. A corresponding decrease to the Operations Contingency appropriation is also recommended to offset this action.</p>				
TOTAL AIRPORT MAINT & OPER FUND (523)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT REV BOND IMP FUND (526)				
<i>Ending Fund Balance Adjustment</i>	Airport Capital Program		\$1,311,000	
This action increases the Ending Fund Balance to offset the actions recommended in this report.				
<i>Federal Inspection Facility Sterile Corridor Extension</i>	Airport Capital Program		(\$1,161,000)	
This action decreases the Federal Inspection Facility Sterile Corridor Extension appropriation by \$1,161,000 (from \$1,949,000 to \$788,000) as grant funding has been secured to fund a portion of the project. The remaining funds reflect the local match portion of the project funding. FAA grant funding was awarded for the construction of a secure interior corridor connecting Terminal B Gates 17 and 18 to the ramp which leads deplaning international passengers to the U.S. Customs and Border Protection Document Examination Hall. Prior to the FAA award, this project was solely funded by this fund. A corresponding increase to the Ending Fund Balance is also recommended to offset this action.				
<i>Taxiway W Improvements</i>	Airport Capital Program		(\$285,000)	
This action eliminates the Taxiway W Improvements appropriation to reflect the completion of the project. A full length taxiway is now available to serve large aircraft on the Airport's Westside. A corresponding increase to the Ending Fund Balance is also recommended to offset this action.				
<i>Transfer to the Airport Surplus Revenue Fund</i>	Airport Capital Program		\$135,000	
This action establishes a Transfer to the Surplus Revenue Fund from the Airport Revenue Bond Improvement Fund in the amount of \$135,000 in order to repay outstanding Taxable Series C Commercial Paper. In 2013-2014, Airport received a partial refund from the American International Group for the Terminal Area Improvement Program (TAIP) Owner Controlled Insurance Program (OCIP) claims loss reserve, which was established with Taxable Series C Commercial Paper notes. This recommendation applies this refund to the Taxable Series C Commercial Paper Program previously used to fund the TAIP OCIP claims loss reserve. A corresponding decrease to the Ending Fund Balance is recommended to offset this action. In addition, a corresponding increase in the Airport Surplus Revenue Fund is also recommended in this report.				
TOTAL AIRPORT REV BOND IMP FUND (526)			\$0	\$0
AIRPORT SURPLUS REV FD (524)				
<i>Commercial Paper Principal and Interest/Transfer from the Airport Revenue Bond Improvement Fund</i>	Airport		\$135,000	\$135,000
This action increases the Commercial Paper Principal and Interest appropriation by \$135,000 and establishes a Transfer from the Airport Revenue Bond Improvement Fund to the Airport Surplus Revenue Fund to reflect the partial refund of Taxable Series C Commercial Paper notes used to establish the TAIP OCIP claims loss reserve. This recommendation applies this refund to the Taxable Series C Commercial Paper Program previously used to fund the TAIP OCIP claims loss reserve.				
TOTAL AIRPORT SURPLUS REV FD (524)			\$135,000	\$135,000

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
BENEFIT FUND (160)				
<i>401(a) Defined Contribution Retirement Plan/Transfers</i>	Human Resources		\$46,000	\$46,000
<p>This action increases the 401(a) Defined Contribution Retirement Plan appropriation for the Defined Contribution Retirement Plan for Unit 99 employees by \$46,000 (from \$45,000 to \$91,000) and corresponding revenue estimate for Transfers from various City Funds. Based on current tracking, it is anticipated that the City's contributions to the Tier 3 401(a) retirement plan will exceed the current budget due to an increase in newly hired employees in Unit 99 opting into Tier 3 in lieu of Tier 2B.</p>				
<i>Employee Assistance Program/Transfers</i>	Human Resources		\$25,000	\$25,000
<p>This action increases the Employee Assistance Program (EAP) appropriation and corresponding revenue estimate for Transfers from various City funds by \$25,000 (from \$550,000 to \$575,000). This reflects a higher number of filled positions, partially offset by a slight reduction in rates, than assumed in the development of the 2014-2015 Adopted Budget, generating additional costs to provide services that are supported by various City funds.</p>				
<i>FICA-Medicare/Transfers</i>	Human Resources		\$480,000	\$480,000
<p>This action increases the FICA-Medicare appropriation and corresponding revenue estimate for Transfers from various City Funds by \$480,000 (from \$6.58 million to \$7.06 million). This reflects a higher number of filled positions and higher salary costs than assumed in the development of the 2014-2015 Adopted Budget, generating additional costs that are supported by various City funds.</p>				
<i>General Employee Vision/Transfers</i>	Human Resources		\$5,000	\$5,000
<p>This action increases the General Employee Vision appropriation and corresponding revenue estimate for Transfers from various City funds by \$5,000 (from \$250,000 to \$255,000). This reflects a higher number of filled positions than assumed in the development of the 2014-2015 Adopted Budget, generating additional costs that are supported by various City funds.</p>				
<i>Health Plans/Transfers</i>	Human Resources		(\$4,000,000)	(\$4,000,000)
<p>This action decreases the Health Plans appropriation and corresponding revenue estimate for Transfers from various City funds by \$4.0 million (from \$49.7 million to \$45.7 million) as a result of a January 1, 2015 decrease to the lowest cost plan provided by the City's medical providers of approximately 4.5%. Corresponding adjustments throughout personal services expenditures are recommended elsewhere in this document.</p>				
<i>PTC 457/Transfers</i>	Human Resources		\$25,000	\$25,000
<p>This action increases the Part-Time, Temporary, and Contractual (PTC) 457 (Deferred Compensation Retirement Plan) appropriation and corresponding revenue estimate for Transfers from various City funds by \$25,000 (from \$950,000 to \$975,000) to reflect higher expenditures. PTC staffing levels are tracking above the estimate used in the development of the 2014-2015 Adopted Budget.</p>				
TOTAL BENEFIT FUND (160)			(\$3,419,000)	(\$3,419,000)

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
BLDG & STRUCT CONST TAX FD (429)				
<i>ITS: Transportation Incident Management Center</i>	Traffic Capital Program		\$650,000	
This action increases the ITS: Transportation Incident Management Center (TiMC) project by \$650,000 (from \$2.3 million to \$2.9 million) to ensure sufficient funding is available to award the first phase of the TiMC Event Tracking System Implementation agreement. This project, which is anticipated to be awarded by June 2015, provides the first level of software integration and interface work with Metropolitan Transportation Commission's (MTC) 511 freeway information system, first responder computer aided dispatch system, and commercially available real time traffic service applications. It is anticipated that additional funding for future phases of this project will be brought forward during the 2015-2016 Proposed Budget process. A corresponding action to decrease the Transportation Grants Reserve is recommended elsewhere in this report.				
<i>Safety - Traffic Signals Rehabilitation/Earned Revenue</i>	Traffic Capital Program		\$40,000	\$40,000
This action increases the Safety - Traffic Signals Rehabilitation project and the Earned Revenue estimate by \$40,000 (from \$650,000 to \$690,000) to recognize and allocate unanticipated funds received by Valley Transportation Authority (VTA) for the Cameleon Intelligent Transportation System (ITS) camera command and control software.				
<i>St. John Street Multimodal Improvements Phase I/Earned Revenue</i>	Traffic Capital Program		(\$750,000)	(\$750,000)
This action decreases the St. John Multimodal Improvements Phase I project and corresponding Earned Revenue estimate by \$750,000 (from \$2.3 million to \$1.6 million). During the environmental review phase of the project, it was determined that the portion of St. John Street between First Street and Montgomery Street was an archaeologically sensitive area that requires additional analysis. The project is therefore currently on hold pending Caltrans' approval of the Archaeological Survey Report and Extended Phase I Proposal. Based on the project timing, it is anticipated that the Federal Community Design and Transportation Grant revenue and project budget will be reallocated to 2015-2016 as part of the 2015-2016 Proposed Capital Budget.				
<i>Traffic Signal Improvement Program/Earned Revenue</i>	Traffic Capital Program		\$12,000	\$12,000
This action increases the Traffic Signal Improvement Program and corresponding Earned Revenue estimate in the amount of \$12,000 (from \$790,000 to \$802,000) to recognize and allocate unanticipated traffic signal controller fees that were collected from developers.				
<i>Transportation Grants Reserve</i>	Traffic Capital Program		(\$650,000)	
This action decreases the Transportation Grants Reserve by \$650,000. A corresponding action is recommended elsewhere in this report to re-allocate this funding to the ITS: Transportation Incident Management Center project.				
TOTAL BLDG & STRUCT CONST TAX FD (429)			(\$698,000)	(\$698,000)

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX PK CD 5 FUND (382)				
Ending Fund Balance Adjustment	Parks & Comm Fac Dev Capital Program		(\$105,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
Hillview Park Renovation	Parks & Comm Fac Dev Capital Program		\$105,000	
This action increases the Hillview Park Renovation project by \$105,000. The current project scope includes funding for the construction of an exercise path/track, exercise stations, a new youth lot, signage, and pathways. However, the tot lot at this park has recently burned down, therefore, additional project funding (\$60,000) is necessary to demolish the burned structure and install a new play structure and resilient rubber surfacing. Additionally, increased project funding (\$45,000) is recommended in this report, to widen the park pathway from four feet to eight feet and install landscaping, park benches, and trash receptacles that were not included in the initial project scope. A corresponding decrease to the Ending Fund Balance is recommended elsewhere in this report.				
TOTAL CONST/CONV TAX PK CD 5 FUND (382)			\$0	\$0
CONST/CONV TAX PK CD 9 FUND (388)				
Branham Park Playground Renovation	Parks & Comm Fac Dev Capital Program		\$14,000	
This action increases the Branham Park Playground Renovation project by \$14,000. Currently, a total of \$367,000 is allocated in the Subdivision Park Trust Fund for this project. An additional \$100,000 (\$86,000 in the Subdivision Park Trust Fund and \$14,000 in the Council District 9 Construction and Conveyance Tax Fund) is necessary to allow for additional input from the community and the Council District 9 Office to be incorporated into the project scope. The additional project elements include constructing fence improvements, renovating the play area and adding swings, planting additional shading trees, installing additional security lighting, and replacing the decomposed gravel pathway with a porous concrete. This action increases the project budget by \$14,000 in the Council District 9 Construction and Conveyance Tax Fund. An additional recommendation is included elsewhere in this report to allocate \$86,000 to the Branham Park Playground Renovation project in the Subdivision Park Trust Fund. A decrease to the Ending Fund Balance is recommended elsewhere in this report to offset this action.				
Ending Fund Balance Adjustment	Parks & Comm Fac Dev Capital Program		(\$14,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
TOTAL CONST/CONV TAX PK CD 9 FUND (388)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX SRVC YDS FD (395)				
Central Service Yard Real Estate Services	Service Yards Capital Program		\$25,000	
This action establishes a Central Service Yard Real Estate Services appropriation to the Office of Economic Development in the amount of \$25,000 to cover real estate services costs related to the sale of the City's 5.22 acre Former Corporation Yard located in Japantown between Taylor and Jackson Streets between Sixth and Seventh Streets.				
Ending Fund Balance Adjustment	Service Yards Capital Program		(\$25,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
TOTAL CONST/CONV TAX SRVC YDS FD (395)			\$0	\$0
CONSTRUCTION EXCISE TAX FD (465)				
Bicycle and Pedestrian Facilities	Traffic Capital Program		(\$169,000)	
This action decreases the Bicycle and Pedestrian Facilities allocation by \$169,000 (from \$3.6 million to \$3.5 million), which represents the local match funding for the Innovative Bicycle Detection System project. Due to lack of staffing resources available to support the implementation of the system, as well as the expiration of the consultant contract, the project is no longer moving forward. The MTC, however, approved the grant funding to be used for another purpose, which will be allocated as part of the Proposed 2016-2020 Capital Improvement Program. Corresponding adjustments to the estimate for Earned Revenue (-\$83,000), Innovative Bicycle Detection System (\$9,000), and the Ending Fund Balance (\$77,000) are recommended elsewhere in this report.				
Capital Program and Public Works Department Support Service Costs	Traffic Capital Program		\$250,000	
This action increases the Capital Program and Public Works Department Support Service Costs allocation by \$250,000 (from \$433,000 to \$683,000) due to current year costs being higher than anticipated. A corresponding decrease to the Ending Fund Balance is recommended elsewhere in this report.				
Earned Revenue (Innovative Bicycle Detention System)	Traffic Capital Program			(\$83,000)
This action eliminates the Earned Revenue estimate for the Climate Initiatives Fund for the Innovative Bicycle Detention System by \$83,000. Due to lack of staffing resources available to support the implementation of the system, as well as the expiration of the consultant contract, the project is no longer moving forward. The Metropolitan Transportation Commission, however, approved the grant funding to be used for another purpose, which will be allocated as part of the Proposed 2016-2020 Capital Improvement Program. Corresponding adjustments to the Innovative Bicycle Detection System (\$9,000), Bicycle and Pedestrian Facilities (-\$169,000) and the Ending Fund Balance (\$77,000) are recommended elsewhere in this report.				
Ending Fund Balance Adjustment	Traffic Capital Program		(\$363,000)	
This action adjusts the Ending Fund Balance to offset the actions recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONSTRUCTION EXCISE TAX FD (465)				
<i>Evergreen Traffic Impact Fees Reserve/Earned Revenue</i>	Traffic Capital Program		\$199,668	\$199,668
This action increases the Evergreen Traffic Impact Fees Reserve and corresponding Earned Revenue estimate by \$199,668 to reflect actual traffic impact fees collected from developers through December 2014. The use of these funds are restricted to traffic improvements within the Evergreen area and will be allocated as projects are identified.				
<i>Innovative Bicycle Detection System</i>	Traffic Capital Program		\$9,000	
This action increases the Innovative Bicycle Detention System appropriation in the amount of \$9,000, bringing the total current year appropriation to \$54,000. A total of \$53,197 was received by the Metropolitan Transportation Commission for the Innovative Bicycle Detection System project in prior years. However, due to lack of staffing resources available to support the implementation of the system, as well as the expiration of the consultant contract, the project is no longer moving forward and the grant funding is being returned. The Metropolitan Transportation Commission has approved the grant funding to be used for another purpose, which will be allocated as part of the Proposed 2016-2020 Capital Improvement Program. Corresponding adjustments to the Earned Revenue estimate (-\$83,000), Bicycle and Pedestrian Facilities (\$-169,000) and the Ending Fund Balance (\$77,000) are recommended elsewhere in this report.				
<i>Land Management and Weed Abatement</i>	Traffic Capital Program		\$150,000	
This action increases the Land Management and Weed Abatement allocation by \$150,000 (from \$205,000 to \$355,000), to ensure sufficient funding is available to award the contract for the weed abatement program. A corresponding action to decrease the Ending Fund Balance is recommended elsewhere in this report.				
<i>North San José Deficiency Plan Improvements/Earned Revenue</i>	Traffic Capital Program		\$227,000	\$227,000
This action increases the North San José Deficiency Plan Improvements appropriation and corresponding estimate for Earned Revenue by \$227,000 (from \$151,000 to \$378,000) to recognize unanticipated Public Works Deficiency Plan Mitigation fees that were collected from a developer.				
<i>North San José Traffic Impact Fees Reserve</i>	Traffic Capital Program		\$200,000	
This action increases the North San José Traffic Impact Fees Reserve by \$200,000 to reflect project savings in the Trail: Guadalupe River/Tasman Under-Crossing project. A corresponding decrease to the Trail: Guadalupe River/Tasman Under-Crossing project is reflected elsewhere in this report.				
<i>North San José Traffic Impact Fees Reserve/Earned Revenue</i>	Traffic Capital Program		\$5,047,761	\$5,047,761
This action increases the North San José Traffic Impact Fees Reserve and corresponding Earned Revenue estimate by \$5,047,761 to reflect actual traffic impact fees collected from developers through December 2014. The use of these funds are restricted to traffic improvements within the North San José area and will be allocated as projects are identified.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONSTRUCTION EXCISE TAX FD (465)				
<i>Pavement Maintenance - Measure B/Earned Revenue</i>	Traffic Capital Program		\$606,000	\$606,000
This action increases the Pavement Maintenance-Measure B project and corresponding Earned Revenue estimate by \$606,000 (from \$8.0 million to \$8.6 million) to recognize funds from the County of Santa Clara generated by Measure B vehicle registration fees, which are used to seal and resurface streets in the Priority Streets Network throughout the City.				
<i>Pedestrian Oriented Traffic Signals (OBAG)/Earned Revenue</i>	Traffic Capital Program		(\$1,000,000)	(\$1,000,000)
This action decreases the Pedestrian Oriented Traffic Signals (OBAG) project and corresponding estimate for Earned Revenue by \$1,000,000 (from \$3.0 million to \$2.0 million) due to delays in the design phase of the project. This project provides funding to implement traffic signal controlled crossings to promote the use of transit, walking, and biking as a primary transportation mode to nearby schools. The funding being reduced as part of this report is expected to be reallocated to 2015-2016 and 2016-2017 as part of the Proposed 2016-2020 Capital Improvement Program.				
<i>Route 101/Oakland/Mabury Traffic Impact Fees Reserve/Earned Revenue</i>	Traffic Capital Program		\$471,450	\$471,450
This action increases the Route 101/Oakland/Mabury Traffic Impact Fees Reserve and corresponding estimate for Earned Revenue by \$471,450 to reflect actual traffic impact fees collected from developers through December 2014. The use of these funds are restricted to traffic improvements within the Route 101/Oakland/Mabury area and will be allocated as projects are identified.				
<i>Safe Routes to School Program (OBAG)/Earned Revenue</i>	Traffic Capital Program		(\$500,000)	(\$500,000)
This action decreases the Safe Routes to School Program and corresponding estimate for Earned Revenue by \$500,000 (from \$742,000 to \$242,000) due to delays in the project. This funding is expected to be reallocated to 2015-2016 as part of the Proposed 2016-2020 Capital Improvement Program. Funding in 2015-2016 will be used to incorporate new schools, identify walking routes, and coordinate engineering improvements with the neighborhood traffic management team.				
<i>Traffic Signal Preventative Maintenance</i>	Traffic Capital Program		\$40,000	
This action increases the Traffic Signal Preventative Maintenance in the amount of \$40,000 (from \$350,000 to \$390,000) due to bids for the utility bucket truck purchase being higher than anticipated. A corresponding decrease to the Ending Fund Balance is recommended elsewhere in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONSTRUCTION EXCISE TAX FD (465)				
<i>Trail: Guadalupe River/Tasman Under-Crossing</i>	Traffic Capital Program		(\$200,000)	
<p>This action decreases the Trail: Guadalupe River/Tasman Under-Crossing by \$200,000 (from \$252,000 to \$52,000) to reflect project savings that resulted from construction bids being lower than anticipated. This project, which is funded by the Traffic Capital Program and the Parks and Community Facilities Development Capital Program, provides funding to elevate the Tasman under-crossing along the Guadalupe River Trail, as well as reconstruct the paved ramps leading to the under-crossing. A corresponding increase to the North San José Traffic Impact Fees Reserve is recommended elsewhere in this report.</p>				
TOTAL CONSTRUCTION EXCISE TAX FD (465)			\$4,968,879	\$4,968,879
CONV CTR FACIL DIST REV FD (791)				
<i>Convention Center Facilities District Revenue Fund/Earned Revenue</i>	Economic Development		\$1,168,000	\$1,168,000
<p>This action increases the Convention Center Facilities District Revenue Fund Earned Revenue by \$1.2 million (from \$11.1 million to \$12.3 million) due to increased Transient Occupancy Tax revenue receipts, which continue to track well above prior year actuals and current year budgeted levels. Based on year-to-date collections, it is currently estimated that revenue growth of approximately 10% from the 2013-2014 collection levels will be realized by year-end compared to a budgeted estimate of 5%. The additional revenue is recommended to be allocated to the Ending Fund Balance.</p>				
TOTAL CONV CTR FACIL DIST REV FD (791)			\$1,168,000	\$1,168,000
CONV/CULTURAL AFFAIRS FUND (536)				
<i>Ending Fund Balance Adjustment</i>	Economic Development		(\$400,000)	
<p>This action decreases the Ending Fund Balance to offset the actions recommended in this report.</p>				
<i>Rehabilitation/Repair - Miscellaneous</i>	Economic Development		\$350,000	
<p>This action increases the Rehabilitation/Repair - Miscellaneous appropriation by \$350,000 (from \$385,000 to \$735,000) to allow for the installation and monthly rental costs of temporary boilers at the convention center. Temporary boilers are required while the existing boilers are being fixed. A corresponding action to decrease the Ending Funding balance to cover these costs is also recommended elsewhere in this report.</p>				
<i>Workers' Compensation Claims</i>	Human Resources		\$50,000	
<p>This action increases the Workers' Compensation Claims appropriation by \$50,000 (from \$50,000 to \$100,000) to reflect increased workers' compensation payments. This action will ensure funding is available to pay potential workers' compensation claims in 2014-2015. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.</p>				
TOTAL CONV/CULTURAL AFFAIRS FUND (536)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
DOWNTOWN PBID FUND (302)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$31,200)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
<i>Transfer to the General Purpose Parking Fund (Downtown Public Toilets)</i>	Transportation		\$31,200	
This action establishes a Transfer to the General Purpose Parking Fund in the amount of \$31,200 to provide for the Downtown Property and Business Improvement District (PBID) Fund's share of a one-year agreement to operate and maintain the seven downtown public toilets. The City of San Jose has worked with the San Jose Downtown Property Owners Association, which manages the PBID, the Santa Clara Valley Transportation Agency (VTA), and Team San Jose to develop a one-year agreement to fund the public toilets while the City and Successor Agency decide on a more permanent solution. A corresponding decrease to Ending Fund Balance is also recommended elsewhere in this report.				
TOTAL DOWNTOWN PBID FUND (302)			\$0	\$0
ECON DEV ADMIN LOAN FUND (444)				
<i>Economic Development Administration Loan Payoff/Transfer from the General Fund</i>	Housing		\$180,000	\$165,000
This action increases the Small Business Loan appropriation by \$180,000 (from \$60,000 to \$240,000) and establishes a Transfer from the General Fund in the amount of \$165,000 to pay off a Federal Economic Development Administration (EDA) loan obligation. Under the City's Revolving Loan Fund Program, there remain 13 loans to small businesses that have been in default for over five years and are not expected to be repaid. The EDA has granted the Housing Department's request to voluntarily terminate the loans if the obligation associated with these loans is repaid. This repayment is necessary because the City did not meet the EDA's due diligence requirement to file a lien at the time the businesses filed for bankruptcy. The cost to pursue repayment in bankruptcy for these relatively small loans was a primary factor that impacted the City's ability to meet the EDA requirements. A corresponding decrease to Ending Fund Balance to support this action is also recommended elsewhere in this report.				
<i>Ending Fund Balance Adjustment</i>	Housing		(\$15,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
TOTAL ECON DEV ADMIN LOAN FUND (444)			\$165,000	\$165,000

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
EDW BYRNE MEMORIAL JAG FD (474)				
2012 Justice Assistance Grant/Earned Revenue	Police		\$523	\$523
<p>This action increases the 2012 Justice Assistance Grant appropriation and corresponding estimate for Earned Revenue to reflect previously unallocated interest earnings for the JAG 2012 grant in order to expend these funds by the spending deadline of September 30, 2015. The spending plan for this grant includes equipment as well as crime prevention and community education programs.</p>				
TOTAL EDW BYRNE MEMORIAL JAG FD (474)			\$523	\$523
GENERAL PURPOSE PARKING FD (533)				
Downtown Public Toilets	Transportation		\$156,000	
<p>This action establishes a Downtown Public Toilets appropriation in the amount of \$156,000 to provide funding for a one-year agreement to operate and maintain the seven downtown public toilets. The Successor Agency to the Redevelopment Agency (SARA) currently oversees the contract for the downtown public toilets and is not in the position to continue this service. The City of San Jose has worked with the San Jose Downtown Association (SJDA), the Santa Clara Valley Transportation Agency (VTA), and Team San Jose (TSJ) to develop a one-year agreement to fund the public toilets while the City and SARA explore a more permanent solution. The cost for the public toilets will be shared equally among the SJDA-managed Downtown Property and Business Improvement District Fund, VTA, TSJ, the General Purpose Parking Fund, and the Housing Trust Fund with each entity contributing \$31,200. The total cost of \$156,000 will be budgeted in the General Purpose Parking Fund, which will then be reimbursed in the amount of \$124,800 by the other partners for a net cost to the fund of \$31,200. A corresponding decrease to the Ending Fund Balance is recommended elsewhere in this report.</p>				
Earned Revenue (Downtown Public Toilets)	Transportation			\$62,400
<p>This action increases the estimate for Earned Revenue by \$62,400 for reimbursements from the Santa Clara Valley Transportation Agency (VTA) and Team San Jose (TSJ) for their shares of a one-year agreement to operate and maintain the seven downtown public toilets. The Successor Agency to the Redevelopment Agency (SARA) currently oversees the contract for the downtown public toilets and is not in the position to continue this service. The VTA and TSJ will each contribute \$31,200.</p>				
Ending Fund Balance Adjustment	Transportation		(\$31,200)	
<p>This action decreases the Ending Fund Balance to offset the action recommended in this document.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
GENERAL PURPOSE PARKING FD (533)				
<i>Successor Agency to the Redevelopment Agency/Earned Revenue</i>	Transportation		\$50,000	\$50,000
<p>This action increases the Successor Agency to the Redevelopment Agency (SARA) (Parking Lot Revenue) appropriation by \$50,000 (from \$220,000 to \$270,000) and corresponding estimate for Earned Revenue to allow for reimbursements to SARA from revenues received for operations at the following SARA-owned parking lots that are managed by the City: Bassett/San Pedro, Almaden/Balbach, and South Hall. It was anticipated that the operations for SARA-owned parking lots would be transitioned to SARA early in the 2014-2015 fiscal year; however, delays in the transition have resulted in the Parking Fund receiving additional revenue that needs to be transferred to SARA. The City transfers to SARA the same amount of revenue that is received from the parking lots.</p>				
<i>Transfer from the Downtown Property and Business Improvement District Fund (Downtown Public Toilets)</i>	Transportation			\$31,200
<p>This action increases the estimate for Transfers and Reimbursements by \$31,200 to reflect the transfer from the Downtown Property and Business Improvement District (PBID) Fund for its share of a one-year agreement to operate and maintain the seven downtown public toilets. The City of San Jose has worked with the San Jose Downtown Association (SJDA), which manages the PBID, the Santa Clara Valley Transportation Agency (VTA), and Team San Jose to develop a one-year agreement to fund the public toilets while the City and the Successor Agency to the Redevelopment Agency (SARA) explore a more permanent solution.</p>				
<i>Transfer from the Housing Trust Fund (Downtown Public Toilets)</i>	Transportation			\$31,200
<p>This action increases the estimate for Transfers and Reimbursements by \$31,200 to reflect the transfer from the Housing Trust Fund for its share of a one-year agreement to operate and maintain the seven downtown public toilets. The City of San Jose has worked with the San Jose Downtown Association (SJDA), the Santa Clara Valley Transportation Agency (VTA), and Team San Jose to develop a one-year agreement to fund the public toilets while the City and the Successor Agency to the Redevelopment Agency (SARA) explore a more permanent solution.</p>				
TOTAL GENERAL PURPOSE PARKING FD (533)			\$174,800	\$174,800
GIFT TRUST FUND (139)				
<i>Books for Little Hands/Earned Revenue</i>	Library		\$2,000	\$2,000
<p>This action increases the Books for Little Hands appropriation and Earned Revenue estimate to recognize and appropriate a \$2,000 gift made by the San Jose Public Library Foundation in support of the Books and More! Family Kits. Books and More! is a comprehensive early literacy program for pre-school children and consists of a clear plastic backpack filled with bilingual books for preschool-age developing readers, along with a music CD, parenting tips DVD, and an age-appropriate toy related to the theme of the books.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
GIFT TRUST FUND (139)				
<i>Library - General Gifts/Earned Revenue</i>	Library		\$37,902	\$37,902
<p>This action increases the Library - General Gifts appropriation and corresponding estimate for Earned Revenue to recognize and appropriate gifts made by various donors, including, but not limited to, the City of San José District 3, Friends of the Library groups, and the San José Library Foundation, in support of the following: Almaden Branch Library for programming, supplies, and materials (\$10,000); Alum Rock Branch Library for programming, supplies, and materials (\$2,200); Bascom Branch Library for programming, supplies, and materials (\$1,300); Berryessa Branch Library for programming, supplies, and materials (\$1,500); Biblioteca Latinoamericana Branch Library for programming, supplies, and materials (\$1,250); East Carnegie Branch Library for programming, supplies, and materials (\$4); Edenvale Branch Library for programming, supplies, and materials (\$2,459); Educational Park Branch Library for programming, supplies, and materials (\$100); Evergreen Branch Library for programming, supplies, and materials (\$1,500); Hillview Branch Library for programming, supplies, and materials (\$500); Joyce Ellington Branch Library for programming, supplies, and materials (\$1,220); Rose Garden Branch Library for programming, supplies, and materials (\$231); Santa Teresa Branch Library for programming, supplies, and materials (\$1,390); Tully Branch Library for programming, supplies, and materials (\$1,517); Vineland Branch Library for programming, supplies, and materials (\$1,240); West Valley Branch Library for programming, supplies, and materials (\$8,000); and Willow Glen Branch Library for programming, supplies, and materials (\$1,845). This action also increases the Library - General Gifts appropriation and corresponding estimate for Earned Revenue to recognize and appropriate \$1,646 received from various vendors for space rented and vending commissions in branch libraries to be used for programming, supplies, and materials.</p>				
<i>Library Literacy Project/Earned Revenue</i>	Library		\$2,200	\$2,200
<p>This action increases the Library Literacy Project appropriation and the corresponding estimate for Earned Revenue to recognize and appropriate \$1,200 from donors and a \$1,000 gift made by the San Jose Public Library Foundation in support of Partners in Reading. Partners in Reading provides free one-to-one and small group tutoring for adults whose reading or writing skills are below the ninth grade level.</p>				
TOTAL GIFT TRUST FUND (139)			\$42,102	\$42,102
HOME INVEST PART PROG FUND (445)				
<i>Ending Fund Balance Adjustment</i>	Housing		(\$100,000)	
<p>This action decreases the Ending Fund Balance by \$100,000 to offset the action recommended in this report.</p>				
<i>Housing Department Personal Services</i>	Housing		\$100,000	
<p>This action increases the Housing Department's Personal Services appropriation by \$100,000 (from \$516,000 to \$616,000) to offset expenditures related to the Japantown Seniors and Donner Lofts projects in the HOME Investment Partnership Program Fund.</p>				
TOTAL HOME INVEST PART PROG FUND (445)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
HOUSING TRUST FUND (440)				
<i>Ending Fund Balance Adjustment</i>	Housing		\$158,800	
This action increases the Ending Fund Balance to offset the actions recommended in this report.				
<i>Housing Department Non-Personal/Equipment (Accounting Services)</i>	Housing		\$10,000	
This action increases the Housing Department's Non-Personal/Equipment appropriation by \$10,000 (from \$50,000 to \$60,000) to offset accounting expenses associated with assessing the finances of non-profit agencies facing financial difficulties. A corresponding decrease to the Ending Fund Balance is also recommended elsewhere in this report.				
<i>Housing and Homeless Projects</i>	Housing		\$1,500,000	
This action increases the Housing and Homeless Projects appropriation by \$1.5 million (from \$600,000 to \$2.1 million) to fund homeless support projects, including a potential pilot Safe Parking Program, as well as costs associated with providing technical assistance and support to non-profit homeless agencies facing financial difficulties. A corresponding increase to the Transfer from the Multi-Source Housing Fund is also recommended elsewhere in this report.				
<i>Housing and Homeless Projects/Earned Revenue</i>	Housing		\$2,600,000	\$2,600,000
This action increases the Housing and Homeless Projects appropriation and corresponding estimate for Earned Revenue by \$2.6 million to fund the development of homeless housing opportunities, including the funding of a potential pilot master lease hotel/motel program. The Earned Revenue increase recognizes \$2.6 million from the Century Court high-rise residential development in North San José.				
<i>Transfer from the Multi-Source Housing Fund</i>	Housing			\$1,700,000
This action establishes a Transfer from the Multi-Source Housing Fund in the amount of \$1.7 million. In 2012-2013 the City received \$5.1 million from a Children's Shelter settlement. This action transfers \$1.7 million of the \$5.1 million received to properly account for County bond obligations associated with the project that were repaid and must be treated like low and moderate income housing assets when committed in the future for affordable housing projects. These funds are recommended to be allocated to the Housing and Homeless Projects appropriation (\$1.5 million) and the Ending Fund Balance (\$200,000) as described elsewhere in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
HOUSING TRUST FUND (440)				
<i>Transfer to the General Purpose Parking Fund (Downtown Public Toilets)</i>	Housing		\$31,200	
<p>This action establishes a Transfer to the General Purpose Parking Fund in the amount of \$31,200 to fund a portion of a one-year agreement to operate and maintain the seven downtown public toilets. The City of San José has worked with the San José Downtown Property and Business Improvement District (PBID), the Santa Clara Valley Transportation Agency (VTA), and Team San Jose to develop a one-year agreement to fund the public toilets while the City and Successor Agency to the Redevelopment Agency (SARA) explore a more permanent solution. A corresponding decrease to the Ending Fund Balance is also recommended in this report.</p>				
TOTAL HOUSING TRUST FUND (440)			\$4,300,000	\$4,300,000
ICE CENTRE REVENUE FUND (432)				
<i>Ending Fund Balance Adjustment</i>	Finance		(\$448,137)	
<p>This action decreases the Ending Fund Balance to offset the action recommended in this report.</p>				
<i>Previously Approved Repairs Reserve</i>	Finance		\$448,137	
<p>This action increases the Previously Approved Repairs Reserve to set aside funding for capital repairs at Shark's Ice at San José that were approved for 2013-2014 and budgeted in the Ice Centre Revenue Fund, but were inadvertently omitted from the reserve as part of the reconciliation included in the 2013-2014 Annual Report. Authorized repairs included in this amount consist of electrical, mechanical, miscellaneous, structures, and unanticipated/emergency repairs. Once actual expenditures are incurred and submitted by the Sharks Ice Center at San José for reimbursement, recommended actions to liquidate and appropriate the funding in this reserve will be brought forward for City Council approval.</p>				
TOTAL ICE CENTRE REVENUE FUND (432)			\$0	\$0
INTEGRATED WASTE MGT FUND (423)				
<i>Ending Fund Balance Adjustment</i>	Environmental Services		(\$47,000)	
<p>This action decreases the Ending Fund Balance by \$47,000 to offset the actions recommended in this report.</p>				
<i>Workers' Compensation Claims</i>	Human Resources		\$25,000	
<p>This action increases the Workers' Compensation Claims appropriation by \$25,000 (from \$40,000 to \$65,000) to reflect increased workers' compensation payments. This action will ensure funding is available to pay potential workers' compensation claims in 2014-2015. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
INTEGRATED WASTE MGT FUND (423)				
<i>Capital Program and Public Works Department Support Service Costs</i>	Public Works		\$22,000	
This action establishes the Capital Program and Public Works Department Support Service Costs appropriation in the amount of \$22,000. During the 2014-2015 Adopted Budget process, necessary funding for this appropriation was inadvertently omitted. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.				
TOTAL INTEGRATED WASTE MGT FUND (423)			\$0	\$0
LIFE INSURANCE FUND (156)				
<i>Insurance Premiums/Earned Revenue</i>	Human Resources		\$35,000	\$35,000
This action increases the Insurance Premiums appropriation for life insurance premiums and corresponding estimate for Earned Revenue from plan participant contributions by \$35,000 (from \$595,000 to \$630,000) as a result of increased participation in the voluntary supplemental plans and increases to the costs associated with administering the life insurance benefit.				
<i>Insurance Premiums/Transfers</i>	Human Resources		\$65,000	\$65,000
This action increases the Insurance Premiums appropriation for life insurance premiums and corresponding revenue estimate for Transfers from various City funds by \$65,000 (from \$380,000 to \$445,000) as a result of a 29% rate increase effective January 1, 2015 and increases to the costs associated with administering the life insurance benefit.				
TOTAL LIFE INSURANCE FUND (156)			\$100,000	\$100,000
LOW/MOD INCOME HSNB ASSET FD (346)				
<i>City Attorney's Office Personal Services</i>	City Attorney		\$175,000	
This action increases the City Attorney's Office (CAO) Personal Services appropriation by \$175,000 (from \$594,000 to \$769,000) to reflect higher than anticipated expenditures for legal services in the Low and Moderate Income Housing Asset Fund. A corresponding decrease to the Ending Fund Balance is also recommended in this report.				
<i>Ending Fund Balance Adjustment</i>	Housing		(\$375,000)	
This action decreases the Ending Fund Balance to offset the actions recommended in this report.				
<i>Housing Department Non-Personal/Equipment (High Density File Storage)</i>	Housing		\$40,000	
This action increases the Housing Department's Non-Personal/Equipment appropriation by \$40,000 to fund a high density file storage system to consolidate various housing legal records and reduce the floor space it occupies on the 12th floor by 33%. A corresponding decrease to the Ending Fund Balance is also recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
LOW/MOD INCOME HSNB ASSET FD (346)				
<i>Housing Pre-development Activities</i>	Housing		\$160,000	
This action establishes a Housing Pre-development Activities appropriation in the amount of \$160,000 to offset personal services and contractual expenses associated with conducting due diligence to acquire land at surplus SARA sites and to initiate pre-development staff work at additional sites to be developed into affordable housing. A corresponding decrease to the Ending Fund Balance is also recommended in this report.				
<i>Housing Project Reserve/Earned Revenue</i>	Housing		\$1,500,000	\$1,500,000
This action increases the Housing Project Reserve in the Low and Moderate Income Housing Asset Fund to be used for future housing development grants. In addition, this action increases the corresponding Earned Revenue estimate by \$1.5 million to reflect higher than anticipated loan principal and interest payments.				
<i>Housing Project Reserve/Transfer from Multi-Source Housing Fund</i>	Housing		\$1,826,000	\$1,826,000
This action increases the Housing Project Reserve in the Low and Moderate Income Housing Asset Fund by \$1.8 million for future affordable housing projects. In 2012-2013, the City received \$5.1 million in a Children's Shelter settlement. This action transfers \$1.8 million of the \$5.1 million received to properly account for County bond obligations associated with the project that were repaid and must be treated like low and moderate income housing assets when committed in the future for affordable housing projects. Corresponding actions in the Multi-Source Housing Fund where the Children's Shelter settlement funding was originally booked are also included elsewhere in this report, including a Transfer to the Low and Moderate Income Housing Asset Fund.				
TOTAL LOW/MOD INCOME HSNB ASSET FD (346)			\$3,326,000	\$3,326,000
M.D. #19 RIVER OAKS FUND (359)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$30,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
<i>Transportation Department Non-Personal/Equipment</i>	Transportation		\$30,000	
This action increases the Non-Personal/Equipment appropriation in Maintenance Assessment District #19 (River Oaks) by \$30,000 (from \$160,000 to \$190,000) to fund higher than budgeted maintenance costs for baseline service levels. The contract for this district is renewed in November and the new amounts were not known during the development of the 2014-2015 Adopted Budget. A corresponding decrease to the Ending Fund Balance is also recommended to offset this action.				
TOTAL M.D. #19 RIVER OAKS FUND (359)			\$0	\$0
M.D. #2 TRADE ZONE/LUNDY FD (354)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$40,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
M.D. #2 TRADE ZONE/LUNDY FD (354)				
<i>Transportation Department Non-Personal/Equipment</i>	Transportation		\$40,000	
<p>This action increases the Non-Personal/Equipment appropriation in Maintenance Assessment District #2 (Trade Zone/Lundy) by \$40,000 (from \$111,000 to \$151,000) to fund the conversion of the current landscaping to drought tolerant plant material and the installation of a water efficient irrigation system. The project is eligible for a rebate of \$20,000 from the Santa Clara Valley Water District that will reimburse 50% of the project cost. The rebate is anticipated to be received this fiscal year, but due to potential uncertainty in the timing of the rebate, a corresponding decrease to the Ending Fund Balance for the full project cost is also recommended to offset this action.</p>				
TOTAL M.D. #2 TRADE ZONE/LUNDY FD (354)			\$0	\$0
M.D. #21 GATEWAY FUND (356)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$100,000)	
<p>This action decreases the Ending Fund Balance to offset the action recommended in this report.</p>				
<i>Transportation Department Non-Personal/Equipment</i>	Transportation		\$100,000	
<p>This action increases the Non-Personal/Equipment appropriation in Maintenance Assessment District #21 (Gateway) by \$100,000 (from \$208,000 to \$308,000) to fund the conversion of the current landscaping to drought tolerant plant material. The project has been delayed due to staff turnover but is now ready to begin. A corresponding decrease to the Ending Fund Balance is also recommended to offset this action.</p>				
TOTAL M.D. #21 GATEWAY FUND (356)			\$0	\$0
M.D. #5 ORCH PKY-PLUMRIA FD (357)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$20,000)	
<p>This action decreases Ending Fund Balance to offset the action recommended in this document.</p>				
<i>Transportation Department Non-Personal/Equipment</i>	Transportation		\$20,000	
<p>This action increases the Non-Personal/Equipment appropriation in Maintenance Assessment District #5 (Orchard/Plumeria) by \$20,000 (from \$103,000 to \$123,000) to fund the conversion of the current landscaping to drought tolerant plant material and the installation of a water efficient irrigation system. The project is eligible for a rebate from the Santa Clara Valley Water District that will reimburse a portion of the project cost. The rebate is anticipated to be received this fiscal year, but because the timing of when the rebate will be received is uncertain, a corresponding decrease to the Ending Fund Balance for the full project cost is also recommended to offset this action.</p>				
TOTAL M.D. #5 ORCH PKY-PLUMRIA FD (357)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
M.D. #9 S TERESA/GRT OAKS FD (362)				
Ending Fund Balance Adjustment	Transportation		(\$40,000)	
This action decreases the Ending Fund Balance to offset the action recommended in this report.				
Transportation Department Non-Personal/Equipment	Transportation		\$40,000	
This action increases the Non-Personal/Equipment appropriation in Maintenance Assessment District #9 (Santa Teresa/Great Oaks) by \$40,000 (from \$114,000 to \$154,000) to fund higher than budgeted maintenance costs for baseline service levels. The contract for this district is renewed in November and the new amounts were not known during the development of the 2014-2015 Adopted Budget. A corresponding decrease to the Ending Fund Balance is also recommended to offset this action.				
TOTAL M.D. #9 S TERESA/GRT OAKS FD (362)			\$0	\$0
MULTI-SOURCE HOUSING FD (448)				
Emergency Shelter Grants/Earned Revenue	Housing		\$146,287	\$146,287
This action increases the Emergency Shelter Grants appropriation and corresponding estimate for Earned Revenue by \$146,287 (from \$630,000 to 776,000) to fund winter shelter operations. The Department of Housing and Urban Development notified the City that unspent funds from the City's 2010 grant are available for shelter grants with a spending deadline of April 2015.				
Ending Fund Balance Adjustment	Housing		(\$25,000)	
This action decreases the Ending Fund Balance to offset the actions recommended in this report.				
HOPWA Grants/Earned Revenue	Housing		\$6,252	\$6,252
This action increases the HOPWA Grants appropriation and corresponding estimate for Earned Revenue by \$6,252 (from \$862,000 to \$868,000) to align the budget with the remaining grant balance.				
HOPWA SHAPPS/Earned Revenue	Housing		\$12,000	\$12,000
This action increases the HOPWA SHAPPS appropriation to the Housing Department and corresponding estimate for Earned Revenue by \$12,000 (from \$440,000 to \$452,000) to align the budget and the Federal reimbursement with the remaining grant balance. In 2013-2014, the City received a \$1.3 million grant to be spent over three years for the Housing Opportunities for Persons with AIDS (HOPWA) Permanent Supporting Housing program.				
Housing Department Non-Personal/Equipment (Contractual Services)	Housing		\$25,000	
This action increases the Housing Department's Non-Personal/Equipment appropriation by \$25,000 (from \$420,000 to \$445,000) for contractual services to conduct additional research related to the Housing Impact Fee, as directed by the City Council on November 18, 2014.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
MULTI-SOURCE HOUSING FD (448)				
<i>Housing Project Reserve</i>	Housing		(\$3,526,000)	
This action decreases the Housing Project Reserve to transfer \$3.5 million of the \$5.1 million received in 2012-2013 in a Children's Shelter settlement. This action is necessary to properly account for County bond obligations associated with the project that were repaid and must be treated like low and moderate income housing assets when committed in the future for affordable housing projects. Associated transfers to the Housing Trust Fund and the Low and Moderate Income Housing Asset Fund are also recommended in this report.				
<i>Transfer to the Housing Trust Fund</i>	Housing		\$1,700,000	
This action establishes a Transfer to the Housing Trust Fund to transfer \$1.7 million of the \$5.1 million received in 2012-2013 from a Children's Shelter settlement. This action is necessary to properly account for County bond obligations associated with the project that were repaid and must be treated like low and moderate income housing assets when committed in the future for affordable housing projects.				
<i>Transfer to the Low and Moderate Income Housing Asset Fund</i>	Housing		\$1,826,000	
This action establishes a Transfer to the Low and Moderate Income Housing Asset Fund to transfer \$1.8 million of the \$5.1 million received in 2012-2013 from a Children's Shelter settlement. This action is necessary to properly account for County bond obligations associated with the project that were repaid and must be treated like low and moderate income housing assets when committed in the future for affordable housing projects.				
TOTAL MULTI-SOURCE HOUSING FD (448)			\$164,539	\$164,539
MUNICIPAL GOLF COURSE FUND (518)				
<i>Ending Fund Balance Adjustment</i>	Parks, Rec, & Neigh Svcs		(\$25,000)	
This action decreases the Ending Fund Balance to offset the actions recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary

2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
MUNICIPAL GOLF COURSE FUND (518)				
<i>Los Lagos Golf Course/Earned Revenue</i>	Parks, Rec, & Neigh Svcs		\$275,000	(\$50,000)
<p>This action increases the Los Lagos Golf Course appropriation by \$275,000 (from \$275,000 to \$550,000) and eliminates the Los Lagos Golf Course Earned Revenue estimate of \$50,000 in the Municipal Golf Course Fund. The appropriation covers payments to the course operator in months when course fees are unable to cover the fixed costs of operating the facility. These payments are tracking to exceed the budget due to larger operating losses. The 2014-2015 revenue estimate reflects the projected net revenues in some months when revenues were expected to exceed expenses and was originally built on the assumption that revenue collections at Los Lagos would remain flat at the 2011-2012, 2012-2013, and the 2013-2014 modified revenue estimate levels. However, actual performance in 2014-2015 fell below expectations, with no net revenues collected through December. The downward trend in revenue combined with the upward trend in expenditures experienced in 2014-2015 at Los Lagos supports the need for these budget adjustments. Elsewhere in this report, an increase to the Transfer from the General Fund and a decrease to the Ending Fund Balance are also recommended to offset these actions. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, a review of the Municipal Golf Course Fund has been approved to be in the City Auditor's 2014-2015 Audit Work Plan.</p>				
<i>Transfer from the General Fund</i>	Parks, Rec, & Neigh Svcs			\$300,000
<p>This action increases the Transfer to the Municipal Golf Course Fund from the General Fund by \$300,000 (from \$1.9 million to \$2.2 million), bringing the General Fund subsidy level above the 2013-2014 level of \$2.0 million. During 2014-2015, performance in the Municipal Golf Course Fund has not been meeting expectations, primarily due to lower activity and higher costs at the Los Lagos Golf Course. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at Los Lagos Golf Course could total \$550,000 at year-end. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, a review of the Municipal Golf Course Fund has been approved to be in the City Auditor's 2014-2015 Audit Work Plan. To account for actual performance in this Fund, this action recommends an increase to the transfer to the Municipal Golf Course Fund from the General Fund to ensure sufficient fund balance remains in 2014-2015. This increase would add to the \$300,000 increase approved as part of the 2013-2014 Annual Report actions.</p>				
TOTAL MUNICIPAL GOLF COURSE FUND (518)			\$250,000	\$250,000

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
NEIGHBHD SECURITY BOND FD (475)				
<i>Earned Revenue</i>	Public Safety Capital Program			\$525,000
This action increases the Earned Revenue estimate by \$525,000 (from \$3.3 million to \$3.9 million). This adjustment is recommended to recognize a payment received by the City related to the construction of Fire Station 24 and the settlement agreement reached between The Guarantee Company of North America and the City of San José.				
<i>Ending Fund Balance Adjustment</i>	Public Safety Capital Program		\$475,000	
This action increases the Ending Fund Balance by \$475,000 to offset the actions recommended in this report.				
<i>South San José Police Substation</i>	Public Safety Capital Program		\$50,000	
This action increases the South San José Police Substation appropriation by \$50,000 (from \$105,000 to \$155,000) in order to fund continued work resolving outstanding issues related to the design of the South San José Police Substation by the Public Works Department. An action to increase Earned Revenue is recommended above to offset this action.				
TOTAL NEIGHBHD SECURITY BOND FD (475)			\$525,000	\$525,000
PARKS & REC BOND PROJ FD (471)				
<i>Arcadia Softball Complex</i>	Parks & Comm Fac Dev Capital Program		\$244,000	
This action increases the Arcadia Softball Complex project by \$244,000. A corresponding action is recommended elsewhere in this report to eliminate the Softball Complex Design allocation. These actions allow for all costs related to the design and construction of the Arcadia Softball Complex to be consolidated into one appropriation.				
<i>Softball Complex Design</i>	Parks & Comm Fac Dev Capital Program		(\$244,000)	
This action eliminates the Softball Complex Design allocation. A corresponding action to allocate this funding to the Arcadia Softball Complex project is recommended elsewhere in this report. These actions allow for all costs related to the design and construction of the Arcadia Softball Complex to be consolidated into one appropriation.				
TOTAL PARKS & REC BOND PROJ FD (471)			\$0	\$0
STORM SEWER OPERATING FD (446)				
<i>Ending Fund Balance Adjustment</i>	Environmental Services		(\$100,000)	
This action decreases the Ending Fund Balance by \$100,000 to offset the action recommended in this report.				
<i>Workers' Compensation Claims</i>	Human Resources		\$100,000	
This action increases the Workers' Compensation Claims appropriation by \$100,000 (from \$86,000 to \$186,000) to reflect increased workers' compensation payments. This action will ensure funding is available to pay current and potential workers' compensation claims in 2014-2015. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.				
TOTAL STORM SEWER OPERATING FD (446)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SUBDIVISION PARK TRUST FUND (375)				
<p><i>Bramhall Park Restroom and Concession Building</i></p> <p>This action establishes the Bramhall Park Restroom and Concession Building project. This project provides funding for the design of a new restroom/concession/storage building at Branham Park, which will be approximately 1,100 square feet. It is anticipated the design work will be completed by late June and construction will begin in summer 2015. A corresponding action to decrease the Bramhall Park Restroom and Concession Building Reserve is recommended elsewhere in this report.</p>	Parks & Comm Fac Dev Capital Program		\$120,000	
<p><i>Bramhall Park Restroom and Concession Building Reserve</i></p> <p>This action decreases the Bramhall Park Restroom and Concession Building Reserve by \$120,000. A corresponding recommendation is included in this report to allocate this funding to the Bramhall Park Restroom and Concession Building project.</p>	Parks & Comm Fac Dev Capital Program		(\$120,000)	
<p><i>Branham Park Playground Renovation</i></p> <p>This action increases the Branham Park Playground Renovation project by \$86,000. Currently, a total of \$367,000 is allocated in the Subdivision Park Trust Fund for this project. An additional \$100,000 (\$86,000 in the Subdivision Park Trust Fund and \$14,000 in the Council District 9 Construction and Conveyance Tax Fund) is necessary to allow for additional input from the community and the Council District 9 Office to be incorporated into the project scope. The additional project elements include constructing fence improvements, renovating the play area and adding swings, planting additional shading trees, installing additional security lighting, and replacing the decomposed gravel pathway with a porous concrete. This action increases the project budget by \$86,000 in the Subdivision Park Trust Fund. An additional recommendation is included elsewhere in this report to allocate \$14,000 to the Branham Park Playground Renovation project in the Council District 9 Construction and Conveyance Tax Fund. A decrease to the Future PDO/PIO Projects Reserve is recommended elsewhere in this report to offset this action.</p>	Parks & Comm Fac Dev Capital Program		\$86,000	
<p><i>Essex Park</i></p> <p>This action establishes a new allocation totaling \$140,000 for Essex Park. This action provides funding to hire a consultant to develop a master plan and design the new 2.4 acre neighborhood park, which is located in Council District 4. It is anticipated that additional funding for the construction of the Essex Park will be allocated through the 2015-2016 Proposed Capital Budget. Corresponding actions to decrease the Essex Park Master Plan (\$40,000) and Essex Park Development Reserve (\$100,000) are recommended elsewhere in this report.</p>	Parks & Comm Fac Dev Capital Program		\$140,000	
<p><i>Essex Park Development Reserve</i></p> <p>This action decreases the Essex Park Development Reserve by \$100,000. A corresponding recommendation is included in this report to allocate this funding for master planning and design costs associated with the development of Essex Park.</p>	Parks & Comm Fac Dev Capital Program		(\$100,000)	

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SUBDIVISION PARK TRUST FUND (375)				
<i>Essex Park Master Plan</i>	Parks & Comm Fac Dev Capital Program		(\$40,000)	
This action eliminates the Essex Park Master Plan project. A corresponding recommendation is included in this report to allocate this funding for master planning and design costs associated with the development of Essex Park.				
<i>Future PDO/PIO Projects Reserve</i>	Parks & Comm Fac Dev Capital Program		(\$86,000)	
This action decreases the Future PDO/PIO Projects Reserve by \$86,000 to offset actions recommended in this report.				
<i>Richardson Park Design Review and Inspection/Earned Revenue</i>	Parks & Comm Fac Dev Capital Program		\$261,000	\$261,000
This action establishes a new allocation totaling \$261,000 for design review and inspection costs related to Richardson Park. Once completed, the 2.0 acre neighborhood park will include volleyball and basketball courts, picnic areas with barbecues, shade structures, a large open turf, game tables, and a performance art stage or platform. As fulfillment of its parkland dedication ordinance obligation, Richardson Park is being designed and constructed by a developer, with the developer also providing funding to the City for the design review and inspection of the park. A corresponding action is recommended to recognize the revenue received from the developer for these costs.				
TOTAL SUBDIVISION PARK TRUST FUND (375)			\$261,000	\$261,000
SUPPL LAW ENF SVCES FUND (414)				
<i>SLES Grant 2013-2015/Earned Revenue</i>	Police		\$232,482	\$232,482
This action recognizes and appropriates payments from the State of California for the 2013-2015 SLES Grant (\$232,482). Funding will be used in accordance with the spending plan that was approved by the City Council on March 25, 2014. The spending plan allocates funding for department technology upgrades, officer safety equipment, substation Furniture, Fixtures, & Equipment (FF&E), and grant administration.				
TOTAL SUPPL LAW ENF SVCES FUND (414)			\$232,482	\$232,482
TRANSIENT OCCUPANCY TX FD (461)				
<i>Cultural Grants</i>	Economic Development		(\$65,000)	
This action decreases the Cultural Grants appropriation by \$65,000 (from \$5.7 million to \$5.6 million) to fund two temporary positions, from the Cultural Grants Administration appropriation, through June 30, 2015. Due to urgent cultural facility needs, such as the Repertory Theater bankruptcy, the Children's Discovery Museum expansion, and Council-directed projects such as the Levitt Pavilion exploratory work, core cultural workplan priorities have been delayed. These positions will enable staff to focus on high level cultural priorities. A corresponding action to increase the Cultural Grants Administration appropriation is recommended to offset this action.				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
TRANSIENT OCCUPANCY TX FD (461)				
<i>Cultural Grants Administration</i>	Economic Development		\$65,000	
<p>This action increases the Cultural Grants Administration appropriation by \$65,000 (from \$1.57 million to \$1.65 million) to fund two temporary positions through June 30, 2015. Due to urgent cultural facility needs, such as the Repertory Theater bankruptcy, the Children’s Discovery Museum expansion, and Council-directed projects such as the Levitt Pavilion exploratory work, core cultural workplan priorities have been delayed. These positions will enable staff to focus on high level cultural priorities. A corresponding action to decrease the Cultural Grants appropriation is recommended to offset this action.</p>				
<i>Future Distribution Reserve/Earned Revenue</i>	Revenue Adjustments		\$1,942,000	\$1,942,000
<p>This action establishes a reserve in the Transient Occupancy Tax Fund in the amount of \$1.9 million for future distribution to the following: the Convention and Cultural Affairs Fund (\$971,000), San José Convention and Visitors Bureau (\$485,500), and the Cultural Grants appropriation (\$485,500). Also recommended is an action to increase the Transient Occupancy Tax Earned Revenue estimate by \$1.9 million (from \$17.7 million to \$19.6 million) due to increased Transient Occupancy Tax revenue receipts, which continue to track well above prior year and current budgeted levels. Based on year-to-date collections, it is currently estimated that revenue growth of approximately 10% from the 2013-2014 collection levels will be realized by year-end compared to a budgeted estimate of 5%. A corresponding increase is recommended in the General Fund, which receives 40% of this tax. Further detail regarding the performance of the Transient Occupancy Tax Fund can be found in Section II, Status of Selected Special and Capital Funds, of this report.</p>				
TOTAL TRANSIENT OCCUPANCY TX FD (461)			\$1,942,000	\$1,942,000
WATER UTILITY CAPITAL FUND (500)				
<i>Ending Fund Balance Adjustment</i>	Water Utility Sys Capital Program		(\$400,000)	
<p>This action decreases the Ending Fund Balance by \$400,000 to offset the action recommended in this report.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2014-2015 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
WATER UTILITY CAPITAL FUND (500)				
<i>Safety and Security Improvements</i>	Water Utility Sys Capital Program		\$400,000	
<p>This action establishes the Safety and Security Improvements appropriation in the amount of \$400,000. Over the past few years, Muni Water has experienced multiple security breaches at many of the water facility pump stations, resulting in pumps and wells that were not operable. The recommended funding would allow Muni Water to install enhanced security features to deter future forced entries, such as fencing at Fowler Reservoir (\$80,000), concrete block walls around Edenvale Wells (\$242,000), and fencing repairs at Slopeview Reservoir (\$15,000). In addition, Environmental Services Department safety staff have conducted a safety assessment of operations and facilities. The recommended funding also includes improvements for employees' confined space entry and fall prevention protection, such as the installation of safety railing at Fowler and Slopeview Reservoirs (\$43,000). An additional \$20,000 is included as a contingency. This funding is expected to be the first part of a multi-year safety and security plan, the rest of which is expected to be brought forward during the development of the 2016-2020 Capital Improvement Program. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.</p>				
TOTAL WATER UTILITY CAPITAL FUND (500)			\$0	\$0
WATER UTILITY FUND (515)				
<i>Ending Fund Balance Adjustment</i>	Environmental Services		(\$75,000)	
<p>This action decreases the Ending Fund Balance by \$75,000 to offset the action recommended in this report.</p>				
<i>Environmental Services Department Non-Personal/Equipment (Muni Water Conservation Program)</i>	Environmental Services		\$75,000	
<p>This action increases the Environmental Services Department Non-Personal/Equipment appropriation by \$75,000 to ensure success and continued participation in water conservation programs and to meet water use reduction goals. This increase would help fund the Water Conservation program's cost-sharing agreement with the Santa Clara Valley Water District, to be used for San José residents' participation in rebate programs. A corresponding decrease to the Ending Fund Balance to offset this action is also recommended elsewhere in this report.</p>				
TOTAL WATER UTILITY FUND (515)			\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
CAPITAL PROJECTS							
Budget Adjustments							
United States Patent and Trademark Office - City Staff Relocation			\$850,000	\$850,000		\$0	\$850,000
Budget Adjustments Total	\$0	\$0	\$850,000	\$850,000	\$0	\$0	\$850,000
CAPITAL PROJECTS TOTAL	\$0	\$0	\$850,000	\$850,000	\$0	\$0	\$850,000
CITY ATTORNEY							
Clean-Up Actions							
Benefits Program	(\$12,798)			(\$12,798)		\$0	(\$12,798)
Management Pay for Performance Program	\$120,869			\$120,869		\$0	\$120,869
Tech Adjust: City Attorney's Office (Reallocation from Personal Services to Non-Personal/Equipment for Temporary Staffing/Contractual Services)	(\$100,000)	\$100,000		\$0		\$0	\$0
Clean-Up Actions Total	\$8,071	\$100,000	\$0	\$108,071	\$0	\$0	\$108,071
CITY ATTORNEY TOTAL	\$8,071	\$100,000	\$0	\$108,071	\$0	\$0	\$108,071
CITY AUDITOR							
Clean-Up Actions							
Benefits Program	(\$2,501)			(\$2,501)		\$0	(\$2,501)
Management Pay for Performance Program	\$33,803			\$33,803		\$0	\$33,803
Clean-Up Actions Total	\$31,302	\$0	\$0	\$31,302	\$0	\$0	\$31,302
CITY AUDITOR TOTAL	\$31,302	\$0	\$0	\$31,302	\$0	\$0	\$31,302

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
CITY CLERK							
Clean-Up Actions							
Benefits Program	(\$2,957)			(\$2,957)		\$0	(\$2,957)
Clean-Up Actions Total	(\$2,957)	\$0	\$0	(\$2,957)	\$0	\$0	(\$2,957)
CITY CLERK TOTAL	(\$2,957)	\$0	\$0	(\$2,957)	\$0	\$0	(\$2,957)
CITY MANAGER							
Clean-Up Actions							
Benefits Program	(\$13,459)			(\$13,459)		\$0	(\$13,459)
Management Pay for Performance Program	\$139,393			\$139,393		\$0	\$139,393
Clean-Up Actions Total	\$125,934	\$0	\$0	\$125,934	\$0	\$0	\$125,934
CITY MANAGER TOTAL	\$125,934	\$0	\$0	\$125,934	\$0	\$0	\$125,934
CITY-WIDE EXPENSES							
Budget Adjustments							
1st Act Silicon Valley Digital Media Grant/Other Revenue			\$6,000	\$6,000	\$6,000	\$0	\$0
2015 California Gang Reduction, Intervention and Prevention (CALGRIP) Grant/Revenue from State of California			\$278,000	\$278,000	\$278,000	\$0	\$0
Annual Audit Contractual Increase			\$3,000	\$3,000		\$0	\$3,000
Arts Capacity Building Project/Other Revenue			\$50,000	\$50,000	\$50,000	\$0	\$0
Bond Project Audits Contractual Increase			\$1,000	\$1,000		\$0	\$1,000
Building Public Will for the Arts (California Arts Council)/Revenue from State of California			\$15,000	\$15,000	\$15,000	\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
CITY-WIDE EXPENSES							
Budget Adjustments							
Building Public Will for the Arts (Hewlett Foundation and Packard Foundation)/Other Revenue			\$30,000	\$30,000	\$30,000	\$0	\$0
Customer Satisfaction Survey (Bi-Annual)			\$25,000	\$25,000		\$0	\$25,000
Energy Services Company (ESCO) Debt Service/Other Revenue (PG&E Rebates)			\$1,086,000	\$1,086,000	\$955,000	\$0	\$131,000
Maddie Lifesaving Grant/Other Revenue			\$151,500	\$151,500	\$151,500	\$0	\$0
National Forum Capacity - Building Grant OJJDP 2012-2015/Revenue from Federal Government			\$123,000	\$123,000	\$123,000	\$0	\$0
PG&E Summer Cooling Shelter Program Grant/Other Revenue			\$7,000	\$7,000	\$7,000	\$0	\$0
SAP Center Renegotiation			\$40,000	\$40,000		\$0	\$40,000
San José BEST and Safe Summer Initiatives Programs (Parent Project)/Other Revenue			\$3,168	\$3,168	\$3,168	\$0	\$0
Senior Education and Outreach Grant/Revenue from Local Agencies			\$70,000	\$70,000	\$70,000	\$0	\$0
Sidewalk Repairs/Other Revenue			\$500,000	\$500,000	\$500,000	\$0	\$0
Budget Adjustments Total	\$0	\$0	\$2,388,668	\$2,388,668	\$2,188,668	\$0	\$200,000
Clean-Up Actions							
Tech Adjust: Workers' Compensation Claims - Other Departments (Reallocation to Workers' Compensation Claims)			(\$200,000)	(\$200,000)		\$0	(\$200,000)
Tech Adjust: Workers' Compensation Claims - PRNS (Reallocation to Workers' Compensation Claims)			(\$75,000)	(\$75,000)		\$0	(\$75,000)
Tech Adjust: Workers' Compensation Claims - Police (Reallocation from Workers' Compensation Claims)			\$175,000	\$175,000		\$0	\$175,000

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
CITY-WIDE EXPENSES							
Clean-Up Actions							
Tech Adjust: Workers' Compensation Claims - Public Works (Reallocation from Workers' Compensation Claims)			\$100,000	\$100,000		\$0	\$100,000
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CITY-WIDE EXPENSES TOTAL	\$0	\$0	\$2,388,668	\$2,388,668	\$2,188,668	\$0	\$200,000
EARMARKED RESERVES							
Budget Adjustments							
2015-2016 Police Department Overtime Reserve			\$5,000,000	\$5,000,000		\$0	\$5,000,000
Cultural Facilities Capital Maintenance Reserve			\$1,250,000	\$1,250,000		\$0	\$1,250,000
Public Works Development Fee Program Reserve			(\$350,000)	(\$350,000)		\$0	(\$350,000)
Budget Adjustments Total	\$0	\$0	\$5,900,000	\$5,900,000	\$0	\$0	\$5,900,000
Clean-Up Actions							
Benefits Program - Building Development Fee Program Reserve			\$36,829	\$36,829		\$0	\$36,829
Benefits Program - Fire Development Fee Program Reserve			\$6,339	\$6,339		\$0	\$6,339
Benefits Program - Planning Development Fee Program Reserve			\$6,660	\$6,660		\$0	\$6,660
Benefits Program - Public Works Development Fee Program Reserve			\$12,188	\$12,188		\$0	\$12,188
Benefits Program - Salaries and Benefits Reserve			(\$2,100,745)	(\$2,100,745)		\$0	(\$2,100,745)

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
EARMARKED RESERVES							
Clean-Up Actions							
Management Pay for Performance Program - Salaries and Benefits Reserve			(\$1,271,305)	(\$1,271,305)		\$0	(\$1,271,305)
Tech Adjust: Fire Development Fee Program Reserve Reconciliation			(\$5,433)	(\$5,433)		\$0	(\$5,433)
Clean-Up Actions Total	\$0	\$0	(\$3,315,467)	(\$3,315,467)	\$0	\$0	(\$3,315,467)
EARMARKED RESERVES TOTAL	\$0	\$0	\$2,584,533	\$2,584,533	\$0	\$0	\$2,584,533
ECONOMIC DEVELOPMENT							
Clean-Up Actions							
Benefits Program	(\$3,551)			(\$3,551)		\$0	(\$3,551)
Management Pay for Performance Program	\$77,467			\$77,467		\$0	\$77,467
Tech Adjust: Planning Development Fee Program - Personal Services (correction)			\$2,743	\$2,743		\$0	\$2,743
Clean-Up Actions Total	\$73,916	\$0	\$2,743	\$76,659	\$0	\$0	\$76,659
ECONOMIC DEVELOPMENT TOTAL	\$73,916	\$0	\$2,743	\$76,659	\$0	\$0	\$76,659
FINANCE							
Budget Adjustments							
Finance Department Non-Personal/Equipment (Reallocation from Personal Services for Currency Counters)		\$40,000		\$40,000		\$0	\$40,000
Finance Department Non-Personal/Equipment (Reallocation from Personal Services for GASB 68)		\$50,000		\$50,000		\$0	\$50,000
Finance Department Personal Services (Reallocation to Non-Personal/Equipment)	(\$40,000)			(\$40,000)		\$0	(\$40,000)

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
FINANCE							
Budget Adjustments							
Finance Department Personal Services (Reallocation to Non-Personal/Equipment)	(\$50,000)			(\$50,000)		\$0	(\$50,000)
Budget Adjustments Total	(\$90,000)	\$90,000	\$0	\$0	\$0	\$0	\$0
Clean-Up Actions							
Benefits Program	(\$20,061)			(\$20,061)		\$0	(\$20,061)
Management Pay for Performance Program - Development Fee Program - Shared Resources Personal Services			\$2,716	\$2,716		\$0	\$2,716
Tech Adjust: Finance Department (Reallocation from Personal Services to Non-Personal/Equipment for Temporary Staffing/Contractual Services)	(\$220,000)	\$220,000		\$0		\$0	\$0
Clean-Up Actions Total	(\$240,061)	\$220,000	\$2,716	(\$17,345)	\$0	\$0	(\$17,345)
FINANCE TOTAL	(\$330,061)	\$310,000	\$2,716	(\$17,345)	\$0	\$0	(\$17,345)
FIRE							
Budget Adjustments							
California Task Force 3 National Urban Search and Rescue Team/Revenue from Federal Government	\$17,169			\$17,169	\$17,169	\$0	\$0
Fire Department Non-Personal/Equipment (Reallocation from Personal Services for Fee Study)		\$30,000		\$30,000		\$0	\$30,000
Fire Department Overtime				\$0		\$0	\$0
Fire Department Personal Services (Reallocation from Non-Development Fee Program Vacancy Savings to Non-Personal/Equipment)	(\$30,000)			(\$30,000)		\$0	(\$30,000)
Fire Department Personal Services and Non-Personal/Equipment (Strike Team)/Revenue from Federal Government	\$305,799	\$1,946		\$307,745	\$307,745	\$0	\$0

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
FIRE							
Budget Adjustments							
Santa Clara County Homeland Security Training and Exercise Grant Advisory Group/Revenue from State of California	\$53,821			\$53,821	\$53,821	\$0	\$0
Budget Adjustments Total	\$346,789	\$31,946	\$0	\$378,735	\$378,735	\$0	\$0
Clean-Up Actions							
Benefits Program	(\$177,076)			(\$177,076)		\$0	(\$177,076)
Benefits Program - Fire Development Fee Program - Personal Services			(\$6,339)	(\$6,339)		\$0	(\$6,339)
Management Pay for Performance Program	\$52,923			\$52,923		\$0	\$52,923
Management Pay for Performance Program - Fire Development Fee Program - Personal Services			\$56,625	\$56,625		\$0	\$56,625
Clean-Up Actions Total	(\$124,153)	\$0	\$50,286	(\$73,867)	\$0	\$0	(\$73,867)
FIRE TOTAL	\$222,636	\$31,946	\$50,286	\$304,868	\$378,735	\$0	(\$73,867)
HOUSING							
Clean-Up Actions							
Benefits Program	(\$653)			(\$653)		\$0	(\$653)
Management Pay for Performance Program	\$2,963			\$2,963		\$0	\$2,963
Clean-Up Actions Total	\$2,310	\$0	\$0	\$2,310	\$0	\$0	\$2,310
HOUSING TOTAL	\$2,310	\$0	\$0	\$2,310	\$0	\$0	\$2,310

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
HUMAN RESOURCES							
Clean-Up Actions							
Benefits Program	(\$8,045)			(\$8,045)		\$0	(\$8,045)
Tech Adjust: Human Resources Department (Reallocation from Personal Services to Non-Personal/Equipment for Temporary Staffing/Contractual Services)	(\$500,000)	\$500,000		\$0		\$0	\$0
Clean-Up Actions Total	(\$508,045)	\$500,000	\$0	(\$8,045)	\$0	\$0	(\$8,045)
HUMAN RESOURCES TOTAL	(\$508,045)	\$500,000	\$0	(\$8,045)	\$0	\$0	(\$8,045)
INDEPENDENT POLICE AUDITOR							
Budget Adjustments							
Independent Police Auditor Personal Services (Correction/Bilingual Pay)	\$35,000			\$35,000		\$0	\$35,000
Budget Adjustments Total	\$35,000	\$0	\$0	\$35,000	\$0	\$0	\$35,000
Clean-Up Actions							
Benefits Program	(\$954)			(\$954)		\$0	(\$954)
Clean-Up Actions Total	(\$954)	\$0	\$0	(\$954)	\$0	\$0	(\$954)
INDEPENDENT POLICE AUDITOR TOTAL	\$34,046	\$0	\$0	\$34,046	\$0	\$0	\$34,046
INFORMATION TECHNOLOGY							
Clean-Up Actions							
Benefits Program	(\$14,213)			(\$14,213)		\$0	(\$14,213)
Tech Adjust: Information Technology Department (Reallocation from Personal Services to Non-Personal/Equipment for Temporary Staffing/Contractual Services)	(\$600,000)	\$600,000		\$0		\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
INFORMATION TECHNOLOGY							
Clean-Up Actions Total	(\$614,213)	\$600,000	\$0	(\$14,213)	\$0	\$0	(\$14,213)
INFORMATION TECHNOLOGY TOTAL	(\$614,213)	\$600,000	\$0	(\$14,213)	\$0	\$0	(\$14,213)
LIBRARY							
Budget Adjustments							
Library Grants (California Library Literacy Services)/Revenue from State of California			\$70,225	\$70,225	\$70,225	\$0	\$0
Budget Adjustments Total	\$0	\$0	\$70,225	\$70,225	\$70,225	\$0	\$0
Clean-Up Actions							
Benefits Program	(\$32,063)			(\$32,063)		\$0	(\$32,063)
Clean-Up Actions Total	(\$32,063)	\$0	\$0	(\$32,063)	\$0	\$0	(\$32,063)
LIBRARY TOTAL	(\$32,063)	\$0	\$70,225	\$38,162	\$70,225	\$0	(\$32,063)
MAYOR & COUNCIL							
Budget Adjustments							
Council District #1 (January – June) Transition Year Reconciliation			\$60,664	\$60,664		\$0	\$60,664
Council District #1 (July – December) Transition Year Reconciliation			(\$60,664)	(\$60,664)		\$0	(\$60,664)
Council District #10 Special Event Sponsorship/Other Revenue			\$500	\$500	\$500	\$0	\$0
Council District #2 Special Event Sponsorship/Other Revenue			\$7,840	\$7,840	\$7,840	\$0	\$0
Council District #4 Special Event Sponsorship/Other Revenue			\$500	\$500	\$500	\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
MAYOR & COUNCIL							
Budget Adjustments							
Council District #5 (January – June) Transition Year Reconciliation			\$20,379	\$20,379		\$0	\$20,379
Council District #5 (July – December) Transition Year Reconciliation			(\$20,379)	(\$20,379)		\$0	(\$20,379)
Council District #6 Surplus Campaign Funds/Other Revenue			\$18,632	\$18,632	\$18,632	\$0	\$0
Council District #7 (January – June) Transition Year Reconciliation			\$537	\$537		\$0	\$537
Council District #7 (July - December) Special Event Sponsorship/Other Revenue			\$4,500	\$4,500	\$4,500	\$0	\$0
Council District #7 (July – December) Transition Year Reconciliation			(\$537)	(\$537)		\$0	(\$537)
Council District #8 Special Event Sponsorship/Other Revenue			\$12,199	\$12,199	\$12,199	\$0	\$0
Council District #8 Surplus Campaign Funds/Other Revenue			\$6,481	\$6,481	\$6,481	\$0	\$0
Council District #9 (January – June) Transition Year Reconciliation			(\$433,968)	(\$433,968)		\$0	(\$433,968)
Council District #9 (July - December) Special Event Sponsorship/Other Revenue			\$1,400	\$1,400	\$1,400	\$0	\$0
Council District #9 (July – December) Transition Year Reconciliation			\$433,968	\$433,968		\$0	\$433,968
Office of the Mayor (January – June) Transition Year Reconciliation			\$210,778	\$210,778		\$0	\$210,778
Office of the Mayor (July – December) Special Event Sponsorship/Other Revenue			\$33,000	\$33,000	\$33,000	\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
MAYOR & COUNCIL							
Budget Adjustments							
Office of the Mayor (July – December) Transition Year Reconciliation			(\$210,778)	(\$210,778)		\$0	(\$210,778)
Budget Adjustments Total	\$0	\$0	\$85,052	\$85,052	\$85,052	\$0	\$0
MAYOR & COUNCIL TOTAL	\$0	\$0	\$85,052	\$85,052	\$85,052	\$0	\$0
PARKS, REC, & NEIGH SVCS							
Budget Adjustments							
Parks, Recreation and Neighborhood Services Fee Activities/Departmental Charges			\$580,000	\$580,000	\$580,000	\$0	\$0
Parks, Recreation and Neighborhood Services Non-Personal/Equipment (Senior Nutrition Program)/Revenue from Local Agencies		\$775,589		\$775,589	\$775,589	\$0	\$0
Budget Adjustments Total	\$0	\$775,589	\$580,000	\$1,355,589	\$1,355,589	\$0	\$0
Clean-Up Actions							
Benefits Program	(\$59,352)			(\$59,352)		\$0	(\$59,352)
Benefits Program - Fee Activities			(\$2,321)	(\$2,321)		\$0	(\$2,321)
Clean-Up Actions Total	(\$59,352)	\$0	(\$2,321)	(\$61,673)	\$0	\$0	(\$61,673)
PARKS, REC, & NEIGH SVCS TOTAL	(\$59,352)	\$775,589	\$577,679	\$1,293,916	\$1,355,589	\$0	(\$61,673)
PLANNING, BLDG, & CODE ENF							
Budget Adjustments							
Building Development Fee Program - Non-Personal/Equipment (Reallocation from Personal Services for Peak Staffing)			\$100,000	\$100,000		\$0	\$100,000

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
PLANNING, BLDG, & CODE ENF							
Budget Adjustments							
Building Development Fee Program - Personal Services (Reallocation to Non-Personal/Equipment for Peak Staffing)			(\$100,000)	(\$100,000)		\$0	(\$100,000)
Planning Development Fee Program - Non-Personal/Equipment (Reallocation from Personal Services for Peak Staffing)			\$82,000	\$82,000		\$0	\$82,000
Planning Development Fee Program - Personal Services (Reallocation to Non-Personal/Equipment for Peak Staffing)			(\$82,000)	(\$82,000)		\$0	(\$82,000)
Planning, Building and Code Enforcement Non- Personal/Equipment (Update Downtown Environmental Impact Report)		\$500,000		\$500,000		\$0	\$500,000
Budget Adjustments Total	\$0	\$500,000	\$0	\$500,000	\$0	\$0	\$500,000
Clean-Up Actions							
Benefits Program	(\$17,621)			(\$17,621)		\$0	(\$17,621)
Benefits Program - Building Development Fee Program - Personal Services			(\$36,829)	(\$36,829)		\$0	(\$36,829)
Benefits Program - Fire Development Fee Program - Personal Services			(\$586)	(\$586)		\$0	(\$586)
Benefits Program - Planning Development Fee Program - Personal Services			(\$6,660)	(\$6,660)		\$0	(\$6,660)
Management Pay for Performance Program - Building Development Fee Program - Personal Services			\$111,034	\$111,034		\$0	\$111,034
Management Pay for Performance Program - Fire Development Fee Program - Personal Services			\$184	\$184		\$0	\$184
Management Pay for Performance Program - Planning Development Fee Program - Personal Services			\$10,532	\$10,532		\$0	\$10,532

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
PLANNING, BLDG, & CODE ENF							
Clean-Up Actions							
Management Pay for Performance Program - Public Works Development Fee Program - Personal Services			\$363	\$363		\$0	\$363
Tech Adjust: Planning Development Fee Program - Personal Services (correction)			(\$2,743)	(\$2,743)		\$0	(\$2,743)
Clean-Up Actions Total	(\$17,621)	\$0	\$75,295	\$57,674	\$0	\$0	\$57,674
PLANNING, BLDG, & CODE ENF TOTAL	(\$17,621)	\$500,000	\$75,295	\$557,674	\$0	\$0	\$557,674
POLICE							
Budget Adjustments							
Police Department Non-Personal/Equipment (Reallocation from Personal Services for Limited Detentions Study)		\$125,000		\$125,000		\$0	\$125,000
Police Department Non-Personal/Equipment (Reallocation from Personal Services for Police Academies)		\$116,000		\$116,000		\$0	\$116,000
Police Department Overtime/Transfers and Reimbursements (Reallocation from Airport Maintenance and Operation Fund)	\$146,000			\$146,000	\$146,000	\$0	\$0
Police Department Personal Services (Reallocation to Non-Personal/Equipment)	(\$116,000)			(\$116,000)		\$0	(\$116,000)
Police Department Personal Services (Reallocation to Non-Personal/Equipment)	(\$125,000)			(\$125,000)		\$0	(\$125,000)
Police Department Personal Services (Reallocation to Police Department Overtime Reserve)	(\$5,000,000)			(\$5,000,000)		\$0	(\$5,000,000)
State of California Department of Justice Santa Clara County Specialized Enforcement Team (SCCSET)/Revenue from State of California	\$75,000	\$75,000		\$150,000	\$150,000	\$0	\$0

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST	
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance		
POLICE								
Budget Adjustments								
	Budget Adjustments Total	(\$5,020,000)	\$316,000	\$0	(\$4,704,000)	\$296,000	\$0	(\$5,000,000)
Clean-Up Actions								
	Benefits Program	(\$353,780)			(\$353,780)		\$0	(\$353,780)
	Clean-Up Actions Total	(\$353,780)	\$0	\$0	(\$353,780)	\$0	\$0	(\$353,780)
	POLICE TOTAL	(\$5,373,780)	\$316,000	\$0	(\$5,057,780)	\$296,000	\$0	(\$5,353,780)
PUBLIC WORKS								
Budget Adjustments								
	Public Works Department Non-Personal/Equipment (Custodial Services Contract and Activity)		\$350,000		\$350,000		\$0	\$350,000
	Public Works Department Non-Personal/Equipment (Gas and Electricity)		\$250,000		\$250,000		\$0	\$250,000
	Public Works Department Personal Services (Retirement)	\$800,000			\$800,000		\$0	\$800,000
	Public Works Development Fee Program - Personal Services			\$350,000	\$350,000		\$0	\$350,000
	Budget Adjustments Total	\$800,000	\$600,000	\$350,000	\$1,750,000	\$0	\$0	\$1,750,000
Clean-Up Actions								
	Benefits Program	(\$32,767)			(\$32,767)		\$0	(\$32,767)
	Benefits Program - Public Works Development Fee Program - Personal Services			(\$12,188)	(\$12,188)		\$0	(\$12,188)
	Management Pay for Performance Program	\$64,194			\$64,194		\$0	\$64,194
	Management Pay for Performance Program - Building Development Fee Program - Personal Services			\$532	\$532		\$0	\$532

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
PUBLIC WORKS							
Clean-Up Actions							
Management Pay for Performance Program - Fire Development Fee Program - Personal Services			\$82	\$82		\$0	\$82
Management Pay for Performance Program - Planning Development Fee Program - Personal Services			\$204	\$204		\$0	\$204
Management Pay for Performance Program - Public Works Development Fee Program - Personal Services			\$51,653	\$51,653		\$0	\$51,653
Clean-Up Actions Total	\$31,427	\$0	\$40,283	\$71,710	\$0	\$0	\$71,710
PUBLIC WORKS TOTAL	\$831,427	\$600,000	\$390,283	\$1,821,710	\$0	\$0	\$1,821,710
REVENUE ADJUSTMENTS							
Budget Adjustments							
Earned Revenue - Transient Occupancy Tax				\$0	\$1,250,000	\$0	(\$1,250,000)
Budget Adjustments Total	\$0	\$0	\$0	\$0	\$1,250,000	\$0	(\$1,250,000)
Clean-Up Actions							
Fund Balance Reconciliation				\$0		\$11,570	(\$11,570)
Tech Adjust: Licenses and Permits (Reallocation from Other Revenue for Vacant Board-Ups)				\$0	\$20,000	\$0	(\$20,000)
Tech Adjust: Licenses and Permits (Reallocation to Other Revenue for Cardroom)				\$0	(\$80,000)	\$0	\$80,000
Tech Adjust: Other Revenue (Reallocation from Licenses and Permits for Cardroom)				\$0	\$80,000	\$0	(\$80,000)
Tech Adjust: Other Revenue (Reallocation to Licenses and Permits for Vacant Board-Ups)				\$0	(\$20,000)	\$0	\$20,000

**General Fund
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
REVENUE ADJUSTMENTS							
Clean-Up Actions							
Tech Adjust: Other Revenue (Reallocation to Revenue from State of California for Electrical Vehicle Corridor Project)				\$0	(\$45,635)	\$0	\$45,635
Tech Adjust: Revenue from State of California (Reallocation from Other Revenue for Electrical Vehicle Corridor Project)				\$0	\$45,635	\$0	(\$45,635)
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$11,570	(\$11,570)
REVENUE ADJUSTMENTS TOTAL	\$0	\$0	\$0	\$0	\$1,250,000	\$11,570	(\$1,261,570)
TRANSFERS							
Budget Adjustments							
Transfer to Economic Development Administration Loan Fund			\$165,000	\$165,000		\$0	\$165,000
Transfer to Municipal Golf Course Fund (Los Lagos Subsidy)			\$300,000	\$300,000		\$0	\$300,000
Budget Adjustments Total	\$0	\$0	\$465,000	\$465,000	\$0	\$0	\$465,000
TRANSFERS TOTAL	\$0	\$0	\$465,000	\$465,000	\$0	\$0	\$465,000
TRANSPORTATION							
Clean-Up Actions							
Benefits Program	(\$31,726)			(\$31,726)		\$0	(\$31,726)
Clean-Up Actions Total	(\$31,726)	\$0	\$0	(\$31,726)	\$0	\$0	(\$31,726)
TRANSPORTATION TOTAL	(\$31,726)	\$0	\$0	(\$31,726)	\$0	\$0	(\$31,726)
GENERAL FUND TOTAL	(\$5,640,176)	\$3,733,535	\$7,542,480	\$5,635,839	\$5,624,269	\$11,570	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT CAPITAL IMPVT FUND (520)								
Budget Adjustments								
AIRPORT CAPITAL PROGRAM								
Federal Inspection Facility Sterile Corridor Extension/Earned Revenue (FAA Grants)			\$1,161,000		\$1,161,000	\$1,161,000		\$0
Taxiway W Improvements/Earned Revenue (FAA Grants)			(\$715,000)		(\$715,000)	(\$715,000)		\$0
Budget Adjustments Total	\$0	\$0	\$446,000	\$0	\$446,000	\$446,000	\$0	\$0
AIRPORT CAPITAL IMPVT FUND (520) TOTAL	\$0	\$0	\$446,000	\$0	\$446,000	\$446,000	\$0	\$0
AIRPORT CUST FAC & TRANS FD (519)								
Budget Adjustments								
AIRPORT								
CFC Audit			\$1,000		\$1,000			\$1,000
Operations Contingency			(\$1,000)		(\$1,000)			(\$1,000)
Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AIRPORT CUST FAC & TRANS FD (519) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AIRPORT FISCAL AGENT FUND (525)								
Budget Adjustments								
AIRPORT								
Bond Issuance Costs			\$1,020,581		\$1,020,581			\$1,020,581
Debt Service Reserve			(\$4,669,917)		(\$4,669,917)			(\$4,669,917)
Earned Revenue					\$0	\$144,836,295		(\$144,836,295)
Principal and Interest Payments			\$148,485,631		\$148,485,631			\$148,485,631
Budget Adjustments Total	\$0	\$0	\$144,836,295	\$0	\$144,836,295	\$144,836,295	\$0	\$0
AIRPORT FISCAL AGENT FUND (525) TOTAL	\$0	\$0	\$144,836,295	\$0	\$144,836,295	\$144,836,295	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT MAINT & OPER FUND (523)								
Budget Adjustments								
AIRPORT								
Airport Non-Personal/Equipment (Air Service Development Consultants)		\$55,000			\$55,000			\$55,000
Operations Contingency			(\$201,000)		(\$201,000)			(\$201,000)
Transfer to the General Fund for Police Services			\$146,000		\$146,000			\$146,000
Budget Adjustments Total	\$0	\$55,000	(\$55,000)	\$0	\$0	\$0	\$0	\$0
Clean-Up Actions								
CITY MANAGER								
Management Pay for Performance Program/Operations Contingency	\$4,571		(\$4,571)		\$0			\$0
CITY ATTORNEY								
Benefits Program/Operations Contingency	(\$556)		\$556		\$0			\$0
PLANNING, BLDG, & CODE ENF								
Management Pay for Performance Program/Operations Contingency	\$846		(\$846)		\$0			\$0
ECONOMIC DEVELOPMENT								
Office of Economic Development Personal Services (Reallocation to Non-Personal/Equipment for Public Art Maintenance)	(\$10,000)	\$10,000			\$0			\$0
AIRPORT								
Benefits Program/Operations Contingency	(\$41,617)		\$41,617		\$0			\$0
Clean-Up Actions Total	(\$46,756)	\$10,000	\$36,756	\$0	\$0	\$0	\$0	\$0
AIRPORT MAINT & OPER FUND (523) TOTAL	(\$46,756)	\$65,000	(\$18,244)	\$0	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT REV BOND IMP FUND (526)								
Budget Adjustments								
AIRPORT CAPITAL PROGRAM								
Ending Fund Balance Adjustment				\$1,311,000	\$1,311,000			\$1,311,000
Federal Inspection Facility Sterile Corridor Extension			(\$1,161,000)		(\$1,161,000)			(\$1,161,000)
Taxiway W Improvements			(\$285,000)		(\$285,000)			(\$285,000)
Transfer to the Airport Surplus Revenue Fund			\$135,000		\$135,000			\$135,000
Budget Adjustments Total	\$0	\$0	(\$1,311,000)	\$1,311,000	\$0	\$0	\$0	\$0
AIRPORT REV BOND IMP FUND (526) TOTAL	\$0	\$0	(\$1,311,000)	\$1,311,000	\$0	\$0	\$0	\$0
AIRPORT SURPLUS REV FD (524)								
Budget Adjustments								
AIRPORT								
Commercial Paper Principal and Interest/Transfer from the Airport Revenue Bond Improvement Fund			\$135,000		\$135,000	\$135,000		\$0
Budget Adjustments Total	\$0	\$0	\$135,000	\$0	\$135,000	\$135,000	\$0	\$0
AIRPORT SURPLUS REV FD (524) TOTAL	\$0	\$0	\$135,000	\$0	\$135,000	\$135,000	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE	Beg Fund Balance	NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue		
BENEFIT FUND (160)								
Budget Adjustments								
HUMAN RESOURCES								
401(a) Defined Contribution Retirement Plan/Transfers			\$46,000		\$46,000	\$46,000		\$0
Employee Assistance Program/Transfers			\$25,000		\$25,000	\$25,000		\$0
FICA-Medicare/Transfers			\$480,000		\$480,000	\$480,000		\$0
General Employee Vision/Transfers			\$5,000		\$5,000	\$5,000		\$0
Health Plans/Transfers			(\$4,000,000)		(\$4,000,000)	(\$4,000,000)		\$0
PTC 457/Transfers			\$25,000		\$25,000	\$25,000		\$0
Budget Adjustments Total	\$0	\$0	(\$3,419,000)	\$0	(\$3,419,000)	(\$3,419,000)	\$0	\$0
Clean-Up Actions								
HUMAN RESOURCES								
Benefits Program	(\$1,001)			\$1,001	\$0			\$0
Management Pay for Performance Program	\$2,602			(\$2,602)	\$0			\$0
Clean-Up Actions Total	\$1,601	\$0	\$0	(\$1,601)	\$0	\$0	\$0	\$0
BENEFIT FUND (160) TOTAL	\$1,601	\$0	(\$3,419,000)	(\$1,601)	(\$3,419,000)	(\$3,419,000)	\$0	\$0
BLDG & STRUCT CONST TAX FD (429)								
Budget Adjustments								
TRAFFIC CAPITAL PROGRAM								
ITS: Transportation Incident Management Center			\$650,000		\$650,000			\$650,000
Safety - Traffic Signals Rehabilitation/Earned Revenue			\$40,000		\$40,000	\$40,000		\$0
St. John Street Multimodal Improvements Phase I/Earned Revenue			(\$750,000)		(\$750,000)	(\$750,000)		\$0
Traffic Signal Improvement Program/Earned Revenue			\$12,000		\$12,000	\$12,000		\$0
Transportation Grants Reserve			(\$650,000)		(\$650,000)			(\$650,000)
Budget Adjustments Total	\$0	\$0	(\$698,000)	\$0	(\$698,000)	(\$698,000)	\$0	\$0
BLDG & STRUCT CONST TAX FD (429) TOTAL	\$0	\$0	(\$698,000)	\$0	(\$698,000)	(\$698,000)	\$0	\$0

**Special/Capital Funds
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
BRANCH LIB BOND PROJECT FD (472)								
Clean-Up Actions								
LIBRARY CAPITAL PROGRAM								
Tech Adjust: Educational Park Branch (Rebudget adjustment)				\$25,000	\$25,000			\$25,000
Tech Adjust: Library Bond Projects Contingency Reserve (Rebudget adjustment)				(\$25,000)	(\$25,000)			(\$25,000)
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BRANCH LIB BOND PROJECT FD (472) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BUSINESS IMPVT DIST FUND (351)								
Clean-Up Actions								
ECONOMIC DEVELOPMENT								
Fund Balance Reconciliation - Downtown BID				\$328	\$328		\$328	\$0
Fund Balance Reconciliation - Hotel BID				\$2,681	\$2,681		\$2,681	\$0
Fund Balance Reconciliation - Japantown BID				\$12	\$12		\$12	\$0
Fund Balance Reconciliation - Willow Glen CBID				\$237	\$237		\$237	\$0
Clean-Up Actions Total	\$0	\$0	\$0	\$3,258	\$3,258	\$0	\$3,258	\$0
BUSINESS IMPVT DIST FUND (351) TOTAL	\$0	\$0	\$0	\$3,258	\$3,258	\$0	\$3,258	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CFD #14 RALEIGH-CHARLOTTE FD (379)								
Clean-Up Actions								
PARKS, REC, & NEIGH SVCS								
Management Pay for Performance Program	\$623			(\$623)	\$0			\$0
Clean-Up Actions Total	\$623	\$0	\$0	(\$623)	\$0	\$0	\$0	\$0
CFD #14 RALEIGH-CHARLOTTE FD (379) TOTAL	\$623	\$0	\$0	(\$623)	\$0	\$0	\$0	\$0
CFD #2 AND CFD #3 FUND (369)								
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$552			(\$552)	\$0			\$0
Clean-Up Actions Total	\$552	\$0	\$0	(\$552)	\$0	\$0	\$0	\$0
CFD #2 AND CFD #3 FUND (369) TOTAL	\$552	\$0	\$0	(\$552)	\$0	\$0	\$0	\$0
CFD #8 COMM HILL FUND (373)								
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$791			(\$791)	\$0			\$0
Clean-Up Actions Total	\$791	\$0	\$0	(\$791)	\$0	\$0	\$0	\$0
CFD #8 COMM HILL FUND (373) TOTAL	\$791	\$0	\$0	(\$791)	\$0	\$0	\$0	\$0

**Special/Capital Funds
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
COMM DEV BLOCK GRANT FUND (441)								
Clean-Up Actions								
CITY ATTORNEY								
Management Pay for Performance Program - Legal Services			\$105	(\$105)	\$0			\$0
HOUSING								
Benefits Program - Housing Program Development and Monitoring				(\$1,977)	\$1,977	\$0		\$0
Management Pay for Performance Program - Housing Program Development and Monitoring				\$6,663	(\$6,663)	\$0		\$0
Tech Adjust: Capital Projects Reserve (Reallocation to Housing Rehabilitation Loans and Grants)				(\$1,157,699)		(\$1,157,699)		(\$1,157,699)
Tech Adjust: Housing Rehabilitation Loans and Grants (Reallocation from Capital Projects Reserve)				\$1,157,699		\$1,157,699		\$1,157,699
Tech Adjust: Job Readiness Training Project (Reallocation from the Office of Economic Development)				\$708,000		\$708,000		\$708,000
Tech Adjust: Planning Studies (Reallocation from the Planning, Building and Code Enforcement Department)				\$100,000		\$100,000		\$100,000
PLANNING, BLDG, & CODE ENF								
Benefits Program - Code Enforcement Operations				(\$1,589)	\$1,589	\$0		\$0
Management Pay for Performance Program - Code Enforcement Operations				\$1,482	(\$1,482)	\$0		\$0
Tech Adjust: Planning Studies (Reallocation to the Housing Department)				(\$100,000)		(\$100,000)		(\$100,000)
ECONOMIC DEVELOPMENT								
Tech Adjust: Job Readiness Training Project (Reallocation to the Housing Department)				(\$708,000)		(\$708,000)		(\$708,000)
Clean-Up Actions Total	\$0	\$0	\$4,684	(\$4,684)	\$0	\$0	\$0	\$0
COMM DEV BLOCK GRANT FUND (441) TOTAL	\$0	\$0	\$4,684	(\$4,684)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONST/CONV TAX FIRE FUND (392)								
Clean-Up Actions								
PUBLIC SAFETY CAPITAL PROGRAM								
Fund Balance Reconciliation				(\$7,000)	(\$7,000)		(\$7,000)	\$0
Clean-Up Actions Total	\$0	\$0	\$0	(\$7,000)	(\$7,000)	\$0	(\$7,000)	\$0
CONST/CONV TAX FIRE FUND (392) TOTAL	\$0	\$0	\$0	(\$7,000)	(\$7,000)	\$0	(\$7,000)	\$0
CONST/CONV TAX PK CD 5 FUND (382)								
Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Ending Fund Balance Adjustment				(\$105,000)	(\$105,000)			(\$105,000)
Hillview Park Renovation			\$105,000		\$105,000			\$105,000
Budget Adjustments Total	\$0	\$0	\$105,000	(\$105,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX PK CD 5 FUND (382) TOTAL	\$0	\$0	\$105,000	(\$105,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX PK CD 9 FUND (388)								
Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Branham Park Playground Renovation			\$14,000		\$14,000			\$14,000
Ending Fund Balance Adjustment				(\$14,000)	(\$14,000)			(\$14,000)
Budget Adjustments Total	\$0	\$0	\$14,000	(\$14,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX PK CD 9 FUND (388) TOTAL	\$0	\$0	\$14,000	(\$14,000)	\$0	\$0	\$0	\$0

**Special/Capital Funds
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
CONST/CONV TAX SRVC YDS FD (395)								
Budget Adjustments								
SERVICE YARDS CAPITAL PROGRAM								
Central Service Yard Real Estate Services			\$25,000		\$25,000			\$25,000
Ending Fund Balance Adjustment				(\$25,000)	(\$25,000)			(\$25,000)
Budget Adjustments Total	\$0	\$0	\$25,000	(\$25,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX SRVC YDS FD (395) TOTAL	\$0	\$0	\$25,000	(\$25,000)	\$0	\$0	\$0	\$0

CONSTRUCTION EXCISE TAX FD (465)

Budget Adjustments

TRAFFIC CAPITAL PROGRAM

Bicycle and Pedestrian Facilities			(\$169,000)		(\$169,000)			(\$169,000)
Capital Program and Public Works Department Support Service Costs			\$250,000		\$250,000			\$250,000
Earned Revenue (Innovative Bicycle Detention System)					\$0	(\$83,000)		\$83,000
Ending Fund Balance Adjustment				(\$363,000)	(\$363,000)			(\$363,000)
Evergreen Traffic Impact Fees Reserve/Earned Revenue			\$199,668		\$199,668	\$199,668		\$0
Innovative Bicycle Detection System			\$9,000		\$9,000			\$9,000
Land Management and Weed Abatement			\$150,000		\$150,000			\$150,000
North San José Deficiency Plan Improvements/Earned Revenue			\$227,000		\$227,000	\$227,000		\$0
North San José Traffic Impact Fees Reserve			\$200,000		\$200,000			\$200,000
North San José Traffic Impact Fees Reserve/Earned Revenue			\$5,047,761		\$5,047,761	\$5,047,761		\$0
Pavement Maintenance - Measure B/Earned Revenue			\$606,000		\$606,000	\$606,000		\$0
Pedestrian Oriented Traffic Signals (OBAG)/Earned Revenue			(\$1,000,000)		(\$1,000,000)	(\$1,000,000)		\$0
Route 101/Oakland/Mabury Traffic Impact Fees Reserve/Earned Revenue			\$471,450		\$471,450	\$471,450		\$0
Safe Routes to School Program (OBAG)/Earned Revenue			(\$500,000)		(\$500,000)	(\$500,000)		\$0
Traffic Signal Preventative Maintenance			\$40,000		\$40,000			\$40,000
Trail: Guadalupe River/Tasman Under-Crossing			(\$200,000)		(\$200,000)			(\$200,000)
Budget Adjustments Total	\$0	\$0	\$5,331,879	(\$363,000)	\$4,968,879	\$4,968,879	\$0	\$0
CONSTRUCTION EXCISE TAX FD (465) TOTAL	\$0	\$0	\$5,331,879	(\$363,000)	\$4,968,879	\$4,968,879	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE	Beg Fund Balance	NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue		
CONV CTR FACIL DIST REV FD (791)								
Budget Adjustments								
ECONOMIC DEVELOPMENT								
Convention Center Facilities District Revenue Fund/Earned Revenue				\$1,168,000	\$1,168,000	\$1,168,000		\$0
Budget Adjustments Total	\$0	\$0	\$0	\$1,168,000	\$1,168,000	\$1,168,000	\$0	\$0
CONV CTR FACIL DIST REV FD (791) TOTAL	\$0	\$0	\$0	\$1,168,000	\$1,168,000	\$1,168,000	\$0	\$0
CONV/CULTURAL AFFAIRS FUND (536)								
Budget Adjustments								
HUMAN RESOURCES								
Workers' Compensation Claims			\$50,000		\$50,000			\$50,000
ECONOMIC DEVELOPMENT								
Ending Fund Balance Adjustment				(\$400,000)	(\$400,000)			(\$400,000)
Rehabilitation/Repair - Miscellaneous			\$350,000		\$350,000			\$350,000
Budget Adjustments Total	\$0	\$0	\$400,000	(\$400,000)	\$0	\$0	\$0	\$0
CONV/CULTURAL AFFAIRS FUND (536) TOTAL	\$0	\$0	\$400,000	(\$400,000)	\$0	\$0	\$0	\$0

III - 77

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
DENTAL INSURANCE FUND (155)								
Clean-Up Actions								
HUMAN RESOURCES								
Management Pay for Performance Program	\$1,444			(\$1,444)	\$0			\$0
Clean-Up Actions Total	\$1,444	\$0	\$0	(\$1,444)	\$0	\$0	\$0	\$0
DENTAL INSURANCE FUND (155) TOTAL	\$1,444	\$0	\$0	(\$1,444)	\$0	\$0	\$0	\$0
DOWNTOWN PBID FUND (302)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$31,200)	(\$31,200)			(\$31,200)
Transfer to the General Purpose Parking Fund (Downtown Public Toilets)			\$31,200		\$31,200			\$31,200
Budget Adjustments Total	\$0	\$0	\$31,200	(\$31,200)	\$0	\$0	\$0	\$0
DOWNTOWN PBID FUND (302) TOTAL	\$0	\$0	\$31,200	(\$31,200)	\$0	\$0	\$0	\$0
ECON DEV ADMIN LOAN FUND (444)								
Budget Adjustments								
HOUSING								
Economic Development Administration Loan Payoff/Transfer from the General Fund			\$180,000		\$180,000	\$165,000		\$15,000
Ending Fund Balance Adjustment				(\$15,000)	(\$15,000)			(\$15,000)
Budget Adjustments Total	\$0	\$0	\$180,000	(\$15,000)	\$165,000	\$165,000	\$0	\$0
ECON DEV ADMIN LOAN FUND (444) TOTAL	\$0	\$0	\$180,000	(\$15,000)	\$165,000	\$165,000	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
EDW BYRNE MEMORIAL JAG FD (474)								
Budget Adjustments								
POLICE								
2012 Justice Assistance Grant/Earned Revenue			\$523		\$523	\$523		\$0
Budget Adjustments Total	\$0	\$0	\$523	\$0	\$523	\$523	\$0	\$0
EDW BYRNE MEMORIAL JAG FD (474) TOTAL	\$0	\$0	\$523	\$0	\$523	\$523	\$0	\$0
GENERAL PURPOSE PARKING FD (533)								
Budget Adjustments								
TRANSPORTATION								
Downtown Public Toilets			\$156,000		\$156,000			\$156,000
Earned Revenue (Downtown Public Toilets)					\$0	\$62,400		(\$62,400)
Ending Fund Balance Adjustment				(\$31,200)	(\$31,200)			(\$31,200)
Successor Agency to the Redevelopment Agency/Earned Revenue			\$50,000		\$50,000	\$50,000		\$0
Transfer from the Downtown Property and Business Improvement District Fund (Downtown Public Toilets)					\$0	\$31,200		(\$31,200)
Transfer from the Housing Trust Fund (Downtown Public Toilets)					\$0	\$31,200		(\$31,200)
Budget Adjustments Total	\$0	\$0	\$206,000	(\$31,200)	\$174,800	\$174,800	\$0	\$0
Clean-Up Actions								
TRANSPORTATION								
Benefits Program	(\$3,197)			\$3,197	\$0			\$0
Management Pay for Performance Program	\$20,473			(\$20,473)	\$0			\$0
Clean-Up Actions Total	\$17,276	\$0	\$0	(\$17,276)	\$0	\$0	\$0	\$0
GENERAL PURPOSE PARKING FD (533) TOTAL	\$17,276	\$0	\$206,000	(\$48,476)	\$174,800	\$174,800	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
GIFT TRUST FUND (139)								
Budget Adjustments								
LIBRARY								
Books for Little Hands/Earned Revenue			\$2,000		\$2,000	\$2,000		\$0
Library - General Gifts/Earned Revenue			\$37,902		\$37,902	\$37,902		\$0
Library Literacy Project/Earned Revenue			\$2,200		\$2,200	\$2,200		\$0
Budget Adjustments Total	\$0	\$0	\$42,102	\$0	\$42,102	\$42,102	\$0	\$0
GIFT TRUST FUND (139) TOTAL	\$0	\$0	\$42,102	\$0	\$42,102	\$42,102	\$0	\$0
HOME INVEST PART PROG FUND (445)								
Budget Adjustments								
HOUSING								
Ending Fund Balance Adjustment				(\$100,000)	(\$100,000)			(\$100,000)
Housing Department Personal Services	\$100,000				\$100,000			\$100,000
Budget Adjustments Total	\$100,000	\$0	\$0	(\$100,000)	\$0	\$0	\$0	\$0
Clean-Up Actions								
CITY ATTORNEY								
Management Pay for Performance Program	\$528			(\$528)	\$0			\$0
HOUSING								
Benefits Program	(\$798)			\$798	\$0			\$0
Management Pay for Performance Program	\$5,527			(\$5,527)	\$0			\$0
Clean-Up Actions Total	\$5,257	\$0	\$0	(\$5,257)	\$0	\$0	\$0	\$0
HOME INVEST PART PROG FUND (445) TOTAL	\$105,257	\$0	\$0	(\$105,257)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
HOUSING TRUST FUND (440)								
Budget Adjustments								
HOUSING								
Ending Fund Balance Adjustment				\$158,800	\$158,800			\$158,800
Housing Department Non-Personal/Equipment (Accounting Services)		\$10,000			\$10,000			\$10,000
Housing and Homeless Projects			\$1,500,000		\$1,500,000			\$1,500,000
Housing and Homeless Projects/Earned Revenue			\$2,600,000		\$2,600,000	\$2,600,000		\$0
Transfer from the Multi-Source Housing Fund					\$0	\$1,700,000		(\$1,700,000)
Transfer to the General Purpose Parking Fund (Downtown Public Toilets)			\$31,200		\$31,200			\$31,200
Budget Adjustments Total	\$0	\$10,000	\$4,131,200	\$158,800	\$4,300,000	\$4,300,000	\$0	\$0
Clean-Up Actions								
CITY ATTORNEY								
Management Pay for Performance Program	\$209			(\$209)	\$0			\$0
HOUSING								
Benefits Program	(\$725)			\$725	\$0			\$0
Management Pay for Performance Program	\$7,478			(\$7,478)	\$0			\$0
Clean-Up Actions Total	\$6,962	\$0	\$0	(\$6,962)	\$0	\$0	\$0	\$0
HOUSING TRUST FUND (440) TOTAL	\$6,962	\$10,000	\$4,131,200	\$151,838	\$4,300,000	\$4,300,000	\$0	\$0
ICE CENTRE REVENUE FUND (432)								
Budget Adjustments								
FINANCE								
Ending Fund Balance Adjustment				(\$448,137)	(\$448,137)			(\$448,137)
Previously Approved Repairs Reserve			\$448,137		\$448,137			\$448,137
Budget Adjustments Total	\$0	\$0	\$448,137	(\$448,137)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
ICE CENTRE REVENUE FUND (432)								
Clean-Up Actions								
FINANCE								
Tech Adjust: Previously Approved Repairs Reserve			(\$484,672)		(\$484,672)			(\$484,672)
Tech Adjust: Repairs - Electrical (Previously Approved Repairs)			\$133,170		\$133,170			\$133,170
Tech Adjust: Repairs - Mechanical (Previously Approved Repairs)			\$169,911		\$169,911			\$169,911
Tech Adjust: Repairs - Miscellaneous (Previously Approved Repairs)			\$105,628		\$105,628			\$105,628
Tech Adjust: Repairs - Structures (Previously Approved Repairs)			\$37,991		\$37,991			\$37,991
Tech Adjust: Repairs - Unanticipated/Emergency (Previously Approved Repairs)			\$37,972		\$37,972			\$37,972
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ICE CENTRE REVENUE FUND (432) TOTAL	\$0	\$0	\$448,137	(\$448,137)	\$0	\$0	\$0	\$0
INTEGRATED WASTE MGT FUND (423)								
Budget Adjustments								
HUMAN RESOURCES								
Workers' Compensation Claims			\$25,000		\$25,000			\$25,000
PUBLIC WORKS								
Capital Program and Public Works Department Support Service Costs			\$22,000		\$22,000			\$22,000
ENVIRONMENTAL SERVICES								
Ending Fund Balance Adjustment				(\$47,000)	(\$47,000)			(\$47,000)
Budget Adjustments Total	\$0	\$0	\$47,000	(\$47,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
INTEGRATED WASTE MGT FUND (423)								
Clean-Up Actions								
INFORMATION TECHNOLOGY								
Benefits Program	(\$4,687)			\$4,687	\$0			\$0
CITY ATTORNEY								
Management Pay for Performance Program	\$1,043			(\$1,043)	\$0			\$0
CITY AUDITOR								
Management Pay for Performance Program	\$299			(\$299)	\$0			\$0
FINANCE								
Benefits Program	(\$2,315)			\$2,315	\$0			\$0
ECONOMIC DEVELOPMENT								
Management Pay for Performance Program	\$1,685			(\$1,685)	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	(\$9,425)			\$9,425	\$0			\$0
Clean-Up Actions Total	(\$13,400)	\$0	\$0	\$13,400	\$0	\$0	\$0	\$0
INTEGRATED WASTE MGT FUND (423) TOTAL	(\$13,400)	\$0	\$47,000	(\$33,600)	\$0	\$0	\$0	\$0
LIBRARY PARCEL TAX FUND (418)								
Clean-Up Actions								
LIBRARY								
Benefits Program	(\$4,747)			\$4,747	\$0			\$0
Fund Balance Reconciliation				\$255,724	\$255,724		\$255,724	\$0
Clean-Up Actions Total	(\$4,747)	\$0	\$0	\$260,471	\$255,724	\$0	\$255,724	\$0
LIBRARY PARCEL TAX FUND (418) TOTAL	(\$4,747)	\$0	\$0	\$260,471	\$255,724	\$0	\$255,724	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE	Beg Fund Balance	NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue		
LIFE INSURANCE FUND (156)								
Budget Adjustments								
HUMAN RESOURCES								
Insurance Premiums/Earned Revenue			\$35,000		\$35,000	\$35,000		\$0
Insurance Premiums/Transfers			\$65,000		\$65,000	\$65,000		\$0
Budget Adjustments Total	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000	\$0	\$0
Clean-Up Actions								
HUMAN RESOURCES								
Management Pay for Performance Program	\$291			(\$291)	\$0			\$0
Clean-Up Actions Total	\$291	\$0	\$0	(\$291)	\$0	\$0	\$0	\$0
LIFE INSURANCE FUND (156) TOTAL	\$291	\$0	\$100,000	(\$291)	\$100,000	\$100,000	\$0	\$0
LOW/MOD INCOME HSNG ASSET FD (346)								
Budget Adjustments								
CITY ATTORNEY								
City Attorney's Office Personal Services	\$175,000				\$175,000			\$175,000
HOUSING								
Ending Fund Balance Adjustment				(\$375,000)	(\$375,000)			(\$375,000)
Housing Department Non-Personal/Equipment (High Density File Storage)		\$40,000			\$40,000			\$40,000
Housing Pre-development Activities			\$160,000		\$160,000			\$160,000
Housing Project Reserve/Earned Revenue			\$1,500,000		\$1,500,000	\$1,500,000		\$0
Housing Project Reserve/Transfer from Multi-Source Housing Fund			\$1,826,000		\$1,826,000	\$1,826,000		\$0
Budget Adjustments Total	\$175,000	\$40,000	\$3,486,000	(\$375,000)	\$3,326,000	\$3,326,000	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
LOW/MOD INCOME HSNG ASSET FD (346)								
Clean-Up Actions								
CITY MANAGER								
Management Pay for Performance Program	\$83			(\$83)	\$0			\$0
CITY ATTORNEY								
Management Pay for Performance Program	\$300			(\$300)	\$0			\$0
FINANCE								
Management Pay for Performance Program	\$136			(\$136)	\$0			\$0
HOUSING								
Benefits Program	(\$6,489)			\$6,489	\$0			\$0
Management Pay for Performance Program	\$33,982			(\$33,982)	\$0			\$0
Tech Adjust: Housing Non-Personal/Equipment (Reallocation from Personal Services for Temp Staffing)	(\$50,000)	\$50,000			\$0			\$0
Clean-Up Actions Total	(\$21,988)	\$50,000	\$0	(\$28,012)	\$0	\$0	\$0	\$0
LOW/MOD INCOME HSNG ASSET FD (346) TOTAL	\$153,012	\$90,000	\$3,486,000	(\$403,012)	\$3,326,000	\$3,326,000	\$0	\$0
M.D. #1 LOS PASEOS FUND (352)								
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$552			(\$552)	\$0			\$0
Clean-Up Actions Total	\$552	\$0	\$0	(\$552)	\$0	\$0	\$0	\$0
M.D. #1 LOS PASEOS FUND (352) TOTAL	\$552	\$0	\$0	(\$552)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
M.D. #15 SILVER CREEK VALLEY FD (368)								
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$2,578			(\$2,578)	\$0			\$0
Clean-Up Actions Total	\$2,578	\$0	\$0	(\$2,578)	\$0	\$0	\$0	\$0
M.D. #15 SILVER CREEK VALLEY FD (368) TOTAL	\$2,578	\$0	\$0	(\$2,578)	\$0	\$0	\$0	\$0
M.D. #19 RIVER OAKS FUND (359)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$30,000)	(\$30,000)			(\$30,000)
Transportation Department Non-Personal/Equipment		\$30,000			\$30,000			\$30,000
Budget Adjustments Total	\$0	\$30,000	\$0	(\$30,000)	\$0	\$0	\$0	\$0
M.D. #19 RIVER OAKS FUND (359) TOTAL	\$0	\$30,000	\$0	(\$30,000)	\$0	\$0	\$0	\$0
M.D. #2 TRADE ZONE/LUNDY FD (354)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$40,000)	(\$40,000)			(\$40,000)
Transportation Department Non-Personal/Equipment		\$40,000			\$40,000			\$40,000
Budget Adjustments Total	\$0	\$40,000	\$0	(\$40,000)	\$0	\$0	\$0	\$0
M.D. #2 TRADE ZONE/LUNDY FD (354) TOTAL	\$0	\$40,000	\$0	(\$40,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
M.D. #21 GATEWAY FUND (356)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$100,000)	(\$100,000)			(\$100,000)
Transportation Department Non-Personal/Equipment		\$100,000			\$100,000			\$100,000
Budget Adjustments Total	\$0	\$100,000	\$0	(\$100,000)	\$0	\$0	\$0	\$0
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$139			(\$139)	\$0			\$0
Clean-Up Actions Total	\$139	\$0	\$0	(\$139)	\$0	\$0	\$0	\$0
M.D. #21 GATEWAY FUND (356) TOTAL	\$139	\$100,000	\$0	(\$100,139)	\$0	\$0	\$0	\$0
M.D. #5 ORCH PKY-PLUMRIA FD (357)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$20,000)	(\$20,000)			(\$20,000)
Transportation Department Non-Personal/Equipment		\$20,000			\$20,000			\$20,000
Budget Adjustments Total	\$0	\$20,000	\$0	(\$20,000)	\$0	\$0	\$0	\$0
M.D. #5 ORCH PKY-PLUMRIA FD (357) TOTAL	\$0	\$20,000	\$0	(\$20,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
M.D. #8 ZANKER-MONTAGUE FD (361)								
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$395			(\$395)	\$0			\$0
Clean-Up Actions Total	\$395	\$0	\$0	(\$395)	\$0	\$0	\$0	\$0
M.D. #8 ZANKER-MONTAGUE FD (361) TOTAL	\$395	\$0	\$0	(\$395)	\$0	\$0	\$0	\$0
M.D. #9 S TERESA/GRT OAKS FD (362)								
Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$40,000)	(\$40,000)			(\$40,000)
Transportation Department Non-Personal/Equipment		\$40,000			\$40,000			\$40,000
Budget Adjustments Total	\$0	\$40,000	\$0	(\$40,000)	\$0	\$0	\$0	\$0
Clean-Up Actions								
TRANSPORTATION								
Management Pay for Performance Program	\$275			(\$275)	\$0			\$0
Clean-Up Actions Total	\$275	\$0	\$0	(\$275)	\$0	\$0	\$0	\$0
M.D. #9 S TERESA/GRT OAKS FD (362) TOTAL	\$275	\$40,000	\$0	(\$40,275)	\$0	\$0	\$0	\$0
MULTI-SOURCE HOUSING FD (448)								
Budget Adjustments								
HOUSING								
Emergency Shelter Grants/Earned Revenue			\$146,287		\$146,287	\$146,287		\$0

**Special/Capital Funds
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE	NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	
MULTI-SOURCE HOUSING FD (448)							
Budget Adjustments							
HOUSING							
Ending Fund Balance Adjustment				(\$25,000)	(\$25,000)		(\$25,000)
HOPWA Grants/Earned Revenue			\$6,252		\$6,252	\$6,252	\$0
HOPWA SHAPPS/Earned Revenue			\$12,000		\$12,000	\$12,000	\$0
Housing Department Non-Personal/Equipment (Contractual Services)		\$25,000			\$25,000		\$25,000
Housing Project Reserve			(\$3,526,000)		(\$3,526,000)		(\$3,526,000)
Transfer to the Housing Trust Fund			\$1,700,000		\$1,700,000		\$1,700,000
Transfer to the Low and Moderate Income Housing Asset Fund			\$1,826,000		\$1,826,000		\$1,826,000
Budget Adjustments Total	\$0	\$25,000	\$164,539	(\$25,000)	\$164,539	\$164,539	\$0
Clean-Up Actions							
CITY ATTORNEY							
Management Pay for Performance Program	\$632			(\$632)	\$0		\$0
HOUSING							
Benefits Program	(\$2,154)			\$2,154	\$0		\$0
Management Pay for Performance Program	\$4,013			(\$4,013)	\$0		\$0
Clean-Up Actions Total	\$2,491	\$0	\$0	(\$2,491)	\$0	\$0	\$0
MULTI-SOURCE HOUSING FD (448) TOTAL	\$2,491	\$25,000	\$164,539	(\$27,491)	\$164,539	\$164,539	\$0

MUNICIPAL GOLF COURSE FUND (518)

Budget Adjustments

PARKS, REC, & NEIGH SVCS

Ending Fund Balance Adjustment				(\$25,000)	(\$25,000)		(\$25,000)
Los Lagos Golf Course/Earned Revenue			\$275,000		\$275,000	(\$50,000)	\$325,000

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
MUNICIPAL GOLF COURSE FUND (518)								
Budget Adjustments								
PARKS, REC, & NEIGH SVCS								
Transfer from the General Fund						\$0	\$300,000	(\$300,000)
Budget Adjustments Total	\$0	\$0	\$275,000	(\$25,000)	\$250,000	\$250,000	\$0	\$0
MUNICIPAL GOLF COURSE FUND (518) TOTAL	\$0	\$0	\$275,000	(\$25,000)	\$250,000	\$250,000	\$0	\$0
NEIGHBHD SECURITY BOND FD (475)								
Budget Adjustments								
PUBLIC SAFETY CAPITAL PROGRAM								
Earned Revenue						\$0	\$525,000	(\$525,000)
Ending Fund Balance Adjustment				\$475,000	\$475,000			\$475,000
South San José Police Substation			\$50,000		\$50,000			\$50,000
Budget Adjustments Total	\$0	\$0	\$50,000	\$475,000	\$525,000	\$525,000	\$0	\$0
NEIGHBHD SECURITY BOND FD (475) TOTAL	\$0	\$0	\$50,000	\$475,000	\$525,000	\$525,000	\$0	\$0
PARKS & REC BOND PROJ FD (471)								
Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Arcadia Softball Complex			\$244,000		\$244,000			\$244,000
Softball Complex Design			(\$244,000)		(\$244,000)			(\$244,000)
Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PARKS & REC BOND PROJ FD (471) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
PUBLIC WKS PRO SUPPORT FD (150)								
Clean-Up Actions								
HUMAN RESOURCES								
Management Pay for Performance Program	\$2,360			(\$2,360)	\$0			\$0
PUBLIC WORKS								
Benefits Program	(\$7,430)			\$7,430	\$0			\$0
Management Pay for Performance Program	\$51,980			(\$51,980)	\$0			\$0
Clean-Up Actions Total	\$46,910	\$0	\$0	(\$46,910)	\$0	\$0	\$0	\$0
PUBLIC WKS PRO SUPPORT FD (150) TOTAL	\$46,910	\$0	\$0	(\$46,910)	\$0	\$0	\$0	\$0
SEWER SVC & USE CHARGE FD (541)								
Clean-Up Actions								
INFORMATION TECHNOLOGY								
Benefits Program	(\$628)			\$628	\$0			\$0
CITY AUDITOR								
Management Pay for Performance Program	\$215			(\$215)	\$0			\$0
HUMAN RESOURCES								
Management Pay for Performance Program	\$146			(\$146)	\$0			\$0
FINANCE								
Benefits Program	(\$893)			\$893	\$0			\$0
Management Pay for Performance Program	\$2,496			(\$2,496)	\$0			\$0
TRANSPORTATION								
Benefits Program	(\$25,143)			\$25,143	\$0			\$0
PUBLIC WORKS								
Benefits Program	(\$2,532)			\$2,532	\$0			\$0

**Special/Capital Funds
Recommended Budget Adjustments and Clean-Up Actions
2014-2015 Mid-Year Budget Review**

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
SEWER SVC & USE CHARGE FD (541)								
Clean-Up Actions								
ENVIRONMENTAL SERVICES								
Benefits Program	(\$1,044)			\$1,044	\$0			\$0
Management Pay for Performance Program	\$4,831			(\$4,831)	\$0			\$0
Clean-Up Actions Total	(\$22,552)	\$0	\$0	\$22,552	\$0	\$0	\$0	\$0
SEWER SVC & USE CHARGE FD (541) TOTAL	(\$22,552)	\$0	\$0	\$22,552	\$0	\$0	\$0	\$0
SJ ARENA CAPITAL RESERVE FD (459)								
Clean-Up Actions								
ECONOMIC DEVELOPMENT								
Tech Adjust: Electrical Repairs (Previously Approved Repairs)			\$27,494		\$27,494			\$27,494
Tech Adjust: Ending Fund Balance Adjustment				(\$12,613)	(\$12,613)			(\$12,613)
Tech Adjust: Mechanical Repairs (Previously Approved Repairs)			\$94,918		\$94,918			\$94,918
Tech Adjust: Miscellaneous Repairs (Previously Approved Repairs)			\$10,976		\$10,976			\$10,976
Tech Adjust: Previously Approved Repairs Reserve			(\$376,319)		(\$376,319)			(\$376,319)
Tech Adjust: Structures Repairs (Previously Approved Repairs)			\$200,382		\$200,382			\$200,382
Tech Adjust: Unanticipated/Emergency Repairs (Previously Approved Repairs)			\$55,162		\$55,162			\$55,162
Clean-Up Actions Total	\$0	\$0	\$12,613	(\$12,613)	\$0	\$0	\$0	\$0
SJ ARENA CAPITAL RESERVE FD (459) TOTAL	\$0	\$0	\$12,613	(\$12,613)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
SJ-SC TRMNT PLANT CAP FUND (512)								
Clean-Up Actions								
WATER POLLUTION CONTROL CAP PRGM								
Fund Balance Reconciliation				\$30,181	\$30,181		\$30,181	\$0
Clean-Up Actions Total	\$0	\$0	\$0	\$30,181	\$30,181	\$0	\$30,181	\$0
SJ-SC TRMNT PLANT CAP FUND (512) TOTAL	\$0	\$0	\$0	\$30,181	\$30,181	\$0	\$30,181	\$0
SJ-SC TRMNT PLANT OPER FUND (513)								
Clean-Up Actions								
INFORMATION TECHNOLOGY								
Management Pay for Performance Program	\$1,876			(\$1,876)	\$0			\$0
CITY AUDITOR								
Management Pay for Performance Program	\$1,760			(\$1,760)	\$0			\$0
HUMAN RESOURCES								
Management Pay for Performance Program	\$1,169			(\$1,169)	\$0			\$0
FINANCE								
Benefits Program	(\$932)			\$932	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	(\$79,178)			\$79,178	\$0			\$0
Tech Adjust: Environmental Services Department (Reallocation from Personal Services to Non-Personal/Equipment for Contractual Services)	(\$200,000)	\$200,000			\$0			\$0
Clean-Up Actions Total	(\$275,305)	\$200,000	\$0	\$75,305	\$0	\$0	\$0	\$0
SJ-SC TRMNT PLANT OPER FUND (513) TOTAL	(\$275,305)	\$200,000	\$0	\$75,305	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
STORM SEWER OPERATING FD (446)								
Budget Adjustments								
HUMAN RESOURCES								
Workers' Compensation Claims			\$100,000		\$100,000			\$100,000
ENVIRONMENTAL SERVICES								
Ending Fund Balance Adjustment				(\$100,000)	(\$100,000)			(\$100,000)
Budget Adjustments Total	\$0	\$0	\$100,000	(\$100,000)	\$0	\$0	\$0	\$0
Clean-Up Actions								
CITY AUDITOR								
Management Pay for Performance Program	\$271			(\$271)	\$0			\$0
HUMAN RESOURCES								
Management Pay for Performance Program	\$183			(\$183)	\$0			\$0
TRANSPORTATION								
Benefits Program	(\$12,357)			\$12,357	\$0			\$0
PUBLIC WORKS								
Benefits Program	(\$659)			\$659	\$0			\$0
PLANNING, BLDG, & CODE ENF								
Management Pay for Performance Program	\$1,390			(\$1,390)	\$0			\$0
PARKS, REC, & NEIGH SVCS								
Benefits Program	(\$540)			\$540	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	(\$9,065)			\$9,065	\$0			\$0
Fund Balance Reconciliation - Operations and Maintenance Reserve			\$180,528		\$180,528		\$180,528	\$0
Clean-Up Actions Total	(\$20,777)	\$0	\$180,528	\$20,777	\$180,528	\$0	\$180,528	\$0
STORM SEWER OPERATING FD (446) TOTAL	(\$20,777)	\$0	\$280,528	(\$79,223)	\$180,528	\$0	\$180,528	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
SUBDIVISION PARK TRUST FUND (375)								
Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Bramhall Park Restroom and Concession Building			\$120,000		\$120,000			\$120,000
Bramhall Park Restroom and Concession Building Reserve			(\$120,000)		(\$120,000)			(\$120,000)
Branham Park Playground Renovation			\$86,000		\$86,000			\$86,000
Essex Park			\$140,000		\$140,000			\$140,000
Essex Park Development Reserve			(\$100,000)		(\$100,000)			(\$100,000)
Essex Park Master Plan			(\$40,000)		(\$40,000)			(\$40,000)
Future PDO/PIO Projects Reserve			(\$86,000)		(\$86,000)			(\$86,000)
Richardson Park Design Review and Inspection/Earned Revenue			\$261,000		\$261,000	\$261,000		\$0
Budget Adjustments Total	\$0	\$0	\$261,000	\$0	\$261,000	\$261,000	\$0	\$0
SUBDIVISION PARK TRUST FUND (375) TOTAL	\$0	\$0	\$261,000	\$0	\$261,000	\$261,000	\$0	\$0
SUPPL LAW ENF SVCES FUND (414)								
Budget Adjustments								
POLICE								
SLES Grant 2013-2015/Earned Revenue			\$232,482		\$232,482	\$232,482		\$0
Budget Adjustments Total	\$0	\$0	\$232,482	\$0	\$232,482	\$232,482	\$0	\$0
SUPPL LAW ENF SVCES FUND (414) TOTAL	\$0	\$0	\$232,482	\$0	\$232,482	\$232,482	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review


Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
TRANSIENT OCCUPANCY TX FD (461)								
Budget Adjustments								
ECONOMIC DEVELOPMENT								
Cultural Grants			(\$65,000)		(\$65,000)			(\$65,000)
Cultural Grants Administration			\$65,000		\$65,000			\$65,000
REVENUE ADJUSTMENTS								
Future Distribution Reserve/Earned Revenue			\$1,942,000		\$1,942,000	\$1,942,000		\$0
Budget Adjustments Total	\$0	\$0	\$1,942,000	\$0	\$1,942,000	\$1,942,000	\$0	\$0
Clean-Up Actions								
ECONOMIC DEVELOPMENT								
Benefits Program - Cultural Grants Administration			(\$1,651)		(\$1,651)			(\$1,651)
Benefits/Performance Program - Cultural Grants			(\$11,216)		(\$11,216)			(\$11,216)
Management Pay for Performance Program - Cultural Grants Administration			\$12,867		\$12,867			\$12,867
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TRANSIENT OCCUPANCY TX FD (461) TOTAL	\$0	\$0	\$1,942,000	\$0	\$1,942,000	\$1,942,000	\$0	\$0
UNEMPLOYMENT INSUR FD (157)								
Clean-Up Actions								
HUMAN RESOURCES								
Management Pay for Performance Program	\$1,444			(\$1,444)	\$0			\$0
Clean-Up Actions Total	\$1,444	\$0	\$0	(\$1,444)	\$0	\$0	\$0	\$0
UNEMPLOYMENT INSUR FD (157) TOTAL	\$1,444	\$0	\$0	(\$1,444)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
VEHICLE MAINT & OPER FUND (552)								
Clean-Up Actions								
HUMAN RESOURCES								
Management Pay for Performance Program			\$987	(\$987)	\$0			\$0
PUBLIC WORKS								
Benefits Program	(\$15,142)			\$15,142	\$0			\$0
Clean-Up Actions Total	(\$15,142)	\$0	\$987	\$14,155	\$0	\$0	\$0	\$0
VEHICLE MAINT & OPER FUND (552) TOTAL	(\$15,142)	\$0	\$987	\$14,155	\$0	\$0	\$0	\$0
WATER UTILITY CAPITAL FUND (500)								
Budget Adjustments								
WATER UTILITY SYS CAPITAL PROGRAM								
Ending Fund Balance Adjustment				(\$400,000)	(\$400,000)			(\$400,000)
Safety and Security Improvements			\$400,000		\$400,000			\$400,000
Budget Adjustments Total	\$0	\$0	\$400,000	(\$400,000)	\$0	\$0	\$0	\$0
WATER UTILITY CAPITAL FUND (500) TOTAL	\$0	\$0	\$400,000	(\$400,000)	\$0	\$0	\$0	\$0
WATER UTILITY FUND (515)								
Budget Adjustments								
ENVIRONMENTAL SERVICES								
Ending Fund Balance Adjustment				(\$75,000)	(\$75,000)			(\$75,000)
Environmental Services Department Non-Personal/Equipment (Muni Water Conservation Program)		\$75,000			\$75,000			\$75,000
Budget Adjustments Total	\$0	\$75,000	\$0	(\$75,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Recommended Budget Adjustments and Clean-Up Actions
 2014-2015 Mid-Year Budget Review

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
WATER UTILITY FUND (515)								
Clean-Up Actions								
CITY AUDITOR								
Management Pay for Performance Program	\$162			(\$162)	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	(\$7,322)			\$7,322	\$0			\$0
Fund Balance Reconciliation				\$15,707	\$15,707		\$15,707	\$0
Management Pay for Performance Program	\$28,261			(\$28,261)	\$0			\$0
Clean-Up Actions Total	\$21,101	\$0	\$0	(\$5,394)	\$15,707	\$0	\$15,707	\$0
WATER UTILITY FUND (515) TOTAL	\$21,101	\$75,000	\$0	(\$80,394)	\$15,707	\$0	\$15,707	\$0
WORKFORCE INVSTMNT ACT FD (290)								
Clean-Up Actions								
ECONOMIC DEVELOPMENT								
Benefits Program - Administration			(\$545)	\$545	\$0			\$0
Benefits Program - Adult Workers			(\$1,049)	\$1,049	\$0			\$0
Benefits Program - Dislocated Workers			(\$1,091)	\$1,091	\$0			\$0
Benefits Program - Rapid Response Grant			(\$503)	\$503	\$0			\$0
Benefits Program - Youth Workers			(\$1,007)	\$1,007	\$0			\$0
Management Pay for Performance Program - Administration			\$3,860	(\$3,860)	\$0			\$0
Management Pay for Performance Program - Adult Workers			\$7,424	(\$7,424)	\$0			\$0
Management Pay for Performance Program - Dislocated Workers			\$7,721	(\$7,721)	\$0			\$0
Management Pay for Performance Program - Rapid Response Grant			\$3,564	(\$3,564)	\$0			\$0
Management Pay for Performance Program - Youth Workers			\$7,127	(\$7,127)	\$0			\$0
Clean-Up Actions Total	\$0	\$0	\$25,501	(\$25,501)	\$0	\$0	\$0	\$0
WORKFORCE INVSTMNT ACT FD (290) TOTAL	\$0	\$0	\$25,501	(\$25,501)	\$0	\$0	\$0	\$0



2014-2015

MID-YEAR
BUDGET
REVIEW



SECTION
IV

APPENDIX





FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the Six Months Ended December 31, 2014
Fiscal Year 2014-2015
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Six Months Ended December 31, 2014
Fiscal Year 2014-2015
(UNAUDITED)

Table of Contents

	<i>Page Reference</i>
General Fund	
Comparison of Current Year's Monthly Cash Balance vs. Prior Year's Balance.....	1
Comparison of Current Year-to-Date Revenues vs. Prior Year-to-Date Revenues.....	2
Comparison of Current Year-to-Date Expenditures vs. Prior Year-to-Date Expenditures.....	2
Comparison of Current Year-to-Date Revenues for Major Revenue Sources vs. Prior Year-to-Date Revenues.....	3
Comparison of Current Year-to-Date Expenditures by Type vs. Prior Year-to-Date Expenditures.....	3
Source and Use of Funds.....	4
Supplemental Schedule of Departmental Revenues.....	7
Other Funds	
<i>Special Funds</i>	
Comparison of Current Year-to-Date Construction & Conveyance Tax Revenues vs. Prior Year-to-Date Revenues.....	8
Comparison of Current Year-to-Date Construction & Conveyance Tax Expenditures vs. Prior Year-to-Date Expenditures.....	8
Comparison of Year-to-Date Revenues and YTD Expenditures vs. Prior Year-to-Date Revenue and Expenditures for:	
Airport Revenue Fund 521 and Airport Maintenance & Operating Fund 523.....	9
WPCP Operating Fund 513.....	10
Parking Operations Fund 533.....	11
Source and Use of Funds	12

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Six Months Ended December 31, 2014
Fiscal Year 2014-2015
(UNAUDITED)

Table of Contents

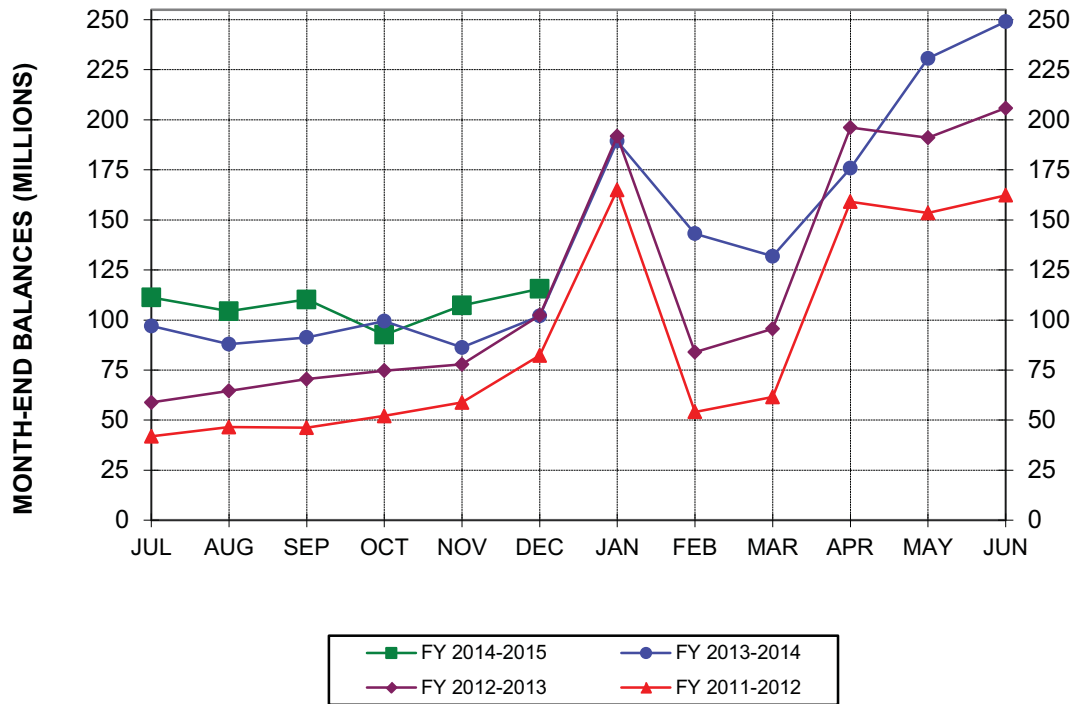
	<i>Page Reference</i>
Other Funds (Cont'd)	
<i>Capital Project Funds</i>	
Source and Use of Funds.....	15
<i>Other Fund Types</i>	
Source and Use of Funds.....	16

Submitted by:



JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

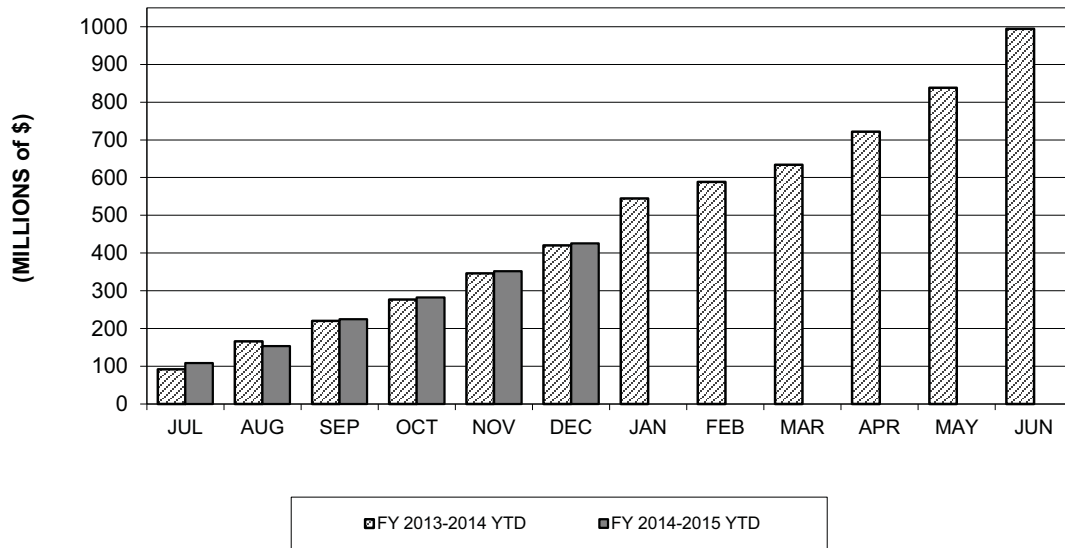
MONTH	FY 2014-2015	FY 2013-2014	FY 2012-2013	FY 2011-2012
JULY (1)	\$ 111,318,585	\$ 97,000,280	\$ 58,791,632	\$ 41,946,493
AUGUST	104,337,113	87,887,607	64,647,700	46,502,235
SEPTEMBER	110,248,937	91,326,643	70,484,194	46,218,737
OCTOBER	92,649,862	99,449,689	74,756,262	52,097,481
NOVEMBER	107,339,933	86,285,372	77,861,880	58,833,627
DECEMBER	115,544,081	102,057,315	102,312,730	82,304,186
JANUARY	189,299,222	189,299,222	191,822,297	164,958,541
FEBRUARY (2)	143,098,965	143,098,965	84,006,185	54,118,810
MARCH	131,881,129	131,881,129	95,600,850	61,586,562
APRIL (3)	175,838,186	175,838,186	196,073,222	159,137,277
MAY	230,678,939	230,678,939	191,101,640	153,526,766
JUNE	249,043,058	249,043,058	205,823,965	162,325,519

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

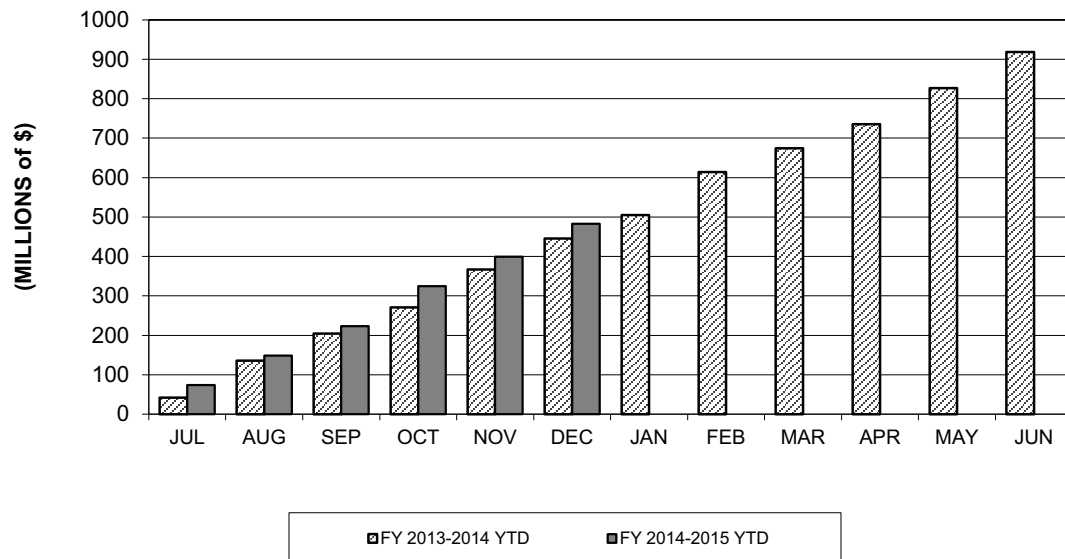
Note: (2) The General Fund cash balance decreases each February mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANS) in the amount of \$100 million.

Note: (3) The General Fund cash balance increases each April mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

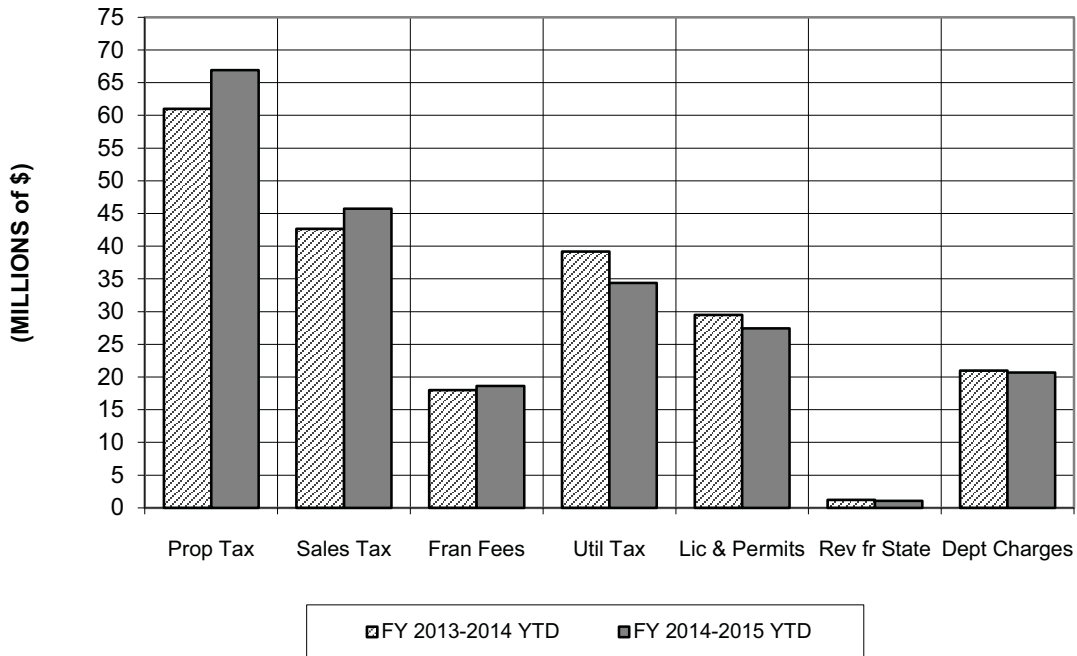
**GENERAL FUND
Comparison of YTD Revenues
Actual**



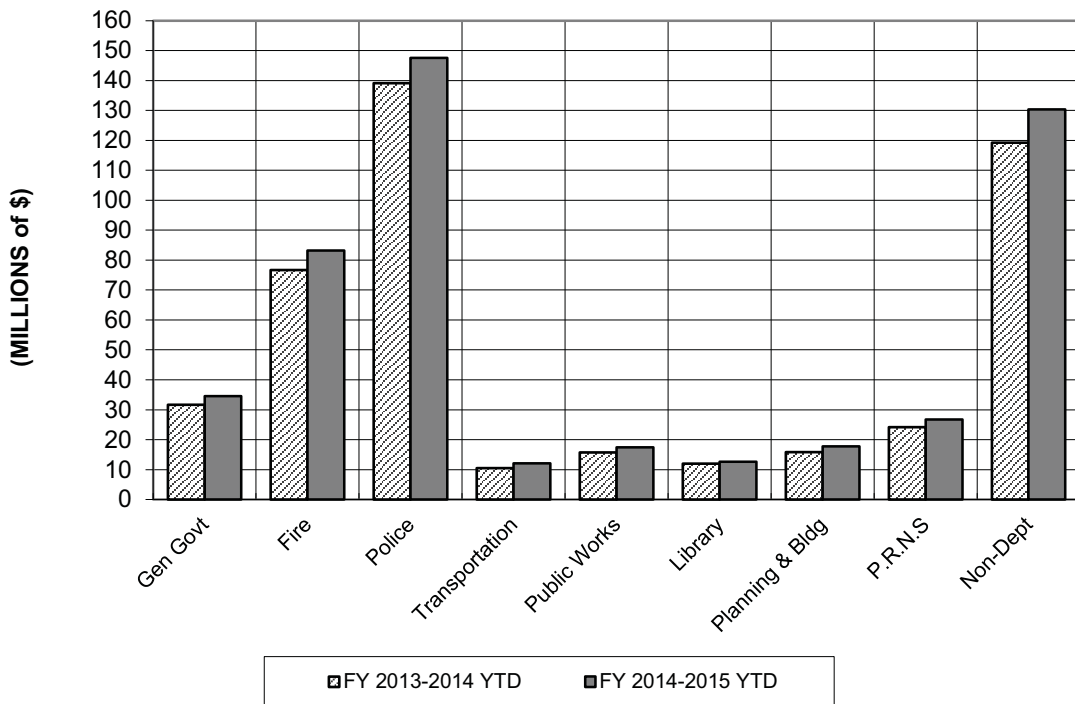
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Month Ended December 31, 2014



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Month Ended December 31, 2014



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

(UNAUDITED)

(\$000's)

	ADOPTED FY 2014-2015 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR(**)	REVISED FY 2014-2015 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL(*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	48,580	48,580	48,580	100.00%	18,795	103.38%	18,181	21,982	116.96%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	253,068	17,559	-	270,627	270,627	100.00%	215,181	100.00%	215,181	55,446	25.77%
Total Fund Balance	253,068	17,559	48,580	319,207	319,207	100.00%	233,976	100.26%	233,362	77,428	33.09%
General Revenues											
Property Tax	233,973	-	-	233,973	66,912	28.60%	60,979	27.27%	223,645	5,933	9.73%
Sales Tax (1)	180,024	-	-	180,024	45,745	25.41%	42,656	24.60%	173,412	3,089	7.24%
Telephone Line Tax	20,700	-	-	20,700	7,533	36.39%	7,346	35.50%	20,692	187	2.55%
Transient Occupancy Tax	11,750	-	-	11,750	5,748	48.92%	4,312	36.32%	11,873	1,436	33.30%
Franchise Fees	45,347	-	-	45,347	18,641	41.11%	18,006	39.36%	45,749	635	3.53%
Utility Tax	94,825	-	-	94,825	34,404	36.28%	39,204	41.80%	93,794	(4,800)	-12.24%
Business Taxes	43,700	-	-	43,700	22,248	50.91%	21,207	46.63%	45,478	1,041	4.91%
Licenses and Permits	46,375	80	-	46,455	27,441	59.07%	29,514	56.74%	52,014	(2,073)	-7.02%
Fines, Forfeits and Penalties	14,205	-	-	14,205	7,292	51.33%	6,177	41.64%	14,835	1,115	18.05%
Use of Money and Property	2,847	67	-	2,914	2,125	72.92%	1,886	54.30%	3,473	239	12.67%
Revenue from Local Agencies	22,612	3,849	-	26,461	3,753	14.18%	4,018	11.41%	35,228	(265)	-6.60%
Revenue from State of Cal.	11,195	731	-	11,926	1,090	9.14%	1,223	10.12%	12,086	(133)	-10.87%
Revenue from Federal Government	4,171	6,848	-	11,019	2,797	25.38%	6,514	48.82%	13,344	(3,717)	-57.06%
Departmental Charges (2)	39,164	-	-	39,164	20,680	52.80%	20,991	50.36%	41,683	(311)	-1.48%
Other Revenues	15,161	148,238	-	163,399	112,801	69.03%	110,495	81.56%	135,479	2,306	2.09%
Total General Revenues	786,049	159,813	-	945,862	379,210	40.09%	374,528	40.59%	922,785	4,682	1.25%
Transfers & Reimbursements											
Overhead Reimbursements	39,000	(668)	-	38,332	29,377	76.64%	29,014	79.61%	36,445	363	1.25%
Transfers from Other Funds	19,138	-	-	19,138	8,726	45.60%	10,088	59.60%	16,926	(1,362)	-13.50%
Reimbursements for Services	15,776	-	-	15,776	8,083	51.24%	6,809	36.84%	18,481	1,274	18.71%
Total Transfers & Reimburse	73,914	(668)	-	73,246	46,186	63.06%	45,911	63.90%	71,852	275	0.60%
Total Sources	1,113,031	176,704	48,580	1,338,315	744,603	55.38%	654,415	53.29%	1,227,999	82,385	12.59%

(1) - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2014-2015 negatively cumulative impact through December 2014 is approximately \$18.8 million.

(2) - See Supplemental Schedules on Page 7.

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

(**) - Encumbrance figures will be adjusted to reflect final 2013-2014 audited financials after the printing of this document.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE
	FY 2014-2015	BUDGET		FY 2014-2015	ACTUAL(*)	ENCUMBR(**)	ACTUAL %	YTD	OF PRIOR			% CHANGE
	BUDGET	AMENDMENTS		ENCUMBR(**)	BUDGET	ACTUAL(*)	ENCUMBR(**)	OF BUDGET	ACTUAL (1)(*)			ACTUAL
General Government												
Mayor and Council	11,281	194	58	11,533	4,219	26	36.58%	3,954	46.49%	8,505	265	6.70%
City Attorney	13,295	24	359	13,678	6,213	560	45.42%	5,450	45.96%	11,859	763	14.00%
City Auditor	2,290	(31)	13	2,272	1,094	13	48.15%	899	47.17%	1,906	195	21.69%
City Clerk	2,512	(30)	-	2,482	865	51	34.85%	872	44.81%	1,946	(7)	-0.80%
City Manager	12,482	(188)	536	12,830	5,197	857	40.51%	4,357	44.79%	9,727	840	19.28%
Finance	14,024	48	288	14,360	6,045	637	42.10%	5,774	47.86%	12,064	271	4.69%
Information Technology	15,402	376	1,741	17,519	5,680	1,899	32.42%	5,317	43.57%	12,203	363	6.83%
Human Resources	7,226	(90)	190	7,326	2,763	1,079	37.71%	2,677	49.98%	5,356	86	3.21%
Independent Police Auditor	1,177	(10)	-	1,167	568	-	48.67%	516	46.28%	1,115	52	10.08%
Office of Economic Development	4,297	(169)	152	4,280	1,946	107	45.47%	1,820	45.60%	3,991	126	6.92%
Total General Government	83,986	124	3,337	87,447	34,590	5,229	39.56%	31,636	46.07%	68,672	2,954	9.34%
Public Safety												
Fire	174,283	3,068	816	178,167	83,197	1,625	46.70%	76,703	47.30%	162,151	6,494	8.47%
Police	326,289	1,573	1,424	329,286	147,508	3,425	44.80%	139,101	45.96%	302,670	8,407	6.04%
Total Public Safety	500,572	4,641	2,240	507,453	230,705	5,050	45.46%	215,804	46.43%	464,821	14,901	6.90%
Capital Maintenance												
Transportation	28,344	(16)	1,226	29,554	12,095	1,783	40.93%	10,503	40.94%	25,652	1,592	15.16%
Public Works	36,838	(16)	256	37,078	17,451	2,511	47.07%	15,778	44.49%	35,467	1,673	10.60%
Total Capital Maintenance	65,182	(32)	1,482	66,632	29,546	4,294	44.34%	26,281	43.00%	61,119	3,265	12.42%
Community Service												
Housing	238	(1)	-	237	101	5	42.62%	81	46.29%	175	20	24.69%
Library	27,664	(10)	73	27,727	12,616	445	45.50%	11,946	46.13%	25,898	670	5.61%
Planning, Bldg & Code Enf.	42,578	1,287	756	44,621	17,794	1,369	39.88%	15,823	46.88%	33,755	1,971	12.46%
Park, Rec & Neigh Svcs	56,066	51	664	56,781	26,782	2,282	47.17%	24,149	46.84%	51,553	2,633	10.90%
Environmental Services	703	9	18	730	292	17	40.00%	632	89.65%	705	(340)	-53.80%
Total Community Services	127,249	1,336	1,511	130,096	57,585	4,118	44.26%	52,631	46.96%	112,086	4,954	9.41%
Total Dept. Expenditures	776,989	6,069	8,570	791,628	352,426	18,691	44.52%	326,352	46.18%	706,698	26,074	7.99%

(1) Does not include encumbrance balance.

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

(**) - Encumbrance figures will be adjusted to reflect final 2013-2014 audited financials after the printing of this document.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE
	FY 2014-2015	BUDGET		FY 2014-2015	ACTUAL(*)	ENCUMBR(**)	ACTUAL %	YTD	OF PRIOR			LESS PRIOR YTD
	BUDGET	AMENDMENTS		BUDGET	ENCUMBR(**)	ENCUMBR(**)	OF BUDGET	ACTUAL (1)(*)	ACTUAL			ACTUAL
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	30,127	2,678	1,542	34,347	17,247	7,182	50.21%	16,672	68.53%	24,328	575	3.45%
Environmental & Utility Services	1,089	968	310	2,367	970	166	40.98%	825	74.66%	1,105	145	17.58%
Public Safety	19,467	602	251	20,320	9,055	320	44.56%	5,460	29.05%	18,792	3,595	65.84%
Recreation & Cultural Services	9,165	73	620	9,858	3,013	1,948	30.56%	2,922	34.90%	8,373	91	3.11%
Transportation Services	5,903	4	345	6,252	2,616	779	41.84%	2,515	45.56%	5,520	101	4.02%
Strategic Support	38,039	153,185	32,688	223,912	59,660	33,204	26.64%	64,549	51.59%	125,113	(4,889)	-7.57%
Total City-wide Expenditures	103,790	157,510	35,782	297,082	92,561	43,599	31.16%	92,943	50.72%	183,231	(382)	-0.41%
Other Non-Dept Expenditures:												
Capital Improvements	34,624	8,941	4,228	47,793	1,473	5,157	3.08%	1,370	41.93%	3,267	103	7.52%
Transfers to Other Funds	35,917	425	-	36,342	36,342	-	100.00%	24,873	99.96%	24,882	11,469	46.11%
Total Non-Dept Expenditures	174,331	166,876	40,010	381,217	130,376	48,756	34.20%	119,194	56.39%	211,380	11,182	9.38%
Reserves												
Contingency Reserves	32,500	200	-	32,700	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	129,211	3,559	-	132,770	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	161,711	3,759	-	165,470	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,113,031	176,704	48,580	1,338,315	482,802	67,447	36.08%	445,546	48.53%	918,078	37,256	8.36%

(1) Does not include encumbrance balance.

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

(**) - Encumbrance figures will be adjusted to reflect final 2013-2014 audited financials after the printing of this document.

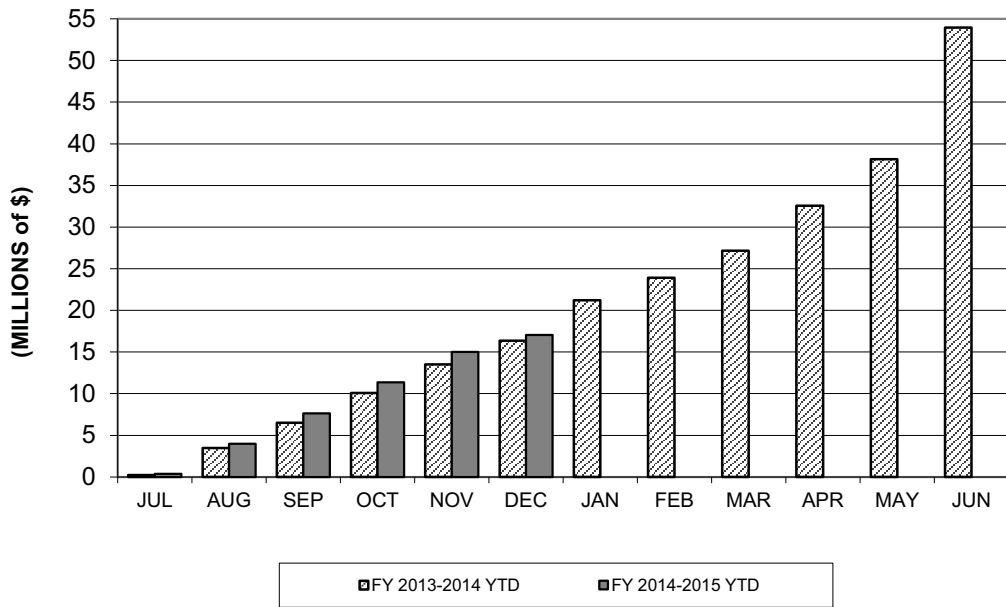
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED FY 2014-2015 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2014-2015 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL(*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,182	-	-	1,182	550	46.53%	713	59.22%	1,204	(163)	-22.86%
Public Works	9,604	-	-	9,604	4,543	47.30%	5,121	52.61%	9,734	(578)	-11.29%
Transportation	1,464	(1)	-	1,463	958	65.48%	733	60.93%	1,203	225	30.70%
Library	1,050	-	-	1,050	305	29.05%	382	35.73%	1,069	(77)	-20.16%
Planning, Bldg & Code Enf	3,600	-	-	3,600	2,193	60.92%	2,516	53.09%	4,739	(323)	-12.84%
Parks Rec & Neigh Svcs	16,523	31	-	16,554	9,084	54.87%	8,300	49.92%	16,625	784	9.45%
Miscellaneous Dept Charges	5,741	(30)	-	5,711	3,047	53.35%	3,226	45.38%	7,109	(179)	-5.55%
Total Departmental Revenues	39,164	-	-	39,164	20,680	52.80%	20,991	50.36%	41,683	(311)	-1.48%

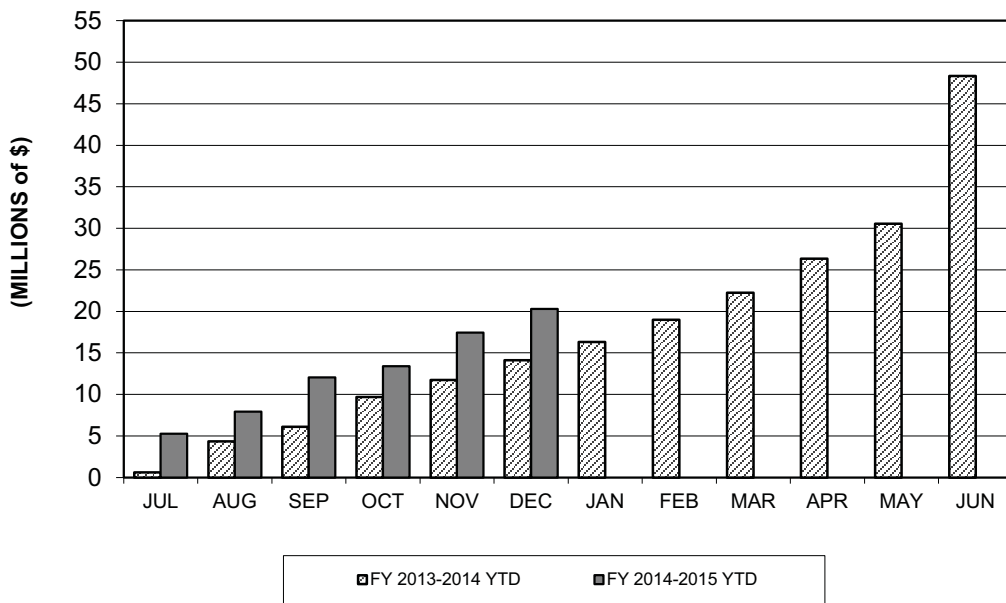
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

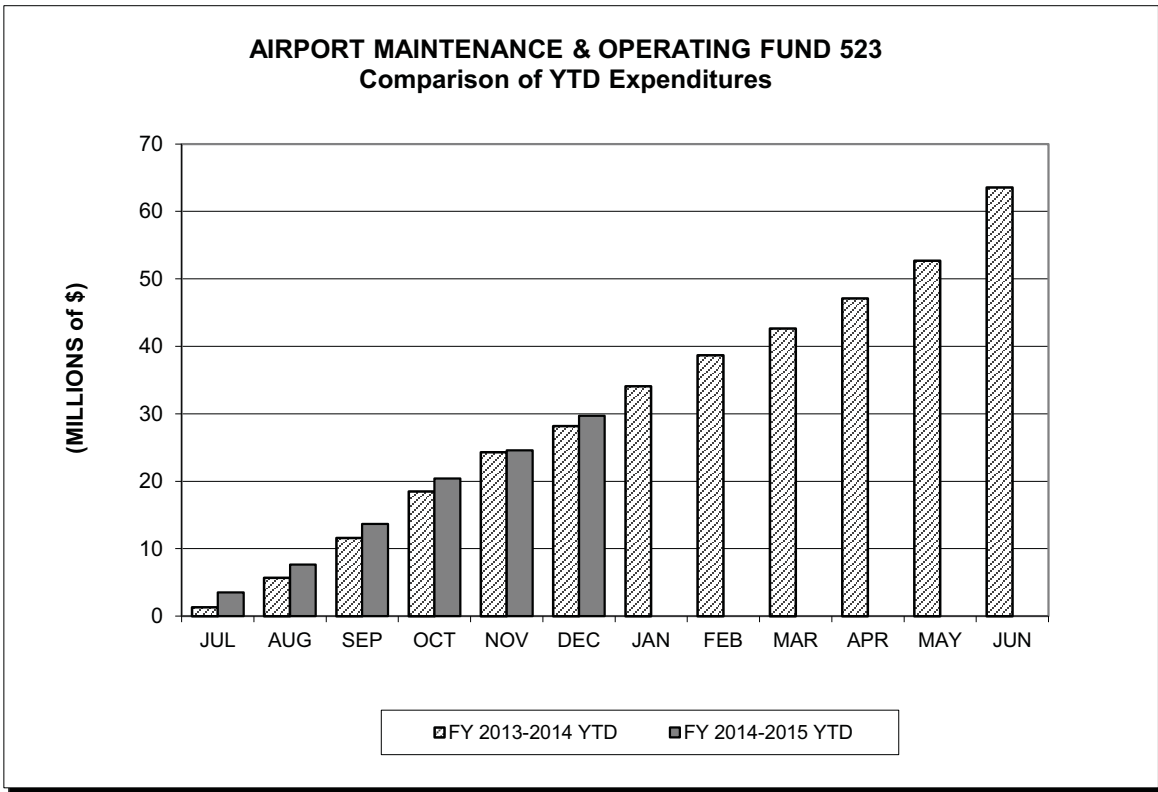
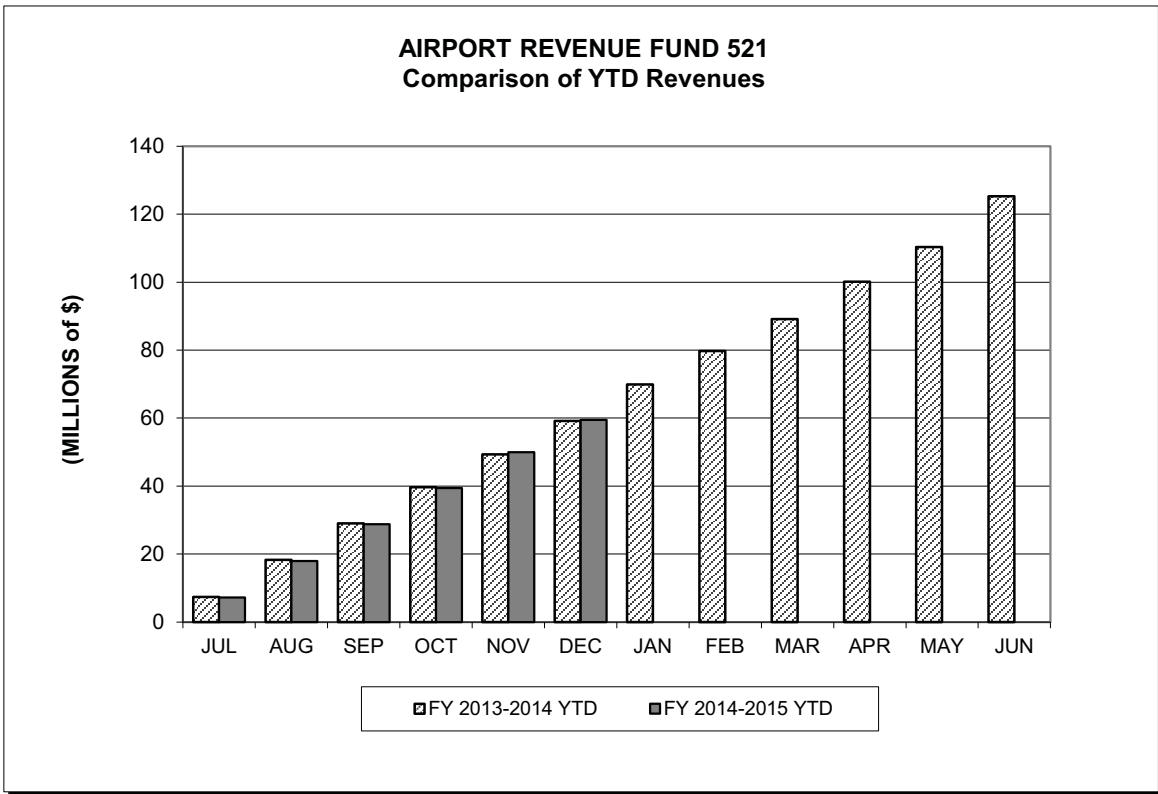
(**) - Encumbrance figures will be adjusted to reflect final 2013-2014 audited financials after the printing of this document.

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



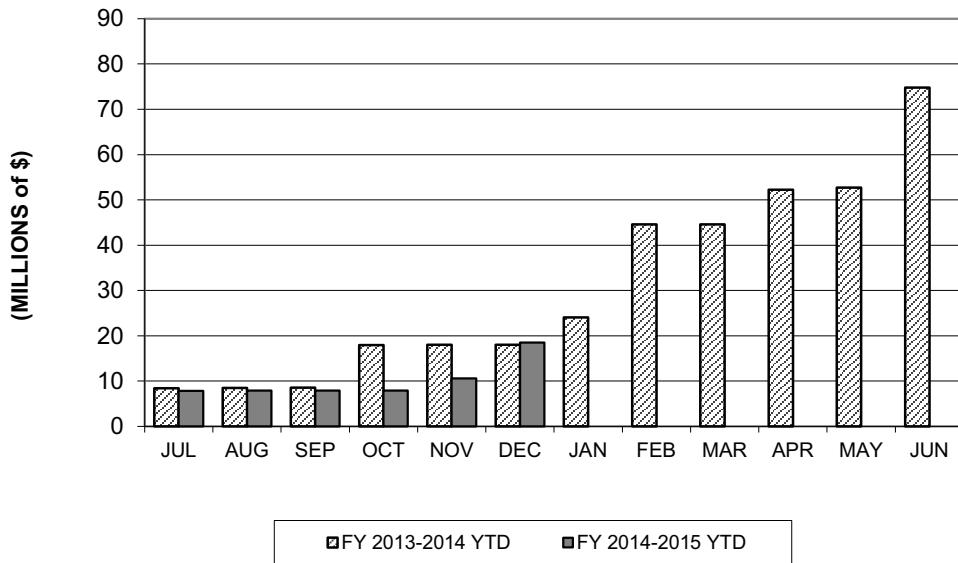
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**





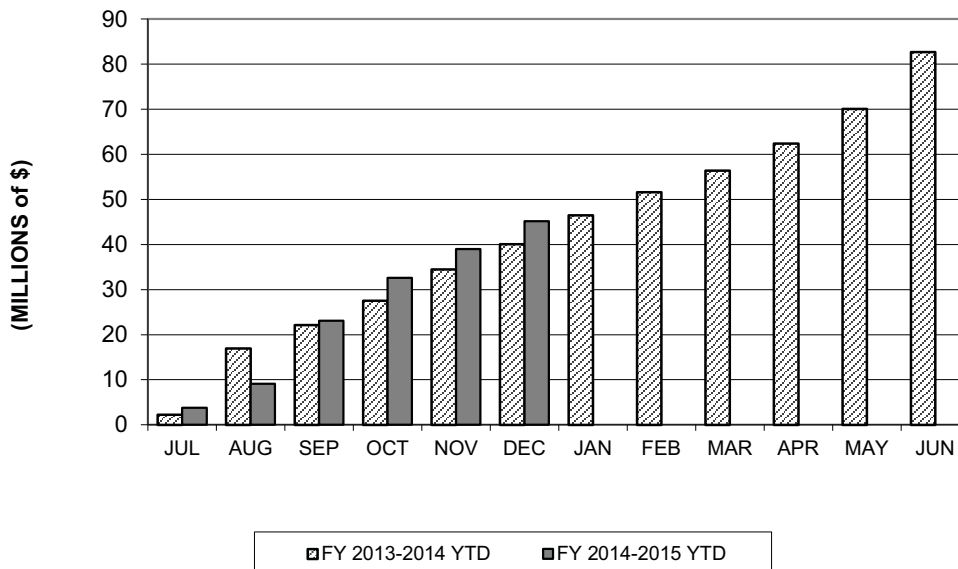
Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

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



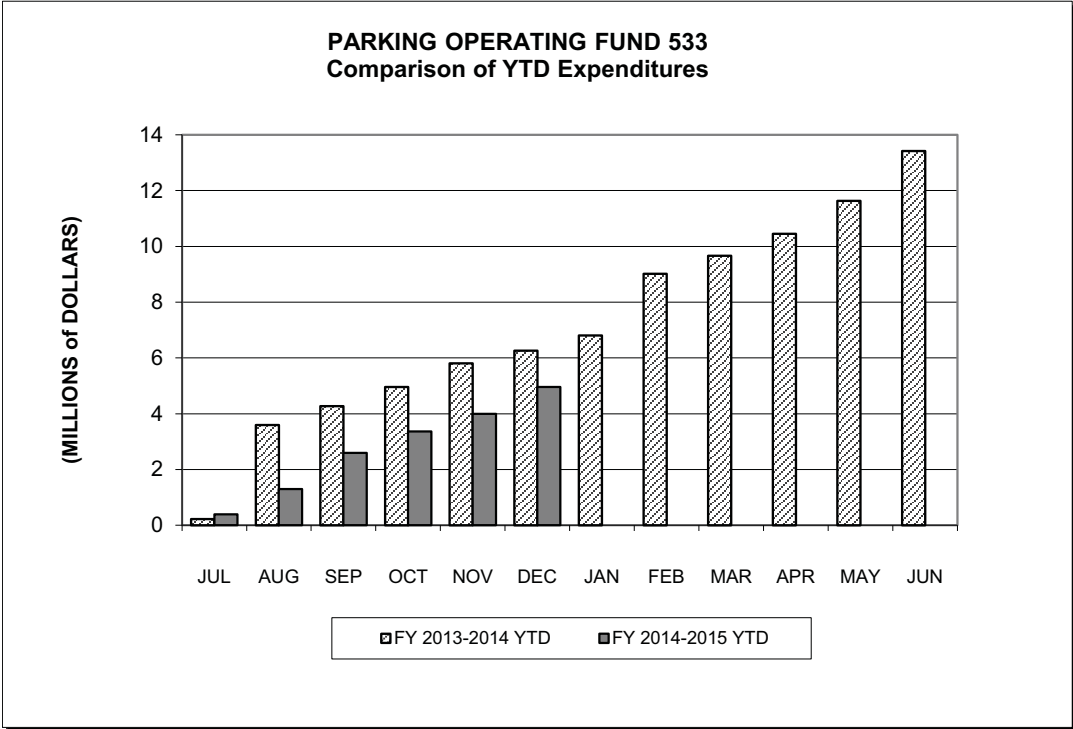
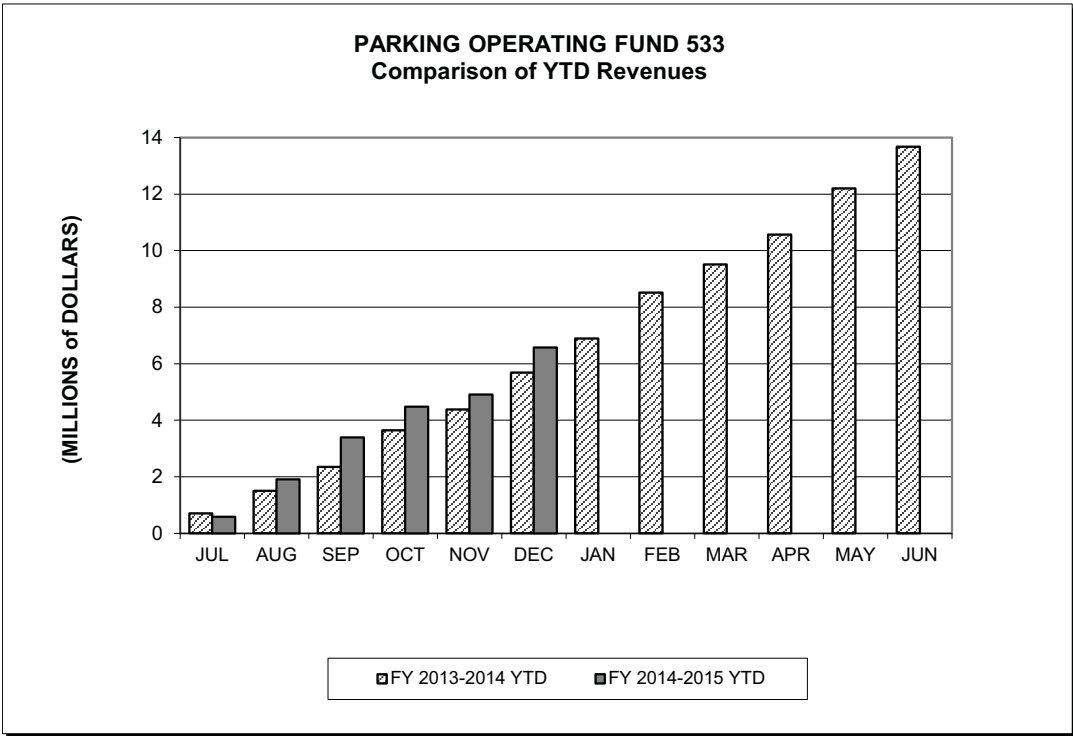
FY 2013-2014 YTD
 FY 2014-2015 YTD

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



FY 2013-2014 YTD
 FY 2014-2015 YTD

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



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

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	7,316	7,316	7,316	-	2,842
Beginning Fund Balance	72,073	6,119	-	78,192	78,192	-	78,699
Revenues	55,313	2,533	-	57,846	17,040	-	16,346
Total Sources	127,386	8,652	7,316	143,354	102,548	-	97,887
Total Uses	127,386	8,652	7,316	143,354	20,309	8,038	14,138
Airport							
Prior Year Encumbrance	-	-	6,778	6,778	6,778	-	7,578
Beginning Fund Balance	303,449	10,025	-	313,474	313,474	-	327,855
Revenues	356,222	-	-	356,222	156,367	-	120,667
Total Sources	659,671	10,025	6,778	676,474	476,619	-	456,100
Total Uses	659,671	10,025	6,778	676,474	127,358	17,051	95,519
Waste Water Treatment							
Prior Year Encumbrance	-	-	92,286	92,286	92,286	-	43,025
Beginning Fund Balance	268,287	31,115	-	299,402	299,402	-	306,189
Revenues	328,982	200	-	329,182	181,994	-	178,290
Total Sources	597,269	31,315	92,286	720,870	573,682	-	527,504
Total Uses	597,269	31,315	92,286	720,870	101,451	113,138	93,175
Parking							
Prior Year Encumbrance	-	-	1,163	1,163	1,163	-	1,032
Beginning Fund Balance	13,492	631	-	14,123	14,123	-	13,066
Revenues	17,333	-	-	17,333	6,574	-	5,685
Total Sources	30,825	631	1,163	32,619	21,860	-	19,783
Total Uses	30,825	631	1,163	32,619	4,959	3,574	6,263
Municipal Water							
Prior Year Encumbrance	-	-	2,399	2,399	2,399	-	1,061
Beginning Fund Balance	16,546	2,871	-	19,417	19,417	-	18,424
Revenues	40,565	-	-	40,565	23,004	-	22,770
Total Sources	57,111	2,871	2,399	62,381	44,820	-	42,255
Total Uses	57,111	2,871	2,399	62,381	19,229	3,089	17,781

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Gas Tax							
Revenues	15,000	-	-	15,000	7,943	-	6,671
Total Sources	15,000	-	-	15,000	7,943	-	6,671
Total Uses	15,000	-	-	15,000	7,943	-	6,671
Building and Structures							
Prior Year Encumbrance	-	-	4,582	4,582	4,582	-	7,531
Beginning Fund Balance	25,528	5,389	-	30,917	30,917	-	16,215
Revenues	28,806	1,314	-	30,120	9,809	-	14,408
Total Sources	54,334	6,703	4,582	65,619	45,308	-	38,154
Total Uses	54,334	6,703	4,582	65,619	6,888	4,833	6,182
Residential Construction							
Beginning Fund Balance	1,106	324	-	1,430	1,430	-	986
Revenues	229	-	-	229	168	-	191
Total Sources	1,335	324	-	1,659	1,598	-	1,177
Total Uses	1,335	324	-	1,659	4	-	24
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	163	163	163	-	120
Beginning Fund Balance	2,806	2,741	-	5,547	5,547	-	4,729
Revenues	17,658	-	-	17,658	8,929	-	6,549
Total Sources	20,464	2,741	163	23,368	14,639	-	11,398
Total Uses	20,464	2,741	163	23,368	7,882	2,833	7,227
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	17	17	17	-	698
Beginning Fund Balance	4,774	1,219	-	5,993	5,993	-	6,606
Revenues	9,228	395	-	9,623	17,011	-	15,723
Total Sources	14,002	1,614	17	15,633	23,021	-	23,027
Total Uses	14,002	1,614	17	15,633	23,861	1,375	28,352

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Golf							
Beginning Fund Balance	584	(42)	-	542	542	-	460
Revenues	2,167	270	-	2,437	2,170	-	2,302
Total Sources	2,751	228	-	2,979	2,712	-	2,762
Total Uses	2,751	228	-	2,979	1,890	-	1,608
Other Funds							
Prior Year Encumbrance	-	-	18,420	18,420	18,420	-	18,668
Beginning Fund Balance	214,051	47,762	-	261,813	261,813	-	248,430
Revenues	385,731	3,622	-	389,353	220,225	-	206,991
Total Sources	599,782	51,384	18,420	669,586	500,458	-	474,089
Total Uses	599,782	51,384	18,420	669,586	167,141	106,814	167,000

CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	27,196	27,196	27,196	-	8,077
Beginning Fund Balance	59,511	14,363	-	73,874	73,874	-	61,383
Revenues	70,461	2,811	-	73,272	31,510	-	38,601
Total Sources	129,972	17,174	27,196	174,342	132,580	-	108,061
Total Uses	129,972	17,174	27,196	174,342	30,228	17,522	23,130
Other							
Prior Year Encumbrance	-	-	17,125	17,125	17,125	-	13,289
Beginning Fund Balance	29,515	1,109	-	30,624	30,624	-	38,923
Revenues	10,006	-	-	10,006	1,009	-	319
Total Sources	39,521	1,109	17,125	57,755	48,758	-	52,531
Total Uses	39,521	1,109	17,125	57,755	4,380	22,406	2,086

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014 BUDGET	BUDGET AMENDMENTS		FY 2013-2014 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	13	13	13	-	29
Beginning Fund Balance	4,818	303	-	5,121	5,121	-	6,504
Revenues	887	14	-	901	541	-	858
Total Sources	5,705	317	13	6,035	5,675	-	7,391
Total Uses	5,705	317	13	6,035	269	50	1,211

PAGE IS INTENTIONALLY LEFT BLANK