

2011-2012

**ANNUAL
REPORT**

LETTER OF TRANSMITTAL

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

SUBJECT: 2011-2012 ANNUAL REPORT

DATE: September 28, 2012

RECOMMENDATION

It is recommended that the City Council:

1. Accept the 2011-2012 City Manager's Annual Report of the Finances of the City of San José in compliance with City Charter Section 701 (F).
2. Adopt Appropriation Ordinance and Funding Sources Resolution amendments in various operating and capital funds to implement the 2011-2012 Annual Report recommendations, including appropriate technical adjustments, as detailed in Section IV (Recommended Budget Adjustments and Clean-Up Actions).
3. Approve an amendment to Resolution No. 76128 to change the name of the fund from Affordable Housing Investment Fund to the Low and Moderate Income Housing Asset Fund, pursuant to Health and Safety Code Section 34176(d).
4. Approve the elimination of 1.0 Recreation Specialist position in the Parks, Recreation and Neighborhood Services Department, as detailed in Section IV (Recommended Budget Adjustments and Clean-Up Actions).

OUTCOME

In accordance with Section 701(F) of the San José City Charter, the 2011-2012 Annual Report describes the financial status of the City at the end of the 2011-2012 fiscal year. As specified in the City Charter, the focus of the City Manager's Annual Report is a comparison of actual revenue collections and expenditures to projections and appropriations included in the City's budget. This will provide the City Council with the information necessary to review the financial performance of all City funds. In addition, this report provides a comparison of the actual 2011-2012 Ending Fund Balance for each fund to the estimate used in the development of the 2012-2013 Adopted Budget as well as information on the status of the year-end reserve levels for each of the City's budgeted funds.

Approval of the recommended budget actions will implement required fund balance reconciliations as well as necessary rebudget and clean-up adjustments based on the final 2011-2012 financial performance. The document also includes actions that are necessary to revise the 2012-2013 budget to align budgeted revenue and expenditures with the most current information, correct technical problems, recognize new or adjust existing grant, reimbursement or fee activity

revenues and expenditures, reflect changes in project and program allocations based on revised cost estimates, and establish a limited number of new projects and programs in special and capital funds. In addition, actions are recommended to change the service delivery model for the Spartan Keyes Center. The elimination of a vacant Recreation Specialist position in the Parks, Recreation and Neighborhood Services (PRNS) Department is recommended and the associated savings is proposed to be shifted to the PRNS Non-Personal/Equipment appropriation to provide funding for a community-based organization to deliver services at this facility.

EXECUTIVE SUMMARY

The Administration proactively managed the City's over 110 budgeted funds in 2011-2012. Budget actions were brought forward during the year to ensure that revenues and expenditures remained in alignment with actual performance. Through this careful management, the various City funds generally ended the year with revenues close to the budgeted estimates and expenditures below the budgeted allocations.

While the 2011-2012 budget performance met expectations, the starting point for 2011-2012 was extremely challenging. Representing the tenth consecutive year of shortfalls, the 2011-2012 Adopted Budget addressed a General Fund deficit of \$115 million, resulting in significant service reductions across the organization. While the economic recovery was expected to continue in 2011-2012, the growth in General Fund revenues was not expected to keep pace with the City's increasing costs, necessitating, once again, deep budget cuts. Actual performance was consistent with this assumption as the General Fund ended the year close to estimated levels.

In the General Fund, revenues ended the year close to budgeted expectations and expenditures ended the year with slight savings. At the end of 2011-2012, there was \$12.8 million in additional General Fund 2011-2012 Ending Fund Balance above the level assumed in the development of the 2012-2013 Adopted Budget. These funds, as well as additional resources generated from the proposed budget adjustments, are recommended to be allocated in the 2011-2012 Annual Report as shown below.

Proposed 2012-2013 General Fund Adjustments (\$000s)

Additional 2011-2012 Ending Fund Balance	\$ 12,833
Clean-Up Actions	
Changes to Development Fee Program Reserves	(3,049)
Rebudgets/Clean-Up Adjustments	(2,541)
Sub-total Clean-Up Actions	\$ (5,590)
Fund Balance Available After Clean-up Actions	\$ 7,243
Recommended Budget Adjustments	
Required Technical/Rebalancing Actions	3,257
Urgent Fiscal/Program Needs	(10,500)
Sub-total Recommended Budget Adjustments	\$ (7,243)
Remaining Balance After Clean-ups/Recommended Adjustments	\$ 0

When bringing forward recommendations for the use of the additional 2011-2012 Ending Fund Balance, clean-up actions associated with the close-out of the 2011-2012 fiscal year are essentially non-discretionary and are the highest priority. These clean-up actions total \$5.6 million and are broken down into two categories: changes to the Development Fee Program reserves to reconcile actual 2011-2012 performance (\$3.05 million); and adjustments to other expenditure line items to reconcile other reimbursement-related expenditures or to adjust rebudget amounts that were carried over to 2012-2013 to complete projects (\$2.54 million). After accounting for those clean-up actions, the additional General Fund 2011-2012 Ending Fund Balance was within \$7.2 million (0.3%) of the 2011-2012 Modified Budget (sources and uses). This additional fund balance was generated from net expenditure savings (\$5.8 million), the liquidation of prior year encumbrances above the estimated level (\$1.2 million), and slightly higher funding sources (\$183,000). The remaining General Fund balance of \$7.2 million, combined with additional net funding generated from various technical and rebalancing actions (\$3.3 million), provide funding to address two recommended urgent fiscal/program needs totaling \$10.5 million: the establishment of a Successor Agency City Legal Obligations Reserve (\$7.5 million), and an increase to the Workers' Compensation/General Liability Catastrophic Reserve (\$3.0 million) per previous City Council direction.

While the recommended General Fund budget actions address urgent current year needs, insufficient ending fund balance remains to allocate resources per the Operating Budget and Capital Improvement Program City Council Policy (1-18). Under this policy, any additional fund balance after the necessary clean-up adjustments are typically to be allocated 50% to unmet/deferred infrastructure and maintenance needs and 50% to offset any projected deficit for the following year. When reviewing the results of the last five Annual Reports, ending fund balance was available to be distributed to these uses in three of the five years (2006-2007, 2007-2008, and 2010-2011). In the other two years (2008-2009 and 2009-2010), there was no remaining fund balance to distribute after addressing current year needs that were identified after the adoption of the budget, such as re-balancing actions that were required due to revenue shortfalls in the General Fund. While no remaining 2011-2012 fund balance is available for the distribution per the City Council policy, it is important to note that the 2012-2013 Adopted Budget includes a 2013-2014 Future Deficit Reserve of \$22.5 million that addresses the preliminary projected deficit in that year as calculated in the February 2012 Five-Year Forecast.

As we move forward, the Administration will continue to monitor and report on the City's financial performance through Bi-Monthly Financial Reports and the Mid-Year Budget Review. The financial results of 2011-2012 will also be factored into the development of the 2014-2018 General Fund Five-Year Forecast that will be released in February 2013.

BACKGROUND

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

- **Transmittal Memorandum** – This section provides an overall summary of the 2011-2012 Annual Report.
- **Section I: Financial Performance Summary (All Funds)** – This section provides a comparison of the 2011-2012 budget to actual revenues received and expenditures incurred by fund as well as a discussion of revenue and/or expenditure variances of 5% or greater to the budget. This section also provides a comparison of the year-end actual 2011-2012 Ending Fund Balance by fund to the 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance estimate used in the development of the 2012-2013 Adopted Budget. In addition, a listing of the Earmarked and Contingency Reserves that were available at the end of 2011-2012 by fund is included.
- **Section II: General Fund Financial Performance** – This section provides a summary of the General Fund performance in 2011-2012, including the following: Results of Operations in the General Fund; Revenue Performance; and Expenditure Performance.
- **Section III: Selected Special/Capital Funds Financial Performance** – This section provides financial information on the 2011-2012 year-end performance for selected special and capital funds that represent major City operations. It includes a discussion of variances between actual and budgeted revenues and expenditures as well as a comparison between the actual ending fund balance and the fund balance estimated for 2011-2012 in the development of the 2012-2013 Adopted Budget.
- **Section IV: Recommended Budget Adjustments and Clean-Up Actions** – This section provides a description of the recommended budget adjustments and clean-up actions for City Council consideration. The proposed actions generally fall into three categories: (1) adjustments to the 2012-2013 Beginning Fund Balance amounts in various funds, including the General Fund, based on the final reconciliation of 2011-2012; (2) upward and downward adjustments to the rebudget figures to ensure the appropriate amount of unexpended funds are carried over to 2012-2013 to complete projects; and (3) actions based on more recent information that are necessary to revise the 2012-2013 budget to align budgeted revenue and expenditures with the most current information, correct technical problems, recognize new or adjust grant, reimbursement or fee activity revenues and expenditures, reflect changes in project and program allocations based on revised cost estimates, and establish a limited number of new projects and programs in special and capital funds.
- **Section V: Financial Statements** – This section provides the financial results (unaudited), prepared by the Finance Department, for all budgeted fund groups for 2011-2012. It should be noted that audited financial results will be released later in the fall as part of the 2012 Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2012. Final fund balance reconciliations to the CAFR will be conducted for all funds and, while very few adjustments are typically necessary, any final adjustments will be brought forward for City Council consideration as part of the 2012-2013 Mid-Year Budget Review.

ANALYSIS

This Analysis section includes the following:

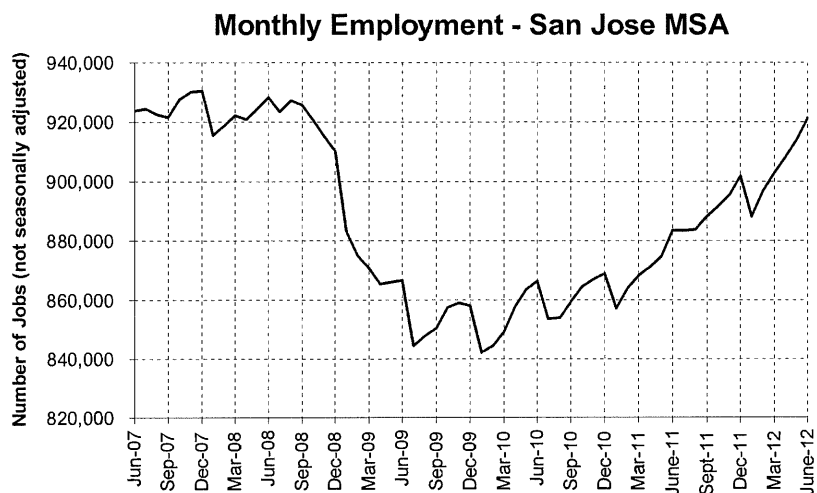
- an overview of the economic environment;
- a discussion of the 2011-2012 financial performance of all City funds;
- a discussion of the 2011-2012 General Fund financial performance;
- a discussion of the components of the 2011-2012 General Fund ending fund balance;
- an analysis of the impact of the General Fund performance on the 2012-2013 Adopted Budget; and
- a discussion of the budget performance of selected special and capital funds.

Economic Environment

When the 2011-2012 Adopted Budget was developed, it was assumed that the slow economic recovery would continue in 2011-2012. Economic indicators and actual revenue performance support this general assumption, with continued improvement during 2011-2012. This region continues to experience job growth, construction activity is increasing at a good pace, and the housing market appears to be stabilizing.

Beacon Economics described Silicon Valley as a bright spot in a grey economy. “The South Bay/Silicon Valley continues to be one of the regions leading California’s economic recovery. This is not surprising due to the strong demand for the area’s technology products at the state, national and international levels.”¹ “This region continues to add jobs at one of the fastest rates in California,” and the unemployment rate although high, has been in decline for the past eight months.² Construction activity is increasing at a good pace and the housing market appears to have stabilized, though home prices remain sluggish.

The June 2012 employment level in the San Jose – Sunnyvale - Santa Clara Metropolitan Statistical Area (MSA) of 921,300 was 3.7% above the June 2011 level of 888,200. This employment level, however, continues to be below the recent peak of 930,500 experienced in December 2007.



¹ Beacon Economics, The Regional Outlook – South Bay, Quarterly Update – December 2011

² Beacon Economics, The Regional Outlook – South Bay, Quarterly Update – Spring 2012

The unemployment rate in the San José metropolitan area continues to remain high, but has remained below the double digit levels that had been experienced in recent years. The June 2012 unemployment rate of 8.8% has increased slightly from the May 2012 level, but is lower than the 10.2% rate experienced a year ago. The June 2012 unemployment rate in this region is less than the unadjusted rate for the State (10.7%), but continues to track above the nation, which has an unadjusted unemployment rate of 8.4%.

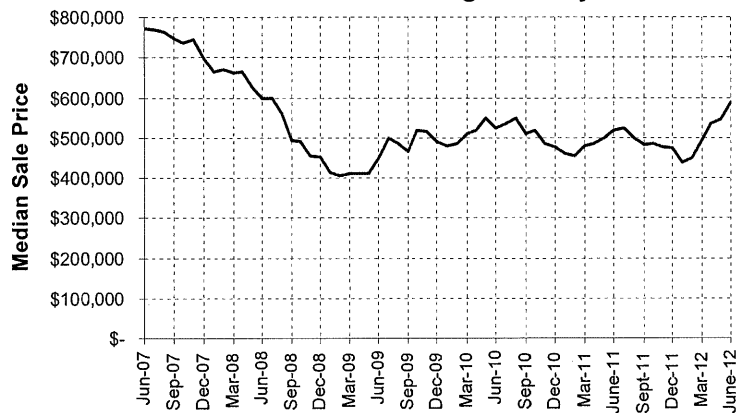
Unemployment Rate (Unadjusted)

	June 2011	May 2012	June 2012
SJ Metropolitan Statistical Area*	10.2%	8.4%	8.8%
State of California	12.0%	10.4%	10.7%
United States	9.3%	7.9%	8.4%

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

The level of construction permit activity in 2011-2012 was higher than 2010-2011 levels across all three types of construction and amounted to \$894 million, a five-year high, and a 69% increase compared to the record low experienced two years ago. The total valuation of commercial permits and industrial permits issued through June was also above prior year levels. The total valuation of commercial permits issued of \$242.1 million was 9.6% above the prior year valuation of \$220.9 million. Industrial construction of \$135.9 million remained significantly above (49.7%) the prior year valuation of \$90.8 million. The 2,973 residential permits issued through June exceeded the prior year level of 2,208 by 34.6%, due largely to a high number of permits issued in June 2012 for a development in North San José. Overall, this permit activity drives the revenue collection in several construction tax categories and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Median Price - Single Family Homes



The housing market also appears to be stable with some improvement noted. The number of property transfers (sales) for all types of residences totaled 783 in June 2012, representing a decline of approximately 5.3% from the 827 sales that occurred in June 2011. In addition, the June 2012 median single family home price of \$588,444 is up 8.0% from the May 2011 price of \$545,000. This marks the 5th consecutive month in

which the median single-family home price has risen compared to the same month in the previous year.

The outlook for Silicon Valley is positive in the near term. Due to the unique nature of the Silicon Valley, this region's economy is heavily influenced by the technology sector. The strength in this sector in particular, as well as improvement in other areas, is anticipated to drive the growth of the economy through 2013.

2011-2012 Budget Performance (All Funds)

As shown in Section I of this document, City revenues (excluding Beginning Fund Balance) totaled \$3.0 billion in 2011-2012, which was 2.0% (\$61.9 million) below the budgeted estimate of \$3.1 billion. In several funds, grants and expenditure-related reimbursements were not received in 2011-2012 and are now expected to be received in 2012-2013.

In 2011-2012, expenditures (excluding Reserves and Ending Fund Balance) totaled \$3.2 billion, which was \$459.2 million (12.5%) below the modified budget of \$3.7 billion. Almost 72.6% of the expenditure variance (\$333.4 million) was in the capital funds, which expended \$410.6 million of the \$744.0 million modified budget. The majority of the unexpended capital funds were rebudgeted to 2012-2013 in the 2012-2013 Adopted Budget and additional funds are recommended to be rebudgeted in this document.

At the end of 2011-2012, the Earmarked and Contingency Reserves for all City funds totaled \$559.8 million, which represented 12.1% of the total modified budget for the City of \$4.6 billion (includes Contributions, Loans and Transfers). In the General Fund, Reserves totaled \$119.9 million. All of these General Fund Reserves were rebudgeted to 2012-2013 or assumed as savings in the development of the 2012-2013 Adopted Budget.

The financial performance in 2011-2012 is used as the starting point for 2012-2013. The collective 2011-2012 Ending Fund Balances for all City funds totaled \$1.3 billion, which was \$74.3 million above the 2011-2012 Ending Fund Balance estimates of \$1.2 billion used in the development of the 2012-2013 Adopted Budget. After adjusting for additional rebudgets of \$30.9 million recommended in this document, the adjusted 2011-2012 Ending Fund Balance variance for all funds drops to \$43.4 million. The General Fund had an adjusted fund balance variance of \$7.2 million. The additional fund balance in the special funds totaled \$15.6 million. The capital funds had the largest adjusted fund balance variance of \$20.6 million.

2011-2012 General Fund Budget Performance

The City's General Fund ended the 2011-2012 fiscal year within budgeted levels. As shown in the chart below, the General Fund Ending Fund Balance of \$168.3 million was \$12.8 million above the fund balance estimate assumed when the 2012-2013 Adopted Budget was developed, primarily as a result of expenditure savings. The following table summarizes the General Fund performance in 2011-2012, comparing the actual results to the modified budget and the estimates used to develop the 2012-2013 Adopted Budget.

Table 1
General Fund Year-End Status
For the Year Ended June 30, 2012
(\$000s)

<i>Sources</i>	2011-2012 Revised Budget	2011-2012 Year-end Estimate	2011-2012 Budgetary Basis Actual	Actual to Budget Variance	Actual to Estimate Variance
<i>Beginning Fund Balance*</i>	137,537	137,537	137,537	-	-
<i>Carryover Encumbrances</i>	17,656	17,656	17,708	52	52
<i>Liquidation of Carry- over Encumbrances</i>	-	2,000	3,225	3,225	1,225
<i>Revenue*</i>	913,647	913,647	907,640	(6,007)	(6,007)
<i>Totals</i>	1,068,840	1,070,840	1,066,110	(2,730)	(4,730)
<i>Uses</i>					
<i>Expenditures*</i>	918,733	885,150	867,589	(51,144)	(17,561)
<i>Transfers</i>	30,223	30,223	30,222	(1)	(1)
<i>Reserves</i>	119,884	-	-	(119,884)	-
<i>Totals</i>	1,068,840	915,373	897,811	(171,029)	(17,562)
<i>Ending Fund Balance</i>	-	155,467	168,299	168,299	12,832

* The General Fund incorporates the Special Services Assessment Revolving Fund.

In 2011-2012, General Fund revenues of \$907.6 million ended the year \$6.0 million (0.7%) below both the modified budget and the estimate used to develop the 2012-2013 Adopted Budget of \$913.6 million. Other funding sources included the liquidation of prior year carryover encumbrances totaling \$3.2 million, which exceeded the estimate of \$2.0 million used to develop the 2012-2013 Adopted Budget, and a small amount of additional 2011-2012 Beginning Fund Balance of \$52,000. General Fund expenditures and transfers of \$897.8 million were \$51.1 million below the modified budget and \$17.6 million below the estimate used to develop the 2012-2013 Adopted Budget. In addition, reserves of \$119.9 million remained unexpended at year-end.

When comparing the actual revenue and expenditure performance to the estimates used to develop the 2012-2013 Adopted Budget, the majority of these variances are related to various grants and reimbursements that were not received in 2011-2012 but are expected to be received in 2012-2013. A total of \$8.8 million of grant and reimbursement revenues and expenditures were rebudgeted to 2012-2013. This resulted in lower actual revenues and expenditures in 2011-2012, with no net impact to the General Fund. After factoring out the lower revenues and expenditures associated with these grants and reimbursements, the revenue variance to the estimate was a surplus of \$2.8 million (0.3%) and the expenditures variance totaled \$8.8 million (0.8%).

In this Annual Report document, budget actions are recommended to distribute the additional fund balance of \$12.8 million. Per City Council Policy 1-18, when determining the proposed distribution of these funds, the first priority is to complete clean-up actions associated with the

final reconciliation of 2011-2012. Net clean-up adjustments of \$5.6 million are recommended in this document to reconcile the Development Fee Programs for 2011-2012 (\$3.05 million) and to adjust various rebudget amounts (\$2.54 million). After accounting for these clean-up adjustments, the remaining unallocated fund balance in the General Fund is \$7.2 million, representing only 0.3% of the total 2011-2012 Modified Budget (sources and uses). This additional fund balance was generated from net expenditure savings (\$5.8 million), the liquidation of prior year encumbrances above the estimated level (\$1.2 million), and slightly higher funding sources (\$183,000).

The additional fund balance of \$7.2 million combined with additional net resources generated from other recommended 2011-2012 budget adjustments (\$3.3 million) described later in this memorandum will generate \$10.5 million that is proposed to address two urgent fiscal/program needs: the establishment of a Successor Agency City Legal Obligations Reserve (\$7.5 million), and an increase to the Workers' Compensation/General Liability Catastrophic Reserve (\$3.0 million) per previous City Council direction. Based on these two actions, no excess fund balance would remain for distribution. Typically, per Council Policy I-18, the any remaining fund balance would be distributed equally to the Future Deficit Reserve for the upcoming year (if a shortfall is projected) and to unmet/deferred infrastructure and maintenance needs.

To identify revenue and expenditure trends, the actual 2011-2012 revenues and expenditures are compared to the prior year. Table 2 below compares the City's financial performance in 2011-2012 with the financial performance of the prior year.

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

	2010-2011 Actuals	2011-2012 Actuals	Change	% Change
Source of Funds				
Beginning Fund Balance	162,119	158,470	(3,649)	-2.3%
Revenues	876,382	907,640	31,258	3.6%
Total Source of Funds	1,038,501	1,066,110	27,609	2.7%
Use of Funds				
Personal Services	591,413	572,695	(18,718)	-3.2%
Non-Personal/Equipment/Other	90,939	89,908	(1,031)	-1.1%
City-Wide Expenses	181,240	195,197	13,957	7.7%
Capital Projects	8,839	9,789	950	10.7%
Transfers	28,534	30,222	1,688	5.9%
Reserves	-	-	-	N/A
Total Use of Funds	900,965	897,811	(3,154)	-0.4%

As shown in Table 2, 2011-2012 General Fund revenues of \$907.6 million represent an increase of 3.6% from the 2010-2011 collection level. The majority of this increase was due to the issuance of Tax Revenue Anticipation Notes (TRANS) of \$100 million for cash flow purposes in

2011-2012 as compared to the \$75 million issued in 2010-2011. Excluding this transaction, revenues were slightly above the 2010-2011 levels by a net \$6.3 million (0.8%). The categories that experienced the largest increases included: Sales Tax, Other Revenue, Revenue from the Federal Government, Property Tax, Licenses and Permits, Business Taxes, and Utility Tax categories. The largest declines from the prior year were experienced in the Transfers and Reimbursements and Revenue from Local Agencies categories. A detailed discussion of the revenue performance by category is provided in Section I of this document.

General Fund expenditures of \$897.8 million in 2011-2012 were down 0.4% (\$3.2 million) when compared to the prior year expenditure level of \$901.0 million. This decline from the prior year reflects lower expenditure levels in the Personal Services and Non-Personal/Equipment/Other categories, partially offset by increases in the City-Wide Expenses, Capital Projects, and Transfers categories. The increase in the City-Wide Expenses category, however, was due entirely to the repayment of TRANs of \$100.4 million, which was above the \$75.4 million figure in 2010-2011. Excluding this transaction, the City-Wide Expenses in 2011-2012 would have ended \$11.0 million below the 2010-2011 expenditure level. The reduction in expenditures from the prior year reflects the implementation of significant budget reductions, including compensation reductions, that were necessary in 2011-2012 to address a projected General Fund shortfall of \$115 million.

2011-2012 General Fund Ending Fund Balance

The current budgeting practice of the City is to use the projected level of fund balance expected to remain in the General Fund at the end of any fiscal year as a funding source for the following year. The Ending Fund Balance estimate always contains two components: the portion of the fund balance that needs to be rebudgeted for completing projects or retaining reserves; and the portion which is undesignated and available as a general funding source in the coming year. In the 2012-2013 Adopted Budget, a total fund balance estimate of \$155.5 million was included as a funding source. The 2011-2012 General Fund Ending Fund Balance of \$168.3 million was \$12.8 million above this estimate.

The components of the 2011-2012 General Fund Ending Fund Balance include funding sources, expenditure/transfer savings, and unexpended reserves as described below:

**2011-2012 General Fund
Ending Fund Balance Components**

Fund Balance Component	\$ Amount (\$ in 000s)
Funding Sources	(\$ 2,730)
Expenditure/Transfer Savings	51,145
Unexpended Reserves	119,884
TOTAL	\$ 168,299

The total Sources of Funds ended the year \$2.8 million below the revised budget as a result of lower revenues (-\$6.0 million) that were partially offset by the liquidation of carryover encumbrances (\$3.2 million) and a restated 2011-2012 Beginning Fund Balance (\$52,000). As discussed above, the negative revenue variance can be attributed to various grants and reimbursements (and associated expenditures for a net-zero impact on the General Fund) totaling \$8.8 million that were not expected to be received in 2011-2012 and the revenues and associated expenditures were rebudgeted to 2012-2013 as part of the Adopted Budget. Additional rebudget and clean-up actions are also recommended in the Annual Report, resulting in an adjusted revenue surplus of \$131,000 (0.02%) of the revised budget.

For the Uses of Funds, expenditure and transfer savings totaled \$51.1 million while unexpended reserves totaled \$119.9 million; this represented the largest component of the 2011-2012 Ending Fund Balance. Of the \$51.1 million in expenditure/transfer savings, over 80% of these savings (\$42.4 million) was assumed as savings in the development of the 2012-2013 budget or rebudgeted to 2012-2013 to complete projects. Based on actual 2011-2012 expenditures, additional rebudget and clean-up adjustments totaling \$2.9 million are recommended in this document. After accounting for these adjustments, net expenditure/transfer savings totaled \$5.8 million at year-end, or 0.6% of the revised budget for these expenditures.

General Fund Reserves, totaling \$119.9 million at the end of 2011-2012, include three categories: Earmarked Reserves (\$65.4 million) established to address specific needs per City Council direction; the Ending Fund Balance Reserve (\$25.2 million) established during 2011-2012 from excess revenues and expenditure savings that are programmed for use in the 2012-2013 Adopted Budget, and the Contingency Reserve (\$29.3 million) set at a minimum of 3% of expenditures per City Council policy. The entire \$119.9 million in Reserves was approved for rebudget or assumed as a source of funding in the development of the 2012-2013 Adopted Budget. Following is additional information regarding the three reserve categories.

- ***Earmarked Reserves (\$45.9 million)*** – At the end of 2011-2012, the most significant reserves included the following: 2012-2013 Future Deficit Reserve (\$21.9 million); Workers' Compensation/General Liability Reserve (\$10.0 million); Fee Supported Reserve – Building (\$15.2 million); Salaries and Benefits Reserve (\$5.0 million); Fee Supported Reserve – Fire (\$4.1 million); and Fee Supported Reserve – Public Works (\$3.5 million). All of the Earmarked Reserves were approved for rebudget or were assumed as a funding source in the 2012-2013 Adopted Budget.
- ***Ending Fund Balance Reserve (\$25.2 million)*** – Annually, as part of the General Fund Forecast and during the development of the Proposed Budget for the following year, a certain amount of current year unrestricted ending fund balance is estimated to be available at the end of the year as a funding source for the following year's budget. This ending fund balance is expected to be generated from additional revenues above budgeted levels, expenditure savings, and the liquidation of carryover encumbrances during the year. To ensure the 2011-2012 ending fund balance estimate of \$25.2 million was available for use as assumed in the development of the 2012-2013 Adopted Budget, funding was proactively set aside in this reserve as part of the 2011-2012 Mid-Year Budget Review (\$12.0 million) and as part of the 2011-2012 year-end clean-up actions (\$13.2 million). The reserve for 2011-2012 was

generated by additional revenue of \$12.5 million combined with expenditure/reserve savings of \$12.7 million.

- **Contingency Reserve (\$29.3 million)** – The City Council has established a budget policy of maintaining a minimum 3% Contingency Reserve in the General Fund. This Reserve is in place as a last resort for unexpected critical needs. At the end of 2011-2012, the General Fund Contingency Reserve balance was \$29.3 million. As part of the 2012-2013 Adopted Budget, the entire Contingency Reserve was rebudgeted to 2012-2013. No additional funding is necessary to be added to the Contingency Reserve as part of the 2011-2012 Annual Report in order to meet the minimum 3% Contingency Reserve level. It is important to note, however, that if this Contingency Reserve is ever needed, it is only sufficient enough to cover General Fund payroll expenditures for approximately two and a half weeks in the event of an emergency. This level of reserve is a very low amount for a city the size of San Jose.

Impacts on the 2012-2013 General Fund Budget

As discussed above, it was assumed that \$155.5 million would remain at the end of 2011-2012 and would be carried over to 2012-2013 as Beginning Fund Balance as part of the adoption of the 2012-2013 General Fund Operating Budget. These funds, which were expected to be generated from unexpended reserves, unexpended funds that were rebudgeted to 2012-2013, expenditure savings and the liquidation of carryover encumbrances, were programmed for use in the 2012-2013 Adopted Budget. As previously discussed, the actual General Fund Ending Fund Balance was above the estimate used in the 2012-2013 Adopted Budget by \$12.8 million, primarily due to additional expenditure savings.

The following chart details the recommended uses of the \$12.8 million additional fund balance as well as other budget adjustments that are recommended as part of this report. A portion of the available fund balance (\$5.6 million) is proposed to be allocated to address rebudgets and clean-up adjustments to close out the 2011-2012 fiscal year. After factoring out these adjustments, a total of \$7.2 million in available fund balance remains to address urgent current year fiscal needs.

While the urgent current year needs of the General Fund are addressed with these recommended actions, insufficient funds remain to allocate resources to the 2013-2014 Future Deficit Reserve or the unmet/deferred infrastructure maintenance needs per City Council Policy I-18 as has been the practice in several of the past years.

PROPOSED 2012-2013 GENERAL FUND ADJUSTMENTS (\$000s)

Additional 2011-2012 Ending Fund Balance	\$ 12,833
Clean-Up Actions	
Changes to Fee Reserves	(3,049)
Rebudgets/Clean-Up Adjustments	(2,541)
Sub-total Clean-Up Actions	(5,590)
Fund Balance Available After Clean-up Actions	\$ 7,243
Recommended Budget Adjustments	
Required Technical/Rebalancing Actions	
- Sales Tax Adjustment	3,140
- Retirement Contributions Reconciliation	904
- Transient Occupancy Tax Adjustment	385
- Stores Fund Close-Out	82
- Gas Tax Adjustment	(500)
- Grace Community Center MediCal Reimbursements	(400)
- Workforce Investment Act (WIA) Fund Rent Reimbursement	(234)
- Fuel Tank Monitoring (Fire Station #16)	(50)
- Police Retirees' Health and Dental Fees	(50)
- Transfer to District 10 Construction & Conveyance Tax Fund (Leland Sports Field)	(20)
- Sale of a Portion of Airport West Property/Loan Repayment (\$4.97 million)	0
- Police Department Overtime (\$3.9 million)	0
- General Fund/Neighborhood Security Bond Fund Expenditure Alignment (\$374,000)	0
- Spartan Keys Center Service Delivery Model Change (\$86,000)	0
- Almaden Lake Park Swim Program Reallocation to Park Rangers (\$19,000)	0
Sub-total Required/Technical Adjustments	\$ 3,257
Grants/Reimbursements/Fee Activities (\$2.5 million in net-zero adjustments)	\$ 0
Urgent Fiscal/Program Needs	
- Successor Agency to the Redevelopment Agency City Legal Obligations Reserve	(7,500)
- Workers' Compensation/General Liability Catastrophic Reserve	(3,000)
Sub-total Urgent/Fiscal Program Needs	\$ (10,500)
Total Recommended Adjustments	\$ (7,243)
Remaining Balance After Recommended Adjustments	\$ 0

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

Clean-Up Actions (-\$5.59 Million)

- **Changes to Fee Reserves (\$-3.05 million)** – Consistent with the budget policy enacted several years ago, year-end reconciliations of the revenues and expenditures in the Development Fee Programs are conducted to determine if revenues exceeded or fell below costs. To meet the commitment to the development community that all development fees will be used solely to support the development fee activities, any excess revenues and interest earnings above actual costs are placed in Development Fee Program Reserves. Based on the 2011-2012 results, \$3,049,000 is recommended to be added to the Development Program Fee

Reserves (Building, Fire, Planning, and Public Works), preserving any net savings between revenues and expenditures in these programs.

- **Rebudgets/Clean-Up Adjustments (-\$2.54 million)** – A series of adjustments are recommended to complete existing projects in 2012-2013 and to reflect any necessary technical budget adjustments. The Annual Report is the point in the budget process where action is required to rebudget unexpended funds from the prior year that were not anticipated when the Adopted Budget was approved, but are required to complete a project in the current year. Also recommended are actions that actually reduce previous rebudgets to reflect instances where expenditures for which rebudgets were approved actually occurred in 2011-2012, therefore, the funds are not available for rebudget to 2012-2013. Other adjustments include the allocation of interest earnings and additional revenue received for the Public, Education and Government Access activities and the reallocation of energy savings to the Energy Efficiency Fund which, by Council Policy, are to be deposited in this revolving fund.

Recommended Budget Adjustments (-\$7.24 million)

A number of General Fund budget additions are recommended to address current year funding needs that have emerged since the 2012-2013 budget was approved. These adjustments total \$7.24 million and can be classified under three categories: 1) Required Technical/Rebalancing Actions that generate an additional \$3.3 million in net General Fund resources; 2) Grants/Reimbursement/Fee Activities that include a series of net-zero adjustments totaling \$2.5 million; and 3) Urgent Fiscal/Program Needs with a net cost of \$10.5 million.

A summary of these adjustments include:

- **Required Technical/Rebalancing Actions (-\$3.26 million)**
 - Increases the General *Sales Tax* estimate by \$3.1 million (from \$148.2 million to \$151.3 million) to recognize one-time additional Sales Tax revenue generated in the fourth quarter 2011-2012 (\$1.7 million) and to recognize the 2011-2012 “Triple Flip” true-up payment from the State, scheduled to be received in January 2013 (\$1.4 million). Ongoing impacts of higher than estimated receipts will continue to be monitored closely and adjustments brought forward as appropriate. (\$3.14 million)
 - Due to change in methodology for paying the City’s annual required contribution to a minimum amount or the amount generated by a rate, a *Retirement Contributions Reconciliation* was completed for both the Federated System and the Police and Fire Retirement Plan in order to ensure that all City funds contain the correct contribution amounts for 2012-2013. This reconciliation is consistent with City Council direction as part of the approval of the 2012-2013 Mayor’s June Budget Message. Based on the final City contribution amounts as determined by the two retirement boards in April and May of 2012 and budget actions approved after the release of the Proposed Budget, the retirement contribution reconciliation results in net savings of \$904,000 in the General

Fund (\$1.1 million in all funds) that are recommended to be distributed in this document. (\$904,000)

- Increases the budgeted estimate for 2012-2013 *Transient Occupancy Tax* receipts by \$385,000, from \$8.7 million to \$9.1 million. The 2012-2013 Adopted Budget assumed growth of 5% from 2011-2012 estimated collections. As a result of higher than anticipated 2011-2012 collections, growth of only 0.6% is needed to meet the 2012-2013 Adopted Budget estimate. With no indications of reduced activity, this action increases the budgeted estimate to allow for growth of 5% from 2011-2012 actual receipts, which is consistent with the level assumed in the 2012-2013 Adopted Budget. (\$385,000)
- Increases the estimate for Transfers and Reimbursements by \$82,000 to reflect the transfer of excess funds generated from the *Stores Fund Close-Out*. As part of the 2012-2013 Adopted Budget, the City Council approved the transition to a vendor-direct purchasing model, eliminating the City's Central Warehouse functions. This action transfers the remaining fund balance in the Stores Fund after the reconciliation of activity through the end of 2011-2012. A final transfer from the Stores Fund to the General Fund is anticipated later this year after the sale of remaining inventory is finalized and the close-out of the Stores Fund is complete. (\$82,000)
- Decreases the estimate for Transfers and Reimbursements to reflect lower than anticipated *Gas Tax* receipts based on actual 2011-2012 collections. The 2012-2013 Gas Tax estimate was based on the assumption that receipts would drop 1% from the estimated 2011-2012 collection level. However, because 2011-2012 Gas Tax receipts were lower than anticipated when the 2012-2013 budget was developed, a \$500,000 downward adjustment to the 2012-2013 estimate (from \$15.0 million to \$14.5 million) is recommended to remain consistent with the approximate 1% decline assumed in the 2012-2013 Adopted Budget. (-\$500,000)
- Decreases the estimate for Revenue from Local Agencies by \$400,000 from \$450,000 to \$50,000 due to fewer adults attending Grace Community Center Day Rehabilitation Program. As a result of a State Department of Mental Health audit, a program redesign/recertification of the Day Rehabilitation Program was necessary to bring the program into compliance with State regulations. This new model, however, resulted in a significant drop in attendance, which significantly reduces the *Grace Community Center Eligible MediCal Reimbursement* and increases the General Fund ongoing cost for this program. With projected attendance levels July through November 2012, reimbursement for eligible costs are estimated at \$50,000. The Parks, Recreation and Neighborhood Services Department will continue to evaluate this program to identify next steps to ensure the program is as cost-effective as possible. Any recommended changes to the service delivery model will be brought forward later in the year. (-\$400,000)
- Decreases the estimate for Transfers and Reimbursements by \$234,000 to reflect a lower *Rent Reimbursement from the Workforce Investment Act Fund* (bringing the total estimate to approximately \$400,000) for the rental of former community centers by the work2future program to align reimbursements with eligible costs in accordance with federal grant requirements. (-\$234,000)

- Increases the ***Fuel Tank Monitoring*** Capital Projects appropriation by \$50,000, from \$50,000 to \$100,000, to complete the soil and groundwater remediation at Fire Station #16. During the last two decades, Underground Storage Tanks (USTs) for fuel at various City facilities were removed. Some of these USTs have been found to have fuel leakage issues and require soil and/or groundwater remediation and Fire Station #16 is one of those facilities. The ongoing funding for this work is insufficient to complete the remediation efforts needed in the current year. (-\$50,000)
- Increases the ***Police Retirees' Health and Dental Fees*** appropriation by \$50,000 (from \$40,000 to \$90,000) based on projected costs as a result of changes to the Police Retirees' lowest cost health plan option. Per the Memorandum of Agreement with the San José Police Officers' Association, the City must set aside a portion of eligible Police retiree members' sick leave payments upon retirement to offset their healthcare plan deductions. Retirees with a certain amount of service with the City qualify for lifetime medical insurance upon retirement whereby the retirement funds pay 100% of the premium costs of the City's lowest cost health plan. In June 2012, the City Council approved a new lowest cost health plan. Effective January 1, 2013, if retirees choose not to elect the new low cost plan and remain with their current plan, retirees will have to pay a portion of the monthly health and dental fees. It is estimated that Police retirees eligible for this health and dental fee offset will elect to remain in their current plan and incur the higher cost starting with the next calendar year. Therefore, it is expected that retirees will increase usage of the set aside funding to cover the cost of their portion of the annual health and dental fees. (-\$50,000)
- Per direction from the City Council, establishes a ***Transfer to the Council District 10 Construction and Conveyance Tax Fund*** in the amount of \$20,000 to fund a portion of the total repayment of \$350,000 that originally supported the addition of an enhanced concession/storage/bathroom facility at the Leland High School Sports Field. This allocation reflects the balance of fees collected once the cost of operations and maintenance were paid in 2011-2012. After this repayment, the remaining balance to be repaid to the Council District 10 Construction and Conveyance Tax Fund totals \$210,000. (-\$20,000)
- Increases the estimate for Other Revenue in the amount of \$4.97 million to recognize a ***Payment Associated with the Sale of 14.5 Acres of Airport West Property to the Earthquakes, LLC*** and establishes a City-Wide HUD Section 108 Loan Repayment appropriation in the amount of \$4.97 million to pay off a portion of the HUD 108 loan associated with this property. As part of a Purchase and Sale Agreement with Earthquakes Soccer LLC, the developer purchased a portion of the Airport West property for the development of the future Earthquakes Soccer Stadium. The payment will be used to pay off a portion of the HUD 108 loan, reducing the principal of the loan from \$20,803,000 to \$15,830,200. The use of the payment to pay off a portion of the HUD Loan was assumed in the most recent financing plan that was approved by the City Council in June 2012 to accommodate the community soccer facility. (\$0)

- Increases the *Police Department's Overtime* funding in 2012-2013 by \$3.9 million (from \$13.3 million to \$17.2 million) to continue to backfill for vacant patrol positions, expand targeted enforcement of high crime activity related to gangs through suppression cars, and provide funding to continue backgrounding efforts on an overtime basis until a contract is in place. Anticipated savings related to sworn vacancies in 2012-2013 of \$2.4 million are recommended to be reallocated from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation to ensure the Department has sufficient overtime resources based on recent increases in crime activity and discussions that occurred as part of the City Council Study Session on Public Safety on September 18, 2012. In addition, funding of \$1.25 million is recommended to be rebudgeted for overtime expenditures from 2011-2012 savings, as well as a recommended reallocation of \$250,000 in non-personal/equipment funding for contracted backgrounding services to the personal services overtime line item due to a delay in contract implementation. (\$0)
- Technical adjustments are included to *Realign General Fund and Neighborhood Security Bond Fund (Bond Fund) Expenditures* through an increase to the revenue estimate for Transfers and Reimbursements and the establishment of a Transfer to the Neighborhood Security Bond Fund in the amount of \$374,000 in order to: 1) recognize the transfer of bond proceeds from the Bond Fund to reimburse the General Fund for costs associated with several Public Safety Capital projects; and 2) transfer funding to the Bond Fund to allocate General Fund Funding to reimburse the Bond Fund for capital expenditures which have been determined as ineligible to be reimbursed from bond proceeds. (\$0)
- Eliminates a Recreation Specialist position and reallocates funding in the amount of \$86,000 in the Parks, Recreation and Neighborhood Services (PRNS) Department from Personal Services to Non-Personal/Equipment to support a change in the recommended *Service Delivery Model at the Spartan Keyes Center*. A Recreation Specialist position was added on a one-time basis as part of the 2012-2013 Adopted Budget to continue operations at Spartan Keyes. However, it has been determined that it would be more effective to have Catholic Charities, a community-based organization, rather than in-house PRNS staff perform these duties, keeping in line with direction approved in the Mayor's 2012-2013 June Budget Message to explore opportunities for partnerships with non-profits to provide support and minimize costs. (\$0)
- Increases the Parks, Recreation and Neighborhood Services Department (PRNS) Personal Services appropriation by \$18,510 to fund *Park Rangers at Almaden Lake Park*. Councilmember Pyle had previously raised funds to support the swim program at Almaden Lake Park. However, the open water swim program at Almaden Lake was eliminated due to bacteria and algae bloom issues. The Mayor's 2012-2013 June Budget Message, as approved by the City Council, directed the Administration to work with Council District 10 and the Parks Foundation to reallocate the funds to PRNS for other District 10 parks and trail programs as early in the fiscal year as possible. Based on discussions with the Council Office and the Parks Foundation, it is recommended to allocate the funds for additional part-time unbenefitted Park Ranger hours to District 10

parks and trails with a focus on Almaden Lake. Also included elsewhere in this report are Gift Trust Fund appropriation actions to reallocate donated funds originally intended to support the Almaden Lake Swim Program to Park Rangers (\$28,622) bringing the total amount to \$47,132 which will fund approximately 1,900 part-time unbenefitted Park Ranger hours. A corresponding elimination of the Almaden Lake Swim Program Earmarked Reserve of \$18,510 is also included in this report. (\$0)

- **Grants/Reimbursements/Fee Activities (\$0)**

- A series of net-zero adjustments totaling \$2.5 million are recommended to reflect new or updated revenues and expenditures for *Grants, Reimbursements and/or Fee Activities* for police traffic safety, police gaming unit, neighborhood and literacy services, and other miscellaneous grants and reimbursements. They include: Parks, Recreation and Neighborhood Services Department senior nutrition programming (\$945,000), after school education and safety (\$608,000), Police Department traffic safety and gaming unit reimbursements (\$449,000), San José BEST (\$295,000), Safe Summer Initiative (\$147,000), and other miscellaneous grants (\$46,000).

- **Urgent Fiscal/Program Needs (-\$10.50 million)**

- Establishes a *Successor Agency to the Redevelopment Agency City Legal Obligations Reserve* of \$7.5 million to provide for the payment of the obligations described below in the event that the County continues to withhold certain redevelopment tax revenues. The 2012-2013 Adopted Budget included funding of \$16.3 million in several funds (\$11 million in the General Fund) to ensure payment of Successor Agency obligations which the City would be contractually obligated to pay (Convention Center Debt Service, 4th Street Parking Garage Debt Service, HUD 108 Loan payments, and ERAF Loan Payments) as well as administrative costs due to the forecasted insufficiency in redevelopment tax increment revenues to pay for all obligations. However, since the adoption of the budget, it has become apparent that received and forecasted revenues may fall below prior estimates used to develop the 2012-2013 Adopted Budget reflecting an additional potential shortfall of \$7.5 million that would necessitate additional General Fund support. This is because, inconsistent with past practice, the County of Santa Clara is withholding a percentage of former tax increment to fund the County employee's retirement plan (the PERS levy), as well as two other tax overrides related to Water District projects. The annual impact is projected to be approximately \$7.5 million in lost revenue.

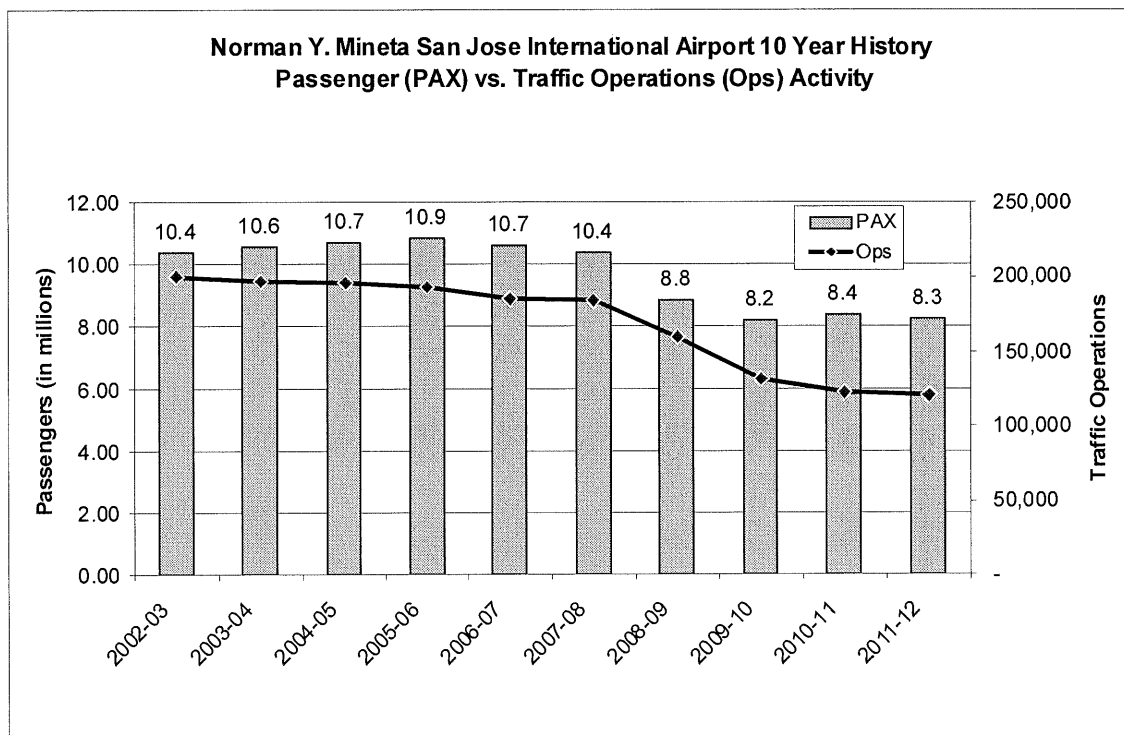
The City, in its capacity as the Successor Agency, has commenced a lawsuit challenging the County's actions of withholding funds required to meet the Successor Agency's enforceable obligations. This recommendation to establish a reserve is being made because the timing and outcome of the litigation are uncertain. If the matter is resolved such that the \$7.5 million reserve is not needed, the Administration intends to recommend that the City Council distribute these funds as part of the 2013-2014 budget process. (\$-7.5 million)

- Increases the *Workers' Compensation/General Liability Catastrophic Earmarked Reserve* by \$3.0 million (from \$10.0 million to \$13.0 million) as directed in the Mayor's 2012-2013 June Budget Message, as approved by the City Council. This increase provides sufficient funding to cover 50% of a \$6 million verdict that was recently rendered against the City for a case currently in post trial motions. The remaining portion of the verdict would be funded by the General Liability Claims appropriation. This appropriation has funding of \$10.0 million in 2012-2013; however, only \$2.0 million is ongoing funding, so it is prudent to set aside additional funds for potential claim awards and litigation settlements. As documented in the 2012-2013 Adopted Budget, after a review of cases requiring substantial legal attention, ten cases alone amounted to claims by the plaintiffs in excess of \$48 million, which does not take into account any potential workers' compensation litigation. Despite this level of potential liability, the City has historically paid considerably less for claims and litigation settlements than other large cities; therefore, the Administration believes that the recommended level of funding for these potential expenditures is sufficient at this time. (-\$3.0 million)

2011-2012 Selected Special/Capital Funds Budget Performance

Airport Operating Funds

The Airport served 8.25 million passengers in 2011-2012, which was an overall decrease of 1.6% in year over year passenger activity. Airport activity categories demonstrated slight declines as compared to last year in parking exits, pounds of mail/freight/cargo, traffic operations, gallons of aviation fuel sold, and landed weights. Taxicab operations exceeded last year's activity.



Overall, revenue performance was slightly below the budgeted estimate by \$2.1 million (1.4%), including reimbursement of eligible Terminal Area Improvement Program expenditures from bond proceeds which are being held in reserve to address future budget issues. Airline Rates and Charges (combined total of landing fees and terminal rents) and all other operating categories, excluding transfers, ended the year at \$118.7 million which was \$1.0 million (0.9%) below the budgeted estimates of \$119.8 million. Terminal rental revenue exceeded budgeted estimates by \$1.7 million (4.4%) reflecting greater than anticipated rental of common use ticket counters and gates, while airfield and landing fee revenues were \$861,000 (5.7%) less than expectations due to reduced flights. Parking and Roadways revenue fell below the budgeted estimate by \$2.9 million (6.7%). Rental Car Privilege Fees approximately met budgeted estimates; however, shuttle bus revenue of \$3.4 million that was generated from the lease of 14 shuttle buses was erroneously booked as a credit against expenditures causing the revenue shortfall. It should be noted that this error, that will be corrected as part of an upcoming audit adjustment to the applicable 2011-2012 fund financial statements, will not have any effect on the financial position of the Airport.

The Airport's two operating funds, Airport Customer Facility and Transportation Fee Fund (Fund 519) and the Airport Maintenance and Operation Fund (Fund 523) had a combined year-end expenditure savings of \$7.8 million (8.3%) as compared to the budgeted levels of \$93.9 million most of which were contemplated and incorporated into the development of the 2012-2013 budget and airline rates and charges. The approximate \$3.4 million in savings beyond targeted levels are the result of vacancies experienced during the year due to retirements, reduced compensated absence liability costs associated with significantly reduced staffing levels and non-personal/equipment savings. The non-personal/equipment savings result from adhering to strict cost controls, prioritizing needs, deferring purchases, use of alternate products or sources, as well as conservative budgeting for operation and utilities of terminal facilities and the rental car garage. As mentioned above the revenue from the City Council approved sale of 14 shuttle buses in the amount of \$3.4 million was erroneously booked as a credit against expenditures causing a \$3.4 million understatement of expenditures. This error will be corrected as part of an upcoming audit adjustment to the applicable 2011-2012 fund financial statements.

These savings resulted in a lower than anticipated transfer from the Airport Revenue Fund to the Airport Maintenance and Operation Fund and incrementally higher year-end fund balance in the Airport Revenue Fund. The additional fund balance in the Airport Revenue Fund will contribute towards managing the 2012-2013 Adopted Budget and development of the 2013-2014 budget. While Airport activity levels early in 2012-2013 have shown very slight increases in the number of passengers, passenger growth for 2012-2013 is projected to remain in-line with 2011-2012 levels.

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San José's (TSJ) operation of the City's Convention Facilities. In 2011-2012, Convention Facilities activities generated revenues \$430,000 above the modified estimate due primarily to increased building rental, food and beverage, and contract labor revenue. Expenditures ended the year below budgeted levels by \$1.3 million due primarily to savings in the Center for Performing Arts Improvements, Workers'

Compensation Claims Payments, and Convention Center Kitchen Remodel Design appropriations. This combination of higher revenues and lower expenditures resulted in an ending fund balance that was approximately \$870,000 higher than what was assumed in the 2012-2013 Adopted Budget.

The Annual Report includes a recommended increase of \$898,000 to the Transfer from the Transient Occupancy Tax Fund based on higher than anticipated 2011-2012 collections and a recommended increase to the 2012-2013 budgeted revenue estimate. The additional fund balance of \$870,000 combined with the TOT transfer of \$898,000 (total of \$1.7 million) is recommended for use in 2012-2013 as part of the Annual Report, partially offsetting the recommended increase of \$2.2 million for Furniture, Fixtures and Equipment (FF&E). The Convention Center project has an unfunded need of \$2.2 million for FF&E due to the overall age/condition of the existing FF&E and the addition of new convention space as part of the Convention Center Expansion/Renovation project. By allocating resources for FF&E now, these purchases can be packaged to achieve cost savings, while ensuring delivery and installation in advance of the project's anticipated September 2013 completion. Also offsetting this cost increase are decreases to the Convention Center Kitchen Remodel Design (\$200,000) and Convention and Visitor's Bureau (CVB) Marketing Services (\$449,000) allocations. The decrease to the Convention Center Kitchen Remodel Design project will have no impact, as these costs were incurred in the Expansion/Renovation project budget. The decrease to the CVB Marketing Services appropriation will have no impact, as an offsetting increase is recommended in the TOT Fund as a result of higher than anticipated 2011-2012 TOT receipts and a recommended increase to the estimated 2012-2013 TOT collection level. The fund remains on track to achieve the City Council-approved goal of retaining at least \$1.5 million in fund balance at the end of the expansion/renovation project.

Affordable Housing Investment Fund (Low and Moderate Income Housing Asset Fund)

Effective February 1, 2012, redevelopment agencies throughout the State were dissolved and as a result, the Affordable Housing Investment Fund was established as the fund where low and moderate income fund assets are deposited. However, due to the recent passage of AB 1484, the fund name must be changed from the Affordable Housing Investment Fund to the Low and Moderate Income Housing Asset Fund. In 2011-2012, the actual ending fund balance in the Affordable Housing Investment Fund was \$5.4 million above the estimate used to develop the 2012-2013 Adopted Budget. This was a result of revenues exceeding the estimate by \$18.0 million primarily due to higher than anticipated loan repayments and a higher than estimated transfer in from the Low and Moderate Income Housing Fund from direction received from the State's Department of Finance. However, these higher collections are mostly offset by a higher than estimated encumbrance balance of \$10.7 million due to a transfer of these liabilities from the close out of the Low and Moderate Income Housing Fund. A total of \$5.2 million of the \$5.4 million additional fund balance is recommended to be allocated to fund the Housing Loans and Grants (\$4.6 million), Hazard Mitigation Grant Match (\$450,000), and the Auto Repair Assistance Program (\$100,000).

Transient Occupancy Tax Fund

Transient Occupancy Tax (TOT) revenues of \$13.7 million exceeded the 2011-2012 Budget by \$1.2 million (8.7%). Actual revenues ended the year 25.6% above the 2010-2011 actual level, and 9.8% above the 2011-2012 estimate used in the development of the 2012-2013 Adopted Budget. Of the \$13.7 million in TOT revenues received in 2011-2012, \$13.0 million was generated from 2011-2012 activity, with the remaining \$700,000 comprised of taxes that should have been paid in prior years and associated penalties resulting from a biennial TOT compliance audit.

The strong performance in 2011-2012 reflects increases in both hotel occupancy and room rates. For the 14 largest hotels, the average room rate increased from \$118 to \$129, while the occupancy rate increased from 58.5% to 61.6%. With actual collection levels above final estimated levels, and after adjusting the 2012-2013 revenue estimate based on the higher base activity, additional allocations to the recipient organizations are included in this report: Convention and Cultural Affairs Fund (\$898,000); the Convention and Visitors' Bureau (\$449,000); and Cultural Development (\$449,000).

Capital Budget Revenues

A number of taxes and fees levied on construction and property resale (conveyance) activity provide a large source of revenue to the City's Capital program. As reported in Monthly Financial Reports, 2011-2012 collections in nearly all major capital revenue categories were expected to exceed budgeted estimates. The chart below provides a comparison of estimated revenues to actual revenues for these types of revenues and a discussion regarding the three largest revenue sources follows.

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

	2011-2012 Estimate*	2011-2012 Actual	% Variance
Construction and Conveyance Tax	\$21,000	\$25,383	20.1%
Building and Structure Construction Tax	\$10,500	\$12,593	19.9%
Construction Excise Tax	\$15,000	\$18,029	20.2%
Municipal Water System Fees	180	173	(3.8%)
Residential Construction Tax	100	280	55.5%
Sanitary Sewer Connection Fee	675	863	27.9%
Storm Drainage Connection Fee	140	182	30.0%

*Revenue estimate used in the development of the 2012-2013 Adopted Capital Budget.

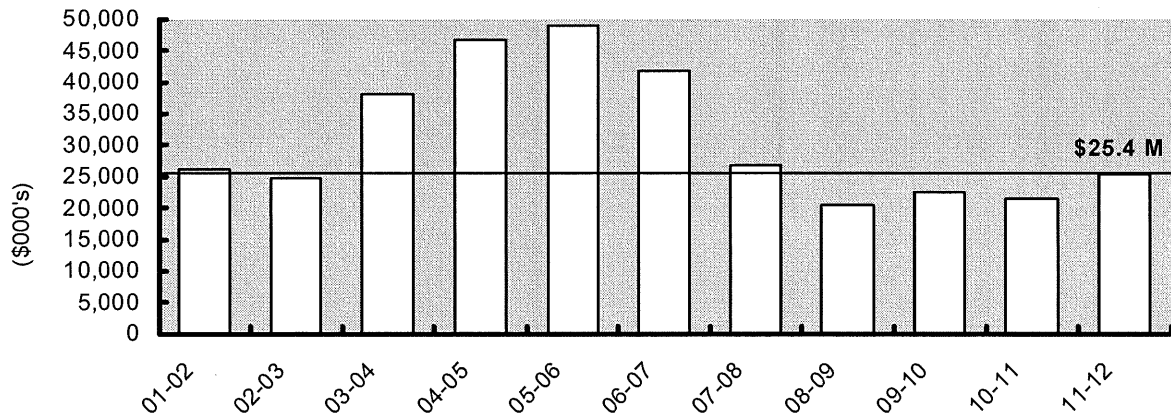
- **Construction and Conveyance Tax**

Real estate activity (primarily housing re-sales) determines the collection level of one of the major capital revenue sources, the Construction & Conveyance (C&C) Tax. Approximately

99% of C&C Tax is derived from a transfer tax imposed upon each transfer of real property, with the remaining 1% generated from a construction tax levied on most types of construction. C&C Tax revenues, which are a significant source of funds for the Parks and Community Facilities Development, Library, Fire, Service Yards, and Communications capital programs, totaled \$25.4 million in 2011-2012. This collection level was 21% (\$4.4 million) above the budget estimate of \$21.0 million, and represents a 19% (\$4.0 million) increase from 2010-2011 collections of \$21.4 million.

The following graph displays the collection history of Construction and Conveyance Tax receipts.

Construction and Conveyance Tax Revenues



After experiencing sharp declines since the peak collection of \$49 million in 2005-2006, it appears as though the real estate market has stabilized and is now experiencing modest growth, resulting in the 2011-2012 C&C Tax revenues reaching the highest collection level since 2007-2008. This increase is consistent with the 2.0% increase in property transfers for all types of residences between 2010-2011 and 2011-2012. This difference in revenue collection is also reflected in the median home price for single family homes within the City between June 2011 and June 2012. The median home price for a single family home during this period rose from \$520,000 to \$588,444, an increase of 13.2%. In addition, the amount of time it takes to sell a home (both single family and multi-family dwelling units) has dropped in the past year from 76 days in June 2011 to 52 days in June 2012.

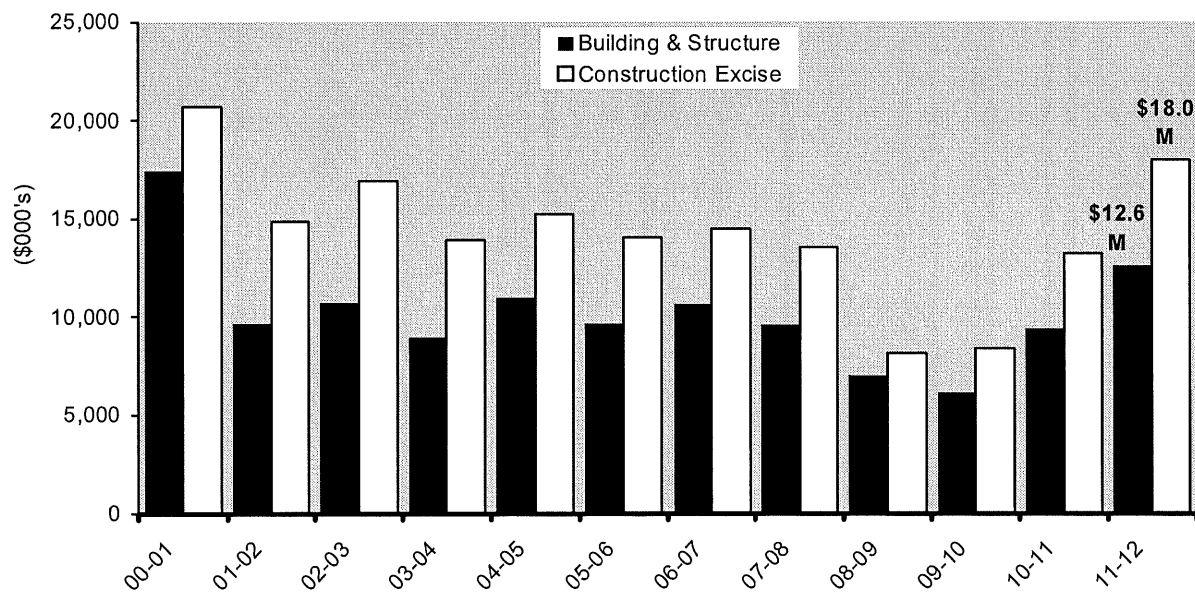
Based on the stronger than anticipated revenue collections in 2011-2012, the 2012-2013 Adopted Budget C&C Tax revenue estimate of \$21.0 million now allows for a 21% decrease from actual 2011-2012 collections. Revenue receipts will be carefully monitored over the coming months to determine if this higher collection level is sustainable and to identify any necessary budget adjustments to this revenue category.

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

The Building and Structure Construction Tax and the Construction Excise Tax are the primary sources of funding for the Traffic Capital Program. Year-end collections in the Building and Structure Construction Tax category totaled \$12.6 million in 2011-2012. This collection level was 20% (\$2.1 million) above the budget estimate of \$10.5 million, and represents a 34% (\$3.2 million) increase from 2010-2011 collections of \$9.4 million. In similar fashion, the Construction Excise Tax receipts for 2011-2012 totaled \$18.0 million, up 20% (\$3.0 million) over the budget estimate of \$15 million, and up 36% (\$4.8 million) from 2010-2011 collections of \$13.2 million.

The graph below displays the collection history of both the Building and Structure and Construction Excise Tax receipts. Over the last two years, these revenue sources have recovered from their 2009-2010 low, yet still remain below the 2000-2001 high. The improved collections in both Building and Structure Construction Tax and Construction Excise Tax revenue is primarily attributable to increased issuances of residential permits, as well as increased commercial and industrial alteration activity.

Construction Tax Revenues



Due to the stronger than anticipated revenue collections in 2011-2012, the 2012-2013 Adopted Budget estimate for the Building and Structure Tax allows for a 21% decrease from actual 2011-2012 collections, and the estimate for the Construction Excise Tax now allows for a 28% decrease. Given the volatile nature of these taxes, and that multi-family residential construction activity was especially strong toward the end of 2011-2012, the sustainability of the 2011-2012 collection level will be monitored as the year progresses to determine if any upward adjustments are warranted.

Airport Capital Funds

In 2011-2012, the Airport Capital Program incurred expenditures and encumbrances of \$85.0 million. While much of this is attributed to transfers to other funds for debt service (\$21.8 million) and reimbursement from bond proceeds that were transferred to the Operating Fund and held in reserve (\$26.6 million), major capital project spending included Taxiway W Improvements (\$9.9 million); Terminal Area Development, Phase I (\$8.2 million); Public Parking Improvements (\$2.5 million); Pavement Maintenance (\$1.1 million); and Advanced Planning (\$1.1 million).

Library, Parks and Community Facilities, and Public Safety General Obligation Bond Funds

A substantial portion of the \$599 million voter-approved bond measure funding dedicated to the City's libraries, parks, community centers, and public safety facilities has been expended. As General Fund and other operating revenues begin to moderately recover from the recent economic downturn, 2012-2013 will see the opening of several recently completed library and public safety facilities. In 2011-2012, a total of \$13.3 million was expended or encumbered in the Library (\$6.3 million), Parks and Community Facilities (\$2.0 million), and Public Safety (\$5.0 million) General Obligation Bond Funds.

In the Library Program, the projects with the largest expenditures and encumbrances in 2011-2012 included the following: Calabazas Branch Library (\$1.7 million); Branch Efficiency Projects (\$1.5 million); and Land Acquisition (\$1.0 million) for the purchase of the site for the new Southeast Branch Library. The Southeast Branch, the last remaining branch library to enter into a construction contract, is scheduled for construction in 2013-2014.

In the Parks and Community Facilities Program, there was only one project with significant 2011-2012 expenditure and encumbrances—Happy Hollow Park and Zoo Renovations and Improvements (\$1.1 million). The last two facilities to enter into a construction contract are the Soccer Complex and the Softball Complex.

In the Public Safety Program, the projects with the largest expenditures and encumbrances included South San José Police Substation (\$995,000) and Fire Station 24 (\$2.8 million). The last remaining fire stations to enter into a construction contract are Fire Station 21 – White Road and Fire Station 37 – Willow Glen.

Traffic Capital Funds

In 2011-2012, a total of \$55.1 million was spent or encumbered for traffic capital projects. The projects with the largest expenditures and encumbrances included Gas Tax – Pavement Maintenance activities (\$11.3 million); Traffic Signal Communications and Synchronization (\$6.3 million); Route 101/Tully Road Interchange Upgrade (\$4.2 million); Prop 1B - Pavement Maintenance activities (\$2.9 million); and San Carlos Street Multimodal Streetscape Improvements Phase I (\$1.5 million). Due to the strength of 2011-2012 Construction Excise Tax collections and expenditure savings across the fund, a recommendation is included in this report

to establish a Reserve for Pavement Maintenance (\$6.5 million). A significant portion of the City's roads will no longer be proactively maintained due to funding shortfalls, including 400 miles of major streets and all 1,600 miles of local/neighborhood streets. This reserve, while not sufficient to address all of these needs (approximately \$80 million annually), can later be used for the highest needs in these areas.

San José/Santa Clara Treatment Plant, Sanitary Sewer, Storm Sewer and Water Utility Capital Funds

Taken together, projects within the Environmental and Utility Services funds comprised a significant portion of the City's 2011-2012 capital-related expenditures and encumbrances at \$90.8 million: \$48.8 million related to the Treatment Plant, \$30.6 million related to the Sanitary Sewer System, \$7.0 million related to the Storm Sewer System, and \$4.4 million related to the Water Utility System. The projects with the largest expenditures and encumbrances were within the Treatment Plant and the Sanitary Sewer System, and included the projects for Treatment Plant Electrical Reliability and Infrastructure Improvements (\$11.1 million); the revised South Bay Action Plan (SBAP) - South Bay Water Recycling (SBWR) extension (\$9.5 million); SBWR reservoir facility (\$3.0 million); Sanitary Sewer Miscellaneous Projects (\$5.3 million) and Miscellaneous Rehabilitation Projects (\$4.1 million); and the Sanitary Sewer Condition Assessment Phase II (\$4.0 million).

Special and Capital Funds Budget Adjustments

Several budget adjustments for both special and capital funds are included in this document, including recognition of grants, net-zero transfers/reallocations, and new allocations for a small number of high priority projects and programs. In addition to the recommended establishment of a Reserve for Pavement Maintenance (\$6.5 million) discussed above, another notable new project is the Fire Station 5 Remediation project. Due to recently-identified mold issues that render the station uninhabitable, the station crew has been transferred to Fire Station 34 until another temporary location can be identified. Total funding of \$1.2 million is recommended for mold abatement at Fire Station 5—\$1.1 million from the Fire Construction and Conveyance (C&C) Tax Fund, which includes \$232,000 of unanticipated/critical facility repair funding transferred from the General Fund to the Fire C&C Tax Fund, and \$89,000 from the Neighborhood Security Bond Fund. Another recommended project is the Lake Cunningham Bike Park that establishes \$100,000 for the design of a bike park in Lake Cunningham Regional Park and places another \$300,000 in a reserve for the future construction of the facility. Lastly, the rebudget of unexpended funds for projects and programs extending into 2012-2013 is recommended in this document. Details of these adjustments can be found in Section IV of this document.

NEXT STEPS

The results of the 2011-2012 Annual Report will provide an updated starting point for monitoring 2012-2013 financial performance. The revenue and expenditure trends will be factored into the analysis of the General Fund and the numerous special and capital funds.

Information on the City's budget for 2012-2013 will be provided in Bi-Monthly Financial Reports and the 2012-2013 Mid-Year Budget Review. These reports will also provide information on the current economic environment and its impact on the City's revenue collections.

The 2011-2012 Annual Report results will also be factored into the 2013-2014 budget development process. As a reminder, in an effort to better position the City for the 2013-2014 budget process, a two-year General Fund budget strategy was incorporated into the 2012-2013 Adopted Budget, resulting in funding of \$22.5 million being set aside in a 2013-2014 Future Deficit Reserve to address the preliminary projected deficit in that year as calculated in the February 2012 Five-Year Forecast. This reserve will provide a strong starting point for the 2013-2014 budget process to help avoid organizational and service disruptions to our community as we move forward.

In order to update the General Fund budget projections for 2013-2014, initial work is underway as departments and the Budget Office have begun to analyze expected revenues and expenditures for the upcoming year. Typically, the early results of this analysis are presented in a preliminary one-year forecast that is released in the late fall timeframe. However, due to later timing in obtaining information on key cost factors, the Administration is not planning to release an early forecast this year. These major cost factors include the City contributions to the retirement plans for pension and Other Post-Employment Benefits (OPEB) for 2013-2014 as well as General Fund contributions to the Successor Agency to the Redevelopment Agency. Although cost estimates for both of these expenditures were included in the February 2012 Five-Year Forecast, the costs may change significantly based on updated information. In addition, any considerations for performance-based compensation changes will need to be determined and factored into the Five-Year Forecast. With more updated information that will be available for inclusion in the February 2013 Forecast, the Administration will be in a better position to inform the City Council regarding the status of the City's budget for the upcoming year. Following is a discussion of these major cost elements.

- **City Contributions to the Retirement Plans**

Retirement costs represent one of the largest cost components and can fluctuate significantly from year-to-year. The City Administration continues to work with the Retirement Boards to obtain information for inclusion in the February 2013 Forecast.

In early September 2012, the Administration sent a request to the Board of the Federated City Employees Retirement System (Federated) and the Board of the Police and Fire Department Retirement Plan requesting that the June 30, 2012 actuarial valuation be completed and approved by the Boards by January 2013. As part of the approval of the actuarial valuation, the City will be informed about the 2013-2014 minimum Annual Required Contribution (ARC) and contribution rates for pension and OPEB. This information is crucial for 2013-2014 budget planning. At the September 2012 Federated Board Meeting, the Board approved the timeline for the June 30, 2012 actuarial valuations for pension and OPEB, including the final approval of the valuations by January 2013. The Administration is appreciative of the

Federated Board's support to receive the ARC and contribution rates by January 2013 and hopes that the Police and Fire Retirement Plan Board can also accommodate the City's request at their October meeting.

- **General Fund Contributions to the Successor Agency to the Redevelopment Agency**

The City assumed responsibility as the Successor Agency to the former Redevelopment Agency with the dissolution of the San Jose Redevelopment Agency in 2012 and has been playing an active role working with Successor Agency staff to facilitate the complex winding down of former redevelopment activities. Currently, forecasted property tax increments are anticipated to fall short of enforceable obligations of the Successor Agency. For some of the Successor Agency obligations, the City is required to make the payments in the event that the Successor Agency does not have sufficient funding for the obligation. Therefore, it has been necessary for both the General Fund as well as other City funds to fund a portion of the Successor Agency obligations in 2012-2013 and it is forecasted that City funds will be required to do so again in 2013-2014. A number of variables continue to remain outstanding that are critical to determine the financial position of the former Redevelopment Agency and any potential necessary support from City funds. Significant variables include legal actions brought forth by the City challenging the County's actions of withholding funds required to meet the Successor Agency enforceable obligations as discussed in this report (one-time funding of \$7.5 million is recommended to be reserved pending the outcome of this issue); property tax increment growth is unknown and can experience significant fluctuations; and the status of various asset and financial audits as required in the most recent legislation (AB 1484) are ongoing and any potential audit findings are unknown. The Administration, in close coordination with Successor Agency staff, continues to monitor these and other variables and are beginning a detailed financial analysis to provide the most current data on the long-term financial outlook of the Successor Agency.

- **Performance-Based Compensation Changes**

It is important for the City to retain and attract a high quality workforce and reward high performing employees who are committed to San José. In the 2013-2017 Five-Year Forecast issued in February 2012, no general salary increases were incorporated into the cost projections for any year of the Forecast given the budgetary outlook at the time and the fiscal reforms underway. Consistent with the City Council's approval of the Mayor's 2012-2013 June Budget Message, the Administration will be working with our bargaining units in developing a performance-based system which will require additional funding to implement. It is anticipated that discussions with the City Council related to labor negotiations will be underway in the next several months and that the labor negotiations process will provide a forum for discussing this new system.

The General Fund Five-Year Forecast is scheduled to be released in late February 2013. The 2013-2014 Proposed Capital and Operating Budgets are scheduled to be released in late April 2013 and May 2, 2013, respectively.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

This document is posted on the City's website for the October 16, 2012 Council agenda.

COORDINATION

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

CONCLUSION

Through careful fiscal management, the revenues for the various City funds generally ended the year close to the estimated levels and expenditures were below the budgeted allocations. When the 2011-2012 Adopted Budget was developed, it was assumed that the slow economic recovery would continue in 2011-2012. Economic indicators and actual revenue performance support this general assumption, with continued improvement during 2011-2012. A number of revenue categories, such as Sales Tax, Transient Occupancy Tax, and the development-related fees and taxes, have experienced solid growth from the low collection levels experienced in recent years. Other revenue categories, such as Property Tax, have shown only modest improvement and are expected to experience slow growth moving forward.

In the General Fund, the additional fund balance at the end of 2011-2012 after considering clean-up adjustments totaled \$7.2 million. This funding, combined with additional net funding from various technical and rebalancing actions (\$3.3 million), provide funding to address two urgent fiscal/program needs totaling \$10.5 million: the establishment of a Successor Agency City Legal Obligations Reserve (\$7.5 million), and an increase to the Workers' Compensation/General Liability Catastrophic Reserve (\$3.0 million).

The Administration will continue to monitor and report on the City's financial performance through Bi-Monthly Financial Reports and the Mid-Year Budget Review. The financial results of 2011-2012 as well as the actual performance in 2012-2013 will be factored into the development of the 2013-2014 budget. As indicated in this report, there will be no preliminary one-year forecast issued later this fall due to the timing of obtaining information on key cost factors that could significantly impact our projections for 2013-2014. However, the 2014-2018

factors that could significantly impact our projections for 2013-2014. However, the 2014-2018 General Fund Five-Year Forecast will be released in February 2013 for budget planning purposes.

A handwritten signature in black ink, appearing to read 'Debra Figone', with a long horizontal flourish extending to the right.

Debra Figone
City Manager

CERTIFICATION OF FUNDS

I hereby certify that there will be available for appropriation in the designated funds and in the amounts as listed below in fiscal year 2012-2013 monies in excess of those heretofore appropriated therefrom:

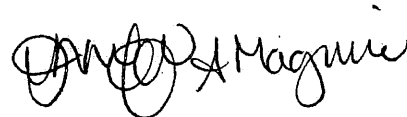
General Fund	\$ 22,896,702
Airport Customer Facility and Transportation Fee	818,535
Airport Maintenance and Operation	1,727,968
Airport Renewal & Replacement	588,823
Airport Revenue	3,437,257
Airport Surplus Revenue	56
Benefit	1,836,244
Building & Structures Construction Tax	3,640,873
Business Improvement District	1,428,083
City Hall Debt Service	875,281
Civic Center Construction	789,303
Community Development Block Grant	868,932
Community Facilities Revenue	565,819
Community Facilities District Fund #1	70,116
Community Facilities District Fund #2 and #3	244,364
Community Facilities District Fund #8	193,285
Community Facilities District Fund #11	23,401
Community Facilities District Fund #12	76,210
Construction & Conveyance Tax – Central Fund	1,531,382
Construction & Conveyance Tax – Communications	236,670
Construction & Conveyance Tax – Fire	1,228,122
Construction & Conveyance Tax – Library	1,883,634
Construction & Conveyance Tax – Council District 2	780,340
Construction & Conveyance Tax – Council District 3	584,892
Construction & Conveyance Tax – Council District 4	4,024,365
Construction & Conveyance Tax – Council District 5	2,194,232
Construction & Conveyance Tax – Council District 6	1,254,550
Construction & Conveyance Tax – Council District 7	672,241
Construction & Conveyance Tax – Council District 8	672,860
Construction & Conveyance Tax – Council District 9	360,410
Construction & Conveyance Tax – Council District 10	902,034
Construction & Conveyance Tax – City-Wide	1,592,659
Construction & Conveyance Tax – Parks Yards	661,888
Construction & Conveyance Tax – Service Yards	586,537
Construction Excise Tax	17,960,180
Convention and Cultural Affairs	1,770,524
Convention Center Facilities District Project	1,153,881
Convention Center Facilities District Revenue	30,878

CERTIFICATION OF FUNDS

Dental Insurance	39,715
Economic Development Administration Loan	4,782
Economic Development Enhancement	2,216
Emma Prusch Memorial Park	8,130
Federal Drug Forfeiture	117,462
Fiber Optics Development	6
General Purpose Parking	2,433,161
Housing Trust	585,080
Ice Centre Revenue	512,694
Lake Cunningham	68,021
Library Parcel Tax	1,078,617
Life Insurance	39,099
Low and Moderate Income Housing Asset	5,379,517
Maintenance Assessment District Fund #1	144,087
Maintenance Assessment District Fund #2	6,693
Maintenance Assessment District Fund #5	17,186
Maintenance Assessment District Fund #8	13,970
Maintenance Assessment District Fund #9	20,811
Maintenance Assessment District Fund #11	29,324
Maintenance Assessment District Fund #13	11,172
Maintenance Assessment District Fund #15	659,731
Maintenance Assessment District Fund #19	18,435
Maintenance Assessment District Fund #20	13,914
Maintenance Assessment District Fund #21	8,597
Maintenance Assessment District Fund #22	29,458
Major Collectors and Arterials	15,430
Multi-Source Housing	674,550
Muni Water Major Facilities Fee	506,128
Municipal Golf Course	47,500
Neighborhood Security Bond	669,328
Parking Capital Development	18,604
Residential Construction Tax	184,179
San Jose Diridon Development Authority	17,391
Sanitary Sewer Connection Fee	5,088,113
Services for Redevelopment Capital Projects	2,424
Sewer Service & Use Charge	654,162
Sewer Service & Use Charge Capital	12,531,943
SJ-SC Treatment Plant Capital	9,706,946
SJ-SC Treatment Plant Operating	5,046,377
SJ-SC Treatment Plant Income	26
Stores	82,150
Storm Drainage Fee	42,505
Storm Sewer Capital	2,851,067
Storm Sewer Operating	1,394,263

CERTIFICATION OF FUNDS

Subdivision Park Trust	1,040,376
Supplemental Law Enforcement Services	747,559
Transient Occupancy Tax	2,669,226
Underground Utility	133,757
Unemployment Insurance	112,999
Water Utility Capital	347,355
Water Utility	1,182,452
Workforce Investment Act	3,839,610



Jennifer A. Maguire
Budget Director

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