

MID-YEAR
BUDGET REVIEW

2011-2012


OFFICE OF THE CITY MANAGER
JANUARY 2012

2011-2012

MID-YEAR
BUDGET
REVIEW

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2011-2012

MID-YEAR
BUDGET
REVIEW



MEMORANDUM OF
TRANSMITTAL



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

**SUBJECT: 2011-2012 MID-YEAR
BUDGET REVIEW REPORT**

DATE: January 31, 2012

RECOMMENDATIONS

- A. Approval of the 2011-2012 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 2011-2012 Mid-Year Budget Review Report.

OUTCOME

The Mid-Year Budget Review Report provides an explanation of the City's budget condition in the current fiscal year as compared to the 2011-2012 Modified Budget based on actual performance during the first six months of 2011-2012. Based on this analysis, budget revisions are recommended to address projected revenue and expenditure variances, account for new grants and reimbursements, and better position the City to address our ongoing budget challenges.

EXECUTIVE SUMMARY

Over the last decade, the City has addressed persistent and severe budget shortfalls, with one of the largest General Fund deficits of \$115 million solved in 2011-2012. To address this shortfall, significant service reductions and changes to service delivery models were implemented across the organization. Active management of these changes has been a focus this year.

Against this backdrop, the Administration is closely monitoring the City's budget to ensure that current year revenues and expenditures are meeting expectations, which is necessary to avoid further disruptions in service during the year. I am pleased to report that through the first half of the year, almost all City funds are performing within expected 2011-2012 budgeted levels and, in some cases, revenues are outperforming expectations. There are isolated instances where current year performance is not meeting budgeted estimates, such as in the Municipal Golf Course Fund. Budget actions are recommended to address these problems without any service impacts.

Mid-Year Budget 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 Sales Tax, Transient Occupancy Tax, Business Taxes, and Utility Taxes, partially offset by lower collections in other revenue categories. Overall, General Fund expenditures are also tracking within estimated levels and are projected to generate savings by year-end.
- 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:
 - Establish a \$12.0 million 2011-2012 Ending Fund Balance Reserve from excess revenues (\$3.7 million) and expenditure savings (\$8.3 million). This action proactively sets aside and secures the excess revenues and expenditure savings assumed to be available in 2011-2012 and used as a funding source for 2012-2013 as projected in the 2012-2013 Preliminary General Fund Forecast.
 - Increase the 2012-2013 Future Deficit Reserve by \$10 million (to \$22 million). Convention Center Lease Payments were originally anticipated to be funded by the City (\$10 million) and the San Jose Redevelopment Agency (SJRA) (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. As a result, budget actions are recommended to eliminate the debt service payments in the General Fund and the associated SJRA reimbursement, resulting in net General Fund savings of \$10 million.
 - Rebalance the Medical Marijuana Regulatory Fee Program (\$1.4 million) by eliminating the fee revenue that currently cannot be collected, increasing the Marijuana Business Tax revenue based on higher actual collections and decreasing program expenditures in the Police Department, the City Manager's Office, the Finance Department, and City-Wide Expenses.
 - Establish a \$2.1 million Fiscal Reform Plan Implementation Reserve to fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. In May 2011, the City Council approved a Fiscal Reform Plan, as amended, to achieve savings and/or new revenues to eliminate the General Fund structural deficit, restore services to the January 2011 level, and open facilities built or under construction within five years. The reserve would be funded by eliminating the Retirement Reform Election City-Wide Expenses appropriation of \$3.4 million set aside for the March Retirement Reform Ballot Measure. The remaining funding of \$1.3 million (combined with City Clerk election funding of \$500,000) is recommended to be allocated to a new City-Wide Expenses appropriation for Elections and Ballot Measures to provide for City Council District elections, a June Retirement Reform Ballot Measure, and up to two additional ballot measures.

- Address a limited number of urgent program/fiscal needs, technical adjustments and rebalancing actions, as well as net-zero grants/reimbursement/fee adjustments. These actions include a \$25.0 million reduction to the Tax Revenue Anticipation Notes (TRANs) Debt Service appropriation and associated revenue based on the lower actual issuance required for City cash flow purposes in 2011-2012. Also recommended is an increase of \$400,000 to the Unanticipated/Emergency Maintenance appropriation to address failures in large systems and critical maintenance needs, particularly in the City Hall facility. Additionally, funding of \$450,000 is recommended for Labor/Employee Relations Consultant and Actuarial Services and \$150,000 is proposed for Police Officer Recruit Academy support to maximize the potential of obtaining highly qualified candidates to fill vacancies for the upcoming July Academy.

Special/Capital Funds

- 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 the special and capital funds to adjust for revised cost and revenue estimates, to address critical current year funding needs, and to recognize various grants and reimbursements. Some of the major recommended adjustments include:
 - In the Municipal Golf Course Fund, increase the Transfer from the General Fund by \$300,000 to address higher net costs in that fund and ensure a healthy fund balance.
 - In the Construction Excise Tax Fund, the Building and Structures Construction Tax Fund, the Convention and Cultural Affairs Fund, and the Transient Occupancy Tax Fund, increase the revenue estimates and allocates those funds based on current collection trends and estimated activity through the remainder of the fiscal year.

Looking forward, a preliminary General Fund budget shortfall of \$25 million is projected for 2012-2013 as of December 2011. The Administration has started the planning process to address this shortfall for next year and will release a 2013-2017 General Fund Forecast in late February and the 2012-2013 Proposed Budget in May. The 2012-2013 Proposed Budget that will factor in City Council direction provided through the Mayor's March Budget Message.

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 2011-2012 Operating and Capital Budgets. City Council review of this report is agendaized for the February 14, 2012 Council meeting.

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; and a status report on selected special and capital funds.

ECONOMIC ENVIRONMENT

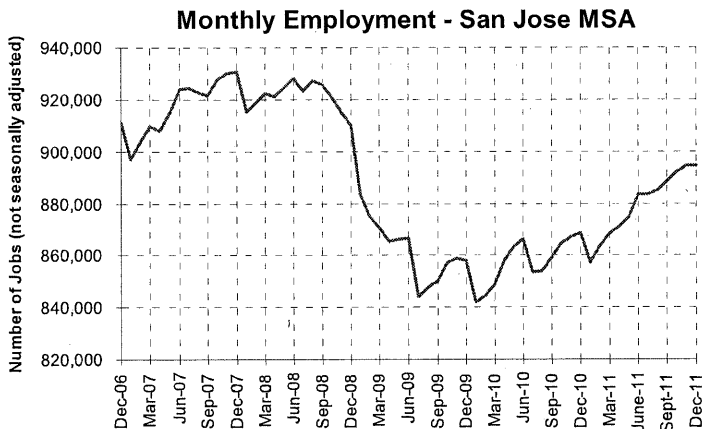
The 2011-2012 revenue estimates were built on the assumption that the economy would continue its slow recovery from the 2007-2009 recession. Economic indicators and actual revenue performance support the continuance of the slow economic recovery with some improvement in recent months.

On a national level, real gross domestic product (GDP) picked up in the third quarter of 2011 (ending September 30, 2011) growing at an annual rate of 1.8%. According to the “advance” estimate release by the Bureau of Economic Analysis, GDP grew by an annual rate of 2.8% in the fourth quarter of 2011. The Bureau emphasized that the fourth quarter advance estimate is based on source data that are incomplete or subject to further revision. The “second” estimate for the fourth quarter 2011, based on more complete data, will be released on February 29, 2012¹. Both quarters reflect an improvement from the 1.3% GDP growth rate in the second quarter 2011. Consumer confidence has also shown improvement in recent months as reflected by The Conference Board Consumer Confidence Index, which experienced increases in both November and December. According to Lynn Franco of The Conference Board, “After two

¹ Bureau of Economic Analysis, U.S. Department of Commerce, News Release: Gross Domestic Product, January 27, 2012

months of considerable gains, the Consumer Confidence Index is now back to levels seen last spring (April 2011, 66.0). Consumers’ assessment of current business and labor market conditions improved again. Looking ahead, consumers are more optimistic that business conditions, employment prospects, and their financial situations will continue to get better. While consumers are ending the year in a somewhat more upbeat mood, it is too soon to tell if this is a rebound from earlier declines or a sustainable shift in attitudes.”

The economic performance in Silicon Valley continues to show some strength. In its most recent update, 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 strong demand for the area’s technology products at the state, national, and international levels”².



Employment in this region continues to experience gains. The December 2011 employment level in the San Jose Metropolitan Statistical Area (MSA) of 894,500 was 2.9% above the December 2010 level of 868,900. While the employment level has experienced steady growth, it remains below the recent peak of 930,500 experienced in December 2007.

high, but has now dipped below the double-digit levels that had been experienced in recent years. The December 2011 unemployment rate of 8.9% decreased from the November rate of 9.2% and is lower than the 10.6% rate experienced a year ago. The December 2011 unemployment rate in this region is less than the unadjusted unemployment rate for the State

(10.9%), but continues to track above the nation, which currently has an unadjusted unemployment rate of 8.3%.

Unemployment Rate (Unadjusted)

	Dec. 2010	Nov. 2011	Dec. 2011
San José Metropolitan Statistical Area*	10.6%	9.2%	8.9%
State of California	12.3%	10.9%	10.9%
United States	9.1%	8.2%	8.3%

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

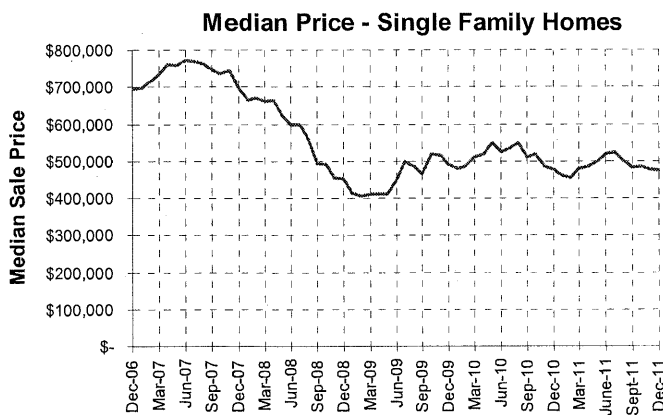
Through December, permit valuation for residential construction activity is tracking below prior year levels. Permits for 996 dwelling units have been issued through December, which is well below 2,158 units issued during

the same period last fiscal year. In 2010-2011, however, there was a surge in activity in December 2010 in which 1,641 permits (74% of the annual total) were issued. Permit valuation

² Beacon Economics, The Regional Outlook – South Bay, Quarterly Update – December 2011

for commercial and industrial construction activity is tracking above last year. Commercial activity is higher, with valuation for commercial permit activity at \$117.3 million through December, compared to \$102.7 million through the same period last year. Industrial permit activity is up significantly, with valuation at \$69.8 million through December, compared to \$24.1 million collected through the same period last year. The increases in commercial and industrial permit activity are primarily due to alterations, as new construction activity remains weak. 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.

The housing market appears to be somewhat stable. The December 2011 median single-family home price of \$474,500 was within 1% of the December 2010 price of \$478,000. The number of property transfers (sales) for all types of residences totaled 713 in December 2011, which was also within 1% of the December 2010 figure of 718. The average days-on-market for single-family and multi-family dwellings totaled 84 days in December 2011, which is a slight drop from the 87 days experienced in December 2010.



Economic conditions will continue to be closely monitored and factored into the final 2013-2017 General Fund Forecast, due to be released February 27, 2012, and the development of the 2012-2013 Proposed Budget, due to be released May 1, 2012.

GENERAL FUND PERFORMANCE

General Fund revenues and transfers through December totaled \$394.3 million, or 43.7% of the budgeted estimate. Excluding two large downward adjustments discussed below, General Fund revenues are tracking to end the year \$4 million to \$8 million above expected levels. Higher than budgeted collections are expected in a number of categories, including: Sales Tax, Utility Taxes, Business Taxes, Transient Occupancy Tax, and Other Revenue. The higher collections in these categories are expected to be partially offset by lower collections in a few categories, including Transfers and Reimbursements, Licenses and Permits, and Fines and Forfeitures.

In this document, a large net downward adjustment of \$22.7 million to the General Fund revenue estimate is recommended. This large decrease primarily reflects a \$25.0 million reduction in the anticipated revenue from the TRANs (and associated expenditures) based on the actual debt issuance required for City cash flow purposes this year. A reduction of \$5.4 million to the Revenue from Local Agencies reflects the SJRA now directly assuming the entire Convention Center Lease Payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. Excluding these actions, net upward

adjustments total \$7.7 million and reflect higher current year collections (\$5.4 million) and various grants, reimbursements, and fee adjustments (\$2.3 million). The additional \$5.4 million is recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve (\$3.7 million) and to address various urgent expenditure needs identified in this document (\$1.7 million). The revenue estimates for this year will continue to be updated as part of the final 2013-2017 General Fund Forecast, due to be released on February 27, 2012, as well as the 2012-2013 Proposed Budget, scheduled to be released on May 1, 2012.

General Fund expenditures through December of \$374.6 million were 7.4% below the December 2010 expenditure level of \$404.3 million. Encumbrances totaling \$35.5 million were \$1.0 million (2.9%) above the December 2010 level of \$34.5 million. Expenditures and encumbrances through December of \$410.0 million constituted 41.7% of the total 2011-2012 modified budgeted use of funds amount (excluding reserves) of \$982.7 million. Overall, expenditures are tracking within anticipated levels and are expected to generate savings by year-end. Budget actions are recommended in this document to set aside \$8.3 million of those savings into a 2011-2012 Ending Fund Balance Reserve.

There are a limited number of budget adjustments recommended to address potential overages that may occur by year-end and address urgent program and fiscal needs. Other technical/rebalancing actions, clean-up actions, and net-zero grants, reimbursements, and fee actions are also recommended in this document. A summary of these transactions is provided below and a more detailed discussion of both the General Fund revenue and expenditure performance is provided in Section I of this document.

RECOMMENDED GENERAL FUND BUDGET ADJUSTMENTS

The recommended Mid-Year Budget Review actions accomplish the following: 1) funds urgent program or fiscal needs 2) implements required technical/rebalancing adjustments; 3) recognizes various revenue-supported grants, reimbursement, and fee activity adjustments; and 4) implements clean-up actions.

The following chart summarizes these recommended adjustments.

**2011-2012 MID-YEAR BUDGET REVIEW
 RECOMMENDED GENERAL FUND BUDGET ACTIONS**

GENERAL FUND REVENUES	(\$ in Millions)
Urgent Program/Fiscal Needs	\$ 0.061
Required Technical/Rebalancing Actions	(0.205)
Grants/Reimbursements/Fees	2.295
Clean-Up Adjustments	(24.807)
Total Revenue Adjustments	(\$ 22.656)
GENERAL FUND EXPENDITURES	(\$ in Millions)
Urgent Program/Fiscal Needs	\$ 1.061
Required Technical/Rebalancing Actions	(0.972)
Grants/Reimbursements/Fees	2.295
Clean-Up Adjustments	(25.040)
Total Expenditure Adjustments	(\$ 22.656)

It is important to note that actions included in the Required Technical/Rebalancing Actions category will help prepare the City for the 2012-2013 budget process. As part of the General Fund Forecast development, an estimate on the current year expenditure savings, as well as any excess revenue and funding from the liquidation of prior year carryover encumbrances, is included as a funding source for the next year. In the 2012-2013 Preliminary General Fund Forecast issued in November, it was assumed that \$13.0 million would be available at the end of 2011-2012 for use in 2012-2013. The recommended Mid-Year Budget Review actions identify \$12 million in expenditure savings and additional revenues that are recommended to be placed in a 2011-2012 Ending Fund Balance Reserve. Combined with anticipated liquidations of carryover encumbrances (\$1.0 million), this Reserve will ensure the necessary fund balance is available by year-end to meet the Forecast estimate. In addition, this document recommends an increase to the 2012-2013 Future Deficit Reserve by \$10 million to address the projected General Fund shortfall in that year. This action reflects the SJRA assuming the entire Convention Center Lease Payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment.

The budget actions recommended in the Mid-Year Budget Review result in a net reduction of \$22.7 million to General Fund revenues and expenditures. 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 of this document.

URGENT PROGRAM/FISCAL NEEDS

- **Revenue Adjustments (\$60,500):** Increased revenue estimates are recommended to recognize additional revenue anticipated at the Lake Cunningham Skate Park from fees (\$50,500) and donations (\$10,000) in order to keep the park operational through June 2012.

- ***Net Expenditure Augmentations (\$1.1 million):*** Increases to expenditures are recommended based on an evaluation of urgent program or fiscal needs. These include the following actions:
 - *Fiscal Reform Plan Implementation/Elections and Ballot Measures* – A reallocation of \$3.4 million from the Retirement Reform Election appropriation to a new Fiscal Reform Plan Implementation Reserve (\$2.1 million) and an Elections and Ballot Measures City-Wide Expenses appropriation (\$1.3 million) is recommended. As part of the 2011-2012 Mayor’s June Budget Message, the City Council allocated \$3.4 million for a potential Retirement Reform ballot measure to be considered by the voters in March 2012. On December 6, 2011, the City Council instead approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration at a significant reduction in costs. The \$2.1 million Fiscal Reform Plan Implementation Reserve would fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. The remaining funding of \$1.3 million (combined with City Clerk election funding of \$500,000) is recommended to be allocated to a new City-Wide Expenses appropriation for Elections and Ballot Measures to provide for City Council District elections, a June Retirement Reform Ballot Measure, and up to two additional ballot measures.
 - *Other Expenditure Adjustments* – Additional funding is recommended for Labor/Employee Relations Consultant Services (\$400,000), Unanticipated/Emergency Maintenance (\$400,000), Police Officer Recruiting Support (\$150,000), Retirement Actuarial Services (\$50,000), Lake Cunningham Skate Park Operations (\$57,500) and Reserves (\$3,000), and support for the Police Department Horse Mounted Unit (\$10,000 - shift from Personal Services to Non-Personal/Equipment).

REQUIRED TECHNICAL/REBALANCING ACTIONS

- ***Revenue Adjustments (-\$205,000):*** Based on a detailed review of all of the General Fund revenues, a net downward adjustment of \$205,000 is recommended. This includes the following net upward adjustments of \$5.2 million based on current collection trends:
 - *Sales Tax* (up \$3.3 million) based on higher first quarter performance and 3% growth assumption for the remaining three quarters;
 - *Utility Tax* (up \$2.2 million) to reflect a final settlement payment from PG&E of \$1.56 million and higher Gas and Telephone Utility Tax collections;
 - *Business Taxes* (up \$1.6 million) to reflect higher collections in the Marijuana Business Tax (\$850,000) and the Cardroom Tax (\$729,000);
 - *Transient Occupancy Tax* (up \$1.1 million) based on current collection trends;
 - *Other Revenue* (up \$282,000) primarily due to higher Arena Rental Revenue (\$307,000), higher SB 90 reimbursements from the State (\$286,000), and higher Lake Cunningham donations (\$10,000), partially offset by a reduced estimate for Sale of Property revenues (-\$300,000);

- *Departmental Charges* (up \$50,500) to reflect additional fee revenue generated at the Lake Cunningham Skate Park;
- *Transfers and Reimbursements* (down \$1.4 million) to reflect lower overhead reimbursements;
- *Licenses and Permits* (down \$1.4 million) to reflect the loss in Medical Marijuana Regulatory Program Fees adopted in the 2011-2012 Budget and other minor adjustments; and
- *Fines and Forfeitures* (down \$500,000) based on current collection trends.

The net upward adjustments of \$5.4 million are almost entirely offset by a reduction of \$5.36 million to the Revenue from Local Agencies category to account for the loss of reimbursement from the SJRA associated with the Convention Center debt service payments. As discussed above, the General Fund transactions associated with the Convention Center Lease Payments are recommended to be eliminated in this document as the SJRA will cover this cost directly in 2011-2012.

- ***Net Expenditure Adjustments (-\$972,000):*** To implement required technical/rebalancing actions, a net decrease in General Fund expenditures of \$972,000 is recommended and includes the following:
 - *2011-2012 Ending Fund Balance Reserve (\$12.0 million):* The establishment of 2011-2012 Ending Fund Balance Reserve is recommended, offset by additional revenue and expenditure savings. As discussed above, in the 2012-2013 Preliminary General Fund Forecast, it was assumed that General Fund expenditure savings, excess revenues, and the liquidation of prior year carryover encumbrances would generate \$13.0 million in savings in 2011-2012 that would be available as a funding source in 2012-2013. This reserve, in addition to the anticipated liquidation of carryover encumbrances, meets this target. This Reserve will be funded from excess revenues (\$3.7 million) based on updated projections (discussed above) and expenditure savings in the City-Wide Expenses appropriations (\$3.55 million), departmental personal services and non-personal/equipment allocations (\$2.85 million), and Earmarked Reserves (\$1.9 million).
 - *2012-2013 Future Deficit Reserve (\$10.0 million):* Increases the 2012-2013 Future Deficit Reserve by \$10 million because SJRA was able to directly assume the Convention Center Lease Payments as a result of higher than anticipated tax increment revenue, eliminating the need for the General Fund to assist with the payment. The Convention Center debt service payments were originally anticipated to be funded by the City (\$10 million) and the SJRA (\$5.4 million). A corresponding reduction to the estimate for Revenue from Local Agencies (\$5.4 million) and the Convention Center Lease Payments appropriation (\$15.4 million) are also recommended in this document.
 - *Other Expenditure Adjustments (\$1.3 million):* Additional funding is recommended in this document for the following: Property Tax Administrative Fees (\$540,000) based on a recent notification from the County of a projected 20% cost increase in the current year; transfer to the Municipal Golf Course Fund (\$300,000) to ensure the fiscal health of that

fund; Community Re-Use Centers facilities maintenance and custodial needs (\$300,000) based on actual implementation in 2011-2012; and City Attorney's Office personal services (\$200,000) to avoid a year-end overage. Lastly, net-zero technical adjustments are recommended for a Habitat Conservation Plan (\$100,000 from reserves), City Attorney's Office Personal Services (\$125,000 from Non-Personal/Equipment), and to reallocate Public Works utility savings to fund Public Works facilities maintenance and custodial needs (\$400,000).

- *Convention Center Lease Payments (-\$15.4 million)* – The elimination of the Convention Center Lease Payments appropriation is recommended. In the 2011-2012 Adopted Budget, the debt service payment for the Convention Center of \$15.4 million was budgeted in the General Fund, with partial reimbursement from the SJRA (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than anticipated tax increment revenue, eliminating the need for the General Fund to assist with the payment. As discussed above, a corresponding reduction to the estimate for Revenue from Local Agencies is also recommended. The resulting \$10 million in General Fund savings is recommended to be allocated to the 2012-2013 Future Deficit Reserve.
- *City-Wide Expenses Savings (-\$3.6 million)* – Based on recent tracking, reductions to the Sick Leave Payment Upon Retirement (\$2.3 million) allocation is recommended. In addition, anticipated savings are expected in the Workers' Compensation Claims (\$1 million) and TRANs Debts Service (\$250,000 – lower issuance costs) appropriations. These savings are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve.
- *Departmental Savings (-\$2.9 million)* – Based on recent information regarding vacancy savings and vehicle replacement savings, decreases to the Police Department Personal Services (\$1 million) and Non-Personal/Equipment (\$1 million), Planning, Building and Code Enforcement Personal Services (\$350,000), Office of Economic Development Non-Personal/Equipment (\$300,000), and Finance Department Personal Services (\$200,000) allocations are recommended. These savings are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve.
- *Reserves Savings (-\$1.9 million)* – As a result of lower than anticipated rate increases for health premiums (7.2% increase compared to 14% forecasted) and dental rates (0% increase compared to 3.5% forecasted) a reduction to the Salaries and Benefits Reserve (\$1.2 million) is recommended. The elimination of the Filled Position Elimination Expenditure Impacts Reserve (\$700,000) is also included in this document. These savings are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve.
- *Medical Marijuana Regulatory Fee Program Rebalancing (-\$630,000)*: Decreases to the Medical Marijuana Regulatory Fee Program are recommended in this document to rebalance the program for \$1.4 million in cost recovery regulatory fees that are not anticipated to be received. On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the

referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Fee Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Reductions to the City-Wide Expenses (\$148,000), City Manager's Office (\$51,000), Finance Department (\$182,000), and Police Department (\$249,000) program allocations are recommended in this document.

GRANTS/REIMBURSEMENTS/FEES

- A series of revenue-supported adjustments totaling \$2.3 million are recommended to reflect new or updated revenues and expenditures for grant, reimbursement and/or fee activities. The largest grants and reimbursements support the following: Senior Nutrition Program (\$665,000); Parks, Recreation, and Neighborhood Services Fee Activity (\$600,000); Sidewalk Repair Program (\$500,000); and the Communities Putting Prevention to Work Grant – Obesity Prevention Initiative (\$105,000). A complete listing of these actions can be found in Section III of this document.

CLEAN-UP ACTIONS

- **Revenue Adjustments (-\$24.81 million):** A decrease of \$24.8 million to General Fund revenue estimates are recommended to reflect the following:
 - *TRANS Proceeds* - a reduction in the anticipated revenue from the TRANS (from \$125 million to \$100 million) based on the actual issuance needed this year to address the City's cash flow needs.
 - *San Jose After School – Year Five District Contracts* - a downward adjustment of \$21,000 to the Revenue from Local Agencies is recommended to reflect lower actual San Jose After School - Year Five District Contracts.
 - *Beginning Fund Balance Reconciliation* (up \$213,000) based on the final reconciliation to the audited 2010-2011 Comprehensive Annual Financial Report.
- **Net Expenditure Adjustments (-\$25.04 million):** To implement a variety of clean-up actions, a net decrease in General Fund expenditures of \$25.04 million is recommended and includes the following:
 - *TRANS Debt Service:* A decrease of \$25.0 million to TRANS Debt Service appropriation is recommended to reflect the lower debt issuance required for City cash flow purposes.
 - *Cal-Gang Program:* A \$20,000 reduction to the Police Department Non-Personal/Equipment appropriation to reflect a corrected funding amount for the Cal-Gang Program.
 - *San Jose After School – Year Five District Contracts:* A \$20,593 reduction to the City-Wide Expenses appropriation to reflect close-out of the program.

- *Net-Zero Adjustments:* Adjustments including funding for health rate increases effective January 1, 2012, recognition of voluntary furlough/reduced work week program savings, and reallocation of program costs between department and non-department allocations to better align costs with services provided. A complete listing and further detail is discussed in Section III of this document.

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 Mid-Year Budget Review. On an overall basis, revenues and expenditures in the special and capital funds are 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 the activity in selected special funds through December.

- *Airport Funds* – The Airport projected an approximate 2% increase in airline passenger activity for 2011-2012. This increase was based both on activity trends in 2010-2011 and projected flight schedules. However, passenger activity at the Airport through the first half of 2011-2012 is tracking lower than projected as well as lower than 2010-2011 mid-year levels (-0.7% or decrease of 32,000 passengers). The overall operating revenues through December 2011 totaled \$82.9 million which includes \$24.9 million in reimbursement of eligible Terminal Area Improvement Program (TAIP) expenditures from bond proceeds. While passenger activity is below projections, revenues are tracking within estimated levels due to conservative budgeting. The Airport's fiscal challenges, however, are expected to continue in the future as a result of the lack of passenger growth and debt service costs associated with TAIP. Use of one-time savings from 2010-2011 and the application of unspent bond proceeds will both be factored into the development and balancing of the 2012-2013 Proposed Budget, as well as future budgets.
- *Transient Occupancy Tax Fund* – Transient Occupancy Tax (TOT) collections are tracking 12.9% above the prior year. The 2011-2012 Adopted Budget allowed for a decline of approximately 1%. As a result of the higher than anticipated collections, an increase to the budgeted TOT revenue estimate is recommended. Increasing the estimate from \$10.8 million to \$12.5 million will also result in higher allocations for the three recipients (\$824,000 for the Convention and Cultural Affairs Fund, \$412,000 for the San Jose Convention and Visitors Bureau (CVB), and \$412,000 for Cultural Development). TOT receipts will continue to be closely monitored as 2011-2012 progresses.
- *Convention and Cultural Facilities Fund* – Operating revenues in this fund are tracking well above anticipated levels and are projected to exceed the revenue estimate by the end of the year. This increase is primarily due to contract labor and food and beverage revenues, which also have corresponding expenditures. As a result of the higher than anticipated

activity, an increase of \$3.5 million to both the revenue estimate and the Non-Personal/Equipment appropriation are recommended in this document.

As a result of the higher than anticipated TOT receipts being realized in the TOT Fund, the transfer from that fund to the Convention and Cultural Affairs Fund is recommended to be increased by \$824,000. This additional funding will be allocated to the ending fund balance and will be available for future use. A recommendation to decrease the CVB Marketing appropriation in this fund is also recommended. As a result of the higher TOT receipts in the TOT Fund, additional resources are available for the CVB (\$412,000 identified above), enabling a reduction to the marketing allocation in this fund. Lastly, a recommendation to allocate \$250,000 towards minor facility improvements is recommended.

- ***Municipal Golf Course Fund*** –Through December, activity at all three of the courses – Los Lagos, Rancho del Pueblo, and San José Muni Golf Courses – has shown slight improvement from 2010-2011 levels. Rounds of golf played through December 2011 increased by 3.6% at Los Lagos and by 1.3% at Rancho del Pueblo. A slight uptick in the economy and a very mild and dry first half of this year contributed to the improved performance. These modest increases, however, fall below the projected levels of growth for this year, since 2011-2012 was built with the assumption that activity levels would perform better than 2010-2011 and move closer to 2009-2010 levels. Actual performance remains below 2009-2010 levels.

While revenue from San José Muni Golf Course is expected to increase in 2011-2012 by 3.8% from 2010-2011, this level of growth is not sufficient to meet the budgeted estimate and a downward adjustment to the revenue estimate of \$39,000, from \$475,000 to \$436,000 is recommended. Similarly, at Los Lagos Golf Course, although rounds of golf played have slightly increased, these favorable circumstances do not appear sufficient to meet the revenue estimate assumed in the 2011-2012 budget, and a mid-year adjustment to reduce the budgeted revenue estimate from \$200,000 to \$110,000 (45% reduction) is recommended. Rancho del Pueblo Golf Course is projected to not generate a profit and net costs from this course are tracking to end the year above budgeted levels. To address this higher cost, a \$90,000 increase to the Course Expenditure appropriation is recommended. To ensure that a stable fund balance is maintained in this fund, a \$300,000 increase in the Transfer from the General Fund (from \$1.5 million to \$1.8 million) is also recommended.

Capital Funds

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

Construction Related Revenues

Through December, overall permit valuation is lower than prior year levels by 20% due to a drop in residential permit activity from the extremely high levels experienced last fiscal year. Permit valuation for industrial and commercial construction activity is above the prior year levels. As expected, activity continues to be strong in the North San José area but not as strong as the

comparable period last year. A large number of permits were issued for Crescent Village, Epic Apartments and Vista Montana Apartments. The total number of residential permits pulled through December 2011 was 996, compared to 2,158 permits pulled through December 2010 and the majority of the units were for multi-family dwellings. It should be noted that residential permit activity in December 2010 spiked to its highest level in over a decade (1,641 units). Receipts of \$2.5 million through December for the North San José Impact Fee were unanticipated and the revenue is recommended to be recognized in this report. No estimated revenue collection was assumed in the 2011-2012 Adopted Budget as a result of the uncertainty of the development activity in this area. Commercial activity had moderate growth from last year with valuations for commercial permit activity at \$117.3 million through December compared to \$102.7 million at this point last year. Industrial permit activity had strong growth with valuation at \$69.8 million through December compared to \$24.1 million through the same period last year. These permit activities drive the revenue collections in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and are an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Following is a discussion of the performance for Building and Structure Construction Tax and Construction Excise Tax, the two largest construction-related revenue sources.

- Building and Structures Construction Tax – The revenue estimate of \$6.0 million is recommended to be revised upward to \$9.0 million based on current collection trends. Compared to last year, tax receipts of \$6.2 million are down 17%; however, the Adopted Budget allowed for a decline of 36% from the 2010-2011 collections of \$9.4 million to account for the large one-time revenues received in 2010-2011. The recommended budget action would allow for a 4% decline from the prior year.
- Construction Excise Taxes – The revenue estimate of \$8.0 million is recommended to be revised upward to \$12.0 million based on current collection trends. Compared to last year, tax receipts of \$7.7 million are down 21%; however, the Adopted Budget allowed for a decline of 40% from the 2010-2011 collections of \$13.3 million to account for the large one-time revenues received in 2010-2011. The recommended budget action would allow for a 10% decline from the prior year.

Construction and Conveyance Taxes

After experiencing moderate declines compared to prior year activity levels in the first few months of the fiscal year, Construction and Conveyance (C&C) Tax revenues are showing signs of growth. Receipts in November and December 2011 increased by 10% and 8%, respectively, compared to prior year levels. In addition, the City has received January Conveyance receipts, which represents an impressive 28% growth compared to prior year receipts. The 2011-2012 C&C Tax estimate of \$21 million allows for a 1.8% drop from the 2010-2011 collection level. Through the first six months of the fiscal year receipts have totaled \$11.9 million and appear to be on par to meet or slightly exceed budgeted levels.

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. Property transfers (sales) for all types of residences appear to be stabilizing with only a 1% decline from 718 in December 2010 to 713 in December 2011. The December 2011 median single-family home price of \$474,500 is also down almost 1% from the December 2010 price of \$478,000. While this decline is very small, it marks the 15th consecutive month in which the median single-family home price has dropped compared to the same month in the previous year. The average days-on-market for single-family and multi-family dwellings totaled 84 days in December 2011, which is a slight drop from the 87 days experienced in December 2010.

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:

- In the *Airport Capital Program*, funding increases in the amount of \$280,000 are recommended to replace two critical safety equipments (one Manager-on-Duty vehicle and one airfield mower). Savings from the Wildlife Hazard Management Plan (\$50,000), as well as existing funding in the Airfield Improvements (\$135,000 reallocated) and the Equipment, Operating (\$95,000) appropriations would fund the replacements.
- In the *Traffic Capital Program*, an augmentation is recommended for the North San José Traffic Impact Fee Reserve (\$2.5 million) as a result of recognizing traffic impact fees collected year-to-date. This report also includes a recommendation to allocate \$500,000 for the Autumn Street Expansion project to design a railroad crossing at the new Autumn Street extension, which is a requirement for Downtown expansion and the proposed ballpark.
- In the *Parks and Community Facilities Development Capital Program*, funding in the amount of \$1.7 million is recommended to be allocated for the design of Commodore Children's Park. This funding was previously allocated in a reserve of funds due to the significant operating and maintenance impact the completed facility would have on the General Fund. However, the project is now ready to move forward as the City has entered into an agreement with a developer to provide a credit to the parkland in lieu fees in exchange for an equivalent contribution to provide 10 years of maintenance funding for the Commodore Children's Park once it is constructed and open to the public.
- In the *Public Safety Capital Program*, delaying the issuance of \$3.3 million in general obligation bonds from this year to next fiscal year is recommended due to current financial market conditions, the City's timing need for these funds, and the cost/savings benefit of issuing multiple bond sales together. This will not negatively impact the bond projects since the award for Fire Station 21 Relocation project will not occur until next fiscal year due to project delays. This report also provides funding in the amount of \$340,000 to fund urgent facility maintenance needs at Fire Station 11 (\$240,000) and Fire Station 15 (\$100,000) with a corresponding decrease to the Fire C&C Ending Fund Balance.

- In the *Library Capital Program*, delaying the issuance of \$5.9 million in general obligation bonds from this year to next fiscal year (as discussed in the Public Safety Capital Program section) will not negatively impact the design and construction schedule for the Southeast Branch Library since there is a delay in acquiring the land. There is sufficient funding this year to begin the design phase of the project.
- In the *Municipal Improvements Capital Program*, an augmentation to the Unanticipated/Emergency Maintenance appropriation (\$400,000) is recommended. Public Works Department facility management continues to experience high levels of unanticipated failures in large systems. In order to address the most severe issues, additional funding is recommended to replace the boiler tubes at City Hall to ensure proper heating, replace stolen lightning rods on the City Hall roof, replace damaged exterior lighting at City Hall due to vandalism, remove and replace the pavers around City Hall, and set aside funding for future unexpected failures.

LOOKING FORWARD

As of December 2011, a General Fund shortfall of approximately \$25 million is projected for 2012-2013. The formal 2013-2017 General Fund Forecast is scheduled to be released on February 27, 2012 and will contain a comprehensive update to all revenue and expenditure projections contained in the Preliminary Forecast, including any additional updates to City retirement contributions approved for 2012-2013 and forecasted for the next four years.

In February, a Mayor/City Council Budget Study Session will be held and results from the Community Budget Survey will be available. In March, the Mayor's 2012-2013 Budget Message will be released and approved that will provide policy direction for the development of the Proposed Capital and Operating Budgets, which are scheduled to be released on April 25th and May 1st, 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 February 14, 2012 Council agenda.

CONCLUSION

Through December, the City's over 100 operating and capital funds are generally performing within expected levels. The 2011-2012 Adopted Budget was built on the assumption that the economy would continue its slow recovery from the 2007-2009 recession. Economic indicators and actual revenue performance support this assumption with some improvement in recent months. As part of the Mid-Year Budget Review, budget adjustments are recommended in the General Fund and many special and capital funds 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 and reimbursements. Major actions in the General Fund include the establishment of the 2011-2012 Ending Fund Balance Reserve of \$12.0 million funded by excess revenue and expenditure savings, and a \$10 million increase to the 2012-2013 Future Deficit Reserve (increase from \$12 million to \$22 million) funded by the net savings generated from the SJRA assuming the full Convention Center Lease Payments in 2011-2012.

The adjustments brought forward in this report reflect our best estimate of the financial performance for the City's funds through the end 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 fiscal discipline, and timely actions will be critical to maintain the City's fiscal health.

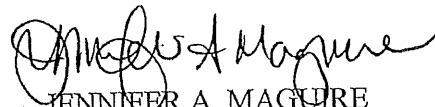



Debra Figone
City Manager

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 2011-2012 monies in excess of those heretofore appropriated therefrom:

Airport Capital Improvement	\$ 211,000
Benefit	1,000,000
Building & Structures Construction Tax	3,030,000
Construction & Conveyance Tax – Library	42,138
Construction Excise Tax	6,591,426
Convention and Cultural Affairs	4,324,000
Dental Insurance	111
Edward Byrne Memorial Justice Assistance Grant Trust	70
Gift Trust	125,596
Home Investment Partnership Program Trust	115,000
Integrated Waste Management	340,140
Multi-Source Housing	1,000,000
Municipal Golf Course	129,500
Parks & Recreation Bond Projects	387,000
Sewer Service & Use Charge	37,546
SJ-SC Treatment Plant Operating	1,020,269
Storm Drainage Fee	3,000
Supplemental Law Enforcement Services	63,198
Transient Occupancy Tax	1,648,000
Workforce Investment Act	671,209


JENNIFER A. MAGUIRE
Budget Director



2011-2012

MID-YEAR
BUDGET
REVIEW



SECTION

I

**GENERAL FUND
STATUS REPORT**



**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

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. **General Fund Source and Use of Funds** – Included is a Mid-Year Status Report Source and Use of Funds showing overall modifications to the 2011-2012 budget, actual revenues and expenditures through December 31, 2011, and proposed changes recommended as part of this document.

- B. **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.

- C. **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 as well as the status of the Contingency Reserve through December 2011.

GENERAL FUND
2011-2012 MID-YEAR STATUS REPORT
(December 31, 2011)

<u>SOURCE OF FUNDS</u>	2011-2012 ADOPTED BUDGET	CURRENT- YEAR MODIFICATIONS	CARRYOVER ENCUMBRANCES	CURRENT MODIFIED BUDGET	ACTUALS THROUGH DECEMBER	PRIOR-YEAR ACTUALS THROUGH DECEMBER	2011-2012 PROPOSED CHANGES
FUND BALANCE							
Encumbrance Reserve	20,634,920	245,959	20,880,879	20,401,594	20,634,920	16,344,315	0
Liquidation of Encumbrances	0	0	(479,288)	0	0	0	0
Carryover	121,060,735	16,262,799	0	137,323,534	0	141,398,091	213,260
SUBTOTAL	<u>141,695,655</u>	<u>16,508,758</u>	<u>20,401,591</u>	<u>157,725,128</u>	<u>20,634,920</u>	<u>157,742,406</u>	<u>213,260</u>
GENERAL REVENUE							
Property Tax	201,454,000	(1,359,000)	0	200,095,000	59,683,918	101,021,157	0
Sales Tax	140,906,000	6,223,000	0	147,129,000	39,420,858	51,779,581	3,321,000
Telephone Tax	20,525,000	0	0	20,525,000	6,878,010	8,511,653	0
Transient Occupancy Tax	7,202,000	0	0	7,202,000	3,110,438	2,709,789	1,098,000
Franchise Fees	43,025,000	(400,000)	0	42,625,000	17,334,976	16,445,128	0
Utility Tax	88,035,000	0	0	88,035,000	32,346,997	36,105,186	2,210,000
Business Tax	38,795,000	(200,000)	0	38,595,000	19,191,804	17,691,153	1,579,000
Licenses & Permits	34,567,094	(11,394)	0	34,555,700	24,052,169	24,996,925	(1,380,000)
Fines, Forfeitures & Penalties	17,471,000	0	0	17,471,000	7,901,779	8,573,959	(500,000)
Revenue From Money/Property	2,413,000	61,000	0	2,474,000	1,694,176	1,366,433	0
Revenue From Local Agencies	19,331,237	2,040,938	0	21,372,175	4,697,467	21,838,133	(3,942,760)
Revenue From State Government	14,211,106	557,968	0	14,769,074	2,613,157	3,819,535	(634,904)
Rev From State Gov-Recovery Act	254,027	126,122	0	380,149	82,494	31,429	0
Revenue From Federal Government	12,807,900	3,180,620	0	15,988,520	2,264,294	2,010,069	212,382
Rev From Fed Gov-Recovery Act	8,400,311	(223,141)	0	8,177,170	1,179,956	1,096,869	0
Departmental Charges	29,576,872	(199,500)	0	29,377,372	16,241,771	15,909,178	593,500
Other Revenue	14,918,888	125,258,061	0	140,176,949	108,843,448	82,953,468	(23,979,927)
SUBTOTAL	<u>693,893,435</u>	<u>135,054,674</u>	<u>0</u>	<u>828,948,109</u>	<u>347,537,712</u>	<u>396,859,645</u>	<u>(21,423,709)</u>
TRANSFERS AND REIMBURSEMENTS							
Overhead Reimbursements	33,269,386	0	0	33,269,386	24,737,120	27,193,129	0
Transfers	21,227,628	2,328,239	0	23,555,867	15,262,820	30,711,222	(1,445,843)
Reimbursements for Services	16,371,905	141,547	0	16,513,452	6,773,767	3,702,060	0
SUBTOTAL	<u>70,868,919</u>	<u>2,469,786</u>	<u>0</u>	<u>73,338,705</u>	<u>46,773,707</u>	<u>61,606,411</u>	<u>(1,445,843)</u>
TOTAL SOURCE OF FUNDS	<u><u>906,458,009</u></u>	<u><u>154,033,218</u></u>	<u><u>20,401,591</u></u>	<u><u>1,060,011,942</u></u>	<u><u>414,946,339</u></u>	<u><u>616,208,462</u></u>	<u><u>(22,656,292)</u></u>

GENERAL FUND
2011-2012 MID-YEAR STATUS REPORT
(December 31, 2011)

<u>USE OF FUNDS</u>	<u>2011-2012 ADOPTED BUDGET</u>	<u>CURRENT- YEAR MODIFICATIONS</u>	<u>CARRYOVER ENCUMBRANCES</u>	<u>CURRENT MODIFIED BUDGET</u>	<u>ACTUALS THROUGH DECEMBER</u>	<u>PRIOR-YEAR ACTUALS THROUGH DECEMBER</u>	<u>2011-2012 PROPOSED CHANGES</u>
DEPARTMENTAL							
City Attorney	10,789,776	(126,665)	235,071	10,898,182	5,378,492	5,569,084	220,339
City Auditor	2,001,234	(23,449)	6,856	1,984,641	901,743	907,384	4,712
City Clerk	2,343,498	(18,872)	69,127	2,393,753	785,391	1,812,915	(494,888)
City Manager	10,113,137	(108,011)	501,787	10,506,913	4,546,605	4,953,657	(57,503)
Economic Development	5,359,184	(30,141)	162,465	5,491,508	2,489,355	1,311,007	(295,098)
Environmental Services	562,241	15,831	41,273	619,345	219,153	255,401	0
Finance	12,180,755	(110,163)	293,114	12,363,706	5,177,649	5,205,821	(353,823)
Fire	158,623,872	(2,673,843)	214,664	156,164,693	73,870,501	75,264,982	260,577
General Services*	0	0	0	0	0	0	0
Human Resources	6,023,925	(70,175)	60,460	6,014,210	2,524,811	3,410,864	6,726
Independent Police Auditor	963,329	(9,901)	3,061	956,489	439,558	384,258	2,252
Information Technology	13,973,626	237,783	610,841	14,822,250	5,534,488	6,878,553	18,244
Library	22,641,679	(471,184)	165,355	22,335,850	10,918,743	12,668,536	21,554
Mayor and City Council	10,318,824	(259,617)	42,899	10,102,106	4,050,392	3,656,343	(14,646)
Parks, Recreation & Neighb. Svcs	45,560,206	187,918	759,359	46,507,483	22,907,915	26,877,534	1,400,442
Planning, Building & Code Enforce.	27,322,064	(162,402)	219,254	27,378,916	12,186,256	11,662,384	191,450
Police	298,335,882	1,726,111	1,798,347	301,860,340	137,392,146	139,090,626	(1,606,460)
Public Works	26,447,178	107,176	343,506	26,897,860	12,527,210	14,404,994	465,802
Redevelopment Agency	0	0	0	0	0	737,604	0
Transportation	24,561,744	(128,316)	833,471	25,266,899	11,754,018	12,732,428	39,160
SUBTOTAL	678,122,154	(1,917,920)	6,360,910	682,565,144	313,604,426	327,784,375	(191,160)
NON-DEPARTMENTAL							
City-Wide Expenses	112,940,556	132,375,517	9,952,261	255,268,337	29,087,047	45,265,548	(43,822,284)
Capital Contributions	9,695,000	1,200,937	4,088,420	14,984,357	2,464,032	2,653,650	400,000
Transfers	25,093,798	4,816,452	0	29,910,250	29,418,864	28,615,993	300,000
Earmarked Reserves	30,662,581	17,312,273	0	47,974,854	0	0	20,657,152
Contingency Reserve	29,309,000	0	0	29,309,000	0	0	0
Encumbrance Reserve	20,634,920	245,959	0	0	0	0	0
SUBTOTAL	228,335,855	155,951,138	14,040,681	377,446,798	60,969,943	76,535,191	(22,465,132)
TOTAL USE OF FUNDS	906,458,009	154,033,218	20,401,591	1,060,011,942	374,574,369	404,319,566	(22,656,292)

* In 2010-2011, the General Services Department was eliminated and consolidated into the Public Works Department.

The 2011-2012 Mid-Year General Fund Status Report excludes the Special Services Assessment Revolving Loan Fund which is included in the Monthly Financial Report prepared by the Finance Department in the Appendix Section of this document.

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

STATUS OF GENERAL FUND REVENUES

Overview

- General Fund revenues and transfers through December totaled \$394.3 million, or 44% of the budgeted estimate. Based on current collection trends, revenues are tracking to end the year \$4 million to \$8 million above expected levels (variance of 0.4% to 0.9%).

The following table details actual 2011-2012 General Fund revenue collections through December as compared with budgeted revenue estimates and 2010-2011 actual collections for the same period a year ago. It also details the proposed changes to each category:

**2011-2012 General Fund Revenue Status through December
(\$ in Thousands)**

Category	Estimate	Actual	Estimate	% of Actual	Changes
General Revenue					
Property Tax	\$ 200,095	\$ 59,684	29.8%	53.0%	\$ -
Sales Tax	147,129	39,421	26.8%	37.5%	3,321
Telephone Tax	20,525	6,878	33.5%	41.2%	-
Transient Occupancy Tax	7,202	3,110	43.2%	37.5%	1,098
Franchise Fees	42,625	17,335	40.7%	39.8%	-
Utility Tax	88,035	32,347	36.7%	41.1%	2,210
Business Tax	38,595	19,192	49.7%	46.6%	1,579
Licenses and Permits	34,556	24,052	69.6%	64.5%	(1,380)
Fines, Forfeitures, and Penalties	17,471	7,902	45.2%	47.8%	(500)
Use of Money and Property	2,474	1,694	68.5%	37.2%	-
Revenue from Local Agencies	21,372	4,697	22.0%	49.4%	(3,943)
Revenue from the State of California	14,769	2,614	17.7%	8.7%	(635)
Rev. from State Govt. - Recovery Act	380	82	21.6%	24.0%	-
Revenue from Federal Government	15,989	2,264	14.2%	34.4%	212
Rev. from Fed. Govt. - Recovery Act	8,177	1,180	14.4%	31.5%	-
Departmental Charges	29,377	16,242	55.3%	49.5%	594
Other Revenue	140,177	108,843	77.6%	89.6%	(23,980)
Sub-Total General Revenue	828,948	347,537	41.9%	50.6%	(21,424)
Transfers and Reimbursements					
Overhead Reimbursements	33,269	24,737	74.4%	78.9%	(1,446)
Transfers	23,556	15,263	64.8%	74.1%	-
Reimbursements for Services	16,514	6,774	41.0%	23.0%	-
Sub-Total Transfers and Reimbursements	73,339	46,774	63.8%	66.9%	(1,446)
TOTALS*	\$ 902,287	\$ 394,311	43.7%	52.3%	\$ (22,870)

* These figures exclude the Beginning Fund Balance. Included in this report is a \$213,000 adjustment to augment the Beginning Fund Balance based on the completed 2010-2011 Comprehensive Annual Financial Report. Once adjusted for this, the total change is a negative \$22.66 million.

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

Through December, revenues tracked at or above budgeted collections in a number of categories, including: Sales Tax, Transient Occupancy Tax, Utility Tax, Business Tax, and Other Revenue. These positive variances are partially offset by lower collections expected in a number of categories, including Property Tax, Licenses and Permits, Fines, Forfeitures and Penalties, Revenue from Local Agencies, and Transfers and Reimbursements.

Recommended Adjustments

Various revenue adjustments are recommended in this document to accomplish the following actions:

- Establish a \$12.0 million 2011-2012 Ending Fund Balance Reserve from excess revenues (\$3.7 million) and expenditure savings (\$8.3 million). The 2012-2013 Preliminary Forecast assumed this level of fund balance would be available at the end of 2011-2012 as a funding source in 2012-2013.
- Eliminate the reimbursement from the San Jose Redevelopment Agency (SJRA) for a portion of the Convention Center Lease Payment. Since the adoption of the 2011-2012 Budget, it was determined that the SJRA would be able to fund this lease payment cost in full (rather than have the General Fund provide \$10.0 million toward the payment as originally anticipated). Therefore, a decrease of \$5.4 million is recommended in Revenue from Local Agencies (offset by a \$15.4 million reduction in expenditures). The net savings of \$10.0 million is recommended to be

allocated to the 2012-2013 Future Deficit Reserve.

- Increase the 2011-2012 Beginning Fund Balance by \$213,000 based on a final reconciliation to the 2010-2011 Comprehensive Annual Financial Report.
- Address technical clean-ups and allocate grant, reimbursement, and/or fee related funds. This includes a \$25.0 million reduction to the Other Revenue category (offset by an expenditure reduction) to reflect the lower Tax Revenue Anticipation Notes (TRANS) proceeds based on the actual issuance needed to address the City's cash flow needs. The TRANS issuance totaled \$100 million rather than the \$125 million originally budgeted.
- Recognize revenues and the associated expenditures for various grants, reimbursements, and fee programs (\$1.7 million).

In total, adjustments recommended in this document result in a net reduction of \$22.7 million to the General Fund revenue estimates to (1) bring revenue estimates in line with revised projections based on economic trends and updated collection information; (2) account for additional new revenue from grant programs and reimbursement for services available to fund additional related expenditures; and (3) implement technical adjustments.

The following discussion highlights major General Fund activities through December in various revenue categories.

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PROPERTY TAX

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$200,095,000	\$59,683,918	29.8%	53.0%	\$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 tracking close to the budgeted estimates but may end the year slightly below (\$400,000) the budget based on the most recent estimates from the County Assessors Office. The current estimate, however, is within 0.2% of the modified budget.

For 2011-2012, the modified budget estimate for **Secured Property Taxes** of \$183.3 million allows for a 0.9% increase from 2010-2011 actual collections. Through December, actual Current Secured Property Tax collections were \$46.2 million. Although the collections through December were 49% below the prior year receipts of \$91.0 million, this large decrease reflects timing differences in the receipt of payments rather than revenue performance. Adjusting for the timing differences, current year collections through December were 0.6% above the prior year collections.

The 2011-2012 collections are based on the value of property assessed on January 1, 2011, with any tax roll corrections. In November 2011, the County of Santa Clara provided its latest estimates for Secured Property Tax receipts, which incorporated higher projected negative roll corrections. Based on this estimate of \$182.9 million, a slight downward adjustment to the Secured Property Tax estimate may be necessary as it is \$372,000 below the current budget estimate and would reflect a marginal increase of 0.7% from the prior year. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2012, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections. Should a budget adjustment be necessary, it will be brought forward by the end of the fiscal year.

The 2011-2012 **Unsecured Property Taxes** budget estimate is \$11.1 million, which is 1.9% above the prior year collection level. Receipts through December of \$10.4 million typically reflect approximately 90% of the annual revenue for this category (which is received in October). Based on this historical collection trend, Unsecured Property Tax receipts are

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projected to exceed the budgeted estimate by almost \$400,000.

For **SB 813 Property Tax** receipts (retroactive collections back to the point of sale for reassessments of value due to property resales), collections totaled \$798,000 through December. No payments had been received this time last year due to a high number of downward assessment adjustments and a significant number of refund payments for the prior year. In 2011-2012, the budget assumed collections would return to normal levels. While collections are anticipated to improve, they are still tracking to end the year below the modified budget estimate of \$2.3 million. In its most recent projections, the County lowered its estimate from \$2.3 million to \$1.8 million. While this collection level is up from the \$1.1 million received in 2010-2011, it remains well below the \$3.0 million received in 2009-2010

and the \$5.7 million received in 2008-2009. Receipts will continue to be monitored closely and should an adjustment be necessary, a recommendation will be brought forward by the end of the year.

Aircraft Property Tax collections of \$2.15 million through December reflect 96.3% of the budgeted revenue estimate of \$2.23 million. Similar to Unsecured Property Tax, receipts through December typically reflect over 90% of the annual revenue for this category. Should the historical trend continue, total receipts will slightly exceed the modified budget by year-end by approximately \$150,000.

It is anticipated that **Homeowners Property Tax Relief** revenue will be received at approximately the budgeted level of \$1.1 million.

SALES TAX

Revenue Status

2011-2012		2010-2011		2011-2012
Budget Estimate	Y.T.D. Actual	% of Estimate	% of Actual	Proposed Changes
\$147,129,000	\$39,420,858	26.8%	37.5%	\$3,321,000

The Sales Tax category consists of General Sales Tax and Proposition 172 Sales Tax. Overall, revenues continue to track above budgeted estimates and a total increase of \$3.3 million is recommended in this report.

The 2011-2012 budget estimate for **General Sales Tax** is \$143.0 million, which is approximately 6.8% above the actual 2010-2011 collection level. This estimate reflects

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underlying growth of 2% and one-time prior year adjustments and true-up payments. The receipts for the first quarter of General Sales Tax for the current year were received in December and represented activity for July through September 2011. The first quarter General Sales Tax revenues for 2011-2012 were up 8.4% from the same quarter in the prior year.

When comparing San José's cash receipts to those of other jurisdictions, San Jose's strong growth of 8.4% was slightly better than the performance of Santa Clara County (up 7.4%), but was slightly worse than Northern California (up 9.4%), and the State as a whole (up 9.2%).

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, the 5.7% growth in the most recent quarter was the result of increases in all economic sectors, with the Transportation sector experiencing the largest gain of 16%. This growth was driven by increases in service stations receipts (up 20%) and new auto sales (up 17%).

**Sales Tax Revenue Economic Performance
July – September 2011**

Economic Sector	% of Total Revenue	% Change July-Sept. 2011 to July – Sept. 2010
General Retail	25.9%	+ 1.1%
Transportation	24.6%	+ 16.0%
Business to Business	23.0%	+ 1.2%
Food Products	15.3%	+ 5.4%
Construction	10.5%	+ 6.9%
Miscellaneous	0.7%	+ 0.8%
Total	100.0%	5.7%

The year-over-year increase for the first quarter exceeded the 2.0% growth assumed in the 2011-2012 Modified Budget. To reflect this higher growth and to increase the expected growth in the remaining three quarters from 2% to 3%, a \$3.05 million increase in the Sales Tax estimate is recommended in this report.

Information on the second quarter collections (October-December sales activity) for this fiscal year will not be received until March. The City's Sales Tax performance will continue to be closely monitored to determine if any additional budget adjustments are necessary.

The 2011-2012 **Proposition 172 Half-Cent Sales Tax** adopted budget estimate of \$4.1 million requires growth of 1.1% from the prior year. Year-to-date receipts of \$1.8 million are 9.1% above the prior year and, if the current collection trend continues, Proposition 172 Half-Cent Sales Tax revenues will end the year above the budgeted estimate. Accordingly, a recommended increase of \$271,000 is included in this document. Staff will continue to monitor these revenues closely and bring forward adjustments later in the year, if necessary.

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TRANSIENT OCCUPANCY TAX

Revenue Status				
2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$7,202,000	\$3,110,438	43.2%	37.5%	\$1,098,000

The 2011-2012 budget estimate for the General Fund **Transient Occupancy Tax (TOT)** allocation (40% of the total tax) is \$7.2 million, which allows for a decline of 0.3% from the 2010-2011 collection level. Year-to-date receipts of \$3.1 million are 14.8% above the prior year.

Through December, the average hotel occupancy rate at the 14 largest hotels was 57.9%, a slight improvement from the 57.5% occupancy rate for the same period in 2010-2011. For the same 14 hotels, the average daily room rate through December was \$122.19, a 4.1% increase from the \$117.42 room rate for

the same period in 2010-2011. As of December, the trailing 12-month average revenue-per-available-room (RevPAR) increased to \$70.76, an increase from the \$66.64 level experienced in December 2010.

As a result of the higher than anticipated revenue collections, an increase of \$1.1 million to the budgeted revenue estimate is recommended at this time. The recommended increase from \$7.2 million to \$8.3 million will bring the estimate in line with current year experience.

UTILITY TAX

Revenue Status				
2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$88,035,000	\$32,346,997	36.7%	41.1%	\$2,210,000

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Utility Tax contains the following categories: **Electric, Gas, Water and Telephone.** While collections through December of \$32.3 million are tracking below the prior year level of \$36.1 million, this decline is the result of timing differences in payments. After accounting for timing differences, collections are tracking 4.1% above the prior year. Growth of 0.17% is needed to meet the budgeted estimate of \$88.0 million.

Overall, revenues are tracking to exceed the budgeted estimate by year-end. An increase of \$2.2 million to the revenue estimate is recommended, bringing the budget to \$90.2 million. The majority of this increase is attributed a final settlement payment from PG&E (\$1.56 million) with the remaining increase attributed to higher than budgeted year-end projected receipts in Gas and Telephone Utility Tax categories (\$650,000). Below is a more detailed discussion of the revenue performance in each category and adjustments to the revenue estimate.

In December, the City and PG&E came to a final settlement agreement of the funding necessary to correct for underpayments and related penalties and interest of Gas and Electric franchise fees, surcharges and utility user taxes from January 1, 2007 through December 31, 2010 that were not coded as San Jose properties in PG&E's billing system. This resulted in a one-time payment of \$1.56 million that is recommended to be recognized in this report in the Utility Tax category.

Through December, **Electric Utility Tax** receipts of \$14.7 million were tracking 17.0% below the prior year level of \$17.7 million.

This significant variance is a result of the timing of payments. Once adjusted for actual receipts through December, collections are currently tracking 0.3% above the prior and expected to end the year within the budgeted estimate.

Gas Utility Tax receipts through December of \$1.9 million were 21% below the prior year collections of \$2.4 million. This significant variance is the result of a timing difference in payments. Factoring out this timing difference, adjusted December receipts of \$2.5 million actually rose 3.7% from prior year level. Based on current collection trends and anticipated performance through the end of the year, a recommended increase of \$250,000 is included in this document, bringing the total budgeted estimate to \$9.0 million. The revised estimate would require growth of 3.8% over 2010-2011 actual collections of \$8.7 million. Actual collection in the Gas Utility Tax area are subject to significant fluctuations from impact of weather conditions and/or rate changes, as such, revenues will continue to be monitored closely for projected year end performance.

Water Utility Tax collections of \$3.8 million through December are tracking 8.2% below the prior year level of \$4.2 million due to differences in the timing of payments. Factoring out the timing differences, adjusted receipts of \$4.5 million are tracking 8.2% above the 2010-2011 level. This growth level slightly exceeds the 7.1% increase over the prior year needed to meet the budgeted estimate. At this point, receipts are projected to meet or exceed the budgeted estimate. Consumption levels over the next several months will determine if adjustments to the revenue estimate will be appropriate before the end of the year.

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Telephone Utility Taxes receipts of \$10.4 million through December are tracking below the prior year level of \$11.9 million due to timing differences in payments. Factoring out these timing differences as well as accrual adjustments, receipts are tracking 3.5% above the prior year levels. The 2011-2012 Adopted Budget estimate of \$30.8 million assumed no increase from the estimated 2010-2011 collections; however, because 2010-2011 actual collections of \$31.5 million exceeded the

estimate used to develop the 2011-2012 Adopted Budget, collections in this category can now decrease slightly (2.3%) in 2011-2012 from actual 2010-2011 collections. Based on current collection trends, an increase of \$400,000 is included in this document bringing the budgeted estimate to \$31.2 million. This revised estimate would still allow for a 1% decline from the prior year collection level.

BUSINESS TAXES

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$38,595,000	\$19,191,804	49.7%	46.6%	\$1,579,000

Business Taxes include the following major groups of revenue: **Business Tax, Cardroom Business Tax, Marijuana Business Tax and Disposal Facility Tax.** Overall, this category is tracking to exceed the modified budget estimate of \$38.6 million. As part of this report, a \$1.6 million increase to this category is recommended to reflect higher than expected receipts in Cardroom Tax (\$729,000) and Marijuana Business Tax (MBT) (\$850,000) and would bring the budgeted estimate to \$40.2 million.

Business Tax – collections of \$7.0 million through December were 3.9% below the prior

year collection level of \$7.3 million. Collections are expected to end the year close to the budgeted estimate of \$11.0 million.

Cardroom Business Tax – collections of \$6.2 million through December were tracking 8.8% above the prior year level of \$5.7 million. This increase from the prior year in part reflects the impact of the Cardroom Tax ballot measure that was approved by the voters in June 2010. The ballot measure increased the Cardroom Tax rate from 13% to 15% and increased the maximum number of card tables from 80 to 98. The new rates went into effect on August 13, 2010, therefore, the increase was not reflected in the

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first two months of last year. Based on current collection trends and actual 2010-2011 receipts of \$14.8 million, collections are tracking to exceed the budgeted estimate; accordingly, an increase of \$729,000 (to \$15.1 million) to this category is recommended in this document. This will allow for a 2.3% increase in this category when compared to the prior year.

Marijuana Business Tax – collections of \$1.4 million through December reflect collections for July through November. Based on the current collection trends, receipts in this category are projected to exceed the 2011-2012 budgeted estimate of \$2.5 million. Accordingly, an increase of \$850,000 is recommended to bring the budgeted estimate in line with year-end

projections. This action would bring the revised 2011-2012 estimate to \$3.4 million. This additional revenue is recommended to be used as part of the rebalancing plan to offset the loss in the Medical Marijuana Regulatory Fees (\$1.4 million) as described in the document.

Disposal Facility Tax (DFT) – Receipts through December of \$4.6 million are tracking 2.2% below the prior year level of \$4.7 million. Current collections are tracking to meet the revised budget estimate of \$10.7 million, which allows for a 3.4% decline from the 2010-2011 collection level.

LICENSES AND PERMITS

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$34,555,700	\$24,052,169	69.6%	64.5%	(\$1,380,000)

Licenses and Permits include the following major groups of revenue: **Building Permits, Fire Permits** and **Miscellaneous Other Licenses and Permits**. Through December, revenues of \$24.1 million continue to track to meet or exceed budgeted levels with one major exception, the anticipated loss in Medical Marijuana Regulatory Fee Program revenue. Therefore, a net downward adjustment of \$1.4 million is recommended to reflect this anticipated loss and other minor adjustments.

Building Permits – Building Permit revenues of \$11.5 million through December are tracking 11.7% below the 2010-2011 collection level of \$13.0 million for the same period, but well above the budgeted estimate. The 2011-2012 budgeted revenue estimate allows for a drop of 26.1% in this category to account for a large spike in activity last fiscal year that was not expected to be repeated this fiscal year. Revenues in building plan check, building

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permits, electrical permits, and permit processing categories are tracking above estimated levels. Strong revenue receipts are being driven by an increase in commercial and industrial permits, offset by slow residential activity. It is anticipated that Building Permit revenues will achieve, and likely exceed, the budget estimate as a result of increased development activity. This additional activity has necessitated additional staffing resources to meet the plan check and inspection service demands. Separate actions to increase revenues and staffing resources were brought forward for consideration on the January 31, 2012, City Council Agenda. These actions include the addition of 16 positions for the Building Fee Program, offset by additional revenues of \$1.9 million, in order to keep pace with the increased demand. Further information on the approved actions can be found at http://www.sanjoseca.gov/clerk/Agenda/20120131/20120131_0403.pdf.

Fire Permits – Through December, Fire Permit collections of \$5.43 million were tracking above estimated levels and 5.5% above the prior year receipts of \$5.15 million. The development-related revenues are currently tracking to conservatively exceed the budgeted estimate of \$3.96 million by approximately \$200,000. This increased activity has resulted in the need for additional staffing resources to meet the plan check and inspection service demands. Separate actions to increase revenues and staffing resources were brought forward for consideration on the January 31, 2012, City Council Agenda. The actions include the addition of 2.0 Associate Engineers and 1.0 Hazardous Materials Inspector I/II, offset by additional revenue of \$172,000. At this time,

the Fire Department projects that the Non-Development program will end the year at budgeted revenue levels of \$3.86 million.

Miscellaneous Other Licenses and Permits – Revenues of \$7.1 million are tracking 4.3% above prior year levels of \$6.8 million and, with the exception of the Medical Marijuana Regulatory Fee Program revenue, are generally tracking at anticipated levels through December. Growth of 23.5% is needed in 2011-2012 to meet the budgeted estimate, with almost 70.0% of this growth related to the new Medical Marijuana Regulatory Fee Program revenue. Consistent with the assumptions presented in the Bi-Monthly Financial Report for September-October, on January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Fee Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to fully offset this loss in revenue through the recognition of additional Marijuana Business Tax and program expenditure reductions. Additional information on the Medical Marijuana Program rebalancing adjustment can be found in Section III of this document under Recommended Budget Adjustments in the General Fund.

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FINES, FORFEITURES, AND PENALTIES

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$17,471,000	\$7,901,779	45.2%	47.8%	(\$500,000)

Fines, Forfeitures, and Penalties include the following groups of revenue: **Parking Fines**, the City's share of **Vehicle Code Fines**, **County Municipal Court Fines**, **Administrative Citation Fines and Penalties**, and **Cardroom and Business Tax Penalties**.

Through December, this category has generated \$7.9 million, or 45.2% of the budget estimate, and collections are tracking 7.8% below the

prior year. The 2011-2012 budgeted estimate allows for a decline of only 2.5%. A downward adjustment of \$500,000 is recommended to account for total annual receipts projected to fall below budgeted levels, particularly in areas such as Municipal Court Fines.

Receipts will continue to be monitored closely as the year continues with additional adjustments brought forward as necessary.

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REVENUE FROM LOCAL, STATE, AND FEDERAL AGENCIES

Revenue Status

	2011-2012		2010-2011		2011-2012
	Budget Estimate	Y.T.D. Actual	% of Estimate	% of Actual	Proposed Changes
Local Agencies	\$21,372,175	\$4,697,467	22.0%	49.4%	(\$ 3,942,760)
State of California	\$15,149,223	\$2,695,651	17.8%	8.8%	(\$ 634,904)
Federal Government	\$24,165,690	\$3,444,250	14.3%	33.3%	\$ 212,382
TOTAL	\$60,687,088	\$10,837,368	17.9%	40.3%	(\$4,365,282)

This section provides information of the revenues received from other agencies, which are budgeted separately.

Revenue from Local Agencies – Funding in this category is provided by many local agencies. The largest line items include reimbursement from the San Jose Redevelopment Agency, reimbursement from the Central Fire District for fire services provided by the City to County properties, CAL-ID support, reimbursement for the City's Paramedic Program, and Senior Nutrition reimbursement. Revenues are generally performing close to budgeted levels through December. However, there are a number of budget adjustments to account for activities expected through the remainder of the fiscal year.

The largest adjustment is the recommended elimination of the reimbursement from the San Jose Redevelopment Agency (SJRA) for a portion of the Convention Center Lease Payment. Since the adoption of the 2011-2012 Budget, it was determined that the SJRA would

be able to fund this lease payment cost in full (rather than have the General Fund provide \$10.0 million toward the payment as originally anticipated). Therefore a recommended decrease of \$5.4 million is recommended in Revenue from Local Agencies (offset by a \$15.4 million reduction in expenditures). The net savings of \$10.0 million is recommended to be allocated to the 2012-2013 Future Deficit Reserve.

Other budget adjustments recognize revenues and allocate funding for the following: County support for the Senior Nutrition Program (\$665,000); County Public Health Department support for the Communities Putting Prevention to Work Grant – Obesity Prevention Initiative (\$105,000); and County support for the Grace Community Center Electronic Health Records Grant (\$59,000). A downward adjustment of \$20,593 is recommended for the Year 5 San José After School District Contracts to close-out this project.

An additional technical adjustment recategorizes the After School Education revenue of \$608,000

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from Revenue from the State of California to Revenue from Local Agencies. Section III of this document provides a description of these actions.

Revenue from the State of California (including American Recovery and Reinvestment Act) – This category includes various grants and reimbursements from the State of California, including the American Recovery and Reinvestment Act. It is currently assumed that the budgeted amounts will be collected by year-end.

Budget adjustments totaling \$83,739 are recommended to account for new grants or changes in existing grants and include the following: 9-1-1 Communications Center Maintenance (\$51,510); Local Enforcement Agency Grant (\$29,229); and Rapid Enforcement Allied Computer Team (REACT) (\$3,000).

A downward adjustment of \$719,000 corrects the incorrect categorization of revenues for the After School Education (-\$608,000), Summer Youth Nutrition Program (-\$61,000), and State Homeland Security Grant Program (-\$50,000) and reallocates this funding to the appropriate categories: Revenue from Local Agencies and Revenue from the Federal Government. Section III of this document provides a description of these actions.

Revenue from the Federal Government (including American Recovery and Reinvestment Act) – The revenue in this category is received from federal grant programs, including the American Recovery and Reinvestment Act. It is currently assumed that the budgeted grant proceeds will be collected by year-end.

Budget adjustments totaling \$101,600 are recommended to account for new grants or changes in existing grant and include the following: 2009 Urban Areas Security Initiative (UASI) Grant – Police (\$67,000); 2009 Urban Areas Security Initiative (UASI) Grant – Fire (\$45,000); Bulletproof Vest Partnership Grant (\$18,620); and the South Bay Shakedown Task Force (\$13,101); and Northern California Regional Intelligence Center (-\$42,121).

Additional technical adjustments recognizing \$111,000 corrects the incorrect categorization of revenues for Summer Youth Nutrition Program (\$61,000) and State Homeland Security Grant Program (\$50,000) and reallocates funding from the Revenue from the State category. Section III of this document provides a description of these actions.

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DEPARTMENTAL CHARGES

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$29,377,372	\$16,241,772	55.3%	49.5%	\$593,500

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 \$16.2 million are tracking slightly above the prior year of \$15.9 million (2.1% above) and are tracking to end the year close to the budgeted estimate of \$29.4 million. Collections in the Transportation, Library, and Parks, Neighborhoods and Recreation Departments are tracking to meet or exceed estimated levels, which offset the lower than anticipated collections in the Police Department, which are tracking 8.2% below expected levels.

A couple of budget actions are recommended in the Departmental Charges category to account for activity anticipated in the second half of the year. This includes an increase to the Parks, Recreation and Neighborhood Services Fee Activities (\$600,000) and an increase to the Lake Cunningham Skate Park fees (\$50,500). A downward adjustment of \$57,000 corrects the incorrect categorization of revenues for the Senior Nutrition Program donations in

Departmental Charges and reallocates it to the Other Revenue category.

Below are highlights of the current status of the development-related fee programs:

Public Works – Public Works revenues through December of \$3.1 million are well above the prior year level of \$2.7 million. Revenues in most residential categories are tracking above estimated levels due to several single-family and multi-family residential projects that were received in the first six months of 2011-2012. Non-residential revenues are also performing above anticipated levels. As discussed in the Development Services Staffing Needs memorandum on the January 31, 2011 Council Agenda, collections are projected to exceed the budgeted revenue estimate of \$4.8 million by approximately \$600,000. To address the increased workload associated with this higher activity level, an action was recommended in that memorandum to make permanent a temporary Engineer position. Due to the volatile nature of these revenues, the City Manager’s Budget Office and Public Works Department will continue to monitor both development and utility revenues closely. If

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current collection trends continue, a budget adjustment will be brought forward before the end of the year.

Planning, Building and Code Enforcement (PBCE) – Through December, Planning Fee revenue of \$1.2 million is at the same collection level as the prior year. The \$2.5 million adopted Planning Fee revenue estimate; however, allows for a drop of 6.8% from the prior year actuals. Overall revenue collections are tracking within estimated levels and it is anticipated that Planning Fee revenues will

achieve the budget estimate. As discussed in the Development Services Staffing Needs memorandum on the January 31, 2011 Council Agenda, the Planning, Building and Code Enforcement Department staff also project a spike in Planning Fee revenue within the next six to eight months based on North San José activity. Because this activity is expected to continue into 2012-2013, that memorandum included a recommendation to make permanent a temporary Planner II position in Planning Development, funded by the Fee Supported Reserve for Planning.

OTHER REVENUE

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$140,176,949	\$108,843,448	77.6%	89.6%	(\$23,979,927)

The Other Revenue category contains a number of unrelated revenue sources. Other Revenue collections through December 2011 totaled \$108.8 million. Although this represents an increase of \$25.9 million from the December 2010 level of \$83.0 million, the 2011 total includes \$100.0 million of borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) issued for cash flow purposes, while the 2010 total includes \$75.0 million of TRANs issuance, a \$25.0 million year-over-year increase. Factoring out the TRANs issuance, Other Revenue collections through December

2011 totaled \$8.8 million – a slight increase of \$890,000 (11.2%) from the prior year level.

Collections in this category are expected to end the year approximately \$24.7 million below the budgeted estimate due almost entirely to the recommended reduction in the TRANs proceeds (\$25.0 million) partially offset by some higher than anticipated revenues collections. The 2011-2012 modified budget includes TRANs proceeds of \$125.0 million; however, only \$100 million of TRANs were issued this year based on the actual cash flow needs.

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

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

In the current year, the City has received \$5.1 million in **HP Pavilion Rental, Parking, and Naming** revenue, which is approximately 4.2% above the budgeted estimate of \$4.8 million. Accordingly, an increase of \$307,000 is recommended to bring the budgeted estimate in line with collections.

Investment Cost Reimbursement and Banking Services revenues through December of \$942,000 and \$466,000, respectively, are tracking within estimated levels. Any variances in these categories would be offset by a corresponding variance in related expenditures.

SB 90 Reimbursements totaled \$286,000 through December. The 2011-2012 Adopted Budget had not included an estimate for this revenue category due to the continued uncertainty regarding the payment level from the State. As a result, an increase in the budget estimate of \$286,000 is recommended to reflect these payments.

Through December, revenue from the **Sale of Surplus Property** totaled \$560,000, which is well below the budgeted estimate of \$1.8 million. The Office of Economic Development currently anticipates that revenues in this category will reach \$1.5 million in 2011-2012. Based on this lower projection, a downward adjustment of \$300,000 is recommended.

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 2011-2012, original estimates projected the necessary funding to be \$125.0 million; though upon execution, only \$100.0 million was required to be issued. As such, a net-zero decrease to both revenues and expenditures of \$25.0 million are recommended in this document to align the budget with actual issuance levels.

A number of additional adjustments are also recommended to recognize revenue and allocate funds to specific projects and programs, including the following: Sidewalk Repair Program (\$500,000); Enhance Fitness and Matter of Balance Programs Grant (\$50,000); Urban Village Plans (\$50,000); the Parent Project Grant (\$28,000); the Health Trust Communities Putting Prevention to Work Grant (\$25,000); Animal Care Services - Humane Society of Silicon Valley Grant (\$18,000); Lake Cunningham Skate Park donations (\$10,000); and the Target Youth Intervention Services Grant (\$10,000).

An additional technical adjustment of \$57,000 corrects the incorrect categorization of revenues for the Senior Nutrition Program donations and reallocates funding from Departmental Charges. Additional details can be found in Section III of this report.

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**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

TRANSFERS AND REIMBURSEMENTS

Revenue Status

2011-2012		2010-2011		2011-2012
<u>Budget Estimate</u>	<u>Y.T.D. Actual</u>	<u>% of Estimate</u>	<u>% of Actual</u>	<u>Proposed Changes</u>
\$73,338,705	\$46,773,707	63.8%	66.9%	(\$1,445,843)

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 \$46.8 million through December are tracking well below the prior year level of \$61.6 million primarily due to lower budgeted transfer amounts.

Overhead Reimbursements – Overhead associated with operating funds and special funds is currently budgeted at \$22.5 million. In addition, overhead associated with capital funds is budgeted at \$10.8 million for a total revenue estimate of \$33.3 million. Through December, overhead collections of \$24.7 million were tracking 9.0% below prior year levels of \$27.2 million. The 2011-2012 budget estimate allows for a drop of only 3.5%. Based on current collection trends, a downward adjustment of

\$1.4 million is recommended primarily to reflect lower capital overhead reimbursements. Staff vacancies supporting the various capital programs are contributing to the lower collection level.

Transfers – This category includes \$23.6 million in various transfers. Through December, transfers of \$15.3 million were tracking within estimated levels but below the prior year level of \$30.7 million. This reduction from the prior year reflects the changes in the budgeted transfers.

Reimbursement for Services – The budget estimate for this category is \$16.5 million, of which \$15.7 million is expected to be generated from the three **Gas Tax Funds**. Revenues through December were tracking at the budgeted estimate.

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND REVENUES
(CONT'D.)**

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, revenues are generally performing within budgeted expectations and are projected to end the year with additional revenues of approximately \$4 million to \$8 million. This positive variance represents only 0.4% to 0.9% of the budget.

Based on the higher current year collections, budget actions are recommended in this document to recognize \$5.4 million of this additional revenue and allocate it to support a portion of the 2011-2012 Ending Fund Balance Reserve (\$3.7 million) and to address funding needs identified in this report (\$1.7 million). Other net-zero adjustments are recommended to recognize various grants, reimbursements, and fee activity and to bring the budget into alignment with budgeted expectations.

The revenue estimates for this year will continue to be updated as part of the final 2013-2017 General Fund Forecast, due to be released late February, as well as the 2012-2013 Proposed Budget, due to be released early May.

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.

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

STATUS OF GENERAL FUND EXPENDITURES

Overview

Overall, General Fund expenditures are tracking within anticipated levels and are expected to end the year with a small amount of savings. Various budget adjustments are recommended in this document to accomplish the following:

- recognize savings in departmental, City-Wide Expenses, and Reserves categories of \$8.5 million to partially fund the 2011-2012 Ending Fund Balance Reserve of \$12.0 million that was assumed in the development of the 2012-2013 Preliminary Forecast;
- to eliminate the Convention Center Lease payment of \$15.4 million that is no longer necessary as the San Jose Redevelopment

Agency (SJRA) will cover this cost in 2011-2012 (partially offset by a \$5.4 million reduction to the reimbursement from the SJRA), and allocate the net savings of \$10.0 million to the 2012-2013 Future Deficit Reserve;

- to address a limited number of urgent expenditure needs; and
- to address technical and to allocate grant, reimbursement, and/or fee related funds.

The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

**2011-2012 General Fund Expenditures through December
(\$ in Thousands)**

Category	Current Budget	Y.T.D. Actual	% of Budget	Prior Year % of Budget
Personal Services	581,042	279,013	48.0%	48.3%
Non-Personal/Equipment	86,127	27,645	32.1%	35.6%
Other Departmental	15,396	6,947	45.1%	39.7%
City-Wide Expenses	255,268	29,087	11.4%	21.4%
Capital Contributions	14,984	2,464	16.4%	17.7%
Transfers	29,910	29,418	98.4%	99.8%
Reserves	77,284	-	0.0%	0.0%
Total	1,060,011	374,574	35.3%	39.1%

General Fund expenditures through December totaled \$374.6 million, or 35.3% of the total 2011-2012 modified budget. This represents a decrease of \$29.7 million, or 7.4%, from the December 2010 level of \$404.3 million. Encumbrances totaling \$35.5 million were \$1.0 million (2.9%) above the December 2010 level of \$34.5 million. Expenditures and encumbrances through December of \$410.1

million constituted 41.7% of the total modified budget (excluding reserves) of \$982.7 million.

Departmental Expenditures

Departmental expenditures include Personal Services (salaries, other compensation, retirement, health, and other fringe benefit costs), Non-Personal/Equipment, and Other

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview

Departmental Expenditures

Departmental expenses. Personal Services costs represent the largest single expense category for the City. These costs accounted for 74.4% of the expenditures to date. Through December, Personal Services expenditures for all City departments totaled 48.0% of the current modified budget, which is consistent with the expectations at this point of the year. This expenditure level was just slightly below the 48.3% expended through December last year. Overall, Personal Services expenditures are tracking to end the year with a small amount of savings. As described in Section III of this document, budget actions are recommended to set aside a portion of these savings generated in the Police (\$1.0 million), Planning, Building and Code Enforcement (\$350,000), and Finance (\$200,000) Departments into the 2011-2012 Ending Fund Balance Reserve. In the City Attorney's Office, Personal Services expenditures are tracking to exceed the budgeted estimate as described below. Budget actions are recommended in Section III of this document to address this higher expenditure level.

Non-Personal/Equipment expenditures of \$27.6 million are also tracking within anticipated levels with 32.1% expended through December. In addition to the funds actually expended, \$14.8 million was encumbered, bringing the total amount of funding committed to \$42.4 million, or 49.2% of the budget. These expenditures are expected to remain within budget for all departments and savings are anticipated by year-end. As described in

Section III of this document, the Non-Personal/Equipment savings expected to be generated in the Police Department (\$1.0 million) and the Office of Economic Development (\$300,000) are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve.

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 \$6.9 million or 45.1% of the budget. With encumbrances, the total amount committed increases slightly to \$7.2 million, or 46.6% of the budget.

Non-Departmental Expenditures

Non-Departmental expenditures include City-Wide Expenses, Capital Contributions, Transfers, and Reserves.

Through December, City-Wide Expenses totaled \$29.1 million, or 11.4% of the modified budget of \$255.3 million. With encumbrances, the total amount of funding committed was 18.3% of the budget.

Within City-Wide Expenses, the Strategic Support City Service Area (CSA) category represents the largest portion of funding with \$178.0 million. In part, this is due to the inclusion in this category of the \$125.6 million principal and interest repayment appropriation for the Tax and Revenue Anticipation Notes (TRANS) issued for cash flow purposes. For the first six months of the year, the Strategic Support CSA category is 8.2% committed

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview

Non-Departmental Expenditures

(27.0% committed excluding the TRANs appropriation). The expenditure tracking for these Strategic Support allocations can vary significantly depending on payment schedules and the timing of projects. 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 2012-2013 to complete projects in progress.

The TRANs was issued in July 2011 for a substantially lower amount than budgeted (\$100.4 million principal and interest) with repayment anticipated to occur on February 1, 2012. A recommendation to reduce the TRANs Debt Service appropriation by \$25.3 million (partially offset by a \$25.0 million reduction in revenue) is recommended in this report. The net savings of \$250,000 is recommended to be reallocated to the 2011-2012 Ending Fund Balance Reserve.

The General Liability Claims appropriation, a component of City-Wide Expenses - Strategic Support category, is 33.3% expended or encumbered through December. However, expenditures in this category are traditionally difficult to predict, given the nature of litigation. It should be noted that the litigation exposure far exceeds the amount in this appropriation and the corresponding reserve combined. The City Manager's Budget Office and the City

Attorney's Office will continue to monitor this appropriation as the year progresses.

Through December, the Sick Leave Payments Upon Retirement allocation of \$11.5 million was 13.9% expended. Expenditures are expected to remain below budgeted levels during the second half of the year and end the year with approximately \$2.3 million to \$3.0 million in savings based on the timing and payment of actual and projected retirements through the remainder of the fiscal year. A budget action is recommended to reduce this appropriation by \$2.3 million and reallocate those funds to the 2011-2012 Ending Fund Balance Reserve.

In addition, actions related to elections and ballot measures funding are recommended as part of this report. As part of the 2011-2012 Mayor's June Budget Message, the City Council allocated \$3.4 million for a potential Retirement Reform ballot measure to be considered by the voters in March 2012. On December 6, 2011, the City Council instead approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration at a significant reduction in costs. Therefore, this report includes a recommendation to re-allocate the \$3.4 million previously approved in the Retirement Reform Election appropriation towards a new consolidated Election and Ballot Measure appropriation, which will include funding for the June Retirement Reform ballot measure as well as other election costs (\$1.3 million). The remaining funding is

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview

Non-Departmental Expenditures

recommended to establish a new Fiscal Reform Plan Implementation Reserve (\$2.1 million) to fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan.

The Community and Economic Development CSA category is 24.7% committed through December. The largest appropriation in this category is the Convention Center Lease Payments appropriation (\$15.4 million), which accounts for debt service payments. In 2011-2012, \$5.4 million in reimbursement from the SJRA was budgeted to offset a portion of this expenditure. In 2011-2012, the SJRA will now fund the Convention Center debt service payments directly as SJRA funding is available to cover this SJRA obligation. Therefore, a recommendation to reduce the appropriation by \$15.4 million (partially offset by a \$5.4 million reduction in revenue) is included in this report. The net savings of \$10.0 million is recommended to be reallocated to the 2012-2013 Future Deficit Reserve.

The remaining City-Wide Expenses categories, Environmental and Utility Services, Public Safety, Neighborhood Services, and Transportation and Aviation Services, tracked at 46.9%, 46.8%, 69.6%, and 41.3% committed, respectively, through December. It is anticipated that these expenditure categories will end the year within budgeted levels.

The Workers' Compensation Claims appropriations, which are spread across several of the City-Wide Expenses categories, total \$18.8 million. For the first half of the year, expenditures and encumbrances of \$7.3 million tracked at lower than anticipated levels. It is currently anticipated that expenditures will end the year at least \$1.0 million below budgeted levels. Included in this report is a recommendation to reduce Worker's Compensation appropriations by \$1.0 million (\$500,000 from Police and \$500,000 from Fire). This expenditure saving is recommended to be reallocated to the 2011-2012 Ending Fund Balance Reserve.

To address new and urgent fiscal and program needs, upward budget adjustments are recommended in the following City-Wide Expenses appropriations: Labor/Employee Relations Consultant Funding (\$400,000), Property Tax Administration Fee (\$540,000), and Retirement Actuarial Services (\$50,000).

Adjustments including downward Budget adjustments reflecting anticipated savings or funding that is no longer needed include: Medical Marijuana Program Administration (-\$148,000), Northern California Regional Intelligence Center (NCRIC) Super Urban Area Security Initiative-Police (-\$42,121), and Year 5 San José After School District Contracts (-\$20,593).

In addition, a number of City-Wide Expenses appropriation increases are recommended to recognize grant activity funding. These expenditure increases are offset by corresponding increases in grant revenue.

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview

Non-Departmental Expenditures

Additional details on all these transactions (urgent needs, downward adjustments, and grants) can be found in Section III of this document.

Through December, General Fund Capital expenditures totaled \$2.5 million and encumbrances totaled \$2.9 million, bringing the amount committed to \$5.4 million, or 35.9% of the budget.

Included in this report is a recommended adjustment in the Municipal Improvements Capital Program, an increase to the Unanticipated/ Emergency Maintenance appropriation (\$400,000) bringing the budget to \$650,000. Public Works facility management continues to experience high levels of unanticipated failures in large systems and additional funding is needed to address the most severe issues, including: replacement of the boiler tubes at City Hall to ensure proper heating, replacement of stolen lightning rods on the City Hall roof, replacement of damaged exterior lighting at City Hall due to vandalism, removal and replacement of the pavers around City Hall, and funding for future unexpected failures.

Overall, once adjusted for the action recommended in this report, General Fund Capital expenditures are expected to end the year close to budgeted levels and no savings are anticipated at this time.

The Transfers category of \$29.9 million is 98.4% expended through December as anticipated. Almost all of the transfers are processed at the beginning of the year.

There are no expenditures in the Reserves budget of \$77.3 million because expenditures cannot be charged directly to a reserve. Mid-Year Budget Review actions are recommended to eliminate the Filled Position Elimination Reserve (\$700,000) and reduce the Salaries and Benefits Reserve (\$1.2 million) and reallocate those funds to the 2011-2012 Ending Fund Balance Reserve as described in Section III of this Report.

Actions are also recommended to establish a Fiscal Reform Plan Implementation Reserve of \$2.1 million, as described earlier in this section. The funding for this action is available through the recommended elimination of the Retirement Reform Election appropriation (\$3.4 million). Additional details on this action and use of the reserve can be found in Section III of this document.

In total, it is recommended that \$8.5 million in expenditure savings and an additional \$3.5 million in excess revenues be allocated to establish a \$12.0 million 2011-2012 Ending Fund Balance Reserve. These actions set aside and secure the expenditure savings and excess revenues assumed to be available in 2011-2012 and used as a funding source for 2012-2013 as projected in the 2012-2013 Preliminary General Fund Forecast. Proactively establishing this Reserve helps ensure the necessary savings are

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Overview

Non-Departmental Expenditures

available by year-end to meet the forecasted expenditure savings figure.

No budget action is recommended to reduce the Contingency Reserve (\$29.3 million).

Discussion of Selected General Fund Departments

Expenditure Status (\$ in thousands)

<u>Department</u>	<u>2011-2012 Budget</u>	<u>Y.T.D. Actual</u>	<u>Prior YTD Actual</u>
Attorney's Office	\$10,898	\$5,378	\$5,569

Overall, expenditures for the City Attorney's Office are tracking above budgeted estimates through December, with 49.3% expended. Personal Services expenditures through December of \$5.2 million (52.4% of budget compared to the par of 48.5%) are tracking to exceed the budget by approximately \$440,000. Non-Personal/Equipment expenditures totaled \$150,000 through December, or 21.9% of the \$686,456 budget. With encumbrances, 41.6% of the Non-Personal/Equipment appropriation was expended or encumbered through December. Expenditures in this category are expected to end the year within the budgeted allocation.

Personal Services expenditures are tracking to end the year approximately \$440,000 above budgeted levels due to expenditures related to budget actions approved in 2011-2012 that the City Attorney's Office is not able to implement.

The 2011-2012 Adopted Operating Budget assumed City Attorney Office staff members

would participate in the Reduced Work Week/Voluntary Furlough program, generating savings of \$260,000 to the General Fund. Due to significantly less staff members (only three people) participating in the program than originally anticipated, the savings to the General Fund is now estimated to total only \$5,000. In addition, the 2011-2012 Adopted Operating Budget included the addition of 2.0 positions (1.0 Senior Deputy City Attorney and 1.0 Legal Analyst II) to support the Water Pollution Control Plant and Sanitary Sewer System Capital Programs. Due to less legal services being required for the Capital projects than originally anticipated, the Capital charges are projected to only total \$257,000, which is \$90,000 less than what was previously assumed. The Municipal Solar Grant Program also has less legal services required than estimated. The 2011-2012 Adopted Operating Budget assumed \$64,000 would be used for legal services related to the Recovery Act – Energy Efficient and Conservation Block Grant; however, the current estimate is \$8,000, which is \$56,000 less than

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments

Attorney's Office

what was included in the Adopted Budget. Finally, the current workload associated with the False Claims Act Litigation has also not occurred at the levels assumed and included in the 2011-2012 Adopted Budget (\$38,000).

The City Attorney's Office plans to carefully monitor and prioritize non-personal/equipment expenditures to achieve savings of \$125,000, which is recommended to be reallocated to the City Attorney's Office Personal Services appropriation in this report. Combined with the

reallocation of non-personal/equipment funding, the City Attorney's Office expects additional vacancy savings of at least \$115,000 to be realized by year end, narrowing the gap between the budget and the estimated expenditures to \$200,000. As described in Section III of this report, an increase of \$200,000 to the City Attorney's Office Personal Services appropriation is recommended, thereby bringing the estimated General Fund expenditures for the Department in line with their budget. The City Attorney's Office will continue to closely monitor and control overall expenditures to minimize or prevent any potential overage.

Expenditure Status (\$ in thousands)

<u>Department</u>	2011-2012 <u>Budget</u>	Y.T.D. <u>Actual</u>	Prior YTD <u>Actual</u>
Fire	\$156,165	\$73,871	\$75,265

Overall, expenditures for the Fire Department were tracking slightly lower than budgeted estimates through December, with 47.3% expended. Personal Services expenditures through December tracked lower than budgeted levels with \$71.2 million expended (47.9% compared to the par of 48.5%). The Fire Department's Non-Personal/Equipment budget of \$7.5 million was 48.2% expended or encumbered through December and is expected to end the year within the budgeted allocation.

Although expenditure levels are tracking slightly below budgeted estimates primarily due to the later timing of SAFER-funded academies,

overtime expenditures of \$1.7 million are tracking slightly above estimated levels (49.8% compared to the par of 48.5%) through December due, in part, to higher than anticipated absence rates assumed when the 2011-2012 Budget was developed. The Fire Department will continue to implement overtime control measures and monitor minimum staffing on a daily basis. The Budget Office along with the Fire Department will continue to monitor activity to ensure the department remains within its Personal Services appropriation. Based on the timing of the Firefighter Recruit Academies, year-end adjustments may be necessary to recognize

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments

Fire Department

Personal Services savings and reduce the SAFER grant revenue that supported these costs.

Through December, the Fire Department was staffed with 164 filled Firefighter Paramedic positions (151 front-line Firefighter Paramedics, 5 Supervisor Paramedics, and 8 Support Paramedics) compared to the 139 front-line

Firefighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 139 front-line Firefighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through December was within the authorized number of 31.

Expenditure Status (\$ in thousands)

<u>Department</u>	<u>2011-2012 Budget</u>	<u>Y.T.D. Actual</u>	<u>Prior YTD Actual</u>
Police	\$301,860	\$137,392	\$139,091

On an overall basis, Police Department expenditures are tracking slightly below estimated levels. Personal Services expenditures of \$130.9 million tracked under anticipated levels (47.4% compared to the par of 48.5%). It should be noted that as sworn police positions became vacant during the first half of the year, the Police Department, through coordination with the Budget Office, reinstated recently laid off Police Officers. As of January 1, 2012, the sworn reinstatement list was exhausted. Overtime expenditures of \$4.4 million through December tracked under anticipated levels with 46.4% expended; however, a number of overtime adjustments will be booked in January, and it is projected this will cause overtime spending to remain slightly

higher than the par level. The Department manages overtime usage through various reporting requirements and pre-approval processes in order to readily identify mandatory versus discretionary usage. The process has improved overtime tracking and in general, has helped reduce overall use of overtime. However, in recent months there has been an increase in high profile cases and events that has required the use of overtime, thus overtime usage is tracking slightly higher this year compared to 2010-2011. In addition to monitoring overall overtime usage, the Department limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of December 2011 was 165,613 hours for sworn

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MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments

Police Department

personnel. This represents an increase of 1,220 hours (0.7%) from the October 2011 balance of 164,393, but a 27,736 hour decrease (14.3%) compared to the December 2010 balance of 193,349.

Recommendations in the Mid-Year Budget Review include \$16,000 in upward adjustments to the Personal Services appropriation to allow the Department to participate in a task force funded by the federal government to prevent narcotics trafficking (\$13,000), as well as a task force to prevent high technology crimes (\$3,000). In addition to these upward adjustments, downward adjustments of \$1,259,000 to the Personal Services appropriation (0.09% of the current budget) are recommended. The largest adjustment is a decrease of \$1.0 million to account for savings realized due to the number of vacancies in the Department. The current year savings are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve. It should be noted that to fill sworn vacancies and ensure full staffing in 2012-2013, the Department plans to hire lateral transfers from other law enforcement agencies and conduct a July Recruit Academy. In order to maximize the potential of obtaining highly qualified candidates for the Recruit Academy, Non-Personal/Equipment funding of \$150,000 is recommended in this document for contractual backgrounding services to ensure expedited review and targeted marketing and outreach in publications. A decrease of

\$249,000 is recommended as part of the overall rebalancing of the Medical Marijuana Program. This document also includes the realignment of costs (\$10,000) to the Police Department Non-Personal/Equipment appropriation to continue the Horse Mounted Unit through June 2012.

The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

A total of \$10.1 million (39.2%) 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 \$7.0 million, or 60.4% of the non-centrally-determined appropriation available for the second half of 2011-2012.

Recommendations in the Mid-Year Budget Review include \$212,000 in upward adjustments to the Non-Personal/Equipment appropriation for backgrounding and marketing costs related to the Police Officer Recruit Academy (\$150,000) as described above, upgrades to the 9-1-1 Communications Center funded by the State (\$52,000), and the realignment of costs (\$10,000) from the Police Department Personal Services appropriation to continue the Horse Mounted Unit through June 2012. In addition to these upward adjustments, downward adjustments of \$1,120,000 to the Non-Personal/Equipment appropriation are

**2011-2012
MID-YEAR BUDGET REVIEW
Section I**

**STATUS OF GENERAL FUND EXPENDITURES
(CONT'D.)**

Discussion of Selected General Fund Departments

Police Department


recommended. The largest adjustment is a \$1.0 million reduction to reflect savings anticipated from lower vehicle replacement costs (\$800,000) as a result of fewer Police vehicles meeting the required replacement criteria for mileage and age, and lower gas and electricity costs (\$200,000) than previously anticipated. These savings are recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve. A \$100,000 reduction is recommended to reallocate facilities maintenance/custodial

funding to the Public Works Department. Funding is also no longer needed to support the Cal-Gang System (\$20,000) as originally assumed in the 2010-2011 Annual Report. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

Contingency Reserve

The General Fund Contingency Reserve remains at \$29.3 million through December, with no revisions through the first six months of the fiscal year.

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MID-YEAR
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SECTION

II

**SELECTED SPECIAL/
CAPITAL FUNDS
STATUS REPORT**



**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

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. It should be noted that the Mid-Year Budget Review previously included a discussion of each capital program. However, beginning in 2011-2012, discussion will be focused on the performance of selected capital funds and its associated capital program, as appropriate.

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS

Airport Operating Funds Overview

Airport Activity

The 2011-2012 Adopted Budget was based on a projection of an approximate 2% increase in passenger activity levels. The increase was based both on activity trends in 2010-2011 and projected flight schedules. Activity at the Norman Y. Mineta San José International Airport (SJC) through December 2011 is tracking lower than projected as activity is 0.7% less than the same period a year ago.

Operations at the Airport (landings and takeoffs) decreased by 1.8% as compared to the first six months of last fiscal year with passenger carrier operations declining 1.3%, and cargo carrier activity declining 10.9%. Also, general aviation itinerant, local operations, and military operations decreased by 2.7% from last year, due to the continued closure of the general aviation runway. Parking activity decreased by 12.6% compared to the first six months of 2010-2011.

The Airport will continue to monitor and proactively report on activity levels and associated revenue performance. The following section provides details on the Airport's operating revenues and expenditures

Airport Revenues and Expenditures

Airport operating revenues through December 2011 totaled \$82.9 million, which includes \$24.9 million in reimbursements of eligible Terminal Area Improvement Program (TAIP) expenditures from bond proceeds. These reimbursements will be held in reserve to address potential future budget shortfalls. Regular operating revenues of \$58.0 million are

performing 2.4% higher than the budgeted estimate and 7.7% above the same period last fiscal year.

Terminal Rentals, Parking and Roadway and General & Non-Aviation revenue categories are trending slightly above budgeted levels while Landing Fees, Airfield, and Terminal Concessions are trending slightly below budgeted levels.

Two operating funds exist to provide Airport services: the Airport Maintenance and Operation Fund and the Airport Customer Facilities and Transportation Fee Fund. The Airport Maintenance and Operation Fund provides funding for Personal and Non-Personal/Equipment expenditures associated with Airport operations including, but not limited to, Airport staff, Airport police services, Fire Station 20 aircraft rescue and fire fighting services, interdepartmental charges, and overhead to the General Fund. Airport Maintenance and Operation Fund departmental expenditures through December 2011 are tracking below budgeted levels in Personal and Non-Personal/Equipment categories. Additional information on this fund is included later in this section of the report.

The Airport Customer Facilities and Transportation Fee Fund accounts for costs associated with inter-terminal busing services between the consolidated rental car facility and Terminal A as well as debt service payments for the new rental car facility.

Non-Personal/Equipment costs in the Airport Customer Facilities and Transportation Fee Fund are tracking above estimated levels due to

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Airport Operating Funds Overview

Airport Revenues and Expenditures

Commercial Paper fees required in advance of the approval of long-term debt financing, issued in December 2011. Further adjustments to the

fund will be requested later in the year to reflect the new fee structure for Customer Facility Charges and impacts from the issuance of Airport Revenue Bonds.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Airport Maintenance and Operation Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	20,049,190	(347,900)	19,701,290	N/A	N/A	N/A
<i>Carry-over Encumbrance</i>	2,714,363	(1,062,909)	1,651,454	N/A	N/A	N/A
<i>Transfers</i>	83,907,189	0	83,907,189	42,573,650	50.7%	50.1%
TOTAL SOURCES	106,670,742	(1,410,809)	105,259,933	42,573,650		
<i>Expenditures</i>	71,272,921	(3,187,709)	68,085,212	25,760,924	37.8%	38.3%
<i>Transfers</i>	6,391,005	2,655,444	9,046,449	7,477,451	82.7%	74.4%
<i>Reserves</i>	8,295,097	(2,420,097)	5,875,000	N/A	N/A	N/A
<i>Ending Fund Balance – Reserved Per Master Trust Agreement</i>	20,711,719	1,541,553	22,253,272	N/A	N/A	N/A
TOTAL USES	106,670,742	(1,410,809)	105,259,933	33,238,375		

Fund Status

Revenues – Revenues for this fund consist of transfers from the Airport Revenue Fund. The 2011-2012 transfers into the Airport Maintenance and Operation Fund continue to occur as budgeted. No adjustments to the transfer amounts are recommended at this time.

Expenditures – Expenditures in this fund represent operating costs for the Airport, direct charges from various City departments that provide support services to the Airport, and transfers to the General Fund for Police and Fire services. Through December, Airport Personal Services and Non-Personal/Equipment expenditures are tracking below budgeted levels.

Personal Services expenditures are tracking below year-to-date estimates (44.9% compared to par level of 48.5%) as a result of vacancies in the department. Overtime expenditures of \$145,000 are within budgeted levels. Overtime expenditures will be closely monitored for the balance of the fiscal year.

Non-Personal/Equipment expenditures are tracking at 32.1% compared to a benchmark of 43.3% with savings spread across most categories. There are potential savings in utilities, however, fluctuations in prices and loads along with the need to keep building temperatures comfortable require conservative budgeting. The department's efforts to efficiently operate and maintain the facilities while continuing to be fiscally responsible result in effective cost controls.

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(CONT'D.)**

Airport Maintenance and Operation Fund

Fund Status

Expenditures

Interdepartmental expenditures (charges for staff and services located in other City departments including the Police and Fire departments) total \$7.9 million through December and are tracking at anticipated levels.

In November 2011 Council approved a plan for the San José Police Department to continue providing Airport law enforcement services at a reduced cost and suspended potential outsourcing of that service. Effective February

1, 2012, the revised staffing model for this service includes 11 sworn positions (one police lieutenant, six police sergeants, and four canine police officers) as permanent staff with additional staffing equivalent to 16 officers provided through overtime.

Fund Balance – Technical adjustments to the Ending Fund Balance in the Airport Maintenance and Operation Fund is recommended to correct the allocation of funds between categories.

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(CONT'D.)**

Airport Revenue Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	24,346,770	10,464,437	34,811,207	N/A	N/A	N/A
<i>Revenues</i>	117,098,583	(732,949)	116,365,634	81,793,828	70.3%	48.1%
<i>Transfers</i>	6,798,849	934,784	7,733,633	1,058,333	13.7%	12.6%
TOTAL SOURCES	148,244,202	10,666,272	158,910,474	82,852,161		
<i>Transfers</i>	143,177,669	201,835	143,379,504	71,246,532	49.7%	48.8%
<i>Reserves</i>	0	0	0	N/A	N/A	N/A
<i>Ending Fund Balance- Reserved per Master Trust Agreement</i>	5,066,533	10,464,437	15,530,970	N/A	N/A	N/A
TOTAL USES	148,244,202	10,666,272	158,910,474	71,246,532		

Fund Status

Revenues – As indicated in the overview, overall revenue collections in the Airport Revenue Fund are tracking higher than the budgeted estimate due to the receipt of \$24.9 million in reimbursement of eligible TAIP expenditures from bond proceeds during the first half of the fiscal year.

Through December, performance of airline rates and charges (Landing Fees and Terminal Rentals) is 1.6% above anticipated levels. Landing Fees are tracking below estimated levels due to reduced flights and are offset by greater than anticipated common use ticket counter and gate revenue in the Terminal Rentals category.

Parking and Roadway revenue are tracking 4.4% greater than estimated primarily due to

increased rental car activity and associated privilege fees offset by public parking revenues which are tracking 5.0% below budgeted estimates.

Year-to-date collections in the General and Non-Aviation category exceeded projections by 8.4%, primarily due to release of excess bond reserve funds in the Airport Revenue Bond Reserve account as well as hanger rental revenue.

Revenue from Airfield and Terminal Concessions are tracking below budget by 2.1% partially due to a minimum annual guarantee (MAG) reduction associated with temporary closure of food and retail outlets in Terminal A+, which was approved by the City Council on June 21, 2011.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Airport Revenue Fund

Fund Status

Revenues

Revenues will be carefully monitored for the remainder of 2011-2012 and any adjustments will be recommended to the City Council as part of the year-end budget process.

Expenditures – Expenditures in this fund consist entirely of transfers to other funds. Transfers

are made on a monthly basis in accordance with the Master Trust Agreement. No adjustments to the transfer amounts are recommended in this document.

Fund Balance – No adjustment to the Ending Fund Balance in the Airport Revenue Fund is recommended at this time.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Benefit Funds

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	6,962,522	2,181,431	9,143,953	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	111	(110)	1	N/A	N/A	N/A
<i>Revenues</i>	1,243,000	0	1,243,000	584,572	47.0%	53.5%
<i>Transfers</i>	77,571,000	(3,032,300)	74,538,700	38,730,619	52.0%	50.4%
TOTAL SOURCES	85,776,633	(850,979)	84,925,654	39,315,191		
<i>Expenditures</i>	76,907,903	(2,509,769)	74,398,134	32,664,630	43.9%	45.6%
<i>Transfers</i>	117,399	12,175	129,574	129,574	100.0%	100.0%
<i>Reserves</i>	6,825,431	1,277,060	8,102,491	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,925,900	369,555	2,295,455	N/A	N/A	N/A
TOTAL USES	85,776,633	(850,979)	84,925,654	32,794,204		

Fund Status

Revenues – Revenues in the benefit funds are primarily generated from benefit rates applied to City funds to cover the costs related to providing employee benefits, which are driven by premiums and enrollment and vary year-over-year. Benefit rates are set to generate sufficient revenues to cover projected costs. In addition, revenues from participant contributions are generated from active and retired employees to reimburse the City for a portion of projected costs.

Through December, revenues in the Dental Insurance Fund and Unemployment Insurance Fund are tracking higher than budgeted levels. The higher than budgeted revenues in the Dental Insurance Fund reflect higher retiree enrollment

than anticipated in the 2011-2012 Adopted Budget, partially offset by lower employee enrollment due to higher than anticipated vacancies in the City. Revenues in the Unemployment Insurance Fund are expected to level out and end the year at budgeted levels as the unemployment insurance rate which is charged to City funds was reduced in October 2011 as part of the City Council approved 2010-2011 Annual Report.

Conversely, revenues in the Benefit Fund and Life Insurance Fund are tracking below budgeted levels. Reduced revenue in the Life Insurance Fund is mostly due to lower than estimated participant contributions and reimbursements from City funds due to higher than anticipated vacancies with only a slight offset in retiree enrollment. In the Benefit Fund,

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Benefit Funds

Fund Status

Revenues

revenues are tracking low mostly due to reduced enrollment as a result of higher than anticipated vacancies and new restrictions on double coverage in addition to the under-collection of health premiums from City Funds. Currently, health premium expenditures exceed revenues by approximately \$130,000 and are tracking to exceed revenues by \$145,000 by year's end. Human Resources department staff will be reconciling the gap in collections over the coming months and will continue to carefully monitor the fiscal health of the fund. An increase in the revenue estimate for Transfers from City Funds in the amount of \$1.0 million is recommended in this document to reflect the increase in the City's contribution rate to account for an average health rate increase of 7.2% effective January 2012.

Expenditures – Expenditures in the benefit funds cover administrative costs, anticipated claims, premiums, and other expenditures related to the provision of employee benefits.

Through December, expenditures in the benefit funds are tracking below budgeted levels. In the Dental Insurance Fund and Unemployment Insurance Fund, lower expenditures are attributable to lower payments of claims than anticipated in the 2011-2012 Adopted Budget. With one quarter of unemployment claims data received, insurance claims appear to be tracking

lower than anticipated, partially due to the general positive employment trend in the region.

Expenditures in the Life Insurance Fund are slightly lower than anticipated as a result of lower enrollment due to higher than anticipated vacancies. While year-to-date expenditures are currently tracking overall lower than budgeted in the Benefit Fund, expenditures are expected to increase in the second half of the year due to a 7.2% average health rate increase effective January 2012. An increase in the Health Premiums appropriation of \$1.0 million is recommended to account for this change.

Fund Balance – Healthy Ending Fund Balances are projected in the Dental Insurance Fund and Unemployment Insurance Fund due to higher than projected revenues coupled with lower than projected expenditures. As a result, the dental insurance rate and unemployment insurance rate are expected to be reduced as part of the 2012-2013 budget process. The Dental Insurance Fund's Ending Fund Balance is recommended to be increased by \$111 to align the actual audited 2010-2011 Ending Fund Balance with the 2011-2012 Beginning Fund Balance.

As discussed above, health premium expenditures are tracking higher than health premium collections in the Benefit Fund, which has the potential to deplete the fund's Ending Fund Balance. Staff will be actively working to reconcile this gap and monitoring its effect on the fund's Ending Fund Balance.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Building and Structure Construction Tax Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	11,195,261	2,673,394	13,868,655	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	3,745,766	(12,356)	3,733,410	N/A	N/A	N/A
<i>Revenues</i>	18,349,000	2,698,000	21,047,000	6,637,319	31.5%	N/A
TOTAL SOURCES	33,290,027	5,359,038	38,649,065	6,637,319		
<i>Expenditures</i>	28,045,766	4,416,644	32,462,410	8,102,117	25.0%	N/A
<i>Transfers</i>	435,000	107,040	542,040	541,979	100.0%	N/A
<i>Reserves</i>	3,754,000	0	3,754,000	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,055,261	835,354	1,890,615	N/A	N/A	N/A
TOTAL USES	33,290,027	5,359,038	38,649,065	8,644,096		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – Currently tax revenue in the Building and Structure Construction Tax Fund, which is a funding source for the Traffic Capital Program, is tracking above anticipated levels. Through December, Building and Structure Construction Tax receipts totaled \$5.4 million and are on pace to well exceed the budgeted estimate of \$6.0 million. The budgeted estimate for this tax allowed for a 36% decline from 2010-2011 as prior year collections included one-time revenues associated with two residential permits for new housing developments in North San José. Through December, however, revenues are only 17% below prior year collections. The better than expected performance is primarily due to new residential construction activity. While residential permit activity is lower than the

record setting levels in 2010-2011, it has performed at higher than anticipated levels and experienced increases in November and December due primarily to permits associated with four apartment complexes. In recognition of this improved performance, a recommendation is included in this document to increase the budgeted revenue estimate for this category by \$3.0 million, from \$6.0 million to \$9.0 million. Revenue from grants and reimbursements is tracking within anticipated levels.

Expenditures – Overall, expenditures in the Building and Structure Construction Tax Fund are tracking within expected levels and are expected to end the year within budgeted levels, however a number of expenditure adjustments, described below, are recommended in this report.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Building and Structure Construction Tax Fund

Fund Status

Expenditures

The allocation of resources for the Autumn Street Expansion Project (\$500,000) is recommended. The City has a permit with the Public Utility Commission (PUC) for construction of a railroad crossing at the new Autumn Street extension, which is a requirement for Downtown expansion and the proposed ballpark. The PUC permit will expire in January 2013 and the City is working with Union Pacific Railroad (UPRR) to install the new railroad crossing before that time. The PUC and UPRR required that a section of Autumn Street be constructed and used prior to activation of the new railroad crossing. The proposed funding will be used to design the roadway to meet the requirements of the permit. As part of the development of the 2013-2017 Proposed Capital Improvement Program, the Administration will evaluate the funding needs for the construction of Autumn Street.

A reallocation of resources from the Milpitas Transit Area - Capitol Avenue Corridor Improvements (\$200,000) to a new project for Adaptive Signal Control Equipment is recommended. The Milpitas Transit Area - Capitol Avenue Corridor Improvements project has not yet begun due to the Valley Transportation Authority (VTA) delays in completing its Wayside Detection Pilot Project, upon which the Milpitas Transit Area project was dependent. The Adaptive Signal Control Equipment appropriation will improve traffic signal improvements in transit corridors

throughout the City, reflecting a broader focus than the Milpitas Transit Area - Capitol Avenue Corridor Improvements project. Lastly, funds are recommended for Project Development Engineering (\$24,000), and Blossom Hill Road/Monterey Pedestrian Improvements (\$21,000), both of which are funded through VTA reimbursements. An increase to the Lighting and Signal Program (\$6,000), funded from developer contributions, is recommended as well.

Fund Balance – A recommendation to increase the Ending Fund Balance by \$3.0 million, from \$1.9 million to \$4.9 million is included in this report as a result of higher than anticipated revenue collections. A portion of this fund balance (\$500,000) is recommended to be used for the Autumn Street Extension project, with the remaining \$2.5 million preserved for future use. This additional funding will be programmed as part of the upcoming 2013-2017 Proposed Capital Improvement Program.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Construction and Conveyance Tax Funds

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	50,734,119	20,050,908	70,785,027	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	7,982,271	(73,886)	7,908,385	N/A	N/A	N/A
<i>Revenues</i>	24,091,000	(382,000)	23,709,000	9,385,012	39.6%	N/A
<i>Transfers</i>	4,930,500	120,000	5,050,500	852,638	16.9%	N/A
TOTAL SOURCES	87,737,890	19,715,022	107,452,912	10,237,650		
<i>Expenditures</i>	53,511,271	15,478,114	68,989,385	12,181,517	17.7%	N/A
<i>Transfers</i>	8,263,000	117,383	8,380,383	2,670,075	31.9%	N/A
<i>Reserves</i>	6,187,000	(250,000)	5,937,000	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	19,776,619	4,369,525	24,146,144	N/A	N/A	N/A
TOTAL USES	87,737,890	19,715,022	107,452,912	14,851,592		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – 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. As previously reported in the Bi-Monthly Financial Reports, after experiencing moderate declines compared to prior year activity levels in the first few months of the year, C&C taxes are now showing signs of growth. Receipts in November and December 2011 increased by 10% and 8%, respectively, compared to prior year levels, and in addition, the City has received January Conveyance receipts, which represents an impressive 28% growth compared

to prior year receipts. It should be noted that the housing market continues to experience fluctuations. The average days-on-market for single-family and multi-family dwellings totaled 84 days in December 2011, which is a slight drop from the 87 days experienced in December 2010. In addition, the number of new single-family and multi-family dwellings listed on the market has dropped approximately 19% from the 724 listings in December 2010 to 583 in December 2011. However, it is important to note that the property transfers (sales) for all types of residences dropped almost 1% from 718 in December 2010 to 713 in December 2011. The December 2011 median single-family home price of \$474,500 is also down

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Construction and Conveyance Tax Funds

Fund Status

Revenues

almost 1% from the December 2010 price of \$478,000. This marks the 15th consecutive month in which the median single-family home price has dropped compared to the same month in the previous year.

The 2011-2012 C&C Tax estimate of \$21 million allows for a 1.8% drop from the 2010-2011 collection level. Through the first six months of the fiscal year receipts have totaled \$11.9 million, and appear to be on par to meet or slightly exceed budgeted levels. However, due to the volatile nature of this tax revenue, these receipts will continue to be monitored closely and additional recommendations, if necessary, may be made at a later date.

Expenditures – Of the total C&C Tax revenues received, the majority is allocated to the Parks and Community Facilities Development Capital Program (64% for the ten Council Districts and Parks City-Wide C&C Tax Funds and 1.2% to the Park Yards C&C Tax Fund), with the remaining distributed to the Library (14.22%), Service Yards (8.78%), Public Safety (8.4%), and Communications (3.4%) Capital Programs. Expenditures in the various C&C Tax Funds are generally tracking within estimated levels, however, there are several expenditure adjustments recommended in this report. These adjustments, which are described further in Section III of this report, include:

- Increasing the Facilities Improvements project to fund urgent facility maintenance needs at Fire Station 11 (\$240,000) and Fire Station 15 (\$100,000) such as mold abatement, roof repairs, rodent extermination, restroom and kitchen repairs, and carpet replacement. These funds are recommended to be allocated from the Fire C&C Tax Fund Ending Fund Balance. (Fire C&C Tax Fund)
- Recognizing revenue from the Vineland Branch Library debt service reserve account (\$42,138) due to the bond being fully paid in August 2011. Funding is recommended to be allocated to the Facilities Improvements project to evaluate security improvement options at the Biblioteca Latinoamericana Branch Library. (Library C&C Tax Fund)
- Establishing a new allocation for the Facilities Capital Repairs project (\$25,000). This allocation, which is recommended to be offset with a reduction to the Roof Replacement Painting and Supplemental Needs appropriation in the Service Yards C&C Tax Fund, will provide a separate appropriation to address ongoing capital infrastructure repairs and maintenance needs. (Service Yards C&C Tax Fund)

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Construction and Conveyance Tax Funds

Fund Status

Expenditures

- Increasing the Family Camp Master Plan project (\$63,000) primarily to conduct an archaeological cultural resource study associated with Native American artifacts that could possibly be discovered with any ground disturbance at San José Family Camp. Funding is recommended to be re-allocated from the Family Camp Interim Dining Hall project, which is complete. (Parks City-Wide C&C Tax Fund)
- Establishing a new allocation for the Parks Facilities Capital Repairs project (\$160,000). This allocation will provide funding to address ongoing capital infrastructure repairs and maintenance needs. In 2011-2012, funding of \$160,000 is recommended to be allocated from the Parks Central Fund C&C Tax Fund Ending Fund Balance. In addition, the 2013-2017 Proposed Capital Improvement Program will include funding of \$60,000 annually from the Parks Central C&C Tax Fund, with additional funding being allocated from the General Fund in the Parks, Recreation and Neighborhood Services Department Non-Personal/Equipment appropriation as funding needs are evaluated. (Parks Central C&C Tax Fund)
- Establishing the Japanese Friendship Garden Tea House project (\$340,000). This project will provide funding to renovate the facility, thereby allowing it to be used for rentals, which will generate revenue in the future. A corresponding action is recommended to decrease the Happy Hollow Park and Zoo East Side Improvements project, which is complete. (Parks City-Wide C&C Tax Fund)

Fund Balance – This report includes a recommendation to allocate \$340,000 from the Fire C&C Tax Fund Ending Fund Balance for facility maintenance needs at Fire Station 11 and Fire Station 15 and \$160,000 from the Parks Central C&C Tax Fund Ending Fund Balance for parks facilities capital repair needs. No further adjustments to the Ending Fund Balances in the various C&C Tax Funds are required at this time.

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(CONT'D.)**

Construction Excise Tax Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	19,959,036	7,965,204	27,924,240	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	8,229,072	(2,363)	8,226,709	N/A	N/A	N/A
<i>Revenues</i>	26,275,626	2,407,000	28,682,626	16,299,644	56.8%	N/A
TOTAL SOURCES	54,463,734	10,369,841	64,833,575	16,299,644		
<i>Expenditures</i>	41,170,698	3,145,457	44,316,155	12,436,971	28.1%	N/A
<i>Transfers</i>	4,588,000	115,501	4,703,501	4,703,473	100.0%	N/A
<i>Reserves</i>	6,668,840	4,768,153	11,436,993	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	2,036,196	2,340,730	4,376,926	N/A	N/A	N/A
TOTAL USES	54,463,734	10,369,841	64,833,575	17,140,444		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – Construction Excise tax receipts are the single largest source of revenue in the Traffic Capital Program, constituting approximately 28% of the budgeted revenue estimate for this fund. The 2011-2012 Modified Budget assumed tax revenues of \$8.0 million, however, through December revenues of \$7.7 million has been received, which are well ahead of anticipated levels. The budgeted estimate for this tax allowed for a 40% decline from 2010-2011 as prior year collections included one-time revenues associated with two residential permits for new housing developments in North San José. Through December, however, revenues are only 21% below prior year collections. The better than expected performance is primarily due to new residential construction activity.

While residential permit activity is lower than the record setting levels in 2010-2011, it has performed at higher than anticipated levels and experienced increases in November and December due primarily to permits associated with four apartment complexes. In recognition of this improved performance, a recommendation is included in this document to increase the budgeted revenue estimate for this category by \$4.0 million, from \$8.0 million to \$12.0 million. Revenue from grants and reimbursements is tracking within anticipated levels.

Other major revenue sources in this fund include funds for pavement maintenance from the Gas Tax (\$7.5 million) and from the Federal Transportation bill (\$6.2 million), grant funds, and traffic impact fees. Gas Tax collections are

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Construction Excise Tax Fund

Fund Status

Revenues

tracking within anticipated levels (\$4.5 million or 60% of the budgeted estimate). Revenues from the Federal Transportation bill are expected to be received by the end of this fiscal year as programmed. All grant revenues 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 is a recommendation to increase the estimate for traffic impact fees collected in the North San José area (\$2.5 million) due to higher development activity and placing them in the Reserve for North San José Traffic Impact Fees.

Expenditures – Overall, expenditures in the fund are tracking within expected levels and are expected to end the year within budgeted levels, however, a number of expenditure adjustments are recommended in this report.

An increase to the Traffic Safety Education project (\$55,000) is also recommended at this time. This increase, which is funded through a grant from the California Office of Traffic

Safety, will be used for educational materials, helmets, and minimal staff time to support the ongoing education and encouragement of safe walking and biking behavior for school-aged children within the Franklin McKinley School District.

Due to a rise in the number of streetlight copper wire thefts being experienced, a recommendation to allocate \$150,000 for repairs is recommended. The increase in thefts, which was detailed for the City Council in a January 2012 Information Memorandum, has contributed to a growing backlog of streetlight outages. Funds allocated for this purpose will be used for supplies and overtime for existing staff to complete repairs and would be funded through a reduction to the Ending Fund Balance.

Lastly, the establishment of an appropriation for Jackson Avenue and Alexian Drive Pedestrian Improvements (\$35,000) is recommended in this report. This appropriation, which will be funded through developer contributions, will allow for the installation of pedestrian activated flashing beacons to enhance pedestrian crossings and traffic safety at this intersection.

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Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Construction Excise Tax Fund

Fund Status

Fund Balance – A recommendation to increase the Ending Fund Balance by \$4.0 million, from \$4.4 million to \$8.4 million, is included in this report as a result of higher than anticipated revenue collections. A portion of the fund balance (\$150,000) is recommended to be used for the Copper Wire Thefts project, with the remaining \$3.85 million preserved for future uses. This additional funding will be programmed as part of the upcoming 2013-2017 Proposed Capital Improvement Program.

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MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Convention and Cultural Affairs Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	5,791,544	2,629,969	8,421,513	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	510,397	(15,095)	495,302	N/A	N/A	N/A
<i>Revenues</i>	12,147,548	0	12,147,548	6,343,421	52.2%	35.2%
<i>Transfers</i>	5,146,365	435,846	5,582,211	3,009,029	53.9%	50.8%
TOTAL SOURCES	23,595,854	3,050,720	26,646,574	9,352,450		
<i>Expenditures</i>	18,886,420	1,769,494	20,655,894	13,703,520	66.3%	52.3%
<i>Transfers</i>	520,726	33,528	554,254	554,254	100.0%	100.0%
<i>Reserves</i>	1,712,112	0	1,712,112	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	2,476,596	1,247,698	3,724,314	N/A	N/A	N/A
TOTAL USES	23,595,854	3,050,720	26,646,574	14,257,774		

Fund Status

Revenues – Revenues booked in the Convention and Cultural Affairs Fund through December represent activity through November. However, according to reports not yet fully reviewed by the City from the operator of the City's Convention and Cultural Facilities, Team San José (TSJ), revenue is tracking within anticipated levels and TSJ anticipates 2011-2012 revenues to finish \$3.5 million higher than the budgeted estimate of \$12.1 million. The better than anticipated revenue performance is primarily due to food and beverage and contract labor revenues. It should also be noted that the budget for 2011-2012 was developed assuming some contracted events would be cancelled due to the temporary negative impacts from the Convention Center expansion project. Through December 2011, there has been minimal impact

on operating revenues from the project, however the potential of cancellations still exists as the construction moves from the outside of the facility to the inside portion. This will be closely monitored as the year progresses.

Much of the operating revenue generated by TSJ requires corresponding expenditures. With revenue expected to exceed the budgeted level by \$3.5 million, a recommendation is included in this document to increase the budgeted revenue estimate by this amount, with a corresponding increase to the expenditure budget.

Approximately \$5.1 million of the budgeted revenues in this fund come from a transfer from the Transient Occupancy Tax (TOT) Fund. Due to better than anticipated TOT receipts through December 2011, an increase of \$1.65 million to

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Section II**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

Convention and Cultural Affairs Fund

Fund Status

Revenues

the budgeted revenue estimate for TOT collections, in the TOT Fund, is recommended elsewhere in this report. Also included in the TOT Fund is a recommendation to distribute these additional funds to the three recipients (Convention and Visitors Bureau, Cultural Development, and Convention Facilities Operation and Maintenance), per the distribution formula outlined in the San José Municipal Code. A recommendation is therefore included in this document to increase the budgeted transfer from the TOT Fund to the Convention and Cultural Affairs Fund by \$824,000. A more detailed discussion of TOT performance can be found elsewhere in this report.

Expenditures – Through December, expenditure appropriations are anticipated to end the year at higher than budgeted levels, as described previously, due to higher than budgeted activity levels. TSJ forecasts indicate that the Non-Personal/Equipment appropriation, which covers all TSJ operating expenses, will be exceeded by approximately \$3.5 million, or 23.5%, without an adjustment to the budget; therefore, a recommendation to increase this appropriation is included in this report. This is primarily due to food and beverage expenses and contract labor costs, which are passed on to facility users. The Personal Services appropriation is currently tracking very close to year-to-date expected levels and is anticipated to end the year at or below the budgeted level.

In the 2010-2011 Annual Report, presented to the City Council in October 2011, the allocation of resources (\$600,000) from this fund to support Convention and Visitors Bureau (CVB) marketing costs was approved to market the convention center in advance of the completion of the expansion project. As a result of better than anticipated performance in the TOT Fund through December, additional resources can be allocated to the Convention and Visitor's Bureau, per the distribution formula. These additional resources (\$412,000) will enable a reduction to the CVB allocation in this fund for marketing, while preserving funding for marketing the expanded facility. The ensuing savings in this fund are recommended to be allocated towards minor facility improvements (\$150,000) Convention Center Kitchen Remodel design (\$100,000) and Ending Fund Balance (\$162,000) for future use.

Recently the administration was made aware of a funding shortfall in the construction budget for the Convention Center expansion. Additional funding is required in order to cover the costs of connecting the central utility plant to both the existing and expanded portions of the Convention Center, as well as remodeling the kitchen. While the Convention and Cultural Affairs Fund currently has an unrestricted fund balance of \$3.7 million and reserves totaling \$1.7 million, it is anticipated, that with the expansion continuing into 2012-2013, a portion of these reserves and fund balance may be

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**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

Convention and Cultural Affairs Fund

Fund Status

Expenditures

required to offset temporary negative impacts resulting from the project. The administration and TSJ are working to revise the estimate for this shortfall, as well as to develop a strategy for covering this cost while ensuring General Fund resources will not be required. Funding for the design of the kitchen remodel (\$100,000) is recommended in this report. It is currently anticipated that a recommendation to resolve this shortfall, which may involve using a portion of the reserves and fund balance, will be brought forward for City Council consideration in the coming months.

It should also be noted that the City and Team San Jose are in the process of amending the

management agreement between the City and Team San José to update the calculation for Gross Operating Profit. This change, which will also be brought forward for City Council consideration in the coming months, will consider the positive impact of Team San Jose in generating Transient Occupancy Tax receipts as well as parking revenue at the Convention Center garage.

Fund Balance – As a result of the recommended increase in the transfer to this fund from the TOT Fund (\$824,000), and the reallocation of marketing resources to the Ending Fund Balance (\$162,000), the unrestricted fund balance will increase by approximately \$1.0 million, from \$3.7 million to \$4.7 million.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

General Obligation Bond Funds

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	57,923,106	715,544	58,638,650	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	5,082,970	(393)	5,082,577	N/A	N/A	N/A
<i>Revenues</i>	11,638,000	0	11,638,000	147,401	1.3%	N/A
<i>Transfers</i>	1,143,000	0	1,143,000	1,143,000	100.0%	N/A
TOTAL SOURCES	75,787,076	715,151	76,502,227	1,290,401		
<i>Expenditures</i>	62,432,970	(429,393)	62,003,577	4,858,905	7.8%	N/A
<i>Transfers</i>	748,000	69,004	817,004	817,004	100.0%	N/A
<i>Reserves</i>	10,610,431	360,744	10,971,175	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,995,675	714,796	2,710,471	N/A	N/A	N/A
TOTAL USES	75,787,076	715,151	76,502,227	5,675,909		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – The General Obligation Bond (G.O. Bond) Funds consist of the Parks and Recreation Bond Projects Fund in the Parks and Community Facilities Development Capital Program, Branch Libraries Bond Projects Fund in the Library Capital Program, and Neighborhood Security Act Bond Fund in the Public Safety Capital Program. All G.O. Bond proceeds have already been issued for the Parks and Recreation Bond Projects Fund; however, \$5.9 million remains to be issued for the Branch Library Bond Projects Fund and \$3.3 million remains to be issued for the Neighborhood Security Act Bond Fund. It was previously anticipated that the remaining G.O. Bond proceeds would be issued in 2011-2012; however, based on the current financial market

conditions, the City's timing needs for this funding, and cost/savings benefits of issuing multiple bond sales together, the Finance Department has determined that issuing the bonds in 2012-2013 would be more appropriate. Resulting rebalancing actions for the Branch Library Bond Projects Fund and the Neighborhood Security Act Bond Fund are discussed below.

In the Parks and Recreation Bond Projects Fund, the Earned Revenue estimate is recommended to be increased by \$387,000 to reflect the receipt of unanticipated revenues, with a corresponding increase to the Contingency Reserve. The City received Proposition 13 grant funding of \$109,000 for eligible grant expenditures

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

General Obligation Bond Funds

Fund Status

Revenues

associated with the TRAIL: Guadalupe River Reach 6 (Woz Way to Willow Street) project. In addition, for the Series 2006 G. O. Bond funds, \$274,000 was estimated to be the possible arbitrage rebate liability owed to the Internal Revenue Service (IRS) and was transferred from the Parks and Recreation Bond Projects Fund to an unbudgeted debt service fund in 2007-2008. It was subsequently determined that there is no arbitrage liability; therefore, \$278,000 (including interest earnings) can be returned to the Parks and Recreation Bond Projects Fund.

In the Branch Library Bond Projects Fund, the Earned Revenue estimate is recommended to be decreased by \$2.0 million to account for a delay in the sale of land previously planned to occur in 2011-2012. The land was purchased with bond funding to be the site of the Bascom Branch Library; however, given the subsequent decision to instead build a joint library and community center, it was determined that this site was not suitable for the joint use. The sale of land is now anticipated to occur in 2013-2014. This reduction in the revenue estimate is partially offset by a recommended increase of \$367,000 to reflect the receipt of unanticipated revenues. Similar to the Parks and Recreation Bond Projects Fund, there is no rebate liability owed to the IRS; therefore, funds can be returned from an unbudgeted debt service fund to the Branch Library Bond Projects Fund.

Expenditures – In the Parks and Recreation Bond Projects Fund, the Contingency Reserve is recommended to be increased to reflect the receipt of higher than anticipated revenue (\$387,000) as discussed earlier.

In the Branch Library Bond Projects Fund, the Southeast Branch appropriation is recommended to be reduced by \$6.0 million due to delays in the acquisition of land for the new branch library, which has pushed out the construction schedule. The Educational Park Branch appropriation is recommended to be reduced by \$1.9 million to recognize project savings resulting from lower than anticipated construction costs. Combined, these recommended decreases allow for a delayed issuance of the G.O. Bonds. In addition, the Contingency Reserve is recommended to be increased to reflect the receipt of higher than anticipated revenues as discussed previously (\$367,000). The full amount of the Southeast Branch appropriation will be recommended to be programmed as part of the 2013-2017 Proposed Capital Improvement Program.

In the Neighborhood Security Act Bond Fund, the Fire Station 21 - Relocation (White Road) appropriation is recommended to be decreased (\$4,800,000) to offset the delayed sale of the G.O. Bonds. The award for construction for this project has been postponed until 2012-2013. The design phase and overall project schedule have been extended due to several factors. The scope was not finalized until late 2010-2011. Since that time, consultant procurement, policy revisions, negotiations with an adjacent

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

General Obligation Bond Funds

Fund Status

Expenditures

developer for off-site and utility improvements, and protracted contract closeout negotiations for other capital projects coupled with ongoing staffing constraints have affected the schedule for this project. Part of the funding for Fire Station 21 is recommended to be appropriated in the Reserve: Fire Station 21 (\$1,475,000) for the remainder of 2011-2012; however, the full amount of \$4.8 million will be recommended to

be programmed for the Fire Station 21 project as part of the 2013-2017 Proposed Capital Improvement Program. In addition, funding is recommended to be shifted from the Contingency Reserve to the Fire Station 2 - Rebuild appropriation (\$65,702) to fund post-construction costs.

Fund Balance – No adjustment to the Ending Fund Balance is recommended at this time for any of the G.O. Bond Funds.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Low and Moderate Income Housing Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	11,230,182	(1,333,787)	9,896,395	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	40,360,001	(10,695,506)	29,664,495	N/A	N/A	N/A
<i>Revenues</i>	41,670,941	0	41,670,941	7,231,477	17.4%	36.7%
TOTAL SOURCES	93,261,124	(12,029,293)	81,231,831	7,231,477		
<i>Expenditures</i>	91,049,841	(12,648,300)	78,401,541	21,796,646	27.8%	29.1%
<i>Transfers</i>	750,099	165,554	915,653	915,653	100.0%	100.0%
<i>Reserves</i>	208,220	0	208,220	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,252,964	453,453	1,706,417	N/A	N/A	N/A
TOTAL USES	93,261,124	(12,029,293)	81,231,831	22,712,299		

Fund Status

The Low and Moderate Income Housing Fund has been used by the Housing Department since its establishment in 1988 to implement affordable housing programs and administer the 20% housing set-aside redevelopment funds on behalf of the San Jose Redevelopment Agency (SJRA). In June 2011, as part of the approval of the State budget, the California Legislature adopted two bills that directly impact redevelopment agencies, and redevelopment funding, throughout the State. The first bill, AB XI 26, approves the dissolution of redevelopment agencies throughout the State. The second bill, AB XI 27, enabled cities and counties to retain their redevelopment agencies by paying a specified amount to the State as established by a formula. In response, and also due to concerns that the legislation would violate legitimate agreements between the City of San José (City) and the SJRA, the City joined

the League of California Cities and Community Redevelopment Association in a lawsuit petitioning the California Supreme Court (Court) to invalidate both bills citing violations of the State Constitution. The Court agreed to hear the case and granted a Stay, which suspended all new activities, pending the Court's ruling. On December 29, 2011, the Court issued a decision that upheld the constitutionality of AB XI 26, thereby enabling the dissolution of redevelopment agencies, but struck down AB XI 27, which would have enabled agencies to pay the State to retain redevelopment agencies.

As a result of this decision, and pending any other action by the Legislature, redevelopment agencies throughout the State are dissolved effective February 1, 2012. The Legislation designates "Successor Agencies" to administer the dissolution and wind down the activities of the former redevelopment agencies, and

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Low and Moderate Income Housing Fund

Fund Status

“Successor Housing Agencies” to manage all Low and Moderate Income Fund assets.

On January 24, 2012, the City Council took formal action to retain the housing assets and functions of the former San Jose Redevelopment Agency in accordance with AB XI 26. As part of this action, all housing assets are transferred from the SJRA to the City effective February 1, 2012. The City Council also approved the establishment of a new fund along with various actions to adjust the revenues and expenditures. The new fund, the Affordable Housing Investment Fund, will fund the administrative costs associated with managing the Successor Housing Agency assets and the continuation of affordable housing programs in the future. As part of the rebalancing effort, the Low and Moderate Income Housing Fund eliminated various programs and shifted expenditures to other Housing Funds. The remaining funds in the Low and Moderate Income Housing Fund will be limited to managing debt payments and five affordable housing projects currently under construction. As these obligations are completed, this fund will eventually be phased out. As a result of the approved actions, there are no recommended budget adjustments for this fund included in this report. Further information on the approved actions can be found at http://www.sanjoseca.gov/clerk/Agenda/20120124/20120124_0901.pdf.

Revenues – Revenues in the Low and Moderate Income Housing Fund account primarily for

SJRA tax increment funds received and loan repayments used by the City to provide affordable housing rehabilitation and new housing programs. To date, the fund has collected \$7.2 million, which is slightly below estimated levels. Typically, the majority of the 20% tax increments is collected in the second half of the fiscal year (in April and May). Loan repayments and other fees will no longer be collected in this fund as of February 1, 2012, and instead will be collected in the newly established Affordable Housing Investment Fund. However, the remaining tax increments budgeted for 2011-2012 are anticipated to be collected in the Low and Moderate Income Housing Fund. As part of the January 24, 2012 memorandum approved by the City Council, revenue adjustments were made accordingly.

Expenditures – As mentioned above, due to the dissolution of the SJRA, expenditures were reduced and shifted from the Low and Moderate Income Housing Fund to the Affordable Housing Investment Fund as part of the January 24, 2012 memorandum.

Fund Balance – With all the approved actions in the memorandum, the Low and Moderate Income Housing Fund will have no Ending Fund Balance.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Municipal Golf Course Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	353,898	(52,416)	301,482	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	6,749	0	6,749	N/A	N/A	N/A
<i>Revenues</i>	737,000	0	737,000	305,393	41.4%	32.6%
<i>Transfers</i>	1,500,000	0	1,500,000	1,500,000	100.0%	100.0%
TOTAL SOURCES	2,597,647	(52,416)	2,545,231	1,805,393		
<i>Expenditures</i>	2,269,749	0	2,269,749	1,538,291	67.8%	65.5%
<i>Unrestricted Ending Fund Balance</i>	327,898	(52,416)	275,482	N/A	N/A	N/A
TOTAL USES	2,597,647	(52,416)	2,545,231	1,538,291		

Fund Status

Revenues – Through December, activity at the three municipal golf courses is slightly up from 2010-2011 levels, however revenues are still tracking below budgeted levels for 2011-2012. Revenues consist primarily of course fees at the San José Municipal, Rancho del Pueblo, and Los Lagos Golf Courses. Rounds of golf played through December 2011 increased by 3.6% at Los Lagos and by 1.3% at Rancho del Pueblo. These increases in activity can be attributed to a slightly growing economy and a very mild and dry first half of the year. Through December 2010, the economy was still recovering slowly from the deep recession and San José experienced a very wet winter. Projections for 2011-2012 were built on the assumption that there would be some improvement in economic conditions resulting in increased activity and corresponding revenues from 2010-2011 levels. Through December, 41.4% of budgeted

revenues were received, which is up from revenues collected through the same period in 2010, when 32.6% of revenues were collected. Although revenue performance has improved over the 2010-2011 level, it has not improved sufficiently to support the current year estimated levels.

Revenues from the San José Municipal Golf Course are based on a fixed percentage of the gross sales, regardless of operator costs, per the agreement. The estimated revenues from this course (\$436,000) are expected to be approximately \$39,000 less than the budgeted estimate of \$475,000. For the Rancho del Pueblo and Los Lagos Golf Courses, only the net profits from the operation of the courses are paid into the Municipal Golf Course Fund. Net profits at Los Lagos are anticipated to end the year at \$110,000, \$90,000 (45%) below the budgeted estimate of \$200,000, while Rancho del Pueblo is projected not to generate a net

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Municipal Golf Course Fund

Fund Status

Revenues

operating profit at all as anticipated in the budget. Actions to reduce the budgeted estimates for Interest Earnings (\$7,000) and Miscellaneous Revenue (\$34,500) are also included in this report.

All fund revenues are intended to offset or partially offset the debt service costs of these facilities. The San José Municipal Golf Course has no debt service obligations, but the revenue is used to help offset the debt service costs of the other two courses. Due to the fact that the course fees have been unable to cover the fixed costs of operating the facilities as well as the debt service, a General Fund subsidy has been required to support the debt service payments. In the 2011-2012 budget, the subsidy was set at \$1.5 million. With declining revenue collections in the fund resulting in increased net costs, an increase to the subsidy level of \$300,000 to bring the subsidy to \$1.8 million is recommended in this report.

Expenditures – Expenditures in this fund are generally made for two purposes: payments to the operators of the courses in months when course fees are unable to cover the fixed costs of operating the facilities at the Rancho del Pueblo

and Los Lagos Golf Courses; and payment of the debt service for the bonds used to develop the two courses. City staff continues to work with the operators to identify and implement expenditure reduction strategies at the courses, however, appropriation increases are necessary at both Rancho del Pueblo and Los Lagos due to the decrease in revenue levels at the courses. Included in this document are recommendations to increase the Rancho del Pueblo Golf Course appropriation by \$90,000 (from \$200,000 to \$290,000) and the Los Lagos appropriation by \$15,000 (from \$100,000 to \$115,000). Partially offsetting these increases is a recommended reduction of \$15,000 to the Non-Personal/Equipment appropriation.

Fund Balance – Even with the slight increase in activity levels in 2011-2012, adjustments in this fund included revenue estimate reductions and expenditure budget increases. In order to offset these actions and to ensure stability in this fund's ending fund balance, the subsidy from the General Fund is recommended to increase by \$300,000, resulting in a net increase to the Ending Fund Balance of \$39,500. While performance has improved over the prior year, the lower than expected revenues are a strong indicator that the recovery of recreational golf is progressing slower than expected.

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Sanitary Sewer Connection Fee Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	13,073,272	1,307,815	14,381,087	N/A	N/A	N/A
<i>Carry-over Encumbrance</i>	2,111,895	(552)	2,111,343	N/A	N/A	N/A
<i>Earned Revenue</i>	1,455,000	0	1,455,000	587,190	58.9%	N/A
TOTAL SOURCES	16,640,167	1,307,263	17,947,430	587,190		
<i>Expenditures</i>	12,810,895	(2,552)	12,808,343	1,092,849	8.5%	N/A
<i>Transfers</i>	97,000	14,261	111,261	110,597	99.4%	N/A
<i>Ending Fund Balance</i>	3,732,272	1,295,554	5,027,826	N/A	N/A	N/A
TOTAL USES	16,640,167	1,307,263	17,947,430	1,203,446		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – Revenue for this fund in the Sanitary Sewer Capital Program consists of joint participation payments, connection fees, and interest earnings. Joint participation revenues reflect cost sharing of actual expenditures incurred in areas benefiting the County Sanitation Districts 2-3 and West Valley Sanitation District (WVSD). Through the first half of the year, \$166,000 in Joint Participation revenue has been received for projects benefiting the County Sanitation Districts 2-3. This collection level exceeds the budgeted estimate of \$160,000 by 3.7%. No additional revenue from the County Sanitation Districts is expected in 2011-2012. The budgeted estimate for Joint Participation from the WVSD is \$750,000, however through December, no revenues have been received. It is expected that by the end of the year, collections will total approximately \$320,000. The remaining

revenue of \$430,000 was budgeted to offset expenditures for the Moorpark-Meridian Trunk Sewer Rehabilitation Ph III project. The bid for this project is now expected to be awarded in 2012-2013. Therefore, as part of the development of the 2013-2017 Capital Improvement Program, the expenditure and related revenue for this project is expected to be rebudgeted.

Collections of connection fees are tracking to end the year above anticipated levels. Through December, \$400,000, or 76.1% of the estimated level has been received.

Expenditures – Expenditures in this fund represent the costs for increasing the capacity of, and expanding the Sanitary Sewer System. Through December, 8.5% of the budget, excluding transfers, reserves, and Ending Fund Balance had been expended, and an additional 15.4% encumbered. Spending is lower than

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Sanitary Sewer Connection Fee Fund

Fund Status

Expenditures

expected in several appropriations, with the largest savings expected in the Miscellaneous Rehabilitation Projects, Miscellaneous Projects, 30" Old Bayshore Supplement, and Fourth Major Interceptor Phase IIB projects. The Miscellaneous Rehabilitation Projects and Miscellaneous Project appropriations provide funding for a variety of projects to increase capacity in sewer flows mostly related to private development. The lower expenditures are a reflection of lower than expected developer installed capacity projects. Design of the 30" Old Bayshore Supplement project (\$562,000) will be rescheduled until 2012-2013, with

construction anticipated to start in 2013-2014, to allow staff to focus on higher priority capacity projects as identified by the current Sanitary Sewer Master Plan recommendations. The Fourth Major Interceptor Phase IIB project (\$575,000) has been rescheduled to coincide with related construction to be performed at the Water Pollution Control Plant. This work is expected to begin in spring 2013. The savings in this program will be factored into the development of the 2013-2017 Proposed Capital Improvement Program.

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

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**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Sewer Service and Use Charge Capital Improvement Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	59,721,312	5,415,478	65,136,790	N/A	N/A	N/A
<i>Carry-over Encumbrance</i>	8,986,681	(529,089)	8,457,592	N/A	N/A	N/A
<i>Earned Revenue</i>	598,000	0	598,000	140,372	23.5%	N/A
<i>Transfers</i>	31,000,000	0	31,000,000	10,333,334	33.3%	N/A
TOTAL SOURCES	100,305,993	4,886,389	105,192,382	10,473,706		
<i>Expenditures</i>	63,472,681	2,097,911	65,570,592	6,306,496	9.6%	N/A
<i>Transfers</i>	238,000	64,530	302,530	301,986	99.8%	N/A
<i>Reserves</i>	3,500,000	0	3,500,000	N/A	N/A	N/A
<i>Ending Fund Balance</i>	33,095,312	2,723,948	35,819,260	N/A	N/A	N/A
TOTAL USES	100,305,993	4,886,389	105,192,382	6,608,482		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – Budgeted revenue for this fund in the Sanitary Sewer Capital Program in 2011-2012 consists of transfers from the Sewer Service and Use Charge Fund (\$31.0 million), Interest (\$113,000), and a grant from the Environmental Protection Agency (\$485,000) for the Japantown Sewer Infrastructure project, which is a part of the Miscellaneous Projects appropriation. 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. All revenues are expected to be received by the end of the year, as budgeted.

Expenditures – Expenditures in this fund represent the costs of improvements and

rehabilitation of the Sanitary Sewer System. Through December, 9.6% of the budget, excluding transfers, reserves, and Ending Fund Balance, had been expended and an additional 11.3% encumbered. It is expected that approximately \$20.5 million, or 31.2% of budget, will be unexpended at the end of the year and may be recommended for rebudget into 2012-2013 as part of the 2013-2017 Capital Improvement Program budget process. The expenditure variance is attributable to the delay of several projects. Reasons for these delays include a more extensive environmental review process for larger projects, permitting issues with the Union Pacific Railroad, and the coordination and timing of large sewer interceptor projects to limit construction impacts on the Water Pollution Control Plant.

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Sewer Service and Use Charge Capital Improvement Fund

Fund Status

Expenditures

For three projects – the Almaden Expressway Sanitary Sewer (\$3.4 million), Coleman Road Sanitary Sewer Supplement (\$3.6 million), and Husted-Richland Sanitary Sewer Improvement (\$3.3 million) – project designs are expected to be completed in 2011-2012 and construction award is expected in early 2012-2013 after completion of the environmental review process that complies with recent regulatory changes for utility projects over one mile in length.

The Almaden Road Supplement Sewer Rehabilitation (North) project (\$2.2 million) is delayed due to a longer than expected permitting process for work under the Union Pacific Railroad tracks and within other portions of the railroad company's right of way.

The Fourth Major Interceptor Phase IIB project (\$2.0 million) will be rescheduled to coincide with related construction to be performed at the Water Pollution Control Plant. This work is expected to begin in spring 2013.

In addition to this, approximately \$700,000, or 23.5%, of the Reinforced Concrete Pipe Rehabilitation Program appropriation, as well as \$1.3 million, or 39.4%, of the Rehabilitation of Sanitary Sewer Pump Stations appropriation are

expected to remain unexpended pending completion of the condition assessment and videotape data analysis, which are currently underway.

Design of the 30" Old Bayshore Supplement project (\$4.0 million) is expected to be rescheduled to 2012-2013, with construction to start in 2013-2014, due to a reprioritization of capacity projects, particularly in light of unscheduled urgent sewer repair projects to address potential sewer main blockages.

Staff anticipates completion of approximately \$44.3 million in projects in 2011-2012, focusing on such large efforts as the Condition Assessment Sanitary Sewer Repairs (\$5.0 million), Spreckles Sanitary Sewer Force Main (\$4.7 million), Sanitary Sewer Condition Assessments Phase II (\$4.4 million), 60" Brick Interceptor Rehabilitation (\$2.2 million), Morrill Avenue/Sierra Road Sanitary Sewer Improvements (\$1.3 million), and other smaller projects. The savings in this program will be factored into the development of the 2013-2017 Proposed Capital Improvement Program.

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

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Storm Sewer Capital Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget*
<i>Beginning Fund Balance</i>	9,210,999	1,255,133	10,466,132	N/A	N/A	N/A
<i>Carry-over Encumbrance</i>	2,393,492	0	2,393,492	N/A	N/A	N/A
<i>Earned Revenue</i>	4,000	0	4,000	16,825	420.6%	N/A
<i>Transfers</i>	6,000,000	0	6,000,000	4,000,000	66.7%	N/A
TOTAL SOURCES	17,608,491	1,255,133	18,863,624	4,016,825		
<i>Expenditures</i>	17,174,492	950,000	18,124,492	1,480,757	8.2%	N/A
<i>Transfers</i>	58,000	26,671	84,671	81,581	96.4%	N/A
<i>Reserves</i>	0	300,000	300,000	N/A	N/A	N/A
<i>Ending Fund Balance</i>	375,999	(21,538)	354,461	N/A	N/A	N/A
TOTAL USES	17,608,491	1,255,133	18,863,624	1,562,338		

* This chart did not previously appear in the Status of Selected Capital Funds. Therefore, the 2010-2011 % of Budget information is not available.

Fund Status

Revenues – The budgeted revenue estimate for this fund in the Storm Sewer Capital Program consists of transfers from the Storm Sewer Operating Fund (\$6.0 million) and interest earnings (\$4,000). The transfers and interest earnings are expected to end the year at or above the budgeted estimate.

Expenditures – Expenditures in this fund represent the costs of improvements and rehabilitation of the Storm Sewer System. Through December, 8.2% of the budget, excluding transfers, reserves, and Ending Fund Balance, had been expended and an additional 15.8% encumbered.

It is expected that at year-end, approximately \$8.4 million, or 46.6% of the expenditure

budget, will fall to fund balance as savings or be recommended for rebudget into 2012-2013 as part of the 2013-2017 Proposed Capital Improvement Program (CIP).

Savings of \$900,000 or more are expected in each of the following appropriations: Storm Pump Station Replacement, Storm Drainage Improvements, Alviso Storm Network Infiltration Control, Master Planning, and Urgent Flood Prevention and Repair. The savings expected in the Storm Pump Station Replacement project, currently estimated at \$1.4 million, are due to the deferral of a land purchase for the Charcot Pump Station, pending master plan recommendations that are expected in fall 2012. These improvements are being deferred until new recommendations resulting from the master planning effort for North San José are available. The anticipated savings in

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Storm Sewer Capital Fund

Fund Status

Expenditures

the Storm Drainage Improvements – Special Corridors project (\$1.3 million) are due to the re-scoping of several projects. The re-scoping will simplify the design and consolidate projects in proximity to one another into more efficient design and construction packages. Expected savings for the Alviso Storm Network Infiltration project (\$1.2 million) will likely be recommended for rebudget as part of the 2013-2017 CIP process, because possible designs for the project are still under evaluation. The Master Planning project is anticipated to have savings (\$1.1 million) due to delays in the selection and purchase of the modeling software necessary to evaluate the City's sub-drainage areas. Finally, the Urgent Flood Prevention and Repair Projects appropriation is likely to have year-end savings (\$940,000) because staff needs additional time to repackage construction projects to create economies of scale and an improved project delivery model before the projects are awarded. In addition to the savings described above, seven other projects are expected to have smaller amounts of savings, totaling approximately \$1.3 million.

It is currently estimated that approximately \$10.0 million will be expended on projects and related expenses by the end of the year. Included in this are the Lower Bird Avenue

Drainage Improvements (\$694,000), Outfall Rehabilitation - Capital (\$653,000), El Dorado Street Storm Drainage Improvements (\$467,000), Gold Street Storm Drainage Improvements (\$378,000), Gateway East Storm Drainage Improvements (\$355,000), and Creek Channel Stabilization (\$341,000) projects as well as a number of smaller projects.

One appropriation, Permit Review and Inspection for Outside Agencies, is tracking to exceed the appropriation by \$25,000. Per State Law, the City and the Santa Clara Water District (District) do not charge each other for the review and inspection of projects. In 2011-2012, the District performed a widening of the Silver Creek channel that had not been anticipated when the budget was developed. This creek channel widening required the relocation of streetlights and other utilities and will require significant City staff time to inspect. It is recommended to increase this appropriation by \$25,000 offset with a decrease in the Ending Fund Balance.

Fund Balance – A \$25,000 decrease to the Ending Fund Balance in the Storm Sewer Capital Fund is recommended as part of this report to provide additional funding for Permit Review and Inspection for Outside Agencies, as described above.

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS
(CONT'D.)**

Transient Occupancy Tax Fund

	2011-2012 Adopted Budget	Change	2011-2012 Current Modified	2011-2012 YTD Actual	2011-2012 % of Budget	2010-2011 % of Budget
<i>Beginning Fund Balance</i>	3,375,075	464,559	3,839,634	N/A	N/A	N/A
<i>Carry-Over Encumbrances</i>	197,106	(21,378)	175,728	N/A	N/A	N/A
<i>Revenues</i>	10,807,000	0	10,807,000	4,671,215	43.2%	41.3%
TOTAL SOURCES	14,379,181	443,181	14,822,362	4,671,215		
<i>Expenditures</i>	7,203,742	573,032	7,776,774	3,365,626	43.3%	48.6%
<i>Transfers</i>	5,146,365	446,292	5,592,657	3,019,475	54.0%	47.4%
<i>Reserves</i>	589,000	(589,000)	0	N/A	N/A	N/A
<i>Unrestricted Ending Fund Balance</i>	1,440,074	12,857	1,452,931	N/A	N/A	N/A
TOTAL USES	14,379,181	443,181	14,822,362	6,385,101		

Fund Status

Revenues – Currently revenues in the Transient Occupancy Tax (TOT) Fund are tracking above estimated levels and are anticipated to end the year above the budgeted level. The 2011-2012 Adopted Budget assumed a 1.8% increase in receipts based on estimated 2010-2011 collections. Due to the fact that collections ended 2010-2011 at higher than anticipated levels, the 2011-2012 Adopted Budget estimate allows for a 0.9% decline from 2010-2011 receipts. Through December 2011, year-to-date receipts of \$4.7 million are 12.9% above December 2010 receipts.

The increase in TOT receipts is due to increased occupancy and average daily room rates at the City's 14 major hotels. Through December, the average hotel occupancy rate at these hotels was 57.9%, a slight improvement from the 57.5%

occupancy rate for the same period in 2010-2011. For the same 14 hotels the average daily room rate through December was \$122.19, an improvement from the \$117.42 room rate for the same period in 2010-2011. As of December, the trailing 12-month average revenue-per-available-room (RevPAR) increased to \$70.76, a 6.2% increase from the \$66.64 level experienced in December 2010.

As a result of the higher than anticipated revenue collections, an increase to the budgeted revenue estimate is recommended at this time. The recommended increase from \$10.8 million to \$12.5 million represents a 15.7% increase, and results in increased allocations to the three programs (Convention and Visitors Bureau, Cultural Development, and Convention Facilities Operations & Maintenance) per the distribution formula outlined in the San José Municipal Code.

**2011-2012
MID-YEAR BUDGET REVIEW
Section II**

**STATUS OF SELECTED SPECIAL FUNDS
(CONT'D.)**

Transient Occupancy Tax Fund

Fund Status

Expenditures – Expenditures through December are generally tracking within budgeted levels. The allocations to the three recipient organizations receive a fixed percentage of TOT receipts. When collections exceed or fall short of anticipated levels, the allocations to the recipients are adjusted. As mentioned previously, a recommendation is included in this report to increase the budgeted revenue estimate, which will result in \$412,000 for the Convention and Visitors Bureau, \$412,000 for Cultural Development, and \$824,000 for Convention Facilities Operation & Maintenance.

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

2011-2012

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SECTION

III

RECOMMENDED
BUDGET ADJUSTMENTS AND
CLEAN-UP ACTIONS

**2011-2012
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Section III**

**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 includes the following types of changes:

General Fund

Required Technical/Rebalancing Actions – This section recommends adjustments to revenues and expenditures that are necessary for General Fund revenue or departmental rebalancing, to realign expenditure line-items, set aside funding for a 2011-2012 Ending Fund Balance Reserve, and reserve additional funding in the 2012-2013 Future Deficit Reserve.

- 2011-2012 Ending Fund Balance – In order to set aside funding for the 2011-2012 Ending Fund Balance level assumed in the 2012-2013 Preliminary General Fund Forecast, recommendations are included in this document to increase revenues (\$3.7 million) and realize savings in departmental personal services and non-personal/equipment allocations (\$2.85 million), City-Wide Expenses appropriations (\$3.55 million), and Earmarked Reserves (\$1.9 million).
- 2012-2013 Future Deficit Reserve – As described in further detail later in this section, an increase to the 2012-2013 Future Deficit Reserve by \$10 million will bring this reserve to \$22 million. The San Jose Redevelopment Agency has assumed the full payment of the Convention Center lease payment that was originally anticipated to be primarily funded by the City.
- Other Expenditure Adjustments – Actions to rebalance the Medical Marijuana Regulatory Fee Program and provide resources to rebalance the Municipal Golf Course Fund are recommended. Augmentations for property tax administrative fees and for facilities maintenance and custodial needs are required to fully fund the anticipated costs.
- Net-Zero Funding Transfers/Reallocations – Several net-zero expenditure adjustments are recommended to align the budget with actual expenditure patterns. These adjustments include departmental shifts between Personal Services and Non-Personal/Equipment appropriations to address projected cost overruns, as well as net-zero shifts between non-departmental appropriations. Net-zero adjustments recommended include funding shifts to address City Attorney's Office personal services costs and the augmentation of funding for the Habitat Conservation Plan from an earmarked reserve.

Grants/Reimbursements/Fees – This section recognizes new or updated grant, reimbursement, or fee activity revenue and appropriates the funds for these purposes (\$2.3 million).

**2011-2012
MID-YEAR BUDGET REVIEW
Section III**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS
(CONT'D.)**

Recommended Budget Adjustments

General Fund

Urgent Program/Fiscal Needs – This section recommends expenditure adjustments totaling \$1.1 million based on an evaluation of urgent program or fiscal needs. These include the following actions:

- **Fiscal Reform Plan Implementation/Elections and Ballot Measures** – A reallocation of \$3.4 million from the Retirement Reform Election appropriation to a new Fiscal Reform Plan Implementation Reserve (\$2.1 million) and an Elections and Ballot Measures City-Wide Expenses appropriation (\$1.3 million) is recommended. As part of the 2011-2012 Mayor's June Budget Message, the City Council allocated \$3.4 million for a potential Retirement Reform ballot measure to be considered by the voters in March 2012. On December 6, 2011, the City Council instead approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration at a significant reduction in costs. The \$2.1 million Fiscal Reform Plan Implementation Reserve will fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. The remaining funding of \$1.3 million (combined with City Clerk election funding of \$500,000) is recommended to be allocated to a new City-Wide Expenses appropriation for Elections and Ballot Measures to provide for City Council District elections, a June Retirement Reform Ballot Measure, and up to two additional ballot measures.
- **Other Expenditure Adjustments** – Additional funding for Labor/Employee Relations Consultant Funding (\$400,000), Unanticipated/Emergency Maintenance (\$400,000), Police Officer Recruiting Support (\$150,000), Retirement Actuarial Services (\$50,000), Lake Cunningham Skate Park Operations (\$57,500) and Reserves (\$3,000), and support for the Police Department Horse Mounted Unit (\$10,000 shift from Personal Services to Non-Personal/Expenditures).

Special/Capital Funds

Special/Capital Fund Adjustments – These actions adjust revenues 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.

**2011-2012
MID-YEAR BUDGET REVIEW
Section III**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS
(CONT'D.)**

Clean-Up Actions

General Fund & Special/Capital Funds

This section consists of clean-up actions for the General Fund and Special/Capital Funds based on ongoing review and monitoring of the budget through the first six months of the current fiscal year. Revisions are required to technically correct existing appropriations or to implement benefit changes that have been approved by the City Council in 2011-2012. The following types of adjustments are included:

Benefits Program – The 2011-2012 Benefits Program includes net-zero appropriation adjustments to various departments and funds to reflect new health plan contribution rates, effective January 1, 2012. The General Fund increase was anticipated and is funded from the Salaries and Benefits Earmarked Reserve. It should be noted that the actual health rate increase of 7.2% is lower than the forecasted rate of 14%. Dental rates were anticipated to increase 3.5%, however, no increase to this rate was necessary. In the Special and Capital funds, sufficient funding is available in the Ending Fund Balance and/or Contingency Reserve to offset the higher Benefits Program costs.

Fund Balance Reconciliation – These actions revise the Beginning Fund Balance estimates in the 2011-2012 budget based on a reconciliation to the final audited Comprehensive Annual Financial Report.

Voluntary Furlough/Reduced Work Week Program – These net-zero adjustments to various departments reflect implementation of the Voluntary Furlough/Reduced Work Week Program. Savings (\$119,000 in the General Fund) are generated from employees taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. Savings of \$100,000 was assumed in the development of the 2011-2012 Adopted Operating Budget and was temporarily funded from the Salaries and Benefits Earmarked Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and restore the funding to the Salaries and Benefits Earmarked Reserve.

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 and funds, redistributing funding allocations. Revenue reclassifications are also included in this category.

**2011-2012
MID-YEAR BUDGET REVIEW
Section III**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS
(CONT'D.)**

Clean-Up Actions

General Fund & Special/Capital Funds

- Public Works Facilities Maintenance/Custodial Funding – Included in this report are funding adjustments in the General Fund and various Special and Capital Funds to reallocate ongoing funding for facilities maintenance, including custodial costs, to the Public Works Department to more appropriately align and track these costs with the oversight and management of these services.
- Technical Corrections – These actions revise Beginning Fund Balance and/or project appropriations in the 2011-2012 budget to correct inadvertent rebudget, interest earnings, or allocation errors, offset by Ending Fund Balance or corresponding project appropriation actions.
- Title Corrections – This adjustment corrects an appropriation title.

General Fund Recommended Budget Adjustments Summary

2011-2012 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>2011-2012 Ending Fund Balance Reserve</i>	EARMARKED		\$12,000,000	
	RESERVES			
<p>Establishes a 2011-2012 Ending Fund Balance of \$12.0 million in the General Fund. A total of \$13.0 million in 2011-2012 Ending Fund Balance was assumed as a funding source in the 2012-2013 Preliminary General Fund Forecast. The funding for this action is available from the cumulative result of the various actions described in this section, including savings of \$2.85 million in departmental personal services and non-personal/equipment allocations, \$3.55 million in City-Wide Expenses appropriations, \$1.9 million in Earmarked Reserve liquidations, and \$3.7 million of additional revenues. This action, combined with anticipated liquidations of carryover encumbrances (\$1.0 million), will meet the required \$13.0 million Ending Fund Balance need.</p>				
<i>2012-2013 Future Deficit Reserve</i>	EARMARKED		\$10,000,000	
	RESERVES			
<p>Increases the 2012-2013 Future Deficit Reserve by \$10.0 million. The Convention Center debt service payments were originally anticipated to be funded by the City (\$10.0 million) and the San Jose Redevelopment Agency (SJRA) (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. Corresponding decreases to the Convention Center Lease Payment City-Wide Expenses appropriation (\$15.359 million) and to the estimate for Revenue from Local Agencies (\$5.359 million) are recommended and described elsewhere in this document.</p>				
<i>City-Wide Savings - Sick Leave Payments Upon Retirement</i>	CITY-WIDE		(\$2,300,000)	
	EXPENSES			
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action decreases the Sick Leave Payment Upon Retirement appropriation by \$2,300,000. These savings are primarily due to the timing of employee retirements and the sick leave balances available at the time of payment. Funding for these expenses can be expected to be volatile from year to year.</p>				
<i>City-Wide Savings - TRANs Debt Service</i>	CITY-WIDE		(\$250,000)	
	EXPENSES			
<p>Reduces the TRANs (Tax Revenue Anticipation Notes) Debt Service appropriation to account for savings in the interest charges associated with the debt issuance required for City cash flow purposes. A lower than anticipated TRANs issuance amount (\$100.0 million versus \$125.0 million) generated these savings. A technical adjustment to account for the lower TRANs issuance is recommended elsewhere in this report.</p>				
<i>City-Wide Savings - Workers' Compensation Claims - Fire</i>	CITY-WIDE		(\$500,000)	
	EXPENSES			
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Fire Department's Workers' Compensation Claims appropriation by \$500,000 to reflect lower than projected workers' compensation claim expenditures.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>City-Wide Savings - Workers' Compensation Claims - Police</i>	CITY-WIDE EXPENSES		(\$500,000)	
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Police Department's Workers' Compensation Claims appropriation by \$500,000 to reflect lower than projected workers' compensation claim expenditures.</p>				
<i>Community Re-Use Centers Facilities Maintenance/Custodial Needs</i>	PUBLIC WORKS		\$300,000	
<p>Increases the Public Works Personal Services appropriation by \$136,000 and the Public Works Non-Personal/Equipment appropriation by \$164,000 to provide funding for custodial services and maintenance needs at Parks, Recreation and Neighborhood Services (PRNS) Re-Use Community Centers. As part of the 2010-2011 budget process, the closure of 22 Satellite and Neighborhood Community Centers was approved with a July 2011 implementation date. These sites were made available for community use through the Facility Re-Use Program. For centers on the re-use list, the goal was to negotiate a portion of the responsibility of facility maintenance into the lease agreements for any centers that became re-use centers. As re-use organization negotiations continued in parallel with the budget process, fewer than anticipated tenants were able to bear the full maintenance expense and remain operationally viable. Since the tenants are not obligated to pay the maintenance costs as part of their re-use lease, and the City is contractually obligated to maintain the facilities at the levels they were maintained prior to re-use, Public Works continued providing maintenance services to these facilities. This action restores the funding for these services. The total restoration is \$300,000, of which \$164,000 will be used for contracted custodial services, and \$136,000 will be used for personal services costs (1.0 Electrician) for maintenance duties that have continued at certain re-use locations. An increase to the Public Works 2012-2013 Base Budget, including the addition of 1.0 Electrician position, will be required as well.</p>				
<i>Convention Center Lease Payments/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		(\$15,359,000)	(\$5,359,000)
<p>Eliminates the Convention Center Lease Payments appropriation. The Convention Center debt service payments were originally anticipated to be funded by the City (\$10.0 million) and the San Jose Redevelopment Agency (SJRA) (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. A corresponding reduction to the estimate for Revenue from Local Agencies (\$5.4 million) is also recommended to reflect the elimination of a SJRA reimbursement for a portion of the payment. The resulting \$10.0 million in savings is recommended to be reallocated to the 2012-2013 Future Deficit Reserve as described elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
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REQUIRED TECHNICAL/REBALANCING ACTIONS

<i>Department Rebalancing Plan - City Attorney's Office</i>	CITY ATTORNEY		\$200,000	
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Increases the Personal Services appropriation by \$325,000 to correct a projected City Attorney's Office expenditure overage by year-end. Personal services expenditures are tracking to end the year approximately \$440,000 above budgeted levels due to personal services expenditures related to 2011-2012 approved budget actions that the City Attorney's Office is unable to implement, and therefore, assigned staff to unbudgeted General Fund legal work. The City Attorney's Office plans to carefully monitor and prioritize non-personal/equipment expenditures to achieve savings of \$125,000 which is recommended to be reallocated to the City Attorney's Office Personal Services appropriation to help offset the overage. Combined with the reallocation of non-personal/equipment funding, the City Attorney's Office expects additional vacancy savings of at least \$115,000 to be realized by year end, narrowing the gap between the budget and the estimated expenditures to \$200,000. An action to allocate \$200,000 from the General Fund to the City Attorney's Office Personal Services appropriation is being recommended, thereby bringing the estimated expenditures for the Department in line with their budget.

<i>Department Rebalancing Plan - Public Works</i>	PUBLIC WORKS			
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Reallocates \$400,000 from the utilities expenditures to contractual services within the Public Works Non-Personal/Equipment appropriation to provide for critical maintenance and repair impacts required to address basic health and safety concerns. Due to continuous budget reductions in facility maintenance, the City is currently performing maintenance at a level below what is necessary to avoid significant system failures. Currently the City defers 62% of preventative work orders. This type of deferred maintenance can be carried for a short period of time, but carried on from year to year can lead to premature equipment failure and expensive repairs. In the last year, several significant failures have contributed to major expenses and additional funding is required this year to ensure facilities continue to be operational. The contractual services funding will be used to ensure heating and cooling equipment is properly functioning at the 911 Communications Center as well as the City's Community Centers that serve as emergency cooling locations and host the Senior Nutrition Programs. In addition, this funding will be used to proactively maintain roofs, electrical systems, and large mechanical systems at City facilities. Without proper preventative maintenance, equipment will run inefficiently, fail and lead to overall increased maintenance and replacement costs. As part of the 2012-2013 budget process, the Administration will conduct an analysis to identify the ongoing funding needed for preventative maintenance given the state of the City's facilities and will bring forward a budget proposal as appropriate. Lower electricity costs have generated savings and are available to support this funding reallocation.

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Departmental Savings - Finance</i>	FINANCE		(\$200,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Finance Department's Personal Service appropriation by \$200,000. The Finance Department is projected to end the year with General Fund personal services savings given higher than anticipated vacancies.				
<i>Departmental Savings - Office of Economic Development</i>	ECONOMIC DEVELOPMENT		(\$300,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Office of Economic Development's Non-Personal/Equipment appropriation by \$300,000 to reflect anticipated savings as a result of a lower need for outside appraisal and broker services.				
<i>Departmental Savings - Planning, Building and Code Enforcement</i>	PLANNING, BLDG, & CODE ENF		(\$350,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Planning, Building and Code Enforcement (PBCE) Department's Personal Services appropriation by \$350,000. The PBCE Department is projected to end the year with General Fund personal services savings given higher than anticipated vacancies.				
<i>Departmental Savings - Police</i>	POLICE		(\$2,000,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Police Department's Personal Services appropriation by \$1,000,000 and the Non-Personal/Equipment appropriation by \$1,000,000. Based on current personal services tracking and the number of vacancies in the Department, sufficient salary and fringe benefit savings are expected to be generated by year-end to support this action. Non-Personal/Equipment savings will be generated from lower vehicle replacement costs (\$800,000) as a result of fewer Police vehicles meeting the required replacement criteria for mileage and age, and lower gas and electricity costs (\$200,000) than previously anticipated.				
<i>Habitat Conservation Plan</i>	PLANNING, BLDG, & CODE ENF		\$100,000	
Increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation to prepare the Habitat Conservation Plan. As approved by the City Council on October 18, 2011, staff will proceed with the plan and prepare the Final Habitat Conservation Plan for formal review by the U.S. Fish and Wildlife Service and California Department of Fish and Game. Pending City Council approval, funding was approved to be set aside in an earmarked reserve as part of the 2010-2011 Annual Report. A corresponding decrease to the Habitat Conservation Plan Earmarked Reserve is also included elsewhere in this report to offset this action.				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Habitat Conservation Plan Reserve</i>	EARMARKED RESERVES		(\$100,000)	
<p>Eliminates the Habitat Conservation Plan Reserve to provide funding for the preparation of the Habitat Conservation Plan. As approved by the City Council on October 18, 2011, staff will proceed with the plan and prepare the Final Habitat Conservation Plan for formal review by the U.S. Fish and Wildlife Service and California Department of Fish and Game. Pending City Council approval, funding was approved to be set aside in this earmarked reserve as part of the 2010-2011 Annual Report. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is also included elsewhere in this report to offset this action.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	CITY MANAGER		(\$51,000)	
<p>Decreases the Personal Services (\$38,000) and Non-Personal/Equipment (\$13,000) appropriation in the City Manager's Office recognizing vacancy and related Non-Personal/Equipment savings in the Medical Marijuana Regulatory Fee Program staffing (portion of a Deputy City Manager position). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	CITY-WIDE EXPENSES		(\$148,000)	
<p>Decreases the Medical Marijuana Regulatory Fee Program Administration City-Wide Expenses appropriation for law enforcement, regional coordination, and unanticipated need/costs. On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Medical Marijuana Regulatory Fee Program Rebalancing</i>	FINANCE		(\$182,000)	
<p>Decreases the Personal Services appropriation in the Finance Department recognizing vacancy savings in the Medical Marijuana Regulatory Fee Program staffing (two Accountant positions). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	POLICE		(\$249,000)	
<p>Decreases the Personal Services appropriation in the Police Department to recognize vacancy savings associated with the Medical Marijuana Regulatory Fee Program staffing (two Police Officer positions). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Property Tax Administration Fee</i>	CITY-WIDE EXPENSES		\$540,000	
<p>Increases the Property Tax Administration Fee appropriation by \$540,000. This fee is assessed by the County of Santa Clara and reflects a new projection recently provided by the County Controller Treasurer. Property Tax Administration Fees are now anticipated to increase by approximately 20% in 2011-2012 due to the cost of a new Tax Collection and Apportionment system implemented by the County. The Finance Department will work with the County to ensure increases to fees are better coordinated with the City in the future.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Reserve Savings - Filled Position Elimination Expenditure Impacts Reserve</i>	EARMARKED RESERVES		(\$700,000)	
<p>Eliminates the Filled Position Elimination Expenditure Impacts Reserve of \$700,000. This reserve was established to address the impacts of employee placements from the 2011-2012 budget process as well as lower than budgeted levels of vacancies in departments. During the employee placement process, a number of employees at higher salary levels were placed into vacant positions budgeted at a lower level or into positions previously held by lower step employees. Because of the higher than anticipated level of vacancies generating sufficient savings in departmental personal services allocations, this reserve is no longer needed. As a result, savings are available and recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve as part of this document.</p>				
<i>Reserve Savings - Salaries and Benefits Reserve</i>	EARMARKED RESERVES		(\$1,222,583)	
<p>Decreases the Salaries and Benefits Reserve to realize savings based on actual health and dental rate increases. During the development of the 2011-2012 Budget, based on actuarial analysis, it was assumed that the City's health rate contribution would increase by 14% and the dental rate would increase by 3.5% on January 1, 2012. The actual rate increases implemented totaled 7.2% for health and no increase to the dental rate. As a result, savings are available and recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve as part of this document.</p>				
<i>Revenue - Business Taxes</i>	REVENUE ADJUSTMENTS			\$1,579,000
<p>Increases the Business Taxes revenue estimate by \$1.6 million from \$38.6 million to \$40.2 million based on stronger than budgeted collection levels in the Cardroom Tax (\$729,000) and Marijuana Business Tax (\$850,000). The increase in the Cardroom Tax is recommended based on actual 2010-2011 performance as well as current year collection trends. The Marijuana Business Tax continues to exceed budgeted year end projections of \$2.5 million and is recommended to be increased as part of a rebalancing plan to partially offset the loss in the Medical Marijuana Regulatory Fees (\$1.4 million) as described else were in this document. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Revenue - Licenses and Permits (Medical Marijuana Regulatory Fees)</i>				REVENUE ADJUSTMENTS (\$1,380,000)
Decreases the Licenses and Permits revenue estimate by \$1.4 million to reflect the loss in revenue from Medical Marijuana Regulatory Program Fees adopted in the 2011-2012 Budget and other minor adjustments. On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Re-balancing actions are recommended as described elsewhere in this document to fully offset this loss in revenue, including an increase in the Marijuana Business Tax (\$850,000) based on higher actual collections and various expenditure reductions in the Police and Finance Departments, the City Manager's Office, and City-Wide Expenses (\$630,000). Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
<i>Revenue - Other Revenue</i>				REVENUE ADJUSTMENTS \$272,000
Increases the Other Revenue estimate by \$272,000 primarily as a result of higher than anticipated Arena Rental revenue (\$307,000) and SB 90 reimbursements from the State to reimburse the City for State mandates (\$286,000), partially offset by a reduced estimate for the sale of surplus property (-\$300,000). Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
<i>Revenue - Sales Tax</i>				REVENUE ADJUSTMENTS \$3,321,000
Increases the Sales Tax revenue estimate by \$3.32 million from \$147.13 million to \$150.45 million to reflect higher projected General Sales Tax (\$3.05 million) and Proposition 172 Sales Tax (\$217,000). The increase in the General Sales Tax revenue estimate reflects stronger than anticipated actual first quarter 2011-2012 revenue performance as well as the assumption that 3% year-over-year growth will be realized in the remaining three quarters. The increase in the Proposition 172 Sales Tax estimate is based on actual collection trends. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Revenue - Transient Occupancy Tax</i>				\$1,098,000
Increases the Transient Occupancy Tax revenue estimate by \$1.1 million from \$7.2 million to \$8.3 million to reflect the actual 2010-2011 performance and current collections, which are tracking well above the prior year. A corresponding increase is recommended in the Transient Occupancy Tax Fund, which receives 60% of this tax. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion 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.				
			REVENUE ADJUSTMENTS	
<i>Revenue - Utility Tax</i>				\$2,210,000
Increases the Utility Tax revenue estimate by \$2.2 million from \$88.0 million to \$90.2 million. The majority of this increase is attributed to a recently received final settlement payment from PG&E in the amount of \$1.56 million that corrected for underpayments and related penalties and interest of Gas and Electric franchise fees, surcharges, and utility user taxes from January 1, 2007 through December 31, 2010 that were not coded as San José properties in PG&E's billing system. The remaining increase of \$650,000 is attributed to higher Gas and Telephone Utility Tax collections based on higher current year collection trends and actual 2010-2011 performance. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	
<i>Revenues - Fines, Forfeitures and Penalties</i>				(\$500,000)
Decreases the Fines, Forfeiture, and Penalties revenue estimate by \$500,000 based on current collection trends. A few areas, such as municipal court fines, are tracking below projected levels. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	
<i>Revenues - Transfers and Reimbursements (Overhead Reimbursements)</i>				(\$1,445,843)
Decreases the Transfers and Reimbursements revenue estimate by \$1.4 million from \$73.3 million to \$71.9 million to reflect lower than budgeted overhead reimbursements. Through December, overhead reimbursements from capital funds are tracking well below the prior year and the budgeted estimate due primarily to staff vacancies in those funds. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Transfer to the Municipal Golf Course Fund</i>	TRANSFERS		\$300,000	
<p>Increases the Transfer to the Municipal Golf Course Fund by \$300,000 from \$1.5 million to \$1.8 million. This increase will help to offset the adjustments made to the fund's budgeted revenue and expenditure estimates. While activity levels at the golf courses have slightly increased year-over-year, revenue has not increased sufficiently to meet budget estimates. This adjustment to the transfer will ensure that fund balance in this fund remains stable.</p>				
 TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS			(\$971,583)	(\$204,843)
 GRANTS/REIMBURSEMENTS/FEES				
<i>2009 Urban Areas Security Initiative (UASI) Grant - Fire/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$45,000	\$45,000
<p>Increases Fire Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for the 2009 UASI Grant as a result of the UASI board granting more funding to the San José Fire Department. The additional grant funding will be used to reimburse the City for legal expenses incurred as of August 18, 2011 by the City's lobbyist. The lobbyist worked on a Public Safety Spectrum Trust (PSST) lease corrective action associated with a Bay Area UASI project. The reimbursable expenses include, but are not limited to: drafting, review and transmittal of documents (Waiver Petitions, Resolutions, Notice of Ex Parte), preparation and issuance of correspondence to agencies involved in the PSST such as the Federal Communications Commission and BayRICS, and other legal services as required. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>				
<i>2009 Urban Areas Security Initiative (UASI) Grant - Police/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$67,000	\$67,000
<p>Increases Police Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for the 2009 UASI Grant as a result of the UASI board granting more funding to the San José Police Department. The additional grant funding will be used to purchase 11 UHF-R2 and 700-800 Dual Band handpack radios for the MERGE Unit to replace the XTS 3000 model that is outdated and no longer supported by the manufacturer. This purchase will begin the Department's transition to 700-800 Mhz, in order for all public safety jurisdictions to communicate with each other. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<p>9-1-1 Communications Center Maintenance/Revenue from State of California</p> <p>Increases the Police Department's Non-Personal/Equipment appropriation for maintenance of the Meridian1 (M1) switch, which is the main server that handles the routing of the City's 9-1-1 calls. As a 9-1-1 call enters the system, the M1 queries the Automatic Number Index (ANI) and Automatic Location Information (ALI) databases to obtain the phone number and location of the caller. As the data is being retrieved, the M1 routes the call to the dispatcher and provides the ANI/ALI for every 9-1-1 Call. The M1 also handles 3-1-1 AutoAttendant (Call Pilot/Call Tree) and all of the call taking reporting software (Symposium). The current maintenance agreement expires on March 9, 2012. A corresponding increase to the estimate for Revenue from the State of California is also recommended.</p>	POLICE		\$51,510	\$51,510
<p>Animal Care Services Humane Society of Silicon Valley Grant/Other Revenue</p> <p>Increases the Public Works Department's Non-Personal/Equipment appropriation to reimburse Animal Care and Services (ACS) for Chihuahua spay and neutering services. ACS in partnership with the Humane Society of Silicon Valley (HSSV), is participating in a targeted approach to reduce the number of breeding Chihuahuas in San José. PetSmart Charities has awarded a two year grant for \$200,000 to provide free surgeries to residents who own Chihuahua's in specific San José zip codes. These areas were selected after examining Chihuahua intake at the City's Animal Shelter for the last two years. For each surgery that the City performs under the terms of the grant, the City will be reimbursed approximately \$60. ACS intends to perform approximately 1,000 surgeries per year through the end of the grant period, October 17, 2013. For the period between February 2012 through June 2012, ACS anticipates performing approximately 300 surgeries for reimbursement of \$18,250. A corresponding increase in Other Revenue is also recommended.</p>	PUBLIC WORKS		\$18,250	\$18,250
<p>Bulletproof Vest Partnership Grant/Revenue from Federal Government</p> <p>Appropriates funding to the Police Department for the purchase of bulletproof vests. The United States Department of Justice will reimburse the Police Department for bulletproof vests purchased through August 31, 2013; however, the grant funding is anticipated to be expended by June 30, 2012. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>	CITY-WIDE EXPENSES		\$18,620	\$18,620

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Communities Putting Prevention to Work Grant - Obesity Prevention Initiative/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$104,987	\$104,987
Recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services Department from the County of Santa Clara Public Health Department as part of the Communities Putting Prevention to Work - Obesity Prevention Initiative. This grant will expand county-wide obesity prevention efforts and focus on high-impact nutrition and physical activity interventions.				
<i>Enhance Fitness and Matter of Balance Programs Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$50,000	\$50,000
Recognizes and appropriates year one of a two year grant from the Valley Medical Center Foundation to the Parks, Recreation and Neighborhood Services Department. These funds will be used to administer the Enhance Fitness and Matter of Balance wellness programs for seniors ages 55 and older. Enhance Fitness is a low-cost group exercise program that helps older adults become more active and empowered to sustain independent lives. The Matter of Balance program promotes practical strategies to reduce fear of falling and increase activity levels within this same community.				
<i>Fee Supported Reserve - Building</i>	EARMARKED RESERVES		(\$200,000)	
Decreases the Fee Supported Reserve - Building to provide funding for peak staffing agreements. Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is recommended elsewhere in this report.				
<i>Fee Supported Reserve - Planning</i>	EARMARKED RESERVES		(\$100,000)	
Decreases the Fee Supported Reserve - Planning to provide funding for peak staffing agreements. Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is recommended elsewhere in this report.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Grace Community Center Electronic Health Records Grant/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$59,000	\$59,000
<p>Recognizes and appropriates year one of a three year grant from Santa Clara County to the Parks, Recreation and Neighborhood Services Department. These funds will be used to implement a new Electronic Health Records (EHR) system at Grace Community Center to coincide with the County's efforts to migrate to a new EHR system. Santa Clara County provided this grant to support this transition at all of their contracted mental health provided sites including Grace Community Center. These funds will support the use of an outside vendor to transition to this new system while meeting all County standards.</p>				
<i>Local Enforcement Agency Grant/Revenue from State of California</i>	PLANNING, BLDG, & CODE ENF		\$29,229	\$29,229
<p>This action increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation and recognizes grant funding from the State of California for supplies, training, and software maintenance associated with the solid waste facilities permit and inspection program.</p>				
<i>N. California Regional Intelligence Center (NCRIC) SUASI-Police/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		(\$42,121)	(\$42,121)
<p>Decreases Police Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for salary, benefits, overtime, and travel costs for one Police Lieutenant position as a member of the NCRIC. This action aligns the grant appropriation with the revised award amount from the UASI. A corresponding decrease to the estimate for Revenue from the Federal Government is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEEES				
<i>PRNS Fee Activities/Departmental Charges</i>	PARKS, REC, & NEIGH SVCS		\$600,000	\$600,000
<p>Increases the Parks, Recreation and Neighborhood Services Department (PRNS) Fee Activity appropriation and the PRNS Departmental Charges revenue estimate by \$600,000. The Fee Activity appropriation is tracking to exceed the budget by approximately \$600,000 due to increased participation levels in recreational and after school fee classes. In 2010-2011, PRNS expanded the Recreation of City Kids (ROCK) program for the delivery of after-school programs at nine elementary school sites. This program is fee-based and provides standardized activities that include homework assistance and innovative recreation and play. The total annual revenue goal for this program was projected at approximately \$350,000, and year-to-date, the program has already exceeded the annual target and is expected to end the year at levels approximately \$350,000 above budgeted. In addition, the fitness and Group X Exercise programs are also tracking at twice their estimated activity projections. The increase in the Fee Activity appropriation will provide for additional staff hours needed to support the increased participation in the ROCK program and additional vendor hours for the fitness and Group X exercise programs.</p>				
<i>Parent Project Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$27,823	\$27,823
<p>Increases the San José BEST Program appropriation by \$27,823. Parents who attended anti-gang seminars reimbursed the program for training materials received. A corresponding increase to the estimate for Other Revenue is also recommended.</p>				
<i>Peak Staffing Agreement</i>	PLANNING, BLDG, & CODE ENF		\$300,000	
<p>Increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation to provide funding for peak staffing agreements, which will be funded by the Fee Supported Reserve - Building (\$200,000) and the Fee Supported Reserve - Planning (\$100,000). Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. Corresponding decreases to the Fee Supported Reserve - Building and the Fee Supported Reserve - Planning are also included in this report to offset this action.</p>				
<i>Rapid Enforcement Allied Computer Team (REACT) Task Force/Revenue from State of California</i>	POLICE		\$3,000	\$3,000
<p>Increases the Police Department's Personal Services appropriation for support of the REACT Tack Force. San José Police Officers on overtime assist the task force with high technology crime related investigations, operations, and prosecutions. A corresponding increase to the estimate for Revenue from the State of California is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEEES				
<i>Senior Nutrition Program/Revenue from Local Agencies</i>	PARKS, REC, & NEIGH SVCS		\$664,985	\$664,985
Recognizes revenue from the County of Santa Clara (\$664,985) and appropriates Non-Personal/Equipment funding (\$664,985) to reimburse for the cost of meals provided to seniors as part of the Senior Nutrition Program at a total of 14 sites in four regions.				
<i>Sidewalk Repair Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$500,000	\$500,000
Increases the Sidewalk Repair appropriation and the estimate for Other Revenue by \$500,000. This increase will allow for completion, through a contractor, of sidewalk repairs on behalf of residents in 2011-2012. The costs for these repairs, along with an administrative fee, are then passed on to the property owner.				
<i>Southbay Shakedown Task Force/Revenue from Federal Government</i>	POLICE		\$13,101	\$13,101
Increases the Police Department's Personal Services appropriation to support overtime staffing while working on the Organized Crime Drug Enforcement Task Force (OCDETF), which is known locally as the Southbay Shakedown Task Force. The funding award of \$13,101 reimburses the Department for work done with the Task Force beginning in July 2011. San José Police Officers on overtime assist the task force with narcotics related investigations, operations, and prosecutions. A corresponding increase to the estimate for Revenue from Federal Government is also recommended.				
<i>Target Youth Intervention Services Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$10,000	\$10,000
Increases the San José BEST Program appropriation and recognizes revenue of \$10,000 from Target Corporation for the Target Youth Intervention Services Grant. As a participating member of the National Forum on Youth Violence, the City will sub-grant this allocation to a local community based organization that will develop a youth based media program and a youth leadership structure. A corresponding increase to the estimate for Other Revenue is also recommended.				
<i>The Health Trust Communities Putting Prevention to Work Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$25,000	\$25,000
Recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services Department from The Health Trust to develop and implement a policy education plan to support environmental and policy changes to encourage healthy eating and increase physical activity with the goal of obesity prevention. A corresponding increase to the estimate for Other Revenue is also recommended.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Urban Village Plans/Other Revenue</i>	PLANNING, BLDG, & CODE ENF		\$50,000	\$50,000
<p>This action increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation and recognizes grant funding from The Health Trust for consulting services associated with the urban village plans for the Five Wounds/Brookwood Terrace project. A corresponding increase to the estimate for Other Revenue is also recommended.</p>				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$2,295,384	\$2,295,384
URGENT FISCAL/PROGRAM NEEDS				
<i>Elections and Ballot Measures</i>	CITY-WIDE EXPENSES		\$1,300,000	
<p>Establishes an appropriation for election and ballot measure costs for \$1.3 million, bringing the total amount allocated in this report for the Elections and Ballot Measures appropriation to \$1.8 million. This allocation will fund five Council District elections in June 2012 for approximately \$270,000 and fund potentially three ballot measures (Retirement Reform and two additional measures) including signature verification for the Petition for Referendum filed by the Medical Marijuana Advocates for approximately \$1.53 million which is based on estimates from the County Registrar of Voters. The \$1.3 million recommended to be allocated as part of this action is funded from the elimination of the Retirement Reform Election appropriation as discussed elsewhere in this report. This report includes an additional action to shift \$500,000 from the City Clerk Non-Personal/Equipment appropriation that was set aside for potential elections costs as part of the 2011-2012 Adopted Budget, to this Elections and Ballot Measures appropriation in order to consolidate the budget and all related costs.</p>				
<i>Fiscal Reform Plan Implementation Reserve</i>	EARMARKED RESERVES		\$2,100,000	
<p>Establishes the Fiscal Reform Plan Implementation Reserve for \$2.1 million in the General Fund to fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. In May 2011, the City Council approved a Fiscal Reform Plan, as amended, to achieve savings and/or new revenues to eliminate the General Fund structural deficit, restore services to the January 2011 level, and open facilities built or under construction within five years. The funding for this action is available through the elimination of the Retirement Reform Election appropriation, which is recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Horse Mounted Unit</i>	POLICE			
As part of the 2010-2011 Annual Report, the Mayor and City Council approved an increase to the Police Department's budget of \$102,000 to continue the Horse Mounted Unit (HMU) through mid-February 2012 as a collateral assignment as described in the 2011-2012 Adopted Operating Budget. This increase was recommended and approved to provide time for the Administration to explore having the San José Police Foundation (Foundation) fundraise matching funds of \$102,000 to continue the HMU through the end of 2011-2012. The Foundation has indicated a willingness to pursue fundraising for the HMU, but because those efforts will not be occurring until late Spring 2012, uncertainty still remains regarding the amount of financial support that will be realized to provide for the HMU for the remainder of 2011-2012. Therefore, in order to provide additional time for fundraising and certainty regarding HMU operations, the Administration is recommending that the HMU be funded with City funding through June 30, 2012. To provide funding for the HMU operations, the Police Department has canceled the horse trainer contract which will provide \$30,000 in non-personal/equipment savings and will utilize \$75,000 in non-sworn vacancy savings. In order to align Police Department savings with the remaining 2011-2012 costs for the HMU, \$10,000 is recommended to be shifted from the Department's Personal Services appropriation to the Non-Personal/Equipment appropriation. The Administration will revisit HMU funding needs beyond 2011-2012 as part of the 2012-2013 Proposed Operating Budget.				
<i>Labor/Employee Relations Consultant Funding</i>	CITY-WIDE EXPENSES		\$400,000	
Increases the Labor/Employee Relations Consultant Funding appropriation for ongoing assistance with implementation of the City's Fiscal Reform Plan, specifically labor negotiations related to Retirement Reform, and the negotiations for a successor memorandum of agreement with 5 bargaining units in 2012-2013. The Fiscal Reform efforts, including the related retirement reform ballot measure, are expected to achieve savings in the range of \$75 million in the General Fund.				
<i>Lake Cunningham Skate Park Reserve/Other Revenue</i>	EARMARKED RESERVES		\$3,000	\$10,000
Establishes a Lake Cunningham Skate Park Reserve appropriation and recognizes revenue from donations collected to help fund the continued operations of the Lake Cunningham Skate Park. To-date, donations total \$10,000, of which \$5,000 was received from the Health Trust and another \$5,000 commitment has been made by First Five. This action recognizes \$10,000 of donation revenue and places \$3,000 of it into a reserve. The remaining \$7,000 will be used to augment the appropriation increases that support operations at the Skate Park. A corresponding increase to the estimate for Other Revenue is also recommended.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Lake Cunningham Skate Park/Departmental Charges</i>	PARKS, REC. & NEIGH SVCS		\$57,500	\$50,500
Increases the Department's revenue and expenditure appropriations to continue operations at the Lake Cunningham Skate Park through June 2012. Actions to increase Personal Services (\$38,750) and Non-personal/equipment (\$18,750) appropriations are primarily offset by an increase to the Departmental Charges estimate of \$50,500. The balance of \$7,000 will be covered by donations from the Health Trust (\$5,000) and First Five (\$2,000). A corresponding increase to the estimate for Departmental Charges is also recommended.				
<i>Police Officer Recruit Academy Support</i>	POLICE		\$150,000	
Increases the Police Department's Non-Personal/Equipment appropriation to fund backgrounding and marketing costs related to the Police Officer Recruit Academy. As of January 1, 2012, the Police Officer reinstatement list was exhausted. Therefore, in order to fill sworn vacancies the Department will need to hire lateral transfers from other law enforcement agencies and begin recruiting efforts for an Academy in 2012-2013. In order to maximize the potential of obtaining highly qualified candidates for the Recruit Academy, it is more cost effective and efficient to conduct the backgrounding on a contractual basis rather than reassigning a sworn staff from patrol or performing the duties on overtime. In addition, funding will be used for targeted marketing and outreach in publications and at job fairs, community colleges, and military agencies.				
<i>Retirement Actuarial Services</i>	CITY-WIDE EXPENSES		\$50,000	
Increases the Retirement Actuarial Services appropriation to provide additional funding for actuarial services to assist with costing and estimates related to Retirement Reform, and to provide assistance to the City in evaluating and understanding City retirement costs, as determined by the Retirement Boards.				
<i>Retirement Reform Election</i>	CITY-WIDE EXPENSES		(\$3,400,000)	
Eliminates the Retirement Reform Election allocation of \$3.4 million. As part of the 2011-2012 Mayor's June Budget Message, the City Council allocated \$3.4 million for a potential Retirement Reform ballot measure to be considered by the voters in March 2012. On December 6, 2011, the City Council approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration. The cost for the Retirement Reform Ballot Measure for the June election is estimated to be approximately \$600,000. This report includes recommendations to re-allocate the \$3.4 million previously allocated in the Retirement Reform Election allocation towards anticipated election and ballot measure costs for June 2012 (\$1.3 million) and the Fiscal Reform Plan Implementation Reserve (\$2.1 million) as recommended elsewhere in this report.				

**General Fund Recommended Budget Adjustments Summary
2011-2012 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>Unanticipated/Emergency Maintenance - City Hall Boilers, Lightning Rods, Pavers, Light Replacement</i>	CAPITAL PROJECTS		\$400,000	

Increases the Unanticipated/Emergency Maintenance capital improvement appropriation by \$400,000. Public Works facility management continues to experience high levels of unanticipated failures in large systems. The exact timing of these needs is difficult to predict, but failures tend to occur where preventative maintenance has been deferred. Currently approximately 62% of preventative maintenance is deferred. This increase in deferred maintenance is typical of a situation where budgets are shrinking and in the short term, deferring individual work items is manageable; however, in the long term, deferring maintenance increases the incidences of corrective maintenance. Often times corrective work is more costly and comes with longer equipment or facility down time. In 2011-2012, \$250,000 was budgeted for Unanticipated/Emergency Maintenance; however, this funding has already been used to repair the chiller and boiler tube at City Hall, replace the Uninterrupted Power Supply battery at the Communications Center, and address miscellaneous lighting and door failures at City facilities. In order to address the most severe issues, additional funding is recommended to replace the boiler tubes at City Hall to ensure proper heating, replace stolen lightning rods on the City Hall roof, replace damaged exterior lighting at City Hall due to vandalism, remove and replace the pavers around City Hall, and set aside funding for future unexpected failures. As part of the 2012-2013 budget process, the Administration will conduct an analysis to identify the funding needed for preventative maintenance and will bring forward a proposal to properly fund this need.

TOTAL URGENT FISCAL/PROGRAM NEEDS

\$1,060,500 \$60,500

General Fund Recommended Budget Adjustments Totals

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
	\$2,384,301	\$2,151,041

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Terminal Area Improvement, Phase I/Earned Revenue</i>	Airport Capital Program		\$211,000	\$211,000
<p>Increases the Terminal Area Improvement, Phase I project and the estimate for Earned Revenue by \$211,000. The Airport was awarded a grant in February 2009 to support the installation of pre-conditioned air units and power at 13 airport gates. This action increases the grant-allowable portion of project expenditures as approved through the Airport Improvement Program administered by the Federal Aviation Administration. Work to complete this project continues, and this additional allocation will help to offset expenses related to the installation of pre-conditioned air units and power in Terminal A.</p>				
TOTAL AIRPORT CAPITAL IMPVT FUND (520)			\$211,000	\$211,000
AIRPORT CUST FAC & TRANS FD (519)				
<i>Airport Commercial Paper Fees</i>	Airport		\$250,000	
<p>Increases the Airport Non-Personal/Equipment appropriation by \$250,000 to offset the cost of the Commercial Paper Program fees incurred from July to December 2011, when the Series 2011B fixed rate bond proceeds were available to refund a portion of the variable rate Commercial Paper notes. A reduction to the Airport's Contingency Reserve is recommended below.</p>				
<i>Contingency Reserve</i>	Airport		(\$250,000)	
<p>Decreases the Airport Contingency Reserve by \$250,000 to offset the higher expenditure for Commercial Paper Program fees incurred from July to December 2011, when the Series 2011B fixed rate bond proceeds were available to refund a portion of the variable rate Commercial Paper notes.</p>				
TOTAL AIRPORT CUST FAC & TRANS FD (519)			\$0	\$0
AIRPORT RENEW & REPL FUND (527)				
<i>Airfield Improvements</i>	Airport Capital Program		(\$135,000)	
<p>Decreases the Airfield Improvements appropriation by \$135,000 to partially fund the purchase in the Equipment, Operating appropriation of a new Manager-on-Duty vehicle (\$50,000) and airfield mower (\$230,000), both of which have outlived their useful lives. The replacement of the airfield mower is required to comply with FAR139 regulations and is consistent with the purpose of the Airfield Improvement project. Funding is available in the Airfield Improvement appropriation as a result of project savings for airfield signage. The use of existing funds in the Equipment, Operating appropriation (\$95,000), \$50,000 from project savings in the Wildlife Hazard Management Plan appropriation, and \$135,000 from this appropriation is recommended. Corresponding adjustments to the Equipment, Operating and Wildlife Hazard Management Plan appropriations are recommended elsewhere in this report.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
AIRPORT RENEW & REPL FUND (527)				
<p><i>Equipment, Operating</i></p> <p>Increases the Equipment, Operating appropriation by \$185,000. The Equipment, Operating appropriation funds the acquisition of Airport equipment on an as-needed basis, and the Airport is currently in need of a new Manager-on-Duty vehicle (\$50,000) and airfield mower (\$230,000), both of which have outlived their useful lives. The use of existing funds in this appropriation (\$95,000), \$135,000 from the Airfield Improvements appropriation, and \$50,000 from project savings in the Wildlife Hazard Management Plan appropriation is recommended. Corresponding adjustments to the Airfield Improvements and Wildlife Hazard Management Plan appropriations are also recommended elsewhere in this report.</p>	Airport Capital Program		\$185,000	
<p><i>Wildlife Hazard Management Plan</i></p> <p>Decreases the Wildlife Hazard Management Plan appropriation by \$50,000 due to project savings to partially fund the purchase of a new Manager-on-Duty vehicle (\$50,000) and airfield mower (\$230,000), both of which have outlived their useful lives. In addition to the decrease of \$50,000 in this appropriation, the use of existing funds (\$95,000) in the Equipment, Operating appropriation, and \$135,000 from the Airfield Improvements appropriation is recommended elsewhere in this report.</p>	Airport Capital Program		(\$50,000)	
TOTAL AIRPORT RENEW & REPL FUND (527)			\$0	\$0
BENEFIT FUND (160)				
<p><i>Health Premiums/Transfers</i></p> <p>Increases the Health Premiums appropriation to account for an average health rate increase of 7.2% for all bargaining units effective January 2012. A corresponding increase in the revenue estimate for Transfers is recommended to reflect the increase in the City's contribution rate to offset this adjustment.</p>	Human Resources		\$1,000,000	\$1,000,000
TOTAL BENEFIT FUND (160)			\$1,000,000	\$1,000,000
BLDG & STRUCT CONST TAX FD (429)				
<p><i>Adaptive Signal Control Equipment</i></p> <p>Establishes an appropriation for Adaptive Signal Control Equipment by reallocating funding from the Milpitas Transit Area - Capitol Avenue Corridor project. The Milpitas Transit Area project, intended to provide transit signal operation improvements in designated areas, is dependent upon VTA completion of its Wayside Detection Pilot project, which has experienced delays. This new project broadens the use of the funding to benefit all transit corridors. A corresponding decrease to the Milpitas Transit - Capitol Avenue Corridor Improvements project is recommended elsewhere in this report.</p>	Traffic Capital Program		\$200,000	

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Autumn Street Extension</i>	Traffic Capital Program		\$500,000	
Establishes an appropriation for the Autumn Street Extension (\$500,000) through a reduction to the Ending Fund Balance. The City has a permit with the Public Utility Commission (PUC) for construction of a railroad crossing at the new Autumn Street extension, which is a requirement for Downtown expansion and the proposed ballpark. The PUC permit will expire in January 2013 and the City is working with Union Pacific Railroad (UPRR) to install the new railroad crossing before that time. The PUC and UPRR required that a section of Autumn Street be constructed and used prior to activation of the new railroad crossing. The proposed funding will be used to design the roadway to meet the requirements of the permit. As part of the development of the 2013-2017 Proposed Capital Improvement Program, the Administration will evaluate the funding needs for the construction of Autumn Street.				
<i>Blossom Hill Road/Monterey Pedestrian Improvements</i>	Traffic Capital Program		\$21,000	
Increases the Blossom Hill Road/Monterey Pedestrian Improvements appropriation by \$21,000 to complete necessary fiber relocation work. Funds were received from the Valley Transportation Authority in 2010-2011 for the completion of this project.				
<i>Building and Structure Construction Tax Revenue Estimate</i>	Traffic Capital Program			\$3,000,000
Increases the budgeted estimate for Building and Structure Construction Tax receipts by \$3.0 million, from \$6.0 million to \$9.0 million. The 2011-2012 Adopted Capital Budget allowed for a decline of 36% from 2010-2011 levels, however through December, collections are down only 17%. The better than expected performance is primarily due to new residential construction activity. The additional funding is recommended to be placed in the Ending Fund Balance and will be considered in the development of the upcoming 2013-2017 Proposed Capital Improvement Program.				
<i>Ending Fund Balance Adjustment</i>	Traffic Capital Program		\$2,479,000	
Increases the Ending Fund Balance to offset actions recommended in this report.				
<i>Lighting and Signal Program/Earned Revenue</i>	Traffic Capital Program		\$6,000	\$6,000
Increases the Lighting and Signal Program appropriation and increases the estimate for Earned Revenue by \$6,000. This funding, which was collected from a developer for the purchase of traffic signal controller equipment, will allow for use of updated City standard equipment to enhance the operation of the traffic signal system.				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Milpitas Transit Area - Capitol Avenue Corridor Improvements</i>	Traffic Capital Program		(\$200,000)	
Eliminates the Milpitas Transit Area - Capitol Avenue Corridor Improvements project so the funding can be reallocated to a new Adaptive Signal Control Equipment project. The Milpitas Transit Area - Capitol Avenue Corridor Improvements project intended to provide transit signal operation improvements in designated areas, was dependent upon VTA completion of its Wayside Detection Pilot project, which has experienced delays. The reallocation of the funding to the new appropriation, recommended elsewhere in this report, allows the use of these funds for all transit corridors.				
<i>Project Development Engineering/Earned Revenue</i>	Traffic Capital Program		\$24,000	\$24,000
Increases the Project Development Engineering appropriation and recognizes revenue from the City of Seattle (\$1,000) as a reimbursement for the Department of Energy's Municipal Solid-State Street Consortium Workshop. The City paid for costs related to this workshop and is subsequently being reimbursed. Additionally, acceptance and appropriation of grant funding from the Valley Transportation Authority (\$23,000) is recommended as a reimbursement for expenditures related to the Project Readiness Initiative.				
TOTAL BLDG & STRUCT CONST TAX FD (429)			\$3,030,000	\$3,030,000
BRANCH LIB BOND PROJECT FD (472)				
<i>Contingency Reserve: Library Bond Projects/Earned Revenue - Miscellaneous</i>	Library Capital Program		\$367,000	\$367,000
Increases the Contingency Reserve: Library Bond Projects allocation and the estimate for Earned Revenue by \$367,000 to reflect the receipt of unanticipated revenues from an unbudgeted debt service fund. For the Series 2006 General Obligation Bond funds, \$362,000 was estimated to be the possible arbitrage rebate liability owed to the Internal Revenue Service, and was transferred from the Library Bond Projects Fund to an unbudgeted fund in 2007-2008. It was subsequently determined that there is no arbitrage liability, therefore, these funds, plus an additional \$5,000 of interest earnings, can be returned to the Library Bond Projects Fund.				
<i>Earned Revenue - General Obligation Bond Revenue</i>	Library Capital Program			(\$5,905,000)
Reduces the estimate for Earned Revenue for the Sale of General Obligation (GO) Bonds as part of the Branch Library Bond Projects by \$5.9 million. Based on the current financial market conditions, the City's timing needs for this funding, and cost/savings benefits of issuing multiple bond sales together, the Finance Department has determined that issuing the bonds in 2012-2013 would be more appropriate. A decrease to the Southeast Branch and Educational Park Branch appropriations are also recommended to offset this action, as described below.				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
BRANCH LIB BOND PROJECT FD (472)				
<i>Earned Revenue - Sale of Land</i>	Library Capital Program			(\$2,000,000)
<p>Reduces the estimate for Earned Revenue for the Sale of Land by \$2.0 million to account for a delay in the sale of land previously planned to occur in 2011-2012. The land was purchased with bond funding to be the site of the Bascom Branch Library; however, given the subsequent decision to instead build a joint library and community center, it was determined that this site was not suitable for the joint use. The sale of the land is now anticipated to occur in 2013-2014. A decrease to the Southeast Branch appropriation and Educational Park Branch appropriation are also recommended to offset this action.</p>				
<i>Educational Park Branch</i>	Library Capital Program		(\$1,905,000)	
<p>Decreases the Educational Park Branch appropriation to recognize project savings as a result of lower than anticipated construction costs. This action also partially offsets the revenue reductions associated with delaying the sale of the General Obligation Bonds and Sale of Land, as discussed above. The savings from this project are anticipated to be available in 2012-2013 once the sale of the General Obligation Bonds and Sale of Land are completed. These savings will be considered in the development of the 2013-2017 Proposed Capital Improvement Program.</p>				
<i>Southeast Branch</i>	Library Capital Program		(\$6,000,000)	
<p>Decreases the Southeast Branch appropriation by \$6.0 million due to delays in the acquisition of land, which has pushed out the construction schedule for this new branch library. This action also partially offsets revenue reductions associated with delaying the sale of the General Obligation Bonds and Sale of Land, as discussed above. This funding will be recommended to be reallocated to the Southeast Branch project as part of the 2013-2017 Proposed Capital Improvement Program.</p>				
TOTAL BRANCH LIB BOND PROJECT FD (472)			(\$7,538,000)	(\$7,538,000)
CFD #8 COMM HILL FUND (373)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$150,000)	
<p>Decreases the Ending Fund Balance to offset the action recommended below.</p>				
<i>Non-Personal/Equipment</i>	Transportation		\$150,000	
<p>Increases the Non-Personal/Equipment appropriation to provide for unanticipated tree maintenance work (\$45,000) and to provide landscape maintenance (\$105,000) for areas recently turned over to the maintenance district by the developer. It is anticipated that the cost of this ongoing maintenance need will be covered through annual assessments beginning in 2012-2013.</p>				
TOTAL CFD #8 COMM HILL FUND (373)			\$0	\$0
COMMUNITY FAC DIST #1 FUND (371)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$10,000)	
<p>Decreases the Ending Fund Balance to offset the increase recommended below.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
COMMUNITY FAC DIST #1 FUND (371)				
<i>Non-Personal/Equipment</i>	Transportation		\$10,000	
Increases the Non-Personal/Equipment allocation to provide for unanticipated tree maintenance work needed in the district. The palm trees in the boundaries of this community facilities district are bearing an unusually high amount of fruit this season and need to be pruned to minimize the hazard of falling fruit.				
TOTAL COMMUNITY FAC DIST #1 FUND (371)			\$0	\$0
CONST/CONV TAX CENTRAL FD (390)				
<i>Ending Fund Balance Adjustment</i>	Parks & Comm Fac Dev Capital Program		(\$160,000)	
Decreases the Ending Fund Balance to offset the adjustment to the Parks Facilities Capital Repairs project.				
<i>Parks Facilities Capital Repairs</i>	Parks & Comm Fac Dev Capital Program		\$160,000	
Establishes a new allocation for the Parks Facilities Capital Repairs project for \$160,000. This allocation will provide funding to address capital infrastructure repair needs such as floor repairs, equipment replacement, and roof repairs. In 2011-2012, funding of \$160,000 is recommended to be allocated from the Parks Central Fund Construction and Conveyance Tax Fund Ending Fund Balance. In addition, it is anticipated that the 2013-2017 Proposed Capital Improvement Program will include funding of \$60,000 annually from the Parks Central Construction and Conveyance Tax Fund, with additional funding being allocated from the Parks, Recreation and Neighborhood Services Department Non-Personal/Equipment appropriation in the General Fund as funding needs are evaluated.				
TOTAL CONST/CONV TAX CENTRAL FD (390)			\$0	\$0
CONST/CONV TAX FIRE FUND (392)				
<i>Ending Fund Balance Adjustment</i>	Public Safety Capital Program		(\$340,000)	
Decreases the Ending Fund Balance to offset actions recommended in this report.				
<i>Facilities Improvements</i>	Public Safety Capital Program		\$340,000	
Increases the Facilities Improvements appropriation by \$340,000 to fund urgent facility maintenance needs at Fire Station 11 (\$240,000) and Fire Station 15 (\$100,000). Due to mold issues, Fire Station 11 has become uninhabitable until mold abatement actions are taken. The station crew has moved out of the station and are living in temporary trailers until the repairs are made. In addition to mold abatement, Fire Station 11 needs repairs to the roof, the kitchen, the bathroom, and carpet replacement. Fire Station 15 also has some mold issues, but not severe enough to warrant the crew moving out of the station. In addition to mold abatement, Fire Station 15 needs repairs to the roof, the bathroom, and rodent extermination. A corresponding decrease to Ending Fund Balance is recommended to fund this action.				
TOTAL CONST/CONV TAX FIRE FUND (392)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONST/CONV TAX LIBRARY FD (393)				
<i>Facilities Improvement/Earned Revenue</i>	Library Capital Program		\$42,138	\$42,138
<p>Recognizes funding from the Vineland Branch Library debt service reserve account, previously held by the City's Trustee, as the bond was paid off in August 2011 and reserve funding is no longer needed. According to the City's Trustee, this funding must be expended within six months. Therefore, a corresponding action to allocate this funding to the Facilities Improvements appropriation is recommended. Funding will be used to evaluate options for security improvements at the Biblioteca Latinoamericana Branch Library.</p>				
TOTAL CONST/CONV TAX LIBRARY FD (393)			\$42,138	\$42,138
CONST/CONV TAX PKS CW FUND (391)				
<i>Family Camp Interim Dining Hall</i>	Parks & Comm Fac Dev Capital Program		(\$63,000)	
<p>Decreases the Family Camp Interim Dining Hall project by \$63,000 due to project savings. A corresponding action in this document recommends shifting this funding to the Family Camp Master Plan project as described below.</p>				
<i>Family Camp Master Plan</i>	Parks & Comm Fac Dev Capital Program		\$63,000	
<p>Increases the Family Camp Master Plan project by \$63,000. Additional funds are needed to conduct an archaeological cultural resource study associated with Native American artifacts that could possibly be discovered with any ground disturbance at San José Family Camp, as requested by the United States Forest Service. Funds will also be used to develop a noxious weed removal plan and for fees assessed by the Planning Department for the CEQA process. This report includes a corresponding decrease to the Family Camp Interim Dining Hall project.</p>				
<i>Happy Hollow East Side Improvements</i>	Parks & Comm Fac Dev Capital Program		(\$340,000)	
<p>Decreases the Happy Hollow East Side Improvements allocation by \$340,000 due to anticipated project savings. A corresponding action reallocates the funds to the Japanese Friendship Garden Tea House project, as described below.</p>				
<i>Japanese Friendship Garden Tea House</i>	Parks & Comm Fac Dev Capital Program		\$340,000	
<p>Establishes the Japanese Friendship Garden Tea House project for \$340,000. This project will provide funding to renovate the facility, thereby allowing the facility to be used for rentals, which will generate revenue in the future. Project elements may include constructing a ramp for wheelchair access, renovating the restrooms to bring them in line with current Americans with Disabilities Act standards, replacing the roof, and constructing interior improvements. Included in this report is a corresponding decrease to the Happy Hollow East Side Improvements project.</p>				
TOTAL CONST/CONV TAX PKS CW FUND (391)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Construction Excise Tax Revenue Estimate</i>	Traffic Capital Program			\$4,000,000
Increases the budgeted estimate for Construction Excise Tax receipts by \$4.0 million, from \$8.0 million to \$12.0 million. The 2011-2012 Adopted Capital Budget allowed for a decline of 40% from 2010-2011 levels, however through December, collections are down only 21%. The better than expected performance is primarily due to new residential construction activity. The additional funding is recommended to be placed in the Ending Fund Balance and will be considered in the development of the 2013-2017 Proposed Capital Improvement Program.				
<i>Copper Wire Replacement</i>	Traffic Capital Program		\$150,000	
Establishes an appropriation for Copper Wire Replacement in the amount of \$150,000 due to an increase in the number of streetlight copper wire thefts being experienced. The increase in thefts, which was detailed for the City Council in a January 2012 Information Memorandum, has contributed to a growing backlog of service requests to repair streetlight outages. Funds allocated for this purpose would be used for supplies and overtime for existing staff in completing repairs.				
<i>Ending Fund Balance Adjustment</i>	Traffic Capital Program		\$3,850,000	
Increases the Ending Fund Balance to offset actions recommended in this report.				
<i>Jackson Avenue and Alexian Drive Pedestrian Improvements/Earned Revenue</i>	Traffic Capital Program		\$35,000	\$35,000
Increases the estimate for Earned Revenue and establishes funding for the Jackson Avenue and Alexian Drive Pedestrian Improvements project. A total of \$35,000 was collected from a developer for pedestrian improvements, including the installation of pedestrian activated flashing beacons to enhance pedestrian crossings and traffic safety at the intersection.				
<i>Reserve - North San José Traffic Impact Fees/Earned Revenue</i>	Traffic Capital Program		\$2,501,426	\$2,501,426
Increases the estimate for Earned Revenue and funding to the Reserve - North San José Traffic Impact Fees to reflect actual traffic impact fees collected from developers. The funds are restricted to traffic improvements within the North San José Area and will be allocated as projects are identified.				
<i>Traffic Safety Education/Earned Revenue</i>	Traffic Capital Program		\$55,000	\$55,000
Recognizes grant funds collected through the Franklin McKinley Children's Initiative, under a grant from the California Office of Traffic Safety, and increases the Traffic Safety Education appropriation. Funds will be used for the ongoing education and encouragement of safe walking and biking behavior for school-aged children within the Franklin McKinley School District through assemblies, workshops, bicycle rodeos, and helmet fitting events.				
TOTAL CONSTRUCTION EXCISE TAX FD (465)			\$6,591,426	\$6,591,426

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONV/CULTURAL AFFAIRS FUND (536)				
<i>Convention Center Fixtures, Furniture, and Equipment</i>	Convention Facilities		\$150,000	
Establishes an appropriation for Fixtures, Furniture, and Equipment (FF&E) at the City's Convention Facilities. The City's operator of these facilities, Team San José, has identified the need for FF&E funding at the facilities. Due to the condition of the existing FF&E at the City's facilities, Team San José has often had to rent equipment at a higher long-term cost than owning, and have received customer feedback about the need for improvements in this area, such as tables, place settings, garbage cans, etc. The recommended allocation of \$150,000 will allow Team San José to begin addressing this need and will be offset by a reduction to the Convention and Visitors Bureau appropriation in this fund.	Dept			
<i>Convention Center Kitchen Remodel</i>	Convention Facilities		\$100,000	
Establishes an appropriation for design work related to the Convention Center kitchen. While working on the expansion/renovation of the Convention Center, the need for improvements to the kitchen, which is not currently funded in the project, has been identified. This allocation will allow for a 30% design for this project to determine the cost of a remodel. A plan to address this cost, if feasible, will be developed once the cost of the project is identified.	Dept			
<i>Convention and Visitors Bureau</i>	Convention Facilities		(\$412,000)	
Decreases the allocation in this fund for Convention and Visitors Bureau (CVB) marketing services by \$412,000 as a result of better than anticipated performance in the Transient Occupancy Tax (TOT) Fund through December. Due to the fact that a portion of the additional current year TOT receipts in the TOT Fund are allocated for CVB marketing services, in accordance with the distribution formula outlined in the the San José Municipal Code as recommended elsewhere in this report, the allocation for CVB marketing services in the Convention and Cultural Affairs Fund can be reduced while preserving the same level of overall resources for the CVB.	Dept			
<i>Ending Fund Balance Adjustment</i>	Convention Facilities		\$986,000	
Increases the Ending Fund Balance as a result of actions recommended in this document.	Dept			
<i>Non-Personal/Equipment/Earned Revenue</i>	Convention Facilities		\$3,500,000	\$3,500,000
Increases the Non-Personal/Equipment appropriation and estimate for Earned Revenue by \$3.5 million. As a result of higher than anticipated activity at the Convention Center, primarily contract labor and food and beverage, an increase to the Non-Personal/Equipment appropriation is recommended at this time with a corresponding increase in Earned Revenue as the costs are reimbursed by facility users. When the 2011-2012 budget was developed, it was assumed that some contracted events would be cancelled due to the temporary negative impacts from the Convention Center expansion project. Through December 2011, there has been minimal impact on operating revenues from the project.	Dept			

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
CONV/CULTURAL AFFAIRS FUND (536)				
<i>Transfer from the Transient Occupancy Tax Fund</i>	Convention Facilities Dept			\$824,000
Increases the transfer from the Transient Occupancy Tax (TOT) Fund by \$824,000 as a result of higher than anticipated 2011-2012 TOT collections and in accordance with the distribution formula outlined in the San José Municipal Code, as described elsewhere in this report. This additional funding is recommended to be put in the Ending Fund Balance and would be available for future use.				
TOTAL CONV/CULTURAL AFFAIRS FUND (536)			\$4,324,000	\$4,324,000
EDW BYRNE MEMORIAL JAG FD (474)				
<i>2009 Justice Assistance Grant (JAG)/Earned Revenue</i>	Police		\$70	\$70
Recognizes and appropriates additional interest earnings for the 2009 JAG in order to spend the funds before the spending deadline of September 30, 2012. The full grant and these interest earnings are anticipated to be expended by June 30, 2012.				
TOTAL EDW BYRNE MEMORIAL JAG FD (474)			\$70	\$70
GENERAL PURPOSE PARKING FD (533)				
<i>4th/San Fernando Garage Debt Service</i>	Transportation		(\$1,700,000)	
Eliminates the 4th/San Fernando Garage Debt Service allocation and reallocates the funds to a Reserve for Debt Service as recommended elsewhere in this report. This \$1.7 million debt service payment was originally anticipated to be funded by the City. Instead, due to the financial situation of the San Jose Redevelopment Agency (SJRA), the SJRA assumed the entire payment. A corresponding increase to the Reserve for Debt Service Payments is also recommended below.				
<i>Reserve for Debt Service</i>	Transportation		\$1,700,000	
Increases the Reserve for Debt Service by \$1.7 million by eliminating the 4th/San Fernando Garage debt service appropriation as recommended elsewhere in this report. A \$1.7 million debt service payment for the 4th/San Fernando Garage was originally anticipated to be funded by the City in the General Purpose Parking Fund. Instead, the San Jose Redevelopment Agency assumed the entire payment, as described above.				
TOTAL GENERAL PURPOSE PARKING FD (533)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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		\$90,596	\$90,596
<p>Increases the Library-General Gifts appropriation and Earned Revenue estimate to recognize and appropriate gifts made in support of the following: Biblioteca Latinoamericana Branch for programming, supplies, and material (\$25,550); Cambrian Branch for programming, supplies, and materials (\$14,225); Alviso Branch for the Alviso Homework Center (\$12,200); Dr. Martin Luther King, Jr. Library for programming and supplies (\$6,000); Almaden Branch for programming and supplies (\$5,000); vending commissions for programming and supplies (\$4,314); Willow Glen Branch for programming, supplies, and materials (\$4,077); West Valley Branch for programming, supplies, and materials (\$3,150); Alum Rock Branch for the Ticket to Reading Program and programming and supplies (\$2,500); Santa Teresa Branch for programming and supplies (\$2,500); Joyce Ellington Branch for programming and supplies (\$2,327); volunteer services (\$1,750); Vineland Branch for programming and supplies (\$1,688); Pearl Branch for programming and supplies (\$1,588); Rose Garden Branch for programming and supplies (\$1,550); Edenvale Branch for programming and supplies (\$900); Berryessa Branch for materials (\$500); Santa Programs (\$349); East San Jose Carnegie Branch for programming (\$250); and business office for programming and supplies (\$178).</p>				
<i>Mayor's Gang Prevention Task Force Clean Slate Pgm/Earned Revenue</i>	Parks, Rec, & Neigh Svcs		\$35,000	\$35,000
<p>Establishes the Mayor's Gang Prevention Task Force Clean Slate appropriation and increases the estimate for Earned Revenue by a total of \$35,000 in the Gift Trust Fund. This action accepts and appropriates a \$10,000 gift from the eBay Foundation and a \$25,000 gift received from a winner of the California Peace Prize, who specified that the prize was to be used for the Clean Slate program. This program supports gang prevention efforts, including the removal of gang symbol tattoos.</p>				
TOTAL GIFT TRUST FUND (139)			\$125,596	\$125,596
ICE CENTRE REVENUE FUND (432)				
<i>Ending Fund Balance Adjustment</i>	Finance		(\$2,000,000)	
<p>Decreases the Ending Fund Balance to offset the action recommended below.</p>				
<i>Fuel Cell Equipment</i>	Finance		\$2,000,000	
<p>Reappropriates funding for the reimbursement to the San José Arena Management (SJAM) for the purchase of a fuel cell system. Funds were appropriated last fiscal year to assist with the acquisition of the fuel cell system for the Ice Centre, which is managed by SJAM. Funds were inadvertently not rebudgeted in the 2010-2011 Annual Report. A corresponding decrease to the Ending Fund Balance is also included in this report to offset this action.</p>				
TOTAL ICE CENTRE REVENUE FUND (432)			\$0	\$0

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>CEC Grant: Biomass to Energy Technology Project</i>	Environmental Services		\$350,000	\$350,000
<p>This action recognizes and appropriates grant revenue from the California Energy Commission. The funds will be used for Phase I of the feasibility studies for a project to convert urban wood waste and biosolids into biomethane. The funding will pay for consultant support for these feasibility studies, as described in the Agreements for Biomass to Energy Technology Project memorandum presented to the City Council on April 19, 2011.</p>				
TOTAL INTEGRATED WASTE MGT FUND (423)			\$350,000	\$350,000
M.D. #15 SILVER CREEK FUND (368)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$500,000)	
<p>Decreases the Ending Fund Balance to offset the increase described below.</p>				
<i>Non-Personal/Equipment</i>	Transportation		\$500,000	
<p>Increases the Non-Personal/Equipment allocation to provide for unanticipated maintenance needs, such as trail repairs and rodent control, and the renovation of several landscape areas within the boundaries of this maintenance district.</p>				
TOTAL M.D. #15 SILVER CREEK FUND (368)			\$0	\$0
M.D. #19 RIVER OAKS FUND (359)				
<i>Ending Fund Balance Adjustment</i>	Transportation		(\$25,000)	
<p>Decreases the Ending Fund Balance to offset the increase described below.</p>				
<i>Non-Personal/Equipment</i>	Transportation		\$25,000	
<p>Increases the Non-Personal/Equipment appropriation to provide for unanticipated median island repairs and renovation work. Several median islands in the area were recently improved, and this renovation work would improve the other median islands in this area to the same level.</p>				
TOTAL M.D. #19 RIVER OAKS FUND (359)			\$0	\$0
MULTI-SOURCE HOUSING FD (448)				
<i>CalHome (BEGIN) Program/Earned Revenue</i>	Housing		\$1,000,000	\$1,000,000
<p>Increases the CalHome (BEGIN) Program appropriation and the estimate for Earned Revenue to reflect anticipated funding from the U.S. Department of Housing and Urban Development. The program provides deferred payment loans for low- and moderate-income persons or families purchasing homes in targeted developments.</p>				
<i>Ending Fund Balance Adjustment</i>	Housing		(\$90,000)	
<p>Decreases the Ending Fund Balance to offset the actions recommended in this report.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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)				
<p><i>Extremely Low-Income Housing</i></p> <p>Increases the Extremely Low-Income Housing appropriation to provide funding for affordable housing units to extremely low-income households (those earning less than 30% of area median income by household size). This increase will appropriate funds and align project funding to anticipated needs. A corresponding decrease to the Reserve for Special Projects is also included in this report to offset this action.</p>	Housing		\$680,630	
<p><i>Family Shelter Project</i></p> <p>Increases funding for the Family Shelter Project to continue financing the New Family Shelter project, which offers housing accommodations for families in a short-term stay facility. This increase will appropriate funds and align project funding to anticipated needs. A corresponding decrease to the Reserve for Special Projects is also included in this report to offset this action.</p>	Housing		\$625,324	
<p><i>Rental Rehabilitation Program Projects</i></p> <p>Increases the Rental Rehabilitation Program Projects to provide funding for rental property owners to make repairs, offset by a decrease to the Ending Fund Balance. In order to qualify for the grant, the rental properties are required to house low- to very low-income households.</p>	Housing		\$90,000	
<p><i>Rental Rights and Referrals Program</i></p> <p>Increases the Housing Department's Non-Personal/Equipment appropriation to provide funding for the Rental Rights and Referrals Program (RRRP). The RRRP has experienced an unanticipated increase in rental mediation costs as a result of more people moving into the rental market. The RRRP addresses rental housing issues, for which the City collects fees on an annual basis based on estimated activity levels to cover the costs for services such as mediation to settle tenant-landlord disputes, information and referral services, and outreach and education services. This additional funding for contractual services will be funded through a reserve that was set aside for that purpose. As a result, a corresponding decrease to the Reserve for Rental Rights and Referrals Program is also recommended elsewhere in this report. A full reconciliation of the program and the increase in activity will be considered as part of the development of the 2012-2013 Proposed Fees and Charges.</p>	Housing		\$80,000	

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Reserve for Rental Rights and Referrals Program</i>	Housing		(\$80,000)	
Decreases the Reserve for Rental Rights and Referrals Program to provide funding for the Rental Rights and Referrals Program (RRRP). The RRRP has experienced an unanticipated increase in rental mediation costs as a result of more people moving into the rental market. The RRRP addresses rental housing issues, for which the City collects fees on an annual basis based on estimated activity levels to cover the costs for services such as mediation services to settle tenant-landlord disputes, information and referral services, and outreach and education services. The additional funding for contractual services will be funded through this reserve that was set aside for that purpose. A corresponding increase to the Housing Department's Non-Personal/Equipment appropriation is also recommended elsewhere in this report to offset this action. A full reconciliation of the program and the increase in activity will be considered as part of the development of the 2012-2013 Proposed Fees and Charges.				
<i>Reserve for Special Projects</i>	Housing		(\$1,305,954)	
Decreases the Reserve for Special Projects to provide funding for the Family Shelter Project and Extremely Low-Income Housing appropriation. The corresponding increases, recommended in this report, to the Family Shelter Project and Extremely Low-Income Housing appropriation will align project funding.				
TOTAL MULTI-SOURCE HOUSING FD (448)			\$1,000,000	\$1,000,000
MUNICIPAL GOLF COURSE FUND (518)				
<i>Ending Fund Balance Adjustment</i>	Parks, Rec, & Neigh Svcs		\$39,500	
Increases the Ending Fund Balance due to a General Fund transfer as described below.				
<i>Golf Course Fund General Fund Transfer</i>	Parks, Rec, & Neigh Svcs			\$300,000
Increases the subsidy from the General Fund by \$300,000 to partially offset the adjustments to the budgeted revenue and expenditure estimates in this fund, as described elsewhere in this document. This additional funding will also help to ensure that the fund balance in this fund remains stable.				
<i>Golf Courses Revenue Estimates</i>	Parks, Rec, & Neigh Svcs			(\$170,500)
Decreases the estimate for Earned Revenue by a total of \$170,500 in the Municipal Golf Course Fund. In spite of the improvement in activity levels from 2010-2011, year-end revenue projections are anticipated to still fall below budgeted estimates. These recommended adjustments would adjust 2011-2012 revenues to be in line with current estimates. Revenue from the Los Lagos Golf Course is tracking below budgeted estimates by \$90,000. Revenue from San José Muni Golf Course is also projected to end the year below estimates by \$39,000. Interest earnings and Miscellaneous Revenue are also tracking to end the year below budgeted estimates by \$7,000 and \$34,500 respectively.				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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</i>	Parks, Rec, & Neigh Svcs		\$15,000	
Increases the Los Lagos Golf Course expenditure appropriation in the Municipal Golf Course Fund by \$15,000. Even with the slight improvement in activity levels at this course from the 2010-2011 activity levels, revenues are tracking below anticipated levels and net costs are tracking slightly above. This adjustment reflects the higher than anticipated net costs at the course. A corresponding decrease of \$15,000 to the Non-Personal/Equipment appropriation is also recommended in this report.				
<i>Non-Personal/Equipment</i>	Parks, Rec, & Neigh Svcs		(\$15,000)	
Decreases the Non-Personal/Equipment appropriation in the Municipal Golf Course Fund by \$15,000 to offset the increase to the Los Lagos Golf Course appropriation. Current tracking levels indicate year-end savings will be available.				
<i>Rancho del Pueblo Golf Course</i>	Parks, Rec, & Neigh Svcs		\$90,000	
Increases the Rancho del Pueblo Golf Course expenditure appropriation in the Municipal Golf Course Fund by \$90,000. Even with the slight improvement in activity levels at this course from the 2010-2011 activity levels, net costs are still tracking above the projected amount. This adjustment reflects the higher than anticipated net costs at the course.				
TOTAL MUNICIPAL GOLF COURSE FUND (518)			\$129,500	\$129,500
NEIGHBHD SECURITY BOND FD (475)				
<i>Contingency Reserve</i>	Public Safety Capital Program		(\$65,702)	
Decreases the Contingency Reserve to fund post construction needs in the Fire Station 2 - Rebuild project as discussed below.				
<i>Earned Revenue - General Obligation Bond Revenue</i>	Public Safety Capital Program			(\$3,325,000)
Reduces the Earned Revenue estimate from the Sale of General Obligation (GO) Bonds as part of the Neighborhood Security Act Bond by \$3.3 million. Based on the current financial market conditions, the City's timing needs for this funding, and cost/savings benefits of issuing multiple bond sales together, the Finance Department has determined that issuing the bonds in 2012-2013 would be more appropriate. A decrease to the Fire Station 21 - Relocation (White Road) appropriation is also recommended to offset this action.				
<i>Fire Station 2 - Rebuild</i>	Public Safety Capital Program		\$65,702	
Increases the Fire Station 2 - Rebuild appropriation by \$65,702 to cover costs associated with post-construction corrective actions. This funding will be used to fix the public address system in the station, rewire the heating and air conditioning controls in the dorm rooms, install bollards to prevent traffic from driving through the front walkway, and repair the air compressor system. A corresponding decrease to the Contingency Reserve is recommended in this report.				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 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>Fire Station 21 - Relocation (White Road)</i>	Public Safety Capital Program		(\$4,800,000)	
Decreases the Fire Station 21 - Relocation (White Road) appropriation due to the construction award being postponed until 2012-2013. This action also offsets the sale of the General Obligation (GO) Bonds which has been delayed to 2012-2013 as discussed above. Part of the funding for Fire Station 21 is recommended to be appropriated in the Reserve: Fire Station 21 (\$1,475,000) for the remainder of 2011-2012; however, the full amount of \$4.8 million will be recommended to be programmed to the Fire Station 21 - Relocation project as part of the 2013-2017 Proposed Capital Improvement Program.				
<i>Reserve: Fire Station 21</i>	Public Safety Capital Program		\$1,475,000	
Establishes the Reserve: Fire Station 21 with funding from the Fire Station 21 - Relocation (White Road) appropriation (\$1,475,000) that will be recommended to be programmed to the Fire Station 21 - Relocation project as part of the 2013-2017 Proposed Capital Improvement Program.				
TOTAL NEIGHBHD SECURITY BOND FD (475)			(\$3,325,000)	(\$3,325,000)
PARKS & REC BOND PROJ FD (471)				
<i>Contingency Reserve: Parks and Recreation Bond Project</i>	Parks & Comm Fac Dev Capital Program		\$387,000	
Increases the Contingency Reserve: Parks and Recreation Bond Project allocation to reflect the receipt of higher than anticipated revenue in the Parks and Recreation Bond Projects Fund.				
<i>Earned Revenue</i>	Parks & Comm Fac Dev Capital Program			\$387,000
Increases the Earned Revenue estimate by \$387,000 to reflect the receipt of unanticipated revenues. The City received Proposition 13 grant funding of \$109,000 for eligible grant expenditures associated with the TRAIL: Guadalupe River Reach 6 (Woz Way to Willow Street) project. In addition, for the Series 2006 General Obligation Bond funds, \$274,000 was estimated to be the possible arbitrage rebate liability owed to the Internal Revenue Service and was transferred from the Parks and Recreation Bond Projects Fund to a cash-balance (unbudgeted) fund in 2007-2008. It was subsequently determined that there is no arbitrage liability, therefore, these funds, plus an additional \$4,000 of interest that was earned on the funds, can be returned to the Parks and Recreation Bond Projects Fund. A corresponding increase to the Contingency Reserve: Parks and Recreation Bond Projects is recommended in this report.				
TOTAL PARKS & REC BOND PROJ FD (471)			\$387,000	\$387,000

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SJ-SC TRMNT PLANT CAP FUND (512)				
<i>Advanced Process Control and Automation</i>	Water Pollution Control		(\$600,000)	
	Cap Prgm			
<p>This action decreases the Advanced Process Control and Automation appropriation by \$600,000, from \$1.8 million to \$1.2 million. Funding for the Distributed Control System Upgrade had been included in the Advanced Process Control and Automation appropriation for 2011-2012. However, due to the large scale of the Distributed Control System Upgrade project, it is recommended that a separate project be established and the funding be allocated to this project as recommended elsewhere in this report.</p>				
<i>Equipment Replacement</i>	Water Pollution Control		(\$1,465,000)	
	Cap Prgm			
<p>This action decreases the Equipment Replacement appropriation by \$1.5 million, from \$3.8 million to \$2.3 million. Funding for Urgent and Unscheduled Treatment Plant Rehabilitation and a portion of the Distributed Control System Upgrade was included in the Equipment Replacement appropriation, but due to the large scale of these projects, it is recommended that separate projects be established and the funding be allocated to these projects as recommended elsewhere in this report.</p>				
<i>Plant Infrastructure Improvements</i>	Water Pollution Control		(\$2,950,000)	
	Cap Prgm			
<p>This action decreases the Plant Infrastructure Improvements appropriation by \$2.95 million, from \$13.1 million to \$10.2 million. Funding for the Treatment Plant Engine Rebuild, Treatment Plant Fire Main Replacement, Treatment Plant Street Resurfacing, and a portion of the funding for Urgent and Unscheduled Repair and Rehabilitation was included in this appropriation for 2011-2012, however, due to the large scale of these projects, it is recommended that separate projects be established and the funding be allocated to these projects as recommended elsewhere in this report.</p>				
<i>Treatment Plant Distributed Control System</i>	Water Pollution Control		\$2,065,000	
	Cap Prgm			
<p>This action establishes a new Treatment Plant Distributed Control System appropriation to set aside funding for the replacement of the Plant distributed control system (DCS), which will no longer be supported by the system vendor beginning in 2015. The DCS monitors and controls most aspects of the Treatment Plant's operations and is continuously used by staff to monitor and manage the treatment processes and related equipment. Funding for this upgrade is currently set aside in the Equipment Replacement (\$1,465,000) and Advanced Process Control and Automation (\$600,000) appropriations, and it is recommended that these appropriations be reduced by corresponding amounts as part of this report. Because the Treatment Plant Distributed Control System replacement is a substantial project, it is recommended that a separate appropriation be established to allow for better financial tracking and visibility.</p>				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SJ-SC TRMNT PLANT CAP FUND (512)				
<p><i>Treatment Plant Engine Rebuild</i></p> <p>This action establishes a new Plant Engine Rebuild appropriation to set aside funding for the rebuild of several electrical generator engines at the Water Pollution Control Plant. This funding is currently budgeted in the Plant Infrastructure Improvements appropriation, which is recommended to be reduced by a corresponding amount as part of this report. Because the rebuild of the generator engines is a substantial project, it is recommended that a separate appropriation be established to allow for better financial tracking and visibility.</p>	Water Pollution Control Cap Prgm		\$1,000,000	
<p><i>Treatment Plant Street Resurfacing</i></p> <p>This action establishes a new Treatment Plant Street Resurfacing appropriation to set aside funding for the rehabilitation and repair of the street network at the Water Pollution Control Plant. The Treatment Plant street network consists of approximately 680,000 square feet of roads and lots, much of which is in need of reconstruction or rehabilitation. Funding for this work is currently budgeted in the Plant Infrastructure Improvements appropriation, which is recommended to be reduced by a corresponding amount as part of this report. Because the reconstruction of the Plant's street network is a substantial project, it is recommended that a separate appropriation be established to allow for better financial tracking and visibility.</p>	Water Pollution Control Cap Prgm		\$500,000	
<p><i>Urgent and Unscheduled Treatment Plant Rehabilitation</i></p> <p>This action establishes a new Urgent and Unscheduled Treatment Plant Rehabilitation appropriation to set aside funding for on-call contractor services to perform small scale urgent repairs and rehabilitation. Emergency replacement and repairs of equipment, and other unscheduled repair and rehabilitation are needed throughout the year due to the age of the Treatment Plant. Funding for this work is currently set aside in the Plant Infrastructure Improvements appropriation, which is recommended to be reduced by a corresponding amount as part of this report. Because substantial funding is needed each year for this type of on-call contractor support, it is recommended that a separate appropriation be established to allow for better financial tracking and visibility.</p>	Water Pollution Control Cap Prgm		\$250,000	
<p><i>Treatment Plant Fire Main Replacement</i></p> <p>This action establishes a new Treatment Plant Fire Main Replacement appropriation to set aside funding for the replacement of the fire main piping system at the Water Pollution Control Plant. The Plant fire main system consists of approximately 15,000 feet of pipe ranging in diameter from six to 12 inches, two electric pumps, and associated fire hydrants and valves. Most of this infrastructure is over 30 years old and in need of replacement. Funding for this work is currently set aside in the Plant Infrastructure Improvements appropriation, which is recommended to be reduced by a corresponding amount as part of this report. Because the fire main replacement is a multi-phase, high-cost project, it is recommended that a separate appropriation be established to allow for better financial tracking and visibility.</p>	Water Utility Sys Capital Program		\$1,200,000	
TOTAL SJ-SC TRMNT PLANT CAP FUND (512)			\$0	\$0

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<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
STORM SEWER CAPITAL FUND (469)				
<i>Ending Fund Balance Adjustment</i>	Storm Sewer Capital Program		(\$25,000)	
This action decreases the Ending Fund Balance to offset the action recommended above.				
<i>Permit Review and Inspection for Outside Agencies</i>	Storm Sewer Capital Program		\$25,000	
Per State Law, the City and the Santa Clara Water District (District) do not charge each other for the review and inspection of projects. In 2011-2012, the District performed a widening of the Silver Creek channel, that had not been anticipated when the budget was developed. This creek channel widening required the relocation of streetlights and other utilities and will require significant City staff time to inspect. This action increases the Permit Review and Inspection for Outside Agencies by \$25,000, offset by a corresponding decrease in the Ending Fund Balance to provide for these costs.				
TOTAL STORM SEWER CAPITAL FUND (469)			\$0	\$0
SUBDIVISION PARK TRUST FUND (375)				
<i>Commodore Children's Park</i>	Parks & Comm Fac Dev Capital Program		\$1,734,000	
Establishes the Commodore Children's Park project in the amount of \$1,734,000. This project will provide funding to design a 3.2 acre neighborhood park in Council District 4. Project elements may include a parking lot, tot lot, youth lot, trellis structure with picnic tables, landscaping and planting, and an open natural turf field. Once the design portion of the project is completed, including community meetings, additional funding will be needed for the construction of the facility. The City has entered into an agreement with Pulte Home Corporation to provide a credit to the parkland in-lieu fees in exchange for an equivalent contribution to the City to provide 10 years of maintenance funding for the Commodore Children's Park once it is constructed and open to the public. This agreement is consistent with the City Council policy, as amended on June 14, 2011, that states City staff may proceed with the development of any new park or recreational facility if long-term non-General Fund funding for maintenance is identified.				
<i>Reserve: Commodore Children's Park Development</i>	Parks & Comm Fac Dev Capital Program		(\$1,734,000)	
Decreases the Reserve: Commodore Children's Park Development allocation to offset the establishment of the Commodore Children's Park project.				
TOTAL SUBDIVISION PARK TRUST FUND (375)			\$0	\$0
SUPPL LAW ENF SVCES FUND (414)				
<i>SLES Grant 2008-2010/Earned Revenue</i>	Police		\$1,102	\$1,102
Recognizes and appropriates interest revenue that was unallocated by the spending deadline of June 30, 2010 in order to return the unused balance to the State of California. A corresponding increase to the estimate for Earned Revenue is also recommended.				

Special/Capital Funds Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
SUPPL LAW ENF SVCES FUND (414)				
<i>SLES Grant 2010-2012/Earned Revenue</i>	Police		\$62,096	\$62,096
<p>Recognizes and appropriates an additional payment from the State of California for the 2010-2012 SLES grant (\$58,852) as well as interest income earned on the funding for the 2010-2012 grant cycle (\$3,244). Funding will be used according to the spending plan that was revised and approved by the City Council on January 24, 2012. The spending plan allocates funding for hardware, software, technology upgrades, officer safety equipment, and enhancements in investigative abilities.</p>				
TOTAL SUPPL LAW ENF SVCES FUND (414)			\$63,198	\$63,198
TRANSIENT OCCUPANCY TX FD (461)				
<i>Convention and Visitors Bureau</i>	Convention Facilities Dept		\$412,000	
<p>Increases the allocation to the Convention and Visitors Bureau (CVB) by \$412,000, from \$3.0 million to \$3.4 million, as a result of higher than anticipated Transient Occupancy Tax collections and in accordance with the distribution formula outlined in the San José Municipal Code. This action allows for an equivalent reduction of CVB funding in the Convention and Cultural Affairs Fund to maintain the same service level, as described below.</p>				
<i>Cultural Development</i>	Convention Facilities Dept		\$412,000	
<p>Increases the allocation for Cultural Development by \$412,000, from \$4.6 million to \$5.0 million, as a result of higher than anticipated Transient Occupancy Tax collections and in accordance with the distribution formula outlined in the San José Municipal Code, as described below.</p>				
<i>Transfer to the Convention and Cultural Affairs Fund</i>	Convention Facilities Dept		\$824,000	
<p>Increases the transfer to the Convention and Cultural Affairs Fund by \$824,000, from \$5.6 million to \$6.4 million, as a result of higher than anticipated Transient Occupancy Tax collections and in accordance with the distribution formula outlined in the San José Municipal Code, as described below.</p>				
<i>Transient Occupancy Tax Collections</i>	Finance			\$1,648,000
<p>Increases the Transient Occupancy Tax revenue estimate by \$1,648,000, from \$10.8 million to \$12.45 million to reflect the actual 2010-2011 performance and current collections, which are tracking well above the prior year. A corresponding increase is recommended in the General Fund, which receives 40% of this tax. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion 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>				
TOTAL TRANSIENT OCCUPANCY TX FD (461)			\$1,648,000	\$1,648,000
WATER UTILITY FUND (515)				
<i>Ending Fund Balance Adjustment</i>	Environmental Services		(\$24,000)	
<p>Decreases the Ending Fund Balance to offset the action recommended below.</p>				

**Special/Capital Funds Recommended Budget Adjustments Summary
2011-2012 Mid-Year Budget Review**

<u>Action</u>	<u>Department/Program</u>	<u>Positions</u>	<u>Use</u>	<u>Source</u>
WATER UTILITY FUND (515)				
<i>Workers' Compensation Claims</i>	Human Resources		\$24,000	
Increases the Workers' Compensation Claims appropriation due to higher than anticipated claims activity in the Environmental Services Department. A corresponding decrease in the Ending Fund Balance is recommended to offset this action.				
TOTAL WATER UTILITY FUND (515)			\$0	\$0
WORKFORCE INVSTMNT ACT FD (290)				
<i>Reserve for Program Allocation/Earned Revenue</i>	Economic Development		\$671,209	\$671,209
Increases the Reserve for Program Allocation and recognizes grant funding from the State of California for the Adult and Dislocated Worker Programs. The increased funding will align with revised allotments issued by the U.S. Department of Labor and will be set aside for future program needs.				
TOTAL WORKFORCE INVSTMNT ACT FD (290)			\$671,209	\$671,209

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
CAPITAL PROJECTS							
Recommended Budget Adjustments							
Unanticipated/Emergency Maintenance - City Hall Boilers, Lightning Rods, Pavers, Light Replacement			\$400,000	\$400,000		\$0	\$400,000
Recommended Budget Adjustments Total	\$0	\$0	\$400,000	\$400,000	\$0	\$0	\$400,000
CAPITAL PROJECTS TOTAL	\$0	\$0	\$400,000	\$400,000	\$0	\$0	\$400,000
CITY ATTORNEY							
Recommended Budget Adjustments							
Department Rebalancing Plan - City Attorney's Office	\$325,000	(\$125,000)		\$200,000		\$0	\$200,000
Recommended Budget Adjustments Total	\$325,000	(\$125,000)	\$0	\$200,000	\$0	\$0	\$200,000
Clean-Up Actions							
Benefits Program	\$20,339			\$20,339		\$0	\$20,339
Clean-Up Actions Total	\$20,339	\$0	\$0	\$20,339	\$0	\$0	\$20,339
CITY ATTORNEY TOTAL	\$345,339	(\$125,000)	\$0	\$220,339	\$0	\$0	\$220,339
CITY AUDITOR							
Clean-Up Actions							
Benefits Program	\$4,712			\$4,712		\$0	\$4,712
Clean-Up Actions Total	\$4,712	\$0	\$0	\$4,712	\$0	\$0	\$4,712
CITY AUDITOR TOTAL	\$4,712	\$0	\$0	\$4,712	\$0	\$0	\$4,712
CITY CLERK							
Clean-Up Actions							
Benefits Program	\$5,112			\$5,112		\$0	\$5,112

General Fund
 Appropriation Actions
 2011-2012 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							
Tech Adjust: Non-Personal/Equipment - Election Costs (Reallocate to City-Wide Expenses)		(\$500,000)		(\$500,000)		\$0	(\$500,000)
Clean-Up Actions Total	\$5,112	(\$500,000)	\$0	(\$494,888)	\$0	\$0	(\$494,888)
CITY CLERK TOTAL	\$5,112	(\$500,000)	\$0	(\$494,888)	\$0	\$0	(\$494,888)
CITY MANAGER							
Recommended Budget Adjustments							
Medical Marijuana Regulatory Fee Program Rebalancing	(\$38,000)	(\$13,000)		(\$51,000)		\$0	(\$51,000)
Recommended Budget Adjustments Total	(\$38,000)	(\$13,000)	\$0	(\$51,000)	\$0	\$0	(\$51,000)
Clean-Up Actions							
Benefits Program	\$20,339			\$20,339		\$0	\$20,339
Furlough/Reduced Work Week Program	(\$26,842)			(\$26,842)		\$0	(\$26,842)
Clean-Up Actions Total	(\$6,503)	\$0	\$0	(\$6,503)	\$0	\$0	(\$6,503)
CITY MANAGER TOTAL	(\$44,503)	(\$13,000)	\$0	(\$57,503)	\$0	\$0	(\$57,503)
CITY-WIDE EXPENSES							
Recommended Budget Adjustments							
2009 Urban Areas Security Initiative (UASI) Grant - Fire/Revenue from Federal Government			\$45,000	\$45,000	\$45,000	\$0	\$0
2009 Urban Areas Security Initiative (UASI) Grant - Police/Revenue from Federal Government			\$67,000	\$67,000	\$67,000	\$0	\$0
Bulletproof Vest Partnership Grant/Revenue from Federal Government			\$18,620	\$18,620	\$18,620	\$0	\$0

General Fund
 Appropriation Actions
 2011-2012 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							
Recommended Budget Adjustments							
City-Wide Savings - Sick Leave Payments Upon Retirement			(\$2,300,000)	(\$2,300,000)		\$0	(\$2,300,000)
City-Wide Savings - TRANs Debt Service			(\$250,000)	(\$250,000)		\$0	(\$250,000)
City-Wide Savings - Workers' Compensation Claims - Fire			(\$500,000)	(\$500,000)		\$0	(\$500,000)
City-Wide Savings - Workers' Compensation Claims - Police			(\$500,000)	(\$500,000)		\$0	(\$500,000)
Communities Putting Prevention to Work Grant - Obesity Prevention Initiative/Revenue from Local Agencies			\$104,987	\$104,987	\$104,987	\$0	\$0
Convention Center Lease Payments/Revenue from Local Agencies			(\$15,359,000)	(\$15,359,000)	(\$5,359,000)	\$0	(\$10,000,000)
Elections and Ballot Measures			\$1,300,000	\$1,300,000		\$0	\$1,300,000
Enhance Fitness and Matter of Balance Programs Grant/Other Revenue			\$50,000	\$50,000	\$50,000	\$0	\$0
Grace Community Center Electronic Health Records Grant/Revenue from Local Agencies			\$59,000	\$59,000	\$59,000	\$0	\$0
Labor/Employee Relations Consultant Funding			\$400,000	\$400,000		\$0	\$400,000
Medical Marijuana Regulatory Fee Program Rebalancing			(\$148,000)	(\$148,000)		\$0	(\$148,000)
N. California Regional Intelligence Center (NCRIC) SUASI- Police/Revenue from Federal Government			(\$42,121)	(\$42,121)	(\$42,121)	\$0	\$0
Parent Project Grant/Other Revenue			\$27,823	\$27,823	\$27,823	\$0	\$0
Property Tax Administration Fee			\$540,000	\$540,000		\$0	\$540,000
Retirement Actuarial Services			\$50,000	\$50,000		\$0	\$50,000

General Fund
 Appropriation Actions
 2011-2012 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							
Recommended Budget Adjustments							
Retirement Reform Election			(\$3,400,000)	(\$3,400,000)		\$0	(\$3,400,000)
Sidewalk Repair Program/Other Revenue			\$500,000	\$500,000	\$500,000	\$0	\$0
Target Youth Intervention Services Grant/Other Revenue			\$10,000	\$10,000	\$10,000	\$0	\$0
The Health Trust Communities Putting Prevention to Work Grant/Other Revenue			\$25,000	\$25,000	\$25,000	\$0	\$0
Recommended Budget Adjustments Total	\$0	\$0	(\$19,301,691)	(\$19,301,691)	(\$4,493,691)	\$0	(\$14,808,000)
Clean-Up Actions							
Tech Adjust: Bond Project Audits (Reallocate from Grant Compliance Single Audit)			\$2,551	\$2,551		\$0	\$2,551
Tech Adjust: Elections and Ballot Measures (Reallocate from City Clerk Non-Personal/Equipment)			\$500,000	\$500,000		\$0	\$500,000
Tech Adjust: Grant Compliance Single Audit (Reallocate to Bond Project Audits)			(\$2,551)	(\$2,551)		\$0	(\$2,551)
Tech Adjust: Retirement Actuarial Services (Title Correction)			\$44,000	\$44,000		\$0	\$44,000
Tech Adjust: Retirement Actuarial Studies (Title Correction)			(\$44,000)	(\$44,000)		\$0	(\$44,000)
Tech Adjust: TRANs Debt Service/Other Revenue			(\$25,000,000)	(\$25,000,000)	(\$25,000,000)	\$0	\$0
Tech Adjust: Year 5 San José After School District Contracts/Revenue from Local Agencies (Project Close-Out)			(\$20,593)	(\$20,593)	(\$20,593)	\$0	\$0
Clean-Up Actions Total	\$0	\$0	(\$24,520,593)	(\$24,520,593)	(\$25,020,593)	\$0	\$500,000
CITY-WIDE EXPENSES TOTAL	\$0	\$0	(\$43,822,284)	(\$43,822,284)	(\$29,514,284)	\$0	(\$14,308,000)

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
EARMARKED RESERVES							
Recommended Budget Adjustments							
2011-2012 Ending Fund Balance Reserve			\$12,000,000	\$12,000,000		\$0	\$12,000,000
2012-2013 Future Deficit Reserve			\$10,000,000	\$10,000,000		\$0	\$10,000,000
Fee Supported Reserve - Building			(\$200,000)	(\$200,000)		\$0	(\$200,000)
Fee Supported Reserve - Planning			(\$100,000)	(\$100,000)		\$0	(\$100,000)
Fiscal Reform Plan Implementation Reserve			\$2,100,000	\$2,100,000		\$0	\$2,100,000
Habitat Conservation Plan Reserve			(\$100,000)	(\$100,000)		\$0	(\$100,000)
Lake Cunningham Skate Park Reserve/Other Revenue			\$3,000	\$3,000	\$10,000	\$0	(\$7,000)
Reserve Savings - Filled Position Elimination Expenditure Impacts Reserve			(\$700,000)	(\$700,000)		\$0	(\$700,000)
Reserve Savings - Salaries and Benefits Reserve			(\$1,222,583)	(\$1,222,583)		\$0	(\$1,222,583)
Recommended Budget Adjustments Total	\$0	\$0	\$21,780,417	\$21,780,417	\$10,000	\$0	\$21,770,417
Clean-Up Actions							
Benefits Program - Fee Supported Reserve - Building			(\$30,456)	(\$30,456)		\$0	(\$30,456)
Benefits Program - Fee Supported Reserve - Fire			(\$6,246)	(\$6,246)		\$0	(\$6,246)
Benefits Program - Fee Supported Reserve - Planning			(\$3,696)	(\$3,696)		\$0	(\$3,696)
Benefits Program - Fee Supported Reserve - Public Works			(\$8,547)	(\$8,547)		\$0	(\$8,547)
Benefits Program - Salaries and Benefits Reserve			(\$1,193,237)	(\$1,193,237)		\$0	(\$1,193,237)
Furlough/Reduced Work Week Program - Salaries and Benefits Res.			\$118,917	\$118,917		\$0	\$118,917

General Fund
 Appropriation Actions
 2011-2012 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 Total	\$0	\$0	(\$1,123,265)	(\$1,123,265)	\$0	\$0	(\$1,123,265)
EARMARKED RESERVES TOTAL	\$0	\$0	\$20,657,152	\$20,657,152	\$10,000	\$0	\$20,647,152
ECONOMIC DEVELOPMENT							
Recommended Budget Adjustments							
Departmental Savings - Office of Economic Development		(\$300,000)		(\$300,000)		\$0	(\$300,000)
Recommended Budget Adjustments Total	\$0	(\$300,000)	\$0	(\$300,000)	\$0	\$0	(\$300,000)
Clean-Up Actions							
Benefits Program	\$5,510			\$5,510		\$0	\$5,510
Furlough/Reduced Work Week Program	(\$608)			(\$608)		\$0	(\$608)
Clean-Up Actions Total	\$4,902	\$0	\$0	\$4,902	\$0	\$0	\$4,902
ECONOMIC DEVELOPMENT TOTAL	\$4,902	(\$300,000)	\$0	(\$295,098)	\$0	\$0	(\$295,098)
FINANCE							
Recommended Budget Adjustments							
Departmental Savings - Finance	(\$200,000)			(\$200,000)		\$0	(\$200,000)
Medical Marijuana Regulatory Fee Program Rebalancing	(\$182,000)			(\$182,000)		\$0	(\$182,000)
Recommended Budget Adjustments Total	(\$382,000)	\$0	\$0	(\$382,000)	\$0	\$0	(\$382,000)
Clean-Up Actions							
Benefits Program	\$30,581			\$30,581		\$0	\$30,581
Furlough/Reduced Work Week Program	(\$2,404)			(\$2,404)		\$0	(\$2,404)

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
FINANCE							
Clean-Up Actions Total	\$28,177	\$0	\$0	\$28,177	\$0	\$0	\$28,177
FINANCE TOTAL	(\$353,823)	\$0	\$0	(\$353,823)	\$0	\$0	(\$353,823)
FIRE							
Clean-Up Actions Benefits Program	\$260,577			\$260,577		\$0	\$260,577
Clean-Up Actions Total	\$260,577	\$0	\$0	\$260,577	\$0	\$0	\$260,577
FIRE TOTAL	\$260,577	\$0	\$0	\$260,577	\$0	\$0	\$260,577
HUMAN RESOURCES							
Clean-Up Actions Benefits Program	\$13,508			\$13,508		\$0	\$13,508
Furlough/Reduced Work Week Program	(\$6,782)			(\$6,782)		\$0	(\$6,782)
Clean-Up Actions Total	\$6,726	\$0	\$0	\$6,726	\$0	\$0	\$6,726
HUMAN RESOURCES TOTAL	\$6,726	\$0	\$0	\$6,726	\$0	\$0	\$6,726
INDEPENDENT POLICE AUDITOR							
Clean-Up Actions Benefits Program	\$2,252			\$2,252		\$0	\$2,252
Clean-Up Actions Total	\$2,252	\$0	\$0	\$2,252	\$0	\$0	\$2,252
INDEPENDENT POLICE AUDITOR TOTAL	\$2,252	\$0	\$0	\$2,252	\$0	\$0	\$2,252

General Fund
 Appropriation Actions
 2011-2012 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							
Benefits Program	\$22,754			\$22,754		\$0	\$22,754
Furlough/Reduced Work Week Program	(\$4,510)			(\$4,510)		\$0	(\$4,510)
Clean-Up Actions Total	\$18,244	\$0	\$0	\$18,244	\$0	\$0	\$18,244
INFORMATION TECHNOLOGY TOTAL	\$18,244	\$0	\$0	\$18,244	\$0	\$0	\$18,244
LIBRARY							
Clean-Up Actions							
Benefits Program	\$46,173			\$46,173		\$0	\$46,173
Furlough/Reduced Work Week Program	(\$24,619)			(\$24,619)		\$0	(\$24,619)
Clean-Up Actions Total	\$21,554	\$0	\$0	\$21,554	\$0	\$0	\$21,554
LIBRARY TOTAL	\$21,554	\$0	\$0	\$21,554	\$0	\$0	\$21,554
MAYOR & COUNCIL							
Clean-Up Actions							
Benefits Program (Council General)			\$5,533	\$5,533		\$0	\$5,533
Furlough/Reduced Work Week Program (Council General)			(\$20,179)	(\$20,179)		\$0	(\$20,179)
Clean-Up Actions Total	\$0	\$0	(\$14,646)	(\$14,646)	\$0	\$0	(\$14,646)
MAYOR & COUNCIL TOTAL	\$0	\$0	(\$14,646)	(\$14,646)	\$0	\$0	(\$14,646)
PARKS, REC, & NEIGH SVCS							
Recommended Budget Adjustments							
Lake Cunningham Skate Park/Departmental Charges	\$38,750	\$18,750		\$57,500	\$50,500	\$0	\$7,000

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
PARKS, REC, & NEIGH SVCS							
Recommended Budget Adjustments							
PRNS Fee Activities/Departmental Charges			\$600,000	\$600,000	\$600,000	\$0	\$0
Senior Nutrition Program/Revenue from Local Agencies		\$664,985		\$664,985	\$664,985	\$0	\$0
Recommended Budget Adjustments Total	\$38,750	\$683,735	\$600,000	\$1,322,485	\$1,315,485	\$0	\$7,000
Clean-Up Actions							
Benefits Program	\$94,120			\$94,120		\$0	\$94,120
Furlough/Reduced Work Week Program	(\$16,163)			(\$16,163)		\$0	(\$16,163)
Clean-Up Actions Total	\$77,957	\$0	\$0	\$77,957	\$0	\$0	\$77,957
PARKS, REC, & NEIGH SVCS TOTAL	\$116,707	\$683,735	\$600,000	\$1,400,442	\$1,315,485	\$0	\$84,957
PLANNING, BLDG, & CODE ENF							
Recommended Budget Adjustments							
Departmental Savings - Planning, Building and Code Enforcement	(\$350,000)			(\$350,000)		\$0	(\$350,000)
Habitat Conservation Plan		\$100,000		\$100,000		\$0	\$100,000
Local Enforcement Agency Grant/Revenue from State of California		\$29,229		\$29,229	\$29,229	\$0	\$0
Peak Staffing Agreement		\$300,000		\$300,000		\$0	\$300,000
Urban Village Plans/Other Revenue		\$50,000		\$50,000	\$50,000	\$0	\$0
Recommended Budget Adjustments Total	(\$350,000)	\$479,229	\$0	\$129,229	\$79,229	\$0	\$50,000
Clean-Up Actions							
Benefits Program	\$64,586			\$64,586		\$0	\$64,586

General Fund
 Appropriation Actions
 2011-2012 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							
Furlough/Reduced Work Week Program	(\$2,365)			(\$2,365)		\$0	(\$2,365)
Clean-Up Actions Total	\$62,221	\$0	\$0	\$62,221	\$0	\$0	\$62,221
PLANNING, BLDG, & CODE ENF TOTAL	(\$287,779)	\$479,229	\$0	\$191,450	\$79,229	\$0	\$112,221
POLICE							
Recommended Budget Adjustments							
9-1-1 Communications Center Maintenance/Revenue from State of California		\$51,510		\$51,510	\$51,510	\$0	\$0
Departmental Savings - Police	(\$1,000,000)	(\$1,000,000)		(\$2,000,000)		\$0	(\$2,000,000)
Horse Mounted Unit	(\$10,000)	\$10,000		\$0		\$0	\$0
Medical Marijuana Regulatory Fee Program Rebalancing	(\$249,000)			(\$249,000)		\$0	(\$249,000)
Police Officer Recruit Academy Support		\$150,000		\$150,000		\$0	\$150,000
Rapid Enforcement Allied Computer Team (REACT) Task Force/Revenue from State of California	\$3,000			\$3,000	\$3,000	\$0	\$0
Southbay Shakedown Task Force/Revenue from Federal Government	\$13,101			\$13,101	\$13,101	\$0	\$0
Recommended Budget Adjustments Total	(\$1,242,899)	(\$788,490)	\$0	(\$2,031,389)	\$67,611	\$0	(\$2,099,000)
Clean-Up Actions							
Benefits Program	\$547,135			\$547,135		\$0	\$547,135
Furlough/Reduced Work Week Program	(\$2,206)			(\$2,206)		\$0	(\$2,206)
Reallocate Facilities Maintenance/Custodial Funding (To Public Works)		(\$100,000)		(\$100,000)		\$0	(\$100,000)

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
POLICE							
Clean-Up Actions							
Tech Adjust: Cal-Gang Program (Funding Correction)		(\$20,000)		(\$20,000)		\$0	(\$20,000)
Clean-Up Actions Total	\$544,929	(\$120,000)	\$0	\$424,929	\$0	\$0	\$424,929
POLICE TOTAL	(\$697,970)	(\$908,490)	\$0	(\$1,606,460)	\$67,611	\$0	(\$1,674,071)
PUBLIC WORKS							
Recommended Budget Adjustments							
Animal Care Services Humane Society of Silicon Valley Grant/Other Revenue		\$18,250		\$18,250	\$18,250	\$0	\$0
Community Re-Use Centers Facilities Maintenance/Custodial Needs	\$136,000	\$164,000		\$300,000		\$0	\$300,000
Department Rebalancing Plan - Public Works				\$0		\$0	\$0
Recommended Budget Adjustments Total	\$136,000	\$182,250	\$0	\$318,250	\$18,250	\$0	\$300,000
Clean-Up Actions							
Benefits Program	\$42,628			\$42,628		\$0	\$42,628
Benefits Program (Development Fee - Personal Services)			\$8,547	\$8,547		\$0	\$8,547
Furlough/Reduced Work Week Program	(\$3,623)			(\$3,623)		\$0	(\$3,623)
Reallocate Facilities Maintenance/Custodial Funding (From Police)		\$100,000		\$100,000		\$0	\$100,000
Clean-Up Actions Total	\$39,005	\$100,000	\$8,547	\$147,552	\$0	\$0	\$147,552
PUBLIC WORKS TOTAL	\$175,005	\$282,250	\$8,547	\$465,802	\$18,250	\$0	\$447,552

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
REVENUE ADJUSTMENTS							
Recommended Budget Adjustments							
Revenue - Business Taxes				\$0	\$1,579,000	\$0	(\$1,579,000)
Revenue - Licenses and Permits (Medical Marijuana Regulatory Fees)				\$0	(\$1,380,000)	\$0	\$1,380,000
Revenue - Other Revenue				\$0	\$272,000	\$0	(\$272,000)
Revenue - Sales Tax				\$0	\$3,321,000	\$0	(\$3,321,000)
Revenue - Transient Occupancy Tax				\$0	\$1,098,000	\$0	(\$1,098,000)
Revenue - Utility Tax				\$0	\$2,210,000	\$0	(\$2,210,000)
Revenues - Fines, Forfeitures and Penalties				\$0	(\$500,000)	\$0	\$500,000
Revenues - Transfers and Reimbursements (Overhead Reimbursements)				\$0	(\$1,445,843)	\$0	\$1,445,843
Recommended Budget Adjustments Total	\$0	\$0	\$0	\$0	\$5,154,157	\$0	(\$5,154,157)
Clean-Up Actions							
Tech Adjst: Beginning Fund Balance (2010-2011 Ending Fund Balance)				\$0		\$213,260	(\$213,260)
Tech Adjst: After School Education/Revenue from Local Agencies				\$0	\$607,861	\$0	(\$607,861)
Tech Adjst: After School Education/Revenue from the State of California				\$0	(\$607,861)	\$0	\$607,861
Tech Adjst: Senior Nutrition Donations/Departmental Charges				\$0	(\$57,000)	\$0	\$57,000
Tech Adjst: Senior Nutrition Donations/Other Revenue				\$0	\$57,000	\$0	(\$57,000)

General Fund
 Appropriation Actions
 2011-2012 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: State Homeland Security Grant Program/Revenue from the Federal Government				\$0	\$50,058	\$0	(\$50,058)
Tech Adjust: State Homeland Security Grant Program/Revenue from the State of California				\$0	(\$50,058)	\$0	\$50,058
Tech Adjust: Summer Youth Nutrition Program/Revenue from the Federal Government				\$0	\$60,724	\$0	(\$60,724)
Tech Adjust: Summer Youth Nutrition Program/Revenue from the State of California				\$0	(\$60,724)	\$0	\$60,724
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$213,260	(\$213,260)
REVENUE ADJUSTMENTS TOTAL	\$0	\$0	\$0	\$0	\$5,154,157	\$213,260	(\$5,367,417)
TRANSFERS							
Recommended Budget Adjustments							
Transfer to the Municipal Golf Course Fund			\$300,000	\$300,000		\$0	\$300,000
Recommended Budget Adjustments Total	\$0	\$0	\$300,000	\$300,000	\$0	\$0	\$300,000
TRANSFERS TOTAL	\$0	\$0	\$300,000	\$300,000	\$0	\$0	\$300,000
TRANSPORTATION							
Clean-Up Actions							
Benefits Program	\$47,776			\$47,776		\$0	\$47,776
Furlough/Reduced Work Week Program	(\$8,616)			(\$8,616)		\$0	(\$8,616)
Clean-Up Actions Total	\$39,160	\$0	\$0	\$39,160	\$0	\$0	\$39,160

General Fund
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

Department/Proposal	USE			Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other		Revenue	Beg Fund Balance	
TRANSPORTATION TOTAL	\$39,160	\$0	\$0	\$39,160	\$0	\$0	\$39,160
GENERAL FUND TOTAL	(\$383,785)	(\$401,276)	(\$21,871,231)	(\$22,656,292)	(\$22,869,552)	\$213,260	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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	
AFFORDABLE HSG INVEST FD (346)								
Clean-Up Actions								
CITY ATTORNEY								
Benefits Program	\$1,143			(\$1,143)	\$0			\$0
HOUSING								
Benefits Program	\$14,542			(\$14,542)	\$0			\$0
Clean-Up Actions Total	\$15,685	\$0	\$0	(\$15,685)	\$0	\$0	\$0	\$0
AFFORDABLE HSG INVEST FD (346) TOTAL	\$15,685	\$0	\$0	(\$15,685)	\$0	\$0	\$0	\$0
AIRPORT CAPITAL IMPVT FUND (520)								
Recommended Budget Adjustments								
AIRPORT CAPITAL PROGRAM								
Terminal Area Improvement, Phase I/Earned Revenue			\$211,000		\$211,000	\$211,000		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$211,000	\$0	\$211,000	\$211,000	\$0	\$0
AIRPORT CAPITAL IMPVT FUND (520) TOTAL	\$0	\$0	\$211,000	\$0	\$211,000	\$211,000	\$0	\$0
AIRPORT CUST FAC & TRANS FD (519)								
Recommended Budget Adjustments								
AIRPORT								
Airport Commercial Paper Fees		\$250,000			\$250,000			\$250,000
Contingency Reserve			(\$250,000)		(\$250,000)			(\$250,000)
Recommended Budget Adjustments Total	\$0	\$250,000	(\$250,000)	\$0	\$0	\$0	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
AIRPORT REVENUE FUND (521)								
Clean-Up Actions								
AIRPORT								
Tech Adjust: Curfew Reserve					\$0		\$91,463	(\$91,463)
Tech Adjust: Reserve - Per Master Trust Agreement					\$0		(\$91,463)	\$91,463
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AIRPORT REVENUE FUND (521) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BENEFIT FUND (160)								
Recommended Budget Adjustments								
HUMAN RESOURCES								
Health Premiums/Transfers			\$1,000,000		\$1,000,000	\$1,000,000		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$1,000,000	\$0	\$1,000,000	\$1,000,000	\$0	\$0
Clean-Up Actions								
HUMAN RESOURCES								
Benefits Program	\$1,205			(\$1,205)	\$0			\$0
Clean-Up Actions Total	\$1,205	\$0	\$0	(\$1,205)	\$0	\$0	\$0	\$0
BENEFIT FUND (160) TOTAL	\$1,205	\$0	\$1,000,000	(\$1,205)	\$1,000,000	\$1,000,000	\$0	\$0
BLDG & STRUCT CONST TAX FD (429)								
Recommended Budget Adjustments								
TRAFFIC CAPITAL PROGRAM								
Adaptive Signal Control Equipment			\$200,000		\$200,000			\$200,000

Special/Capital Funds
 Appropriation Actions
 2011-2012 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	
BLDG & STRUCT CONST TAX FD (429)								
TRAFFIC CAPITAL PROGRAM								
Autumn Street Extension			\$500,000		\$500,000			\$500,000
Blossom Hill Road/Monterey Pedestrian Improvements			\$21,000		\$21,000			\$21,000
Building and Structure Construction Tax Revenue Estimate					\$0	\$3,000,000		(\$3,000,000)
Ending Fund Balance Adjustment				\$2,479,000	\$2,479,000			\$2,479,000
Lighting and Signal Program/Earned Revenue			\$6,000		\$6,000	\$6,000		\$0
Milpitas Transit Area - Capitol Avenue Corridor Improvements			(\$200,000)		(\$200,000)			(\$200,000)
Project Development Engineering/Earned Revenue			\$24,000		\$24,000	\$24,000		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$551,000	\$2,479,000	\$3,030,000	\$3,030,000	\$0	\$0
BLDG & STRUCT CONST TAX FD (429) TOTAL	\$0	\$0	\$551,000	\$2,479,000	\$3,030,000	\$3,030,000	\$0	\$0
BRANCH LIB BOND PROJECT FD (472)								
Recommended Budget Adjustments								
LIBRARY CAPITAL PROGRAM								
Contingency Reserve: Library Bond Projects/Earned Revenue - Miscellaneous			\$367,000		\$367,000	\$367,000		\$0
Earned Revenue - General Obligation Bond Revenue					\$0	(\$5,905,000)		\$5,905,000
Earned Revenue - Sale of Land					\$0	(\$2,000,000)		\$2,000,000
Educational Park Branch			(\$1,905,000)		(\$1,905,000)			(\$1,905,000)
Southeast Branch			(\$6,000,000)		(\$6,000,000)			(\$6,000,000)
Recommended Budget Adjustments Total	\$0	\$0	(\$7,538,000)	\$0	(\$7,538,000)	(\$7,538,000)	\$0	\$0
BRANCH LIB BOND PROJECT FD (472) TOTAL	\$0	\$0	(\$7,538,000)	\$0	(\$7,538,000)	(\$7,538,000)	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 #8 COMM HILL FUND (373)								
Recommended Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$150,000)	(\$150,000)			(\$150,000)
Non-Personal/Equipment		\$150,000			\$150,000			\$150,000
Recommended Budget Adjustments Total	\$0	\$0	\$150,000	(\$150,000)	\$0	\$0	\$0	\$0
CFD #8 COMM HILL FUND (373) TOTAL	\$0	\$0	\$150,000	(\$150,000)	\$0	\$0	\$0	\$0
COMMTY FACIL REVENUE FUND (422)								
Clean-Up Actions								
CITY MANAGER								
Tech Adjust: Hayes Repair and Improvements			\$107,090	(\$107,090)	\$0			\$0
Clean-Up Actions Total	\$0	\$0	\$107,090	(\$107,090)	\$0	\$0	\$0	\$0
COMMTY FACIL REVENUE FUND (422) TOTAL	\$0	\$0	\$107,090	(\$107,090)	\$0	\$0	\$0	\$0
COMMUNITY FAC DIST #1 FUND (371)								
Recommended Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$10,000)	(\$10,000)			(\$10,000)
Non-Personal/Equipment		\$10,000			\$10,000			\$10,000
Recommended Budget Adjustments Total	\$0	\$10,000	\$0	(\$10,000)	\$0	\$0	\$0	\$0
COMMUNITY FAC DIST #1 FUND (371) TOTAL	\$0	\$10,000	\$0	(\$10,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 CENTRAL FD (390)								
Recommended Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Ending Fund Balance Adjustment				(\$160,000)	(\$160,000)			(\$160,000)
Parks Facilities Capital Repairs			\$160,000		\$160,000			\$160,000
Recommended Budget Adjustments Total	\$0	\$0	\$160,000	(\$160,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX CENTRAL FD (390) TOTAL	\$0	\$0	\$160,000	(\$160,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX FIRE FUND (392)								
Recommended Budget Adjustments								
PUBLIC SAFETY CAPITAL PROGRAM								
Ending Fund Balance Adjustment				(\$340,000)	(\$340,000)			(\$340,000)
Facilities Improvements			\$340,000		\$340,000			\$340,000
Recommended Budget Adjustments Total	\$0	\$0	\$340,000	(\$340,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX FIRE FUND (392) TOTAL	\$0	\$0	\$340,000	(\$340,000)	\$0	\$0	\$0	\$0
CONST/CONV TAX LIBRARY FD (393)								
Recommended Budget Adjustments								
LIBRARY CAPITAL PROGRAM								
Facilities Improvement/Earned Revenue			\$42,138		\$42,138	\$42,138		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$42,138	\$0	\$42,138	\$42,138	\$0	\$0
CONST/CONV TAX LIBRARY FD (393) TOTAL	\$0	\$0	\$42,138	\$0	\$42,138	\$42,138	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 PKS CW FUND (391)								
Recommended Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Family Camp Interim Dining Hall			(\$63,000)		(\$63,000)			(\$63,000)
Family Camp Master Plan			\$63,000		\$63,000			\$63,000
Happy Hollow East Side Improvements			(\$340,000)		(\$340,000)			(\$340,000)
Japanese Friendship Garden Tea House			\$340,000		\$340,000			\$340,000
Recommended Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONST/CONV TAX PKS CW FUND (391) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONST/CONV TAX SRVC YDS FD (395)								
Clean-Up Actions								
SERVICE YARDS CAPITAL PROGRAM								
Facilities Capitial Repairs (from Roof Replacement, Painting, and Supplemental Needs)			\$25,000		\$25,000			\$25,000
Roof Replacement, Painting and Supplemental Needs (to Facilities Capital Repairs)			(\$25,000)		(\$25,000)			(\$25,000)
Clean-Up Actions Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONST/CONV TAX SRVC YDS FD (395) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION EXCISE TAX FD (465)								
Recommended Budget Adjustments								
TRAFFIC CAPITAL PROGRAM								
Construction Excise Tax Revenue Estimate					\$0	\$4,000,000		(\$4,000,000)
Copper Wire Replacement			\$150,000		\$150,000			\$150,000
Ending Fund Balance Adjustment				\$3,850,000	\$3,850,000			\$3,850,000

Special/Capital Funds
 Appropriation Actions
 2011-2012 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	
CONSTRUCTION EXCISE TAX FD (465)								
TRAFFIC CAPITAL PROGRAM								
Jackson Avenue and Alexian Drive Pedestrian Improvements/Earned Revenue			\$35,000		\$35,000	\$35,000		\$0
Reserve - North San José Traffic Impact Fees/Earned Revenue			\$2,501,426		\$2,501,426	\$2,501,426		\$0
Traffic Safety Education/Earned Revenue			\$55,000		\$55,000	\$55,000		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$2,741,426	\$3,850,000	\$6,591,426	\$6,591,426	\$0	\$0
CONSTRUCTION EXCISE TAX FD (465) TOTAL	\$0	\$0	\$2,741,426	\$3,850,000	\$6,591,426	\$6,591,426	\$0	\$0
CONV CTR FACIL DIST REV FD (791)								
Clean-Up Actions								
FINANCE								
Debt Service: Special Tax Bonds			\$1,500	(\$1,500)	\$0			\$0
Clean-Up Actions Total	\$0	\$0	\$1,500	(\$1,500)	\$0	\$0	\$0	\$0
CONV CTR FACIL DIST REV FD (791) TOTAL	\$0	\$0	\$1,500	(\$1,500)	\$0	\$0	\$0	\$0
CONV/CULTURAL AFFAIRS FUND (536)								
Recommended Budget Adjustments								
CONVENTION FACILITIES DEPT								
Convention Center Fixtures, Furniture, and Equipment			\$150,000		\$150,000			\$150,000
Convention Center Kitchen Remodel			\$100,000		\$100,000			\$100,000
Convention and Visitors Bureau			(\$412,000)		(\$412,000)			(\$412,000)
Ending Fund Balance Adjustment				\$986,000	\$986,000			\$986,000
Non-Personal/Equipment/Earned Revenue		\$3,500,000			\$3,500,000	\$3,500,000		\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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		
CONV/CULTURAL AFFAIRS FUND (536)									
CONVENTION FACILITIES DEPT									
Transfer from the Transient Occupancy Tax Fund						\$0	\$824,000		(\$824,000)
Recommended Budget Adjustments Total									
	\$0	\$3,500,000	(\$162,000)	\$986,000	\$4,324,000	\$4,324,000	\$0	\$0	
Clean-Up Actions									
CONVENTION FACILITIES DEPT									
Benefits Program						\$0			\$0
	\$3,994			(\$3,994)	\$0			\$0	
Clean-Up Actions Total									
	\$3,994	\$0	\$0	(\$3,994)	\$0	\$0	\$0	\$0	
CONV/CULTURAL AFFAIRS FUND (536) TOTAL									
	\$3,994	\$3,500,000	(\$162,000)	\$982,006	\$4,324,000	\$4,324,000	\$0	\$0	
DENTAL INSURANCE FUND (155)									
Clean-Up Actions									
HUMAN RESOURCES									
Fund Balance Reconciliation						\$111	\$111	\$111	\$0
Clean-Up Actions Total									
	\$0	\$0	\$0	\$111	\$111	\$0	\$111	\$0	
DENTAL INSURANCE FUND (155) TOTAL									
	\$0	\$0	\$0	\$111	\$111	\$0	\$111	\$0	
EDW BYRNE MEMORIAL JAG FD (474)									
Recommended Budget Adjustments									
POLICE									
2009 Justice Assistance Grant (JAG)/Earned Revenue						\$70	\$70	\$70	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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)								
Recommended Budget Adjustments Total	\$0	\$0	\$70	\$0	\$70	\$70	\$0	\$0
EDW BYRNE MEMORIAL JAG FD (474) TOTAL	\$0	\$0	\$70	\$0	\$70	\$70	\$0	\$0
GENERAL PURPOSE PARKING FD (533)								
Recommended Budget Adjustments								
TRANSPORTATION								
4th/San Fernando Garage Debt Service			(\$1,700,000)		(\$1,700,000)			(\$1,700,000)
Reserve for Debt Service			\$1,700,000		\$1,700,000			\$1,700,000
Recommended Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clean-Up Actions								
TRANSPORTATION								
Benefits Program	\$4,058			(\$4,058)	\$0			\$0
Tech Adjust: Transfer to the General Fund for Retirement Contributions			(\$34,476)	\$34,476	\$0			\$0
Transportation Non-Personal/Equipment (to PW Non-Personal/Equipment for Facilities Maintenance/Custodial Funding)		(\$15,000)			(\$15,000)			(\$15,000)
PUBLIC WORKS								
Public Works Non-Personal/Equipment (from DOT Non-Personal/Equipment for Facilities Maintenance/Custodial Funding)		\$15,000			\$15,000			\$15,000
Clean-Up Actions Total	\$4,058	\$0	(\$34,476)	\$30,418	\$0	\$0	\$0	\$0
GENERAL PURPOSE PARKING FD (533) TOTAL	\$4,058	\$0	(\$34,476)	\$30,418	\$0	\$0	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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)								
Recommended Budget Adjustments								
PARKS, REC, & NEIGH SVCS								
Mayor's Gang Prevention Task Force Clean Slate Pgm/Earned Revenue				\$35,000	\$35,000	\$35,000		\$0
LIBRARY								
Library - General Gifts/Earned Revenue				\$90,596	\$90,596	\$90,596		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$125,596	\$0	\$125,596	\$125,596	\$0	\$0
GIFT TRUST FUND (139) TOTAL	\$0	\$0	\$125,596	\$0	\$125,596	\$125,596	\$0	\$0
HOME INVEST PART PROG FUND (445)								
Clean-Up Actions								
HOUSING								
Rebudget: Transfer from the Housing Trust Fund				\$115,000	\$115,000	\$115,000		\$0
Clean-Up Actions Total	\$0	\$0	\$0	\$115,000	\$115,000	\$115,000	\$0	\$0
HOME INVEST PART PROG FUND (445) TOTAL	\$0	\$0	\$0	\$115,000	\$115,000	\$115,000	\$0	\$0
HOUSING TRUST FUND (440)								
Clean-Up Actions								
HOUSING								
Rebudget: Transfer to the Home Investment Partnership Program Fund				\$115,000	(\$115,000)	\$0		\$0
Clean-Up Actions Total	\$0	\$0	\$115,000	(\$115,000)	\$0	\$0	\$0	\$0
HOUSING TRUST FUND (440) TOTAL	\$0	\$0	\$115,000	(\$115,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

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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)								
Recommended Budget Adjustments								
FINANCE								
Ending Fund Balance Adjustment				(\$2,000,000)	(\$2,000,000)			(\$2,000,000)
Fuel Cell Equipment			\$2,000,000		\$2,000,000			\$2,000,000
Recommended Budget Adjustments Total	\$0	\$0	\$2,000,000	(\$2,000,000)	\$0	\$0	\$0	\$0
ICE CENTRE REVENUE FUND (432) TOTAL	\$0	\$0	\$2,000,000	(\$2,000,000)	\$0	\$0	\$0	\$0
INTEGRATED WASTE MGT FUND (423)								
Recommended Budget Adjustments								
ENVIRONMENTAL SERVICES								
CEC Grant: Biomass to Energy Technology Project			\$350,000		\$350,000	\$350,000		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$350,000	\$0	\$350,000	\$350,000	\$0	\$0
Clean-Up Actions								
INFORMATION TECHNOLOGY								
Benefits Program	\$8,884			(\$8,884)	\$0			\$0
FINANCE								
Benefits Program	\$4,763			(\$4,763)	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	\$15,981			(\$15,981)	\$0			\$0
Fund Balance Reconciliation				(\$9,860)	(\$9,860)		(\$9,860)	\$0
Clean-Up Actions Total	\$29,628	\$0	\$0	(\$39,488)	(\$9,860)	\$0	(\$9,860)	\$0
INTEGRATED WASTE MGT FUND (423) TOTAL	\$29,628	\$0	\$350,000	(\$39,488)	\$340,140	\$350,000	(\$9,860)	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

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Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/Equipment	Other			Revenue	Beg Fund Balance	
LIBRARY PARCEL TAX FUND (418)								
Clean-Up Actions								
LIBRARY								
Benefits Program	\$7,326			(\$7,326)	\$0			\$0
Clean-Up Actions Total	\$7,326	\$0	\$0	(\$7,326)	\$0	\$0	\$0	\$0
LIBRARY PARCEL TAX FUND (418) TOTAL	\$7,326	\$0	\$0	(\$7,326)	\$0	\$0	\$0	\$0
M.D. #15 SILVER CREEK FUND (368)								
Recommended Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$500,000)	(\$500,000)			(\$500,000)
Non-Personal/Equipment			\$500,000		\$500,000			\$500,000
Recommended Budget Adjustments Total	\$0	\$0	\$500,000	(\$500,000)	\$0	\$0	\$0	\$0
M.D. #15 SILVER CREEK FUND (368) TOTAL	\$0	\$0	\$500,000	(\$500,000)	\$0	\$0	\$0	\$0
M.D. #19 RIVER OAKS FUND (359)								
Recommended Budget Adjustments								
TRANSPORTATION								
Ending Fund Balance Adjustment				(\$25,000)	(\$25,000)			(\$25,000)
Non-Personal/Equipment		\$25,000			\$25,000			\$25,000
Recommended Budget Adjustments Total	\$0	\$25,000	\$0	(\$25,000)	\$0	\$0	\$0	\$0
M.D. #19 RIVER OAKS FUND (359) TOTAL	\$0	\$25,000	\$0	(\$25,000)	\$0	\$0	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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	
MULTI-SOURCE HOUSING FD (448)								
Recommended Budget Adjustments								
HOUSING								
CalHome (BEGIN) Program/Earned Revenue			\$1,000,000		\$1,000,000	\$1,000,000		\$0
Ending Fund Balance Adjustment				(\$90,000)	(\$90,000)			(\$90,000)
Extremely Low-Income Housing			\$680,630		\$680,630			\$680,630
Family Shelter Project			\$625,324		\$625,324			\$625,324
Rental Rehabilitation Program Projects			\$90,000		\$90,000			\$90,000
Rental Rights and Referrals Program		\$80,000			\$80,000			\$80,000
Reserve for Rental Rights and Referrals Program			(\$80,000)		(\$80,000)			(\$80,000)
Reserve for Special Projects			(\$1,305,954)		(\$1,305,954)			(\$1,305,954)
Recommended Budget Adjustments Total	\$0	\$80,000	\$1,010,000	(\$90,000)	\$1,000,000	\$1,000,000	\$0	\$0
MULTI-SOURCE HOUSING FD (448) TOTAL	\$0	\$80,000	\$1,010,000	(\$90,000)	\$1,000,000	\$1,000,000	\$0	\$0
MUNICIPAL GOLF COURSE FUND (518)								
Recommended Budget Adjustments								
PARKS, REC, & NEIGH SVCS								
Ending Fund Balance Adjustment				\$39,500	\$39,500			\$39,500
Golf Course Fund General Fund Transfer					\$0	\$300,000		(\$300,000)
Golf Courses Revenue Estimates					\$0	(\$170,500)		\$170,500
Los Lagos Golf Course			\$15,000		\$15,000			\$15,000
Non-Personal/Equipment		(\$15,000)			(\$15,000)			(\$15,000)
Rancho del Pueblo Golf Course			\$90,000		\$90,000			\$90,000
Recommended Budget Adjustments Total	\$0	(\$15,000)	\$105,000	\$39,500	\$129,500	\$129,500	\$0	\$0
MUNICIPAL GOLF COURSE FUND (518) TOTAL	\$0	(\$15,000)	\$105,000	\$39,500	\$129,500	\$129,500	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

III - 73

Department/Proposal	USE			Ending Fund Balance	Total Use	SOURCE		NET COST
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance	
NEIGHBHD SECURITY BOND FD (475)								
Recommended Budget Adjustments								
PUBLIC SAFETY CAPITAL PROGRAM								
Contingency Reserve			(\$65,702)		(\$65,702)			(\$65,702)
Earned Revenue - General Obligation Bond Revenue					\$0	(\$3,325,000)		\$3,325,000
Fire Station 2 - Rebuild			\$65,702		\$65,702			\$65,702
Fire Station 21 - Relocation (White Road)			(\$4,800,000)		(\$4,800,000)			(\$4,800,000)
Reserve: Fire Station 21			\$1,475,000		\$1,475,000			\$1,475,000
Recommended Budget Adjustments Total	\$0	\$0	(\$3,325,000)	\$0	(\$3,325,000)	(\$3,325,000)	\$0	\$0
NEIGHBHD SECURITY BOND FD (475) TOTAL	\$0	\$0	(\$3,325,000)	\$0	(\$3,325,000)	(\$3,325,000)	\$0	\$0
PARKS & REC BOND PROJ FD (471)								
Recommended Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Contingency Reserve: Parks and Recreation Bond Project			\$387,000		\$387,000			\$387,000
Earned Revenue					\$0	\$387,000		(\$387,000)
Recommended Budget Adjustments Total	\$0	\$0	\$387,000	\$0	\$387,000	\$387,000	\$0	\$0
PARKS & REC BOND PROJ FD (471) TOTAL	\$0	\$0	\$387,000	\$0	\$387,000	\$387,000	\$0	\$0
SEWER SVC & USE CHARGE FD (541)								
Clean-Up Actions								
INFORMATION TECHNOLOGY								
Benefits Program	\$1,012			(\$1,012)	\$0			\$0
FINANCE								

Special/Capital Funds
 Appropriation Actions
 2011-2012 Mid-Year Budget Review

III - 74

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)								
FINANCE								
Benefits Program	\$1,386			(\$1,386)	\$0			\$0
TRANSPORTATION								
Benefits Program	\$34,943			(\$34,943)	\$0			\$0
Tech Adjust: DOT Non-Personal/Equipment (to PW Personal Services)		(\$40,000)			(\$40,000)			(\$40,000)
PUBLIC WORKS								
Benefits Program	\$3,998			(\$3,998)	\$0			\$0
Facilities Capital Repairs and Maintenance (from Public Works Non-Personal/Equipment)			\$40,000		\$40,000			\$40,000
Public Works Non-Personal/Equipment (to Facilities Capital Repairs and Maintenance)		(\$40,000)			(\$40,000)			(\$40,000)
Tech Adjust: Public Works Personal Services (from DOT Non-Personal/Equipment)	\$40,000				\$40,000			\$40,000
ENVIRONMENTAL SERVICES								
Benefits Program	\$2,515			(\$2,515)	\$0			\$0
Fund Balance Reconciliation				\$37,546	\$37,546		\$37,546	\$0
Clean-Up Actions Total	\$83,854	(\$80,000)	\$40,000	(\$6,308)	\$37,546	\$0	\$37,546	\$0
SEWER SVC & USE CHARGE FD (541) TOTAL	\$83,854	(\$80,000)	\$40,000	(\$6,308)	\$37,546	\$0	\$37,546	\$0
SEWER SVC & USE CHG CAP FD (545)								
Clean-Up Actions								
SANITARY SEWER CAPITAL PROGRAM								
Fund Balance Reconciliation				(\$19,000)	(\$19,000)		(\$19,000)	\$0
Clean-Up Actions Total	\$0	\$0	\$0	(\$19,000)	(\$19,000)	\$0	(\$19,000)	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 CHG CAP FD (545)								
SEWER SVC & USE CHG CAP FD (545) TOTAL	\$0	\$0	\$0	(\$19,000)	(\$19,000)	\$0	(\$19,000)	\$0
SJ-SC TRMNT PLANT CAP FUND (512)								
Recommended Budget Adjustments								
WATER POLLUTION CONTROL CAP PRGM								
Advanced Process Control and Automation			(\$600,000)		(\$600,000)			(\$600,000)
Equipment Replacement			(\$1,465,000)		(\$1,465,000)			(\$1,465,000)
Plant Infrastructure Improvements			(\$2,950,000)		(\$2,950,000)			(\$2,950,000)
Treatment Plant Distributed Control System			\$2,065,000		\$2,065,000			\$2,065,000
Treatment Plant Engine Rebuild			\$1,000,000		\$1,000,000			\$1,000,000
Treatment Plant Street Resurfacing			\$500,000		\$500,000			\$500,000
Urgent and Unscheduled Treatment Plant Rehabilitation			\$250,000		\$250,000			\$250,000
WATER UTILITY SYS CAPITAL PROGRAM								
Treatment Plant Fire Main Replacement			\$1,200,000		\$1,200,000			\$1,200,000
Recommended Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clean-Up Actions								
WATER POLLUTION CONTROL CAP PRGM								
Fund Balance Reconciliation				(\$510,048)	(\$510,048)		(\$510,048)	\$0
Clean-Up Actions Total	\$0	\$0	\$0	(\$510,048)	(\$510,048)	\$0	(\$510,048)	\$0
SJ-SC TRMNT PLANT CAP FUND (512) TOTAL	\$0	\$0	\$0	(\$510,048)	(\$510,048)	\$0	(\$510,048)	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 OPER FUND (513)								
ENVIRONMENTAL SERVICES								
Benefits Program	\$123,507			(\$123,507)	\$0			\$0
Fund Balance Reconciliation				\$1,020,269	\$1,020,269		\$1,020,269	\$0
Clean-Up Actions Total	\$123,507	\$0	\$0	\$896,762	\$1,020,269	\$0	\$1,020,269	\$0
SJ-SC TRMNT PLANT OPER FUND (513) TOTAL	\$123,507	\$0	\$0	\$896,762	\$1,020,269	\$0	\$1,020,269	\$0
STORES FUND (551)								
Clean-Up Actions								
FINANCE								
Benefits Program	\$1,034			(\$1,034)	\$0			\$0
Tech Adjust: Finance Department Reallocation	(\$15,000)	\$15,000			\$0			\$0
Clean-Up Actions Total	(\$13,966)	\$15,000	\$0	(\$1,034)	\$0	\$0	\$0	\$0
STORES FUND (551) TOTAL	(\$13,966)	\$15,000	\$0	(\$1,034)	\$0	\$0	\$0	\$0
STORM DRAINAGE FEE FUND (413)								
Clean-Up Actions								
FINANCE								
Earned Revenue/Transfer to the General Fund			\$3,000		\$3,000	\$3,000		\$0
Clean-Up Actions Total	\$0	\$0	\$3,000	\$0	\$3,000	\$3,000	\$0	\$0
STORM DRAINAGE FEE FUND (413) TOTAL	\$0	\$0	\$3,000	\$0	\$3,000	\$3,000	\$0	\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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 CAPITAL FUND (469)								
Recommended Budget Adjustments								
STORM SEWER CAPITAL PROGRAM								
Ending Fund Balance Adjustment				(\$25,000)	(\$25,000)			(\$25,000)
Permit Review and Inspection for Outside Agencies			\$25,000		\$25,000			\$25,000
Recommended Budget Adjustments Total	\$0	\$0	\$25,000	(\$25,000)	\$0	\$0	\$0	\$0
STORM SEWER CAPITAL FUND (469) TOTAL	\$0	\$0	\$25,000	(\$25,000)	\$0	\$0	\$0	\$0
STORM SEWER OPERATING FD (446)								
Clean-Up Actions								
TRANSPORTATION								
Benefits Program	\$19,650			(\$19,650)	\$0			\$0
PUBLIC WORKS								
Benefits Program	\$1,482			(\$1,482)	\$0			\$0
ENVIRONMENTAL SERVICES								
Benefits Program	\$15,160			(\$15,160)	\$0			\$0
Fund Balance Reconciliation				(\$9,861)	(\$9,861)		(\$9,861)	\$0
Clean-Up Actions Total	\$36,292	\$0	\$0	(\$46,153)	(\$9,861)	\$0	(\$9,861)	\$0
STORM SEWER OPERATING FD (446) TOTAL	\$36,292	\$0	\$0	(\$46,153)	(\$9,861)	\$0	(\$9,861)	\$0
SUBDIVISION PARK TRUST FUND (375)								
Recommended Budget Adjustments								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Commodore Children's Park			\$1,734,000		\$1,734,000			\$1,734,000

Special/Capital Funds
 Appropriation Actions
 2011-2012 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)								
PARKS & COMM FAC DEV CAPITAL PROGRAM								
Reserve: Commodore Children's Park Development			(\$1,734,000)		(\$1,734,000)			(\$1,734,000)
Recommended Budget Adjustments Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUBDIVISION PARK TRUST FUND (375) TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUPPL LAW ENF SVCES FUND (414)								
Recommended Budget Adjustments								
POLICE								
SLES Grant 2008-2010/Earned Revenue			\$1,102		\$1,102	\$1,102		\$0
SLES Grant 2010-2012/Earned Revenue			\$62,096		\$62,096	\$62,096		\$0
Recommended Budget Adjustments Total	\$0	\$0	\$63,198	\$0	\$63,198	\$63,198	\$0	\$0
SUPPL LAW ENF SVCES FUND (414) TOTAL	\$0	\$0	\$63,198	\$0	\$63,198	\$63,198	\$0	\$0
TRANSIENT OCCUPANCY TX FD (461)								
Recommended Budget Adjustments								
FINANCE								
Transient Occupancy Tax Collections						\$0	\$1,648,000	(\$1,648,000)
CONVENTION FACILITIES DEPT								
Convention and Visitors Bureau			\$412,000		\$412,000			\$412,000
Cultural Development			\$412,000		\$412,000			\$412,000
Transfer to the Convention and Cultural Affairs Fund			\$824,000		\$824,000			\$824,000

Special/Capital Funds
 Appropriation Actions
 2011-2012 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)								
Recommended Budget Adjustments Total	\$0	\$0	\$1,648,000	\$0	\$1,648,000	\$1,648,000	\$0	\$0
TRANSIENT OCCUPANCY TX FD (461) TOTAL	\$0	\$0	\$1,648,000	\$0	\$1,648,000	\$1,648,000	\$0	\$0
WATER UTILITY FUND (515)								
Recommended Budget Adjustments								
HUMAN RESOURCES								
Workers' Compensation Claims			\$24,000		\$24,000			\$24,000
ENVIRONMENTAL SERVICES								
Ending Fund Balance Adjustment				(\$24,000)	(\$24,000)			(\$24,000)
Recommended Budget Adjustments Total	\$0	\$0	\$24,000	(\$24,000)	\$0	\$0	\$0	\$0
Clean-Up Actions								
ENVIRONMENTAL SERVICES								
Benefits Program	\$10,414			(\$10,414)	\$0			\$0
Clean-Up Actions Total	\$10,414	\$0	\$0	(\$10,414)	\$0	\$0	\$0	\$0
WATER UTILITY FUND (515) TOTAL	\$10,414	\$0	\$24,000	(\$34,414)	\$0	\$0	\$0	\$0
WORKFORCE INVSTMNT ACT FD (290)								
Recommended Budget Adjustments								
ECONOMIC DEVELOPMENT								
Reserve for Program Allocation/Earned Revenue			\$671,209		\$671,209	\$671,209		\$0

Special/Capital Funds
 Appropriation Actions
 2011-2012 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	
WORKFORCE INVSTMNT ACT FD (290)								
Recommended Budget Adjustments Total	\$0	\$0	\$671,209	\$0	\$671,209	\$671,209	\$0	\$0
WORKFORCE INVSTMNT ACT FD (290) TOTAL	\$0	\$0	\$671,209	\$0	\$671,209	\$671,209	\$0	\$0



2011-2012

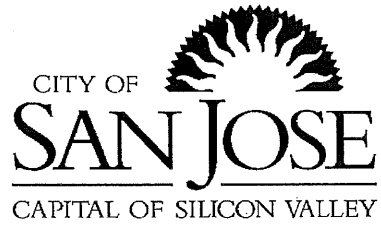
MID-YEAR
BUDGET
REVIEW



SECTION
IV

APPENDICES





FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the 6 Months Ended December 31, 2011
Fiscal Year 2011-12
(*UNAUDITED*)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 6 Months Ended December 31, 2011
Fiscal Year 2011-12
(UNAUDITED)

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Finance Department, City of San José
Monthly Financial Report
Financial Results for the 6 Months Ended December 31, 2011
Fiscal Year 2011-12
(UNAUDITED)

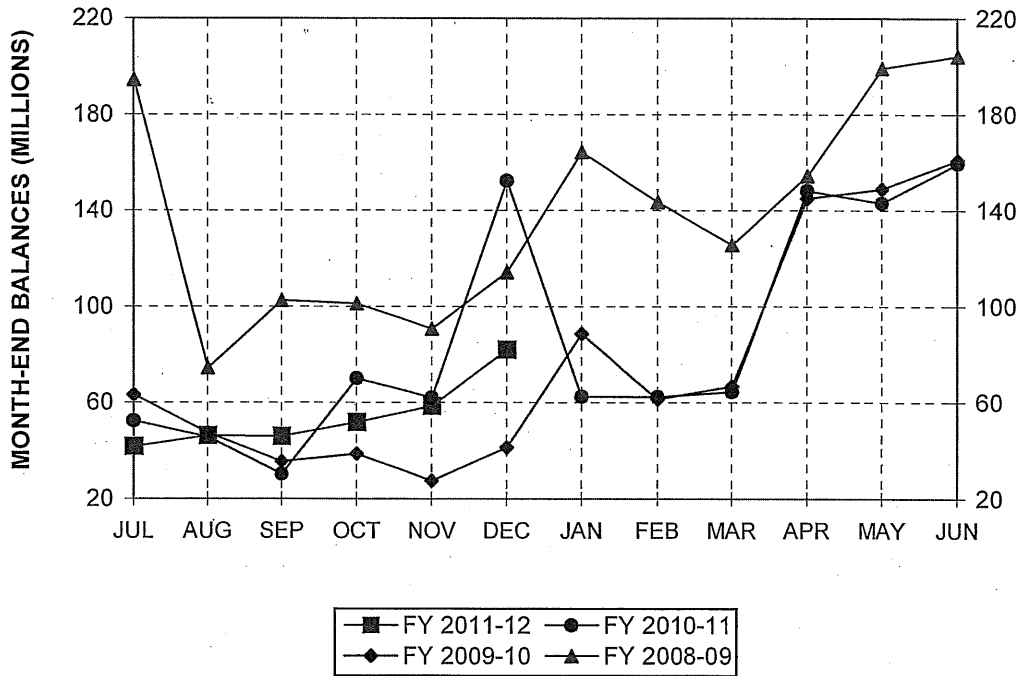
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Submitted by:


JULIA H. COOPER
Acting Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

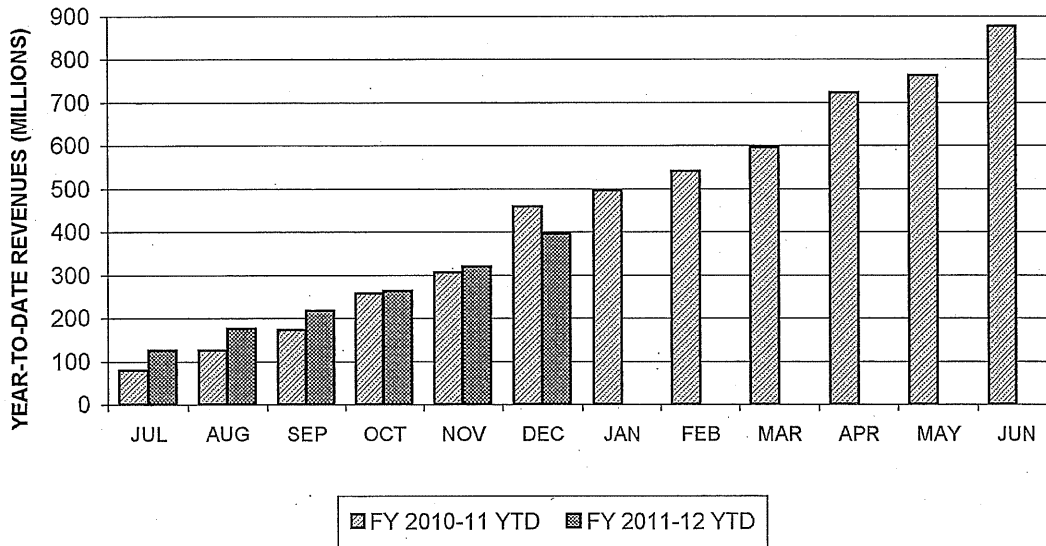
MONTH	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09
JULY (1)	\$ 41,946,493	\$ 52,614,304	\$ 63,344,537	\$ 194,527,843
AUGUST (1)	46,502,235	45,992,983	47,689,216	74,677,718
SEPTEMBER	46,218,737	30,525,385	35,662,298	102,811,355
OCTOBER	52,097,481	70,246,706	38,946,966	101,433,688
NOVEMBER	58,833,627	62,333,059	27,736,074	90,892,525
DECEMBER (2)	82,304,186	152,493,162	41,491,217	114,535,815
JANUARY (3)		62,749,463	88,749,418	164,539,700
FEBRUARY		62,572,017	61,606,869	143,802,507
MARCH		64,768,564	66,979,823	125,900,953
APRIL		148,465,097	145,213,763	154,701,704
MAY		143,186,930	149,064,276	199,321,150
JUNE		159,719,466	161,013,785	204,474,123

Note: (1) The General Fund cash balance decrease in July 2011 (also in August 2008, July 2009 and July 2010) was mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

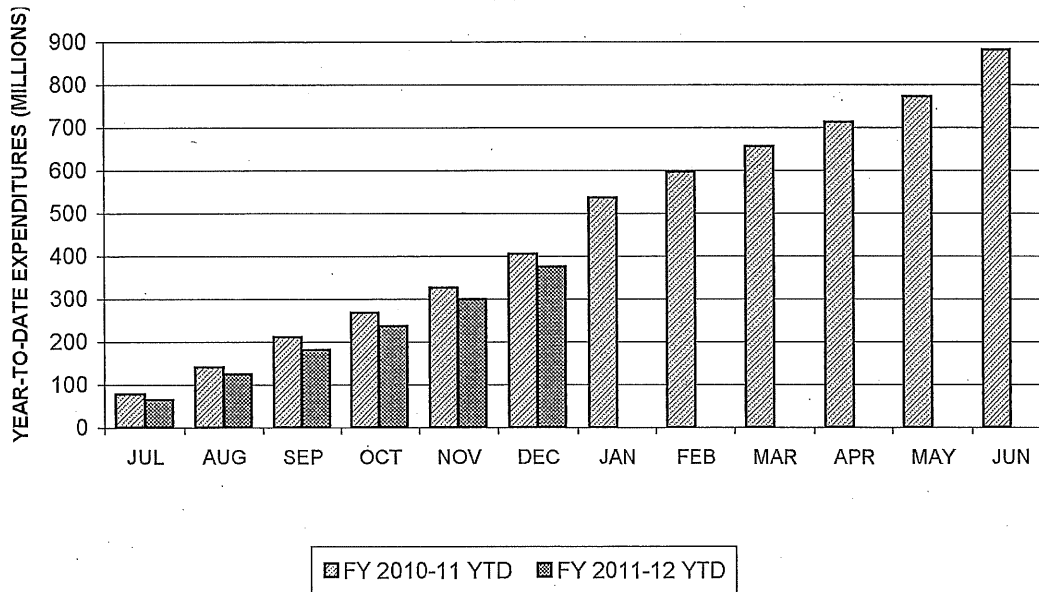
Note: (2) The General Fund cash balance increase in December 2010 was mainly due to the timing of the receipt of \$88.5 million Property Tax revenue and \$16.7 million in Sales Tax revenue. In addition, these revenues were posted in January in the three fiscal years.

Note: (3) The General Fund cash balance decrease in January 2011 was mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million.

**GENERAL FUND
Comparison of YTD Revenues
Actual**



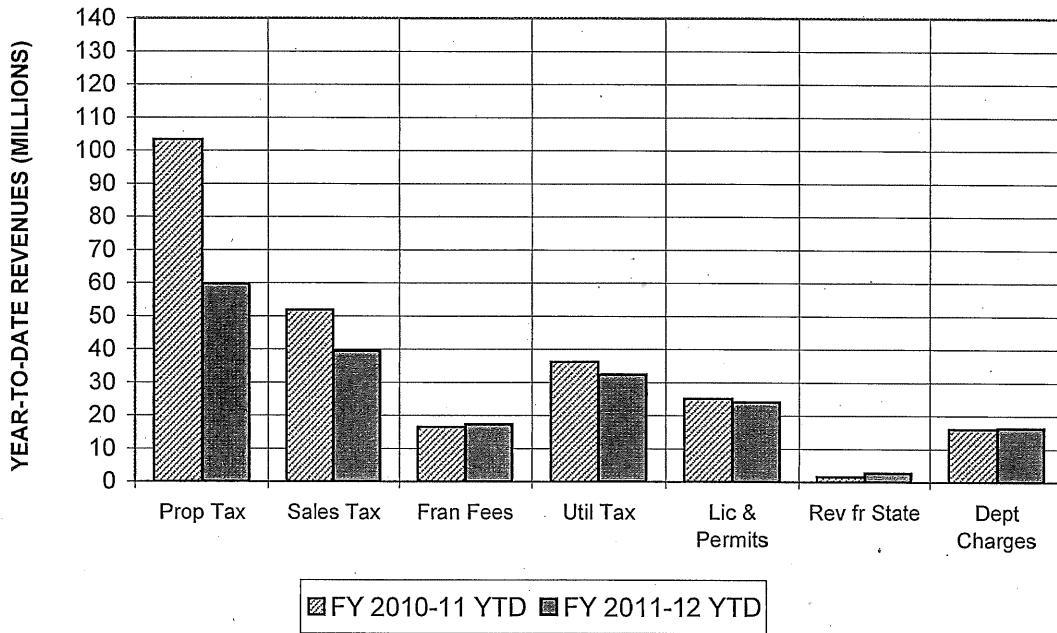
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



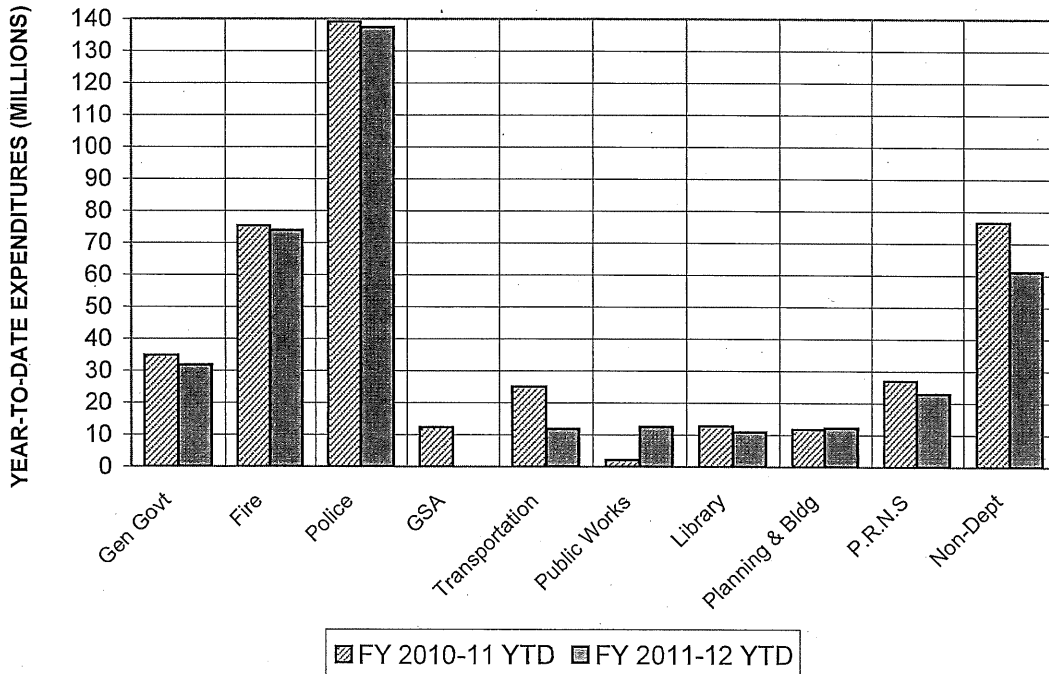
General Fund Revenue includes issuance of Tax and Revenue Anticipation Notes (TRANs) in the amount of \$75 million (\$40 million in July 2010 and \$35 million in October 2010) and \$100 million in July 2011 for cash flow borrowing.

General Fund Expenditures includes repayment of TRANs in the amount of \$75 million in January 2011.

GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 6 Months Ended December 31, 2011



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 6 Months Ended December 31, 2011



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	20,402	20,402	20,402	100.00%	16,344	103.99%	15,717	4,058	24.83%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	4,918	-	-
Available Balance	121,061	16,262	-	137,323	137,323	100.00%	141,398	99.94%	141,484	(4,075)	-2.88%
Total Fund Balance	121,061	16,262	20,402	157,725	157,725	100.00%	157,742	97.30%	162,119	(17)	-0.01%
General Revenues											
Property Tax	201,454	(1,359)	-	200,095	59,684	29.83%	103,298	53.02%	194,814	(43,614)	-42.22%
Sales Tax (Note 1)	140,906	6,223	-	147,129	39,421	26.79%	51,780	37.53%	137,970	(12,359)	-23.87%
Telephone Line Tax	20,525	-	-	20,525	6,878	33.51%	8,512	41.23%	20,643	(1,634)	-19.20%
Transient Occupancy Tax	7,202	-	-	7,202	3,110	43.18%	2,710	37.52%	7,222	400	14.76%
Franchise Fees	43,025	(400)	-	42,625	17,335	40.67%	16,445	39.84%	41,273	890	5.41%
Utility Tax	88,035	-	-	88,035	32,347	36.74%	36,105	41.08%	87,885	1,501	8.48%
Business Taxes	38,795	(200)	-	38,595	19,192	49.73%	17,691	46.61%	37,969	(945)	-7.84%
Licenses and Permits	34,567	(11)	-	34,556	24,052	69.60%	24,997	64.53%	38,735	(672)	-7.84%
Fines, Forfeits and Penalties	17,471	-	-	17,471	7,902	45.23%	8,574	47.83%	17,926	(327)	-23.90%
Use of Money and Property	2,413	61	-	2,474	1,695	68.51%	1,368	37.63%	3,635	327	23.90%
Revenue from Local Agencies	19,331	2,041	-	21,372	4,698	21.98%	21,838	49.55%	44,075	(17,140)	-78.49%
Revenue from State of Cal.	14,465	684	-	15,149	2,695	17.79%	1,574	8.78%	17,926	1,121	71.22%
Revenue from Federal Government	21,208	2,958	-	24,166	3,444	14.25%	3,107	33.29%	9,332	337	10.85%
Departmental Charges (Note 2)	29,577	(200)	-	29,377	16,242	55.29%	15,910	49.49%	32,150	332	2.09%
Other Revenues (Note 3)	14,919	125,258	-	140,177	108,865	77.66%	82,953	89.61%	92,566	25,912	31.24%
Total General Revenues	693,893	135,055	-	828,948	347,560	41.93%	396,862	50.61%	784,111	(49,302)	-12.42%
Transfers & Reimbursements											
Overhead Reimbursements	37,752	(4,483)	-	33,269	24,737	74.35%	27,193	78.87%	34,480	(2,456)	-9.03%
Transfers from Other Funds	16,745	6,811	-	23,556	15,283	64.79%	30,711	74.09%	41,451	(15,446)	-50.30%
Reimbursements for Services	16,372	142	-	16,514	6,774	41.02%	3,702	22.96%	16,125	3,072	82.98%
Total Transfers & Reimburse	70,869	2,470	-	73,339	46,774	63.78%	61,606	66.92%	92,056	(14,832)	-24.08%
Total Sources	\$ 885,823	153,787	20,402	1,060,012	552,059	52.08%	616,210	59.35%	1,038,286	(64,151)	-10.41%

Note 1 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues.

The 2011-2012 impact through December 2011 is approximately \$10.7 million.

Note 2 - See Supplemental Schedule on Page 7.

Note 3 - Includes issuance of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million in July 2010 and \$35 million in October 2010 and \$100 million in July 2011 for cash flow borrowing.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL	ENCUMBR						
General Government												
Mayor and Council	10,319	(260)	43	10,102	4,050	39	40.09%	3,656	48.37%	7,559	394	10.78%
City Attorney	10,790	(127)	235	10,898	5,379	234	49.36%	5,569	48.80%	11,413	(190)	-3.41%
City Auditor	2,001	(23)	7	1,985	902	6	45.44%	907	51.10%	1,775	(5)	-0.55%
City Clerk (2)	2,343	(18)	69	2,394	785	56	32.79%	1,813	46.73%	3,880	(1,028)	-56.70%
City Manager	10,113	(108)	502	10,507	4,555	674	43.35%	4,954	48.14%	10,291	(399)	-8.05%
Finance	12,181	(110)	293	12,364	5,178	681	41.88%	5,206	47.48%	10,965	(28)	-0.54%
Information Technology	13,974	237	611	14,822	5,535	1,134	37.34%	6,879	48.60%	14,155	(1,344)	-19.54%
Human Resources	6,024	(71)	61	6,014	2,525	231	41.99%	3,411	49.31%	6,918	(886)	-25.97%
Redevelopment Agency	-	-	-	-	(8)	-	100.00%	738	57.48%	1,284	(746)	-101.08%
Independent Police Auditor	963	(10)	3	956	440	3	46.03%	384	46.66%	823	56	14.58%
Office of Economic Development	5,359	(30)	163	5,492	2,489	887	45.32%	1,311	46.47%	2,821	1,178	89.86%
Total General Government	74,067	(520)	1,987	75,534	31,830	3,945	42.14%	34,828	48.45%	71,884	(2,998)	-8.61%
Public Safety												
Fire	158,624	(2,674)	215	156,165	73,870	922	47.30%	75,265	49.28%	152,743	(1,395)	-1.85%
Police	298,336	1,726	1,798	301,860	137,392	3,609	45.52%	139,091	48.20%	288,599	(1,699)	-1.22%
Total Public Safety	456,960	(948)	2,013	458,025	211,262	4,531	46.12%	214,356	48.57%	441,342	(3,094)	-1.44%
Capital Maintenance												
Transportation	24,562	(129)	834	25,267	11,754	1,473	46.52%	12,732	45.38%	28,057	(978)	-7.88%
Public Works	26,447	107	344	26,898	12,528	1,342	46.58%	14,405	48.49%	29,705	(1,877)	-13.03%
Total Capital Maintenance	51,009	(22)	1,178	52,165	24,282	2,815	46.55%	27,137	46.98%	57,762	(2,855)	-10.52%

(1) Does not include encumbrance balance.

(2) Mainly due to \$1.93 million in Elections expenditures for the cost of the June 8, 2010 and November 2, 2010 elections.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$,000's)

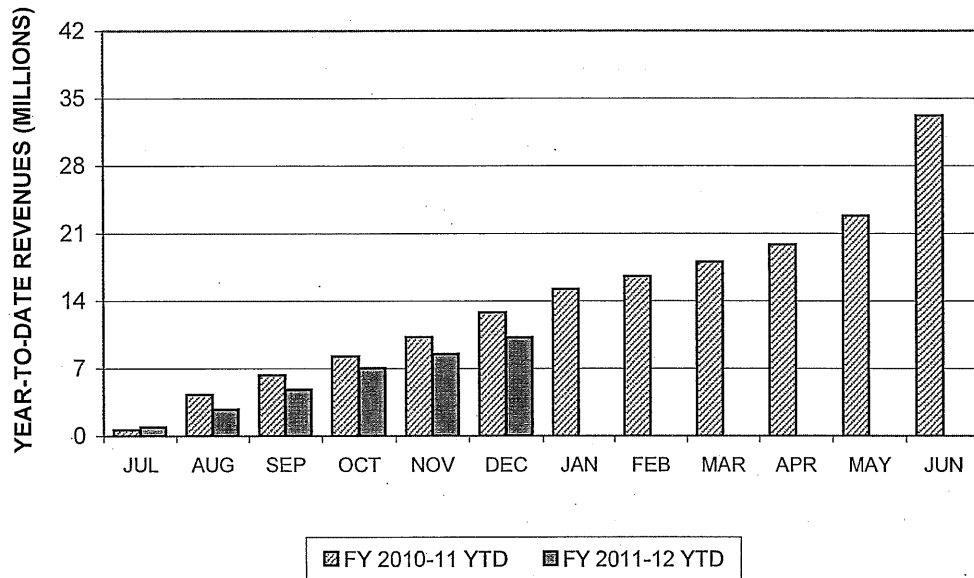
	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL	ENCUMBR						
Community Service												
Library	22,642	(471)	165	22,336	10,919	301	48.89%	12,669	50.94%	24,868	(1,750)	-13.81%
Planning, Bldg & Code Enf.	27,322	(162)	219	27,379	12,186	123	44.51%	11,662	48.62%	23,985	524	4.49%
Park, Rec & Neigh Svcs	45,560	188	759	46,507	22,907	3,180	49.25%	26,877	48.55%	55,354	(3,970)	-14.77%
Environmental Services	562	16	41	619	219	77	35.38%	255	50.00%	510	(36)	-14.12%
Total Community Services	96,086	(429)	1,184	96,841	46,231	3,681	47.74%	51,463	49.14%	104,717	(5,232)	-10.17%
Total Dept. Expenditures	\$ 678,122	(1,919)	6,362	682,565	313,605	14,972	45.95%	327,784	48.51%	675,705	(14,179)	-4.33%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 22,343	1,153	1,704	25,200	4,026	2,191	15.98%	16,553	70.59%	23,448	(12,527)	-75.68%
Environmental & Utility Services	10,337	355	-	10,692	1,907	3,110	17.84%	1,938	47.65%	4,067	(31)	-1.60%
Public Safety	22,873	3,004	1,236	27,113	9,500	3,138	35.04%	9,598	45.92%	20,902	(98)	-1.02%
Recreation & Cultural Services	6,847	906	856	8,609	3,335	2,655	38.74%	5,998	42.03%	14,272	(2,663)	-44.40%
Transportation Services	4,824	141	653	5,618	1,915	439	34.09%	1,699	39.56%	4,295	216	12.71%
Strategic Support (2)	45,717	126,817	5,503	178,037	8,404	6,112	4.72%	9,480	9.10%	104,129	(1,076)	-11.35%
Total City-wide Expenditures	112,941	132,376	9,952	255,269	29,087	17,645	11.39%	45,266	26.45%	171,113	(16,179)	-35.74%
Capital Contributions	9,695	1,201	4,088	14,984	2,484	2,922	16.44%	2,664	56.07%	4,733	(190)	-7.16%
Transfers to Other Funds	25,094	4,816	-	29,910	29,508	-	98.66%	28,616	100.29%	28,534	892	3.12%
Total Non-Dept Expenditures	147,730	138,393	14,040	300,163	61,059	20,567	20.34%	76,536	37.45%	204,380	(15,477)	-20.22%
Reserves												
Contingency Reserves	29,309	-	-	29,309	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	30,662	17,313	-	47,975	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	59,971	17,313	-	77,284	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 885,823	153,787	20,402	1,060,012	374,664	35,539	35.35%	404,320	45.94%	880,085	(29,656)	-7.33%

(1) Does not include encumbrance balance.
(2) Includes repayment of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million in January 2011.

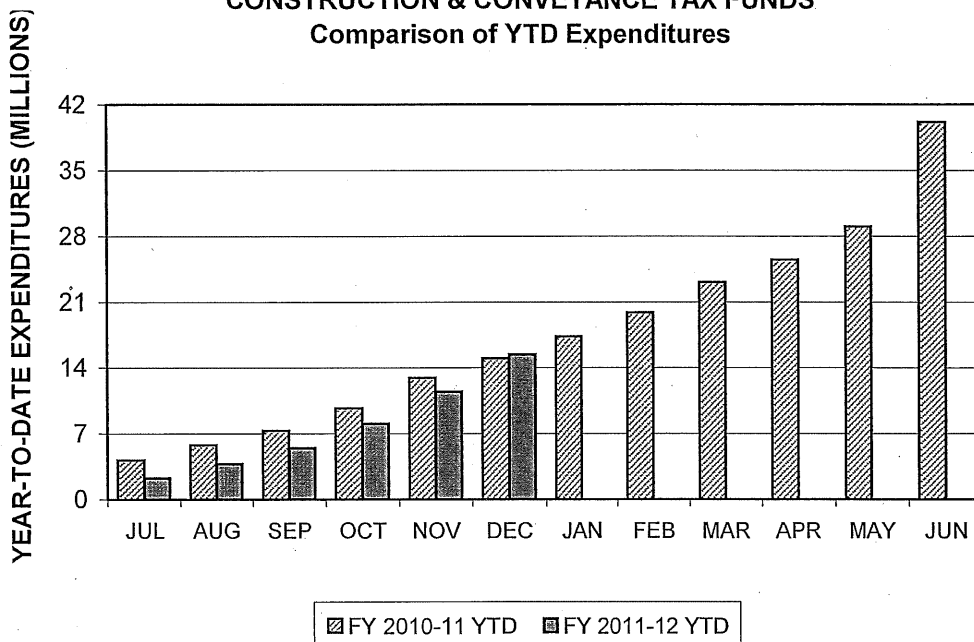
CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD %		PRIOR YEAR-END		% CHANGE	
								OF PRIOR YEAR-END ACTUAL	BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	CUR YTD ACTUAL LESS PRIOR YTD ACTUAL		
Police	1,785	-	-	1,785	809	45.32%	842	48.25%	1,745	(33)	-3.92%		
Public Works	4,805	-	-	4,805	3,098	64.47%	2,672	46.94%	5,692	426	15.94%		
Transportation	849	-	-	849	616	72.56%	584	53.28%	1,096	32	5.48%		
Library	1,411	(300)	-	1,111	409	36.81%	524	37.56%	1,395	(115)	-21.95%		
Planning, Bldg & Code Enf	2,469	-	-	2,469	1,214	49.17%	1,228	46.36%	2,649	(14)	-1.14%		
Parks Rec & Neigh Svcs	12,951	100	-	13,051	7,393	56.65%	7,527	54.89%	13,712	(134)	-1.78%		
Miscellaneous Dept Charges	5,307	-	-	5,307	2,703	50.93%	2,533	43.22%	5,861	170	6.71%		
Total Departmental Revenues \$	29,577	(200)	-	29,377	16,242	55.29%	15,910	49.49%	32,150	332	2.09%		

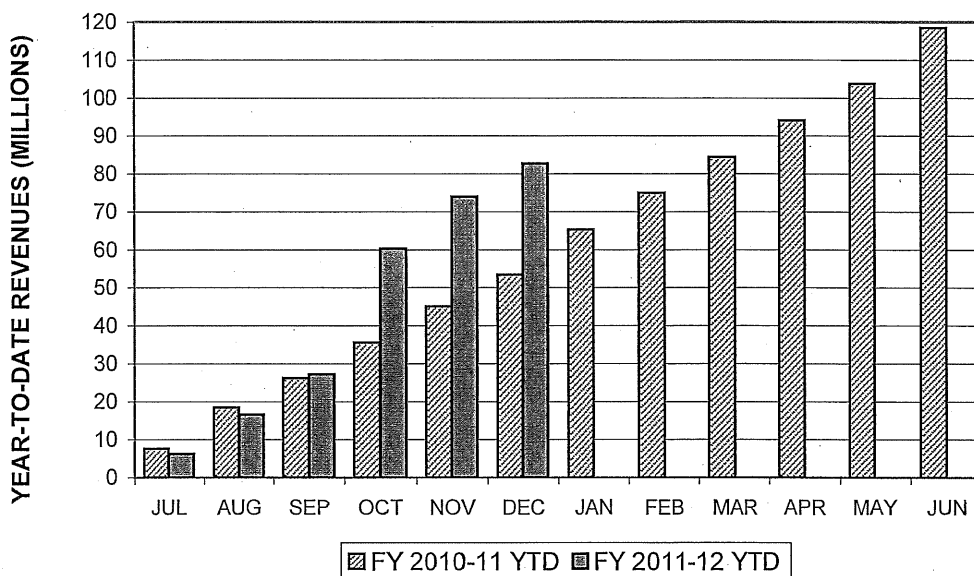
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



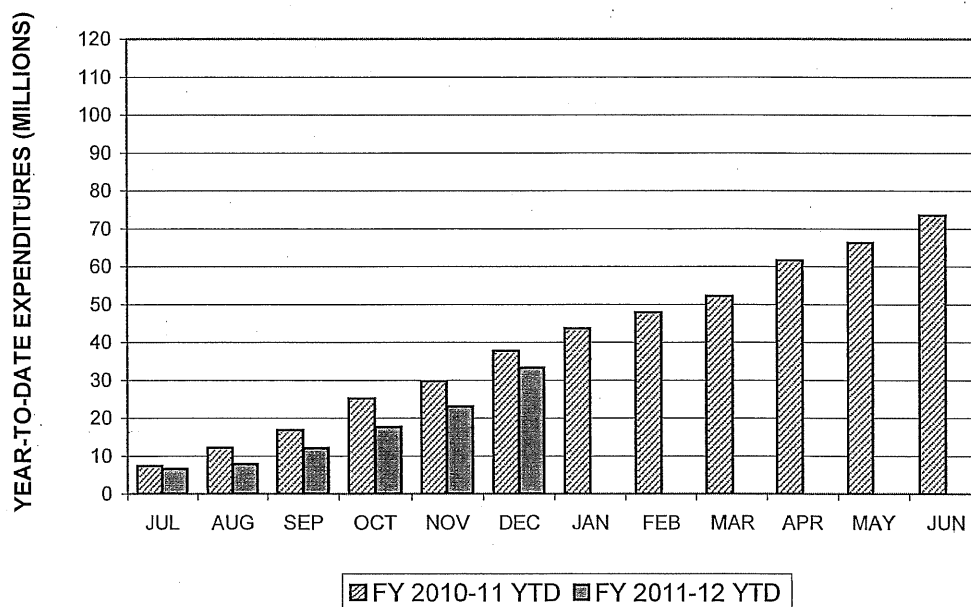
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues**



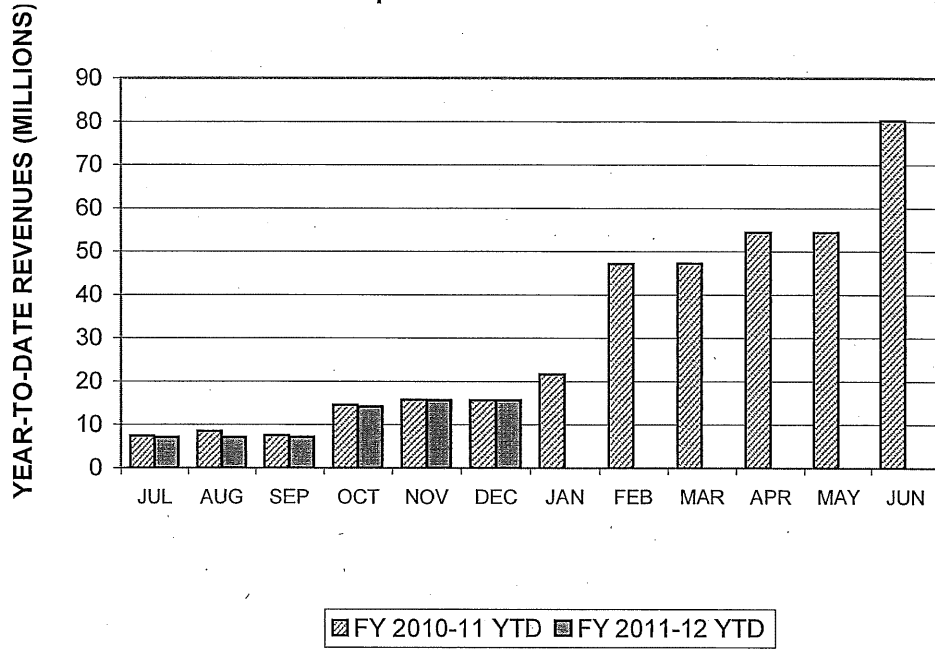
**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**



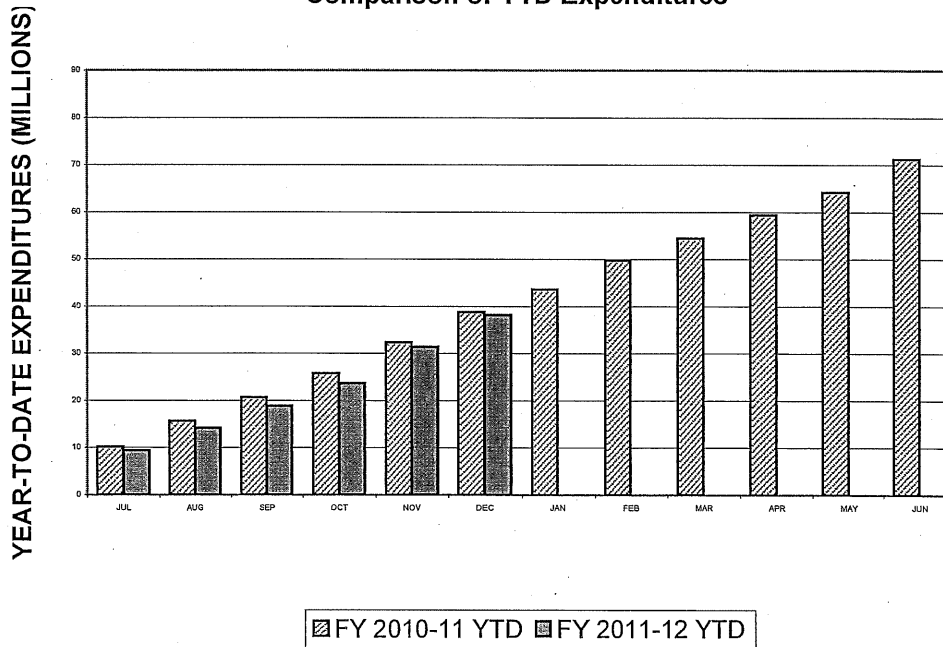
Airport Revenue includes the reimbursement of \$22.2 million in October 2011 for previously paid expenditures from the proceeds of the City's Airport Revenue Bonds, Series 2007A (AMT), pursuant to the Proceeds Allocation Certificate executed on September 30, 2011.

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

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

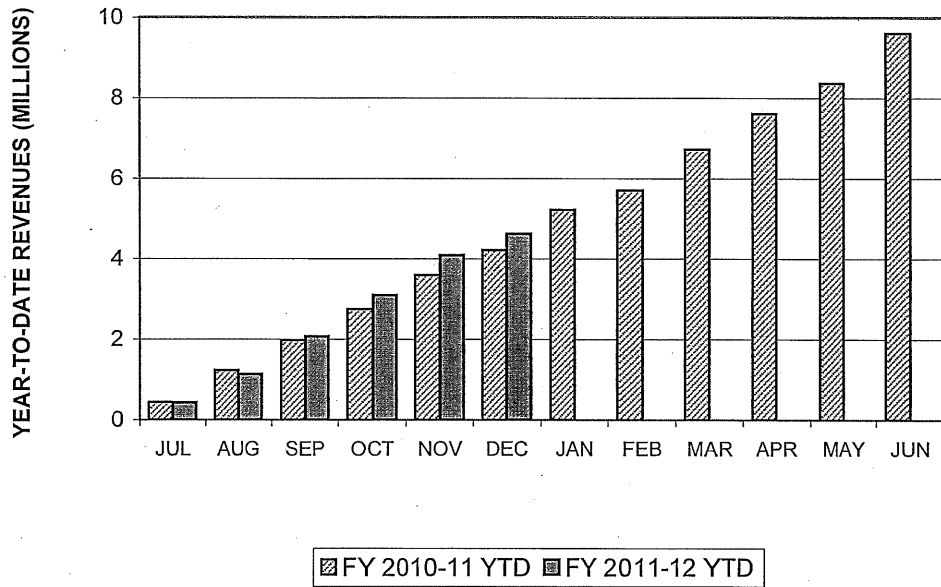


**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**

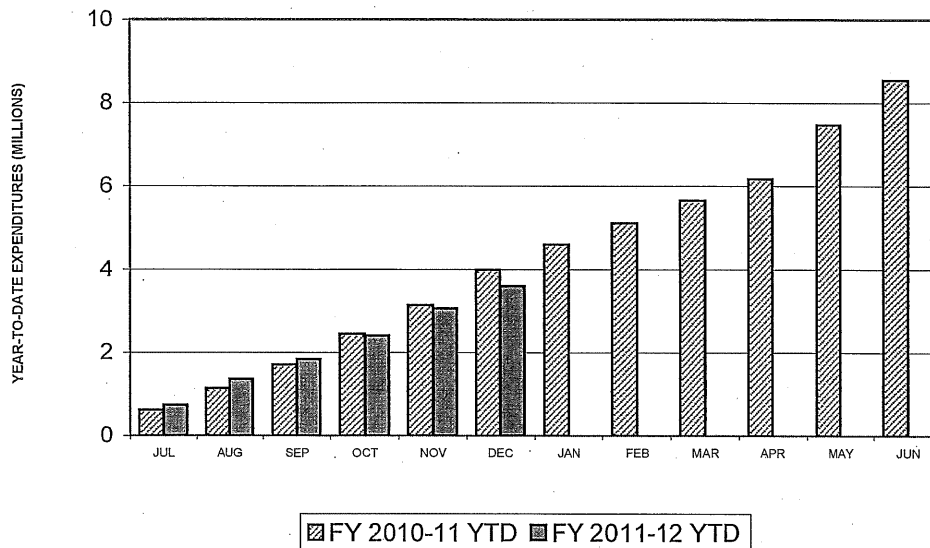


Note: Graphs above are only for WPCP operating fund (513).

**PARKING OPERATING FUND 533
Comparison of YTD Revenues**



**PARKING OPERATING FUND 533
Comparison of YTD Expenditures**



Note: Graphs above are only for Parking operating fund (533).

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	7,908	7,908	7,908	N/A	8,270
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	50,734	20,051	-	70,785	70,785	N/A	76,866
Revenues	29,022	(262)	-	28,760	10,196	N/A	12,782
Total Sources	79,756	19,789	7,908	107,453	88,889	N/A	97,918
Total Uses	79,756	19,789	7,908	107,453	15,397	7,756	14,989
Airport							
Prior Year Encumbrance	\$ -	-	12,769	12,769	12,769	N/A	87,365
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	448,217	(24,570)	-	423,647	423,647	N/A	470,679
Revenues	346,149	2,019	-	348,168	150,455	N/A	157,970
Total Sources	794,366	(22,551)	12,769	784,584	586,871	N/A	716,014
Total Uses	794,366	(22,551)	12,769	784,584	99,737	63,206	177,969
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	44,052	44,052	44,052	N/A	45,360
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	217,419	25,119	-	242,538	242,538	N/A	217,659
Revenues	283,802	1,495	-	285,297	179,276	N/A	169,180
Total Sources	501,221	26,614	44,052	571,887	465,866	N/A	432,199
Total Uses	501,221	26,614	44,052	571,887	102,947	47,600	100,311
(Note 2)							
Parking							
Prior Year Encumbrance	-	-	1,005	1,005	1,005	N/A	730
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	8,021	2,691	-	10,712	10,712	N/A	13,121
Revenues	10,493	(35)	-	10,458	4,624	N/A	4,218
Total Sources	18,514	2,656	1,005	22,175	16,341	N/A	18,069
Total Uses	\$ 18,514	2,656	1,005	22,175	3,598	3,125	3,986

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

(1) Does not include encumbrance balance.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Municipal Water							
Prior Year Encumbrance	-	-	1,424	1,424	1,424	N/A	770
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,831	2,375	-	15,206	15,206	N/A	13,297
Revenues	30,814	(126)	-	30,688	18,448	N/A	18,101
Total Sources	43,645	2,249	1,424	47,318	35,078	N/A	32,168
Total Uses	43,645	2,249	1,424	47,318	15,310	1,892	12,875
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	15,667	-	-	15,667	6,512	N/A	3,604
Total Sources	15,667	-	-	15,667	6,512	N/A	3,604
Total Uses	15,667	-	-	15,667	6,512	0	3,604
Building and Structures							
Prior Year Encumbrance	-	-	3,733	3,733	3,733	N/A	5,071
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,195	2,674	-	13,869	13,869	N/A	10,510
Revenues	18,349	2,698	-	21,047	6,637	N/A	9,199
Total Sources	29,544	5,372	3,733	38,649	24,239	N/A	24,780
Total Uses	29,544	5,372	3,733	38,649	8,644	6,824	6,158
Residential Construction							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,121	(13)	-	1,108	1,108	N/A	959
Revenues	42	-	-	42	100	N/A	180
Total Sources	1,163	(13)	-	1,150	1,208	N/A	1,139
Total Uses	\$ 1,163	(13)	-	1,150	20	0	26

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	176	176	176	N/A	197
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,375	465	-	3,840	3,840	N/A	3,366
Revenues	10,807	-	-	10,807	4,671	N/A	4,141
Total Sources	14,182	465	176	14,823	8,687	N/A	7,704
Total Uses	14,182	465	176	14,823	6,385	414	5,751
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	495	495	495	N/A	510
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	5,792	2,630	-	8,422	8,422	N/A	6,321
Revenues	17,294	436	-	17,730	9,352	N/A	9,709
Total Sources	23,086	3,066	495	26,647	18,269	N/A	16,540
Total Uses	23,086	3,066	495	26,647	14,258	432	12,405
Golf							
Prior Year Encumbrance	-	-	7	7	7	N/A	7
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	354	(53)	-	301	301	N/A	1,074
Revenues	2,237	-	-	2,237	1,805	N/A	1,306
Total Sources	2,591	(53)	7	2,545	2,113	N/A	2,387
Total Uses	2,591	(53)	7	2,545	1,538	2	1,473
Other Funds							
Prior Year Encumbrance	-	-	47,248	47,248	47,248	N/A	57,618
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	171,970	28,313	-	200,283	200,283	N/A	212,970
Revenues	440,579	35,301	-	475,880	187,233	N/A	205,794
Total Sources	612,549	63,614	47,248	723,411	434,764	N/A	476,382
Total Uses	\$ 612,549	63,614	47,248	723,411	196,413	125,090	204,504

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction Excise							
Prior Year Encumbrance	\$ -	-	8,227	8,227	8,227	N/A	7,270
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	19,959	7,965	-	27,924	27,924	N/A	18,799
Revenues	26,276	2,407	-	28,683	16,271	N/A	18,331
Total Sources	46,235	10,372	8,227	64,834	52,422	N/A	44,400
Total Uses	46,235	10,372	8,227	64,834	17,140	5,547	26,362
Redevelopment Projects							
Prior Year Encumbrance	-	-	214	214	214	N/A	2,756
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	466	831	-	1,297	1,297	N/A	3,179
Revenues	3	150	-	153	152	N/A	416
Total Sources	469	981	214	1,664	1,663	N/A	6,351
Total Uses	469	981	214	1,664	195	291	3,364
Other							
Prior Year Encumbrance	-	-	5,285	5,285	5,285	N/A	21,361
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	58,017	728	-	58,745	58,745	N/A	67,861
Revenues	12,843	260	-	13,103	1,843	N/A	1,803
Total Sources	70,860	988	5,285	77,133	65,873	N/A	91,025
Total Uses	\$ 70,860	988	5,285	77,133	5,683	3,856	14,309

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 6 MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	\$ -	-	1	1	1	N/A	18
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,316	81	-	2,397	2,397	N/A	2,411
Revenues	77	895	-	972	927	N/A	202
Total Sources	<u>2,393</u>	<u>976</u>	<u>1</u>	<u>3,370</u>	<u>3,325</u>	<u>N/A</u>	<u>2,631</u>
Total Uses	\$ <u>2,393</u>	<u>976</u>	<u>1</u>	<u>3,370</u>	<u>181</u>	<u>21</u>	<u>292</u>

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