

Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jim Shannon

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR SEPTEMBER/OCTOBER 2021

DATE: December 6, 2021

Approved

Angela Maguire

Date

12-9-21

RECOMMENDATION

Accept the Bi-Monthly Financial Report on actual revenues and expenditures as compared to the 2021-2022 Budget for the four months ending October 2021.

OVERVIEW

The Bi-Monthly Financial Report for September/August 2021 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review. The City Manager's Budget Office has analyzed actual expenditures as compared to the 2021-2022 Modified Budget and the Finance Department has prepared a report that reflects the financial results for the four months ending October 2021.

Through the first four months of the fiscal year, revenues and expenditures were generally tracking within the budgeted estimates in the majority of City funds. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments to the City Council during the year as appropriate. Following are key highlights in this report:

- While it is very early in the fiscal year and there is minimal data, overall, General Fund revenues appear to be tracking to slightly exceed estimated levels in the General Fund.
- Overall, General Fund expenditures tracked below estimated levels through October. Expenditures will continue to be controlled and monitored to ensure appropriations stay within approved levels.
- As a result of the strong local real estate market, Construction and Conveyance Tax revenue and Real Property Transfer Tax revenue are performing above anticipated levels. Budget adjustments may be brought forward for City Council consideration as part of the 2021-2022 Mid-Year Budget Review (released at the end of January 2022) to increase the budgeted estimates.

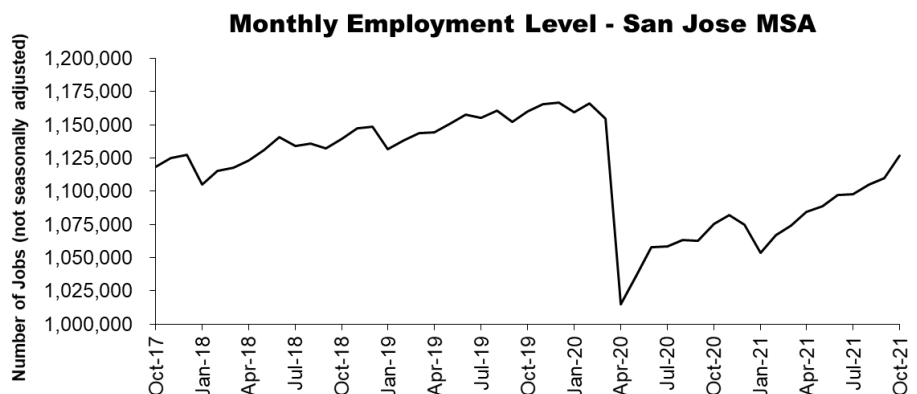
OVERVIEW (CONT'D.)

- Building and Structure Construction Tax and Construction Excise Tax collections are experiencing year-over-year declines from the extraordinarily high levels experienced at the beginning of last year. However, these revenue sources, which are dependent on construction activity, are anticipated to end the year within budgeted levels.
- At this early point in the fiscal year, all Development Fee Programs, with the exception of the Fire Development Fee Program, are anticipated to end the year within or above budgeted levels. However, the ongoing impacts from the pandemic can abruptly affect these revenue collections, therefore, activity levels will continue to be closely monitored.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned close to 3.1 million passengers through October, an increase of 187.8% from the figures reported through October of the prior year. This year-over-year increase is due to the ongoing recovery of passenger traffic, which was significantly impacted by the pandemic.
- Cost of energy expenditures including encumbrances totaled \$198.0 million through October, or 62.5% of the total budget. As San José Clean Energy (SJCE) encumbers a significant amount of funds for contracted energy early in the fiscal year, it is anticipated that the Cost of energy will end the year within budgeted levels. Looking ahead, due to anticipated increases to PG&E rates and a decrease to the Power Charge Indifference Adjustment (PCIA), SJCE revenues are expected increase by \$70 - \$90 million by the end of the fiscal year, which will allow SJCE to begin paying back its commercial paper debt in late calendar year 2022.
- The Administration will continue to report to the City Council all significant developments through future Bi-Monthly Financial Reports and the 2021-2022 Mid-Year Budget Review.

Economic Environment

The City of San José has steadily rebounded since the initial onset of the COVID-19 pandemic, growth that accelerated with the arrival and widespread use of effective vaccines. In spite of this growth, the broader economic environment is still recovering and, in many areas, not yet back to pre-pandemic levels.

California’s employment was significantly impacted when health orders in response to the pandemic severely curtailed economic activity. As can be seen from the chart, after the immediate employment drop in April 2020, employment levels have progressively grown, with a small decline at the



OVERVIEW (CONT'D.)

end of 2020 when COVID-19 cases re-surged prior to the arrival of vaccines. Employment levels in spring and summer 2021 have expanded at a rapid pace, which is anticipated to continue. The October 2021 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.13 million was 4.8% above the October 2020 level of 1.08 million. Between October 2020 and October 2021, employment in the San José MSA increased by 51,900 jobs. This increase includes leisure and hospitality jobs increasing by 16,600 jobs; professional and business services jobs growing by 13,300; private educational and health services expanding by 9,900 jobs; information sector increasing by 5,800; and the manufacturing sector growing by 5,500 jobs.¹

Prior to the COVID-19 pandemic, the unemployment rate for the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) had not exceeded 3.0% since August 2017. Further, between September 2017 and February 2020, the average local unemployment rate totaled 2.6%, which is considered full employment. However, as can be seen on the chart below, once the shelter-in-place mandate began, unemployment rates began to immediately rise, with the local rate hitting a high of 12.4% in April 2020.

After topping over 12% near the beginning of the pandemic in April 2020, the local unemployment rate has significantly dropped. In October 2021, the local unemployment rate was 3.8%, which is significantly lower than the October 2020 rate (6.5%). However, the unemployment rates remain above the February 2020 pre-pandemic level of 2.6%. It is important to note though that although local unemployment figures have risen since the shelter-in-place mandate began, the rates continue to be lower than the State and the national levels.

Unemployment Rate (Unadjusted)				
	Feb. 2020	April 2020	Oct. 2020	Oct. 2021**
San Jose Metropolitan Statistical Area*	2.6%	12.4%	6.5%	3.8%
State of California	4.3%	16.0%	9.3%	6.1%
United States	3.8%	14.4%	6.6%	4.3%
* San Benito and Santa Clara Counties Source: California Employment Development Department.				
** October 2021 estimates are preliminary and may be updated.				

Overall construction activity for September and October 2021 decreased 70.3% from prior year levels due to activity for all land use categories (residential, commercial, and industrial) experiencing significant year-over-year declines from the prior year, especially for commercial activity. It is important to note that prior construction activity through October was abnormally high – the \$1.3 billion was 67% of the \$1.9 billion experienced over the entire year. The 2021-2022 Adopted Budget was developed with the expectation that development activity would decrease slightly from the high levels experienced in 2020-2021 but would remain relatively strong. Additional months of activity will be needed to determine the accuracy of the 2021-2022 budget assumptions.

¹ State of California Employment Development: Labor Market Information Division Press Release, November 19, 2021

OVERVIEW (CONT'D.)

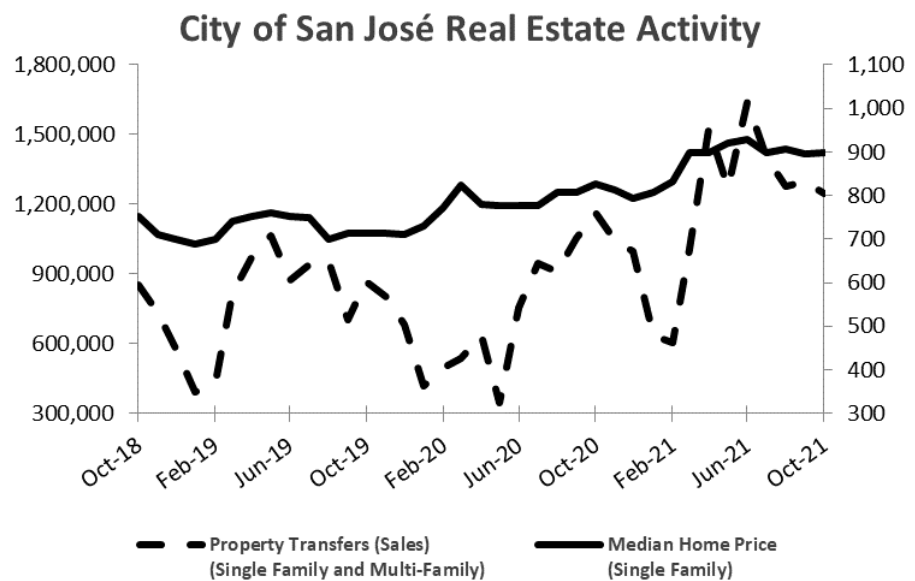
Private Sector Construction Activity (Valuation in \$ Million)			
	October 2020 (YTD)	October 2021 (YTD)	% Change
Residential	\$146.4	\$115.1	(21.4%)
Commercial	\$882.0	\$150.9	(82.9%)
Industrial	\$248.7	\$112.9	(54.6%)
TOTAL	\$1,277.1	\$378.9	(70.3%)

Through October 2021, residential permit valuations decreased 21.4% from the prior year (\$115.1 million through October 2021; \$146.4 million through October 2020). Valuation for September and October was split evenly between new construction and alterations. Residential activity through October included 274 multi-family units and 192 units for single-family construction for a total of 466 units. In September and October, permits were issued for a 9-unit building (Raleigh Road) and a 130-unit affordable housing complex (Auzerais Avenue).

Commercial valuation through October experienced a decrease of 82.9% from the prior year level (\$150.9 million through October 2021; \$882.0 million through October 2020). Most of the activity for September and October was from additions/alterations at about 87% of the total, with approximately 13% for new construction. A major project for September and October included a permit for the finished interior on a 9,000 square foot office building located on North King Road.

Industrial construction valuation through October was 54.6% lower than prior year levels, with receipts totaling \$112.9 million through October 2021 and \$248.7 million through October 2020. The valuation for September and October was entirely from additions/alterations.

Real estate activity was significantly curtailed at the start of the pandemic. According to data from the Santa Clara County Association of Realtors, the number of property transfers (sales) experienced year-over-year decreases (from the same time period in the prior year) ranging from -10% to -54% between the beginning of the shelter-in-place



in March 2020 through June 2020. However, beginning in September 2020, the

OVERVIEW (CONT'D.)

local real estate market once again began to experience year-over-year gains, which has continued through fall 2021. Year-to-date through October 2021, there were a total of 3,344 property transfers for all residences, which represents growth of over 22% from prior year levels. In addition, median single family home prices remain strong. As of October 2021, the median single family home price totaled \$1.42 million, which represents a 10.4% increase from the October 2020 price of \$1.29 million. Finally, it is taking significantly less time to sell these more expensive homes. The average days-on-market through October 2021 totaled 15 days, which is significantly below the average of 26 days experienced year-to-date through October 2020.

On a national level, in August consumer confidence rose in October. Lynn Franco, Senior Director of Economic Indicators at The Conference Board, stated “Consumer confidence improved in October, reversing a three-month downward trend as concerns about the spread of the Delta variant eased. While short-term inflation concerns rose to a 13-year high, the impact on confidence was muted. The proportion of consumers planning to purchase homes, automobiles, and major appliances all increased in October – a sign that consumer spending will continue to support economic growth through the final months of 2021.”²

Although economic conditions have been improving in recent months, the ongoing impacts of the pandemic continue to be monitored, especially as the new Omicron variant was recently identified in the Bay Area. Forecasted economic conditions will be factored into the assessment of the City’s performance in 2021-2022, as well as the development of the 2023-2027 General Fund Forecast that will be released at the end of February 2022.

GENERAL FUND

REVENUES

General Fund revenues through October 2021 totaled \$604.2 million, which represents an increase of \$287.0 million from the October 2020 level of \$317.2 million. This increase is primarily attributable to higher Tax and Revenue Anticipation Notes (TRANs) receipts, which facilitate the pre-payment of a portion of the City’s retirement contributions. TRANs receipts increased by \$155.0 million, from \$130.0 million in 2020-2021 to \$285.0 million in 2021-2022. The higher level of TRANs receipts is due to the City also including in the prefunding other pensionable employer-paid benefits (OPEB) and increasing the amount borrowed to take advantage of the low interest rate environment. In addition, 2021-2022 General Fund revenue includes a one-time transfer of \$45.0 million from the American Rescue Plan to partially reimburse the City for revenue losses resulting from the pandemic. Several other categories are also experiencing stronger collection levels compared to prior year levels, including Real Property Transfer Tax (\$34.6 million), Property Tax (\$17.2 million), Sales Tax (\$15.9 million), Business Taxes (\$5.4 million),

² The Conference Board, Consumer Confidence Survey, August 31, 2021

GENERAL FUND (CONT'D.)

and Fees, Rates, and Charges (\$5.4 million, primarily due to higher Parks, Recreation and Neighborhood Services Fees). However, while many revenues are performing stronger than the prior year, there are several categories experiencing declines; including, Utility Tax (-\$16.5 million), and Revenue from the Federal Government (-\$1.2 million). These lower collections are primarily attributable to the timing of payment processing. It is important to note that as we are only four months into the fiscal year, only preliminary information is available for all revenue categories.

It is currently anticipated that revenues are overall anticipated to slightly exceed the budgeted level by year-end. It is currently anticipated several revenue categories will exceed budgeted levels, including, Property Tax, Real Property Transfer Tax, and Sales Tax. As described further below, budget adjustments may be brought forward as part of the 2021-2022 Mid-Year Budget Review (which will be released at the end of January 2022) to align the budgeted estimate with the higher anticipated collection level for these revenue categories. However, since it is early in the fiscal year, all categories, revenues continue to be closely monitored.

At the end of October 2021, the City was informed by the State of California that a portion of the City's previous and current tax revenues could be significantly lower. With limited exceptions, tax records are confidential under State law. While the City disputes and will appeal the State's initial determination, this action could negatively impact the City's General Fund outlook in both the short and long-term. Although the appeal process is likely to extend beyond next fiscal year, the City is planning to budget for the potential loss in the ongoing revenue for 2021-2022, and will begin to put resources in place over the next year to be in a better position to absorb any loss. Additional information on the recommended budget actions will be brought forward as part of the 2021-2022 Mid-Year Budget Review. The discussion on the following pages highlights General Fund revenue activities through October 2021.

KEY GENERAL FUND REVENUES

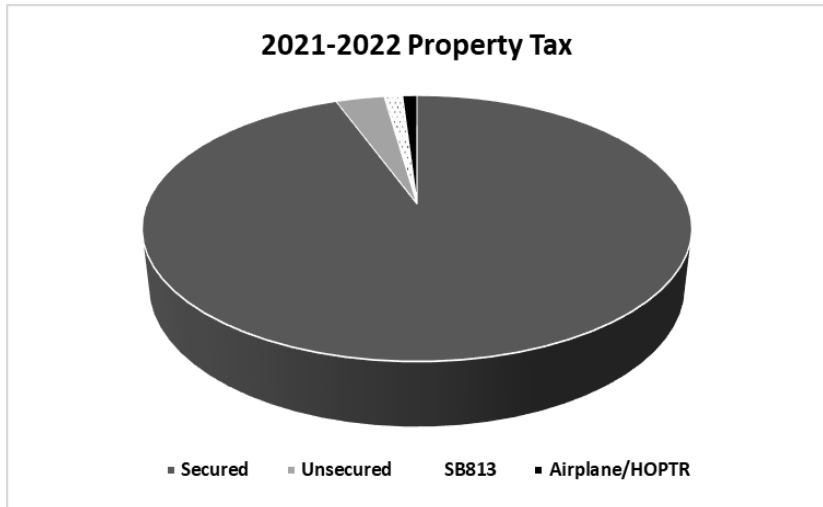
Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 395,500,000	\$ 17,163,544	\$ 0

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), Aircraft Property Tax, and Homeowner's Property Tax Relief. In 2021-2022, the Property Tax budgeted estimate totals \$395.5 million, which reflects overall growth of 1% from the 2020-2021 collection level of \$390.9 million. However, based on preliminary information provided by Santa Clara County, as well as collections received through October, Property Tax revenue is anticipated to exceed budgeted levels by approximately \$11 million due to higher than anticipated Secured Property Tax revenue. An adjustment to increase the Property Tax budgeted

GENERAL FUND (CONT'D.)

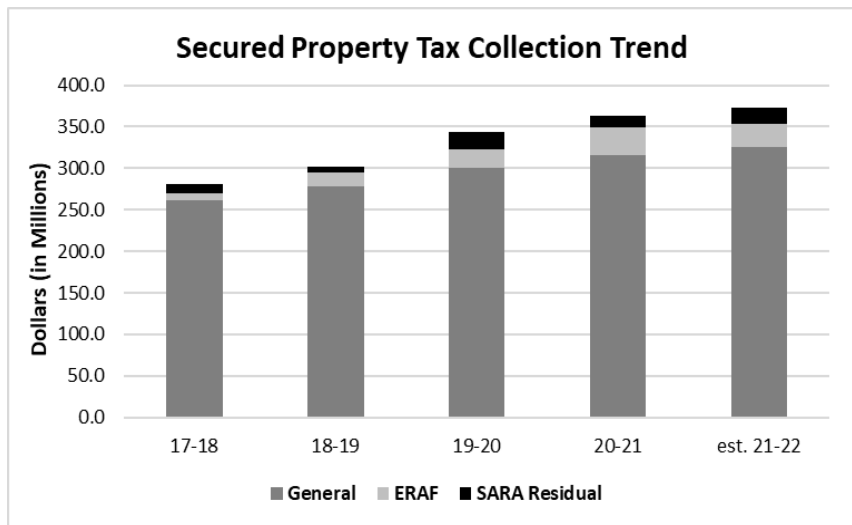
estimate may be brought forward as part of the 2021-2022 Mid-Year Budget Review (which will be released at the end of January 2022) for City Council consideration. Additional information about each of the Property Tax sub-categories is provided below.

Secured Property Taxes represent over 90% of the revenue in the Property Tax category. The Secured



Property Tax category includes general Secured Property Tax, Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax, and Educational Revenue Augmentation Fund (ERAF) revenues. The 2021-2022 Secured Property Tax budgeted estimate of \$372.9 million was built on assumed growth of 3.5% for general Secured Property Tax receipts (\$326.0 million), \$18.9 million for SARA revenue, and estimated revenue of \$28.0 million for ERAF receipts. However, as mentioned above, based on the most recent information provided by Santa Clara County, Secured Property Tax revenue is anticipated to exceed budgeted levels by approximately \$11 million. This increase is due to higher general Secured Property Tax (\$4 million) and ERAF revenue (\$7 million).

The general Secured Property Tax budgeted estimate totals \$326.0 million in 2021-2022, which assumes growth of approximately 3.5% from the 2020-2021 collection level. This growth primarily reflects an increase in assessed value due to the California Consumer Price Index (CCPI) increase of 1% and increased valuation due to changes in ownership or new construction of 2.5%.



Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. The preliminary general Secured Property Tax estimate provided by Santa Clara County totals \$330 million, which is approximately \$4 million above the budgeted estimate.

GENERAL FUND (CONT'D.)

As a result of the SARA bond refunding that occurred in December 2017, the City began receiving a residual property tax distribution. In 2021-2022, the budgeted estimate totals \$18.9 million, which reflects an increase of \$5.3 million from the 2020-2021 collection level. The most recent estimate provided by Santa Clara County for 2021-2022 totals \$19.2 million, which is slightly above the budgeted estimate.

Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. Once there are sufficient funds in ERAF to fulfill obligations, the remainder of the funding is returned to the taxing entities that contributed to it, which generally occurs in March of each fiscal year. The 2021-2022 budgeted estimate was built on the assumption that 2020-2021 collections would total \$23.6 million, then grow to \$28.0 million in 2021-2022. However, due to unanticipated additional revenue received at the end of 2020-2021, receipts actually ended the year at \$33.2 million. In 2021-2022, the County of Santa Clara projects ERAF receipts for the City will be \$35.2 million, which is approximately \$7 million above the budgeted estimate. However, due to litigation from school districts disputing the calculation methodology used by the counties to allocate ERAF distributions, approximately 30% (\$10.5 million) is considered at risk for not being distributed. As additional information is received regarding ERAF revenue, updates will be reported back as part of the 2021-2022 Mid-Year Review and future Bi-Monthly Financial Reports.

In the **Unsecured Property Tax** category, the largest payment is typically received in October of each year. The 2021-2022 Adopted Budget revenue estimate of \$13.5 million allows for a drop of approximately 15% drop from the 2020-2021 collection level of \$15.8 million. Based on collections received in October 2021 (\$13.9 million) and information provided by Santa Clara County, 2021-2022 receipts are anticipated to end the year approximately \$900,000 above the budgeted estimate.

The **SB 813 Property Tax** category represents the retroactive taxes reassessed property valuation from the period of resale to the time that the Santa Clara County Assessor formally revalues the property. The 2021-2022 Adopted Budget estimate anticipates collections totaling \$5.1 million, which is approximately \$1.3 million above the most recent estimate provided by Santa Clara County (\$3.8 million).

In the **Aircraft Property Tax** category, the largest payment is typically received in October of each year. The 2021-2022 Adopted Budget estimate of \$3.1 million is consistent with the 2020-2021 receipts. However, based on collections received in October 2021 (\$2.6 million) and information provided by Santa Clara County, 2021-2022 receipts are anticipated to end the year approximately \$300,000 below the budgeted estimate.

In the **Homeowners Property Tax Relief** category, revenues in 2021-2022 are expected to be at the budgeted estimate of \$900,000, which is consistent with the 2020-2021 collection level.

GENERAL FUND (CONT'D.)

Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 280,200,000	\$ 63,025,255	\$ 47,121,528

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes. The 2021-2022 Adopted Budget assumed that 2020-2021 receipts would total \$269.0 million, then grow approximately 4% to \$280.0 million in 2021-2022. However, since fourth quarter receipts (representing sales tax activity for April through June) were significantly stronger than anticipated, 2020-2021 ended the year at \$284.0 million. Therefore, in 2021-2022, Sales Tax receipts can drop by over 1% and still meet the budgeted estimate of \$280.0 million.

Information related to Sales Tax payments are distributed from the California Department of Tax and Fee Administration (CDTFA) four times throughout the year: November (representing July-September activity), February (representing October-December activity), May (representing January-March activity), and August (representing April-June activity). The first payment of the year was recently received and appear to reflect strong growth from the prior year. However, receipts are currently being fully analyzed, therefore, additional information and potentially budget adjustments will be included in the 2021-2022 Mid-Year Budget Review, which will be released at the end of January 2022. Additional information about each of the Sales Tax sub-categories is provided on the following pages.

General Sales Tax is the largest driver of the Sales Tax category and accounts for over 80% of all Sales Tax receipts. The 2021-2022 General Sales Tax estimate was built on the assumption that 2020-2021 receipts would total \$219.0 million and grow to \$228.0 million in 2021-2022. This estimate assumed underlying growth of 7%, but overall, only 4% as collections associated with a revenue capture agreement are anticipated to decrease slightly as people shift some online spending to general retail shopping. However, as mentioned above, since fourth **quarter** receipts were significantly stronger than anticipated, 2020-2021 collections totaled \$230.1 million. Therefore, 2021-2022 receipts may fall by almost 1% and meet the budgeted estimate. As mentioned above, the first Sales Tax payment was received from the CDTFA in November 2021 and appear to reflect strong growth from the prior year. However, receipts are currently being fully analyzed, therefore, additional information and potentially budget adjustments will be included in the 2021-2022 Mid-Year Budget Review, which will be released at the end of January 2022.

In 2020-2021, General Retail (apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), Business-to-Business, and Food Products experienced year-over-year declines. However, several other categories experienced growth, the largest of which was the County Pool, which is where the majority of online transactions are captured. This growth is attributable to the pandemic's sustained impact of redirecting a significant amount of activity to online sales. The recent growth in County Pool receipts is

GENERAL FUND (CONT'D.)

facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the CDTFA. This formula is based each quarter on each jurisdiction's total General Sales Tax receipts divided by the Total General Sales Tax receipts for the entire County. The City typically receives between 40% - 50% of the total County Pool. In 2021-2022, it is anticipated the County Pool receipts will continue to remain strong, though may decline slightly from the extremely high levels experienced in 2020-2021 as consumers slightly shift online spending to general retail stores.

In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which was implemented in October 2016. Local Sales Tax is generated based on the destination of the purchased product; therefore, all out-of-state online retailers' (including marketplace facilitators) sales tax collections are directly distributed to the City of San José, versus the General Sales Tax revenue that is deposited in the County Pool, where the City only receives approximately 40% - 50% of the proceeds. Due to this distinction, Local Sales Tax revenue may not always experience the same rates of growth and decline as General Sales Tax receipts. The 2021-2022 Local Sales Tax estimate was built on the assumption that 2020-2021 receipts would total \$44.0 million and grow approximately 5% to \$46.0 million in 2021-2022. However, due to stronger than anticipated collections in the fourth quarter of 2020-2021, Local Sales Tax receipts ended the year at \$46.9 million. Therefore, 2021-2022 collections may fall by almost 2% and meet the budgeted estimate. As mentioned above, the first Sales Tax payment was received from CDTFA in late November 2021 and appear to reflect strong growth. However, receipts are currently being fully analyzed, therefore, additional information and potentially budget adjustments will be included in the 2021-2022 Mid-Year Budget Review, which will be released at the end of January 2022.

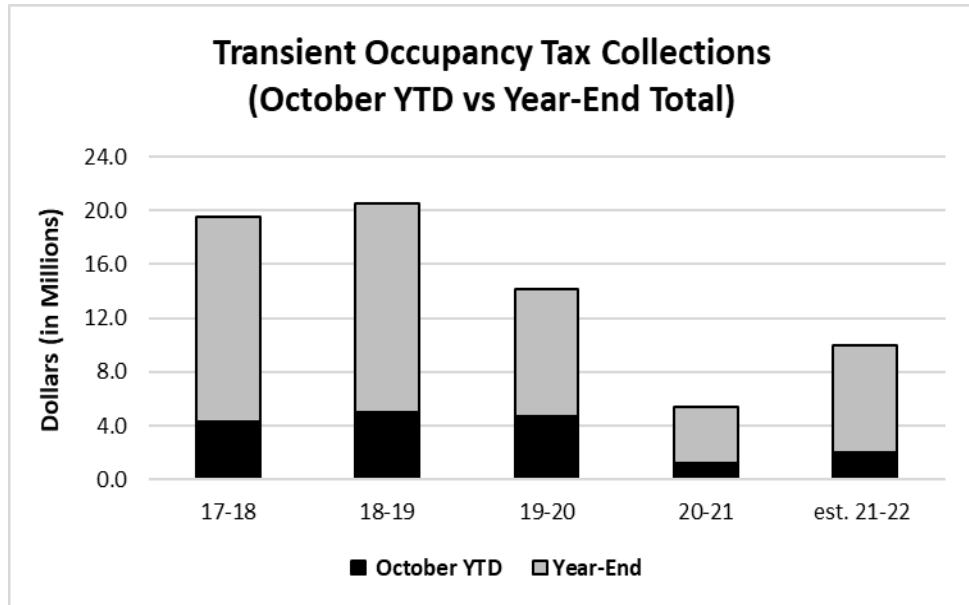
Proposition 172 Sales Tax collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. The 2021-2022 budgeted estimate of \$6.2 million allows for a 12% drop from the 2020-2021 collection level of \$7.0 million. At this early point in the fiscal year, it is anticipated that collections will meet or exceed the budgeted estimate by year-end.

Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 10,000,000	\$ 1,965,710	\$ 1,247,774

The 2021-2022 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$10.0 million, which assumes an 82% increase from the 2020-2021 estimated collection level of \$5.5 million. Actual year-end receipts were slightly below (\$91,000) the revised estimate for 2020-2021, which was adjusted to account for the continued impact of COVID-19 pandemic on the hospitality industry and associated revenue losses. Relative to this

GENERAL FUND (CONT'D.)

actual performance for 2020-2021, the current budget estimate represents an increase of 85%. Year-to-date TOT receipts through October 2021 of \$2.0 million are 57.5% above the prior year collection level of \$1.2 million, continuing to indicate a sustained but gradual increase in demand for hotel rooms following the unprecedented impacts of COVID-19.



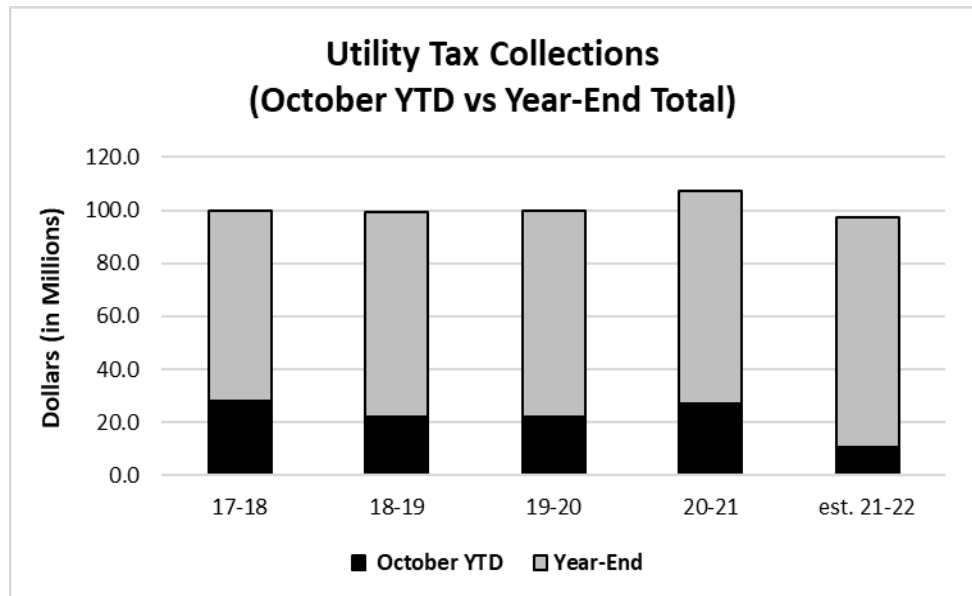
Overall, the average room rate across the City's reporting hotels decreased by \$78.81 (from \$181.72 to \$102.91) in 2020-2021 relative to 2019-2020, with average occupancy decreasing 18.4% (from 57.56% to 39.15%). Occupancy levels hovered between 30.2% and 42.5% from July 2020 to March 2021, with room rates ranging between \$95.29 and \$105.11. However, room demand and revenues began to exhibit incremental gains over the final quarter of 2020-2021, closing at an occupancy rate of 52.31% and room rate of \$112.37 for June 2021. This incremental rebound has continued into 2021-2022, with the occupancy and room rates reaching 57.69% and \$122.05 in October 2021 – the highest performance levels to date since April 2020. As of October 2021, cumulative average occupancy was 56.94%, the room rate was \$119.41, and revenue per available room (RevPAR) was \$68.00.

Gross hotel revenue performance for the first four months of 2021-2022 is lagging (65.9%) the forecast used for development of the 2021-2022 Adopted Budget, partially due to the timing of remittances, but also suggestive of a slower resumption of hotel room demand than anticipated ahead of the fall/winter seasons, which historically exhibit lower seasonal performance levels. The potential for resurgent impacts from COVID-19 also injects considerable uncertainty into this already volatile revenue source. In partnership with Team San Jose (the City's operator of convention and cultural facilities, as well as the Convention and Visitors Bureau), the Administration will continue to actively monitor hotel and revenue performance and provide updates in the 2021-2022 Mid-Year Review (scheduled to be released at the end of January 2022) and future Bi-Monthly Financial Reports.

GENERAL FUND (CONT'D.)

Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 97,060,000	\$ 10,523,616	\$ 27,021,754

The **Utility Tax** category includes the Electricity Utility Tax, Gas Utility Tax, Water Utility Tax, and the Telephone Utility Tax. Through October, Utility Tax receipts of \$10.5 million significantly lower than the prior year collection level of \$27.0 million. The year-over-year drop is due to the timing of payment processing and slightly lower Telephone Utility Tax receipts. The 2021-2022 Adopted Budget was built on the assumption that 2020-2021 Utility Tax revenue would end the year at



\$100.2 million and then decline approximately 3% to \$97.1 million in 2021-2022. However, since 2020-2021 ended the year at \$107.0 million, receipts can drop by over 9% in 2021-2022 to meet the budgeted estimate. Based on historical collection trends, performance through October, and additional payments that were processed in November, overall Utility Taxes are anticipated to end the year within budgeted levels.

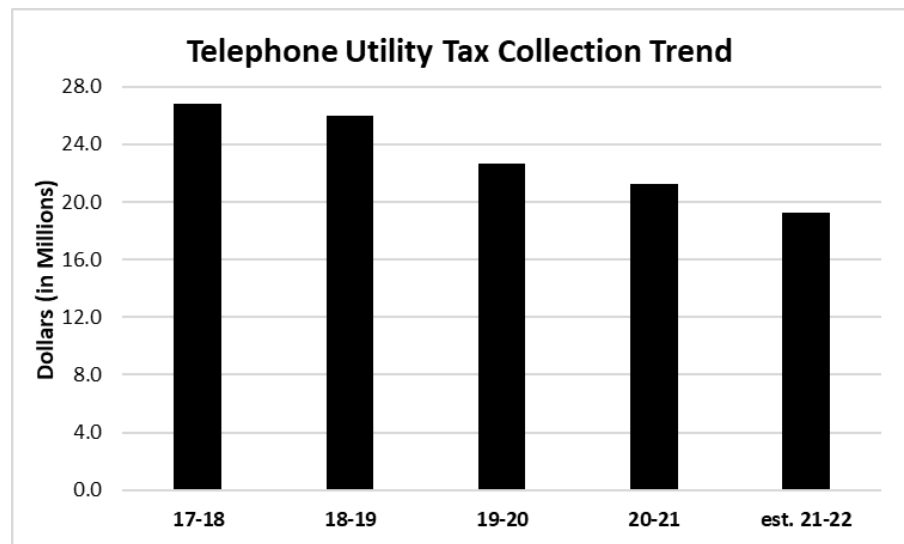
In the **Electricity Utility Tax** category, collections through October totaled \$5.1 million, which is significantly below the \$15.5 million collected in the prior year. This year-over-year drop is due to the timing of payment processing. The 2021-2022 Adopted Budget assumed that 2020-2021 receipts would total \$51.1 million, then decline approximately 5% to \$48.5 million in 2021-2022. However, since 2020-2021 ended the year above estimated levels, receipts can decline by approximately 10% in 2021-2022 and meet the budgeted estimate. Based on historical collection trends, performance through October, and additional payments that were processed in November, Electricity Utility Tax collections are anticipated to end the year within budgeted levels.

GENERAL FUND (CONT'D.)

In the **Gas Utility Tax** category, collections through October totaled \$60,000, which is significantly below the \$1.7 million received in the prior year. This decrease in revenue is due to the timing of payment processing. The 2021-2022 Adopted Budget estimate of \$11.7 million allows for an approximate 10% drop from the prior year collection level of \$12.9 million. Based on historical collection trends, performance through October, and additional payments that were processed in November, Gas Utility Tax collections are anticipated to end the year within budgeted levels.

Water Utility Tax collections of \$939,000 through October are significantly below the prior year level of \$4.7 million due to the timing of payment processing. The 2021-2022 Adopted Budget allows for an approximate 8% drop from prior year collection level of \$19.1 million. Based on historical collection trends, performance through October, and additional payments that were processed in November, Water Utility Tax collections are anticipated to end the year within budgeted levels.

Collections in the **Telephone Utility Tax** category of \$4.4 million through October are below the prior year collections of \$5.2 million. The 2021-2022 Adopted Budget estimate of \$19.3 million allows for a 10% drop from the 2020-2021 actual collection level of \$21.3 million. The anticipated decline in this revenue category is the result of



wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the shifting of wireless communications to increase reliance on data plans, which are not taxable. Based on historical collection patterns, receipts in this category are anticipated to meet the budgeted estimate by year-end.

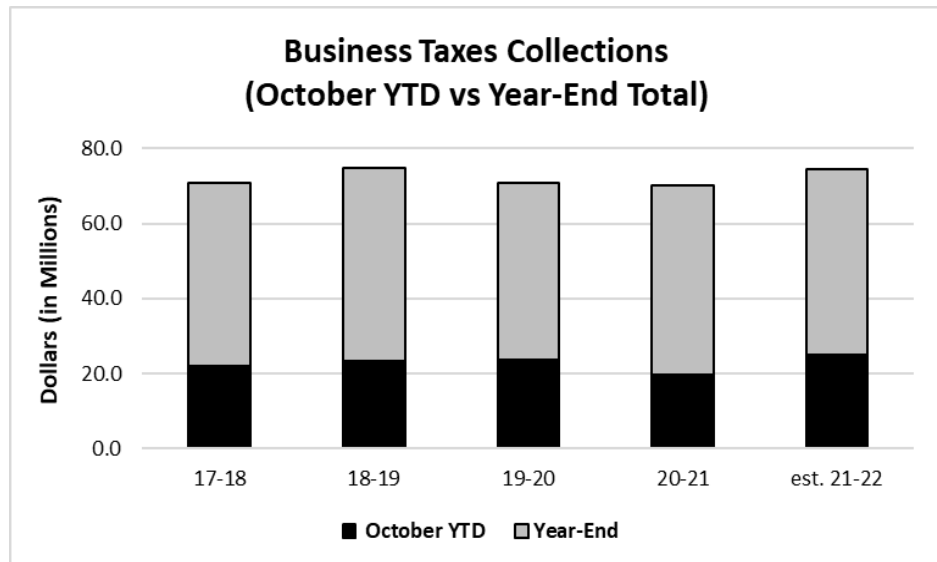
GENERAL FUND (CONT'D.)

Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 74,500,000	\$ 25,139,096	\$ 19,736,739

The Business Taxes category consists of the Cannabis Business Tax, Cardroom Tax, Disposal Facility Tax, and General Business Tax. Through October, overall collections of \$25.1 million are 27.4% above the prior year collection levels of \$19.7 million, primarily reflecting higher Cardroom Business Tax collections. The 2021-2022 Adopted Budget estimate of \$74.5 million requires growth of over 6% from the 2020-2021 actual collection level. Although it is early in the fiscal year, based on overall Business Taxes performance through October and historical collection patterns, it is anticipated receipts will meet or exceed the budgeted level by year end.

Cannabis Business

Tax collections reflect cannabis business tax as well as cannabis business tax compliance revenues. Through October, receipts of \$4.3 million are slightly below the prior year level of \$4.5 million. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational



marijuana use in the State of California. As a result, the sale of recreational cannabis at the 16 licenses dispensaries in San José began in January 2018. The 2021-2022 Adopted Budget estimate was built on the assumption that 2020-2021 receipts would total \$17.0 million and grow approximately 3% to \$17.5 million in 2021-2022. However, due to stronger than anticipated performance at the end of the fiscal year, receipts ended 2020-2021 at \$19.2 million. Therefore, 2021-2022 collections may fall by almost 9% and meet the budgeted estimate. Although it is early in the fiscal year, based on receipts through October and historical collection patterns, it is anticipated revenue will meet or exceed the budgeted level by year end.

Through October, **Cardroom Tax** receipts totaling \$6.8 million have been received, while minimal revenue (\$637,000) had been received in the prior year due to the cardrooms not being operational for part of the year. As a result of the shelter-in-place mandate, cardrooms suspended operations in March 2020 and remained closed through August 2020. In September 2020, public health orders were modified to allow cardrooms to begin outdoor operations with social distancing

GENERAL FUND (CONT'D.)

requirements. However, cardrooms were only open for a limited period of time before further health orders by the County of Santa Clara and then subsequently the State of California resulted in the closure of cardrooms from November 30, 2020 through January 27, 2021. Since late January 2021, cardrooms have once again been operational, under modified restrictions. In 2020-2021, Cardroom Tax collections totaled \$11.1 million; in 2021-2022 receipts are anticipated to grow to approximately \$20.0 million, which is inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021. Although it is early in the fiscal year, based on collections through October, it is anticipated revenue will meet or exceed the budgeted level by year end.

Disposal Facility Tax (DFT) are business taxes received based on the tons of solid waste disposed at landfills within the City. DFT revenue through October totaled \$2.7 million, which is \$232,000 below the prior year level. The 2021-2022 budget was built on the assumption that the COVID-19 pandemic would impact revenue collections, resulting in 2020-2021 receipts totaling \$11.3 million and remain flat in 2021-2022. However, collections have not been negatively impacted by the pandemic and 2020-2021 collections ended the year at \$13.8 million; allowing 2021-2022 receipts to fall by 18.0% to meet the budgeted estimate. It is currently anticipated year-end receipts will exceed the budgeted estimate by \$500,000 - \$1.0 million.

Through October, **General Business Tax** receipts of \$11.3 million are 3.2% below the prior year collection level. The 2021-2022 Adopted Budget estimate was built on the assumption that 2020-2021 receipts would total \$25.7 million and remain flat in 2021-2022. The 2021-2022 estimate reflects a moderate annual inflation rate change of 1.6%, offset by reduced activity levels. However, due to stronger than anticipated performance at the end of the fiscal year, receipts ended 2020-2021 the year at \$26.5 million. Therefore, 2021-2022 collections may fall by 3.0% and meet the budgeted estimate. On September 28, 2021, the City Council approved the Temporary Extension of Business Tax Financial Hardship Exemptions memorandum, which extended (through June 30, 2022) the eligibility for the existing financial hardship exemptions for low-revenue generating small businesses and small business owners with limited household incomes to include all persons engaged in business in the City who satisfy certain financial hardship requirements. Based on revenue received through October and the unknown impacts associated with the temporary business hardship extension, it is currently anticipated that revenue will meet or fall slightly below the budgeted level by year end. General Business Tax receipts will continue to be closely monitored, with updates provided in future bi-monthly financial reports and the 2021-2022 Mid-Year Budget Review.

GENERAL FUND (CONT'D.)

Revenue	2021-2022 Budget Estimate	YTD Actual	Prior YTD Collections
Real Property Transfer Tax	\$ 40,000,000	\$ 42,329,351	\$ 7,682,100

On March 3, 2020, San José voters approved Measure E, the Real Property Transfer Tax. This new tax, which became effective on July 1, 2020, is imposed at a tiered level for property transfers (sales) over \$2.0 million. The 2021-2022 Adopted Budget estimate was built on the assumption that 2020-2021 receipts would total \$40.0 million and remain flat in 2021-2022. However, due to several large property transfers that occurred near the end of the fiscal year, the Approval of Various Budget Actions for Fiscal Year 2020-2021 memorandum, which was approved by the City Council on June 22, 2021, included a recommendation to increase the 2020-2021 Modified Budget Estimate to \$50.0 million. In accordance with City Council Policy 1-18, Section 22, this revenue was allocated for homelessness prevention efforts and the development of new affordable housing. Through October 2021, Real Property Transfer Tax collections total \$42.3 million, which is higher than the 2021-2022 budget estimate of \$40.0 million. In addition, the City has received the November tax receipts from Santa Clara County, which total \$5.7 million. When taking into account total receipts through October and the November remittance, total Real Property Transfer Tax receipts in 2021-2022 total \$48.0 million.

The significant 2021-2022 collection level is due to several factors. First, due to the timing of when the payment from Santa Clara County was processed for June collections, funding of \$9.7 million is reflected in 2021-2022, but is actually attributable to 2020-2021 activity. In addition, eight high-value property transfers occurred between July and November 2021, totaling \$18.9 million. Combined, the revenue due to the prior year activity (\$9.7 million) and the eight high-value transfers (\$18.9 million) attributed almost \$29 million of the total \$48.0 million collections received in 2021-2022. Due to tax receipts being significantly influenced by large property transfers, including commercial transactions, collections will continue to be closely monitored and a recommendation to increase the 2021-2022 budgeted estimate as part of the 2021-2022 Mid-Year Budget Review.

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

Through October, General Fund expenditures (without encumbrances) of \$366.7 million were 9.3% below the prior year level of \$404.1 million. Encumbrances of \$76.9 million were 6.6% above the prior year level of \$72.1 million. General Fund expenditures and encumbrances through October of \$443.6 million constitute 22.6% of the total budget including reserves, and 25.9% of the budget excluding reserves. The significant decrease in year-over-year expenditures is due to transfers in 2021-2022 not yet being processed (totaled \$34.7 million through October 2020). After accounting for the transfers, the October 2021 General Fund expenses reflect a \$2.0 million increase, or 0.5% from the prior year. Overall, General Fund expenditures are anticipated to end the year below budgeted levels.

It is important to note that the City entered into new labor agreements with most of its bargaining groups that included compensation increases effective on July 1, 2021. However, only the agreement with the Police Officers Association, which was approved by the City Council in May 2021, was incorporated into the 2021-2022 Adopted Operating Budget. As the agreements with other bargaining groups were not approved until June and August 2021, the corresponding cost increase was not included in the 2021-2022 Adopted Operating Budget. Consistent with past practice, the Administration will evaluate departmental personal services tracking as part of the 2021-2022 Mid-Year Budget Review and recommend budget increases where necessary to provide sufficient capacity for the City Council-approved compensation increases that were previously set aside in the Salaries and Benefits Reserve.

Through October, a small number of departments were tracking slightly above the budgeted estimate in personal services expenditures, including the Office of the City Clerk, Fire Department, Police Department, and Public Works Department. The Public Works Department is anticipated to end the year within budgeted levels after accounting for future adjustments to their personal services budget associated with City Council-approved compensation increases. The City Clerk's Office is tracking above budget due to temporary positions needed for contract processing and support for hybrid public meetings. The City Clerk's budget will continue to be monitored and if necessary, a budget adjustment may be recommended at a later date. Finally, the Police Department and Fire Department are currently tracking to exceed budgeted levels, which are further discussed below. All departmental expenditures will continue to be controlled and monitored to ensure appropriations stay within approved levels to the extent possible. Following is a discussion of the performance of the Police and Fire Departments, the largest General Fund departments.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND EXPENDITURES**

Department	2021-2022 Budget	YTD Actual	Prior YTD Actual
Police	\$ 485,198,946	\$ 149,385,744	\$ 143,594,049

Overall, Police Department expenditures are slightly above estimated levels through October. Personal Services expenditures of \$135.9 million are slightly above the anticipated level for this point of the year (30.24% expended, compared to the par level of 29.58%), with overtime expenditures of \$13.2 million (56.7% of the total \$23.4 million budget) indicating continued elevated usage. While overtime expenditures continue to track well over budgeted levels, average monthly usage (\$3.3 million) for the four-month period (July 2021 – October 2021) is below the recent monthly average of \$3.9 million for comparable periods in 2019-2020 and 2020-2021. This reduction is partly attributable to fewer emergent conditions than in prior years (COVID-19 response and civil unrest), as well as the implementation of additional approvals and other controls to actively manage overtime use. Even with these improvements, however, the department is on pace to exceed their overall Personal Services budget by approximately \$10 million (2%), as vacancy savings are not large enough to offset the additional overtime expenditures. The department is taking additional steps to reduce overtime expenditures as discussed below. It should be noted that the Department is committed to maintain Personal Services expenditures within the current overall budgeted levels and further information on this information is described below.

A total of \$13.5 million (37.68%) of the Department's Non-Personal/Equipment budget (\$35.8 million, including carry-over encumbrances) has been expended or encumbered through October. Excluding the remaining balances for centrally-determined details (\$12.1 million), including electricity, gas, and vehicle operation and replacement, the Police Department has approximately \$10.2 million, or 28.6%, of its total Non-Personal/Equipment budget available for the remainder of the fiscal year. Although Non-Personal/Equipment expenditures are tracking high at this point of the fiscal year due to encumbrances of \$5.4 million (40% of year-to-date activity), overall expenditures are expected to remain within budgeted levels as this encumbrance balance is expended for planned activity.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The Police Department continues to diligently work to fill vacancies in both sworn and civilian positions, using vacancy savings and the \$7 million in one-time funding from the Sworn Hire Ahead Program to pay for Police Academy Recruits as well as to backfill patrol and investigative positions on overtime. While the goal is to fill vacancies and eliminate the need to backfill positions, the normal duration for the academy and field training is approximately 10-12 months, requiring overtime to backfill until the new recruits are ready to

GENERAL FUND (CONT'D.)

serve as solo beat officers. Effective vacancy levels, which includes vacancies, field training officers, academy recruits and sworn personnel on disability, modified, or other leaves, reduce the amount of street-ready sworn officers available and is the most significant contributing factor to overtime usage. The effective vacancy rate was 15.9% as of October 29, 2021. Historically, the effective vacancy rate has averaged 22.4% (based on the 5-year time period between 2016-2017 and 2020-2021), resulting in the build-up of compensatory time balances for sworn personnel, for which there is a limit of 480 hours after which sworn personnel are paid in overtime for any additional hours worked.

As recommended in the City Auditor's March 2021 *Police Staffing, Expenditures, and Workload* audit report, this and future Bi-Monthly Financial Reports, Mid-Year Budget Reviews, and Annual Reports now include: 1) the number of individuals who have reached the 480-hour limit (previously reported) and the 240-hour limit (newly reported; per the San José Police Officers' Association Memorandum of Agreement, a sworn employee who reaches 240 hours of compensatory time is responsible for bringing the balance below 240 hours prior to the end of the calendar year), 2) the total compensatory time liability (total hours were previously reported, total cost liability is newly reported), and 3) the amount of overtime expenses attributable to staff that have reached the 480-hour accrual limit (newly reported).

As of October 2021, 444 sworn personnel had reached the 480-hour limit, a decrease of 1.6% compared to 451 sworn personnel as of October 2020. A total of 280 sworn personnel were between 240 hours and 480 hours, compared to the 259 sworn personnel as of October 2020, an increase of 8.1%.

The compensatory time balance at the end of October 2021 was 356,227 hours for sworn personnel (\$27.1 million). This represents an increase of 5,609 hours or 1.6% compared to the October 2020 balance of 350,617 (\$24.6 million). As described above, 444 sworn personnel have reached the compensatory balance limit of 480 hours and all overtime worked by these employees is paid as overtime.

Year-to-date overtime expenses attributable to staff that have reached the 480-hour compensatory accrual limit through October 2021 was \$6.1 million (77,422 hours), compared to \$6.4 million in October 2020 (86,052 hours), a 4.7% decrease in expense. This 4.7% decrease is driven by the implementation of compensatory time controls, as well as additional funding (\$500,000) in 2021-2022 for investigation and violation enforcement of illegal street racing and sideshows.

In accordance with the POA MOA, the Police Department is enforcing compensatory time controls by requiring all sworn staff, outside of the Bureau of Field Operations (BFO), to reduce compensatory time balances by the end of the calendar year, or to submit a request for an extension. On November 22, 2021, the Chief issued an order to reduce compensatory time balances for any sworn staff member who believes they will not be able to take the excess time off before the end of the calendar year. This order requires sworn staff to submit a plan to their immediate supervisor, consistent with MOA section 13.6.5.1, by December 1, 2021, excluding sworn staff assigned to Patrol. Each plan

GENERAL FUND (CONT'D.)

shall outline how a sworn staff member will reduce their compensatory time by March 31, 2022. These changes are intended to reduce the number of officers reaching the 480-hour limit, which would thereby reduce future overtime expenditures. The Police Department has implemented additional overtime and compensatory time approvals to slow, and eventually reduce, compensatory time balance growth, including revisions for BFO approvals to the extent possible.

Finally, an internal working group will be established starting in January 2022 – comprised of varying ranks of sworn personnel, fiscal personnel, the Assistant Budget Director, and other civilian staff – tasked with identifying approaches to further increase the controls surrounding compensatory time liability. These actions, as well as the other recommendations included in the *Police Staffing, Expenditures, and Workload* audit report are intended to address, slow, and reverse the growth of overtime and compensatory time use.

The table below provides a summary of sworn staffing vacancies and street-ready officers. While the sworn positions are filled, there is still a significant gap between filled positions and street-ready officers, with the Sworn Hire Ahead program helping to close this gap and mitigate expected vacancies due to retirements and other separations. There are currently two active academies, June 2021 (30 recruits) and October 2021 (38 recruits), with additional academies scheduled for February 2022 and June 2022. An October 2022 academy is tentatively scheduled for the next fiscal year 2022-2023. Of the 1,153 authorized sworn staff, 115 were in training (10.97%) as of October 2021, leaving 1,049 street ready sworn positions available (this includes sworn employees on disability/modified duty/other leaves) when also accounting for vacancies as shown in the chart below. Excluding sworn employees on disability/modified duty/other leaves, 970 sworn officers were actively deployed as of October 29, 2021.

	2020-2021 (as of 10/23/2020)	2021-2022 (as of 10/29/2021)
Authorized Sworn Positions	1,159	1,153
Vacancies	(0)	(0)
Filled Sworn Positions³	1,172	1,164
Field Training Officer/Recruits	(145)	(115)
Street-Ready Sworn Officers Available	1,027	1,049
Disability/Modified Duty/Other Leaves	(78)	(79)
Street-Ready Sworn Officers Working	949	970

³ Filled sworn positions and authorized sworn positions may vary due to vacancies or the approval of Over-Strength (Temporary) positions. The Police Department has special authority under the City's Sworn Hire Ahead Program to overstaff sworn positions to get a head start on training recruits due to retirement and other separation. As of October 29, 2021, this resulted in 11 more positions filled than what was authorized.

GENERAL FUND (CONT'D.)

Over the past 12-month period, sworn employees on disability/modified duty/other leaves have averaged approximately 73 positions on a per month basis. Although the department makes every effort to support the health and well-being of all staff members, as well as the safe resumption of duties as quickly as possible, the particularly physical and dangerous nature of the work performed by sworn officers' results in a higher potential for injury. The table below further identifies the length of time that sworn officers have been on leave status, as of October 29, 2021. Of the total sworn officers on leave status, 17 have been on leave for more than one year with most of these sworn officers on modified duty (12). More than half of the sworn officers (45) have been on leave status for less than 3 months. Over the last five years, between 2016-2017 and 2020-2021, the number of sworn officers on leave ranged from a high of 112 to a low of 51. During this time, the average number of sworn officers on leave was approximately 73 with a standard deviation of approximately 8 sworn officers. While the current number of sworn officers on leave (79) is higher than the historical average (73), the leave numbers from October are within the range of variability seen over the last 5 years.

Length of Leave Status (as of 10/29/2021)					
Type of Leave	0-3 Months	3-6 Months	6-12 Months	1 Year +	Total
Disability	5	3	3	4	15
Modified Duty	23	5	4	12	44
Other	17	0	2	1	20
Total	45	8	9	17	79

GENERAL FUND (CONT'D.)

Department	2021-2022 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 269,597,460	\$ 90,172,703	\$ 79,808,504

The Fire Department's budget totals \$269.4 million, which is comprised of \$255.31 million in personal services and \$14.04 million in non-personal/equipment expenditures. Overall, Fire Department expenditures are performing above estimated levels through October. Personal services expenditures of \$82.0 million, or 32.13% of the Modified Budget, are slightly above the expected level of 29.58% at this point of the year. The higher than estimated expenditures are due to an active fire season in the summer of 2021, and the costs incurred from mutual aid and Strike Team deployments, which will be reimbursed by the State of California. The Fire Department's non-personal/equipment budget of \$14.3 million was 33.4% expended or encumbered through October 2021. The Department's non-personal/equipment expenditures are above the expected levels of 29.58% primarily due to a large encumbrance amount. It is currently anticipated that the Fire Department will end the year within budget levels after adjusting for the anticipated mutual aid and strike team reimbursements by the State of California.

Overall, the average sworn vacancy rate of 6.21% through October 2021 is higher than the vacancy rate of 3.59% experienced this time last year, and above the budgeted rate of 2.5%. The most recent fire fighter academy began in April 2021 and concluded in September 2021 with 22 graduates. The most recent fire fighter academy began in November 2021 and is expected to complete in April 2022 with 25 firefighter recruits.

In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of October, of the 31 current authorized staffing level, the Fire Department had 31 sworn personnel on administrative assignments.

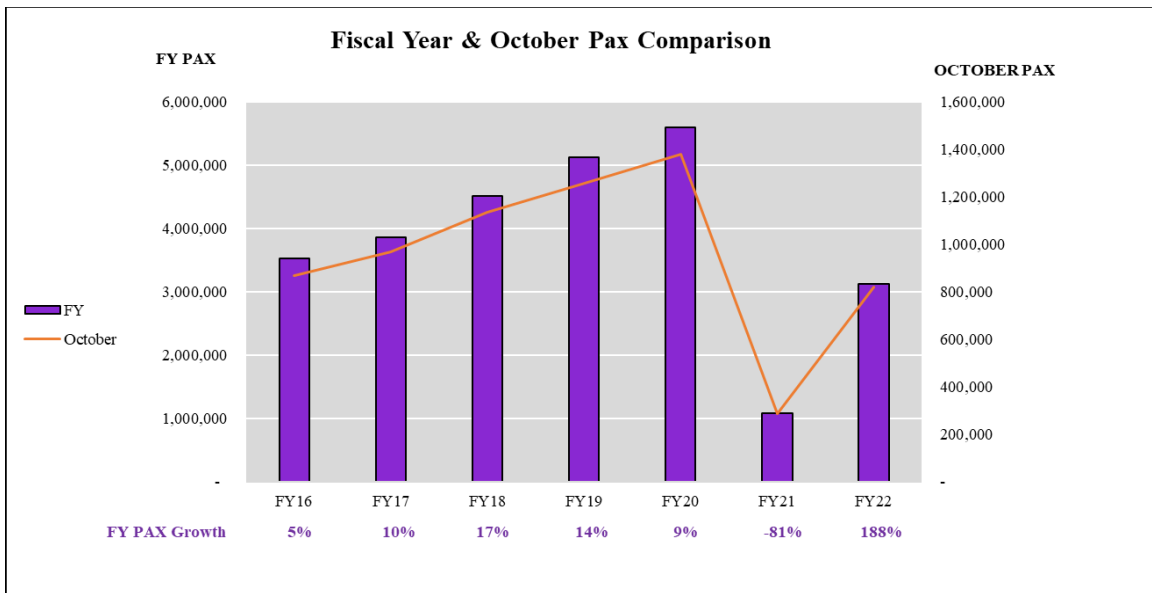
CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2020-2021 Annual Report, increasing the reserve by \$500,000, from \$40.0 million to \$40.5 million. This reserve level complies with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be at a minimum of 3% of the operating budget.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 3.1 million passengers, an increase of 187.8% from the figures reported through October of the prior year. The chart below depicts the year-over-year change for the month of October and Fiscal Year-to-Date for the last six years.



Fiscal year-to-date mail, freight and cargo totaled 23.4 million pounds, which represents a 20.8% decrease over year-to-date October of 2020. All revenue-generating activities posted increases over the same period of the prior fiscal year: Ground Transportation by 197.0%, Gallons of Aviation Fuel sold by 147.1%, Parking Exits increased by 115.0%, Landed Weights by 57.1%, and lastly Traffic Operations (landings and takeoffs) by 42.3%.

Through October, overall revenue performance at the Airport tracked 7% above estimated levels. The different Airport Revenue Categories had a mixed performance through this period: Terminal Concessions (+248%) and Parking & Roadway (+29%) were above the estimated revenue benchmark while Landing Fees (-13%), General and Non-Aviation Revenues (-13%), Terminal Rentals (-8%) and Airfield revenues (-4%) tracked slightly below budgeted levels.

Additionally, the Airport has \$59.6 million of Federal funding programmed in 2021-2022 to reimburse operating expenses and partially offset a reduced revenue outlook. To-date, the Airport has received a total of \$15.1 million (Coronavirus Aid, Relief, and Economic Security Act funding of \$12.1 million and Coronavirus Response and Relief Supplemental Appropriations Act funding

OTHER FUNDS (CONT'D.)

of \$3.0 million) based on reimbursement of expenditure requests submitted to the FAA. As well, a reduction to the Terminal Concessions budget by \$6.6 million was approved as part of the 2020-2021 Annual Report to reflect anticipated American Rescue Plan Act funding that will offset concessionaires' revenue paid to the Airport. The mixed performance as compared to budgeted levels can be attributed to the current unpredictable aviation environment and challenges in developing revenue budget targets. Airport revenues will continue to be closely monitored through this fiscal year.

Through October, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures tracked below budgeted levels. In the Maintenance and Operation Fund, Personal Service expenditures were 29.6% of budget compared to the benchmark of 30.8%, while Non-personal/Equipment expenditures were 15.9% compared to the benchmark of 21.9%. Non-personal/Equipment expenditures in the Customer Facility and Transportation Fee Fund were 10.2% compared to the straight-line benchmark of 33.3%. The Administration continues to closely monitor and report activity, revenue, and expenditure status.

San José Clean Energy Fund

The Community Energy Department operates San José Clean Energy (SJCE), which supplies residents and businesses of San José with cost competitive electricity and higher renewable energy content than PG&E. In November 2020, the City Council approved SJCE's 2021 generation rates for its default GreenSource product at 0.25% below PG&E's rates, inclusive of the Power Charge Indifference Adjustment (PCIA) and Franchise Fee Surcharge for all customers. In May 2021, City Council approved a revision to SJCE's 2021 generation rates for GreenSource to 8% above PG&E, inclusive of the PCIA and Franchise Fee Surcharge, and set renewable energy content to at least 55% and carbon-free content to at least 80%.

Rising PCIA fees combined with other factors that include high energy market prices, a delayed PG&E rate increase, and pandemic-related bad debt for unpaid customer invoices (SJCE's uncollected accounts totaled \$8.9 million through June 2021), negatively affected SJCE's revenues and cash flow projections. As a result, the City Council approved a total Commercial Paper Notes authorization of up to \$95.0 million in June 2021 to cover SJCE's projected cash flow shortage; \$15.0 million was allocated in 2020-2021 and an estimate of \$53.0 million was allocated in 2021-2022 as part of the City Council-approved 2020-2021 Annual Report. From June 2021 through December 2021, SJCE anticipates drawing \$60.0 million of Commercial Paper proceeds.

Through October, Energy Sales totaled \$104.0 million, or 34.3% of the modified budget estimate of \$303.4 million. Looking ahead, SJCE's financial outlook has improved since June 2021. The generation portion of PG&E's rates is expected to increase by 15 to 35% as of January 1, 2022. In addition, the PCIA is expected to decrease by 75%. These two factors are projected to increase SJCE's revenue by \$70 – \$90 million in fiscal year 2021-2022. As a result, SJCE anticipates beginning to pay back Commercial Paper Notes in late 2022. At its meeting on December 14,

OTHER FUNDS (CONT'D.)

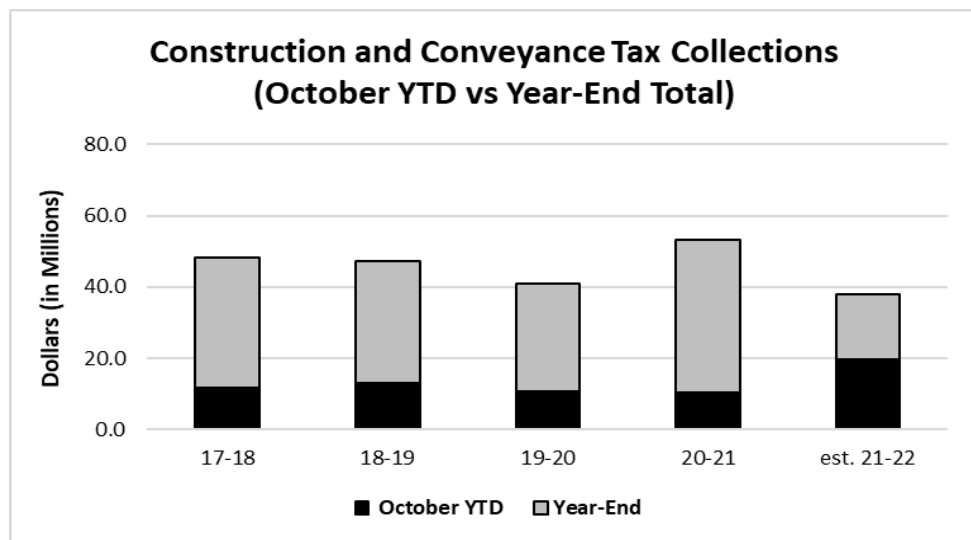
2021, the City Council will consider SJCE’s 2022 Power Mix and Rates. Subsequent to the outcome of the meeting – and the change to PG&E’s rates and the PCIA – an adjustment to the Energy Sales estimate will be brought forward as part of a future budget process.

Cost of Energy expenditures including encumbrances totaled \$198.0 million, or 62.5% of the total budget. San José Clean Energy encumbers a significant amount of funds for contracted energy early in the fiscal year; it is anticipated that the Cost of Energy will end the year within budgeted levels.

In accordance with City Council direction, staff returned to the Transportation and Environment Committee on December 6, 2021⁴ with a report on SJCE’s business operations and outlook for the next twelve months.

Construction and Conveyance Tax Funds

Through October 2021, Construction and Conveyance (C&C) Tax receipts totaled \$19.7 million, which represents almost 52% of the 2021-2022 Adopted Budget estimate (\$38.0 million). This amount is significantly above collections through October 2020,



which totaled \$10.3 million. In addition, the City has received the November Conveyance receipts from Santa Clara County, which total \$5.0 million, which is slightly above November 2020 Conveyance collections. When taking into account total receipts through October and the estimated November collections, C&C receipts in 2021-2022 total \$24.7 million, 65.0% of the 2021-2022 budgeted estimate, and 62.2% above the prior year collection level of \$15.2 million.

The 2021-2022 Adopted Capital Budget was built on the assumption that C&C Tax receipts would total \$40.0 million in 2020-2021 and drop to \$38.0 million in 2021-2022. This drop was due to uncertainty regarding the pandemic’s long-term effect on the local real estate market, which is the

⁴ <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5203497&GUID=0726F189-889E-4CC6-BE55-4224C1B5BCCE&Options=&Search=>

OTHER FUNDS (CONT'D.)

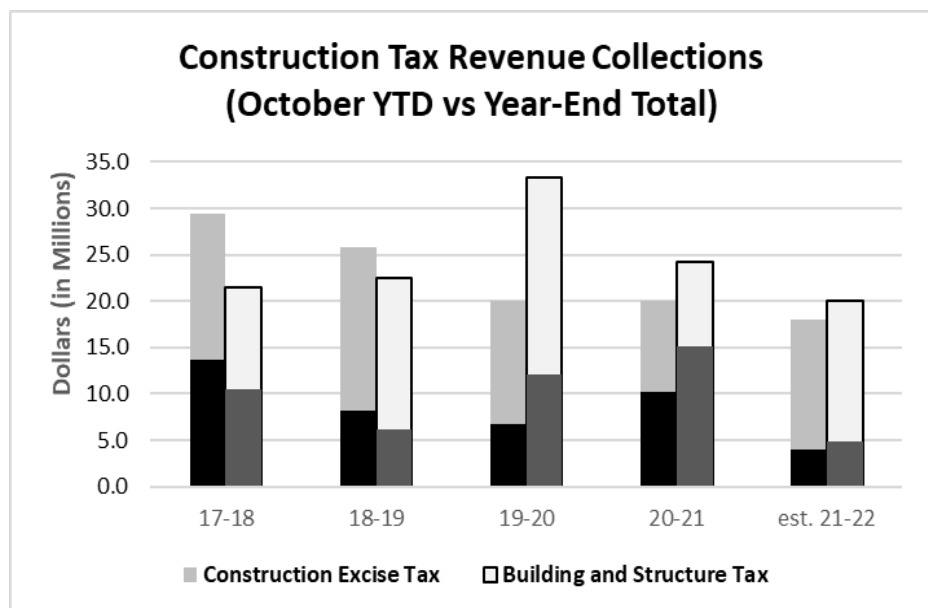
primary driver of this revenue source. However, 2020-2021 C&C Tax receipts ended the year at \$53.1 million, therefore, in 2021-2022 receipts can drop by 28.5% and meet the budgeted estimate. Due to the extremely strong year-to-date collections, it is currently anticipated C&C receipts will significantly exceed the budgeted estimate. Therefore, a recommendation may be brought forward for City Council consideration increasing the 2021-2022 budgeted estimate as part of the 2021-2022 Mid-Year Budget Review, which will be released at the end of January 2022.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). As discussed in the Economic Environment section of this Bi-Monthly Financial Report, the local real estate market has continued to be extremely strong. Since housing statistics are a key driver for the overall C&C collection levels, significant changes in the housing market will drastically affect the C&C Tax receipts. The local market will continue to be closely monitored, with updates provided in the 2021-2022 Mid-Year Review and future Bi-Monthly Financial Reports.

Other Construction-Related Tax Revenues

Capital Fund revenues associated with construction activity are anticipated to meet budgeted levels by year-end. Construction activities drive revenue collection in several categories, including the Building and Structure Construction Tax and the Construction Excise Tax (which are described in further detail below) that help fund the City’s Traffic Capital Program, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

Through October, the **Building and Structure Construction Tax** collection level of \$4.8 million represents 24.2% of the budgeted estimate of \$20.0 million; however, it is 68.1% below the prior year receipts of \$15.2 million. This significant year-over-year decline is due to construction permit valuation for all categories (residential, commercial, and industrial) being lower



than the prior year, especially for commercial activity. Last year, several large projects contributed to an extraordinarily high collection level at the beginning of the fiscal year. When the 2021-2022 Adopted Capital Budget was developed it was anticipated that 2020-2021 Building and Structure

OTHER FUNDS (CONT'D.)

Construction Tax receipts would total \$22.0 million, then decrease by approximately 9.1% to \$20.0 million in 2021-2022. However, since 2020-2021 receipts ended the year at \$24.2 million, the 2021-2022 budget allows for a 17.4% decline from the prior year collection level. At this early point in the fiscal year, it is anticipated that Building and Structure Construction Tax revenue will meet the budgeted estimate by year-end.

Through October, the **Construction Excise Tax** collection level of \$4.1 million represents 22.5% of the budgeted estimate of \$18.0 million; however, it is 60.5% below the prior year receipts of \$10.3 million. This significant year-over-year decline is due to construction permit valuation for residential and commercial land use categories being lower than the prior year, especially for commercial activity. Last year, several large projects contributed to an extraordinarily high collection level at the beginning of the fiscal year. When the 2021-2022 Adopted Capital Budget was developed it was anticipated 2020-2021 Construction Excise Tax receipts would total \$17.0 million, then increase by approximately 5.6% to \$18.0 million in 2021-2022. However, since 2020-2021 receipts ended the year at \$20.1 million, the 2021-2022 budget allows for a 11.7% decline from the prior year collection level. At this early point in the fiscal year, it is anticipated that Construction Excise Tax revenue will meet the budgeted estimate by year-end.

Development Fee Program Funds

Development Fee Programs include the Building Development Fee Program, Citywide Planning Fee Program, Fire Development Fee Program, Planning Development Fee Program, and Public Works Development Fee Program Fund. Based on collections through October, all Development Fee Programs, with the exception of the Fire Development Fee Program, are anticipated to meet or exceed the budgeted estimates. However, as it is still early in the fiscal year, activity levels will continue to be closely monitored with updates provided in the 2021-2022 Mid-Year Review (released in January 2022) and future Bi-Monthly Financial Reports. Additional information about each of the Development Fee Program Funds is provided below.

The **Building Development Fee Program** issues building permits and oversees construction on private property. Through October, Building Development Fee revenue of \$11.8 million is 7.9% above the prior year collection level of \$10.9 million. The 2021-2022 Adopted Budget estimate of \$32.2 million allows for a 7.5% drop from the 2020-2021 collection level of \$35.0 million. Based on current collection trends, Building Development Fee revenue is anticipated to meet or exceed the 2021-2022 budgeted revenue estimate.

The **Citywide Planning Fee Program** provides funding for the City's long-range planning projects, such as developing and updating the City's General Plan, to match the City's planning goals. The Citywide Planning Fee is an 11.97% fee applied to Entitlement, Building Permit Fees, and Building Plan Check Fee Categories. Through October, Citywide Planning Fee revenue of \$1.1 million is 5.7% above the prior year collection level of \$1.0 million. The 2021-2022 Adopted Budget estimate of \$3.3 million allows for a 3.0% drop from the 2020-2021 collection level of

OTHER FUNDS (CONT'D.)

\$3.4 million. Based on current collection trends, Citywide Planning Fee revenue is anticipated to meet or exceed the 2021-2022 budgeted revenue estimate.

The **Fire Development Fee Program** provides operational and construction permits and inspections to ensure that development within San José meets the City's fire codes. Development-related receipts through October 2021 of \$2.1 million are \$163,000 (14.4%) lower than prior year collections. The 2021-2022 Adopted Budget estimate of \$7.5 million, requires growth of 10.5% from the 2020-2021 collection level of \$6.8 million. Based on current collection trends, Fire Development Fee revenue is projected to fall slightly below the 2021-2022 budgeted revenue estimate. As it is still early in the fiscal year, and only preliminary information is currently available, this fee program will continue to be closely monitored, but adjustments to the revenue estimate may be brought forward as part of a future budget process if the current trend continues.

The **Planning Development Fee Program** processes land development applications for planning permits and services, such as zoning review, to match the City's planning goals. Through October, Planning Fee revenue of \$3.1 million is 16.2% above the prior year collection level of \$2.7 million. The 2021-2022 Adopted Budget estimate of \$6.7 million allows for a 11.8% drop from the 2020-2021 collection level of \$7.6 million. Based on current collection trends, Planning Fee revenue is anticipated to meet or exceed the 2021-2022 budgeted revenue estimate.

The **Public Works Development Fee Program** ensures that developments comply with regulations and provide appropriate public infrastructure, such as sidewalks, traffic signals, and streetlights. Revenues through October of \$4.3 million are 26.5% above the prior year level of \$3.4 million. The Public Works Development Fee Program total revenue collections are comprised of \$2.6 million from the Development Services Fee Program and \$1.7 million from the Utility Fee Program. The 2021-2022 Adopted Budget estimate of \$18.5 million, allows for a 7% drop from the 2020-2021 collection level of \$19.9 million. Based on activity through October, collections in Public Works Development Fee Program are anticipated to meet or exceed budgeted levels by year-end.

CONCLUSION

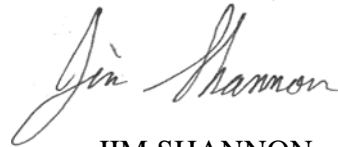
As a result of the pandemic and the necessary response to protect community health and safety, economic activity was severely restricted beginning in March 2020. As anticipated, revenue sources across the City were significantly impacted, with many of the economically sensitive categories beginning to recover in 2020-2021, some strongly toward the end of the fiscal year. The 2021-2022 Adopted Budget was developed assuming that many of the General Fund and other economically sensitive City fund revenues would continue to recover as public health orders loosen and the vaccine rates continue to increase.

CONCLUSION (CONT'D.)

While it is still early in the fiscal year, overall General Fund and other City funds revenues and expenditures are tracking within anticipated levels. Additionally, several revenue categories are currently projected to end the year above budgeted levels, including Property Tax, Real Property Transfer Tax, and Construction and Conveyance Tax. Budget adjustments will be brought forward for City Council consideration as part of the 2021-2022 Mid-Year Budget Review (which will be released at the end of January 2022) to align the budgeted estimate with the anticipated collections for several of these revenue categories. However, since only preliminary information is currently known for all categories, revenues and expenditures will continue to be closely monitored.

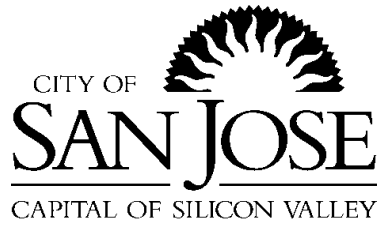
The Administration will follow and report on economic indicators and revenues in 2021-2022 through future Bi- Monthly Financial Reports and the Mid-Year Budget Review process and return to the Mayor and City Council with recommendations for any revisions, if necessary.

As always, staff will continue to report to the City Council significant developments through this and other budget reporting processes.



JIM SHANNON
Budget Director

Attachment: Finance Department Monthly Financial Report



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the Month Ended October 31, 2021

Fiscal Year 2021-2022

(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended October 31, 2021
Fiscal Year 2021-2022
(UNAUDITED)

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Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended October 31, 2021
Fiscal Year 2021-2022
(UNAUDITED)

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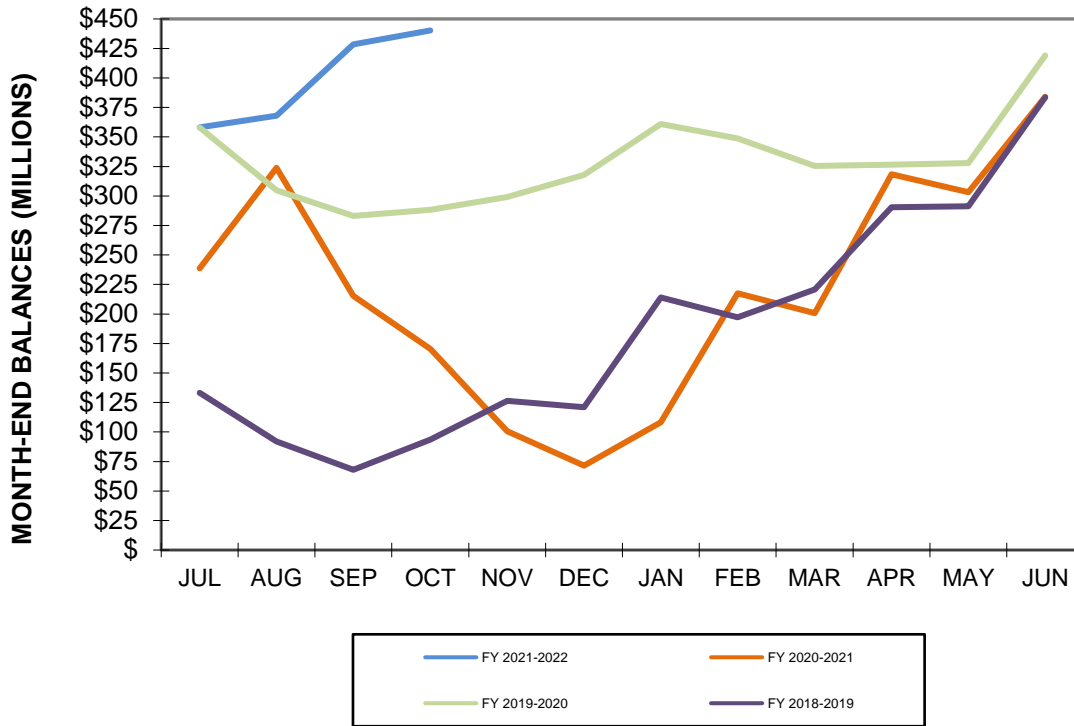
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Submitted by:

JULIA H. COOPER
Director, Finance Department

**GENERAL FUND
Comparison of Cash Balances vs. Prior Year's Balance**



GENERAL FUND MONTHLY CASH BALANCES

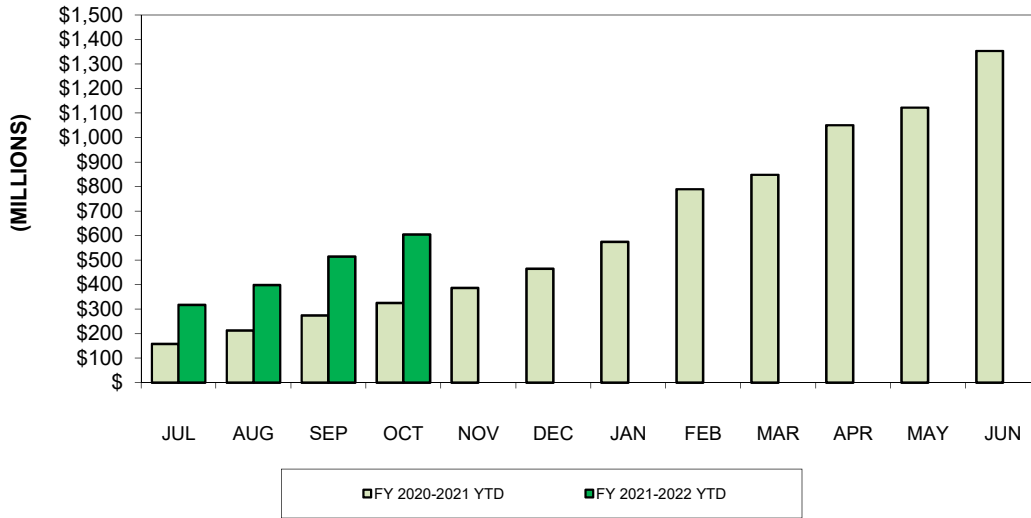
MONTH	FY 2021-2022	FY 2020-2021	FY 2019-2020	FY 2018-2019
JULY ⁽¹⁾	\$ 358,124,221	\$ 238,661,153	358,057,314	\$ 133,276,057
AUGUST	367,985,840	323,738,458	304,849,235	91,972,139
SEPTEMBER ⁽²⁾	428,548,372	215,370,108	283,092,234	67,970,290
OCTOBER ⁽³⁾	440,238,436	170,467,897	288,196,905	93,654,030
NOVEMBER	-	100,622,899	299,006,136	126,316,418
DECEMBER	-	71,502,262	317,868,572	121,024,958
JANUARY	-	108,130,590	360,969,681	214,000,120
FEBRUARY	-	217,629,193	348,806,133	197,277,698
MARCH	-	200,717,737	325,495,352	220,734,066
APRIL	-	318,260,683	326,537,038	290,493,766
MAY	-	303,297,059	327,914,999	291,171,986
JUNE	-	384,019,042	419,046,570	383,572,703

(1) The General Fund cash balance generally decreases each July due to City Council direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings. The City did not pre-fund retirement contributions in FY 2019-2020 and resumed pre-funding in FY 2020-2021.

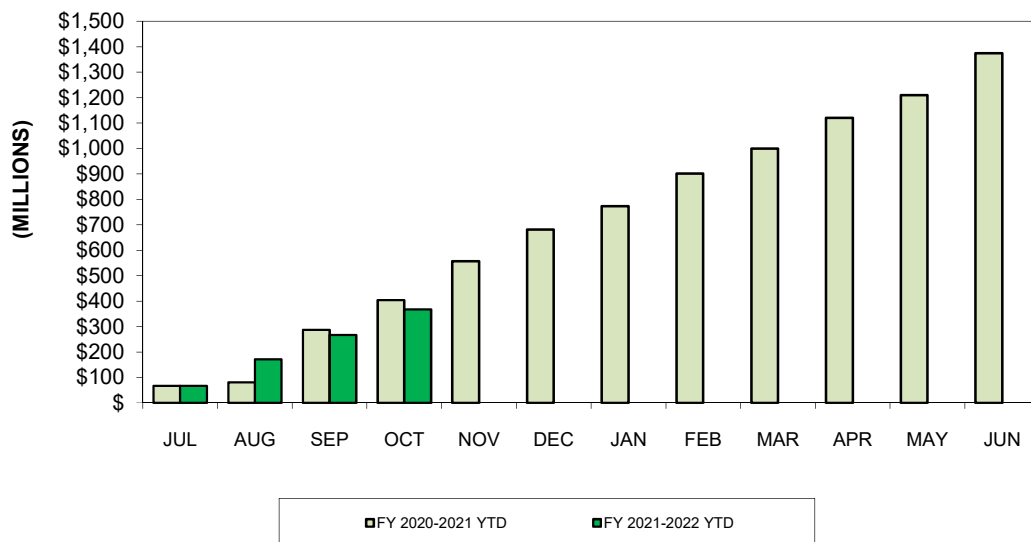
(2) The General Fund received a transfer of \$45.0 million from Fund 402 American Rescue Plan for revenue loss reimbursement.

(3) Cash increases attributable to higher sales tax collections and growth in real property transfer taxes (Measure E).

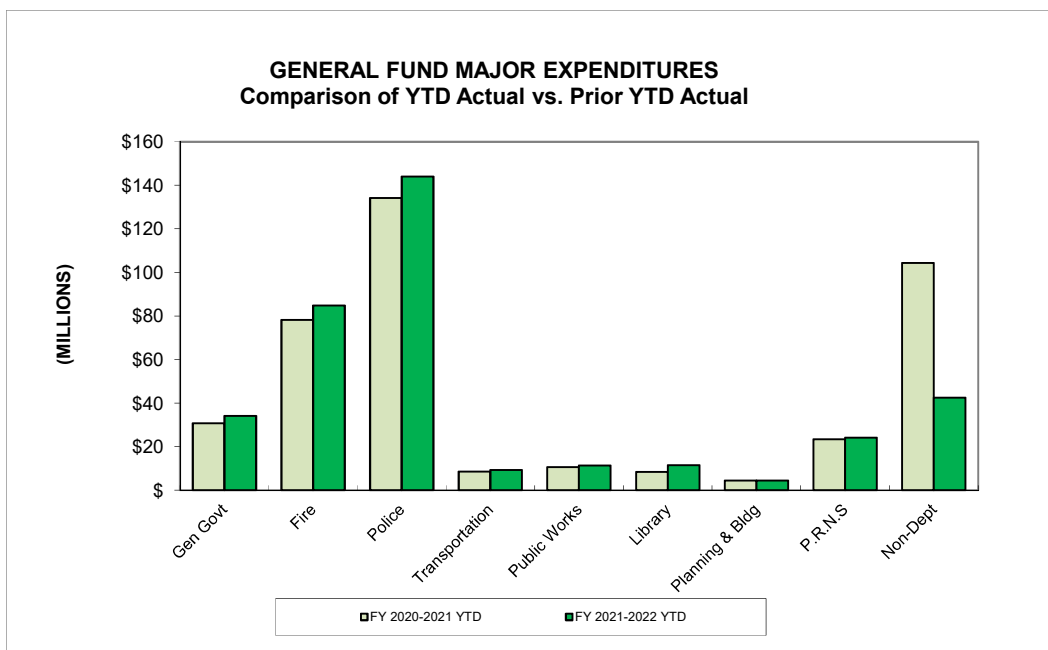
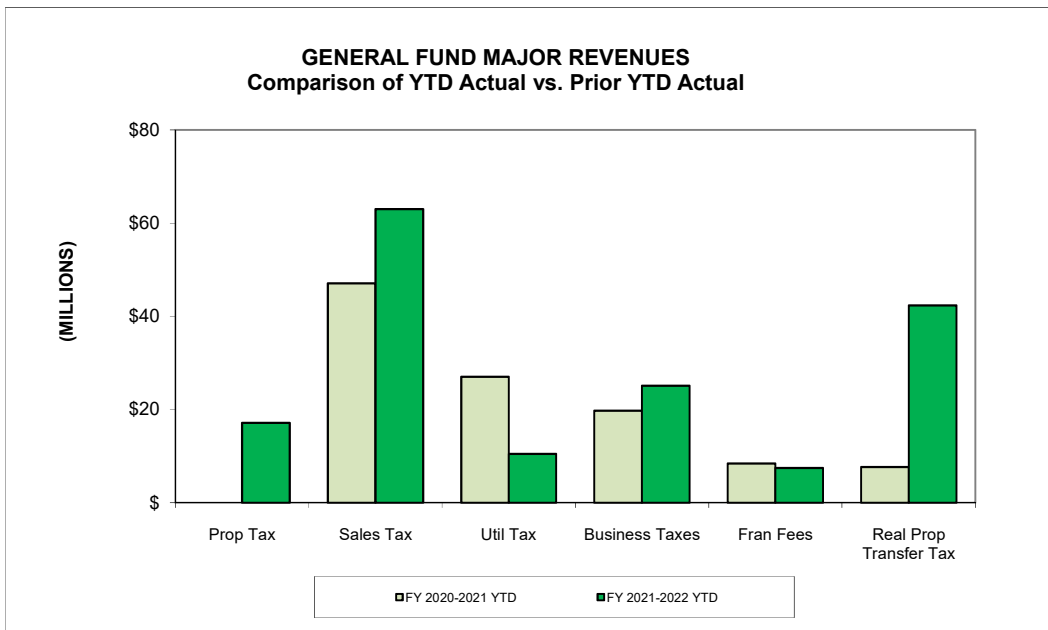
GENERAL FUND
Comparison of YTD Revenues vs. Prior YTD Revenues
Actual



GENERAL FUND
Comparison of YTD Expenditures vs. Prior YTD Expenditures
Actual



- Note:
- 1) Increase in revenues is primarily due to \$285.0 million received in Tax Revenue Anticipation Notes (TRAN) proceeds in FY 2022 compared to \$130.0 million in TRAN proceeds in FY 2021.
 - 2) The General Fund received a transfer of \$45.0 million from the American Rescue Plan Fund for revenue loss replacement.
 - 3) Real property transfer tax revenue increased \$34.6 million due to growth in real property transfer taxes (Measure E).
 - 4) Increase in property tax revenues of \$17.2 million is due to timing differences in posting property tax receipts.



- Note: 1) The Other Revenue category was removed from the General Fund Major Revenues chart because inclusion of it would cause the y-axis to extend to \$300 million. This caused the other categories to be illegible. The FY 2022 YTD actuals were \$294 million compared to \$132 million in FY 2021. Increase in Other Revenue is primarily due to \$285 million received in TRAN proceeds in FY 2022 compared to \$130 million received in TRAN proceeds in FY 2021.
- 2) Real property transfer tax revenue increased \$34.6 million due to growth in real property transfer taxes (Measure E).
- 3) Increase in property tax revenues of \$17.2 million is due to timing differences in posting property tax receipts.
- 4) Increase in sales tax revenues is primarily due to an increase in taxpayer spending.
- 5) Decrease in utility tax revenues is primarily due to timing differences in posting utility tax
- 6) Decrease in non-department expenditures is due to timing differences in the TRAN repayment schedule and timing of other transfers out of the General Fund.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)

	ADOPTED FY 2021-2022 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2021-2022 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	57,033	57,033	57,033	100.00%	46,907	100.98%	46,451	10,126	21.59%
Available Balance	321,188	47,992	-	369,180	369,180	100.00%	400,284	100.00%	400,284	(31,104)	-7.77%
Total Fund Balance	321,188	47,992	57,033	426,213	426,213	100.00%	447,191	100.10%	446,735	(20,978)	-4.69%
General Revenues											
Property Tax	395,500	-	-	395,500	17,164	4.34%	-	0.00%	388,760	17,164	0.00%
Sales Tax	280,200	-	-	280,200	63,025	22.49%	47,122	16.59%	284,020	15,903	33.75%
Transient Occupancy Tax	10,000	-	-	10,000	1,966	19.66%	1,248	23.07%	5,409	718	57.53%
Franchise Fees	44,652	(0)	-	44,652	7,483	16.76%	8,468	18.56%	45,628	(985)	-11.63%
Utility Tax	97,060	-	-	97,060	10,524	10.84%	27,022	25.29%	106,846	(16,498)	-61.05%
Business Taxes	74,500	-	-	74,500	25,139	33.74%	19,737	28.18%	70,036	5,402	27.37%
Real Property Transfer Tax	40,000	-	-	40,000	42,329	105.82%	7,682	15.20%	50,531	34,647	451.02%
Telephone Line Tax	20,000	-	-	20,000	4,787	23.94%	4,775	22.88%	20,873	12	0.25%
Licenses and Permits	21,003	(468)	-	20,535	14,534	70.78%	11,922	61.48%	19,391	2,612	21.91%
Fines, Forfeits and Penalties	8,676	-	-	8,676	4,367	50.33%	2,136	21.17%	10,090	2,231	104.45%
Fees, Rates and Charges	14,832	-	-	14,832	6,654	44.86%	1,176	15.86%	7,417	5,478	465.82%
Use of Money and Property	9,304	-	-	9,304	2,174	23.37%	1,512	17.19%	8,794	662	43.78%
Revenue from Local Agencies	18,784	2,741	-	21,525	2,049	9.52%	2,501	12.34%	20,270	(452)	-18.07%
Revenue from State of CA	13,247	1,200	-	14,447	1,254	8.68%	(354)	-1.72%	20,598	1,608	-454.24%
Revenue from Federal Government	3,685	1,891	-	5,576	(1,603)	-28.75%	(268)	-7.44%	3,600	(1,335)	498.13%
Other Revenues	9,242	309,885	-	319,127	292,890	91.78%	133,201	79.55%	167,442	159,689	119.89%
Total General Revenues	1,060,685	315,250	-	1,375,935	494,736	35.96%	267,880	21.78%	1,229,705	226,856	84.69%
Transfers & Reimbursements											
Overhead Reimbursements	68,482	-	-	68,482	42,000	61.33%	41,777	80.80%	51,707	223	0.53%
Transfers from Other Funds	72,683	-	-	72,683	55,823	76.80%	11,429	30.39%	37,611	44,394	388.43%
Reimbursements for Services	16,792	397	-	17,189	11,635	67.69%	3,764	10.87%	34,640	7,871	209.11%
Total Transfers & Reimbursements	157,957	397	-	158,354	109,458	69.12%	56,970	45.96%	123,958	52,488	92.13%
Total Sources	1,539,831	363,638	57,033	1,960,502	1,030,407	52.56%	772,041	42.88%	1,800,398	258,366	33.47%

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

Note: Figures may not total due to rounding.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR			LESS PRIOR YTD
	BUDGET	AMENDMENTS		BUDGET	ACTUAL (*)	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	ACTUAL			ACTUAL
General Government												
Mayor and Council	18,338	449	174	18,961	4,540	110	23.94%	4,034	29.63%	13,614	506	12.54%
City Attorney	16,830	239	1,253	18,322	5,228	1,463	28.53%	3,165	18.97%	16,681	2,063	65.18%
City Auditor	2,506	(1)	6	2,511	709	5	28.24%	691	30.68%	2,252	18	2.60%
City Clerk	2,651	78	319	3,048	1,124	101	36.88%	704	27.32%	2,577	420	59.66%
City Manager	21,671	323	1,238	23,232	5,315	1,445	22.88%	5,514	33.19%	16,611	(199)	-3.61%
Finance	20,216	(1)	681	20,896	5,555	805	26.58%	5,559	30.86%	18,015	(4)	-0.07%
Information Technology	25,795	(8)	3,159	28,946	5,973	3,223	20.63%	6,268	29.04%	21,582	(295)	-4.71%
Human Resources	10,448	-	565	11,013	3,621	3,634	32.88%	2,590	27.32%	9,479	1,031	39.81%
Independent Police Auditor	1,531	-	147	1,678	444	145	26.46%	406	29.68%	1,368	38	9.36%
Office of Economic Development	5,638	-	552	6,190	1,560	519	25.20%	1,718	30.92%	5,556	(158)	-9.20%
Total General Government	125,624	1,079	8,094	134,797	34,069	11,450	25.27%	30,649	28.45%	107,735	3,420	11.16%
Public Safety												
Fire	267,922	247	1,433	269,602	84,779	5,393	31.45%	78,220	32.65%	239,599	6,559	8.39%
Police	481,147	535	3,517	485,199	143,991	5,394	29.68%	134,157	29.03%	462,198	9,834	7.33%
Total Public Safety	749,069	782	4,950	754,801	228,770	10,787	30.31%	212,377	30.26%	701,797	16,393	7.72%
Capital Maintenance												
Transportation	37,517	49	1,197	38,763	9,327	3,063	24.06%	8,564	24.87%	34,440	763	8.91%
Public Works	38,480	41	1,410	39,931	11,347	2,810	28.42%	10,546	29.56%	35,674	801	7.60%
Total Capital Maintenance	75,997	90	2,607	78,694	20,674	5,873	26.27%	19,110	27.26%	70,114	1,564	8.18%
Community Service												
Housing	539	-	135	674	4	136	0.59%	45	19.48%	231	(41)	-91.11%
Library	37,239	150	1,942	39,331	11,424	4,765	29.05%	8,361	24.63%	33,941	3,063	36.63%
Planning, Bldg & Code Enf.	15,414	200	650	16,264	4,376	641	26.91%	4,347	30.82%	14,106	29	0.67%
Parks, Rec & Neigh Svcs	87,280	482	1,723	89,485	24,157	4,252	27.00%	23,448	32.43%	72,303	709	3.02%
Environmental Services	3,492	(51)	296	3,737	785	1,134	21.01%	1,396	34.71%	4,022	(611)	-43.77%
Total Community Services	143,964	781	4,746	149,491	40,746	10,928	27.26%	37,597	30.17%	124,603	3,149	8.38%
Total Dept. Expenditures	1,094,654	2,732	20,397	1,117,783	324,259	39,038	29.01%	299,733	29.85%	1,004,249	24,526	8.18%

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

Note: Figures may not total due to rounding.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR		ACTUAL (1)(*)	PRIOR YTD
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			OF BUDGET	ACTUAL (1)(*)	ACTUAL	ACTUAL (1)(*)	ACTUAL (1)	ACTUAL
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	20,638	29,378	9,624	59,640	8,792	11,198	14.74%	7,182	41.00%	17,515	1,610	22.42%
Environmental & Utility Services	1,932	852	56	2,840	196	184	6.90%	282	14.70%	1,919	(86)	-30.50%
Public Safety	21,704	1,695	799	24,198	7,706	353	31.85%	6,200	31.00%	20,003	1,506	24.29%
Recreation & Cultural Services	19,208	2,809	902	22,919	4,581	1,911	19.99%	1,595	8.97%	17,776	2,986	187.21%
Transportation Services	4,406	543	6	4,955	1,179	6	23.79%	746	28.87%	2,584	433	58.04%
Strategic Support	53,137	291,441	5,402	349,980	12,409	8,074	3.55%	46,144	23.72%	194,542	(33,735)	-73.11%
Total City-wide Expenditures	121,025	326,718	16,789	464,532	34,863	21,726	7.50%	62,149	24.44%	254,339	(27,286)	-43.90%
Other Non-Dept Expenditures:												
Capital Improvements	84,117	(2,314)	19,847	101,650	7,606	16,115	7.48%	7,541	21.51%	35,060	65	0.86%
Transfers to Other Funds	30,391	102	-	30,493	-	-	0.00%	34,721	42.96%	80,824	(34,721)	-100.00%
Total Non-Dept Expenditures	235,533	324,506	36,636	596,675	42,469	37,841	7.12%	104,411	28.20%	370,223	(61,942)	-59.33%
Reserves												
Contingency Reserve	40,000	500	-	40,500	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	169,645	35,899	-	205,544	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	209,645	36,399	-	246,044	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,539,831	363,638	57,033	1,960,502	366,728	76,879	18.71%	404,144	29.40%	1,374,472	(37,416)	-9.26%

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

Note: Figures may not total due to rounding.

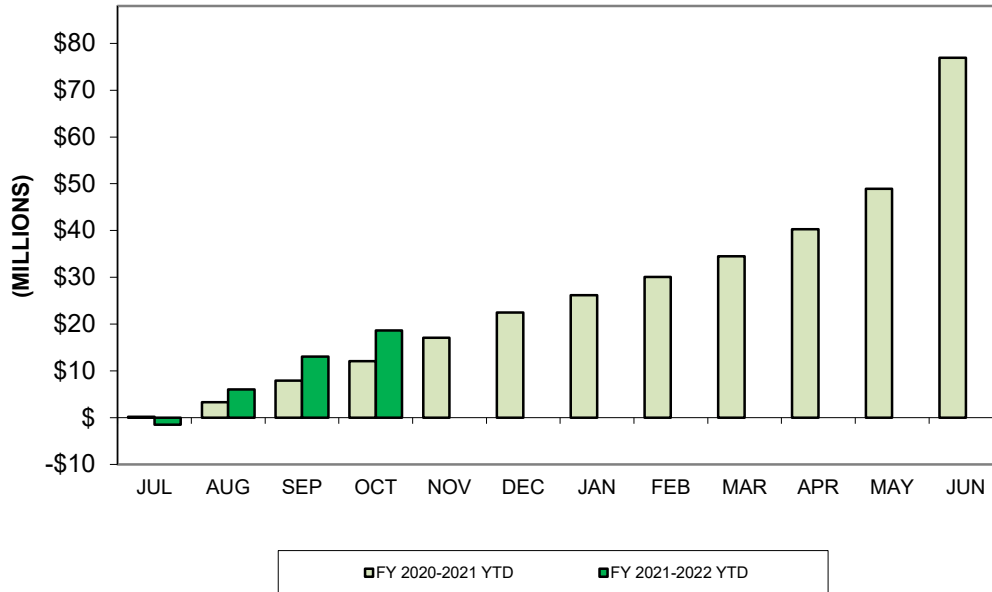
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	CUR	CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-	CUR YTD LESS	% CHANGE
	FY 2021-2022	BUDGET	C/O	FY 2021-2022	YTD	ACTUAL %	YTD	OF PRIOR	END	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL (*)	OF BUDGET	ACTUAL (*)	YEAR-END	ACTUAL (*)	ACTUAL	LESS PRIOR YTD
								ACTUAL			ACTUAL
Police	978	-	-	978	203	20.76%	266	36.54%	728	(63)	-23.68%
Public Works	-	-	-	-	3	-	(790)	-287.27%	275	793	-100.38%
Transportation	1,796	-	-	1,796	497	27.67%	364	33.27%	1,094	133	36.54%
Library	72	-	-	72	10	13.89%	16	45.71%	35	(6)	-37.50%
Planning, Bldg & Code Enforcement	-	-	-	-	-	-	-	0.00%	-	-	0.00%
Parks Rec & Neigh Svcs	8,788	-	-	8,788	4,960	56.44%	396	18.96%	2,089	4,564	1152.53%
Miscellaneous Dept Charges	3,198	-	-	3,198	981	30.68%	924	28.91%	3,196	57	6.17%
Total Fees, Rates, and Charges	14,832	-	-	14,832	6,654	44.86%	1,176	15.86%	7,417	5,478	465.82%

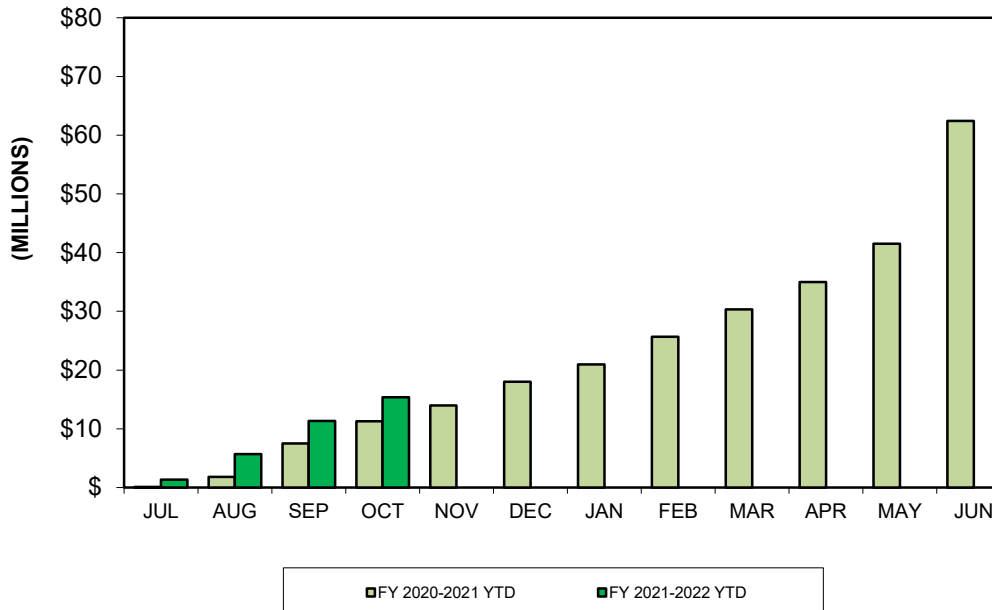
() - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis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

Note: Figures may not total due to rounding.

**CONSTRUCTION & CONVEYANCE TAX FUNDS 377-378 & 380-398
Comparison of YTD Revenues vs. Prior YTD Revenues**



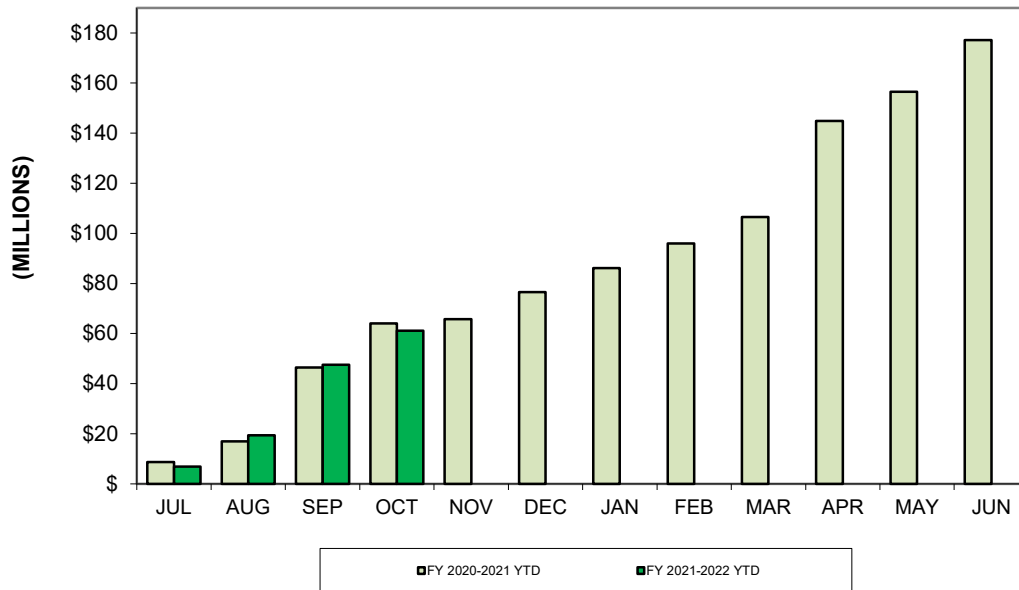
**CONSTRUCTION & CONVEYANCE TAX FUNDS 377-378 & 380-398
Comparison of YTD Expenditures vs. Prior YTD Expenditures**



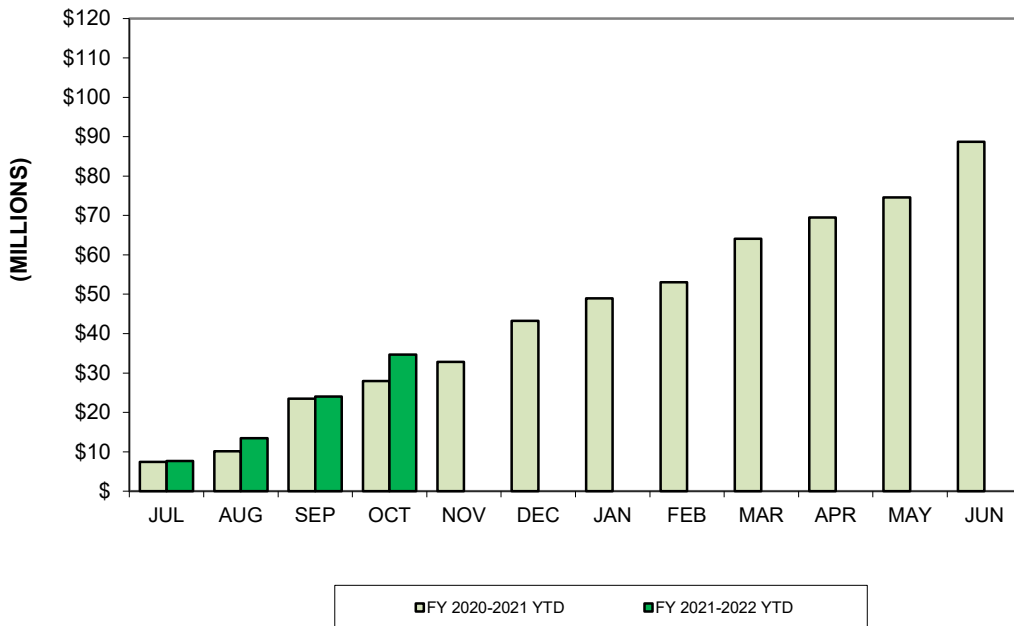
Note: 1) Negative revenues in July 2021 were due to year-end adjustments (accrual reversals).

2) Increase in expenditures were due to various flood projects in the City-Wide Parks (Fund 391), acquisition of materials in the Library C&C (Fund 393), and for Silicon Valley Regional interoperability in the Communications C&C (Fund 397).

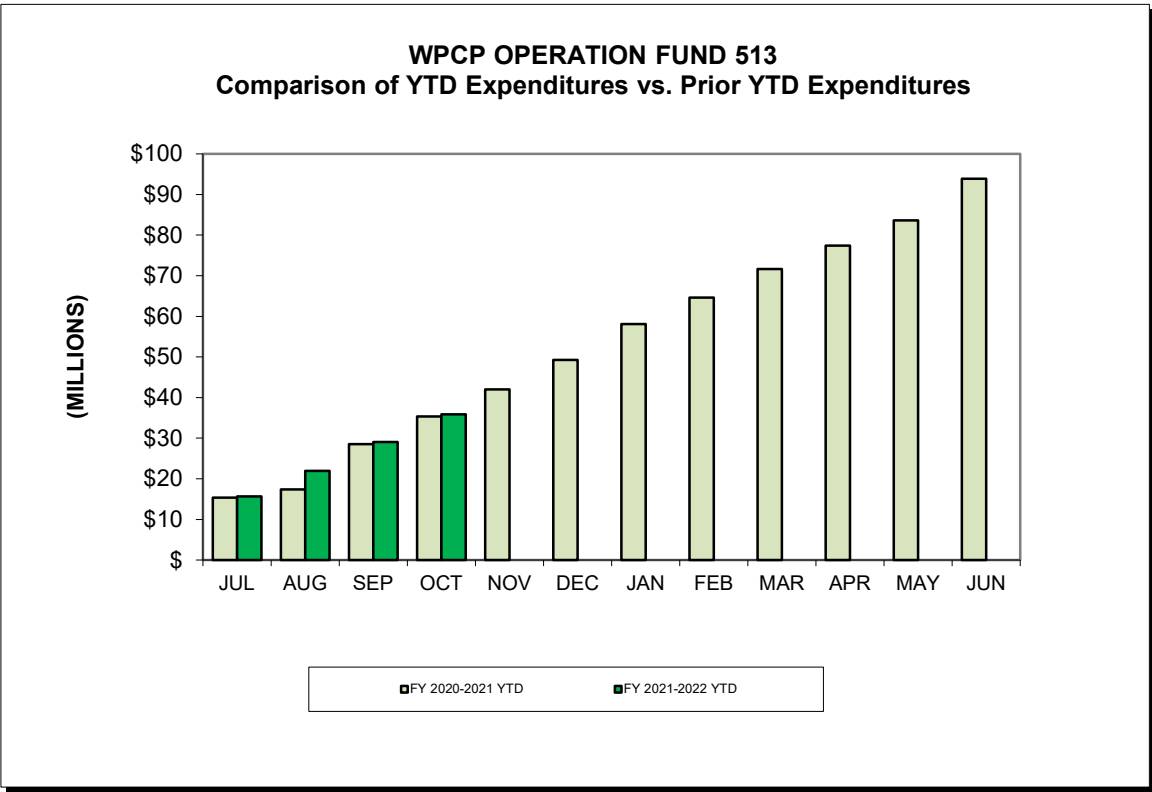
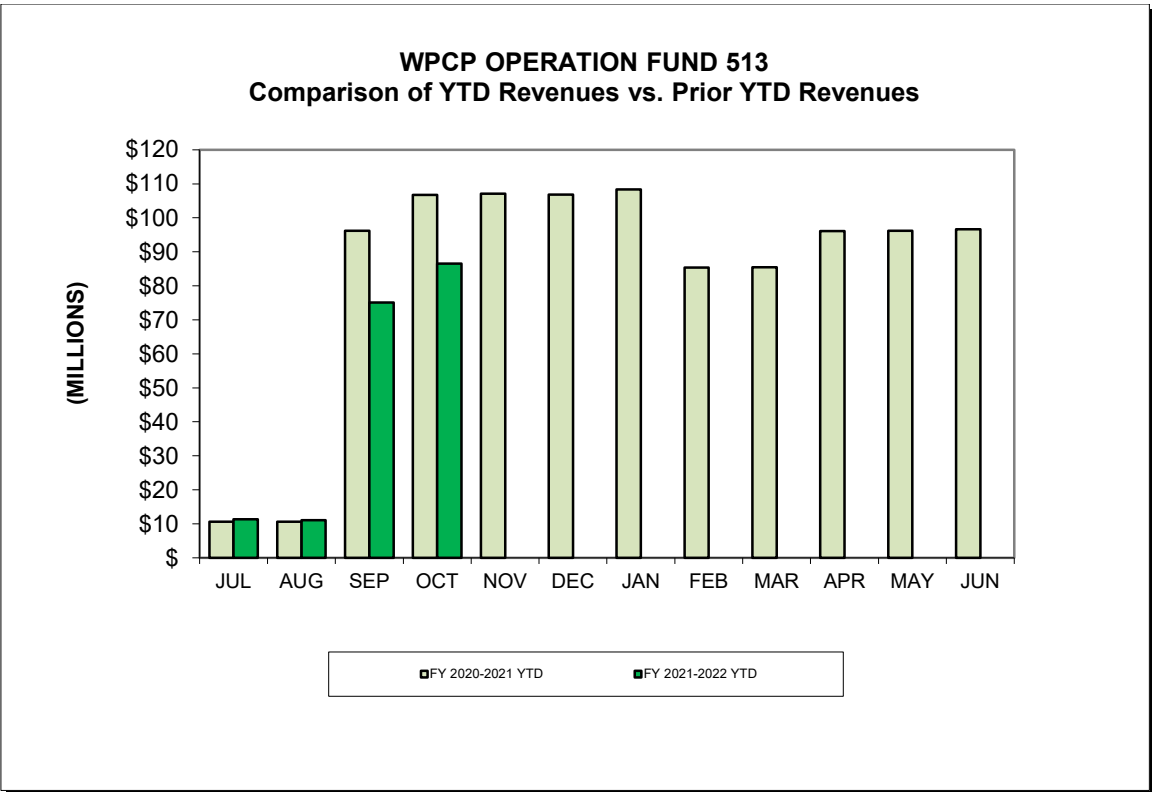
**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues vs. Prior YTD Revenues**



**AIRPORT MAINTENANCE & OPERATION FUND 523
Comparison of YTD Expenditures vs. Prior YTD Expenditures**

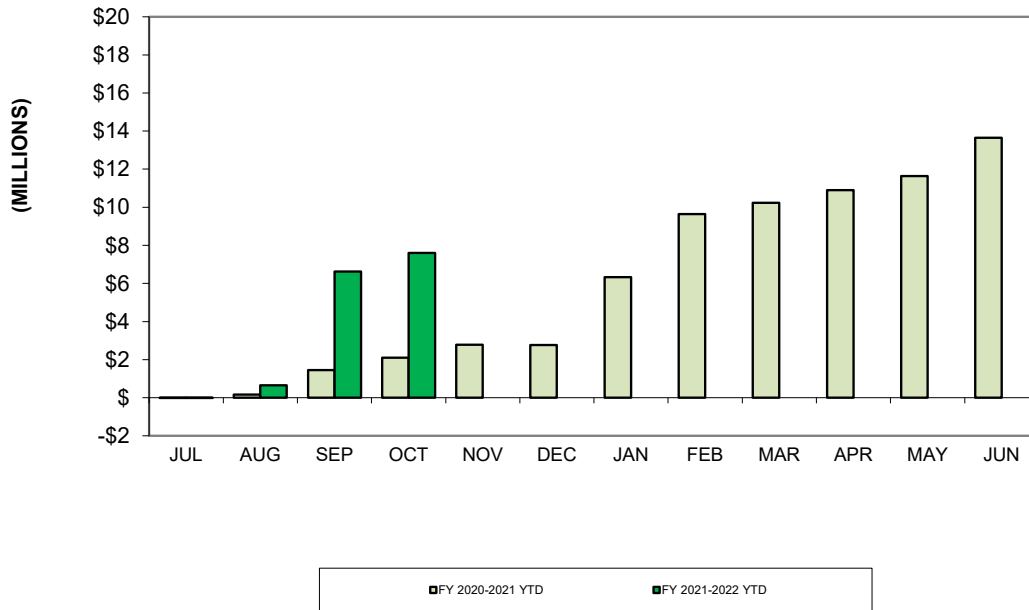


Note: (1) The Airport received CARES Act grant reimbursement of \$12.1 million in Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act Concessions and \$3.0 million in September 2021 compared to \$18.9 million and \$0, respectively, in September 2020.

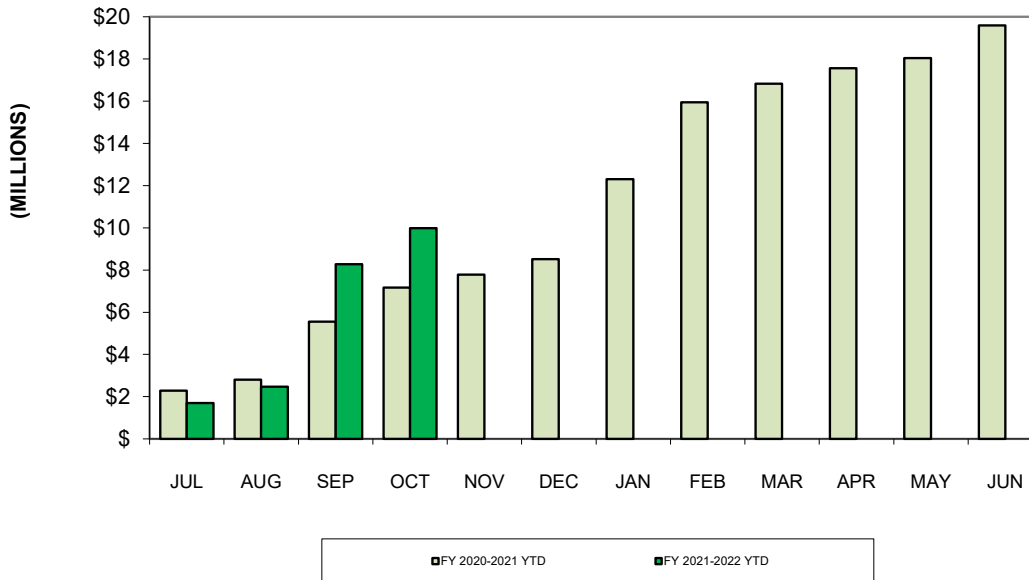


(1) Decrease in revenues in September 2021 is due to \$64.0 million transferred in from Sewer Service & Use Charge Fund (541); whereas, \$85.5 million was transferred in September 2020.

**GENERAL PURPOSE PARKING FUNDS 533 & 559
Comparison of YTD Revenues vs. Prior YTD Revenues**

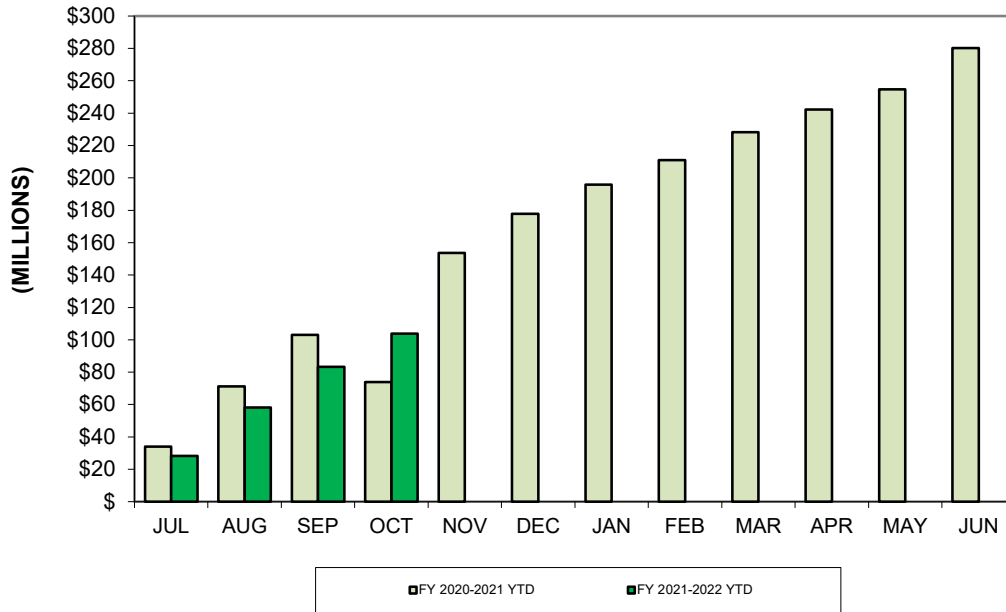


**GENERAL PURPOSE PARKING FUNDS 533 & 559
Comparison of YTD Expenditures vs. Prior YTD Expenditures**

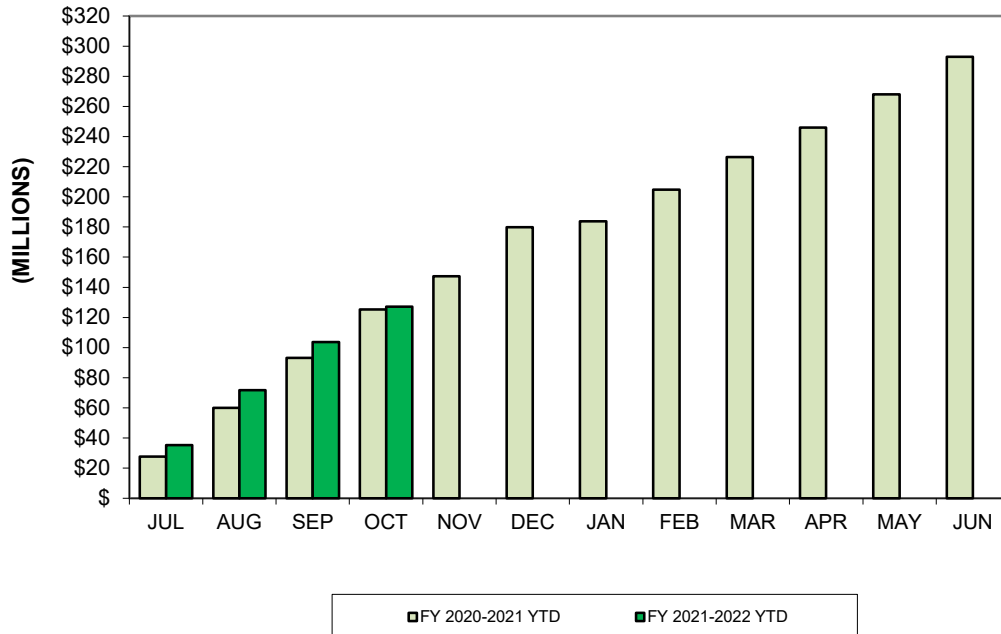


Note: (1) Increase in revenues and expenditures was due to a \$4.9 million transfer from the General Purpose Parking Capital Fund (559) to the General Purpose Parking Operating Fund (533) in September 2021 due to projected reduced revenue collections from parking garages and meters as a result of the continuing impact of the COVID-19 pandemic.

**CLEAN ENERGY FUND 501
Comparison of YTD Revenues vs. Prior YTD Revenues**



**CLEAN ENERGY FUND 501
Comparison of YTD Expenditures vs. Prior YTD Expenditures**



**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	7,770	7,770	7,770	-	5,290
Beginning Fund Balance	77,562	29,057	-	106,619	106,619	-	85,176
Revenues	72,809	-	-	72,809	18,537	-	12,099
Total Sources	150,371	29,057	7,770	187,198	132,926	-	102,565
Total Uses	150,371	29,057	7,770	187,198	15,399	11,750	11,284
Airport							
Prior Year Encumbrance	-	-	23,506	23,506	23,506	-	20,461
Beginning Fund Balance	217,500	15,166	-	232,666	232,666	-	251,826
Revenues	437,053	26,734	-	463,787	134,642	-	141,109
Total Sources	654,553	41,900	23,506	719,959	390,814	-	413,396
Total Uses	654,553	41,900	23,506	719,959	112,024	34,368	128,727
Wastewater Treatment							
Prior Year Encumbrance	-	-	264,703	264,703	264,703	-	313,015
Beginning Fund Balance	235,009	(87,473)	-	147,536	147,536	-	156,220
Revenues	566,110	114,451	-	680,561	381,132	-	634,421
Total Sources	801,119	26,978	264,703	1,092,800	793,371	-	1,103,656
Total Uses	801,119	26,978	264,703	1,092,800	205,850	277,266	242,634
Parking							
Prior Year Encumbrance	-	-	8,355	8,355	8,355	-	9,548
Beginning Fund Balance	28,528	7,069	-	35,597	35,597	-	39,774
Revenues	12,882	-	-	12,882	7,607	-	2,106
Total Sources	41,410	7,069	8,355	56,834	51,559	-	51,428
Total Uses	41,410	7,069	8,355	56,834	9,978	10,677	7,166
Municipal Water							
Prior Year Encumbrance	-	-	5,407	5,407	5,407	-	6,966
Beginning Fund Balance	32,108	(932)	-	31,176	31,176	-	29,446
Revenues	65,459	-	-	65,459	24,650	-	21,734
Total Sources	97,567	(932)	5,407	102,042	61,233	-	58,146
Total Uses	97,567	(932)	5,407	102,042	23,164	6,662	23,033

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2021-2022 BUDGET	BUDGET AMENDMENTS		FY 2021-2022 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Community Energy							
Prior Year Encumbrance	-	-	11,076	11,076	11,076	-	3,430
Beginning Fund Balance	43,752	(15,628)	-	28,124	28,124	-	50,526
Revenues	294,592	64,600	-	359,192	103,852	-	73,875
Total Sources	338,344	48,972	11,076	398,392	143,052	-	127,831
Total Uses	338,344	48,972	11,076	398,392	127,047	83,622	125,346
Gas Tax							
Revenues	16,000	-	-	16,000	2,490	-	4,693
Total Sources	16,000	-	-	16,000	2,490	-	4,693
Total Uses	16,000	-	-	16,000	2,490	-	(863)
Building and Structures							
Prior Year Encumbrance	-	-	4,757	4,757	4,757	-	6,364
Beginning Fund Balance	87,119	10,336	-	97,455	97,455	-	94,061
Revenues	74,121	176	-	74,297	5,959	-	15,860
Total Sources	161,240	10,512	4,757	176,509	108,171	-	116,285
Total Uses	161,240	10,512	4,757	176,509	6,707	6,134	7,506
Residential Construction							
Beginning Fund Balance	2,319	409	-	2,728	2,728	-	2,504
Revenues	240	-	-	240	43	-	68
Total Sources	2,559	409	-	2,968	2,771	-	2,572
Total Uses	2,559	409	-	2,968	30	-	8
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	949	949	949	-	984
Beginning Fund Balance	393	1,676	-	2,069	2,069	-	4,284
Revenues	15,055	-	-	15,055	2,952	-	1,815
Total Sources	15,448	1,676	949	18,073	5,970	-	7,083
Total Uses	15,448	1,676	949	18,073	10,591	2,703	8,054
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	125	125	125	-	294
Beginning Fund Balance	2,524	1,252	-	3,776	3,776	-	10,440
Revenues	10,149	(117)	-	10,032	10,006	-	10,536
Total Sources	12,673	1,135	125	13,933	13,907	-	21,270
Total Uses	12,673	1,135	125	13,933	7,499	2,594	5,277

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Golf							
Beginning Fund Balance	1,977	(7)	-	1,970	1,970	-	1,487
Revenues	850	-	-	850	139	-	10,343
Total Sources	2,827	(7)	-	2,820	2,109	-	11,830
Total Uses	2,827	(7)	-	2,820	22	-	1,188
CARES Act							
Prior Year Encumbrance	-	-	2,290	2,290	2,290	-	8,043
Beginning Fund Balance	-	866	-	866	866	-	99,941
Revenues	10,000	(7,039)	-	2,961	(41)	-	-
Total Sources	10,000	(6,173)	2,290	6,117	3,115	-	107,984
Total Uses	10,000	(6,173)	2,290	6,117	(5,461)	2,193	26,373
American Rescue Plan Act							
Prior Year Encumbrance	-	-	216	216	216	-	-
Beginning Fund Balance	130,955	(2,426)	-	128,529	128,529	-	-
Revenues	-	-	-	-	(313)	-	-
Total Sources	130,955	(2,426)	216	128,745	128,432	-	-
Total Uses	130,955	(2,426)	216	128,745	59,711	11,008	-
Other Funds							
Prior Year Encumbrance	-	-	76,607	76,607	76,607	-	72,978
Beginning Fund Balance	479,788	(2,438)	-	477,350	477,350	-	396,731
Revenues	585,921	125,049	-	710,970	355,399	-	266,508
Total Sources	1,065,709	122,611	76,607	1,264,927	909,356	-	736,217
Total Uses	1,065,709	122,611	76,607	1,264,927	177,018	262,753	156,813

Note: Figures may not total due to rounding.

CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	60,717	60,717	60,717	-	43,646
Beginning Fund Balance	151,118	45,831	-	196,949	196,949	-	270,965
Revenues	295,086	26,616	-	321,702	(398)	-	27,521
Total Sources	446,204	72,447	60,717	579,368	257,268	-	342,132
Total Uses	446,204	72,447	60,717	579,368	44,933	59,440	38,232
Other							
Prior Year Encumbrance	-	-	837	837	837	-	615
Beginning Fund Balance	23,932	79,286	-	103,218	103,218	-	29,581
Revenues	169	-	-	169	4	-	-
Total Sources	24,101	79,286	837	104,224	104,059	-	30,196
Total Uses	24,101	79,286	837	104,224	204	834	728

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2021
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2021-2022	BUDGET		FY 2021-2022	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	103	103	103	-	114
Beginning Fund Balance	5,003	6,696	-	11,699	11,699	-	10,208
Revenues	3,912	-	-	3,912	281	-	2,750
Total Sources	<u>8,915</u>	<u>6,696</u>	<u>103</u>	<u>15,714</u>	<u>12,083</u>	<u>-</u>	<u>13,072</u>
Total Uses	<u>8,915</u>	<u>6,696</u>	<u>103</u>	<u>15,714</u>	<u>170</u>	<u>104</u>	<u>373</u>

Note: Figures may not total due to rounding.