



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR SEPTEMBER/OCTOBER 2013

DATE: December 12, 2013

Approved

Date

12/12/13

The Bi-Monthly Financial Report for September/October 2013 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 2013-2014 Budget and the Finance Department has prepared a report that reflects the financial results for the four months ending October 2013.

OVERVIEW

Through the first four months of the fiscal year, revenues and expenditures continue to generally track within the budgeted estimates in all City funds. The Administration continues to closely monitor economic conditions and the performance in all City funds, and will bring forward budget adjustments to the City Council during the year if necessary. Following are key highlights in this report:

- In the Silicon Valley, strong economic growth continues with median home prices up 15% from the same time last year, and unemployment rates continuing to remain below both State and national levels. Current actual year-to-date revenue collection trends reflect this strong growth:
 - Consistent with budgeted expectations, Property Tax receipts are expected to increase almost 8% in 2013-2014. This reflects strong growth in the Secured Property Tax category due primarily to the full or partial restoration of property values that were temporarily reassessed downwards under Proposition 8 as a result of declining market values as well as the California Consumer Price Index adjustment of 2% for the 2013-2014 tax roll. However, it should be noted that the California Consumer Price Index for the 2014-2015 property tax roll will fall below 1% therefore it is expected that growth levels will be lower next year.
 - Transiency Occupancy Tax continues to outpace estimated growth levels of 5% with another year of over 10% growth anticipated.
 - Growth of development-related revenues in the General Fund have exceeded all forecasted expectations, with construction valuations on pace to exceed \$1 billion compared to the most recent low of \$566 million in 2009-2010. All development fee

OVERVIEW (CONT'D.)

program revenues, including Planning, Building, Fire, and Public Works are expected to exceed budgeted levels by year-end.

- Other construction taxes, including Construction Excise Tax and Building and Structures Tax collections, are also experiencing solid growth and are expected to exceed budgeted estimates.
 - Strong growth in Construction and Conveyance Tax collections continues after the 18.7% and 35.5% growth seen in 2011-2012 and 2012-2013 respectively. Current collections through October reflect an increase of over 18% from prior year collection levels. If current trends continue, it is estimated that revenues will reach levels not seen since 2006-2007.
 - The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 3.1 million passengers, an increase of 5.9% from the figures reported through October of the prior year and compares to a forecasted 1.5% growth in passenger activity in 2013-2014.
- While it continues to be early in the fiscal year, General Fund revenues overall appear to be tracking at estimated levels, with some categories currently tracking above estimated levels and others below expectations as discussed in this report.
 - Overall, General Fund departmental and non-departmental expenditures are tracking within budgeted levels through October and are expected to generate savings by year-end. While a few departments are tracking close to or slightly above estimated levels, they will continue to be monitored and appropriation adjustments will be brought forward for City Council consideration if necessary.
 - Revenues and expenditures in all other special and capital funds are generally tracking within estimated levels.
 - The Administration will continue to report to the City Council any and all significant developments through future Bi-Monthly Financial Reports and the 2013-2014 Mid-Year Budget Review.

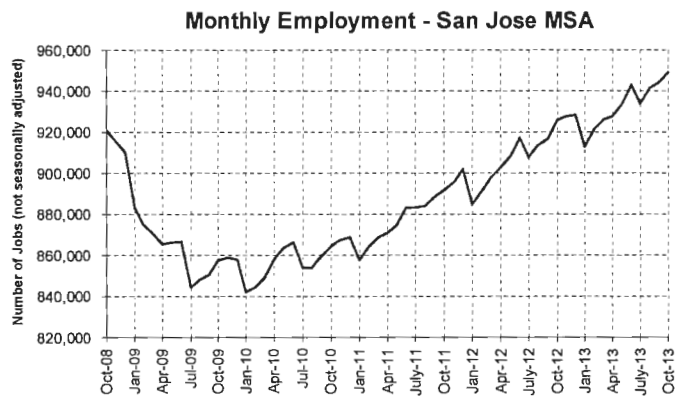
OVERVIEW (CONT'D.)

Economic Environment

The Silicon Valley continues to show moderate economic growth with increasing housing prices, a declining unemployment rate, and increasing development activity.

A number of the economic indicators show improvement from the same period a year ago. Employment indicators, residential, commercial and industrial permit activity, median single-family home prices and average days-on market have all improved.

The October 2013 employment level in the San Jose, Sunnyvale, Santa Clara Metropolitan Statistical Area (San Jose MSA) of 949,000 was 2.5% above the October 2012 level of 926,000 and sets the new peak since the dot-com bubble in 2001.



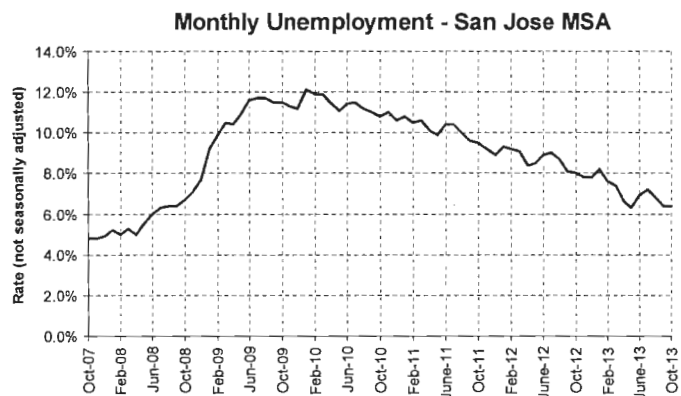
Unemployment Rate (Unadjusted)

	Oct. 2012	Sept. 2013	Oct. 2013**
San Jose Metropolitan Statistical Area*	8.0%	6.4%	6.4%
State of California	10.1%	8.7%	8.7%
United States	7.9%	7.2%	7.3%

* San Benito and Santa Clara Counties
 Source: California Employment Development Department.
 ** October 2013 estimates are preliminary and may be updated.

The unemployment rates at the local, State, and national levels continue to show improvement. In October 2013, the unemployment rate for the San Jose Metropolitan Statistical Area of 6.4% represents a decline from the October 2012 rate of 8.0% and remains unchanged from September 2013 levels. The San Jose Metropolitan Statistical Area continues to be less than the unadjusted unemployment rate for both the State (8.7%) and the nation (7.3%).

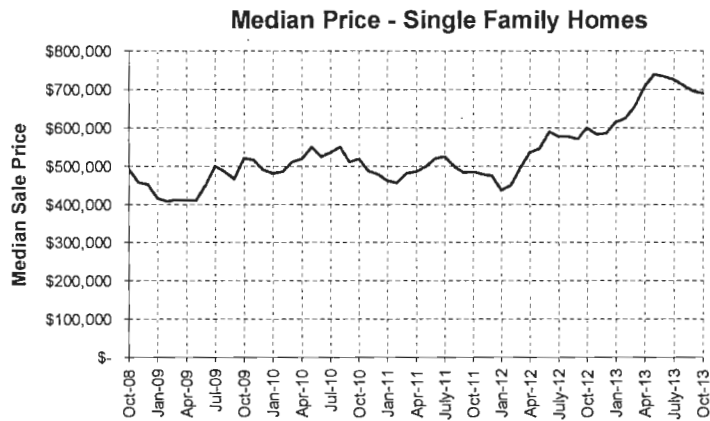
Through October, permit activity is tracking at unprecedented levels, well above the prior year in all categories. Residential construction activity is driven by new construction valuation of \$228.6 million compared to prior year levels of \$112.7 million. The valuation for alteration activity is higher than the prior year as well (\$43.0 million in 2013-2014 vs. \$34.3 million in 2012-2013).



OVERVIEW (CONT'D.)

Overall, commercial valuation through October of \$199.8 million is 222% above prior year levels of \$62.1 million and expected to exceed the 2013-2014 forecasted level of \$350.0 million. Both new commercial construction (\$115.9 million in 2013-2014 vs. \$13.3 million in 2012-2013) and alteration activity (\$83.8 million in 2013-2014 vs. \$48.8 million in 2012-2013) are significantly higher than last year at this time. This is partially attributable to the construction of an approximately 16,000-seat outdoor soccer stadium for the San José Earthquakes and a 27,000-square foot Whole Foods Market and separate 6,000-square foot craft beer brewery/tap room building.

Industrial construction valuation of \$361.4 million through October is 452% above prior year levels of \$65.5 million level led by new construction activity in August 2013 (\$181.2 million), partially attributable to the Samsung Semiconductor, a 10-story, 680,000-square foot R&D/office building and 1,545-space parking garage.



Housing statistics continue to improve compared to activity levels experienced during the same time period in the prior fiscal year. The median single-family home price in October 2013 of \$689,500 is up 15.1% from the October 2012 price of \$599,000. Further, the amount of time it is taking to sell these houses is dropping significantly. The average days-on-market for single-family and multi-family dwellings in October

2013 was 30 days, a 25.0% decline from the 40 days experienced in October 2012. Finally, the October 2013 number of property transfers of 719 is nearly flat when compared to the 723 sales that occurred in October 2012.

However, on a national level, the consumer confidence which slightly declined in September, continued to sharply decrease in October. Says Lynn Franco, Director of The Conference Board: "Confidence deteriorated considerably as the federal government shutdown and debt-ceiling crisis took a particularly large toll on consumers' expectations. Similar declines in confidence were experienced during the payroll tax hike earlier this year, the fiscal cliff discussions in late 2012, and the government shutdown in 1995/1996. However, given temporary nature of the current resolution, confidence is likely to remain volatile for the next several months."

As suggested by a number of economic indicators, the local economy continues to experience growth. Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2013-2014 as well as development of the 2015-2019 General Fund Forecast that is scheduled to be released in February 2014.

GENERAL FUND

REVENUES

General Fund revenues through October 2013 totaled \$276.9 million, which represents an increase of \$14.6 million (5.6%) from the October 2012 level of \$262.3 million. In both the current and the prior fiscal years, a large share of revenue through October can be attributed to borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANS) issued for cash flow purposes (\$100 million annually in both fiscal years).

Several categories are currently tracking above prior year levels, including Property Tax, Transient Occupancy Tax, Franchise Fees, Utility Tax, Business Tax, Licenses and Permits, Revenue from the State of California, Revenue from the Federal Government, Departmental Charges, and Overhead and Reimbursements. The higher collections in these categories are partially offset by lower collections in a number of categories, including Telephone Tax, Fines, Forfeitures and Penalties, Use of Money and Property, Revenue from Local Agencies, Other Revenue, and Transfers.

General Fund revenues are generally tracking to meet budgeted estimates. Based on current tracking and actual performance in 2012-2013, limited revenue adjustments were approved in the 2012-2013 Annual Report, including: a \$2.4 million increase in the Sales Tax estimate; a technical adjustment to increase the estimate for Revenue from Local Agencies by \$10.3 million for a Successor Agency to the Redevelopment Agency reimbursement to reflect a budgeted 2012-2013 cash flow reimbursement now anticipated to be received in 2013-2014; and a net decrease to Transfers and Reimbursements of \$243,000 to reflect the net impact of a reduction in reimbursements from the Airport Operating and Maintenance Fund overhead reimbursements (\$420,000), partially offset by additional proceeds from the final close-out of select special funds (\$177,000). Several net-zero transactions, totaling \$2.0 million, were also included to reflect changes to various grants and reimbursements.

It should be noted that there is a Budget Stabilization Reserve of \$10.0 million in 2013-2014 and, consistent with 2012-2013, there is a 2014-2015 Future Deficit Reserve in the amount of \$12.0 million which was increased to \$18.1 million as part of City Council actions on December 10, 2013. This reserve was initially established in the 2013-2014 Adopted Budget to address any projected General Fund shortfall in 2014-2015.

The following discussion highlights General Fund revenue activities through October.

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

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 220,850,000	\$ 13,192,486	\$ 12,827,516

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), and Homeowners Property Tax Relief. Through October, \$13.2 million has been received, reflecting only 6.0% of the 2013-2014 budget for this category. Overall, it is anticipated that property tax receipts will meet budgeted estimates by year-end.

For 2013-2014, the Adopted Budget estimate for Secured Property Taxes of \$201.4 million was based on the assumption that collections would increase approximately 8% in 2013-2014. This projected increase was anticipated primarily due to two factors: the net increase in residential and commercial valuation resulting from the full or partial restoration of property values that were previously temporarily reassessed downwards under Proposition 8 due to the declining market values; and the change in the California Consumer Price Index (CCPI) of 2.0% for the 2013-2014 tax roll. While no actual payments had been received for the Secured Property Tax, the very preliminary estimate from the County of Santa Clara is consistent with assumptions used in the development of the 2013-2014 Adopted Budget, reflecting growth of approximately 8%, which includes estimated tax roll corrections of \$50.0 million County-wide. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2014, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections.

In the Unsecured Property Tax category, collections through October totaled \$10.9 million, slightly above the \$10.6 million received through the same period in 2012-2013. Typically collections through October reflect approximately 90% of annual collection levels. Given this trend, it is anticipated that collections may fall slightly below the 2013-2014 Adopted Budget estimate of \$12.6 million. It should be noted that the most recent 2013-2014 projection from the County of Santa Clara of \$12.2 million is approximately \$400,000 below the 2013-2014 Adopted Budget.

For the SB 813 Property Tax category, collections totaled \$231,000 through October, while \$273,000 had been received last year at this time. Over the last few years, collections in this category had fallen significantly, due, in part, to a substantial number of refunds that were owed to property owners as a result of declining home values. In 2011-2012, growth of 12.9% was experienced with receipts of \$3.27 million. In 2012-2013, however, revenue in this category of \$3.05 million fell \$216,000 from 2011-2012 levels (-6.6%). With the improvement in the real estate market, moderate growth in this category would typically be expected. However, collections are expected to be impacted as the County continues to completely resolve the

GENERAL FUND (CONT'D.)

backlog of refunds. The 2013-2014 Adopted Budget assumed collections of \$3.6 million, requiring growth of 18.1% from actual 2012-2013 collections. Year-end collections are tracking to fall below budgeted levels, and adjustments will be brought forward during the year based on actual experience, if needed. It should be noted that collections remain well below the peak of \$10.1 million in 2005-2006 and below levels seen in recent years (e.g., \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008).

Aircraft Property Tax receipts through October totaled \$2.1 million, reflecting growth of 3.7% from the prior year collection level. The 2013-2014 Adopted Budget estimate of \$2.2 million requires growth of 5.6% from 2012-2013 receipts of \$2.1 million. Typically, collections through October reflect 90% of the annual revenue for this category. If this historical trend continues, it is estimated that revenues will end the year close to the budgeted estimate of \$2.2 million. The current County of Santa Clara Assessor's Office estimate falls slightly below the 2013-2014 budgeted level.

Based on the latest estimate from the County, the Homeowners Property Tax Relief revenue is projected to total \$1.0 million in 2013-2014, which is slightly below the budgeted estimate of \$1.05 million.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 170,110,000	\$ 18,551,466	\$ 18,707,028

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts through October reflect the net impact of accruals necessary as part of the close of the 2012-2013 fiscal year as well as an advance payment for the first quarter. The current receipts do not reflect actual performance in 2013-2014. Information on the first quarter collections for this fiscal year is scheduled to be released on December 16, 2013. While no data is currently available for 2013-2014, it is estimated that General Sales Tax revenues will meet or exceed the budgeted estimate of \$164.5 million.

In 2012-2013, General Sales Tax collections of \$158.6 million were 6.2% above the 2011-2012 collection level of \$149.4 million. The 2012-2013 fourth quarter (April through June) was accrued to 2013-2014 based on a 3.0% growth projection compared to actual growth of 4.0%, generating an additional \$300,000 in revenue. On an economic basis, sales tax receipts increased 3.2% in the fourth quarter of 2012-2013 (April through June). To reflect this additional revenue as well as the additional one-time revenue generated from the 2012-2013 triple-flip true-up that will be received in January 2014 and revised growth assumptions in 2013-2014, a \$2.4 million increase in the 2013-2014 General Sales Tax budget was approved as part of the 2012-2013 Annual Report. The 2013-2014 Modified Budget estimate of \$164.5 million reflects an increase of 3.7% from the 2012-2013 year-end figure of \$158.6 million.

GENERAL FUND (CONT'D.)

Through October, the Proposition 172 Sales Tax receipts of \$1.3 million were up 2.6% from the same period in the prior year. The 2013-2014 budgeted estimate of \$5.6 million requires growth of 8.9% from the 2012-2013 collection level of \$5.2 million. Based on 2012-2013 actual performance and current collection trends, it is anticipated that collections will meet budgeted estimates this year.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 10,600,000	\$ 3,218,041	\$ 2,344,731

Through October, receipts recorded in the General Fund of \$3.2 million are 37.2% above the prior year's collections for the same period. A portion of this increase is driven by a strong influx of Transient Occupancy Tax (TOT) compliance revenue (\$325,000, up from \$22,000 in the prior year) as well as differences in payment timing. Once adjusted for this increase in compliance revenue and the differences in payment timing, regular TOT collections are currently projected to experience growth of over 10% in 2013-2014 and are on pace to exceed the 2013-2014 budget estimate of \$10.6 million by approximately \$1 million. Growth of 5% was assumed in the development of the 2013-2014 Adopted Budget.

Through October, the average hotel occupancy rate at the 14 major hotels was 72.0%, an improvement from the 67.5% occupancy rate for the same period in 2012-2013. For the same 14 hotels, the average daily room rate through October was \$150.31, up 12.6% from the \$133.53 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$108.22 represents an increase of 20% from the prior year level.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 91,895,000	\$ 25,373,423	\$ 20,377,371

Through October, Utility Tax receipts of \$25.4 million were tracking \$5.0 million above last year's collection level of \$20.4 million due primarily to higher collections in the Electricity and Gas categories. A portion of this variance, however, was due to differences in prior year accruals and timing of payments. The 2013-2014 budgeted estimate requires an increase of 0.8% from the prior year collection level. Overall, based on the current collection trends, Utility Tax receipts are tracking close to budgeted estimates.

In the Electric Utility Tax category, collections of \$12.6 million reflect activity through September 2013. Once adjusted for timing differences in payments and accrual differences between projected June 2013 receipts and actual receipts, collections are tracking 9.8% above the adjusted prior year levels of \$11.1 million. This is above the growth of 2.2% needed to meet the

GENERAL FUND (CONT'D.)

2013-2014 Adopted Budget estimate of \$40.2 million. Collections in 2012-2013 were impacted by a refund that was processed by Pacific Gas and Electric (PG&E) in September 2012 for energy usage from April 2011 through June 2012, accounting for the majority of the variance between the two fiscal years. Because it is uncertain if there will be any one-time adjustments in the current year, and due to the volatility inherent in this revenue category, receipts will be monitored closely for the remainder of the year.

In the Gas Utility Tax category, receipts totaled \$1.3 million, up 45% from the prior year collection level of \$896,000. Once adjusted for timing differences in payments and slight variances in accrual levels compared to actual June collection levels, receipts are tracking 0.8% above adjusted prior year levels. The 2013-2014 budgeted estimate of \$8.1 million assumed that collections would remain flat at estimated 2012-2013 receipts; however, based on actual 2012-2013 receipts of \$8.4 million, the 2013-2014 Adopted Budget estimate allows for a decline of 3.8% from the 2012-2013 collection level. If current collection trends continue, receipts in this category may slightly exceed budgeted levels by approximately \$400,000. However, Gas Utility Tax receipts are subject to significant fluctuations from the impact of weather conditions and/or rate changes. Collections in the next several months will provide a much better indicator of receipts in this category since approximately two-thirds of the revenue in this category is typically collected in the second half of the year.

Collections of \$3.2 million in the Water Utility category are slightly below the prior year level of \$3.4 million. A portion of this decline is due to year-end accrual differences (-\$182,000) as well as a difference in timing in payments. Adjusting for accruals and differences in payments, receipts through October (reflecting activity through September) are approximately 2.9% above adjusted prior year levels. The 2013-2014 Adopted Budget estimate of \$11.4 million was based on growth of 3.6% over the projected 2012-2013 collection level of \$11.0 million which assumed rate increases. However, because revenues in 2012-2013 ended the year below the estimated collection level, an increase of 8.4% is now needed to achieve the budgeted estimate. It should be noted that this category is always subject to fluctuations related to the amount of precipitation received, particularly in the spring. However, if current collection trends continue, receipts in this category may fall below budgeted levels by \$900,000.

Collections in the Telephone Utility Tax category of \$8.3 million are 7.0% above the prior year collection level of \$7.7 million. The 2013-2014 Adopted Budget estimate of \$32.2 million allows for a slight decline of 2.0% from 2012-2013 actual collections. If current collections continue it is estimated that receipts will end the year close to budgeted levels.

GENERAL FUND (CONT'D.)

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 42,435,000	\$ 12,127,211	\$ 11,826,832

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through October, overall collections of \$12.1 million are tracking

slightly above prior year collection levels, reflecting higher collections in the Disposal Facility Tax and Marijuana Business Tax categories, offset by lower collections in the General Business Tax category. To meet the 2013-2014 budgeted estimate, receipts in this category can drop 6.0% from the actual 2012-2013 collection level. This drop is consistent with assumptions used in the development of the 2013-2014 Adopted Budget.

Cardroom Tax receipts of \$3.9 million through October were at the prior year levels. The 2013-2014 revenue estimate of \$15.5 million, allows for a decline in collections of 5.0% from the prior year level of \$16.3 million. The budgeted decline assumed normalizing the spike in activity for the opening of M8trix Casino. Receipts in the category continue to be volatile and the economic recovery may result in receipts ending the year above budgeted levels. If current collection trends continue, revenues may exceed budgeted estimates by \$500,000.

Marijuana Business Tax receipts of \$1.7 million are tracking 43.7% above the \$1.2 million collected during the same period last year. In 2013-2014, the budgeted estimate of \$5.4 million requires growth of 27.5%, reflecting the anticipated increase in receipts due to the City Council approved increase in the tax rate from 7% to 10% of gross receipts. Collections will be monitored closely to determine if activity will reach the budgeted estimate. In addition, there continues to be some uncertainty regarding this program and the potential impacts from any federal actions as well as recommended changes in enforcement.

Business Tax receipts of \$3.6 million were 22.1% below the prior year level of \$4.6 million. The 2013-2014 Adopted Budget estimate of \$11.5 million allows for a decline of 16.9% from actual 2012-2013 receipts of \$13.9 million. In the development of the 2013-2014 Adopted Budget, it was assumed that receipts would decline as unusually high activity was experienced in 2012-2013 because of the Business Tax Amnesty Program. However, growth from 2011-2012 levels of \$11.3 million was expected as result of both the gradual economic recovery and the ongoing implications of the Amnesty Program. The Finance Department is completing its reconciliation of the Amnesty Program, and it is anticipated that a clean-up of outstanding accounts will result in a recommended write-off of approximately \$1.0 million, of which sufficient reserves are intact to offset this. In addition, the Finance Department is working to complete a final reconciliation of the ongoing implications of the Business Tax Amnesty Program with final conclusion to be discussed in an information memorandum scheduled to be released January 2014.

GENERAL FUND (CONT'D.)

Disposal Facility Tax revenue of \$2.9 million through October is tracking 37.0% above the prior year level of \$2.1 million. This increase primarily reflects differences in the timing of collections. Once adjusted for these timing differences, Disposal Facility Taxes are anticipated to slightly exceed budgeted levels. The 2013-2014 Adopted Budget estimate of \$10.0 million was built on the assumption that revenues would fall due to improvements in the processing of waste for the commercial program as well as the historical downward trend in this category. From the 2012-2013 actual collection level of \$10.7 million, the 2013-2014 Adopted Budget allows for a 6.6% decline in receipts. Based on current tracking, revenues are anticipated to exceed budgeted levels by \$500,000 though tracking will be monitored closely.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 40,278,246	\$ 17,021,470	\$ 14,698,874

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through October, Licenses and Permits revenue of \$17.0 million tracked 15.8% above the prior year level of \$14.7 million. The 2013-2014 budget estimate, however, allows for a decline of 13.6% from the actual 2012-2013 collection level. Development-related activity continued to experience very strong growth in 2012-2013, exceeding the estimates used to develop the 2013-2014 Adopted Budget, and that strong performance has continued in the current fiscal year. If current collection trends continue, an upward adjustment to this revenue category, offset by development fee related expenditures or increases to development fee reserves, will be brought forward during 2013-2014.

Following is a discussion of the major components of this category.

Building Permit revenues of \$9.7 million through October are tracking 24.4% above the 2012-2013 collection level of \$7.8 million for the same period and above the budgeted estimate. The 2013-2014 budgeted revenue estimate allows for a drop of 22.4% in this category. All revenue categories are tracking above estimated levels. Strong revenue receipts are being driven by an increase in residential, commercial, and industrial construction activity. It is anticipated that Building Permit revenues will exceed the budget estimate of \$21.0 million.

Through October, Fire Permit collections of \$4.4 million are tracking above estimated levels (9.3%) and significantly above the prior year receipts of \$3.7 million (18.1%) through October primarily due to the development fee program. The development-related revenues, which totaled \$2.5 million through October, are currently tracking to exceed the budgeted estimate of \$6.3 million by approximately \$1.0 million. The Non-Development Fee Program revenue collections of \$1.9 million are tracking below estimated year-to-date levels of \$1.96 million. At this time, the Fire Department projects that the non-development revenues may end the year below the budgeted estimate of \$4.07 million by approximately \$200,000. The Budget Office and Fire Department will continue to monitor both development and non-development revenues closely.

GENERAL FUND (CONT'D.)

The Other Licenses and Permits collections of \$3.0 million are tracking 7.5% below the 2012-2013 collection level of \$3.2 million. The 2013-2014 budgeted estimate only allows for a decline of 5.8% from the prior year, primarily reflecting a drop in the estimated cardroom permit revenue and off-sale alcohol enforcement collections. If collections continue at this rate, revenues are estimated to fall below budgeted levels by \$300,000 primarily due to lower vacant and dangerous building enforcement revenue collections. As a result of improvements in the housing market recovery, vacant properties are being purchased and brought into compliance at increased speed. In addition, the program bills for three quarters, however, if the property changes ownership during the billing cycle, any remaining quarters are cancelled in order to provide the new owner time to comply prior to enforcement.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Fines, Forfeiture and Penalties	\$ 15,862,200	\$ 3,677,647	\$ 4,864,525

This category includes a number of revenues including Vehicle Code Fines, Parking Fines, Municipal Code Fines, Business Tax Penalties, Administrative Citation Program, and other fines and penalties. Through October, actual collections of \$3.7 million are 24.4% below prior year collections through October and are anticipated to end the year below budgeted levels by approximately \$1 million.

The majority of the 2013-2014 Adopted Budget estimate of \$15.9 million is comprised of parking fines, which total \$11.0 million. Through October, collections of \$2.6 million continue to fall below estimated levels and are even below prior year collection levels of \$3.0 million. The 2013-2014 Adopted Budget assumed impacts from the 2012-2013 transition of parking compliance officers that were transferred from the Airport Department to the Transportation Department would be resolved and collection levels would return to normal levels. The actual reduction in collections has been much larger than anticipated due to more significant impacts of training and transition. In 2012-2013, actual receipts of \$9.4 million were significantly below normal levels of approximately \$11 million and it is estimated that revenues will continue to fall below the 2013-2014 Adopted Budget estimate based on current trends. An adjustment to decrease the revenue estimate by approximately \$1 million may be recommended as part of the 2013-2014 Mid-Year Budget Review, as appropriate.

Revenue	2013-2014 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 35,449,213	\$ 15,484,800	\$ 13,037,556

Through October, Departmental Charges revenues of \$15.5 million were tracking 18.8% above the 2012-2013 collection level of \$13.0 million. The 2013-2014 Adopted Budget estimate,

GENERAL FUND (CONT'D.)

however, allows for a decline of 8.6% from the prior year actual receipts. The increase from the prior year reflects growth in all departmental charges categories, such as Public Works, Planning, Parks, Recreation, and Neighborhood Services, Transportation, and Police Departmental Charges. If current collection trends continue, overall Departmental Charges revenues should exceed the budgeted estimate by year-end.

Development-related revenues are currently tracking ahead of the prior year collection levels and are expected to exceed the budgeted estimates. Through October, Planning Fee revenue of \$1.9 million is 88.2% above the prior year collection level of \$991,000. The \$3.0 million 2013-2014 Adopted Budget Planning Fee revenue estimate, however, allows for a drop of 22.5% from the prior year actuals. Overall revenue collections are tracking above estimated levels and it is anticipated that Planning Fee revenues will exceed the budget estimate if the current collection trend continues.

Public Works revenues through October of \$3.8 million are tracking above the prior year level of \$2.6 million by 46.5%. Revenues in most residential categories are tracking above estimated levels due to several single family and multi-family residential projects that were received in the first four months of 2013-2014. Non-residential revenues are performing at anticipated levels. At this time, collections are projected to conservatively exceed the budgeted revenue estimate of \$7.8 million by approximately \$1.0 million in the Public Works Development Fee Program. It is anticipated that budget adjustments will be brought forward as part of the 2013-2014 Mid-Year Budget Review to recognize additional revenue and increase the Public Works Development Fee Program Personal Services appropriation in order to reflect higher than budgeted personal services expenses due to increased development activity. Due to the volatile nature of these revenues, the City Manager's Budget Office and Public Works Department will continue to monitor both development and utility revenues closely.

EXPENDITURES

Through October, General Fund expenditures (without encumbrances) of \$271.7 million were 10.2% above the prior year level of \$246.5 million. Encumbrances of \$36.8 million were 6.6% below the prior year level of \$39.4 million. Expenditures and encumbrances (\$308.4 million) through October constitute 26.2% of the total 2013-2014 revised budgeted uses of funds (\$1.2 billion, including reserves; \$1.03 billion, or 30.1%, excluding reserves). Overall, expenditures are tracking within estimated levels through October. Overall, expenditure savings are anticipated by year-end.

Through October, a few departments are tracking slightly above the budgeted estimate in personal services expenditures, including the Office of Economic Development as discussed in this section of the report. It is anticipated that the majority of these higher expenditures will be addressed by reallocating costs to the appropriate funds supported by these departments. Expenditures will continue to be monitored closely to ensure they remain within budgeted levels.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Police	\$ 310,016,309	\$ 85,217,225	\$ 79,006,070

On an overall basis, Police Department expenditures are tracking slightly below estimated levels. Personal Services expenditures of \$78.1 million tracked under anticipated levels (27.7% compared to the par of 28.8%), and overtime expenditures of \$6.2 million through October tracked higher than anticipated levels with 34.1% expended. Overtime has primarily been used to backfill for sworn and non-sworn vacancies, and expand targeted enforcement of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, graffiti, and high profile investigations. Actions approved as part of the 2012-2013 Annual Report increased the overtime budget by \$2.2 million from a base budget level of \$15.9 million to \$18.1 million to fund anticipated overtime needs in the Department.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement with the Police Officer's Association limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of October 2013 was 169,290 hours for sworn personnel. This represents a slight increase of 2,457 hours (1.5%) compared to the October 2012 balance of 166,833. The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

As of October 2013, the Department had 1,107 authorized sworn staff (excluding 2.0 positions in the City Attorney's Office) with total city-wide sworn staffing levels at 1,109, of which 985 were street ready (89% - this number includes sworn employees on disability leave), 91 were in training (8%), and 33 were vacant (3%). In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department continues to hold two Police Recruit Academies per year. The most recent one began in October 2013 and enrolled 53 recruits, while 38 recruits were enrolled in the Field Training Officer (FTO) program. The Department is budgeted to conduct one additional academy beginning in April 2014. At this time, the Department is anticipating 60 recruits in the April 2014 Academy. However, with current attrition projections, the Department's full street ready sworn staffing level is not anticipated to change this year.

A total of \$11.5 million (40.3%) of the Department's Non-Personal/Equipment budget was expended or encumbered through October. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$6.7 million, or 49.0% of the non-centrally-determined appropriation available for the remainder of the fiscal year. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

GENERAL FUND (CONT'D.)

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 164,797,383	\$ 46,951,808	\$ 43,174,887

Overall, expenditures for the Fire Department were tracking within budgeted estimates through October, with 28.5% expended. Personal Services expenditures through October tracked at budgeted levels with \$44.8 million expended (28.7% compared to the par of 28.8%). The Fire Department's Non-Personal/Equipment budget of \$8.9 million was 44.5% expended or encumbered through October but is expected to end the year within the budgeted allocation.

Overall, personal services expenditure levels tracked at estimated levels. However, when adjusted to exclude costs associated with the development fee programs, General Fund Personal Services expenditures of \$43.8 million are slightly higher (29.0%) compared to par of 28.8% due to higher overtime usage through October. Overtime expenditures were incurred to backfill vacancies and absences in line duty positions (vacation, strike team deployments, modified duty, sick, disability, and other absences) and overall overtime expenditures tracked at 36.2%. Year-to-date, the number of disability hours is up 12% over last year's historically high levels. Reimbursements for strike team deployments, and other reimbursable expenditures will be brought forward at a later date which is expected to bring expenditures within estimated levels. Strike teams were deployed to several fires throughout California in July and August, which resulted in the need for the Department to backfill duty positions with overtime. In addition, grant-funded training activities were conducted in October. The Department is completing reimbursement forms to recover costs related to strike teams and grant-funded training activities. It is anticipated that adjustments to General Fund revenue estimates, offset by increased allocation for overtime, will be recommended as part of the 2013-2014 Mid-Year Budget Review. Personal Services expenditures in the Development Fee Program of \$980,000 tracked below estimated levels with 22.9% expended. Any savings realized in the Development Fee Program are returned to the Program's Earmarked Reserve. The Fire Department and the Budget Office will continue to monitor activity to ensure the department remains within its Personal Services appropriation.

Through October, the Fire Department was staffed with 189 filled Fire Fighter paramedic positions (179 front line Fire Fighter paramedics, 5 Supervisors, and 5 support) compared to the 132 front line Fire Fighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 132 front line Fire Fighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through October was 29, which was below the authorized number of 33 due to vacancies in sworn positions.

GENERAL FUND (CONT'D.)

Department	2013-2014 Budget	YTD Actual	Prior YTD Actual
Office of Economic Development	\$ 3,808,045	\$ 1,022,931	\$ 1,550,183

Through October, expenditures for the Office of Economic Development were tracking above estimated levels with 26.9% expended or 33.2% expended and encumbered primarily due to increased real estate services supported by the General Fund. Personal Services expenditures totaled \$886,000 (34.4% of the \$2.6 million budget), exceeding the par level of 28.8%. The Office of Economic Development Non-Personal/Equipment budget of \$1.2 million was 30.9% expended and encumbered (\$380,000) through October, but is expected to end the year with savings.

Personal Services expenditures are tracking above estimated levels and, if current expenditure trends continue, it is anticipated that expenditures will exceed budgeted levels by approximately \$400,000 by year-end. Higher than estimated expenditures are primarily due to Real Estate staff allocating a larger percentage of their time to work supported by the General Fund than was budgeted (\$310,000) and higher than budgeted compensation costs (\$90,000). The Department anticipates \$150,000 in contractual services savings by year-end, and it is anticipated that a recommendation to reallocate these savings from the Non-Personal/Equipment appropriation to the Personal Services appropriation will be brought forward as part of the 2013-2014 Mid-Year Budget Review to address a portion of the projected Personal Services overage. Expenditures will continue to be monitored closely and further adjustments will be brought forward as necessary.

CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2012-2013 Annual Report, increasing the reserve from \$29.3 million to \$31.0 million. This adjustment was necessary to comply with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be a minimum of 3% of the operating budget.

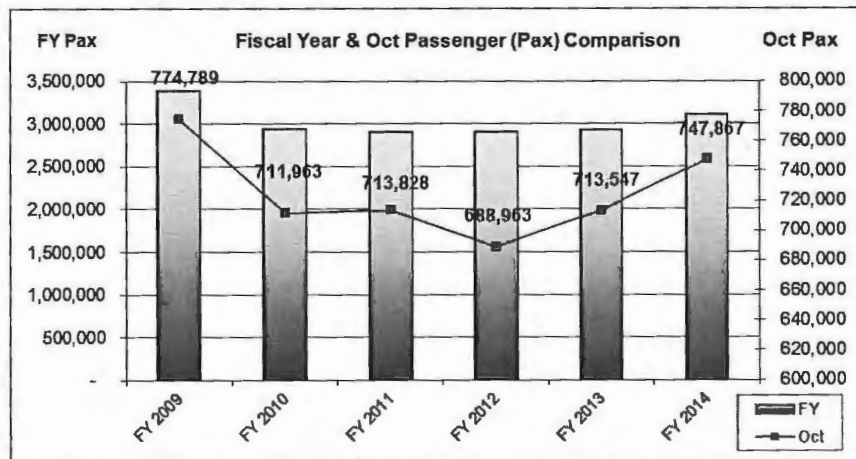
OTHER FUNDS

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 5.9% from the figures reported through October of the prior year. This compares to a forecasted passenger growth of 1.5% in 2013-2014.

OTHER FUNDS (CONT'D.)

All revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 3.8%; Landed Weights by 8.0%; Taxicab Operations by 8.8%; Parking Exits by 3.4%; and Gallons of Aviation Fuel Sold by 11.4%. Passenger Facility Charge (PFC) revenues were 3.7% higher than the same period of the prior year. Fiscal year-to-date mail, freight, and cargo totaled 32.5 million pounds, which represents an 18.4% increase from October of 2012-2013.



Through October, overall revenue performance at the Airport tracked 3.0% above estimated levels. The airfield and parking and roadway revenue categories were above budgeted levels due to higher than anticipated passenger activity, in-flight kitchen, public parking, and rental car concession fee revenues. General and non-aviation revenues were below the benchmark due to the delayed execution of the ground lease and operating agreement with Signature Flight Support for the construction and operation of a Fixed Base Operation on the west side of the Airport.

Through October, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures tracked below budgeted levels. Personal Services expenditures in the Maintenance and Operation Fund were 25.6% of budget compared to the par level of 28.8%. Non-Personal/Equipment expenditures (excluding encumbrances) were 21.7% of the budget through October 2013. Non-Personal/Equipment expenditures in the Customer Facility and Transportation Fee Fund were 23.3% spent through October as compared to the benchmark of 27.0%. Due to the reduced costs for a new shuttle bus operator agreement and continued transition to cashierless parking operations, some savings were realized in the Airport's Parking Management program. The Administration will continue to closely monitor and report activity, revenue, and expenditure status.

Construction and Conveyance Tax Funds

Continuing the trend experienced since mid 2011-2012, Construction and Conveyance (C&C) Tax revenues are experiencing strong growth compared to receipts from the prior fiscal year. Collections through October 2013 totaled \$8.5 million, which is 28.4% of the 2013-2014

OTHER FUNDS (CONT'D.)

estimate of \$30.0 million. This collection level is 17.5% above the \$7.3 million received through October 2012. Furthermore, the City has also received November Conveyance Tax receipts totaling \$3.4 million. This represents a 16.3% increase from the \$2.9 million received in November 2012. Based on the stronger than anticipated revenue collections in 2012-2013, the 2013-2014 Adopted Budget estimate of \$30.0 million now represents a 12.8% decline from the actual 2012-2013 receipts. If current collection trends continue, an upward adjustment to the revenue estimate will be brought forward in 2013-2014.

Nearly 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 Overview/Economic Environment section of this report, the strong performance in the housing market supports the higher collections in the C&C Tax receipts.

Other Construction-Related Revenues

Through October, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are up from 2012-2013 levels through the same period. As discussed in the Economic Environment section of the Overview, construction permit activity in all areas continues to outpace the prior year. Permit activities drive revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

- *Building and Structure Construction Tax* – Receipts through October totaled \$8.9 million. This collection level is up by 168.9% (\$5.6 million) from prior year collections through October, and the category is currently tracking to significantly exceed the budgeted revenue estimate of \$11.0 million.
- *Construction Excise Tax* – Receipts through October totaled \$8.9 million. This collection level is up by 118.4% (\$4.9 million) from prior year collections through October, and the category is currently tracking to exceed the budgeted revenue estimate of \$14.0 million.

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San José's (TSJ) operation of the City's Convention and Cultural Facilities. Through October, operating revenues were \$5.9 million, \$600,000 greater than the year-to-date estimate of \$5.3 million, and expenses were \$8.8 million, \$700,000 greater than the year-to-date estimate of \$8.1 million. These increases were primarily due to increased revenues and expenses related to food and beverage services, contract labor and maintenance activity. According to TSJ, operating revenues are forecasted to exceed the budget estimate by \$1.5 million by year-end, while operating expenses are anticipated to exceed the current budget by \$1.3 million, for a net gain of approximately \$200,000. Staff will continue to closely monitor activity to determine the need for any future budget adjustments.

OTHER FUNDS (CONT'D.)

Transient Occupancy Tax (TOT) Fund

Through October, receipts recorded in the TOT Fund of \$4.8 million are 36.0% above the prior year's collections for the same period. A portion of this increase is driven by a strong influx of TOT compliance revenue (\$500,000). Even without this influx of funds, regular TOT collections are on pace to exceed the 2013-2014 budget estimate, which already assumed a 5% increase over 2012-2013 collections. At this point in the fiscal year, TOT receipts are projected to increase by approximately 10% and exceed the budget estimate of \$15.9 million by approximately \$2.0 million.

The 2013-2014 allocations to the three recipient organizations (Convention and Cultural Affairs Fund, Convention and Visitors Bureau, Cultural Grants/Programs and Services) are anticipated to be fully expended by the end of the year.

Through October, the average hotel occupancy rate at the 14 major hotels was 72.0%, an improvement from the 67.5% occupancy rate for the same period in 2012-2013. For the same 14 hotels, the average daily room rate through October was \$150.31, up 12.6% from the \$133.53 room rate for the same period in 2012-2013. The year-to-date average revenue-per-available room (RevPAR) metric of \$108.22 represents an increase of 20% from the prior year level.

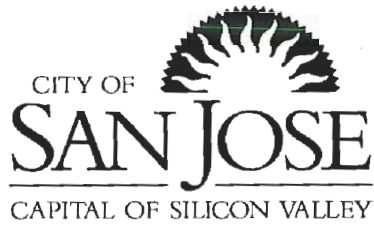
CONCLUSION

Through October, the City's funds appear to be performing within or better than budgeted expectations. The 2013-2014 Adopted Budget was built on the assumption that the economic recovery would continue in 2013-2014 with modest growth. Actual collection trends support this assumption, with some of the categories outperforming projections. The development-related fees and taxes as well as the property-related Construction and Conveyance Taxes are continuing the strong performance that was experienced in 2012-2013 and are currently tracking to exceed the budgeted estimates.

As reported in the 2012-2013 Annual Report, a number of adjustments to the General Fund as well as other City funds based on actual 2012-2013 performance and updated information were approved. Any additional adjustments resulting from 2013-2014 performance will be brought forward during the year, with the majority of these adjustments presented as part of the 2013-2014 Mid-Year Budget Review or the 2013-2014 year-end clean-up memorandum. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.



JENNIFER A. MAGUIRE
Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the Four Months Ended October 31, 2013
Fiscal Year 2013-2014
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Four Months Ended October 31, 2013
Fiscal Year 2013-2014
(UNAUDITED)

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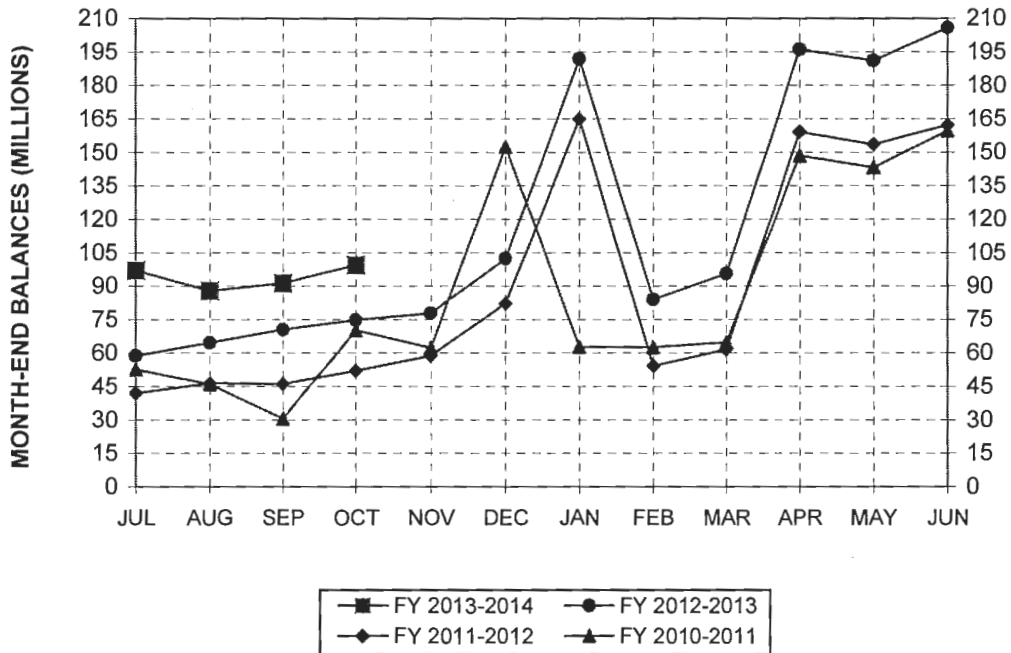
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Submitted by:



JULIA H. COOPER
Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2013-2014	FY 2012-2013	FY 2011-2012	FY 2010-2011
JULY (1)	\$ 97,000,280	\$ 58,791,632	\$ 41,946,493	\$ 52,614,304
AUGUST	87,887,607	64,647,700	46,502,235	45,992,983
SEPTEMBER	91,326,643	70,484,194	46,218,737	30,525,385
OCTOBER	99,449,689	74,756,262	52,097,481	70,246,706
NOVEMBER		77,861,880	58,833,627	62,333,059
DECEMBER (2)		102,312,730	82,304,186	152,493,162
JANUARY (3)		191,822,297	164,958,541	62,749,463
FEBRUARY (3)		84,006,185	54,118,810	62,572,017
MARCH		95,600,850	61,586,562	64,768,564
APRIL (4)		196,073,222	159,137,277	148,465,097
MAY		191,101,640	153,526,766	143,186,930
JUNE		205,823,965	162,325,519	159,719,466

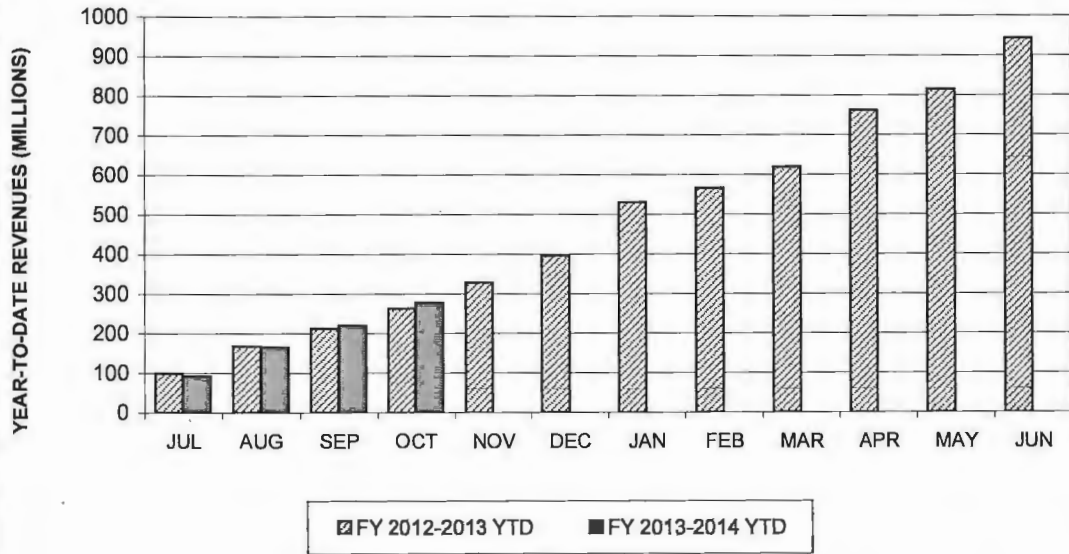
Note: (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

Note: (2) The General Fund cash balance increase in December 2010 was mainly due to the timing of the receipt of \$88.5 million in Property Tax revenue and \$16.7 million in Sales Tax revenue. These revenues are typically posted in January each year.

Note: (3) The General Fund cash balance decreases in January 2011, February 2012 and February 2013 were mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANS) of amounts between \$75 million and \$100 million.

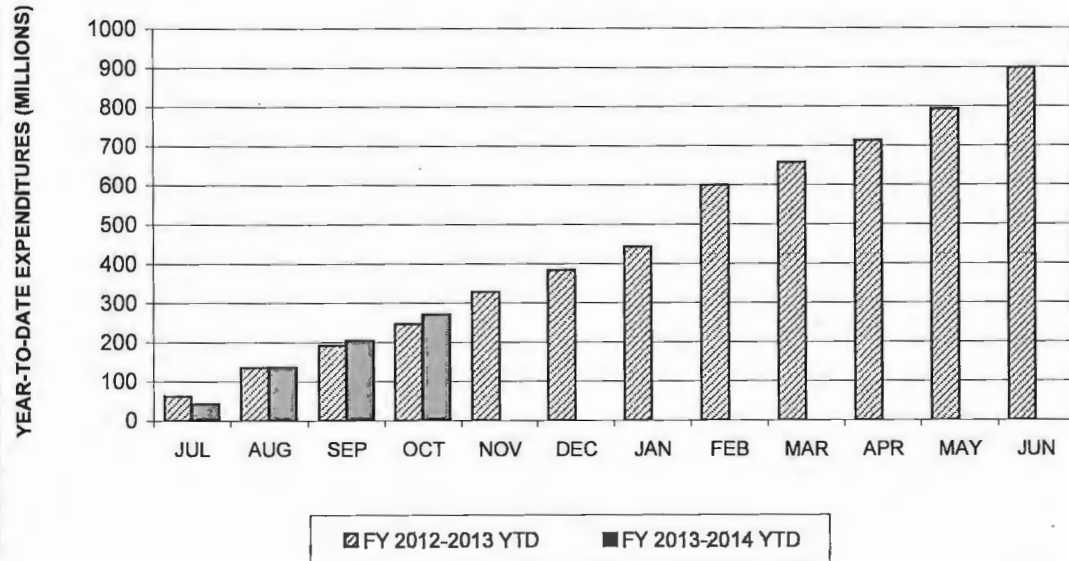
Note: (4) The General Fund cash balance increases each April mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

**GENERAL FUND
Comparison of YTD Revenues
Actual**



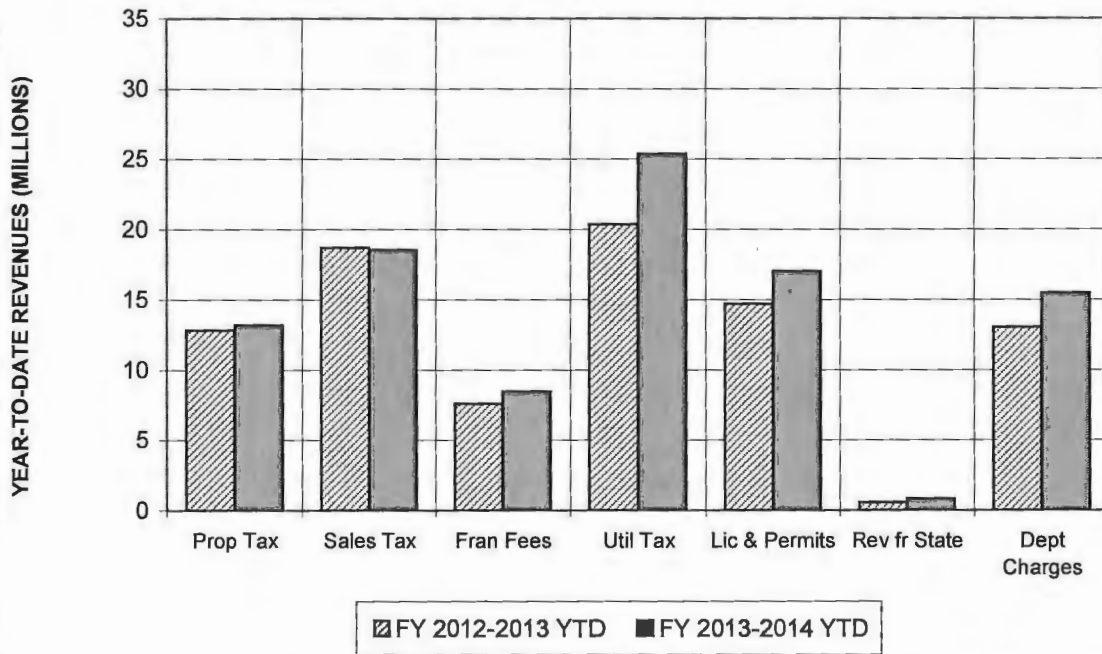
FY 2012-2013 YTD
 FY 2013-2014 YTD

**GENERAL FUND
Comparison of YTD Expenditures
Actual**

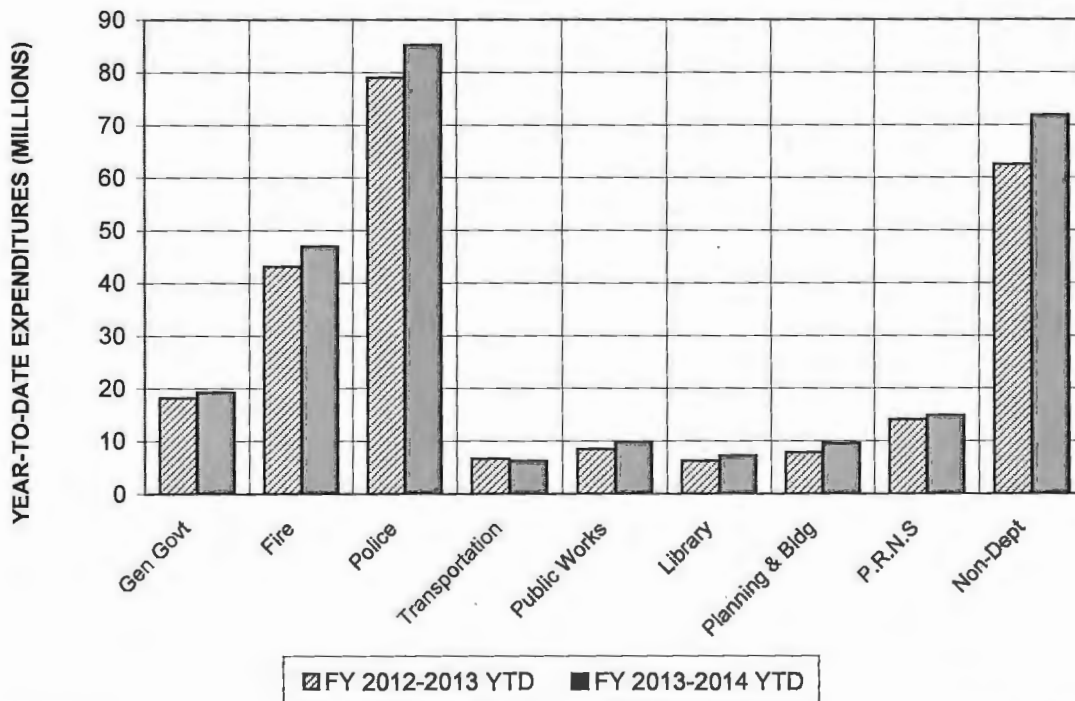


FY 2012-2013 YTD
 FY 2013-2014 YTD

GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the Four Months Ended October 31, 2013



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the Four Months Ended October 31, 2013



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	18,964	18,964	18,964	100.00%	19,420	116.31%	16,697	(456)	-2.35%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	213,006	2,175	-	215,181	215,181	100.00%	168,300	100.00%	168,300	46,881	27.86%
Total Fund Balance	213,006	2,175	18,964	234,145	234,145	100.00%	187,720	101.47%	184,997	46,425	24.73%
General Revenues											
Property Tax	220,850	-	-	220,850	13,192	5.97%	12,828	6.26%	205,016	364	2.84%
Sales Tax (1)	167,710	2,400	-	170,110	18,551	10.91%	18,707	11.42%	163,751	(156)	-0.83%
Telephone Line Tax	20,600	-	-	20,600	5,084	24.68%	5,116	24.79%	20,640	(32)	-0.63%
Transient Occupancy Tax	10,600	-	-	10,600	3,218	30.36%	2,345	23.21%	10,103	873	37.23%
Franchise Fees	43,923	-	-	43,923	8,467	19.28%	7,599	17.37%	43,741	868	11.42%
Utility Tax	91,895	-	-	91,895	25,373	27.61%	20,377	22.37%	91,109	4,996	24.52%
Business Taxes	42,435	-	-	42,435	12,127	28.58%	11,827	26.20%	45,140	300	2.54%
Licenses and Permits	40,278	-	-	40,278	17,021	42.26%	14,699	31.54%	46,606	2,322	15.80%
Fines, Forfeits and Penalties	15,862	-	-	15,862	3,679	23.19%	4,865	33.42%	14,555	(1,186)	-24.38%
Use of Money and Property	2,673	-	-	2,673	1,189	44.48%	1,150	29.56%	3,891	39	3.39%
Revenue from Local Agencies	24,836	11,879	-	36,715	805	2.19%	1,564	4.50%	34,779	(759)	-48.53%
Revenue from State of Cal.	11,378	170	-	11,548	824	7.14%	577	3.42%	16,872	247	42.81%
Revenue from Federal Government	11,052	926	-	11,978	3,468	28.95%	1,349	6.91%	19,511	2,119	157.08%
Departmental Charges (2)	35,449	-	-	35,449	15,485	43.68%	13,036	33.60%	38,799	2,449	18.79%
Other Revenues	17,646	100,506	-	118,152	108,933	92.20%	109,340	89.71%	121,878	(407)	-0.37%
Total General Revenues	757,187	115,881	-	873,068	237,416	27.19%	225,379	25.72%	876,391	12,037	5.34%
Transfers & Reimbursements											
Overhead Reimbursements	36,996	(240)	-	36,756	25,931	70.55%	23,047	71.54%	32,215	2,884	12.51%
Transfers from Other Funds	16,162	-	-	16,162	9,322	57.68%	9,806	50.30%	19,495	(484)	-4.94%
Reimbursements for Services	15,243	-	-	15,243	4,227	27.73%	4,030	25.61%	15,737	197	4.89%
Total Transfers & Reimburse	68,401	(240)	-	68,161	39,480	57.92%	36,883	54.68%	67,447	2,597	7.04%
Total Sources	1,038,594	117,816	18,964	1,175,374	511,041	43.48%	449,982	39.86%	1,128,835	61,059	13.57%

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

The 2013-2014 negative cumulative impact through October 2013 is approximately \$6.4 million.

(2) - See Supplemental Schedule on Page 7.

**CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O ENCUMBR	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY		CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET				ACTUAL (1)	ACTUAL	BASIS ACTUAL		LESS PRIOR YTD ACTUAL
General Government												
Mayor and Council	11,105	402	36	11,543	2,423	37	20.99%	2,375	28.44%	8,351	48	2.02%
City Attorney	12,376	(19)	327	12,684	3,313	327	26.12%	2,983	26.75%	11,152	330	11.06%
City Auditor	2,114	(10)	13	2,117	523	13	24.70%	531	28.83%	1,842	(8)	-1.51%
City Clerk	2,256	(21)	72	2,307	541	42	23.45%	480	26.74%	1,795	61	12.71%
City Manager	11,068	(57)	578	11,589	2,637	827	22.75%	2,645	27.28%	9,694	(8)	-0.30%
Finance	12,772	(21)	323	13,074	3,542	749	27.09%	3,304	27.57%	11,985	238	7.20%
Information Technology	14,331	177	2,399	16,907	3,307	2,128	19.56%	2,603	23.52%	11,066	704	27.05%
Human Resources	6,371	4	37	6,412	1,638	1,070	25.55%	1,482	27.33%	5,423	156	10.53%
Independent Police Auditor	1,077	-	1	1,078	309	1	28.66%	261	26.18%	997	48	18.39%
Office of Economic Development	3,694	(1)	282	3,975	1,073	243	26.99%	1,550	30.97%	5,005	(477)	-30.77%
Total General Government	77,164	454	4,068	81,686	19,306	5,437	23.63%	18,214	27.06%	67,310	1,092	6.00%
Public Safety												
Fire	163,499	618	679	164,796	46,963	1,793	28.50%	43,175	28.38%	152,158	3,788	8.77%
Police	306,848	1,702	(1,466)	310,016	85,217	4,318	27.49%	79,006	27.84%	283,753	6,211	7.86%
Total Public Safety	470,347	2,320	2,145	474,812	132,180	6,111	27.84%	122,181	28.03%	435,911	9,999	8.18%
Capital Maintenance												
Transportation	27,226	68	571	27,865	6,236	1,878	22.38%	6,676	26.89%	24,823	(440)	-6.59%
Public Works	34,789	(162)	309	34,936	9,826	2,392	28.13%	8,505	27.70%	30,701	1,321	15.53%
Total Capital Maintenance	62,015	(94)	880	62,801	16,062	4,270	25.58%	15,181	27.34%	55,524	881	5.80%
Community Service												
Housing	242	-	-	242	49	-	20.25%	59	24.38%	242	(10)	-16.95%
Library	26,067	45	57	26,169	7,235	413	27.65%	6,279	26.35%	23,829	956	15.23%
Planning, Bldg & Code Enf.	37,673	(44)	970	38,599	9,591	1,046	24.85%	7,846	27.31%	28,733	1,745	22.24%
Park, Rec & Neigh Svcs	51,919	791	401	53,111	14,867	3,801	27.99%	14,100	28.59%	49,311	767	5.44%
Environmental Services	1,034	(45)	42	1,031	548	60	53.15%	142	33.89%	419	406	285.92%
Total Community Services	116,935	747	1,470	119,152	32,290	5,320	27.10%	28,426	27.72%	102,534	3,864	13.59%
Total Dept. Expenditures	726,461	3,427	8,563	738,451	199,838	21,138	27.06%	184,002	27.83%	661,279	15,836	8.61%

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)

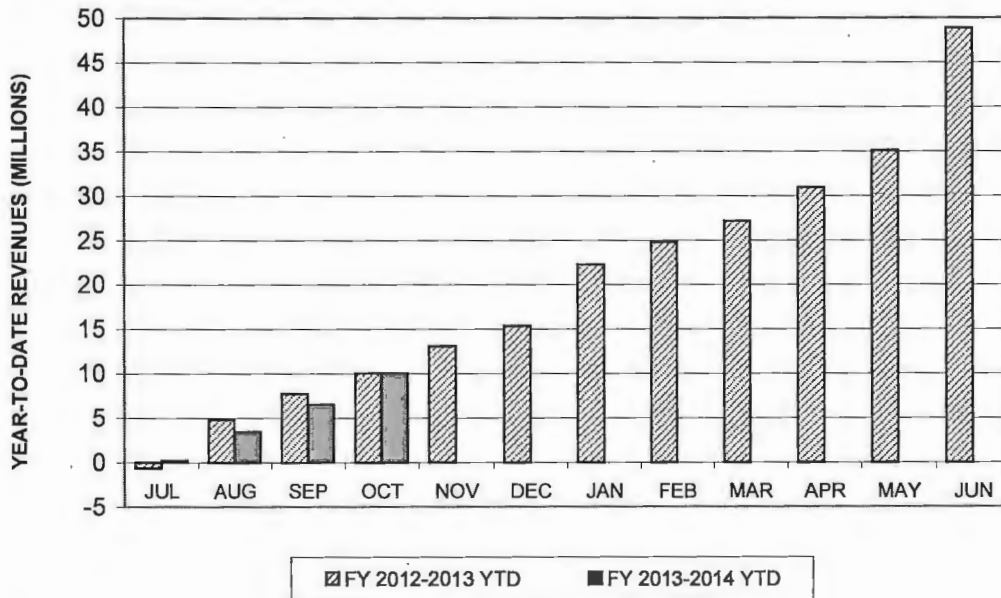
	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL (1)	YEAR-END	BASIS	ACTUAL (1)	LESS PRIOR YTD
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	28,307	563	145	29,015	15,043	3,430	51.85%	14,371	71.74%	20,031	672	4.68%
Environmental & Utility Services	2,417	(383)	576	2,610	598	542	22.91%	1,366	31.73%	4,305	(768)	-56.22%
Public Safety	19,782	1,408	438	21,628	3,876	158	17.92%	6,601	29.87%	22,096	(2,725)	-41.28%
Recreation & Cultural Services	8,733	132	1,197	10,062	1,808	2,348	17.97%	1,290	15.44%	8,356	518	40.16%
Transportation Services	6,866	505	418	7,789	1,564	351	20.08%	1,040	21.67%	4,800	524	50.38%
Strategic Support	43,483	109,406	6,204	159,093	31,020	6,470	19.50%	4,634	3.27%	141,524	26,386	569.40%
Total City-wide Expenditures	109,588	111,631	8,978	230,197	53,909	13,299	23.42%	29,302	14.57%	201,112	24,607	83.98%
Other Non-Dept Expenditures:												
Capital Improvements	29,437	1,408	1,423	32,268	812	2,319	2.52%	4,508	72.97%	6,178	(3,696)	-81.99%
Transfers to Other Funds	25,635	(762)	-	24,873	17,108	-	68.78%	28,699	98.41%	29,162	(11,591)	-40.39%
Total Non-Dept Expenditures	164,660	112,277	10,401	287,338	71,829	15,618	25.00%	62,509	26.44%	236,452	9,320	14.91%
Reserves												
Contingency Reserves	29,309	1,691	-	31,000	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	118,164	421	-	118,585	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	147,473	2,112	-	149,585	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,038,594	117,816	18,964	1,175,374	271,667	36,756	23.11%	246,511	27.46%	897,731	25,156	10.20%

(1) Does not include encumbrance balance.

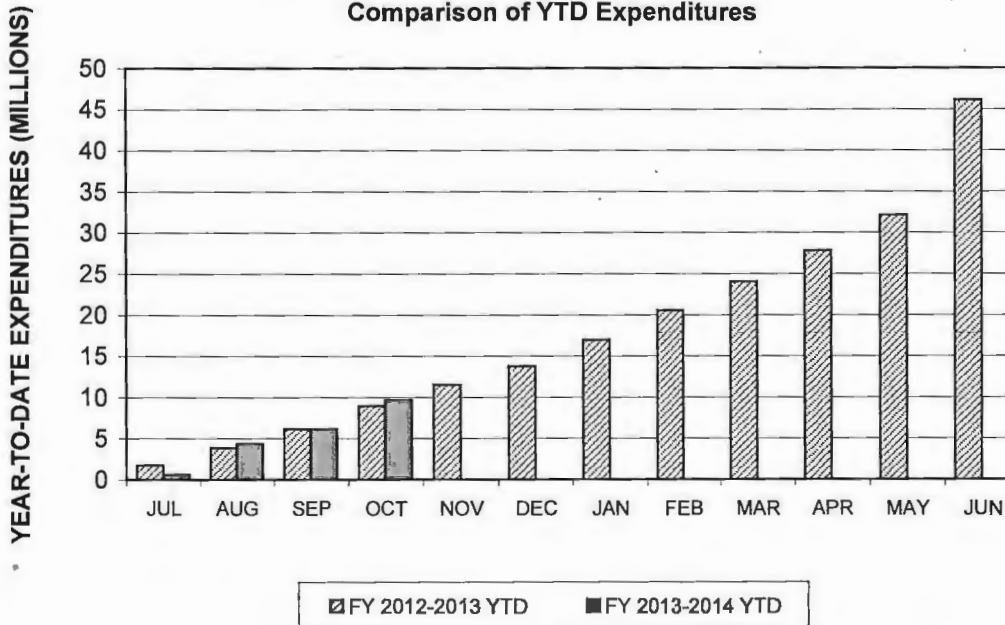
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED FY 2012-2013 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2012-2013 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,155	-	-	1,155	414	35.84%	346	28.76%	1,203	68	19.65%
Public Works	7,750	-	-	7,750	3,770	48.65%	2,573	30.30%	8,491	1,197	46.52%
Transportation	1,027	-	-	1,027	592	57.64%	383	26.99%	1,419	209	54.57%
Library	1,049	-	-	1,049	17	1.62%	199	19.66%	1,012	(182)	-91.46%
Planning, Bldg & Code Enf	3,000	-	-	3,000	1,866	62.20%	1,008	26.05%	3,869	858	85.12%
Parks Rec & Neigh Svcs	15,664	-	-	15,664	6,814	43.50%	6,572	41.68%	15,769	242	3.68%
Miscellaneous Dept Charges	5,804	-	-	5,804	2,012	34.67%	1,956	27.80%	7,036	56	2.86%
Total Departmental Revenues	35,449	-	-	35,449	15,485	43.68%	13,037	33.60%	38,799	2,448	18.78%

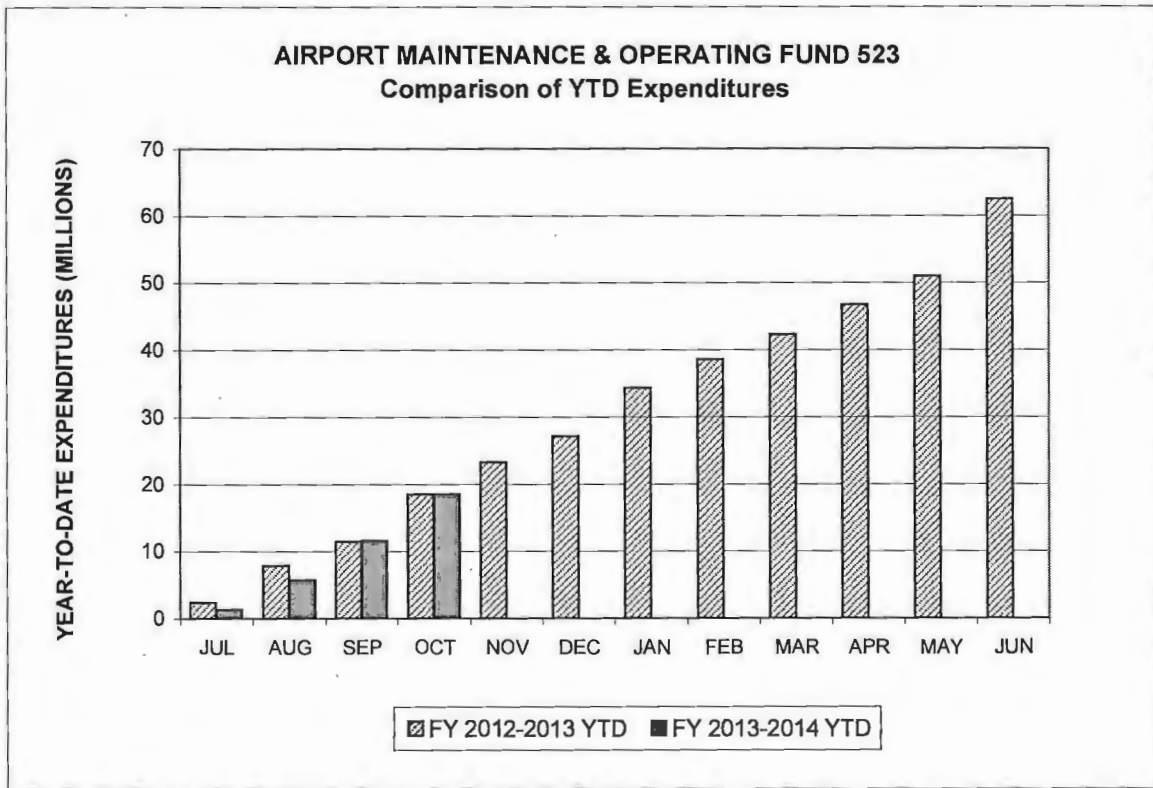
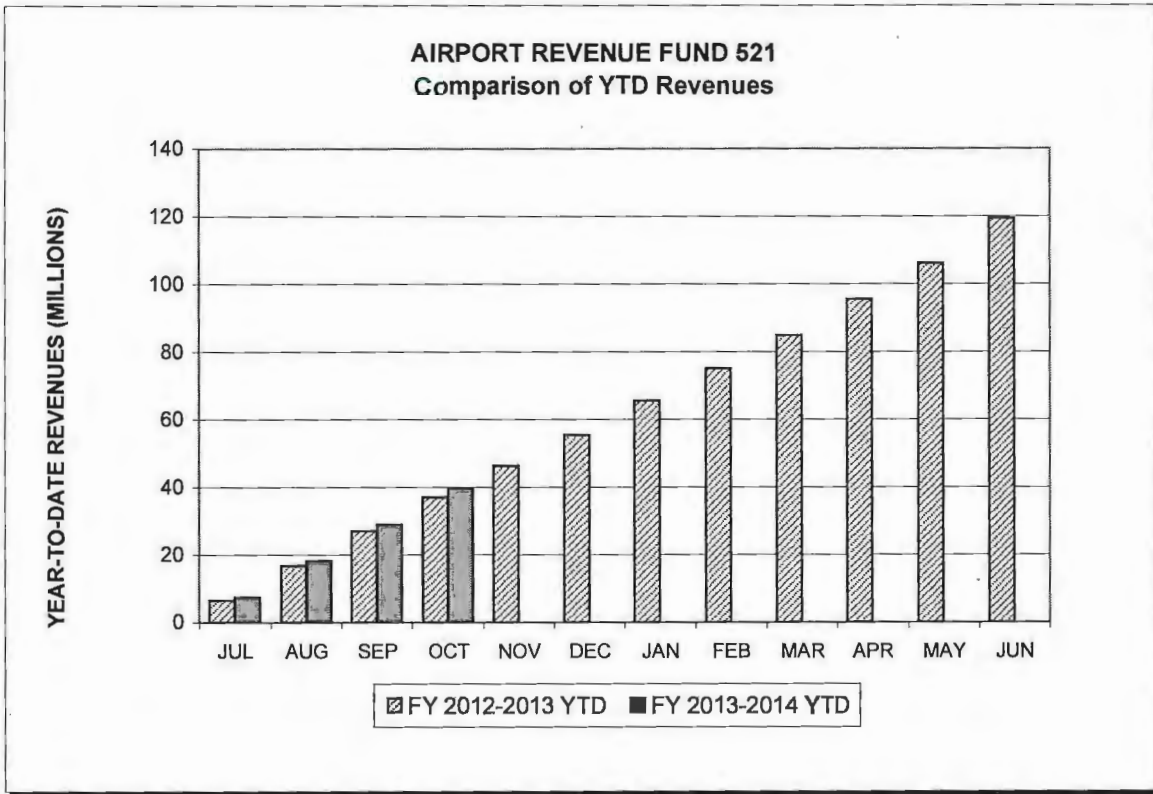
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



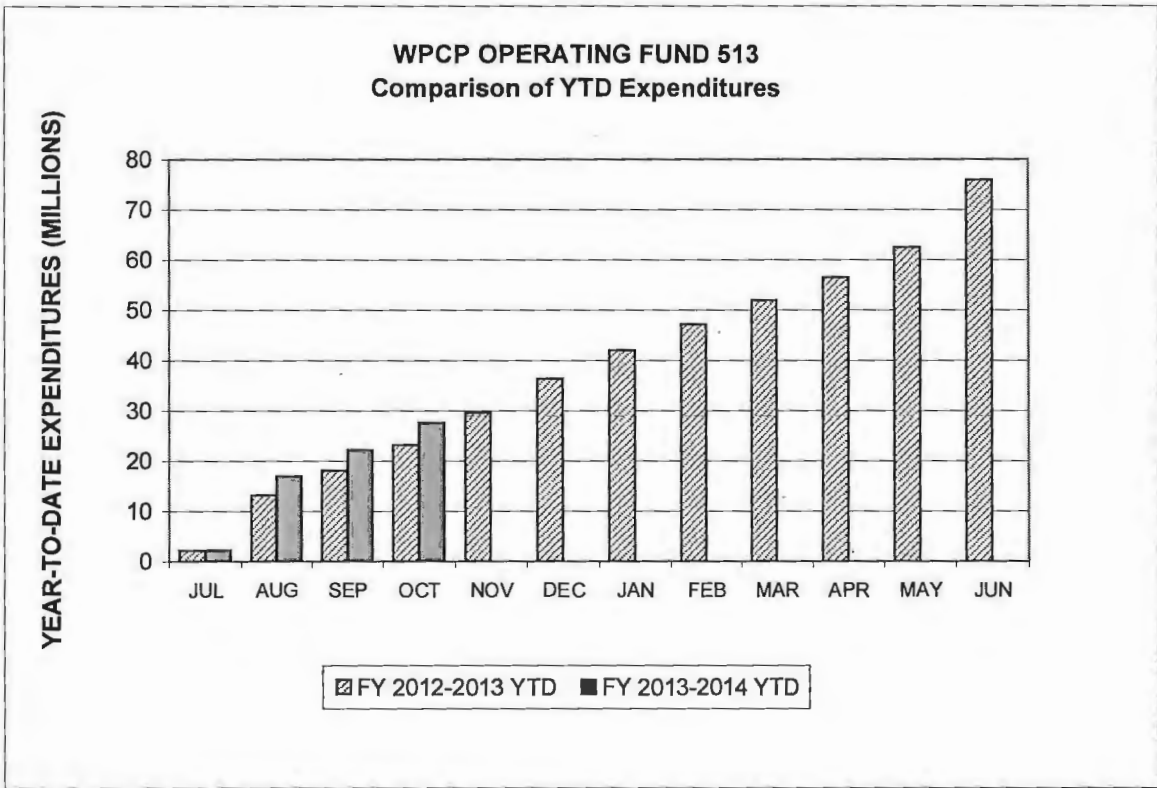
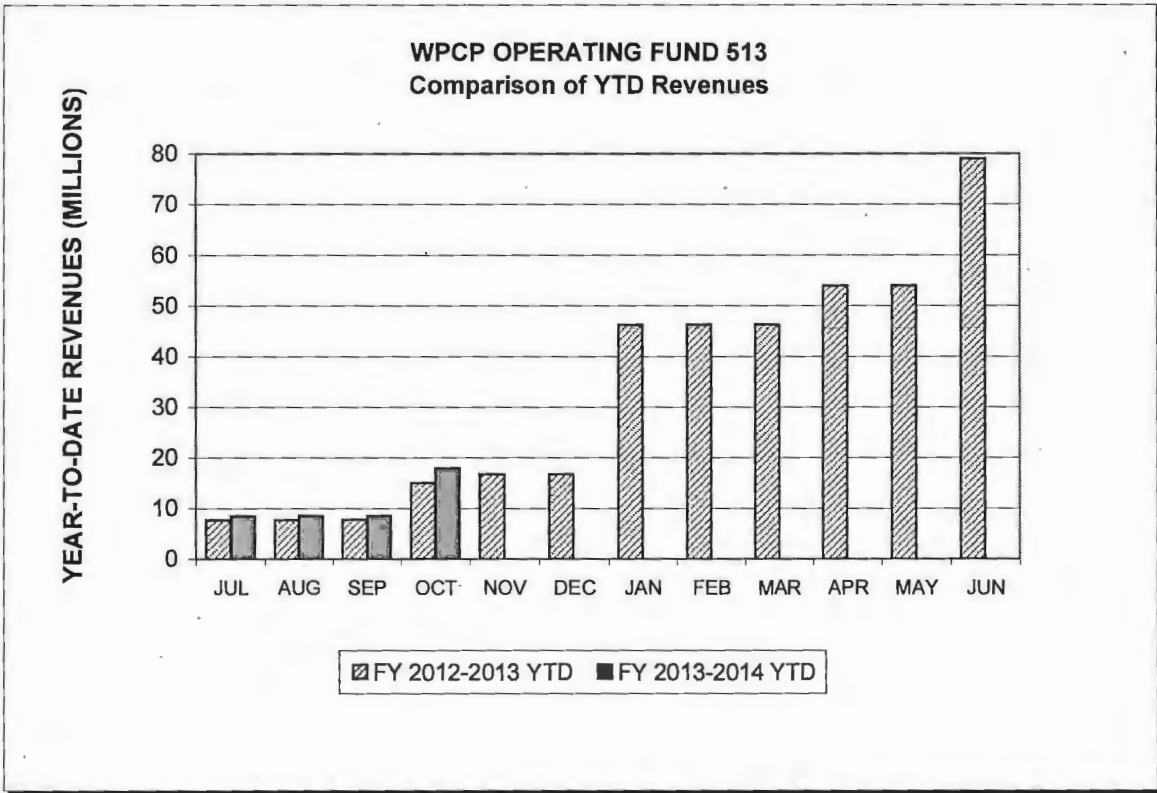
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



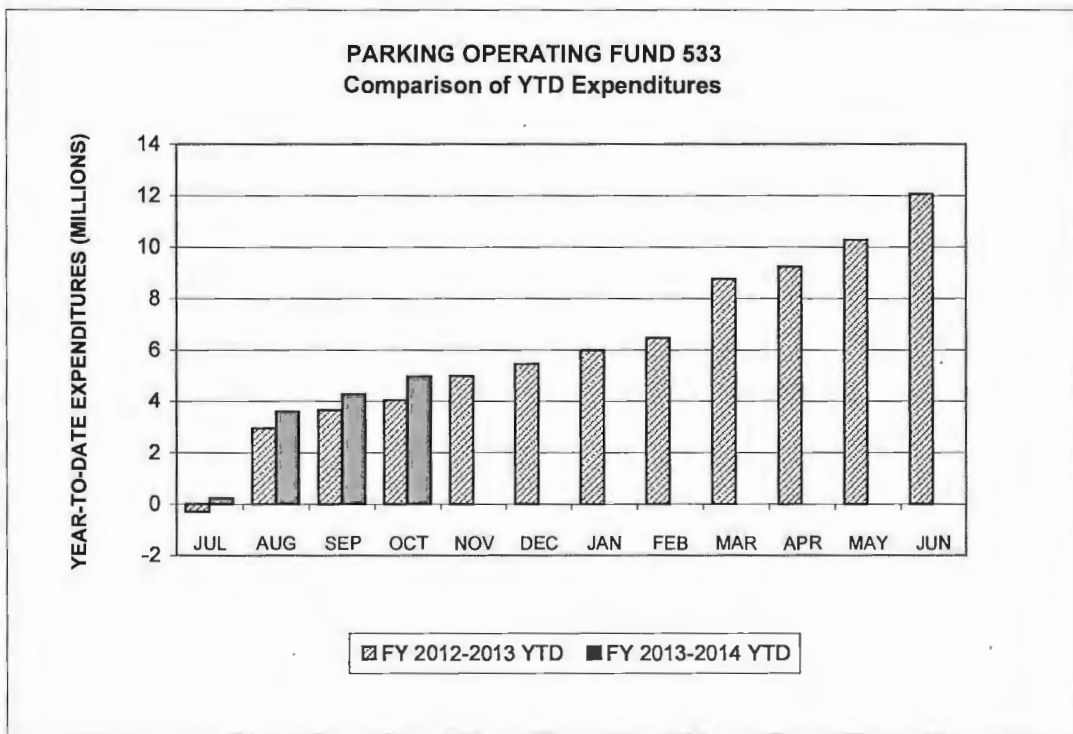
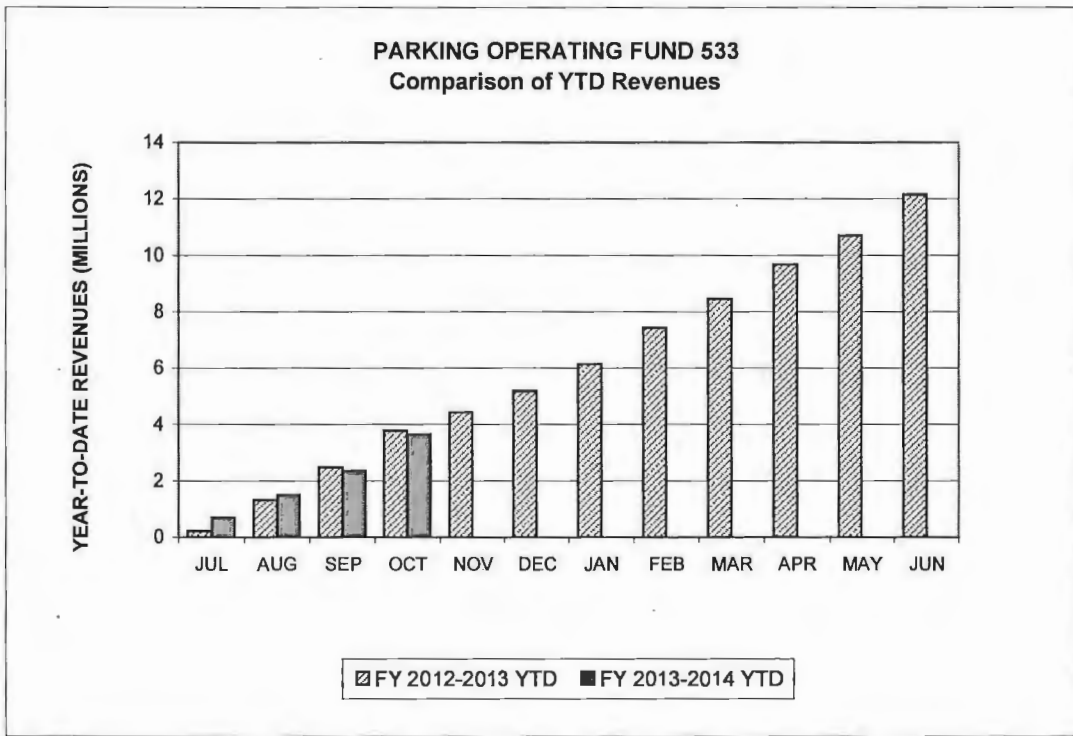
Negative Revenues in July 2012 were caused by the reversal of FY 2011-2012 year-end accrued revenues that exceeded the amount of actual year-end revenues.



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



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



Negative Expenditures in July 2012 were caused by the reversal of FY 2011-2012 year-end accrued expenditures that exceeded the amount of actual year-end expenditures.

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

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2013-2014 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2013-2014 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	2,858	2,858	2,858	-	4,475
Beginning Fund Balance	62,029	16,670	-	78,699	78,699	-	74,497
Revenues	42,698	(379)	-	42,319	10,068	-	10,094
Total Sources	104,727	16,291	2,858	123,876	91,625	-	89,066
Total Uses	104,727	16,291	2,858	123,876	9,690	4,178	8,956
Airport							
Prior Year Encumbrance	-	-	7,908	7,908	7,908	-	8,996
Beginning Fund Balance	317,786	10,069	-	327,855	327,855	-	338,571
Revenues	349,961	204	-	350,165	78,462	-	70,470
Total Sources	667,747	10,273	7,908	685,928	414,225	-	418,037
Total Uses	667,747	10,273	7,908	685,928	64,157	27,918	55,505
Waste Water Treatment							
Prior Year Encumbrance	-	-	44,144	44,144	44,144	-	32,678
Beginning Fund Balance	277,989	28,200	-	306,189	306,189	-	279,320
Revenues	292,353	477	-	292,830	176,638	-	160,118
Total Sources	570,342	28,677	44,144	643,163	526,971	-	472,116
Total Uses	570,342	28,677	44,144	643,163	68,692	66,504	60,087
Parking							
Prior Year Encumbrance	-	-	1,068	1,068	1,068	-	712
Beginning Fund Balance	12,044	1,022	-	13,066	13,066	-	13,307
Revenues	11,875	660	-	12,535	3,638	-	3,782
Total Sources	23,919	1,682	1,068	26,669	17,772	-	17,801
Total Uses	23,919	1,682	1,068	26,669	4,960	2,721	4,036
Municipal Water							
Prior Year Encumbrance	-	-	1,061	1,061	1,061	-	1,288
Beginning Fund Balance	16,271	2,153	-	18,424	18,424	-	15,581
Revenues	34,915	-	-	34,915	17,025	-	15,302
Total Sources	51,186	2,153	1,061	54,400	36,510	-	32,171
Total Uses	51,186	2,153	1,061	54,400	12,438	3,746	11,140

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Gas Tax							
Revenues	14,500	-	-	14,500	4,089	-	4,030
Total Sources	14,500	-	-	14,500	4,089	-	4,030
Total Uses	14,500	-	-	14,500	4,089	-	4,030
Building and Structures							
Prior Year Encumbrance	-	-	7,531	7,531	7,531	-	3,339
Beginning Fund Balance	14,516	1,699	-	16,215	16,215	-	14,387
Revenues	22,092	1,603	-	23,695	9,593	-	3,844
Total Sources	36,608	3,302	7,531	47,441	33,339	-	21,570
Total Uses	36,608	3,302	7,531	47,441	3,520	6,982	3,040
Residential Construction							
Beginning Fund Balance	1,421	(435)	-	986	986	-	1,258
Revenues	180	-	-	180	46	-	77
Total Sources	1,601	(435)	-	1,166	1,032	-	1,335
Total Uses	1,601	(435)	-	1,166	10	-	9
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	120	120	120	-	116
Beginning Fund Balance	3,934	795	-	4,729	4,729	-	4,299
Revenues	15,906	-	-	15,906	4,904	-	3,541
Total Sources	19,840	795	120	20,755	9,753	-	7,956
Total Uses	19,840	795	120	20,755	5,323	4,316	4,968
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	698	698	698	-	387
Beginning Fund Balance	4,850	1,756	-	6,606	6,606	-	8,526
Revenues	39,810	15	-	39,825	5,052	-	3,801
Total Sources	44,660	1,771	698	47,129	12,356	-	12,714
Total Uses	44,660	1,771	698	47,129	17,574	6,160	8,040

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Golf							
Beginning Fund Balance	339	121	-	460	460	-	375
Revenues	2,556	-	-	2,556	2,282	-	2,093
Total Sources	2,895	121	-	3,016	2,742	-	2,468
Total Uses	2,895	121	-	3,016	1,468	-	1,289
Other Funds							
Prior Year Encumbrance	-	-	18,849	18,849	18,849	-	33,524
Beginning Fund Balance	206,758	58,656	-	265,414	265,414	-	202,821
Revenues	431,152	(29,942)	-	401,210	146,847	-	142,717
Total Sources	637,910	28,714	18,849	685,473	431,110	-	379,062
Total Uses	637,910	28,714	18,849	685,473	91,082	114,740	87,526

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014 BUDGET	BUDGET AMENDMENTS		FY 2013-2014 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	8,081	8,081	8,081	-	2,537
Beginning Fund Balance	50,773	10,610	-	61,383	61,383	-	46,476
Revenues	53,716	2,607	-	56,323	24,955	-	11,258
Total Sources	104,489	13,217	8,081	125,787	94,419	-	60,271
Total Uses	104,489	13,217	8,081	125,787	13,455	12,547	10,184
Redevelopment Projects							
Prior Year Encumbrance	-	-	-	-	-	-	37
Total Sources	-	-	-	-	-	-	39
Total Uses	-	-	-	-	-	-	11
Other							
Prior Year Encumbrance	-	-	13,577	13,577	13,577	-	1,450
Beginning Fund Balance	36,004	2,919	-	38,923	38,923	-	53,013
Revenues	9,363	621	-	9,984	284	-	2,819
Total Sources	45,367	3,540	13,577	62,484	52,784	-	57,282
Total Uses	45,367	3,540	13,577	62,484	1,342	12,858	3,549

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2013-2014	BUDGET		FY 2013-2014	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	36	36	36	-	2
Beginning Fund Balance	5,551	953	-	6,504	6,504	-	3,811
Revenues	885	37	-	922	772	-	383
Total Sources	6,436	990	36	7,462	7,312	-	4,196
Total Uses	6,436	990	36	7,462	215	28	124