



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Margaret McCahan

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR MARCH/APRIL 2018

DATE: June 14, 2018

Approved

Date

6-14-18

RECOMMENDATION

Accept the Bi-Monthly Financial Report on actual revenues and expenditures as compared to the 2017-2018 Budget for the ten months ending April 2018.

OVERVIEW

The Bi-Monthly Financial Report for March/April 2018 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 analyzed actual expenditures as compared to the 2017-2018 Modified Budget and the Finance Department prepared a report that reflects the financial results for the ten months ending April 2018.

Through April, revenues and expenditures were generally tracking within the budgeted estimates. The Administration continues to closely monitor economic conditions and the performance in all City funds, and has brought forward budget adjustments, as appropriate, to the City Council as part of the 2017-2018 Year-End Budget Clean-Up memorandum, which is agendaized for the June 19, 2018 City Council meeting. Following are key highlights in this report:

- Overall, General Fund revenues are currently tracking to exceed the budget, with several categories currently tracking above estimated levels as discussed in this report. Budget adjustments are recommended at year-end to recognize additional revenue of \$32 million. The higher revenue collections were factored into the development of the 2018-2019 budget.
- Most General Fund departmental and non-departmental expenditures are tracking within budgeted levels through April, however, a few departments are tracking close to or slightly above estimated levels. In limited instances, budget adjustments are recommended at year-end to ensure appropriations stay within approved levels. Excess revenue is available to offset the projected expenditure overages.

OVERVIEW (CONT'D.)

- With the exception of Planning Fees that are tracking below anticipated levels, development-related revenues in the General Fund are currently tracking close to the estimated levels. Development-related tax collections (Building and Structure Construction Tax and Construction Excise Tax), however, are tracking to exceed budgeted levels by year-end.
- The local real estate market continues to be strong, resulting in higher than anticipated Construction and Conveyance Tax collections. These receipts are anticipated to exceed the budgeted estimate by year-end.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 10.9 million passengers, an increase of 17.3% from the figures reported through April 2017.
- With lower revenues and higher expenditures and without corrective action, the Self-Insured Medical Fund is expected to end the year with a negative fund balance of approximately \$1.5 million. As part of the 2017-2018 Mid-Year Budget Review, a \$1.65 million reserve was established in the General Fund to address this projected negative balance, and a year-end adjustment is now recommended to allocate this reserve to the Self-Insured Medical Fund to ensure the fund closes 2017-2018 in a positive position.
- In Silicon Valley, general economic conditions remain positive with strong private development activity, single-family median home price reaching an unprecedented \$1.3 million, and the unemployment rate at 2.4%, remaining below both State and national levels. The Administration will continue to closely monitor the City's economically sensitive revenues to identify any early changes in collection trends, as appropriate.

Economic Environment

Silicon Valley continues to show positive economic performance.

The April 2018 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.13 million was

3.5% above the April 2017 level of 1.09 million. Between April 2017 and April 2018, employment in the San José MSA expanded by 38,100 jobs. This growth includes an increase 9,700 jobs in the information sector, which signifies the 99th consecutive month of year-over-year increases. In addition, manufacturing increased 7,800 jobs, primarily in computer and electronic products.¹



¹ State of California Employment Development: Labor Market Information Division Press Release, May 18, 2018

OVERVIEW (CONT'D.)

Unemployment Rate (Unadjusted)			
	April 2017	March 2018	April 2018**
San Jose Metropolitan Statistical Area*	3.2%	2.7%	2.4%
State of California	4.7%	4.2%	3.8%
United States	4.1%	4.1%	3.7%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** April 2018 estimates are preliminary and may be updated.			

The unemployment rates at the local, State, and national levels have continued to slightly drop compared to the prior year. In April 2018, the unemployment rate for the San José Metropolitan Statistical Area of 2.4% is below the March 2018 unemployment rate of 2.7% and the April 2017 rate of 3.2%. In this region, the April 2018 unemployment rate continues to be lower than the unadjusted unemployment rate for the State (3.8%) and the nation (3.7%).

Overall construction activity through April 2018 has decreased 7.1% from 2016-2017 levels. In 2016-2017, building permit valuations reached record levels. The 2017-2018 budget was developed with the expectation that private development activity would remain strong but would drop from the overall high levels experienced in 2016-2017.

Through April, overall residential permit valuation is consistent with prior year levels. The number of residential units (2,659 new dwelling units in 2017-2018 vs. 2,567 in 2016-2017) was up, while the valuation was lower than prior year levels (\$455.2 million in 2017-2018 vs. \$464.8 million in 2016-2017). Valuation for alteration activity is higher than the prior year (\$90.3 million in 2017-2018 vs. \$81.8 million in 2016-2017). The 2,659 residential units through April 2018 included 2,462 multi-family units and 197 single family units. Significant residential projects for March and April included permits issued for two apartment buildings (165 units and 136 units) that are part of the Fairfield Apartment site and for an eight-unit townhome building that is part of a 43-unit project located near the intersection of West Julian Street and Bassett Street.

Commercial valuation through April 2018 is slightly lower than the 2016-2017 level (\$526.9 million in 2017-2018 vs \$534.7 million in 2016-2017). New commercial construction activity is up while alteration activity is down compared to prior year levels.

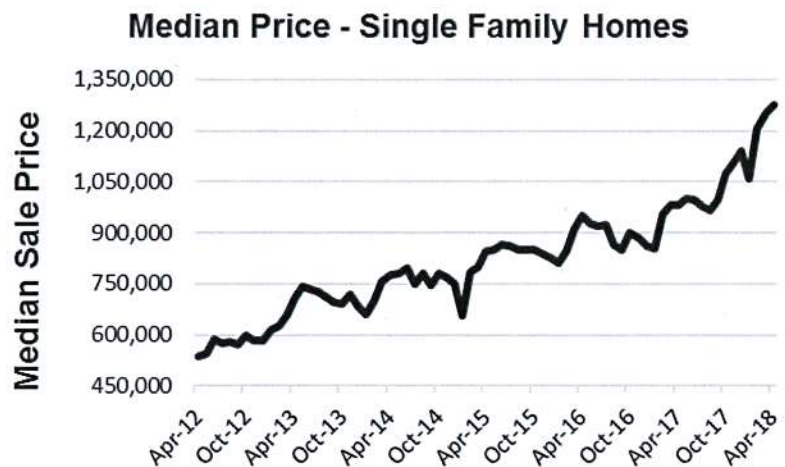
Industrial construction valuation through April is significantly lower than prior year levels (\$392.8 million in 2017-2018 vs. \$496.5 million in 2016-2017). New industrial

construction activity is higher, however, alteration activity has decreased by over \$230 million compared to the prior year. The significant drop in industrial alteration is primarily due to several large relocation projects being completed in 2016-2017, and 2017-2018 returning to a more typical activity level.

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD April 2017	YTD April 2018	% Increase
Residential	\$ 546.6	\$ 545.5	(0.2%)
Commercial	\$ 534.7	\$ 526.9	(1.5%)
Industrial	\$ 496.5	\$ 392.8	(20.9%)
TOTAL	\$ 1,577.9	\$ 1,465.3	(7.1%)

OVERVIEW (CONT'D.)

The local real estate market continues to experience strong growth in home prices compared to prior year levels. The median single-family home price in April 2018 of \$1.3 million is up 30.1% from the April 2017 price of \$980,000. The April 2018 level represents the highest single family median home price in the City of San José's history. It is also taking significantly less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in April 2018 totaling 11 days, a 44.7% drop from the 19 days experienced in April 2017. Also of interest is the continued tightening of inventory available in the housing market. The average number of new listings through April 2018 totaled 648, which is 9.8% below the average number of new listings recorded in the same time period of the prior fiscal year. While the median home price has risen and the length of time to sell these more expensive homes has decreased, the number of property transfers (sales) through April 2018 has dropped. The number of property transfers through April 2018 totaled 5,995, which represents a 3.7% drop from the 6,223 transfers that occurred through April 2017. The decrease in property sales compared to prior year levels is primarily attributable to the limited inventory available on the housing market.



On a national level, consumer confidence increased in April, after declining in March. Lynn Franco, Director of Economic Indicators at The Conference Board, stated "Consumer confidence increased moderately in April after a decline in March. Consumers' assessment of current conditions improved somewhat, with consumers rating both business and labor market conditions quite favorably. Consumers' short-term expectations also improved, with the percent of consumers expecting their incomes to decline over the coming months reaching its lowest level since December 2000 (6.0 percent). Overall, confidence levels remain strong and suggest that the economy will continue expanding at a solid pace in the months ahead."²

As suggested by a number of economic indicators, the local economy is continuing to experience growth. These economic conditions were taken into consideration in the development of the 2018-2019 Proposed Budget, which was released May 1, 2018.

² Beacon Economics, Employment Report, April 24, 2018

GENERAL FUND (CONT'D.)

REVENUES

General Fund revenues through April 2018 totaled \$992.8 million, which represents an increase of \$117.0 million (13.4%) from the April 2017 level of \$875.9 million. This increase in revenue is primarily the result of the change in borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs), which totaled \$100.0 million in 2016-2017 and increased to \$150.0 million in 2017-2018. TRANs are issued for cash flow purposes each fiscal year related to a retirement pre-payment. Sales Tax receipts are also tracking \$35 million above the prior year, which is primarily due to the full year implementation of the Local Sales Tax.

While not a comparison to budgeted estimates, many categories are tracking above the prior year level, including Sales Tax, Property Tax, Transient Occupancy Tax, Licenses and Permits, Business Taxes, Use of Money and Property, Revenue from Local Agencies, Revenue from the State, and Other Revenue. The higher collections in these categories are partially offset by lower receipts in a few categories, including Franchise Fees, Utility Taxes, and Fines, Forfeitures, and Penalties.

Through April, General Fund revenues are tracking to exceed budgeted estimates by approximately \$35 million. Of this amount, \$16 million is expected from additional Property Tax revenue, with the majority generated from the December 2017 Successor Agency to the Redevelopment Agency (SARA) bond refunding (\$11 million). Sales Tax, Business Taxes, Revenue from the State of California, Other Revenue, and Revenue from Local Agencies categories are also expected to generate additional revenue by year-end. To better align the budget with current projections, revenue adjustments totaling \$32.0 million (excluding adjustments related to grants/debt service payments/fee revenue) are recommended as part of the 2017-2018 Year-End Budget Clean-Up memorandum, which will be reviewed by the City Council on June 19, 2018 (Item 3.6). Of the additional revenue included in that memorandum, \$27.0 million is set aside in the 2017-2018 Ending Fund Balance Reserve, with the remaining \$5.0 million used to offset necessary expenditure adjustments. In the 2018-2019 Budget, it was assumed that a combination of excess revenues, expenditure savings and the liquidation of prior year carry-over encumbrances in 2017-2018 would generate \$32.6 million as 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance. This fund balance was included as a 2018-2019 funding source. The 2017-2018 Ending Fund Balance Reserve (which will be used for the 2018-2019 Beginning Fund Balance) provides a significant portion of this funding. Additional revenue, expenditure savings, and the liquidation of prior year carryover encumbrances are also anticipated to be realized by year-end to fully meet the 2018-2019 Beginning Fund Balance estimate.

The following discussion highlights General Fund revenue activities.

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

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 288,990,000	\$ 261,856,825	\$ 249,082,421

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. Through April, \$261.9 million has been received, reflecting 90.6% of the 2017-2018 budget for this category. Based on information from the County of Santa Clara, revenues are anticipated to exceed the budget by approximately \$16 million. A significant portion of this variance is due to the Successor Agency to the Redevelopment Agency (SARA) bond refunding in December 2017 that is projected to result in additional property tax distribution to the City of approximately \$11 million. An additional \$1.9 million may also be received from the sale of SARA properties if transactions are completed by June 30, 2018.

Secured Property Taxes represent over 90% of the revenue in the Property Tax category. The 2017-2018 Adopted Budget estimate of \$265.8 million was based on assumed growth of 5.3% from the 2016-2017 estimated collection level. The 2017-2018 budgeted estimate includes \$261.8 million from regular Property Tax receipts and \$4.0 million from the distribution of excess Education Revenue Augmentation Fund (ERAF) funds. The current estimate from the County of Santa Clara totals \$269.2 million, which is approximately \$3.4 million above the 2017-2018 Adopted Budget estimate, primarily due to the ERAF payment anticipated to total \$8.4 million, which is \$4.4 million above the budgeted estimate. The higher than budgeted ERAF revenue is partially offset by lower projected regular Secured Property Tax receipts (-\$1.0 million).

Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. As mentioned above, the 2017-2018 Adopted Budget included revenue of \$4.0 million for the ERAF payment. However, the ERAF payment is now anticipated to total \$8.4 million, which is \$4.4 million above the Adopted Budget estimate.

As a result of the SARA bond refunding that occurred in December 2017, it is estimated the City will receive an additional property tax distribution of approximately \$11 million in 2017-2018 and \$12 million - \$13 million on an ongoing basis. In addition, SARA property sales may generate an additional \$1.9 million in 2017-2018. A significant portion of the additional property tax (\$9.4 million) was used as part of the budget balancing strategy for the 2018-2019 Proposed Budget, with the remaining amount used to help meet the 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance estimate.

GENERAL FUND (CONT'D.)

In the **Unsecured Property Tax** category, collections through April of \$14.0 million are \$637,000 above the prior year collections of \$13.4 million and \$238,000 above the budgeted estimate of \$13.8 million. Typically, collections through April reflect all the annual revenue for this category.

For the **SB 813 Property Tax** category (retroactive collections back to the point of sale for reassessments of value due to property resales) receipts totaled \$5.2 million through April, which is 12.9% above the prior year levels of \$4.6 million. The 2017-2018 Adopted Budget estimate of \$5.5 million allows for an almost 20% drop from the 2016-2017 actual collection level of \$6.8 million as collections in this category ended 2016-2017 stronger than anticipated. The most recent 2017-2018 estimate from the County of Santa Clara totals \$7.2 million, which is \$1.7 million above the budgeted estimate.

Aircraft Property Tax receipts through April totaled \$2.7 million, which is 4.0% below the prior year collection level of \$2.8 million, and \$168,000 below the Adopted Budget estimate of \$2.9 million. Typically, collections through April reflect all the annual revenue for this category.

In the **Homeowners Property Tax Relief** category, receipts through April totaled \$474,000, which is 2.6% below the prior year collection level of \$486,000. Based on the most recent estimate from the County and historical collection patterns, revenue is projected to end the year at \$948,000, which is slightly below the 2017-2018 Adopted Budget estimate of \$1.0 million.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 224,000,000	\$ 148,046,421	\$ 131,862,870

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. General Sales Tax revenue is tracking slightly below budgeted levels, however, Local Sales Tax revenue is tracking stronger than budgeted. Overall, collections are tracking to exceed budgeted levels by approximately \$6-7 million by year-end.

When the 2017-2018 Adopted Budget was developed, it was projected that Sales Tax receipts would increase 7.6% from the 2016-2017 estimate of \$211.9 million to \$228.0 million, reflecting anticipated economic growth of 3% and the annualization of the Local Sales Tax. However, because 2016-2017 actual receipts of \$207.7 million ended the year \$4.2 million, or 2.0%, below estimated levels, additional growth would be necessary in 2017-2018 to meet the budgeted estimate. To account for the lower performance in 2016-2017, a downward adjustment of \$4.0 million to the Sales Tax revenue estimate was approved as part of the 2016-2017 Annual Report.

GENERAL FUND (CONT'D.)

Following is a discussion of the three Sales Tax components; General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax.

When the 2017-2018 Adopted Budget was developed, the **General Sales Tax** estimate of \$187.0 million reflected growth of 3.9% from the 2016-2017 estimate of \$180.0 million. This reflected underlying quarterly growth of 3.0% as well as net upward adjustments of \$1.5 million to account for prior year accrual adjustments and to reverse a large one-time negative adjustment associated with the jet fuel correction that occurred in 2016-2017. However, because General Sales Tax ended the year below estimated levels, a \$4.0 million reduction (from \$187.0 million to \$183.0 million) was approved as part of the 2016-2017 Annual Report. The modified estimate reflects approximately 3% underlying growth from the 2016-2017 actual collection level with one-time adjustments to account for the additional revenue recognized in 2017-2018 from the under-accrual of revenue in 2016-2017 and to reverse the large one-time correction in 2016-2017.

Information on actual receipts for the first and second quarters of General Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 General Sales Tax revenue (representing activity for July through September 2017) reflected growth of 8.8% from the same quarter in the prior year. However, the first quarter of 2016-2017 included a negative \$2.7 million correction from prior year payments that were made in error. Factoring out that adjustment, receipts in the first quarter of 2017-2018 reflect growth of 2.1% from the prior year. In addition, the second quarter 2017-2018 General Sales Tax revenue (representing activity for October through December 2017) reflected growth of 2.5% from the same quarter in the prior year. To meet the Modified Budget estimate of \$183.0 million, the remaining two quarters would require growth of approximately 4%. If growth of 2% - 3% is realized, collections will fall below the budgeted estimate by \$900,000 - \$1.8 million. Based on current collection trends, it is estimated General Sales Tax will end the year \$1 million - \$2 million below the budgeted level.

The City's Sales Tax consultant, MuniServices, provides economic performance data to the City, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period. This growth analysis measures sales tax receipts, excluding State and county pools, and adjusts for anomalies, payments to prior periods, and late payments. On an economic basis, growth of 3.9% was realized in the most recent quarter. The chart below outlines the various sectors of sales tax and the percentage of the total receipts received.

**Sales Tax Revenue Economic Performance
September - December 2017**

Economic Sector	% of Total Revenue	% Change Sept. – Dec. 2016 to Sept. – Dec. 2017
General Retail	28.9%	2.6%
Transportation	21.7%	6.7%
Business-to-Business	19.8%	3.0%
Food Products	17.8%	4.6%
Construction	11.1%	3.6%
Miscellaneous	0.7%	-12.8%
Total	100.0%	3.9%

GENERAL FUND (CONT'D.)

Starting in 2016-2017, the Sales Tax category includes **Local Sales Tax**. In June 2016, San José voters approved a ¼ cent local sales tax that was estimated to generate \$30.0 million in 2016-2017 (October 2016 implementation) and \$40.0 annually beginning 2017-2018. However, based on the lower than anticipated performance during the first two quarters of 2016-2017, the 2016-2017 revenue estimate was lowered from \$30.0 million to \$26.0 million. Actual collections ended 2016-2017 at \$26.5 million, which reflected actual performance for the first two quarters (\$8.7 million and \$8.9 million) and estimated receipts of \$8.9 million for the final quarter. Actual Local Sales Tax results for the final quarter of 2016-2017 totaled \$10.2 million, which is \$1.3 million above the amount assumed for the 2016-2017 accrual. The additional revenue generated from this difference is reflected in 2017-2018.

Information on actual receipts for the first and second quarters of Local Sales Tax was received in December 2017 and March 2018. The first quarter 2017-2018 Local Sales Tax revenue (representing activity for July through September 2017) totaled \$10.5 million. The second quarter 2017-2018 Local Sales Tax revenue (representing activity for October through December 2017) totaled \$11.3 million. Based on 2016-2017 collection trends as well as the receipts for first two quarters of 2017-2018 it is estimated Local Sales Tax will end the year approximately \$8 million - \$9 million above the budgeted estimate of \$35.0 million.

Through April, the **Proposition 172 Sales Tax** receipts of \$4.2 million are 5.3% below the prior year level of \$4.5 million through the same period. The 2017-2018 budgeted estimate of \$6.0 million allows for a 7.4% decrease from the prior year collection level. It is currently anticipated that collections will meet or slightly exceed the budgeted estimate by year-end.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 18,720,000	\$ 13,539,357	\$ 13,113,506

The 2017-2018 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$18.7 million, which was built assuming growth of approximately 4% from the 2016-2017 estimated collection level of \$18.0 million. However, since 2016-2017 actual receipts came in above estimated levels at \$18.3 million, growth of only 2.4% is needed to meet the 2017-2018 budget estimate. Year-to-date TOT receipts through April of \$13.5 million are 3.3% above the prior year collection of \$13.1 million. Based on year-to-date receipts and consistent hotel occupancy and room rates, collections are anticipated to end the year at or slightly above the budgeted estimate.

Through April, the average hotel occupancy rate at the 13 major hotels was 76.25%, a slight increase from the 75.5% occupancy rate for the same period in 2016-2017. The average room rates have also risen, from \$207.55 to \$209.22 (0.8%), as well as year-to-date average revenue-per-available room (RevPAR), from \$157.07 to \$160.07 (1.9%), relative to the same time period in 2016-2017.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 101,320,000	\$ 77,045,067	\$ 77,424,239

Through April, Utility Tax receipts of \$77.0 million are 0.5% (\$379,000) below the prior year collection level of \$77.4 million due primarily to lower collections in the Gas and Telephone Utility Tax categories, partially offset by higher collections in the Electric and Water Utility Tax categories. The 2017-2018 budgeted estimate of \$101.3 million requires an increase of less than 1% from the prior year collection level of \$100.8 million. Based on historical collection patterns and the current collection trends, it is anticipated that the overall Utility Tax revenue will end the year approximately \$900,000 below the budgeted level. Below is a more detailed discussion of the revenue performance in each category.

In the **Electric Utility Tax** category, collections through April totaled \$36.6 million, which represents a 3.6% increase from the \$35.3 million received during the same time period in the prior fiscal year. The 2017-2018 Adopted Budget estimate of \$46.8 million requires growth of 1.8% from the actual 2016-2017 collection levels of \$46.0 million. Based on current collection trends and historical performance, it is currently anticipated that year-end actuals will exceed the budgeted estimate by approximately \$1 million.

In the **Gas Utility Tax** category, receipts through April totaled \$8.2 million, which is 8.2% below prior year collections of \$8.9 million. The 2017-2018 Adopted Budget estimate of \$10.1 million assumed a 3% increase from the 2016-2017 estimate of \$9.8 million. However, revenues in 2016-2017 ended the year at \$11.1 million, therefore the 2017-2018 estimate allows for a 9.4% drop from the prior year collections. Gas Utility Tax revenues are subject to significant fluctuations from the impact of weather conditions and/or rate changes. Therefore, based on current collection trends, recent rate changes, and historical collection trends, it is currently anticipated that collections will meet or fall slightly below the budgeted estimate by year-end.

Water Utility Tax collections of \$11.9 million through April are 6.8% above the prior year level of \$11.2 million reflecting monthly growth ranging from 5%-10%, which is primarily due to rate increases. The 2017-2018 Adopted Budget estimate of \$14.85 million requires growth of only 0.5% from the actual 2016-2017 receipts of \$14.78 million. Based on historical performance and current collection trends, it is anticipated that year-end actuals will exceed budgeted levels by approximately \$1.2 million.

Collections in the **Telephone Utility Tax** category of \$20.4 million through April are 7.7% below the prior year level of \$22.1 million which is primarily due to a decline in the pre-paid calling cards and cellular categories. These drops reflect the competition between cellular carriers and the move from some cellular customers to VOIP and other services which are less expensive. The 2017-2018 Adopted Budget estimate of \$29.6 million requires growth of 2.4% from the actual

GENERAL FUND (CONT'D.)

2016-2017 collection level of \$28.9 million, however, it is anticipated that year-end actuals may fall below the budgeted estimate by over \$3.0 million.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 63,385,000	\$ 57,306,073	\$ 43,048,194

The Business Taxes category consists of the General Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through April, overall collections of \$57.3 million are 33.1% above the prior year collection levels of \$43.0 million, primarily reflecting higher collections in Marijuana Business Tax and General Business Tax categories. The 2017-2018 Modified Budget estimate of \$63.4 million requires growth of 17% from the actual 2016-2017 collection levels of \$54.2 million. The growth in revenue in 2017-2018 is anticipated due to the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. If current collection trends continue, Business Tax receipts will exceed the budget by approximately \$5 million.

Cardroom Business Tax collections reflect the gross receipts tax collected from the two cardrooms located in San José. Through April, receipts of \$14.1 million are 2.2% above the prior year level of \$13.8 million. Receipts in 2016-2017 slightly exceeded expectations, therefore, collections in the category can drop by 1% in 2017-2018 and reach the budgeted estimate of \$18.3 million. Receipts are currently tracking to slightly exceed the budget by \$400,000.

Marijuana Business Tax collections reflect marijuana business tax as well as marijuana business tax compliance revenues. Receipts of \$9.3 million are 26.8% above the prior year level of \$7.4 million. The 2017-2018 Adopted Budget estimate was built on the assumption that 2016-2017 collections would total \$9.4 million and remain relatively flat in 2017-2018. However, actual collections in 2016-2017 totaled \$10.5 million, therefore the 2017-2018 budget estimate of \$9.35 million allows for a 10.7% drop from 2016-2017 actual receipts. 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. Information is now available on the marijuana tax revenue from January 2018 to March 2018, which includes both medicinal marijuana and recreational marijuana tax revenue. The monthly tax revenue for the first quarter of 2018 for both recreational and medicinal marijuana averaged over \$1.1 million. Based on current collection levels, historic trends and the sale of recreational cannabis beginning in January 2018, Marijuana Business Tax revenues are anticipated to reach \$12.8 million in 2017-2018, exceeding the budgeted estimate by \$3.45 million. In the last Bi-Monthly Financial Report, revenues were projected to exceed the budget by \$2.5 - \$3.0 million. The estimate has been revised upwards to account for recreational cannabis sales.

GENERAL FUND (CONT'D.)

General Business Tax receipts of \$24.9 million are \$12.1 million, or 94.4% above prior year levels of \$12.8 million. The 2017-2018 Modified Budget estimate of \$23.7 million reflects an increase of 81.9% from the 2016-2017 actual collection level of \$13.0 million. The growth in revenue in 2017-2018 reflects the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax include increasing the base tax, increasing the incremental tax, and making it more progressive, increasing the cap (the maximum amount of the tax affecting large businesses), updating the application of the tax to more classes of business, and adding inflation based adjustments for future tax rates. Based on the remaining billing cycles, receipts are anticipated to exceed the budgeted estimate by approximately \$1 million.

Disposal Facility Tax revenue through April of \$8.9 million are 1.4% below the prior year level of \$9.0 million and reflect 58.2% of the budgeted estimate of \$12.0 million. The budgeted estimate allows for a decline of 1.3% from the 2016-2017 receipts of \$12.2 million. Based on historical collection trends and recent activity at the landfills, revenues are anticipated to end the year close to the budgeted estimate. Collections in this category are impacted by waste exports, waste diversion efforts from San José, and other municipalities and members of the public that use landfills within the City, and the economy.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 59,669,916	\$ 52,594,011	\$ 50,995,078

The Licenses and Permits category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through April, revenues of \$52.6 million are 3.1% above the prior year level of \$51.0 million. The 2017-2018 Modified Budget estimate of \$59.7 million requires growth of 3.8% from the 2016-2017 actual collection level (\$57.5 million). Based on current collections and historic collection trends, Licenses and Permits receipts are estimated to meet the budgeted levels by year end.

Building Permit revenues of \$27.6 million through April are slightly higher (2.2%) than the 2016-2017 collection level for the same period. To meet the 2017-2018 Adopted Budget estimate of \$32.5 million, an increase of 1.2% is needed from prior year actual revenue collections (\$32.1 million) in this category. All Building Permit categories are tracking above expected levels except building plan check for residential, commercial, and industrial categories; BSASRF (State of California fee related to building standards) fees; permit processing fees; and compliance reports. The 2017-2018 budgeted estimate incorporated fee increases that were projected to increase overall revenues by approximately 14%. These rate increases were implemented on August 14, 2017. It is currently anticipated Building Permit revenues will meet the 2017-2018 budget revenue estimate of \$32.5 million.

GENERAL FUND (CONT'D.)

Residential activity through April 2018 consisted of 2,462 multi-family units and 197 single-family units for a total of 2,659 units. Major residential projects for March and April included permits issued for two apartment buildings (165 units and 136 units) that are part of the Fairfield Apartment site and for an eight-unit townhome building that is part of a 43-unit project located near the intersection of West Julian Street and Bassett Street. Commercial activity through April amounted to a valuation of \$526.9 million (new construction valuation of \$341.4 million and alterations of \$185.5 million). New construction accounted for most of the commercial activity in March while alterations accounted for most of the commercial activity during April. A notable project in March was a permit issued for a six story office building (totaling 203,395 square feet), which is located south of Coleman Avenue and west of Highway 87. Industrial activity through April had a valuation of \$392.8 million (new construction valuation of \$227.5 million and alterations of \$165.4 million). Notable projects for March and April were permits issued for finished interior work of an R&D office shell building, including build out of the office space, which is located north of Highway 85 and south of Monterey Road. In addition, a permit was issued for a two-story building (60,000 square foot office building), which is located on Orchard Parkway south of Montague Expressway, which is attached to a 36,000 square foot manufacturing building that is being finished under a separate permit.

Through April, **Fire Permit** collections of \$11.8 million are less than 1.0% below the 2016-2017 collection level of \$11.9 million for the same period. The 2017-2018 Adopted Budget estimate of \$13.5 million requires a 6.0% increase over the 2016-2017 actual collection level. Based on current collection trends, Fire Permit receipts are tracking to end the year slightly below the budget. The Fire Permits revenue category consist of development and non-development related permits, which are discussed below.

Fire development related receipts of \$6.6 million through April are 7.3% below the 2016-2017 collection levels of \$7.1 million for the same period. The 2017-2018 Adopted Budget estimate of \$8.6 million aligns with the prior year's collections of \$8.6 million. Based on current collection trends, it is anticipated that development-related receipts will end the year approximately \$400,000 - \$600,000 below budgeted levels. The 2017-2018 Year-End Budget Clean-Up memorandum, which will be reviewed by the City Council on June 19, 2018, includes a recommendation to reduce the revenue estimate by \$400,000 and decrease the Fire Development Program Reserve accordingly.

Fire non-development revenues through April of \$5.2 million are \$492,000 higher than collections for the same period in the prior fiscal year and \$328,000 above the budgeted estimate of \$4.9 million. Receipts through April represent the four major billing cycles for non-development fee permits for the fiscal year, however, off-cycle permits may still be received and adjustments to the reserve for bad debt may occur during the remainder of the year. It is currently anticipated Non-development revenues will end the year at or slightly above budgeted levels.

GENERAL FUND (CONT'D.)

The **Miscellaneous Other Licenses and Permits** collections through April of \$13.2 million are 9.3% (\$1.1 million) higher than the 2016-2017 collection level during the same period. The 2017-2018 Modified Budget estimate requires growth of 8.3% from the prior year actual collections. At year-end, adjustments to the reserve for bad debt will negatively impact revenues, and it is currently anticipated that receipts in this category will end the year slightly below budgeted levels.

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Fees, Rates, and Charges	\$ 49,431,983	\$ 40,143,298	\$ 36,941,089

Through April, Fees, Rates, and Charges revenue of \$40.1 million is 8.7%, or \$3.2 million, above the 2016-2017 collection level during the same period. This increase is primarily due to higher receipts in the Public Works, Planning, and Parks, Recreation and Neighborhood Services Department categories, partially offset by lower revenues in the Library and Miscellaneous categories. The 2017-2018 Budget estimate of \$49.4 million requires growth of over 10% from the prior year actual receipts of \$44.9 million. The budgeted increase reflects City Council-approved fee changes for the Development Fee Programs, as well as slight growth in all other Departmental Charges categories. Therefore, although receipts through April are 8.7% higher than the previous year levels, if current collection trends continue, growth of 10% will not be achieved. It is anticipated Fees, Rates, and Charges will end the year approximately \$600,000, or 1.2%, below the budgeted level, which is primarily due to lower collections in the Planning Fee Program. Following is a discussion of the Planning and Public Works Development Fee Programs.

Through April, **Planning Fee** revenues of \$5.1 million were 37.9% above the prior year collection level of \$3.7 million. However, to meet the 2017-2018 Adopted Budget estimate of \$7.7 million, an increase of 73.8% is needed from prior year actual revenue of \$4.4 million. The significant increase in revenue was anticipated in 2017-2018 due to City Council-approved fee changes that were implemented on August 14, 2017. Revenue was strong for residential and non-residential tentative maps, sale of publications and record retention, public information services, non-residential general plan amendments, residential planned development rezonings/rezonings, non-residential conventional rezonings/rezonings, annexations, non-residential planned development permits, non-residential development permit adjustments, residential conditional use permits, and single-family design review. Lower than estimated revenues were received for Public noticing, preliminary review, residential general plan amendments, non-residential planned development rezoning/rezonings, residential conventional rezonings/rezonings, residential and non-residential environmental clearances, residential and non-residential site development permits, residential planned development permits, residential development permit adjustments, non-residential conditional use permits, and miscellaneous permits. Based on current collection trends, Planning Fee revenues are anticipated to end the year at \$6.2 million, which is \$1.5 million below the 2017-2018 budget revenue estimate of \$7.7 million. A year-end action is recommended to decrease the revenue estimate by \$1.5 million, offset by reductions to the Planning Development

GENERAL FUND (CONT'D.)

Fee Program Reserve (-\$750,000), Planning Development Fee Program Personal Services (-\$600,000), and Planning Development Fee Program Non-Personal/Equipment (-\$150,000).

Public Works Fee revenues through April of \$10.2 million are 16.0% above the prior year level of \$8.8 million for the same period. The 2017-2018 budget revenue estimate of \$12.4 million requires growth of 13.9% from 2016-2017 actual collection levels of \$10.9 million. The revenue collections are comprised of \$6.3 million from the Development Services Fee Program and \$3.9 million from the Utility Fee Program. Revenues in engineering residential and engineering non-residential are below estimated levels due to lower activity levels. However, these are offset by a significantly higher than estimated collection in the utility excavation, utility reimbursement – USA utilities, and grading permits. Public Works Fee revenues are currently anticipated to end the year within budgeted levels.

EXPENDITURES

Through April, General Fund expenditures (without encumbrances) of \$1.0 billion are 13.9% above the prior year level of \$896.5 million. Encumbrances of \$56.5 million are 3.3% above the prior year level of \$54.7 million. Total General Fund expenditures and encumbrances through April of \$1.08 billion constitute 71.8% of the total 2017-2018 Modified Budget (\$1.5 billion including reserves; \$1.35 billion, or 79.9%, excluding reserves).

While expenditures through April in most categories are within estimated levels, a few departments are tracking above the budgeted estimate in personal services expenditures, including the Police, Public Works, and Environmental Services Departments. The Environmental Services Department is tracking to end the year above budgeted levels (\$130,000) due to higher than budgeted retirement costs as well as additional overtime needed to address the backlog of illegal dumping that occurred after the 2017 Coyote Creek Flood. In addition, the Police and Public Works Departments are anticipated to exceed the personal services budgets by \$1.6 million and \$5.0 million, as discussed in detail below. Recommendations to allocate additional funding to the Personal Services appropriations in the Police, Public Works, and Environmental Services Departments are included in the 2017-2018 Year-End Budget Clean-Up memorandum, which will be considered by the City Council on June 19, 2018. Other year-end budget adjustments are also recommended to address funding needs in particular areas, such as Election and Ballot Measures, Police Workers' Compensation Claims, and the Homeless Response Team. There is sufficient revenue as well as expenditure savings in some areas to completely offset the year-end expenditure adjustments.

Following is a discussion of the Police and Public Works Departments, as well as the Fire Department.

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

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
Police	\$ 384,056,530	\$ 313,625,093	\$ 280,940,457

Overall, the Police Department's expenditures are above the estimated levels through April. Personal Services expenditures of \$292.3 million, or 82.1% of the Modified Budget, are higher than the expected levels of 80.8% at this point of the year. The overtime budget was increased from \$17.3 million to \$30.3 million as part of the Annual Report, which was approved by the City Council on October 17, 2017. Including this adjustment, overtime continues to track well above the budgeted level. Through April, overtime expenditures totaled \$36.3 million, which exceeded the Modified Budget of \$30.4 million by \$5.9 million, or 19.6%.

Based on current overtime trends, and taking into account the three academies that are occurring in 2017-2018, personal services expenditures are anticipated to exceed the Modified Budget by year-end by approximately \$6 million (1.7%). The Police Department has worked diligently to fill vacancies in both sworn and civilian positions. Vacancy savings have been used to backfill positions in Patrol. However, as the Department fills vacancies, these savings have decreased. While the goal is to fill the vacancies and eliminate the need to backfill positions, new recruits are in academy training and field training for 10-12 months and not available to respond to calls for service. Because overtime has been used to staff patrol while the officers are in training, without the associated vacancy savings, personal services is projected to exceed the budget.

To address the personal services overage, the Police Department implemented various cost control procedures, including capping overtime pay per pay-period, increasing review of overtime usage per unit, and reallocating sworn staff to maximize levels in Patrol. The Department issued a directive to eliminate all discretionary overtime and issued overtime reduction targets to each Bureau Chief. In addition, as recruits become street ready, overtime hours that are used to backfill patrol vacancies decrease.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of April 2018 was 258,490 hours for sworn personnel. This represents an increase of 49,246 hours or 23.5% compared to the April 2017 balance of 209,244. The Police Department released an internal memorandum reporting on the high level of compensatory time and has directed sworn staff to decrease their balances to 240 hours or less as required by the Memorandum of Agreement with the POA. A reduction in the compensatory balance for sworn staff would alleviate the one-time payout expenses the Department has been incurring for staff with more than 480 compensatory hours.

The chart below outlines current authorized sworn staffing levels and the number of street-ready sworn positions available at work:

GENERAL FUND (CONT'D.)

	2016-2017 (as of 4/27/2018)	2017-2018 (as of 4/27/2018)
Authorized Sworn Staffing	1,109	1,109
Vacancies	(178)	(72)
Filled Sworn Staffing	931	1,037
Field Training Officer/Recruits	(60)	(129)
Street-Ready Sworn Positions Available	871	908
Disability/Modified Duty/Other Leaves	(80)	(82)
Street-Ready Sworn Positions Working	791	826

To fill the vacant sworn positions and put more Police Officers back on patrol, the Department is conducting three Police Recruit Academies in 2017-2018; the first academy began in October 2017, the second one began in February 2018, and the third academy will begin in June 2018. The October 2017 Academy recently graduated 47 recruits and the February 2018 Academy has 53 recruits. It is anticipated that the June 2018 Academy will have 60 recruits.

A total of \$21.4 million (76.2%) of the Police Department's non-personal/equipment budget was expended or encumbered through April. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$2.0 million, or 8.5% of the non-centrally-determined appropriation available for the remainder of the year. Expenditure savings in the centrally-determined details are anticipated at year-end. Any uncommitted non-personal/equipment savings that are available will be used to partially offset the personal services overage.

Recommendations are included in the 2017-2018 Year-End Budget Clean-Up memorandum to increase the Personal Services appropriation by \$6.0 million, partially offset by a reduction to the Non-Personal/Equipment appropriation of \$1.95 million, resulting in a net impact of \$4.05 million. This represents approximately 1% of the Police Department budget. The Department will continue to work to minimize any year-end overage.

<u>Department</u>	<u>2017-2018 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$ 219,989,622	\$ 177,522,337	\$ 162,819,143

Overall, Fire Department expenditures are at estimated levels through April. Personal services expenditures of \$169.8 million, or 80.7% of the Modified Budget, are slightly under than the expected levels of 80.8% at this point of the year. The Fire Department's non-personal/equipment budget of \$9.7 million has been 79.8% expended or encumbered through April, and are expected to end the year within or below budgeted levels.

GENERAL FUND (CONT'D.)

Absences and vacancies in line positions are supplemented with relief personnel and/or off-duty personnel who are brought back on overtime to backfill vacant line positions. In April, the vacancy rate for sworn positions was 5.3%, compared to 7.1% at the same time in the prior year. Overall, the average vacancy rate of 6.4% is lower than the average vacancy rate of 9.2% in April 2017; but is well above the budgeted rate of 2.8%. The 2017-2018 Firefighter Recruit Academy started on November 6, 2017 and completed in March 2018, with a total of 22 Firefighter Recruits. Factoring in the graduating recruits, the number of vacant sworn staff decreases from 28 to 6. The next Firefighter Recruit Academy is anticipated to begin in fall 2018 and may include up to 27 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 April, of the 32 current authorized staffing level, the Fire Department had 28 sworn personnel on administrative assignments.

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
Public Works	\$ 45,129,468	\$ 38,321,285	\$ 36,090,080

Overall, Public Works Department expenditures are tracking above estimated levels due to higher personal services expenditures. Through April, the Public Works Department personal services expenditures (including Fee Program) total \$26.6 million, or 83.7% of the Modified Budget of \$31.8 million. This expenditure level exceeds the expected level of 80.8% at this time of the year due to higher non fee-related expenditures. The Non-Fee personal services expenditures total \$18.5 million or 87.2% of the Modified Budget of \$21.2 million, while the Fee Program personal services expenditures are below budget (76.6% expended through April). The Public Works Department's non-personal/equipment budget of \$13.3 million (\$13.0 million for Non-Fee Development) was 87.9% expended or encumbered (88.3% for Non-Fee Development) through April. It is currently anticipated the non-personal/equipment budget will end the year within budgeted levels.

Personal services expenditures are tracking to exceed the budget by \$1.55 million due to a combination of factors, including higher than anticipated retirement (\$800,000), overtime (\$300,000), and part-time employee (\$650,000) expenditures, partially offset by full-time salary savings (\$200,000). Retirement costs are impacted when vacant positions that are budgeted at the Tier II level are filled with existing City employees who are classified as Tier 1. Part-time and overtime costs at the Animal Services Center increased due to the Department's ongoing efforts to maintain the save rate (92%) while keeping up with growing intakes, including a cat intake increase of approximately 1,500 per year above recent years. The facilities management group also experienced higher levels of overtime for call backs and emergency maintenance needs. A review of the Department's Base Budget to deliver existing services will be completed for the 2019-2020 budget process to determine if any ongoing adjustments are necessary.

GENERAL FUND (CONT'D.)

A recommendation is included in the 2017-2018 Year-End Budget Clean-Up memorandum to increase the Public Works Department's Personal Services appropriation by \$1.55 million. To reduce personal services expenditures, the Public Works Department is decreasing overtime and part-time usage and shifting focus to Capital-funded projects, as appropriate.

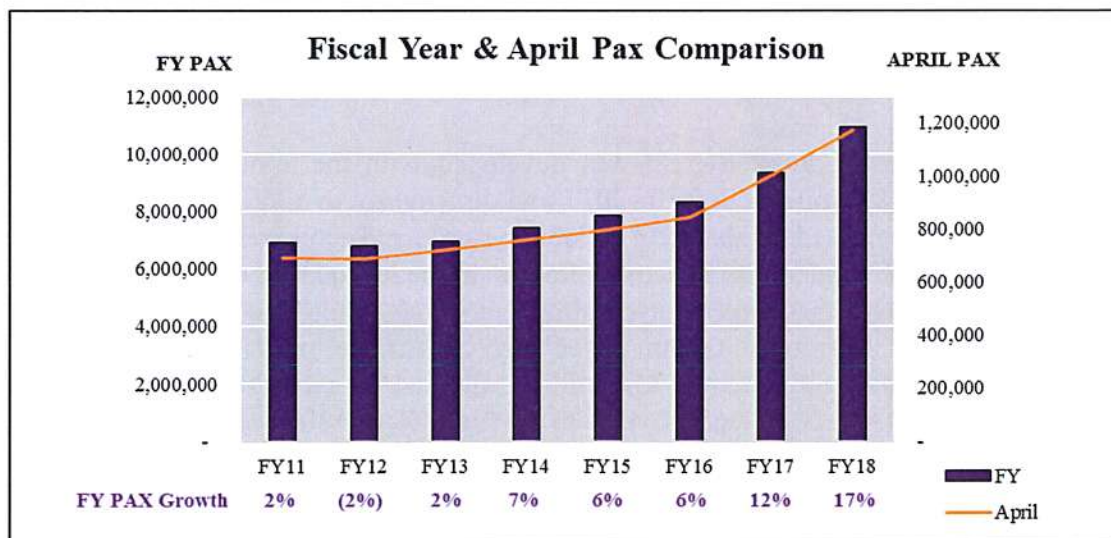
CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2016-2017 Annual Report, increasing the Reserve by \$500,000; from \$36.0 million to \$36.5 million. The increased 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 10.9 million passengers, an increase of 17.3% from the figures reported through April of the prior year. International passengers represent an increase of 11.8% from prior fiscal year boosted by the start of Aeromexico to Guadalajara in July, Volaris to Morelia and Zacatecas in December, and Southwest to Cabo San Lucas in March. The chart below depicts the year-over-year change for the month of April and fiscal year-to-date for the last eight years. Fiscal year-to-date mail, freight, and cargo totaled 100.3 million pounds, which represents a 1.2% decrease over fiscal year-to-date April of 2017-2018. The mail, freight, and cargo decrease is due to a decrease in domestic cargo.



OTHER FUNDS (CONT'D.)

Many revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 12.6%, Landed Weights by 14.2%, Gallons of aviation fuel sold by 16.3%, Parking by 6.0%, and Ground Transportation (taxicabs & TNC's) operations by 118.3%. The Ground Transportation increase of 118.3% is partially attributed to the Municipal Code change approved in June 2017 that became effective in October 2017, allowing for counting and charging for both TNC passenger drop-off and pick-up trips. Through April, overall revenue performance at the Airport tracked 7% above estimated levels. Airfield revenues tracked 15% higher than the benchmark substantially due to air carrier parking, the in-flight kitchen, and ground support concession revenues. General and Non-Aviation revenue tracked 16% higher than the benchmark primarily due to interest earnings and a litigation settlement payment. Terminal Concessions tracked 13% higher than the benchmark and Parking & Roadway (P&R) tracked 14% higher than benchmark. Terminal Concessions tracked higher than benchmark due to advertising, food & beverage, and lounge revenues. P&R tracked higher than benchmark due to public parking and ground transportation trip fee revenue.

Through April, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures are below budgeted levels. In the Maintenance and Operation Fund personal services expenditures were 72.7% of budget compared to the benchmark of 80.8%, while non-personal/equipment expenditures were 58.8% compared to the benchmark of 74.7%. Non-personal/equipment expenditures in the Customer Facility and Transportation Fee Fund were 75.5% compared to the straight-line benchmark of 83.3%. The activity, revenue, and expenditure status will continue to be closely monitored.

Construction and Conveyance Tax Funds

Collections through April 2018 totaled \$34.1 million, which is 81.3% of the 2017-2018 Modified Budget estimate of \$42.0 million. This collection level is 9.6% above the \$31.0 million received through April 2017. In addition, the City has received May Conveyance receipts from Santa Clara County, which total \$4.4 million, an 18.2% increase from the \$3.7 million Conveyance receipts received in May 2017.

The 2017-2018 Adopted Capital Budget was developed with the assumption that C&C Tax receipts would total \$38.0 million in 2016-2017 and dip slightly to \$36.0 million in 2017-2018. These assumptions were based on historical collection trends and actual receipts received in 2016-2017, allowing for some moderation in activity levels. In the last quarter of 2016-2017, however, tax receipts had a stronger than expected performance, which resulted in the 2016-2017 receipts totaling \$43.3 million. Due to the unanticipated high collections in 2016-2017, the 2017-2018 C&C Tax Adopted Budget estimate of \$36.0 million, allowed for a 16.9% decline in tax revenue from the 2016-2017 actual tax collection. Due to the high C&C collections through the first half of the fiscal year, the 2017-2018 Mid-Year Review, which was approved by the City Council on February 13, 2018, increased the C&C budget estimate to \$42.0 million. Based on year-to-date collections, receipts are now projected to exceed the Modified Budget.

OTHER FUNDS (CONT'D.)

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). The local real estate market is continuing to experience extremely strong growth compared to prior year levels. The median single-family home price in April 2018 of \$1.3 million is up 30.1% from the April 2017 price of \$980,000. The April 2018 level represents the highest single family median home price in the City of San José's history. It is also taking significantly less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in April 2018 totaling 11 days, a 44.7% drop from the 19 days experienced in April 2017. Also of interest is the continued tightening of inventory available in the housing market. The average number of new listings through April 2018 totaled 648, which is 9.8% below the average number of new listings recorded in the same period of the prior fiscal year. While the median home price has risen and the length of time to sell these more expensive homes has decreased, the number of property transfers (sales) through April 2018 has dropped. The number of property transfers through April 2018 totaled 5,995, which represents a 3.7% drop from the 6,223 transfers that occurred through April 2017. The decrease in property sales compared to prior year levels is primarily attributable to the limited inventory available on the housing market.

Other Construction-Related Revenues

Through April, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are tracking lower than receipts in 2016-2017 through the same period, as anticipated. Construction 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. Following is a discussion on the overall performance of both the Construction Excise and Building and Structure Construction taxes.

The 2017-2018 revenue estimate for the **Construction Excise Tax** is \$24.0 million, a decrease of \$6.2 million (20.5%) from the extremely high revenue of \$30.2 million received in 2016-2017. Receipts through April total \$25.0 million, 104% of estimated revenue for 2017-2018, but \$672,000 below the same period for 2016-2017. Activity levels for all categories of building use (residential, commercial, and industrial) were lower than the same period last fiscal year. Key drivers of valuation amounts for the year included permits being issued for large, high value projects in October, resulting in exceptionally high collections compared to historical amounts; and total industrial activity being significantly lower than last fiscal year.

Based on the strong year-to-date performance and historical trends, Construction Excise Tax revenue is anticipated to end the year at approximately \$29.0 million, \$5.0 million above the 2017-2018 budgeted estimate of \$24.0 million. A recommendation to increase the revenue estimate and allocate the funding to Pavement Maintenance – City (in accordance with prior City Council direction) is included in the 2017-2018 Year-End Budget Clean-Up memorandum.

OTHER FUNDS (CONT'D.)

The 2017-2018 revenue estimate for the **Building and Structure Construction Tax** is \$18.0 million, a decrease of \$5.3 million (22.9%) from the extremely high revenue of \$23.3 million received in 2016-2017. Receipts through April total \$18.5 million, 103% of estimated revenue for 2017-2018, but \$1.4 million below the same period for 2016-2017. Activity levels for all categories of building use (residential, commercial, and industrial) were lower than the same period last fiscal year. Key drivers of valuation amounts for the year included permits being issued for large, high value projects in October, resulting in exceptionally high collections compared to historical amounts; and total industrial activity being significantly lower than last fiscal year.

Based on the strong year-to-date performance and historical trends, Building and Structure Construction Tax revenue is anticipated to end the year at approximately \$21.0 million, \$3.0 million above the 2017-2018 budgeted estimate of \$18.0 million. A recommendation to increase the revenue estimate by \$3.0 million and allocate the funding to the Building and Structure Construction Tax Ending Fund Balance will be included in the 2017-2018 Year-End Budget Clean-Up memorandum.

Self-Insured Medical Fund

The Self-Insured Medical Fund was established in January 2017 to account for the City-funded Preferred Provider Organization (PPO) plan. On June 21, 2016, the City Council authorized the City Manager to enter an agreement with Blue Shield of California to provide a City-funded PPO medical insurance plan for employees, pre-65 retirees, and dependents. In 2016, the City issued an off-cycle RFP to identify a health care provider with rates competitive with Kaiser to create a more sustainable non-Kaiser option. Sutter Health Plus offered an HMO plan that could compete with Kaiser but did not offer a PPO plan. Blue Shield would provide a City-funded PPO plan but would not offer a fully insured PPO plan. To retain a PPO and offer active employees and retirees options, the Administration recommended the City-funded PPO plan.

The 2017-2018 revenue estimate for the Self-Insured Medical Fund of \$13.6 million, represents an increase of \$6.9 million, or 102.9%, from the 2016-2017 collection level of \$6.7 million. This significant increase is primarily due to 2016-2017 only representing six months of collection as the fund was established in January 2017. Receipts through April totaled \$11.2 million (81.6% of the budget), which is approximately \$4.3 million higher than the same period for 2016-2017. Current year revenues have primarily been generated from Reimbursements from Retirement Funds (\$8.4 million), Participant Contributions (\$1.3 million), and Reimbursements from City Funds (\$1.2 million). Based on year-to-date information and the most current enrollment data, it is anticipated that the total revenues generated from the Self-Insured Medical Fund will end the year at \$12.3 million, which is \$1.3 million, or 9.4%, below the budget. This figure takes into account the plan enrollment changes that occurred in January 2018 during the open enrollment period. During the open enrollment period for the 2018 calendar year, enrollees in the plan declined 14.4%, including a 10.7% drop for active employees and a 15.4% drop for retirees. This loss far exceeded the estimated decline of 2% expected from rate increases implemented effective January 2018. Retirees account for 77.5% of the participants in this plan, therefore, the largest

OTHER FUNDS (CONT'D.)

negative revenue variance is anticipated in the reimbursements from Retirement Funds, which is expected to end the year at \$9.1 million, which is 11.2% below the budgeted estimate.

In addition, through April expenditures in the Self-Insured Medical Fund are higher than anticipated. Expenditures totaled \$11.0 million through April, or 83.6% of the budget, which is higher than the 80.8% expected at this point in the year. This variance is primarily due to higher than anticipated Payment of Claims expenditures. The Self-Insured Medical Fund Payment of Claims expenditures totaled \$10.0 million through April, which represents 84.5% of the \$11.8 million Modified Budget. Based on current trends and the actuarial analysis, it is anticipated that the Payment of Claims will end the year approximately \$900,000, or 8%, above the budget. The higher expenditures in this area will be partially offset by savings in other appropriations; however, it is anticipated the total expenditures in the fund will end the year approximately \$800,000, or 6% above the budgeted level.

With both lower projected revenues and higher expenditures negatively affecting the Self-Insured Medical Fund, the Ending Fund Balance is projected to end the year at negative \$1.57 million. To offset the projected shortfall in the Self-Insured Medical Fund, a \$1.65 million reserve (Self-Insured Medical Fund Reserve) was established in the General Fund as part of the 2017-2018 Mid-Year Budget Review. A recommendation is included in the 2017-2018 Year-End Budget Clean-up memorandum to allocate \$1.65 million from the Self-Insured Medical Fund Reserve in the General Fund to the Self-Insured Medical Fund Ending Fund Balance to ensure it remains positive by year-end. Other actions are recommended at year-end to ensure the fund remains in balance, the largest of which include a reduction to the Transfers and Reimbursements revenue estimate (-\$1.3 million) to reflect lower City and Retirement Fund reimbursements, the elimination of the Self-Insured Claims Reserve (\$500,000), and increase the Payment of Claims (\$936,000) appropriation.

CONCLUSION

As has been reported in previous Bi-Monthly Financial Reports, the 2017-2018 Mid-Year Report, and the 2018-2019 Proposed Budget, the local economy continues to show positive economic performance. With this continued solid performance, the economically sensitive revenues are generally meeting or exceeding the budgeted estimates for 2017-2018.

Overall, the City's funds appear to be performing within budgeted expectations through April with some variances in individual funds. In the General Fund, revenues are tracking to exceed the budgeted estimate by approximately \$35 million. General Fund expenditures in most categories are within estimated levels; however, a few departmental and City-Wide Expenses appropriations are tracking above the budgeted estimates. Adjustments are included in the 2017-2018 Year-End Budget Clean-Up memorandum to address projected overages in individual appropriations. There is sufficient revenue as well as expenditure savings in some areas to completely offset the year-end expenditure adjustments.

CONCLUSION (CONT'D.)

Excess revenue, expenditure savings, and the liquidation of prior year carryover encumbrances in the General Fund were assumed as a funding source in development of the 2018-2019 Budget. These sources were expected to generate \$32.6 million in 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance and were programmed as a funding source in 2018-2019. The 2017-2018 Year-End Budget Clean-Up memorandum, which is agendaized for the June 19, 2018 City Council meeting, establishes the 2017-2018 Ending Fund Balance Reserve (\$27.0 million) in the General Fund. Additional revenue, expenditure savings, and liquidation of carryover encumbrances are anticipated to be realized by year-end to fully meet the 2018-2019 Beginning Fund Balance estimate.

The 2017-2018 Year-End Budget Clean-Up memorandum also includes recommendations to adjust both the General Fund and various Special and Capital Funds to align the budget with current estimates to avoid any overages in individual appropriations, and to recognize new revenues and associated expenditures and reserves. The final outcome of the 2017-2018 budget performance will be reported through the 2017-2018 Annual Report, scheduled to be released on September 30, 2018 and reviewed by the City Council in mid-October 2018.



MARGARET MCCAHAN

Budget Director

Attachment: Finance Department Monthly Financial Report, Financial Results for the Month Ended April 30, 2018, for Fiscal Year 2017-2018



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the Month Ended April 30, 2018

Fiscal Year 2017-2018

(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended April 30, 2018
Fiscal Year 2017-2018
(UNAUDITED)

Table of Contents

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

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended April 30, 2018
Fiscal Year 2017-2018
(UNAUDITED)

Table of Contents

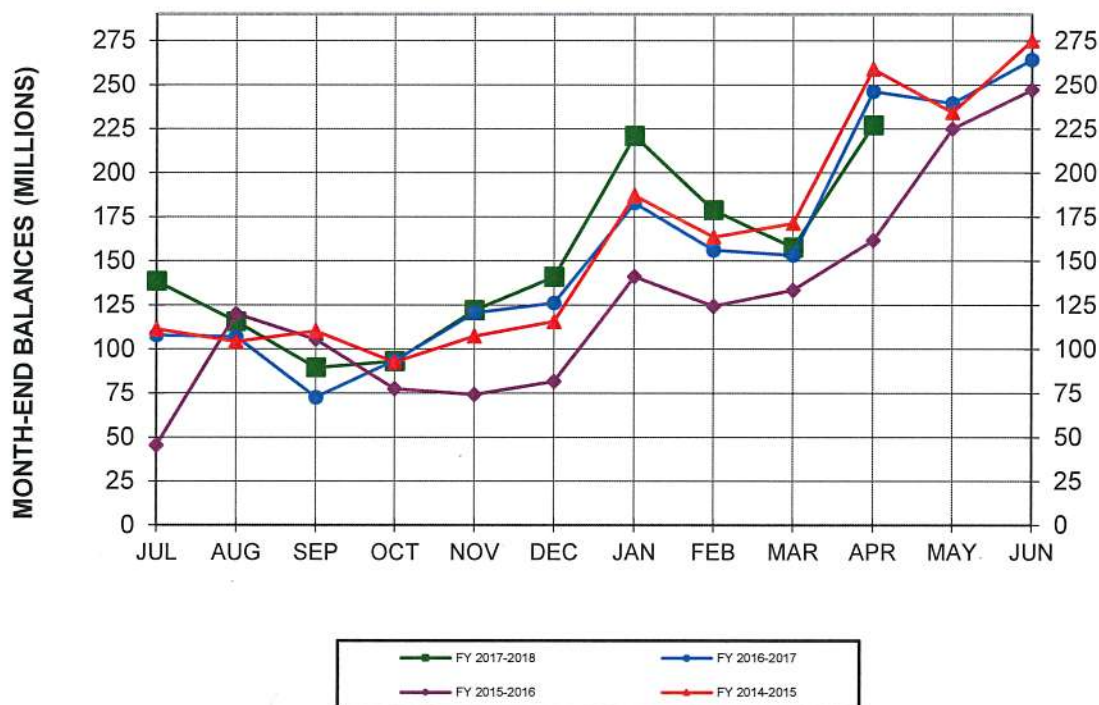
	<i>Page Reference</i>
Other Funds (Cont'd)	
<i>Capital Project Funds</i>	
Source and Use of Funds.....	15
<i>Other Fund Types</i>	
Source and Use of Funds.....	16

Submitted by:



JULIA H. COOPER
Director, Finance Department

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



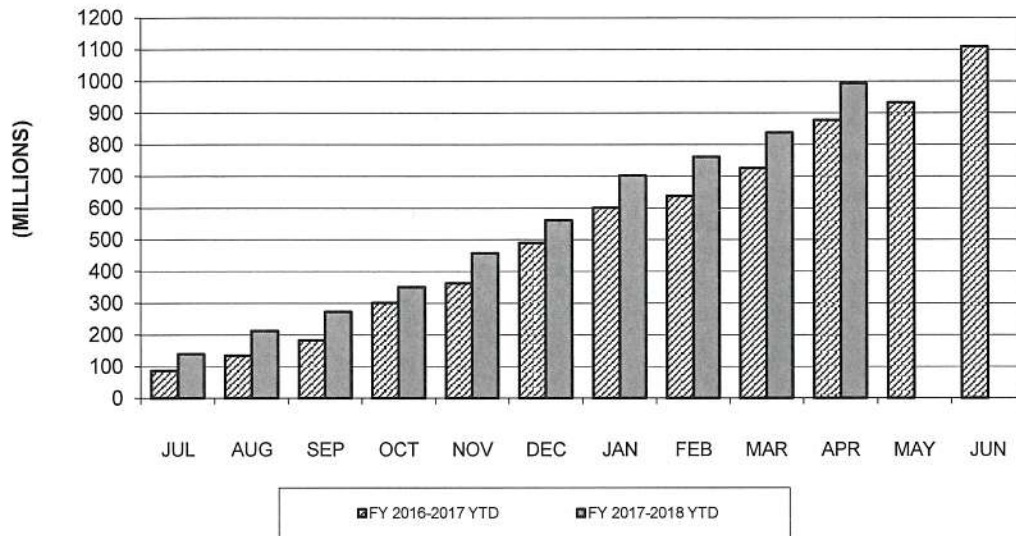
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2017-2018		FY 2016-2017		FY 2015-2016		FY 2014-2015	
JULY (1)	\$	138,576,379	\$	108,012,647	\$	45,401,908	\$	111,318,585
AUGUST		115,540,880		107,081,005		119,988,835		104,337,113
SEPTEMBER		89,537,017		72,718,873		105,422,447		110,248,937
OCTOBER		93,031,593		93,456,157		77,571,562		92,649,862
NOVEMBER		122,022,698		120,485,944		74,153,007		107,339,933
DECEMBER		140,886,445		126,203,310		81,796,424		115,544,081
JANUARY		220,937,707		183,072,948		141,189,103		187,078,566
FEBRUARY		178,836,751		156,320,836		124,444,495		163,468,559
MARCH		157,759,493		153,282,389		133,493,608		171,379,481
APRIL (2)		227,063,040		246,281,183		161,690,247		258,939,637
MAY		-		239,467,743		224,983,657		234,171,050
JUNE		-		264,266,135		247,092,735		274,909,173

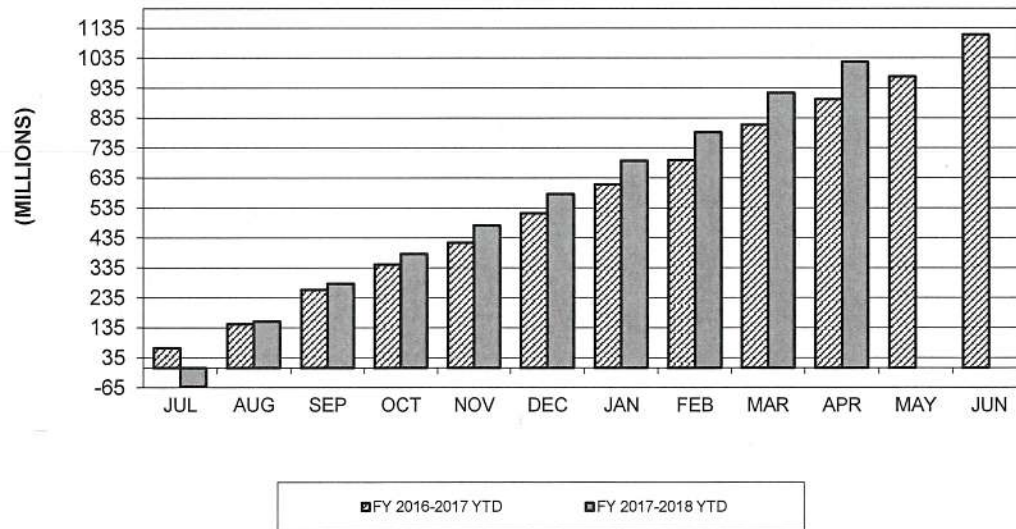
(1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

(2) The General Fund cash balance increases in April or May of every year mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

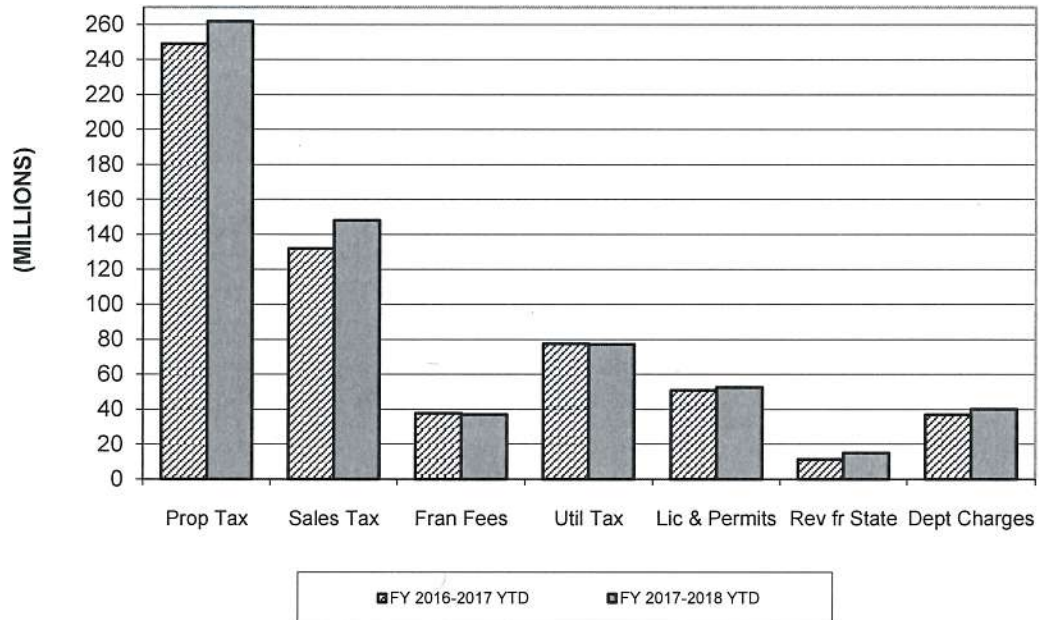
GENERAL FUND
Comparison of YTD Revenues vs. Prior YTD Revenues
Actual



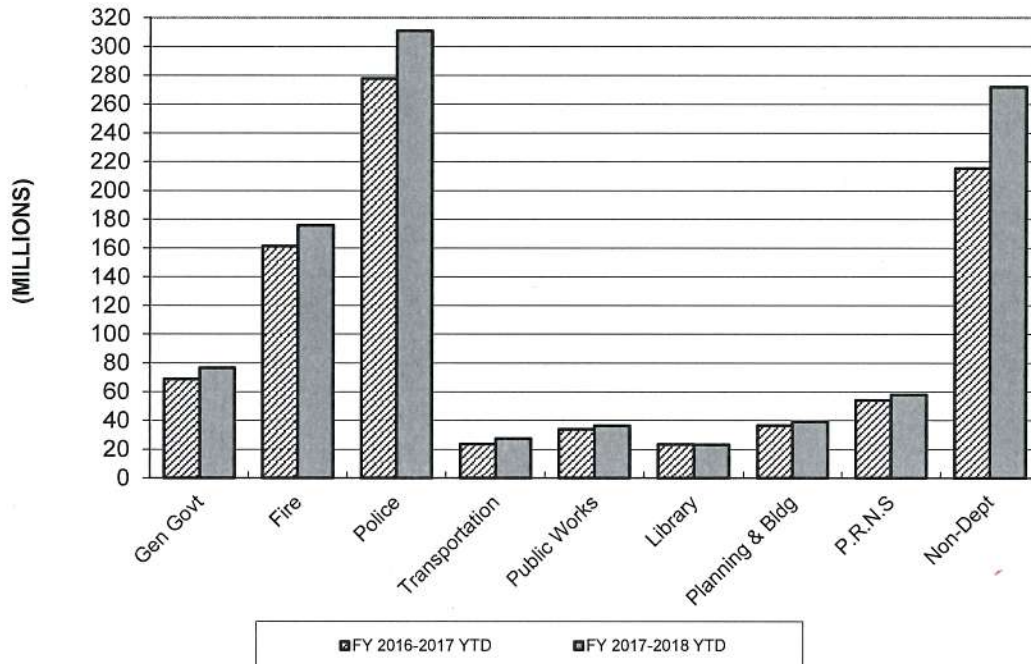
GENERAL FUND
Comparison of YTD Expenditures vs. Prior YTD Expenditures
Actual



GENERAL FUND MAJOR REVENUES Comparison of YTD Actual vs. Prior YTD Actual



GENERAL FUND MAJOR EXPENDITURES Comparison of YTD Actual vs. Prior YTD Actual



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 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	-	-	46,640	46,640	46,640	100.00%	37,907	101.09%	37,497	8,733	23.04%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	217,204	23,969	-	241,173	241,173	100.00%	255,206	100.00%	255,206	(14,033)	-5.50%
Total Fund Balance	217,204	23,969	46,640	287,813	287,813	100.00%	293,113	100.14%	292,703	(5,300)	-1.81%
General Revenues											
Property Tax	288,990	-	-	288,990	261,857	90.61%	249,082	90.12%	276,388	12,775	5.13%
Sales Tax (1)	228,000	(4,000)	-	224,000	148,046	66.09%	131,863	63.49%	207,695	16,183	12.27%
Telephone Line Tax	20,000	-	-	20,000	15,151	75.76%	15,051	74.29%	20,260	100	0.66%
Transient Occupancy Tax	18,720	-	-	18,720	13,539	72.32%	13,114	71.76%	18,275	425	3.24%
Franchise Fees	50,813	-	-	50,813	36,974	72.76%	37,655	75.85%	49,642	(681)	-1.81%
Utility Tax	101,320	-	-	101,320	77,045	76.04%	77,406	76.80%	100,786	(361)	-0.47%
Business Taxes	63,300	85	-	63,385	57,306	90.41%	43,048	79.49%	54,159	14,258	33.12%
Licenses and Permits	59,778	(108)	-	59,670	52,594	88.14%	50,904	87.65%	58,075	1,890	3.32%
Fines, Forfeits and Penalties	15,336	-	-	15,336	11,047	72.03%	12,767	78.11%	16,345	(1,720)	-13.47%
Use of Money and Property	5,640	65	-	5,705	6,350	111.31%	5,413	79.78%	6,787	937	17.31%
Revenue from Local Agencies	26,040	(2,298)	-	23,742	11,427	48.13%	8,139	29.37%	27,717	3,288	40.40%
Revenue from State of Cal.	12,962	1,220	-	14,182	15,022	105.92%	11,367	81.74%	13,906	3,555	32.15%
Revenue from Federal Government	2,792	2,870	-	5,662	2,346	41.43%	2,369	53.91%	4,394	(23)	-0.97%
Fees, Rates and Charges	48,499	933	-	49,432	40,146	81.21%	36,948	82.36%	44,864	3,198	8.66%
Other Revenues	28,829	155,129	-	183,958	165,204	89.81%	116,402	98.31%	118,408	48,802	41.93%
Total General Revenues	971,019	153,896	-	1,124,915	914,054	81.26%	811,528	79.74%	1,017,701	102,526	12.63%
Transfers & Reimbursements											
Overhead Reimbursements	46,593	-	-	46,593	43,759	93.92%	36,176	92.17%	39,248	7,583	20.96%
Transfers from Other Funds	23,866	-	-	23,866	9,533	39.94%	8,227	24.67%	33,354	1,306	15.87%
Reimbursements for Services	17,970	(10)	-	17,960	25,502	141.99%	20,614	114.79%	17,958	4,888	23.71%
Total Transfers & Reimburse	88,429	(10)	-	88,419	78,794	89.11%	65,017	71.79%	90,560	13,777	21.19%
Total Sources	1,276,652	177,855	46,640	1,501,147	1,280,661	85.31%	1,169,658	83.49%	1,400,963	111,003	9.49%

(*) - 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.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
	BUDGET			BUDGET	ACTUAL (*)	ENCUMBR						
General Government												
Mayor and Council	14,017	399	170	14,586	9,292	119	63.70%	9,210	82.70%	11,137	82	0.89%
City Attorney	14,795	934	754	16,483	12,573	880	76.28%	11,006	75.87%	14,507	1,567	14.24%
City Auditor	2,454	(21)	-	2,433	1,840	-	75.63%	1,757	79.97%	2,197	83	4.72%
City Clerk	2,878	(14)	4	2,868	2,164	34	75.45%	1,837	79.94%	2,298	327	17.80%
City Manager	15,617	2,469	1,239	19,325	13,840	1,609	71.62%	10,411	70.92%	14,679	3,429	32.94%
Finance	16,052	72	506	16,630	12,631	695	75.95%	11,992	77.90%	15,395	639	5.33%
Information Technology	21,138	163	1,448	22,749	12,173	2,318	53.51%	11,496	62.08%	18,518	677	5.89%
Human Resources	8,877	18	127	9,022	6,802	1,093	75.39%	5,908	73.95%	7,989	894	15.13%
Independent Police Auditor	1,346	(3)	2	1,345	1,027	6	76.36%	1,006	83.42%	1,206	21	2.09%
Office of Economic Development	5,711	57	576	6,344	4,163	558	65.62%	4,093	69.29%	5,907	70	1.71%
Total General Government	102,885	4,074	4,826	111,785	76,505	7,312	68.44%	68,716	73.23%	93,833	7,789	11.34%
Public Safety												
Fire	219,215	(103)	878	219,990	175,846	1,676	79.93%	161,431	80.10%	201,539	14,415	8.93%
Police	382,041	768	1,247	384,056	310,876	2,749	80.95%	277,675	80.27%	345,924	33,201	11.96%
Total Public Safety	601,256	665	2,125	604,046	486,722	4,425	80.58%	439,106	80.21%	547,463	47,616	10.84%
Capital Maintenance												
Transportation	35,326	318	636	36,280	27,457	1,967	75.68%	23,719	78.50%	30,217	3,738	15.76%
Public Works	43,878	526	725	45,129	36,284	2,049	80.40%	33,953	78.16%	43,440	2,331	6.87%
Total Capital Maintenance	79,204	844	1,361	81,409	63,741	4,016	78.30%	57,672	78.30%	73,657	6,069	10.52%
Community Service												
Housing	830	-	60	890	248	305	27.87%	536	82.33%	651	(288)	-53.73%
Library	32,488	(43)	83	32,528	23,204	545	71.34%	23,321	78.72%	29,626	(117)	-0.50%
Planning, Bldg & Code Enf.	54,487	516	2,691	57,694	39,134	2,436	67.83%	36,529	75.39%	48,453	2,605	7.13%
Parks, Rec & Neigh Svcs	75,570	371	691	76,632	57,882	3,153	75.53%	54,155	76.76%	70,552	3,727	6.88%
Environmental Services	2,748	266	19	3,033	2,034	479	67.06%	899	64.03%	1,404	1,135	126.25%
Total Community Services	166,123	1,110	3,544	170,777	122,502	6,918	71.73%	115,440	76.61%	150,686	7,062	6.12%
Total Dept. Expenditures	949,468	6,693	11,856	968,017	749,470	22,671	77.42%	680,934	78.66%	865,639	68,536	10.06%

(1) Does not include encumbrance balance.

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

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (1)(*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
					ACTUAL (*)	ENCUMBR						
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	31,501	(14,161)	5,912	23,252	10,705	6,323	46.04%	13,286	35.06%	37,893	(2,581)	-19.43%
Environmental & Utility Services	1,585	1,518	292	3,395	1,850	393	48.60%	1,295	66.51%	1,947	355	27.41%
Public Safety	19,425	5,012	299	24,736	17,339	2,724	70.10%	13,166	74.07%	17,776	4,173	31.70%
Recreation & Cultural Services	10,022	563	611	11,196	6,351	1,357	56.73%	6,468	69.13%	9,356	(117)	-1.81%
Transportation Services	3,550	(649)	-	2,901	1,840	74	63.43%	4,864	76.90%	6,325	(3,024)	-62.17%
Strategic Support	51,783	157,618	3,889	213,290	175,599	3,769	82.33%	133,645	92.91%	143,846	41,954	31.39%
Total City-wide Expenditures	117,866	149,901	11,003	278,770	213,484	14,640	76.58%	172,724	79.54%	217,143	40,760	23.60%
Other Non-Dept Expenditures:												
Capital Improvements	41,739	4,420	23,781	69,940	25,968	19,200	37.13%	14,737	29.89%	49,301	11,231	76.21%
Transfers to Other Funds	32,445	32	-	32,477	32,445	-	99.90%	28,068	100.00%	28,068	4,377	15.59%
Total Non-Dept Expenditures	192,050	154,353	34,784	381,187	271,897	33,840	71.33%	215,529	73.18%	294,512	56,368	26.15%
Reserves												
Contingency Reserve	36,000	500	-	36,500	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	99,134	16,309	-	115,443	-	-	0.00%	-	0.00%	3	-	0.00%
Total Reserves	135,134	16,809	-	151,943	-	-	0.00%	-	0.00%	3	-	0.00%
Total Uses	1,276,652	177,855	46,640	1,501,147	1,021,367	56,511	68.04%	896,463	77.27%	1,160,154	124,904	13.93%

(1) Does not include encumbrance balance.

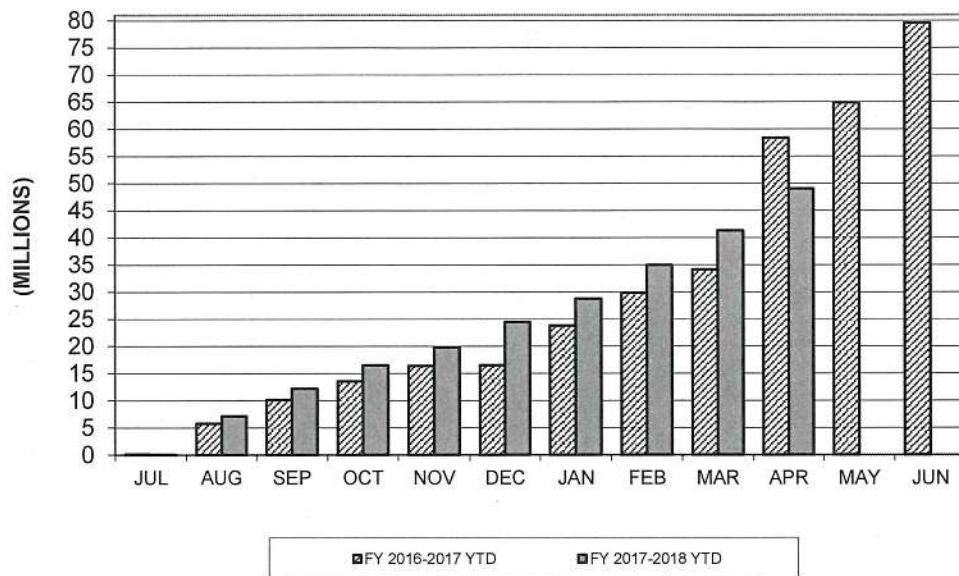
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis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

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

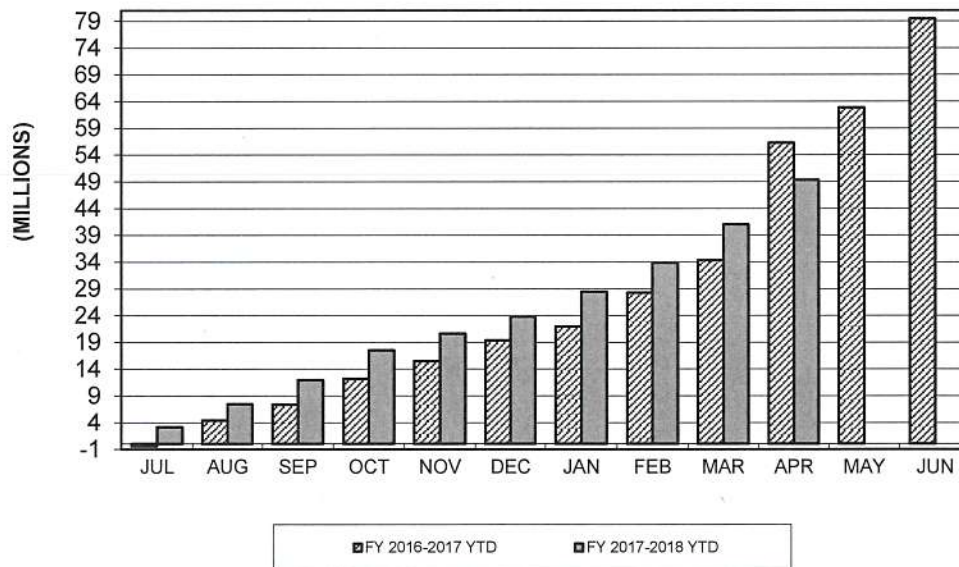
	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,373	-	-	1,373	1,083	78.88%	1,085	89.97%	1,206	(2)	-0.18%
Public Works	11,585	-	-	11,585	10,218	88.20%	8,810	80.72%	10,914	1,408	15.98%
Transportation	1,675	-	-	1,675	1,579	94.27%	1,377	86.33%	1,595	202	14.67%
Library	775	-	-	775	465	60.00%	488	75.08%	650	(23)	-4.71%
Planning, Bldg & Code Enf	7,730	-	-	7,730	4,947	64.00%	3,709	83.39%	4,448	1,238	33.38%
Parks Rec & Neigh Svcs	21,748	-	-	21,748	18,793	86.41%	17,868	85.26%	20,958	925	5.18%
Miscellaneous Dept Charges	3,613	933	-	4,546	3,061	67.33%	3,611	70.90%	5,093	(550)	-15.23%
Total Departmental Revenues	48,499	933	-	49,432	40,146	81.21%	36,948	82.36%	44,864	3,198	8.66%

(*) - 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.

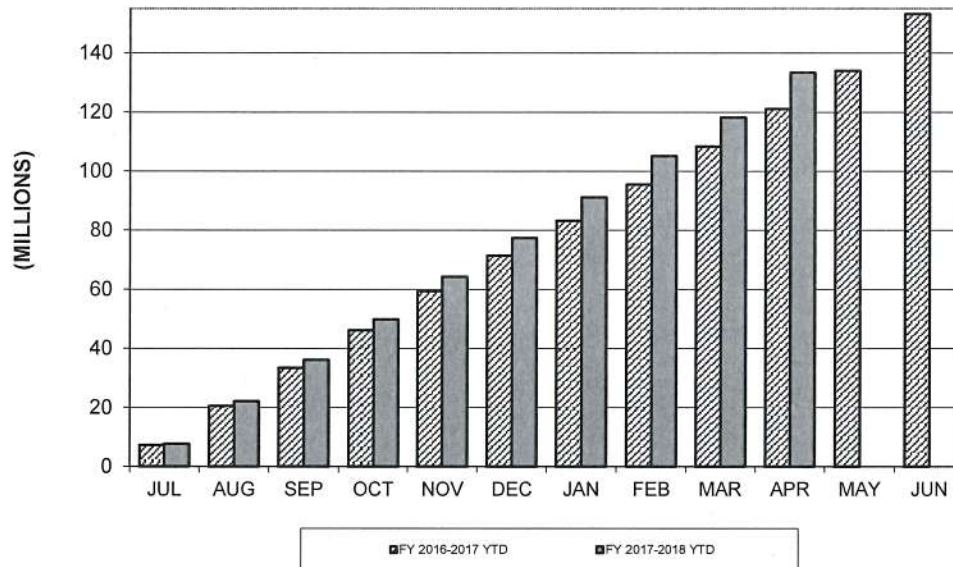
CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues vs. Prior YTD Revenues



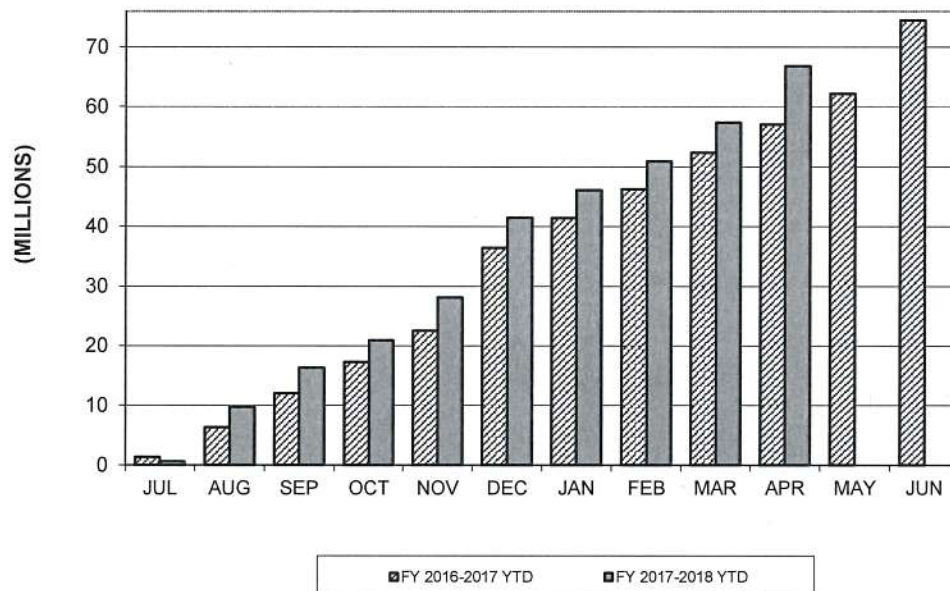
CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures vs. Prior YTD Expenditures



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

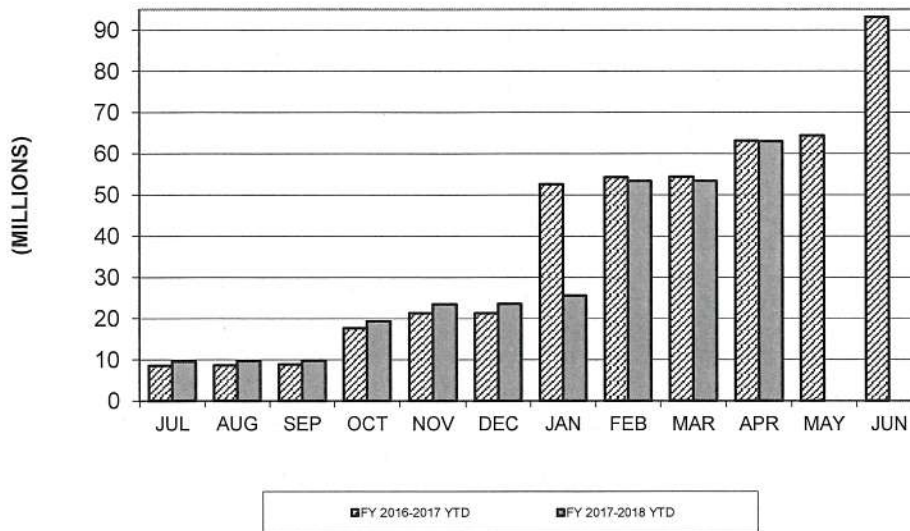


AIRPORT MAINTENANCE & OPERATION FUND 523
Comparison of YTD Expenditures vs. Prior YTD Expenditures

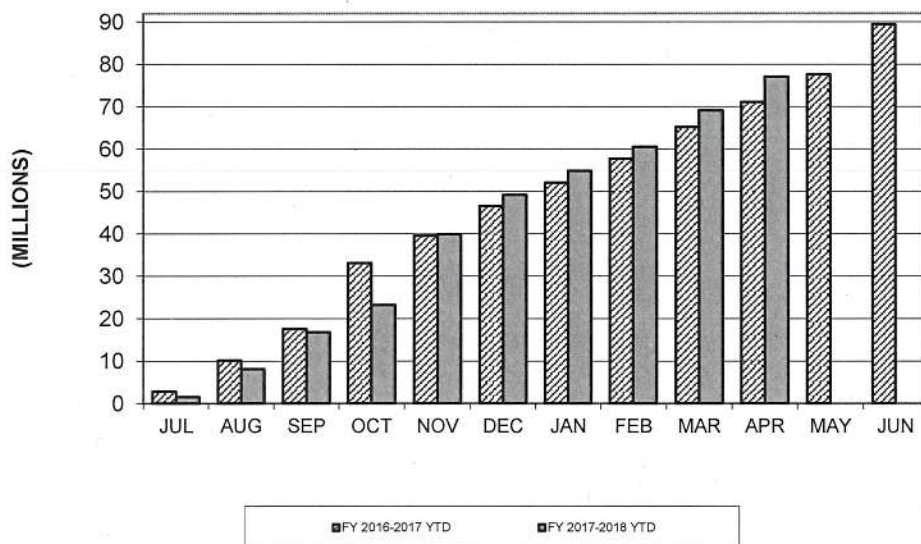


Note: The graphs above include the Airport Revenue Fund (521) and Airport Maintenance & Operation fund (523) only.

WPCP OPERATION FUND 513
Comparison of YTD Revenues vs. Prior YTD Revenues

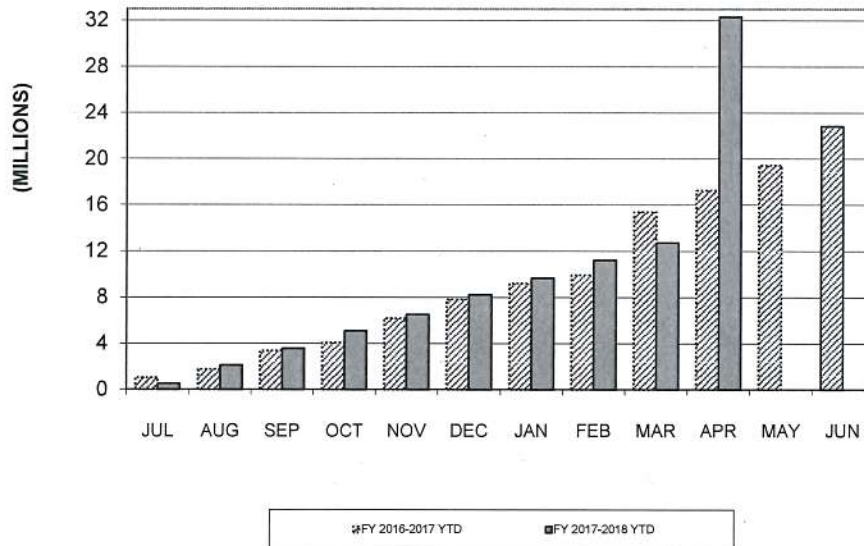


WPCP OPERATION FUND 513
Comparison of YTD Expenditures vs. Prior YTD Expenditures

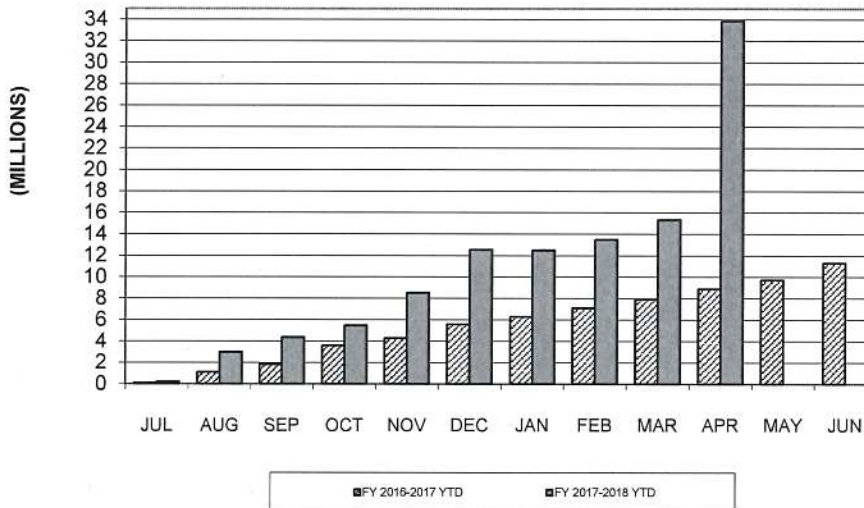


Note: The graphs above are only for the WPCP Operation Fund (513).

GENERAL PURPOSE PARKING FUNDS
Comparison of YTD Revenues vs. Prior YTD Revenues



GENERAL PURPOSE PARKING FUNDS
Comparison of YTD Expenditures vs. Prior YTD Expenditures



Note: The graphs above include the General Purpose Parking Fund (533) and General Purpose Parking Capital Fund (559). The existing General Purpose Parking Fund (533) have historically been budgeted and jointly reporting both operating and capital activities. To improve transparency and better align budget processes with the deployment of the City's new budget system, General Purpose Parking Capital Fund (559) was newly established, separating the corresponding capital project appropriations via transfer to the new fund. During the month of April 2018, \$18M was transferred from the existing fund (533) to the new fund (559) for this purpose.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE ACTUAL ENCUMBR		PRIOR Y-T-D ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	11,363	11,363	11,363	-	6,266
Beginning Fund Balance	70,197	5,983	-	76,180	76,180	-	81,510
Revenues	49,355	31,510	-	80,865	48,952	-	58,343
Total Sources	119,552	37,493	11,363	168,408	136,495	-	146,119
Total Uses	119,552	37,493	11,363	168,408	49,292	15,780	56,227
Airport							
Prior Year Encumbrance	-	-	18,907	18,907	18,907	-	19,929
Beginning Fund Balance	266,405	18,754	-	285,159	285,159	-	290,940
Revenues	460,128	(6,621)	-	453,507	380,818	-	330,173
Total Sources	726,533	12,133	18,907	757,573	684,884	-	641,042
Total Uses	726,534	12,132	18,907	757,573	336,467	33,949	303,798
Waste Water Treatment							
Prior Year Encumbrance	-	-	194,166	194,166	194,166	-	191,832
Beginning Fund Balance	200,202	9,072	-	209,274	209,274	-	219,673
Revenues	462,916	-	-	462,916	313,079	-	289,761
Total Sources	663,118	9,072	194,166	866,356	716,519	-	701,266
Total Uses	663,117	9,073	194,166	866,356	265,522	171,293	238,929
Parking							
Prior Year Encumbrance	-	-	2,939	2,939	2,939	-	804
Beginning Fund Balance	22,153	6,473	-	28,626	28,626	-	20,244
Revenues	16,731	24,339	-	41,070	32,293	-	17,266
Total Sources	38,884	30,812	2,939	72,635	63,858	-	38,314
Total Uses	38,884	30,812	2,939	72,635	33,854	3,594	8,865
Municipal Water							
Prior Year Encumbrance	-	-	3,748	3,748	3,748	-	5,441
Beginning Fund Balance	17,170	5,615	-	22,785	22,785	-	20,223
Revenues	52,109	-	-	52,109	40,389	-	40,120
Total Sources	69,279	5,615	3,748	78,642	66,922	-	65,784
Total Uses	69,279	5,615	3,748	78,642	39,756	4,158	37,391

CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Gas Tax							
Revenues	17,300	-	-	17,300	11,119	-	11,372
Total Sources	17,300	-	-	17,300	11,119	-	11,372
Total Uses	17,300	-	-	17,300	11,119	-	11,372
Building and Structures							
Prior Year Encumbrance	-	-	10,831	10,831	10,831	-	6,947
Beginning Fund Balance	39,882	5,932	-	45,814	45,814	-	44,040
Revenues	31,421	828	-	32,249	23,285	-	21,741
Total Sources	71,303	6,760	10,831	88,894	79,930	-	72,728
Total Uses	71,303	6,760	10,831	88,894	31,071	5,802	13,726
Residential Construction							
Beginning Fund Balance	1,801	278	-	2,079	2,079	-	1,840
Revenues	217	-	-	217	297	-	253
Total Sources	2,018	278	-	2,296	2,376	-	2,093
Total Uses	2,018	278	-	2,296	380	-	36
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	642	642	642	-	498
Beginning Fund Balance	5,094	2,716	-	7,810	7,810	-	7,722
Revenues	28,101	-	-	28,101	20,377	-	19,598
Total Sources	33,195	2,716	642	36,553	28,829	-	27,818
Total Uses	33,195	2,716	642	36,553	22,475	3,070	17,692
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	2,686	2,686	2,686	-	199
Beginning Fund Balance	12,337	836	-	13,173	13,173	-	12,506
Revenues	14,705	11,128	-	25,833	22,036	-	9,436
Total Sources	27,042	11,964	2,686	41,692	37,895	-	22,141
Total Uses	27,042	11,964	2,686	41,692	20,153	3,302	8,597

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Golf							
Beginning Fund Balance	182	24	-	206	206	-	743
Revenues	3,220	-	-	3,220	3,236	-	2,618
Total Sources	3,402	24	6	3,432	3,448	-	3,361
Total Uses	3,402	24	6	3,432	2,654	3	2,760
Other Funds							
Prior Year Encumbrance	-	-	39,468	39,468	39,468	-	34,199
Beginning Fund Balance	320,874	23,788	-	344,662	344,662	-	317,749
Revenues	392,768	17,652	-	410,420	403,878	-	335,049
Total Sources	713,642	41,440	39,468	794,550	788,008	-	686,997
Total Uses	713,642	41,440	39,468	794,550	345,750	97,769	273,253

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction Excise							
Prior Year Encumbrance	-	-	24,764	24,764	24,764	-	30,365
Beginning Fund Balance	76,720	6,722	-	83,442	83,442	-	71,089
Revenues	83,693	20,294	-	103,987	54,739	-	49,599
Total Sources	160,413	27,016	24,764	212,193	162,945	-	151,053
Total Uses	160,413	27,016	24,764	212,193	42,518	21,503	37,873
Other							
Prior Year Encumbrance	-	-	383	383	383	-	1,642
Beginning Fund Balance	28,513	3,644	-	32,157	32,157	-	30,917
Revenues	9,583	63	-	9,646	549	-	521
Total Sources	38,096	3,707	383	42,186	33,089	-	33,080
Total Uses	38,096	3,707	383	42,186	1,224	11,131	1,585

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED APRIL 30, 2018
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	-	-	39	39	39	-	87
Beginning Fund Balance	5,151	3,500	-	8,651	8,651	-	9,527
Revenues	1,644	1,148	-	2,792	3,405	-	2,387
Total Sources	6,795	4,648	39	11,482	12,095	-	12,001
Total Uses	6,795	4,648	39	11,482	3,125	165	3,126

