



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Margaret McCahan

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR SEPTEMBER/OCTOBER 2018

DATE: December 5, 2018

Approved

Date

12-6-18

RECOMMENDATION

Accept the Bi-Monthly Financial Report on actual revenues and expenditures as compared to the 2018-2019 Budget for the four months ending October 2018.

OVERVIEW

The Bi-Monthly Financial Report for September/October 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 has analyzed actual expenditures as compared to the 2018-2019 Modified Budget and the Finance Department has prepared a report that reflects the financial results for the four months ending October 2018.

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

- While it is early in the fiscal year, overall General Fund revenues appear to be tracking at or slightly above estimated levels in the General Fund.
- Overall, General Fund departmental and non-departmental expenditures are within budgeted levels through October, however, a few departments are tracking close to or slightly above estimated levels. Expenditures will continue to be controlled and monitored to ensure appropriations stay within approved levels.

OVERVIEW (CONT'D.)

- The Construction and Conveyance Tax is performing above anticipated levels and will likely exceed the budget by year-end. However, the Building and Structure Construction Tax and Construction Excise Tax collections are both performing below estimated levels and are anticipated to meet or fall below budgeted estimates by year-end.
- With the exception of Planning Permits, Development-related revenues in the General Fund through October are anticipated to meet budgeted levels.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.1 million passengers through October, an increase of 13.6% from the figures reported through October of the prior year. This follows extremely strong growth experienced over the last two years. In 2016-2017, annual passenger growth increased by 12.7% (9.7% growth experienced through October of that fiscal year), and annual passenger growth increased by 17.2% in 2017-2018 (16.8% growth experienced through October of that fiscal year).
- In Silicon Valley, general economic conditions remain positive, but some of the economic indicators are starting to moderate from the strong levels experienced in recent years. The Administration will closely monitor the City's economically sensitive revenues to identify any changes in collection trends as appropriate.
- The Administration will continue to report to the City Council all significant developments through future Bi-Monthly Financial Reports and the 2018-2019 Mid-Year Budget Review that is scheduled to be released on January 31, 2019.

Economic Environment

Silicon Valley continues to show positive economic performance. The October 2018 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.15 million was approximately 3% above the October 2017 level of 1.12 million.



OVERVIEW (CONT'D.)

Between October 2017 and October 2018, employment in the San José MSA expanded by 35,300 jobs. This growth includes an increase of 10,300 jobs in the educational and health services industry, 10,000 jobs in the professional and business services, 7,100 jobs in the information sector, and 5,700 job in the manufacturing sector.¹

Unemployment Rate (Unadjusted)			
	Oct 2017	Sept 2018	Oct 2018**
San Jose Metropolitan Statistical Area*	2.9%	2.5%	2.5%
State of California	4.2%	3.9%	4.0%
United States	3.9%	3.6%	3.5%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** October 2018 estimates are preliminary and may be updated.			

The unemployment rates at the local, State, and national levels have continued to drop compared to the prior year. In October 2018 the unemployment rate for the San José Metropolitan Statistical Area of 2.5% is consistent with the September 2018 unemployment rate and below the October 2017 rate of 2.9%. In this region, the October 2018 unemployment rate continues to be lower than the unadjusted unemployment rate for the State (4.0%) and the nation (3.5%).

Overall construction activity through October 2018 decreased 44% from 2017-2018 levels. The 2018-2019 budget was developed with the expectation that private development activity would drop because activity in 2017-2018 was exceptionally high due to new construction and that level of activity was not expected to continue.

Through October, overall residential permit valuation decreased 40.4% from prior year levels (\$163.3 million in 2018-2019 and \$274.6 million in 2017-2018). Residential activity through October included 691 multi-family units and 135 units for single family construction for a total of 826 units. Notable projects for September and October include a construction permit for a four-story building located on Communications Hill and a one-story 24-unit building and five-story 357-unit building on West Julian Street.

Commercial valuation of \$157.8 million through October 2018 is 43.8% lower than the 2017-2018 level of \$281.1 million. The commercial activity in the month of October was very modest (\$35.3 million) with alterations accounting for most of the commercial activity (\$22.2 million). Recent notable projects include a six-story building and a five-story building on Coleman Avenue, west of the San Jose Airport. A permit was also issued to complete the exterior shell for a 47,000 square foot retail building at the Valley Fair Mall.

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD October 2017	YTD October 2018	% Increase
Residential	\$ 274.6	\$ 163.6	(40.4%)
Commercial	\$ 281.1	\$ 157.8	(43.8%)
Industrial	\$ 250.4	\$ 129.7	(48.2%)
TOTAL	\$ 806.3	\$ 451.1	(44.0%)

¹ State of California Employment Development: Labor Market Information Division Press Release, November 16, 2018

OVERVIEW (CONT'D.)

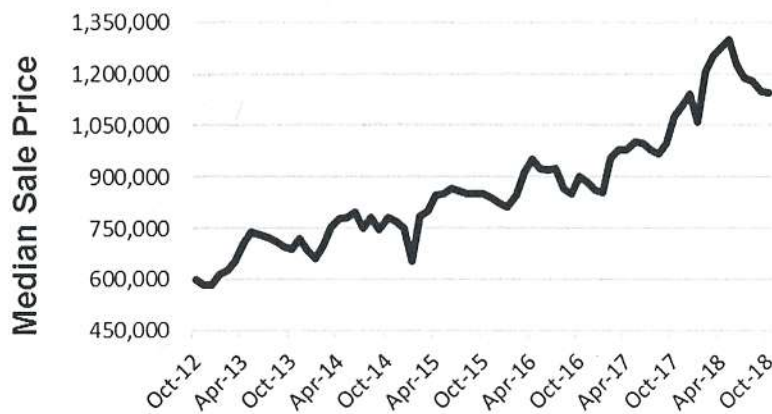
Industrial construction valuation of \$129.7 million through October was also much lower (48.2%) than prior year level (\$250.4 million in 2017-2018). Alterations accounted for all industrial activity in September and October.

The local real estate market continues to experience strong growth in home prices compared to prior year levels, however, signs of the market slowing down may be appearing. According to data from the Santa Clara County Association of Realtors, the median single-family home price in October 2018 of \$1.14 million is up 6.5% from the October 2017 price of \$1.1 million. However, it is important to note that this price is down from the historically high peak price of \$1.3 million experienced in May 2018.

While the median home price has risen from the prior year level, the number of property transfers (sales) through October 2018 has continued to drop. The number of property transfers in October 2018 totaled 596, which represents a 7.8% drop from the 646 transfers that occurred in October 2017 and a 11.2% decrease from the property transfers that occurred in October 2016. The decrease in property sales compared to prior

year levels is primarily attributable to the limited inventory available on the housing market coupled with the significantly high home prices. Homes are continuing to sell quickly; however, they are on the market slightly longer than the prior year. The average days-on-market for single-family and multi-family dwellings in October 2018 totaled 25 days, which is higher than the 17 days experienced in October 2017.

Median Price - Single Family Homes



On a national level, consumer confidence increased again in October, following a slight increase in September. Lynn Franco, Director of Economic Indicators at The Conference Board, stated "Consumer confidence increased in October, following a modest gain in September, and remains at levels last seen in the fall of 2000. Consumers' assessment of present-day conditions remains quite positive, primarily due to strong employment growth. The Expectations Index posted another gain in October, suggesting that consumers do not foresee the economy losing steam anytime soon. Rather, they expect the strong pace of growth to carry over into early 2019."²

Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2018-2019 as well as the development of the 2020-2024 General Fund Forecast that will be released in February 2019.

² The Conference Board, Consumer Confidence Survey, October 30, 2018

GENERAL FUND

REVENUES

General Fund revenues through October 2018 totaled \$344.3 million, which represents a decrease of \$19.4 million (5.3%) from the October 2017 level of \$363.7 million. This decline is primarily due to a significant decrease in the Revenue from Local Agencies (\$12.7 million lower than receipts through October 2017). Beginning in 2018-2019 the Revenue from Local Agencies category no longer includes the Successor Agency to the Redevelopment Agency (SARA) reimbursement for the Convention Center Debt Service. This reimbursement (\$13.6 million) was previously recognized in the Revenue from Local Agencies category and an associated debt service payment was budgeted in the City-Wide Expenses section of the General Fund, however, with the SARA bond refunding that occurred in December 2017, these net zero transactions are no longer needed as the debt service payment is now paid directly by SARA and is no longer backed by the General Fund.

Through October 2018, revenues in several other categories are also experiencing declines compared to prior year levels, including Licenses and Permits, Utility Tax, and Transfers and Reimbursements revenues. The lower collections in these categories are primarily due to timing of payments and slight declines in the budgeted line items.

Overall, through the first third of the fiscal year, General Fund revenues are anticipated to meet or slightly exceed budgeted estimates. The following discussion highlights General Fund revenue activities through October.

KEY GENERAL FUND REVENUES

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 320,450,000	\$ 17,040,991	\$ 17,285,932

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Aircraft Property Tax, and Homeowner's Property Tax Relief. In 2018-2019, Property Tax receipts are estimated at \$320.5 million, which reflects growth of 5.2% over the estimated 2017-2018 collections (Secured Property Tax assumes 5.5% growth and the remaining categories range from 0%-3% growth). The 2018-2019 estimate reflects continued moderate growth as well as a 2.0% California Consumer Price Index increase in the Secured Property Tax category. The preliminary estimate from the County of Santa Clara of \$324.4 million is above the 2018-2019 Adopted Budget estimate by approximately \$3.9 million. This increase is due to higher projected Secured Property receipts of \$4.6 million, which consists of higher ERAF receipts (\$5.5 million) and regular Secured receipts (\$3.2 million), partially offset by lower SARA residual receipts (\$4.1 million). The higher overall Secured Property Tax receipts are partially offset by

GENERAL FUND (CONT'D.)

lower Unsecured Property Tax receipts (\$245,000), SB813 receipts (\$234,000), and Aircraft Property Tax (\$200,000). Additional information about each of the Property Tax sub-categories is provided below.

Secured Property Taxes represent over 90% of the revenue in the Property Tax category. As anticipated, no Secured Property Tax receipts have been received through October due to the scheduled timing of these payments. For 2018-2019, the Adopted Budget estimate of \$295.5 million was based on assumed growth of 5.5% from the 2017-2018 estimated collection level for Secured Property Taxes. The 2018-2019 budget includes \$275.1 million from general Secured Property Tax receipts, \$12.0 million from SARA Residual Property Tax receipts, and \$8.4 million from the distribution of excess Education Revenue Augmentation Fund (ERAF) funds. Based on the most recent information provided by Santa Clara County, Secured Property Tax revenue is anticipated to exceed the budgeted estimate of \$295.5 million by \$4.6 million.

The Adopted Budget assumed \$8.4 million from 2018-2019 excess ERAF funds, which is consistent with the 2017-2018 actual collection level. 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. In November, the County provided preliminary information (that is received from the State of California) that a payment of approximately \$13.8 million may be received in March. The Administration will continue to monitor the distribution of ERAF receipts and may adjust the budget once further information is provided by the County.

As a result of the SARA bond refunding that occurred in December 2017, the City received a residual property tax distribution of \$11.8 million in 2017-2018. The Adopted 2018-2019 Budget assumed receipts would remain fairly flat at \$12.0 million. However, due to outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans anticipated to be paid off within the next year, the SARA residual property tax revenue will be reduced on a one-time basis to an estimated \$8.0 million in 2018-2019, but will increase again in 2019-2020. The City is also expected to receive the SERAF loan repayment revenue in 2019-2020 due to the timing of payments.

In the **Unsecured Property Tax** category, collections through October of \$13.6 million were consistent with the prior year collections. The payment received in October, accounts for the majority of the revenue received in this category for the year. The 2018-2019 Adopted Budget revenue estimate of \$14.5 million requires growth of approximately 3% from actual 2017-2018 collection levels of \$14.0 million. The preliminary estimate from the County of Santa Clara for 2018-2019 of \$14.25 million falls approximately \$245,000 below the budget estimate.

GENERAL FUND (CONT'D.)

For the **SB 813 Property Tax** category, collections totaled \$821,000 through October, which is slightly below the \$887,000 received last year at this time. The 2018-2019 Adopted Budget estimate of \$6.9 million is well below the 2017-2018 actual collection level of \$7.4 million as collections in this category ended 2017-2018 stronger than anticipated. However, the preliminary 2018-2019 estimate from the County of \$6.6 million is \$234,000 below the budgeted estimate.

Aircraft Property Tax receipts of \$2.3 million have been received through October, which is below the prior year receipts of \$2.5 million. Typically, collections through October reflect 95% of the annual revenue for this category. The preliminary estimate from the County for this category totals \$2.5 million, which is approximately \$200,000 below the 2018-2019 Adopted Budget estimate of \$2.7 million.

In the **Homeowners Property Tax Relief** category, revenues in 2018-2019 are expected to be at the budgeted estimate of \$950,000, which is consistent with the 2017-2018 collection level.

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 238,500,000	\$ 38,522,714	\$ 32,841,506

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. When the 2018-2019 Adopted Budget was developed, it was projected that Sales Tax receipts would end 2017-2018 at \$181.2 million and grow 1.7% to \$184.3 million in 2018-2019. This increase reflected underlying quarterly growth of 2.0% as well as a downward adjustment of \$550,000 to account for a prior year accrual adjustment that occurred in 2017-2018. In 2017-2018 Sales Tax receipts, however, ended the year at only \$177.4 million. This lower collection level was due to the under-distribution of sales tax revenue throughout the State. The California Department of Tax and Fee Administration (CDTFA), which is responsible for distributing Sales Tax revenue to jurisdictions in California, implemented a new automated system, which resulted in 3rd quarter and 4th quarter 2017-2018 receipts not being fully disbursed to jurisdictions during the quarter in which the tax revenue was received. The CDTFA has processed the outstanding payments and included the additional revenue in the 1st quarter 2018-2019 disbursement that were received in November 2018. These collections, which represent July to September activity, are currently being analyzed to determine the portion related to the 2017-2018 underpayments and the portion that is attributed to 1st quarter receipts. A \$5 million increase to the 2018-2019 Sales Tax revenue estimate was included in the 2017-2018 Annual Report to conservatively account for the underpayment, however, based on a very preliminary review of the most recent information received from the CDTFA, the underpayment may be \$8-\$9 million. The 1st quarter receipts will continue to be reviewed by the City Manager's Budget Office and MuniServices, the City's Sales Tax consultant, with additional information anticipated to be available for inclusion in the 2018-2019 Mid-Year Budget Review.

GENERAL FUND (CONT'D.)

General Sales Tax receipts in 2017-2018 of \$177.4 million grew 1.5% from the 2016-2017 collection level of \$174.7 million. If the outstanding 2017-2018 payments conservatively estimated at \$5 million had been received, collections would have ended the year at \$182.4 million, 4.4% above the prior year. The year-over-year growth was primarily driven by the 8.75% growth in the first quarter of 2017-2018. That quarter, however, is compared to a very low first quarter in 2016-2017 that resulted from a large negative correction associated with jet fuel sales tax revenues that were allocated to San José in 2015-2016 in error and therefore reversed in 2016-2017.

When the 2018-2019 Adopted Budget was developed, the General Sales Tax estimate of \$184.3 million reflected growth of 1.7% from the 2017-2018 estimate of \$181.2 million. This reflected underlying quarterly growth of 2.0% as well as a downward adjustment of \$550,000 to account for a prior year accrual adjustment that occurred in 2017-2018. Based on the actual 2017-2018 receipts of \$177.4 million plus an additional \$5 million in estimated underpayments, growth of approximately 1% is needed in 2018-2019 over the adjusted 2017-2018 receipts of \$182.4 million. The first quarter 2018-2019 receipts of \$57.9 million were well above the prior year receipts for that quarter of \$45.2 million and include both payments due to the prior year as well as the final payment for the first quarter 2018-2019. As previously mentioned, the City's Sales Tax consultant, MuniServices, will analyze the data and determine the allocation of the payment between the last two quarters of the prior year and the first quarter of 2018-2019.

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, which was implemented in October 2016. Receipts in 2017-2018 represented the first year of full collection of the tax and totaled \$42.6 million, of which \$1.3 million is due to a prior year accrual adjustment that occurred in 2017-2018. In 2018-2019, the Adopted Budget estimate of \$43.0 million reflects underlying quarterly growth of 2.0% as well as a downward adjustment of \$1.3 million to account for the prior year accrual adjustment.

Similar to the General Sales Tax, Local Sales Tax revenue was understated in 2017-2018 due to the CDTFA implementing a new automated system, which resulted in 3rd quarter and 4th quarter receipts not being fully disbursed to jurisdictions during the quarter in which the tax revenue was received. The Local Sales Tax receipts in 2017-2018 were likely understated by over \$1 million as a result of the unallocated payments. The first quarter 2018-2019 receipts of \$13.0 million were well above the prior year receipts of \$10.5 million and include both payments due to the prior year as well as the final payment for the first quarter 2018-2019. These receipts will also be analyzed by MuniServices. As necessary, adjustments to this category will be brought forward during 2018-2019 based on the final reconciliation of 2017-2018 and actual 2018-2019 performance.

Proposition 172 Sales Tax collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. Through October, the **Proposition 172 Sales Tax** receipts of \$1.2 million were 9% above 2017-2018 collections of \$1.1 million through the same period. The 2018-2019 budgeted estimate of \$6.2 million allows for a 2.5% decrease from the 2017-2018 collection level of \$6.4 million. It is currently anticipated that collections will slightly exceed the budgeted estimate by year-end.

GENERAL FUND (CONT'D.)

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 19,700,000	\$ 5,007,614	\$ 4,317,769

The 2018-2019 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$19.7 million, which was built assuming growth of approximately 5% from the 2017-2018 estimated collection level of \$18.7 million. However, since 2017-2018 actual receipts came in above estimated levels at \$19.5 million, growth of less than 1% is needed to meet the 2018-2019 budget estimate. Year-to-date TOT receipts through October of \$5.0 million are 16.0% above the prior year collection level of \$4.3 million. Based on year-to-date receipts and continued hotel occupancy and room rate performance through the first quarter of 2018-2019, as well as anticipated transient bookings associated with the NCAA 2019 College Football Championship and the 2019 Honda NHL All-Start Game, TOT collections are anticipated to exceed the budgeted estimate. Revenues will continue to be monitored and an upward budget adjustment may be brought forward for City Council consideration later in the fiscal year.

Through September, the most recent data available due to decreased reporting from self-reporting hotels, the average hotel occupancy rate at the 12 reporting major hotels was 79.7%, which is consistent with the occupancy rate for the same period in 2017-2018. However, average room rates increased 11%, from \$197.8 to \$219.6, and year-to-date average revenue-per-available room (RevPAR) increased 11%, from \$157.6 to \$175, relative to the same time period in 2017-2018. Team San Jose is also collaborating with hotel partners to reinstate prior levels of self-reporting and evaluating alternative data sources for occupancy and revenue trend analysis.

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 102,400,000	\$ 22,085,336	\$ 27,851,102

The **Utility Tax** category includes the Electricity Utility Tax, Gas Utility Tax, Water Utility Tax, and the Telephone Utility Tax. Through October, Utility Tax receipts of \$22.1 million are 20.7%, below the prior year collection level, which is due to lower collections in the Gas, Electric, and Telephone Utility Tax categories. The 2018-2019 Adopted Budget was built on the assumption that 2017-2018 Utility Tax revenue would end the year at \$101.3 million and grow 1.5% to \$102.4 million in 2018-2019. However, since 2017-2018 ended the year only at \$99.8 million, growth of almost 3% is needed in 2018-2019 to meet the budgeted estimate. Based on historical collection trends and the limited data currently available, it is anticipated that revenue will end the year slightly below budgeted levels.

GENERAL FUND (CONT'D.)

In the **Electricity Utility Tax** category, collections through October totaled \$10.0 million, which is significantly less than the \$14.4 million received in the prior fiscal year. The 2018-2019 Adopted Budget assumed that 2017-2018 receipts would total \$48 million, and grow approximately 2% to \$49 million in 2018-2019. However, since 2017-2018 ended the year at \$46.8 million, growth of almost 5% is needed to meet the budgeted estimate. Based on current collection trends, receipts in this category are anticipated to fall below the budgeted estimate by year-end.

In the **Gas Utility Tax** category, receipts through October totaled \$1.1 million, a 21.8% decrease from the previous year collection of \$1.5 million. The 2018-2019 Adopted Budget estimate of \$10.0 million assumed no growth from the 2017-2018 estimate of \$10.0 million. However, revenues in 2017-2018 ended the year at \$10.6 million, therefore the 2018-2019 estimate allows for an almost 5% drop from the prior year collections. The largest receipts in this category are received over the winter months and the weather conditions significantly affects collection levels. At this point in the fiscal year it is anticipated revenues will end the year within budgeted level.

Water Utility Tax collections of \$4.6 million through October are slightly above the prior year level of \$4.5 million. The 2018-2019 Adopted Budget was built on the assumption that \$16.7 million would be received in 2017-2018, then grow approximately 3% to \$17.2 million in 2018-2019. However, since 2017-2018 receipts only totaled \$15.6 million, growth of 10.4% is required to meet the 2018-2019 budgeted level. Based on current collection trends, receipts in this category are anticipated to fall below the budgeted estimate by year-end.

Collections in the **Telephone Utility Tax** category of \$6.4 million through October are 15.1% below the prior year level of \$7.5 million. Revenues in this category have been consistently decreasing in recent years, which reflects the competition between cellular carriers and the move from some cellular customers to VOIP and other services which are less expensive. The 2018-2019 Adopted Budget estimate of \$26.2 million allows for a 2.4% decrease from the 2017-2018 collection level of \$26.9 million. However, based on current collection trends, receipts in this category are anticipated to fall below the budgeted estimate by year-end.

GENERAL FUND (CONT'D.)

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 69,400,000	\$ 23,356,371	\$ 21,911,310

The Business Taxes category consists of the Cardroom Tax, Disposal Facility Tax, General Business Tax, and Marijuana Business Tax. Through October, overall collections of \$23.4 million are 6.6% above the prior year collection levels of \$21.9 million, primarily reflecting higher collections in the General Business Tax and Marijuana Business Tax categories. The 2018-2019 Adopted Budget estimate of \$69.4 million allows for almost 2% decline from 2017-2018 levels as the result of 2017-2018 ending the year approximately \$2.3 million above the estimated level.

Through October, **Cardroom Tax** receipts of \$4.6 million are consistent with the prior year levels. Because receipts in 2017-2018 slightly exceeded expectations, collections in the category can drop by 1% in 2018-2019 and reach the budgeted estimate of \$18.7 million.

Disposal Facility Tax revenue of \$3.0 million is consistent with prior year levels. Actual landfill activity is known for the first quarter of the fiscal year, which totals \$2.99 million and represent a 0.5% increase from the prior year. The 2018-2019 Adopted Budget of \$11.5 million allows for a 6% drop from the 2017-2018 actual receipts of \$12.3 million, which ended the year above budget due to higher than estimated receipts in the last quarter of 2017-2018. Based on current collection trends, it is anticipated receipts will end the year at or slightly above budgeted levels.

Through October, **General Business Tax** receipts of \$12.0 million are 6.5% above the prior year. The 2018-2019 budgeted estimate assumed 2017-2018 collections would reach \$23.7 million and increase to \$25.7 million in 2018-2019. This factored in 2% underlying growth for inflation adjustments from the 2017-2018 estimate, plus an additional \$1.5 million revenue as the result of the General Business Tax Amnesty Program, which was approved to be implemented in 2018-2019 and would encourage the enrollment of non-compliant businesses. Since actual 2017-2018 receipts totaled \$26.5 million, the 2018-2019 estimate allows for a 3% drop from the prior year. While the General Business Tax Amnesty Program is not expected to begin until the end of the fiscal year, receipts are projected to exceed the budgeted estimate based on prior year actuals and current year activity.

Marijuana Business Tax collections reflect marijuana business tax as well as compliance revenues. Through October, receipts of \$3.7 million are 23.8% above prior year levels of \$3.0 million. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational marijuana use in California. As a result, the sale of recreational cannabis at the 16 licenses dispensaries in San José began in January 2018. The 2018-2019 Adopted Budget estimate of \$13.5 million assumed growth of 5.5% from the 2017-2018 estimate of \$12.8 million based on the legalization of recreational marijuana usage. Since actual 2017-2018 receipts were slightly higher at \$13.0 million, growth of 3.7% is needed to meet the 2018-2019 estimate. Based on collections through October, it is anticipated revenue will exceed the budgeted level by year end, but it is unclear how much until a baseline level of ongoing collections is established.

GENERAL FUND (CONT'D.)

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 60,893,631	\$ 25,599,075	\$ 26,944,143

The Licenses and Permits category contains fees and charges collected by various departments. The most significant revenue sources are development-related fees, which include Building Permits and Fire Permits. Through October, revenues of \$25.6 million are 5% below the prior year level of \$26.9 million, which is primarily due to differences in the timing of payments for other licenses and permits as well as lower revenue for Building Permits. The 2018-2019 Adopted Budget estimate of \$60.9 million requires growth of almost 1% from the 2017-2018 collection level of \$60.5 million. Based on activity through October and adjustments for the timing of payments, Licenses and Permits receipts are estimated to end the year close to budgeted levels by year end.

Building Permit revenues of \$11.55 million through October are 6.7% lower than the 2017-2018 collection level for the same period. The 2018-2019 Adopted Budget estimate of \$32.5 million assumed that receipts would remain at the estimated 2017-2018 levels of \$32.5 million. However, since actual 2017-2018 Building Permit revenues totaled \$33.5 million, receipts can drop 3.1% in 2018-2019 and still meet the revenue estimate.

All residential building permit revenues through October are tracking below the budgeted estimate with the exception of the new residential building plan check permit. However, non-residential and miscellaneous building permit revenues are generally tracking higher than estimated through October, with only the non-residential building plan check fees, Building Standards Administration Special Revolving Fund (BSASRF) fees, and permit processing fees performing below anticipated levels. For 2018-2019, the Building Fee Program continued the phased implementation of the new fees and/or fee modifications recommended for the program as part of the City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report accepted by the City Council in December 2016. However, these changes, implemented on August 13, 2018, had no net impact to the overall revenue estimate for 2018-2019 of \$32.5 million. It is currently anticipated Building Permit revenues will end the year close to the 2018-2019 budget revenue estimate of \$32.5 million.

As discussed in the Economic Impact section of this report, residential activity through October 2018 consisted of 691 multi-family units and 135 single-family units for a total of 826 units. Commercial activity through October amounted to a valuation of \$157.8 million (new construction of \$88.7 million, alterations of \$69.1 million). Industrial activity through October had a valuation of \$129.7 million (new construction of \$40.0 million, alterations of \$89.7 million). Alteration activity accounted for all the industrial activity in both September and October.

GENERAL FUND (CONT'D.)

Fire Permits, which consist of development and non-development related permits, totaled \$5.4 million through October, which represents a 3.3% increase from the prior year collections. To meet the 2018-2019 budgeted revenue estimate of \$13.3 million, growth of less than 1% from the 2017-2018 actual collection level of \$13.2 million is needed; at this point of the year, collections are anticipated to meet or slightly exceed budgeted levels by year-end.

Development related receipts through October of \$2.7 million are consistent with the prior year collections. The budgeted estimate of \$8.1 million aligns with the prior year's actual collections of \$8.1 million and it is anticipated that receipts will meet the budgeted estimate by year-end.

Non-Development receipts of \$2.7 million represents 52% of the budget and are 8% above revenues received through October 2017. This collection primarily represents two of the four major billing cycles (July and September) for non-development fire permits for this fiscal year. If current collection trends continue, it is anticipated that receipts will meet or slightly exceed the budgeted estimate by year-end.

Revenue	2018-2019 Estimate	YTD Actual	Prior YTD Collections
Fees, Rates, and Charges	\$ 55,410,013	\$ 20,086,951	\$ 17,217,310

The Fees, Rates, and Charges category contains various fees and charges levied to recover costs of services provided by several City departments, including Library; Parks, Recreation and Neighborhood Services; Planning, Building and Code Enforcement; Police; Public Works; and Transportation. Through October, revenues totaled \$20.1 million, which is 16.7% above the \$17.2 million received in the prior year. The 2018-2019 Modified Budget estimate of \$55.4 million requires an 8.5% increase from the actual 2017-2018 collection level. The higher receipts in 2018-2019 is partially due to the timing of small cell permitting payments to the Public Works Department. With the exception of the Planning Fees, the departmental fee categories are generally tracking within estimated levels through October and are expected to meet or exceed the budgeted estimates by year-end.

Through October, **Planning Fee** revenues of \$2.5 million were 21.8% above the prior year collection level of \$2.1 million. However, to meet the 2018-2019 Adopted Budget estimate of \$8.96 million, an increase of 36.7% is needed from prior year actual revenue of \$6.6 million. The budgeted increase in revenue was anticipated in 2018-2019 due to City Council-approved fee changes that were implemented on August 13, 2018. Revenue was strong for several of the Planning Fees, including public information services, non-residential planned permits, non-residential conditional use permits, and planning permit conformance. However, partially offsetting these collections were lower than estimated revenues from several fees, including, residential planned rezonings/rezonings, residential planned permits, and non-residential site

GENERAL FUND (CONT'D.)

development permits. Based on current collection trends, Planning Fee revenues are tracking to end the year below the budgeted estimate. The revenue will be monitored closely to determine if any budgetary actions are needed to align the budgeted estimate with actual revenues.

Public Works revenues through October of \$5.4 million increased 33.6% from the prior year level of \$4.0 million, which is primarily due to Small Cell Permitting revenue (\$700,000) already being reflected in the 2018-2019 collections. In 2017-2018, this revenue was not received until June. The Public Works total revenue collections are comprised of \$2.7 million from the Development Services Fee Program, \$1.9 million from the Utility Fee Program, and \$700,000 for Small Cell Permitting. Revenue received for Small Cell Permitting is for works-in-progress that will be spent through the remainder of the fiscal year. Revenues in most engineering residential and non-residential are tracking at or slightly below estimated levels due to lower activity levels. However, these are offset by a higher than estimated collections in the utility excavation category. Based on activity through October, collections are projected to end the year at budgeted levels.

EXPENDITURES

Through October, General Fund expenditures (without encumbrances) of \$369.4 million were 2.8% below the prior year level of \$380.0 million. Encumbrances of \$61.3 million were 2.7% below the prior year level of \$63.0 million. General Fund expenditures and encumbrances through October of \$430.7 million constitute 31.2% of the total budget including reserves, and 42.3% of the budget excluding reserves. Overall, expenditures are slightly above estimated levels through October.

Through October, a number of departments/offices personal services expenditures were slightly above the estimate level at this point in the year, including the Environmental Services, Fire, Parks, Recreation and Neighborhood Services, and Public Works Departments and the Office of the Independent Police Auditor. Expenditures will continue to be controlled and monitored to ensure appropriations stay within approved levels at year-end. Following is a discussion of the performance of the Police and Fire Departments, the largest General Fund departments.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES

Department	2018-2019 Budget	YTD Actual	Prior YTD Actual
Police	\$ 415,404,321	\$ 129,967,299	\$ 121,989,030

Overall, the Police Department's expenditures are currently tracking to end the year slightly above estimated levels. While personal services expenditures through October of \$117.9 million tracked slightly lower than anticipated (30.60% compared to the par of 30.77%), higher expenditures are expected through the remainder of the year primarily due to additional recruit academies and special events. Overtime expenditures of \$11.6 million tracked higher than anticipated with 48.95% expended of the \$23.6 million budget, which was recently increased by \$4.0 million as part of the actions included in the 2017-2018 Annual Report. Non-personal/equipment expenditures are expected to remain within budget.

Based on early projections, personal services expenditures are tracking to exceed the budget by as much as \$4.0 to \$5.0 million by year-end, which represents approximately 1.5% of the personal services budget. This takes into account many factors, such as anticipated recruit academies, special events, projected attrition, and overtime trends, that are subject to change. The potential overage is primarily attributed to additional overtime costs to backfill for sworn positions while recruits are in training and overtime payouts for sworn personnel that have reached the compensatory time limit. The Police Department has worked diligently to fill vacancies in both sworn and civilian positions. Vacancy savings have been used to pay for Police Academy Recruits as well as 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. Until the new recruits are street-ready and are solo beat officers in Patrol, the Department continues to backfill these positions, incurring overtime. The vacancies over the last several years have also contributed to the build-up of compensatory time balances for sworn personnel. There is a limit of 480 hours of compensatory time balances after which sworn personnel are paid in overtime for any additional hours worked. Currently, 257 sworn personnel are at the 480-hour limit.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of October 2018 was 274,431 hours for sworn personnel. This represents an increase of 22,698 hours or 9.0% compared to the October 2017 balance of 251,763. As described above, 257 sworn personnel have reached the compensatory balance limit of 480 hours and all overtime worked by these employees is paid overtime. The Department is enforcing compensatory time reduction by requiring all sworn staff, outside of the Bureau of Field Patrol (BFO), to reduce compensatory time balances by the end of the calendar year or submit a request for an extension, per the MOA. Due to staffing levels needed to respond to calls for service, BFO is currently exempted until such time the Department

GENERAL FUND (CONT'D.)

reaches full street-ready sworn staffing (sworn who are fully trained and able to work as solo beat officers).

As sworn vacancies become street-ready, overtime hours will decrease, which is anticipated to reduce the projected year-end personal services overage. The Police Department will also work to control expenditures to minimize any potential overage. This budget will be closely monitored throughout the year to determine if any adjustments are necessary.

Marking an end to the long period of high levels of sworn vacancies, all sworn vacancies are currently filled. As shown on the chart below, the Department is currently over its authorized staffing levels by three positions due to three Academy Recruits who are on a Leave of Absence. With the October 2018 Academy, the Department seated three additional candidates than the authorized allocation due to the three Recruits on leave. Please note that the authorized staffing level of 1,110 does not yet include the 41 sworn positions added in the 2018-2019 Adopted Budget effective June 2019.

While the sworn positions are filled, there is still a significant gap between filled positions and working street-ready positions.

	2018-2019 (as of 10/26/2018)
Authorized Sworn Staffing	1,110
Vacancies	0
Filled Sworn Staffing	1,113*
Field Training Officer/Recruits	(154)
Street-Ready Sworn Positions Available	959
Disability/Modified Duty/Other Leaves	(69)
Street-Ready Sworn Positions Working	890

* includes 3.0 Police Recruits on Leave of Absence

To continue filling vacant positions, the Department will conduct three Police Recruit Academies in 2018-2019, including the October 2018 Academy that began with 50 new Recruits and academies that will begin February 2019 and June 2019. The February 2019 Academy is projected to start with 50-65 recruits depending on lateral hires and re-hires, and the June 2019 Academy is projected to start with 50-60 recruits. These recruits will offset retirements anticipated later in the year, and the actual numbers may vary based on actual attrition.

A total of \$11.8 million (39.4%) of the Department's Non-Personal/Equipment budget was expended or encumbered through October. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$7.8 million, or 45.9% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

GENERAL FUND (CONT'D.)

Department	2018-2019 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 222,981,652	\$ 71,419,435	\$ 69,713,131

Overall, Fire Department expenditures are slightly higher than estimated levels through October. Personal services expenditures of \$66.3 million, or 31.2% of the Modified Budget, are slightly higher than the expected level of 30.7% at this point of the year, which is primarily due to overtime that was needed during fire season and hurricane season. Strike Team deployments were made to assist with several wild fires, including Mendocino Complex and Carr Fire and Task Force 3 deployments were made for out of state emergency responses, including Hurricane Lane and Hurricane Olivia. Reimbursements for expenditures incurred for Strike Team deployments will be included in the 2018-2019 Mid-Year Budget Review, while Task Force 3 reimbursements will be included in the year-end budget process. The Fire Department's Non-Personal/Equipment budget of \$10.5 million was 48.7% expended or encumbered through October 2018 and is expected to end the year within budgeted levels.

Overall, the average sworn vacancy rate of 7.3% is approximately 1.3% higher than the vacancy rate experienced this time last year; and vacancies continue to exceed the budgeted rate of 2.5%. The first 2018-2019 Firefighter Recruit Academy, which began in November, consists of 24 Firefighter Recruits and will reduce the number of sworn vacancies from 49 to 25.

In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of October, of the 32 current authorized staffing level, the Fire Department had 31 sworn personnel on administrative assignments.

CONTINGENCY RESERVE

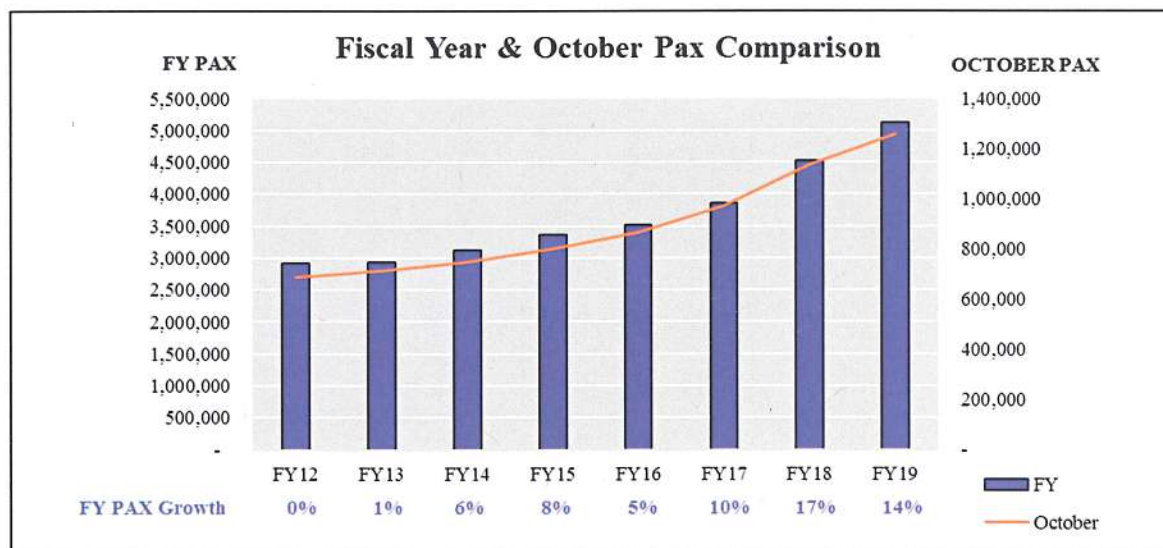
The General Fund Contingency Reserve was amended as part of the 2017-2018 Annual Report, increasing the reserve by \$500,000; from \$36.5 million to \$37.0 million. This reserve level complies with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be at a minimum of 3% of the operating budget. The Contingency Reserve has not been used in 2018-2019.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.1 million passengers, an increase of 13.6% from the figures reported through October of the prior year. The chart below depicts the year-over-year change for the month of October and Fiscal Year-to-Date for the last eight years.

Fiscal year-to-date mail, freight and cargo totaled 40.3 million pounds, which represents a 2.0% decrease over year-to-date October of 2017-2018. Many revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 10.1%; Landed Weights by 10.4%; Gallons of aviation fuel sold by 8.8%; and Ground Transportation by 95.4%. Although Ground Transportation (taxicabs & transportation network company's) operations increased by 95.4%, Taxi Trips decreased by 6.2% and the TNC increase of 108.5% is partially attributed to the October 2017 municipal code change, allowing for tracking and charging for both passenger drop-off and pick-up trips. The Parking exits decrease of 1.2% is partially attributed to the construction of the Interim Facility which required the removal of 465 public parking spaces in the lots adjacent to the construction site.



When preparing the 2018-2019 Adopted Budget, revenues were adjusted to align with anticipated 2018-2019 performance levels, and through October, performance at the Airport is at estimated levels. Airfield revenues are 13% higher than the benchmark primarily due to in-flight kitchen and other Airfield revenues. Terminal Concessions revenue are 21% higher than the benchmark due to advertising concession revenues as well as food & beverage revenues. Parking & Roadway revenues are 23% higher than the benchmark substantially driven by higher public parking, ground transportation revenues, and rental car concession fees. General and Non-Aviation revenues are at estimated levels, however, Landing Fees and Terminal Rentals, and Petroleum revenues are below benchmark and will continue to be monitored.

OTHER FUNDS (CONT'D.)

Through October, both the Airport Customer Facility and Transportation Fee Fund and the Airport Maintenance and Operation Fund expenditures are tracking below budgeted levels. In the Airport Maintenance and Operation Fund, personal service expenditures were 30.4% of budget compared to the benchmark of 30.7%, while non-personal/equipment expenditures were 17.1% compared to the benchmark of 24.2%. Non-personal/equipment expenditures in the Customer Facility and Transportation Fee Fund were 23.0% compared to the straight-line benchmark of 33.3%.

Construction and Conveyance Tax Funds

Through October 2018, Construction and Conveyance (C&C) Tax receipts of \$13.1 million are 11.6% higher than collections experienced through October 2017. Collections through October 2018 represent 34.5% of the 2018-2019 Adopted Budget estimate of \$38.0 million. In addition, the City has also received the November Conveyance receipts from Santa Clara County, which total \$3.9 million, a 22.8% increase from the November 2017 collection level.

The 2018-2019 Adopted Capital Budget was built on the assumption that 2017-2018 receipts would total \$42.0 million, then drop by almost 10% to \$38.0 million in 2018-2019. However, due to stronger than anticipated performance in the last half of the fiscal year, 2017-2018 receipts totaled \$48.1 million. Therefore, the 2018-2019 revenue estimate of \$38.0 million allows for a 21% decline in tax revenue from the 2017-2018 actual tax collection. Based on current collection trends, it is anticipated C&C collections will end the year above the budgeted estimate.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). As discussed in the Economic Environment section of this Bi-Monthly Financial Report, the local real estate market continues to experience strong single-family median home prices, coupled with declining sales activity. Since housing statistics are a key driver for the overall C&C collection levels, significant changes in the housing market will drastically affect the C&C Tax receipts. Local real estate information will therefore continue to be closely monitored.

Other Construction-Related Revenues

Revenues associated with construction activity are currently anticipated to meet or fall slightly below their budgeted levels by year end. As discussed below, the Construction Excise Tax receipts and the Building and Structure Construction Tax receipts through October are lower than prior year levels. 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

Through October, the **Construction Excise Tax** collection level of \$8.2 million is 40.4% below the prior year receipts of \$13.7 million. This revenue level represents 38.8% of the 2018-2019 Budget of \$21.0 million. When the 2018-2019 Adopted Capital Budget was developed it was assumed that high collection receipts experienced in 2016-2017 (\$30.2 million) and 2017-2018

OTHER FUNDS (CONT'D.)

(estimated at \$27.0 million) would not be sustainable, therefore, the 2018-2019 estimate was decreased by 22.2%, to \$21.0 million. However, since 2017-2018 receipts of \$29.4 million ended the year above the estimated level, the 2018-2019 budgeted estimate allows for a 28.5% drop from the prior year collection level. It is still early in the fiscal year, and this tax is extremely volatile, however, it is currently anticipated receipts will meet or fall below budgeted levels. This revenue category will continue to be monitored throughout the year, and if necessary, budget adjustments may be brought forward at a later date.

Through October, the **Building and Structure Construction Tax** collection level of \$6.2 million is 40.5% below the prior year receipts of \$10.4 million. This revenue level represents 38.8% of the 2018-2019 Budget of \$16.0 million. When the 2018-2019 Adopted Capital Budget was developed it was assumed that high collection receipts experienced in 2016-2017 (\$23.3 million) and 2017-2018 (estimated at \$20.0 million) would not be sustainable, therefore, the 2018-2019 estimate was decreased by 20%, to \$16.0 million. However, since 2017-2018 receipts of \$21.5 million ended the year above estimated levels, the 2018-2019 budgeted estimate allows for a 25.5% drop from the prior year collection level. It is still early in the fiscal year, and this tax is extremely volatile, however, it is currently anticipated receipts will meet or fall below budgeted levels. This revenue category will continue to be monitored throughout the year, and if necessary, budget adjustments may be brought forward at a later date

CONCLUSION

Overall, the City's funds appear to be performing within budgeted expectations through October. While there are individual variances by revenue and expenditure categories, overall General Fund revenue and expenditures are within estimated levels through October with revenues possibly slightly exceeding the estimated amounts. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments to the City Council during the year if necessary.

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



MARGARET MCCAHAN
Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the Month Ended October 31, 2018
Fiscal Year 2018-2019
(*UNAUDITED*)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended October 31, 2018
Fiscal Year 2018-2019
(UNAUDITED)

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Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended October 31, 2018
Fiscal Year 2018-2019
(UNAUDITED)

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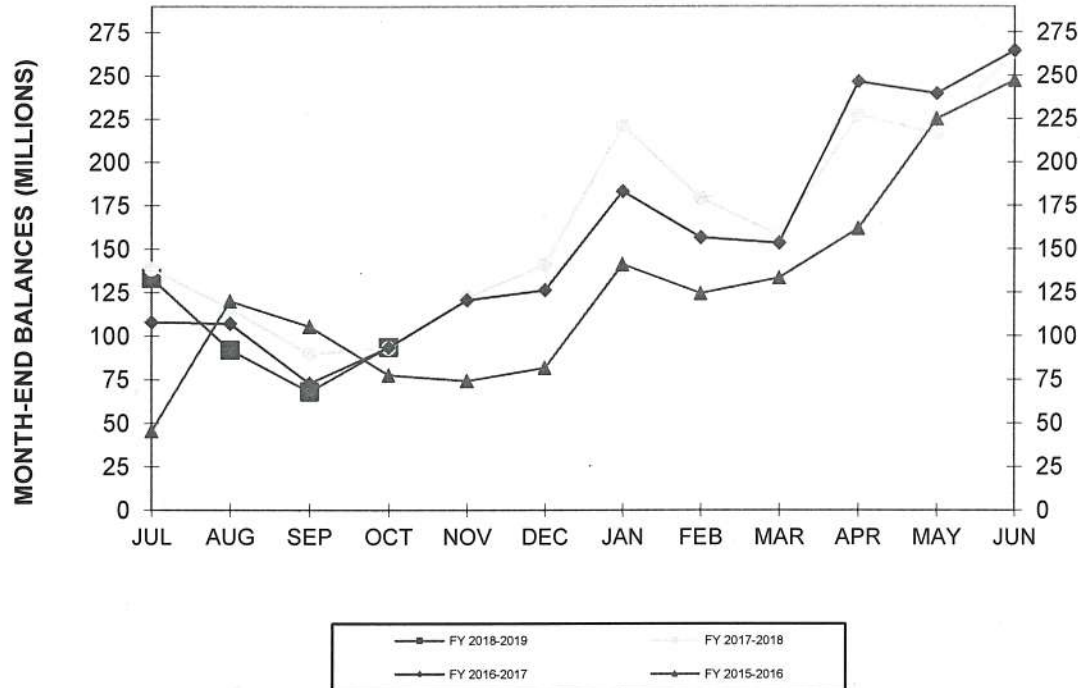
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Submitted by:



JULIA H. COOPER
Director, Finance Department

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



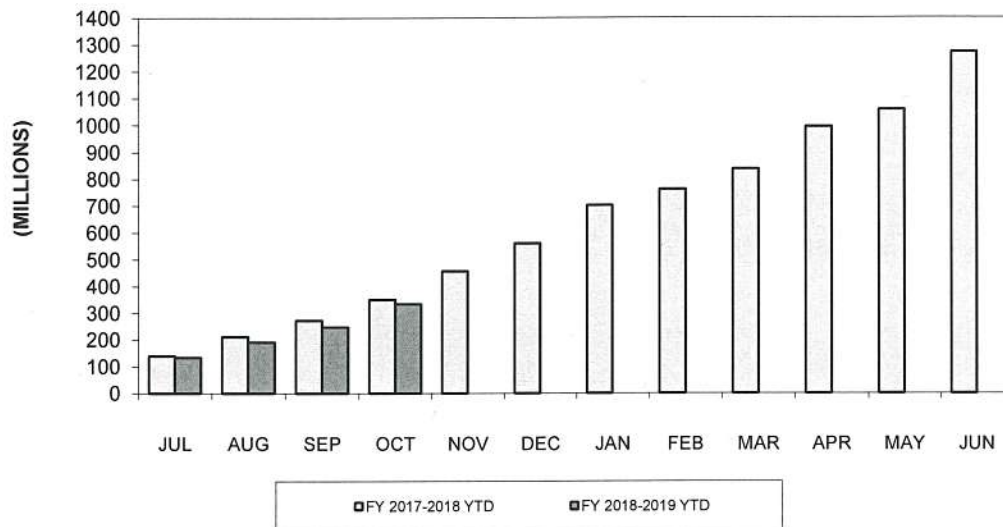
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2018-2019	FY 2017-2018	FY 2016-2017	FY 2015-2016
JULY (1)	\$ 133,276,057	\$ 138,576,379	\$ 108,012,647	\$ 45,401,908
AUGUST	91,972,139	115,540,880	107,081,005	119,988,835
SEPTEMBER	67,970,290	89,537,017	72,718,873	105,422,447
OCTOBER	93,654,030	93,031,593	93,456,157	77,571,562
NOVEMBER	-	122,022,698	120,485,944	74,153,007
DECEMBER	-	140,886,445	126,203,310	81,796,424
JANUARY	-	220,937,707	183,072,948	141,189,103
FEBRUARY	-	178,836,751	156,320,836	124,444,495
MARCH	-	157,759,493	153,282,389	133,493,608
APRIL (2)	-	227,063,040	246,281,183	161,690,247
MAY	-	216,439,757	239,467,743	224,983,657
JUNE	-	263,800,843	264,266,135	247,092,735

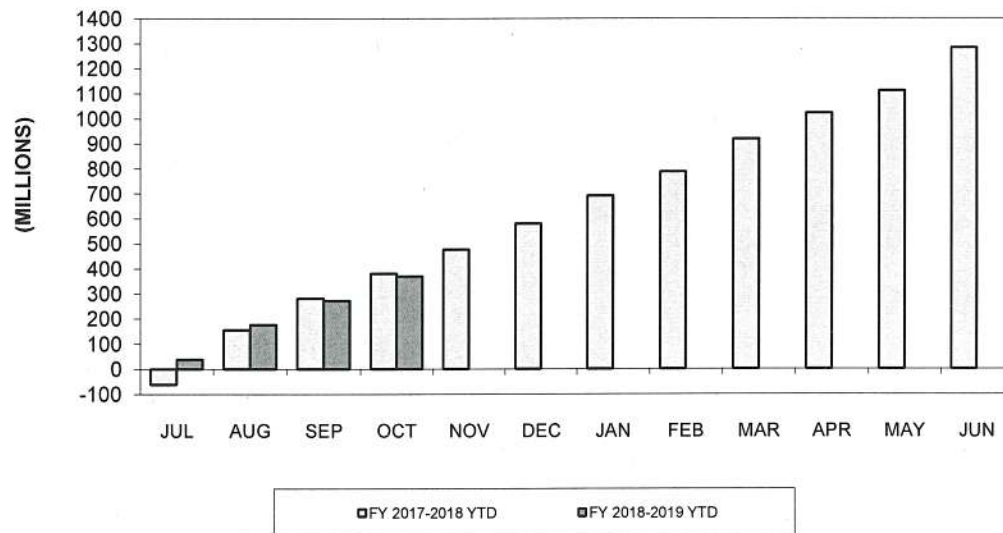
(1) The General Fund cash balance decreases each July and August mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

(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

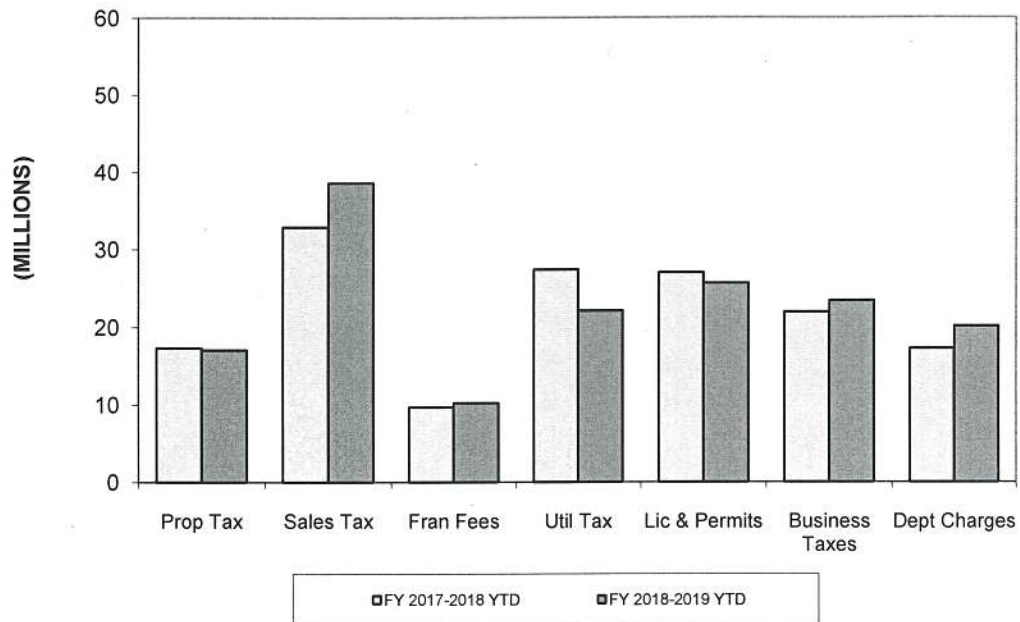


GENERAL FUND
Comparison of YTD Expenditures vs. Prior YTD Expenditures
Actual

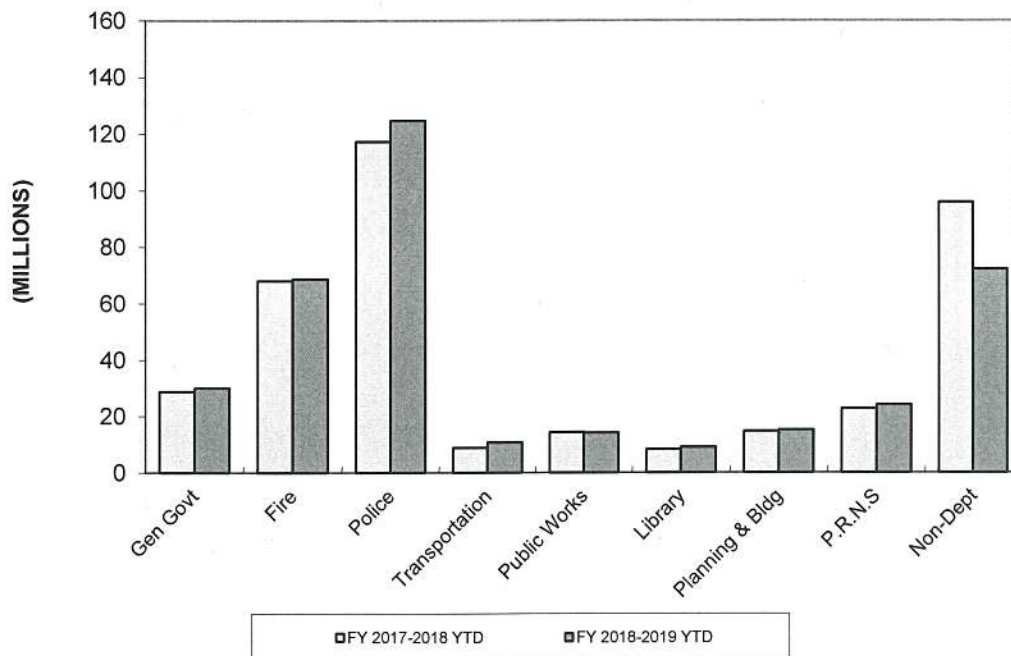


Negative YTD expenditures in July 2017 were due to year-end adjustments (accruals/reversals).

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 OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 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	-	-	38,466	38,466	38,466	100.00%	48,953	106.26%	46,067	(10,487)	-21.42%
Available Balance	233,635	15,655	-	249,290	249,290	100.00%	241,769	100.25%	241,173	7,521	3.11%
Total Fund Balance	233,635	15,655	38,466	287,756	287,756	100.00%	290,722	101.21%	287,240	(2,966)	-1.02%
General Revenues											
Property Tax	320,450	-	-	320,450	17,041	5.32%	17,286	5.64%	306,222	(245)	-1.42%
Sales Tax (1)	233,500	5,000	-	238,500	38,523	16.15%	32,842	14.51%	226,337	5,681	17.30%
Telephone Line Tax	20,000	-	-	20,000	4,718	23.59%	5,418	26.45%	20,481	(700)	-12.92%
Transient Occupancy Tax	19,700	-	-	19,700	5,015	25.46%	4,318	22.11%	19,531	697	16.14%
Franchise Fees	50,475	-	-	50,475	10,222	20.25%	9,668	18.89%	51,180	554	5.73%
Utility Tax	102,400	-	-	102,400	22,085	21.57%	27,387	27.45%	99,753	(5,302)	-19.36%
Business Taxes	69,400	-	-	69,400	23,356	33.65%	21,911	31.00%	70,673	1,445	6.59%
Licenses and Permits	60,894	-	-	60,894	25,599	42.04%	26,944	44.53%	60,503	(1,345)	-4.99%
Fines, Forfeits and Penalties	14,983	-	-	14,983	4,166	27.80%	3,827	26.66%	14,354	339	8.86%
Use of Money and Property	6,897	-	-	6,897	2,001	29.01%	2,337	29.47%	7,930	(336)	-14.38%
Revenue from Local Agencies	13,711	1,209	-	14,920	1,248	8.36%	899	2.34%	38,441	349	38.82%
Revenue from State of Cal.	12,692	426	-	13,118	57	0.43%	1,315	8.36%	15,721	(1,258)	-95.67%
Revenue from Federal Government	2,212	347	-	2,559	573	22.39%	291	5.20%	5,591	282	96.91%
Fees, Rates and Charges	53,860	1,550	-	55,410	20,088	36.25%	17,220	33.96%	50,703	2,868	16.66%
Other Revenues	13,641	152,034	-	165,675	161,234	97.32%	159,195	72.71%	218,951	2,039	1.28%
Total General Revenues	994,815	160,566	-	1,155,381	335,926	29.07%	330,858	27.43%	1,206,371	5,068	1.53%
Transfers & Reimbursements											
Overhead Reimbursements	52,550	-	-	52,550	5,576	10.61%	4,994	10.57%	47,245	582	11.65%
Transfers from Other Funds	25,565	(2,003)	-	23,562	1,416	6.01%	6,415	24.39%	26,306	(4,999)	-77.93%
Reimbursements for Services	18,225	-	-	18,225	1,347	7.39%	8,279	47.78%	17,329	(6,932)	-83.73%
Total Transfers & Reimburse	96,340	(2,003)	-	94,337	8,339	8.84%	19,688	21.66%	90,880	(11,349)	-57.64%
Total Sources	1,324,790	174,218	38,466	1,537,474	632,021	41.11%	641,268	40.47%	1,584,491	(9,247)	-1.44%

(*) - 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 OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE ACTUAL (*) ENCUMBR		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
General Government												
Mayor and Council	14,651	742	105	15,498	3,673	119	23.70%	3,563	32.18%	11,072	110	3.09%
City Attorney	15,512	30	857	16,399	4,910	1,111	29.94%	4,746	30.51%	15,558	164	3.46%
City Auditor	2,543	-	-	2,543	796	5	31.30%	718	31.10%	2,309	78	10.86%
City Clerk	2,767	(1)	27	2,793	747	57	26.75%	863	32.35%	2,668	(116)	-13.44%
City Manager	20,672	(39)	1,410	22,043	5,445	1,570	24.70%	4,989	30.42%	16,399	456	9.14%
Finance	17,655	(1)	376	18,030	5,067	685	28.10%	4,717	30.09%	15,678	350	7.42%
Information Technology	24,162	504	1,538	26,204	4,918	1,939	18.77%	4,843	27.84%	17,393	75	1.55%
Human Resources	10,283	-	257	10,540	2,379	2,528	22.57%	2,400	27.44%	8,747	(21)	-0.88%
Independent Police Auditor	1,354	-	19	1,373	517	10	37.65%	358	28.44%	1,259	159	44.41%
Office of Economic Development	5,826	205	758	6,789	1,502	697	22.12%	1,628	31.89%	5,105	(126)	-7.74%
Total General Government	115,425	1,440	5,347	122,212	29,954	8,721	24.51%	28,825	29.97%	96,188	1,129	3.92%
Public Safety												
Fire	220,582	1,392	1,008	222,982	68,674	2,745	30.80%	67,971	31.24%	217,603	703	1.03%
Police	410,039	4,000	1,365	415,404	124,643	5,324	30.01%	117,277	30.39%	385,855	7,366	6.28%
Total Public Safety	630,621	5,392	2,373	638,386	193,317	8,069	30.28%	185,248	30.70%	603,458	8,069	4.36%
Capital Maintenance												
Transportation	35,828	726	407	36,961	10,715	3,059	28.99%	8,756	25.08%	34,906	1,959	22.37%
Public Works	47,027	1,330	294	48,651	14,093	1,986	28.97%	14,365	31.72%	45,293	(272)	-1.89%
Total Capital Maintenance	82,855	2,056	701	85,612	24,808	5,045	28.98%	23,121	28.83%	80,199	1,687	7.30%
Community Service												
Housing	689	1	134	824	(82)	375	-9.95%	86	12.43%	692	(168)	-195.35%
Library	33,252	(1)	41	33,292	8,979	826	26.97%	8,292	25.90%	32,017	687	8.29%
Planning, Bldg & Code Enf.	57,714	-	2,072	59,786	15,170	2,445	25.37%	14,701	30.29%	48,529	469	3.19%
Parks, Rec & Neigh Svcs	79,151	175	565	79,891	24,073	5,216	30.13%	22,812	30.31%	75,255	1,261	5.53%
Environmental Services	3,064	97	116	3,277	957	917	29.20%	910	32.65%	2,787	47	5.16%
Total Community Services	173,870	272	2,928	177,070	49,097	9,779	27.73%	46,801	29.38%	159,280	2,296	4.91%
Total Dept. Expenditures	1,002,771	9,160	11,349	1,023,280	297,176	31,614	29.04%	283,995	30.24%	939,125	13,181	4.64%

(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 OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 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.	17,707	1,017	5,381	24,105	5,718	8,454	23.72%	5,924	22.93%	25,835	(206)	-3.48%
Environmental & Utility Services	1,386	909	208	2,503	416	383	16.62%	586	29.21%	2,006	(170)	-29.01%
Public Safety	19,728	9	1,666	21,403	8,265	51	38.62%	7,872	36.12%	21,792	393	4.99%
Recreation & Cultural Services	10,052	802	602	11,456	2,590	1,043	22.61%	1,502	15.85%	9,474	1,088	72.44%
Transportation Services	3,499	109	-	3,608	496	79	13.75%	351	11.84%	2,965	145	41.31%
Strategic Support	43,000	153,917	4,212	201,129	52,955	5,006	26.33%	37,539	16.21%	231,602	15,416	41.07%
Total City-wide Expenditures	95,372	156,763	12,069	264,204	70,440	15,016	26.66%	53,774	18.31%	293,674	16,666	30.99%
Other Non-Dept Expenditures:												
Capital Improvements	32,535	6,248	15,048	53,831	1,809	14,667	3.36%	9,820	30.30%	32,408	(8,011)	-81.58%
Transfers to Other Funds	38,536	273	-	38,809	-	-	0.00%	32,445	94.46%	34,347	(32,445)	-100.00%
Total Non-Dept Expenditures	166,443	163,284	27,117	356,844	72,249	29,683	20.25%	96,039	26.65%	360,429	(23,790)	-24.77%
Reserves												
Contingency Reserve	36,500	500	-	37,000	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	119,076	1,274	-	120,350	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	155,576	1,774	-	157,350	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	1,324,790	174,218	38,466	1,537,474	369,425	61,297	24.03%	380,034	29.24%	1,299,554	(10,609)	-2.79%

(1) Does not include encumbrance balance.

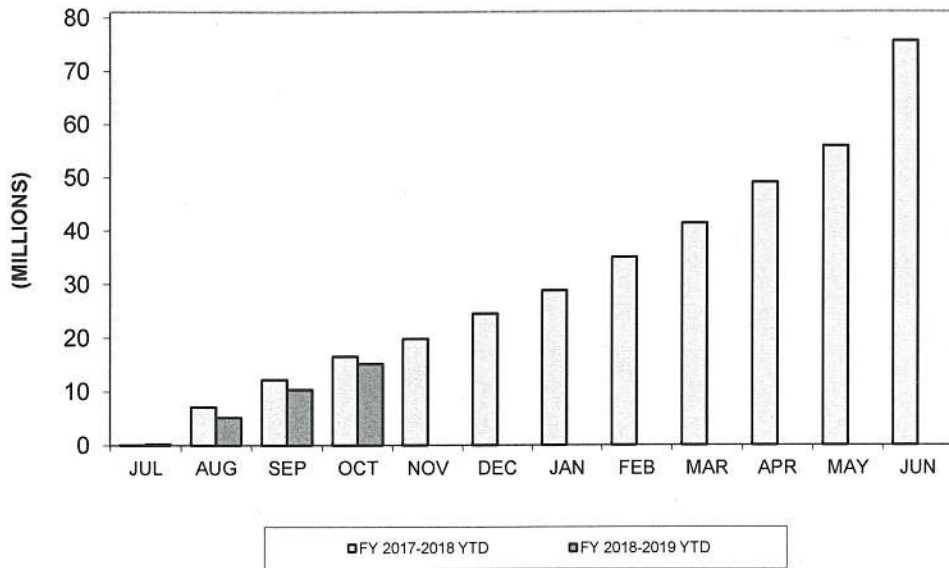
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis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

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

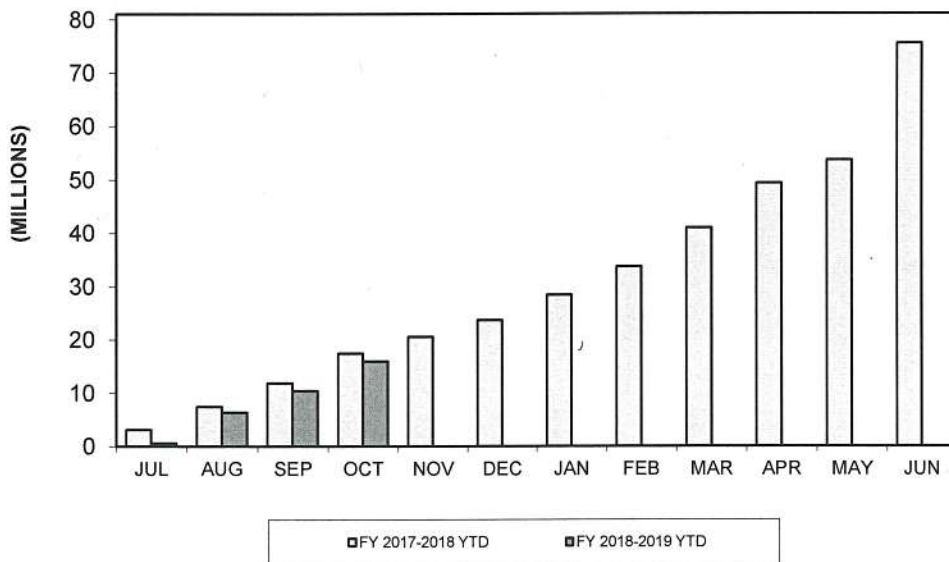
	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,381	-	-	1,381	492	35.63%	464	34.70%	1,337	28	6.03%
Public Works	14,084	-	-	14,084	5,376	38.17%	4,024	28.10%	14,321	1,352	33.60%
Transportation	1,712	-	-	1,712	616	35.98%	670	35.32%	1,897	(54)	-8.06%
Library	332	-	-	332	113	34.04%	85	14.46%	588	28	32.94%
Planning, Bldg & Code Enf	8,959	-	-	8,959	2,389	26.67%	2,052	32.41%	6,332	337	16.42%
Parks Rec & Neigh Svcs	22,045	-	-	22,045	9,563	43.38%	9,146	41.54%	22,016	417	4.56%
Miscellaneous Dept Charges	5,347	1,550	-	6,897	1,539	22.31%	779	18.49%	4,212	760	97.56%
Total Fees, Rates, and Charges	53,860	1,550	-	55,410	20,088	36.25%	17,220	33.96%	50,703	2,868	16.66%

(*) - 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.

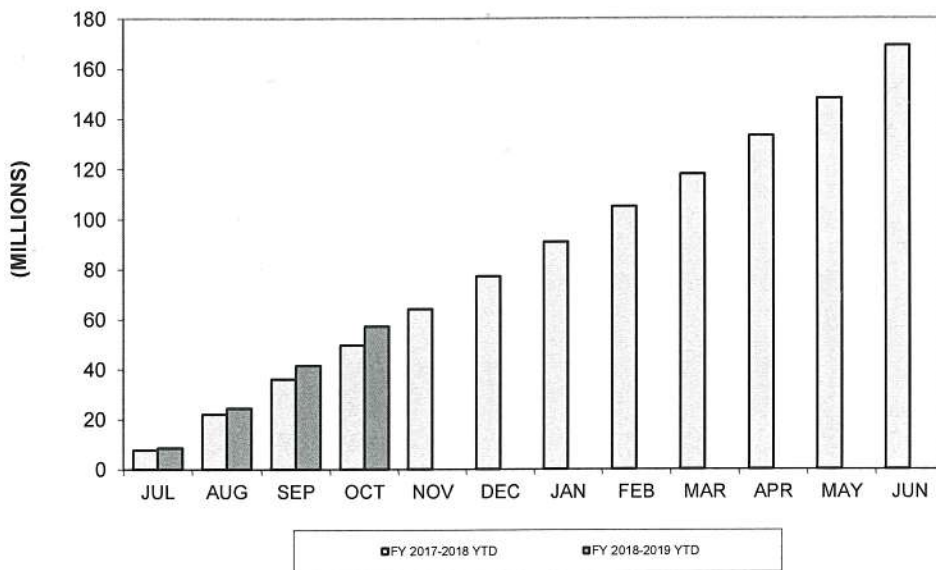
CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues vs. Prior YTD Revenues



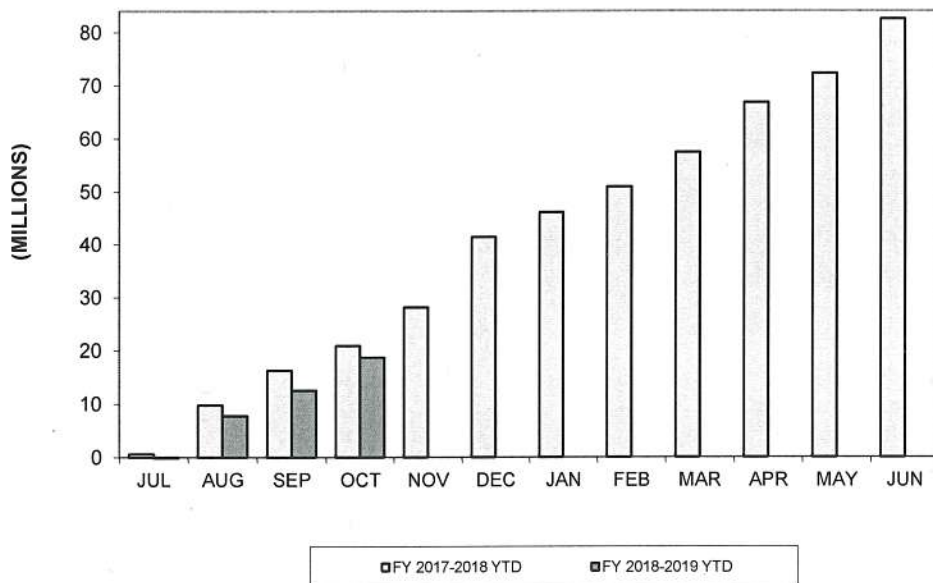
CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures vs. Prior YTD Expenditures



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

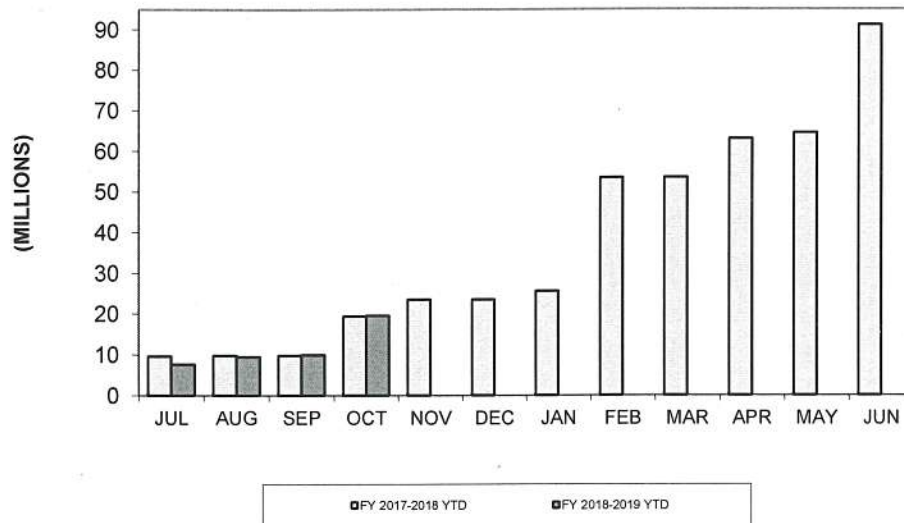


AIRPORT MAINTENANCE & OPERATION FUND 523
Comparison of YTD Expenditures vs. Prior YTD Expenditures

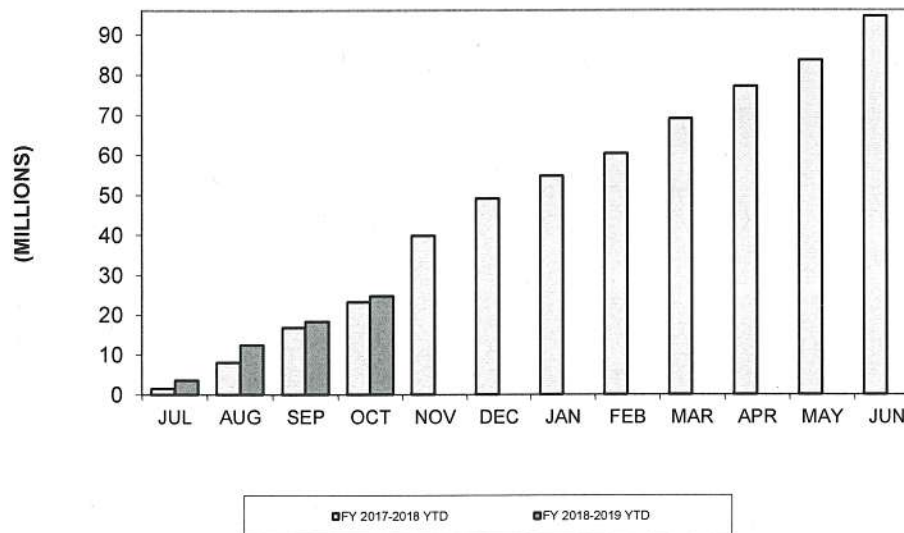


Note: The graphs above include the Airport Revenue Fund (521) and Airport Maintenance & Operation fund (523) only.

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

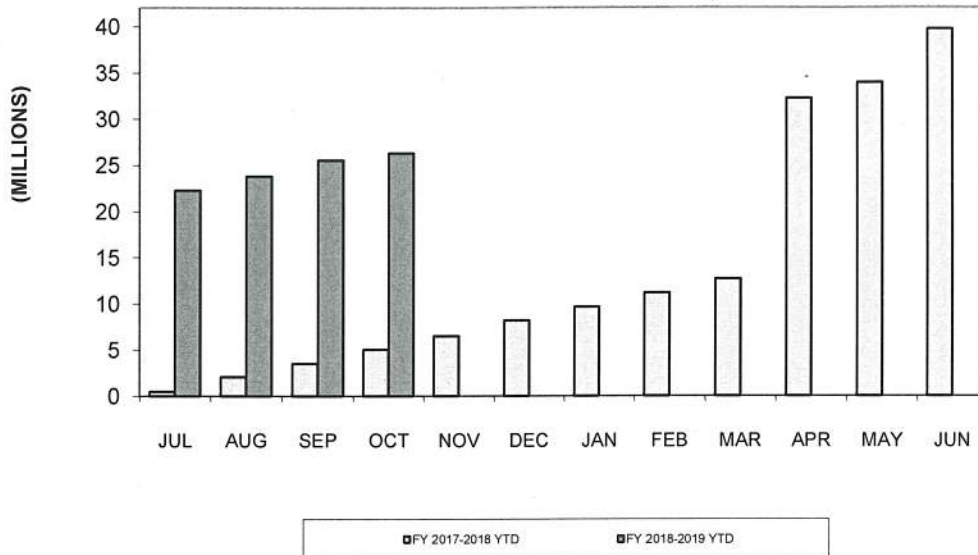


WPCP OPERATION FUND 513
Comparison of YTD Expenditures vs. Prior YTD Expenditures

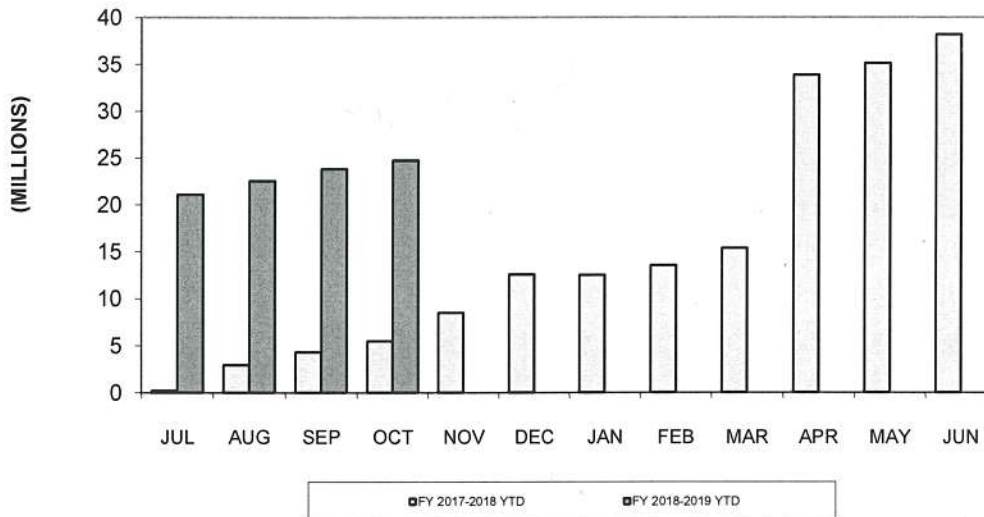


Note: The graphs above are only for the WPCP Operation Fund (513).

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



GENERAL PURPOSE PARKING FUND
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 (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 in April 2018, separating the corresponding capital project appropriations via transfer to the new fund. The increases in revenue and expenditures are due to the transfer in and out between the two funds.

CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE ACTUAL ENCUMBR		PRIOR Y-T-D ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	11,227	11,227	11,227	-	11,846
Beginning Fund Balance	69,778	7,573	-	77,351	77,351	-	76,177
Revenues	70,760	215	-	70,975	15,147	-	16,492
Total Sources	140,538	7,788	11,227	159,553	103,725	-	104,515
Total Uses	140,538	7,788	11,227	159,553	15,993	12,411	17,476
Airport							
Prior Year Encumbrance	-	-	22,856	22,856	22,856	-	20,372
Beginning Fund Balance	286,078	(3,634)	-	282,444	282,444	-	285,159
Revenues	596,773	(38,561)	-	558,212	147,723	-	110,172
Total Sources	882,851	(42,195)	22,856	863,512	453,023	-	415,703
Total Uses	882,851	(42,195)	22,856	863,512	114,869	82,410	88,664
Waste Water Treatment							
Prior Year Encumbrance	-	-	281,580	281,580	281,580	-	196,863
Beginning Fund Balance	175,626	(50,003)	-	125,623	125,623	-	209,274
Revenues	415,278	75,528	-	490,806	207,511	-	220,861
Total Sources	590,904	25,525	281,580	898,009	614,714	-	626,998
Total Uses	590,904	25,525	281,580	898,009	91,043	275,093	79,060
Parking							
Prior Year Encumbrance	-	-	3,513	3,513	3,513	-	3,311
Beginning Fund Balance	21,869	11,618	-	33,487	33,487	-	24,484
Revenues	40,160	-	-	40,160	26,299	-	5,058
Total Sources	62,029	11,618	3,513	77,160	63,299	-	32,853
Total Uses	62,029	11,618	3,513	77,160	24,711	8,179	5,471
Municipal Water							
Prior Year Encumbrance	-	-	2,767	2,767	2,767	-	4,090
Beginning Fund Balance	24,891	1,612	-	26,503	26,503	-	22,785
Revenues	56,090	-	-	56,090	19,135	-	17,775
Total Sources	80,981	1,612	2,767	85,360	48,405	-	44,650
Total Uses	80,981	1,612	2,767	85,360	16,888	3,301	15,155

CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Community Energy							
Prior Year Encumbrance	-	-	49	49	49	-	-
Beginning Fund Balance	500	(252)	-	248	248	-	-
Revenues	137,672	(9,784)	-	127,888	24	-	-
Total Sources	138,172	(10,036)	49	128,185	321	-	-
Total Uses	138,172	(10,036)	49	128,185	2,279	2,287	-
Gas Tax							
Revenues	17,300	-	-	17,300	4,032	-	4,637
Total Sources	17,300	-	-	17,300	4,032	-	4,637
Total Uses	17,300	-	-	17,300	1,347	-	4,637
Building and Structures							
Prior Year Encumbrance	-	-	9,097	9,097	9,097	-	10,855
Beginning Fund Balance	33,780	8,382	-	42,162	42,162	-	46,527
Revenues	22,171	5,150	-	27,321	7,204	-	11,144
Total Sources	55,951	13,532	9,097	78,580	58,463	-	68,526
Total Uses	55,951	13,532	9,097	78,580	4,657	8,734	6,491
Residential Construction							
Beginning Fund Balance	1,914	134	-	2,048	2,048	-	2,079
Revenues	205	5	-	210	101	-	156
Total Sources	2,119	139	-	2,258	2,149	-	2,235
Total Uses	2,119	139	-	2,258	12	-	7
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	832	832	832	-	655
Beginning Fund Balance	3,660	4,103	-	7,763	7,763	-	7,850
Revenues	29,368	-	-	29,368	7,552	-	6,519
Total Sources	33,028	4,103	832	37,963	16,147	-	15,024
Total Uses	33,028	4,103	832	37,963	11,934	5,045	11,715

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	322	322	322	-	2,696
Beginning Fund Balance	9,603	6,072	-	15,675	15,675	-	13,231
Revenues	25,824	43,053	-	68,877	18,527	-	3,722
Total Sources	35,427	49,125	322	84,874	34,524	-	19,649
Total Uses	35,427	49,125	322	84,874	22,885	3,838	3,694
Golf							
Beginning Fund Balance	307	331	-	638	638	-	206
Revenues	3,138	-	-	3,138	247	-	2,914
Total Sources	3,445	331	-	3,776	885	-	3,126
Total Uses	3,445	331	-	3,776	1,919	-	1,854
Other Funds							
Prior Year Encumbrance	-	-	39,042	39,042	39,042	-	42,432
Beginning Fund Balance	334,033	60,140	-	394,173	394,173	-	346,167
Revenues	441,185	(23,475)	-	417,710	213,587	-	218,945
Total Sources	775,218	36,665	39,042	850,925	646,802	-	607,544
Total Uses	775,218	36,665	39,042	850,925	104,060	149,358	104,651

CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction Excise							
Prior Year Encumbrance	-	-	44,091	44,091	44,091	-	25,801
Beginning Fund Balance	64,483	18,277	-	82,760	82,760	-	82,865
Revenues	115,333	4,565	-	119,898	13,396	-	19,909
Total Sources	179,816	22,842	44,091	246,749	140,247	-	128,575
Total Uses	179,816	22,842	44,091	246,749	22,770	32,717	16,345
Other							
Prior Year Encumbrance	-	-	7,939	7,939	7,939	-	581
Beginning Fund Balance	17,242	3,067	-	20,309	20,309	-	32,084
Revenues	9,273	-	-	9,273	131	-	302
Total Sources	26,515	3,067	7,939	37,521	28,379	-	32,967
Total Uses	26,515	3,067	7,939	37,521	1,627	6,331	113

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED OCTOBER 31, 2018
(UNAUDITED)
(\$000's)

	ADOPTED FY 2018-2019 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2018-2019 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	-	-	171	171	171	-	39
Beginning Fund Balance	7,547	1,376	-	8,923	8,923	-	8,651
Revenues	4,178	28	-	4,206	2,011	-	1,846
Total Sources	11,725	1,404	171	13,300	11,105	-	10,536
Total Uses	11,725	1,404	171	13,300	720	197	393