



# Memorandum

**TO:** PUBLIC SAFETY, FINANCE AND  
STRATEGIC SUPPORT COMMITTEE

**FROM:** Larry D. Lisenbee

**SUBJECT:** MONTHLY FINANCIAL REPORT  
FOR MARCH/APRIL 2007

**DATE:** June 7, 2007

Approved

*Ray Whier*

Date

*6/8/07*

## INFORMATION ONLY

The Monthly Financial Report (MFR) for March/April was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the City Council's review.

### OVERVIEW

Through April, the City's overall financial position continues to be sound. Overall, revenue and expenditures are performing within expected levels and overall economic conditions to date are generally consistent with the assumptions used to develop the 2006-2007 Adopted Budget. Following are key highlights in this report:

- As reported in prior MFRs, several of the economically sensitive General Fund revenue categories ended 2005-2006 above estimated levels and are on track to meet or exceed the budget estimates for 2006-2007. Collections are also currently on track to meet or exceed budget estimates in many of the non-economically sensitive General Fund revenue categories.
- Based on the strong performance through April, upward adjustments to the revenue estimates and downward revisions to expenditure budgets are recommended in the 2006-2007 clean-up memorandum, scheduled for City Council consideration on June 19, 2007. This includes an upward adjustment to the General Fund revenue estimates of \$25.3 million and a downward revision to expenditure allocations of \$2.8 million, which are recommended to be used to fund the establishment of a \$28.1 Ending Fund Balance appropriation. When the 2007-2008 Proposed Budget was developed, it was assumed that \$28.1 million would be available at the end of 2006-2007 from the combination of excess revenues and expenditure savings for use in 2007-2008. Various revenue and expenditure adjustments in the General Fund, special funds, and capital funds are also recommended in the 2006-2007 year-end clean-up memorandum to address current year funding needs.
- Development-related revenues continue to track below anticipated levels through April. Currently, Building and Planning development-related fees are tracking well below anticipated levels and are expected to end the year below the budgeted estimates. The Public Works and Fire development fee programs are also tracking below projected levels through April. It is possible, however, that these latter two categories may end the year at or close to the budgeted estimates. The use of expenditure savings and the development program fee reserves are available to offset shortfalls in revenue in all four fee programs. A complete reconciliation of each of the development fee programs will be completed as part of the 2006-2007 Annual Report.

**OVERVIEW (CONT'D.)**

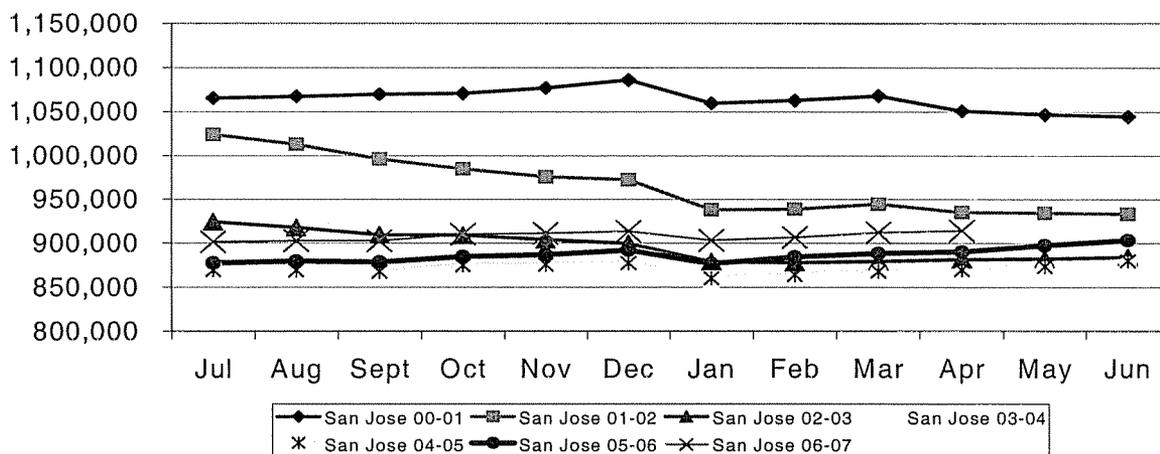
- The slowdown in the local real estate market remains a concern. This slowdown was, however, anticipated when the 2006-2007 Adopted Budget was developed and estimates for the impacted revenue categories (Construction and Conveyance Taxes and SB 813 Property Taxes-supplemental taxes associated with property turnovers) were adjusted downward accordingly. As anticipated, actual Construction and Conveyance Tax collections have dropped 18% and the SB 813 Property Tax collections are down 27%.
- The Airport continues to experience sluggish activity levels. Through April, the Airport has enplaned and deplaned 8.7 million passengers, a decrease of 2.3% from the same period last year. Monthly passenger activity in April, for example, was down 0.1% from April 2006. Year-to-date mail, freight, and cargo totaled 156.6 million pounds, also a decrease of 9.7% from the prior year. April 2007 taxicab operations, however, increased by 11.7% from those in April 2006, and were 7.0% greater than those recorded in 2005-2006.

**Economic Environment**

When the 2006-2007 Adopted Budget was prepared, it was assumed that the modest but improved level of revenue growth that had been experienced in 2005-2006 would continue for the economically sensitive revenue categories. Revenue growth was also assumed to remain at these moderate levels for the immediate future. While actual collections for the City confirm these basic assumptions, it is a concern that the City's second largest revenue category, Sales Tax, has not experienced any growth through the first two quarters of the fiscal year. Data on the third quarter of 2006-2007 is expected to be available in late June.

As reported in prior MFRs, job growth has long been considered one of the major elements necessary for renewed economic growth in this region; and employment levels in this area, while far below the peak in the early part of this decade, continue to show improvement.

**Employment: Total Jobs Comparison  
 San José Metropolitan Statistical Area**



**OVERVIEW (CONT'D.)**

**Economic Environment (Cont'd.)**

The total employment figure of 914,200 jobs in April 2007 was 2.7% above the 890,100 jobs in April 2006 and 5.2% above the 869,600 jobs in April 2005. Between March and April 2007, employment grew by 2,400 jobs. This marks the 31<sup>st</sup> consecutive month of year-over-year job gains. As reported in the San José Mercury News on May 19, 2007, the job growth performance “reflected an extension of the valley’s recovery from the technology bust early in the decade, with a modest uptick in the computer manufacturing sector and better-than-average seasonal growth in the leisure industries.”

In addition to the gains in the number of jobs, the local unemployment rate remains relatively low. The April unemployment rate for the San José area (unadjusted) of 4.4% was consistent with the March 2007 figure and below the April 2006 level of 4.5%. The April 2007 results for the San José area were below the unadjusted figure for the State (5.0%) and slightly above the figure for the nation (4.3%) during the same period.

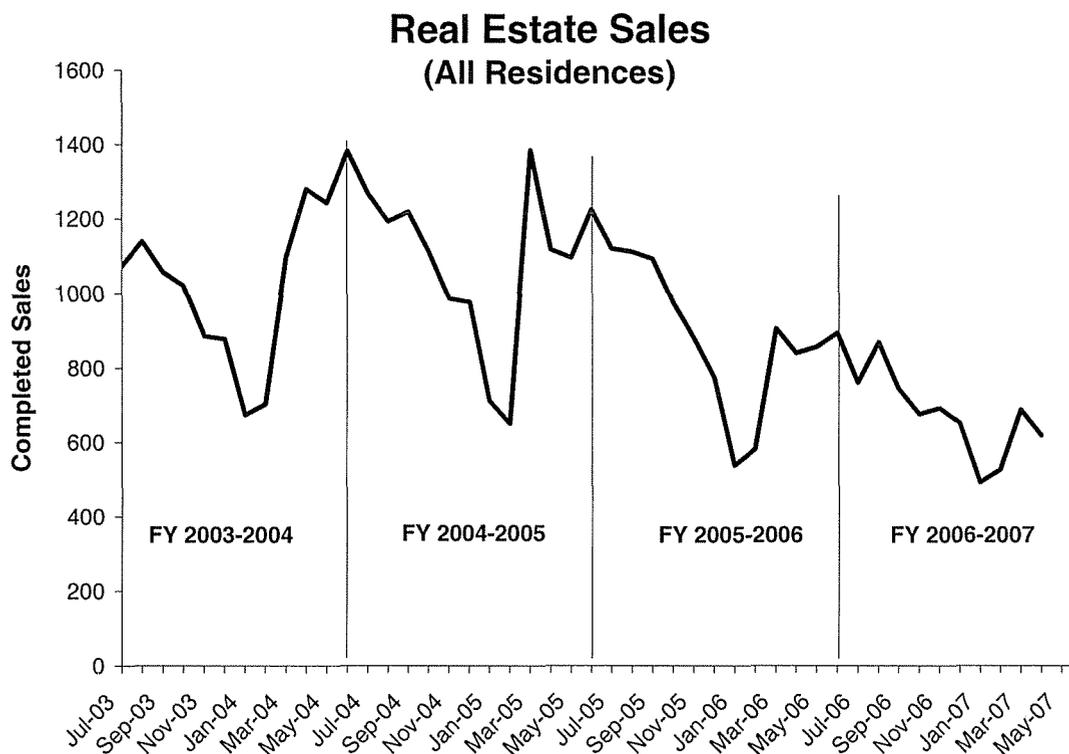
While the employment picture remains positive, the cooling housing market continues to be a major concern given its potential to create a drag on economic growth in the near future. In its press release on the first quarterly report of 2007, the UCLA Anderson Forecast continues to focus on the real estate slowdown and its impact on the rest of the economy. According to this report, California has weathered the beginning of the real estate slowdown better than originally believed. This performance, however, is considered a postponement of the inevitable. Economist Ryan Ratcliff states, “We still expect to see the pattern of deepening real estate (job) losses combined with a slowdown in the rest of the economy – now it’s just the first half of 2007 instead of the second half of 2006.” Ratcliff also acknowledges the impact of the subprime meltdown in California. It should be noted, however, that the UCLA Forecast continues to assume that there will be no recession.

For San José revenue collections, a significant slowdown in the real estate area would almost certainly negatively impact Sales Tax collections with the downward spending in construction materials and the reduction of consumer spending, as the “wealth effect” associated with housing appreciation diminished. Any major impact on Secured Property Taxes resulting from the current slowdown, however, should not be fully realized until 2007-2008 and 2008-2009, since current year Secured Property Tax receipts are based on the value of property assessed as of January 1, 2006, with adjustments for roll corrections. Since real estate activity was still performing well through calendar year 2005, current year Secured Property Tax receipts are expected to end the year with the predicted level of growth. SB 813 Property Tax collections and Construction and Conveyance Tax revenues, however, have and are expected to continue to drop significantly as the number of property transfers declines.

As a sign of the decline in the real estate market, the following chart shows the drop-off in real estate sales experienced during this fiscal year.

**OVERVIEW (CONT'D.)**

**Economic Environment (Cont'd.)**



**GENERAL FUND REVENUES**

Through April, General Fund revenues totaled \$596.8 million, or 76.5% of the budgeted estimate. This was an increase of \$44.6 million (8.1%) from the April 2006 level of \$552.3 million. Receipts in many categories are outpacing the prior year, including Property Tax, Sales Tax, Franchise Fees, Revenue from Local Agencies, Use of Money and Property, and Other Revenues.

Based on year-to-date receipts, there are no indications that the overall 2006-2007 General Fund revenue estimates will not be met. In fact, in light of higher than expected receipts in 2005-2006 and higher current collections trends, it is anticipated that collections will exceed the Modified Budget by at least \$26.6 million by year-end. In the 2006-2007 year-end clean-up memorandum, scheduled for City Council review on June 19, 2007, there is an upward adjustment of \$26.6 million to the revenue estimates to cover the ending fund balance assumption used in the 2007-2008 Adopted Budget (\$25.3 million) and to cover the higher than anticipated Property Tax Administration Fees (\$1.3 million).

June 7, 2007

**Subject: Monthly Financial Report for March/April 2007**

Page 5

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

The following discussion highlights General Fund revenue activities through April.

**KEY GENERAL FUND REVENUES**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Property Tax</b>	<b>\$ 183,914,000</b>	<b>\$ 135,111,303</b>	<b>\$ 125,427,568</b>

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 reassessment of value due to property resale); and Homeowners Property Tax Relief.

Through April, Secured Property Tax receipts totaled \$119.8 million, or 73.5% of the budgeted estimate of \$167.8 million. The 2006-2007 collections are based on the value of property assessed on January 1, 2006, with any roll corrections. Based on the most current tax roll information provided by the County of Santa Clara, Secured Property Tax receipts are projected to exceed the adopted estimate by at least \$1.2 million. Tax roll adjustments, however, are still occurring and will continue to take place until the end of May 2007.

In the Unsecured Property Tax category, the final payment was received in April, bringing total collections to \$10.6 million. This figure exceeded the budget estimate of \$10.2 million by approximately \$400,000.

The SB 813 Property Tax category generated revenue of \$4.1 million through April, which reflects a decrease of approximately 40% from the \$6.8 million collected through the same period last year. Unlike last year, however, no payment was booked in April. Factoring out this timing difference in payments, collections still declined by 27.1% when compared to the prior year. A significant drop-off in this category was anticipated when the 2006-2007 Adopted Budget was developed based on the assumption that real estate sales would slow significantly. Receipts can, in fact, fall 48% from the high of \$10.1 million collected in 2005-2006 and still meet the 2006-2007 budget estimate of \$4.8 million in this category. Because the drop-off in receipts has not been as severe as anticipated when the budget was developed, it is currently projected that proceeds in this category will exceed the budgeted estimate of \$4.8 million by at least \$1.5 million.

In the Homeowners Property Tax Relief category, collections are expected to come in at the budgeted level of \$1.1 million.

Based on the higher than anticipated collections in the Secured, Unsecured, and SB 813 Property Tax categories, an upward adjustment of \$3.0 million is recommended as part of the 2006-2007 year-end clean-up memorandum, scheduled for City Council review on June 19, 2007. A portion of this funding (\$1.3 million) will be used to cover the increase in the Property Tax Administration Fee submitted by the County of Santa Clara.

June 7, 2007

Subject: Monthly Financial Report for March/April 2007

Page 6

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Sales Tax</b>	<b>\$ 144,074,000</b>	<b>\$ 90,532,189</b>	<b>\$ 85,118,691</b>

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts through April of \$87.0 million represented receipts through the first two quarters of 2006-2007, two State formula advance payments for the third quarter of 2006-2007, the first payment from the State associated with the “triple flip” calculation, additional funding received in the last quarter of 2005-2006 above the amount accrued for that quarter of \$2.6 million, and the recognition of the remaining balance of \$229,000 from an Aerospace refund from several years ago that has been fully paid. Currently, General Sales Tax receipts are tracking 6.4% above the \$81.8 million received through the same period last year. It is important to note, however, that the higher collection level reflects the accrual adjustment, a higher “triple flip” payment from the State, and higher quarterly advances, but no growth in actual current year sales tax receipts.

As discussed in prior MFRs and the Mid-Year Budget Review, Sales Tax payments continue to be heavily impacted by State actions. In March 2005, voters approved Proposition 57, the California Economic Recovery Bond Act, which allowed the State to purchase bonds to reduce the State budget deficit. One aspect of the bond measure, referred to as the “triple flip”, is a very complex set of transactions which involve suspending one-quarter of the Bradley-Burns Sales and Use Tax and replacing the lost revenues with funds set aside from countywide property tax revenues. This change will remain in effect until the State’s bond obligations have been satisfied. As a result, the City has been receiving reduced (down 25%) Sales Tax receipts each month. Under the provisions of the State Budget action, the reduced amounts are offset by payments, made twice a year, from property tax receipts (usually in January and May). The City will, however, continue to record the replacement property tax revenues as Sales Tax receipts as the growth formula for these receipts is tied to Sales Tax and this action is considered a temporary situation.

As the payments made by the State in January and May are intended to reflect the entire fiscal year amount, the payments are based on estimates. In September, after the fiscal year ends, the State reviews the actual receipts for the fiscal year and any difference between the estimated payments and the actual amount due is supposed to be true-up by an addition to, or subtraction from, the next January payment. For San José, the State’s calculation of the true-up amount for 2005-2006 resulted in a positive payment to San José of \$870,000. In addition, the State provided information of the two payments it will make in 2006-2007. These payments were higher than originally anticipated when the 2006-2007 budget was developed.

As reported in the January/February Monthly Financial Report, current year Sales Tax receipts have not shown any growth in the first two quarters of 2006-2007. Analysis of the components of our Sales Tax receipts, as presented in the last MFR, indicate that the general retail and food products categories experienced slight growth, 1.7% and 1.6%, respectively, in the second quarter, while the

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

**Sales Tax (Cont'd.)**

business-to-business, transportation, and miscellaneous categories experienced declines of 2.7%, 0.5%, and 4.7%. Data on the third quarter of 2006-2007 is not due to be released until late June.

Even though collections have not shown any growth in the first two quarters of this year, it is still anticipated that the 2006-2007 budget estimate will be exceeded by year-end. With the strong performance in 2005-2006, the one-time funds available this year associated with the 2005-2006 accrual, and a higher than anticipated payment from the State associated with the “triple-flip”, the budget estimate would be exceeded by approximately \$5 million even if no growth was experienced for the remaining two quarters of the fiscal year. To reflect this higher anticipated collection amount, a \$5 million upward adjustment to the Sales Tax revenue estimate is included in the 2006-2007 year-end clean-up memorandum.

Through April, the Proposition 172 Sales Tax receipts of \$3.6 million were tracking 6.4% above the prior year level. The majority of this increase, however, was the result of additional funding received at the end of 2005-2006 above the amount accrued for that period. Factoring out that accounting adjustment, collections were tracking approximately 1.9% above the prior year. If current collection trends continue, it is anticipated that proceeds in this category will meet or slightly exceed the budget estimate of \$4.4 million by year-end.

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Transient Occupancy Tax</b>	<b>\$ 7,600,000</b>	<b>\$ 6,327,044</b>	<b>\$ 5,649,235</b>

Transient Occupancy Tax collections through April of \$6.3 million were above last year’s level of \$5.6 million for the same period. With stronger than anticipated performance in 2005-2006 that has continued into 2006-2007, receipts are currently projected to exceed the budgeted estimate by at least \$600,000. The average room rate increased from \$124.99 in April 2006 to \$140.52 in April 2007, reflecting growth of 12.4% over the prior year. The April 2007 occupancy rate at the 14 major hotels was 61.08%, which was below the March 2007 rate of 65.11% but above the April 2006 rate of 58.71%. The latest monthly year-to-year activity index also shows an increase of 17% from April 2006, reversing a negative trend that has been experienced in the last three months.

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Franchise Fees</b>	<b>\$ 36,904,000</b>	<b>\$ 30,248,177</b>	<b>\$ 26,765,783</b>

Franchise Fees consist of the following categories: Electric, Gas, Commercial Solid Waste, Cable Television, City-Generated Vehicle Tow, Water, and Nitrogen Gas Pipeline. Receipts of \$30.2 million were tracking above the April 2006 collection level of \$26.8 million, primarily due to higher collections in the Electric and Cable categories.

Electric Franchise Fees totaled \$11.4 million through April, which was almost 12% above the prior year collection level of \$10.1 million. This collection level was based on the final reconciliation of the 2006 franchise fees due to the City. While not reflected in the figures through April, the City received the remaining 2006-2007 Electric Franchise Fee payment in May 2007 that was a formula driven installment for the 2007 Electric Franchise Fees due to the City. This final payment brought collections to \$14.9 million, which was almost \$1.3 million above the budgeted estimate for this category.

Gas Franchise Fees totaled \$4.4 million through April, which was almost 3.0% above the prior year collection level of \$4.3 million. This collection level was also based on the final reconciliation of the 2006 franchise fees due to the City. While not reflected in the figures through April, the City received the remaining 2006-2007 Gas Franchise Fee payment in May 2007, which like the Electric Franchise Fee payment, was a formula driven installment for the 2007 Gas Franchise Fees due to the City. This final payment brought collections to \$5.5 million, which was \$800,000 above the budgeted estimate for this category.

Cable Television Franchise Fees of \$4.5 million reflect three quarterly payments and are tracking 19.0% above the first three quarters of 2005-2006. If current collection trends continue, receipts are expected to exceed the budgeted estimate of \$5.0 million by as much as \$1.0 million.

Commercial Solid Waste Franchise Fee collections of \$8.7 million through April are consistent with the prior year receipts. However, growth of 4.5% is needed to meet the budgeted estimate of \$12.1 million. If the current collection trends continue, receipts in this category would fall below the budgeted estimate by approximately \$500,000. Collections in the City-Generated Vehicle Tow, Water Franchise Fee, and Nitrogen Gas Pipeline categories are tracking within estimated levels through April.

Based on the higher collections through April, an upward adjustment of \$2.0 million to the 2006-2007 revenue estimate for Franchise Fees is recommended in the 2006-2007 year-end clean-up memorandum.

April 7, 2007

Subject: Monthly Financial Report for March/April 2007

Page 9

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

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Utility Tax</b>	<b>\$ 76,098,000</b>	<b>\$ 60,882,244</b>	<b>\$ 59,469,769</b>

Utility Tax includes the following categories: Electric, Gas, Water and Telephone. Utility Tax collections of \$60.9 million were tracking slightly above the prior year level of \$59.5 million. This was driven by higher collections in the Electric category, partially offset by lower collections in the Gas Utility category.

In the Electric Utility Tax category, collections of \$28.2 million are tracking 7.6% above the prior year level. With growth of only 1% necessary to meet the adopted estimate, it is currently projected that receipts will exceed the revenue estimate by approximately \$2.0 million. In the Gas Utility Tax category, however, receipts of \$7.8 million are tracking almost 14% below the prior year. The 2006-2007 Adopted Budget estimate of \$9.7 million allows for a drop of almost 12% from the \$11.0 million collected last year. The projected drop was based on the correct assumption that the high natural gas costs experienced last year as a result of the disastrous hurricane season would not be experienced again this year. At this point, Gas Utility collections are projected to fall approximately \$200,000 below the budgeted estimate.

Collections of \$6.1 million in the Water Utility category are tracking to meet or slightly exceed the budget estimate of \$7.3 million by year-end. Through April, growth of 4.8% over the prior year has been experienced, exceeding the 1% growth needed to meet the budgeted estimate.

Collections in the Telephone Utility Tax category of \$18.8 million are tracking 2.2% above the prior year level of \$18.4 million. This increase, however, was the result of accrual adjustments from 2005-2006. It is currently anticipated that receipts may fall slightly below the budgeted estimate of \$24.8 million by year-end by approximately \$150,000. To meet this estimate, growth of 6.4% over the actual 2005-2006 receipts is needed. As mentioned in previous MFRs and the Mid-Year Budget Review, there also remains a potential for legal challenges associated with the Telephone Utility Tax as a result of the repeal of the federal Excise Tax, from which the City's Telephone Utility Tax was modeled. At this point, the telephone companies have continued to remit the Telephone Utility Tax payments. This issue is being closely monitored by the Attorney's Office, the Finance Department, and the City Manager's Office.

Overall, collections in this category are expected to exceed the 2006-2007 revenue estimate by at least \$1.7 million. To reflect this higher collection level, an upward revenue adjustment is recommended in the 2006-2007 year-end clean-up memorandum.

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Licenses and Permits</b>	<b>\$ 74,660,399</b>	<b>\$ 62,574,070</b>	<b>\$ 63,515,104</b>

Through April, Licenses and Permits revenue of \$62.6 million tracked slightly below the prior year level of \$63.5 million due to lower collections in the Fire Permits and the Building Permits categories. Following is a discussion of the major components of this category.

Cardroom Business Tax collections of \$9.5 million through April were well above the prior year level of \$8.3 million and have now already met the 2006-2007 budget estimate of \$9.5 million. Based on 2005-2006 collections of \$11.2 million and actual performance through April, this revenue category is expected to exceed the estimate by at least \$2 million. An upward adjustment of \$2.0 million to this revenue estimate is recommended in the 2006-2007 year-end clean-up memorandum to reflect the higher collections in this category.

Disposal Facility Tax revenue of \$10.4 million through April was tracking slightly above the prior year level of \$10.1 million. In 2005-2006, the Alternate Daily Cover exemption was reinstated and Waste Management was reimbursed for the disputed amount they paid the City in 2003-2004, which resulted in a lower payment in 2005-2006. In 2006-2007, collections are tracking to meet or fall slightly below the budgeted estimate of \$14.7 million by year-end.

In the Business Tax category, collections of \$12.7 million through April were tracking above the prior year level of \$11.8 million and are expected to exceed the budgeted estimate of \$12.0 million by at least \$1 million. The higher collection level is the result of the Business Tax Amnesty Program, which ran from August 2, 2006 through September 29, 2006. An upward adjustment of \$1.0 million to this revenue estimate is recommended in the 2006-2007 year-end clean-up memorandum to reflect the higher collections in this category.

Fire Permit collections through April of \$5.9 million were 14% below the prior year level of \$6.9 million, primarily due to an amount (\$703,000) included in 2005-2006 which should have been deferred to 2006-2007. As a result, Annual Renewable Permits are expected to end the year significantly below estimated levels. A downward adjustment of \$700,000 to this revenue estimate is recommended in the 2006-2007 year-end clean-up memorandum to reflect the lower collections in this category. Normalizing for this error, actual Fire Permit revenues are still tracking 3.8% below actual prior year receipts due to lower than anticipated Plan Check receipts. Development-related collections are 8% below levels received through April 2006. The 2006-2007 budget estimate, however, allows for only a 5% drop from the 2005-2006 actual receipts. Based on current collection trends, development-related Fire Permit revenue may fall slightly below the budgeted estimate by year-end, although increased activity associated with high-rise construction projects may help collections in the last two months. A full reconciliation of the development related revenues and expenses will be performed at the end of 2006-2007. There are sufficient reserves to cover any potential shortfall in this area.

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

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

**Licenses and Permits (Cont'd.)**

Building Permit revenues of \$17.8 million were also tracking below both budgeted levels and last year's collection level of \$20.3 million. Overall, the revenue projection for 2006-2007 was based on the assumption that activity would remain close to 2005-2006 levels with a net fee reduction of 1%. However, since actual collections in 2005-2006 of \$24.0 million fell slightly below anticipated levels, slight growth is needed in 2006-2007 to meet the budget estimate of \$24.3 million. While collections remain below anticipated levels, development-related activity was fairly strong in April. Residential activity in April reached its highest level in over a year with over 717 units. Permits were issued for the superstructures of both the Central Place and Axis Condos high-rise projects in Downtown. Commercial and industrial activity was moderate. Additional permits were issued at The Plant Shopping Center and a permit was issued to Costco Warehouse for construction of a facility at Hostetter Road and Automation Parkway. Overall, however, we still project that revenues will likely end the year below the budgeted estimate by as much as \$2 million. As part of the 2006-2007 year-end clean-up memorandum, a downward adjustment of \$1.0 million to the revenue estimate offset by a \$1.0 million reduction to the Planning, Building, and Code Enforcement Department expenditure budget is recommended. Any remaining revenue shortfall could be offset by the use of the fee reserve and any additional expenditure savings.

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Fines, Forfeitures and Penalties</b>	<b>\$ 12,536,567</b>	<b>\$ 12,938,824</b>	<b>\$ 11,491,747</b>

This category includes parking fines, the City's share of vehicle code fines, administrative citation fines and penalties, and cardroom and business tax penalties. Through April, collections of \$12.9 million are tracking above both the prior year collection level and the budgeted estimate. Based on receipts to date and the prior year collection patterns, revenue in this category should exceed the budgeted estimate of \$12.5 million by as much as \$2 million. In this category, an outstanding fine payment from the Garden City card club of \$500,000 was received in March. Beginning in April, additional monthly payments will be received over a 28-month period to complete the fine payment that has been outstanding for several years due to bankruptcy proceedings. In 2006-2007, these monthly payments will result in an additional \$135,000 in fine revenue. In addition, receipts have been tracking higher than anticipated in the Parking Fines, Business Tax Penalties, and Administrative Citation Fines.

An upward adjustment of \$1.1 million is recommended as part of the 2006-2007 year-end clean-up memorandum to reflect the higher collections in this area.

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Use of Money and Property</b>	<b>\$ 10,845,781</b>	<b>\$ 11,766,713</b>	<b>\$ 7,920,015</b>

Use of Money and Property revenue collections of \$11.8 million through April were well above the prior year level of \$7.9 million, reflecting higher than anticipated interest rates and investment earnings. If the current rate of earnings continues, it is expected that this category will significantly exceed the budgeted estimate by year-end. This reflects a combination of higher interest rates and higher cash balances in the various funds in which interest earnings are credited to the General Fund. To reflect the higher collections, an upward adjustment of \$3.8 million is recommended as part of the 2006-2007 year-end clean-up memorandum.

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Revenue from the State of California</b>	<b>\$ 10,446,294</b>	<b>\$ 10,792,440</b>	<b>\$ 9,296,008</b>

Revenues from the State of California of \$10.8 million through April tracked 16.1% above prior year collections of \$9.3 million. The higher collection level reflects higher Motor Vehicle and Airplane In-Lieu payments along with higher grant payments. The Motor Vehicle In-Lieu payments of \$5.1 million are tracking above estimates due, primarily, to one-time payments from the State associated with prior year collections in 2004-2005 and 2005-2006 that totaled \$739,000. Collections in this area are expected to exceed the budget estimate by at least \$1 million by year-end. Airplane In-Lieu payments of \$2.1 million through April have already exceeded the budgeted estimate of \$1.0 million. Based on historical collection patterns, receipts in this area are expected to exceed the budgeted estimate by approximately \$1.4 million by year-end. With the exception of the Public Library Grant, grant funds are projected to meet the budgeted estimates. The actual Public Library Grant revenue of \$551,000 exceeded the budgeted estimate of \$316,000 by \$235,000. In addition, Auto Theft reimbursement is expected to generate \$370,000 that had not been incorporated into the 2006-2007 budget.

Based on the higher collection trends, an upward adjustment of \$3.0 million to the Revenue from the State revenue category is recommended as part of the 2006-2007 year-end clean-up memorandum.

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Departmental Charges</b>	<b>\$ 29,661,288</b>	<b>\$ 23,033,323</b>	<b>\$ 21,960,780</b>

The Departmental Charges category is tracking above the prior year level but below the budgeted estimate through April. This is the result of lower receipts in the Planning and Public Works Fee Programs, partially offset by higher than anticipated collections in the Parks, Recreation and Neighborhood Services, and Transportation Departmental Charges categories. The Library, Police, and Miscellaneous Departmental Charges fees are tracking within estimated levels.

Following is a discussion of the two major development-related fee areas in this category.

Through April, Public Works revenues of \$5.5 million were tracking 6.3% below the prior year level. Growth of 7.2% growth is needed, however, to meet the adopted revenue estimate of \$7.9 million. While collections fell well below anticipated levels through April, activity in May significantly improved the revenue picture in this fee area with preliminary collections of \$1.65 million. In May, two large payments were received for the General Electric (\$300,000) and the Hitachi (\$350,000) projects. It is now anticipated that receipts may come close to the budgeted estimate by year-end. A complete reconciliation of the fee program will be completed at the end of 2006-2007. The Public Works Fee Reserve would be decreased to offset any revenue shortfall or increased if there are additional revenues above expenditures.

Planning Permit revenue of \$4.1 million through April also tracked 3.4% below the prior year collection level of \$4.2 million and approximately 17% below anticipated levels. Based on current collection trends, receipts may end the year as much as \$700,000 below the budgeted estimate of \$6.2 million. The Planning, Building and Code Enforcement Department plans to continue to hold positions vacant until activity levels improve. Any expenditure savings along with the Planning Fee Reserve would be available to offset the lower revenue collection level. A final reconciliation of Planning Permit revenues and expenditures will be completed as part of the 2006-2007 Annual Report.

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Transfers and Reimbursements</b>	<b>\$ 100,909,642</b>	<b>\$ 86,405,809</b>	<b>\$ 86,912,039</b>

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Transfers and Reimbursement collections of \$86.4 million through April are tracking slightly above anticipated levels due primarily to higher capital overhead revenue based on actual activity.

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

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

**Transfers and Reimbursements (Cont'd.)**

Overhead reimbursements for operating funds will be received at the budgeted levels. The capital overhead reimbursements are assessed on actual capital expenditures. These reimbursements are currently tracking above anticipated levels based primarily on an increase in the capital overhead rate. Collections in this area are currently projected to exceed the budget estimate by year-end by at least \$1.5 million.

This category also includes reimbursement from the Gas Tax Funds that is budgeted at \$17.0 million for 2006-2007. Based on current collections, it is anticipated that this estimate will be exceeded by approximately \$200,000 by year-end.

Based on the higher than anticipated collections in the Transfers and Reimbursements category, an upward adjustment of \$1.7 million to this revenue category is recommended in the 2006-2007 year-end clean-up memorandum.

<u>Revenue</u>	<u>2006-2007 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
<b>Other Revenue</b>	<b>\$ 24,363,720</b>	<b>\$ 22,977,957</b>	<b>\$ 14,184,801</b>

The Other Revenue category includes various items that do not fall into the other revenue categories, such as payments from the Arena Management for the HP Pavilion, Comcast Public, Educational, and Governmental (PEG) Access payments, FMC lease payments from the Airport, reimbursement revenue for the Coyote Valley Specific Plan, and SB 90 reimbursements. Collections are currently tracking above expected levels through April, primarily due to the \$2.8 million in SB 90 reimbursements that have been received but had not been programmed in the 2006-2007 budget due to the uncertainty regarding receiving these funds from the State. A significant portion of this amount (\$1.3 million) was associated with reimbursement for jail booking fees paid in 2005-2006, which was not previously anticipated and will not be received next fiscal year due to a change in the accounting for this item.

An upward adjustment of \$3.1 million is recommended in the 2006-2007 year-end clean-up memorandum to reflect the higher than anticipated SB 90 collections (\$2.8 million) and to recognize Pacific Gas and Electric energy rebates (\$309,000) in this category.

**CASH**

General Fund Cash balance at the end of April of \$210.3 million was above the \$190.6 million balance achieved at the end of April 2006. In April 2007, revenues totaled \$74.4 million while expenditures totaled \$54.4 million, for a net increase in the cash balance of \$20.0 million from the March 2007 cash balance. Staff will continue to closely monitor the status of cash balances in the General Fund and report to the Council as part of these reports.

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

**EXPENDITURES**

Through April, General Fund expenditures of \$612.6 million were 11.7% above (\$64.2 million) the prior year level of \$548.4 million. Encumbrances of \$33.9 million were 16.6% above (\$4.8 million) the prior year level of \$29.1 million. Expenditures and encumbrances (\$646.5 million) through April constitute 72.7% of the total 2006-2007 revised budgeted uses of funds (\$889.9 million, excluding reserves). On an overall basis, cumulative departmental and non-departmental expenditures are tracking slightly below budgeted levels through April.

In recognition of the lower overall expenditures anticipated through the end of 2006-2007, downward adjustments of \$2.8 million to various appropriations are recommended in the 2006-2007 year-end clean-up memorandum, with the resulting savings added to the Ending Fund Balance line item. The expenditure items recommended to be reduced include Workers' Compensation Claims (\$2.3 million), Energy Usage (\$250,000), and Employee Transition Funds (\$250,000). These expenditure savings would be combined with the recognition of excess revenues to establish an Ending Fund Balance line in the amount of \$28.1 million, which is consistent with the estimate included in the 2007-2008 Proposed Operating Budget.

Based on an analysis of expenditures through April, there are other net-zero expenditure adjustments recommended in the 2006-2007 year-end clean-up memorandum to shift resources to ensure that all appropriations remain within budgeted levels at year-end. These adjustments include increases of \$11,500 to the Independent Police Auditor Personal Services, \$200,000 to the Library Department's Non-Personal to ensure sufficient funding for gas and electric charges, and \$16,900 to the 1970 and 1980 COLA Federated, Police and Fire Retirees allocations, offset by decreases to other expenditure allocations. In addition, there are shifts between Personal Services and Non-Personal/Equipment within departments to align resources with funding needs. An increase of \$1.3 million to the Property Tax Administration line item in City-Wide Expenses, offset by increased Property Tax revenue, is also recommended in the year-end 2006-2007 clean-up memorandum to address the significant increase in fees assessed by the County of Santa Clara.

The following discussion highlights significant General Fund expenditure activities through April:

**KEY GENERAL FUND EXPENDITURES**

<u>Department</u>	<u>2006-2007 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
<b>Police</b>	<b>\$ 263,211,839</b>	<b>\$ 203,939,818</b>	<b>\$ 187,896,561</b>

On an overall basis, the Police Department expenditures are tracking within estimated levels. Personal Services expenditures of \$193.7 million tracked close to anticipated levels (80.1% compared to the par of 80.8%). At this time, the Police Department estimates that it will end the year within its Personal Services allocation. With the addition of \$1.6 million as part of the Mid-Year Budget Review for "Orange Alert" staffing, overtime expenditures of \$6.9 million through April tracked

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

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

**Police Department (Cont'd.)**

below projected levels at 73.2% expended. Overtime expenditures through April related to the increased security threat level total \$1,060,499.

The Department continues to use vacancy savings to fund overstrength positions for the Sworn Recruitment and Training Program. In the Sworn Recruitment and Training Program, the Department graduated 34 Police recruits from the July 2006 Academy, with officers street-ready in April 2007. The Department also hired 50 Police recruits for the January 2007 Recruit Academy, with officers expected to be street-ready in October 2007, and has hired or rehired 16 lateral officers since the beginning of the fiscal year. In addition, the Department was recently given authorization to hire an additional 31 recruits for the new Academy scheduled to commence in July.

The compensatory time balance at the end of April 2007 was 233,220 hours for sworn personnel. This represents a 4,687 hour increase (2.1%) compared to the March 2007 balance of 228,533, and a 16,070 hour increase (7.4%) compared to the April 2006 balance of 217,150. The increase in sworn compensatory time balances continues to be due to a number of factors, including responses to specific types of crimes such as homicides, which require immediate and intensive investigations, and the need to backfill for street-ready vacancies. The Department's sworn compensatory time reduction program for personnel with balances over 240 hours as of December 30, 2006 is expected to limit future compensatory time growth. A rebudget of overtime funds approved as part of the 2005-2006 Annual Report as well as an addition of overtime funds at Mid-Year should also enable the Police Department to contain compensatory time growth within acceptable levels in the current fiscal year. Staff will continue to monitor this balance.

A total of 61.8% of the Department's Non-Personal/Equipment budget was expended or encumbered through April. The majority of non-personal/equipment savings are related to vehicle maintenance and operation and vehicle replacement. It is estimated that the Department will end the year within its Non-Personal/Equipment allocation.

<u>Department</u>	<u>2006-2007 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
<b>Fire</b>	<b>\$ 129,542,267</b>	<b>\$ 101,905,875</b>	<b>\$ 100,116,452</b>

Overall, expenditures for the Fire Department were tracking within estimated levels through April with 78.7% expended.

Through April, Personal Services expenditures of \$97.2 million tracked approximately at estimated levels (79.3% versus a par level of 80.8%). Salary and benefit expenditures of \$90.0 million tracked above par level, while overtime expenditures tracked at lower than estimated levels with \$7.1 million

<b>GENERAL FUND (CONT'D.)</b>
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**KEY GENERAL FUND EXPENDITURES (CONT'D.)**

**Fire Department (Cont'd.)**

expended (63.6%). The lower overtime expenditure level is due to various budgeted overtime activities (such as the third Recruit Academy and the Fire Engineer Academy) that have not yet occurred. At this time, the Fire Department expects that overtime expenditures at year-end will be lower than budgeted. Savings in this category, however, will be needed to offset projected higher expenditures in salaries and benefits with the April Firefighter Recruit Academy. The Fire Department does currently anticipate ending the year within the budgeted allocation for Personal Services expenditures.

Through April, the Fire Department had a total of 253 filled paramedics (158 front-line, 4 Supervisors, and 91 support). Of the 25 Firefighters that graduated from the April 2006 Academy in August, 24 Firefighters completed their paramedic accreditation through April. Of 29 Firefighters that began the January 2007 Academy, 26 successfully graduated in April. These Firefighters are projected to secure paramedic accreditation by August 2007. In order to maintain the appropriate staffing levels necessary, a 17-week Firefighter/Paramedic Academy consisting of 25 recruits began April 30, 2007. The Department projects it will have no problem maintaining the target staffing level of 147 front-line Firefighter Paramedics.

The Department's Non-Personal/Equipment budget of \$7.1 million was 83.0% expended or encumbered through April. With the Non-Personal/Equipment budget estimated to end the year very close to appropriated levels, the Department is liquidating encumbrances and tightening internal controls. At this time, the Department estimates that it will end the year within the budgeted allocation.

**CONTINGENCY RESERVE**

Through April, the General Fund Contingency Reserve was at \$27,864,462, up by \$859,462 from the 2006-2007 Adopted Budget level of \$27,005,000. The following revisions to the Contingency Reserve were approved through April:

- A decrease of \$15,000 to increase funding for the City of San José Volunteer Celebration.
- A decrease of \$100,000 to establish an appropriation for the Greater Terrace Drive Soil Testing Project.
- An increase of \$1,149,462 to bring the Contingency Reserve to 3% of the budget based on the Annual Report actions.
- A decrease of \$175,000 to provide funding to the Mexican Heritage Corporation to continue operation of the Mexican Heritage Plaza through June 30, 2007.

## OTHER FUNDS

### Construction and Conveyance Tax Funds

Construction and Conveyance Tax revenues are continuing to decline due to the slowdown in the local real estate market. Collections through April totaled \$30.6 million, down 17.5% from the \$37.1 million collected through April 2006. For eleven out of the last twelve months, the current year monthly Conveyance receipt is lower than the prior year receipt, due primarily to the drop in the number of property transfers (sales). In addition to these revenues, the City has since received May Conveyance Tax receipts totaling \$4.0 million, which is approximately equal to the May 2006 receipt of \$4.0 million. While collections have dropped since the beginning of the year, this was assumed in the Adopted Budget and receipts are performing strong enough to exceed the current year estimate. Therefore, in the 2007-2008 Proposed Capital Budget, the 2006-2007 revenue estimate was increased from \$27.0 million to \$34.0 million. This will allow collections to decline 31% from the high of \$49.0 million collected in 2005-2006 and still meet the revised budget estimate. This increase to the current year revenue estimate is also recommended in the 2006-2007 year-end clean-up memorandum.

Construction and Conveyance Taxes are almost entirely generated from property transfers, and reflect the continuation of the local real estate market slowdown. As of April, the number of property transfers for all types of residences has decreased by approximately 26% from the prior year. The median home price in April 2007 of \$762,000 has also decreased, compared to the April 2006 of \$785,000. It should also be noted that the amount of time it took to sell these homes has grown tremendously. The average days-on-market was 53 days in April 2007, which is 47% longer than the average of 36 days in April 2006.

### Other Construction-Related Revenues

Through April, permit valuation for residential, commercial, and industrial construction activity tracked above prior year levels. Residential activity reached its highest level in over a year (717 units) as a result of issuance permits for the superstructures of both the Central Place and Axis Condos high-rise projects in Downtown. Groundbreaking occurred on Plaza at Messina Gardens, a 199-unit project by Pinn Brothers at the southwest corner of North Capitol Avenue and Mabury Road. Commercial activity was moderate in April. A permit was issued to Costco Wholesale for construction of a 147,000-square foot store and gas station located on the northwest corner of Hostetter Road and Automation Parkway. Additional permits were issued at The Plant Shopping Center (northwest corner of Curtner Avenue and Monterey Road), which broke ground in January. The latest permits were for three buildings, totaling 97,000 square feet, at the back of the site adjacent to the Target store. Industrial activity was also moderate. A permit for tenant improvements was issued to Interwoven, a software company that will occupy an 111,000-square foot building at the southeast corner of Tasman Drive and Baypointe Parkway. This permit activity drives the revenue collection in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

<b>OTHER FUNDS (CONT'D.)</b>
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**Other Construction-Related Revenues (Cont'd.)**

Through April, actual receipts for the seven revenue sources monitored for this report totaled \$23.7 million, which represents an increase of 11.1% from the \$21.3 million collected through the same period last year. The major revenue sources – Building and Structure Construction Taxes and Construction Excise Taxes – outperformed year-to-date estimates and also tracked higher than in 2005-2006. Building and Structure Tax receipts through April totaled \$9.3 million, which is 95.8% of the 2006-2007 estimated level of \$9.7 million. This represents an increase of 17.4% from the revenues collected through the same period last year (\$7.9 million). No growth is needed to meet the budgeted estimate in 2006-2007. Construction Excise Tax revenues through April totaled \$12.8 million (93.3% of the current 2006-2007 estimate of \$13.7 million), which represents a 12.0% increase from the \$11.4 million received over the same period last year. The budgeted estimate for this category allows for a 2.7% drop in 2006-2007.

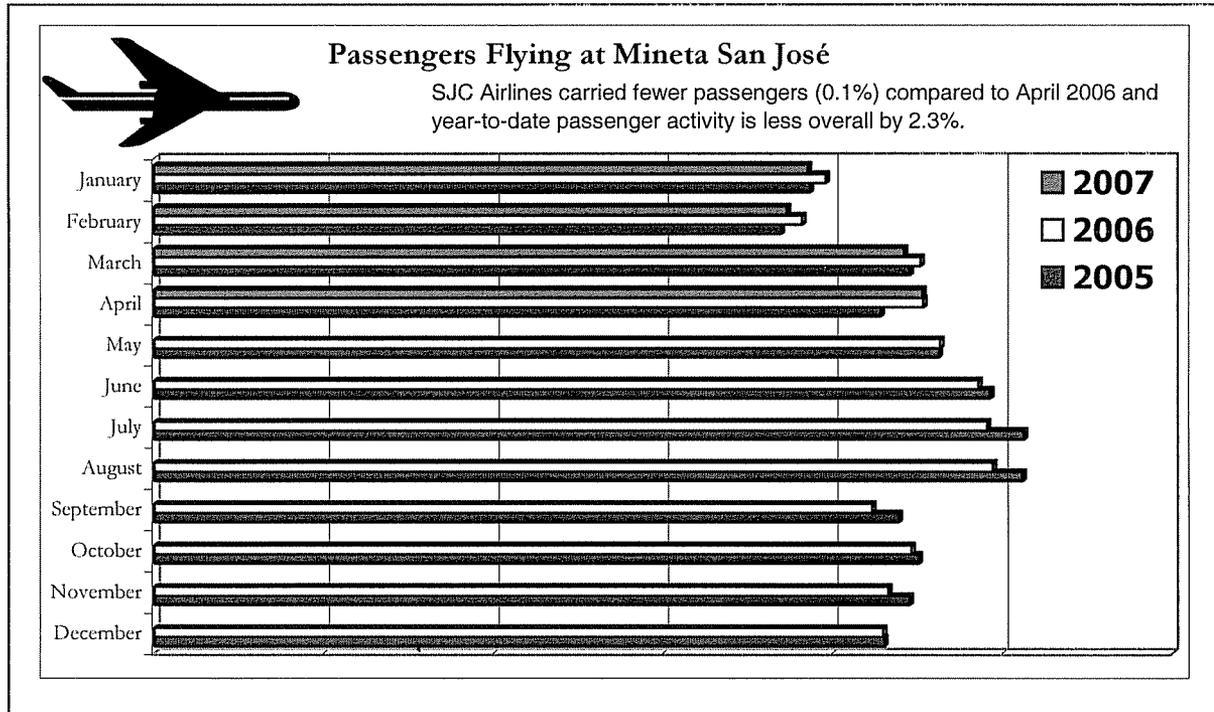
Other construction-related revenues are generated by Residential Construction Taxes, Municipal Water Service Connection Fees, Municipal Water Major Facilities Fees, Sanitary Sewer Fees, and Storm Drain Fees. The Residential Construction Taxes and Sanitary Sewer Fees are currently tracking above prior year actuals and have already exceeded the budgeted estimate for 2006-2007. Residential Construction Taxes totaled \$265,000 (106.2% of the current 2006-2007 estimate of \$250,000), which represents a 7.9% increase from last year's \$246,000 collected over the same period. Sanitary Sewer Fees totaled \$1.09 million (101.8% of the current 2006-2007 estimate of \$1.07 million), which represents a 0.8% increase from last year's \$1.08 million collected over the same period. Municipal Water Service Connection Fees, Municipal Water Major Facilities Fees, and Storm Drain Fees are, however, all tracking below prior year levels and most likely will not meet budgeted estimates by year-end. Because Municipal Water Service Connection Fees and Municipal Water Major Facilities Fee revenues recover actual costs to install new services, this lower collection level is coupled with lower costs.

**Airport Activity**

Activity at the Norman Y. Mineta San José International Airport (SJC) remains sluggish. On a fiscal year-to-date basis, the Airport has enplaned and deplaned 8.7 million passengers, a decrease of 2.3% from the figures reported through April 2006. Monthly passenger activity in April declined 0.1% from April 2006. Terminal C passenger activity for April 2007 decreased 4.8% and year-to-date activity was down by 6.7% from the prior fiscal year. Terminal A passenger activity increased 2.8% in April-to-April comparisons and year-to-date activity was up 0.6%. Mail, freight and cargo totaled 156.6 million pounds, which represents a 9.7% decrease from 2005-2006. April 2007 taxicab operations increased by 11.7% from those in April 2006 and are 7.0% greater than those recorded in 2005-2006. Year-to-date Passenger Facility Charge (PFC) revenues are 2.0% less than the previous fiscal year.

**OTHER FUNDS (CONT'D.)**

**Airport Activity (Cont'd.)**



**Airport Revenues**

Although Airport activity is lower than anticipated, conservative revenue estimates have allowed the Airport to meet budget projections. Through April 2007, year-to-date operating revenues of \$90.4 million are tracking at a pace consistent with the estimated budget. Revenue performance by category, however, was varied. Landing fees tracked on target with the budget estimate. Airfield revenues, general and non-aviation, and petroleum program revenues performed higher than the budgeted levels, and other revenue categories such as terminal rentals, terminal concessions and miscellaneous rents, and parking and roadway tracked lower than the estimated budget.

Higher revenues across the sectors within the airfield category continued to propel the revenue performance above budget. General and non-aviation revenues were running 24% over the budget estimate primarily as a result of the lease payment from Hensel Phelps, and the higher collection of land rentals from Park N Travel and BAE Systems. The transfer of interest and excess reserve from the fiscal agent and billings for liquidated damages recoveries also contributed to the higher revenue tracking. While both ground fuel sales and aircraft flowage fees declined, higher demand for compressed natural gas (CNG) increased to 117% above the budget estimate, thus improving performance in the petroleum program.

<b>OTHER FUNDS (CONT'D.)</b>
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### **Airport Revenues (Cont'd.)**

The reduction of operations space by American Airlines in Terminal A and lower space rentals being paid by Mexicana Airlines as a result of its relocation from Terminal C to Terminal A has dragged down the overall performance of terminal rentals. Revenues from terminal concessions and miscellaneous rents totaled \$17.6 million, 3% lower than the \$18.1 million budget estimate, as advertising revenues, Federal Inspection Services (FIS) revenues and other space rents dipped below the estimate. Parking and roadway revenues recorded a 3% decrease from the projections, hampered by a decline in both short-term and long-term parking collections.

Adjusted year-to-date fee revenues from the Airport Customer Facilities and Transportation Fee Fund reflect a slight decline (0.9%) from last fiscal year. Fund revenues to date also include \$160,000 in grant revenue associated with a Bay Area Air Quality Management District (BAAQMD) grant to retrofit the existing diesel bus fleet, as well as a contribution from the rental car companies.

### **Airport Expenditures**

Through April, Airport Maintenance and Operation Fund expenditures tracked below the budgeted levels in both personal services and non-personal/equipment. Personal service expenditures were 76.7% of budget compared to the benchmark of 80.8%, with savings attributed primarily to vacancies. Although the Department filled a number of vacant positions in April, this still left the Department with a 13.3% vacancy rate, the lowest rate thus far this year. As a result, projected personal service savings are expected to exceed the \$2.3 million identified in the cost management plan. Non-personal expenditures were 63.4% of budget compared to the benchmark of 75.4%. Encumbrances totaled \$9.1 million, bringing total non-personal/equipment commitments to \$34.0 million or 86.5% of budget.

Expenditures in the Airport Customer Facilities and Transportation Fee Fund are 3.5% greater than those through April 2006 due primarily to cost of living increases associated with the busing operation and a slight increase in bus hours (1.7%).

### **Public Works Program Support Fund**

The Public Works Program Support Fund accounts for the administrative services and staff absences associated with the Public Works Department. These costs are reimbursed by the various capital funds and the Public Works Fee Program. Through April, there was a \$1.7 million gap between revenues and expenditures after adjusting for the timing differences for the receipt of revenue. This gap is consistent with the shortfalls that have been experienced since February 2007. A portion of this shortfall is the result of \$700,000 in Personal Services charges associated with the City Facilities and Architectural Services Division (CFAS) that are to be moved to other appropriations. The remaining shortfall is largely the result of three factors: the amount assessed to capital projects to recover costs was based on an interim overhead rate that was too low; construction activity that is used as a basis to recover costs tends to be skewed towards the end of

## OTHER FUNDS (CONT'D.)

### **Public Works Program Support Fund (Cont'd.)**

the fiscal year and has yet to increase through April; and Personal Services costs are tracking above anticipated levels. The final Public Works administrative overhead rates for 2006-2007 were implemented in May 2007 and will generate additional revenue. The Department is also working on a cost reduction strategy to bring expenditures in line with budget. To address the increase in costs that will be realized at the end of the year for various capital projects, the 2006-2007 year-end clean-up memorandum includes adjustments to those capital projects where the change in the Public Works administrative costs could potentially result in a cost overrun. The Manager's Budget Office will continue to closely monitor performance in this fund.

### **Transient Occupancy Tax Fund**

Transient Occupancy Tax (TOT) collections of \$9.4 million through April were above both prior year collection and budgeted levels. This collection level is currently tracking 12% above the budgeted estimate. As described earlier for General Fund Transient Occupancy Tax collections, the average room rate increased from \$124.99 in April 2006 to \$140.52 in April 2007, reflecting growth of 12.4% over the prior year. The April 2007 occupancy rate at the 14 major hotels was 61.08%, which was below the March 2007 rate of 65.11% but above the April 2006 rate of 58.71%. The latest monthly year-to-year activity index also shows an increase of 17% from April 2006, reversing a negative trend that has been experienced in the last three months.

## CONCLUSION

After completing ten months of the fiscal year, it is clear that the City's overall financial health remains strong, with revenues generally tracking at or above estimated levels and expenditures remaining within budgeted estimates. In the General Fund, the higher revenue collections are spread among many of the revenue categories rather than concentrated in one or two areas. These higher collection levels were factored into the development of the 2007-2008 Proposed Budget. The combination of excess revenues and expenditure savings in the General Fund in the current year is expected to generate over \$28 million by year-end. As part of the 2006-2007 year-end clean-up memorandum that is scheduled for City Council review on June 19, 2007, it is therefore recommended that \$28.1 million from these sources be used to establish an Ending Fund Balance Reserve, which is consistent with the estimate used in the development of the 2007-2008 Proposed Operating Budget.

As discussed in this MFR, other adjustments to the General Fund, special funds, and capital funds are recommended in the 2006-2007 year-end clean-up memorandum to ensure appropriations remain within budget by year-end, to recognize new grant or other reimbursement-related activities, and to align resources with funding needs. There are sufficient resources in each fund to implement these changes.

April 7, 2007

**Subject: Monthly Financial Report for March/April 2007**

Page 23

**CONCLUSION (CONT'D.)**

As discussed in prior MFRs and the 2007-2008 Proposed Budget, concerns remain in the areas of Sales Tax growth and the slowing housing market. The Sales Tax estimates for both 2006-2007 and 2007-2008 have factored in the slower growth experienced in 2006-2007. In addition, a slowdown in the housing market will likely have a direct future impact on a number of the City's revenue sources, including Property Taxes and Construction and Conveyance Taxes, as well as indirect impacts on other significant revenue categories such as Sales Tax. Construction and Conveyance Tax receipts that are based on property transfers, for example, have dropped by 18% when compared to last year. The SB 813 Property Tax receipts are also tracking 27% below the prior year. The impacts to these categories were, however, anticipated in the development of the 2006-2007 Adopted Budget and have been factored into the development of the 2007-2008 Proposed Budget.

Staff will continue to closely monitor the City's financial status and report to the City Council any and all significant developments through this reporting process. The 2006-2007 Annual Report, which will be released at the end of September 2007, will provide a reconciliation of each City fund and a discussion of any significant year-end variances.



LARRY D. LISENBEE  
Budget Director



**FINANCE DEPARTMENT**  
Monthly Financial Report

Financial Results for the 10 Months Ended April 30, 2007  
Fiscal Year 2006-07

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**Finance Department, City of San José**  
**Monthly Financial Report**  
**Financial Results for the 10 Months Ended April 30, 2007**  
**Fiscal Year 2006-07**

*Table of Contents*

*Page  
Reference*

**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
Schedule of Sources and Uses of Funds.....	4
Supplemental Schedule of Departmental Revenues.....	7

**Other Funds**

*Special Revenue Funds*

Comparison of Construction & Conveyance Tax Funds YTD Revenues vs. Prior Year's Corresponding YTD Revenues.....	8
Comparison of Construction & Conveyance Tax Funds YTD Expenditures vs. Prior Year's Corresponding YTD Expenditures.....	8
Schedule of Sources and Uses of Funds .....	9

*Enterprise Funds*

YTD Revenues and YTD Expenditures for:	
Airport Revenue Fund 521 and Airport Maintenance & Operating Fund 523.....	11
WPCP Operating Fund 513.....	12
Parking Operations Fund 533.....	13
Schedule of Sources and Uses of Funds .....	14

**Finance Department, City of San José**  
**Monthly Financial Report**  
**Financial Results for the 10 Months Ended April 30, 2007**  
**Fiscal Year 2006-07**

*Table of Contents*

*Page  
Reference*

**Other Funds ( Cont'd)**

*Capital Project Funds*

Schedule of Sources and Uses of Funds..... 15

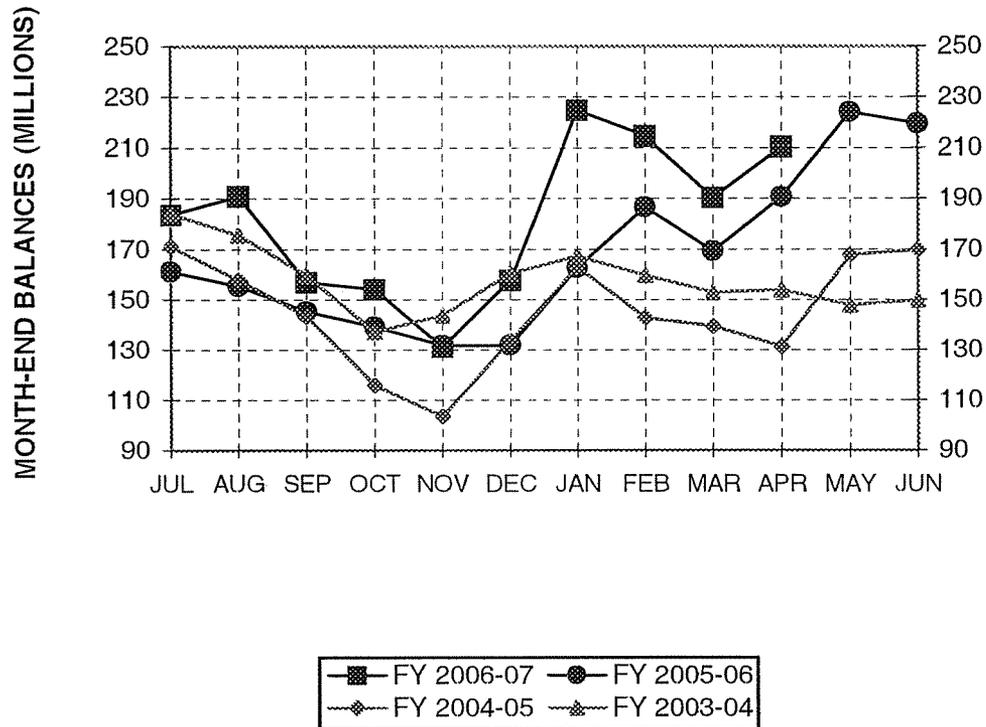
*Other Fund Types*

Schedule of Sources and Uses of Funds..... 16

Submitted by:

  
SCOTT P. JOHNSON  
Director, Finance Department

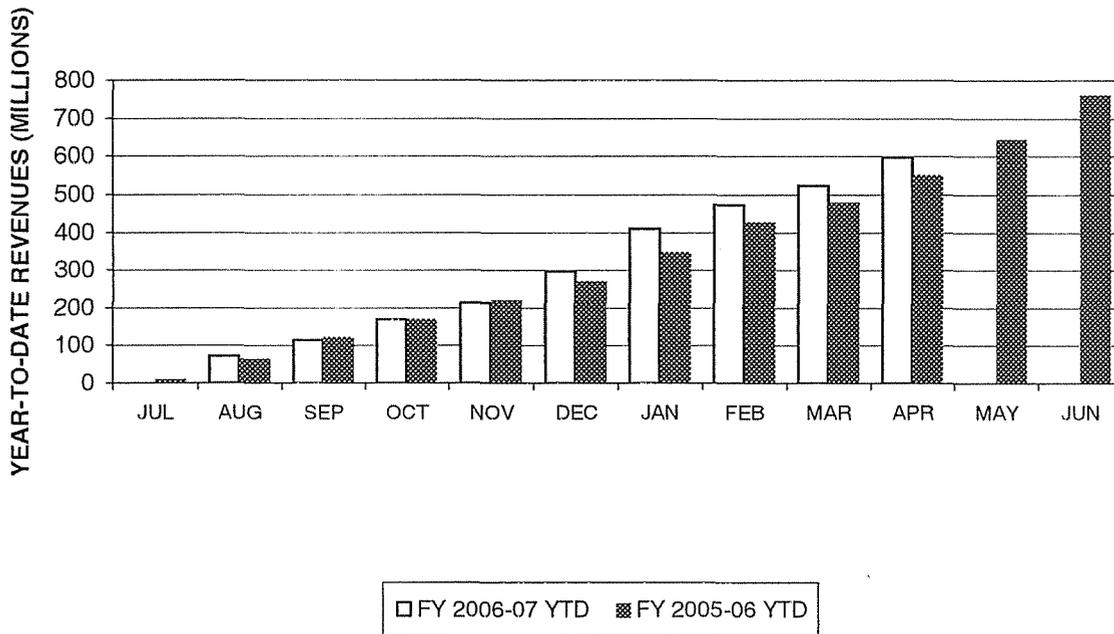
## GENERAL FUND Comparison of Cash Balances



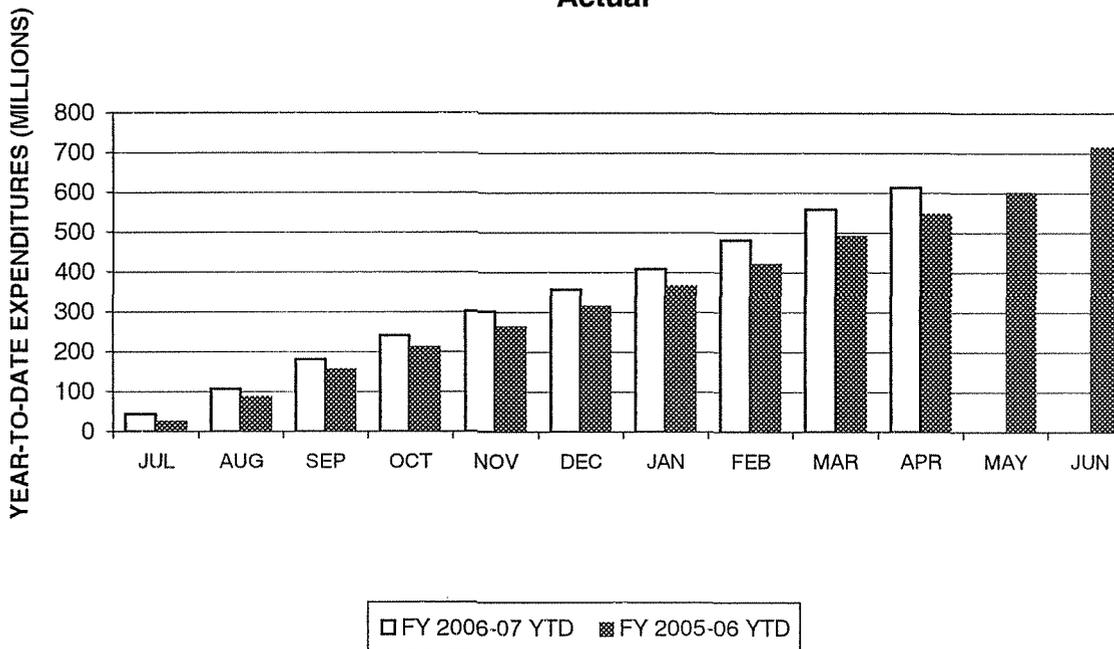
### GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-04
JULY	\$ 183,638,084	\$ 161,103,519	\$ 170,866,370	\$ 183,924,264
AUGUST	190,974,568	155,276,638	157,724,418	175,314,756
SEPTEMBER	156,674,730	144,980,057	143,118,210	159,455,206
OCTOBER	154,011,382	139,052,451	115,750,195	136,942,140
NOVEMBER	131,009,877	131,757,140	103,292,889	143,532,949
DECEMBER	157,479,064	131,612,938	133,482,542	160,313,345
JANUARY	224,766,520	162,598,761	162,721,265	167,099,316
FEBRUARY	214,574,932	186,471,797	142,587,409	159,635,552
MARCH	190,320,128	169,141,222	139,318,867	152,640,588
APRIL	210,342,744	190,637,410	131,310,126	153,575,372
MAY		224,072,193	167,609,044	147,544,421
JUNE		219,498,514	169,498,646	149,627,714

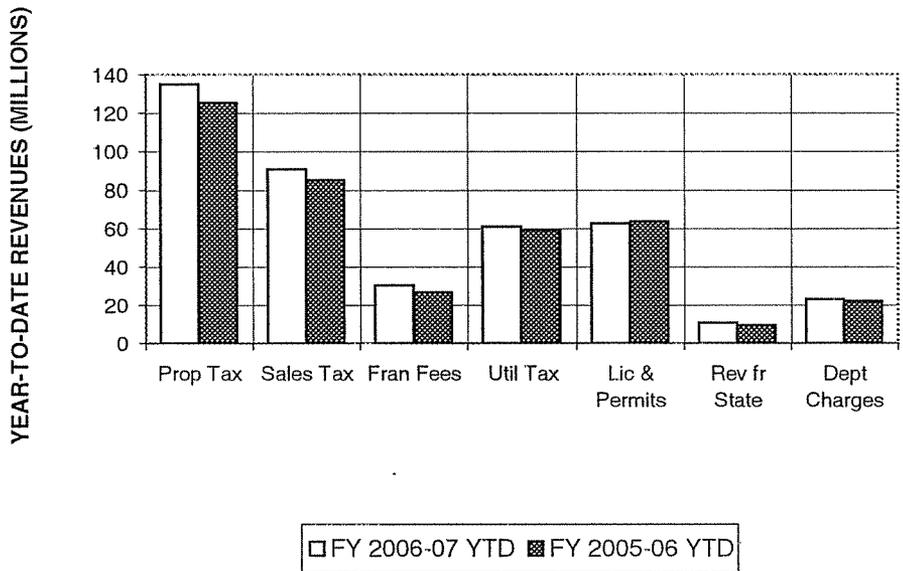
**GENERAL FUND  
Comparison of YTD Revenues  
Actual**



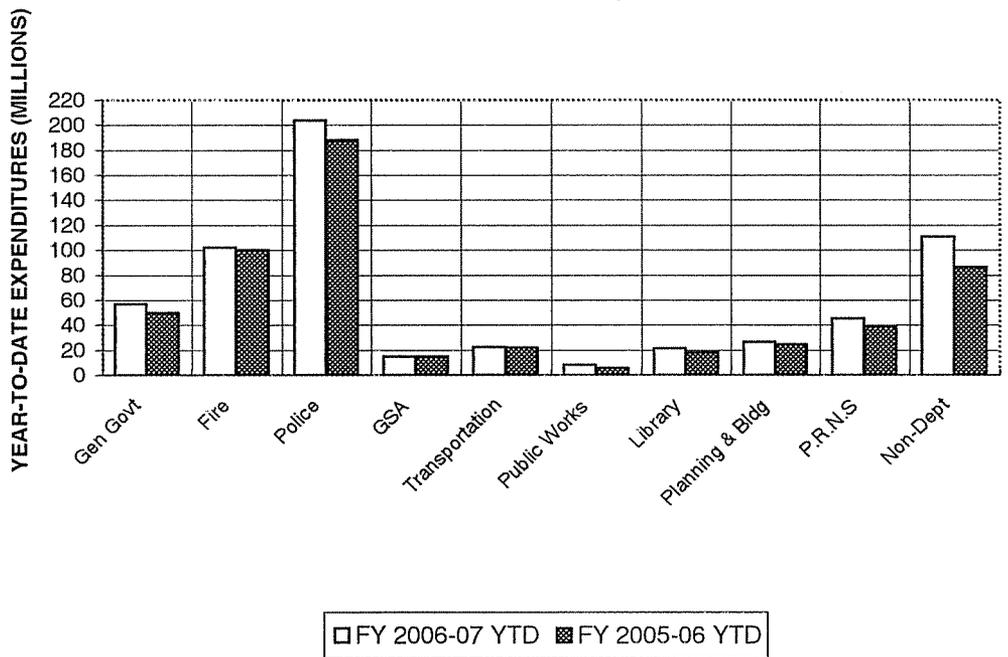
**GENERAL FUND  
Comparison of YTD Expenditures  
Actual**



**GENERAL FUND MAJOR REVENUES**  
**Comparison of YTD Actual vs. Prior YTD Actual**  
**For the 10 Months Ended April 30, 2007**



**GENERAL FUND MAJOR EXPENDITURES**  
**Comparison of YTD Actual vs. Prior YTD Actual**  
**For the 9 Months Ended April 30, 2007**



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2006-2007 impact through April 2007, after receiving the first half of the triple flip payment in January 2007, is approximately \$13 million.

**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS**  
**FOR THE 10 MONTHS ENDED APRIL 30, 2007**  
*(UNAUDITED)*  
*(\$000's)*

	ADOPTED	YTD		REVISED		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2006-07	BUDGET	C/O	FY 2006-07	CUR YTD	ACTUAL	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	OF BUDGET	ACTUAL	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
								ACTUAL	ACTUAL	ACTUAL	ACTUAL
<b>Fund Balance</b>											
Prior Year Encumbrances	\$ -	-	25,401	25,401	25,401	100.00%	21,896	100.69%	21,745	3,505	16.01%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	174,897	34,521	-	209,418	209,418	100.00%	166,072	100.00%	166,072	43,346	26.10%
<b>Total Fund Balance</b>	<b>174,897</b>	<b>34,521</b>	<b>25,401</b>	<b>234,819</b>	<b>234,819</b>	<b>100.00%</b>	<b>187,968</b>	<b>100.08%</b>	<b>187,817</b>	<b>46,851</b>	<b>24.92%</b>
<b>General Revenues</b>											
Property Tax	183,914	-	-	183,914	135,111	73.46%	125,428	75.30%	166,560	9,684	7.72%
Sales Tax (Note 2)	144,008	66	-	144,074	90,532	62.84%	85,119	60.66%	140,327	5,413	6.36%
Transient Occupancy Tax	7,600	-	-	7,600	6,327	83.25%	5,649	73.48%	7,688	678	12.00%
Franchise Fees	36,904	-	-	36,904	30,248	81.96%	26,766	72.81%	36,760	3,482	13.01%
Utility Tax	76,098	-	-	76,098	60,882	80.01%	59,470	78.78%	75,489	1,412	2.38%
Licenses and Permits	74,660	-	-	74,660	62,574	83.81%	63,515	83.73%	75,857	(941)	-1.48%
Fines, Forfeits and Penalties	12,537	-	-	12,537	12,939	103.21%	11,492	79.27%	14,497	1,447	12.59%
Use of Money and Property	10,542	304	-	10,846	11,767	108.49%	7,920	68.55%	11,553	3,847	48.57%
Revenue from Local Agencies	45,423	1,718	-	47,141	38,929	82.58%	31,955	74.98%	42,620	6,974	21.82%
Revenue from State of Cal.	10,274	172	-	10,446	10,792	103.31%	9,296	80.34%	11,571	1,496	16.10%
Revenue from Federal Government	16,469	4,751	-	21,220	4,288	20.21%	2,588	41.32%	6,263	1,700	65.70%
Departmental Charges (Note 1)	29,456	206	-	29,661	23,033	77.65%	21,961	78.26%	28,061	1,073	4.88%
Other Revenues	15,522	8,841	-	24,364	22,978	94.31%	14,185	32.50%	43,642	8,793	61.99%
<b>Total General Revenues</b>	<b>663,407</b>	<b>16,058</b>	<b>-</b>	<b>679,465</b>	<b>510,401</b>	<b>75.12%</b>	<b>465,342</b>	<b>70.41%</b>	<b>660,888</b>	<b>45,059</b>	<b>9.68%</b>
<b>Transfers &amp; Reimbursements</b>											
Overhead Reimbursements	28,800	3,101	-	31,901	29,953	93.89%	25,792	84.69%	30,455	4,160	16.13%
Transfers from Other Funds	49,629	1,800	-	51,429	44,737	86.99%	48,936	91.71%	53,358	(4,199)	-8.58%
Reimbursements for Services	17,579	-	-	17,579	11,716	66.65%	12,184	67.44%	18,067	(468)	-3.84%
<b>Total Transfers &amp; Reimburse</b>	<b>96,008</b>	<b>4,901</b>	<b>-</b>	<b>100,909</b>	<b>86,406</b>	<b>85.63%</b>	<b>86,912</b>	<b>85.31%</b>	<b>101,880</b>	<b>(506)</b>	<b>-0.58%</b>
<b>Total Sources</b>	<b>\$ 934,312</b>	<b>55,480</b>	<b>25,401</b>	<b>1,015,193</b>	<b>831,625</b>	<b>81.92%</b>	<b>740,222</b>	<b>77.87%</b>	<b>950,585</b>	<b>91,403</b>	<b>12.35%</b>

Note 1 - See Supplemental Schedule on Page 7

Note 2 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2006-2007 impact through April 2007, after receiving the first half of the triple flip payment in January 2007, is approximately \$13 million.

**CITY OF SAN JOSE  
GENERAL FUND SOURCE AND USE OF FUNDS  
EXPENDITURES  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
( UNAUDITED )  
( \$000's )**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	% CHANGE	
	FY 2006-07	BUDGET		FY 2006-07	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS		BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
		ENCUMBR						ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
<b>General Government</b>												
Mayor and Council	\$ 8,881	(216)	31	8,695	5,388	42	61.97%	5,207	81.72%	6,403	181	3.48%
City Attorney	12,742	561	1,502	14,805	9,464	1,280	63.92%	8,410	78.57%	12,205	1,054	12.53%
City Auditor	2,454	159	9	2,622	1,965	10	74.92%	1,727	81.56%	2,126	238	13.79%
City Clerk	2,500	1,242	12	3,753	2,532	41	67.47%	1,432	58.83%	2,446	1,101	76.86%
City Manager	10,975	(1,686)	300	9,590	6,967	369	72.65%	6,378	78.29%	8,501	589	9.23%
Finance	10,935	(17)	303	11,221	7,990	491	71.20%	7,286	79.31%	9,494	704	9.66%
Information Technology	15,947	1,414	633	17,994	11,833	1,180	65.76%	10,201	78.88%	13,565	1,632	16.00%
Employee Services	6,571	190	155	6,916	5,034	291	72.79%	4,511	80.20%	5,917	523	11.59%
Redevelopment Agency	-	1,408	-	1,408	1,014	-	72.05%	959	83.36%	1,151	55	5.70%
Independent Police Auditor	728	29	1	758	605	2	79.85%	528	77.76%	680	77	14.60%
Office of Economic Development	4,526	227	685	5,438	3,821	541	70.26%	2,838	71.88%	4,750	983	34.64%
Office of Emergency Services	-	497	6	503	310	6	61.64%	265	85.29%	317	45	16.89%
Total General Government	76,260	3,807	3,636	83,703	56,924	4,254	68.01%	49,743	78.21%	67,555	7,181	14.44%
<b>Public Safety</b>												
Fire	128,854	407	281	129,542	101,906	1,109	78.67%	100,116	80.70%	124,418	1,789	1.79%
Police	256,129	5,565	1,518	263,212	203,940	3,011	77.48%	187,897	79.84%	236,958	16,043	8.54%
Total Public Safety	384,983	5,972	1,799	392,754	305,846	4,120	77.87%	288,013	80.13%	361,376	17,833	6.19%
<b>Capital Maintenance</b>												
General Services	20,395	(58)	1,356	21,693	14,927	2,457	68.81%	14,547	75.63%	20,637	379	2.61%
Transportation	33,365	421	794	34,580	22,487	1,872	65.03%	21,833	71.63%	31,329	654	3.00%
Public Works	9,717	532	185	10,434	8,037	538	77.03%	5,788	79.86%	7,605	2,249	38.86%
Total Capital Maintenance	63,477	894	2,336	66,707	45,452	4,867	68.14%	42,169	74.03%	59,571	3,283	7.79%

(1) Does not include encumbrance balance.

**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**EXPENDITURES**  
**FOR THE 10 MONTHS ENDED APRIL 30, 2007**  
*( UNAUDITED )*  
*( \$000's )*

	ADOPTED FY 2006-07 BUDGET	YTD		REVISED FY 2006-07 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE LESS PRIOR YTD ACTUAL	
		BUDGET	AMENDMENTS		C/O ENCUMBR	ACTUAL							ENCUMBR
<b>Community Service</b>													
Library	28,094	(210)	141	28,025	21,243	272	75.80%	17,957	77.64%	23,276	3,287	18.30%	
Planning, Bldg & Code Enf.	37,116	377	263	37,757	26,295	422	69.64%	24,243	79.90%	30,611	2,052	8.47%	
Park, Rec & Neigh Svcs	61,498	441	3,296	65,235	45,304	4,974	69.45%	38,794	80.09%	51,588	6,510	16.78%	
Environmental Services	1,664	203	46	1,913	924	401	48.27%	886	79.10%	1,223	38	4.24%	
Total Community Services	128,373	811	3,746	132,930	93,766	6,069	70.54%	81,880	79.47%	106,698	11,886	14.52%	
Total Dept. Expenditures	\$ 653,094	11,484	11,517	676,094	501,987	19,309	74.25%	461,804	79.21%	595,200	40,183	8.70%	
<b>Non-Dept Expenditures</b>													
City-wide Expenditures:													
Econ & Neighborhood Develop.	\$ 26,284	5,566	1,684	33,534	22,536	2,777	67.20%	15,967	75.71%	22,493	6,569	41.14%	
Environmental & Utility Services	1,466	(56)	175	1,585	721	369	45.47%	418	45.70%	1,090	303	72.36%	
Public Safety	13,343	6,025	2,394	21,763	12,950	2,999	59.51%	5,645	76.81%	9,745	7,305	129.41%	
Recreation & Cultural Services	12,288	3,088	2,461	17,837	6,889	2,612	38.62%	15,484	78.96%	22,433	(8,595)	-55.51%	
Transportation Services	2,376	142	377	2,894	1,404	620	48.49%	1,440	73.21%	2,350	(36)	-2.53%	
Strategic Support	57,477	12,322	3,484	73,283	29,958	2,631	40.88%	36,558	53.41%	71,656	(6,600)	-18.05%	
Total City-wide Expenditures	113,235	27,087	10,575	150,897	74,457	12,009	49.34%	75,512	63.25%	129,767	(1,055)	-1.40%	
Capital Contributions	23,074	6,976	3,309	33,359	6,775	2,593	20.31%	4,826	67.46%	10,465	1,949	40.40%	
Transfers to Other Funds	28,926	484	-	29,409	29,409	-	100.00%	6,234	96.92%	6,432	23,175	371.77%	
Total Non-Dept Expenditures	165,234	34,546	13,884	213,665	110,641	14,602	51.78%	86,571	65.11%	146,664	24,070	27.80%	
<b>Reserves</b>													
Contingency Reserves	27,005	859	-	27,864	-	-	0.00%	-	0.00%	-	-	0.00%	
Earmarked Reserves	88,979	8,590	-	97,569	-	-	0.00%	-	0.00%	-	-	0.00%	
Total Reserves	115,984	9,450	-	125,434	-	-	0.00%	-	0.00%	-	-	0.00%	
Total Uses	\$ 934,312	55,480	25,401	1,015,193	612,628	33,911	60.35%	548,375	76.59%	741,864	64,253	11.72%	

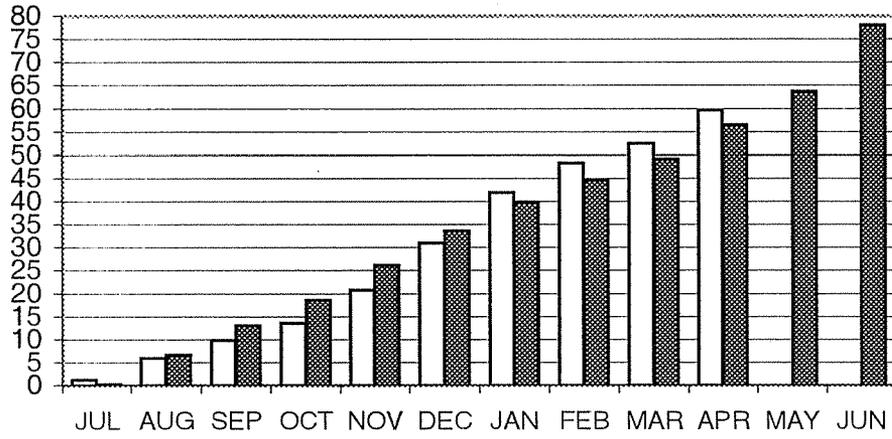
(1) Does not include encumbrance balance.

**CITY OF SAN JOSE**  
**GENERAL FUND SOURCE AND USE OF FUNDS**  
**FOR THE 10 MONTHS ENDED APRIL 30, 2007**  
**SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES**  
 (UNAUDITED)  
 ( \$000's )

	ADOPTED	YTD		REVISED	CUR	CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2006-07	BUDGET	C/O	FY 2006-07	YTD	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	OF BUDGET	ACTUAL	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
								ACTUAL	ACTUAL	ACTUAL	ACTUAL
Police	\$ 1,443	206	-	1,649	1,395	84.60%	1,216	81.42%	1,493	179	14.75%
Public Works	7,895	-	-	7,895	5,453	69.07%	5,818	78.99%	7,365	(364)	-6.26%
Transportation	983	-	-	983	1,188	120.85%	968	82.93%	1,167	220	22.78%
Library	1,136	-	-	1,136	1,003	88.30%	893	67.47%	1,324	110	12.32%
Planning, Bldg & Code Enf	6,187	-	-	6,187	4,251	68.70%	4,402	83.56%	5,268	(151)	-3.43%
Parks Rec & Neigh Svcs	7,988	-	-	7,988	6,870	86.01%	6,133	79.15%	7,748	738	12.03%
Miscellaneous Dept Charges	3,823	-	-	3,823	2,873	75.15%	2,532	68.51%	3,696	341	13.45%
<b>Total Departmental Revenues</b>	<b>\$ 29,456</b>	<b>206</b>	<b>-</b>	<b>29,661</b>	<b>23,033</b>	<b>77.65%</b>	<b>21,961</b>	<b>78.26%</b>	<b>28,061</b>	<b>1,073</b>	<b>4.88%</b>

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

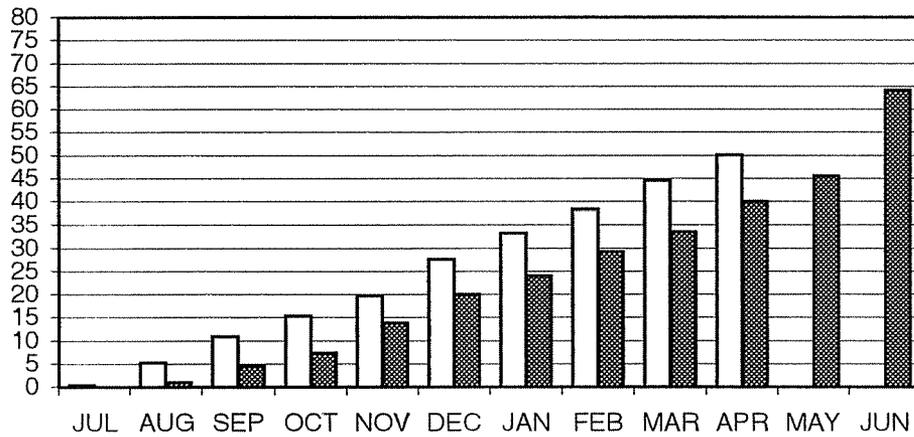
YEAR-TO-DATE REVENUES (MILLIONS)



□ FY 2006-07 YTD
■ FY 2005-06 YTD

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

YEAR-TO-DATE EXPENDITURES (MILLIONS)



□ FY 2006-07 YTD
■ FY 2005-06 YTD

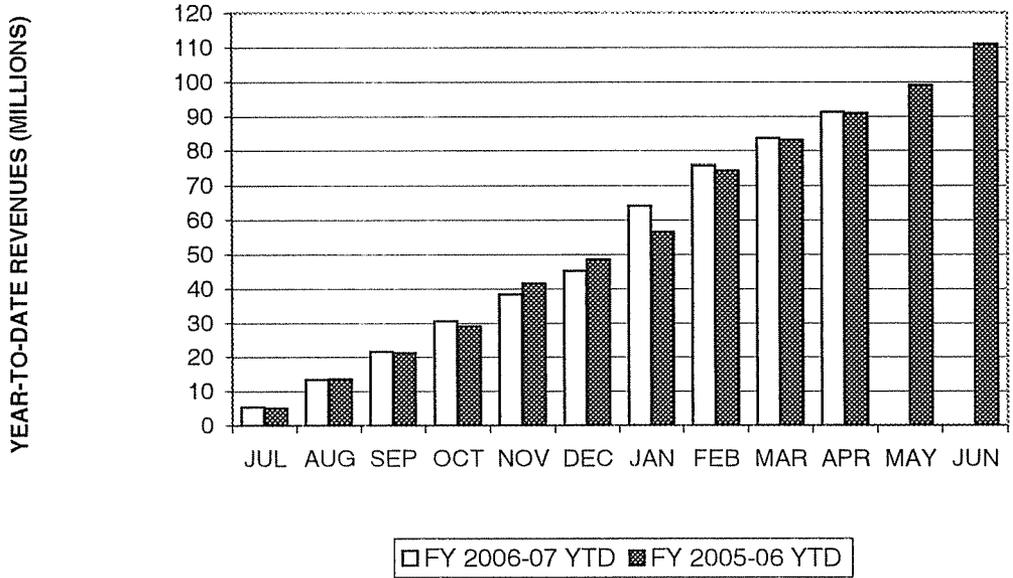
**CITY OF SAN JOSE  
SPECIAL REVENUE FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2006-07 BUDGET	BUDGET AMENDMENTS		FY 2006-07 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
<b>Construction/Conveyance Tax</b>							
Prior Year Encumbrance	\$ -	-	21,586	21,586	21,586	N/A	4,545
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	97,477	(14,037)	-	83,440	83,440	N/A	86,513
Revenues	42,180	27,167	-	69,347	59,642	N/A	56,458
<b>Total Sources</b>	<b>139,657</b>	<b>13,130</b>	<b>21,586</b>	<b>174,373</b>	<b>164,668</b>	<b>N/A</b>	<b>147,515</b>
<b>Total Uses</b>	<b>139,657</b>	<b>13,130</b>	<b>21,586</b>	<b>174,373</b>	<b>50,089</b>	<b>16,317</b>	<b>39,934</b>
<b>Gas Tax</b>							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,000	-	-	17,000	11,626	N/A	11,948
<b>Total Sources</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>17,000</b>	<b>11,626</b>	<b>N/A</b>	<b>11,948</b>
<b>Total Uses</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>17,000</b>	<b>11,500</b>	<b>-</b>	<b>11,948</b>
<b>Building and Structures</b>							
Prior Year Encumbrance	-	-	10,027	10,027	10,027	N/A	9,922
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	19,245	6,576	-	25,820	25,820	N/A	29,625
Revenues	16,180	817	-	16,997	10,385	N/A	12,406
<b>Total Sources</b>	<b>35,425</b>	<b>7,393</b>	<b>10,027</b>	<b>52,845</b>	<b>46,232</b>	<b>N/A</b>	<b>51,953</b>
<b>Total Uses</b>	<b>35,425</b>	<b>7,393</b>	<b>10,027</b>	<b>52,845</b>	<b>16,230</b>	<b>10,742</b>	<b>13,596</b>
<b>Residential Construction</b>							
Prior Year Encumbrance	-	-	1	1	1	N/A	2
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,235	(28)	-	1,207	1,207	N/A	1,078
Revenues	250	-	-	250	315	N/A	246
<b>Total Sources</b>	<b>1,485</b>	<b>(28)</b>	<b>1</b>	<b>1,458</b>	<b>1,524</b>	<b>N/A</b>	<b>1,325</b>
<b>Total Uses</b>	<b>\$ 1,485</b>	<b>(28)</b>	<b>1</b>	<b>1,458</b>	<b>95</b>	<b>1</b>	<b>119</b>

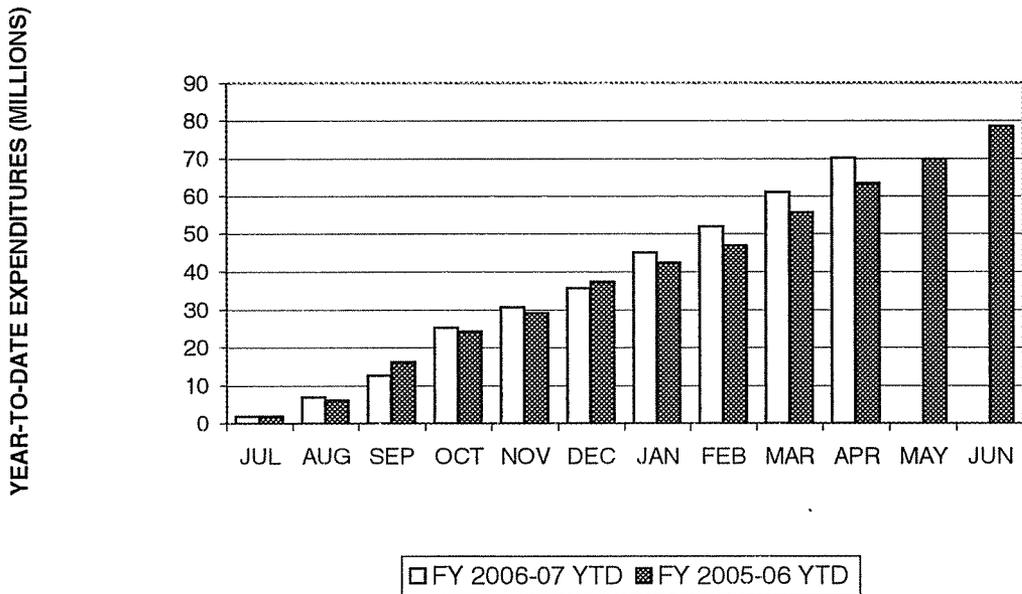
**CITY OF SAN JOSE  
SPECIAL REVENUE FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
(UNAUDITED)  
(\$000's)**

	ADOPTED FY 2006-07 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2006-07 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
<b>Transient Occupancy Tax</b>							
Prior Year Encumbrance	\$ -	-	78	78	78	N/A	65
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,323	1,383	-	3,706	3,706	N/A	2,012
Revenues	11,288	-	-	11,288	9,518	N/A	8,566
<b>Total Sources</b>	<b>13,611</b>	<b>1,383</b>	<b>78</b>	<b>15,072</b>	<b>13,303</b>	<b>N/A</b>	<b>10,644</b>
<b>Total Uses</b>	<b>13,611</b>	<b>1,383</b>	<b>78</b>	<b>15,072</b>	<b>9,876</b>	<b>517</b>	<b>7,740</b>
<b>Conventions, Arts &amp; Enter</b>							
Prior Year Encumbrance	-	-	150	150	150	N/A	(55)
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	289	289	-	578	578	N/A	(241)
Revenues	15,841	512	-	16,353	12,488	N/A	10,418
<b>Total Sources</b>	<b>16,130</b>	<b>801</b>	<b>150</b>	<b>17,082</b>	<b>13,217</b>	<b>N/A</b>	<b>10,122</b>
<b>Total Uses</b>	<b>16,130</b>	<b>801</b>	<b>150</b>	<b>17,082</b>	<b>12,839</b>	<b>162</b>	<b>11,543</b>
<b>Golf</b>							
Prior Year Encumbrance	-	-	11	11	11	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	111	653	-	764	764	N/A	59
Revenues	2,175	-	-	2,175	1,774	N/A	2,243
<b>Total Sources</b>	<b>2,286</b>	<b>653</b>	<b>11</b>	<b>2,949</b>	<b>2,549</b>	<b>N/A</b>	<b>2,312</b>
<b>Total Uses</b>	<b>2,286</b>	<b>653</b>	<b>11</b>	<b>2,949</b>	<b>1,959</b>	<b>11</b>	<b>1,601</b>
<b>Other Funds</b>							
Prior Year Encumbrance	-	-	49,640	49,640	49,640	N/A	29,912
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	156,604	15,689	-	172,292	172,292	N/A	153,469
Revenues	422,020	7,463	-	429,483	290,712	N/A	288,337
<b>Total Sources</b>	<b>578,623</b>	<b>23,152</b>	<b>49,640</b>	<b>651,416</b>	<b>512,645</b>	<b>N/A</b>	<b>471,718</b>
<b>Total Uses</b>	<b>\$ 578,623</b>	<b>23,152</b>	<b>49,640</b>	<b>651,416</b>	<b>289,098</b>	<b>77,819</b>	<b>258,248</b>

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

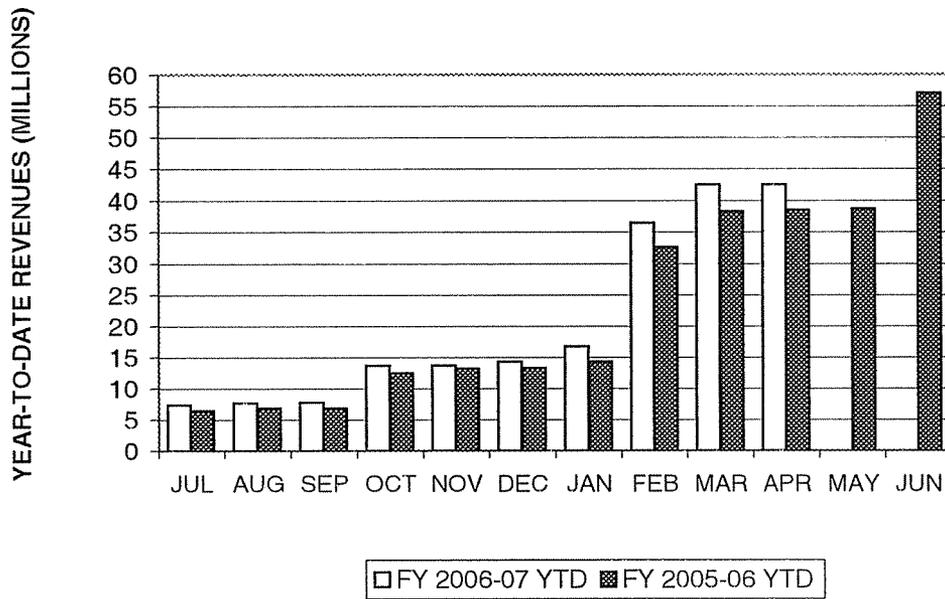


**AIRPORT MAINTENANCE & OPERATING FUND 523  
Comparison of YTD Expenditures**

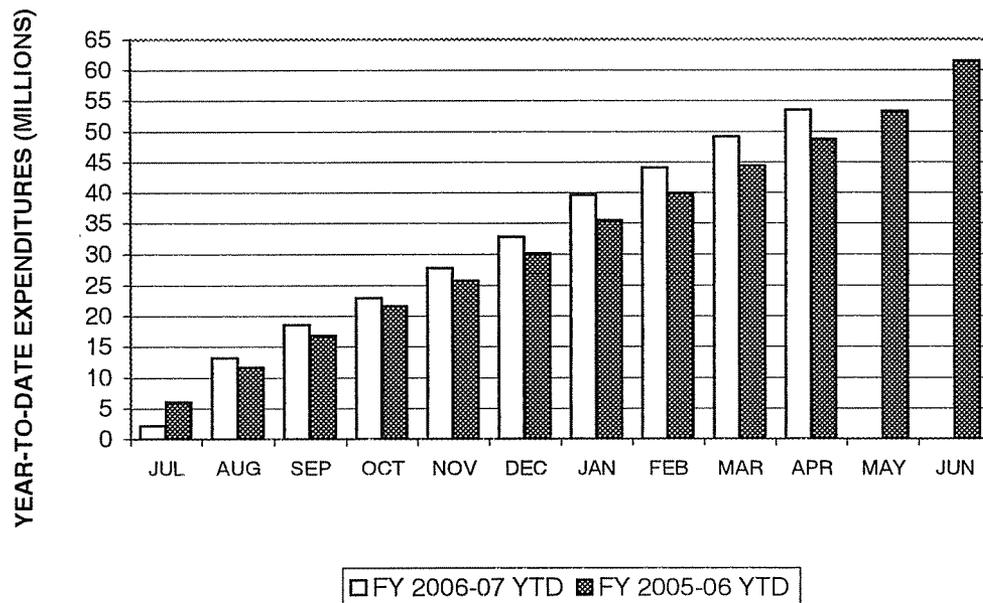


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

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

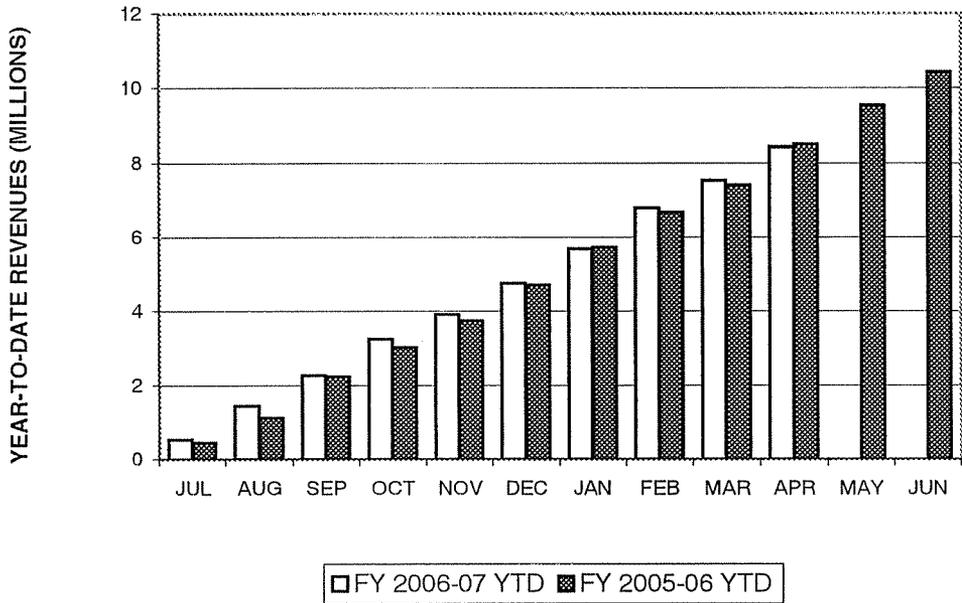


**WPCP OPERATING FUND 513  
Comparison of YTD Expenditures**

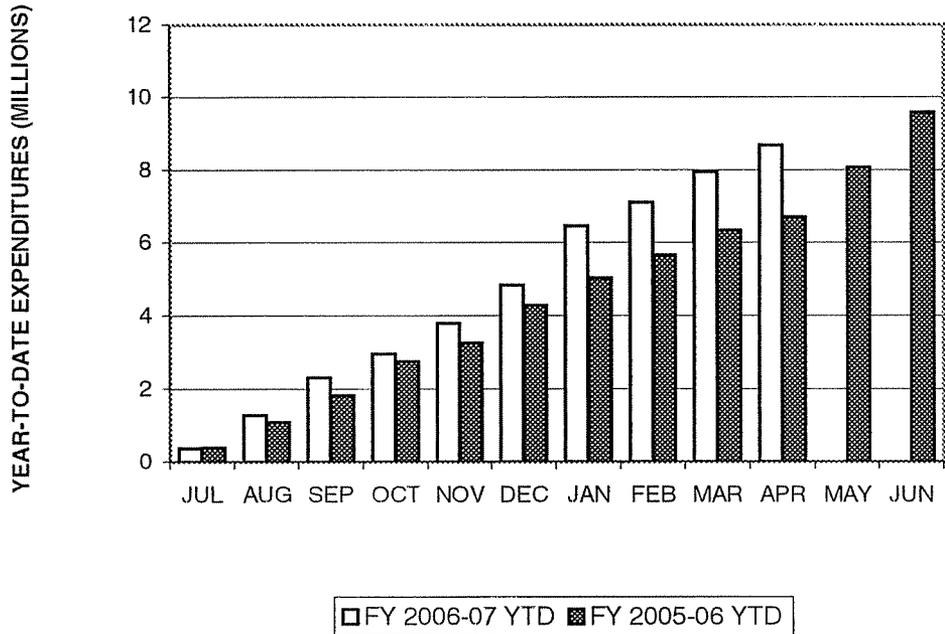


Note: Graphs above are only for WPCP operating fund (513).

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



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



**CITY OF SAN JOSE  
ENTERPRISE FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
(UNAUDITED)  
(\$000's)**

	ADOPTED FY 2006-07 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2006-07 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
<b>Airport</b>							
Prior Year Encumbrance	\$ -	-	71,021	71,021	71,021	N/A	40,213
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	430,380	26,238	-	456,618	456,618	N/A	410,657
Revenues	592,988	230,788	-	823,776	251,836	N/A	209,774
<b>Total Sources</b>	<b>1,023,368</b>	<b>257,026</b>	<b>71,021</b>	<b>1,351,415</b>	<b>779,475</b>	<b>N/A</b>	<b>660,645</b>
<b>Total Uses</b>	<b>1,023,368</b>	<b>257,026</b>	<b>71,021</b>	<b>1,351,415</b>	<b>296,249</b>	<b>208,466</b>	<b>228,168</b>
<b>(Note 1)</b>							
<b>Waste Water Treatment</b>							
Prior Year Encumbrance	-	-	85,416	85,416	85,416	N/A	138,753
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	140,022	24,183	-	164,205	164,205	N/A	118,905
Revenues	197,133	-	-	197,133	132,585	N/A	143,192
<b>Total Sources</b>	<b>337,155</b>	<b>24,183</b>	<b>85,416</b>	<b>446,754</b>	<b>382,206</b>	<b>N/A</b>	<b>400,850</b>
<b>Total Uses</b>	<b>337,155</b>	<b>24,183</b>	<b>85,416</b>	<b>446,754</b>	<b>167,819</b>	<b>61,344</b>	<b>156,052</b>
<b>(Note 2)</b>							
<b>Municipal Water</b>							
Prior Year Encumbrance	-	-	1,845	1,845	1,845	N/A	2,320
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	10,301	717	-	11,018	11,018	N/A	11,492
Revenues	27,381	193	-	27,574	22,574	N/A	20,969
<b>Total Sources</b>	<b>37,682</b>	<b>910</b>	<b>1,845</b>	<b>40,437</b>	<b>35,437</b>	<b>N/A</b>	<b>34,781</b>
<b>Total Uses</b>	<b>37,682</b>	<b>910</b>	<b>1,845</b>	<b>40,437</b>	<b>19,994</b>	<b>1,963</b>	<b>19,302</b>
<b>Parking</b>							
Prior Year Encumbrance	-	-	1,988	1,988	1,988	N/A	925
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,329	9	-	12,338	12,338	N/A	16,091
Revenues	9,306	-	-	9,306	8,423	N/A	8,500
<b>Total Sources</b>	<b>21,635</b>	<b>9</b>	<b>1,988</b>	<b>23,632</b>	<b>22,749</b>	<b>N/A</b>	<b>25,516</b>
<b>Total Uses</b>	<b>\$ 21,635</b>	<b>9</b>	<b>1,988</b>	<b>23,632</b>	<b>8,674</b>	<b>1,293</b>	<b>6,703</b>

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

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

**CITY OF SAN JOSE  
CAPITAL PROJECT FUNDS  
SOURCE AND USE OF FUNDS  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
(UNAUDITED)  
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2006-07 BUDGET	BUDGET AMENDMENTS		FY 2006-07 BUDGET	ACTUAL	ENCUMBER	Y-T-D ACTUAL
<b>Construction Excise</b>							
Prior Year Encumbrance	\$ -	-	2,630	2,630	2,630	N/A	2,640
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	9,075	11,639	-	20,714	20,714	N/A	21,966
Revenues	22,553	12,686	-	35,239	23,587	N/A	16,269
<b>Total Sources</b>	<b>31,628</b>	<b>24,325</b>	<b>2,630</b>	<b>58,584</b>	<b>46,932</b>	<b>N/A</b>	<b>40,875</b>
<b>Total Uses</b>	<b>31,628</b>	<b>24,325</b>	<b>2,630</b>	<b>58,584</b>	<b>23,146</b>	<b>3,777</b>	<b>18,673</b>
<b>Redevelopment Projects</b>							
Prior Year Encumbrance	-	-	4,121	4,121	4,121	N/A	8,554
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,885	5,002	-	7,887	7,887	N/A	10,089
Revenues	2,326	3,153	-	5,478	8,312	N/A	8,862
<b>Total Sources</b>	<b>5,210</b>	<b>8,155</b>	<b>4,121</b>	<b>17,486</b>	<b>20,320</b>	<b>N/A</b>	<b>27,506</b>
<b>Total Uses</b>	<b>5,210</b>	<b>8,155</b>	<b>4,121</b>	<b>17,486</b>	<b>6,014</b>	<b>4,287</b>	<b>13,901</b>
<b>Other</b>							
Prior Year Encumbrance	-	-	45,934	45,934	45,934	N/A	82,708
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	235,163	(11,424)	-	223,739	223,739	N/A	140,497
Revenues	134,604	6,236	-	140,840	15,146	N/A	45,767
<b>Total Sources</b>	<b>369,767</b>	<b>(5,188)</b>	<b>45,934</b>	<b>410,513</b>	<b>284,819</b>	<b>N/A</b>	<b>268,972</b>
<b>Total Uses</b>	<b>\$ 369,767</b>	<b>(5,189)</b>	<b>45,934</b>	<b>410,513</b>	<b>43,974</b>	<b>42,230</b>	<b>88,968</b>

**CITY OF SAN JOSE  
OTHER FUND TYPES  
SOURCE AND USE OF FUNDS  
FOR THE 10 MONTHS ENDED APRIL 30, 2007  
(UNAUDITED)  
(\$000's)**

	ADOPTED FY 2006-07 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2006-07 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
<b>Trust and Agency</b>							
Prior Year Encumbrance	\$ -	-	72	72	72	N/A	73
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,776	434	-	3,209	3,209	N/A	2,671
Revenues	4,183	1,538	-	5,721	3,725	N/A	2,836
<b>Total Sources</b>	<b>6,959</b>	<b>1,972</b>	<b>72</b>	<b>9,003</b>	<b>7,007</b>	<b>N/A</b>	<b>5,581</b>
<b>Total Uses</b>	<b>\$ 6,959</b>	<b>1,972</b>	<b>72</b>	<b>9,003</b>	<b>4,838</b>	<b>52</b>	<b>2,399</b>