



2014-2015

MID-YEAR  
BUDGET  
REVIEW



SECTION

II

SELECTED SPECIAL/  
CAPITAL FUNDS  
STATUS REPORT





**2014-2015  
MID-YEAR BUDGET REVIEW**

**II. SELECTED SPECIAL/CAPITAL FUNDS STATUS REPORT**

At mid-year, the City Manager's Budget Office conducts a comprehensive review of expenditure and revenue performance of all operating and capital funds and capital programs through the first six months of the fiscal year. Revenues and expenditures are generally tracking within estimated levels. This section of the report is intended to summarize the results of that review and only discusses selected funds with issues of interest or variances.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND & AIRPORT REVENUE FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues – Airport Revenue Fund</i>	123,705,020	59,507,566	48.1%
<i>Expenditures – Airport Maintenance and Operation Fund</i>	76,118,655	29,697,435	39.0%

This section discusses the status of the Airport Revenue Fund and the Airport Maintenance and Operation Fund. The Airport Revenue Fund accounts for all general Airport revenues. The Airport Maintenance and Operation Fund, funded by a transfer from the Airport Revenue Fund, accounts for expenditures incurred for the maintenance and operation of the Norman Y. Mineta San José International Airport.

**FUND STATUS**

Revenues – General Airport operating revenue categories include Landing Fees, Terminal Rentals, Airfield, Terminal Concessions, Parking and Roadway, and General and Non-Aviation. Passenger activity levels at the Airport through December 2014 increased by 7.0% when compared to the same period last fiscal year. This growth level exceeded the 2.0% increase assumed in the development of the 2014-2015 Adopted Budget and has contributed to stronger revenue performance in certain categories.

Overall revenue performance at the Airport of \$59.5 million is tracking at 48.1% of the budgeted estimate and is in line with expectations through December. While many of the revenue categories are tracking at or above estimated levels, airline rates and charges, consisting primarily of landing fees, terminal rentals, and terminal concessions, are tracking below budgeted estimates. While landing fees are on target, air service incentive credits have reduced revenue collection for terminal rents. Parking and roadway revenues are exceeding budgeted levels due to increased passenger activity, reflected in increased activity in daily and hourly parking lots as well as increased rental car concession fee collection. Airfield revenues are also exceeding budgeted levels due to higher than anticipated off-airport in-flight kitchen revenues. Total general and non-aviation revenues, consisting of fees associated with hangars, land and building rentals, petroleum program, general aviation, and other non-aviation (miscellaneous) revenues, are tracking above budgeted levels due to the receipt of one-time insurance claim proceeds related to the water main break that occurred in December 2013. Overall, revenues are tracking to meet or exceed budgeted estimates by year-end.

**2014-2015  
MID-YEAR BUDGET REVIEW**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &  
AIRPORT REVENUE FUND**

**FUND STATUS**

*Expenditures* – Operating expenditures, appropriated in the Airport Maintenance and Operation Fund, include Personal Services, Non-Personal/Equipment, and Overhead reimbursements. Through December 2014, Airport’s Personal Services and Non-Personal/Equipment expenditures are tracking below budgeted levels.

Personal Services expenditures are tracking at 43.7% of budget compared to the par level of 48.1%. Savings are due to vacancies in most divisions of the department. At the close of December, the Department had 18 vacancies or 9.6% of budgeted positions. Recruitment efforts for several of these positions are currently underway; 11 of the 18 vacant positions are in different stages of the recruitment process and may be filled before the end of the year. Overtime expenditures of \$178,000, or 52.3%, are tracking above budget primarily due to minimum staffing requirements for the Airport Operations section and will be closely monitored for the remainder of the fiscal year.

Non-Personal/Equipment expenditures (excluding encumbrances) are tracking at 38.3%, and when encumbrances are included, are tracking at 70.0% of budgeted levels. It is anticipated that through conservative spending and close monitoring, the Airport’s Non-Personal/Equipment appropriation will end the year within budgeted levels.

Several Non-Personal/Equipment appropriation adjustments are recommended in this report to realign ongoing funding and increase Airport Police Department (APD) service hours. Additional funding of \$55,000 to complete the initial market analysis in the first year of the air service development consultant agreements is proposed. A net-zero shift of \$10,000 from the Office of Economic Development’s (OED) Personal Services appropriation to OED’s Non-Personal/Equipment appropriation to cover anticipated increases in contractual services costs to maintain the Public Art exhibits at the Airport is also included. In addition, funding of \$146,000 is recommended to transfer to the General Fund for APD services. This action will provide additional overtime hours for police officers at terminal security checkpoints and will ensure that necessary safety and security levels for the Airport are maintained. The net additions are recommended to be funded by the Operations Contingency.

Interdepartmental expenditures (charges for staff and services located in other City departments including the Police and Fire Departments) total \$2.8 million through December 2014 and are tracking below anticipated levels.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**AIRPORT OPERATING FUNDS – AIRPORT MAINTENANCE AND OPERATION FUND &  
AIRPORT REVENUE FUND**

**FUND STATUS**

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance – Airport Revenue Fund</i>	54,025,336	N/A	N/A
<i>Unrestricted Ending Fund Balance – Airport Maintenance and Operation Fund</i>	33,517,251	N/A	N/A

Fund Balance – No adjustments to the Ending Fund Balances in the Airport Revenue Fund and in the Airport Maintenance and Operation Fund are recommended at this time.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**BUILDING AND STRUCTURE CONSTRUCTION TAX FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	30,120,000	9,808,871	32.6%
<i>Expenditures</i>	52,121,130	6,887,504	13.2%

**FUND STATUS**

*Revenues* – Tax revenue in the Building and Structure Construction Tax Fund, which is a major funding source for the Traffic Capital Program, is tracking below anticipated levels. Through the first half of 2014-2015, Building and Structure Construction Tax receipts totaled \$7.7 million, which is 45.3% of the 2014-2015 Adopted Budget estimate of \$17.0 million. If collections continue at the current pace, it is anticipated tax receipts will fall short of the budgeted estimate by \$1.0 million to \$2.0 million. This revenue will continue to be monitored and, if necessary, a recommendation to decrease the budgeted estimate may be brought forward at a future date. Federal and State grants are the other major revenue sources in the Building and Structure Construction Tax Fund and are generally tracking within estimated levels. Variances in collections are typically due to timing differences for grant-supported projects.

Included in this report are recommendations to recognize revenues that have been received, but were not anticipated when developing the 2014-2015 Adopted Budget. This report recommends an increase to the Earned Revenue estimate by \$40,000 to recognize funding received from the Valley Transportation Authority (VTA) for Cameleon ITS camera command and control software. In addition, this report includes a recommendation to increase the Earned Revenue estimate for the Traffic Signal Controller Fee Collection in the amount of \$12,000 to recognize unanticipated fee collections that were received from developers. A downward adjustment of \$750,000 to the Earned Revenue estimate for the Community Design and Transportation grant that funds the St. John Street Multimodal Improvements Phase I project is recommended due to environmental clearance delays. This grant funding will likely be reallocated to 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program. The corresponding expenditure adjustments for these actions are discussed below, and further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

*Expenditures* – Overall, expenditures through December in the Building and Structure Construction Tax Fund are tracking within expected levels and are anticipated to end the year within budgeted levels. This report, however, includes several expenditure adjustments, which are described below. Further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**BUILDING AND STRUCTURE CONSTRUCTION TAX FUND**

**FUND STATUS**

Included in this report is a recommendation to increase the ITS: Transportation Incident Management Center (TiMC) project by \$650,000 to ensure sufficient funding is available to award the first phase of the TiMC Event Tracking System Implementation agreement. This project, which is anticipated to be awarded by June 2015, provides the first level of software integration and interface work with the Metropolitan Transportation Commission’s (MTC) 511 freeway information system, first responder computer aided dispatch system, and commercially available real time traffic service applications. A recommendation to decrease the Transportation Grants Reserve allocation to fund the TiMC Event Tracking System Implementation agreement is also included in this report. In addition, it is currently estimated that an additional \$600,000 will be needed in subsequent fiscal years to fully implement this multi-year project. This funding need will be further evaluated and a recommendation to allocate the additional funding may be included as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program.

To align with the revenue adjustments discussed above, corresponding increases to the Safety-Traffic Signals Rehabilitation (\$40,000) and the Traffic Signal Improvement Program (\$12,000) projects, and a decrease to the St. John Multimodal Improvements Phase I project (\$750,000) are recommended in this report.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,464,493	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Building and Structure Construction Tax Fund is recommended at this time.



<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	57,845,906	17,040,414	29.5%
<i>Expenditures</i>	93,970,136	20,308,988	21.6%

**FUND STATUS**

*Revenues* – A total of 17 Construction and Conveyance (C&C) Tax Funds are budgeted throughout the Capital Budget. A majority of these funds (13) support the Parks and Community Facilities Development Capital Program, with the remaining four funds supporting the Public Safety Capital Program, Library Capital Program, Service Yards Capital Program, and Communications Capital Program. Revenues in the C&C Tax Funds are comprised of C&C Tax receipts, grant funding, transfer revenue, and other miscellaneous revenue. Through December 2014, revenue in the C&C Tax Funds totaled \$17.0 million, which is 29.5% of the 2014-2015 Modified Budget of \$57.8 million. Year-to-date revenues are tracking below budgeted levels primarily due to lower than anticipated C&C Tax collections, as well as transfers between funds that have not yet occurred, but are anticipated to occur by year-end.

Through December, C&C Tax revenues totaled \$15.7 million, or 40.3% of the budgeted estimate of \$39.0 million. When the 2014-2015 C&C Tax revenues were developed, receipts were continuing to experience strong growth when compared to receipts from the prior year. However, while revenues continued this growth trend through October 2014, beginning in November, receipts began experiencing no growth or declines when compared to the same time period in the prior fiscal year. Through October 2014, C&C Tax revenues totaled \$10.2 million, which represented growth of 20.0% when compared to the \$8.5 million collected through October 2013. November through December 2014 collections, however, totaled \$5.4 million, which represented a decline of 11.5% from the \$6.1 million received during the same time period in 2013. Furthermore, the City has recently received January 2015 Conveyance receipts of \$3.9 million, which represents a significant drop of 17.0% from the \$4.7 million received in January 2014. When the 2014-2015 Adopted Budget was developed, it was assumed that C&C Tax receipts would increase 5.0% over estimated 2013-2014 receipts of \$37.5 million. However, because 2013-2014 receipts of \$35.5 million fell below the estimate, growth of 9.9% is now needed to meet the 2014-2015 Adopted Budget estimate. Receipts through December 2014 of \$15.7 million were up only 6.8% from the prior year and have continued to fall in recent months, therefore, a revised 2014-2015 C&C Tax estimate of \$35.0 million is now anticipated. Though budget adjustments are not recommended as part of this report, the \$35 million estimate for 2014-2015 will be used in the development of the 2015-2016 Proposed Capital budget and 2016-2020 Capital Improvement Program. This revenue will continue to be monitored to determine if changes to the estimate may be necessary at a later date.

**2014-2015  
MID-YEAR BUDGET REVIEW**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

**FUND STATUS**

Nearly 99% of the total C&C Taxes are comprised of conveyance receipts, a tax based on the value of property transfers. The median single-family home price totaled \$750,000 in December 2014, which is an increase of 9.5% from the \$685,000 median home price in December 2013. The amount of time it is taking to sell these homes is also declining, with the average days-on-market for single-family and multi-family dwellings totaling 20 days in December 2014, a 46.0% drop from the 37 days experienced in December 2013. However, the number of listings of new single-family and multi-family dwellings on the market has dropped 15.5%, from 355 listings in December 2013 to 300 in December 2014. Likely as a result of the lower level of inventory, the number of property transfers (sales) for all types of residences dropped 6.3%, from 654 in December 2013 to 613 in December 2014. Cumulatively, property transfers from July through December totaled 4,002, which represents a 4.5% decline from the 4,190 transfers during the first six months of 2013-2014. The decreased level of property transfers is the primary reason for the lower levels of revenue than originally anticipated.

*Expenditures* – Overall, expenditures in the various C&C Tax Funds are tracking within expected levels and are anticipated to end the year within budgeted levels. Through December, expenditures total \$20.3 million, 21.6% of the 2014-2015 Modified Budget (\$94.0 million). This report, however, recommends a few expenditure adjustments or new expenditure allocations, which are described below. Further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

The Council District 5 C&C Tax Fund includes a recommendation to allocate an additional \$105,000 to the Hillview Park Renovation project. The current project scope includes funding for the construction of an exercise path/track, exercise stations, a new youth lot, signage, and pathways. However, the tot lot at this park has recently burned down, therefore, additional project funding (\$60,000) is necessary to demolish the burned structure and install a new play structure and resilient rubber surfacing. Additionally, increased project funding (\$45,000) is recommended in this report to widen the park pathway from four feet to eight feet and install landscaping, park benches, and trash receptacles that were not included in the initial project scope.

The Service Yards C&C Tax Fund includes a recommendation to establish the Central Service Yard Real Estate Services allocation in the amount of \$25,000. This project will fund real estate services related to the sale of the City's 5.22 acre former Corporation Yard, located in Japantown between Taylor and Jackson Streets and Sixth and Seventh Streets.

The Council District 9 C&C Tax Fund includes a recommendation to establish the Branham Park Playground Renovation project for \$14,000. This funding, in conjunction with an additional \$86,000 recommended to be allocated from the Subdivision Park Trust Fund, will allow input from the community and Council District 9 Office to be added to the existing project scope. The current project

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION AND CONVEYANCE TAX FUNDS**

**FUND STATUS**

budget, which is completely funded in the Park Trust Fund, totals \$367,000. This report recommends allocating an additional \$100,000 (\$86,000 in the Subdivision Park Trust Fund and \$14,000 in the Council District 9 C&C Tax Fund), which will allow the project scope to expand and include fencing improvements, planting of new trees, renovating the play area, adding security lighting, and replacing the gravel pathway with concrete.

Lastly, a technical adjustment is recommended in the Fire C&C Tax Fund to decrease the Beginning Fund Balance and Ending Fund Balance by \$7,000 to accurately reflect interest earnings that were received in 2013-2014.

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balances</i>	32,456,681	N/A	N/A

Fund Balance – A recommendation to decrease the Ending Fund Balance by \$176,000 is included in this report as a net result of the actions described above and are further detailed in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION EXCISE TAX FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	73,272,000	31,524,358	43.0%
<i>Expenditures</i>	146,739,590	30,228,196	20.6%

**FUND STATUS**

*Revenues* – Construction Excise Tax receipts are the single largest source of revenue in the Traffic Capital Program, constituting approximately 25% of the budgeted revenue estimate for this fund. Through December, Construction Excise Tax receipts totaled \$9.9 million, or 46.9% of the budget, and are on pace to meet the budgeted estimate of \$21.0 million. Residential, Commercial and Industrial permit activity was strong at the beginning of the fiscal year; however, activity levels dropped in December. Activity is expected to remain steady for the remainder of the fiscal year.

Other major revenue sources in this fund include federal government revenues related to Caltrans’ relinquishment of certain state routes (\$12.4 million), pavement maintenance from the One Bay Area Grant (\$11.7 million), pavement maintenance from the State Gas Tax allocation (\$9.5 million), pavement maintenance from Measure B (\$5.4 million), and various grants. Most of these revenue sources are received on a reimbursement basis and are tracking within anticipated levels. Traffic Impact Fees are appropriated as they are collected from developers and are set aside in a reserve until they can be expended.

Included in this report are several recommendations to account for budgeted grants that, due to project delays, are no longer anticipated to be received in 2014-2015, but are anticipated to be reallocated to 2015-2016 and 2016-2017 as part of the Proposed 2016-2020 Capital Improvement Program (CIP). These grants include the One Bay Area Grant for Pedestrian Oriented Traffic Signals (\$1.0 million) and the One Bay Area Grant for the Safe Routes to School Program (\$500,000). In addition, a recommendation is included in this report to eliminate the Innovative Bicycle Detection Grant from the Metropolitan Transportation Commission - Climate Initiatives Fund (\$83,000). Due to lack of staffing resources available to support the implementation of the system, as well as the expiration of the consultant contract, the project is no longer moving forward. The Metropolitan Transportation Commission has approved this grant funding to be reallocated for a new purpose, which will be included as part of the Proposed 2016-2020 CIP. The corresponding expenditure adjustments for these actions are discussed below, and further detail regarding these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

**2014-2015  
MID-YEAR BUDGET REVIEW**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION EXCISE TAX FUND**

**FUND STATUS**

Traffic Impact Fees are appropriated as they are collected from developers and are set aside in a reserve until they can be expended. This report includes recommendations to increase the estimate for Traffic Impact Fees collected in the North San José area (\$5.0 million), Route 101/Oakland/Mabury area (\$471,450), and the Evergreen area (\$199,668).

Also included in this report is a recommendation to increase the revenue received from Santa Clara County for Pavement Maintenance – Measure B (\$606,000) and the North San José Deficiency Plan Fees (\$227,000), to reflect higher revenues received than were anticipated when developing the 2014-2015 Adopted Capital Budget.

Expenditures – Overall, expenditures in the Construction Excise Tax Fund are tracking within expected levels and are anticipated to end the year within budgeted levels. However, a number of expenditure adjustments are recommended in this report, which are summarized below.

Recommendations to decrease the Pedestrian Oriented Traffic Signals (\$1.0 million) and the Safe Routes to School Program (\$500,000) are included in this report. These projects have both experienced delays; therefore, the funding is expected to be reallocated to 2015-2016 as part of the Proposed 2016-2020 CIP.

A recommendation to increase the Land Management and Weed Abatement project (\$150,000) is included in this report, which will ensure sufficient funding is available to award the contract agreement. The Traffic Signal Preventative Maintenance project (\$40,000) is recommended to be increased, due to the cost associated with the purchase of a new utility bucket truck being higher than anticipated. An increase to the Capital Program and Public Works Department Support Service Costs (\$250,000) is recommended, to account for the higher than anticipated Public Works support costs. Also included is a recommendation to decrease the Trail: Guadalupe River/Tasman Under-Crossing project (\$200,000), due to project completion. These savings are recommended to be reallocated to the North San José Traffic Impact Fees Reserve.

As discussed above, revenues from several Traffic Impact Fees were received through December 2014. This report includes recommendations to allocate this funding to the North San José Traffic Impact Fees Reserve (\$5.0 million), Route 101/Oakland/Mabury Impact Fees Reserve (\$471,450), and Evergreen Traffic Impact Fees Reserve (\$199,668). The use of these funds are restricted to designated areas and will be allocated as projects are identified. Recommendations to increase the North San José Deficiency Plan Improvements project (\$227,000) and Pavement Maintenance – Measure B project (\$606,000) reflect higher revenues received than estimated.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONSTRUCTION EXCISE TAX FUND**

**FUND STATUS**

As discussed above, the Innovative Bicycle Detection System project is recommended to be eliminated as a result of a loss of grant funding for the project. This report includes a recommendation to increase the Innovative Bicycle Detection System (\$9,000) to refund the granting agency for past expenditure reimbursements. Also, the local match funding for the project is no longer needed; therefore, a decrease to the Bicycle and Pedestrian Facilities allocation is recommended (\$169,000). The Metropolitan Transportation Commission has approved for these funds to be reallocated for a different purpose, which will be included as part of the Proposed 2016-2020 CIP.

Further detail regarding all of these recommendations can be found in Section III of this report, Recommended Budget Adjustments and Clean-up Actions.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	1,926,415	N/A	N/A

Fund Balance – A recommendation to decrease the Ending Fund Balance in the Construction Excise Tax Fund by \$363,000, from \$1.9 million to \$1.6 million, is included in this report. This adjustment is the result of increases to the Capital Program and Public Works Department Support Service Costs (\$250,000), Land Management and Weed Abatement (\$150,000), Traffic Signal Preventative Maintenance (\$40,000), Innovative Bicycle Detection System (\$9,000), and the loss of grant revenue related to the Innovative Bicycle Detection System (\$83,000), partially offset by a decrease to the Bicycle and Pedestrian Facilities project (\$169,000).

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONVENTION AND CULTURAL AFFAIRS FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	9,622,780	2,308,752	24.0%
<i>Expenditures</i>	10,755,597	5,813,063	54.0%

**FUND STATUS**

In accordance with the new agreement with Team San Jose (TSJ) that manages the City’s Convention Center and other cultural facilities, revenues and expenditures generated by facility operations no longer flow through the Convention and Cultural Affairs Fund. Rather, the net operating subsidy to TSJ as well as TSJ incentive and management fees as other non-TSJ related expenses, such as capital investments and insurance costs, are reflected in the Convention and Cultural Affairs Fund.

Revenues – The Convention and Cultural Affairs Fund is funded almost entirely from revenues received through transfers from the Transient Occupancy Tax (TOT) Fund (\$9.6 million). For the first half of the fiscal year, revenues of \$2.3 million are tracking at 24.0% of the budget. The full TOT transfer is expected to be received by year-end.

While not reflected in the Convention and Cultural Affairs Fund, TSJ has provided financial reports reviewed by the City showing operations revenues through December of \$15.7 million, compared to the December target of \$11.7 million. The higher than anticipated revenue performance is primarily due to the increase in food and beverage and contract labor revenues driven by a greater than expected number of contracted events in the facilities managed by TSJ. Because performance in these areas determine the amount of operating subsidy to TSJ, the increased activity levels may allow for a reduction to the Convention Facilities Operations expenditure appropriation (the operating subsidy) if current trends continue. TSJ’s activity will be closely monitored to determine if future downward adjustments to the operating subsidy are warranted.

Expenditures – Through December, expenditures of \$7.2 million (including encumbrances) were tracking at almost 67% of the budget. The largest expenditure allocations to date were paid or encumbered by TSJ and are related to the Convention Facilities Operations costs (\$2.9 million) and to TSJ for the management of the City’s Convention and Cultural Facilities (\$1.0 million).

This report includes recommendations to increase the Rehabilitation/Repair – Miscellaneous appropriation by \$350,000, from \$385,000 to \$735,000, to fund the installation and monthly rental costs of temporary boilers at the Convention Center until permanent repairs can be made. Due to higher than anticipated claims, an increase to the Workers’ Compensation Claims appropriation by \$50,000, from \$50,000 to \$100,000, is also recommended.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**CONVENTION AND CULTURAL AFFAIRS FUND**

**FUND STATUS**

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	1,555,236	N/A	N/A

*Fund Balance* – A recommendation to decrease the Ending Fund Balance by \$400,000, from \$1.6 million to \$1.2 million, is included in this report as a result of anticipated expenses related to the Rehabilitation/Repair – Miscellaneous appropriation (\$350,000) and Convention Workers’ Compensation Claims appropriation (\$50,000), as described above.



<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**INTEGRATED WASTE MANAGEMENT FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	128,601,644	68,640,896	53.4%
<i>Expenditures</i>	132,143,294	43,720,099	33.1%

**FUND STATUS**

*Revenues* – Revenues in the Integrated Waste Management Fund include payments received from residential solid waste generators under the Recycle Plus Integrated Waste Management Program (Recycle Plus Collection Charges) (\$110.0 million); Lien-Related Charges (\$6.1 million); Recycle Plus Negotiated Savings (\$2.7 million); New Market Tax Credit Reimbursements (NMTC) (\$2.1 million); AB 939 fees (\$1.6 million); payments received from the Construction and Demolition Diversion Deposit (CDDD) Program (\$800,000) that are identified as ineligible deposits for refund; Las Plumas Tenant Utility Reimbursements (\$400,000); NMTC developer fees (\$250,000); SB 332 Beverage Container Recycling payments (\$250,000); miscellaneous revenue (\$238,000); NMTC Leverage Loan Interest (\$98,000); interest earnings (\$49,000); Franchise Applications (\$3,000); and various grants, including the Economic Development Administration (EDA) Grant (\$2.4 million), California Energy Commission Grant (\$1.6 million), and Clean Creeks Healthy Communities Grant (\$25,000).

Through December, revenues totaled \$68.6 million, or 53.4% of budget, and were generated primarily from the following: Recycle Plus Collection Charges (\$60.2 million); Lien-Related Charges (\$5.6 million); Recycle Plus Negotiated Savings (\$1.3 million); AB 939 fees (\$366,000); and NMTC Reimbursements (\$313,000). The reimbursements from the NMTC Proceeds of \$313,000 represent only 15% of the budgeted estimate. However, the finalization of all Environmental Innovation Center (EIC) related costs is expected to be complete by the end of 2014-2015, and reimbursements of an additional \$1.8 million are estimated to be received by year-end.

Overall, revenues are expected to end the year approximately \$2.3 million above budgeted estimates. This is due primarily to projected increases in revenue from Recycle Plus Collection Charges (\$1.2 million) and Lien-Related Charges (\$932,000), reflecting higher activity levels.

*Expenditures* – Through December, \$43.7 million, or 33.1% of the budget, was expended, and an additional \$73.0 million, or 55.2%, was encumbered. The year-to-date expenditures and encumbrances of \$116.7 million were attributed primarily to the actual expenditures and encumbrances of Recycle Plus contracts for Single-Family Dwelling (\$51.0 million), Yard Trimmings/Street Sweeping (\$22.9 million), and Multi-Family Dwelling (\$18.6 million). Additional expenditures include IDC Disposal Agreement

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**INTEGRATED WASTE MANAGEMENT FUND**

**FUND STATUS**

(\$8.0 million), Environmental Services Department (ESD) Personal Services (\$3.3 million), Single Family Dwelling Processing (\$2.5 million), ESD Non-Personal/Equipment (\$2.2 million), and General Fund Overhead (\$2.1 million) appropriations.

The Administration projects savings of approximately \$2.6 million by the end of the year in various appropriations, with the largest estimated savings in Single-Family Dwelling (\$928,000), ESD Personal Services (\$540,000), Finance Department Personal Services (\$276,000), ESD Non-Personal/Expenditures (\$212,000), and Information Technology Department (IT) Personal Services (\$203,000). It is anticipated that the Recycle Plus Contracts appropriations of \$92.4 million will generate savings of approximately \$1.2 million due to lower than anticipated inflation-based increases, as stipulated in the contracts with the haulers, lower than anticipated hauler incentive payments for achieving diversion targets, and lower than anticipated expenses for on-demand services (e.g. large civic tonnage fluctuations/changes in yard trimmings, and changes to subscribed cart sizes). It is anticipated that the ESD, Finance, and IT Personal Services appropriations will generate year-end savings totaling approximately \$1.0 million due to vacancies in these departments, some of which will likely be eliminated in 2015-2016 as a result of the Single-Family Dwelling billing process shifting to the County of Santa Clara's property tax roll.

This report includes recommendations to increase the Capital Program and Public Works Department Support Service Costs appropriation by \$22,000 (from \$0 to \$22,000), due to inadvertent omission of this appropriation during the development of the 2014-2015 Adopted Budget. Due to higher than anticipated claims, an increase to the Workers' Compensation Claims appropriation of \$25,000 (from \$40,000 to \$65,000) is also recommended.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	514,340	N/A	N/A

*Fund Balance* – A recommendation to decrease the ending fund balance by \$47,000 (from \$514,000 to \$467,000) is included in this report as a result of anticipated expenses related to the Capital Program and Public Works Department Support Service Costs (\$22,000) and Workers' Compensation Claims (\$25,000) appropriations, as described above.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**MUNICIPAL GOLF COURSE FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	2,437,000	2,169,983	89.0%
<i>Expenditures</i>	2,577,000	1,890,026	73.3%

**FUND STATUS**

*Revenues* – Budgeted revenues for this fund consist of the following: a subsidy from the General Fund (\$1.9 million), course fees from the Los Lagos and San José Municipal Golf Courses (\$500,000), and miscellaneous revenues and interest (\$37,000). Through December, the full subsidy of \$1.9 million has been received from the General Fund. Course revenues totaled \$249,000, or 49.8% of the budgeted estimate, and are tracking below anticipated levels due primarily to performance at the Los Lagos Golf Course. Miscellaneous revenues and interest totaled \$21,000, or 57.0% of the budgeted estimate.

For the Los Lagos Golf Course, only the net profits from operations of the course are paid into the Municipal Golf Course Fund. The 2014-2015 Adopted Budget revenue estimate for Los Lagos assumed net operating revenues of \$80,000. This estimate was built on the assumption that net revenues from this course would remain flat with 2011-2012 (\$85,000), 2012-2013 (\$83,000), and the 2013-2014 modified revenue estimate (\$90,000). However, activity at the Los Lagos Golf Course through the first half of 2014-2015 is down significantly, compared to the first half of 2013-2014. Rounds of golf played through November 2014 decreased by 11.3% from November 2013. Through December 2013, \$23,000 of net revenue was collected; however, no net revenue has been collected through December 2014. The budgeted revenue estimate for Los Lagos was revised as part of 2013-2014 Annual Report actions, bringing the projected revenue target down from \$80,000 to \$50,000. Based on a few more months of data since the release of the 2013-2014 Annual Report, activity levels have not improved. The Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is closely analyzing activity tracking and trends as well as course operating expenditures to better understand the overall performance of the golf course. In addition, a review of the Municipal Golf Course Fund has been approved to be on the City Auditor’s 2014-2015 Audit Work Plan. In the meantime, because of declining revenues and increasing golf course maintenance expenditures, little to no revenue is now anticipated for Los Lagos Golf Course by year-end. As a result, this document includes a recommendation to eliminate the Los Lagos Golf Course budgeted revenue estimate (\$50,000). No net operating revenue is assumed for the Rancho del Pueblo Golf Course.

**2014-2015  
MID-YEAR BUDGET REVIEW**

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**MUNICIPAL GOLF COURSE FUND**

**FUND STATUS**

Revenues from the San José Municipal Golf Course totaled \$249,000 through December and are based on a fixed percentage of the gross sales, regardless of operator costs. This collection level is close to the prior year actual of \$259,000 through December 2013. Based on historical tracking, it is anticipated that revenues generated from the San José Municipal Golf Course will end 2014-2015 at budgeted levels of \$450,000, which is approximately the same as the 2013-2014 year-end actuals of \$452,000.

All revenues generated in this fund are intended to offset or partially offset the debt service costs of these facilities. Although the San José Municipal Golf Course has no debt service obligations, its revenue helps offset the debt service costs and the net operating losses from the Los Lagos and Rancho del Pueblo Golf Courses. Due to the fact that the course fees have been unable to cover both the fixed costs of operating the facilities and the debt service, a General Fund subsidy has been required to support the debt service payments. Currently, the subsidy is budgeted at \$1.9 million for 2014-2015. The subsidy was increased by \$300,000 as part of the 2013-2014 Annual Report actions and an additional increase of \$300,000 (from \$1.9 million to \$2.2 million) is recommended in this document to partially offset the operating losses in this fund and ensure the fund has sufficient fund balance by year-end.

*Expenditures* – Expenditures in the Municipal Golf Course Fund are generally incurred for two purposes: payments to course operators in months when course fees are unable to cover the fixed costs of operating the facilities at the Los Lagos and Rancho del Pueblo Golf Courses; and payment of the debt service for the bonds used to develop the two courses.

Expenditures in this fund are tracking to exceed the budget due primarily to performance at the Los Lagos Golf Course. Los Lagos is tracking significantly worse than 2013-2014 levels. Through December, Los Lagos had a net operating loss of \$272,000. Once adjusted for differences in timing of payments and year-end accruals, as reported in the operator's profit and loss statements, the true net operating loss year-to-date for 2014-2015 is \$239,000, whereas the true net operating loss was \$57,000 through the same period last year. With declining revenues and increasing golf course maintenance expenditures, it is anticipated that net operating losses at the Los Lagos Golf Course could total \$550,000 if current trends continue. To address this higher projected operating loss, this document includes a recommendation to increase the Los Lagos Golf Course expenditure appropriation by \$275,000, from \$275,000 to \$550,000, which is well above the \$175,000 assumed in the 2014-2015 Adopted Budget.

Through December, the Rancho del Pueblo Golf Course had a net operating loss of \$163,000. Once adjusted for differences in timing of payments and year-end accruals, as reported in the operator's profit and loss statements, the true net operating loss year-to-date for 2014-2015 is \$156,000, whereas the true

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**MUNICIPAL GOLF COURSE FUND**

**FUND STATUS**

net operating loss was \$145,000 through the same period last year. The current 2014-2015 Modified Budget allows for a net operating loss of \$330,000, a 1.3% increase from 2013-2014 actuals. At this point in the fiscal year, projections show that Rancho del Pueblo will end the year at budgeted levels.

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	402,442	N/A	N/A

*Fund Balance* – In addition to recommendations to decrease the Los Lagos budgeted revenue estimate by \$50,000 and increase the Los Lagos expenditure appropriation by \$275,000, this document includes recommendations to increase the Transfer from the General Fund to the Municipal Golf Course Fund by \$300,000 and decrease the Ending Fund Balance in the Municipal Golf Course Fund by \$25,000, in order to maintain a sufficient Ending Fund Balance. As previously discussed, the Parks, Recreation and Neighborhood Services Department, in collaboration with the course operator, is reviewing activity tracking and trends as well as analyzing course operating expenditures to better understand the courses’ performance and the factors driving it. Additionally, a review of the Municipal Golf Course Fund is on the City Auditor’s 2014-2015 Audit Work Plan.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ/SANTA CLARA TREATMENT PLANT CAPITAL FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	76,229,000	16,812,227	22.1%
<i>Expenditures</i>	177,065,119	18,536,371	10.5%

**FUND STATUS**

*Revenues* – Budgeted revenue for the San José/Santa Clara Treatment Plant Capital Fund consists of transfers from the City of San José Sewer Service and Use Charge Fund (\$48.0 million) and the Sewage Treatment Plant Connection Fee Fund (\$3.1 million); contributions from the City of Santa Clara and other tributary agencies (\$23.9 million); interest earnings (\$569,000); Calpine Metcalf Energy Center Facilities Repayments (\$389,000); and a U.S. Bureau of Reclamation Grant (\$250,000). Although through December only 22.1% of revenues have been received, it is anticipated that revenues will end the year close to the budgeted estimate. Additionally, revenue from the refund of a Heavy Loader purchased in 2013-2014 has been received in 2014-2015 (\$598,000), as well as revenue from the SBWR Master Plan Grant (\$165,000).

*Expenditures* – Expenditures in this fund represent the costs of improvements and rehabilitation of the San José-Santa Clara Regional Wastewater Facility. Through December, \$18.5 million, or 10.5%, of the budget was expended and an additional \$71.0 million, or 40.1%, was encumbered.

It is currently estimated that the majority of the \$177.1 million budget will be expended or encumbered on projects and related expenses by the end of the year. Staff anticipates continuing to make progress on large efforts in 2014-2015, such as: Energy Generation Improvements (\$42.9 million), Plant Instrument Air System Upgrade (\$8.5 million), Plant Electrical Reliability (\$8.3 million), and Iron Salt Feed Station (\$4.9 million).

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	74,831,259	N/A	N/A

*Fund Balance* – An increase of \$30,181 to both the 2014-2015 Beginning Fund Balance and 2014-2015 Unrestricted Ending Fund Balance is recommended to reflect a minor fund balance adjustment that occurred after the production of the 2013-2014 Annual Report.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	85,567,784	18,500,995	21.6%
<i>Expenditures</i>	98,129,550	45,145,561	46.0%

**FUND STATUS**

*Revenues* – Revenue for the San José-Santa Clara Treatment Plant Operating Fund consists primarily of transfers from the Sewer Service and Use Charge Fund, contributions from participating tributary agencies, recycled water sales, and interest earnings. Through December, revenues totaled \$18.5 million, or 21.6% of the budgeted estimate. The largest source of revenue in this fund, the transfer from the Sewer Service and Use Charge Fund (\$52.0 million), has not yet been received. This transfer occurs in two installments on or around February 1<sup>st</sup> and June 1<sup>st</sup>. Contributions from Santa Clara and other agencies, however, are estimated to come in lower than budgeted levels by \$1.5 million. These contributions are made in four installments based on the amounts provided in the Proposed Budget. However, after the Comprehensive Annual Financial Report is released and prior year actuals are determined, agencies are credited. As such, lower than expected expenditures last year are causing this year’s agency reimbursement revenue to fall a bit short. Revenues from recycled water are estimated to exceed the budgeted levels of \$4.7 million by approximately \$1.4 million due to stronger sales. Weather conditions are resulting in an increased demand for recycled water. Overall, revenues are tracking to come in lower than the budgeted estimate by approximately \$300,000.

*Expenditures* – Expenditures in this fund represent the costs required for the operation and maintenance of the San José-Santa Clara Regional Wastewater Facility, including the South Bay Water Recycling System and associated regulatory activities. Through December, \$45.1 million, or 46.0% of the budget, has been expended, and an additional \$14.4 million, or 14.7%, has been encumbered. Spending is lower than expected in several appropriations, with the largest savings expected in the Environmental Services Department (ESD) Personal Services, Workers’ Compensation Claims, and Finance Department Personal Services appropriations. It is estimated that the ESD Personal Services appropriation (\$49.0 million) may have \$2.3 million in savings by year-end due to vacancies; the Workers’ Compensation appropriation (\$645,000) is estimated to have \$162,000 in savings; and the Finance Department Personal Services appropriation (\$490,000) is estimated to have \$104,000 in savings.

A net-zero shift of \$200,000 from the ESD Personal Services to ESD Non-Personal/Equipment appropriation is recommended in this report to cover an increase in contract staffing costs through the end of 2014-2015. All other appropriations in this fund are tracking to meet the estimated budget or are estimated to have slight savings by year-end.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SAN JOSÉ-SANTA CLARA TREATMENT PLANT OPERATING FUND**

**FUND STATUS**

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	5,622,541	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the San José-Santa Clara Treatment Plant Operating Fund is recommended at this time.



<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SANITARY SEWER CONNECTION FEE FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	1,211,000	554,009	45.7%
<i>Expenditures</i>	10,683,879	740,155	6.9%

**FUND STATUS**

*Revenues* – Revenue for this fund in the Sanitary Sewer Capital Program consists of connection fees, joint participation payments, and interest earnings. Through December, revenues totaled \$554,000, or 45.7% of budget. Connection fees totaled \$563,000 (56% of the \$1.0 million estimate). Joint participation revenues, which reflect cost sharing of actual expenditures incurred in areas benefiting the County Sanitation Districts 2-3 and West Valley Sanitation District (WVSD), were actually a negative \$47,000 through December. The fund has yet to receive reimbursements for cost sharing activities this year and the negative figure to date reflects a credit to the other agencies from the actual prior year activities. Overall, revenues are projected to end the year at budgeted levels.

*Expenditures* – Expenditures in this fund represent the costs for increasing the capacity of and expanding the Sanitary Sewer System. Through December, \$740,000, or 6.9% of the budget, had been expended, and an additional \$1.4 million, or 12.8%, encumbered.

Staff anticipates expending and encumbering approximately \$9.3 million, or 87% of the budget, in 2014-2015, focusing primarily on large efforts such as Immediate Replacement and Diversion, Monterey Riverside Relief, and the 30” Old Bayshore Supplement projects. The Immediate Replacement and Diversion Projects appropriation (\$1.7 million), which is used for areas that require immediate sewer replacement as part of maintenance activities and in response to sanitary sewer overflows; the Monterey-Riverside Relief Sanitary Sewer appropriation (\$1.6 million), which is used for the installation of approximately 4,100 linear feet of 27-inch vitrified clay pipe along Cottle Road between Beswick Drive and Monterey Highway; and the 30” Old Bayshore Supplement appropriation (\$1.3 million), which is used for the construction of 5,540 linear feet of 30-inch diameter relief sewer parallel to an existing 30-inch pipe on Old Bayshore Highway between Commercial Street and Zanker Road, have had no expenditures through December. It is anticipated, however, that all these funds will be expended or encumbered by year-end.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SANITARY SEWER CONNECTION FEE FUND**

**FUND STATUS**

It is expected that at year-end, approximately \$1.3 million, or 13% of the expenditure budget, will fall to fund balance or be recommended for rebudget into 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program. This is due to the delay of several long-term capacity enhancement projects, including the Capitol Avenue Sanitary Sewer Improvements, Husted Avenue Sanitary Sewer Improvement – Phase II, and Rincon Avenue – Virginia Avenue Sanitary Sewer Improvements projects. The schedule for these projects are extended by a few months to allow staff to focus on higher priority projects related to sanitary sewer overflows, as well as due to staff turnover.

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	3,905,697	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Sanitary Sewer Connection Fee Fund is recommended at this time.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	24,065,000	7,843,815	32.6%
<i>Expenditures</i>	112,757,800	11,683,740	10.4%

**FUND STATUS**

Revenues – Budgeted revenue for this fund in the Sanitary Sewer Capital Program consists of transfers from the Sewer Service and Use Charge Fund (\$23.0 million), reimbursements from the West Valley Sanitation District (WVSD) for joint projects (\$815,000), and interest earnings (\$250,000). Transfers from the Sewer Service and Use Charge Fund take place in three installments over the year and the remaining two transfers will take place as scheduled in the second half of the fiscal year. Revenues are expected to end the year close to the budgeted estimate.

Expenditures – Expenditures in this fund represent the costs of improvements and rehabilitation of the Sanitary Sewer System. Through December, \$11.7 million or 10.4% of the budget, was expended and an additional \$21.4 million, or 19.0%, was encumbered. Staff anticipates expending approximately \$74.1 million, or 66%, in projects in 2014-2015, focusing on large capacity enhancement efforts such as the Monterey-Riverside Relief Sanitary Sewer, 30” Old Bayshore Supplement, Fourth Major Interceptor, Phase IIB/IIIB, and a number of neighborhood sewer improvement projects that will reduce sanitary sewer overflows and/or repair severely deteriorated sewers.

However, it is expected that approximately \$38.4 million, or 34%, of the budget will not be expended by year-end, and the majority of these funds will be recommended for rebudget into 2015-2016 as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Proposed Capital Improvement Program (CIP). This is due to the delay of several projects as a result of more urgent projects that were identified during the fiscal year to alleviate ongoing operation and maintenance costs. Award and/or construction of several projects, including the Rincon Avenue – Virginia Avenue Sanitary Sewer Improvement, Husted Avenue Sanitary Sewer Improvement – Phase II, Capitol Avenue Sanitary Sewer Improvements, Spreckles Sanitary Sewer Force Main Supplement, Phase II, Coleman Road Sanitary Sewer Improvements, and Trimble Road and Capewood Lane Sanitary Sewer Improvement projects will likely be deferred to 2015-2016. The 60” Brick Interceptor Rehabilitation Project comprises the largest portion that is anticipated to be unexpended (\$27.4 million) this year due to the complexity of the design work that will be included in this project. The construction contract award for this project will be delayed to 2015-2016, which will provide additional time for staff to refine the design of this project.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS  
SEWER SERVICE AND USE CHARGE CAPITAL IMPROVEMENT FUND  
FUND STATUS**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Unrestricted Ending Fund Balance</i>	5,178,555	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the Sewer Service and Use Charge Capital Improvement Fund is recommended at this time.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**STORM SEWER CAPITAL FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	13,801,000	11,974,971	86.8%
<i>Expenditures</i>	22,790,260	2,016,341	8.8%

**FUND STATUS**

*Revenues* – The budgeted revenue estimate for this fund in the Storm Sewer Capital Program consists of a transfer from the Storm Sewer Operating Fund (\$11.9 million), the California Proposition 84 Stormwater Grant (\$1.8 million), and interest earnings (\$25,000). Through December, revenues totaled \$12.0 million, or 86.8% of the budgeted estimate. Due to project delays with the Martha Gardens Green Alley and Park Avenue Green Avenue projects, reimbursements from the California Proposition 84 Stormwater Grant of \$1.8 million are now estimated to be received in the second part of 2014-2015.

*Expenditures* – Expenditures in this fund represent the costs of improvements and rehabilitation of the Storm Sewer System. Through December, \$2.0 million, or 8.8% of the budget, was expended, and an additional \$4.6 million, or 20.0%, was encumbered.

It is currently estimated that approximately \$18.1 million, or 79%, will be expended or encumbered on projects and related expenses by the end of the year, including the award of the Martha Gardens Green Alley and Large Trash Capture Devices projects. It is anticipated that design or execution of consultant design agreements will occur in 2014-2015 for the Alviso Storm Pump Station and Outfall Rehabilitation projects.

It is expected that approximately \$3.5 million, or 15.6% of the budget, will not be expended by year-end. These funds will either be recommended for rebudget into 2015-2016 or redistributed to other high priority projects as part of the 2015-2016 Proposed Capital Budget and 2016-2020 Proposed Capital Improvement Program (CIP). It is anticipated that \$1.0 million from the Park Avenue Green Avenue project will be rebudgeted due to delays in obtaining final approval by the California Department of Industrial Relations for the City of San José labor compliance program. In addition, ongoing coordination is required to potentially combine grant funding from the California Proposition 84 Stormwater Grant for the Park Avenue Green Avenue project and the Metropolitan Transportation Commission grant funding for the Park Avenue Multimodal Improvement project into a single project. It is also anticipated that \$500,000 of the \$1.5 million budgeted for the Charcot Storm Pump Station at Coyote Creek will be carried over to 2015-2016, as there is currently insufficient funding to support the complete construction of this project; while \$1.0 million is being used this year to obtain equipment, the remaining funding will be needed for future years. The Willow Glen-Guadalupe Phase III project budgeted at \$1.4 million is also not expected

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**STORM SEWER CAPITAL FUND**

**FUND STATUS**

to move forward in 2014-2015 and the project allocation will be reevaluated as part of the development of the 2016-2020 Proposed CIP. Based upon staff evaluation of the existing storm drainage system during recent storm events for the Almaden-Canoas Storm Sewer Improvements project, no further improvements are required; therefore, the remaining \$600,000 is expected to be available for other projects.

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	2,859,669	N/A	N/A

Fund Balance – No adjustment to the Ending Fund Balance in the Storm Sewer Capital Fund is recommended at this time.

<b>2014-2015</b> <b>MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**TRANSIENT OCCUPANCY TAX FUND**

	2014-2015 Current Modified	2014-2015 YTD Actual	2014-2015 % of Budget
<i>Revenues</i>	17,658,000	8,928,945	50.6%
<i>Expenditures</i>	21,939,295	7,882,128	35.9%

**FUND STATUS**

*Revenues* – Through December 2014, revenues recorded in the Transient Occupancy Tax (TOT) Fund of \$8.9 million are above the prior year’s collections of \$6.5 million for the same period and are tracking to exceed the budgeted estimate by year-end. The majority of the collections are attributed to the Transient Occupancy Tax, which is currently at \$8.6 million, 45.2% above the prior year’s collection (\$5.9 million). A portion of the variance, however, is attributed to the timing of collections. Factoring out those timing differences, receipts are up almost 27% from the prior year. The TOT Fund has also received \$298,000 in associated penalties related to taxes that should have been paid in previous years. Based on the current trend, growth is estimated to exceed the 5.0% increase assumed in the development of the 2014-2015 Adopted Budget estimate of \$17.7 million. Due to the strong performance thus far and a revised activity forecast through June, this report includes a recommendation to increase the budgeted estimate by \$1.9 million, from \$17.7 million to \$19.6 million, representing an increase of approximately 10% from the 2013-2014 collection levels. This \$1.9 million of additional revenue is further recommended to be placed in a reserve for future distribution in 2015-2016, as described below.

The increase in TOT receipts is due to the increased occupancy and average daily room rates. Through December, the average hotel occupancy rate at the 14 major hotels was 75.5%, an improvement from the 68.1% occupancy rate for the same period in 2013-2014, while room rates have risen from \$149.16 to \$163.72 (9.8%). The year-to-date average revenue-per-available room (RevPAR) metric of \$123.86 represents an increase of 21.8% from the prior year level.

*Expenditures* – Expenditures through December are generally tracking within budgeted levels. By ordinance, the TOT Fund tax revenue is distributed into three categories (San José Convention and Visitors Bureau, Cultural Development, and Convention Facilities Operation Subsidy through a transfer to the Convention and Cultural Affairs Fund). The allocations to the three recipient organizations are based on a fixed percentage of TOT receipts, guided by the formula outlined in the Municipal Code. Based on the additional revenue as discussed above, the establishment of a reserve for future distribution is recommended with allocations to the three recipient organizations as follows: \$971,000 for the Convention and Cultural Affairs Fund, \$485,500 for the Convention and Visitors Bureau, and \$485,500 for Cultural Development. Placing the additional funding in reserve, rather than increasing the 2014-2015 recipient appropriations, will allow for further monitoring of the tax collections to ensure all funding is received as projected by year-end.

<b>2014-2015 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF SELECTED SPECIAL AND CAPITAL FUNDS**

**TRANSIENT OCCUPANCY TAX FUND**

**FUND STATUS**

This report also recommends shifting \$65,000 from the Cultural Grants appropriation to the Cultural Grants Administration appropriation for temporary staffing for the Office of Cultural Affairs, to assist with projects that have been delayed due to the need for existing staff to address other urgent cultural needs, such as the repurposing of the Hammer Theater Center subsequent to the bankruptcy of the San Jose Repertory Theater.

	<b>2014-2015 Current Modified</b>	<b>2014-2015 YTD Actual</b>	<b>2014-2015 % of Budget</b>
<i>Unrestricted Ending Fund Balance</i>	1,428,443	N/A	N/A

*Fund Balance* – No adjustment to the Ending Fund Balance in the Transient Occupancy Tax Fund is recommended at this time.