

2008-2012 Forecast
FIVE-YEAR FORECAST DRIVERS

BASE CASE

	2008	2009	2010	2011	2012
<u>National Assumptions</u>					
Real Gross Domestic Product (% Change)	3.10%	3.10%	3.20%	3.40%	2.75%
Prime Rate	7.60%	7.70%	7.75%	8.00%	8.20%
Mortgage Rate	6.10%	6.60%	6.70%	7.00%	7.50%
US Unemployment Rate	5.10%	5.00%	5.00%	4.75%	4.80%
Total US Employment Rate (% Change)	0.98%	1.25%	1.30%	1.32%	1.33%
US Car Sales (% Change)	1.90%	1.10%	4.67%	2.68%	1.74%
OPEC Oil Price (% Change)	(6.56%)	0.00%	1.75%	3.45%	8.33%
US Consumer Price Index (CPI)	2.10%	1.80%	2.10%	2.30%	3.20%
<u>Local Assumptions</u>					
San José Population	971,679	979,179	986,679	994,179	1,001,679
San José Population (% Change)	0.93%	0.77%	0.77%	0.76%	0.75%
County Unemployment Rate	4.76%	4.68%	4.68%	4.49%	4.54%
Total County Employment Rate (% Change)	1.50%	1.40%	1.35%	1.30%	1.25%
Number of Hotel Rooms	9,097	9,097	9,097	9,097	9,097
County Consumer Price Index (CPI)	3.21%	1.86%	2.17%	2.37%	3.30%

BASE CASE

February 2007 Forecast

REVENUE SUMMARY

	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
PROPERTY TAX	183,914,000	198,654,000	207,017,000	217,679,000	229,738,000	242,833,000
		8.01%	4.21%	5.15%	5.54%	5.70%
SALES TAX	144,008,000	156,086,000	161,799,000	168,659,000	175,928,000	183,106,000
		8.39%	3.66%	4.24%	4.31%	4.08%
DEPARTMENTAL CHARGES	29,455,625	28,727,000	29,876,000	31,071,000	32,314,000	33,607,000
		(2.47%)	4.00%	4.00%	4.00%	4.00%
BUSINESS LICENSE TAX	26,700,000	27,300,000	27,363,000	27,423,000	27,481,000	27,538,000
		2.25%	0.23%	0.22%	0.21%	0.21%
MONEY & PROPERTY	10,541,869	13,909,000	14,104,000	14,294,000	14,451,000	14,582,000
		31.94%	1.40%	1.35%	1.10%	0.91%
OTHER LICENSES	47,960,399	49,760,000	51,751,000	53,821,000	55,974,000	58,213,000
		3.75%	4.00%	4.00%	4.00%	4.00%
MOTOR VEHICLE IN LIEU	5,202,000	6,388,000	6,551,000	6,730,000	6,920,000	7,117,000
		22.80%	2.55%	2.73%	2.82%	2.85%
FEDERAL REVENUE	16,469,051	0	0	0	0	0
		(100.00%)	N/A	N/A	N/A	N/A
OTHER STATE REVENUE	5,072,423	3,557,000	3,628,000	3,701,000	3,775,000	3,851,000
		(29.88%)	2.00%	2.01%	2.00%	2.01%
GAS TAX	17,000,000	17,200,000	17,339,000	17,412,000	17,398,000	17,141,000
		1.18%	0.81%	0.42%	(0.08%)	(1.48%)
TRANSIENT OCCUPANCY TAX	7,600,000	8,988,000	9,384,000	9,821,000	10,356,000	11,004,000
		18.26%	4.41%	4.66%	5.45%	6.26%
UTILITY TAX	76,098,000	79,441,000	80,577,000	82,084,000	84,226,000	86,088,000
		4.39%	1.43%	1.87%	2.61%	2.21%
FRANCHISE FEES	36,904,000	37,855,000	38,506,000	39,326,000	40,431,000	41,438,000
		2.58%	1.72%	2.13%	2.81%	2.49%
FINES, FORFEITURES & PENALTIES	12,536,567	13,591,000	13,883,000	14,091,000	14,267,000	14,446,000
		8.41%	2.15%	1.50%	1.25%	1.25%
REVENUE FROM LOCAL AGENCIES	45,422,621	46,824,000	47,951,000	49,081,000	50,261,000	51,467,000
		3.09%	2.41%	2.36%	2.40%	2.40%
OTHER REVENUE	15,522,457	15,748,000	15,460,000	15,660,000	15,862,000	16,075,000
		1.45%	(1.83%)	1.29%	1.29%	1.34%
TOTAL GENERAL REVENUES	680,407,012	704,028,000	725,189,000	750,853,000	779,382,000	808,506,000
		3.47%	3.01%	3.54%	3.80%	3.74%

February 2007 Forecast

REVENUE SUMMARY

	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
TRANSFERS & REIMBURSEMENTS						
OVERHEAD REIMBURSEMENTS	28,799,936	30,994,000	32,234,000	33,523,000	34,864,000	36,259,000
TRANSFERS	49,629,235	44,101,000	44,799,000	25,024,000	25,890,000	26,800,000
REIMBURSEMENTS FOR SERVICES	579,100	625,000	650,000	676,000	703,000	731,000
TOTAL TRANSFERS & REIMBURSEMENTS	79,008,271	75,720,000	77,683,000	59,223,000	61,457,000	63,790,000
		(4.16%)	2.59%	(23.76%)	3.77%	3.80%
TOTAL GENERAL FUND REVENUES	759,415,283	779,748,000	802,872,000	810,076,000	840,839,000	872,296,000
		2.68%	2.97%	0.90%	3.80%	3.74%
BEGINNING FUND BALANCE	174,896,871	51,000,000	47,290,000	48,599,000	49,846,000	50,883,000
GRAND TOTAL SOURCES	934,312,154	830,748,000	850,162,000	858,675,000	890,685,000	923,179,000
		(11.08%)	2.34%	1.00%	3.73%	3.65%

EXPENDITURE SUMMARY

	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
PERSONAL SERVICES						
Salaries and Other Compensation	423,506,976	452,820,000	475,908,000	494,427,000	513,679,000	533,693,000
Retirement	95,840,852	105,675,000	111,063,000	115,465,000	120,044,000	124,807,000
Health and Other Fringe Benefits	51,155,829	55,632,000	60,639,000	66,096,000	72,045,000	78,529,000
TOTAL PERSONAL SERVICES	570,503,657	614,127,000	647,610,000	675,988,000	705,768,000	737,029,000
		7.65%	5.45%	4.38%	4.41%	4.43%
TOTAL NON-PERSONAL/EQUIPMENT	90,741,301	90,604,000	92,416,000	94,264,000	96,149,000	98,072,000
		(0.15%)	2.00%	2.00%	2.00%	2.00%
OTHER EXPENDITURES						
CAPITAL PROJECTS	23,073,635	3,914,000	5,812,000	5,847,000	6,076,000	6,305,000
CITY-WIDE EXPENSES	113,235,009	77,845,000	79,858,000	81,488,000	83,176,000	84,964,000
EARMARKED RESERVES	80,827,884	200,000	200,000	200,000	200,000	200,000
EQUIPMENT (INCLUDING COMPUTER)	0	350,000	350,000	350,000	350,000	350,000
TRANSFERS	28,925,668	28,727,000	29,991,000	29,987,000	27,385,000	28,140,000
VEHICLE REPLACEMENT/GENERAL FLEET	0	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
VEHICLE REPLACEMENT/POLICE FLEET	<i>Included in N/P</i>	<i>Included in N/P</i>	(1,798,000)	1,990,000	(891,000)	436,000
TOTAL OTHER EXPENDITURES	246,062,196	112,786,000	116,163,000	121,612,000	118,046,000	122,145,000
		(54.16%)	2.99%	4.69%	(2.93%)	3.47%
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CONTINGENCY RESERVE	27,005,000	27,290,000	28,599,000	29,846,000	30,883,000	32,057,000
TOTAL BASE EXPENDITURES (w/o ADDITIONS)	934,312,154	844,807,000	884,788,000	921,710,000	950,846,000	989,303,000
		(9.58%)	4.73%	4.17%	3.16%	4.04%

OPERATING MARGIN

	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
BASE EXPENDITURES (w/o ADDITIONS)						
GRAND TOTAL REVENUE	934,312,154	830,748,000	850,162,000	858,675,000	890,685,000	923,179,000
GROWTH RATE		(11.08%)	2.34%	1.00%	3.73%	3.65%
TOTAL BASE EXPENDITURES (w/o ADDITIONS)	934,312,154	844,807,000	884,788,000	921,710,000	950,846,000	989,303,000
GROWTH RATE		(9.58%)	4.73%	4.17%	3.16%	4.04%
OPERATING MARGIN CHANGE		(14,059,000)	(20,567,000)	(28,409,000)	2,874,000	(5,963,000)
<i>From Prior Year</i>						

EXPENDITURE SUMMARY

	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
COMMITTED ADDITIONS:						
Street Improvements		338,000	612,000	807,000	983,000	1,159,000
New Parks and Recreation Facilities Maintenance and Operations		415,000	912,000	1,774,000	2,047,000	2,117,000
Comprehensive General Plan Update		820,000	840,000	380,000		
Measure O (Library) Maintenance and Operations		84,000	1,179,000	4,510,000	6,814,000	7,259,000
Measure P (Parks) Maintenance and Operations		3,000	663,000	1,509,000	3,416,000	4,241,000
Measure O (Public Safety) Maintenance and Operations: Fire		490,000	2,417,000	3,139,000	5,290,000	5,613,000
Measure O (Public Safety) Maintenance and Operations: Police			498,000	875,000	913,000	916,000
TOTAL COMMITTED ADDITIONS	0	2,150,000	7,121,000	12,994,000	19,463,000	21,305,000
TOTAL BASE EXPENDITURES (w / COMMITTED ADDITIONS)	934,312,154	846,957,000	891,909,000	934,704,000	970,309,000	1,010,608,000
		(9.35%)	5.31%	4.80%	3.81%	4.15%

OPERATING MARGIN

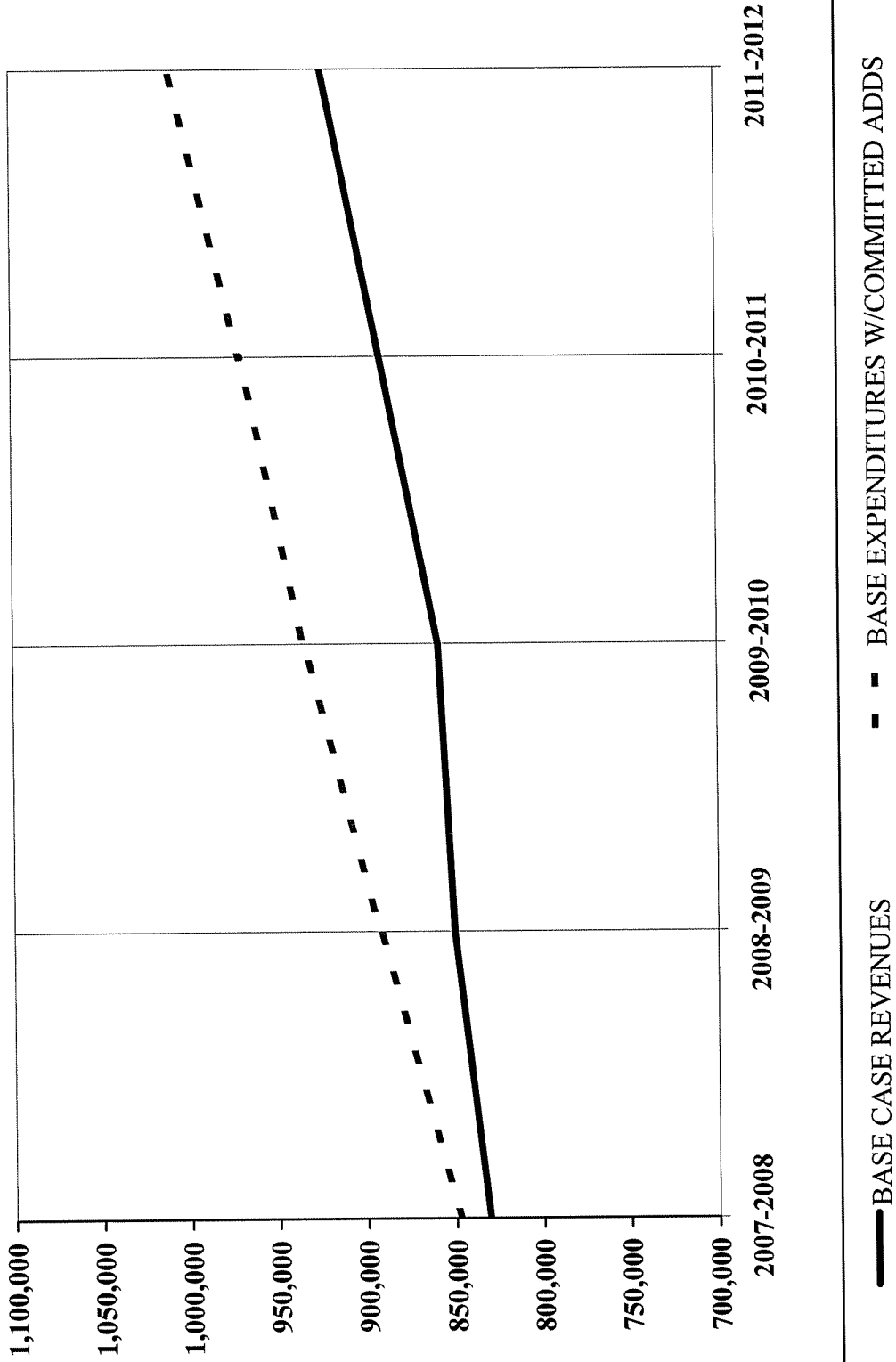
	ADOPTED		FORECAST			
	<u>2006-2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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GRAND TOTAL REVENUE	934,312,154	830,748,000	850,162,000	858,675,000	890,685,000	923,179,000
GROWTH RATE		(11.08%)	2.34%	1.00%	3.73%	3.65%
TOTAL BASE EXPENDITURES (w / COMMITTED ADDITIONS)	934,312,154	846,957,000	891,909,000	934,704,000	970,309,000	1,010,608,000
GROWTH RATE		(9.35%)	5.31%	4.80%	3.81%	4.15%
ONGOING OPERATING MARGIN CHANGE		(16,209,000)	(25,538,000)	(34,282,000) *	(3,595,000)	(7,805,000)
<i>From Prior Year</i>						

* Reflects the reduction of \$20.6 million due to the sunseting of the Emergency Communications System Support Fee

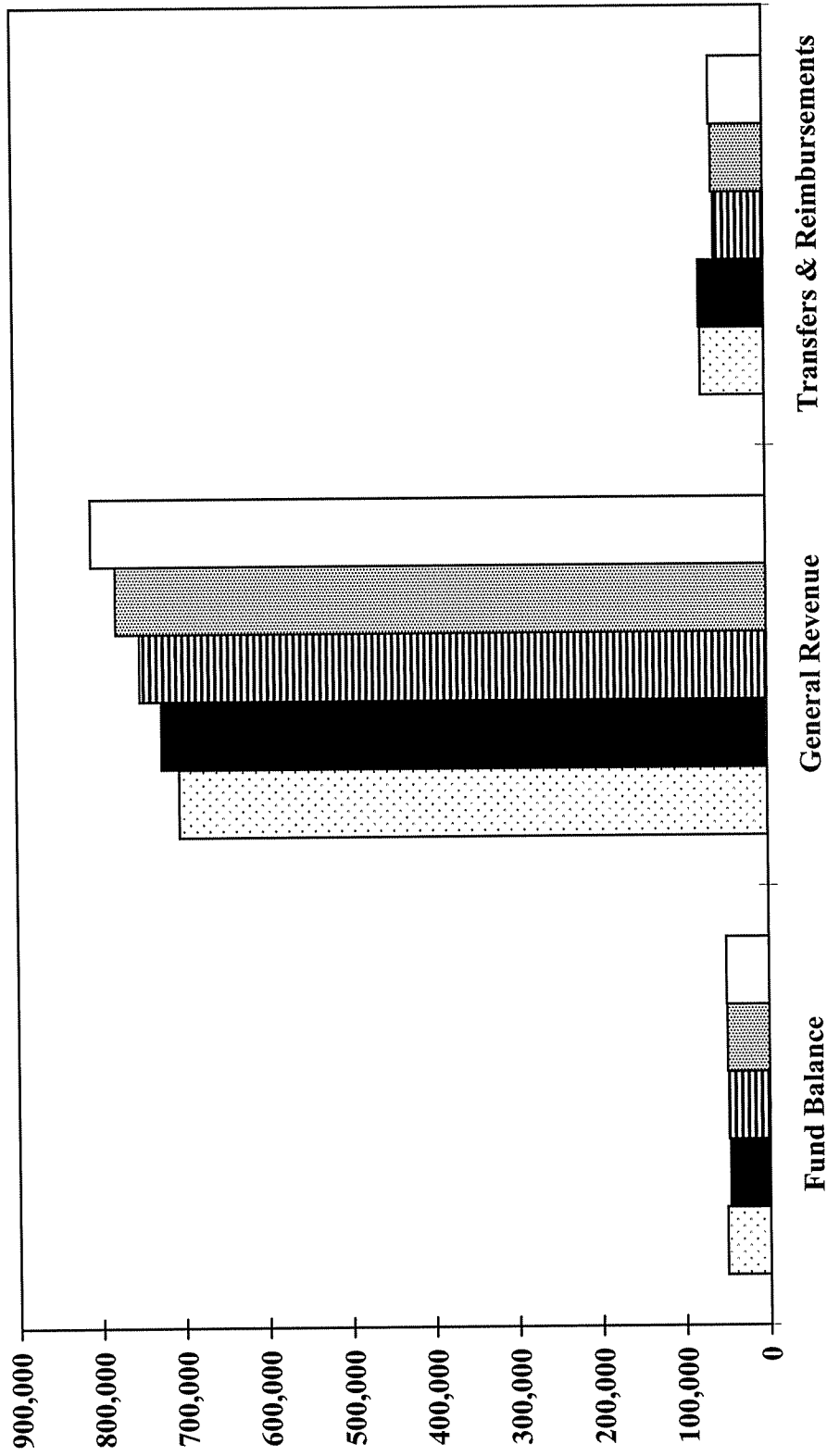
ONE-TIME FUNDING AVAILABLE

<i>2007-2008 Future Deficit Reserve</i>	10,629,599
TOTAL ONE-TIME FUNDING	10,629,599

**2008-2012 General Fund Forecast
PROJECTED REVENUES AND EXPENDITURES
(\$ in thousands)**



**2008-2012 General Fund Forecast
FIVE-YEAR SOURCE OF FUNDS COMPARISON
(\$ in thousands)**



2007-2008
 2008-2009
 2009-2010
 2010-2011
 2011-2012

**2008-2012 General Fund Forecast
FIVE-YEAR PROJECTION OF KEY REVENUES
(\$ in thousands)**

