CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30

2023

CITY OF SAN JOSE · CALIFORNIA

City of San José
California

Annual Comprehensive Financial Report

Year Ended June 30, 2023

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Annual Comprehensive Financial Report
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Environmental Services
Fire
Housing
Human Resources
Information Technology
Library

Parks, Recreation and Neighborhood Services
Planning, Building and Code Enforcement
Police
Public Works
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CITY OF SAN JOSE CAPITAL OF SILICON VALLEY

Office of the City Manager

November 17, 2023

HONORABLE MAYOR and CITY COUNCIL and
RESIDENTS OF THE CITY OF SAN JOSE

The Annual Comprehensive Financial Report of the City of San José

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the City of San José ("City") for the fiscal year July 1, 2022 through June 30, 2023 as required by Sections 805(a) and 1215 of the City Charter. Although formally submitted to the Mayor and City Council ("Council"), the ACFR is also intended to provide relevant financial information to the residents of San José, taxpayers, creditors, investors, and other interested parties.

This letter of transmittal provides a non-technical summary of City finances, services, achievements, and economic prospects. We ask that readers who wish a more detailed discussion of the City's financial results refer to the Management's Discussion & Analysis contained in the Financial Section of the ACFR.

The City Administration is responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. We believe this ACFR to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles.

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for Fiscal Year 2022-2023 ("FY 2022-2023") are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, Macias Gini & O'Connell LLP performs an audit of the City's major program expenditures of federal funds for compliance with the requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement,* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this ACFR and, when completed, can be obtained from the City of San José's website at https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits.

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This ACFR is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, and specifics of the City's legal operating environment.
- The Financial Section includes the Management's Discussion & Analysis, Basic Financial Statements, Notes to Basic Financial Statements, Required Supplementary Information, and other Supplemental Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds, governmental funds, as well as enterprise funds, internal service funds, and fiduciary funds. This section also contains the independent auditor's report on the Basic Financial Statements.
- The Statistical Section presents up to ten years of detailed statistical data on the City's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context to the information presented in the financial statements and note disclosures.

The ACFR includes all funds of the City, as well as all governmental organizations and activities for which the Council has financial accountability. These organizations include the San José-Santa Clara Clean Water Financing Authority, the City of San José Financing Authority, and the San José Diridon Development Authority.

The Successor Agency to the Redevelopment Agency of the City of San José ("SARA") was created by State statute. The SARA is subject to the direction and oversight of a board consisting of the Mayor and the other members of the City Council ("SARA Board"). Financial activities of the SARA are further overseen by the Redevelopment Dissolution Countrywide Oversight Board of Santa Clara County ("Oversight Board"). The SARA is reported in a fiduciary fund as a private-purpose trust fund.

Reporting Entity

San José is a charter city that has operated under a council-manager form of government since 1916. Under the City Charter, the Mayor and Council form the legislative body that represents the community and is empowered to formulate citywide policy. The Council consists of a Mayor and ten (10) Council members. The Mayor[1] is elected at-large for a four-year term and the Council members are elected by district for staggered four-year terms. The Mayor and Council members are limited to two (2) consecutive four-year terms. Under the Charter, the Mayor recommends policy, program, and budget priorities to the Council, which in turn approves policy direction for the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization responsible for the administration of City affairs, day-to- day operations, and implementation of Council policies. In addition to the City Manager, the City Attorney, City Auditor,

1 On June 7, 2022, 55.48% of San José voters approved Measure B, a ballot measure amending the San Jose City Charter to (1) move the mayoral election from the gubernatorial election cycle to the presidential election cycle beginning in 2024 and (2) to limit the person elected to the Office of Mayor in 2022 to a two-year term with the option to run for the Office of Mayor and serve as such for two additional successive four-year terms.

City Clerk, and Independent Police Auditor are appointed by and report directly to the Council.

The City Charter provides that City Council establishes the boards of administration and appoints the majority of board members for each of the City's retirement plans, the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, hire and prescribe the duties of the chief executive officer (Director of Retirement Services) and chief investment officer (Assistant Director of Retirement Services) within the Office of Retirement Services who serve at the pleasure of the retirement boards. The City Charter also specifies certain duties and obligations of each retirement board and authorizes the chief executive officer to hire and oversee the Office of Retirement Services' employees, subject to any applicable Civil Service Rules. The retirement systems are reported as fiduciary component units.

City History

San José is the oldest city in California, developing from a Spanish pueblo established in 1777. Situated between the Diablo and Santa Cruz mountain ranges, San José encompasses approximately 181 square miles at the south end of the San Francisco Bay and is the county seat of Santa Clara County. San José's central location between San Francisco to the north and Monterey/Carmel to the south makes the "Capital of Silicon Valley" a gateway to adventures throughout California. With a 2022 estimated population of 959,256[2], it is the third most populous city in California and the twelfth most populous in the United States.

The City has transformed dramatically from the rich agricultural setting of its early years into the largest city in the Silicon Valley. Silicon Valley is a region in the Southern San Francisco Bay Area of Northern California which serves as a global center of high technology, innovation, and social media. Silicon Valley corresponds roughly to the geographical Santa Clara Valley. The San José-Sunnyvale-Santa Clara Metropolitan Statistical Area ("San José MSA") in the Silicon Valley has a large concentration of high-tech employment with 352,000 workers out of a total civilian employment level of 1.19 million[3]. Silicon Valley is home to many of the world's largest technology companies and is a global center of technology innovation. Commercial, retail, professional, high-tech manufacturing, electronic assembly, and service businesses all have a presence in San José. On the international front, San José attracts significant foreign investment from throughout the globe.

Successor Agency to the Redevelopment Agency of the City of San José (SARA)

Beginning July 1, 2018, pursuant to Health and Safety Code section 34179(j), the individual successor agency oversight boards within Santa Clara County were combined into one county-wide oversight board. The Oversight Board is comprised of seven (7) member representatives with one (1) member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community

2 State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and State with Annual Percentage Change – January 1, 2022 and 2023 (Released May 2023).

3 State of California, Employment Development Department, Labor Market Information Division Press Release, August 18, 2023.

Colleges, a public appointment made by the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the County. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller and tasks have been delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

Total Redevelopment Property Tax Trust Fund ("RPTTF") revenue distributed by the County to the SARA in FY 2022-2023 was $143,017,581 which was used to pay debt service and debt-related expenses on the Successor Agency Senior and Subordinate Tax Allocation Bonds ("SARA TABs") and other enforceable obligations. During the year ended June 30, 2023, the County withheld $51,785,161 in RPTTF for payments for its current year pass-through payments. Based upon the nature of the SARA's custodial role, the SARA is reported in a fiduciary fund as a private-purpose trust fund.

Economic Condition and Fiscal Outlook

While Silicon Valley continues to show overall positive economic performance, several potential indicators of a future economic weakening have begun. These economic indicators include a slow-down in the local real estate market and raising unemployment rates. While employment figures continue to be relatively strong, layoffs, especially in the technology sector, have begun impacting unemployment rates.

The June 2023 employment level in the San José MSA of 1.19 million represented a 1.8% increase from the June 2022 level of 1.16 million. Between June 2022 and June 2023, employment expanded by 21,200 jobs in the San José MSA, including 6,600 jobs in the leisure and hospitality sector, 12,600 jobs in private educational and health services, 1,800 jobs in trade, transportation, and utilities. Smaller changes in employment levels across all other sectors make up the remaining difference[4].

The local unemployment rate for June 2023 was 3.7%, which was higher than the May 2023 rate of 3.3% and the prior year unemployment rate of 2.8%. However, the June 2023 San José Metropolitan Statistical Area unemployment rate continued to be lower than the unadjusted unemployment rate for the State (4.9%) and the nation (3.8%)[5].

Overall construction activity through June 2023 decreased 14.0% from prior-year levels, primarily due to activity for the commercial land use category experiencing a significant year-over-year decline. The 2022-2023 Adopted Budget was developed with the expectation that development activity would increase slightly from 2021-2022 development activity projections identified in the 2023-2027 Five-Year Forecast. Development activity has been on a downward trend since 2019-2020 and will continue to be closely monitored.

4 State of California, Employment Development Department, Labor Market Information Division Press Release, August 18. 2023.

5 Ibid

While construction activity and employment levels are still relatively strong, an area of concern is the continued weakening of the local real estate market. Beginning in mid-2020, the local real estate market was robust, posting record high median single home prices, and very strong sales activity with properties selling very quickly. However, beginning in December 2021, property sales started to dip, with year-over-year transactions (from the same time period in the prior year) declining most months. Further, in order to combat high inflation rates, the Federal Reserve significantly raised interest rates over the past year and have indicated rates will remain elevated for an extended period of time. As interest rates increased, so did mortgage rates, which are expected to continue to negatively impact the number and price of property sales. According to data from the Santa Clara County Association of Realtors, in June 2023, the median single-family home price totaled $1.60 million, which is 2.4% higher than the June 2022 price of $1.56 million. This modest year-over-year increase followed seven consecutive months of year-over-year price drops. Homes are staying on the market for longer periods of time before selling; the average days-on-market for 2022-2023 totaled 24 days, which is significantly above the average of 14 days experienced in 2021-2022. In addition, property sales activity has declined for eight consecutive months. Overall, property sales declined 33.4% in 2022-2023 compared to 2021-2022.

The City's current General Obligation ("GO") Bonds credit ratings are Aa1/AA+/AAA from Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), respectively. The ratings continue to reflect the diversity of the local economy anchored by a strong technology presence, sound financial management, and prudent budgetary practices.

As of June 30, 2023, the City of San José Financing Authority ("Authority") had the following bonds outstanding with the ratings as noted in the table below.

Series	Moody's	S&P	Fitch
2013B, 2020A, and 2021A	Aa2	AA	AA
2020B	Aa3	AA	AA-
2022A	Aa3	AA	AA
Rating Outlook	Stable	Stable	Stable

As of June 30, 2023, the underlying ratings on the City of San José Airport Revenue Bonds were rated by Moody's, S&P, and Fitch: A2, A, and A, respectively.

Also, the Authority issued $268.4 million of Wastewater Revenue Bonds this fiscal year with underlying ratings by S&P, Fitch, and Kroll: AAA, AAA, and AAA, respectively.

City Organization and Services

The City provides a range of municipal services, including police and fire protection, sanitation services, environmental management, maintenance of streets and infrastructure, library services, and recreational activities. The City operates a number of enterprises including a parking program, a municipal water system, a wastewater treatment facility, the San José Mineta International Airport, and the San José Clean Energy ("SJCE") program. In addition, the City provides oversight of the management of convention and cultural event facilities that include the San José McEnery Convention Center, Center for the Performing Arts, California Theatre, Mexican Heritage Plaza, Ice Centre, and the SAP Center at San José – home of the San José Sharks of the National Hockey League.

The City organization is structured into six (6) City Service Areas ("CSAs") that integrate services provided by separate departments and offices into key alignments from the community's perspective. The CSAs are:

- ***Community and Economic Development*:** The mission of the Community and Economic Development CSA is to manage the growth and change of the City of San José in order to encourage a strong economy, create and preserve healthy neighborhoods, ensure a diverse range of housing and employment opportunities, and encourage a diverse range of arts, cultural, and entertainment offerings. The outcomes of this CSA include a strong economic base; safe, healthy, attractive, and vital community; diverse range of housing options; and a range of quality events, cultural offerings, and public artworks.
- ***Environmental and Utility Services*:** The mission of the Environmental and Utility Services CSA is to provide environmental leadership through policy development, program design, and reliable utility services. The outcomes of this CSA include reliable utility infrastructure; healthy streams, rivers, marsh, and bay; "Clean and Sustainable" air, land, and energy; and safe, reliable, and sufficient water supply.
- ***Neighborhood Services*:** The mission of the Neighborhood Services CSA is to serve, foster, and strengthen the community by providing access to lifelong learning, opportunities to enjoy life, and preserving healthy neighborhoods. The outcomes for this CSA include safe and clean neighborhoods and public spaces; welcoming and vibrant neighborhoods and public life; and equitable access to community opportunities to flourish.
- ***Public Safety*:** The mission of the Public Safety CSA is to provide prevention and emergency response services for crime, fire, medical, hazardous, and disaster related situations. The outcomes for this CSA include having the public feel safe anywhere, anytime in San José and residents share in the responsibility for public safety.
- ***Transportation and Aviation Services*:** The mission of the Transportation and Aviation Services CSA is to provide the community with safe, secure, and efficient surface and air transportation systems that support San José's livability and economic vitality. The outcomes for this CSA include providing safe and secure transportation systems; providing viable transportation choices that promote a strong economy; ensuring travelers have a positive, reliable, and efficient experience; preserving and improving transportation assets and facilities; and providing a transportation system that enhances community livability.

- ***Strategic Support*:** The mission of the Strategic Support CSA is to effectively develop, manage, and safeguard the City's fiscal, physical, technological, and human resources to enable and enhance the delivery of City services and projects. The outcomes of this CSA include ensuring a high-performing workforce that is committed to exceeding internal and external customer expectations; safe and functional public infrastructure, facilities, and equipment; effective use of technology and data tools that enable a collaborative, responsive, and productive City; and sound fiscal management that facilitates meeting the needs of the community.

Enterprise Priorities and Significant Accomplishments

The City's Enterprise Priorities[6] are the City's focus areas on challenges that affect community lives and livelihoods which are the primary focus of the organization. The Enterprise Priorities are categorized into "Core" priorities which focus on our residents and "Foundational" priorities which focus on enabling the City's employees to better deliver all City services including the Core Enterprise Priorities. A description of each Enterprise Priority for FY 2022-2023 and their associated significant accomplishments are described below.

***COVID-19 Pandemic: Community and Economic Recovery (Core**): No event in living memory has been more painful or traumatic for our community than the COVID-19 pandemic and economic crisis which exacerbated existing inequalities. In this moment, our biggest challenge and our biggest opportunity is to foster an equitable recovery to a "Better Normal." The journey to healing, recovery, and resilience will require unprecedented effort, resources, and creativity. Recovery is not for us to do alone, rather it must be done with the community, for the benefit of those most burdened by the crisis, guided by their wisdom, tapping into their potential, and building on their deep enduring strength.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Completed COVID-19 Recovery Task Force process, including:
  - Developing and implementing a five-part Community Engagement Plan that resulted in 1,500 people engaged through 12 community pop-ups, two community forums, 16 focus groups, a community survey, and a community resource fair attended by 500 residents at Seven Trees Community Center;
  - Hiring of 21 Promotores to assist with community outreach for COVID-19 Recovery resources;
  - Supporting 88 recommendations approved without dissent by 55 community leaders selected by City Council; and
  - Publishing a final report that included allocating $2.0 million to support 10 of the 88 recommendations.
- Concluded all COVID-19 Rental Relief programs by March 31, 2022, then continued to help tenants and housing providers resolve pending applications through the first half of 2022-2023.
- Continued to operate the Eviction Prevention Help Center program at two locations and a once-a-week clinic at the courthouse to connect tenants and landlords with resources.

6 On May 16, 2022, the City Council adopted FY 2022-2023 City Roadmap which merged two Core Enterprise Priorities to create "Resilient and Sustainable City Infrastructure and Emergency Preparedness" and separated the "Safe, Vibrant, and Inclusive Neighborhoods and Public Life" into two distinct Core Enterprise Priorities: "Safer San José" and "Clean, Vibrant, and Inclusive Neighborhoods and Public Life".

- Secured an additional $2.2 million to continue the Eviction Diversion and Settlement Program and assisted 196 households.
- Completed analysis, research, outreach, and stakeholder engagement to develop a three-year Strategic Plan for the Rent Stabilization Program which seeks to protect underserved tenants from unsustainable rent burdens.
- Provided work experience for over 243 Resilience Corps Phase 2 program participants with 94% Black and Indigenous people of color (BIPOC) and 98% or more with two or more barriers to employment.
- Conducted four large job fairs with over 162 unique employers and resource agencies to support area residents.
- Served 900 youth and adult clients from COVID-19 equity zip codes and census tracts with job counseling, training, and/or other employment services.
- Distributed 89 art and culture grants to support arts programming, festivals, and special events to activate vibrant spaces citywide for approximately $3.8 million.
- Supported the Latino Business Foundation and its successful launch of the new small business center at Quetzal Gardens. The Latino Business Foundation supported over 700 businesses in the first year of the new center.

Resilient and Sustainable City Infrastructure and Emergency Preparedness (Core)*: Great cities are built on great infrastructure–often-invisible networks of pipes, wires, roads, facilities, and spaces that connect us–in every neighborhood. Today, our infrastructure is challenged by age, climate change, disasters, and is under pressure to grow. Only a "regenerative" approach to our City infrastructure can meet both the needs of our people (equity) and live within the capacity of the planet (environment). A regenerative approach shifts from excessive consumption to reuse (restoring what we consume) with resilience and sustainability built in. When it comes to resilience, the lives and safety of our residents is one of our most fundament obligations and we must continue to prioritize the work of ensuring San José is well-prepared for the next disaster, with a clear focus on supporting those who are most vulnerable.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Facilitated a breakthrough in collaboration with Valley Water resulting in $92.0 million in new Federal funding and a restart to stalled negotiations for building reaches 4 and 5 of the Shoreline Levee to protect North San José, including the Alviso community and the Regional Wastewater Facility, from sea level rise.
- Progressed negotiations with Valley Water, San José Water, and San Francisco Public Utilities Commission on expansion of purple pipe (recycled) water, development of purified water, and potential development of private brackish water desalination to secure the City's water resilience.
- Initiated the most significant Community Forestry efforts in decades by hiring six new staff, providing maintenance to 10,000 street trees, contracting/partnering to increase plantings to 2,000 new trees from ~400 the previous year, and positioning for over $8.0 million in Federal grant funding.
- Transitioned from the City Initiatives Roadmap approach and evolved this work with the team into a clear City Infrastructure Strategy approved by the Transportation and Environment Committee that will guide the work of the departments in 2023-2024. The City Infrastructure Strategy built on lessons learned from the City Initiatives Roadmap work, incorporates Transportation and Aviation,

and aligned directly with the City budget process. The strategy includes a strong focus on equity, identifying new funding, and building the team needed to deliver results. The goal of the strategy is to highlight and focus the team on the most important changes to our infrastructure that will move the City of San José into a future where we are resilient and adaptive to the impacts of climate change.

- Completed 95% construction of the Emergency Operations Center with occupancy planned for October 31, 2023.
- Maintained 230 miles of roadways keeping the long-term plan on track, including 51 miles of new and enhanced bikeways and over 2,100 accessibility ramps, and raising pavement condition ratings from 67 to 71, surpassing the long-term goal of 70. The City's annual paving plan maintained or replaced 11% (~275 miles) of San José streets in 2022. The City has now sealed or resurfaced 950 miles of streets since 2019, while using equity scoring to ensure work is prioritized across districts. Pavement improvements are years ahead of schedule and demonstrate effective management of Measure T funds dedicated to repaving and replacing streets.
- Continued to implement the $1.4 billion 10-year Capital Improvement Program at the Regional Wastewater Facility with key milestones, including: substantially completed Advanced Facility Control and Meter Replacement – Phase 1 ($12.0 million) and Phase 2 ($15 million), which replaced and upgraded flow meters, valves, sensors, transmitters, and other control equipment throughout the Regional Wastewater Facility; awarded Fire Life Safety Upgrades ($7.0 million); and awarded Yard Piping Improvements – Phase 2 ($26.0 million), which will rehabilitate large process pipes throughout the facility.

Ending Homelessness (Core): *All people in San José need a place they can call home and feel they belong as a vital part of the City, yet the City and region are faced with an unprecedented housing crisis. While the brunt of this crisis is borne by our unhoused neighbors, its impacts are felt across our community. The City will continue to invest in permanent supportive and affordable housing, while addressing systemic issues to improve the condition of our City. The City will also take immediate action by increasing emergency and interim housing options and expanding services to meet the basic health and safety needs of our unhoused residents.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Supported a total capacity of 20,603 housing units and beds at the end of 2022-2023 for our homeless and low income community:
  - 20,110 rent restricted, affordable housing units supporting approximately 61,000 residents; and
  - 493 Emergency Interim Housing (EIH) beds.
- Opened or started development for 722 affordable housing units.
  - Opened two affordable housing developments at Vela Apartments and Page Street Studios that provided a combined total of 166 units; and
  - Completed construction financing and began construction for 556 units of affordable housing units five new developments at Alum Rock Family Apartments, The Charles, 777 West San Carlos, Tamien Apartments, and The Kelsey.
- Opened, started development for, or received City Council approval for 1023 EIH beds:
  - Opened Guadalupe Lot E EIH expanding inventory by 96 beds;
  - Broke ground on Branham - Monterey EIH which will expand capacity by 204 beds;
  - Gained City Council approval for future EIH development of up to 634 beds, including Rue Ferrari expansion (138), Cerone Valley Transportation Authority Yard (200), 85/Great Oaks

(100), Cottle Light Rail Station (100), and Cherry Ave Valley Water site (96); and
  - Acquired and began rehabilitation of the Arena Hotel on The Alameda, which will expand inventory by 89 beds.

- Began planning for implementation of the State's 200 small home initiative currently being considered for the Cerone Valley Transportation Authority yard.
- Implemented the first recreational vehicle safe parking program at the Santa Teresa Valley Transportation Authority Light Rail Station that opened in July 2023, providing space for 42 households living in recreational vehicles to safely park and access supportive services.
- Partnered with Valley Water on the Coyote Creek Flood Protection Project with the first ever payment ($4.9 million) by Valley Water for outreach and emergency and longer-term (two-year) housing to people displaced by construction.
- Completed the final phase of the Federal Aviation Administration and City Council mandate to clear the 40 acres of encampments at Guadalupe Gardens, including removal of over 120 vehicles and over 3,500 tons (seven million pounds) of debris and completed successful relocation of over 90 people from the Guadalupe Gardens encampment into interim and permanent housing.
- Responded to two emergency inclement weather events that resulted in the establishment of an Evacuee Transition Facility model and the successful placement of over 80 individuals into interim and permanent housing.
- Opened overnight warming locations at the Roosevelt Community Center and West Valley Branch Library during freezing weather events and later in the winter, further expanded capacity to eliminate any waitlist for overnight warming placements within the City limits.
- Began implementation of the Safe Encampment Resolution project to provide outreach, interim shelter, housing, beautification, and activation on the Guadalupe River Trail.
- Managed annual reporting and quarterly expenditure and performance reporting for three large grants from the State totaling approximately $64.7 million.

Safer San José (Core): *The safety of San José residents is one of the City's most fundamental obligations, necessary not only to ensure the physical safety of individuals, but also to form the basis of a thriving, inclusive community where residents can entrust their safety both to the City and each other. The City will work to build and strengthen this trust across all elements of public safety—including our community safety partnerships, law enforcement, operations continuity during disasters, and traffic safety—by continuously improving the City's policies and practices, pursuing new and innovative service models and partnerships, centering prevention as a key strategy, and engaging residents as participants in ensuring the safety of their own communities.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Established a new, comprehensive list of all recommendations made to the Police Department for reforms and operational improvements. Of the 536 items on this list, 254 have been completed so far. Notable achievements include providing LGBTQ+ Awareness training and training on techniques to improve interactions between the police and the public, updating the Department's Language Access Plan, establishing an Executive Force Review Committee, and retaining a community engagement consultant to help create a community engagement plan.
- Convened stakeholders beginning in December 2022 to improve coordination on pretrial release. Stakeholders include the District Attorney's Office, the County Executive's Office, Santa Clara County Judges, Main Jail staff, Office of Pretrial Services staff, and the Public Defender's Office. Strategies pursued through this coordination include improvements to booking forms, improved

relationships and communication, provision of training, and innovative strategies to address high-frequency offenders.

- Completed the following traffic safety improvement projects:
    - Implemented over nine miles of quick-build improvements on the Priority Safety Corridors or corridors with frequent fatal and severe injury crashes;
    - 35 Pedestrian Safety/Traffic Calming Projects/Sideshow Deterrent Projects;
    - Hillsdale Avenue Quick Build;
    - 6th and Taylor Traffic Signals; and
    - Monterey Centralized Transit Signal Priority and Downtown Retiming Project.
- With four peer communities, advanced Assembly Bill 645 Vehicles: Speed Safety System Pilot Program with significant contribution by the City and with the City's leading privacy controls noted by news outlets.
- Launched Vision Zero's "Slow Down, San José" campaign which was featured on billboards, streetlight banners, posters, business storefronts, yard signs, radio advertisements, online campaign videos, geotargeted digital advertisements, buses, and bus shelters, and partnered with non-profit organizations and neighborhood community groups to engage and educate residents with multi-lingual content.
- Installed 33 miles of new on-street bikeways and upgraded 18 existing miles.
- Continued to implement emergency planning efforts including:
    - Presented the COVID-19 After-Action Report to City Council;
    - Initiated the City's first Continuity of Operations Plan for all 24 departments and completed a disaster risk assessment, vulnerability assessment, and capabilities assessment as well as first round draft plans for each department;
    - Updated the City's portion of the Joint Santa Clara County Hazard Mitigation Plan by engaging all 24 departments to address the City's vulnerability to earthquake, fire, flood, extreme weather, hazardous materials, cybersecurity, civil unrest, terrorism, drought, power outage, and dam failure events. This makes the City eligible for millions of dollars of Federal hazard mitigation funding, when the funding is available;
    - Maintained monthly Community Emergency Response Team trainings which graduated 279 new members this year, and in four years trained over 1,000 members; and
    - Launched Community Emergency Response Team trainings in underserved communities, in coordination with Project Hope program.

***Clean, Vibrant, and Inclusive Neighborhoods and Public Life (Core)**: The diverse mosaic of people who live, work, learn, and play in San José deserve clean, vibrant, accessible, and inclusive public spaces that inspire friendship and connection across generations, cultures, and points of view. Our neighborhoods and public life must reflect the rich cultural history and lived experiences of our residents. Neighborhoods should serve as conduits for people to connect with one another, to build community, and provide pathways to opportunity, lifelong learning, and prosperity.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Completed 92 youth decoy operations for the Tobacco Retail License Program in effort to reduce youth access to tobacco products resulting in 20 citations and potential revocation of two licenses.
- Completed development of the San José Youth Empowerment Alliance Strategic Plan 2023-2025 aimed at reducing youth violence and providing positive alternatives to high-risk youth.
- Successfully planned and distributed over $3 million in scholarships to support low-income families

and their participation in public recreation opportunities which resulted in 3,013 youth receiving scholarships that covered 100% of program costs.

- Restored and enhanced senior services activities to reduce social isolation, with a priority focus on high need community centers such as Mayfair and Seven Trees.
- Achieved 88% of parents/caregivers reporting their child's participation in City recreation services positively impacted their quality of life.
- Achieved 89% increase in the number of conversations that students had about going to college and about paying for college (Library/SJ Aspires).
- Increased access to programs and services for 1,175 unduplicated children and youth from low-income and vulnerable families.
- Supported over 50,000 households connected to free internet through the City's Community Wi-Fi Network/SJ Access program helping to close the digital divide in San José.
- Supported 21,000 checkouts of connected devices through the SJ Access program helping to close the digital divide in San José.
- Achieved 84% of SJ Learns participants reporting improved skills through formal assessments in math; 82% in language arts.
- Removed 2,907,455 square feet of graffiti 90% of the time within one business day for gang/hate related graffiti and within three business days for general graffiti from the time of report into SJ311.
- Enlisted volunteers who provided 15,637 volunteer hours to collect 270 tons of neighborhood litter.
- Facilitated 96 Dumpster Days resulting in the collection of 977 tons of trash.
- Removed 3,500 tons of illegally dumped trash 97% of time (between July 1, 2022 – December 31, 2022) within five businesses days from time of report into SJ311. Note that SJ311 is still processing the data for January 1, 2023 – June 30, 2023.
- A Citywide team finalized the program and system designs for the Vehicle Blight initiative and re-imagining, earning full City Council support. Seven departments developed service designs spanning customer service response and standards, improved customer communications, analytics and reporting, increased efficiencies, policy and ordinance work, and resource allocation. Results included: a 20-point gain in customer satisfaction ratings in the four months after approval; resourcing an additional 10,000 investigations per year; and progress on a response pilot.
- Hosted over 600 participants from across the United States at the San José Welcoming Interactive conference.
- Achieved 75% of participants reporting an increase in their sense of identity, belonging, and community interactions with 56 parks through Viva Parks.
- Successfully implemented three VivaCalleSJ events with an average per event attendance of over 100,000 people.
- Restored and enhanced therapeutics services at the Grace, Mayfair, Camden, Bascom, and Seven Trees Community Centers.
- Expanded library hours at 16 branches out of the system's 24 branches to include Sundays from noon to 5 p.m., in addition to Sunday hours at the Dr. Martin Luther King Jr. main library downtown.

Building the San José of Tomorrow with a Downtown for Everyone (Core): *San José has a bold plan that envisions a more urban, connected, and livable city by 2040. Making this a reality will require driving private development and ensuring those investments create great places. The approval processes must be clear, consistent, and easy to use for everyone, and move at the speed of business, not bureaucracy. The center piece of these efforts, our Downtown plan, is a complex mosaic of new train lines, large offices mixed with vibrant street front retail, urban housing, and creative public spaces that we must get right.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Rezoned 5,284 properties to bring the zoning of these properties in alignment with the General Plan per City Council direction and as required by State law.
- Approved an amendment to the North San José Development Area Policy and related documents to advance development in North San José.
- Completed 18 Environment Impact Reports (EIRs), 12 Mitigative Negative Declarations and Negative Declarations, and 14 Addendums.
- Released the Downtown Transportation Plan to solicit public input.
- Completed the update to the parking and transportation demand management strategy that eliminated parking requirements Citywide.
- Provided support to the Santa Clara Valley Transportation Authority and Bay Area Rapid Transit Phase 2 project milestone. This included the award of the tunnel construction contract and final environmental clearance of high-speed rail segments to and through San José. The entire first phase of high-speed rail from the Bay Area to Los Angeles is now environmentally cleared.
- Recovered San José Mineta International Airport traffic levels to over 1.0 million average passengers per month for the first time since pre-pandemic, when it hit a record 1.3 million passengers per month.
- Selected a preferred private partner for the Airport Connector. If realized, the SJ Connection Partners could produce a mode-shift up to 2,000 passengers an hour, via a novel public-private partnership, at a fraction of typical public cost. Viability will be clearer in 2023-2024.

Strategic Fiscal Positioning and Resource Deployment (Foundational): *We will continue to be both strategic and responsible in how we manage and balance the City's $6.0 billion budget as well as smart and efficient in how we serve our community. We will always look for opportunities to be cost-effective in all aspects of our service delivery system while working to ensure equity and inclusion in how services are delivered. If new or expanded revenues are considered, we will minimize impacts to our tax, rate, and feepayers to the extent possible.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Provided ongoing review, monitoring, analyses, forecasts, and reporting on the City's over 140 Operating and Capital funds totaling $6.0 billion with 6,900 positions, allowing for effective oversight and controls throughout the fiscal year.
- Collaborated with the Office of Racial Equity and departmental staff to further embed the explicit consideration of equity into the budgeting process, including a new iteration of the Budgeting for Equity Worksheet.
- Received City Council approval of the 2021-2022 Annual Report which included an increase of

General Purpose Reserves to 8% of 2022-2023 General Fund budgeted expenditures.

- Produced the 2023-2024 City Manager's Budget Request and 2024-2028 Five-Year Forecast on March 1, 2023 anticipating a $29.9 million ongoing General Fund surplus in 2023-2024 (approximately 2% of the General Fund Base Budget), followed by an $18.8 million ongoing shortfall in 2024-2025 (1.3%), with essentially no or very small incremental surpluses over the remaining three year of the Forecast.
- Facilitated City Council's final approval of the 2023-2024 Adopted Operating and Capital Budgets totaling approximately $6.2 billion – after considering the Proposed Operating Budget, Capital Budget, and the Fees and Charges document, and reviewing 60 Manager's Budget Addenda and 46 cost estimates – ensuring continued delivery of core City services and targeting rehabilitation of the City's diverse array of capital infrastructure.
- Maintained "Prime" and "High grade" general credit ratings from three of the major national bond rating agencies ("AAA" by Fitch Ratings, "Aa1" by Moody's Investors Service, and "AA+" by S&P Global Ratings). San José ranks tied for second for best general obligation bond rating amongst the 12 largest cities in the United States. Improved outstanding Airport Revenue long-term bonds rating from "A-" to "A" (S&P).
- Received a "triple-triple" bond rating (AAA from all three rating agencies: Fitch, S&P and KBRA) for City's first "Green Bonds – Climate Bond Certified" CSJFA Wastewater Revenue Bonds.
- Issued $838.9 million in debt, including a $275.0 million City of San José Tax and Revenue Anticipation Note, $268.4 million in City of San José Financing Authority Wastewater Revenue Bonds, $0.4 million in CSJFA Lease Revenue Taxable Commercial Paper Notes to fund flood recovery, $63.2 million in CSJFA Subordinate Wastewater Revenue Notes to finance capital improvements at the RWF, $10.0 million in CSJ Subordinated Commercial Paper Notes, and $221.9 million of conduit multi-family housing revenue obligations.
- Published the City Procurement Improvement Study (Current and Future States) and received City Council approval to modify San José Municipal Code language to streamline City procurement processes, increasing monetary limits for simplified procurements, and expanded the City's ability to leverage other public entity procurements.
- Launched a Disparity Study website, conducted business engagement community meetings, and held individual interviews with businesses interested in pursuing City of San José procurement opportunities to provide recommendations and refinements the City may take to increase participation of underserved businesses.
- Completed the Accounts Receivable Amnesty Program COVID-19 Pilot which prioritized outreach to low-income communities using the San José Equity Atlas with the goal of providing financial relief from penalties and interest and increasing compliance with unpaid bills during the COVID-19 pandemic.
- Completed pilot phase of the Outcomes, Community Indicators, and Performance Management initiative to improve the meaningfulness of performance measures reported through the Neighborhood Services CSA. As a result, Neighborhood Services CSA leadership reported a 40% increase in performance measure quality and meaningfulness. Simultaneously, the updated CSA performance structure has 25% fewer overall performance measures, enabling a clearer focus on results and impact.

Powered by People (Foundational): *We recognize that our 6,900 employees power the City of San José, and our success as a City is dependent on our ability to create a dynamic and engaged workforce. Our employees' ability to provide excellent service is strengthened when we invest in attracting talent, providing opportunities for career growth, enabling an environment focused on health, safety, and wellness, and retaining a diverse workforce in a workplace that is equitable and inclusive.*

Significant accomplishments in this Enterprise Priority for FY 2022-2023 include:

- Exceeded Citywide annual hiring goals for 2022-2023 with 949 offers accepted, surpassing the goal of 790 by 20%.
- Lowered the City vacancy rate from 14.8% in August 2022 to 12.0 % in June 2023. San Jose's vacancy rate is lower than most of our surrounding agencies, some of which are typically higher paid than San José.
- Hired more employees in FY 2022-2023 than had been hired in the previous five fiscal years. This included a significant increase in external hires, which affects the City's vacancy rate.
- Reduced the number of full-time voluntary resignations positively by 27% from 372 in 2021-2022 to 271 in 2022-2023.
- Identified and completed 23 classification projects that included revisions for hiring requirements to increase the City's applicant pool and drive workplace diversity.
- Conducted nine events in partnership with San José State University to increase the pipeline of applicants for City jobs and to invest in this critical, long-term partnership, including a San José State University Career Fair hosted at City Hall.
- Partnered with Silicon Valley Career Technical Education to inspire residents and students to consider public service careers and providing opportunities for students to interact with City staff.
- Implemented approximately 27 special salary adjustments to ensure the City can recruit and retain employees.
- Supported a digital workforce with a 65% decrease in processing time for City administrative workflows through business process automation and refitting 30 primary conference rooms and completed training to support a hybrid use by the City workforce.
- Piloted trainings within the Human Resources Department on continued development of a Trauma-Informed, Resilience-Oriented Culture and developed a workplan to roll out with select departments.
- Engaged over 800 employees in a Summer Wellness Challenge, in addition to other wellness offerings such as a Health Fair (over 500 participants) and multiple fitness challenges.
- Implemented a City Mentorship Program with 300 participants.
- Led 36 employees in how to address City challenges in the Human Centered Design Learning Lab.
- Taught 166 City employees in the Innovation Academy on how to "get back their time" by making small innovations in their workspace.

Major City Awards and Recognitions

The City received the following awards and recognitions in FY 2022-2023.

- Airports Council International – Airport Service Quality Awards, San José Mineta International Airport named Best Airport in North America in the 15-25 million passengers category.
- American Concrete Institute – 2022 Concrete Construction Awards for Infrastructure, City of San José Low-Carbon Concrete Pilot (used in 94 American Disabilities Act accessibility projects).
- American Planning Association California Chapter – City of San José Citywide Design Standards and Guidelines won Award of Excellence for Urban Design.
- American Planning Association Northern California Section – City of San José Diridon Station Area Plan won Award of Excellence for Large Jurisdiction Comprehensive Plan.
- American Red Cross – Parks, Recreation, and Neighborhood Services Recreation Team received American Red Cross Disaster Cycle Services Good Neighbor and Partnership Award.
- Association of Government Contact Center Professionals– Award of Distinction for Service Excellence for SJ311.
- California Festival and Events Association – Parks, Recreation, and Neighborhood Services Placemaking Team received Best Renewed Award.
- California Parks and Recreation Society – Parks, Recreation, and Neighborhood Services Therapeutics Team received Key of the Community Award.
- California Society of Municipal Finance Officers– Operating Budget Excellence Award for Fiscal Year 2022-2023.
- California Transportation Association – Department of Transportation won statewide "Interchange Project of the Year" award for the Blossom Hill-US 101 interchange project.
- Center for Digital Government – Digital Cities Awards, #3 in Big Cities category (500,000+ residents).
- Center for Digital Government – Government Experience Awards, Project Experience Award for SJ311 Equity and Accessibility.
- Design Build Institute of America - San José Cogen Wastewater Facility received DBIA National Award of Merit.
- Engineering News Record –San José Mineta International Airport Fire Station won the ENR Award of Merit as part of the ENR 2022 Best Projects Competition.
- Esri–Special Achievement in GIS (SAG) Award for Animal Care Shelter Solution providing real-time management of the shelter population, kennel availability, and delivery of care to animals.
- Government Technology – City of San José received award for best privacy program in California for its review framework and resident engagement on public interest technology.
- National Procurement Institute – Award of Excellence in Procurement (2022).

Five-Year Capital Improvement Program

The City publishes a five-year Capital Improvement Program (“CIP”) that guides the City in the planning, scheduling, and budgeting of capital improvement projects. The CIP is updated annually and approved by the City Council. The CIP maintains critical investment to sustain, enhance, and develop a wide array of public infrastructure to improve system reliability, enhance recreational experience, advance public safety, and ensure San José is well-positioned for further economic growth and opportunity while building on the efforts of the last several years of making targeted investments that align with the City’s economic development and community livability goals contained within the Envision San José 2040 General Plan (“General Plan”).

Over a five-year period, the 2024-2028 CIP totals $3.6 billion, a 3.4% decrease over the 2023-2027 Adopted CIP of $3.7 billion. The FY 2023-2024 Adopted Capital Budget of $1.6 billion reflects a 18.5% decrease from the FY 2022-2023 Adopted Capital Budget of $1.9 billion. The CIP focuses on renovating, renewing, and expanding the City infrastructure that serves the critical day-to-day needs of our community, such as roadways, sewer collection and treatment systems, parks and sports fields, fire and police facilities, and airport facilities. In particular, the next two years are expected to see a surge of activity as a number of projects funded by the $650 million San José’s Disaster Preparedness, Public Safety, and Infrastructure Bond Measure (Measure T) move from design to construction. The CIP also continues the work to ensure that we continue to build equity considerations into the identification and prioritization of infrastructure rehabilitation. While the General Plan remains the core planning tool of the CIP, the technical analysis necessary to identify new or deferred infrastructure rehabilitation needs is increasingly being supplemented by the explicit consideration of equity, including the incorporation of race and income data as a factor to help prioritize the rehabilitation of deteriorated sanitary sewer pipe, to the extent legally permissible, and as a prioritization criterion for the Local and Neighborhood Pavement Maintenance Program.

While the Administration remains focused on leveraging external State and federal resources to supplement project funding, several of the City’s key local revenues dedicated to the CIP have declined or remained stagnant in the face of increasing operational and rehabilitation needs. In particular, Construction and Conveyance Tax revenues – primarily generated by private property sales – are estimated at $40.0 million in 2023-2024, or 38% below the prior year collection of $64.5 million, and are only forecast to rise slightly to $45.0 million beginning in 2025-2026. This declining revenue from previous years reduces available funding for capital infrastructure needs in the Parks and Community Facilities Development, Library, Service Yards, Fire, Communications, and Park Yards Capital Programs.

The Status Report on Deferred Infrastructure Maintenance Backlog, presented to the Transportation and Environment Committee on April 4, 2022 (updated on a two-year cycle), identifies an infrastructure backlog of approximately $1.7 billion, with an additional $91.5 million needed annually to maintain the City’s infrastructure in a sustained functional condition. Though the existing backlog of $1.7 billion is expected to decrease as Measure T projects are fully implemented – including $300 million for street pavement maintenance – the City must continue to search for additional resources and leverage grant opportunities to ensure San José’s public assets are appropriately maintained.

Financial Information

The City Administration is responsible for establishing and maintaining internal controls that safeguard the City's assets from loss, theft, or misuse, and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed its likely benefits, and that the evaluation of costs and benefits is subject to management estimates and judgments.

Single Audit

As a recipient of federal, state and county funding, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Office of the City Auditor, and the City's external independent auditors.

As part of the City's single audit procedures, tests are performed to test the effectiveness of its internal controls over major federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

Budgetary Controls

The City maintains budgetary controls through City Council adoption of an annual appropriation ordinance and by maintaining an encumbrance accounting system. Expenditures for City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council.

The City uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Debt Management Policy

The City's Debt Management Policy was adopted by the City Council on May 21, 2002 and most recently revised on March 21, 2023 and is reviewed annually. The Debt Management Policy establishes the following equally important objectives:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting;
- Ensure financial controls are in place with respect to proceeds of debt issuances; and
- Ensure compliance with applicable state and federal laws.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association ("GFOA") of the United States and Canada awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2022. This was the thirty-fifth consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized ACFR, the contents of which conform to program standards. Such a report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

The Certificate of Achievement is valid for only one year. The City believes this ACFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to GFOA for consideration of the annual award.

For the thirty-third consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2022. To qualify for this award, the government unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

Acknowledgements

The preparation of this ACFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. Many members of the Department demonstrated exemplary personal determination and dedicated many long days of focused attention to produce this document.

In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The City also recognizes the contributions and positive working relationship with Macias Gini & O'Connell LLP.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors, especially their role in guiding the City to a secure financial condition that assures resources are available to provide core services to the community.

Respectfully submitted,

Jennifer A. Maguire

JENNIFER A. MAGUIRE

City Manager

Rick Bruneau

RICK BRUNEAU

Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Jose
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of San Jose
California

For the Fiscal Year Beginning

July 01, 2022

Christopher P. Morrill

Executive Director

San José Mayor & City Council

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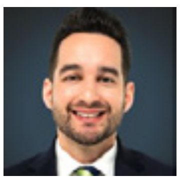

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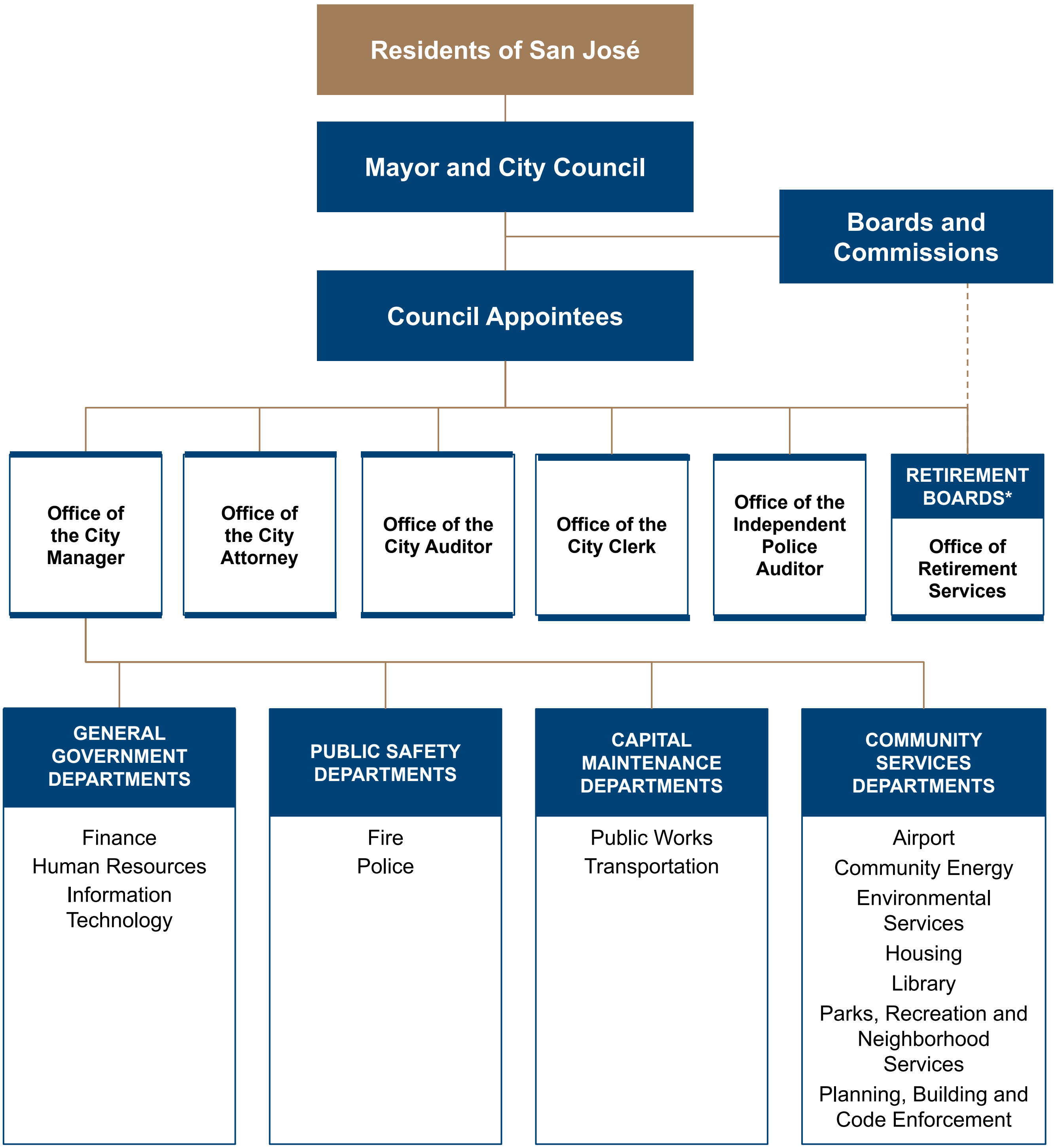
City Organization by Function



*Federated City Employees' Retirement System Board of Administration and Police and Fire Department Retirement Plan Board of Administration

Financial Section

Independent Auditor's Report

City Council
City of San José, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.E. to the financial statements, effective as of July 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Macias Gini & O'Connell LLP
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Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, Housing Activities Fund, and Low and Moderate Income Housing Asset Fund; the schedule of employer contributions – defined benefit pension plans; the schedule of changes in the employer's net pension liability and related ratios for the measurement periods ended June 30 – defined benefit pension plans; the schedule of investment returns – defined benefit pension plans; the schedule of the City's proportionate share of the net pension liability and related ratios – CalPERS; the schedule of employer contributions – CalPERS; the schedule of changes in the employer's net OPEB liability and related ratios for the measurement periods ended June 30 – postemployment healthcare plans; and the schedule of employer contributions – postemployment healthcare plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules listed as supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The City's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 17, 2023

Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

The Management's Discussion and Analysis ("MD&A") provides an overview of the City of San José's ("City") activities and financial performance for the year ended June 30, 2023. Readers are encouraged to read the MD&A in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal at the beginning of the Introductory Section and other portions of this Annual Comprehensive Financial Report ("ACFR"). All amounts in the billions and millions have been rounded to the nearest million and hundred thousand, respectively. All percentages have been rounded to the nearest one hundredth of a percent.

Financial Highlights

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2023, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $4.216 billion. Of this amount, a deficit balance of $2.082 billion represents unrestricted net position, which consists of a deficit balance of $2.640 billion for governmental activities, and a positive balance of $558.1 million for business-type activities. In addition, the City's restricted net position totals $1.422 billion ($1.364 billion for governmental activities and $58.2 million for business-type activities) based on the restrictions imposed by the enabling legislations or debt covenants. Lastly, net position of $4.876 billion is the City's net investment in capital assets, which include $3.636 billion from governmental activities and $1.240 billion from business-type activities.
- The net position increased by $235.2 million or 5.91 percent during FY 2023 to $4.216 billion from $3.980 billion. Governmental activities accounted for a $10.1 million decrease due to total expense of $2.201 billion exceeding the total revenue and transfers of $2.190 billion. Business-type activities accounted for $245.2 million of the increase due to total revenue of $1.159 billion exceeding the total expense and transfers of $913.9 million.
- Governmental funds reported a combined ending fund balance of $2.230 billion at June 30, 2023, which is $8.1 million or 0.37 percent higher than the June 30, 2022 balance. The change was attributable to an increase in the General Fund of $112.0 million, the Housing Activities Fund of $7.0 million, the Special Assessment Districts Fund of $0.7 million and offset by decreases in the Nonmajor Governmental Funds of $104.6 million, the Low and Moderate Income Housing Asset Fund of $5.2 million and the San José Financing Authority Debt Service Fund of $1.8 million.
- Unassigned fund balance of governmental funds is $121.3 million, which is 5.44 percent of the combined governmental fund balances at June 30, 2023.
- Total long-term liabilities increased by $946.5 million to $7.171 billion at June 30, 2023, which represents an increase by 15.21 percent compared to $6.225 billion at June 30, 2022. The primary factors leading to the increase in long-term liabilities for governmental activities of $806.0 million was due to the increase of net pension liability by $787.4 million and the net Other Postemployment Benefits ("OPEB") liability by $65.9 million, offset by the decrease of long-term obligations by $47.3 million. The primary factor leading to the increase in long-term liabilities for business-type activities of $140.5 million was the result of an increase of net pension liability by $74.0 million, net OPEB liability by $11.2 million, and long-term obligations by $55.3 million.

Overview of the Financial Statements

This discussion and analysis introduce the City's basic financial statements, which are comprised of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

Government-wide Financial Statements provide readers with a broad overview of the City's finances in a manner like that of a private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is the City's net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Examples include revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both government-wide financial statements address functions principally supported by taxes and intergovernmental revenues ("governmental activities") and other functions that intend to recover all or in part a portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government, public safety, capital maintenance, community services, sanitation, and interest and fiscal charges. The City's business-type activities include airport, wastewater treatment, water system, parking operations, and clean energy.

The government-wide financial statements include the primary government of the City and five separate components for which the City is financially accountable.

Fund Financial Statements

Fund Financial Statements report information about groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. As do other state and local governments, the City uses fund accounting to ensure and demonstrate finance-related legal compliance. Each City fund falls into one of three categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's capacity to finance its programs in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, the Housing Activities Fund, the Low and Moderate Income Housing Asset Fund, the Special Assessment Districts Fund, and the San José Financing Authority Debt Service Fund which are all classified as major funds. These statements also report several individual governmental funds classified as nonmajor funds such as special revenue, debt service, and capital project funds, which are aggregated into a single presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this ACFR.

Proprietary funds generally account for services charged to external or internal customers through fees. Proprietary funds provide the same type of information as shown in the government-wide financial statements for business-type activities, only in more detail. The City accounts for its airport, wastewater treatment, water system, parking operations, and clean energy program in proprietary funds.

The City accounts for its public works program support, employee benefits, and vehicle maintenance and operations as internal service funds. These services predominantly benefit governmental functions. Therefore, they are included as governmental activities in the government-wide financial statements. Individual fund data for each of the nonmajor internal service funds are provided in the form of combining statements elsewhere in this ACFR.

Fiduciary funds account for resources held for the benefit of City employees and outside parties in a similar manner as that for proprietary funds. Pension plan trust funds, private-purpose trust funds, and custodial funds are reported as fiduciary funds. The government-wide financial statements do not include fiduciary funds as their resources are not available to support City programs.

Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information includes the budgetary schedules for the General Fund, the Housing Activities Fund, and the Low and Moderate Income Housing Asset Fund. In addition, pension and other postemployment healthcare schedules present the City's progress toward funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees.

Combining and individual fund statements and schedules provide information for nonmajor governmental funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

Analysis of net position: As noted earlier, net position may serve as a useful indicator of the City's financial position. As of June 30, 2023, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $4.216 billion. The following table is a condensed summary of the City's net position for governmental and business-type activities:

Statement of Net Position
June 30, 2023 and 2022
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets:						
Current and other assets	$ 2,700,729	$ 2,855,563 (b)	$ 1,226,635	$ 1,030,042	$ 3,927,364	$ 3,885,605
Capital assets	4,759,915	4,892,002 (a)	2,626,428	2,551,270 (a)	7,386,343	7,443,272
Total assets	7,460,644	7,747,565	3,853,063	3,581,312	11,313,707	11,328,877
Deferred outflows of resources:						
Loss on refundings of debt	5,303	5,620	10,552	11,034	15,855	16,654
Pensions	564,766	564,651	60,072	63,385	624,838	628,036
Other postemployment benefits	134,807	102,929	28,005	16,039	162,812	118,968
Total deferred outflows of resources	704,876	673,200	98,629	90,458	803,505	763,658
Liabilities:						
Current and other liabilities	328,234	428,571	165,677	184,217 (a)	493,911	612,788
Long-term liabilities	1,634,872	1,682,088 (a)	1,476,697	1,421,413 (a)	3,111,569	3,103,501
Net pension liability	2,857,795	2,070,435	346,446	272,444	3,204,241	2,342,879
Net OPEB Liability	782,674	716,818	72,646	61,406	855,320	778,224
Total liabilities	5,603,575	4,897,912	2,061,466	1,939,480	7,665,041	6,837,392
Deferred inflows of resources:						
Gain on refundings of debt	3,097	3,371	-	-	3,097	3,371
Pensions	20,351	852,722	3,667	90,303	24,018	943,025
Other postemployment benefits	69,839	137,243	16,973	20,681	86,812	157,924
Leases	12,045	13,855	13,226	10,177	25,271	24,032
Public-private and public-public partnerships and availability payment arrangement	97,347	146,340 (b)	-	-	97,347	146,340
Total deferred inflows of resources	202,679	1,153,531	33,866	121,161	236,545	1,274,692
Net position:						
Net investment in capital assets	3,635,710	3,777,037	1,240,108	1,232,137 (a)	4,875,818	5,009,174
Restricted	1,363,869	1,178,965	58,192	71,173	1,422,061	1,250,138
Unrestricted	(2,640,313)	(2,586,680)	558,060	307,819 (a)	(2,082,253)	(2,278,861)
Total net position	$ 2,359,266	$ 2,369,322	$ 1,856,360	$ 1,611,129 (a)	$ 4,215,626	$ 3,980,451

(a) FY 2022 balances have been restated as a result of implementing GASB 96, Subscription-Based Information Technology Arrangements (SBITAs).
(b) FY 2022 balances have been restated as a result of implementing GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs).

At June 30, 2023, the City reported positive balances in net position on a total basis. Net investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, equipment, lease assets and SBITA less outstanding debt used to acquire assets and deferred inflows and outflows related to debt) of $4.876 billion comprises 115.66 percent of the City's total net position. These capital assets facilitate providing services to the San José community, but are not liquid, and therefore not available for future spending. During FY 2023, net investment in capital assets decreased by $133.4 million primarily due to the decreases of $141.3 million from governmental activities and the increase of $7.9 million from business-type activities. A portion of the City's net position, $1.422 billion or 33.73 percent, are subject to legal restrictions for their use, including $1.364 billion in governmental activities and $58.2 million in business-type activities. Of the total net position at June 30, 2023, a deficit balance of $2.082 billion or 49.39 percent represents unrestricted net position, which comprises a deficit balance of $2.640 billion for governmental activities, and a positive balance of $558.1 million for business-type activities. The primary factor contributing to the deficit in unrestricted net position is the City's net pension and OPEB liabilities.

During FY 2023, the City's total net position increased by $235.2 million. Notable changes in the statement of net position between June 30, 2023 and June 30, 2022 include:

Assets

- Capital assets decreased by $56.9 million compared to the prior fiscal year. Governmental capital assets decreased by $132.1 million and business-type capital assets increased by $75.2 million. The decrease in governmental capital assets resulted from depreciation expense of $239.0 million for major infrastructure and other assets and $1.0 million in net deletions, partially offset by additions to capital assets of $107.9 million, which included $42.1 million of additional capital projects, $19.4 million from property acquisitions, $16.8 million in vehicles and equipment and $11.0 million additions to buildings and improvements other than buildings, $10.7 million right-to-use assets: buildings, $7.2 million of contributed capital from donated infrastructure assets, $0.6 million right-to-use assets: equipment. The increase in business-type capital assets was primarily due to additions to capital assets of $169.5 million primarily from the Airport and Wastewater Treatment Facility, offset by depreciation expense of $94.2 million and net of deletions of $0.1 million.
- Current and other assets increased by $41.8 million or 1.07 percent due to a decrease by $154.8 million for governmental activities and an increase by $196.6 million for business-type activities. The decrease in governmental activities is mainly due to the decrease in cash and investments held with fiscal agent from higher spending on public safety and traffic projects. The increase in current assets for business-type activities is mainly due to higher cash and investments resulting from more revenue received through charges for services and capital contributions.

Liabilities

- Total long-term liabilities increased by $946.5 million to $7.171 billion at June 30, 2023, which represents an increase by 15.21 percent compared to $6.225 billion at June 30, 2022. The primary factors leading to the increase in long-term liabilities for governmental activities of $806.0 million was due to the increase of net pension liability by $787.4 million and the net OPEB liability by $65.9 million, offset by the decrease of long-term obligations by $47.3 million. The primary factor leading to the increase in long-term liabilities for business-type activities of $140.5 million was the result of an increase of net pension liability by $74.0 million, net OPEB liability by $11.2 million, and long-term obligations by $55.3 million.

- Net pension liability increased by $861.4 million since the prior measurement date, primarily due a combination of investment losses, increase from assumption changes, and experience losses. These increases were offset in contributions in excess of service cost, administrative expenses and interest.
- Net OPEB liability increased by $77.1 million since the prior measurement date, primarily due to investments earning less than the assumed rate of return.
- Current and other liabilities decreased by $118.9 million or 19.40 percent due primarily to a decrease in governmental activities. The decrease in governmental activities of $100.3 million is driven by a reduction of $77.7 million in unearned revenue and $40.8 million in short-term notes payable. For business-type activities, current and other liabilities decreased by $18.6 million.

Deferred Outflows/Inflows of Resources

- Deferred outflows of resources increased by $39.8 million to $803.5 million at June 30, 2023, which represents an increase by 5.22 percent compared to $763.7 million at June 30, 2022. The primary factor leading to the increase in deferred outflows of resources is the increase in deferred outflows of resources related to OPEB of $43.8 million.
- Deferred inflows of resources decreased by $1.038 billion to $236.5 million at June 30, 2023, which represents a decrease by 81.44 percent compared to $1.275 billion at June 30, 2022. The decrease of deferred inflows of resources was primarily due to the decrease in deferred inflows of resources related to pensions of $919.0 million.

Net Position

- Unrestricted net position for governmental activities decreased by $53.6 million or 2.07 percent with a deficit balance of $2.640 billion at June 30, 2023. The primary factors contributing to the deficit in unrestricted net position are the City's net pension and OPEB liabilities. For business-type activities, unrestricted net position increased by $250.2 million or 81.29 percent with a positive balance of $558.1 million at June 30, 2023.

Analysis of activities: The following table indicates the changes in net position for governmental and business-type activities:

Statement of Activities
For the Years Ended June 30, 2023 and 2022
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Revenues:						
Program revenues:						
Fees, fines, and charges for services	$ 441,427	$ 459,284	$ 1,094,876	$ 920,732	$ 1,536,303	$ 1,380,016
Operating grants and contributions	252,204	263,444	32,690	37,956	284,894	301,400
Capital grants and contributions	117,371	79,426	14,270	7,115	131,641	86,541
General revenues:						
Property and other taxes	591,517	587,044 (b)	-	-	591,517	587,044
Real property transfer tax	56,280	110,015 (b)	-	-	56,280	110,015
Utility	145,361	124,906	-	-	145,361	124,906
Franchise	44,824	48,378	-	-	44,824	48,378
Transient occupancy taxes	37,287	26,284	-	-	37,287	26,284
Business taxes	89,627	85,375	-	-	89,627	85,375
Sales taxes	343,472	323,144	-	-	343,472	323,144
State of California in-lieu	1,041	1,190	-	-	1,041	1,190
Unrestricted interest and investment income (loss)	20,666	(27,844)	16,043	(15,369)	36,709	(43,213)
Other revenue	42,480	52,649	1,222	1,307	43,702	53,956
Gain on sale of capital assets	3,959	1,766	-	-	3,959	1,766
Total revenues	2,187,516	2,135,061	1,159,101	951,741	3,346,617	3,086,802
Expenses:						
General government	159,778	230,695	-	-	159,778	230,695
Public safety	735,061	614,802	-	-	735,061	614,802
Community services	473,032	375,192	-	-	473,032	375,192
Sanitation	225,979	202,142	-	-	225,979	202,142
Capital maintenance	554,674	531,355	-	-	554,674	531,355
Interest and fiscal charges	52,004	43,808	-	-	52,004	43,808
San José Mineta International Airport	-	-	210,479	221,655 (a)	210,479	221,655
Wastewater Treatment System	-	-	233,947	197,430	233,947	197,430
Municipal Water System	-	-	58,219	53,627	58,219	53,627
Parking System	-	-	18,853	13,143	18,853	13,143
San José Clean Energy	-	-	389,416	332,925	389,416	332,925
Total expenses	2,200,528	1,997,994	910,914	818,780	3,111,442	2,816,774
Excess (deficiency) before transfers	(13,012)	137,067	248,187	132,961	235,175	270,028
Transfers	2,956	4,260	(2,956)	(4,260)	-	-
Change in net position	(10,056)	141,327	245,231	128,701	235,175	270,028
Net position at beginning of year	2,369,322	2,227,995	1,611,129	1,482,428	3,980,451	3,710,423
Net position at end of year	$ 2,359,266	$ 2,369,322	$ 1,856,360	$ 1,611,129 (a)	$ 4,215,626	$ 3,980,451

(a) FY 2022 balances have been restated as a result of implementing GASB 96, SBITA.
(b) FY 2022 balances reflected a spin off the real property transfer tax from property and other taxes.

Governmental activities: The change in net position for governmental activities decreased by $151.4 million during FY 2023 from a surplus of $141.3 million to a deficit of $10.1 million. Total expenses increased by $202.5 million and total revenues including transfers increased by $51.2 million. The major factors contributing to the decrease in net position in FY 2023 compared to FY 2022 are as follows:

Revenues

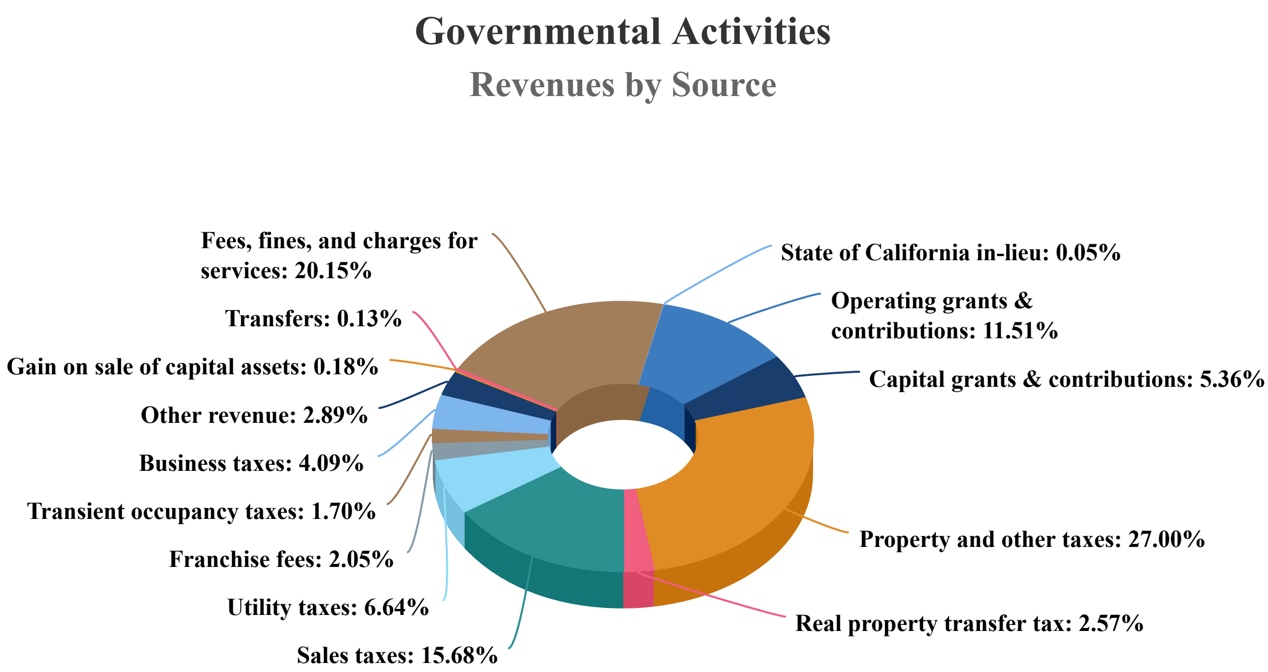
- Fees, fines, and charges for services decreased by $17.9 million or 3.89 percent mainly due to a $22.1 million reduction in the Housing Activities Fund, attributed to lower collection of inclusionary in-lieu fees, and a $10.8 million decrease in the Subdivision Park Trust Fund due to reduced park impact in-lieu fee collection resulting from a decline in housing development. These decreases were offset by a $14.5 million increase in the Integrated Waste Management Fund, resulting from higher revenue collected from Recycle Plus Collection Charges.
- Operating grants and contributions decreased by $11.2 million or 4.27 percent mainly due to a decrease in General Fund, primarily resulting from reduced collections of grant revenue from the US Treasury Emergency Rental Assistance program for $26.2 million and the Mobile Operation Satellite Expeditionary System for $2.1 million. These decreases were offset by an increased grant revenue of $17.5 million from the State of California Project HomeKey program in the Housing Activities Fund.
- Capital grants and contributions increased by $37.9 million or 47.77 percent mainly due to higher grant revenue such as the receipt of $8.0 million from State of California SB129 for the Warm Springs Quiet Zone project, $4.5 million for building and infrastructure construction projects and $1.0 million from local agencies for Rotary Park Playground. Furthermore, there was an increase in contributions received from donated assets, from $7.6 million in FY 2022 to $14.5 million in FY 2023.
- Other revenues and transfers increased by $42.3 million or 3.16 percent mainly due to a $48.5 million increase in unrestricted interest and investment income, driven by higher interest income received, benefiting from the prevailing high interest rates. Additionally, utility revenue increased by $20.5 million due to higher chargeable rate and sales taxes increased by $20.3 million due to favorable economic conditions. These increases were offset by the decrease in real property transfer tax of $53.7 million attributed to the reduction in property transfers.

Expenses

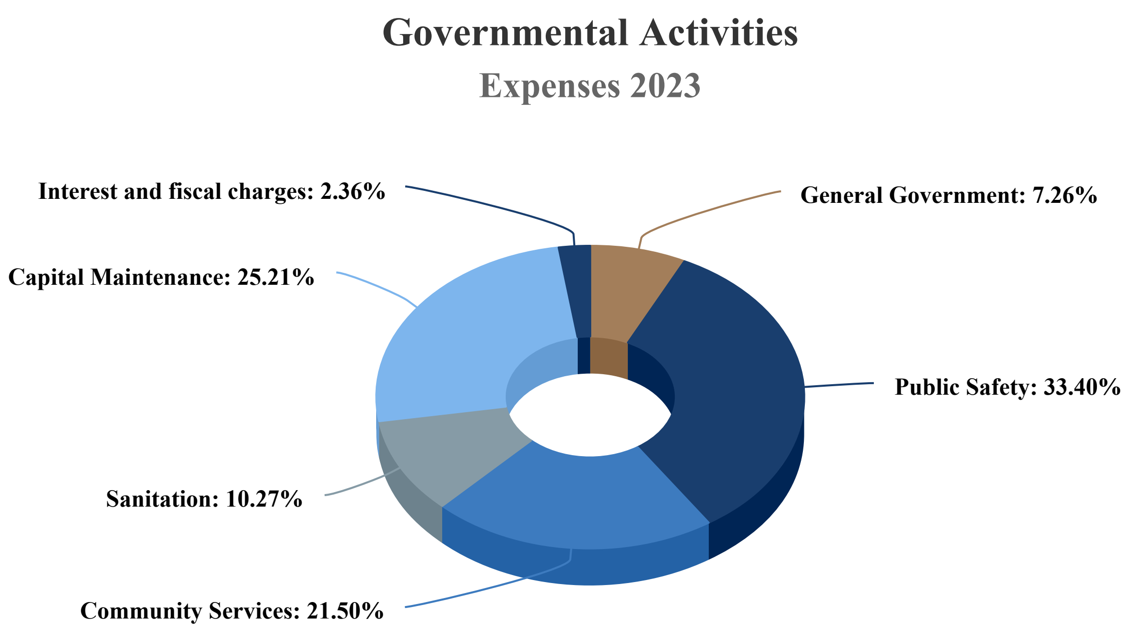
- Pension expense increased $142.7 million during FY 2023. Federated City Employees' Retirement System ("FCERS")'s pension expense increased by $53.9 million and Police and Fire Department Retirement Plan ("PFDRP")'s pension expense increased by $88.8 million primarily due to the increase of net pension liability in both plans.
- OPEB expense decreased by $37.2 million during FY 2023. FCERS's OPEB expense decreased by $15.7 million and PFDRP's OPEB expense decreased by $21.5 million primarily due to investment earning less than the assumed rate of return and assumption changes offset by experience gains in both plans.
- General government expenses decreased by $70.9 million or 30.74 percent during FY 2023. This decrease is due to a $92.2 million decrease in personal services, local assistance and other miscellaneous expenditures related to COVID-19 response activities offset by an increase of $7.4 million in Information Technology Department's non-personnel and personnel services and an increase of $4.6 million in elections and ballot measures.

- Public safety expenses increased by $120.3 million or 19.56 percent primarily due to higher pension expenses for $99.1 million and increases of $29.6 million in the General Fund, majority from higher public safety's personnel and non-personnel services.
- Community services expenses increased by $97.8 million or 26.08 percent mainly due to the increase in the General Fund. The change in the General Fund included a $22.0 million increase in Housing Emergency Construction and Operation, $18.8 million in the Beautify San José program, $11.8 million in labor expenses in Parks, Recreation and Neighborhood Services, and $7.4 million in the Climate Change Pathway project. Additionally, there was an increase of $16.7 million in labor, supplies, and material expenses in the Convention and Cultural Facilities Fund, along with a $12.9 million increase in pension expense.
- Sanitation expenses increased by $23.8 million or 11.79 percent primarily due to the increase of expenses incurred in the Integrated Waste Management Fund, which included Recycle Plus Collection Charges of $11.9 million.
- Capital maintenance expenses increased by $23.3 million or 4.39 percent primarily due an increase of $33.8 million in the Construction Excise Tax Fund, which included construction expenditures incurred for street resurfacing and local concrete and arterial surfacing. Additionally, pension expense increased by $8.9 million and Public Work's personnel and non-personnel expenses increased by $8.7 million. These increases were offset by the decrease of $32.0 million in the Ice Centre Expansion Bond Fund, primarily due to the closure of the fund.
- Interest and fiscal charges increased by $8.2 million or 18.71 percent in FY 2023 was due to Special Tax Bonds being redeemed in full. Additionally, interest expense incurred from the GASB 87 and 96, leases and SBITA liabilities.

The chart below shows the primary components of governmental activities revenue sources for FY 2023. Of the $2.190 billion in total revenues and transfers generated by governmental activities, 74.34 percent is attributable to four categories: property and other taxes (27.00 percent), fees, fines, and charges for services (20.15 percent), sales taxes (15.68 percent), operating grants and contributions (11.51 percent).



The chart below shows the major categories of FY 2023 expenses for governmental activities. Of the $2.201 billion in total expenses incurred by governmental activities, 90.38 percent is attributable to four categories: public safety (33.40) percent, capital maintenance (25.21) percent, community services (21.50) percent and sanitation (10.27) percent.



Business-type activities: Business-type activities net position increased by $245.2 million or 15.22 percent to $1.856 billion in FY 2023.

The notable components of the changes in net position for business-type activities in FY 2023 are:

Airport change in net position from current year activities showed an increase of $69.4 million in FY 2023 compared to an increase of $18.5 million in FY 2022. The increase in operating revenues, investment income, Passenger Facility Charges ("PFC"), and Customer Facility Charges ("CFC") revenue resulted from the increase in passenger activity, the increase in capital contributions, the decrease in net revenue sharing with participating airlines, and were partially offset by the increase in operating and interest expenses, and the decrease in grant revenues.

Net nonoperating revenues increased $33.4 million mainly due to a $22.3 million decrease in the participating airline net revenue sharing due as of June 30, 2023 and a $10.2 million increase in investment income. Capital contributions increased by $6.3 million.

The Airport had a net operating income of $34.1 million, an increase of $11.3 million compared to prior year's operating income of $22.8 million. Operating revenues increased by 12.01 percent from $177.7 million in FY 2022 to $199.1 million in FY 2023 mainly due to increased passenger activity.

Operating expenses in FY 2023 increased by 6.51 percent, or $10.1 million, from $154.9 million in FY 2022 to $165.0 million in FY 2023 reflective of the increased passenger activity.

Wastewater Treatment System net position increased by $49.3 million or 4.33 percent from $1.138 billion to $1.187 billion. The increase was primarily due to revenues exceeding expenses (before capital contributions) by $48.9 million. The largest portion of the net position, $946.0 million or 79.70 percent, was its net investment in capital assets (e.g. land, buildings, and infrastructure) less outstanding debt that was used to acquire those assets. Approximately $241.0 million, or 20.30 percent of the total net position, constitutes unrestricted net position, which may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Operating revenues decreased $23.7 million primarily due to lower contributions from the City of Santa Clara and the Tributary Agencies toward the Water Pollution Control Plant ("the Plant") ongoing maintenance and replacement costs by $43.8 million and lower contribution from other jurisdictions served by the sanitary sewer collection by $1.1 million; offset by $20.5 million increase in sewer revenue due to increase in sewer discharges and a 9.00 percent sewer rate increase effective July 1, 2022 and higher recycled-water revenue due to a recycled-water rate increase by $0.7 million.

Total operating expenses increased by $25.1 million compared to the prior fiscal year. The increase was mainly due to a net increase of $10.2 million in pension expense and other postemployment benefits expense, a $18.5 million increase in personal and non-personal service costs including higher chemicals and energy costs and contractual services; offset by a $3.1 million decrease in Owner-Controlled Insurance Program expenses, which provides a centralized insurance program for risks associated with onsite construction of the Plant CIP and a $0.5 million decrease in the cost and revenue sharing payment to the Santa Clara Valley Water District for the Silicon Valley Advanced Water Purification center.

Net nonoperating revenues and expenses increased by $7.6 million primarily due to a $3.9 million increase in the line-of-credit interest expenses and a $7.3 million increase in the 2002B bond interest expenses; offset by $7.0 million increase in interest income, a $3.3 million increase in amortization of bond premium and a $8.8 million decreases in the fair value of investments. Capital contributions increased by $0.8 million mainly due to increase in donated assets from developers.

Municipal Water System net position increased by $3.0 million or 3.20 percent from $93.0 million to $96.0 million. Operating revenues of $61.0 million increased by $5.5 million or 9.92 percent due to increases in wholesale water rates and conservation of potable and recycled water usage and the decrease of $0.8 million in interest income. Operating expenses of $58.2 million increased by $4.6 million or 8.56 percent largely due to increases in wholesale water purchases, personnel and benefit costs and increases in the costs of goods and services.

Parking System net position decreased by $4.2 million or 4.75 percent from $88.3 million to $84.1 million. Operating revenues increased by $2.0 million or 15.72 percent from $13.0 million to $15.0 million. Operating expenses increased by $7.1 million or 60.34 percent. Nonoperating revenues and expenses increased by $3.0 million or 131.41 percent. The decrease in net position is primarily due to the increase in operating and maintenance expenses. As the Parking System continues to grow they have taken on new projects to expand and offer more services to the public.

San José Clean Energy (SJCE) net position increased by $127.7 million or 264.29 percent from $48.3 million to $176.1 million. Operating revenues increased by $164.4 million or 46.83 percent from $351.1 million to $515.5 million due primarily to a rate increase that was implemented in January 2023 and a reduction in the Power Charge Indifference Adjustment ("PCIA") fee implemented by PG&E, as approved by the CPUC, in January 2023. SJCE consistently incorporates changes in the PCIA when setting customer rates. Operating expenses increased by $55.1 million or 16.63 percent from $331.3 million to $386.4 million due to higher market prices in the California energy market.

As of June 30, 2023, SJCE serves approximately 350,000 customer accounts in San José with two electricity rate options, as well as a special discount program for households that qualify for the California Alternate Rates for Energy (“CARE”) or the Family Electric Rate Assistance (“FERA”) state programs. These options provide customers with the ability to select the rate plan that best serves their financial needs while also providing access to service choices with renewable energy content that is greater than that of the electricity provided by PG&E.

Financial Analysis of the City’s Funds

As noted earlier, the City uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

As of June 30, 2023, the City’s governmental funds reported combined fund balances of $2.230 billion compared to $2.221 billion balances in FY 2022. The governmental fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned.

- $0.1 million consists of nonspendable fund balance related to advances and deposits long-term in nature that are not intended to convert into cash and do not represent currently available resources.
- $1.349 billion is reported as restricted fund balance that includes restrictions imposed by external parties or enabling legislation. This amount includes unspent bond proceeds, unspent grant revenues, and restricted tax revenues.
- $206.9 million is reported as committed fund balance that had been limited by formal Council action for a specific purpose.
- $551.8 million is reported as assigned fund balance that includes amounts that may be used for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- $121.3 million is reported as unassigned fund balance that represents the residual classification for the City’s General Fund and San José Financing Authority Debt Service Fund and includes all spendable amounts not contained in the other classifications.

General Fund. The General Fund is the chief operating fund of the City. At June 30, 2023, the General Fund unassigned fund balance is $129.3 million or 18.87 percent of the $685.0 million total General Fund balance. Comparing unassigned fund balance and total fund balance to total fund expenditures may be useful as a measure of the General Fund’s capacity to meet future obligations. At June 30, 2023, unassigned fund balance represents 10.17 percent of total General Fund expenditures of $1.271 billion, while total fund balance represents 53.91 percent of total General Fund expenditures. At June 30, 2022, the same measures were 18.53 percent and 47.01 percent, respectively.

The General Fund ending fund balance increased by $111.9 million from $573.1 million to $685.0 million at June 30, 2023.

In FY 2023, General Fund revenues of $1.385 billion were $2.8 million or 0.20 percent higher than FY 2022 revenues of $1.382 billion. The general Secured Property Tax receipts growth of $25.4 million in FY 2023 primarily reflects an increase in assessed value due to changes in ownership or new construction. Secured Property Tax collections were positively impacted by excess Educational Revenue Augmentation Fund (ERAF) revenue. Utility Tax collections increased by $20.5 million mainly due to the higher rates and also increased consumption of both electricity and gas. General Sales Tax receipts grew by $20.3 million due to an increase in merchandise that are subject to the tax. Business tax revenues increased by $4.3 million mainly due to an increase in General Business Tax collections over the past year. Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by the several City departments, the largest of which are Parks, Recreation, and Neighborhood Services ("PRNS") Department Fees. PRNS Department Fee revenue ended the year at $16.0 million, which is significantly above the FY 2022 collection level of $1.6 million. This large year over year increase in PRNS fee revenue is due to the continued reopening of PRNS programs.

FY 2023 General Fund expenditures of $1.271 billion were $51.6 million or 4.23 percent higher than FY 2022 expenditures of $1.219 billion. The increase was primarily due to a $11.2 million increase in personnel services for Fire and Police due to elevated sworn overtime usage to backfill vacancies and absences of line duty positions, an increase in Emergency Housing Construction and Operations spending of $14.6 million, an increase in Election and Ballot Measure spending of $4.5 million over the prior fiscal year, and an increase of $4.9 million in the Measure E – Homeless Prevention that addresses the lack of affordable housing and increase in the homeless population.

Housing Activities Fund. The City's Housing Activities fund receives resources from the U.S. Department of Housing and Urban Development and the California Department of Housing and Community Development and, in FY 2023, COVID-19 related funding through the U. S. Treasury. At June 30, 2023, the fund's loan receivable balance (net), which represents loans to developers of various affordable housing projects and first-time homebuyers, was $62.3 million. This balance includes loans to developers for various projects, including Ford and Monterey, Taylor Oaks Apartments, Donner Lofts, Japantown Seniors, The Metropolitan, Roundtable, Kings Crossing, Fourth Street Apartments, Peacock Commons, Archer Studios, Curtner Studios, Homesafe, Markham Plaza, Corde Terra Village Senior, Willow Glen Senior Housing, Leigh Avenue Senior Apartments, Second Street Studios and Kelsey Ayer Station.

Restricted fund balance increased by $7.0 million to $190.1 million as of June 30, 2023. The increase is primarily due to revenues from intergovernmental services of $50.8 million and investment and other revenues of $18.7 million exceeding expenditures for community service of $38.7 million. Community services expenditures decreased by $11.3 million or 22.67 percent compared to prior year due to lower spending on emergency shelters. In addition, $23.0 million expenditures were spent on capital outlay in the current year as compared to no expenditure spent in the prior year.

Low and Moderate Income Housing Asset Fund. The Low and Moderate Income Housing Asset fund was created pursuant to the Redevelopment Dissolution Law to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Redevelopment Agency. At June 30, 2023, the fund's loan receivable balance (net) was $234.0 million. This balance consists mainly of loans to developers for various projects including Almaden Family Apartments, Belovida Apartments, Brookwood Terrace, Cinnabar Commons, Corde Terra Village, Las Ventanas, Oak Tree Village, Pollard Plaza, Villas on the Park, Second Street Studios, The Metropolitan (South), Mariposa Place, Kelsey Ayer, and Quetzal Gardens. Restricted fund balance decreased by $5.2 million to $429.3 million from $434.5 million. The decrease is primarily due to lower revenue received in the current year compared to FY 2022.

Special Assessment Districts Fund. The Special Assessment Districts fund accounts for debt issuance and capital improvements related to the specific purposes of special assessment and community facilities districts located in different parts of the City. No special assessment and special tax bonds were outstanding as of June 30, 2023. All bonds are secured by special assessments or special taxes charged to the owners' real property in the district issuing the debt. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund for these bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

Restricted fund balance increased by $0.7 million from $30.2 million to $30.9 million as of June 30, 2023. The total revenues of $12.9 million were over total expenditures of $4.5 million for FY 2023. The net transfers amount of negative $7.7 million resulted in a $0.7 million change in fund balance. The decrease of expenditures for $15.9 million, or 77.8 percent compared to the prior fiscal year was predominantly related to prior year refunding escrow for Convention Center expansion and renovation project of $8.2 million.

City of San José Financing Authority Fund. The City's Financing Authority Debt Service Fund accounts for debt activity related to lease revenue bonds and commercial paper notes, which serves as a mechanism for financing City public improvements and other eligible purposes. Total fund balance decreased by $1.8 million from $1.7 million to a deficit of $0.1 million as of June 30, 2023. The decrease was primarily due to bond proceeds from refinancing and refunding in the previous year but no activity in the current year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. At June 30, 2023, the unrestricted net position was $87.9 million for the Airport, $241.0 million for the Wastewater Treatment System, $22.2 million for the Municipal Water System, $32.1 million for the Parking System, and $174.9 million for the San José Clean Energy fund. Net position for proprietary funds increased from $1.611 billion at June 30, 2022 to $1.856 billion at June 30, 2023, resulting in an increase of $245.2 million or 15.22 percent.

Other aspects of proprietary fund activities are discussed in the business-type activities section above.

General Fund Budgetary Highlights

The City Charter requires the City Manager to submit balanced operating and capital budgets to the City Council prior to the beginning of a new fiscal year that begins each July 1 and ends on the following June 30. Council approved the FY 2023 budget in June 2022.

During the year ended June 30, 2023, there was a $3.4 million increase in the budgeted revenues between the original and final amended operating budget for the General Fund. The increase in budgeted revenues was due to a $20.0 million increase in the Property Tax category, and a $13.5 million increase in the Utility category as well as an $8.2 million increase across other various revenue categories offset by a $38.3 million decrease in the budget for the Intergovernmental category.

Actual budgetary basis expenditures of $1.356 billion were $421.7 million less than the amended budget as of June 30, 2023, and $283.9 million less than the original budget due to planned expenditures not occurring in the year ended June 30, 2023. Personal Services expenditures for the year were $11.3 million below budgeted levels primarily due to vacancy savings. Some of the other unexpended expenditures include the Project Homekey 2.0, Emergency Interim Housing Construction, Fire Apparatus Replacement, Measure E Homeless Support, and other miscellaneous projects.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to $7.386 billion at June 30, 2023. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction in progress. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. For the year ended June 30, 2023, net capital assets decreased by $56.9 million ($132.1 million decreased in governmental activities and $75.2 million increased in business-type activities) compared to net capital assets at June 30, 2022. The decrease of $132.1 million in governmental activities is primarily due to depreciation expense of $239.0 million and net deletions of $1.0 million. The decrease was offset by acquisitions of $107.9 million. The increase of $75.2 million in capital assets in the business-type activities resulted from depreciation expense of $94.3 million, offset by additions of capital projects of $149.8 million and additions of $19.7 million in other capital improvements primarily at the Airport and the Wastewater Treatment Facility, respectively.

Total construction in progress increased by $123.2 million from $782.2 million at June 30, 2022 to $905.4 million at June 30, 2023. Construction in progress for the governmental activities increased by $13.5 million primarily due to $42.1 million additions to CIP projects and $28.6 million net of projects being transferred into service. Business-type activities contributed an increase of $109.7 million to the total CIP as additions to the Airport and the Wastewater Treatment System totaling $149.8 million was offset by $40.1 million projects that were completed and placed in service. The completed Airport projects include the following: Southwest Area Apron Reconstruction, Airport Airfield Electrical Rehabilitation Ph 2, roadway micro surfacing, fire alarm pmi upgrade, terminal A bag claim carousels, Aircraft Rescue and Fire Fighting (ARFF) facility and ARFF non-reimbursable. The completed projects for the Wastewater Treatment System include M4 switchgear replacement and G3 & G3A removal project.

The City records infrastructure assets at historical cost in the government-wide financial statements and depreciates assets from acquisition date to the end of the current fiscal year as required by GASB Statement No. 34. For governmental fund financial statements recording purposes, capital asset purchases are recorded as expenditures, rather than capitalizing and recording related depreciation.

Capital assets, net of depreciation, for governmental and business-type activities in the government-wide financial statements are presented below to illustrate changes between June 30, 2023 and June 30, 2022 (in thousands):

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 568,851	$ 549,676	$ 137,938	$ 137,938	$ 706,789	$ 687,614
Intangible assets	-	-	12,882	12,882	12,882	12,882
Construction in progress	155,003	141,466	750,354	640,685	905,357	782,151
Buildings	853,365	871,508	954,279	974,257	1,807,644	1,845,765
Improvements, other than buildings	233,731	237,074	655,540	666,585	889,271	903,659
Infrastructure	2,868,497	3,019,636	-	-	2,868,497	3,019,636
Furniture and fixtures, vehicles, equipment	50,381	47,346	111,485	114,291	161,866	161,637
Right-to-use assets	13,842	4,799	790	357	14,632	5,156
SBITA*	16,245	20,497	3,160	4,275	19,405	24,772
Total capital assets	$ 4,759,915	$ 4,892,002	$ 2,626,428	$ 2,551,270	$ 7,386,343	$ 7,443,272

*Balance on 7/1/2022, as restated due to implementation of GASB 96 SBITA (Subscription-Based Information Technology Arrangements)

Commitments outstanding as of June 30, 2023, related to governmental and business-type activities construction in progress, totaled approximately $33.7 million and $214.6 million, respectively. Additional information about the City's capital assets can be found in the Notes to Basic Financial Statements, Note III.D.

Net General Obligation Bonded Debt Limit

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property, provided by the County, for FY 2023 tax roll was $238.6 billion, which results in a total debt limit of approximately $35.8 billion. As of June 30, 2023, the City had $659.8 million, or 1.84 percent, of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is $35.1 billion.

General Obligation Bonds and Other Bond Ratings

The City's General Obligation credit ratings as of June 30, 2023 are Aa1/AA+/AAA from Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), respectively. The credit ratings from Moody's, S&P and Fitch were confirmed in June 2021, respectively, and remained unchanged from the prior year. The City continues to be one of the highest rated large cities (statistics of population over 250,000) in California.

As of June 30, 2023, the credit ratings and the outlook of the respective credit rating agencies for the City of San José Financing Authority ("Authority"), lease revenue bonds are set forth in the table below.

Series	Moody's	S&P	Fitch
2013B, 2020A, and 2021A	Aa2	AA	AA
2020B	Aa3	AA	AA-
2022A	Aa3	AA	AA
Rating Outlook	Stable	Stable	Stable

As of June 30, 2023, the underlying credit ratings of the City of San José Airport Revenue Bonds were rated by Moody's, S&P and Fitch: A2, A and A, respectively.

The Authority issued $268.4 million Wastewater Revenue Bonds this fiscal year with underlying ratings by S&P, Fitch, and Kroll: AAA, AAA, and AAA, respectively.

Outstanding Long-Term Debt

The City's long-term debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds and revenue notes. During the current fiscal year, the City's outstanding long-term debt decreased by $9.7 million to $2.753 billion, comprising $1.322 billion of governmental activities and $1.431 billion of business-type activities.

The decrease of $65.1 million in governmental activities is due to debt service payments and no new bond issuances.

The increase of $55.4 million in the business-type activities is primarily due to the issuance of Regional Wastewater Facility Revenue Notes in the amount of $63.2 million to finance the expenses associated with capital improvement of the San José-Santa Clara Regional Wastewater Facility.

This increase was offset by a decrease of $2.2 million in principal payments on Airport Revenue Bonds and a reduction of $6.1 million in premiums.

Additional information about the City's long-term outstanding debt can be found in the Notes to Basic Financial Statements, Note III.F.

Economic Factors and Next Year's Budget

- The FY 2024 Adopted Budget includes modest increase to staffing levels to support a variety of activities and limited enhancements to other critical services. Overall, the level of staffing will increase by a net 149 positions, from 6,884 full-time equivalent positions in the FY 2023 Adopted Budget to 7,033 positions in the FY 2024 Adopted Budget. This two percent increase still leaves City staffing well below its peak of almost 7,500 positions in FY 2002 and well below the average of large U.S. cities.
- As reported in the GASB 67/68 Report as of June 30, 2023 prepared by the actuary for PFDRP, the net position of the Defined Benefit Pension Plan was 80.87 percent of the total pension liability. The total pension liability was $5.839 billion, and the fiduciary net position was $4.722 billion, resulting in a net pension liability of $1.117 billion. This actuarial information will be used to report pension amounts in the City's FY 2024 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As reported in the GASB 67/68 Report as of June 30, 2023 prepared by the actuary for FCERS, the net position of the Defined Benefit Pension Plan was 59.55 percent of the total pension liability. The total pension liability was $4.882 billion, and the fiduciary net position was $2.907 billion, resulting in a net pension liability of $1.975 billion. This actuarial information will be used to report pension amounts in the City's FY 2024 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As of June 30, 2023, the net position of PFDRP's OPEB Plan was 38.32 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was $781.3 million and the fiduciary net position was $299.4 million, resulting in a net OPEB liability of $481.9 million. This actuarial information will be used to report OPEB amounts in the City's FY 2024 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As of June 30, 2023, the net position of the FCERS's OPEB Plan was 56.32 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was $665.1 million and the fiduciary net position was $374.6 million, resulting in a net OPEB liability of $290.5 million. This actuarial information will be used to report OPEB amounts in the City's FY 2024 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- For FY 2024, the City's contribution rates and amounts for pension benefits and postemployment healthcare benefits are as follows (in thousands):

	PFDRP[1]				FCERS[1]	
Contribution Rates	**Police Tier 1**	**Police Tier 2**	**Fire Tier 1**	**Fire Tier 2**	**Tier 1**	**Tier 2**
Retirement Pension	$ 93,670 [2]	14.35%	$ 88,627 [2]	15.11%	151.10%	8.01%
Postemployment Healthcare Benefits	$ 17,588	-	$ 10,977	-	4.83%	4.83%

[1] The rates are the Retirement Board adopted rates based on the June 30, 2022, actuarial valuations.

[2] PFDRP Tier 1 pension contributions are discounted because the City prefunded those amounts in FY 2024.

Forward-Looking Statements and Requests for Information

Forward-Looking Statements

When used in this ACFR, the words or phrases "will likely result," "are expected to," "will continue," "is "anticipated", "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements", but are not the exclusive means of identifying forward-looking statements in the ACFR. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this ACFR. The City undertakes no obligation to revise or update any forward-looking statements to reflect any event or circumstance that may arise after the date of the ACFR.

Requests for Information

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances. All summaries of documents contained in this ACFR are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this ACFR to a document is qualified in its entirety by reference to such document, which is on file with the City.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 East Santa Clara Street, San José, California 95113. Requests for documents may be directed to the City department designated in the ACFR as the holder of a particular document or to the Director of Finance. This report can also be found online at https://www.sanjoseca.gov/your-government/departments/finance/reports.

Basic Financial Statements

City of San José
Statement of Net Position
June 30, 2023
($000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 1,659,053	951,306	2,610,359
Concession loan receivable	-	340	340
Receivables (net of allowances for uncollectibles)	182,036	111,775	293,811
Prepaid expenses, advances and deposits	-	8,507	8,507
Inventories	1,517	673	2,190
Internal balances	20,000	(20,000)	-
Leases receivable	13,293	13,859	27,152
Public-private and public-public partnerships and availability payment arrangement receivable	102,562	-	102,562
Loans receivable (net of allowances for uncollectibles)	300,685	-	300,685
Advances and deposits	667	220	887
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	136,089	55,933	192,022
Cash and investments held with fiscal agent	214,566	95,910	310,476
Other cash and investments	16,255	-	16,255
Concession loan receivable	-	1,587	1,587
Receivables (net of allowances for uncollectibles)	-	4,997	4,997
Prepaid expenses, advances and deposits	-	9	9
Prepaid bond insurance costs	-	20	20
Prepaid bond insurance costs (net of accumulated amortization)	-	289	289
Other assets	54,006	-	54,006
Net other postemployment benefits asset	-	1,210	1,210
Capital assets (net of accumulated depreciation):			
Nondepreciable	723,854	901,174	1,625,028
Depreciable	4,036,061	1,725,254	5,761,315
Total assets	7,460,644	3,853,063	11,313,707
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	5,303	10,552	15,855
Pensions	564,766	60,072	624,838
Other postemployment benefits	134,807	28,005	162,812
Total deferred outflows of resources	704,876	98,629	803,505
LIABILITIES			
Accounts payable	123,593	113,171	236,764
Accrued salaries, wages and payroll taxes	29,705	2,516	32,221
Interest payable	10,665	17,425	28,090
Due to outside agencies	485	-	485
Short-term notes payable	26,107	10,000	36,107
Unearned revenue	77,986	17,660	95,646
Advances, deposits, and reimbursable credits	7,988	4,905	12,893
Long-term payable to SARA	733	-	733
Other liabilities	50,972	-	50,972
Long-term obligations:			
Due within one year	150,466	46,106	196,572
Due in more than one year:			
Net pension liability	2,857,795	346,446	3,204,241
Net other postemployment benefits liability	782,674	72,646	855,320
Other long-term obligations	1,484,406	1,430,591	2,914,997
Total liabilities	5,603,575	2,061,466	7,665,041
DEFERRED INFLOWS OF RESOURCES			
Gain on refundings of debt	3,097	-	3,097
Pensions	20,351	3,667	24,018
Other postemployment benefits	69,839	16,973	86,812
Leases	12,045	13,226	25,271
Public-private and public-public partnerships and availability payment arrangement	97,347	-	97,347
Total deferred inflows of resources	202,679	33,866	236,545
NET POSITION			
Net investment in capital assets	3,635,710	1,240,108	4,875,818
Restricted for:			
Debt service	43,812	27,456	71,268
Capital projects	566,628	29,526	596,154
Community services	751,440	-	751,440
Public safety	1,989	-	1,989
Net other postemployment benefits asset	-	1,210	1,210
Unrestricted (deficit)	(2,640,313)	558,060	(2,082,253)
Total net position	$ 2,359,266	1,856,360	4,215,626

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Activities
For the Year Ended June 30, 2023
($000's)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Fees, Fines, and Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business -Type Activities**	**Total**
Governmental activities:							
General government	$ 159,778	8,662	92,427	-	(58,689)	-	(58,689)
Public safety	735,061	34,865	22,374	-	(677,822)	-	(677,822)
Community services	473,032	148,730	96,872	-	(227,430)	-	(227,430)
Sanitation	225,979	222,595	512	-	(2,872)	-	(2,872)
Capital maintenance	554,674	26,575	40,019	117,371	(370,709)	-	(370,709)
Interest and fiscal charges	52,004	-	-	-	(52,004)	-	(52,004)
Total governmental activities	**2,200,528**	**441,427**	**252,204**	**117,371**	**(1,389,526)**	**-**	**(1,389,526)**
Business -Type activities:							
San José Mineta International Airport	210,479	231,305	29,398	12,195	-	62,419	62,419
Wastewater Treatment System	233,947	271,990	-	1,968	-	40,011	40,011
Municipal Water System	58,219	61,042	-	107	-	2,930	2,930
Parking System	18,853	15,036	-	-	-	(3,817)	(3,817)
San José Clean Energy	389,416	515,503	3,292	-	-	129,379	129,379
Total business-type activities	**910,914**	**1,094,876**	**32,690**	**14,270**	**-**	**230,922**	**230,922**
Total	**$ 3,111,442**	**1,536,303**	**284,894**	**131,641**	**(1,389,526)**	**230,922**	**(1,158,604)**

	Governmental Activities	Business -Type Activities	Total
General revenues:			
Taxes and franchise fees:			
Property and other taxes	$ 591,517	-	591,517
Real property transfer tax	56,280	-	56,280
Utility	145,361	-	145,361
Franchise	44,824	-	44,824
Transient occupancy	37,287	-	37,287
Business taxes	89,627	-	89,627
Sales taxes	343,472	-	343,472
State of California in-lieu	1,041	-	1,041
Unrestricted interest and investment income	20,666	16,043	36,709
Other revenue	42,480	1,222	43,702
Gain on sale of capital assets	3,959	-	3,959
Transfers	2,956	(2,956)	-
Total general revenues and transfers	**1,379,470**	**14,309**	**1,393,779**
Change in net position	**(10,056)**	**245,231**	**235,175**
Net position - beginning, as previously reported	2,369,322	1,611,171	3,980,493
Change in accounting principles	-	(42)	(42)
Beginning, as restated	2,369,322	1,611,129	3,980,451
Net position - ending	**$ 2,359,266**	**1,856,360**	**4,215,626**

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Balance Sheet
Governmental Funds
June 30, 2023
($000's)

	General Fund	Housing Activities	Low and Moderate Income Housing Asset
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 682,998	167,200	153,570
Receivables (net of allowance for uncollectibles)	103,450	6,887	680
Due from other funds	4,224	-	-
Loans receivables (net of allowance for uncollectibles)	2,203	62,265	233,959
Advances and deposits	375	-	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	1,419	24,524	-
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	1,412	-	-
Advances to other funds	3,297	-	-
Leases receivable	12,985	-	-
Public-private and public-public partnerships and availability payment arrangement receivable	5,405	-	-
Other assets	-	2,300	49,776
Total assets	817,768	263,176	437,985
LIABILITIES			
Accounts payable	31,320	5,711	4,870
Accrued salaries, wages, and payroll taxes	26,497	67	177
Due to other funds	-	-	-
Due to outside agencies	373	-	-
Short-term notes payable	-	-	-
Unearned revenue	11,257	53,192	-
Advances, deposits, and reimbursable credits	170	-	-
Advances from other funds	-	-	-
Long-term advances from SARA	-	-	733
Other liabilities	43,201	-	-
Total liabilities	112,818	58,970	5,780
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,957	14,090	2,862
Leases	11,756	-	-
Public-private and public-public partnerships and availability payment arrangement	5,195	-	-
Total deferred inflows of resources	19,908	14,090	2,862
FUND BALANCES			
Nonspendable	88	-	-
Restricted	300	190,116	429,343
Committed	98,507	-	-
Assigned	456,857	-	-
Unassigned	129,290	-	-
Total fund balances	685,042	190,116	429,343
Total liabilities, deferred inflows of resources and fund balances	$ 817,768	263,176	437,985

The Notes to Basic Financial Statements are an integral part of this statement.

Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	474	639,476	1,643,718
1,671	-	68,840	181,528
-	20,000	4,057	28,281
-	-	2,258	300,685
5	-	287	667
31,418	-	78,728	136,089
-	9,724	204,842	214,566
-	-	14,314	15,726
-	-	-	3,297
-	-	308	13,293
-	-	97,157	102,562
-	-	1,930	54,006
33,094	30,198	1,112,197	2,694,418
336	-	80,315	122,552
-	-	2,410	29,151
-	799	7,482	8,281
-	112	-	485
-	26,107	-	26,107
-	-	13,537	77,986
1,578	-	6,240	7,988
-	3,297	-	3,297
-	-	-	733
317	-	7,454	50,972
2,231	30,315	117,438	327,552
-	-	7,992	27,901
-	-	289	12,045
-	-	92,152	97,347
-	-	100,433	137,293
-	-	-	88
30,863	7,680	691,183	1,349,485
-	-	108,406	206,913
-	-	94,971	551,828
-	(7,797)	(234)	121,259
30,863	(117)	894,326	2,229,573
33,094	30,198	1,112,197	2,694,418

City of San José
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023
($000's)

Total fund balances-governmental funds (page 28)		$ 2,229,573
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 568,851	
Construction in progress	155,003	
Infrastructure assets	11,631,415	
Other capital assets	2,212,361	
Lease assets	17,734	
Subscription-based information technology arrangement assets	20,497	
Accumulated depreciation	(9,849,676)	
Total capital assets		4,756,185
Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in governmental funds.		27,901
Gain/loss on refundings of debt are reported as deferred inflows/outflows of resources are not financial resources, therefore are not reported in the funds. Such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.		2,206
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is generally not accrued as a liability in the balance sheet of governmental funds.		(10,665)
Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		15,555
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds, lease and subscription-based information technology arrangement payables	$ (1,352,406)	
Accrued vacation, sick leave and compensatory time	(85,231)	
Estimated liability for self-insurance	(187,200)	
Other	(5,566)	
Total long-term obligations		(1,630,403)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension liability	$ (2,857,795)	
Deferred outflows of resources	564,766	
Deferred inflows of resources	(20,351)	
Total pension related balances		(2,313,380)
Other postemployment benefits liability and related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net other postemployment benefits liability	$ (782,674)	
Deferred outflows of resources	134,807	
Deferred inflows of resources	(69,839)	
Total other postemployment benefits related balances		(717,706)
Net position of governmental activities (page 25)		$ 2,359,266

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023
($000's)

	General Fund	Housing Activities	Low and Moderate Income Housing Asset
REVENUES			
Taxes and special assessments	$ 801,084	-	-
Sales taxes	343,472	-	-
Licenses, permits, and fines	35,469	-	-
Intergovernmental	125,080	50,840	-
Charges for current services	23,302	-	-
Rent	-	-	-
Investment income	10,468	2,784	13,066
Other revenue	45,879	15,917	-
Total revenues	1,384,754	69,541	13,066
EXPENDITURES			
Current:			
General government	163,438	-	-
Public safety	754,468	-	-
Community services	210,870	38,712	17,930
Sanitation	4,901	-	-
Capital maintenance	96,699	-	-
Capital outlay	26,084	22,954	-
Debt service:			
Principal	5,850	-	-
Interest and fiscal charges	8,389	-	-
Total expenditures	1,270,699	61,666	17,930
Excess (deficiency) of revenues over (under) expenditures	114,055	7,875	(4,864)
OTHER FINANCING SOURCES (USES)			
Inception of lease	11,378	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from sale of capital assets	4,962	-	-
Transfers in	12,914	-	-
Transfers out	(31,324)	(842)	(289)
Total other financing sources (uses)	(2,070)	(842)	(289)
Net change in fund balances	111,985	7,033	(5,153)
FUND BALANCE			
Beginning of year	573,057	183,083	434,496
End of year	$ 685,042	190,116	429,343

The Notes to Basic Financial Statements are an integral part of this statement.

Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
11,471	-	164,853	977,408
-	-	-	343,472
-	-	-	35,469
-	-	134,692	310,612
-	-	276,808	300,110
-	-	46,682	46,682
218	244	16,572	43,352
1,241	2,212	53,419	118,668
12,930	2,456	693,026	2,175,773
-	-	107	163,545
-	-	3,557	758,025
-	-	171,279	438,791
-	-	222,591	227,492
895	-	286,273	383,867
-	-	42,365	91,403
3,525	21,795	34,055	65,225
117	23,515	25,212	57,233
4,537	45,310	785,439	2,185,581
8,393	(42,854)	(92,413)	(9,808)
-	-	-	11,378
-	1	-	1
-	-	-	4,962
-	43,575	49,776	106,265
(7,735)	(2,504)	(61,969)	(104,663)
(7,735)	41,072	(12,193)	17,943
658	(1,782)	(104,606)	8,135
30,205	1,665	998,932	2,221,438
30,863	(117)	894,326	2,229,573

City of San José
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023
($000's)

Net change in fund balances - total governmental funds (page 32)		$ 8,135
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 91,403	
Depreciation expense	(237,784)	
Excess of depreciation expense over capital outlay		(146,381)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations)		
Donated assets and other additions	$ 14,458	
Proceeds from sale of capital assets	(4,962)	
Gain on disposal of assets	3,959	
		13,455
Amortization of deferred inflows of resources and deferred outflows of resources resulting from the deferred refunding gains and losses.		(44)
Repayment of long-term obligation principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The City's long-term obligations were reduced because principal payments were made to bondholders.		58,835
Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. Amortization of bond premiums and discounts should be expensed as a component of interest expense on the statement of activities. This amount represents the change in accrued interest payable and the amortization of bond premiums and discounts not reported in governmental funds.		
Increase in accrued interest payable	$ (879)	
Amortization of premiums and discounts on bonds issued	6,256	
Total net interest expense and amortization of discount/premium		5,377
Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available revenues" and are reported as deferred inflows of resources in the governmental funds.		(6,675)
Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The change in net position is included in governmental activities in the statement of activities.		(3,770)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Net increase in vacation, sick leave, and compensatory time	$ (4,512)	
Net increase in estimated liability for self-insurance	(8,556)	
Net decrease in other liabilities	515	
Net increase in lease payable	(9,322)	
Net decrease in subscription-based information technology arrangement payable	4,335	
Total expenditures		(17,540)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		45,126
Changes to net other postemployment benefits liability and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		33,426
Change in net position of governmental activities (page 26)		$ (10,056)

The Notes To Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Fund Net Position
Proprietary Funds
June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
ASSETS							
Current assets:							
Equity in pooled cash and investments held in City Treasury	$ 210,898	501,477	33,860	39,924	165,147	951,306	15,335
Receivables (net of allowance for uncollectibles)	15,734	7,159	13,920	294	74,668	111,775	508
Lease receivable	2,675	-	-	-	-	2,675	-
Concession loan receivable	340	-	-	-	-	340	-
Prepaid expenses, advances and deposits	214	-	-	-	8,293	8,507	-
Inventories	-	673	-	-	-	673	1,517
Total unrestricted current assets	229,861	509,309	47,780	40,218	248,108	1,075,276	17,360
Restricted assets:							
Equity in pooled cash and investments held in City Treasury	51,964	-	-	2,302	1,667	55,933	-
Cash and investments held with fiscal agent	95,908	2	-	-	-	95,910	-
Other cash and investments	-	-	-	-	-	-	529
Receivables (net of allowances for uncollectibles)	4,997	-	-	-	-	4,997	-
Prepaid expenses, advances and deposits	9	-	-	-	-	9	-
Current portion of prepaid bond insurance	20	-	-	-	-	20	-
Total restricted current assets	152,898	2	-	2,302	1,667	156,869	529
Total current assets	382,759	509,311	47,780	42,520	249,775	1,232,145	17,889
Noncurrent assets:							
Prepaid bond insurance (net of accumulated amortization)	289	-	-	-	-	289	-
Concession loan receivable	1,587	-	-	-	-	1,587	-
Advances and deposits	220	-	-	-	-	220	-
Lease receivable	11,184	-	-	-	-	11,184	-
Net other postemployment benefits asset	-	-	-	-	1,210	1,210	-
Capital assets (net of accumulated depreciation):							
Nondepreciable	121,591	746,158	11,270	22,155	-	901,174	-
Depreciable	1,089,775	541,456	62,562	27,511	-	1,721,304	3,730
Subscription-based information technology arrangement asset net of amortization	2,131	489	-	-	540	3,160	-
Right to use asset net of amortization	101	-	-	689	-	790	-
Total noncurrent assets	1,226,878	1,288,103	73,832	50,355	1,750	2,640,918	3,730
Total assets	1,609,637	1,797,414	121,612	92,875	251,525	3,873,063	21,619
DEFERRED OUTFLOWS OF RESOURCES							
Loss on refundings of debt	10,552	-	-	-	-	10,552	-
Pensions	14,598	37,325	4,101	978	3,070	60,072	-
Other postemployment benefits	3,926	19,890	2,123	545	1,521	28,005	-
Total deferred outflows of resources	29,076	57,215	6,224	1,523	4,591	98,629	-

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Fund Net Position (Continued)
Proprietary Funds
June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	$ 15,115	49,356	3,271	257	45,028	113,027	1,041
Accrued salaries, wages, and payroll taxes	634	1,518	170	41	153	2,516	554
Interest payable	30	2,392	-	2	-	2,424	-
Due to other funds	-	-	-	-	20,000	20,000	-
Short-term notes payable	10,000	-	-	-	-	10,000	-
Accrued vacation, sick leave and compensatory time	2,228	4,722	662	120	484	8,216	-
Estimated liability for self-insurance	633	316	263	-	-	1,212	-
Advances and deposits payable	2,402	-	-	85	700	3,187	-
Leases payable	101	-	-	130	-	231	-
Subscription-based information technology arrangement payable	792	148	-	-	185	1,125	-
Current portion of bonds payable, net	-	5,042	-	-	-	5,042	-
Unearned revenue	5,959	-	-	-	11,666	17,625	-
Total current liabilities unrestricted	37,894	63,494	4,366	635	78,216	184,606	1,595
Current liabilities payable from restricted assets:							
Accounts payable and accrued liabilities	144	-	-	-	-	144	-
Interest payable	15,001	-	-	-	-	15,001	-
Unearned revenue	35	-	-	-	-	35	-
Current portion of bonds payable, net	30,280	-	-	-	-	30,280	-
Total current liabilities payable from restricted assets	45,460	-	-	-	-	45,460	-
Total current liabilities	83,354	63,494	4,366	635	78,216	230,066	1,595
Noncurrent liabilities:							
Accrued vacation, sick leave and compensatory time	119	643	-	-	-	762	4,469
Leases payable	-	-	-	569	-	569	-
Subscription-based information technology arrangement payable	1,399	357	-	-	391	2,147	-
Estimated liability for self-insurance	1,507	1,014	843	-	-	3,364	-
Advances, deposits, and reimbursable credits	-	-	1,718	-	-	1,718	-
Pollution remediation obligation	-	27,952	-	-	-	27,952	-
Notes payable	-	98	-	-	-	98	-
Bonds payable (net of premium)	1,100,230	295,469	-	-	-	1,395,699	-
Net pension liability	105,527	214,268	18,500	7,622	529	346,446	-
Net other postemployment benefits liability	17,711	49,057	4,814	1,064	-	72,646	-
Total noncurrent liabilities	1,226,493	588,858	25,875	9,255	920	1,851,401	4,469
Total liabilities	1,309,847	652,352	30,241	9,890	79,136	2,081,466	6,064
DEFERRED INFLOWS OF RESOURCES							
Pensions	905	2,281	249	58	174	3,667	-
Other postemployment benefits	1,518	13,016	1,335	368	736	16,973	-
Leases	13,226	-	-	-	-	13,226	-
Total deferred inflows of resources	15,649	15,297	1,584	426	910	33,866	-
NET POSITION							
Net investment in capital assets	170,651	946,005	73,832	49,656	(36)	1,240,108	3,730
Restricted for net other postemployment benefits asset	-	-	-	-	1,210	1,210	-
Restricted for debt service	25,154	-	-	2,302	-	27,456	-
Restricted for capital projects and other agreements	29,526	-	-	-	-	29,526	-
Unrestricted	87,886	240,975	22,179	32,124	174,896	558,060	11,825
Total net position	$ 313,217	1,186,980	96,011	84,082	176,070	1,856,360	15,555

City of San José
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
OPERATING REVENUES							
Charges for services	$ 68,656	212,204	61,042	15,036	513,269	870,207	159,751
Rentals and concessions	111,271	16,599	-	-	-	127,870	-
Customer transportation fees	7,493	-	-	-	-	7,493	-
Service connection, engineering and inspection	-	1,784	-	-	-	1,784	-
Operating contributions from participating agencies	-	41,149	-	-	-	41,149	-
Other	11,673	254	-	-	2,234	14,161	-
Total operating revenues	199,093	271,990	61,042	15,036	515,503	1,062,664	159,751
OPERATING EXPENSES							
Operations and maintenance	85,721	150,580	50,410	11,206	372,413	670,330	164,269
General and administrative	22,952	35,974	4,850	5,434	13,774	82,984	-
Depreciation	56,297	32,805	2,959	2,027	180	94,268	1,192
Materials and supplies	-	779	-	186	-	965	-
Total operating expenses	164,970	220,138	58,219	18,853	386,367	848,547	165,461
Operating income (loss)	34,123	51,852	2,823	(3,817)	129,136	214,117	(5,710)
NONOPERATING REVENUES (EXPENSES)							
Passenger facility charges	23,215	-	-	-	-	23,215	-
Customer facility charges	8,997	-	-	-	-	8,997	-
Operating grants	487	-	-	-	3,292	3,779	-
Nonoperating grants	28,911	-	-	-	-	28,911	-
Investment income (loss)	5,519	10,603	521	715	(1,315)	16,043	586
Lease interest income	247	-	-	-	-	247	-
Interest expense	(40,432)	(13,750)	-	-	(3,049)	(57,231)	-
Participating airline net revenue sharing	(5,077)	-	-	-	-	(5,077)	-
Loss on disposal of capital assets	-	(59)	-	-	-	(59)	-
Other revenues (expenses), net	687	280	6	2	-	975	-
Net nonoperating revenues (expenses)	22,554	(2,926)	527	717	(1,072)	19,800	586
Income (loss) before capital contributions and transfers	56,677	48,926	3,350	(3,100)	128,064	233,917	(5,124)
Capital contributions	12,195	1,968	107	-	-	14,270	-
Transfers in	702	-	-	-	-	702	1,660
Transfers out	(157)	(1,604)	(478)	(1,093)	(326)	(3,658)	(306)
Changes in net position	69,417	49,290	2,979	(4,193)	127,738	245,231	(3,770)
Net position - beginning, as previously reported	243,842	1,137,690	93,032	88,275	48,332	1,611,171	19,325
Change in accounting principles	(42)	-	-	-	-	(42)	-
Beginning, as restated	243,800	1,137,690	93,032	88,275	48,332	1,611,129	19,325
Net position - ending	$ 313,217	1,186,980	96,011	84,082	176,070	1,856,360	15,555

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	$ 209,599	245,004	60,106	14,972	516,840	1,046,521	-
Cash received from interfund services provided	-	-	-	-	-	-	159,652
Payments to suppliers	(48,451)	(85,338)	(44,354)	(13,950)	(366,739)	(558,832)	(132,036)
Payments for employees	(39,228)	(105,219)	(11,912)	(3,044)	(8,716)	(168,119)	(31,905)
Payments for City services	(23,315)	-	-	-	-	(23,315)	-
Payments to airlines	(27,120)	-	-	-	-	(27,120)	-
Claims paid	(302)	-	-	-	-	(302)	-
Other receipts	710	26,928	1	-	2,234	29,873	-
Net cash provided by (used in) operating activities	71,893	81,375	3,841	(2,022)	143,619	298,706	(4,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds	702	-	-	-	-	702	1,660
Transfers to other funds	(157)	(1,604)	(478)	(1,093)	(326)	(3,658)	(306)
Operating grants	463	-	-	-	3,292	3,755	-
Nonoperating grants	35,511	-	-	-	-	35,511	-
Advances and deposits	-	-	(14)	-	4,796	4,782	-
Loans	(1,798)	-	-	-	-	(1,798)	-
Net cash provided by (used in) noncapital financing activities	34,721	(1,604)	(492)	(1,093)	7,762	39,294	1,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Passenger facility charges received	23,023	-	-	-	-	23,023	-
Customer facility charges received	8,845	-	-	-	-	8,845	-
Proceeds from issuance of bonds (excluding amount placed in escrow)	-	300,714	-	-	-	300,714	-
Payment for redemption of bonds (with prior bond reserves)	-	(236,771)	-	-	-	(236,771)	-
Capital grants received	10,243	307	-	-	-	10,550	-
Acquisition and construction of capital assets	(28,141)	(133,536)	(2,482)	(11)	-	(164,170)	(2,031)
Lease payment	(150)	-	-	(128)	-	(278)	-
Interest income related to lease	247	-	-	-	-	247	-
SBITA right-to-use software asset payment	-	-	-	-	(176)	(176)	-
Proceeds from commercial paper	10,000	-	-	-	-	10,000	-
Principal payment on commercial paper	(34,112)	-	-	-	(40,000)	(74,112)	-
Principal paid on debt	(2,225)	-	-	-	-	(2,225)	-
Bond issuance cost paid	-	(684)	-	-	-	(684)	-
Interest paid on debt	(46,057)	(11,250)	-	(3)	(3,253)	(60,563)	-
Advances and deposits received	959	-	-	-	-	959	-
Net cash (used in) capital and related financing activities	(57,368)	(81,220)	(2,482)	(142)	(43,429)	(184,641)	(2,031)

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	$ 20,286	-	-	-	-	20,286	-
Purchases of investments	(14,541)	-	-	-	-	(14,541)	-
Interest received (loss)	3,644	9,728	452	715	(1,944)	12,595	586
Land and building rentals	-	247	-	-	-	247	-
Net cash provided by (used in) investing activities	9,389	9,975	452	715	(1,944)	18,587	586
Net change in cash and cash equivalents	58,635	8,526	1,319	(2,542)	106,008	171,946	(4,380)
Cash and cash equivalents - beginning	295,714	492,953	32,541	44,768	60,806	926,782	20,244
Cash and cash equivalents - ending	$ 354,349	501,479	33,860	42,226	166,814	1,098,728	15,864
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	$ 34,123	51,852	2,823	(3,817)	129,136	214,117	(5,710)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	56,297	32,805	2,959	2,027	180	94,268	1,192
Participating airline net revenue sharing	(5,077)	-	-	-	-	(5,077)	-
Other nonoperating revenues	710	-	6	-	-	716	-
Other nonoperating expenses	-	-	-	-	34	34	-
Decrease (increase) in:							
Accounts receivable	9,465	(58)	(942)	(67)	4,194	12,592	(99)
Inventories	-	193	-	-	-	193	166
Prepaid expenses, advances and deposits	30	-	-	-	(2,872)	(2,842)	-
Increase (decrease) in:							
Accounts payable and accrued liabilities	(22,473)	5,623	(102)	168	14,504	(2,280)	(277)
Accrued salaries, wages, and payroll taxes	-	(2,864)	(341)	(92)	(230)	(3,527)	-
Accrued vacation, sick leave and compensatory time	-	600	65	(45)	73	693	439
Estimated liability for self-insurance	(149)	(166)	110	-	-	(205)	-
Unearned revenue	740	-	-	-	-	740	-
Net pension liability, deferred outflows and inflows of pension related resources	(1,397)	(3,953)	(469)	(130)	(527)	(6,476)	-
Net other postemployment benefits liability, deferred outflows and inflows of postemployment benefits related resources	(847)	(2,430)	(268)	(66)	(252)	(3,863)	-
Advances, deposits, and reimbursable credits	471	-	-	-	(621)	(150)	-
Other liabilities	-	(227)	-	-		(227)	-
Net cash provided by (used in) operating activities	$ 71,893	81,375	3,841	(2,022)	143,619	298,706	(4,289)

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023
($000's)

	Enterprise Funds						
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	Internal Service Funds
Reconciliation of cash and cash equivalents to the statement of net position:							
Equity in pooled cash and investments held in City Treasury							
Unrestricted	$ 210,898	501,477	33,860	39,924	165,147	951,306	15,335
Restricted	51,964	-	-	2,302	1,667	55,933	-
Cash and investments held with fiscal agents	91,487	2	-	-	-	91,489	-
Other cash and investments	-	-	-	-	-	-	529
Cash and cash equivalents	$ 354,349	501,479	33,860	42,226	166,814	1,098,728	15,864
Noncash noncapital, capital and related financing, and investing activities:							
Disposal of capital assets	$ -	(59)	-	-	-	(59)	-
Capital contributions from developers	45	1,661	107	-	-	1,813	-
Amortization of bond premium, and prepaid bond insurance costs	6,105	591	-	-	-	6,696	-
Amortization of deferred outflows of resources related to bond refundings	(482)	-	-	-	-	(482)	-
Change in capital related payables	3,693	-	-	-	144	3,837	-
Change in capital related receivables	(1,907)	-	-	-	-	(1,907)	-
Change in fair value of investments	(465)	-	-	-	4,083	3,618	-
(Decrease) in operating grants receivables	(23)	-	-	-	-	(23)	-
Increase in nonoperating grants receivables	6,600	-	-	-	-	6,600	-
Amortization of SBITA assets	-	(154)	-	-	(180)	(334)	-
Interest expense on SBITA liabilities	-	(25)	-	-	(21)	(46)	-
Underwriters' discount paid through escrow	-	(389)	-	-	-	(389)	-

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023
($000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	$ -	204	5,289
Cash and investments	-	877	-
Investments of retirement systems:			
Investments:			
Public equity	3,764,971	-	-
Short-term investment grade bonds	25,421	-	-
Investment grade bonds	418,856	-	-
Private equity	834,741	-	-
Market neutral strategies	235,291	-	-
Immunized cash flows	532,686	-	-
Core real estate	482,417	-	-
Commodities	31,060	-	-
Private debt	295,458	-	-
Emerging market bonds	234,804	-	-
Growth real estate	331,928	-	-
Treasury inflation protected securities	153,458	-	-
Cash and cash equivalents	443,350	-	-
Private real assets	184,494	-	-
Venture/growth capital	64,086	-	-
Long-term government bonds	159,799	-	-
High yield bonds	146,699	-	-
Total investments of retirement systems	8,339,519	-	-
Receivables:			
Accrued investment income	13,356	-	27
Employee contributions	1,401	-	-
Employer contributions	10,600	-	-
Other	45,040	36	-
Restricted cash and investments held with fiscal agent	-	124,996	-
Total current assets	8,409,916	126,113	5,316
Noncurrent assets:			
Advances to the City of San José	-	733	-
Public-private and public-public partnerships and availability payment arrangement receivable	-	-	43,798
Accrued interest, net	-	1,386	-
Loans receivable, net	-	3,986	-
Advances and deposits	-	5	-
Prepaid bond insurance	-	1,272	-
Capital assets:			
Nondepreciable	-	2,078	-
Depreciable, net	-	616	-
Other assets, net	5,502	-	-
Total noncurrent assets	5,502	10,076	43,798
Total assets	8,415,418	136,189	49,114
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	$ -	23,609	-

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

City of San José
Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
June 30, 2023
($000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
LIABILITIES			
Current liabilities:			
Accounts payable	$ -	145	-
Due to brokers	72,144	-	-
Accrued interest payable	-	17,611	-
Other liabilities	40,500	-	-
Total current liabilities	112,644	17,756	-
Long-term liabilities:			
Due within one year	-	106,239	-
Due in more than one year	-	1,110,513	-
Total noncurrent liabilities	-	1,216,752	-
Total liabilities	112,644	1,234,508	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-Public-private and public-public partnerships and availability payment arrangement revenues	-	-	40,864
NET POSITION			
Restricted for:			
Employees' pension benefits	7,628,802	-	-
Employees' postemployment healthcare benefits	673,972	-	-
Redevelopment dissolution and other purposes	-	(1,074,710)	-
Arena capital reserve	-	-	8,250
Total net position (deficit)	$ 8,302,774	(1,074,710)	8,250

City of San José
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023
($000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
ADDITIONS			
Redevelopment property tax revenues	$ -	194,803	-
Income:			
Interest	86,137	1,468	164
Dividends	29,457	-	-
Net rental income	-	-	1,420
Net appreciation in fair value of plan investments	541,062	-	-
Investment expenses	(30,765)	-	-
Public-private and public-public partnerships and availability payment arrangement revenues	-	-	2,934
Total income	625,891	1,468	4,518
Contributions:			
Employer	454,950	-	-
Employees	84,362	-	-
Total contributions	539,312	-	-
Development fees and other	-	125	-
Other	-	-	2,299
Total additions	1,165,203	196,396	6,817
DEDUCTIONS			
General and administrative	13,142	227	-
Project expenses	-	65	5,190
Pass through amounts to the County of Santa Clara	-	51,785	-
Depreciation	-	26	-
Allowance for loan losses	-	1	-
Interest on debt	-	41,502	-
Health insurance premiums	58,397	-	-
Refunds of contributions	2,278	-	-
Retirement and other benefits:			
Death benefits	35,599	-	-
Retirement benefits	485,303	-	-
Total deductions	594,719	93,606	5,190
Change in net position	570,484	102,790	1,627
Net position restricted for pension benefits, postemployment healthcare benefits and other purposes:			
Beginning of year	7,732,290	(1,177,500)	6,623
End of year	$ 8,302,774	(1,074,710)	8,250

The Notes to Basic Financial Statements are an integral part of this statement.

INDEX TO THE NOTES

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

III. DETAILED NOTES ON ALL FUNDS

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NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2023

IV. OTHER INFORMATION

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of San José, California (the "City"), was chartered on March 25, 1850, and has operated under a Council–Manager form of government since 1916. The City has defined its reporting entity in accordance with generally accepted accounting principles ("GAAP") in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability or whether the nature and significance of the relationship with the primary government is misleading to exclude.

A primary government is considered to be financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Based upon the application of these criteria, the following is a brief description of each component unit included within the City's reporting entity. All such component units have been "blended" as though they are part of the primary government because the component unit's governing body is substantially the same as the City's primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it, or the City is entirely or almost entirely responsible for the repayment of the debt of the component unit.

- **San José – Santa Clara Clean Water Financing Authority** – The San José – Santa Clara Clean Water Financing Authority (the "Clean Water Financing Authority") was created pursuant to a Joint Exercise of Powers Agreement between the City and the City of Santa Clara. The purpose was to finance the acquisition of, and additions and improvements to, the existing San José – Santa Clara Water Pollution Control Plant (the "Plant"), currently known as the San José – Santa Clara Regional Wastewater Facility (the "RWF"). The Clean Water Financing Authority is governed by a five-member Board of Directors; three are members of the San José City Council and two are members of the City Council of the City of Santa Clara.
- **City of San José Financing Authority** – The City of San José Financing Authority (the "Financing Authority") was created by a Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency of the City of San José (the "Agency"). The Financing Authority was created for the purpose of facilitating the financing of public improvements and facilities within the City and is authorized to issue bonds for this purpose. The Financing Authority is governed by an 11-member Governing Board, which consists of the members of the City Council. The Financing Authority is blended in the San José Financing Authority Debt Service Fund for financial reporting purposes.
- **San José Diridon Development Authority** – The San José Diridon Development Authority (the "Diridon Authority") was created in March 2011 by a Joint Exercise of Powers Agreement between the City and the Agency. The Diridon Authority was created for the purposes of overseeing the development of properties within the area of the City surrounding the San José Diridon Station, and is authorized to issue bonds for

this purpose. The Diridon Authority is governed by an 11-member Governing Board, which consists of the members of the City Council.

Separate financial reports for City departments and component units for FY 2023, containing additional information and more detailed information regarding financial position, changes in financial position, and, where applicable, cash flows, are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

- Police and Fire Department Retirement Plan (the "PFDRP")
- Federated City Employees' Retirement System (the "FCERS")
- San José Mineta International Airport (the "Airport")
- San José Clean Energy
- South Bay Water Recycling Program and System* (the "SBWR")
- Wastewater Treatment System* (the "WWTS")

*SBWR and WWTS standalone reports, when combined, are presented as one major proprietary enterprise fund "Wastewater Treatment System" in the City's ACFR.

The City has two fiduciary component units:

FCERS was established in 1941 to provide retirement benefits for certain employees of the City. The current FCERS consists of a single employer Defined Benefit Pension Plan and a Postemployment Health Plan and includes all provisions of the City of San José Municipal Code ("SJMC") Chapters 3.28, 3.44, and 3.52.

PFDRP was established in 1961 to provide retirement benefits for certain employees of the City. The current PFDRP consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. It includes all provision of SJMC Chapters 3.36, 3.54, and 3.56.

Both FCERS and PFDRP are considered integral parts of the City's financial reporting entities and are featured in the City's primary financial statements as pension and postemployment healthcare trust funds. They are overseen by the Chief Executive Officer of the Office of Retirement Services, a City employee who serves at the discretion of the FCERS and PFDRP Boards. FCERS' Board is comprised of seven members, including two City employees elected by FCERS members, a retiree representative, and three public members with significant banking or investment experience, unrelated to the City, which are approved by the City Council. Additionally, there is another public member selected by the six Board members and approved by the City Council. The PFDRP's Board is comprised of nine members, including two City employees elected by PFDRP members, two retired Plan members elected by retiree associations, and four public members with substantial banking or investment experience, who are not affiliated with the City, which are approved by the City Council. Similarly, there is another public member chosen by the eight Board members and approved by the City Council.

Both FCERS and PFDRP are legally distinct, fiduciary component units of the City, each managed by a Pension Administrator. Both entities serve the City and are classified as pension trust funds.

Successor Agency to the Redevelopment Agency of the City of San José – The Successor Agency to the Redevelopment Agency of the City of San José (the "SARA") was created by State statute, referred to in these notes as the Redevelopment Dissolution Law, to serve as a custodian for the assets and to wind down the affairs of the former Agency. The SARA is subject to the direction and oversight of a board consisting of the Mayor and the other members of the City Council ("SARA Board").

The SARA is also, pursuant to the Redevelopment Dissolution Law, subject to the direction and oversight of an oversight board. Beginning July 1, 2018, pursuant to Health and Safety Code Section 34179(j), the individual oversight boards within Santa Clara County were combined into one county-wide oversight board (the "Oversight Board"). The Oversight Board is comprised of seven member representatives with one member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the county. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller and tasks are delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

In general, the SARA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The SARA is allocating revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Agency until all enforceable obligations of the Agency have been paid in full and all assets have been liquidated. Based upon the nature of the SARA's custodial role, the SARA is reported in a fiduciary fund (private-purpose trust fund).

Separate financial report for SARA, containing additional information and more detailed information regarding fiduciary net position, changes in fiduciary net position, are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905.

B. Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary funds or component units that are fiduciary in nature. Eliminations have been made to prevent the double counting of internal activities. For example, the direct expense charges based on actual use are not eliminated, whereas indirect expense allocations made in the funds are eliminated. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the City and each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and, therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category, such as governmental, proprietary and fiduciary, are presented. The emphasis of fund financial statements are on the major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements.

All remaining governmental funds are aggregated and reported as nonmajor funds in the accompanying financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds.

The ***Housing Activities*** *Fund* is a special revenue fund that accounts for all of the City's affordable housing activities funded by federal and state grants, as well as various fees.

The ***Low and Moderate Income Housing Asset Fund*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Agency on February 1, 2012. This fund is primarily funded by loan repayment program income generated from the former Agency's housing assets.

The ***Special Assessment Districts Fund*** is a capital project fund that accounts for the capital project and debt activities related to debt issued to finance public improvements benefiting properties against which special assessments or special taxes are levied.

The ***San José Financing Authority Debt Service Fund*** is a debt service fund that accounts for the debt activities related to capital projects funded with Financing Authority debt.

The City reports the following major enterprise funds:

The ***San José Mineta International Airport Fund*** accounts for the activities of the City owned commercial service and general aviation airport.

The ***Wastewater Treatment System Fund*** accounts for the financing, construction and operations of the Plant, including the regional water reclamation program (known as South Bay Water Recycling); the San José Sewage Collection System; and the Clean Water Financing Authority.

The ***Municipal Water System Fund*** accounts for the operations of the five water system operating districts: North San José, Evergreen, Coyote, Edenvale, and Alviso.

The ***Parking System Fund*** accounts for the operations of the City owned parking garage facilities, parking lots, and parking meters located within the City.

The ***San José Clean Energy Fund*** accounts for the procurement of electricity by San José Clean Energy, a Community Choice Energy program.

The City also reports the following types of funds:

The ***Internal Service Funds*** are used to account for the public works support services provided to City-wide capital programs; the cost of operating an automotive maintenance facility used by other City departments; and employee benefits including medical, vision, dental, and unemployment insurance costs on a cost-reimbursement basis.

The ***Pension Trust Funds*** account for the accumulated resources to be used for retirement annuity and postemployment healthcare payments to members of the FCERS and the PFDRP, collectively, the "Retirement Systems".

The ***Private-Purpose Trust Funds*** account for the custodial responsibilities that are assigned to the SARA with the passage of the Redevelopment Dissolution Law and for the James Lick Fund, which holds resources in trust for the support of the EMQ Families First Agency (a.k.a. Eastfield Ming Quong).

The ***Custodial Fund*** accounts for assets held by the City in a custodial capacity with respect to the San José Arena.

Document Summaries. *All summaries of documents contained in the notes to the financial statements are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference is qualified in its entirety by reference to such document, which is on file with or may be obtained from the City's Director of Finance at the address set forth in Note I.A.*

C. Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales and use, transient occupancy and utility user taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days after the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences and self-insurance claims, are recorded when payment is due.

In governmental funds, revenues from taxes, franchise fees, investment income, state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. All other revenue items are considered measurable and available only when cash is received by the City.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. In addition, the Wastewater Treatment System Fund's on-going contributions from other participating agencies for their allocation of the Plant's operating and maintenance expenses, their share of debt service, and other commitments towards the Plant's improvements are also included as operating revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply restricted cost-reimbursement grant resources to such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

D. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions.

E. New Pronouncements

During the year ended June 30, 2023, the City implemented the following Governmental Accounting Standards Board (the "GASB") Statements:

The City has adopted GASB Statement No. *91*, *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The application of Statement No. 91 did not have any effect on the City's financial statements.

The City has adopted GASB Statement No. *94*, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement was implemented for FY 2023 reporting purposes. The required changes are reflected in the City's financial statements and notes to these statements. The City has identified qualified PPP. As a result, it recorded a PPP receivable of $102.6 million and deferred inflow of resources related to PPP of $97.3 million on governmental fund statements and the Statement of Net Position under governmental activities.

The City has adopted GASB Statement No. *96*, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option). Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. This statement was implemented for FY 2023 reporting purposes. The required changes are reflected in the City's financial statements and notes to these statements. The adoption of this new standard led to the restatement of net position by $42,000 in the San José Mineta International Airport fund, which falls under Business-type Activities Enterprise fund. For more detailed information on the current impact, please refer to Notes III.D. and III.F.

The City has adopted GASB Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing: (1) Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; (2) Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; (3) Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset; (4) Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; (5) Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; (6) Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); (7) Disclosures related to nonmonetary transactions; (8) Pledges of future revenues when resources are not received by the pledging government; (9) Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; (10) Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and* (11) Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement that are effective as follows: Items (5), (6), (7), (8), (9), (10), and (11) were implemented starting FY 2022; items (2), (3), and (4) related to leases, PPPs, and SBITAs were implemented for FY 2023 reporting purposes. The required changes are reflected in the City's financial statements and notes to these statements.

<u>The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the upcoming GASB Statements:</u>

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The only outstanding item (1), which is related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will take effect for financial statements beginning with the fiscal year that ends June 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

Restricted and unrestricted pooled cash and investments held in the City Treasury and other unrestricted investments, invested by the City Treasurer (i.e. Director of Finance), are considered cash equivalents for purposes of the statement of cash flows because the City's cash management pool and funds invested by the City Treasurer possess the characteristics of demand deposit accounts. Other restricted and unrestricted investments with maturities less than three months at the time of purchase are also considered cash equivalents for purposes of the statement of cash flows.

2. Equity in Pooled Cash and Investments Held in City Treasury

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer unless otherwise dictated by legal or contractual requirements. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds and component units on a monthly basis, based on their proportionate shares of the average weekly cash balance.

3. Deposits and Investments

Investments are accounted for in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments whose values are based on inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments whose values are based on unobservable inputs for an asset and may require a degree of professional judgment.

Pooled Cash and Investments held in City Treasury. The City reports its investments held in the City Treasury at fair value. The fair value is based primarily on quoted market information and using pricing applications and models obtained from fiscal agents or other sources. Income from some investments is assigned to the General Fund. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. For the year ended June 30, 2023, the total investment income from these investments assigned and transferred to the General Fund was approximately $2.9 million.

Retirement Systems. The Retirement Systems' investment policies authorize various types of investments. These investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. Purchases and sales of securities are reflected on the date of trade. Investment income is recognized as earned.

Other Investments. Non-pooled investments are generally carried at fair value. However, investments in investment agreements are carried at cost. Income from non-pooled investments is recorded based on the specific investments held by the fund. The investment income is recorded in the fund that earned the income.

4. Inventories

Inventories of proprietary funds are reported at cost.

5. Loans Receivable, net

Long-term loans receivable, which consist of the principal amount of the loan plus accrued borrower's deferred interest is reported in the governmental fund financial statements with an offset to unavailable revenue for the deferred interest accrued and to restricted fund balance for the principal amount of the loan. Long-term loans receivable reported in the governmental activities on the government-wide statement of net position is not offset by unavailable revenue as it is recorded on an accrual basis. Long-term loans receivable are recorded at their net realizable value.

6. Special Assessment Districts

Special assessments are recorded as receivables when liens are placed on properties. Special assessments not considered available are recorded as receivables and offset by deferred inflows of resources in the governmental fund financial statements. In general, special assessment and special tax bonds are fully secured by liens against the privately-owned properties benefited by the improvements for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and management believes full value will ultimately be received by the City. Surplus funds remaining at the completion of a special assessment district project are disposed of in accordance with the City Council's resolutions and with the applicable laws of the State of California. A liability is recorded for the balance remaining until a final legal determination has been made.

7. Advances and Deposits

Amounts deposited mainly in connection with eminent domain proceedings are reported as advances and deposits. In the governmental fund statements, noncurrent portions of these are offset equally by either a credit or a classification of fund balance in the nonspendable, restricted or committed account.

8. Other Assets

Other assets primarily consist of real properties acquired outright and/or through foreclosure in connection with land acquired for the purpose of future development of affordable housing. These other assets are recorded at the lower of cost or estimated net realizable value.

9. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of interest expense.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. Bond premiums and discounts are deferred and amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred outflows or inflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements.

11. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide statement of net position, the proprietary funds' statement of net position, and the private-purpose trust fund's statement of fiduciary net position.

Capital assets are defined as assets with an initial individual cost of more than $5,000 for general capital assets and $100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. For the San José Mineta International Airport Fund and the Wastewater Treatment System Fund, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method over the following estimated useful lives:

Buildings	5 – 40 years
Improvements, other than buildings	10 - 50 years
Infrastructure	25 - 50 years
Vehicles and equipment	2 - 40 years
Furniture and fixtures	10 years

Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. Capital assets that meet the definition of the major infrastructure networks or extend the life of existing infrastructure networks are capitalized as infrastructure. Infrastructure networks include roads, bridges, drainage systems, and lighting systems.

Consistent with GASB Statement No. 87, *Leases*, the City recognizes an intangible right to use lease asset when the applicable accounting criteria is met. The capitalization threshold for the City as lessee is an initial cost of more than $10,000 per item at its net present value for land, buildings, office space, vehicle, or equipment. The lease assets must also have an initial useful life of more than one year.

With GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), the City recognizes an intangible right-to-use software subscription asset when the applicable accounting criteria is met. The capitalization threshold for the City as subscriber is an initial cost of more than $250,000 per item at its net present value for software subscription. The subscription asset must also have an initial useful life of more than one year. In addition, a subscription asset should be at least 75% of fair market value in order to qualify as an exchange-like transaction.

12. Leases and Subscription-Based Information Technology Arrangements (SBITA)

Leases

City as Lessee: The City is a lessee for noncancellable leases of land, building, office space and airport vehicles. The City recognizes a lease liability and an intangible right to use lease asset in the government-wide, proprietary fund, and fiduciary fund financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The City monitors changes in circumstances that would require a remeasurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Payments due under the lease contracts include fixed payments plus, for many of the City's leases, variable payments. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. For office equipment leases for which the City has elected not to separate lease and non-lease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the City under residual value guarantees,
- the exercise price of a purchase option if the City is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the City exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases held by the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations. The majority of extension and termination options held are exercisable only by the City and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate as of the commencement of the lease term.

City as Lessor: The City is a lessor for several noncancellable leases including but not limited to building, office space and airport hangars. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund financial statements and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The City is a subscriber of certain subscription-based information technology arrangements. The City recognizes a SBITA liability and an intangible right-to-use information technology asset (SBITA asset) in the government-wide financial statements.

At the commencement of a SBITA contract, the City initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of its subscription term or useful life.

Key estimates and judgments related to SBITA arrangements include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term and (3) subscription payments.

The City uses the interest rate charged by the provider as the discount rate. When the interest rate charged by the provider is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITA arrangements.

The subscription term includes the noncancellable period of the SBITA arrangement. Subscription payments included in the measurement of the SBITA liability are composed of fixed payments and the purchase option price if the City is reasonably certain to exercise. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the subscription term if the SBITA arrangement is reasonably certain to be extended (or not terminated).

The City monitors changes in circumstances that would require a remeasurement of its SBITA arrangement and will re-measure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Payments due under the SBITA contracts include fixed payments. The City does not have any variable payment SBITA arrangements for FY 2023.

Assets and liabilities arising from a SBITA arrangement are initially measured on a present value basis. SBITA liabilities include the net present value of the following contract payments:

- Fixed payments (including in-substance fixed payments), less any contract incentives receivable.
- Amounts expected to be payable by the City under residual value guarantees.
- The exercise price of a purchase option if the City is reasonably certain to exercise that option, and
- Payments of penalties for terminating the subscription arrangement, if the subscription term reflects the City exercising that option.

Subscription payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in some of the subscription arrangements across the City.

The subscription payments are discounted using the interest rate implicit in the subscription contract. If that rate cannot be readily determined, which is generally the case for subscription arrangements in the City, the subscriber's incremental borrowing rate is used, being the rate that the individual subscriber would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the subscription term.

13. Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreements between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and noncurrent liabilities in the appropriate proprietary funds.

Vacation hours may be accumulated up to two times an employee's annual accrual rate, which will vary by years of service and bargaining unit, but it generally does not exceed a maximum of 400 hours for non-sworn employees and 360 hours for employees represented by the San José Police Officer's Association ("SJPOA"). Employees represented by the International Association of Firefighters, Local 230 ("IAFF"), may accumulate vacation hours up to 400 hours for employees on a 40-hour workweek and 576 hours for employees on a 56-hour workweek.

Employees in FCERS who retire with at least 15 years of service, or 20 years for police officers and firefighters in PFDRP, may be eligible to receive, upon retirement, sick leave payouts based on percentages of accumulated unused sick leave hours as determined by the respective collective bargaining agreements for represented employees. Similar terms are applicable to eligible unrepresented employees. Eligibility for sick leave payouts depends on the employee's hire date.

Unrepresented employees and all bargaining units are eligible for sick leave payouts if they were hired before September 30, 2012 except the SJPOA and IAFF are eligible for sick leave payouts if they were hired before July 7, 2013 and September 14, 2014, respectively. The sick leave balances eligible for payouts were frozen on June 22, 2013 for unrepresented employees and all bargaining units except the SJPOA and IAFF were frozen on July 6, 2013 and June 20, 2015, respectively.

For purposes of Sick Leave Payout, employees will continue to accrue sick leave hours after the "Sick Leave Balance Frozen as of" date, but such accrued sick leave may not be used for sick leave payout purposes. If an employee reduces their sick leave balance below what it was as of the "Sick Leave Balance Frozen as of" date, such employee will not be able to restore their sick leave balance for sick leave payout purposes. Employees may receive pay increases subsequent to the "Rate of Pay Frozen as of" date, but the employee's sick leave payout will be based on their rate of pay as of the "Rate of Pay Frozen as of" date.

Compensatory time is generally provided to employees who work overtime and earn compensatory time off at the rate of one and one half the number of overtime hours worked in lieu of pay. The Fair Labor Standards Act provides that general employees may accrue up to 240 hours of compensatory time, and employees responsible for law enforcement or fire suppression such as those represented by SJPOA, IAFF, and in the Public Safety Communication Dispatcher classifications may accrue up to 480 hours of compensatory time.

14. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, and are subject to elimination upon consolidation of similar fund types. The current portion of interfund loans and unsettled service transactions are reported as "due to/from other funds" and the noncurrent portion is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses in the fund receiving revenue or being charged. Reimbursements are defined as when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

15. Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks, except as otherwise described in Note III.F.11. The City's workers' compensation activities are funded and accounted for separately in the fund financial statements based upon the activities of each fund. The current portion of claims liability is accounted for in the General Fund and the enterprise funds on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements and the enterprise fund financial statements, the estimated liability for all self-insurance liability claims is recorded as a liability.

16. Deferred Outflows/Inflows of Resources

Deferred resources related to pension expense, OPEB expense, leases, public-private and public-public partnerships and availability payment arrangements (PPPs), and unamortized portions of the gain and loss on refunding debt are reported as deferred outflows and deferred inflows of resources. In addition to this, when an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

17. Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows/inflows of resources related to pensions and pension expense, the fiduciary net position of the City's defined benefit retirement plans (PFDRP, FCERS, and the California Public Employees' Retirement System ("CalPERS")), and additions to/deductions from the Retirement Systems' and CalPERS' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

18. Other Postemployment Benefits (OPEB)

For purpose of measuring the net OPEB liability/(asset), deferred outflows/inflows of resources related to OPEB and OPEB expense, the fiduciary net position of the PFDRP and FCERS OPEB plans, and additions to/deductions from the OPEB plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

19. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and deferred outflows/inflows of resources associated with the debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments

and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2023, the government-wide statement of net position reported restricted net position of $1,363,869,000 in governmental activities and $58,192,000 in business-type activities. Of these amounts $388,035,000 and $37,781,000, respectively, are restricted by enabling legislation.

- *Unrestricted Net Position* – This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets". When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

20. Fund Balances

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity.
- *Restricted Fund Balance* – includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision-making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. On June 21, 2011, the City Council adopted a resolution establishing the City's *Governmental Fund Balance Financial Reporting Policy*, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

21. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Santa Clara (the "County"). The amount of property tax levied is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The County assesses property values, levies, bills, and collects the related property taxes as follows:

	Secured	**Unsecured**
Valuation/lien dates	January 1	January 1
Levy dates	October 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10)	July 1 (August 31)
	50% on February 1 (April 10)	

The City has elected to participate in the "Teeter Plan" offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. Accordingly, property taxes levied for the fiscal year are recorded as revenue when received from the County.

General property taxes are based either on a flat 1% rate applied to the fiscal 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal 1976 valuation. The assessed value increases each year by an inflationary rate not to exceed the percentage change for the California Consumer Price Index ("CPI"), or 2%, whichever is less.

The City's net assessed valuation for the year ended June 30, 2023, was approximately $231.4 billion, an increase of approximately 7.0% from the previous year. The City's tax rate was approximately $0.175 per $100 of assessed valuation, which included the City's share of the 1% basic levy and additional levies for general obligation bonds: Measures "O" and "P" (2000), Measure "O" (2002), and Measure "T" (2018).

22. Wastewater Treatment System

The Wastewater Treatment System is an enterprise of the City and is comprised of the Plant, including South Bay Water Recycling and the San José Sewage Collection System. The Clean Water Financing Authority was established to provide financing for the capital programs of the Plant including the regional water reclamation program.

The Plant provides wastewater treatment services to the City and to six other sewage collection agencies. The City's sewer service rates pay for the City's share of the Plant operations, maintenance, administration and capital costs.

In 1959, the City and the City of Santa Clara entered into an agreement to jointly own and operate the Plant. Under the agreement, the City serves as the administering agency and is responsible for operating and maintaining the Plant. The cities share in the capital and operating costs on a pro rata basis determined by the ratio of each city's assessed valuation to the sum of both cities' assessed valuations. Annually, these percentages are determined and applied to the capital and operating costs on an accrual basis. For the year ended June 30, 2023 , the City's portion of the capital and operating costs was approximately 80.5% and the City's interest in the net position of the Plant was approximately 80.5%.

II. Stewardship, Compliance, and Accountability

A. Deficit Net Position

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it had incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the SARA on February 1, 2012. As of June 30, 2023, the SARA had a deficit of $1,075,278,000, which will be reduced when future redevelopment property tax revenues are distributed from the Redevelopment Property Tax Trust Fund administered by the County of Santa Clara Auditor-Controller to pay SARA's annual enforceable obligations.

B. Deficit Unrestricted Net Position – Governmental Activities

As of June 30, 2023, the City reported a negative balance in unrestricted net position for its governmental activities in the amount of a deficit of $2,640,313,000 after accounting for net pension liabilities and net OPEB liabilities.

C. Deficit Fund Balance – Major Governmental Fund

As of June 30, 2023, the City reported a deficit fund balance of $117,000 for the San José Financing Authority Debt Service Fund, which was primarily due to the Ice Center Refunding Fund.

D. Deficit Fund Balance – Nonmajor Governmental Funds

As of June 30, 2023, the City reported a deficit fund balance of $19,000 for the Edward Byrne Memorial Justice special revenue fund, which was primarily due to the purchase of Motorola radio consoles in FY 2019.

As of June 30, 2023, the City reported a deficit fund balance of $215,000 for the Community Development Block Grant special revenue fund, which was primarily due to the deferral of $833,000 in grant revenue.

E. Deficit Fund Balance - Internal Service Fund

As of June 30, 2023, the City reported a deficit fund balance of $410,000 for the Public Works Programs Support due to no funding available to cover it. The overhead rates will be increased to improve it in the future.

III. Detailed Notes on All Funds

A. Cash, Deposits, and Investments

As of June 30, 2023, total City cash, deposits and investments, at fair value, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds: Pension Trust	Fiduciary Funds: Private-Purpose Trust	Fiduciary Funds: Custodial	Carrying Value
Equity in pooled cash and investments	$ 1,659,053	$ 951,306	$ -	$ 204	$ 5,289	$ 2,615,852
Cash and investments	-	-	-	877	-	877
Restricted assets:						
Equity in pooled cash and investments	136,089	55,933	-	-	-	192,022
Cash and investments with fiscal agents	214,566	95,910	-	124,996	-	435,472
Other cash and investments	16,255	-	-	-	-	16,255
Investments of retirement systems	-	-	8,339,519	-	-	8,339,519
Total deposits and investments	$ 2,025,963	$ 1,103,149	$ 8,339,519	$ 126,077	$ 5,289	$ 11,599,997
Deposits						$ (30,757)
Investments						11,630,754
Total deposits and investments						$ 11,599,997

Pooled Cash and Investments Held in City Treasury. The City maintains a cash and investment pool that is available for use by all funds and certain component units. All investment activities in the City's investment pool are executed in compliance with the requirements set forth in the City of San José Investment Policy and California Government Code Section 53600 et seq. The City Council adopted an investment policy (Council Policy 1-12) related to the City's cash and investment pool (the "Policy") on April 2, 1985, which is subject to annual review and was reviewed and amended on March 14, 2023. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Policy, the investments conform to the California Government Code and the applicable limitations contained within the Policy.

Each fund's portion of this pool is displayed on the accompanying governmental fund balance sheets and proprietary fund and fiduciary fund statements of net position as "Equity in pooled cash and investments held in City Treasury."

Other Cash and Investments. The City has other cash and investments outside the City Treasury that are invested pursuant to various governing bond covenants, San José Municipal Code or California Government Code provisions.

Other cash and investments consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These investments are made either in accordance with bond covenants, and are pledged for payment of principal, interest, and specified capital improvements or in accordance with trust and grant agreements.

Investments of Retirement Systems. The Retirement Systems' funds are invested pursuant to policy guidelines established by the respective Boards. The objective of each investment policy is to maximize the expected return of the funds at an agreed upon level of risk. The Retirement Boards have established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment Risk. The investments are subject to certain types of risk, including interest rate risk, credit risk, concentration of credit risk, custodial credit risk and foreign currency risk. These risks are addressed separately for the investments related to governmental and business-type activities and those related to the Retirement Systems, as follows:

1. Cash and Investments Managed by the City Treasurer

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, debt investments with fixed coupons for longer terms are subject to more variability in their value as a result of changing interest rates. The City manages its exposure to interest rate risk by capping the weighted average maturity of the investment portfolio at 2.5 years (or 913 days). Also, the City sets the maximum maturity for every investment at the time of purchase by asset class, with the longest not to exceed five years.

In practice, the City purchases a combination of short-term and long-term investments and times the cash flows to meet liquidity needs for operations. The weighted average days to maturity of the City's pooled cash and investments at June 30, 2023, was approximately 530 days.

Credit Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. When investing, the City applies the Prudent Investor Standard and acts with care, prudence and diligence to safeguard the principal, maintain liquidity and seek reasonable yields. The City's investment policy has strict rating requirements. The City manages credit risk by selecting high quality securities, diversifying the portfolio and establishing monitoring procedures.

Investment in Local Agency Investment Fund. The City is a voluntary participant in the California Local Agency Investment Fund ("LAIF") that is governed by the California Government Code under the oversight of the Local Investment Advisory Board ("Board"). The Board consists of five members as designated by state statute. The fair value of the City's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool.

LAIF is part of the State's Pooled Money Investment Account ("PMIA") that allows cities, counties and special districts to place money into the fund. LAIF operating account allows a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than $5,000 and in increments of a thousand dollars. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal every 30 days.

At June 30, 2023, the City's pooled and fiscal agent investments in LAIF were approximately $296,258,000 and the SARA's investments in LAIF was $320,000. The weighted average days to maturity of LAIF was 260 days at June 30, 2023. The total amount recorded by all public agencies in LAIF at June 30, 2023 was approximately $25.7 billion. PMIA is not registered with the Securities and Exchange Commission ("SEC"), but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2023 was approximately $178 billion and of that amount, 84.85% was invested in U.S. Treasuries and agencies, 10.62% in depository securities, 4.33% in commercial paper, and 0.20% in loans.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy sets forth the guidelines regarding concentration of credit risk.

The following table identifies the investment types that are authorized by the Policy as of June 30, 2023:

Authorized Investment Type	Maximum Maturity	Maximum Percentage or Dollar of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Supranationals	5 years	20% *	None
Bankers' Acceptances	180 days	20% *	5% *
Insured Time Deposits	3 years *	10% *	FDIC Limit
Uninsured Time Deposits	18 months *	5% *	2.5% *
Commercial Paper	270 days	20% *	5% *
Negotiable Certificates of Deposit	1 year *	20% *	5% *
Repurchase Agreements	92 days *	20% *	5% *
Reverse Repurchase Agreements	30 days *	Lesser of $25 million or 20% *	None
Corporate Medium Term Notes	5 years	30%	5% *
California Local Agency Investment Fund	N/A	State Treasurer Limit	None
Joint Powers Authority Pools	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Municipal Bonds - Category 1 (City)	5 years	10% *	5% *
Municipal Bonds - Category 2 (State of CA)	5 years	5% *	5% *
Municipal Bonds - Category 3 (CA Issuers)	5 years	30%	5% *
Municipal Bonds - Category 4 (Other 49 States)	5 years	30%	5% *
Investment Agreements	None	None	None
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO)	5 years	10%*	None
Asset Backed Securities (ABS)	5 years	5% *	None

* Represents where the Policy is more restrictive than the California Government Code.

Other restrictions on investments are summarized as follows:

- Purchases of United States government agency securities are limited to issues of Federal Agriculture Mortgage Corporation ("Farmer Mac"), Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. Investment in Farmer Mac may not exceed 10% of the total portfolio.
- Purchases of supranationals are limited to International Bank for Reconstruction and Development, International Finance Corporation and Inter-American Development Bank. Securities shall be rated in a rating category of "AA" or its equivalent or better by Moody's Investors Services ("Moody's"), S&P Global Ratings ("S&P"), or Fitch Ratings ("Fitch"). If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

- Purchases of bankers' acceptances ("BAs") are limited to issues by domestic U.S. or foreign bank branches that are licensed by federal or state governments. Foreign bank issued BAs must be dollar-denominated. Issuing banks must have a short-term rating of "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations, Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Deposits up to 10% of the portfolio may be invested in banks and savings and loans and deposits shall not exceed the net worth of that depository. Depositories must have a short-term rating of "P-1, A-1, or F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be rated in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase. Deposits shall be either insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized in the manner prescribed by State law for depositories. Rating requirements do not apply to depositories where the City's deposits are fully insured by the FDIC.
- Commercial paper eligible for investment must be rated "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations; Moody's, S&P, or Fitch, respectively. Issuing corporations must be organized and operating within the United States, have total assets in excess of $500,000,000 and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better, by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Negotiable certificates of deposit are limited to banks and savings and loans with an issuer short-term rating of "P-1, A-1, F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. No rating may be lower than any of the ratings listed above. The outstanding debt of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Repurchase agreements are to be executed only with primary dealers of the Federal Reserve Bank of New York, which have entered into the City's Master Repurchase Agreement and any subsequent amendments to the Master Repurchase Agreement. Securities accepted as collateral for the repurchase agreement are limited to U.S. Treasury or U.S. Federal Government Agencies permitted under the Policy. The market value of the securities that have been accepted as collateral shall, at the time of transfer, equal at least 102 percent of face value of the repurchase agreement. For other than overnight investments, the securities transferred shall be marked to market on a daily basis and maintained at a market value to at least 102 percent of the repurchase agreement's face value.
- Reverse repurchase agreements under the Policy are limited to the lesser of $25,000,000 or 20% of the portfolio value and to those occasions where unanticipated short-term cash requirements can be met more advantageously by initiating a reverse repurchase agreement than by selling a security into the secondary market prior to maturity.
- Corporate medium-term notes eligible for investment must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.

- Funds invested in LAIF, a State of California managed investment pool, may be made up to the maximum dollar amount per separate legal entity in conformity with account balance limits authorized by the California State Treasurer. The current maximum amount authorized by the State Treasurer is $75 million.
- Funds may be invested in a Joint Powers Authority Pool ("JPAP") organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in Section 53601. Investments in JPAPs will be limited to the California Asset Management Program ("CAMP") and the Investment Trust of California ("CalTRUST"). Ratings of a JPAP must be in a rating category of "AAA" or its equivalent by Moody's, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence. No more than 10% of the portfolio shall be invested in any single JPAP. JPAPs may not exceed 20% of the City's portfolio.
- Investments in money market mutual funds are limited to those funds registered with the SEC and for which either one of the credit criteria are met: (1) obtained the highest ranking or highest letter and numerical rating provided by no less than two nationally recognized rating services or (2) retained an investment advisor registered with the SEC or exempt from the SEC registration requirements with no less than five years of experience investing in securities and obligations authorized by California Government Code Section 53601 and managing money market mutual funds with assets under management in excess of $500,000,000. Investments by the funds are restricted to U.S. Treasury and U.S. Government Agency backed securities permitted under the Policy and must be maintained at no less than $1.00 per share.
- Municipal bonds investments can be made in four categories: (1) bonds issued by the City or its agencies (as defined in the Policy), (2) by the State of California, (3) by other California local agencies, and (4) by any of the other 49 states. Eligible securities must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations; Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- Investment agreements may be used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures and in accordance with other safeguards outlined in the Policy to reduce the risk associated with a provider's inability to meet its contractual obligations.
- Mortgage backed securities and collateralized mortgage obligations must be in a rating category of "AA" or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Asset backed securities must be in a rating category of "AA" or better Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

The Policy permits the Director of Finance to authorize investments that depart from the Policy's numerical limits if such an action is in the best interest of the City and is otherwise consistent with the Policy and applicable City, state and federal laws. Whenever a deviation or exception to the Policy occurs, it must be reported to the City Manager within 3 business days and to the City Council within 10 days of its discovery.

The following schedule indicates the interest rate risk, credit risk and concentration of credit risk of the City's investments, as of June 30, 2023 (in thousands). The credit ratings listed are for Moody's and S&P, respectively.

		Maturity				
Type of Investment	Credit Rating	Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	Carrying Value
Pooled investments in the City Treasury:						
Treasury Notes	Aaa / N/A	$ -	$ 39,632	$ 24,553	$ 38,481	$ 102,666
Treasury Discounts	N/A	69,889	141,554	-	-	211,443
Federal Home Loan Bank	Aaa / AA+	130,000	69,668	9,955	2,877	212,500
Federal Home Loan Bank - Callable	Aaa / AA+	-	83,271	41,359	343,378	468,008
Federal National Mortgage Association	Aaa / AA+	-	6,954	4,318	95,255	106,527
Federal National Mortgage Association - Callable	Aaa / AA+	-	15,486	51,304	44,833	111,623
Federal Farm Credit Bank	Aaa / AA+	-	49,924	-	9,842	59,766
Federal Farm Credit Bank - Callable	Aaa / AA+	-	24,284	9,535	97,654	131,473
Federal Home Loan Mortgage Corporation	Aaa / AA+	225	4,189	4,739	98,057	107,210
Federal Home Loan Mortgage Corporation - Callable	Aaa / AA+	-	41,822	18,071	128,888	188,781
Farmer Mac Interest Bearing	N/A	-	9,975	-	20,319	30,294
Farmer Mac Interest Bearing-Callable	N/A	-	10,535	-	9,010	19,545
Supranationals	Aaa / AAA	-	5,469	4,896	144,977	155,342
Corporate Medium Term Notes	Aaa / AAA	-	8,566	63,600	224,968	297,134
Corporate Floaters	N/A	-	-	-	5,521	5,521
Negotiable Certificates of Deposit	N/A	-	15,610	-	-	15,610
Commercial Paper	N/A	50,000	-	-	-	50,000
Asset Backed Securities	Aaa / AAA	-	-	-	47,528	47,528
Municipal Bonds	Aaa / AAA	-	15,556	25,858	272,369	313,783
Joint Powers Authority Pool	Not Rated	-	-	159,364	-	159,364
California Local Agency Investment Fund	Not Rated	-	-	20,342	-	20,342
Total pooled investments in the City Treasury		250,114	542,495	437,894	1,583,957	2,814,460
Investments with fiscal agents:						
Treasury Notes	N/A	-	21,554	-	-	21,554
Federal Farm Credit Bank	Aaa / AA+	-	-	-	4,420	4,420
Federal Home Loan Bank	Aaa / AA+	-	5,398	-	-	5,398
Money Market Mutual Funds	Aaa / AAA	44,171	-	-	-	44,171
California Local Agency Investment Fund	Not Rated	-	-	275,916	-	275,916
Total investments with fiscal agents		44,171	26,952	275,916	4,420	351,459
Total Citywide investments (excluding Retirement Systems and the SARA)		$ 294,285	$ 569,447	$ 713,810	$ 1,588,377	3,165,919
Trust Funds:						
Total investments in Retirement Systems (See page 77)						8,339,519
Total investments in the SARA (See page 181)						125,316
Total investments						$11,630,754

The City has the following recurring fair value measurements as of June 30, 2023 (in thousands):

		Fair Value Measurement Using		
	Carrying Value 6/30/23	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Pooled Investments in the City Treasury:				
Investments by fair value level				
Treasury Notes	$ 102,666	$ 102,666	$ -	$ -
Treasury Discounts	211,443	211,443	-	-
Federal Home Loan Bank	212,500	184,550	27,950	-
Federal Home Loan Bank - Callable	468,008	-	468,008	-
Federal National Mortgage Association	106,527	-	106,527	-
Federal National Mortgage Association - Callable	111,623	-	111,623	-
Federal Farm Credit Bank	59,766	-	59,766	-
Federal Farm Credit Bank - Callable	131,473	-	131,473	-
Federal Home Loan Mortgage Corporation	107,210	-	107,210	-
Federal Home Loan Mortgage Corporation - Callable	188,781	-	188,781	-
Farmer Mac Interest Bearing	30,294	-	30,294	-
Farmer Mac Interest Bearing-Callable	19,545	-	19,545	-
Supranationals	155,342	-	155,342	-
Corporate Medium Term Notes	297,134	-	297,134	-
Corporate Floaters	5,521	-	5,521	-
Negotiable Certificates of Deposit	15,610	-	15,610	-
Commercial Paper	50,000	-	50,000	-
Asset Backed Securities	47,528	-	47,528	-
Municipal Bonds	313,783	-	313,783	-
Total Investments by fair value level	2,634,754	498,659	2,136,095	-
Investments not subject to fair value hierarchy				
Joint Powers Authority Pool	159,364	-	-	-
California Local Agency Investment Fund	20,342	-	-	-
Total Investments not subject to fair value hierarchy	179,706	-	-	-
Total Pooled Investments in the City Treasury	2,814,460	498,659	2,136,095	-
Investments with fiscal agents:				
Investments by fair value level				
Treasury Notes	21,554	21,554	-	-
Federal Farm Credit Bank	4,420	-	4,420	-
Federal Home Loan Bank	5,398	-	5,398	-
Total Investments by fair value level	31,372	21,554	9,818	-
Investments not subject to fair value hierarchy				
California Local Agency Investment Fund	275,916	-	-	-
Money Market Mutual Funds	44,171	-	-	-
Total Investments not subject to fair value hierarchy	320,087	-	-	-
Total Investments with fiscal agents	351,459	21,554	9,818	-
Total Citywide investments (excluding Retirement Systems and the SARA)	3,165,919	$ 520,213	$ 2,145,913	$ -
Trust Funds:				
Total investments in Retirement Systems (See page 77)	8,339,519			
Total investments in the SARA (See page 181)	125,316			
Total investments	$ 11,630,754			

Fair Value Measurement Categorization. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The City's investments in Money Market Mutual Funds and LAIF are not subject to fair value hierarchy.

Securities classified in Level 1 of the fair value hierarchy include Treasury notes. Treasury notes are priced primarily by automated Interactive Data Corporation (IDC) institutional bond pricing with additional inputs from evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. All other securities in the City's investment pool are classified in Level 2 of the fair value hierarchy. IDC applies various methodologies to price Level 2 securities depending on the asset class. For instance, US agency notes are valued by creating a bullet spread scale for each issuer with maturities going out to forty years. Municipal bonds are valued with multi-dimensional model or series matrices utilizing standard inputs including Municipal Securities Rulemaking Board ("MSRB") reported trades and material event notices. Corporate bonds are valued with evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. Mortgage backed securities are valued upon the given tranche, a cash flow stream model or an option adjusted spread model.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of the City's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the City's name. As of June 30, 2023, the City's deposits were collateralized at 110%. All investments in the City Treasury were in the City's name. Neither deposits nor investments held by the City were subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The City mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to a maximum weight in various asset classes. No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers' Acceptances, Commercial Paper, Negotiable Certificates of Deposits, and Corporate Notes. Investments issued by or explicitly guaranteed by the U.S. government are exempt from this requirement.

As of June 30, 2023, the City's pooled investments in the City Treasury have investments that represent 5% or more of the total pooled investments in the following:

Federal Home Loan Bank	24.18%
Federal Home Loan Mortgage Corporation	10.52%
Federal National Mortgage Association	7.75%
Federal Farm Credit Bank	6.79%

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2023, the City's Policy does not permit investments in the pool to hold foreign currency; as such the investments in the City's investment pool were not subject to foreign currency risk.

2. Retirement Systems

Investment Policies – The City's Municipal Code delegates authority to the Boards of Administration of PFDRP and FCERS (collectively the "Retirement Boards") to invest monies of the respective plans as provided in the Municipal Code. Each Retirement Board has adopted detailed investment guidelines consistent with the conditions and limitations set forth in the Municipal Code.

The Board of Administration of PFDRP approved the investment policy on May 4, 2023, with the asset allocation being updated and approved on March 3, 2022. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and PFDRP's adopted actuarial assumed rate of return as utilized in the June 30, 2022 actuarial valuation.

The PFDRP's investment allocation for the Defined Benefit Pension Plan is as follows:

PFDRP - Pension

Asset Class	Target Asset Allocation	Asset Class	Target Asset Allocation
Public equity	42.0%	Private real assets	4.0%
Private equity	9.0%	Venture / growth capital	4.0%
Cash and cash equivalents	8.0%	Market neutral strategies	3.0%
Core real estate	5.0%	Emerging market bonds	2.0%
Immunized cash flows	5.0%	High yield bonds	2.0%
Investment grade bonds	4.5%	Treasury inflation-protected securities	2.0%
Growth real estate	4.0%	Long-term government bonds	1.5%
Private debt	4.0%		

The PFDRP's investment allocation for the Postemployment Healthcare Plan is as follows:

PFDRP - Postemployment Healthcare

Asset Class	Target Asset Allocation
Public equity	58%
Investment grade bonds	14%
Core real estate	12%
Short-term investment grade bonds	6%
Commodities	5%
Long-term government bonds	5%

The FCERS Defined Benefit Pension Plan investment policy was updated and approved by the FCERS' Board of Administration on May 19, 2022, with the asset allocation being updated and approved on March 18, 2021. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2022 actuarial valuation.

The FCERS' Defined Benefit Pension Plan investment asset allocation is as follows:

FCERS - Pension

Asset Class	Target Asset Allocation	Asset Class	Target Asset Allocation
Public equity	49%	Emerging market bonds	3%
Private equity	8%	Private debt	3%
Investment grade bonds	8%	Market neutral strategies	3%
Core real estate	5%	Private real assets	3%
Immunized cash flows	5%	Long-term government bonds	2%
Venture / growth capital	4%	Treasury inflation-protected securities	2%
Growth real estate	3%	High yield bonds	2%

The FCERS Postemployment Healthcare Plan investment policy and asset allocation were updated and approved by the FCERS' Board of Administration on January 20, 2022 and April 21, 2022, respectively. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2022 actuarial valuation.

FCERS - Postemployment Healthcare

Asset Class	Target Asset Allocation
Public equity	58%
Investment grade bonds	14%
Core real estate	12%
Short-term investment grade bonds	6%
Commodities	5%
Long-term government bonds	5%

At June 30, 2023, the Retirement Systems held the following investments (in thousands):

	PFDRP	FCERS	Total
Securities and other:			
Fixed income:			
Investment grade bonds	$ 244,611	$ 174,245	$ 418,856
Immunized cash flows	371,100	161,586	532,686
Emerging market bonds	124,499	110,305	234,804
Long-term government bonds	85,778	74,021	159,799
Private debt	192,625	102,833	295,458
Treasury inflation-protected securities	96,504	56,954	153,458
High yield bonds	90,492	56,207	146,699
Cash and cash equivalents	359,051	84,299	443,350
Short-term investment grade bonds	12,239	13,182	25,421
Total fixed income	1,576,899	833,632	2,410,531
Commodities	13,526	17,534	31,060
Core real estate	282,868	199,549	482,417
Growth real estate	211,981	119,947	331,928
Venture / growth capital	48,366	15,720	64,086
Market neutral strategies	145,181	90,110	235,291
Private equity	444,232	390,509	834,741
Private real assets	116,727	67,767	184,494
Public equity	2,205,308	1,559,663	3,764,971
Total investments	$ 5,045,088	$ 3,294,431	$ 8,339,519

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk, and concentration of credit risk. The following describes those risks:

Market Risk - General market risk factors exist that could cause depreciation or appreciation of the Retirement Systems' investment portfolio. These risks include general, economic, political and regulatory risks. The Retirement Systems' investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions.

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. Additionally, most other types of investments are also sensitive to changes in the interest rates, generally to a lesser extent. The Retirement Systems' asset allocation details how much of the Systems' investments are fixed income, as well as other types of investments. The Retirement Systems' do not have a policy regarding interest rate risk.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2023 (in thousands):

PFDRP

	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Total Fair Value	Cost
Investment grade bonds [2]	$ 195	$ 606	$ 1,074	$ 49,632	$ 68,568	$ 124,850	$ 244,925	$ 267,899
Immunized cash flows [3]	18,893	9,881	28,385	313,941	-	-	371,100	385,746
Treasury inflation-protected securities	5,793	-	8,811	81,900	-		96,504	103,936
High yield bonds	14	-	960	38,173	41,178	10,167	90,492	98,892
Long-term government bonds	-	-	-	-	-	85,778	85,778	112,402
Emerging market bonds [4]	-	-	-	-	56,644	-	56,644	40,929
Commodities	-	-	-	-	-	13,526	13,526	13,499
Private debt [1]	3,111	675	-	-	-	-	3,786	6,545
Total fixed income	$ 28,006	$ 11,162	$ 39,230	$ 483,646	$ 166,390	$ 234,321	$ 962,755	$ 1,029,848

FCERS

	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Total Fair Value	Cost
Investment grade bonds [2]	$ -	$ 313	$ 389	$ 28,179	$ 68,658	$ 77,653	$ 175,192	$ 194,348
Immunized cash flows [3]	9,401	6,394	15,616	130,163	-	-	161,574	166,529
Treasury inflation-protected securities	3,555	-	5,194	48,205	-	-	56,954	61,834
High yield bonds	9	-	651	24,019	25,751	5,777	56,207	61,483
Long-term government bonds	-	-	-	-	-	74,021	74,021	98,956
Emerging market bonds [4]	-	-	-	-	51,038	-	51,038	39,816
Commodities	-	-	-	-	-	17,534	17,534	17,499
Private debt [1]	908	675	-	-	-	-	1,583	6,916
Total fixed income	$ 13,873	$ 7,382	$ 21,850	$ 230,566	$ 145,447	$ 174,985	$ 594,103	$ 647,381

(1) Private debt is a combination of fixed income and separately managed accounts. The separately managed accounts are not included in this table.

(2) Investment grade bonds accounts consists of fixed income securities and futures. Futures are not included in this table.

(3) Immunized cash flows are a combination of cash and fixed income securities. Cash is not included in this table.

(4) Emerging market bonds allocated accounts consist of fixed income securities, equity securities, and different types of derivatives. The equity and derivative securities are not included in this table.

Custodial Credit Risk – Custodial credit risk is the risk that the Retirement Systems will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The Retirement Systems do not have a policy regarding custodial credit risk. As of June 30, 2023, all of the Retirement Systems' investments are held in the Retirement Systems' name and/or not exposed to custodial credit risk.

Credit Quality Risk – The Retirement Systems' investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Generally credit risk is managed through establishing investment guidelines for every investment manager. Investment managers may, as part of their investment strategy, invest in securities where the issuer's ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. The Retirement Systems may hedge against the possible adverse effects of currency fluctuations on the Retirement Systems' portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A-1 or P-1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The table provides information for the portfolios as of June 30, 2023 concerning credit risk (in thousands) and reflect only securities held in the Retirement Systems' names.

	PFDRP		FCERS	
S&P Quality Rating	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	$ 105,841	10.98%	$ 83,166	14.00%
AA+	493,165	51.22%	239,106	40.25%
AA	40,330	4.19%	52,839	8.89%
AA-	4,267	0.44%	2,359	0.40%
A+	5,192	0.54%	3,206	0.54%
A	9,075	0.94%	6,570	1.11%
A-	11,659	1.21%	6,264	1.05%
BBB+	15,468	1.61%	8,446	1.42%
BBB	15,849	1.65%	7,987	1.34%
BBB-	70,838	7.36%	59,798	10.07%
BB+	10,940	1.14%	6,715	1.13%
BB	12,289	1.28%	8,469	1.43%
BB-	18,593	1.93%	11,815	1.99%
B+	12,322	1.28%	7,580	1.28%
B	10,195	1.06%	6,920	1.16%
B-	9,470	0.98%	5,956	1.00%
CCC+	5,105	0.53%	3,193	0.54%
CCC	3,419	0.36%	1,921	0.32%
CCC-	173	0.02%	106	0.02%
CC	-	0.00%	-	0.00%
D	-	0.00%	-	0.00%
Not Rated	108,565	11.28%	71,687	12.07%
Total	$ 962,755	100.00%	$ 594,103	100.00%

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Retirement Systems' investment policies permit individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Retirement Systems' investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Retirement Systems utilize these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2023, the Retirement Systems' net positions in these contracts are recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' commitments relating to international currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2023, concerning the fair value of investments that are subject to foreign currency risk (in thousands):

	PFDRP			
Currency Name	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 1,754	$ -	$ 1,754
Canadian dollar	31	8,770	-	8,801
Danish krone	-	8,410	-	8,410
Euro currency	596	78,468	44,071	123,135
Hong Kong dollar	51	7,118	-	7,169
Japanese yen	-	17,097	-	17,097
Norwegian krone	-	1,360	-	1,360
Swedish krona	-	5,450	-	5,450
Swiss franc	7	28,526	-	28,533
United Kingdom pound	52	36,036	-	36,088
Total	$ 737	$ 192,989	$ 44,071	$ 237,797

	FCERS				
Currency Name	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	$ -	$ 1,213	$ -	$ -	$ 1,213
Canadian dollar	56	5,975	-	-	6,031
Danish krone	174	4,333	-	-	4,507
Euro currency	1,024	46,236	508	23,549	71,317
Hong Kong dollar	-	3,969	-	-	3,969
Japanese yen	123	10,840	-	-	10,963
Norwegian krone	2	864	-	-	866
Swedish krona	24	2,971	-	-	2,995
Swiss franc	520	17,188	-	-	17,708
Taiwanese new dollar	25	-	-	-	25
United Kingdom pound	36	22,954	-	-	22,990
Total	$ 1,984	$ 116,543	$ 508	$ 23,549	$ 142,584

Investment Concentration Risk – The Retirement Systems' investment policies specify that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the applicable plan's assets without approval by the applicable Retirement Board, with the exception of passive management, where the applicable plan's assets are not held in the applicable plan's name at the applicable plan's custodial bank. In such cases, there is no concentration limit. As a general rule, the Retirement Systems' assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of June 30, 2023, the Retirement Systems did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented 5% or more of the total plan net position or total investments.

Derivative Instruments – The Retirement Systems' investment policies allow for investments in derivative instruments that comply with the Retirement Systems' objectives of providing a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. The Retirement Systems are currently authorized to use derivative instrument strategies to equitize cash during portfolio transitions until physical securities are in place and to reproduce or replicate a physical holding that corresponds to the applicable Retirement Board's approved policy benchmark. In addition to the Retirement Systems' internal derivative instrument policies, it is understood that the mandates of certain investment managers retained by the Retirement Systems may use derivative instruments.

Derivative instruments are reported at fair value. Derivative instruments traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2023. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates*. GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can be replaced with another IBOR without needing a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. The Retirement Systems do not expect GASB 93 to significantly impact the financial statements as the Retirement Systems do not have any direct exposure to derivative instruments tied to LIBOR as of June 30, 2023.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2023, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows (in thousands):

PFDRP

	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2023		Fair Value at June 30, 2023		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/Shares
Fixed income futures long	Investment income	$ (1,910)	Futures	$ -	21,954
Fixed income futures short	Investment income	261	Futures	-	(9,085)
FX forwards	Investment income	(118)	FX fowards	-	$ 1,076
Index futures long	Investment income	(772)	Futures	-	9,592
Index futures short	Investment income	(2,347)	Futures	-	(69,315)
Total derivative instruments		$ (4,886)		$ -	

FCERS

	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2023		Fair Value at June 30, 2023		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/Shares
Fixed income futures long	Investment income	$ (3,561)	Futures	$ -	77,500
Fixed income futures short	Investment income	127	Futures	-	(1,443)
FX forwards	Investment income	(63)	FX forwards	-	612
Index futures long	Investment income	1,004	Futures	-	2,479
Index futures short	Investment income	(1,575)	Futures	-	(21,112)
Total derivative instruments		$ (4,068)		$ -	

Investment derivative instruments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2023.

Counterparty Credit Risk – The Retirement Systems are exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Retirement Systems' investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract.

As of June 30, 2023, PFDRP's total commitments in forward currency contracts to purchase and sell international currencies were $1,076,000, with fair values of $1,076,000 and $1,076,000, respectively, held by counterparties with an S&P rating of at least BBB+.

As of June 30, 2023, FCERS' total commitments in forward currency contracts to purchase and sell international currencies were $612,000, with fair values of $612,000 and $612,000, respectively, held by counterparties with an S&P rating of BBB+ and above.

Fair Value Measurements – The Retirement Systems categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

The Retirement Systems have the following recurring fair value measurements as of June 30, 2023:

PFDRP (In Thousands)	Total	Fair Value Measurement Using Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by fair value level					
Public equity	$ 2,205,308	$ 362,317	$ -	$ -	$ 1,842,991
Cash and cash equivalents	359,051	359,051	-	-	-
Private equity	444,232	-	-	26,304	417,928
Core real estate	282,868	2,229	-	-	280,639
Investment grade bonds	244,611	36,930	168,959	-	38,722
Growth real estate	211,981	-	-	-	211,981
Immunized cash flows	371,100	292,136	78,964	-	-
Private debt	192,625	-	-	3,786	188,839
Market neutral strategies	145,181	-	-	-	145,181
Emerging market bonds	124,499	-	-	-	124,499
Treasury inflation-protected securities	96,504	96,504	-	-	-
High yield bonds	90,492	7,560	73,632	-	9,300
Long-term government bonds	85,778	-	-	-	85,778
Private real assets	116,727	-	-	68	116,659
Venture / growth capital	48,366	-	-	-	48,366
Short-term investment grade bonds	12,239	12,239	-	-	-
Commodities	13,526	-	-	-	13,526
Total investments measured at fair value level	**$ 5,045,088**	**$ 1,168,966**	**$ 321,555**	**$ 30,158**	**$ 3,524,409**

FCERS (In Thousands)	Total	Fair Value Measurement Using Level 1	Level 2	Level 3	Net Asset Value (NAV)
Investments by fair value level					
Public equity	$ 1,559,663	$ 250,578	$ -	$ -	$ 1,309,085
Private equity	390,509	-	-	26,303	364,206
Investment grade bonds	174,245	22,516	101,208	-	50,521
Core real estate	199,549	-	-	-	199,549
Growth real estate	119,947	-	-	-	119,947
Private debt	102,833	-	-	3,786	99,047
Market neutral strategies	90,110	-	-	-	90,110
Emerging market bonds	110,305	-	-	-	110,305
Immunized cash flows	161,586	133,814	27,772	-	-
Long-term government bonds	74,021	-	-	-	74,021
Cash and cash equivalents	84,299	84,299	-	-	-
Treasury inflation-protected securities	56,954	56,954	-	-	-
High yield bonds	56,207	-	50,852	-	5,355
Private real assets	67,767	-	-	45	67,722
Commodities	17,534	-	-	-	17,534
Venture / growth capital	15,720	-	-	-	15,720
Short-term investment grade bonds	13,182	13,182	-	-	-
Total investments measured at fair value	**$ 3,294,431**	**$ 561,343**	**$ 179,832**	**$ 30,134**	**$ 2,523,122**

Equity and Fixed Income Securities

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices for similar securities that are observable in the marketplace. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are unobservable by the marketplace. Many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank for PFDRP or FCERS as applicable.

Alternative Investments

For both Retirement Systems, alternative investments include public equity, private equity, core real estate, investment grade bonds, growth real estate, high yield bonds, market neutral strategies, emerging market bonds, commodities, private debt, venture/growth capital, long-term government bonds and private real assets. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner ("GP") of each investment firm retained by the Retirement Systems. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in the Retirement Systems' alternative investment programs are classified as Level 3 assets or at the NAV Level. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB Statement No.72, *Fair Value Measurement and Application*, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of the fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value / latest 12 months earnings before interest, taxes, depreciation and amortization ("EBITDA") or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 or NAV in the fair value hierarchy, provided that the NAV is calculated and used as a practical expedient method to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy.

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2023:

PFDRP

Investments Measured at the NAV as of June 30, 2023 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Public equity	$ 1,842,991	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	417,927	169,611	Daily, N/A	1 Day, N/A
Core real estate	280,639	-	Quarterly	90 Days
Investment grade bonds	38,722	-	Daily	1- 3 Days
Growth real estate	211,981	119,683	N/A	N/A
Private debt	188,839	185,457	N/A	N/A
Market neutral strategies	145,181	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	124,499	-	Daily, Quarterly	1 - 45 days
High yield bonds	9,300	-	Daily	3 Days
Long-term government bonds	85,778	-	Daily	3 Days
Private real assets	116,659	86,320	N/A	N/A
Venture / growth capital	48,366	70,953	N/A	N/A
Commodities	13,526	-	Daily	3 Days
Total investments measured at the NAV	**$ 3,524,408**	**$ 632,024**		

FCERS

Investments Measured at the NAV as of June 30, 2023 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Public equity	$ 1,309,086	$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	364,206	102,400	Daily, N/A	1 Day, N/A
Core real estate	199,549	-	Quarterly	90 Days
Investment grade bonds	50,521	-	Daily	1 - 3 Days
Growth real estate	119,947	60,000	N/A	N/A
Market neutral strategies	90,110	-	Monthly, Bi-Annual	45 - 60 Days
Emerging market bonds	110,305	-	Daily, Quarterly	1 - 45 Days
Private debt	99,047	63,500	N/A	N/A
Long-term government bonds	74,021	-	Daily	3 Days
Private real assets	67,722	51,100	N/A	N/A
Commodities	17,534		Daily	3 Days
Venture / growth capital	15,720	52,000	N/A	N/A
High yield bonds	5,355	-	Daily	3 Days
Total investments measured at the NAV	**$ 2,523,123**	**$ 329,000**		

Public equity

Public equities are shares of ownership of a firm listed on an exchange; the Retirement Systems hold global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

Private equity

This type generally invests in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with a one-day notice.

Core real estate

This type includes investments in open-ended real estate commingled funds. Core real estate funds typically invest in physical properties. The goal of core real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds held by the Retirement Systems. The open-ended real estate funds offer quarterly redemptions with notice periods of three months.

Investment grade bonds

The purpose of investment grade bonds is to produce returns and income for the Retirement Systems by providing exposure to rates and credit risk. The commingled funds offer daily liquidity with a notice period of one to three days.

Growth real estate

The goal of growth real estate is to produce price appreciation and income for the Retirement Systems while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

Private debt

This type includes investments in private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

Market neutral strategies

This type includes investments in limited partnership hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivative instruments, and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from monthly to bi-annual with notice periods of forty-five days to sixty days.

Emerging market bonds

Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivative instruments thereof in emerging market countries with a sovereign rating less than BBB-. One partnership has a quarterly redemption period with a notice period of 45 days; the other has a daily redemption period with one-day notice period.

High yield bonds

The primary purpose of high yield bonds is to provide the Retirement Systems exposure to high yielding corporate debt. The commingled fund offers daily liquidity with a notice period of three days.

Long-term government bonds

The purpose of long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk. The commingled fund offers daily liquidity with a notice period of three days.

Private real assets

Private real assets are physical or tangible assets that have value due to their substance and properties. The goal of real assets is to help the portfolio maintain purchasing power through periods of inflation. The only way to exit these funds is through a sale in a secondary market.

Venture/growth capital

This type includes investments in venture capital limited partnership funds, which generally invest in early stage privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

Commodities

Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation. The commodities funds offer daily liquidity with three business days' notice.

B. Receivables, Net of Allowances

At June 30, 2023, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts, are as follows (in thousands):

Receivables - Governmental Activities:	General Fund	Housing Activities	Low and Moderate Income Housing Asset	Special Assessment Districts	Nonmajor Funds	Internal Service Funds	Total Governmental Activities
Taxes	$ 77,092	$ -	$ -	$ -	$ 9,410	$ -	$ 86,502
Accrued interest	3,634	786	679	191	4,211	156	9,657
Grants	4,127	4,760	-	-	16,717	-	25,604
Special assessments	-	-	-	101	-	-	101
Other	56,188	1,343	1	1,383	41,441	352	100,708
Less: allowance for uncollectibles	(37,591)	(2)	-	(4)	(2,939)	-	(40,536)
Total receivables, net	$ 103,450	$ 6,887	$ 680	$ 1,671	$ 68,840	$ 508	$ 182,036

Receivables - Business-Type Activities:	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total Business-Type Activities
Accounts	$ 14,466	$ 5,511	$ 14,916	$ 116	$ 92,662	$ 127,671
Accrued interest	2,141	2,037	163	192	703	5,236
Grants	4,708	-	-	-	-	4,708
Less: allowance for uncollectibles	(584)	(389)	(1,159)	(14)	(18,697)	(20,843)
Total receivables, net	$ 20,731	$ 7,159	$ 13,920	$ 294	$ 74,668	$ 116,772

C. Loans Receivable, Net of Allowances

The composition of the City's loans receivable balance for governmental funds, net of the allowance for uncollectible accounts, as of June 30, 2023 is as follows (in thousands):

Type of Loan	General Fund	Housing Activities	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	Total Governmental Activities
Housing Program Developer, rehabilitation, second mortgage and relocation loans	$ 2,761	$ 41,801	$ 486,056	$ -	$ 530,618
Loans funded by federal grants	-	85,841	-	3,961	89,802
Economic development, real estate developer and other loans	1,241	-	-	-	1,241
Less: allowance for uncollectibles	(1,799)	(65,377)	(252,097)	(1,703)	(320,976)
Total loans, net	$ 2,203	$ 62,265	$ 233,959	$ 2,258	$ 300,685

The City uses funds generated from the loan repayment program income as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals, and families by providing loans at "below market" interest rates.

Typical loans and related terms are summarized as follows:

Loan Type	Interest Rates	Due
New construction and permanent	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
First time home buyer	4%	7 to 40 years
Home improvement	3 - 6%	1 to 30 years

Loans are secured by first, second, third or lower in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer loans, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving very low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

The City maintains a valuation allowance against loans receivable comprised of an allowance for risk and an allowance for present value discount. The allowance for risk is maintained to provide for losses that can be reasonably anticipated. The allowance is based upon continuing consideration of changes in the character of the portfolio, evaluation of current economic conditions, and such other factors that, in the City's judgment, deserve recognition in estimating potential loan losses. The allowance for risk takes into consideration maturity dates, interest rates, and other relevant factors.

In accordance with City policy, loans are funded at below market rates of interest and include amortized net cash flow deferred repayment terms. This policy exists to enhance the well-being of the recipients or beneficiaries of the financial assistance, who, as described above, are very low, low, or moderate-income individuals or families, or developers of housing for such individuals or families.

Accordingly, for financial statement purposes, the City has established an allowance account against the loans receivable balance containing a present value discount. The present value discount gives recognition to the economic cost of providing loans at interest rates below market, and represents an estimate of the present value of projected net cash flows to the City from the loan portfolio. The present value discount attributable to the loans will be recognized as interest income only as such loans are repaid in full because of the deferred nature of the loan portfolio and the high level of uncertainty relating to the likelihood that cash flows will occur as projected. The difference between the individual outstanding loan balances and the calculated net present value of the loans results in the allowance for present value discount. Losses are recognized as an addition to the allowance and any subsequent recoveries are deducted from the allowance.

The City's management believes the combined amount of the aforementioned risk and present value discount allowances is adequate to reflect the net realizable value of the Community Development Block Grant ("CDBG") loans, Home Investment Partnership Program ("HOME") loans, and Low and Moderate Income Housing Asset Fund loans receivable as of June 30, 2023.

In the normal course of operations for housing programs, the City has outstanding commitments to extend credit, which have been encumbered as of June 30, 2023. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2023, amounts committed to extend credit under normal lending agreements totaled approximately $39,589,000.

D. Capital Assets

1. *Summary Schedule*

The following is a summary of capital assets activity for the year ended June 30, 2023 (in thousands):

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 549,676	$ 19,379	$ 204	$ -	$ 568,851
Construction in progress	141,466	42,096	-	(28,559)	155,003
Total capital assets, not being depreciated	691,142	61,475	204	(28,559)	723,854
Capital assets, being depreciated:					
Buildings	1,675,349	10,795	1,385	10,618	1,695,377
Improvements, other than buildings	328,398	193	-	6,826	335,417
Infrastructure	11,618,825	7,217	-	5,373	11,631,415
Vehicles and equipment	187,034	16,846	4,759	5,742	204,863
Furniture and fixtures	1,265	-	-	-	1,265
Right-to-use assets: Buildings	6,363	10,737	-	-	17,100
Right-to-use assets: Equipment	-	634	-	-	634
Right-to-use assets: SBITA*	20,497	-	-	-	20,497
Total capital assets, being depreciated	13,837,731	46,422	6,144	28,559	13,906,568
Less accumulated depreciation for:					
Buildings	(803,841)	(38,767)	596	-	(842,012)
Improvements, other than buildings	(91,324)	(10,362)	-	-	(101,686)
Infrastructure	(8,599,189)	(163,729)	-	-	(8,762,918)
Vehicles and equipment	(140,013)	(19,480)	4,744	-	(154,749)
Furniture and fixtures	(940)	(58)	-	-	(998)
Right-to-use assets: Buildings	(1,564)	(2,265)	-	-	(3,829)
Right-to-use assets: Equipment	-	(63)	-	-	(63)
Right-to-use assets: SBITA*	-	(4,252)	-	-	(4,252)
Total accumulated depreciation	(9,636,871)	(238,976)	5,340	-	(9,870,507)
Total capital assets, being depreciated, net	4,200,860	(192,554)	804	28,559	4,036,061
Governmental activities capital assets, net	$ 4,892,002	$ (131,079)	$ 1,008	$ -	$ 4,759,915
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 137,938	$ -	$ -	$ -	$ 137,938
Intangible assets	12,882	-	-	-	12,882
Construction in progress	640,685	149,806	-	(40,137)	750,354
Total capital assets, not being depreciated	791,505	149,806	-	(40,137)	901,174
Capital assets, being depreciated:					
Buildings	1,774,123	2,650	-	23,115	1,799,888
Improvements, other than buildings	1,441,359	13,242	-	10,142	1,464,743
Vehicles and equipment	335,534	3,122	2,229	6,878	343,305
Right-to-use assets: Vehicle	293	110	-	-	403
Right-to-use assets: Land	290	558	-	-	848
Right-to-use assets: SBITA*	5,055	-	-	-	5,055
Total capital assets, being depreciated	3,556,654	19,682	2,229	40,135	3,614,242
Less accumulated depreciation for:					
Buildings	(799,866)	(45,743)	-	-	(845,609)
Improvements, other than buildings	(774,774)	(34,429)	-	-	(809,203)
Vehicles and equipment	(221,243)	(12,746)	2,169	-	(231,820)
Right-to-use assets: Vehicle	(201)	(100)	-	-	(301)
Right-to-use assets: Land	(25)	(135)	-	-	(160)
Right-to-use assets: SBITA *	(780)	(1,115)	-	-	(1,895)
Total accumulated depreciation	(1,796,889)	(94,268)	2,169	-	(1,888,988)
Total capital assets, being depreciated, net	1,759,765	(74,586)	60	40,135	1,725,254
Business-type activities capital assets, net	$ 2,551,270	$ 75,220	$ 60	$ (2)	$ 2,626,428

*Balance on 7/1/2022, as restated due to implementation of GASB 96 SBITA (Subscription-Based Information Technology Arrangements)

2. *Depreciation*

Depreciation expense charged to various governmental and business-type activities of the City for the year ended June 30, 2023 is as follows (in thousands):

Governmental activities:		
General government	$	17,344
Public safety		14,936
Capital maintenance		173,197
Community services		32,307
Capital assets held by City's internal service funds		1,192
Total depreciation expense - governmental activities	$	238,976
Business-type activities:		
San José Mineta International Airport	$	56,297
Wastewater Treatment System		32,806
Municipal Water System		2,959
Parking System		2,026
San José Clean Energy		180
Total depreciation expense - business-type activities	$	94,268

3. *Construction Commitments*

Commitments outstanding as of June 30, 2023, related to governmental and business-type activities construction in progress totaled approximately $33,681,000 and $214,558,000, respectively.

E. Leases and Subscription-Based Information Technology Arrangements ("SBITA")

Lease Payable

This note provides information for leases where the City is a lessee.

The City has entered into various lease agreements as lessee primarily for land, building, office space and airport buses. Most leases have initial terms of up to five years, and contain one or more renewal at the City's option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. Additionally, office space leases that include variable payments, include the City's proportionate share of the building's property taxes, insurance, and common area maintenance in the payment. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The statement of net position includes the following amounts relating to leases (in thousands):

	Governmental Activities:	Business-type Activities:	Total
Right-to-use Assets (net of amortization):			
Buildings	$ 13,271	$ -	$ 13,271
Land	-	687	687
Equipment	571	-	571
Vehicle	-	101	101
	$ 13,842	$ 788	$ 14,630
Lease Payable:			
Current	$ 2,161	$ 231	$ 2,392
Noncurrent	12,055	569	12,624
	$ 14,216	$ 800	$ 15,016

The future principal and interest lease payments as of June 30, 2023 were as follows (in thousands):

Fiscal year	Governmental Activities: Principal	Governmental Activities: Interest	Business-type Activities: Principal	Business-type Activities: Interest
2024	$ 2,161	$ 392	$ 231	$ 19
2025	2,131	328	134	15
2026	2,057	265	138	11
2027	1,535	209	142	7
2028	1,190	172	25	4
2029-2033	4,300	352	130	9
2034-2038	514	80	-	-
2039-2043	193	35	-	-
2044-2048	135	6	-	-
	$ 14,216	**$ 1,839**	**$ 800**	**$ 65**

Lease Receivable

The City leases out its buildings, office space and airport hangars and contain one or more renewals at the City's and lessor's option, generally for three or five year periods. The City has generally included these renewal periods in the lease term when it is reasonably certain that the City will exercise the renewal option. The City's lease arrangements do not contain any material residual value guarantees. The City utilizes its incremental borrowing rate to discount the lease payments.

Although the City is exposed to changes in the residual value at the end of the current leases, the City typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investment properties are as follows (in thousands):

	Governmental Activities: Principal	Governmental Activities: Interest	Business-type Activities: Principal	Business-type Activities: Interest
2024	$ 1,036	$ 381	$ 2,675	$ 369
2025	699	353	2,804	294
2026	1,078	329	2,938	217
2027	1,172	294	3,077	136
2028	1,085	262	2,364	77
2029-2033	5,460	826	-	65
2034-2038	2,764	100	-	-
	$ 13,293	**$ 2,544**	**$ 13,858**	**$ 1,158**

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows (in thousands):

	2023 Governmental Activities:	2023 Business-type Activities:	Total
Lease revenue	$ 1,810	$ 2,156	$ 3,966
Interest revenue	$ 414	$ 247	$ 661

Airport Leases

Leases as a Lessor

As a lessor, the Airport recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset to lessee. The Airport does not have any leases of assets held as investment or leases that transfer ownership of the underlying asset to lessee. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to future periods.

Regulated Leases

In accordance with GASB Statement No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers, and other aeronautical users. Regulated leases include the Airline Lease Agreement and related airline leases, as well as contracts with Fixed Based Operators (FBOs), Specialized Aviation Service Operators (SASO), and a jet fuel farm.

Airline Leases

The City entered into an Airline Lease Agreement with various passenger and cargo airlines serving the Airport, effective July 1, 2019. The Airline Lease Agreement has an initial term of ten years and is set to expire on June 30, 2029. The term of this Airline Lease Agreement may be extended for two consecutive five-year renewal periods by the mutual written agreement of the Signatory Passenger Carriers and the City.

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The terminal rate per square feet is calculated based on expenses allocable to the terminal for each fiscal year divided by the total amount of rentable terminal space. Should there be any remaining net revenues generated at the Airport and all requirements of the Master Trust Agreement and any Subordinated Financing Agreements have been satisfied, including the minimum rate covenant requirement, the Passenger Carriers' share of the remaining net terminal revenues shall be distributed as a refund once a final accounting of the Airport's operations for the last fiscal year has been completed. After the final accounting is completed, an invoice will be sent to the Passenger Carriers if the actual expenses in the terminal were higher than the revenues. The landing fee rate is calculated by dividing the expenses allocable to the airfield, offset by airfield revenues, other than landing fees, by the projected aggregated maximum gross landed weight for all aircraft at the Airport during the fiscal year. The aggregate credit or debit, if any, resulting from the final accounting after each fiscal year shall be applied to the airfield revenue requirement for the following fiscal year.

The Airline Lease Agreement defines a Signatory Airline as either a 1) Passenger Carrier that executes the Airline Lease Agreement, or an agreement with substantially similar terms, and pays at least $500,000 per year in Terminal Rents and other charges due for its use of the Terminal, excluding PFC payments, or 2) a Cargo Carrier that has executed an Airline-Airport Cargo Operating Agreement. A Passenger Carrier cannot become a Signatory Airline within three years of the expiration of the Airline Lease Agreement, except for new entrants to the Airport that have not operated at the Airport at any other time during the term of the Airline Lease Agreement.

The Airline Lease Agreement includes other provisions to: 1) allocate the cost of the office and administrative space used by the City and the City's contractors at the Airport to all terminal tenants; 2) pre-approves the Terminal Area Improvement Program (TAIP) for the Phase II of Terminal B, which can include New Federal Inspection Station (FIS) Facilities when the Airport reaches an annual rate of 550,000 international deplaning passengers for 18 consecutive months; 3) increases current spending limits for terminal and airfield projects from $5.0 million to $10.0 million without consultation or approval from the Signatory Airlines to fund a capital project; 4) requires Non-Signatory Airlines to provide a security deposit in addition to payment of a 25% premium over the rates and charges applicable to Signatory Airlines; 5) establishes revenue sharing in any year when there is remaining revenue generated at the Airport for Signatory Airlines as follows: a) the Airport will receive the first $4.0 million until the Phase II of Terminal B terminal project is completed and occupied and $2.0 million thereafter, and b) the rest of the net remaining revenue will be split 40%/60% (Airport/Signatory Airlines) throughout the term; 6) Airlines continue to make extraordinary coverage protection for covering annual debt service and coverage requirements should revenues less operating expenses be insufficient to meet the Airport's debt service obligations; and 7) provides continuation of the City's indirect overhead brackets to no less than 15% and not more than 25% of the Airport's operating budget.

Any passenger or air cargo carrier that does not meet the minimum requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement in a form similar to that of the Airline Lease Agreement. Non-Signatory Airlines are charged a premium of 25% over the rates and charges applicable to Signatory Airlines, do not participate in revenue sharing, and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport. Non-signatory agreements may be terminated by either party on a 30-day notice. For the year ended June 30, 2023, one of twelve passenger airlines was under the Non-Signatory Airline agreement.

Any passenger or air cargo carrier operating at the Airport that is neither a Signatory Airline nor a Non-Signatory Airline will be subject to the Airline Rates and Charges Ordinance, which requires such air carriers to comply with all applicable rules and regulations as established by the Director of Aviation regarding the proper use and occupancy of the Airport or any portion thereof. In addition, the Airline Rates and Charges Ordinance establishes all rates and charges applicable to such airline's operations at and use of the Airport or any portion thereof, including airfield and terminal rates and charges, at a 30% premium over the rates and charges as determined pursuant to the terms of the City's then current Airline Lease Agreement.

For the year ended June 30, 2023, the Airport's net remaining revenues as defined in its lease agreements were $14.1 million. For the year ended June 30, 2023, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by $14.4 million. The net remaining revenues for the year ended June 30, 2023 was divided by allocating the first $4.0 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services, and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities are addressed in the Airline Lease Agreement. As of July 1, 2022, 25 of the Airport's 36 gates were leased under exclusive use agreements to five airlines. The remaining 11 gates were available to other airlines for rent on a per-use basis. Effective February 1, 2023, the number of preferential gates increased to 26, decreasing the per-use basis gates to 10. Effective June 7, 2023, the number of preferential gates increased to 27 and the exclusive use agreements to six airlines, decreasing the per-use basis gates to 9. As of July 1, 2022, 26 of the Airport's 53 ticket counters were leased under exclusive use agreements to six airlines. The remaining 27 ticket counters were available to other airlines for rent on a per-use basis. Effective June 7, 2023, the number of preferential ticket counters increased to 29 under exclusive use agreements with seven airlines, decreasing the per-use basis ticket counters to 24.

By definition, the Airline Lease Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Airport has entered into a Signatory Airline Lease Agreement with 11 passenger airlines. For the year ended June 30, 2023, the Airport recognized terminal lease revenue of $60,314,000. Due to the variable nature of the above revenues from year to year, expected future minimum payments are indeterminable.

Ground Lease

The City entered into a facility ground lease agreement with Southwest Airlines, effective October 3, 2008. This lease agreement is to construct and maintain a building exclusively for the use of the airline in order to provision the airline's operation, facilitate the airline's cargo handling, and provide equipment maintenance at the Airport. The lease agreement has an initial term of 20 years from the effective date for the ground lease of 104,000 square feet. For the year ended June 30, 2023, the Airport recognized terminal lease revenue of $342,000.

The future expected minimum rentals to be received from the existing ground lease are as follows (in thousands):

As of June 30, 2023:		
2024	$	356
2025		376
2026		396
2027		418
2028		441
2029-2033		122
	$	2,109

FBO Leases

The City currently has two FBOs, Atlantic Aviation and Signature Flight Support, that provide essential support services for business and private aviation, including refueling, hangar space, maintenance, repair and overhaul, and other services.

Atlantic Aviation, the operating business entity for San Jose Jet Center and ACM Property Services, LLC, has multiple agreements with the City. On June 25, 1985, the City entered into a ground lease of 653,000 square feet for 42 years and 6-month term, which was extended to June 30, 2035, with the fifth amendment on June 17, 1994. With the sixth amendment, the City entered into an additional ground lease of 313,000 square feet on April 29, 2003, which resulted in a total of 966,000 square feet ground lease. On November 26, 2012, the City entered into another ground lease of 45,000 square feet and subsequently added an additional 12,000 square feet. Through various amendments, the lease term has been extended and is set to expire on June 30, 2025. Rental revenues from the ground lease with Atlantic were $3,401,000 for the year ended June 30, 2023.

On December 12, 2013, the City entered into a ground lease and operating agreement with Signature, which constructed a full-service, fixed-based facility on approximately 29 acres of the Airport's west side (Original Master Leasehold Parcel). The term of the agreement is 50 years from December 12, 2013 to December 11,

2063. On July 2, 2018, the City entered into the first amendment to the ground lease and operating agreement by adding a new parcel of land containing approximately four acres (Additional Premises), bringing the total lease to 33 acres. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. Rental revenues from the ground lease with Signature were $3,910,000 for the year ended June 30, 2023.

SASO

The City entered into a 30-year ground lease contract with Avbase on March 20, 2001 for 214,000 square feet. Rental revenues from the ground lease with Avbase were $562,000 for the year ended June 30, 2023.

Hangars

On May 29, 1986, the City entered into a 42-year and 6-month ground lease contract with Hewlett Packard Enterprise Company for 309,000 square feet for corporate aviation operations, including servicing and monitoring aircraft owned, leased, operated, and controlled by the tenant. On January 24, 2023, the City entered into a third amendment to terminate the ground lease contract with a payment by the City to Hewlett Packard Enterprise Company of $2.2 million. Rental revenues from the ground lease with Hewlett Packard Enterprise Company were $545,000 for the year ended June 30, 2023.

Jet Fuel Farm

On May 2, 2006, the City entered into a ground lease contract with SJC Fuel Company LLC for 242,000 square feet space for storage and fuel dispensing area. The contract expires on July 20, 2038, the 30th anniversary of the commencement date. On June 30, 2008, the first amendment to the ground lease agreement was executed under which the lessee agreed to expand the fuel storage area and relocate the fuel dispensing area resulting in the lease of an additional 34,000 square feet. As a result of the fuel dispensing area relocation, the City has provided monthly rental credits for actual additional construction costs incurred by the lessee. The monthly credit of $2,609 was issued in FY 2023. This credit is expected to end on July 1, 2038. Net rental revenues from the ground lease with SJC Fuel were $555,000 for the year ended June 30, 2023.

The future expected minimum rentals to be received from the existing FBO, SASO, and jet fuel farm leases as of June 30, 2023, are as follows (in thousands):

Fiscal Year Ending June 30, 2023		
2024	$	8,697
2025		9,174
2026		9,424
2027		9,941
2028		10,486
2029-2033		61,706
2034-2038		58,250
2039-2043		49,608
2044-2048		64,620
2049-2053		84,317
2054-2058		110,017
2059-2063		143,551
2064-2068		16,010
Total minimum lease rentals	$	635,801

Leases with Variable Payments

The table below shows the amount of inflow of resources recognized for variable payments per various concession categories for the year ended June 30, 2023 (in thousands):

Concession Categories	Inflow of Resources year ended June 30, 2023
Inflight Kitchen	$ 1,184
Retail	4,141
Food & Beverage	6,479
Rental Car	17,383
	$ 29,187

The leases with major concessionaires are generally based on the greater of percentage of their sales or a minimum annual guarantee (MAG). Additionally, the major concessionaire contracts include a MAG abatement clause in which, if passenger counts fall below a certain level, then their MAG is reduced by the same percentage, therefore, making the inflow of resources variable.

The City entered into an On-Airport Rental Car Operations Agreement and Lease with multiple rental car companies on February 19, 2008, which have the largest inflow of variable payments, as shown in the table above. The agreement expired on June 30, 2020 and the rental car companies were operating in hold-over until May 2023. On May 19, 2023, the City amended the On-Airport Rental Car Operations Agreement and Lease with all seven rental car companies to extend the term retroactively from July 1, 2020 to June 30, 2030. Similar to the inflight kitchen, retail, and food and beverage concessionaires, the rental car companies also pay the greater of MAG or a percentage fee of their sales and have a MAG abatement clause if passenger level fall below a certain amount. Due to the variability of the payments a lease receivable value cannot be calculated. Part of the agreement is for the ground rent of the rental car facility and is discussed under Other Leases below.

Other Leases

In accordance with GASB No. 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB No. 87. Effective July 31, 2007, the Airport entered into an advertising concession agreement with Clear Channel Outdoor. The agreement has been amended and restated various times since its inception. The latest amendment on April 3, 2019, extended the term through June 30, 2027, and the MAG was revised to $2.0 million effective July 1, 2019 with an annual increase of 2.5% at each July 1 thereafter. The Airport is reporting lessor lease receivables of $8,735,000 as of June 30, 2023. For the year ended June 30, 2023, the Airport reported lease revenue of $2,035,000 and interest revenue of $230,000. The amount of inflows of resources recognized in this reporting period for variable payment was $1,591,000 for the year ended June 30, 2023. The future expected lease receivable and revenue balances for this in-scope GASB No. 87 lease are summarized as follows (in thousands):

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2024	$ 8,735	$ 184	$ 2,024	$ 2,035	$ 6,711
2025	6,711	135	2,128	2,035	4,583
2026	4,583	84	2,236	2,035	2,347
2027	2,347	30	2,347	2,035	-

On June 30, 2023, the ending lease receivable was $2,024,000 and $6,711,000 for current and noncurrent assets, respectively.

The ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Lease is subject to a valuation under the guidelines outlined in GASB 87. Each company's share of the ground rent is based on its proportionate share of square feet of the ConRAC facility and is adjusted annually by an amount equivalent to the percentage change in the consumer price index. The latest amendment on May 19, 2023, extended the term through June 30, 2030. Prior to the amendment, the agreement was in hold-over. Following the amendment, the Airport recorded a lease receivable. The Airport recorded lessor lease receivable of $5,206,000 as of May 19, 2023, the date of the amendment. For the year ended June 30, 2023, the Airport reported lease revenue of $121,000 and interest revenue of $17,000 for the period from May 19, 2023 to June 30, 2023. The amount of inflow of resources recognized from May 19, 2023 to June 30, 2023 was $98,000. The future expected lease receivable and revenue balances for this in-scope GASB No. 87 lease are summarized as follows (in thousands):

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2024	$ 5,124	$ 185	$ 651	$ 726	$ 4,473
2025	4,473	159	676	726	3,797
2026	3,797	133	702	726	3,094
2027	3,094	106	730	726	2,364
2028	2,364	77	758	726	1,606
2029-2033	2,425	65	1,606	1,453	818

On June 30, 2023, the ending lease receivable was $651,000 and $4,473,000 for current and noncurrent assets.

Leases as a Lessee

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

On September 16, 2009, the Airport entered into a restated operating lease and maintenance agreement for a total of 24 compressed natural gas (CNG) powered buses. On May 23, 2012, a first amendment was entered into to terminate the lease on 14 of the 24 buses. On May 19, 2017, the restated agreement was amended a second time to extend the term through May 31, 2019, with a one-year option to extend. On May 15, 2020, the third amendment to the restated agreement was executed, extending the term for up to three additional one-year option terms. As amended and restated, the second option reduced the number of CNG buses from ten to six as of August 1, 2020 and four as of November 1, 2020. The third option was exercised on April 29, 2021, extending the term through May 31, 2022. The fourth option was exercised on March 30, 2022, extending the term through May 31, 2023. The fifth option was exercised on May 23, 2023, extending the term through May 31, 2024 and resulting in a lease remeasurement. In accordance with GASB No. 87, the Airport recognizes a lease liability and a lease asset for leases the Airport categorizes as in-scope of GASB No. 87. The lease asset existing at the beginning of the current fiscal year was fully amortized before the fifth option was exercised in May 2023 and the lease liability and lease asset were remeasured. The fifth option extension resulted in a lease liability and lease asset of $110,000. Rental expense was $105,000 for the year ended June 30, 2023. Amortization expense for the year ended June 30, 2023 is $101,000. The lease liability as of June 30, 2023 is $101,000. The lease asset value, net of accumulated amortization, as of June 30, 2023 is $101,000.

Security Deposit

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant, or any other entity or person, that is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable LOC, surety bond, cashier's check, or other forms acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of the security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms, and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of LOC or surety bonds, which are not recorded in the financial statements. The amount on file as of June 30, 2023 totaled $32,082,000.

Subscription-Based Information Technology Arrangements

The City recognizes a subscription liability and a subscription asset at the commencement of a SBITA term unless the subscription is a short-term SBITA. The subscription liability is measured at the present value of payments expected to be made during the subscription term, less any vendor incentives. The subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the SBITA vendor at the commencement of the subscription term, and certain initial implementation costs.

SBITA Payable

The City is obligated under contracts covering certain subscription-based information technology arrangements (SBITA) that expire at various dates during the next fourteen years. The City has entered into various SBITA contracts as lessee for information technology (IT) softwares. Most SBITA contracts have initial terms of up to five years, and contain one or more renewals at the City's option. The City generally included these renewal periods in the subscription term when it is reasonably certain that the City will exercise the renewal option and the contract is not deemed cancellable. The City's SBITA contracts do not contain any material residual value guarantees. As the interest rate implicit in the City's agreements are not readily determinable, the City utilizes its incremental borrowing rate to discount the SBITA payments.

The statement of net position shows the following amounts relating to SBITA:

	Governmental Activities	Business-type Activities	Total
Right-to-use Assets (net of amortization):			
SBITA	$ 16,245	$ 3,160	$ 19,405
	$ 16,245	$ 3,160	$ 19,405
SBITA Payable:			
Current	$ 4,747	$ 1,125	$ 5,872
Noncurrent	11,415	2,147	13,562
	$ 16,162	$ 3,272	$ 19,434

The future principal and interest subscription payments as of June 30, 2023, were as follows:

	Governmental funds		Proprietary funds	
Fiscal year	Principal	Interest	Principal	Interest
2024	$ 4,747	$ 475	$ 1,125	$ 73
2025	4,939	319	1,163	42
2026	2,192	162	461	20
2027	643	118	444	15
2028	668	99	18	2
2029-2033	2,358	223	61	3
2034-2038	615	30	-	-
Total	**$ 16,162**	**$ 1,426**	**$ 3,272**	**$ 155**

F. Long-Term Debt and Other Obligations

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the City governmental activities as of June 30, 2023 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments ($ millions)	Balance June 30, 2023
Governmental Activities							
City of San José							
General Obligation Bonds:							
Series 2019A-1 (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	$ 140,360	07/25/2019	09/01/2049	5.00%	7.13-12.19	$ 140,360
Series 2019B (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	66,500	07/25/2019	09/01/2027	2.35-2.60%	3.47-22.83	66,500
Series 2019C (Libraries, Parks, Public Safety)	Community Facilities/ Refunding	158,185	07/25/2019	09/01/2035	5.00%	2.36-22.12	153,795
Series 2019D (Libraries, Parks, Public Safety)	Refunding	103,935	07/25/2019	09/01/2024	2.30%	17.08-21.02	38,090
Series 2021A (Disaster, Preparedness, Public Safety, and Infrastructure)	Community Facilities	151,210	07/29/2021	09/01/2051	5.00%	2.41-9.43	149,850
							548,595
City of San José Financing Authority							
Lease Revenue Bonds:							
Series 2013B (Civic Center Garage Project)	Refunding	30,445	06/19/2013	06/01/2039	3.50-5.00%	1.04-1.91	22,850
Series 2020A (Civic Center Refunding)	Refunding	355,620	09/24/2020	06/01/2039	0.84-2.88%	16.69-22.55	304,010
Series 2020B (Ice Center Expansion)	Expansion/ Refunding	146,535	10/15/2020	06/01/2051	0.99-3.52%	2.90-7.78	143,720
Series 2021A (Fire Training Center and Central Service Yard Project)	Community Facilities	22,825	11/02/2021	10/01/2034	4.00%	1.47-2.20	21,410
Series 2022A (Convention Center Refunding)	Refunding	165,815	4/21/2022	05/01/2052	2.92-4.86%	2.7-5.25	165,815
							657,805
							$ 1,206,400

The following is a summary of long-term debt of the City for business-type activities as of June 30, 2023 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments ($ millions)	Balance June 30, 2023
Business-Type Activities							
San José Mineta International Airport							
Revenue Bonds:							
Series 2014A (AMT)	Refunding	$ 57,350	10/07/2014	03/01/2026	3.00-5.00%	0.14-9.18	$ 18,240
Series 2014B (Non-AMT)	Refunding	28,010	10/07/2014	03/01/2028	3.10-5.00%	7.98-10.37	28,010
Series 2014C (Non-AMT)	Refunding	40,285	10/07/2014	03/01/2031	3.63-5.00%	7.30-8.86	40,285
Series 2017A (AMT)	Refunding	473,595	04/11/2017	03/01/2047	4.00-5.00%	4.01-35.15	405,350
Series 2017B (Non-AMT)	Refunding	150,675	04/11/2017	03/01/2047	4.00-5.00%	1.28-11.18	128,960
Series 2021A (AMT)	Refunding	85,860	04/07/2021	03/01/2034	4.00-5.00%	1.28-15.01	85,860
Series 2021B (Non-AMT)	Refunding	48,200	04/07/2021	03/01/2034	4.00-5.00%	0.27-10.23	48,200
Series 2021C (Taxable)	Refunding	294,020	04/07/2021	03/01/2041	0.3-3.29%	3.23-28.99	289,895
							1,044,800
City of San José Financing Authority							
Wastewater Revenue Bonds:							
Series 2022B (Green Bonds - Climate Bond Certified)	Refunding	268,355	11/15/2022	11/01/2052	5.00%	3.95-16.85	268,355
City of San José Financing Authority (Direct Borrowings)							
Regional Wastewater Facility Notes Payable	Public Infrastructure	200,000	10/01/2017	Anytime	Variable	Variable	98
Total Business-Type Activities - Bonds Payable							**$ 1,313,253**

2. Summary of Default Provisions for Long-Term Debt

Governmental Activities – General Obligation Bonds

The City has five series of general obligation bonds outstanding as of June 30, 2023: Series 2019A-1 Bonds, Series 2019B Bonds, Series 2019C Bonds, Series 2019D Bonds, and Series 2021A Bonds (collectively, "General Obligation Bonds"). The City issued each series of General Obligation Bonds pursuant to a fiscal agent agreement with Wilmington Trust, National Association ("Fiscal Agent Agreement"). The events of default under the respective Fiscal Agent Agreements are as follows: (i) failure to pay principal of, or redemption premiums on the General Obligation Bonds when due; and (ii) failure to pay interest on the applicable General Obligation Bonds when due.

Under each of the Fiscal Agent Agreements, bondholders may exercise the following remedies upon the occurrence of an event of default thereunder : (a) the right, by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents, or employees to perform each and every term, provision and covenant contained in the applicable Fiscal Agent Agreement, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it; (b) the right, by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the bond owners' rights.

Governmental Activities – City of San José Financing Authority Lease Revenue Bonds

The Financing Authority has five series of lease revenue bonds outstanding as of June 30, 2023: Series 2013B Bonds, Series 2020A Bonds, Series 2020B Bonds, Series 2021A Bonds, and Series 2022A Bonds (collectively, "Lease Revenue Bonds"). The Financing Authority issued each series of Lease Revenue Bonds pursuant to a trust agreement or an indenture of trust (each a "Trust Agreement") with a trustee bank ("Trustee").

Each series of Lease Revenue Bonds is structured with the City leasing a City facility to the Financing Authority and the Financing Authority leasing it back to the City pursuant to a lease ("City Lease"). The City's lease payments under each City Lease are the Financing Authority's source of payment of debt service on the applicable series of Lease Revenue Bonds. The facilities subject to the City Leases are: (i) the City employees' parking garage (Series 2013B Bonds); (ii) City Hall (Series 2020A Bonds); (iii) the Ice Center (Series 2020B Bonds); (iv) Fire Stations 29 and 34 and the site of the Fire Department Training Center (Series 2021A Bonds); and (v) City Convention Center excluding the property commonly known as the South Hall (Series 2022A Bonds).

The Trust Agreements and the City Leases under each transaction specify the events of default for each transaction. Generally, the events of default under each Trust Agreement are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the Trust Agreement and such default shall have continued for a specified period of days following the Financing Authority's receipt from the Trustee, or the owners of at least 25% of the aggregate principal amount of the applicable series of Lease Revenue Bonds outstanding, of written notice of the occurrence of such default, provided that such period may be extended as specified in the Trust Agreement; (iii) bankruptcy or similar debtor relief proceedings; or (iv) City's failure to pay a lease payment under the applicable City Lease.

During the continuance of an event of default under the Trust Agreement, the Trustee may declare payment of the outstanding principal of the applicable series of Lease Revenue Bonds and accrued interest to be immediately due and payable. Each Trust Agreement provides for the application of funds upon an event of default or acceleration in the order of priority set forth in the respective Trust Agreement.

Generally, the events of default under the City Leases are: (i) failure to pay a lease payment under the City Lease when due; (ii) failure to comply with covenants and conditions of the City Lease and such default shall have continued for a specified period of days following the City's receipt of written notice of the occurrence of such default from the Financing Authority, provided that such period may be extended as specified in the City Lease; (iii) assignment or transfer of the City Lease without the satisfaction of the condition(s) precedent specified in the City Lease; or (iv) bankruptcy or similar debtor relief proceedings under the City Lease relating to the Series 2013A Bonds, vacation or abandonment by the City of the facility subject to the City Lease also constitutes an event of default under the Trust Agreement.

Upon an event of default under the City Lease, the Financing Authority or the Trustee as the Financing Authority's assignee may (i) terminate the City Lease and re-enter the facility subject to the City Lease, remove the persons and personal property occupying the facility and re-let the facility to another lessee; or (ii) without terminating the City Lease, keep the City Lease in effect and continue to collect lease payments from the City or re-enter the facility and re-let the facility to another lessee.

To further secure the Series 2022A Bonds, City, for and on behalf of the Convention Center Facilities District No. 2008-1, City of San José, County of Santa Clara, State of California (the "Convention Center Facilities District"), pursuant to a Pledge Agreement has pledged and agreed to, among other things, levy and collect special taxes within the Convention Center Facilities District to make lease payments required to be paid by the City to the Authority under the City Lease relating to the Series 2022A Bonds. Under the Pledge

Agreement, the City has covenanted to monitor the collection of the special taxes and to engage in certain collection actions, including instituting foreclosure proceedings against hotel property with delinquent special taxes in accordance with foreclosure procedures under State law. The principal of the Series 2022A Bonds is not subject to acceleration under the applicable Trust Agreement as a result of delinquent or unpaid special taxes.

Business Activities – City of San José Airport Revenue Bonds

The City of San José has eight series of Airport Revenue Bonds outstanding as of June 30, 2023: Series 2014A (AMT), Series 2014B (Non-AMT), Series 2014C (Non-AMT), Series 2017A (AMT), Series 2017B (Non-AMT), Series 2021A (AMT), Series 2021B (Non-AMT), 2021C (Taxable) (collectively, "Airport Revenue Bonds"). The City issued each series of Airport Revenue Bonds pursuant to a trust agreement or an indenture of trust ("Trust Agreement") with a trustee bank ("Trustee"). The events of default under the Master Trust Agreement for the City of San Jose Airport Revenue Bonds are as follows: a) non-payment of the principal of or interest on the bonds; (b) a breach of a covenant if the default shall have continued for a period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Fiscal Agent or a Municipal Bond Insurer (as defined in the MTA), or to the City and the Fiscal Agent by the owners of not less than 25% in aggregate principal amount of the bonds at the time outstanding; and (c) filing a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws. There is no acceleration remedy in the event of default for any current Airport Revenue Bonds and Airport Revenue Refunding Bonds (ARBs) that are outstanding.

Business Activities - City of San José Financing Authority Wastewater Revenue Bonds

The Financing Authority issued Wastewater Revenue Bonds, Series 2022B (Green Bonds – Climate Bond Certified) ("2022B Bonds") pursuant to a master indenture ("Master Indenture") with a trustee bank ("Trustee").

The Financing Authority's source of repayment of the 2022B Bonds is installment payments made to the Financing Authority by the City from pledged Net System Revenues received by the City related to the Wastewater Treatment System, pursuant to a Master Installment Purchase Contract ("Master Installment Purchase Contract") between the City and the Financing Authority, and City Resolution No. 80770, which amended and restated City Resolution No. 78382 (the "Master Resolution"), and which provides for the allocation and pledge of Net System Revenues to secure the payment of obligations payable from Wastewater Net System Revenues. Payments on the 2022B Bonds are senior to payments on the Financing Authority's outstanding Subordinate Wastewater Revenue Notes, Series A and will be senior to payments on other Subordinate Obligations (as defined in the Master Resolution) issued in the future.

The City has covenanted in the Master Resolution that it will fix and prescribe, or cause to be fixed and prescribed, rates and charges for the use of the Wastewater System (as defined in the Master Resolution) in each fiscal year that are reasonably estimated to yield during each fiscal year Adjusted Net System Revenues (as defined in the Master Resolution) for such Fiscal Year equal to at least (1) 110% of the Debt Service on all Outstanding Parity Obligations (as defined in the Master Resolution) for the fiscal year, (2) 100% of the Debt Service on all Outstanding Parity Obligations and Outstanding Subordinate Obligations (as defined in the Master Resolution) for the fiscal year, and (3) 100% of all obligations of the City payable from Net System Revenues (as defined in the Master Resolution) in the fiscal year.

Events of Default under the Master Indenture and the Master Installment Purchase Agreement include: (i) failure to pay Debt Service, or redemption premium on the 2022 Bonds when due; (ii) failure to comply with covenants and conditions of the Master Indenture or the Master Installment Purchase Contract, including failure to comply with the Master Resolution, and such default shall have continued for a specified period of days following the Financing Authority's or the City's receipt of notice from the Trustee, provided that such period may be extended as provided in the Master Indenture or the Master Installment Purchase Contract, as applicable; (iii) bankruptcy or similar debtor relief proceedings; and (iv) failure to pay any installment payment under the Master Installment Purchase Contract when due.

Upon an event of default under the Master Indenture or the Master Installment Purchase Contract, the Trustee may, and upon the written request of the holders of a majority in principal amount of the 2022B Bonds then outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefore, shall proceed to protect or enforce its rights or the rights of the holders of 2022B Bonds under the Master Indenture by a suit in equity or action at law that the Trustee shall deem appropriate in support of any of its rights and duties.

Business Activities - City of San José Financing Authority Subordinate Wastewater Revenue Notes

The City, the Financing Authority, and Wells Fargo Bank, National Association ("Wells Fargo") are parties to a Credit Agreement dated as of October 1, 2017 as amended by subsequent amendments, including a Fourth Amendment to Credit Agreement dated June 29, 2023 ("Credit Agreement") pursuant to which the Financing Authority has issued to Wells Fargo (i) a subordinate tax-exempt wastewater revenue note in an amount not-to-exceed $200 million and (ii) a subordinate taxable wastewater revenue note in an amount not-to-exceed $200 million outstanding at any one time. The Credit Agreement is an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not to exceed $200 million to finance capital improvements at the Regional Wastewater Facility ("RWF"). Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF.

In the event that the notes are not refinanced as anticipated, the Credit Agreement provides for repayment of the notes following the termination of the Credit Agreement. Assuming no events of default under the Credit Agreement have occurred and subject to the City and the Financing Authority making certain representations and warranties, if the Financing Authority fails to repay the unpaid Notes on the Termination Date (as defined in the Credit Agreement), the unpaid notes will bear interest at the Bank Rate (as defined in the Credit Agreement) and will be amortized in equal quarterly installments over a period ending three years following the Termination Date of the Credit Agreement.

The source of repayment of the notes, including associated fee and interest costs, is installment payments made to the Financing Authority by the City from pledged net system revenues received by the City related to the wastewater treatment system, pursuant to a subordinate installment purchase contract, dated as of October 1, 2017, by and between the City and the Financing Authority, and City Resolution No. 80770, which amended and restated City Resolution No. 78382 (the "Master Resolution"), and which provides for the allocation and pledge of net system revenues to secure the payment of wastewater revenue obligations. Payments on the notes are subordinate to payments on the 2022B Bonds and will be subordinate to payments on long-term bonds issued in the future.

Events of default under the Credit Agreement by the City or the Financing Authority include: (i) non-payment; (ii) default under any the Related Documents (as defined in the Credit Agreement); (iii) bankruptcy; (iv) a breach of various covenants, including financial covenants to maintain 115% of Debt Service on Parity Obligations (as defined in the Master Resolution) and 110% of Debt Service on Parity Obligations and Subordinate Obligations (as defined in the Master Resolution); (v) breach of representations and warranties; (vi) default with respect to a Material Debt (as defined in the Credit Agreement); (vii) final judgment of $10 million or more against the City or the Financing Authority payable from System Revenues; (viii) City or Financing Authority contesting validity of obligations related to payment of the notes or a determination by a court of competent jurisdiction that the obligations of the City or the Financing Authority related to payment of the notes are not valid or binding; (ix) invalidity of a Lien (as defined in the Credit Agreement) created by the Credit Agreement or the Related Documents; and (x) ratings events including downgrades by any of Moody's, S&P, Fitch, or Kroll of its long term ratings on long-term debt that constitutes Parity Obligations under the Master Resolution below "A3," "A-," "A-" or "A-," respectively.

Wells Fargo has certain rights and remedies upon the occurrence and continuance of specified events of default in the Credit Agreement including (i) by notice to the Financing Authority and the City to terminate Wells Fargo's commitment to make advances under the notes; (ii) exercise rights and remedies under the Related Documents (as defined in the Credit Agreement); (iii) exercise rights and remedies at law or in equity; (iv) bring action in mandamus or other action or proceeding to compel performance by the Financing Authority and/or the City under the Master Resolution or installment purchase agreement; and (v) appointment of a trustee to protect and enforce Wells Fargo's rights.

In addition to these rights and remedies, Wells Fargo has the right to accelerate repayment of the notes, which is automatic in the case of bankruptcy. The Credit Agreement includes subjective acceleration provisions in the event that: (i) City fails to comply with laws and contracts, which in the reasonable opinion of Wells Fargo, would materially adversely affect the rights of Wells Fargo or the City's ability to perform its obligations under the Credit Agreement; (ii) either the City or the Financing Authority fails to promptly pay taxes, assessments or government charges which if not paid would likely result in a material adverse effect (defined below); and (iii) either the City or the Financing Authority breaches its covenant to promptly inform Wells Fargo of an event that could reasonably be expected to result in a material adverse change (defined below) or which could be expected to result in a material adverse effect. Under the Credit Agreement, material adverse change and material adverse effect are defined as any event or change, in Wells Fargo's sole discretion, which materially and adversely affects (i) the enforceability of the Credit Agreement or any related document; (ii) the ability of the City or the Financing Authority to perform their respective obligations under the Credit Agreement or any related document; or (iii) Wells Fargo's rights and remedies.

3. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions including various reporting requirements for which non-compliance could adversely affect the cost of debt service on future financings.

4. Legal Debt Limit and Margin

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property, provided by the County, for FY 2023 tax roll was $238.6 billion, which results in a total debt limit of approximately $35.8 billion. As of June 30, 2023, the City had $659.8 million, or approximately 1.8%, of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is $35.1 billion.

5. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebate liabilities are not reported and paid to the Internal Revenue Service ("IRS") at least every five years. During the current year, the City performed calculations to determine the rebate liabilities for the City's tax-exempt bond issues. However, as no bond issue with a positive rebate liability was due for a fifth-year payment, there was no rebate liability outstanding as of June 30, 2023.

6. Conduit Debt

The City has issued multi-family housing revenue bonds to provide funds for secured loans to builders of multi-family housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with IRS requirements in order to meet the tax-exempt status, the owner is required to set aside a certain percentage of all units built for very low to moderate-income households. The bonds are payable solely from payments made on the related secured loans. These tax-exempt housing bonds have maturity dates that are due at various dates through August 1, 2059. As of June 30, 2023, the total principal amount outstanding of conduit multi-family housing revenue bonds is $868,948,000.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which provides that a conduit debt obligation is a debt instrument that (1) involves an issuer, a third-party obligor, and a debt holder or debt trustee; (2) the issuer and the third-party obligor are not within the same financial reporting entity; (3) the debt obligation is not a parity bond of the issuer nor is it cross-collateralized with other debt of the issuer; (4) the third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance; and (5) the third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation. The multi-family housing revenue bonds meet the criteria for a conduit debt obligation and are therefore not reported as a liability in the financial statements.

7. Summary of Changes in Long-term Obligations

Governmental Activities - The changes in long-term obligations for the year ended June 30, 2023 are as follows (in thousands):

	July 1, 2022	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2023	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	$ 582,110	$ -	$ (33,515)	$ 548,595	$ 25,780
Issuance premiums:					
For issuance premiums	117,074	-	(5,883)	111,191	-
San José Financing Authority					
Lease revenue bonds	679,600	-	(21,795)	657,805	24,790
Issuance premiums:					
For issuance premiums	4,811	-	(374)	4,437	-
Special assessment and special tax bonds with limited governmental commitment	3,525	-	(3,525)	-	-
Issuance discounts:					
For issuance discounts	(1)	-	1	-	-
Total long-term debt payable	1,387,119	-	(65,091)	1,322,028	50,570
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time	84,854	77,603	(72,757)	89,700	67,848
Accrued landfill postclosure costs	2,790	-	(465)	2,325	465
Estimated liability for self-insurance	178,644	34,225	(25,669)	187,200	24,675
Pollution remediation obligation	3,291	-	(50)	3,241	-
Lease payable	4,893	11,378	(2,055)	14,216	2,161
SBITA payable*	20,497	-	(4,335)	16,162	4,747
Total other long-term obligations	294,969	123,206	(105,331)	312,844	99,896
Governmental activities long-term obligations	$ 1,682,088	$ 123,206	$ (170,422)	$ 1,634,872	$ 150,466

*Balance on 7/1/2022, as restated due to implementation of GASB 96 SBITA

General Obligation Bonds are issued pursuant to a two-thirds majority voter authorization. In 2000 and 2002, San José voters approved three ballot measures (Measures O and P in 2000 and Measure O in 2002) that authorized the total issuance of $598,820,000 of general obligation ("prior GO") bonds for library, parks and public safety projects. On November 6, 2018, voters approved the Measure T ballot measure that authorized total issuance of $650,000,000 of general obligation ("GO") bonds for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure. The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

On July 25, 2019, the City issued $502,020,000 of General Obligation Bonds ("2019 GO Bonds") that included new money bonds under three separate authorizations: (1) Measure T, approved by the voters on November 6, 2018 in the not-to-exceed amount of $650,000,000 (2) Measure O (approved by the voters on November

7, 2000 in the not-to-exceed amount of $211,790,000 for library projects); and (3) Measure O (approved by the voters on March 5, 2002 in the not-to-exceed amount of $159,000,000 for public safety projects). Of the 2019 GO Bonds issued, $239.9 million was issued under the Measure T authorization for acquisition of real property and infrastructure projects as provided under Measure T; $9.2 million issued under prior and remaining Measure O authorizations (2000 and 2002) for library and public safety projects; and $252.9 million in GO refunding bonds that refunded all of the prior GO bonds issued under Measure O (2000), Measure P (approved by the voters on November 7, 2000 in the not-to-exceed amount of $228,030,000) and Measure O (2002).

On July 29, 2021, the City issued $200,530,000 of General Obligation Bonds, Series 2021, the second round of issuances under Measure T authorization for the Disaster Preparedness, Public Safety, and Infrastructure project.

As of June 30, 2023, the City had remaining authorization under Measure T in the amount of $209,570,000.

City of San José
General Obligation Bonds
Issuance Amounts and Outstanding Balances as of June 30, 2023

			Measure T Issuance			
Issuance	Final Maturity	Series 2019 (Refunding)	Series 2019 (New Money)	Series 2021 (New Money)	Measure T Total Issued	Principal Outstanding
Series 2019A-1	9/1/2049		$ 173,400,000		$ 173,400,000	$ 140,360,000
Series 2019B	9/1/2027		66,500,000		66,500,000	66,500,000
Series 2019C (1)	9/1/2035	$ 158,185,000				153,795,000
Series 2019D	9/1/2024	103,935,000				38,090,000
Series 2021A	9/1/2051			$ 151,210,000	151,210,000	149,850,000
Series 2021B (2)	9/1/2022			8,450,000	8,450,000	
Series 2021C (3)	9/1/2021			40,870,000	40,870,000	
Total		$ 262,120,000	$ 239,900,000	$ 200,530,000	$ 440,430,000	$ 548,595,000
				Measure T Voter Authorization	$ 650,000,000	
				Remaining Measure T Authorization	$ 209,570,000	

(1) A portion of the 2019C Bonds funded remaining projects under Measure O (2000) in the amount of $5,905,000 and under Measure O (2002) in the amount of $3,325,000.

(2) The Series 2021B Bonds matured on September 1, 2022 and are fully redeemed.

(3) The Series 2021C Bonds matured on September 1, 2021 and are fully redeemed.

Lease Revenue Bonds are issued by the City of San Jose Financing Authority (the "Financing Authority") primarily to finance various capital improvements, which are leased to the City and are secured by lease payments received by the Financing Authority from by the City. Such lease payments are payable by the City from all legally available funds of the City. The City allocates such lease payments to departments in the General Fund and Nonmajor Governmental Funds. The lease revenue for each fiscal year is generally equal to 100% of annual debt service net of other available funding sources.

Total principal and interest remaining on lease revenue bonds as of June 30, 2023 is approximately $937.4 million, with the final payment due on May 1, 2052.

Special Tax Bonds are issued by the City to finance public improvements in special tax districts established by the City and are secured by special taxes levied on properties located within the special districts. The special taxes, as applicable, are calculated for each fiscal year to generate sufficient revenue to pay 100%

of annual debt service net of other available funding sources. Special tax bonds for Community Facilities District 6 and 10 were fully redeemed on September 1, 2022 and there are no special tax bonds currently outstanding.

Other Long-Term Obligation payments are primarily made from general revenues recorded in the General Fund.

Business-Type Activities - The changes in long-term obligations for the year ended June 30, 2023 are as follows (in thousands):

	July 1, 2022	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2023	Amounts Due Within One Year
Business-Type Activities:					
San José Mineta International Airport:					
Revenue bonds	$ 1,047,025	$ -	$ (2,225)	$ 1,044,800	$ 24,155
Issuance premiums:					
For issuance premiums	91,834	-	(6,125)	85,709	6,125
City of San Jose Financing Authority Wastewater:					
Revenue bonds	-	268,355	-	268,355	3,950
Issuance premiums:					
For issuance premiums	-	32,748	(591)	32,157	1,092
City of San José Financing Authority Subordinate Wastewater Revenue Notes:					
Direct Borrowings					
Notes payable	236,870	63,228	(300,000)	98	-
Total long-term debt payable	1,375,729	364,331	(308,941)	1,431,119	35,322
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time	8,048	7,831	(6,901)	8,978	8,216
Estimated liability for self-insurance	4,782	852	(1,058)	4,576	1,212
Pollution remediation obligation	28,180	-	(228)	27,952	-
Lease payable	363	668	(231)	800	231
SBITA payable*	4,311	-	(1,039)	3,272	1,125
Total other long-term obligations	45,684	9,351	(9,457)	45,578	10,784
Business-type activities long-term obligations	$ 1,421,413	$ 373,682	$ (318,398)	$ 1,476,697	$ 46,106

*Balance on 7/1/2022, as restated due to implementation of GASB 96 SBITA

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the San José Mineta International Airport (the "Airport"). Pursuant to the Airport's Master Trust Agreement (the "Master Trust Agreement"), the City has irrevocably pledged the General Airport Revenues and certain other funds held or made available under the Master Trust Agreement, first to the payment of Maintenance and Operation costs of the Airport, and second, to the payment of principal of and premium, if any, and interest on the bonds. Under the Master Trust Agreement, General Airport Revenues generally include all revenues, income, receipts, and monies derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues and other moneys.

The net revenues available to pay Debt Service (as defined in the Master Trust Agreement) for the year ended June 30, 2023 totaled $174,279,000, which is composed of $130,292,000 of Net General Airport

Revenues (as defined in the Master Trust Agreement) and $43,987,000 of Other Available Funds (as defined in the Master Trust Agreement). Other Available Funds include surplus carryover of $23,068,000, rolling debt service coverage of $11,921,000, and Customer Facility Charges ("CFC") Revenues of $8,998,000. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $33,842,000, which is net of $13,640,000 of bond Debt Service paid from the accumulated Passenger Facility Charges ("PFC") funds.

The City has covenanted in the Master Trust Agreement that Net General Airport Revenues available to pay Debt Service for each fiscal year plus certain Other Available Funds held or made available under the Master Trust Agreement will be at least equal to 125% of annual Debt Service for such fiscal year. Under the Master Trust Agreement, "annual debt service" means for any specified period, the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds, less Available PFC revenues (as defined in the Master Trust Agreement). Total principal and interest remaining as of June 30, 2023 on the bonds is $1,666,503,000, with the final payment due on March 1, 2047.

City of San José Financing Authority Wastewater Revenue Bonds Series 2022B (Green Bonds – Climate Bond Certified)

On December 15, 2022, the City of San José Financing Authority issued $268.4 million of the Wastewater Revenue Bonds, Series 2022B (Green Bonds - Climate Bond Certified) to refinance the CSJFA's then-outstanding Subordinate Wastewater Revenue Notes, Series A. The 2022B Bonds were issued as long-term fixed-rate debt with level debt service.

City of San José Financing Authority Subordinate Wastewater Revenue Notes

The City, the Financing Authority, and Wells Fargo Bank, National Association ("Wells Fargo") are parties to a Credit Agreement dated as of October 1, 2017 as amended by subsequent amendments, including a Fourth Amendment to Credit Agreement dated June 29, 2023 ("Credit Agreement") pursuant to which the Financing Authority has issued to Wells Fargo (i) a subordinate tax-exempt wastewater revenue note in an amount not-to-exceed $200 million and (ii) a subordinate taxable wastewater revenue note in an amount not-to-exceed $200 million outstanding at any one time. The Credit Agreement is an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not-to-exceed $200 million to finance capital improvements at the Regional Wastewater Facility ("RWF"). Advances on the Notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF.

On June 20, 2023, the City Council and Financing Authority Board approved the Fourth Amendment to the Credit Agreement and a related fourth amended and restated fee letter agreement with Wells Fargo, which extended the Termination Date of the Credit Agreement through October 16, 2026, and reduced the aggregate principal amount of the Notes that can be outstanding at any one time from $300 million to $200 million.

As of June 30, 2023, the CSJFA has drawn $98,000 of the aggregated principal amount of $200 million available under the Credit Agreement as follows (in thousands).

July 1, 2022	Additions	Deletions	June 30, 2023	Interest Rate
$236,870	$63,228	$300,000	$0.1	4.41%

8. Annual Requirements to Maturity

The annual requirements to amortize all bonds and leases outstanding as of June 30, 2023 are as follows (in thousands):

	Governmental Activities				Business-Type Activities			
	City of San José General Obligation Bonds		City of San José Financing Authority Bonds (1)		Airport Revenue Bonds (1)		City of San José Financing Authority Wastewater Revenue Bonds (1)	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 25,780	$ 24,379	$ 24,790	$ 20,238	$ 24,155	$ 45,250	$ 3,950	$ 13,319
2025	25,550	23,656	26,005	19,889	27,225	44,184	4,155	13,116
2026	25,480	22,948	26,945	19,461	29,965	43,022	4,365	12,903
2027	25,225	22,252	28,865	18,936	32,355	41,799	4,590	12,680
2028	24,955	21,491	29,480	18,329	33,680	40,457	4,825	12,444
2029-2033	124,585	89,737	158,915	80,157	200,915	179,125	28,105	58,244
2034-2038	85,650	62,560	176,340	55,118	265,295	131,462	36,095	50,260
2039-2043	66,995	44,794	91,875	28,228	258,725	74,318	46,345	40,006
2044-2048	85,495	25,823	52,490	15,225	172,485	22,086	59,510	26,840
2049-2053	58,880	4,820	42,100	4,038	-	-	76,415	9,934
Total	$ 548,595	$ 342,460	$ 657,805	$ 279,619	$ 1,044,800	$ 621,703	$ 268,355	$ 249,746

(1) Does not include commercial paper notes.

9. New Debt Issuances for Short-Term Debt Activities

<u>Governmental Activities</u>

City of San José Financing Authority Lease Revenue Commercial Paper Notes Payable (Short-Term Direct Borrowings)

The City's Commercial Paper ("CP") Program utilizes a lease revenue financing structure. Under this program, the Financing Authority is able to issue commercial paper notes ("CP Notes") on a tax-exempt and federally taxable basis at prevailing interest rates for a term not to exceed 270 days. The CP Program was initially established on January 13, 2004, pursuant to resolutions of the City Council and the Financing Authority Board authorizing the issuance of the Financing Authority tax-exempt lease revenue CP Notes in an amount not to exceed $98,000,000. Since 2004, the City Council and the Financing Authority Board have taken actions to modify the CP Program, including increasing and decreasing the program's capacity and authorizing the issuance of taxable lease revenue CP Notes.

On August 31, 2021, the City adopted Resolution No. 80208 authorizing the execution and delivery of amendments to certain financing documents, including an amendment to a Letter of Credit and Reimbursement Agreement, and authorizing other related actions in connection with the CP Notes in order to increase the not-to-exceed aggregate principal amount thereof to $175 million and to extend the expiration date and commitment available under such Letter of Credit and Reimbursement Agreement to March 2025; and the negotiation, execution and delivery of one or more additional extensions to the Letter of Credit issued under the Letter of Credit and Reimbursement Agreement or the commitment available under such Letter of

Credit and Reimbursement Agreement based on substantially the same terms and conditions for a duration of time that the City Designated Officers deem necessary, advisable or prudent.

As of June 30, 2023, the maximum principal amount of CP Notes authorized to be issued is $175 million, consisting solely of CP Notes designated Series 2 Notes and Series 2-T Notes; CP Notes designed Series 1 Notes and Series 1-T Notes are not authorized to be issued. As of June 30, 2023, the Series 2 Notes and Series 2-T Notes were supported by a direct-pay letter of credit ("LOC") provided by U.S. Bank National Association ("U.S. Bank") pursuant to a Letter of Credit and Reimbursement Agreement by and among the Financing Authority, the City, and U.S. Bank, as amended (the "Reimbursement Agreement"). At June 30, 2023, the LOC had a stated amount of $187,945,000 representing the maximum principal amount of CP Notes then authorized to be issued in the amount of $175 million, plus interest calculated at 10% for 270 days with a stated expiration date of March 24, 2025.

The LOC of U.S. Bank supports only the payment of principal and interest on the Series 2 Notes and Series 2-T Notes. The annual commitment fee payable to U.S. Bank is 0.38%, paid quarterly in arrears during FY 2023.

The Financing Authority issues the CP Notes under State law pursuant to an Amended and Restated Trust Agreement, between the Financing Authority and Wells Fargo Bank, National Association, as trustee, as amended and supplemented from time to time (as so amended and supplemented, the "Trust Agreement") and a Second Amended and Restated Issuing and Paying Agent Agreement between the Financing Authority and Wells Fargo Bank, National Association, as paying agent ("Issuing and Paying Agent Agreement"). Barclays Capital Inc. currently serves as the dealer for the CP Notes pursuant to an Amended and Restated Commercial Paper Dealer Agreement.

The City has leased to the Financing Authority various City-owned facilities pursuant to a Site Lease, as amended. The Financing Authority subleased these same facilities back to the City pursuant to a Sublease, as amended (the "Sublease") in exchange for the rental payments, subject to abatement in the event the City does not have use and occupancy of the property and not in excess of the fair rental value of the facilities. The facilities subject to the Site Lease and Sublease are: the Animal Care Center, Fire Station No. 1, Fire Station No. 3, the Police Communications Center, the South San José Police Substation, and the Tech Museum (the "Pledged Properties"). The rental payments received by the Financing Authority from the City under the Sublease are used to reimburse U.S. Bank for draws under the LOC and, to the extent necessary, repay CP Notes.

Interest on any Principal Advances (draws under the LOC that U.S. Bank is not reimbursed by the City on the same day) are calculated at various increasing interest rates depending on the number of days the Principal Advance remains outstanding.

Interest on any Term Loan draws that are not reimbursed by the City one hundred eighty-one days after a Principal Advance or the Letter of Credit Expiration Date, whichever comes first (such date the "Term Loan Conversion Date") are payable at the Term Loan Rate from the date of such Term Loan Conversion Date, payable monthly in arrears on the first day of each calendar month and on the date on which the final installment of the principal of the Term Loan is payable. The principal amount of each Term Loan is amortized over such a three-year period; provided, however, that the unpaid amount of each Term Loan shall be paid by the City in each year only to the extent of the then fair rental value with respect to the Pledged Property subject to the Sublease for such Base Rental Period, and to the extent not so repaid, such Term Loan shall be paid by the City during each subsequent Base Rental Period, to the extent owed, to the extent of the then fair rental value with respect to the Pledged Property subject to the Sublease for each such Base Rental Period, and such Term Loan shall continue to be an obligation of the City pursuant to the Sublease to be paid on or before the expiration of the three-year amortization period. Per the terms of the Reimbursement

Agreement, U.S. Bank has the right to require that the rent payable for any of the Pledged Properties be re-determined in order to increase the amount of the rent payable.

Events of default under the Reimbursement Agreement include: (i) default under the Trust Agreement, Sublease, Issuing and Paying Agent Agreement and certain other agreements relating to the CP Notes; (ii) non-payment; (iii) breach of certain covenants set forth in the Reimbursement Agreement; (iv) bankruptcy; (v) the occurrence of certain ratings events including downgrades by any of Moody's, S&P, or Fitch of its long-term ratings on the Financing Authority's lease revenue debt below "Baa1," "BBB+" and "BBB+," respectively; or (vi) suspension or withdrawal of the long-term ratings on the Financing Authority's lease revenue debt for any credit related reason.

U.S. Bank has certain rights and remedies upon the occurrence and continuance of specified events of default in the Reimbursement Agreement, including the ability, by notice to the Financing Authority and the Issuing and Paying Agent (i) to deliver a notice to the Issuing and Paying Agent (a "No-Issuance Notice") requiring the Issuing and Paying Agent to cease authenticating CP Notes of the applicable series unless and until such No-Issuance Notice is rescinded, (ii) to reduce the unutilized portion of the applicable commitment to zero dollars ($0), (iii) to declare the Revolving Note, in whole or in part, all or some advances, as well as any other reimbursement obligations under the Reimbursement Agreement and all interest thereon to be a default advance under the Reimbursement Agreement due and payable at the Default Rate (as defined in the Reimbursement Agreement) and payable as set forth therein, or (iv) to take any other action permitted by law. The amount of the Default Advance required to be paid by the Financing Authority upon acceleration as described in clause (iii) above cannot exceed the then fair rental value with respect to the Pledged Properties subject to the Sublease.

Upon any action by U.S. Bank, as contemplated in the foregoing clauses (i) and (ii), the Stated Amount of the LOC will be permanently reduced upon, and by the amount of, each drawing under the LOC following the occurrence of an event of default. The occurrence of an event of default will not affect U.S. Bank's obligations under the LOC with respect to Series 2 Notes and Series 2-T Notes that are outstanding at the time of the occurrence of such event of default, and the Issuing and Paying Agent will continue to have the right to draw under the LOC to pay the principal of and accrued interest on maturing Series 2 Notes and Series 2-T Notes that are outstanding at the time of the occurrence of such event of default.

As of June 30, 2023, $26,107,000 of taxable CP Notes was outstanding at an interest rate of 5.40%.

The remaining capacity under the U.S. Bank LOC as of June 30, 2023 is approximately $148.9 million. The total capacity is $175.0 million. The activity in Financing Authority commercial paper notes during the year ended June 30, 2023 are as follows (in thousands):

July 1, 2022	Additions	Deletions	June 30, 2023
$66,947	$417	$41,257	$26,107

City of San José Financing Authority Commercial Paper Program
as of June 30, 2023 ($175 million Capacity) (in thousands):

Project	CP Outstanding	Remaining Authorization	CP Program Utilization
Flood Improvement Recovery - PRNS	$ 417	$ 5,983	$ 6,400
Energy Purchases - SJCE	20,000	55,000	75,000
ESCO Conservation Project - Public Works	5,690	-	5,690
Muni Water - Building Infrastructure - ESD	-	40,000	40,000
Totals	$ 26,107	$ 100,983	$ 127,090

2022 Tax and Revenue Anticipation Notes

The City issued a short-term note for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. A $275 million Tax and Revenue Anticipation Note ("the 2022 Note") was purchased by Bank of America, N.A., on July 1, 2022. Security for the repayment of the 2022 Note is a pledge of the City's FY 2023 secured property tax and other available General Fund revenues of the City including sales tax revenues, if required. The 2022 Note was fully repaid by June 30, 2023.

Business-Type Activities

Airport Commercial Paper Notes (Short-Term Direct Borrowings)

In November 1999, the City authorized the issuance from time to time of the Airport's Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, and Series C ("Subordinated CP Notes") that are secured by a lien on Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues. Surplus Revenues are General Airport Revenues remaining after the payment of maintenance and operation costs of the Airport and the payment of debt service on the Airport Revenue Bonds and the funding of any reserve funds established for the Airport Revenue Bonds. The Subordinated CP Notes may be issued for periods of maturity not to exceed 270 days. The Series A-1, Series A-2, Series B and Series C Notes may be sold at an interest rate not to exceed 12% per annum. The Series C Notes may be issued and sold either as interest bearing notes or at a discount.

The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014 ("Issuing and Paying Agent Agreement"), as subsequently amended, by and between the City and U.S. Bank National Association ("US Bank"). Credit support for the timely payment of the principal and interest on the Subordinated CP Notes at maturity is provided through a letter of credit as described below. The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to $600 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the applicable letter of credit, as described below.

On September 12, 2018, the City substituted for the prior letter of credit supporting the Subordinated CP Notes with a letter of credit issued by Bank of America, N.A ("BANA"). Pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2018, between the City and BANA ("BANA Reimbursement Agreement"), BANA issued its irrevocable transferable letter of credit ("BANA LOC") in the initial stated amount of approximately $81.7 million (to cover principal of $75.0 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365-day year). The $75.0 million principal amount of the BANA LOC was secured to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. On August 19, 2021, BANA extended the expiration date of the BANA LOC to September 10, 2024.

In connection with the issuance of the BANA LOC in 2018, other agreements governing the Subordinated CP Notes were executed, including the First Amendment to the Third Amended and Restated Issuing and Paying Agent Agreement between the City and US Bank and the Fourth Amended and Restated Dealer Agreement between the City and each of the dealers of the Subordinated CP Notes, a fee letter between the City and BANA and a bank note payable to BANA in the amount of approximately $81.7 million under which the City promises to pay principal of and interest on the unpaid principal amount of all Unreimbursed Drawings (as defined in the BANA Reimbursement Agreement) and Term Loans (as defined in the BANA Reimbursement Agreement) evidenced by the note on the dates and at the rates provided for in the BANA Reimbursement Agreement.

The ratings of the outstanding Airport Subordinated CP Notes are “A-1”, “P-1”, and “F1+” by S&P, Moody’s, and Fitch, respectively, based on the credit support provided by the BANA LOC, as of June 30, 2023.

The terms of the BANA LOC are specified in the BANA Reimbursement Agreement. In general, BANA agrees to advance funds to the Issuing and Paying Agent for the Subordinated CP Notes to pay the principal of and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the BANA LOC. In the event that the CP dealer is unable to find investors to purchase Subordinated CP Notes to repay the advance from BANA, the City is obligated to pay interest to BANA based on a formula specified in the BANA Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the BANA Reimbursement Agreement. All amounts payable by the City to BANA under the BANA Reimbursement Agreement are secured by a lien on the Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues, which lien is subordinate to the lien securing the Airport Revenue Bonds.

Events of default under the BANA Reimbursement Agreement generally include, among others: (i) an event of default under the Master Trust Agreement or the Issuing and Paying Agent Agreement for the Subordinated CP Notes; (ii) non-payment of any debt secured by General Airport Revenues (as defined in the BANA Reimbursement Agreement) on a parity with, or senior to, the Subordinated CP Notes; (iii) a breach of a various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) default on a Secured Debt (as defined in the BANA Reimbursement Agreement); (vii) a final judgment of $10 million or more against the City payable from General Airport Revenues; (viii) the City contesting validity of obligations related to payment of the Subordinated CP Notes or a determination by a court of competent jurisdiction that certain obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of BANA, the bank note or certain other payment obligations under the BANA Reimbursement Agreement; (x) ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the City requested such withdrawal and the Airport Revenue Bonds shall continue to be rated by any two of Moody’s, Fitch, or S&P), or downgrades by any of Moody’s, Fitch, or S&P of its ratings on the Airport Revenue Bonds below “Baa2”, “BBB”, and “BBB”, respectively, for a period of 120 calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the BANA, a material adverse effect on the obligation of the City to make payments under the BANA Reimbursement Agreement or the security granted to secure such payments.

An event of default under the BANA Reimbursement Agreement would entitle BANA to demand that no additional Subordinated CP Notes be issued, that the City reimburse BANA immediately for draws under the BANA LOC and that all other amounts owed by the City to BANA be accelerated and become due immediately. In connection with the BANA LOC, the City entered into a fee letter with BANA to specify the facility fee rate and other charges payable by the Airport with respect to the BANA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BANA LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the BANA Reimbursement Agreement. The facility fee rate in effect under the LOC issued by BANA was 0.40% as of June 30, 2023.

On June 1, 2023, the City issued $10 million of its Subordinated CP Notes, Series A-1 (Non-AMT). Such notes were issued to build new facilities and maintenance buildings. The new facilities and maintenance buildings will be designed to be expandable and adaptable to meet the current and the anticipated future demand for facilities and maintenance services at the Airport. Additional Subordinated CP Notes, Series A-1 may be issued in FY 2023-24 to fund the project. The City's Subordinated CP Notes, Series B (AMT) were fully redeemed in June 2023.

The remaining capacity under the LOC issued by BANA as of June 30, 2023 is $65.0 million. The total LOC capacity is $75.0 million. The activity in Airport commercial paper notes during the year ended June 30, 2023 are as follows (in thousands):

July 1, 2022	Additions	Deletions	June 30, 2023	Interest Rate
$34,112	$10,000	$34,112	$10,000	3.10%

Clean Energy Revolving Credit Agreement

In November 2018, the City entered into a Revolving Credit Agreement with Barclays Bank PLC ("Barclays") to finance start-up costs of the City of San José Clean Energy program, purchase power, and in the case of standby Letters of Credit, secure payments under power purchase agreements and other costs associated with the Community Energy implementation plan. In connection with the execution and delivery of the Credit Agreement described below, the City elected to terminate the credit facilities under the Credit Agreement with Barclays effective on February 17, 2023. As of June 30, 2023, a Letter of Credit previously issued by Barclays under said Credit Agreement remained outstanding with a stated amount of $62,700, which Letter of Credit was cash collateralized by the City in full at termination of said Credit Agreement. Said Letter of Credit expired by its terms on July 31, 2023.

On December 13, 2022, the City Council adopted Resolution No. 80833 authorizing the City Manager, Director of Finance, Assistant Director of Finance, and their authorized designees to negotiate, execute, and deliver a Revolving Credit Agreement with JPMorgan Chase Bank, N.A. ("JPMorgan") including loans and letters of credit for up to $250 million outstanding at one time. Effective Feb 17, 2023, JPMorgan and the City entered into a Revolving Credit Agreement (the "Credit Agreement") under which JPMorgan has committed to provide the City with a credit facility consisting of: (i) a $50 million Line of Credit under which JPMorgan has committed to make loans to the City for working capital and other general operational purposes of SJCE, including without limitation, the purchase of power products, and to secure the City's payment obligations under one or more power purchase agreements; (ii) a $100 million standby Letter of Credit facility providing for the issuance of standby Letter of Credit each with a term of two years or less to secure the City's payment obligations under one or more power purchase agreements; and (iii) a $100 million standby Letter of Credit facility providing for the issuance of standby Letter of Credit each with a term of more than two years to secure the City's payment obligations under one or more power purchase agreements.

The City's obligations under the Credit Agreement are secured by SJCE's net revenues. JPMorgan's commitment under the Credit Agreement is currently scheduled to expire on February 17, 2028.

As of June 30, 2023, the balance for the JPMorgan Revolving Credit Agreement was as follows (in thousands):

Credit Facility	Available Credit Sublimit	Less: Working Capital Loan (1) and Letters of Credit Commitments (2)	Remaining Available Credit as of 6/30/2023
Working Capital Loans (1)	$ 50,000	$ -	$ 50,000
Standby Letter of Credit Facility (2) (3)	200,000	(4,505)	195,495
		Remaining Aggregate Credit as of 6/30/23	$ 245,495

(1) Working Capital Loans are cash draws that SJCE can use to cover operating expenses and make cash collateral payment.

(2) Letters of Credit are issued by JPMorgan as a commitment to pay collateral calls in the event of an SJCE default. The commitment does not become a liability of SJCE unless and until a collateral call is paid by JPMorgan on behalf of SJCE, which has not yet occurred.

(3) The City can request the Letter of Credit facility limit to be increased incrementally up to $250 million if needed. The $50 million dedicated to the working capital loan will be incrementally reduced if this request happens to maintain a total Aggregate Credit maximum of $250 million.

The table below shows the fees and interest rates charged for the Revolving Credit facility.

Commitment Utilization	Undrawn Fee	Applicable Rate	
		Term Benchmark Borrowing	ABR Borrowing
≥ 25%	0.57%	Adjusted Term SOFR + 1.425%	Alternate Base Rate + 0.425%
<25%	0.60%	Adjusted Term SOFR + 1.500%	Alternate Base Rate + 0.500%

Loans made by JPMorgan to the City under the Credit Agreement will bear interest at the Alternate Base Rate plus the Applicable Rate, the Adjusted Term SOFR Rate plus the Applicable Rate or Adjusted Daily Simple SOFR plus the Applicable Rate (as such terms are defined in the Credit Agreement). Interest computed by reference to the Term SOFR Rate or Daily Simple SOFR will be computed on the basis of a year of 360 days, and actual days elapsed. Interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate will be computed on the basis of a year of 365 days (or 366 days in a leap year), and actual days elapsed. In each case interest will be payable for the actual number of days elapsed (including the first day but excluding the last day). Accrued interest on each Loan will be payable in arrears on each interest payment date for such Loan set forth in the Credit Agreement and upon termination of JPMorgan's commitment thereunder.

The City agrees to pay JPMorgan the fees (computed on the basis of 360 days and actual days elapsed) and other amounts set forth in the fee agreement at the time and in the manner set forth in the fee agreement, including, but not limited to, the undrawn fee, the Letter of Credit facility fee, the termination fee and the reduction fee. All fees and other amounts payable under the fee agreement shall be paid in immediately available funds. Fees paid shall not be refundable under any circumstances.

Under the Credit Agreement, the City agrees that, so long as JPMorgan has any commitment thereunder or any amount payable thereunder remains unpaid, among other things, the debt service coverage ratio shall be not less than 1.10 to 1.00 as of the last day of the fiscal quarter most recently ended, commencing with the last fiscal quarter ended March 31, 2023; provided, however, in the event the debt service coverage ratio for any fiscal quarter is less than 1.10 to 1.00 but the days liquidity on hand for such fiscal quarter equals or exceeds 90 days (or, 75 days, so long as the long-term unenhanced rating by at least one rating agency on debt secured by net revenues shall be at or above "Baa3" (or its equivalent) with respect to Moody's, "BBB-" (or its equivalent) with respect to S&P or "BBB-" (or its equivalent) with respect to Fitch, respectively) then the City will be deemed to be in compliance for such period (the liquidity cure right); provided, further, that in no event will the City be permitted to exercise liquidity cure rights under the Credit Agreement more than three times during any four consecutive fiscal quarter periods.

In addition, the Credit Agreement permits the City to make loans from any fund, including the General Fund, to SJCE, including from proceeds of CP issued by the Financing Authority, to finance the purchase of power and/or pay other operating costs of the SJCE in an amount not to exceed $95.0 million. Such loans are subordinate to the City's obligations to JPMorgan under the Credit Agreement. The City may incur additional debt with respect to SJCE that is payable on a basis subordinate to the City's obligations to JPMorgan under the Credit Agreement upon the satisfaction of certain conditions specified in the Credit Agreement.

The Credit Agreement prohibits repayment of loans and other debt payable from Revenues or Net Revenues of SJCE to the City or the Financing Authority, if any, unless, among other things,: (i) the aggregate amount of Cash and Cash Equivalents (as defined in the Credit Agreement) available in the Clean Energy Fund at the end of the fiscal quarter prior to repayment, and projected per pro forma effect to the fiscal quarter following projected repayment are equal to or in excess of $50 million, and (ii) no Event of Default (as defined in the Credit Agreement) has occurred and is continuing.

Events of default under the Credit Agreement include, among others: (i) any representation or warranty shall have been incorrect or untrue in any materially adverse respect when made or deemed to have been made, (ii) non-payment, (iii) breach of covenants, including failure to maintain the required debt service coverage ratio or days liquidity on hand, as applicable, not cured within applicable cure periods, if any (iv) any material provision of the Credit Agreement or any other Basic Document (as defined in the Credit Agreement) at any time for any reason ceases to be valid and binding on the City as a result of any legislative or administrative action, or judgment, (v) bankruptcy, (vi) the default in the due performance or observance of any material term, covenant or agreement contained in the Credit Agreement and not cured within the applicable cure period, (vii) defaults on the payment of the principal of or interest on any Parity Debt or Subordinate Debt (as defined in the Credit Agreement) beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt or Subordinate Debt was created or incurred, (viii) one or more final, unappealable judgments or orders for the payment of money in excess of $10.0 million where such judgment or order remains unsatisfied and unstayed for a period of 60 days and which is payable from revenues or net revenues of SJCE, (ix) the long-term, unenhanced ratings by any Rating Agency (as defined in the Credit Agreement) on any general-obligation bonded indebtedness of the City is withdrawn or suspended (but excluding withdrawals or suspensions if the applicable Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "A1" (or its equivalent) by Moody's, "A+" (or its equivalent) by S&P, or "A+" (or its equivalent) by Fitch, (x) any "event of default" under any Other Credit Agreement (as defined in the Credit Agreement) occurs, (xi) a debt moratorium, debt restructuring, debt adjustment, or comparable restriction is imposed on the repayment of any Parity Debt of the City, or (xii) the dissolution or termination of the existence of the City or SJCE.

Upon the occurrence and during the continuance of an event of default under the Credit Agreement, JPMorgan may exercise all of its rights and remedies available to it under the Credit Agreement and as otherwise permitted by law. JPMorgan's rights and remedies include, among others, taking one or more of the following actions: (i) declare the commitment and the obligation of JPMorgan to make Credit Extensions (as defined in the Credit Agreement) to be terminated, (ii) by written notice to City, declare the outstanding amount of the obligations of the City under the Credit Agreement to be immediately due and payable, (iii) require the City to cash collateralize 105% of the Letter of Credit Exposure (as defined in the Credit Agreement) (which generally include the amounts available to be drawn under any Letters of Credit plus any amounts drawn by beneficiaries under such Letters of Credit but which are not reimbursed by the City as required under the

Credit Agreement, plus accrued and unpaid interest thereon, (iv) and at the expense of the City, cure any event of default; provided, however that JPMorgan shall have no obligation to effect such a cure, and (v) by written notice to the City, impose the Default Rate (as defined in the Credit Agreement) with respect to the City's obligations under the Credit Agreement (which imposition may be retroactive to the date on which the event of default first occurred).

10. Landfill Postclosure Costs

The City has five closed landfills for which postclosure and monitoring services are required. An estimated liability of $2,325,000 related to the closed landfills is recorded in the government-wide statement of net position as of June 30, 2023. The City's Environmental Compliance group within the Environmental Services Department performs an annual evaluation of the liability. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City does not own or operate any open landfills at this time.

11. Insurance

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees, unemployment claims, and employee health and dental insurance.

During FY 2022-2023, the City maintained an all-risk property policy including boiler and machinery exposures, coverage for loss due to business interruption and flood.

The City did not carry earthquake insurance as it was not available at reasonable rates. A summary of insurable coverage for the policy period October 1, 2022 to October 1, 2023 is provided below:

City of San José
Summary of Citywide Property Insurance Coverage
(For Policy Period October 1, 2022 - October 1, 2023)

	Limits Per Occurrence (1)	Deductible Per Occurrence (2)
Property(3)	$1,000,000,000	$500,000
Business Interruption	300,000,000	$500,000 per Occurrence
Flood (4)(5)	$500,000 per Occurrence Aggregate	$500,000 per Location

(1) Other sub-limits apply.
(2) Other deductibles apply.
(3) Covers "Certified Act of Terrorism" under the Terrorism Risk Insurance Act of 2002, as amended.
(4) The Airport and McEnery Convention Center are subject to a $10,000,000 per Location deductible for flood.
(5) The San José - Santa Clara Regional Wastewater Facility is subject to a $5,000,000 per Location deductible for flood.
Source: City of San José, Finance Department - Risk Management Unit.

To mitigate the impact of reduction to the base flood coverage from $25,000,000 to $10,000,000 as of October 1, 2019, the City has obtained an excess policy for locations not in low hazard flood zones. The excess policy provides $15,000,000 in flood limits excess of the primary property policy on a 50/50 quota share basis, where the City and excess insurers share the financing of losses on a 50/50 basis.

For the policy period of October 1, 2022 to June 30, 2023, the City maintained an Airport General Liability policy covering the Airport including Control Tower Operators, which provides a $200,000,000 combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $25,000,000 each occurrence and in the annual aggregate for personal injury, and a limit of $50,000,000 each occurrence and in the annual aggregate with respect to war liability. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

In addition, the Airport Liability policy also provides excess auto liability coverage with a limit that was increased from $25,000,000 to $50,000,000 effective October 1, 2022, and provides coverage excess of the underlying auto liability limit of $1,000,000, which is provided by a separate automobile policy issued to provide coverage for the off-premise operations of scheduled Airport vehicles including shuttle bus fleets with a limit of $1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a $250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle

Bus Fleet and is subject to a $10,000 comprehensive and $10,000 collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy period of October 1, 2022, to October 1, 2023, the City maintained an automobile liability policy covering scheduled vehicles at the San José - Santa Clara Regional Wastewater Facility with a limit of $1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a $250,000 per accident retention.

For the policy period of October 1, 2022 to June 30, 2023, the City maintained an aircraft policy covering physical damage to City aircraft used by the San José Police Department's Air Support Unit as well as liability coverage for bodily injury and property damage arising from the use of covered aircraft. The aircraft policy provides up to $50,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage caused by war and other perils and is subject to a deductible of $0 per occurrence. For the policy period of June 17, 2022, to June 17, 2023, the City maintained a separate aircraft policy to include liability and physical damage coverage for the unmanned aerial systems (UAS) programs in place at the San José Police Department and San José Fire Department ("Drone Coverage"). The Drone Coverage provides up to $2,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage. The City renewed the Drone Coverage on a short-term basis from June 17, 2023, to June 30, 2023.

For the policy period of October 1, 2022 to October 1, 2023, the City maintained a law enforcement liability policy that provides coverage for third party bodily injury, property damage, or personal injury arising from the law enforcement activities conducted on behalf of approved third party employers by City police officers who have been approved to participate in the Secondary Employment program. The law enforcement liability policy provides $2,000,000 in aggregate limits and is subject to a $100,000 per occurrence deductible.

The City also maintained fiduciary liability insurance policies covering the City's defined contribution employee benefit plans: the Deferred Compensation Plans, the Voluntary Employees' Beneficiary Association ("VEBA") Plans; and the Defined Contribution 401(a) Plan. The policies protect the City and the members of the applicable governing board from legal liability arising from fiduciary obligations to plan beneficiaries. For the policy period from June 30, 2022, to June 30, 2023, the City purchased a fiduciary liability policy covering the Deferred Compensation Plans that provided $5,000,000 in aggregate limits subject to a $25,000 per claim retention except for a $250,000 per claim retention for Class Action Claims as defined in the policy. For the policy period from June 30, 2022, to June 30, 2023, the City purchased a fiduciary liability policy covering the VEBA Plans that provided $5,000,000 in aggregate limits subject to a $25,000 per claim retention. For the policy period from June 30, 2022, to June 20, 2023, the City purchased a fiduciary liability policy covering the Defined Contribution 401(a) Plan that provided $1,000,000 in aggregate limits subject to a $25,000 per claim retention. The City added fiduciary dishonesty coverage to all three fiduciary liability policies effective June 30, 2023. The fiduciary dishonesty coverage provides $500,000 in aggregate limits for claims arising out of employee dishonesty.

For the policy period of October 22, 2022 to October 22, 2023, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts. For the policy period of October 1, 2022 to October 1, 2023, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a $5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a $1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims are subject to a $250,000 per occurrence deductible.

Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law. The estimate of the claims liability also includes increases or decreases to previously reported unsettled claims. The workers' compensation estimate includes allocated loss adjustment expenses, which represent the direct cost associated with the defense of individual claims, which may be years into the future and have been discounted to their present value using a rate of approximately 2.0% for the amounts recorded.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2023. The City Attorney and, with respect to workers' compensation claims, the City's Department of Human Resources have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or range of potential loss to the City. The City is self-insured and has included a provision for losses in its claims liability for loss contingencies that are both probable and can be reasonably estimated.

Changes in the reported liability during the past two years are as follows (in thousands):

Liability as of June 30, 2021	$145,626
Claims and changes in estimates during 2022	68,075
Claims payments	(30,275)
Liability as of June 30, 2022	183,426
Claims and changes in estimates during 2023	35,077
Claims payments and other adjustments	(26,727)
Liability as of June 30, 2023	$191,776

Owner Controlled Insurance Programs - On March 15, 2007, the City bound certain liability insurance coverage for the major components of the Airport's Terminal Area Improvement Program through an owner-controlled insurance program ("TAIP OCIP") with National Union Fire Insurance Company of Pittsburgh, PA ("AIG"), formerly known as Chartis Insurance. The OCIP is a single insurance program that provides commercial general liability, excess liability and worker's compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

The coverage for this program is as follows:

	Terminal Area Improvement Program	
Coverages	**Limits**	**Deductible Per Occurrence**
General Liability	$2 million per occurrence/ $4 million aggregate	$250,000
Workers' Compensation	Statutory	$250,000
Employers' Liability	$1 million per accident	$250,000
Excess Liability	$200 million	None

The liability under the TAIP OCIP is based upon an estimated payroll of $92,500,000 for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP required the City to fund a claims loss reserve fund with AIG in the amount of $8,900,000. The claims loss reserve fund is available to AIG to pay claims within the City's deductible subject to an aggregate maximum loss exposure within coverage limits to the City of $8,900,000. The City was able to negotiate to fund 74% of the claims loss reserve and interest generated remains in the fund. The full amount of $6,500,000 was deposited with AIG in FY 2009 and was recorded as advances and deposits in the accompanying Airport enterprise fund statement of net position. The balance of the TAIP reserve fund as of June 30, 2023 was approximately $220,000.

The City was obligated to maintain the TAIP OCIP through final acceptance of the TAIP, pursuant to the terms of its design-build contract with Hensel Phelps. The TAIP Project has been completed and the policies expired on June 30, 2011. AIG will continue to hold the remaining funds in the claims loss reserve until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

On June 30, 2017, the City bound certain liability insurance coverage for the major components of the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program through an owner-controlled insurance program ("RWF OCIP I") with the primary carrier Old Republic General Insurance Corporation ("Old Republic"). The RWF OCIP I is a single insurance program that the City sponsors and provides commercial general liability, excess liability and worker's compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site. In addition, the City procured Builder's Risk and Contractor's Pollution Liability insurance to cover liabilities associated with the work. The Contractor's Pollution Liability insurance for RWF OCIP II provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The $10 million in Contractor's Pollution Liability coverage is subject to a $100,000 per occurrence deductible.

The City was also required to establish and post a cash collateral fund of $2,657,395, to be paid in five annual installments and subject to the Old Republic's quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of $4,385,000. Due to positive claims experience since the inception of the program, the City negotiated a $100,000 reduction in the overall cash collateral requirement. As of July 31, 2021, the City has provided Old Republic with $2,557,395 for the cash collateral fund. The cash collateral fund is available to Old Republic to pay claims within the City's deductible of up to $250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of $4,385,000.

	RWF Capital Improvement Projects (OCIP I)	
Coverages	**Limits**	**Deductible Per Occurrence**
General Liability	$2 million per occurrence/ $4 million aggregate	$250,000
Workers' Compensation	Statutory	$250,000
Employers' Liability	$1 million per accident	$250,000
Excess Liability	$100 million	None

The premiums of the RWF OCIP I are calculated based on the estimated hard cost of construction valued at $535,000,000 for the covered capital improvement projects to be enrolled and for work to be performed up to March 30, 2023. To accommodate five existing capital projects whose construction timelines extended beyond March 30, 2023, the City extended the expiration date of RWF OCIP I to May 30, 2024.

On January 25, 2022, the City bound certain liability insurance coverage for the major components of the capital improvement program of the Treatment Plant through a second Owner-Controlled Insurance Program ("RWF OCIP II") with the primary carrier Ace American Insurance Company ("Chubb"). The RWF OCIP II is a single insurance program that the City sponsors and provides commercial general liability, excess liability, and worker's compensation insurance coverage for construction jobsite risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

The City secured Builder's Risk insurance to provide replacement cost property coverage for scheduled RWF OCIP II capital projects with construction start dates from April 1, 2022, to April 1, 2024. The City purchased Contractor's Pollution Liability insurance for RWF OCIP II, which provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The $10 million in Contractor's Pollution Liability coverage is subject to a $100,000 per occurrence deductible.

The City also elected to purchase Excess Professional Liability insurance for RWF OCIP II. Excess Professional Liability coverage provides claims-made, project-specific coverage to the City for liabilities and exposures resulting from breach of the performance of professional services providers, including design, architecture and engineering work. The $10 million in Excess Professional Liability coverage is in excess of the individual policies of these professionals, which must provide a minimum of $2 million in professional liability coverage and applies only after exhaustion of proceeds on those policies.

The City was also required to establish and post a cash collateral fund of $1,496,471, to be paid in four annual installments and subject to Chubb's quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of $2,559,441. The cash collateral fund is available to Chubb to pay claims within the City's deductible of up to $250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of $2,559,441. As of June 30, 2023, the City has provided Chubb with $748,236 for the cash collateral fund.

The coverage for the RWF OCIP II is as follows:

	RWF Capital Improvement Projects (OCIP II)	
Coverages	**Limits**	**Deductible Per Occurrence**
General Liability	$2 million per occurrence/ $4 million aggregate	$250,000
Workers' Compensation	Statutory	$250,000
Employers' Liability	$1 million per accident	$250,000
Excess Liability	$100 million	None

The premiums of the RWF OCIP II are calculated based on the estimated hard cost of construction valued at $310,600,000 for the covered capital improvement projects to be enrolled and for work to be performed during the policy period February 1, 2022 through February 1, 2028.

12. Pollution Remediation Obligations

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including Las Plumas Warehouse and the former San José Fire Training Facility. Although the City has significant experience in estimating these types of cleanups, the calculation of the expected outlays related to this pollution remediation is based on estimates provided by both City engineers and consultants hired by the City. The amount of the estimated pollution remediation liability assumes that there will be no major increases in the cost of providing these cleanup services. As of June 30, 2023, the government-wide statement of net position reported a net pollution remediation obligation in the amount of $3.2 million in governmental activities.

Convention Center South Hall Site – On October 10, 2018, the City purchased the Convention Center South Hall Site ("South Hall Site") from the SARA in "as-is" condition. The South Hall Site is contaminated with gasoline, diesel products, and lead. The San Francisco Regional Water Quality Control Board ("Water Board") has listed the South Hall Site as an open-inactive case. The Water Board is not requiring further investigation or possible remediation at this time based upon the current use of the property as a Convention Center that is completely paved. There are no immediate plans to redevelop the South Hall Site which would likely require environmental mitigation, the cost of which is unknown and would depend on the specific redevelopment plans for the South Hall Site.

San José Santa Clara Wastewater Treatment Facility - San José Santa Clara Wastewater Treatment Facility is co-owned by the City of San José and City of Santa Clara and treats wastewater for over 1.7 million residents and thousands of businesses in the cities of San José, Santa Clara, Milpitas, Campbell, Los Gatos, Monte Sereno, Cupertino, and unincorporated areas of the County. As part of the wastewater treatment process, the water is filtered, treated, and the solids removed. The solid material byproduct is called biosolids and placed in lagoons in the RWF buffer lands where the biosolids are dredged and then dried to reduce the water content for eventual off-site disposal.

In the 1960s and 1970s, biosolids from the wastewater were kept on the RWF buffer lands and stored in lagoons over about 200-acres. These biosolids, estimated to be approximately 750,000 cubic yards, were tested for disposal purposes and found to contain several metals that characterize the biosolids as hazardous waste. The San Francisco Bay Regional Water Quality Control Board ("Water Board") issued an order in August 2019 to require the City to remediate the biosolids. The City received approval from the Water Board to consolidate the biosolids into a smaller footprint (about 25-acres) and cap with clean soil. The City has decided to do the work in two phases. Phase 1 was completed in late 2020 at cost of about $6.2 million. The remaining biosolids will be placed in the consolidated area in a second phase implemented over several years. The project is expected to be completed in 2026 or 2027. The estimated cost for the Phase 2 removal is currently $28.0 million.

G. Interfund Transactions

The composition of interfund balances as of June 30, 2023, with explanations of transactions, is as follows (in thousands):

1. Due from/Due to other funds

Receivable Fund	Payable Fund	Amount	
General Fund	Nonmajor Governmental Funds	$ 3,425	(1)
General Fund	San José Financing Authority Debt Service	799	(2)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,057	(3)
San José Financing Authority Debt Service	San José Clean Energy	20,000	(4)
		$ 28,281	

(1) $3,042 represents accrual of gas tax transfers and $383 represents accrual of construction and conveyance tax transfer.

(2) Represents loan interest for the Rancho Del Pueblo golf course.

(3) Represents short-term borrowing for working capital.

(4) Represents loan for commercial paper issuance.

2. Advances to/Advances from other funds

Receivable Fund	Payable Fund	Amount	
General Fund	San José Financing Authority Debt Service	$ 3,297	(1)
		$ 3,297	

(1) Represents a $3,297 loan to support the Rancho Del Pueblo golf course.

3. Long-term Advances from SARA

The City has a payable and SARA has a receivable related to an Agency advance of a portion of a loan made by the City's Housing Department to a third party for a transitional housing project. The SARA is entitled to 24.5% of the total loan repayment and therefore has a long-term receivable in the amount of $733,000 due from the City as of June 30, 2023.

4. Transfers in/Transfers out

Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations. The following schedules summarize the City's transfer activity for the year ended June 30, 2023, with explanations of transactions (in thousands):

Between governmental and business-type activities:

Transfer from	Transfer to	Amount	
San José Mineta International Airport	General Fund	$ 157	(1)
Wastewater Treatment System	General Fund	439	(2)
	Nonmajor Governmental Funds	1,165	(3)
Municipal Water System	General Fund	344	(4)
	Nonmajor Governmental Funds	134	(5)
Parking System	General Fund	940	(6)
	Nonmajor Governmental Funds	153	(7)
San José Clean Energy	General Fund	38	(8)
	Nonmajor Governmental Funds	288	(9)
General Fund	San José Mineta International Airport	702	(10)
		$ 4,360	

(1) Transfer for partial repayment of local sales tax for jet fuel.
(2) Transfer for debt service payments associated with the issuance of Tax Revenue Anticipation Notes (TRANs).
(3) Transfer for City Hall debt service payments.
(4) Transfer of $300 for late fee collections from Water Utility Fund to General Fund, and $44 for TRANs debt service payments.
(5) Transfer for City Hall debt service payments.
(6) Transfer of $429 to San Jose Downtown Association, $497 for strategic support, and $14 for TRANs debt service payments.
(7) Transfer of $76 for City Hall debt service payments, and $77 for the Downtown Property and Business Improvement District.
(8) Transfer for City Hall debt service payments.
(9) Transfer for debt service payments associated with the issuance of Tax Revenue Anticipation Notes (TRANs).
(10) Transfer for jet fuel sales tax to Airport Revenue Fund.

Between governmental activities:

Transfer from	Transfer to	Amount	
General Fund	Nonmajor Governmental Funds	$ 27,652	(1)
	Internal Service Funds	1,660	(2)
	San José Financing Authority Debt Service	1,310	(3)
Housing Activities	General Fund	25	(4)
	Nonmajor Governmental Funds	817	(5)
Low and Moderate Income Housing Asset	General Fund	39	(6)
	Nonmajor Governmental Funds	250	(7)
Special Assessment Districts	General Fund	120	(8)
	San José Financing Authority Debt Service	7,615	(9)
Nonmajor Governmental Funds	General Fund	10,608	(10)
	Nonmajor Governmental Funds	16,711	(11)
	San José Financing Authority Debt Service	34,650	(12)
Internal Service Funds	General Fund	204	(13)
	Nonmajor Governmental Funds	102	(14)
San José Financing Authority Debt Service	Nonmajor Governmental Funds	2,504	(15)
		$ 104,267	

(1) Transfer of $19,968 to City Hall debt service payments, and $7,684 for operations and subsidies.
(2) Transfer to Vehicle Maintenance and Operations Fund.
(3) Transfer for debt service payments related to ESCO conservation project and commercial paper fees.
(4) Transfer of $25 for TRANs debt service payments.
(5) Transfer of $233 for City Hall debt service payments, and $584 to the Community Development Block Grant Fund.
(6) Transfer for debt service payments associated with the issuance of Tax Revenue Anticipation Notes (TRANs).
(7) Transfer for City Hall debt service payments.
(8) Transfer for administrative expenses.
(9) Transfer for debt service payments related to series 2022A bond.
(10) Various transfers for debt service (TRANs), interest allocation, capital projects, and lump sum overhead.
(11) Transfer of $2,992 for City Hall debit service payments, and $13,719 for operations, interest earnings, and capital projects.
(12) Transfer for debt service payments related to commercial paper fees, interest, and reimbursements.
(13) Transfer of $63 for interest and discount allocation to General Fund and $141 for vehicle maintenance and operations.
(14) Transfer for City Hall debt service payments.
(15) Transfer of $417 for commercial paper issuance and $2,087 for interest.

H. Deferred Inflows of Resources

As of June 30, 2023, total deferred inflows of resources in the governmental funds related to the following unavailable resources (in thousands):

Description		
General Fund receivables	$	19,908
Housing Activities loans receivable		14,090
Low and Moderate Income Housing Asset loans receivable		2,862
Integrated Waste Management		490
Community Development Block Grant (CDBG) loans receivable		2,239
Construction Excise Tax		5,552
Community Facility Revenues		92,152
Total deferred inflows of resources	$	137,293

I. Governmental Fund Balances

As of June 30, 2023, total fund balances for the City's major and nonmajor governmental funds are as follows (in thousands):

	General Fund	Housing Activities	Low & Moderate Income Housing Asset	Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Advances & Deposits	$ 88	$ -	$ -	$ -	$ -	$ -	$ 88
Subtotal	88	-	-	-	-	-	88
Restricted for:							
Affordable Housing	-	190,116	429,343	-	-	-	619,459
Capital Projects & Improvements	-	-	-	30,863	-	477,961	508,824
Employment/Training Services	-	-	-	-	-	1,345	1,345
Drug Abuse Prevention & Control	300	-	-	-	-	1,577	1,877
Library Services & Facilities	-	-	-	-	-	3,905	3,905
Small Business Loans	-	-	-	-	-	7	7
Parks, Recreation, & Neighborhood Development	-	-	-	-	-	101,780	101,780
Underground Utility Projects	-	-	-	-	-	11,709	11,709
Storm Drainage Projects	-	-	-	-	-	45,725	45,725
Supplemental Law Enforcement Services	-	-	-	-	-	112	112
Convention Center, Auditorium, Theaters	-	-	-	-	-	370	370
Debt Service	-	-	-	-	7,680	46,692	54,372
Subtotal	300	190,116	429,343	30,863	7,680	691,183	1,349,485
Committed to:							
Capital Projects and Improvements	21,022	-	-	-	-	1,021	22,043
Parks, Recreation, & Neighborhood Development	-	-	-	-	-	4,418	4,418
Development Enhancement	-	-	-	-	-	528	528
Convention Center, Auditorium, Theaters	-	-	-	-	-	4,979	4,979
Employee Compensation Planning	9,606	-	-	-	-	-	9,606
Development Fee Program Technology	570	-	-	-	-	-	570
Residential Program Administration	-	-	-	-	-	2,976	2,976
Government Functions/Services	21,608	-	-	-	-	-	21,608
Public Safety	8,222	-	-	-	-	-	8,222
Community Development Services	34,858	-	-	-	-	61,951	96,809
Salaries & Benefits	2,000	-	-	-	-	-	2,000
Sanitation Projects	621	-	-	-	-	32,529	33,150
Debt Service	-	-	-	-	-	4	4
Subtotal	98,507	-	-	-	-	108,406	206,913
Assigned to:							
Financing Authority Debt Service	3,297	-	-	-	-	-	3,297
Development Enhancement	-	-	-	-	-	20	20
Community & Culture Projects	-	-	-	-	-	3,949	3,949
Hayes Mansion and Ice Center Operations	-	-	-	-	-	9,287	9,287
Capital Projects & Improvements	-	-	-	-	-	81,715	81,715
Government Functions/Services	453,560	-	-	-	-	-	453,560
Subtotal	456,857	-	-	-	-	94,971	551,828
Unassigned	129,290	-	-	-	(7,797)	(234)	121,259
Total Fund Balance	$ 685,042	$ 190,116	$ 429,343	$ 30,863	$ (117)	$ 894,326	$ 2,229,573

City Reserves Policy. The City Council-approved Operating Budget and Capital Improvement Program Policy (Policy Number 1-18) incorporates direction on contingency funding, including general purpose reserves, the Cash Reserve Fund and the Emergency Reserve Fund. Within the General Fund, general purpose reserves are to be set aside as a safety net for general City operations. Currently, the General Fund Contingency Reserve, the General Fund Budget Stabilization Reserve, and the General Fund Workers' Compensation/General Liability Catastrophic Reserve are available for general purposes. Each of these reserves is described below. With the exception of the General Fund Contingency Reserve Fund, use of these reserves requires a majority vote of the City Council.

Within capital project and special revenue funds, general purpose reserves may be set aside as a safety net for City operations pertaining to the respective fund or to provide stability for customer rates when there are fluctuations to revenues and expenditures.

The Policy also identifies the Cash Reserve Fund and the Emergency Reserve Fund, which are mandated by the City Charter described below.

The ***General Fund Contingency Reserve Fund*** was created to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. The policy established a minimum of three percent of the General Fund operating budget as the reserve balance. Any use of the General Fund Contingency Reserve shall require a two-thirds vote of approval by the City Council. As of June 30, 2023, the contingency amount accounts for $46,000,000 of the unassigned fund balance.

The ***General Fund Budget Stabilization Reserve*** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. As of June 30, 2023, the budget stabilization reserve accounts for $61,000,000 of the unassigned fund balance.

The ***General Fund Workers' Compensation/General Liability Catastrophic Reserve*** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide funding for potential workers' compensation or general liability claims that exceed the budgeted amounts as the City, for the most part, is self-insured. As of June 30, 2023, the workers' compensation and general liability catastrophic reserve accounts for $15,000,000 of the unassigned fund balance.

The ***Cash Reserve Fund*** was created for the payment of any authorized expenditures of the City for any fiscal year in anticipation of and before the collection of taxes and other revenues of the City for such fiscal year, and for the payment of authorized expenses of the City for any fiscal year, which became due and payable and must be paid prior to the receipt of tax payments and other revenues for such fiscal year. A reserve shall be built up in said fund from any available sources other than restricted sources in an amount which the Council deems sufficient for said purposes. As of June 30, 2023, the cash reserve amount accounts for $6,000 of the unassigned fund balance.

The ***Emergency Reserve Fund*** was created for the purpose of meeting any public emergency involving or threatening the lives, property or welfare of the people of the City or property of the City. A reserve shall be built up in said fund from any available sources, other than restricted sources, in an amount which the Council deems desirable. As of June 30, 2023, the emergency reserve amount accounts for $513,000 of the unassigned fund balance.

IV. Other Information

A. Defined Benefit Retirement Plans

A. 1. City Sponsored Defined Benefit Pension Plans

1. General Information about the Pension Plans

The City sponsors and administers two single employer defined benefit retirement systems, the Police and Fire Department Retirement Plan (the "PFDRP") and the Federated City Employees' Retirement System (the "FCERS"), and collectively, "the Retirement Systems", which with the exception of certain unrepresented employees together cover all full-time and certain part-time employees of the City. The Retirement Systems provide general retirement benefits under single employer Defined Benefit Pension Plans, as well as the Postemployment Healthcare Plans. The Retirement Systems are accounted for in the Pension Trust Funds.

The Retirement Systems are administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Boards of Administration for the Retirement Systems. The compensation paid to the Chief Executive Officer and the investment professional staff within the Office of Retirement Services is set by the City Council. The Boards of Administration in recommending to the City Council the compensation amounts for these positions are required under the City Charter to consider compensation of equivalent positions in comparable United States public pension plans.

The separately issued annual reports of PFDRP and FCERS, together with various chapters in Title 3 of the City's Municipal Code, provide more detailed information about the Retirement Systems. Those reports may be obtained from the City of San José Office of Retirement Services at http://www.sjretirement.com.

Benefits

The Defined Benefit Pension Plans provide general retirement benefits including pension, death, and disability benefits to members. The contribution and benefit provisions and all other requirements are established by the City Charter and the City's Municipal Code. Benefits are based on average Final Compensation, years of service, and cost-of-living increases as specified by the City's Municipal Code. Information regarding disability and death benefits can be found in the annual reports of the Retirement Plans and on the Office of Retirement Services website.

Effective June 18, 2017, the PFDRP has several Tiers as follows:

PFDRP Membership Tiers

Tier	Hire Date	Pension	Defined Benefit Retiree Healthcare (Medical/Dental)
Police Tier 1	• Before August 4, 2013 • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions	Tier 1	Medical/Dental (2) (4)
Police Tier 1 Rehire	• Tier 1 employee rehired between August 4, 2013 through June 17, 2017	Tier 1 (1)	Medical/Dental (2) (4)
Fire Tier 1	• Before January 2, 2015 • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions	Tier 1	Medical/Dental (2) (4)
Fire Tier 1 Rehire	• Tier 1 employee rehired between January 2, 2015 through June 17, 2017	Tier 1 (1)	Medical/Dental (2) (4)
Tier 1 Classic	• “Classic” membership with CalPERS/reciprocal agency hired on or after August 4, 2013 for Police and January 2, 2015 for Fire	Tier 1 (5)	Not Eligible
Police Tier 2	• On or after August 4, 2013	Tier 2	Not Eligible (3) (4)
Fire Tier 2	• On or after January 2, 2015	Tier 2	Not Eligible (3) (4)

(1) Employees in these tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.

(2) Employees in these Tiers were provided a one-time irrevocable election to remain in the Police and Fire Healthcare Plan or opt into the Police and Fire VEBA. Employees that opted into the Police and Fire VEBA are not eligible for the Police and Fire Healthcare Plan. The Police and Fire VEBA was implemented on March 25, 2018.

(3) Employees in these tiers were mandatorily placed into the Police and Fire VEBA.

(4) Unrepresented employees were eligible to opt into a Police and Fire VEBA but are not eligible to make ongoing contributions to the Police and Fire VEBA.

(5) Employees in these tiers are responsible for 50% of the amortization costs for any prior years of service in Tier 2 changed to Tier 1 for all employees in the “Classic” tier regardless of start date.

The following tables summarize the pension benefits for the members:

	PFDRP		
	Police Tier 1 [(1)]	**Police Tier 1 Classic [(2)]**	**Police Tier 2 [(3)]**
Pension			
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into Retirement Plan to collect pension)	10 years of service	5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked within applicable 12-month period)
Service Retirement			
Age/Years of Service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age)	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age)	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan
	Mandatory retirement at 70 years of age	Mandatory retirement at 70 years of age	A reduction factor of 7.0% per year for each year between age 57 and Tier 2 member's age at retirement, prorated to the closest month
Early Retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred Vested Retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement plan.)
			Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month.

(1) Police Tier 1 employees are those hired before August 4, 2013.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3.AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Police Tier 2 employees are those hired on or after August 4, 2013.

	PFDRP (Continued)		
	Police Tier 1 [(1)]	Police Tier 1 Classic [(2)]	Police Tier 2 [(3)]
Allowance	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years City service: 4% per year of service x Final Compensation (90% max)	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years City service: 4% per year of service x Final Compensation (90% max)	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05) Maximum benefit is 80% of Final Compensation
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.
Cost-of-Living Adjustments			
Cost-of-Living Adjustments	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired prior to February 1st. Partial months are not included in the proration.

(1) Police Tier 1 employees are those hired before August 4, 2013.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3.AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Police Tier 2 employees are those hired on or after August 4, 2013.

	PFDRP		
	Fire Tier 1 [(1)]	Fire Tier 1 Classic[(2)]	Fire Tier 2 [(3)]
Pension			
Service required to leave contributions in retirement system	10 years of service (20 years must have elapsed from date of entry into Retirement Plan to collect pension)	10 years of service	5 years of service with the City in the Police and Fire Department Plan (Year of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age/Years of Service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Retirement Plan 50 with 5 years of service with the City in the Retirement Plan A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Early Retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred Vested Retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with at least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Retirement Plan. (This applies to members who separate from City service before retirement and leave their contributions in the retirement plan.) Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month

(1) Fire Tier 1 members are those hired before January 2, 2015.
(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.
(3) Fire Tier 2 employees are those hired on or after January 2, 2015.

	PFDRP (Continued)		
	Fire Tier 1 (1)	Fire Tier 1 Classic(2)	Fire Tier 2 (3)
Allowance	First 20 years of service: 50% of Final Compensation (2.5% per year)	First 20 years of service: 50% of Final Compensation (2.5% per year)	First 20 years of service: 2.4% per year of service x Final Compensation
	>20 years of service - all years convert to 3% for each full year x Final Compensation (90% max)	Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) - All years convert to 3% after 20 years of service	Beginning of 21st year of service: 3.0% per year of service x Final Compensation
			Beginning of 26th year of service: 3.4% per year of service x Final Compensation
			Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05)
			Maximum benefit is 80% of Final Compensation
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.
Cost-of-Living Adjustments			
Cost-of-Living Adjustments	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired.

(1) Fire Tier 1 employees are those hired before January 2, 2015.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Fire Tier 2 employees are those hired on or after January 2, 2015.

Effective June 18, 2017, the FCERS has several Tiers as follows:

FCERS Membership Tiers

Tier	Hire Date	Pension	Defined Benefit Retiree Healthcare (Medical/Dental)
Tier 1	• On or before September 29, 2012		
	• Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions	Tier 1	Medical/Dental (2) (4)
Tier 1 Rehire	• Former Tier 1 rehired on or after September 30, 2012 through June 17, 2017	Tier 1 (1)	Medical/Dental (2) (4) (5)
Tier 1 Classic	• "Classic" membership with CalPERS/reciprocal agency hired by the City of San Jose on or after June 18, 2017	Tier 1 (6)	Medical/Dental
	• "Classic" membership with California Public Employees' Retirement System ("CalPERS")/reciprocal agency hired on or after September 30, 2012, but before September 27, 2013	Tier 1 (6)	Not Eligible (3) (4)
	• "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2013	Tier 1 (6)	
Tier 2 (or Tier 2A)	• Hired/rehired/reinstated on or after September 30, 2012, but before September 27, 2013	Tier 2	Medical/Dental (2) (4)
Tier 2B	• Hired/rehired/reinstated after September 27, 2013 and have not met City's eligibility for retiree healthcare	Tier 2	Not Eligible (3) (4)

(1) Employees in these tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.

(2) Employees in these tiers were provided a one-time irrevocable election to remain in the Federated Healthcare Plan or opt into the Federated VEBA. Employees that opted into the Federated VEBA are not eligible for Federated Healthcare Plan. The Federated VEBA was implemented on March 25, 2018.

(3) Employees in these tiers were mandatorily placed into the Federated VEBA.

(4) Unrepresented employees were eligible to opt into the Federated VEBA but are not eligible to make ongoing contributions to the Federated VEBA.

(5) All Tier 1 rehires formerly in Tier 2B and Tier 2C who opted to remain in the Federated Healthcare Plan began contributing to the Federated Healthcare Plan on March 25, 2018.

(6) Employees in these tiers are responsible for 50% of the amortization costs for any prior years of service in Tier 2 changed to Tier 1 for all employees in the "Classic" tier regardless of start date.

	FCERS			
	Tier 1 (1)	**Tier 1 Classic (2)**	**Tier 2A (3)**	**Tier 2B (4)**
Pension Service required to leave contributions in retirement system	5 years		5 years Federated City Service (Year of Service = 2080 hours worked in the applicable 12-month period)	
Service Retirement Age/Years of Service	55 with 5 years service 30 years service at any age		62 years with 5 years Federated City Service may retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age fifty-five (55) and the Tier 2 member's age at retirement before age 62, prorated to the closest month	
Deferred Vested retirement	55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)		May commence on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 55 with reduction factor of 5% per year for each year between age fifty-five and the Tier 2 member's age at retirement before age 62, prorated to the closest month	
Allowance	2.5% x Years of Service x Final Compensation (75.0% max)		2.0% x Years of Federated City Service x Final Compensation (70.0% max)	
	Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months.		Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive years of Federated City Service	
	Tier 1: If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months			
	Tier 1 Classic: If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months.		Excludes premium pay or any other forms of additional compensation	
Disability Retirement (Service Connected)				
Minimum Service	None		None	
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)		2% x Years of Federated City Service x Final Compensation (Minimum of 40% and maximum of 70% of Final Compensation)	

(1) Federated Tier 1 applies to employees hired on or before September 29, 2012.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José, on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.

(4) Tier 2B are employees who were newly hired on or after September 27, 2013.

	FCERS (Continued)			
	Tier 1 (1)	Tier 1 Classic (2)	Tier 2A (3)	Tier 2B (4)
Disability Retirement (Non-Service Connected)				
Minimum Service	5 years		5 years	
Allowance	Tier 1: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of services. (Maximum 75% of Final Compensation). For those who entered the Retirement System on 8/31/98 or before, the calculation is as follows: 40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55 Tier 1 Classic: 40% of Final Compensation plus 2.5% years of service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55. For those who entered the System on 9/01/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 year of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service(Maximum 75% of Final Compensation)		2% x Years of Federated City Service x Final Compensation. (Minimum of 20% and maximum of 70.0% of Final Compensation)	
Reciprocity				
Reciprocity	As of December 9, 1994, the City of San José Federated City Employees' Retirement System adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. Final eligibility for reciprocity is determined at the time of retirement.			
Cost-of-Living Adjustments (COLA)				
Cost-of-Living adjustments	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each April. There is no prorating of COLA.		Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the lesser of the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), or a back loaded 2.0% COLA per fiscal year. The back loaded COLA shall be calculated as follows: i. Service at retirement of 1-10 years: 1.25% per year ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% iii. Service at retirement of 11-20 years: 1.5% per year iv. Service at retirement of 21-25 years: 1.75% per year v. Service at retirement of 26 years and above: 2.0% per year COLAs are applied annually on April 1st. The first COLA will be prorated based on the number of months retired prior to April 1st. Partial months are not included in the proration.	

(1) Federated Tier 1 applies to employees hired on or before September 29, 2012.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José, on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.

(4) Tier 2B are employees who were newly hired on or after September 27, 2013.

Employees Covered - The current membership in the Defined Benefit Pension Plans as of June 30, 2023, is as follows:

FCERS	Tier 1 Pension Only (2)	Tier 1 Pension & Medical (3)	Tier 2 Pension Only (2)	Tier 2 Pension & Medical (3)	Totals
Defined Benefit Pension Plan:					
Retirees and beneficiaries currently receiving benefits (1)	806	3,771	48	1	4,626
Terminated vested members entitled to future benefits	742	151	1,126	-	2,019
Active members	120	1,077	2,782	69	4,048
Total	1,668	4,999	3,956	70	10,693

(1) The combined domestic relations orders are not included in this count as their benefit payment is included in the retiree member count.

(2) Includes members that are eligible for the catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan.

(3) Eligible for full retiree medical benefits.

	Retirees and Beneficiaries (1)		Terminated Vested Members Entitled to Future Benefits		Active Members		
PFDRP	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Totals
Police							
Pension & Medical (2)	1,503	-	3	-	406	-	1,912
Pension only (3)	144	1	161	153	34	607	1,100
Police Total	1,647	1	164	153	440	607	3,012
Fire							
Pension & Medical (2)	893	-	3	-	390	-	1,286
Pension only (3)	57	-	32	10	32	226	357
Fire Total	950	-	35	10	422	226	1,643
Total	2,597	1	199	163	862	833	4,655

(1) Retiree counts do not include combined domestic relations orders.

(2) Members are eligible for full retiree medical benefits.

(3) Includes members that are eligible for the catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan.

The Retirement Systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974, a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.

2. Contributions

Under GASB Statement No. 68, the City's and the participating employees' contributions to the Defined Benefit Pension Plans are based upon an actuarially determined percentage of each employee's pensionable and earnable salary to arrive at an actuarially determined contribution ("ADC") sufficient to provide adequate assets to pay benefits when due. The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

The contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for the year ended June 30, 2023 were based on the actuarial valuations performed as of June 30, 2021. The contribution rates in effect and the amounts contributed to the pension plans for the year ended June 30, 2023 are as follows (in thousands):

	PFDRP									
	City						Participants (2)			
Defined Benefit Pension Plan	Police Tier 1	Minimum Dollar Amount (3)	Police Tier 2	Fire Tier 1	Minimum Dollar Amount (3)	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
Actuarial Rate:										
06/25/23-06/30/23	33.84%		14.35%	34.25%		15.11%	11.06%	14.35%	11.99%	15.11%
07/01/22-06/24/23 (1)	33.24%	$ 76,350	14.37%	34.34%	$ 69,689	15.18%	10.99%	14.37%	12.11%	15.18%

(1) The actual contribution rates paid by the City for year ended June 30, 2023 differed from what is above for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.18% in contributions for the year ended June 30, 2023.

(3) Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on UAL.

	FCERS				
	City			Participants	
Defined Benefit Pension Plan	Tier 1	Minimum Dollar Amount (3)	Tier 2	Tier 1 (2)	Tier 2
Actuarial Rate:					
06/25/23-06/30/23	20.16%		8.01%	7.34%	8.01%
06/26/22-06/24/23 (1)	20.32%	$ 162,602	8.13%	7.41%	8.13%

(1) The actual contribution rates paid by the City for year ended June 30, 2023 differed for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Reclassified Tier 1 members paid an additional 3.00% in contributions for year ended June 30, 2023. Classic Tier 1 members paid an additional 1.09% in contributions for year ended June 30, 2023.

(3) Contributions are structured as a normal cost, plus a payment on the Unfunded Actuarial Liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.

	Annual Pension Contribution for the Year Ended 06/30/23		
Defined Benefit Pension Plan	City	Participants	Total
PFDRP	$ 201,750	$ 32,661	$ 234,411
FCERS	$ 199,440	$ 30,561	$ 230,001

3. Net Pension Liability

The City's net pension liability for each Defined Pension Plan is measured as the total pension liability, less the pension plans' fiduciary net position as of the measurement date of June 30, 2022. The City's net pension liability as of June 30, 2023 of each of the Defined Pension Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures by the actuary for the respective plans. In summary, the City's net pension liability at June 30, 2023 is as follows (in thousands):

	PFDRP	FCERS	CalPERS	Total
Net Pension Liability	$ 1,221,297	$ 1,981,397	$ 1,547	$ 3,204,241

The General Fund and Enterprise Funds have historically been used to liquidate the pension liabilities.

Changes in Net Pension Liabilities - The components of the net pension liabilities of the PFDRP and FCERS plans as of the measurement date, June 30, 2022, were as follows (in thousands):

	Increase (Decrease)		
PFDRP	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balance at 6/30/2021	$ 5,423,372	$ 4,726,642	$ 696,730
Changes for the Year:			
Service costs	93,139	-	93,139
Interest	354,685	-	354,685
Changes of benefit terms	-	-	-
Contributions-employer	-	212,046	(212,046)
Contributions-employees	-	31,660	(31,660)
Net investment loss	-	(294,551)	294,551
Difference between expected and actual experience	7,457	-	7,457
Changes of assumptions	12,390	-	12,390
Benefit payments, including refunds of member contributions	(259,876)	(259,876)	-
Administrative expenses	-	(6,051)	6,051
Net changes	207,795	(316,772)	524,567
Balance at 6/30/2022	$ 5,631,167	$ 4,409,870	$ 1,221,297

	Increase (Decrease)		
FCERS	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balance at 6/30/2021	$ 4,526,849	$ 2,884,344	$ 1,642,505
Changes for the Year:			
Service costs	67,581	-	67,581
Interest	295,014	-	295,014
Changes of benefit terms	-	-	-
Contributions-employer	-	207,598	(207,598)
Contributions-employees	-	27,464	(27,464)
Net investment loss	-	(169,129)	169,129
Difference between expected and actual experience	27,568	-	27,568
Changes of assumptions	9,684	-	9,684
Benefit payments, including refunds of member contributions	(237,273)	(237,273)	-
Administrative expenses	-	(4,978)	4,978
Net changes	162,574	(176,318)	338,892
Balance at 6/30/2022	$ 4,689,423	$ 2,708,026	$ 1,981,397

Note: The schedules of changes in the net pension liability as of June 30, 2022 are presented in the Required Supplementary Information.

Sensitivity of the Net Pension Liabilities to Changes in Discount Rates - The discount rates used to measure the total pension liabilities were 6.625%, for both the PFDRP and FCERS plans for the valuations dated June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures by the actuary for the respective plans. It is assumed that PFDRP and FCERS members' contributions and City's contributions will be made based on the actuarially determined rates based on the funding policy of each board. Based on those assumptions, the PFDRP's and FCERS's fiduciary net positions are expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

The following presents the net pension liabilities, calculated using the discount rates of 6.625% in effect as of the measurement date, as well as what the net pension liabilities would be if they were calculated using discount rates that are one percentage point lower (5.625%) or one percentage point higher (7.625%) than the rates used, for the PFDRP and FCERS plans, respectively (in thousands):

PFDRP - Sensitivity Analysis	1% Decrease (5.625%)	Measurement Date Rate (6.625%)	1% Increase (7.625%)
Total pension liability	$ 6,444,068	$ 5,631,167	$ 4,973,234
PFDRP fiduciary net position	4,409,870	4,409,870	4,409,870
Net pension liability	$ 2,034,198	$ 1,221,297	$ 563,364
PFDRP fiduciary net position as a percentage of the total pension liability	68.4%	78.3%	88.7%

FCERS - Sensitivity Analysis	1% Decrease (5.625%)	Measurement Date Rate (6.625%)	1% Increase (7.625%)
Total pension liability	$ 5,327,180	$ 4,689,423	$ 4,168,118
FCERS fiduciary net position	2,708,026	2,708,026	2,708,026
Net pension liability	$ 2,619,154	$ 1,981,397	$ 1,460,092
FCERS fiduciary net position as a percentage of the total pension liability	50.8%	57.7%	65.0%

Pension Expense and Deferrals – For the year ended June 30, 2023, the City recognized pension expense and reported deferred outflows and inflows of resources related to pensions as follows (in thousands):

	PFDRP	FCERS	Total
Pension Expense	$ 179,254	$ 170,324	$ 349,578

Schedule of Deferred Outflows and Inflows of Resources - PFDRP

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 201,750	$ -
Differences between expected and actual experience	14,874	7,565
Changes in assumptions	66,269	-
Net difference between projected and actual earnings on pension plan investments	72,969	-
Total	**$ 355,862**	**$ 7,565**

As of June 30, 2023, $201,750,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the PFDRP will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2024	$ 56,219
2025	2,512
2026	(33,579)
2027	121,395
	$ 146,547

Schedule of Deferred Outflows and Inflows of Resources - FCERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 199,440	$ -
Differences between expected and actual experience	42,867	6,930
Changes in assumptions	25,753	735
Net difference between projected and actual earnings on pension plan investments	-	8,718
Total	**$ 268,060**	**$ 16,383**

As of June 30, 2023, $199,440,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the FCERS will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2024	$ 6,898
2025	2,095
2026	(28,752)
2027	71,996
	$ 52,237

Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2022 measurement date)

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rates of return on PFDRP and FCERS investments of 6.625% for the valuations dated June 30, 2021 was selected by estimating the median nominal rates of return based on long-term capital market assumptions adopted by the respective Boards, including nominal expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for each plan as of the measurement date of June 30, 2022, are summarized in the following tables:

	PFDRP	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.9%
Cash and cash equivalents	8.0%	-0.5%
Investment grade bonds	4.5%	0.2%
Private equity	9.0%	7.4%
Core real estate	5.0%	3.8%
Immunized cash flows	5.0%	-0.5%
Venture / growth capital	4.0%	7.9%
Emerging market bonds	2.0%	2.2%
Growth real estate	4.0%	6.5%
Long-term government bonds	1.5%	0.6%
Market neutral strategies	3.0%	2.2%
Private debt	4.0%	5.0%
Private real assets	4.0%	5.9%
High yield bonds	2.0%	2.2%
Treasury inflation - protected securities	2.0%	0.2%

	FCERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	49.0%	5.1%
Private equity	8.0%	7.4%
Investment grade bonds	8.0%	0.2%
Core real estate	5.0%	3.8%
Immunized cash flows	5.0%	-0.5%
Venture / growth capital	4.0%	7.9%
Growth real estate	3.0%	6.3%
Emerging market bonds	3.0%	2.2%
Private debt	3.0%	5.0%
Market neutral strategies	3.0%	2.2%
Private real assets	3.0%	5.8%
Long-term government bonds	2.0%	0.6%
Treasury inflation-protected securities	2.0%	0.2%
High yield bonds	2.0%	2.2%
Cash and Cash Equivalents	N/A	-0.5%

The separately issued annual reports of PFDRP and FCERS provide more information about the most recent long-term expected rates of return on plan investments.

4. Actuarial Methods and Assumptions

The significant actuarial methods and assumptions used to compute the total pension liability measured as of June 30, 2022 are from the actuarial valuation report with a valuation date of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures by the actuary for the respective plans.

	PFDRP	FCERS
Description	**Method/Assumption**	**Method/Assumption**
Measurement date	June 30, 2022	June 30, 2022
Valuation date	June 30, 2021	June 30, 2021
Inflation rate	2.25%	2.25%
Discount rate	6.625% per annum (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons is 5.89% and 6.75%, respectively.	6.625% per annum (net of investment expenses) The Board expects a long-term rate of return of 7.1% based on Meketa's 2021 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate
Post-retirement mortality		
(a) Healthy retirees:	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy male and female retirees projected using SOA MP-2021 on a generational basis from the base year of 2010	0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010)
(b) Healthy non-annuitant:	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy males and females employees	0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
(c) Disabled retirees:	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees projected using SOA MP-2021 on a generational basis from the base year of 2010	1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table
Rates of service retirement, withdrawal, death, disability retirements	Based upon the June 30, 2021 actuarial experience analysis	Based upon current experience
Salary increases		
Wage Inflation	Bargained increases and 3.00% per annum (0.75% real wage growth) thereafter. For this valuation, Fire Members have bargained increases of 4.25% for FYE 2022 and 3.00% for FYE 2023. Police members bargained increases of 3.85% for FYE 2022.	The base wage inflation assumption of 3.00%
Merit Increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.60%	Merit/longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service
Cost-of-Living Adjustment	Tier 1 - 3% per year Tier 2 - 2% per year	Tier 1 - 3% per year Tier 2 - 1.25% to 2.0% depending on years of service

A. 2. California Public Employees' Retirement System (CalPERS)

Plan Description. The Mayor and members of the City Council are eligible to participate in the State of California's Public Employees' Retirement System ("CalPERS") Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan"). Effective July 26, 2020, any officer or employee, who is first hired on or after November 4, 2014 in the Unit 99 positions of Chief Executive Officer, Chief Investment Officer and certain Investment Professional staff in the Office of Retirement Services is eligible to participate in CalPERS. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Plan provides retirement, disability and death benefits based on the employee's years of service, age and Final Compensation. Benefit provisions and other requirements are established by the California Public Employees' Retirement Law, employer contract with CalPERS and by City resolution. Retiree health benefits are not provided to Mayor/Councilmembers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. Reports can be found on CalPERS' website at http://www.calpers.ca.gov/page/home.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on a final average compensation period of 36 months. Members with five years of total service are eligible to retire at age 50 for Classic members and at age 52 for the Public Employees' Pension Reform Act of 2013 plan ("PEPRA") members with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law, California Government Code Sections 20000-21703.

The CalPERS Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Classic Rate Plan	PEPRA Rate Plan
Hire date	Prior to January 1, 2013	On or after January 1,2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.320% + $168,652 for unfunded liability	7.470% + $490 for unfunded liability

As of June 30, 2023, there were two current San José City Council members enrolled in the Classic rate plan and eleven current members, consisting of four City Council members and seven Office of Retirement Services investment staff, in the PEPRA rate plan.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2023, the amount contributed to the CalPERS plan was as follows (in thousands):

	Classic Rate Plan	PEPRA Rate Plan	Total
Contributions - employer	$ 212	$ 118	$ 330
Contributions - employee	21	106	127
Total	$ 233	$ 224	$ 457

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Information in this section is derived from the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool at the measurement date of June 30, 2022 prepared by CalPERS. As of June 30, 2023, the City reported a net pension liability of $1,548,000 for its proportionate share of the net pension liability of the Plan. The proportion was determined based on the City's shares of actuarial accrued liability and market value of assets as of June 30, 2021.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures by CalPERS' actuary. The City's proportion of the net pension liability was actuarially determined at the valuation date.

The following information is related to the City's proportionate share of the net pension liability and pension expense (in thousands):

	Plan	
Proportion of the net pension liability prior measurement date	$ 897	0.04726%
Proportion of the net pension liability current measurement date	1,547	0.03308%
Change - Increase (Decrease)	$ 650	-0.01418%
Pension Expense	$ 246	

The City reported deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2023 from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 330	$ -
Differences between actual and expected experience	25	19
Changes in assumptions	143	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	105	51
Net differences between projected and actual earnings on plan investments	313	-
Total	$ 916	$ 70

As of June 30, 2023, $330,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2024	$ 168
2025	134
2026	57
2027	157
	$ 516

Actuarial Assumptions – The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Information in this section is derived from the GASB 68 Accounting Valuation Report for miscellaneous risk pool at the measurement date of June 30, 2022 prepared by CalPERS.

	Plan
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies , 2.5% thereafter

(1) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1) (2)
Global Equity - Cap-Weighted	30%	4.45%
Global Equity - Non-Cap-Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	27.00%
Mortgage-backed Securities	5%	50.00%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

(1) An expected inflation of 2.00% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability calculated using a discount rate of 7.15%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (in thousands):

Sensitivity Analysis	1% Decrease (6.15%)	Measurement Date Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability	$ 2,515	$ 1,547	$ 752

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports can be found on CalPERS' website at www.calpers.ca.gov.

A. 3. Defined Contribution Retirement Plans

1. 401(a) Plan

In December 2012, the City adopted Ordinance No. 29184 amending Title 3 of the San José Municipal Code to amend various Sections of Chapter 3.28 and to add a new Chapter 3.49 for the purpose of establishing an option between the Tier 2 defined benefit plan and a defined contribution 401(a) plan that excludes participation in retiree healthcare, for Unclassified Executive Management and Professional Employees (Unit 99) who are hired on or after January 20, 2013. An employee is eligible to participate in the 401(a) plan if the employee is hired directly into Unit 99 on or after January 20, 2013 and must not have previously been a member of either of the City's defined benefit plans. An eligible employee must sign an irrevocable election form on his or her first day of employment with the City electing to participate in the 401(a) plan. If no irrevocable election form is signed, the employee will be automatically placed into the Tier 2 defined benefit plan.

Both eligible employees and the City are required to contribute 3.75% of participants' annual compensation. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon the employee entering the 401(a) plan. The City contracts with an advisor to manage the 401(a) plan with all assets being held in trust by a third-party custodian in the name of each of the plan's participants. Each of the 401(a) plan's participants directs the investments of their separate account. The City must authorize changes to the 401(a) plan.

There were 172 participants in the 401(a) plan as of June 30, 2023. In FY 2023, the City and the participating employees contributed $595,000 to the 401(a) plan. As of June 30, 2023, the balance of the 401(a) plan was $3,671,000.

2. PTC Deferred Compensation Plan

The City's PTC Deferred Compensation Plan ("PTC Plan") is described in Chapter 3.5 of the City's Municipal Code. The PTC Plan is a mandatory in lieu of Social Security for those employees who are not eligible for membership in either the FCERS or PFDRP. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes VRIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

Benefited part-time employees who were hired before October 1, 2006 were given the option to invest PTC contributions in the same investment options as the 457 Plan participants based on their Participation Agreements. After October 1, 2006 when the City transitioned the investment administrator services to VRIAC, those part-time employees' PTC accounts were transferred to the 457 Plan in order for them to continue having the ability to invest in various investment options, instead of only the Stable Value Fund offered in the PTC Plan. As of June 30, 2023, there were 209 part-time employees participating in the 457 Plan, representing 9.12% of all part-time employees.

For new part-time employees hired on or after October 1, 2006, their PTC contributions are deposited and invested in the Stable Value Fund in the PTC Plan. As of June 30, 2023, there were 6,201 accounts consisting of 2,901 active and 3,300 separated employee accounts participating in the Stable Value Plan. These participating employees contributed $2,918,000 to the plan. As of June 30, 2023, the balance of the plan was $30,852,000.

A. 4. Postemployment Benefit Plans Other than Pension Plans

1. General Information about the Postemployment Healthcare Plans

In addition to the Defined Benefit Pension Plans, the City also sponsors and administers two single employer defined benefit postemployment healthcare plans, the PFDRP Healthcare Plans, which includes the Police Department Postemployment Healthcare Plan (Section 115 Trust), the Fire Department Postemployment Healthcare Plan (Section 115 Trust), and the 401(h) Plan, and the FCERS Healthcare Plan, which includes a Section 115 Trust, together the Postemployment Healthcare Plans. These Postemployment Healthcare Plans cover eligible full-time and certain part-time employees of the City and are accounted in the Pension Trust Funds.

Generally, the defined benefit Postemployment Healthcare Plans provide medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Frameworks discussed in Note IV A.1, the City established two separate Voluntary Employee Beneficiary Associations ("VEBA") for retiree healthcare for the members of the PFDRP and FCERS in FY 2018. The City does not make contributions into the VEBAs and the VEBAs are not subject to the jurisdiction of the Retirement Boards.

The Internal Revenue Service approved allowing eligible employees who are rehired by the City during calendars years 2018 through 2022 to opt into the applicable VEBA and transfer the retiree healthcare contributions from the applicable Postemployment Healthcare Plan to their individual VEBA accounts.

The current membership in the Postemployment Healthcare Plans as of June 30, 2023, is as follows:

PFDRP	**Police Tier 1**	**Fire Tier 1**	**Totals**
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits*	1,503	893	2,396
Terminated vested members not yet receiving benefits	3	3	6
Active members	406	390	796
Total	1,912	1,286	3,198

** Payees that have health and/or dental coverage*

FCERS	**Tier 1***	**Tier 2A***	**Totals**
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits**	3,771	1	3,772
Terminated vested members not yet receiving benefits	151	-	151
Active members	1,077	69	1,146
Total	4,999	70	5,069

** Eligible for full retiree medical benefits*

*** Payees that have health and/or dental coverage*

The separately issued annual reports of PFDRP and FCERS, together with the City's Municipal Code, provide more detailed information about the Postemployment Healthcare Plans. As stated in Section IV.A.1 of this note, those reports may be obtained from the City of San José Office of Retirement Services.

2. Contributions

Contribution amounts to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, Actuarially Determined Contributions ("ADC") were calculated beginning with the year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for postemployment healthcare benefits to PFDRP and FCERS.

Subsequently, in October 2014, the Boards of Administration for PFDRP and FCERS approved implementing an incremental reduction approach to determining the "actuarial equivalence" for the City's prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, the Retirement Systems reduce the City's incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction to be applied to the discount rate to the City's prefunding of its contribution is 15% per year, up to a maximum of 45%. In March 2022, the Boards of Administration for PFDRP and FCERS approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

The City elected to prefund its actuarially determined OPEB contributions for the fiscal year ended June 30, 2023, using the reductions in the discount rate mentioned above.

The FCERS Board on February 15, 2018 and the PFDRP Board on March 1, 2018 approved a contribution policy for the respective Postemployment Healthcare Plans that sets the City's contribution as a flat dollar amount.

Funding Policy

Historically, member and City contributions to the Postemployment Healthcare Plans were negotiated through collective bargaining and were not actuarially determined. Until the City entered into agreements with various bargaining groups in 2009 and prior to implementation of Measure F, contributions for the health and dental benefits for both the City and the participating employees of both Postemployment Healthcare Plans were based upon an actuarially determined percentage of employees' base salary sufficient to provide adequate assets to pay benefits when due over the next 10 years for the PFDRP and the next 15 years for the FCERS. From 2009 until the implementation of Measure F, the City had been in the process of phasing in payment of the Actuarially Required Contribution ("ARC") for the retiree health and dental benefits provided by both Postemployment Healthcare Plans as calculated pursuant to GASB Statement No. 43 and GASB Statement No. 45 then in effect. However, the contribution rates for the City and members of the Postemployment Healthcare Plans were capped before the full ARC was reached.

The annual contribution costs for the Postemployment Healthcare Plans' benefits are allocated to both the City and the active employee members. Contributions to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, member contributions are fixed as a percentage of pay and the City's contribution toward the explicit subsidy (premium subsidy) is an ADC determined by the Postemployment Healthcare Plans. The ADC for the Postemployment Healthcare Plans is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for each Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the respective pension plan. The ADC for each Postemployment Healthcare Plan is calculated beginning with FY 2019.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuations of each Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plans. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for each Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City's ADC to each Postemployment Healthcare Plan.

Effective March 25, 2018, members remaining in the PFDRP Postemployment Healthcare Plan make contributions fixed at 8.0% of pay.

Also, as of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contribution rates/amount in effect in FY 2023 are shown below (in thousands):

PFDRP	**City - Board Adopted**		**Member**			
	Police Tier 1	**Fire Tier 1**	**Police Tier 1**	**Police Tier 2**	**Fire Tier 1**	**Fire Tier 2**
Actuarial Rate:						
Postemployment Healthcare Plan*:						
07/01/2022 - 06/30/2023	$17,503	$10,972	8.00%	N/A	8.00%	N/A

*Explicit subsidy amounts as shown excludes accruals, adjustments and implicit subsidy.

FCERS	**City - Board Adopted**		**Member with Healthcare**
	Tier 1	**Tier 2**	**Tier 1 and Tier 2**
Actuarial Rate:			
Postemployment Healthcare Plan*:			
07/01/2022 - 06/30/2023	$18,318		7.50%

*Explicit subsidy amounts as shown excludes accruals, adjustments and implicit subsidy.

3. Net OPEB Liability

The City's net OPEB liability for each Postemployment Healthcare Plan is measured as the total OPEB liability, less the plans' fiduciary net position as of the June 30, 2022 measurement date. The City's net OPEB liability as of June 30, 2023 for each of the Postemployment Healthcare Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures by the actuary for the respective plans. In summary, the City's net OPEB asset and liability at June 30, 2023 is as follows (in thousands):

Summary of OPEB liability and expense

	PFDRP	FCERS	Total
Net OPEB Liability	$ 524,847	$ 330,473	$ 855,320
Net OPEB Asset	-	(1,210)	(1,210)
	$ 524,847	$ 329,263	$ 854,110
OPEB Expense	$ 9,300	$ 7,268	$ 16,568

The General Fund and Enterprise Funds have historically been used to liquidate the OPEB liabilities.

Actuarial Methods and Assumptions

	PFDRP
Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation Rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.60%.
Wage Inflation Rate	Bargained increases and 3.00% per annum(0.75% real wage growth) thereafter. Fire members have bargained increases of 4.25% for FY 2022 and 3.00% for FY 2023. Police members have bargained increases of 3.85% for FY 2022.
Rate of Mortality*	Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 7.49% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.15% to 3.78% per annum for medical post-age 65. For fiscal year beginning 2022, actual calendar year 2022 premiums are combined with a trend assumption for calendar year 2023.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

*Actuarial Methods and Assumptions - PDFRP Mortality Rates

Category	Male	Female
Healthy Annuitant	1.002 times the 2010 Public Safety Above Median Income Mortality Table [Pub(s) - 2010(A)] for Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees
Beneficiaries	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for Healthy Retirees	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for Healthy Retirees
Disabled Annuitant	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees

** Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table.

	Rate of Termination	
Service	Police	Fire
0	13.75%	8.50%
1	11.75	4.00
2	10.00	2.75
3	8.50	1.75
4	7.50	1.25
5	6.75	1.00
6	6.00	0.90
7	5.50	0.80
8	5.00	0.70
9	4.75	0.60
10	4.50	0.50
11	4.25	0.50
12	3.75	0.50
13	3.25	0.50
14	2.75	0.50
15	2.25	0.50
16	1.75	0.50
17	1.50	0.50
18	1.25	0.50
19+	1.00	0.50

Termination rates do not apply once a member is eligible for unreduced retirement.

The assumption for the long-term expected rate of return on Postemployment Healthcare Plan investments of 6.0% for the valuation year ended June 30, 2021 was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the PFDRP Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the PFDRP's target asset allocation as of June 30, 2022 measurement date are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.00%	5.00%
Investment grade bonds	14.00%	0.20%
Core real estate	12.00%	3.80%
Short-term investment grade bonds	6.00%	-0.30%
Commodities	5.00%	2.30%
Long-term government bonds	5.00%	0.60%

Discount Rate for PFDRP

The discount rate used to measure the total OPEB liability was 6.00% for the measurement year ended June 30, 2022 and is based on the long-term expected rate of return on investments. It is assumed that PFDRP member contributions are 8% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 11% of the total payroll of the employees in PFDRP and that the City also contributes the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the PFDRP's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for PFDRP was applied to all periods of projected benefit payments to determine the total OPEB liability.

	FCERS
Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa's 20-year capital market assumptions and the System's current investment policy
Inflation Rate	2.25%
Merit Increase	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10%
Wage Inflation Rate	3.00%
Rate of Mortality*	Mortality is projected on a generational basis using the MP-2021 scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 7.49% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.15% to 3.78% per annum for medical post-age 65. For fiscal year beginning 2022, actual calendar year 2022 premiums are combined with a trend assumption for calendar year 2023, actual premiums are used.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

* Actuarial Methods and Assumptions - FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

Sample rates of termination are shown in the following table.

Rate of Termination	
0	15.00%
1	12.75%
2	11.75%
3	10.75%
4	9.75%
5	8.75%
6	7.75%
7	6.50%
8	5.50%
9	4.75%
10	4.25%
11	4.00%
12	3.75%
13	3.50%
14	3.25%
15+	3.25%

Terminations do not apply once a member is eligible for retirement.

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% for the valuation year ended June 30, 2021, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the FCERS Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in FCERS's target asset allocation as of June 30, 2022 measurement date are summarized in the following table. The assets were invested in a 115 trust account as follows:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.00%	5.00%
Investment grade bonds	14.00%	0.20%
Core real estate	12.00%	3.80%
Short-term investment grade bonds	6.00%	-0.30%
Commodities	5.00%	2.30%
Long-term government bonds	5.00%	0.60%

Discount Rate for FCERS

The discount rate used to measure the total OPEB liability was 6.00% for the measurement year ended June 30, 2022 and is based on the long-term expected rate of return on investments. It is assumed that FCERS member contributions remain fixed at 7.5% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% of the total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for FCERS was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in the Net OPEB Liability

The changes in the net OPEB liability for the Postemployment Healthcare Plans are as follows (dollar amounts in thousands):

PFDRP (Consolidated with Police and Fire)	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	$ 771,819	$ 276,313	$ 495,506
Changes recognized for the measurement period:			
Service cost	13,265	-	13,265
Interest	45,103	-	45,103
Changes of benefits	-	-	-
Differences between expected and actual experience	(50,193)	-	(50,193)
Changes of assumptions	36,583	-	36,583
Contributions - employer	-	30,763	(30,763)
Contributions - employee	-	12,109	(12,109)
Net investment loss	-	(27,300)	27,300
Benefit payments including refunds	(26,457)	(26,458)	1
Administrative expense	-	(154)	154
Net changes	18,301	(11,040)	29,341
Balance at June 30, 2023 (Measurement Date June 30, 2022)	$ 790,120	$ 265,273	$ 524,847

FCERS	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	$ 665,452	$ 384,612	$ 280,840
Changes recognized for the measurement period:			
Service cost	7,537	-	7,537
Interest	39,075	-	39,075
Change of benefits	-	-	-
Differences between expected and actual experience	(24,961)	-	(24,961)
Changes of assumptions	22,369	-	22,369
Contributions - employer	-	24,787	(24,787)
Contributions - employee	-	9,865	(9,865)
Net investment loss	-	(38,290)	38,290
Benefit payments including refunds	(31,088)	(31,088)	-
Administrative expense	-	(765)	765
Net changes	12,932	(35,491)	48,423
Balance at June 30, 2023 (Measurement Date June 30, 2022)	$ 678,384	$ 349,121	$ 329,263

Sensitivity of the Net OPEB Liability to Changes in Discount Rates

The following presents the net OPEB liability of the City would be if it were calculated using discount rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

PFDRP (consolidated with Police and Fire)

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	$ 912,220	$ 790,120	$ 692,320
Plan Fiduciary Net Position	265,273	265,273	265,273
Net OPEB Liability	$ 646,947	$ 524,847	$ 427,047
PFDRP plan fiduciary net position as a percentage of the total OPEB liability	29.1%	33.6%	38.3%

FCERS

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Total OPEB Liability	$ 773,813	$ 678,384	$ 600,741
Plan Fiduciary Net Position	349,121	349,121	349,121
Net OPEB Liability	$ 424,692	$ 329,263	$ 251,620
FCERS plan fiduciary net position as a percentage of the total OPEB liability	45.1%	51.5%	58.1%

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City would be if it were calculated using health care cost trend rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

PFDRP (consolidated with Police and Fire)

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	$682,010	$790,120	$925,219
Plan Fiduciary Net Position	265,273	265,273	265,273
Net OPEB Liability	$416,737	$524,847	$659,946
PFDRP plan fiduciary net position as a percentage of the total OPEB liability	38.9%	33.6%	28.7%

FCERS

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	$592,020	$678,384	$784,860
Plan Fiduciary Net Position	349,121	349,121	349,121
Net OPEB Liability	$242,899	$329,263	$435,739
FCERS plan fiduciary net position as a percentage of the total OPEB liability	59.0%	51.5%	44.5%

OPEB Fiduciary Net Position

The City issues the publicly available financial reports that may be obtained from the Office of Retirement Services, 1737 North First Street, Suite 600, San José, CA 95112-4505.

Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2022 measurement date)

PFDRP

For the year ended June 30, 2023, the City recognized an OPEB expense of $9,300,000. As of June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

PFDRP (consolidated with Police and Fire)	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 30,762	$ -
Difference between expected and actual experience	-	58,856
Changes in assumptions	45,210	-
Net difference between projected and actual earnings on OPEB plan investments	14,547	-
Total	$ 90,519	$ 58,856

The $30,762,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2024.

The City's contribution for the Postemployment Healthcare Plan during the year ended June 30, 2023, was $30,762,000. This consisted of City contributions in the amount of $27,524,000, and $3,238,000 in implicit subsidy.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2024	$ (5,044)
2025	(1,945)
2026	(980)
2027	8,870
	$ 901

FCERS

For the year ended June 30, 2023, the City recognized an OPEB expense of $7,268,000. As of June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

FCERS	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 22,997	$ -
Difference between expected and actual experience	-	27,956
Changes in assumptions	26,411	-
Net difference between projected and actual earnings on OPEB plan investments	22,885	-
Total	$ 72,293	$ 27,956

The $22,997,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2024.

The City's contributions for the Postemployment Healthcare Plan during the year ended June 30, 2023, was $22,997,000. This consisted of City contributions in the amount of $17,627,000, and $5,370,000 in adjustments and accruals.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2024	$ 5,250
2025	3,168
2026	634
2027	12,288
	$ 21,340

B. Commitments and Contingencies

1. San José Mineta International Airport

Purchase Commitments and Capital Outlay Projections. As of June 30, 2023, the Airport was obligated for purchase commitments of approximately $45.2 million primarily for the Terminal Accessibility Upgrade, Facilities and Vehicle Relocation Campus, Airfield Geometric Implementation, Perimeter Security projects, Parking Revenue Control System Upgrade, Terminal Paging System, San Josè Police Department Magazine Room Relocation, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $333.6 million on construction related capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, CP proceeds, and other Airport revenues.

Master Plan. In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and 184,000 annual passenger airline aircraft operations with a total of 238,000 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

Phase I of the Master Plan's Terminal Area Improvement Program (TAIP) was substantially completed in 2010. The Phase I improvements included nine new airline gates and approximately 366,000 square feet of terminal space in a new Terminal B; improvements to existing Terminal A, including new ticketing facilities, in-line baggage system, security checkpoint, and concession space; the demolition of the original Terminal C; design and construction of a Consolidated Rental Car Facility (ConRAC); and realignment and improvement of existing terminal roadways and parking facilities. The Phase I program also included preliminary design of certain TAIP Phase II projects. On the airfield, the build-out of the Airport's two commercial runways (12R/30L and 12L/30R) to 11,000 x 150 feet was completed in 2004, allowing the Airport to regularly serve takeoffs and landings by all domestic and most international commercial airline aircraft. Airfield project construction since 2004 has consisted of improvements to taxiways, aircraft parking aprons, and navigational aids to increase efficiency and compliance with current FAA airfield design standards.

TAIP Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline-Airport Lease and Operating Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

At the time of this report, there are two Master Plan construction projects underway. The first is the new full-length Taxiway V on the west side of the Airport, which will replace the former general aviation Runway 11/29, officially closed in 2022. The second Master Plan project under construction is the Facilities and Vehicle Maintenance Campus, located in the southwest quadrant of the Airport, relocating from the east side of the Airport.

FAA Audit of Use of Revenue. Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. Generally, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its audit findings alleging improper use of Airport revenues by the City in three areas of expenditure. On August 14, 2015, as the result of discussions and correspondence with City staff, the FAA notified the City that it has closed two of the three audit issues. The remaining audit issue is described below.

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for FY 2005-2010 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest. The City believes the allocation methodology used to allocate costs to the Airport is in compliance with federal cost allocation guidance. In an effort to resolve the issue, the City proposed and implemented a cap on the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of $5.6 million that would be applied equally to the Airport cost allocation plan (CAP) over a seven-year period beginning in FY 2013 and ending in FY 2019. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 2016, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs.

On May 3, 2018, the City received a letter from the FAA in which the FAA requested a copy of the City's FY 2017 indirect cost allocation plan to substantiate indirect charges to the Airport in order to finalize the FAA's financial compliance review. The City responded to the FAA on July 20, 2018 with copies of the requested information and clarified actions taken by the City to date to implement the FAA's recommendations.

On May 19, 2022, the City received a letter from the FAA in which the FAA continues to believe that inclusion of capital costs in the indirect cost allocation methodology results in a disproportionate share of indirect costs being charged to the Airport. The FAA notes that the Modified Total Direct Cost (MTDC) is recognized as an equitable allocation base for the distribution of indirect costs and the MTDC allocation method excludes equipment and capital expenditures. The FAA asks the City to take this final finding under advisement.

On July 15, 2022, the City responded to the FAA's letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City's overall CAP. On June 23, 2022, the City posted a request for proposal (RFP) to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City's current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments. The evaluation of proposals and award of contract to a consultant is still pending as of June 30, 2023. The City will follow up with the FAA once this evaluation process has been completed. The City cannot predict the final outcome of the audit.

Potential Claim from FAA Regarding Reuse of Guadalupe Gardens. In early 2002, the City Council approved a Master Plan for Guadalupe Gardens, consisting of approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and the FAA grant agreements consequently required FAA approval of any planned City-use of the properties acquired with grant proceeds. By letter dated August 9, 2002, addressed to the City's Director of Aviation, the FAA San Francisco Airport District Office (ADO) approved the City's Master Plan for reuse of Guadalupe Gardens for runway and approach protection, and the City finalized the Master Plan in reliance upon the FAA approval.

During discussions regarding proposals to develop certain portions of the Guadalupe Gardens, the FAA has taken the position that the City must dispose of any portion of the Guadalupe Gardens that is no longer needed for noise compatibility purposes. Citing provisions of federal law that require recipients of FAA grants for acquisition of land for noise compatibility purposes to dispose of any such acquired land when no longer needed by the airport owner for noise compatibility purposes, the FAA contends that the FAA ADO erred in its 2002 approval of the Guadalupe Gardens Master Plan and that the City is obligated to prepare an inventory of the Guadalupe Gardens to identify those parcels that were acquired by the City with noise compatibility grant proceeds. This inventory would then be used to prepare for FAA review and approval of a disposition plan for those parcels no longer needed by the City for noise compatibility. Proceeds of the sale of the parcels proportional to the FAA grant share of the original purchase price would be required to be used for other approved noise compatibility projects at the Airport or returned to the FAA.

The City's Director of Aviation, by letter dated March 16, 2023, requested that the FAA concur with the City's approach of retaining the land for its approach zone and noise buffer area while developing the land in a manner that is consistent with the required FAA Grant Assurances. Specifically, the City requested that (1) a portion of the undeveloped area be activated for community benefit purposes, including low density park uses, (2) retain existing developer property as community benefit property in addition to serving its purpose as approach zone and noise buffer, and (3) development of some parcels within the Guadalupe Gardens Master Plan as a commercial strip to be leased at fair market value. The FAA ADO, by letter dated September 12, 2023, concurred with intent to utilize the property designated as noise sensitive land, while preventing incompatible land uses.

FAA Inquiry Regarding Encampments in Guadalupe Gardens. On February 1, 2021, the Director of Aviation received a letter from the FAA Western-Pacific Region Office of Airports regarding encampments of homeless persons in the Guadalupe Gardens. Guadalupe Gardens is approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and these FAA grants include certain restrictions (Grant Assurances) on the City's use of the Guadalupe Gardens properties.

In its letter, the FAA asserts that the presence of encampments of homeless persons in the Guadalupe Gardens is: (1) inconsistent with the Grant Assurances that were a condition of the FAA grants that the City received to acquire the Guadalupe Gardens properties; and (2) contrary to the City's Airport Noise Compatibility Plan (ANCP), both of which prohibit transient and permanent residential uses in the Guadalupe Gardens.

The City does not dispute that encampments of homeless persons in the Guadalupe Gardens is a use of the Guadalupe Gardens properties that is incompatible with the FAA Grant Assurances and with the City's ANCP. The FAA requested and the City provided a Corrective Action Plan to remove and relocate the encampments of homeless persons from the Guadalupe Gardens on March 11, 2021 which was originally scheduled to occur by June 2022. In June 2022, the FAA agreed to extend the time for performance of the actions identified in the Corrective Action Plan to September 30, 2022. On October 5, 2022, the City sent a letter to the FAA attesting to the completion of the Collaborative Action Plan.

2. San José – Santa Clara Wastewater Treatment Facility

Plant Master Plan. In November 2013, the City Council approved the Plant Master Plan ("PMP"), a 30-year planning-level document focused on long-term rehabilitation and modernization of the Plant. The PMP recommends more than 114 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately $2 billion. On September 24, 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the City in developing and implementing this Capital Improvement Program ("CIP"). On June 2, 2015, a funding strategy was recommended to and approved by the City Council. An update to the strategy was approved by the City Council on January 12, 2016.For the next five years, the City's portion of the funding for the San José-Santa Clara Regional Wastewater Facility ("Plant") Adopted CIP is programmed into the City's 2024-2028 CIP budget. The City's FY 2024 approved operating budget did not require a rate increase in the Sewer Service and Use Charge rate for FY 2024.

Revenues for the 2024-2028 Adopted CIP are derived from several sources: utilization of available resources from the City's Sewer Service and Use Charge and Sewage Treatment Plant Connection Fee; contributions from the City of Santa Clara and other tributary agencies for the treatment of sewage from their respective jurisdictions by the Plant; interest earnings; Calpine Metcalf Energy Center Facilities repayments; and other debt financing proceeds.

Pursuant to an agreement executed between the cities of San José and Santa Clara in 1959 (the "1959 Agreement"), the City of San José is co-owner and administering agency of the Plant. The Plant also provides wastewater treatment services to other neighboring agencies through five outside user agreements ("Master Agreements") with City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and CSD 2-3 (the "Tributary Agencies"). Contributions from the City of Santa Clara and the Tributary Agencies are made pursuant to agreements with each agency based on the anticipated operation and maintenance, and capital budget. The Tributary Agencies' proportional contribution for the operation and maintenance cost is based on the amount and characteristics of the sewage discharged into the Plant. Each Tributary Agency's capital contribution is based on each agency's contractual capacity in the Plant. The balance of the Plant budget is shared between the cities of San José and Santa Clara based on the respective city's assessed property value relative to the total assessed property value in both jurisdictions. In the 2024-2028 Adopted CIP, contributions from the City of Santa Clara and other agencies are approximately $208,518,000.

Currently, a short-term financing has been put into place in the 2024-2028 Adopted CIP of approximately $200,000,000, which will be refunded with long-term bonds during FY 2028.

Tributary Agency Claims. On January 22, 2016 and September 7, 2016, the City, as the administering agency, received claims from the Tributary Agencies alleging a breach of contract and inequity under the Master Agreements. The Treatment Plant Advisory Committee ("TPAC") conducted two administrative hearings, on March 24, 2016 and September 7, 2016, regarding such claims and issued reports as required by the Master Agreements. The Tributary Agencies disagreed with the reports and the parties attempted to mediate such claims, but were unable to reach resolution. All parties agreed to waive the hearings before their respective joint legislative bodies.

The Tributary Agencies filed a complaint in Santa Clara County Superior Court against the City and the City of Santa Clara on March 23, 2018, resulting in a trial in April, May, and June of 2023. The allegations in the case are substantially similar to the claims raised by the Tributary Agencies and heard through the administrative hearing process in 2016. The Tributary Agencies allege the City breached their respective Master Agreements by, among other allegations, the City charging them for capital and operating expenditures that the Tributary Agencies allege are not authorized under the Master Agreements and, the Tributary Agencies assert, are beyond the requirements to operate the Treatment Plant. The Tributary Agencies also allege that the City has improperly concealed how the funds paid by the Tributary Agencies for Treatment Plant capacity are used. They also allege the City breached the implied covenant of good faith and fair dealing and violated certain California Constitutional provisions limiting local agencies' imposition of property related fees, charges, and taxes. The Tributary Agencies further allege their payments resulted in unjust enrichment to the City and Santa Clara, and that the court should provide declaratory relief in support of their allegations.

The City and Santa Clara brought pre-trial motions that resolved the Tributary Agencies' claims based on California Constitutional provisions in defendants' favor. The Tributary Agencies' remaining claims for breach of contract and breach of the implied covenant of good faith and fair dealing were tried to a jury. The Tributary Agencies sought approximately $100 million in damages. The jury rejected almost all the Tributary Agencies' claims, finding only that the City violated the Master Agreements in the way it allocated certain capital costs, but awarding zero damages.

The parties are currently waiting for the court decision as to the Tributary Agencies' claims for unjust enrichment and declaratory relief.

The Tributary Agencies have fully paid their portion of the capital cost for the projects to rehabilitate the Treatment Plant to date. The City cannot predict the outcome or the timeline for resolution of this litigation.

South Bay Water Recycling Program. The South Bay Water Recycling ("SBWR") project is a regional water reclamation program to recycle highly treated wastewater for irrigation and industrial uses in the cities of San José, Santa Clara, and Milpitas, California. This program is part of an action plan, developed by the City and other agencies tributary to the Plant and adopted by the Regional Water Quality Control Board ("RWQCB"), to control the amount of effluent discharged by the Plant into San Francisco Bay.

The SBWR distribution system includes approximately 60 miles of pipe, a four million-gallon reservoir, a transmission pump station, and two booster pump stations. These facilities were constructed between 1996 and 1998 at a capital cost of approximately $140,000,000 funded by the tributary agencies, grants, and bond proceeds.

In June 1997, the RWQCB and the City approved the Proposed Revision to the South Bay Action Plan, which described the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 million gallons per day and protect salt marsh habitat for endangered species in the South Bay as required by RWQCB Order 94-117. These projects include expanding the Phase I non-potable reuse system by extending additional piping, placing greater emphasis on water conservation programs, reducing infiltration inflow, augmenting stream flow, and creating wetlands. The estimated cost for implementing these projects was

$127,500,000. These costs were funded by the City, Santa Clara, and the Tributary Agencies using the Plant through a combination of State Revolving Fund Loans, Sewage Treatment Plant Connection Fees, federal grants, and cash contributions.

In FY 2016, the City and the Santa Clara Valley Water District ("SCVWD") accepted a report that had been commissioned by both the City and the SCVWD related to SBWR, entitled: "South Bay Water Recycling Strategic and Master Planning ("Strategic Report"). The Strategic Report contemplates near term projects (fiscal years 2017 to 2021) at an estimated cost of $49 million and long-term improvements and expansion of the existing system (fiscal years 2020 to 2035) at an estimated cost of $243.2 million for long-term non-potable reuse projects and an additional $522 million for long-term potable use projects. No specific plan for the development or source of financing of the other near-term improvements, nor the long-term improvements identified in the Strategic Report has been developed to date. Further, the responsibility for the development of the long-term improvements has not been established and may involve the formation of a separate entity responsible for the oversight and funding of these improvements.

Recycled Water Facilities and Programs Integration Agreement between the City of San José and the Santa Clara Valley Water District ("SCVWD"). The City and the SCVWD entered into an agreement on March 2, 2010 ("Integration Agreement") to collaborate on design, construction and operation of an advanced treated recycled water facility and related facilities now called the Silicon Valley Water Treatment Facility ("SVWTF"). In 2003, the City and SCVWD began collaborating on design, construction and operation of an advanced treated recycled water facility and related facilities, to be located on lands owned by the Plant, in order to demonstrate the treatment capability of a local facility to produce highly purified water that could be blended with existing recycled water to expand irrigation and industrial uses. The City, as the administering agency for the Plant, and the SCVWD desired to financially support the production and use of recycled water in Santa Clara County consistent with each party's separate and distinct interests: for wastewater treatment and disposal for the City, and water quality and supply for the SCVWD, as well as to coordinate and cooperate to achieve the most cost effective, environmentally beneficial utilization of recycled water to meet both agencies' needs. The term of the Integration Agreement is from July 1, 2010 through June 30, 2050, and co-terminus with the Ground Lease and Property Use Agreement between the City and SCVWD for construction and operation of the SVWTF on Plant lands.

SCVWD and the City agreed to capital investment towards the construction of the SVWTF in the amount of $70,000,000 and $11,000,000, respectively, as of the date of the signed agreement on March 2, 2010. SCVWD determines the operational and maintenance budget for the SVWTF and operates the facility. Separate formulas were established to determine each party's respective share of the annual operation and maintenance cost for the SVWTF following the first full fiscal year the SVWTF became operational, which was FY 2015. The formula provides that for each fiscal year when the SBWR is operating at a net loss, the City would pay to the SCVWD an amount to support SCVWD's operational cost up to $2,000,000. In the event that the SBWR operates at net revenue, the City would share its revenue with the SCVWD with the first 50% towards the SCVWD's costs and the second 50% divided between the two agencies based on their respective capital investment in the recycled water infrastructure. As of June 30, 2023, the City's investment in capitalized expenditures for the SBWR system is $248,676,000 with another $11,000,000 in contributions toward the SVWTF for a total investment of $259,676,000; and the SCVWD's estimated investment in SVWTF as of June 30, 2023 is $65,578,000. During the most recent SBWR operating year ended June 30, 2022, an operating profit of $7,599,000 was realized. This amount was shared with the SCVWD, City of San Jose, City of Santa Clara, and the Tributary Agencies per the terms of the Integration Agreement.

Under the Integration Agreement, commencing in January 2016, the City and SCVWD are to provide the other agency with audited financial statements for the prior fiscal years for the operation of the SBWR and the SVWTF. Since the definition of net operating cost and revenue under the Integration Agreement excludes certain costs and revenues that might otherwise be considered in either party's overall budget, each party must prepare a separate statement following the publication of each party's annual audited financial statements, to establish each party's respective cost share for the operation of the SVWTF. The City and SCVWD have each provided the other with its audited financial statements for the operations of the SBWR and the SVWTF, respectively, for the FY 2016, FY 2017, FY 2018, FY 2019, FY 2020, and FY2021 with no adjustment to share cost. In January 2024, the audit report for the seventh year of full operations for the year ended June 30, 2023, will be completed and issued as per the terms of the Integration Agreement.

3. Bay Area Water Supply and Conservation Agency

The City belongs to the Bay Area Water Supply and Conservation Agency ("BAWSCA"), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of $335,800,000 to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies thereby realizing a present value savings of approximately $62,300,000 over all member agencies. For the City, this translates into an annual net savings of purchased water cost of approximately $107,000.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies for the term of the bonds through 2034. BAWSCA's annual debt service amount for FY 2023 is $24,694,000. San Francisco will collect the surcharge and send the amount to BAWSCA for payment to bondholders. The annual surcharge for each agency is based upon the actual wholesale water purchase percentage from the last full year for which date is available with an annual reconciliation based upon the actual water purchased. A true-up adjustment based on the actual year ended June 30, 2022 water use is included in the FY 2023 bond surcharge. The surcharge is on the San Francisco wholesale water bill and is accounted for by the City as operational costs.

The City's annual bond surcharge for FY 2023 is estimated to be $688,000 based on the City's actual wholesale water use in the year ended June 30, 2022.

4. Clean Water Act- Stormwater Permit Compliance

The federal Clean Water Act (the "CWA") establishes the structure for federal regulation of the discharge of pollutants into the waters of the United States. Under the CWA, it is unlawful to discharge any pollutant into these waters unless the discharger has a permit under the National Pollutant Discharge Elimination System (the "NPDES") and the permittee abides by its terms. The Regional Water Board and private parties can enforce the CWA and the terms of the Stormwater Permit. Violations can result in significant civil penalties of up to $59,973.00 per pollutant per day (as of January 2022), plus criminal fines, and attorney's fees.

The City is a permittee under an NPDES permit (the "Stormwater Permit") issued by the Regional Water Quality Control Board – San Francisco Bay Region (the "Regional Water Board"). This Regional Stormwater Permit governs 76 entities, including the City. On May 11, 2022, the Regional Water Board adopted a new permit that was effective as of July 1, 2022. The Storm Sewer Service and Use Charge rate has not increased since FY 2012. There are specific provisions in the Stormwater Permit that will increase the cost for the City and private property owners to comply. These permit requirements include green stormwater infrastructure for new development and redevelopment, roadway, trail and utility projects; regional level water quality monitoring for green infrastructure, trash outfall and in-stream monitoring; regulating polychlorinated biphenyls during demolition and certain industrial properties; water quality impacts due to firefighting emergency response operations; mapping and regulation of the impact from unhoused populations near stormwater systems and waterways near receiving waters; an annual report analyzing the ongoing programmatic, capital, operation and maintenance cost to comply with the Stormwater Permit; and development of an asset management plan that includes operations and maintenance with life cycle costs to comply with the Stormwater Permit.

5. Retirement Systems – Unfunded Commitments

As of June 30, 2023, PFDRP had unfunded commitments to contribute capital for investments in the amount of $632,024,000. FCERS had unfunded commitments to contribute capital for investments in the amount of $329,000,000.

6. Federal Financial Assistance Programs

The City participates in a number of federally assisted grant programs, primarily with the U.S. Department of Housing and Urban Development ("HUD"), the Federal Aviation Administration ("FAA"), the U.S. Department of Transportation, U.S. Department of Justice, U.S. Department of the Treasury, U.S. Department of Homeland Security, and the U.S. Department of Labor. These programs are subject to program compliance audits by the grantors or their representatives.

Although the City's grant programs are audited in accordance with the provisions of the Single Audit Act of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance, for the year ended June 30, 2023, these programs are still subject to financial and compliance audits by federal auditors, and to resolution of identified findings and questioned costs. At this time, the amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined.

7. State Tax Revenue

The City was informed by the State of California in October 2021 that a portion of the City's previous and current tax revenues could be significantly lower. While the City disputes and appealed the State's initial determination, this action could negatively impact the City's General Fund outlook in the short and long-term. Although the appeal process is likely to extend beyond next fiscal year, the City budgeted for the potential loss in the ongoing revenue for 2023-2024 and put resources in place to be in a better position to absorb any loss over the next year.

8. Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2023, total governmental fund encumbrance balances for the City are as follows (in thousands):

General Fund	$	87,188
Housing Activities		20,932
Low and Moderate Income Housing Asset		42,837
Special Assessment Districts		63
San José Financing Authority Debt Service		1
Nonmajor Governmental Funds		114,975
Total governmental funds	$	265,996

9. Curb Ramp Consent Decree

Plaintiffs filed a class action lawsuit in the case of Lashbrook v. City of San José in the United States District Court for the Northern District of California. This lawsuit alleged that the City violated federal and state disability access laws by failing to ensure that its pedestrian right of way contains curb ramps that are necessary to ensure that the pedestrian right of way is accessible to individuals with mobility disabilities. On April 14, 2020, the City Council approved a proposed settlement of this case in the form of a consent decree whereby Mr. Lashbrook will recover a total of $55,000. The City will pay attorney's fees and costs in the amount of $725,000. The City will be required to expend $13 million each year until 2030 to remediate curb ramps, and after 2030 will expend 10% of its pavement maintenance budget to remediate curb ramps, which is accounted for within the City's pavement maintenance budget. The Court preliminarily approved the consent decree on May 27, 2020. At a Fairness Hearing on September 2, 2020, the Court granted final approval of the consent decree. The City is in compliance with the terms of this consent decree.

10. Consent Decree with San Francisco Baykeeper

San Francisco Baykeeper ("Baykeeper") filed a lawsuit in federal district court against the City in February 2015. Baykeeper's complaint alleged violations of the Clean Water Act ("CWA") and the Stormwater Permit. Specifically, the complaint alleged that the City was not in compliance with trash reduction requirements, and that there were CWA violations resulting from the discharge of sewage from the City's Sanitary Sewer System that infiltrated into the City's municipal separate storm sewer systems ("MS4").

To settle the lawsuit, the City and Baykeeper agreed to a consent decree that was approved by the U.S. District Court in August 2016 (the "Consent Decree"). The Consent Decree has a 10-year term expiring in August 2026 and will require the City to:

- Comply with trash provisions of the current Stormwater Permit including installing full trash capture devices, supporting additional creek cleanup efforts, and monitoring of trash in receiving waters;
- Rehabilitate, replace, or repair 65 miles of high-risk sanitary sewer system pipes at an average of 6.5 miles per year, based on the City's existing program with some changes in the priority of segments of this work;
- Monitor and report fecal indicator bacteria ("FIB") in receiving waters for a five-year period;
- Comply with green infrastructure planning as required in the Stormwater Permit, adding FIB as a pollutant for planning purposes;
- Bring forward new revenue measure options for Council consideration by December 31, 2017;
- Appropriate, contingent upon the receipt of sufficient new revenues, $100,000,000 over a ten-year period for acquisition of land, review, design, construction, maintenance, and operation of various green infrastructure projects with the goal of reducing pollutants and/or flows from the City's urban areas into receiving waters, with expenditures anticipated to occur as follows:
    - Identify and design $25,000,000 in total projects by September 2024;
    - Award $25,000,000 in total projects by September 2025;
    - Identify and design an additional $10,000,000 ($35,000,000 in the aggregate) in total projects by September 2025;
    - Award an additional $10,000,000 ($35,000,000 in the aggregate) in total projects by the termination date of the consent decree; and

- Identify and design an additional $15,000,000 ($50,000,000 aggregate) in total projects by the termination date of the consent decree.

In addition to the expenditures outlined above, the City has incurred or will incur the following expenditures during the Consent Decree's term: (1) lump sum payment of attorney's fees and costs to Baykeeper in the amount of $425,000, which payment has been made; (2) ongoing oversight costs payable to Baykeeper in the amount of $10,000 per year for a total of $100,000; and (3) $200,000 per year for five years (a total of $1,000,000) for supplemental environmental mitigation for trash clean up grants, habitat restoration, or projects that generally improve the water quality in the Guadalupe and Coyote creeks and associated watershed areas. The City is in compliance with these payments under the Consent Decree.

The City and Baykeeper entered into a First Amendment and Second Amendment to the Consent Decree in 2017 and 2019, respectively. Both Amendments were approved by the Court and made technical changes to the terms of the Consent Decree but did not modify the substantive requirements itemized above.

Identification of Funds. The Consent Decree requires that by December 31, 2020, the City identify funding sufficient to implement the green infrastructure projects and meet the FIB load reduction standard. If it did not meet this deadline, the parties were required to meet and confer to discuss what measures the City will take to insure funding. In addition, by December 31, 2020, the City was required to obtain funding to implement the green infrastructure projects. The City believes it has identified funds to implement the Consent Decree, and fulfilled its meet and confer obligations, but is unable to make any representations regarding Baykeeper's interpretation of the Consent Decree. In the event of a dispute between Baykeeper and the City, the Consent Decree provides for a resolution process that includes ongoing judicial oversight. The Consent Decree also specifies limits on the ability to pursue additional litigation against the City during its 10-year term and caps litigation fees for dispute resolution at $200,000.

On December 19, 2017, the City Council considered a report from City staff concerning potential new revenue sources to fund the green infrastructure requirements specified in the Baykeeper Consent Decree described above. The City identified potential revenues of general obligation bonds and a parcel tax, both of which would require voter approval by a two-thirds margin. In November 2018, voters approved Measure T by the appropriate margin, and the City Council subsequently approved $25 million of these funds to be allocated for clean water projects, including green infrastructure improvements. There are Consent Decree obligations that would be ineligible for funding from general obligation bond proceeds and staff continues to assess additional funding mechanisms.

Potential projects identified in the Green Infrastructure Plan (the "GIP") require further review and approval. The total construction and maintenance costs will be dependent on several factors including, among others, future costs of construction, whether the project will be on City-owned property or required as part of a future private development.

Green Stormwater Infrastructure Projects. The City's GIP forecasts green stormwater projects and goals through 2050. The City further estimates that complete implementation and maintenance of the potential projects over the course of the thirty-year plan may be on the magnitude of $6.85 billion. The new Stormwater Permit (effective July 1, 2022) includes requirements for green infrastructure sufficient to treat 5 acres, which the City will be able to meet based on the existing projects and the schedule in the Consent Decree. The City will continue to explore funding opportunities and strategies for the implementation of the GIP.

The City is not able to predict the projects that will ultimately be approved or whether they will be funded for the GIP. In addition, the City is unable to predict whether Baykeeper's interpretation of the Consent Decree will align with the City's interpretations or the Regional Water Board's NPDES Permit.

11. San José Clean Energy

Purchase Commitments. In the ordinary course of business, SJCE enters into various power purchase agreements and energy storage services agreements of different duration (i.e., short-, medium-, and long-term) to acquire renewable and other power supply products, and resource adequacy. The price and volume of purchased resources may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity on the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power, and electric capacity outstanding as of June 30, 2023 (in thousands):

Year ending June 30,	
2024	$ 366,000
2025	281,000
2026	214,000
2027	186,000
2028	192,000
2029-2045	1,839,000
Total	$ 3,078,000

12. Workers' Compensation Program

The City is self-insured for workers' compensation, with all claims administered by third party administrator Intercare Holdings Services, Inc. ("Intercare"). Every year, the City reviews a five-year forecast for workers' compensation expenditures based on the prior year payout. Based on this review, the City's budget for 2022-2023 is $23.5 million and the budget for 2023-2024 is $23.8 million.

The City extended the current agreement with Intercare for an additional three-years beginning July 1, 2022, to provide comprehensive workers' compensation services including claims administration services, bill review, utilization review, medical case management, and other ancillary services at a total compensation not to exceed $32,582,834 based on an estimated caseload of 2,330 to 2,850 claims. As of June 30, 2023, the open claims inventory handled by Intercare was 2,491.

As of June 30, 2023, open claims data for Intercare were at 2,491. The total number of open claims has decreased (by approximately 4%) since June 30, 2022 when the open claim inventory was 2,575.

The City is required to submit to the CA Department of Industrial Relations Office of Self-Insured Plans a State Public Self-Insured Annual Report. The Public Self-Insured Annual Report completed jointly with Intercare describes: (1) claims paid in indemnity and medical, (2) future liability on open claims, and (3) average number of employees and total wages for each adjusting locations, and (4) a list of all open indemnity claims. The annual report for FY 2023 was submitted by the October 1, 2023 deadline.

13. Tax Abatement

As of June 30, 2023, the City provides two tax abatement programs - the Downtown High-rise Incentive Program and the Utility Users Tax Reimbursement Agreement:

Downtown High-Rise Residential Incentive Program

The City has had several iterations of a program designed to spur high-rise development in downtown. As of September 30, 2021, the Downtown High-Rise Residential Incentive Program suspends 50% of construction taxes on high-rise developments in the Downtown Area and allows for payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. It also provides a reduction or exemption of affordable housing in-lieu fees. The tax reduction is available for new construction of residential buildings of at least twelve (12) stories in height in the Downtown Planned Growth Area. The affordable housing in-lieu fee reduction or exemption is available for new construction in the Downtown Core to residential buildings at least 150 feet above street-level with ten (10) or more floors or stories in height not including any non-residential uses.

Utility Users Tax Reimbursement Agreement

The City has a Utility Users Tax Reimbursement Agreement with Samsung Semiconductor, Inc., that will provide funding in an amount equal to 50% of the City's 5% of net new utility user taxes received from Samsung Semiconductor for 10 consecutive years in an amount not to exceed $500,000. The agreement commenced on July 1, 2021 and expires on June 30, 2031.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Downtown High-Rise Residential Incentive Program	$ -
Utility Users Tax Reimbursement Agreement	111

In FY 2023, the City made reimbursement payments to Samsung Semiconductor that totaled $110,781 for the utility users tax reimbursement agreement.

During FY 2023, no Downtown High Rise covered projects received the benefit. (Projects receive the benefit of the tax abatement at certificate of occupancy.)

14. Pension Obligation Bonds

On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement; authorizing judicial validation proceedings relating to the issuance of such bonds and approving additional actions related thereto. The pension obligations include the unfunded liability for both the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System Plan ("Unfunded Liability"), and the annually required retirement contributions that are due and payable within 12 months of the issuance of the bonds ("Current Obligation"). The proposed final aggregate principal amount of the bonds may not be greater than $3.5 billion or the sum of the City's unfunded liability and current obligation as calculated by the actuary for both Retirement Plans, together with the costs of issuing the Bonds. The Trust Agreement will not constitute an obligation for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged or will levy or pledge any form of taxation. The validation complaint was filed on November 18, 2021. Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility filed an answer challenging the City's authority to issue bonds without voter approval. The trial court held a bench trial on August 22, 2022, and issued a decision on December 9, 2022 validating the City's authority to issue pension obligation bonds. The validation judgment was entered on February 6, 2023 and Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility filed their Notice of Appeal on March 8, 2023. If the City obtains a favorable judgment, the size and timing of the actual bond issuance would require the City Council's approval of offering documents including disclosures and would be contingent on favorable market conditions. Prior to actual issuance of the pension obligation bonds, the City Council will consider adoption of a pension funding policy.

C. Successor Agency to the Redevelopment Agency of the City of San José

1. Cash and Investments Held by SARA

The SARA's cash and investments consist of the following at June 30, 2023 (in thousands):

Cash & Investments	Amount
Cash and Investments	$ 514
Restricted Cash and Investments	124,996
Total Cash and Investments	$ 125,510

A summary of SARA's cash and investments at June 30, 2023 is as follows (in thousands):

	Moody's Credit Rating	Maturity (in Days) Under 30	31-180	181-365	Balance at June 30
Investments:					
LAIF	Not rated	$ -	$ -	$ 320	$ 320
Money Market Mutual Funds	Aaa	124,996	-	-	124,996
Subtotal Investments					125,316
Bank Deposits					194
Total Cash and Investments					$ 125,510

The LAIF is part of the State's Pooled Money Investment Account that allows cities, counties and special districts to place money into the fund. LAIF operating accounts allow a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than $5,000 and in increments of a thousand. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal every 30 days.

The SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The SARA's investments in Money Market Mutual Funds and LAIF are not subject to the fair value hierarchy.

2. Loans Receivable Held by SARA

As of June 30, 2023 the SARA has $15,193,000 of outstanding loans receivable, and an allowance for doubtful accounts of $11,207,000. $1,654,000 of the allowance for doubtful accounts is recorded in the anticipation that certain loans will be forgiven, as is allowable under the terms and conditions of said loans, if the borrower maintains compliance to the terms and conditions. The remainder of the allowance was recorded for loans where the likelihood of payment criteria being met is questionable.

3. *Capital Assets Held by SARA*

The following is a summary of capital assets activity for the year ended June 30, 2023 (in thousands):

	July 1, 2022	Addition	Disposal	Transfer	June 30, 2023
Capital Assets, Not Being Depreciated:					
Land	$ 2,078	$ -	$ -	$ -	$ 2,078
Total Capital Assets, Not Being Depreciated	2,078	-	-	-	2,078
Capital Assets, Being Depreciated:					
Buildings	1,071	-	-	-	1,071
Less Accumulated Depreciation:					
Buildings	(429)	(26)	-	-	(455)
Total Capital Assets, Being Depreciated, net	642	(26)	-	-	616
Total Capital Assets, net	$ 2,720	$ (26)	$ -	$ -	$ 2,694

On August 27, 2015, the Oversight Board approved a revised Asset Disposition Schedule for the non-governmental purpose properties listed on the Long Range Property Management Plan ("LRPMP"), and approved the Disposition Process For Sale of Properties, which requires the sale of assets either through an open and competitive solicitation process or through a direct sale to the affected taxing entities or a non-profit organization. Additional amendments to the Asset Disposition Schedule were approved by the Oversight Board on January 14, 2016, April 28, 2016, October 27, 2016, and April 13, 2017.

4. *Summary of SARA's Long-Term Debt*

The following is a summary of long-term debt of the SARA as of June 30, 2023 (in thousands):

Type of Indebtedness	Purpose	Original Issue Amount	Issue Date	Maturity Date	Interest Rate Range	Annual Principal Installments	June 30, 2023 Balance
Senior Tax Allocation Bonds:							
2017 Refunding Bonds Series A	Refunding - merged area projects	$ 79,825	12/21/2017	8/1/2035	5.00%	$0 - 53,810	$ 79,825
2017 Refunding Bonds Series A-T	Refunding - merged area projects	1,333,325	12/21/2017	8/1/2034	1.90-3.38%	$32,910 - 93,735	955,800
Total Senior Tax Allocation Bonds							1,035,625
Subordinate Tax Allocation Bonds:							
2017 Refunding Bonds Series B	Refunding - merged area projects	264,390	12/21/2017	8/1/2029	2.00-5.00%	$7,820 - 29,835	153,125
Total Subordinate Tax Allocation Bonds							153,125
Total Long-Term Debt							$ 1,188,750

A summary of the changes in long-term debt for the year ended June 30, 2023 follows (in thousands):

	June 30, 2022	Additions	Reductions	June 30, 2023	Amount Due Within One Year
Senior Tax Allocation Bonds:					
2017 Refunding Bonds Series A	$ 79,825	$ -	$ -	$ 79,825	$ -
2017 Refunding Bonds Series A-T	1,031,305	-	(75,505)	955,800	77,490
Subtotal Senior Tax Allocation Bonds	1,111,130	-	(75,505)	1,035,625	77,490
Subordinate Tax Allocation Bonds:					
2017 Refunding Bonds Series B	176,500	-	(23,375)	153,125	24,545
Subtotal Subordinate Tax Allocation Bonds	176,500	-	(23,375)	153,125	24,545
Subtotal Long-Term Debt, Unamortized	1,287,630	-	(98,880)	1,188,750	102,035
Issuance Premium (Discount), Net	32,206	-	(4,204)	28,002	4,204
Total Long-Term Obligations	$ 1,319,836	$ -	$ (103,084)	$ 1,216,752	$ 106,239

RPTTF revenue distributed by the County to the SARA in FY 2023 was $143,018,000 which was assigned to pay recognized payment obligations, including debt service and debt related expenses on the Successor Agency Senior and Subordinate Tax Allocation Refunding Bonds, SARA administrative costs, and other enforceable obligations. During FY 2023, total RPTTF revenue collected by the County was $401,982,000. After payment of County Administrative fees totaling $3,521,000, the balance is distributed based on the Health and Safety Code unless such payments have been subordinated to the payment of debt service on the 2017 Senior Tax Allocation Refunding Bonds described in the following section, as is the case with all agencies except for the senior pass-through payments due to San José Unified School District ($11,424,000). After meeting obligations to make debt service payments on the 2017 Bonds, subordinated pass-through payments are made to the County ($51,785,000), Basic Aid ($466,000) and other taxing entities ($39,259,000). With the residual balance ($152,510,000) distributed to taxing entities.

All summaries of documents related to debt contained in this Note are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Note is qualified in its entirety by reference to such document, which is on file with the SARA's Chief Financial Officer.

2017 Tax Allocation Refunding Bonds

On December 21, 2017, the SARA issued refunding bonds ("2017 Refunding Bonds") pursuant to an Indenture of Trust dated as of December 1, 2017 ("2017 Indenture"), by and between the SARA and Wilmington Trust, National Association, as trustee ("Trustee"). The 2017 Refunding Bonds were issued in the aggregate original principal amount of $1,677,540,000, in two senior series and one subordinate series. The senior series bonds, collectively referenced herein as 2017 Senior Tax Allocation Refunding Bonds, consist of $79,825,000 original principal amount of the tax-exempt senior lien 2017 Series A Bonds Senior Tax Allocation Refunding Bonds ("2017A Bonds") and $1,333,325,000 original principal amount of taxable senior lien 2017 Series A-T Bonds Senior Taxable Tax Allocation Refunding Bonds ("2017A-T Bonds"). The subordinate series bonds, referred to herein as 2017 Subordinate Tax Allocation Refunding Bonds, consist of $264,390,000 original principal amount of tax-exempt subordinate lien 2017 Series B Bonds Tax Allocation Refunding Bonds.

Proceeds of the 2017 Refunding Bonds were used to (i) redeem, defease, or prepay all of the former Agency's then outstanding tax allocation bonds and reimbursement obligations under an agreement entered into in connection with the Financing Authority's Revenue Bonds, Series 2001A (4th and San Fernando Parking Facility Project) and Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project)(Refunded Obligations), and (ii) pay the costs of issuing the 2017 Refunding Bonds, including the cost of debt service reserve insurance policies. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction) and the net carrying amount of the Refunded Obligations. This difference was reported as deferred outflows of resources in the statement of fiduciary net position and is being amortized over the next 13 years.

The 2017 Refunding Bonds are secured and payable from Tax Revenues and certain funds and accounts held by the Trustee. Tax Revenues are generally defined in the 2017 Indenture as the portion of property tax revenues collected in the Merged Project Area derived from incremental growth in assessed property values over the initial base year values in each of 17 component areas of the Merged Project Area, less certain County administrative fees, the AB1290 statutory pass-through payment to the San José Unified School District and amounts collected pursuant to the pension override or State Water Project override provisions of the Redevelopment Dissolution Law, if any. All other AB1290 statutory pass-through payments and the negotiated pass-through payments to Santa Clara County are subordinate to the payment of debt service on the 2017 Refunding Bonds and other debt service related obligations under the 2017 Indenture. Under the distribution provisions of the Redevelopment Dissolution Law, AB1290 statutory pass-through payments and negotiated pass-through payments are made from funds on deposit in the RPTTF before funds are transferred to the SARA for the payment of enforceable obligations (including payment of debt service on the 2017 Refunding Bonds) unless there are insufficient funds to pay such debt service and other payment obligations under the 2017 Indenture and certain other conditions are satisfied. Such conditions include the timely filing of a Notice of Insufficiency by the SARA in accordance with the Redevelopment Dissolution Law and the concurrence by the State Controller that there are insufficient funds for such purpose. The SARA has covenanted in the 2017 Indenture to comply with the provisions of the Redevelopment Dissolution Law related to placing its obligations under the 2017 Indenture on the recognized obligations under the 2017 Indenture throughout the term of the 2017 Refunding Bonds and, if applicable, file a Notice of Insufficiency in the event that there are insufficient Tax Revenue to make payment of debt service or other payment obligations under the 2017 Indenture.

The SARA has covenanted in the 2017 Indenture to take such actions as required under the Redevelopment Dissolution Law to include in each annual Recognized Obligation Payment Schedule the amount of debt service on the 2017 Refunding Bonds so as to enable the County Auditor-Controller to distribute from the RPTTF to SARA on each January 2 and June 1 the amounts required for the SARA to pay principal of, and interest on, the 2017 Refunding Bonds coming due in the respective six-month period following such distribution dates. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the SARA as a reserve until the next six-month period, as contemplated by the Redevelopment Dissolution Law, that are necessary to comply with the 2017 Indenture.

Separate municipal bond debt service reserve policies issued by Build America Mutual Assurance Company (“BAM”) were deposited in the Senior Bonds Reserve Account of the Bond Reserve Fund for the 2017 Senior Tax Allocation Refunding Bonds (“2017 Senior Bonds Reserve Policy”) and in the Subordinate Bonds Reserve account of the Bond Reserve Fund for the 2017 Subordinate Tax Allocation Bonds (“2017 Subordinate Bonds Reserve Policy”). The 2017 Senior Bonds Reserve Policy was issued in the original stated amount of $112,102,000, to satisfy the Senior Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Senior Tax Allocation Refunding Bonds were issued. The 2017 Subordinate Bonds Reserve Policy was issued in the original stated amount of $30,978,000, to satisfy the Subordinate Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Subordinate Tax Allocation Refunding Bonds were issued.

The 2017 Senior Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Senior Tax Allocation Refunding Bonds are no longer outstanding under the 2017 Indenture; or (ii) August 1, 2035.

The 2017 Subordinate Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Subordinate Tax Allocation Refunding Bonds are no longer outstanding under the Indenture; or (ii) August 1, 2029. Per the terms of the 2017 Indenture, the SARA is not obligated to replace either reserve policy or to fund either reserve account with cash if, at any time that the 2017 Senior Tax Allocation Refunding Bonds or 2017 Subordinate Tax Allocation Refunding Bonds are outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of BAM is downgraded, suspended or withdrawn.

The 2017 Senior Tax Allocation Refunding Bonds are rated “AA” by S&P and Fitch and the 2017 Subordinate Tax Allocation Refunding Bonds were rated “AA-” by S&P and Fitch.

2017 Senior Tax Allocation Refunding Bonds - The 2017 Senior Tax Allocation Refunding Bonds were issued in two series – the tax-exempt 2017A Bonds and the taxable 2017A-T Bonds, with a parity senior lien on Tax Revenues. The 2017A Bonds are structured as two serial maturities in 2034 and 2035; both maturities bear interest at 5% per annum. The 2017A-T Bonds are structured as serial maturities in 2018 through and including 2029 and a term bond of $361,845,000 maturing in 2034 (which term bond is subject to mandatory payment of principal beginning on August 1, 2030 through final maturity on August 1, 2034). The 2017A-T Bonds bear interest at rates ranging from 1.898% to 3.375% per annum. The 2017A and the 2017A-T Bonds maturing on and after August 1, 2028 are subject to redemption at the option of the SARA on or after August 1, 2027 at par. The 2017A Bonds have $79,825,000 in principal subject to call and the 2017A-T Bonds have approximately $544,790,000 in principal subject to redemption at the option of the SARA. The total debt service payments on the 2017 Senior Tax Allocation Refunding Bonds was $111,106,000 for the year ended June 30, 2023.The principal and interest remaining on the 2017 Senior Tax Allocation Refunding Bonds as of June 30, 2023 is $1,263,505,000.

2017 Subordinate Tax Allocation Refunding Bonds - The 2017 Subordinate Tax Allocation Refunding Bonds are structured as serial tax-exempt bonds with maturities in 2018 through 2029; and bear interest at rates ranging from 2% to 5% per annum. The 2017 Subordinate Tax Allocation Refunding Bonds are subject to redemption at the option of the SARA on or after August 1, 2027 at par. In total, nearly $17,490,000 in principal is subject to this ten-year par call. The 2017 Subordinate Tax Allocation Refunding Bonds are payable from Tax Revenues on a subordinate basis to the 2017 Senior Tax Allocation Refunding Bonds. The debt service payment on the 2017 Subordinate Tax Allocation Refunding Bonds was $31,616,000 for the year ended June 30, 2023. The principal and interest remaining on the 2017 Subordinate Tax Allocation Refunding Bonds as of June 30, 2023 is $176,034,000.

2017 Refunding Bonds - Events of Default - The events of default under the 2017 Indenture for the 2017 Refunding Bonds are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the 2017 Indenture or the 2017 Refunding Bonds or any Senior Parity Debt Instrument or Subordinate Parity Debt Instrument (as those terms are defined in the 2017 Indenture) and such default shall have continued for a period of 30 days following SARA’s receipt from the Trustee or any bond owner of written notice of the occurrence of such default, provided that if in SARA’s reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the SARA within such 30 day period and SARA thereafter diligently and in good faith cures such failure in a reasonable period of time; and (iii) bankruptcy or similar debtor relief proceedings. Upon the occurrence and during the continuance of an event of default under the 2017 Indenture, the Trustee may, or, if requested by the owners of a majority of the principal amount of the outstanding 2017 Senior Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Senior Tax Allocation Refunding Bonds) or the 2017 Subordinate Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Subordinate Tax Allocation Refunding Bonds), as applicable, shall, subject to the provisions of the 2017 Indenture, exercise any remedies available to the Trustee in law or at equity. The 2017 Indenture does not provide for acceleration of payment of the 2017 Refunding Bonds. The 2017 Indenture, however, provides for application of Tax Revenues upon an event of default in the order of priority set forth in the 2017 Indenture.

Debt Service Requirements - The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds outstanding at June 30, 2023, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30	Principal	Interest
2024	$ 102,035	$ 40,556
2025	105,455	37,024
2026	109,100	33,262
2027	112,975	29,271
2028	117,080	25,064
2029-2033	472,435	74,308
2034-2036	169,670	11,304
Total	$ 1,188,750	$ 250,789

Tax Sharing Agreement with the County of Santa Clara - Prior to 1994, the Redevelopment Law authorized redevelopment agencies to enter into tax sharing agreements with school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. In 1983, the Agency and County entered into a tax sharing agreement (“Original Agreement”) under which the Agency would pay a portion of tax increment revenue generated in the Merged Area (“County Pass-Through Payment”). On December 16, 1993, the Agency, the County, and the City entered into a settlement agreement, which continued the County Pass-Through Payment.

On May 22, 2001, the County, the City and the Agency approved an Amended and Restated Agreement (“Amended Agreement”), which amended and restated the Original Agreement in its entirety. In addition to the continued Pass-Through Payment, the Amended Agreement delegated to the County the authority to undertake redevelopment projects in or of benefit to the Merged Area, and required the Agency to transfer funds to the County to pay for such projects (“Delegated Payment”). Until June 30, 2004, the Delegated Payment was equal to the County Pass-Through Payment. After January 1, 2004, 20% of the proceeds of any debt secured by the Agency’s Tax Increment Revenues (excluding bonds payable from Housing Set-Aside and refunding bonds) was required to be paid to the County as the Delegated Payment.

5. Commitments and Contingencies Related to SARA

Risk Management

The SARA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities for which the SARA carries a property insurance policy, or is self-insured. Claim expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated using actuarial methods or other estimating techniques. The technique to estimate claims is based on many complex factors, such as inflation, changes in legal doctrines, past settlements, and damages awarded. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimated claims liability will include amounts of incremental claims adjustment expense related to specific claims.

The SARA does not have any claims liabilities outstanding as of June 30, 2023.

Contractual Commitments

On June 30, 2023, the SARA had $304,000 for contractual obligations and commitments.

D. Subsequent Events

1. San José Mineta International Airport

On August 2, 2023, the Airport amended the Airline-Airport Lease and Operating Agreements to modify the Airfield and Terminal Rates and Charges calculations. The Airfield Revenue Requirement and the Airline Terminal Revenue Requirement were modified to include recovery of approved capital expenditures not financed with bonds or subordinated indebtedness.

2. Insurance Coverage

Auto Physical Damage for Police Department Grant Funded Vehicles

Effective October 1, 2023, the City obtained physical damage coverage for scheduled Police Department grant funded vehicles. The initial physical damage coverage will expire on July 1, 2024, and renew every July 1st thereafter. For vehicles with insurable value under $300,000, the policy is subject to a $2,000 deductible. Vehicles with insurable values of $300,000 or greater are subject to a $10,000 deductible.

3. Labor Agreements

Collective bargaining agreements between the City and nine of the City's bargaining units were approved by the City Council, each with a term of July 1, 2023, through June 30, 2026. These agreements included a 6.0% general wage increase in FY 2024, a 4.0% general wage increase at the beginning of FY 2025 and a 1.0% at the beginning of calendar year 2025, and a 3.5% general wage increase in FY 2026, which can be increased to 4.0% if certain conditions are met. Additionally, compensation and benefit changes for executive management and professional employees in Unit 99 and other unrepresented employees in Units 81/82 were also approved by the City Council.

4. San José Clean Energy Department Name Change

On October 3, 2023, the San José City Council voted to adopt certain changes to the municipal code related to energy, including changing the name of the Community Energy Department to the Energy Department. The ordinance will take effect November 2, 2023, with the previous Director of the Community Energy Department to be the Director of the Energy Department. In addition to the San José Clean Energy program, the newly named department also oversees the administration of a potential new electric utility named San José Power. Both the San José Clean Energy and San José Power divisions of the Energy Department are to be operated from their own separate operating funds. At this time, the Council has approved the submission of a transmission interconnection application to inform the City of some of the costs to create an electric grid for particular areas within the City. Additional analysis of the economic feasibility of prospective rates and service areas will precede future recommendations to the Council as to whether the City should proceed.

5. Bond Rating

In October 2023, Fitch upgraded its ratings for the SARA 2017 Senior Tax Allocation Refunding Bonds from "AA" to "AA+" and the 2017 Subordinate Tax Allocation Refunding Bonds from "AA-" to "AA".

E. Restatement of Net Position (in thousands)

	Business-Type Activities - Statement of Activities
	Statement of Revenues, Expenses, and Changes in Fund Net Position - San José Mineta International Airport
Net Position as June 30, 2022, as previously reported	$ 243,842
Restatement:	
Due to implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements.	(42)
Net Position at June 30, 2022, as restated	$ 243,800

City of San José
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023
($000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget Over (Under)	Actual Amounts Budgetary Basis	Budgetary to GAAP Differences	Actual Amounts GAAP Basis	
	Original	Final					
REVENUES							
Taxes:							
Property	$ 492,000	512,000	(6,706)	505,294	-	505,294	
Utility	127,450	140,950	4,411	145,361	-	145,361	
Franchise	49,168	44,968	(144)	44,824	-	44,824	
Business tax	86,000	87,000	2,627	89,627	-	89,627	
Other	11,000	15,000	(63)	14,937	-	14,937	
Sales taxes	331,000	337,200	6,272	343,472	-	343,472	
State of California in-lieu	700	700	341	1,041	-	1,041	
Licenses, permits and fines	33,514	33,402	2,067	35,469	-	35,469	
Intergovernmental	119,392	81,085	43,995	125,080	-	125,080	
Charges for current services	23,563	21,774	1,528	23,302	-	23,302	
Other revenues	49,631	45,768	111	45,879	-	45,879	
Investment income (loss)	4,200	11,200	5,130	16,330	(5,862)	10,468	(1)
Total revenues	1,327,618	1,331,047	59,569	1,390,616	(5,862)	1,384,754	
EXPENDITURES							
Current:							
General government	254,340	269,725	(81,941)	187,784	(24,346)	163,438	(2)
Public safety	847,429	859,918	(97,249)	762,669	(8,201)	754,468	(2)
Community services	326,609	434,453	(186,336)	248,117	(37,247)	210,870	(2)
Sanitation	6,977	7,461	(1,784)	5,677	(776)	4,901	(2)
Capital maintenance	184,323	185,932	(68,600)	117,332	(20,633)	96,699	(2)
Capital outlay	20,061	20,061	-	20,061	6,023	26,084	
Debt service:							
Principal	-	-	5,850	5,850	-	5,850	
Interest	-	-	8,389	8,389	-	8,389	
Total expenditures	1,639,739	1,777,550	(421,671)	1,355,879	(85,180)	1,270,699	
Excess (deficiency) of revenues over expenditures	(312,121)	(446,503)	481,240	34,737	79,318	114,055	
OTHER FINANCING SOURCES (USES)							
Inception of lease	-	-	-	-	11,378	11,378	(3)
Proceeds from sale of capital assets	500	4,700	262	4,962	-	4,962	
Transfers in	13,929	1,569	11,345	12,914	-	12,914	
Transfers out	(49,321)	(25,286)	(6,038)	(31,324)	-	(31,324)	
Total other financing sources (uses)	(34,892)	(19,017)	5,569	(13,448)	11,378	(2,070)	
Net change in fund balance	(347,013)	(465,520)	486,809	21,289	90,696	111,985	
Fund balance - beginning	518,453	518,453	-	518,453	54,604	573,057	
Add beginning encumbrance balance	-	-	-	70,153	(70,153)	-	
Fund balance - ending	$ 171,440	52,933	486,809	609,895	75,147	685,042	

Explanation of differences:
(1) Gain or loss in fair value of investments are not formally budgeted transactions.
(2) Encumbrances of funds for which formal budgets are prepared.
(3) Lease expenditures are not formally budgeted transactions.

City of San José
Housing Activities Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023
($000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget	Actual Amounts Budgetary	Budgetary to GAAP	Actual Amounts	
	Original	Final	Over (Under)	Basis	Differences	GAAP Basis	
REVENUES							
Intergovernmental	$ 48,301	162,146	(111,306)	50,840	-	50,840	
Investment income (loss)	2,429	2,329	2,287	4,616	(1,832)	2,784	(1)
Other revenues	20,552	21,327	(4,746)	16,581	(664)	15,917	(2)
Total revenues	71,282	185,802	(113,765)	72,037	(2,496)	69,541	
EXPENDITURES							
Current:							
Community services	103,157	185,598	(123,242)	62,356	(23,644)	38,712	(2)
Capital outlay	22,954	22,954	-	22,954	-	22,954	
Total expenditures	126,111	208,552	(123,242)	85,310	(23,644)	61,666	
Excess (deficiency) of revenues over expenditures	(54,829)	(22,750)	9,477	(13,273)	21,148	7,875	
OTHER FINANCING (USES)							
Transfers in	54	54	(54)	-	-	-	
Transfers out	(108)	(896)	54	(842)	-	(842)	
Total other financing (uses)	(54)	(842)	-	(842)	-	(842)	
Net change in fund balance	(54,883)	(23,592)	9,477	(14,115)	21,148	7,033	
Fund balance - beginning	126,478	126,478	-	126,478	56,605	183,083	
Add beginning encumbrance balance	-	-	-	25,169	(25,169)	-	
Adjustment	-	-	-	103	(103)	-	
Fund balance - ending	$ 71,595	102,886	9,477	137,635	52,481	190,116	

Explanation of differences:

(1) Gain or loss in fair value of investments are not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

City of San José
Low and Moderate Income Housing Asset Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023
($000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget	Actual Amounts Budgetary	Budgetary to GAAP	Actual Amounts	
	Original	Final	Over (Under)	Basis	Differences	GAAP Basis	
REVENUES							
Investment income	$ 3,000	3,000	10,645	13,645	(579)	13,066	(1)
Other revenues	14,000	14,000	(8,925)	5,075	(5,075)	-	(2)
Total revenues	17,000	17,000	1,720	18,720	(5,654)	13,066	
EXPENDITURES							
Current:							
Community services	75,092	165,084	(85,294)	79,790	(61,860)	17,930	(2)
Total expenditures	75,092	165,084	(85,294)	79,790	(61,860)	17,930	
Excess (deficiency) of revenues over expenditures	(58,092)	(148,084)	87,014	(61,070)	56,206	(4,864)	
OTHER FINANCING (USES)							
Transfers out	(396)	(289)	-	(289)	-	(289)	
Total other financing (uses)	(396)	(289)	-	(289)	-	(289)	
Net change in fund balance	(58,488)	(148,373)	87,014	(61,359)	56,206	(5,153)	
Fund balance - beginning	119,309	119,309	-	119,309	315,187	434,496	
Add beginning encumbrance balance	-	-	-	53,627	(53,627)	-	
Fund balance - ending	$ 60,821	(29,064)	87,014	111,577	317,766	429,343	

Explanation of differences:

(1) Gain or loss in fair value of investments are not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

Schedule of Employer Contributions – Defined Benefit Pension Plans

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 201,750	$ 212,046	$ 201,370	$ 188,481	$ 176,618
Contributions in relation to actuarially determined contribution	201,750	212,046	201,370	188,481	176,618
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 254,356	$ 251,023	$ 237,476	$ 230,401	$ 218,619
Contributions as a percentage of covered payroll	79.32%	84.47%	84.80%	81.81%	80.79%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Valuation date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.
Discount rate	6.625%	6.625%	6.75%	6.750%	6.875%
Salary increases	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 11 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% plus merit component based on length of service ranging from 6.00% for new hires to .50% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service.
Amortization growth rate	2.25%	2.25%	2.50%	3.25%	3.25%
Mortality	Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for healthy retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis. Disabled Retirees: 2010 Public Safety Mortality Tables for disabled retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis. Beneficiaries: 2010 General Member Mortality Table for healthy retirees multiplied by 1.032 with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for healthy employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis	Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis. Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis.	Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis. Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis.	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2015 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis.

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 157,712	$ 136,957	$ 132,480	$ 129,279	$ 123,583
Contributions in relation to actuarially determined contribution	157,712	136,957	132,480	129,279	123,583
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 203,164	$ 188,177	$ 186,874	$ 180,226	$ 180,083
Contributions as a percentage of covered payroll	77.63%	72.78%	70.89%	71.73%	68.63%

Methods and assumptions used to determine contributions:

Fiscal year	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Valuation date	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.				
Discount rate	6.875%	7.000%	7.000%	7.125%	7.25%
Salary increases	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service.	2.00% for FY 2015, and 3.5% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service.	0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.
Amortization growth rate	3.25%	3.25%	3.25%	3.50%	3.50%
Mortality	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2015 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis.		RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.		

Schedule of Employer Contributions – Defined Benefit Pension Plans

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 199,440	$ 207,598	$ 183,964	$ 181,327	$ 173,006
Contributions in relation to actuarially determined contribution	199,440	207,598	183,964	181,327	173,006
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 386,315	$ 348,307	$ 335,421	$ 319,980	$ 298,824
Contributions as a percentage of covered payroll	51.63%	59.60%	54.85%	56.67%	57.90%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Valuation date	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Discount rate	6.625%	6.625%	6.75%	6.75%	6.875%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Amortization growth rate	2.75%	2.75%	2.75%	3.00%	3.00%
Amortization method	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.
Mortality	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

FCERS Schedule of Employer Contributions (Dollar Amounts in Thousands)	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 156,770	$ 138,483	$ 129,456	$ 114,751	$ 102,811
Contributions in relation to actuarially determined contribution	156,770	138,483	124,723	114,751	107,544
Contribution deficiency (excess)	$ -	$ -	$ 4,733	$ -	$ (4,733)
Covered payroll	$ 290,504	$ 271,153	$ 257,771	$ 240,678	$ 219,434
Contributions as a percentage of covered payroll	53.96%	51.07%	48.39%	47.68%	49.01%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Discount rate	6.88%	7.00%	7.00%	7.00%	7.25%
Salary increases	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.00% for five years and 2.85% thereafter plus merit component based on employee classification and years of service
Amortization growth rate	2.85%	2.85%	2.85%	2.85%	2.43%
Amortization method	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level of percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20 year periods as a level percentage of pay.	The unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30 year period commencing June 30, 2009 as a level percentage of Tier 1 pay. Actuarial gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of Tier 1 and Tier 2 pay.	The entire unfunded actuarial liability as of June 30, 2009 was amortized as a level percentage of payroll over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes and plan changes since June 30, 2009 are amortized as a level percentage of payroll over a closed 20-year periods beginning with the valuation in which they are first recognized.
Mortality	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 – Defined Benefit Pension Plans

	PFDRP								
(Dollar amounts in thousands):	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost (middle of year)	$ 95,422	$ 93,139	$ 89,467	$ 87,641	$ 81,883	$ 75,481	$ 72,760	$ 74,531	$ 74,895
Interest (includes interest on service cost)	367,189	354,685	342,802	329,612	313,565	300,378	290,961	274,487	262,738
Changes of benefit terms	-	-	-	-	-	178	5,752	-	-
Differences between expected and actual experience	20,532	7,457	(15,131)	37,127	(17,011)	33,081	67,558	(8,672)	21,457
Changes of assumptions	58	12,390	73,525	80,853	76,425	(100,328)	72,680	90,180	56,311
Benefit payments, including refunds of member contributions	(275,823)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)	(176,253)
Net change in total pension liability	207,378	207,795	246,356	304,225	236,854	102,160	313,679	243,586	239,148
Total pension liability - beginning	5,631,167	5,423,372	5,177,016	4,872,791	4,635,937	4,533,777	4,220,098	3,976,512	3,737,364
Total pension liability - ending	$ 5,838,545	$ 5,631,167	$ 5,423,372	$ 5,177,016	$ 4,872,791	$ 4,635,937	$ 4,533,777	$ 4,220,098	$ 3,976,512
Plan fiduciary net position									
Contributions - employer	$ 201,750	$ 212,046	$ 201,370	$ 188,481	$ 176,618	$ 157,712	$ 136,957	$ 132,480	$ 129,279
Contributions - member	32,661	31,660	29,033	27,645	24,811	23,841	20,580	21,508	20,747
Net investment income (loss)	359,863	(294,551)	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)
Benefit payments, including refunds of member contributions	(275,824)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)
Administrative expense	(6,832)	(6,051)	(5,761)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)	(4,191)
Net change in plan fiduciary net position	311,618	(316,772)	1,024,622	113,598	92,231	202,934	249,604	(66,411)	(58,108)
Plan fiduciary net position - beginning	4,409,870	4,726,642	3,702,020	3,588,422	3,496,191	3,293,257	3,043,653	3,110,064	3,168,172
Plan fiduciary net position - ending	$ 4,721,488	$ 4,409,870	$ 4,726,642	$ 3,702,020	$ 3,588,422	$ 3,496,191	$ 3,293,257	$ 3,043,653	$ 3,110,064
Net pension liability - ending	$ 1,117,057	$ 1,221,297	$ 696,730	$ 1,474,996	$ 1,284,369	$ 1,139,746	$ 1,240,520	$ 1,176,445	$ 866,448
Plan fiduciary net position as a percentage of the total pension liability	80.87%	78.31%	87.15%	71.51%	73.64%	75.41%	72.64%	72.12%	78.21%
Covered payroll	$ 251,023	$ 237,476	$ 230,401	$ 218,619	$ 203,164	$ 186,177	$ 186,874	$ 180,226	$ 180,083
Net pension liability as a percentage of covered payroll	445.00%	514.28%	302.40%	674.69%	632.18%	612.18%	663.83%	652.76%	481.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 – Defined Benefit Pension Plans (cont.)

(Dollar amounts in thousands):	2023	2022	2021	FCERS 2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost (middle of year)	$ 70,247	$ 67,581	$ 65,712	$ 61,014	$ 61,808	$ 59,628	$ 51,887	$ 49,011	$ 46,795
Interest (includes interest on service cost)	304,936	295,014	283,610	280,131	272,787	264,250	249,388	229,609	221,690
Changes of benefit terms	-	-	-	-	-	1,781	12,132	-	-
Differences between expected and actual experience	64,726	27,568	44,381	(27,723)	(11,662)	17,461	40,853	39,720	13,005
Changes of assumptions	518	9,684	36,981	(2,937)	54,398	(15,582)	60,233	205,875	108,674
Benefit payments, including refunds of member contributions	(247,356)	(237,273)	(227,205)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)	(164,562)
Net change in total pension liability	193,071	162,574	203,479	93,757	172,265	134,138	231,063	350,897	225,602
Total pension liability - beginning	4,689,423	4,526,849	4,323,370	4,229,613	4,057,348	3,923,210	3,692,147	3,341,250	3,115,648
Total pension liability - ending	$ 4,882,494	$ 4,689,423	$ 4,526,849	$ 4,323,370	$ 4,229,613	$ 4,057,348	$ 3,923,210	$ 3,692,147	$ 3,341,250
Plan fiduciary net position									
Contributions - employer	$ 199,440	$ 207,598	$ 183,964	$ 181,327	$ 173,006	$ 156,770	$ 138,483	$ 124,723	$ 114,751
Contributions - employee	30,561	27,464	25,725	25,082	22,606	20,501	17,227	15,920	13,621
Net investment income (loss)	222,101	(169,129)	698,606	90,909	76,855	117,493	146,010	(35,010)	(16,642)
Benefit payments, including refunds of member contributions	(247,356)	(237,273)	(227,205)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)	(164,562)
Administrative expense	(5,458)	(4,978)	(4,763)	(4,725)	(4,582)	(4,823)	(4,380)	(3,940)	(3,898)
Net change in plan fiduciary net position	199,288	(176,318)	676,327	75,865	62,819	96,541	113,910	(71,625)	(56,730)
Plan fiduciary net position - beginning	2,708,026	2,884,344	2,208,017	2,132,152	2,069,333	1,972,792	1,858,882	1,930,507	1,987,237
Plan fiduciary net position - ending	$ 2,907,314	$ 2,708,026	$ 2,884,344	$ 2,208,017	$ 2,132,152	$ 2,069,333	$ 1,972,792	$ 1,858,882	$ 1,930,507
Net pension liability - ending	$ 1,975,180	$ 1,981,397	$ 1,642,505	$ 2,115,353	$ 2,097,461	$ 1,988,015	$ 1,950,418	$ 1,833,265	$ 1,410,743
Plan fiduciary net position as a percentage of the total pension liability	59.55%	57.75%	63.72%	51.07%	50.41%	51.00%	50.29%	50.35%	57.78%
Covered payroll	$ 348,307	$ 335,421	$ 319,980	$ 298,824	$ 290,504	$ 271,153	$ 257,771	$ 240,678	$ 219,434
Net pension liability as a percentage of covered payroll	567.08%	590.72%	513.31%	707.89%	722.01%	733.17%	756.65%	761.71%	642.90%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Investment Returns – Defined Benefit Pension Plans

	PFDRP								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	7.94%	-4.81%	26.43%	2.98%	4.00%	6.89%	9.68%	-0.85%	0.85%
	FCERS								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	7.31%	-4.19%	29.43%	3.79%	4.17%	6.03%	7.53%	-0.79%	-1.07%

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 sub-trusts.
Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios – CalPERS

(Dollar amounts in thousands):	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.03310%	0.04730%	0.03430%	0.03490%	0.03540%	0.03600%	0.03630%	0.03783%	0.01697%
Proportionate share of the net pension liability	$ 1,547	$ 897	$ 1,448	$ 1,395	$ 1,334	$ 1,419	$ 1,262	$ 1,038	$ 1,056
Covered payroll	$ 1,885	$ 1,720	$ 1,006	$ 797	$ 822	$ 776	$ 756	$ 589	$ 692
Proportionate share of the net pension liability as percentage of covered payroll	82.07%	52.15%	143.94%	175.03%	162.29%	182.86%	166.93%	176.23%	152.60%
Plan's fiduciary net position as a percentage of the total pension liability	75.74%	82.49%	75.19%	75.65%	76.39%	74.67%	74.39%	77.96%	76.28%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five- year average salary.

Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they become available.

Schedule of Employer Contributions – CalPERS

(Dollar amounts in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 318	$ 325	$ 305	$ 222	$ 188	$ 184	$ 162	$ 148	$ 107
Contributions in relation to the contractually required contributions	330	302	293	222	188	184	162	156	107
Contribution deficiency (excess)	$ (12)	$ 23	$ 12	$ -	$ -	$ -	$ -	$ (8)	$ -
Covered payroll	$ 1,869	$ 1,885	$ 1,720	$ 1,006	$ 797	$ 822	$ 776	$ 756	$ 586
Contributions as a percentage of covered payroll	17.66%	16.02%	17.03%	22.07%	23.59%	22.38%	20.88%	20.63%	17.06%
Notes to Schedule:									
Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial Cost Method	Entry Age Normal Cost Method								
Amortization Method	Level Percentage of Payroll								
Asset Valuation Method	Fair Value								
Actuarial Assumptions:									
Discount Rate (net of administrative expenses)	7.00%	7.00%	7.00%	7.25%	7.38%	7.50%	7.50%	7.50%	7.50%
Termination Liability Discount Rate	2.31%	2.31%	2.91%	2.61%	1.75%	2.75%	2.91%	3.72%	2.98%
Salary Growth	.40% to 8.50%				3.20% to 12.20%			3.30% to 14.20%	
	Depending on Age, Service and Type of Employment								
Inflation	2.500%			2.625%	2.75%				
Payroll Growth	2.750%			2.875%	3.00%				

Schedule is intended to show information for 10 years commencing with the year ended June 30, 2015.

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30 – Postemployment Healthcare Plans

(Dollar amounts in thousands):	PFDRP						
Total OPEB liability	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost (middle of year)	$ 12,110	$ 13,265	$ 12,991	$ 12,813	$ 15,003	$ 13,001	$ 16,112
Interest (includes interest on service cost)	44,668	45,103	45,789	44,676	48,208	45,314	46,773
Changes of benefit terms	-	-	-	-	-	(69,434)	-
Differences between expected and actual experience	(56,387)	(50,193)	(35,106)	(99,319)	(3,401)	14,877	-
Change of assumptions	18,322	36,583	48,332	8,567	38,843	21,243	-
Benefit payments, including refunds of member contributions	(27,528)	(26,457)	(25,975)	(25,031)	(26,403)	(27,686)	(24,799)
Net change in total OPEB liability	(8,815)	18,301	46,031	(58,294)	72,250	(2,685)	38,086
Total OPEB liability - beginning	790,120	771,819	725,788	784,082	711,832	714,517	676,431
Total OPEB liability - ending	$ 781,305	$ 790,120	$ 771,819	$ 725,788	$ 784,082	$ 711,832	$ 714,517
Plan fiduciary net position							
Contributions - employer	$ 30,763	$ 30,763	$ 28,397	$ 27,350	$ 28,744	$ 25,382	$ 20,667
Contributions - employees	11,299	12,109	12,475	13,135	13,315	16,127	18,116
Net investment income (loss)	19,659	(27,300)	52,994	7,243	7,907	7,071	12,454
Benefit payments, including refunds of member contributions	(27,528)	(26,458)	(25,975)	(25,031)	(26,403)	(27,686)	(24,799)
Administrative expense	(102)	(154)	(110)	(122)	(126)	(159)	(181)
VEBA transfer	-	-	-	-	-	(7,897)	-
Net change in plan fiduciary net position	34,091	(11,040)	67,781	22,575	23,437	12,838	26,257
Plan fiduciary net position - beginning	265,273	276,313	208,532	185,957	162,520	149,682	123,425
Plan fiduciary net position - ending	$ 299,364	$ 265,273	$ 276,313	$ 208,532	$ 185,957	162,520	149,682
Net OPEB liability - ending	$ 481,941	$ 524,847	$ 495,506	$ 517,256	$ 598,125	$ 549,312	$ 564,835
Plan fiduciary net position as a percentage of the total OPEB liability	38.32%	33.57%	35.80%	28.73%	23.72%	22.83%	20.95%
Covered payroll	$ 251,023	$ 237,476	$ 230,401	$ 218,619	$ 203,164	$ 186,177	$ 186,874
Net OPEB liability as a percentage of covered payroll	191.99%	221.01%	215.06%	236.60%	294.41%	295.05%	302.25%

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30 – Postemployment Healthcare Plans

(Dollar amounts in thousands):	FCERS						
Total OPEB liability	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost (middle of year)	$ 6,974	$ 7,537	$ 7,018	$ 7,040	$ 7,723	$ 7,889	$ 11,109
Interest (includes interest on service cost)	38,334	39,075	39,886	41,855	43,182	42,669	49,977
Changes of benefit terms	-	-	-	-	-	(57,623)	-
Differences between expected and actual experience	(36,989)	(24,961)	(33,945)	(25,639)	(10,418)	(994)	-
Change of assumptions	9,273	22,369	34,496	(14,804)	9,310	(77,795)	-
Benefit payments, including refunds of member contributions	(30,869)	(31,088)	(31,871)	(30,779)	(28,824)	(29,724)	(31,007)
Net change in total OPEB liability	(13,277)	12,932	15,584	(22,327)	20,973	(115,578)	30,079
Total OPEB liability - beginning	678,384	665,452	649,868	672,195	651,222	766,801	736,721
Total OPEB liability - ending	$ 665,107	$ 678,384	$ 665,452	$ 649,868	$ 672,195	$ 651,223	$ 766,800
Plan fiduciary net position							
Contributions - employer	$ 22,997	$ 24,787	$ 26,236	$ 26,533	$ 26,410	$ 32,397	$ 31,905
Contributions - employees	9,841	9,865	10,275	10,692	10,578	15,545	16,827
Net investment income (loss)	24,268	(38,290)	77,362	3,077	9,472	12,336	17,041
Benefit payments, including refunds of member contributions	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Administrative expense	(750)	(765)	(697)	(686)	(384)	(170)	(242)
VEBA transfer	-	-	(5)	(13)	(19)	(13,497)	-
Net change in plan fiduciary net position	25,487	(35,491)	81,300	8,824	17,231	16,887	34,524
Plan fiduciary net position - beginning	349,121	384,612	303,312	294,488	277,257	260,370	225,846
Plan fiduciary net position - ending	$ 374,608	$ 349,121	$ 384,612	$ 303,312	$ 294,488	$ 277,257	$ 260,370
Net OPEB liability - ending	$ 290,499	$ 329,263	$ 280,840	$ 346,556	$ 377,707	$ 373,965	$ 506,431
Plan fiduciary net position as a percentage of the total OPEB liability	56.32%	51.46%	57.80%	46.67%	43.81%	42.57%	33.96%
Covered payroll	$ 348,307	$ 335,421	$ 319,980	$ 298,824	$ 290,504	$ 271,153	$ 257,771
Net OPEB liability as a percentage of covered payroll	83.40%	98.16%	87.77%	115.97%	130.02%	137.92%	196.47%

Schedule is intended to show information for 10 years commencing with the year ended June 30, 2017. Additional years will be displayed as they become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2023

Changes in assumptions. The discount rate was 6.00% (net of administrative expense) for PFDRP for the measurement period ended June 30, 2023. FCERS's discount rate changed from 6.25% (net of administrative expense) to 6.00% for the measurement period ended June 30, 2023. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The per person cost trends were moved forward one year.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

Schedule of Employer Contributions – Postemployment Healthcare Plans

PFDRP Schedule of Employer Contributions
(Dollar Amounts in Thousands)
Last Ten Fiscal Years

Measurement Period Ended June 30	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	$ 30,762	$ 30,763	$ 28,397	$ 27,350	$ 28,744	$ 25,382	$ 20,667
Contribution in relation to the ADC	(30,762)	(30,763)	(28,397)	(27,350)	(28,744)	(25,382)	(20,667)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 254,356	$ 251,023	$ 237,476	$ 230,401	$ 218,619	$ 203,164	$ 186,177
Contribution as a percentage of covered payroll	12%	12%	12%	12%	13%	12%	11%

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Valuation Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization Method	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Discount rate	6.000%	6.250%	6.500%	6.500%	6.875%	6.875%
Amortization growth rate	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Ultimate rate of medical inflation	3.78%	3.78%	3.94%	4.25%	4.25%	4.25%
Salary increases	4.25% through FYE 2022 and 3.00% thereafter plus merit	4.25% through FYE 2022 and 3.00% thereafter plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Mortality	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2023, can be found in the June 30, 2016 to 2021 actuarial valuation report, respectively.

Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)
Last Ten Fiscal Years

Measurement Period Ended June 30	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	$ 22,997	$ 24,787	$ 26,236	$ 26,533	$ 26,410	$ 32,397	$ 31,905
Contribution in relation to the ADC	(22,997)	(24,787)	(26,236)	(26,533)	(26,410)	(32,397)	(31,905)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 386,315	$ 348,307	$ 335,421	$ 319,980	$ 298,824	$ 290,504	$ 271,153
Contribution as a percentage of covered payroll	6%	7%	8%	8%	9%	11%	12%

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Valuation Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization Method/Period	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	3.25%
Discount rate	6.00%	6.25%	6.75%	6.75%	6.875%	6.875%
Ultimate rate of medical inflation	3.78%	3.78%	3.94%	4.25%	4.25%	4.25%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% based on years of service	3.25% based on years of service	3.25% based on years of service	2.85% based on years of service
Mortality	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2023, can be found in the June 30, 2016 to 2021 actuarial valuation report, respectively.

Schedule of Investment Returns – Postemployment Healthcare Plans

	PFDRP						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.22%	-9.62%	23.96%	1.95%	4.86%	3.56%	7.17%

	FCERS						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.21%	-9.91%	24.92%	0.53%	4.33%	4.55%	7.20%

The rate shown above is based on the 115 sub-trusts only and does not include the 401(h). Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

City of San Jose
Notes to Required Supplementary Information (Unaudited)
June 30, 2023

I. Budgetary Information

The adopted budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City Charter requires that the City establish a budgetary system for general operations and prohibits expending funds for which there is no legal appropriation.

The annual appropriation ordinance adopts the budget at the appropriation level by expenditure category (personal services, non-personal) within departments. Accordingly, the lowest level of budgetary control exercised by the City Council is the appropriation level within a department. The City's legal level of budgetary control is so detailed that it is not practical to demonstrate compliance within the Annual Comprehensive Financial Report itself. As a result, the City prepares a separate report to demonstrate compliance with its legal level of budgetary control.

Annual budgets are prepared for the General Fund and all Special Revenue Funds. Capital project budgets are based on a project time frame rather than a fiscal year time frame. Debt Service Funds appropriations were adopted by the Council when the formal bond resolutions were approved. Therefore, Capital Project Funds and Debt Service Funds are not reported on budgetary basis.

II. Budgetary Results Reconciled to GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States ("GAAP") basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process ("budgetary basis") to provide a meaningful comparison with the budget.

The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial schedules, while encumbered amounts are not recognized as expenditures on GAAP basis until the equipment, supplies or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables on a GAAP basis and as expenditures on a budgetary basis. When loan repayments are received, they are recorded as reductions to receivables on a GAAP basis, but are recognized as revenues on a budgetary basis.
- Net decreases were made to certain GAAP basis loans receivable to reflect carrying amounts at a discounted present value and allowances for bad debts. The discount is treated as an expenditure on a GAAP basis and is not included in the budgetary basis financial statements. In addition, the allowance for bad debts is not included in the budgetary basis financial schedules, but is an expenditure on a GAAP basis.

- Certain accounts such as the change in fair value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial schedules.
- Certain line of credit transactions are recognized as expenditures in the budgetary basis financial schedules but are recorded as an asset in the GAAP basis financial statements. When the outside agency draws down on the line of credit, the City records an asset, advances to other agencies, in the GAAP basis financial statements and an expenditure on the budgetary basis financial schedules. When the outside agency pays down the line of credit, the City records a reduction to its assets in the GAAP basis financial statements and revenues on the budgetary basis financial schedules.
- Certain grant revenues received in advance are recognized on the budgetary basis financial schedules, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.
- Certain accounts, such as the inception of lease or SBITA financing sources and associated capital expenditures, in accordance with GASB standards 87 (Leases) and 96 (SBITA), respectively, are incorporated into the City's GAAP basis amount. These accounts, for which no formal budgets are prepared, are consequently excluded from the budgetary basis financial schedules.

III. Budget Revisions

On October 17, 2023 the City Council approved certain fiscal year 2023 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual reflect such budget revisions.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Combining Nonmajor Governmental Funds

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023
($000's)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 551,448	-	88,028	639,476
Receivables (net of allowance for uncollectibles)	38,316	284	30,240	68,840
Due from other funds	4,057	-	-	4,057
Loans receivable (net of allowance for uncollectibles)	2,258	-	-	2,258
Advances and deposits	249	-	38	287
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	46,401	32,327	78,728
Cash and investments held with fiscal agents	2,087	11	202,744	204,842
Other cash and investments	14,314	-	-	14,314
Leases receivable	308	-	-	308
Public-private and public-public partnerships and availability payment arrangement receivable	97,157	-	-	97,157
Other assets	1,930	-	-	1,930
Total assets	$ 712,124	46,696	353,377	1,112,197
LIABILITIES				
Accounts payable	$ 52,697	-	27,618	80,315
Accrued salaries, wages, and payroll taxes	1,999	-	411	2,410
Due to other funds	7,482	-	-	7,482
Unearned revenue	13,537	-	-	13,537
Advances, deposits, and reimbursable credits	6,240	-	-	6,240
Other liabilities	7,454	-	-	7,454
Total liabilities	89,409	-	28,029	117,438
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,440	-	5,552	7,992
Leases	289	-	-	289
Public-private and public-public partnerships and availability payment arrangement	92,152	-	-	92,152
Total deferred inflows of resources	94,881	-	5,552	100,433
FUND BALANCES				
Restricted	406,308	46,692	238,183	691,183
Committed	108,402	4	-	108,406
Assigned	13,358	-	81,613	94,971
Unassigned	(234)	-	-	(234)
Total fund balances	527,834	46,696	319,796	894,326
Total liabilities, deferred inflows of resources and fund balances	$ 712,124	46,696	353,377	1,112,197

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023
($000's)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments	$ 102,079	51,892	10,882	164,853
Intergovernmental	64,442	-	70,250	134,692
Charges for current services	275,892	-	916	276,808
Rent	46,682	-	-	46,682
Investment income	7,709	634	8,229	16,572
Other revenues	52,314	-	1,105	53,419
Total revenues	549,118	52,526	91,382	693,026
EXPENDITURES				
Current:				
General government	107	-	-	107
Public safety	3,557	-	-	3,557
Community services	171,279	-	-	171,279
Sanitation	222,591	-	-	222,591
Capital maintenance	109,607	-	176,666	286,273
Capital outlay	28,413	-	13,952	42,365
Debt service:				
Principal	540	33,515	-	34,055
Interest and fiscal charges	86	25,126	-	25,212
Total expenditures	536,180	58,641	190,618	785,439
Excess (deficiency) of revenues over (under) expenditures	12,938	(6,115)	(99,236)	(92,413)
OTHER FINANCIAL SOURCES (USES)				
Transfers in	24,571	25,205	-	49,776
Transfers out	(31,103)	(25,184)	(5,682)	(61,969)
Total other financing sources (uses)	(6,532)	21	(5,682)	(12,193)
Net change in fund balances	6,406	(6,094)	(104,918)	(104,606)
Fund balances - beginning	521,428	52,790	424,714	998,932
Fund balances - ending	$ 527,834	46,696	319,796	894,326

Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Special Revenue Funds of the City of San José include the following:

<u>Prusch Memorial Park Fund</u> – Established to account for the development, construction, and improvement of the Emma Prusch Memorial Park.

<u>Gift Trust Fund</u> – Established to receive gifts, donations, and bequests.

<u>Building Development Fee Program Fund</u> – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

<u>Planning Development Fee Program Fund</u> – Established to account for the fees collected from developers for all new development and projects in the City.

<u>Citywide Planning Fee Program Fund</u> – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

<u>Fire Development Fee Program Fund</u> – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

<u>Public Works Development Fee Program Fund</u> – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

<u>Public Works Small Cell Permitting Fee Program Fund</u> – Established to account for the fees collected from telecommunication companies to install small cells and fiber on City's property, such as streetlights, traffic lights, and rooftops.

<u>Workforce Investment Act Funds</u> – Established to account for federal funds for training and placement of dislocated and economically disadvantaged workers.

<u>Special Assessment Maintenance Districts Funds</u> – Established to account for assessments involving Maintenance District activities.

<u>Ng Shing Gung Capital Maintenance Fund</u> – Established to account for capital maintenance needs of the Ng Shing Gung Exhibit and Museum.

<u>Subdivision Park Trust Fund</u> – Established to account for the payment of fees and/or the dedication of land for parks and recreational purposes in residential subdivisions.

<u>Construction and Property Conveyance Tax Funds</u> – Established to account for the collection of taxes from construction and property transfers for capital maintenance of libraries, parks, recreational, public works, and communication facilities.

<u>1943 and 1964 Gas Tax Maintenance and Construction Funds</u> – Established to account for gas taxes collected for capital maintenance of public streets subject to provisions of the Streets and Highway Code of the State of California under Sections 2105, 2106, and 2107.

<u>Storm Drainage Fee Funds</u> – Established to account for fees collected from developers as a result of connections to the storm drainage sewer system which may be used for capital maintenance of storm drainage systems and for land acquisition for such systems.

<u>Supplemental Local Law Enforcement Fund</u> – Established to account for revenues received from the State of California (AB 3229) to be used for front line municipal police service.

Underground Utility Fund – Established to account for fees collected from developers in lieu of the developers placing certain utility facilities underground to be used for minimizing the piecemeal undergrounding of utility facilities throughout the City.

State Drug Forfeiture Fund – Established to account for State drug forfeiture monies received pursuant to California Health and Safety Code Section 11489.

Library Parcel Tax Funds – Established to account for the annual parcel tax used for enhancing the City's library services and facilities.

Federal Drug Forfeiture Funds – Established to account for federal drug forfeiture monies received pursuant to the drug abuse prevention and control provisions of Title 21, Chapter 13 of the United States Code.

Residential Construction Tax Contribution Fund – Established to account for the accumulation of residential construction tax monies for eligible street maintenance and improvements.

Arterial and Major Collectors Fund – Established to account for funds repaid by abutting landowners for the City's capital maintenance costs of existing and proposed arterial and major collector streets.

Community Facility Revenues Funds – Established to account for the rental revenues received from the Hayes Mansion and the Ice Centre operations, and to provide for the accumulation and transfer of base rental income to the appropriate debt service funds for repayment of the facilities-related debts.

Integrated Waste Management Fund – Established to account for activities related to the Integrated Waste Management Program which includes garbage collection, recycling services, and related billing operations.

Building and Structures Construction Tax Fund – Established to account for revenues received from the issuance of building permits and capital maintenance expenditures for existing and proposed City streets.

Development Enhancement Fund – Established to account for loans and loan guarantees to assist small business development.

Community Development Block Grant Funds – Established to account for federal grant funds received from the U.S. Department of Housing and Urban Development under Title II of the Housing and Community Development Act of 1974.

Economic Development Administration Loans Fund – Established to account for federal funds received for the Economic Development Administration Loan program for eligible administrative expenses and loans to small businesses.

Storm Drainage Service Use Charge Funds – Established to account for revenues collected from owners of properties benefited by the storm drainage service which may be used for capital maintenance and operation of the storm drainage system.

Transient Occupancy Tax Fund – Established to account for transient occupancy tax revenues and to provide for the funding of fine arts and cultural grant programs, the San José Convention and Visitors Bureau and the conventions and cultural facilities operation.

Lake Cunningham Fund – Established to account for the parking fees and lease payment revenues used for maintenance and operations at Lake Cunningham Park.

Edward Byrne Memorial Justice Funds – Established to account for federal funding in support of the Edward G. Byrne Memorial Justice Assistance grant.

Municipal Golf Courses Fund – Established in 1969 to manage and operate the public golf courses.

Convention and Cultural Facilities Funds – Established to fund the costs of managing and operating the San José McEnery Convention Center, the Center for the Performing Arts, Civic Auditorium, California Theatre, Montgomery Theater, Parkside Hall, South Hall, and their related facilities and grounds.

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
($000's)

	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program (Fund 237)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 526	4,106	36,816
Receivables (net of allowance for uncollectibles)	3	51	173
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	-	-	-
Leases receivable	-	-	-
Public-private and public-public partnerships and availability payment arrangement receivable	-	-	-
Other assets	-	-	-
Total assets	$ 529	4,157	36,989
LIABILITIES			
Accounts payable	$ -	207	20
Accrued salaries, wages and payroll taxes	1	1	423
Due to other funds	-	-	-
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	1	208	443
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Leases	-	-	-
Public-private and public-public partnerships and availability payment arrangement	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Restricted	-	-	-
Committed	528	-	36,546
Assigned	-	3,949	-
Unassigned	-	-	-
Total fund balances	528	3,949	36,546
Total liabilities, deferred inflows of resources and fund balances	$ 529	4,157	36,989

Planning Development Fee Program (Fund 238)	Citywide Planning Fee Program (Fund 239)	Fire Development Fee Program (Fund 240)	Public Works Development Fee Program (Fund 241)	Public Works Small Cell Permitting Fee Program (Fund 242)	Workforce Investment Act (Funds 290-299)
5,935	5,628	2,779	6,272	-	-
29	27	12	848	748	3,058
-	-	-	480	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,964	5,655	2,791	7,600	748	3,058
-	5	2	-	-	822
40	32	114	166	13	47
-	-	-	-	480	767
-	-	-	-	-	77
-	-	-	-	-	-
2,027	-	-	-	-	-
2,067	37	116	166	493	1,713
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,345
3,897	5,618	2,675	7,434	255	-
-	-	-	-	-	-
-	-	-	-	-	-
3,897	5,618	2,675	7,434	255	1,345
5,964	5,655	2,791	7,600	748	3,058

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
($000's)

	Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)	Ng Shing Gung Capital Maintenance (Fund 303)	Subdivision Park Trust (Fund 375)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 16,079	102	103,023
Receivables (net of allowance for uncollectibles)	840	-	1,872
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	-	-	-
Leases receivable	-	-	-
Public-private and public-public partnerships and availability payment arrangement receivable	-	-	-
Other assets	-	-	-
Total assets	$ 16,919	102	104,895
LIABILITIES			
Accounts payable	$ 458	-	3,065
Accrued salaries, wages and payroll taxes	30	-	50
Due to other funds	-	-	-
Unearned revenue	72	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	560	-	3,115
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Leases	-	-	-
Public-private and public-public partnerships and availability payment arrangement	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Restricted	16,359	-	101,780
Committed	-	-	-
Assigned	-	102	-
Unassigned	-	-	-
Total fund balances	16,359	102	101,780
Total liabilities, deferred inflows of resources and fund balances	$ 16,919	102	104,895

Construction and Property Conveyance Tax (Funds 377-378, 380-398)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Underground Utility (Fund 416)
121,121	-	-	589	3,084	11,382
7,061	1,414	1,628	3	15	372
-	-	-	-	81	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,841	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
130,023	1,414	1,628	592	3,180	11,754
2,952	-	-	75	4	41
229	-	-	-	-	4
383	1,414	1,628	-	-	-
1,833	-	-	-	3,064	-
-	-	-	-	-	-
-	-	-	-	-	-
5,397	1,414	1,628	75	3,068	45
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,626	-	-	517	112	11,709
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,626	-	-	517	112	11,709
130,023	1,414	1,628	592	3,180	11,754

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
($000's)

	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Funds 418, 483)	Federal Drug Forfeiture (Funds 419, 487-488)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ -	4,114	-
Receivables (net of allowance for uncollectibles)	-	8	-
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	1,150	-	427
Leases receivable	-	-	-
Public-private and public-public partnerships and availability payment arrangement receivable	-	-	-
Other assets	-	-	-
Total assets	$ 1,150	4,122	427
LIABILITIES			
Accounts payable	$ -	91	-
Accrued salaries, wages and payroll taxes	-	126	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	-	217	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Leases	-	-	-
Public-private and public-public partnerships and availability payment arrangement	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Restricted	1,150	3,905	427
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	1,150	3,905	427
Total liabilities, deferred inflows of resources and fund balances	$ 1,150	4,122	427

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenues (Funds 422, 432,438)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
2,963	1,015	2,182	68,582	96,003	-
14	6	13	7,854	1,411	-
-	-	-	-	3,496	-
-	-	-	-	-	-
-	-	-	-	3	-
-	-	2,087	-	-	-
-	-	-	-	-	-
-	-	-	308	-	-
-	-	97,157	-	-	-
-	-	-	-	-	20
2,977	1,021	101,439	76,744	100,913	20
-	-	-	37,319	1,856	-
1	-	-	161	264	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,240	-	-
-	-	-	5	-	-
1	-	-	43,725	2,120	-
-	-	-	201	-	-
-	-	-	289	-	-
-	-	92,152	-	-	-
-	-	92,152	490	-	-
-	-	-	-	98,793	-
2,976	1,021	-	32,529	-	-
-	-	9,287	-	-	20
-	-	-	-	-	-
2,976	1,021	9,287	32,529	98,793	20
2,977	1,021	101,439	76,744	100,913	20

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023
($000's)

	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ -	7	44,991
Receivables (net of allowance for uncollectibles)	4,074	-	2,625
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	2,258	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	5	-	-
Leases receivable	-	-	-
Public-private and public-public partnerships and availability payment arrangement receivable	-	-	-
Other assets	1,904	-	-
Total assets	$ 8,241	7	47,616
LIABILITIES			
Accounts payable	$ 3,488	-	2,144
Accrued salaries, wages and payroll taxes	-	-	264
Due to other funds	2,729	-	-
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	6,217	-	2,408
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,239	-	-
Leases	-	-	-
Public-private and public-public partnerships and availability payment arrangement	-	-	-
Total deferred inflows of resources	2,239	-	-
FUND BALANCES			
Restricted	-	7	45,208
Committed	-	-	-
Assigned	-	-	-
Unassigned	(215)	-	-
Total fund balances	(215)	7	45,208
Total liabilities, deferred inflows of resources and fund balances	$ 8,241	7	47,616

Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Byrne Memorial Justice (Funds 474, 477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Funds 536, 481, 560, 489)	Total
3,171	1,627	-	2,709	6,642	551,448
2,399	78	81	141	1,458	38,316
-	-	-	-	-	4,057
-	-	-	-	-	2,258
-	-	-	-	246	249
-	-	-	-	-	2,087
-	-	-	-	10,891	14,314
-	-	-	-	-	308
-	-	-	-	-	97,157
-	-	-	-	6	1,930
5,570	1,705	81	2,850	19,243	712,124
11	1	-	136	-	52,697
33	-	-	-	-	1,999
-	-	81	-	-	7,482
-	-	19	-	8,472	13,537
-	-	-	-	-	6,240
-	-	-	-	5,422	7,454
44	1	100	136	13,894	89,409
-	-	-	-	-	2,440
-	-	-	-	-	289
-	-	-	-	-	92,152
-	-	-	-	-	94,881
-	-	-	-	370	406,308
5,526	1,704	-	2,714	4,979	108,402
-	-	-	-	-	13,358
-	-	(19)	-	-	(234)
5,526	1,704	(19)	2,714	5,349	527,834
5,570	1,705	81	2,850	19,243	712,124

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program (Fund 237)
REVENUES			
Taxes and special assessments	$ -	-	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Rent	102	-	-
Investment income (loss)	8	83	432
Other revenues	-	693	37,238
Total revenues	110	776	37,670
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	63	1,551	33,995
Sanitation	-	-	-
Capital maintenance	-	-	-
Capital outlay	26	-	59
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	89	1,551	34,054
Excess (deficiency) of revenues over (under) expenditures	21	(775)	3,616
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(740)
Total other financing sources (uses)	-	-	(740)
Net change in fund balances	21	(775)	2,876
Fund balances - beginning	507	4,724	33,670
Fund balances - ending	$ 528	3,949	36,546

Planning Development Fee Program (Fund 238)	Citywide Planning Fee Program (Fund 239)	Fire Development Fee Program (Fund 240)	Public Works Development Fee Program (Fund 241)	Public Works Small Cell Permitting Fee Program (Fund 242)	Workforce Investment Act (Funds 290-299)
-	-	-	-	-	-
15	-	-	-	-	8,089
7,071	3,434	-	16,842	2,687	-
-	-	-	-	-	-
69	51	46	43	-	-
14	-	8,177	-	-	-
7,169	3,485	8,223	16,885	2,687	8,089
-	-	-	-	-	-
-	-	-	-	-	-
7,327	2,672	8,591	15,815	2,613	8,054
-	-	-	-	-	-
-	-	-	-	-	-
8	2	-	37	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,335	2,674	8,591	15,852	2,613	8,054
(166)	811	(368)	1,033	74	35
-	-	-	-	-	-
(156)	(68)	(166)	(239)	(78)	-
(156)	(68)	(166)	(239)	(78)	-
(322)	743	(534)	794	(4)	35
4,219	4,875	3,209	6,640	259	1,310
3,897	5,618	2,675	7,434	255	1,345

(Continued)

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)	Ng Shing Gung Capital Maintenance (Fund 303)	Subdivision Park Trust (Fund 375)
REVENUES			
Taxes and special assessments	$ 14,865	-	-
Intergovernmental	-	-	1,421
Charges for current services	-	-	11,563
Rent	-	-	-
Investment income (loss)	205	1	1,499
Other revenues	116	5	21
Total revenues	15,186	6	14,504
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	-	-
Sanitation	-	-	-
Capital maintenance	15,795	-	8,702
Capital outlay	-	-	6,085
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	15,795	-	14,787
Excess (deficiency) of revenues over (under) expenditures	(609)	6	(283)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,345	-	-
Transfers out	(21)	-	(117)
Total other financing sources (uses)	1,324	-	(117)
Net change in fund balances	715	6	(400)
Fund balances - beginning	15,644	96	102,180
Fund balances - ending	$ 16,359	102	101,780

Construction and Property Conveyance Tax (Funds 377-378, 380-398)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Underground Utility (Fund 416)
37,850	-	-	-	-	-
7,451	7,945	9,241	4	2,657	1,726
173	-	-	135	-	-
-	-	-	-	-	-
2,334	-	-	10	60	143
375	-	-	-	-	-
48,183	7,945	9,241	149	2,717	1,869
-	-	-	-	-	-
-	-	-	-	2,710	-
-	-	-	-	-	-
-	-	-	-	-	-
37,612	7,945	9,241	194	-	616
10,927	-	-	-	5	-
514	-	-	-	-	-
79	-	-	-	-	-
49,132	7,945	9,241	194	2,715	616
(949)	-	-	(45)	2	1,253
5,923	-	-	-	-	-
(9,513)	-	-	(15)	-	(6)
(3,590)	-	-	(15)	-	(6)
(4,539)	-	-	(60)	2	1,247
129,165	-	-	577	110	10,462
124,626	-	-	517	112	11,709

(Continued)

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Funds 418, 483)	Federal Drug Forfeiture (Funds 419, 487-488)
REVENUES			
Taxes and special assessments	$ -	10,403	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Rent	-	-	-
Investment income (loss)	9	58	-
Other revenues	92	-	419
Total revenues	101	10,461	419
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	10,936	-
Sanitation	-	-	-
Capital maintenance	-	900	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	-	11,836	-
Excess (deficiency) of revenues over (under) expenditures	101	(1,375)	419
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(59)	-
Total other financing sources (uses)	-	(59)	-
Net change in fund balances	101	(1,434)	419
Fund balances - beginning	1,049	5,339	8
Fund balances - ending	$ 1,150	3,905	427

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenues (Funds 422, 432,438)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
211	-	-	-	16,400	-
-	-	-	-	11,209	-
-	50	-	196,138	-	-
-	-	5,626	554	-	-
41	37	11	232	1,550	-
-	-	5,006	35	84	-
252	87	10,643	196,959	29,243	-
-	-	107	-	-	-
-	495	-	-	-	-
-	-	-	-	-	-
-	-	-	195,279	-	-
31	-	-	-	24,797	-
-	-	-	36	6,034	-
-	-	-	4	-	-
-	-	-	1	-	-
31	495	107	195,320	30,831	-
221	(408)	10,536	1,639	(1,588)	-
-	-	2,087	-	-	-
(68)	-	(5,206)	(451)	(377)	-
(68)	-	(3,119)	(451)	(377)	-
153	(408)	7,417	1,188	(1,965)	-
2,823	1,429	1,870	31,341	100,758	20
2,976	1,021	9,287	32,529	98,793	20

(Continued)

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)
REVENUES			
Taxes and special assessments	$ -	-	-
Intergovernmental	11,728	-	2,283
Charges for current services	-	-	33,917
Rent	-	-	-
Investment income (loss)	-	-	502
Other revenues	-	-	25
Total revenues	11,728	-	36,727
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	14,175	-	-
Sanitation	-	-	27,312
Capital maintenance	39	-	2,854
Capital outlay	-	-	4,847
Debt service:			
Principal	-	-	22
Interest	-	-	6
Total expenditures	14,214	-	35,041
Excess (deficiency) of revenues over (under) expenditures	(2,486)	-	1,686
OTHER FINANCING SOURCES (USES)			
Transfers in	584	-	-
Transfers out	-	-	(591)
Total other financing sources (uses)	584	-	(591)
Net change in fund balances	(1,902)	-	1,095
Fund balances - beginning	1,687	7	44,113
Fund balances - ending	$ (215)	7	45,208

Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Byrne Memorial Justice (Funds 474, 477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Funds 536, 481, 560, 489)	Total
22,350	-	-	-	-	102,079
-	-	673	-	-	64,442
-	426	-	437	3,019	275,892
-	-	-	-	40,400	46,682
(95)	19	1	38	322	7,709
14	-	-	-	-	52,314
22,269	445	674	475	43,741	549,118
-	-	-	-	-	107
-	-	352	-	-	3,557
10,612	-	-	-	54,875	171,279
-	-	-	-	-	222,591
-	11	-	449	421	109,607
-	-	321	-	26	28,413
-	-	-	-	-	540
-	-	-	-	-	86
10,612	11	673	449	55,322	536,180
11,657	434	1	26	(11,581)	12,938
-	-	-	-	14,632	24,571
(12,132)	(226)	-	-	(874)	(31,103)
(12,132)	(226)	-	-	13,758	(6,532)
(475)	208	1	26	2,177	6,406
6,001	1,496	(20)	2,688	3,172	521,428
5,526	1,704	(19)	2,714	5,349	527,834

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Prusch Memorial Park (Fund 131)			Gift Trust (Fund 139)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	102	102	-	-	-	-
Investment income	6	13	7	64	108	44
Other revenues	-	-	-	-	693	693
Total revenues	108	115	7	64	801	737
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	309	62	(247)	5,024	1,930	(3,094)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	26	26	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	335	88	(247)	5,024	1,930	(3,094)
Excess (deficiency) of revenues over (under) expenditures	(227)	27	254	(4,960)	(1,129)	3,831
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ (227)	27	254	(4,960)	(1,129)	3,831
Fund balances - beginning		520			4,295	
Fund balance adjustment		-			110	
Prior year encumbrances		-			430	
Fund balances - ending		$ 547			$ 3,706	

Building Development Fee Program (Fund 237)			Planning Development Fee Program (Fund 238)			Citywide Planning Fee Program (Fund 239)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	1	15	14	-	-	-
-	-	-	8,309	7,070	(1,239)	3,300	3,434	134
-	-	-	-	-	-	-	-	-
340	760	420	31	142	111	31	120	89
33,626	37,237	3,611	1	14	13	-	-	-
33,966	37,997	4,031	8,342	7,241	(1,101)	3,331	3,554	223
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
42,543	34,682	(7,861)	8,116	7,349	(767)	4,962	2,822	(2,140)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
59	59	-	8	8	-	2	2	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
42,602	34,741	(7,861)	8,124	7,357	(767)	4,964	2,824	(2,140)
(8,636)	3,256	11,892	218	(116)	(334)	(1,633)	730	2,363
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(740)	(740)	-	(156)	(156)	-	(68)	(68)	-
(740)	(740)	-	(156)	(156)	-	(68)	(68)	-
(9,376)	2,516	11,892	62	(272)	(334)	(1,701)	662	2,363
	34,027			4,336			4,782	
	-			-			-	
	479			8			207	
	$ 37,022			$ 4,072			$ 5,651	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Fire Development Fee Program (Fund 240)			Public Works Development Fee Program (Fund 241)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	14,550	16,842	2,292
Rent	-	-	-	-	-	-
Investment income	75	48	(27)	125	112	(13)
Other revenues	7,818	8,177	359	-	-	-
Total revenues	7,893	8,225	332	14,675	16,954	2,279
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	10,408	8,967	(1,441)	16,658	15,878	(780)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	37	37	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	10,408	8,967	(1,441)	16,695	15,915	(780)
Excess (deficiency) of revenues over (under) expenditures	(2,515)	(742)	1,773	(2,020)	1,039	3,059
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(166)	(166)	-	(239)	(239)	-
Total other financing sources (uses)	(166)	(166)	-	(239)	(239)	-
Net change in fund balances	$ (2,681)	(908)	1,773	(2,259)	800	3,059
Fund balances - beginning		2,887			6,724	
Fund balance adjustment		-			-	
Prior year encumbrances		404			60	
Fund balances - ending		$ 2,383			$ 7,584	

	Public Works Small Cell Permitting Fee Program (Fund 242)			Workforce Investment Act (Funds 290-299)			Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
	-	-	-	-	-	-	10,762	14,865	4,103
	-	-	-	22,885	8,088	(14,797)	-	-	-
	2,775	2,687	(88)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	5	-	(5)	-	-	-	98	292	194
	-	-	-	159	-	(159)	3,939	116	(3,823)
	2,780	2,687	(93)	23,044	8,088	(14,956)	14,799	15,273	474
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	2,899	2,613	(286)	12,557	9,042	(3,515)	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	18,711	15,987	(2,724)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	2,899	2,613	(286)	12,557	9,042	(3,515)	18,711	15,987	(2,724)
	(119)	74	193	10,487	(954)	(11,441)	(3,912)	(714)	3,198
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	1,345	1,345	-
	(78)	(78)	-	-	-	-	(21)	(21)	-
	(78)	(78)	-	-	-	-	1,324	1,324	-
	(197)	(4)	193	10,487	(954)	(11,441)	(2,588)	610	3,198
		260			1,264			15,744	
		-			-			-	
		-			46			194	
		$ 256			$ 356			$ 16,548	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Ng Shing Gung Capital Maintenance (Fund 303)			Subdivision Park Trust (Fund 375)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	1,421	1,421
Charges for current services	-	-	-	-	11,563	11,563
Rent	-	-	-	-	-	-
Investment income	-	2	2	-	2,369	2,369
Other revenues	-	5	5	-	21	21
Total revenues	-	7	7	-	15,374	15,374
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	42,606	15,015	(27,591)
Capital outlay	-	-	-	6,085	6,085	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	-	48,691	21,100	(27,591)
Excess (deficiency) of revenues over (under) expenditures	-	7	7	(48,691)	(5,726)	42,965
OTHER FINANCING RESOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(117)	(117)	-
Total other financing sources (uses)	-	-	-	(117)	(117)	-
Net change in fund balances	$ -	7	7	(48,808)	(5,843)	42,965
Fund balances - beginning		99			98,719	
Fund balance adjustment		-			-	
Prior year encumbrances		-			5,841	
Fund balances - ending		$ 106			$ 98,717	

Construction and Property Conveyance Tax (Funds 377-378, 380-398)			1943 Gas Tax Maintenance and Construction (Fund 409)			1964 Gas Tax Maintenance and Construction (Funds 410-411)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
45,000	37,850	(7,150)	-	-	-	-	-	-
3,934	7,451	3,517	8,200	7,945	(255)	9,600	9,241	(359)
189	173	(16)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,866	2,969	103	-	-	-	-	-	-
-	380	380	-	-	-	-	-	-
51,989	48,823	(3,166)	8,200	7,945	(255)	9,600	9,241	(359)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
125,493	48,109	(77,384)	8,200	7,945	(255)	9,600	9,241	(359)
10,927	10,927	-	-	-	-	-	-	-
-	514	514	-	-	-	-	-	-
-	79	79	-	-	-	-	-	-
136,420	59,629	(76,791)	8,200	7,945	(255)	9,600	9,241	(359)
(84,431)	(10,806)	73,625	-	-	-	-	-	-
6,400	-	(6,400)	-	-	-	-	-	-
10,295	5,917	(4,378)	-	-	-	-	-	-
(11,341)	(9,512)	1,829	-	-	-	-	-	-
5,354	(3,595)	(8,949)	-	-	-	-	-	-
(79,077)	(14,401)	64,676	-	-	-	-	-	-
	122,256			-			-	
	-			-			-	
	9,867			-			-	
	$ 117,722			$ -			$ -	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Storm Drainage Fee (Funds 413, 427)			Supplemental Local Law Enforcement (Fund 414)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	4	4	-	5,053	2,416	(2,637)
Charges for current services	200	135	(65)	-	-	-
Rent	-	-	-	-	-	-
Investment income	42	14	(28)	-	76	76
Other revenues	-	-	-	-	-	-
Total revenues	246	153	(93)	5,053	2,492	(2,561)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	5,212	3,573	(1,639)
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	327	194	(133)	-	-	-
Capital outlay	-	-	-	5	5	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	327	194	(133)	5,217	3,578	(1,639)
Excess (deficiency) of revenues over (under) expenditures	(81)	(41)	40	(164)	(1,086)	(922)
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(21)	(15)	6	-	-	-
Total other financing sources (uses)	(21)	(15)	6	-	-	-
Net change in fund balances	$ (102)	(56)	46	$ (164)	(1,086)	(922)
Fund balances - beginning		525			2,627	
Fund balance adjustment		-			-	
Prior year encumbrances		68			872	
Fund balances - ending		$ 537			$ 2,413	

Underground Utility (Fund 416)			State Drug Forfeiture (Fund 417)			Library Parcel Tax (Funds 418, 483)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	10,336	10,403	67
753	1,726	973	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
156	246	90	-	8	8	20	59	39
-	-	-	-	92	92	-	-	-
909	1,972	1,063	-	100	100	10,356	10,462	106
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,501	11,078	(423)
-	-	-	-	-	-	-	-	-
2,835	616	(2,219)	-	-	-	1,594	1,107	(487)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,835	616	(2,219)	-	-	-	13,095	12,185	(910)
(1,926)	1,356	3,282	-	100	100	(2,739)	(1,723)	1,016
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(6)	(6)	-	-	-	-	(64)	(59)	5
(6)	(6)	-	-	-	-	(64)	(59)	5
(1,932)	1,350	3,282	-	100	100	(2,803)	(1,782)	1,021
	10,678			1,049			5,014	
	-			-			-	
	31			-			376	
	$ 12,059			$ 1,149			$ 3,608	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Federal Drug Forfeiture (Funds 419, 487, 488)			Residential Construction Tax Contribution (Fund 420)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	200	211	11
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	419	419	70	66	(4)
Other revenues	-	-	-	-	-	-
Total revenues	-	419	419	270	277	7
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	394	31	(363)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	-	394	31	(363)
Excess (deficiency) of revenues over (under) expenditures	-	419	419	(124)	246	370
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(72)	(68)	4
Total other financing sources (uses)	-	-	-	(72)	(68)	4
Net change in fund balances	$ -	419	419	(196)	178	374
Fund balances - beginning		8			2,891	
Fund balance adjustment		-			-	
Prior year encumbrances		-			-	
Fund balances - ending		$ 427			$ 3,069	

Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422, 432, 438)			Integrated Waste Management (Fund 423)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	50	50	-	-	-	217,789	196,188	(21,601)
-	-	-	5,627	5,627	-	512	554	42
29	33	4	45	84	39	293	547	254
-	-	-	-	5,006	5,006	-	(15)	(15)
29	83	54	5,672	10,717	5,045	218,594	197,274	(21,320)
-	-	-	5,646	206	(5,440)	-	-	-
495	495	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	206,812	202,516	(4,296)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	36	36	-
-	-	-	-	-	-	-	4	4
-	-	-	-	-	-	-	1	1
495	495	-	5,646	206	(5,440)	206,848	202,557	(4,291)
(466)	(412)	54	26	10,511	10,485	11,746	(5,283)	(17,029)
-	-	-	-	-	-	-	-	-
-	-	-	-	2,087	2,087	-	-	-
-	-	-	(412)	(5,206)	(4,794)	(451)	(451)	-
-	-	-	(412)	(3,119)	(2,707)	(451)	(451)	-
(466)	(412)	54	(386)	7,392	7,778	11,295	(5,734)	(17,029)
	1,477			1,784			23,347	
	-			-			-	
	-			100			7,155	
	$ 1,065			$ 9,276			$ 24,768	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Building and Structures Construction Tax (Fund 429)			Development Enhancement (Fund 439)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ 20,224	16,400	(3,824)	-	-	-
Intergovernmental	74,145	11,209	(62,936)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	1,234	2,285	1,051	-	-	-
Other revenues	-	84	84	-	-	-
Total revenues	95,603	29,978	(65,625)	-	-	-
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	138,257	46,890	(91,367)	-	-	-
Capital outlay	6,034	6,034	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	144,291	52,924	(91,367)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(48,688)	(22,946)	25,742	-	-	-
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(377)	(377)	-	-	-	-
Total other financing sources (uses)	(377)	(377)	-	-	-	-
Net change in fund balances	$ (49,065)	(23,323)	25,742	-	-	-
Fund balances - beginning		99,345			20	
Fund balance adjustment		-			-	
Prior year encumbrances		3,874			-	
Fund balances - ending		$ 79,896			$ 20	

	Community Development Block Grant (Funds 441, 304)			Economic Development Administration Loans (Fund 444)			Storm Drainage Service Use Charge (Funds 446, 469)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
	-	-	-	-	-	-	-	-	-
	20,895	11,560	(9,335)	-	-	-	404	2,283	1,879
	-	-	-	-	-	-	34,148	33,917	(231)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	527	747	220
	-	-	-	-	-	-	-	25	25
	20,895	11,560	(9,335)	-	-	-	35,079	36,972	1,893
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	26,232	16,727	(9,505)	-	-	-	-	-	-
	-	-	-	-	-	-	31,640	28,446	(3,194)
	2,371	439	(1,932)	-	-	-	22,891	9,922	(12,969)
	-	-	-	-	-	-	4,847	4,847	-
	-	-	-	-	-	-	-	22	22
	-	-	-	-	-	-	-	6	6
	28,603	17,166	(11,437)	-	-	-	59,378	43,243	(16,135)
	(7,708)	(5,606)	2,102	-	-	-	(24,299)	(6,271)	18,028
	-	-	-	-	-	-	-	-	-
	584	584	-	-	-	-	-	-	-
	-	-	-	-	-	-	(591)	(591)	-
	584	584	-	-	-	-	(591)	(591)	-
	(7,124)	(5,022)	2,102	-	-	-	(24,890)	(6,862)	18,028
		3,884			7			40,986	
		-			-			-	
		4,970			-			3,918	
		$ 3,832			$ 7			$ 38,042	

(Continued)

City of San José
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023
($000's)

	Transient Occupancy Tax (Fund 461)			Lake Cunningham (Fund 462)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ 22,500	22,351	(149)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	560	427	(133)
Rent	-	-	-	-	-	-
Investment income	25	73	48	33	36	3
Other revenues	30	14	(16)	-	-	-
Total revenues	22,555	22,438	(117)	593	463	(130)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	14,580	11,387	(3,193)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	700	69	(631)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	14,580	11,387	(3,193)	700	69	(631)
Excess (deficiency) of revenues over (under) expenditures	7,975	11,051	3,076	(107)	394	501
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(12,132)	(12,132)	-	(226)	(226)	-
Total other financing sources (uses)	(12,132)	(12,132)	-	(226)	(226)	-
Net change in fund balances	$ (4,157)	(1,081)	3,076	(333)	168	501
Fund balances - beginning		5,375			1,461	
Fund balance adjustment		-			-	
Prior year encumbrances		675			35	
Fund balances - ending		$ 4,969			$ 1,664	

Edward Byrne Memorial Justice (Funds 474, 477)			Municipal Golf Courses (Fund 518)			Convention and Cultural Facilities (Funds 536, 481, 560, 489)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
1,551	643	(908)	-	-	-	-	-	-
-	-	-	700	436	(264)	-	3,019	3,019
-	-	-	-	-	-	-	40,400	40,400
-	-	-	20	63	43	175	475	300
-	-	-	-	-	-	-	-	-
1,551	643	(908)	720	499	(221)	175	43,894	43,719
-	-	-	-	-	-	-	-	-
1,229	352	(877)	-	-	-	-	-	-
-	-	-	-	-	-	77,576	55,242	(22,334)
-	-	-	-	-	-	-	-	-
-	-	-	452	450	(2)	1,196	425	(771)
321	321	-	-	-	-	26	26	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,550	673	(877)	452	450	(2)	78,798	55,693	(23,105)
1	(30)	(31)	268	49	(219)	(78,623)	(11,799)	66,824
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,732	14,632	(100)
-	-	-	-	-	-	(481)	(874)	(393)
-	-	-	-	-	-	14,251	13,758	(493)
1	(30)	(31)	268	49	(219)	(64,372)	1,959	66,331
	(200)			2,749			3,505	
	-			-			-	
	230			-			121	
	$ -			$ 2,798			$ 5,585	

Nonmajor Debt Service Funds

Nonmajor Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

GO Bonds Parks, Libraries & Public Safety Fund – Established to account for debt issued for construction of various libraries, parks and public safety projects. Debt repayments are funded by ad valorem property taxes.

City Hall Fund – Established to account for payments of debt service related to the construction of City Hall.

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2023
($000's)

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
ASSETS			
Receivables (net of allowances for uncollectibles)	$ 269	15	284
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	45,874	527	46,401
Cash and investments held with fiscal agent	11	-	11
Total assets	$ 46,154	542	46,696
FUND BALANCES			
Restricted for debt service	$ 46,154	538	46,692
Committed	-	4	4
Total fund balances	46,154	542	46,696
Total liabilities and fund balances	$ 46,154	542	46,696

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2023
($000's)

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
REVENUES			
Taxes and special assessments	$ 51,892	-	51,892
Investment income	320	314	634
Total revenues	52,212	314	52,526
EXPENDITURES			
Debt service:			
Principal	33,515	-	33,515
Interest and fiscal charges	25,119	7	25,126
Total expenditures	58,634	7	58,641
Excess (deficiency) of revenues over (under) expenditures	(6,422)	307	(6,115)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	25,205	25,205
Transfers out	-	(25,184)	(25,184)
Total other financing sources (uses)	-	21	21
Net change in fund balances	(6,422)	328	(6,094)
Fund balances - beginning	52,576	214	52,790
Fund balances - ending	$ 46,154	542	46,696

Nonmajor Capital Project Funds

Nonmajor Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Project Funds established by the City of San José are as follows:

Capital Improvements Funds – Established to account for assessment charges for the construction of the Alviso Ring Levee.

Construction Excise Tax Funds – Established to account for revenues and expenditures related to traffic maintenance and improvements.

Parks Bond Projects Fund – Established to account for general obligation bond proceeds for various parks construction projects.

Branch Libraries Bond Projects Fund – Established to account for general obligation bond proceeds for various library construction projects.

Ice Center Expansion Bond Fund – Established to account for lease revenue bond proceeds to fund costs related to the expansion of the Solar4America Ice Rink.

Public Safety and Infrastructure Bond Fund – Established to account for general obligation bond proceeds to improve infrastructure and public safety facilities.

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2023
($000's)

		Capital Improvements (Funds 408, 424, 476)	Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$	437	85,268
Receivables (net of allowance for uncollectibles)		2	30,227
Advances and deposits		4	34
Restricted assets:			
Equity in pooled cash and investments held in City Treasury		-	119
Cash and investments held with fiscal agents		-	-
Total assets	$	443	115,648
LIABILITIES			
Accounts payable	$	-	9,497
Accrued salaries, wages and payroll taxes		-	341
Total liabilities		-	9,838
DEFERRED INFLOWS OF RESOURCES - Unavailable revenue		-	5,552
FUND BALANCES			
Restricted		443	18,645
Assigned		-	81,613
Total fund balances		443	100,258
Total liabilities, deferred inflows of resources and fund balances	$	443	115,648

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Ice Center Expansion Bond (Fund 490)	Public Safety and Infrastructure Bond (Fund 498)	Total
2,323	-	-	-	88,028
11	-	-	-	30,240
-	-	-	-	38
-	-	-	32,208	32,327
15,085	6,759	-	180,900	202,744
17,419	6,759	-	213,108	353,377
10	360	-	17,751	27,618
3	-	-	67	411
13	360	-	17,818	28,029
-	-	-	-	5,552
17,406	6,399	-	195,290	238,183
-	-	-	-	81,613
17,406	6,399	-	195,290	319,796
17,419	6,759	-	213,108	353,377

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2023
($000's)

	Capital Improvements (Funds 408, 424, 476)	Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486)
REVENUES		
Taxes	$ -	10,882
Intergovernmental	-	70,250
Charges for current services	-	916
Investment income	7	2,421
Other revenues	-	1,105
Total revenues	7	85,574
EXPENDITURES		
Current:		
Capital maintenance	-	106,642
Capital outlay	-	3,900
Total expenditures	-	110,542
Excess (deficiency) of revenues over (under) expenditures	7	(24,968)
OTHER FINANCING (USES)		
Transfers out	(10)	(3,747)
Total other financing (uses)	(10)	(3,747)
Net change in fund balances	(3)	(28,715)
Fund balances - beginning	446	128,973
Fund balances - ending	$ 443	100,258

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Ice Center Expansion Bond (Fund 490)	Public Safety and Infrastructure Bond (Fund 498)	Total
-	-	-	-	10,882
-	-	-	-	70,250
-	-	-	-	916
356	146	214	5,085	8,229
-	-	-	-	1,105
356	146	214	5,085	91,382
316	106	19,347	50,255	176,666
-	-	-	10,052	13,952
316	106	19,347	60,307	190,618
40	40	(19,133)	(55,222)	(99,236)
-	-	(1,925)	-	(5,682)
-	-	(1,925)	-	(5,682)
40	40	(21,058)	(55,222)	(104,918)
17,366	6,359	21,058	250,512	424,714
17,406	6,399	-	195,290	319,796

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Internal Service Funds

Internal Service Funds

Internal Service Funds are used to account for the exchange of benefits within the City's funds or departments on a cost reimbursement basis.

Public Works Programs Support Fund – Established to account for Public Works Department administrative services provided to City-wide capital programs and certain other Public Works operating divisions.

Employee Benefits Funds – Established to account for the cost of funding the City's portion of employee fringe benefits.

Vehicle Maintenance and Operations Fund – Established to account for the purchase and maintenance of City vehicles and the cost of operating a maintenance facility for equipment used by other City departments for repairs, demolition, or other abatement of dangerous buildings.

City of San José
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2023
($000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
ASSETS				
Current assets:				
Equity in pooled cash and investments held in City Treasury	$ 3,602	7,220	4,513	15,335
Receivables (net of allowance for uncollectibles)	56	441	11	508
Inventories	-	-	1,517	1,517
Total unrestricted current assets	3,658	7,661	6,041	17,360
Restricted assets:				
Other cash and investments	-	522	7	529
Total restricted current assets	-	522	7	529
Total current assets	3,658	8,183	6,048	17,889
Capital assets (net of accumulated depreciation):				
Depreciable	227	-	3,503	3,730
Total assets	3,885	8,183	9,551	21,619
LIABILITIES				
Current liabilities:				
Accounts payable	16	309	716	1,041
Accrued salaries, wages, and payroll taxes	329	73	152	554
Total current liabilities	345	382	868	1,595
Noncurrent liabilities:				
Accrued vacation, sick leave and compensatory time	3,950	96	423	4,469
Total liabilities	4,295	478	1,291	6,064
NET POSITION				
Net investment in capital assets	227	-	3,503	3,730
Unrestricted	(637)	7,705	4,757	11,825
Total net position	$ (410)	7,705	8,260	15,555

City of San José
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2023
($000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Fund 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
OPERATING REVENUES				
Charges for services	$ 21,217	109,537	28,997	159,751
Total operating revenues	21,217	109,537	28,997	159,751
OPERATING EXPENSES				
Operations and maintenance	23,350	111,381	29,538	164,269
Depreciation	-	-	1,192	1,192
Total operating expenses	23,350	111,381	30,730	165,461
Operating loss	(2,133)	(1,844)	(1,733)	(5,710)
NONOPERATING REVENUES				
Investment income	57	422	107	586
Total nonoperating revenues	57	422	107	586
Loss before transfers	(2,076)	(1,422)	(1,626)	(5,124)
Transfers in	-	-	1,660	1,660
Transfers out	(32)	(116)	(158)	(306)
Changes in net position	(2,108)	(1,538)	(124)	(3,770)
Net position - beginning	1,698	9,243	8,384	19,325
Net position - ending	$ (410)	7,705	8,260	15,555

City of San José
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023
($000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	$ 21,218	109,435	28,999	159,652
Cash payment to suppliers of goods and services	(3,001)	(109,848)	(19,187)	(132,036)
Cash payment to employees for services	(20,540)	(1,466)	(9,899)	(31,905)
Net cash (used in) operating activities	(2,323)	(1,879)	(87)	(4,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	1,660	1,660
Transfer to other funds	(32)	(116)	(158)	(306)
Net cash provided by (used in) noncapital financing activities	(32)	(116)	1,502	1,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(2,031)	(2,031)
Net cash used in capital and related financing activities	-	-	(2,031)	(2,031)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income on investments	57	422	107	586
Net change in cash and cash equivalents	(2,298)	(1,573)	(509)	(4,380)
Cash and cash equivalents - beginning	5,900	9,315	5,029	20,244
Cash and cash equivalents - ending	$ 3,602	$ 7,742	$ 4,520	15,864
Reconciliation of operating loss to net cash (used in) operating activities:				
Operating loss	$ (2,133)	(1,844)	(1,733)	(5,710)
Adjustments to reconcile operating loss to net cash (used in) operating activities:				
Depreciation	-	-	1,192	1,192
(Increase) decrease in:				
Accounts receivable	1	(102)	2	(99)
Inventories	-	-	166	166
Increase (decrease) in:				
Accounts payable and accrued liabilities	(592)	51	264	(277)
Accrued vacation, sick leave and compensatory time	401	16	22	439
Total adjustments	(190)	(35)	1,646	1,421
Net cash (used in) operating activities	$ (2,323)	(1,879)	(87)	(4,289)
Reconciliation of cash and cash equivalents to the statement of net position:				
Equity in pooled cash and investments held in City Treasury				
Unrestricted	$ 3,602	7,220	4,513	15,335
Other cash and investments	-	522	7	529
Cash and cash equivalents	$ 3,602	$ 7,742	$ 4,520	15,864

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Trust and Custodial Funds

Trust and Custodial Funds

Trust and Custodial Funds are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include pension trust funds, private-purpose trust funds, and custodial funds.

Federated City Employees' Retirement System Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all full-time and some eligible part-time City of San José employees, except members of the Police and Fire Department Retirement Plan.

Police and Fire Plan Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all sworn members of the City of San José's Police and Fire departments.

James Lick Private-Purpose Trust Fund – Established to account for resources legally held in the trust for use towards the support of the Eastfield Ming Quong (EMQ) Families First Agency. All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund – Established to make payments on the former Redevelopment Agency of the City of San José's "enforceable obligations" and to wind down the activities of the former Agency through the sale and disposition of assets and properties.

Arena Capital Reserve Custodial Fund – Established to account for Arena Facilities monies that will be used to budget and defray Arena Facilities expenditures relating to capital maintenance repairs and replacement for the San José Arena (SAP Center at San José). Financial statements are presented on pages 42-44.

City of San José
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2023
($000's)

	Federated City Employees' Retirement System	Police and Fire Plan	Total
ASSETS			
Investments	$ 3,294,432	5,045,087	8,339,519
Receivables:			
Accrued investment income	4,734	8,622	13,356
Employee contributions	679	722	1,401
Employer contributions	5,887	4,713	10,600
Brokers and others	9,904	35,136	45,040
Other assets, net	2,751	2,751	5,502
Total assets	3,318,387	5,097,031	8,415,418
LIABILITIES			
Due to brokers	30,716	41,428	72,144
Other liabilities	5,748	34,752	40,500
Total liabilities	36,464	76,180	112,644
NET POSITION RESTRICTED FOR:			
Employees' pension benefits	2,907,315	4,721,487	7,628,802
Employees' postemployment healthcare benefits	374,608	299,364	673,972
Net position restricted for pension and postemployment healthcare benefits	$ 3,281,923	5,020,851	8,302,774

City of San José
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2023
($000's)

	Federated City Employees' Retirement System	Police and Fire Plan	Total
ADDITIONS			
Investment income:			
Interest	$ 31,653	54,484	86,137
Dividends	12,979	16,478	29,457
Net appreciation in fair value of plan investments	213,556	327,506	541,062
Investment expenses	(11,819)	(18,946)	(30,765)
Contributions:			
Employer	222,437	232,513	454,950
Employees	40,402	43,960	84,362
Total additions	509,208	655,995	1,165,203
DEDUCTIONS			
General and administrative	6,208	6,934	13,142
Health insurance premiums	30,869	27,528	58,397
Refund of contributions	1,613	665	2,278
Retirement and other benefits:			
Death benefits	17,213	18,386	35,599
Retirement benefits	228,530	256,773	485,303
Total deductions	284,433	310,286	594,719
Change in net position	224,775	345,709	570,484
Net position restricted for pension and postemployment healthcare benefits			
Beginning of year	3,057,148	4,675,142	7,732,290
End of year	$ 3,281,923	5,020,851	8,302,774

City of San José
Combining Statement of Fiduciary Net Position
Federated City Employees' Retirement System
June 30, 2023
($000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	
	Retirement	Cost of Living	IRS Code Section 115 Trust	Total
ASSETS				
Investments	$ 1,816,628	1,103,556	374,248	3,294,432
Receivables:				
Accrued investment income	3,867	473	394	4,734
Employee contributions	415	105	159	679
Employer contributions	3,414	2,189	284	5,887
Brokers and others	7,715	55	2,134	9,904
Other assets, net	1,880	765	106	2,751
Total assets	1,833,919	1,107,143	377,325	3,318,387
LIABILITIES				
Due to brokers	22,006	8,335	375	30,716
Other liabilities	2,505	901	2,342	5,748
Total liabilities	24,511	9,236	2,717	36,464
NET POSITION RESTRICTED FOR:				
Employees' pension benefits	1,809,408	1,097,907	-	2,907,315
Employees' postemployment healthcare benefits	-	-	374,608	374,608
Net position restricted for pension and postemployment healthcare benefits	$ 1,809,408	1,097,907	374,608	3,281,923

City of San José
Combining Statement of Changes in Fiduciary Net Position
Federated City Employees' Retirement System
For the Year Ended in June 30, 2023
($000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	
	Retirement	Cost of Living	IRS Code Section 115 Trust	Total
ADDITIONS				
Investment income:				
Interest	$ 18,642	10,974	2,037	31,653
Dividends	4,581	2,697	5,701	12,979
Net appreciation in fair value of plan investments	122,966	73,695	16,895	213,556
Investment expenses	(7,203)	(4,251)	(365)	(11,819)
Contributions:				
Employer	116,268	83,172	22,997	222,437
Employees	24,327	6,234	9,841	40,402
Total additions	279,581	172,521	57,106	509,208
DEDUCTIONS				
General and administrative	3,442	2,016	750	6,208
Health insurance premiums	-	-	30,869	30,869
Refund of contributions	1,373	240	-	1,613
Retirement and other benefits:				
Death benefits	9,585	7,628	-	17,213
Retirement benefits	160,363	68,167	-	228,530
Total deductions	174,763	78,051	31,619	284,433
Change in net position	104,818	94,470	25,487	224,775
Net position restricted for pension and postemployment healthcare benefits				
Beginning of year	1,704,590	1,003,437	349,121	3,057,148
End of year	$ 1,809,408	1,097,907	374,608	3,281,923

City of San José
Combining Statement of Fiduciary Net Position
Police and Fire Plan
June 30, 2023
($000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan			
	Retirement	Cost of Living	401(h) Plan	IRS Code Section 115 Trust - Police	IRS Code Section 115 Trust - Fire	Total
ASSETS						
Investments	$ 2,715,125	2,029,374	11,609	183,476	105,503	5,045,087
Receivables:						
Accrued investment income	5,472	2,746	53	219	132	8,622
Employee contributions	398	145	179	-	-	722
Employer contributions	2,663	1,563	-	306	181	4,713
Brokers and others	20,249	8,803	3,624	611	1,849	35,136
Other assets, net	1,721	989	41	-	-	2,751
Total assets	2,745,628	2,043,620	15,506	184,612	107,665	5,097,031
LIABILITIES						
Due to brokers	29,866	8,566	1,482	726	788	41,428
Other liabilities	13,542	15,787	4,801	220	402	34,752
Total liabilities	43,408	24,353	6,283	946	1,190	76,180
NET POSITION RESTRICTED FOR:						
Employees' pension benefits	2,702,220	2,019,267	-	-	-	4,721,487
Employees' postemployment healthcare benefits	-	-	9,223	183,666	106,475	299,364
Net position restricted for pension and postemployment healthcare benefits	$ 2,702,220	2,019,267	9,223	183,666	106,475	5,020,851

City of San José
Combining Statement of Changes in Fiduciary Net Position
Police and Fire Plan
For the Year Ended June 30, 2023
($000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan			
	Retirement	Cost of Living	401(h) Plan	IRS Code Section 115 Trust - Police	IRS Code Section 115 Trust - Fire	Total
ADDITIONS						
Investment income:						
Interest	$ 30,515	22,312	209	906	542	54,484
Dividends	6,714	4,910	46	3,008	1,800	16,478
Net appreciation in fair value of plan investments	180,408	133,632	869	7,956	4,641	327,506
Investment expenses	(10,756)	(7,872)	(73)	(154)	(91)	(18,946)
Contributions:						
Employer	113,041	88,709	3,238	16,951	10,574	232,513
Employees	23,822	8,839	11,299	-	-	43,960
Total additions	343,744	250,530	15,588	28,667	17,466	655,995
DEDUCTIONS						
General and administrative	3,952	2,880	42	38	22	6,934
Health insurance premiums	-	-	23,776	-	3,752	27,528
Refund of contributions	521	144	-	-	-	665
Retirement and other benefits:						
Death benefits	9,301	9,085	-	-	-	18,386
Retirement benefits	175,045	81,728	-	-	-	256,773
Total deductions	188,819	93,837	23,818	38	3,774	310,286
Change in net position	154,925	156,693	(8,230)	28,629	13,692	345,709
Net position restricted for pension and postemployment healthcare benefits						
Beginning of year	2,547,295	1,862,574	17,453	155,037	92,783	4,675,142
End of year	$ 2,702,220	2,019,267	9,223	183,666	106,475	5,020,851

City of San José
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2023
($000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	$ 204	-	204
Cash and investments	363	514	877
Receivables (net of allowance for uncollectibles):			
Other	1	35	36
Restricted cash and investments	-	124,996	124,996
Total current assets	568	125,545	126,113
Noncurrent assets:			
Advances to the City of San José	-	733	733
Accrued interest, net	-	1,386	1,386
Loans receivable, net	-	3,986	3,986
Advances and deposits	-	5	5
Prepaid bond insurance	-	1,272	1,272
Capital assets:			
Nondepreciable	-	2,078	2,078
Depreciable, net	-	616	616
Total noncurrent assets	-	10,076	10,076
Total assets	568	135,621	136,189
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	-	23,609	23,609
LIABILITIES			
Current liabilities:			
Accounts payable	-	145	145
Accrued interest payable	-	17,611	17,611
Total current liabilities	-	17,756	17,756
Long-term liabilities:			
Due within one year	-	106,239	106,239
Due in more than one year	-	1,110,513	1,110,513
Total noncurrent liabilities	-	1,216,752	1,216,752
Total liabilities	-	1,234,508	1,234,508
NET POSITION (DEFICIT)			
Held in trust for:			
Redevelopment dissolution and other purposes	568	(1,075,278)	(1,074,710)
Total net position (deficit)	$ 568	(1,075,278)	(1,074,710)

City of San José
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2023
($000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ADDITIONS			
Redevelopment property tax revenues	$ -	194,803	194,803
Investment income	13	1,455	1,468
Development fees and other	-	125	125
Total additions	13	196,383	196,396
DEDUCTIONS			
General and administrative	-	227	227
Project expenses	-	65	65
Pass through amounts to the County of Santa Clara	-	51,785	51,785
Depreciation	-	26	26
Allowance for loan losses	-	1	1
Interest on debt	-	41,502	41,502
Total deductions	-	93,606	93,606
Change in net position	13	102,777	102,790
NET POSITION HELD IN TRUST			
Beginning of year	555	(1,178,055)	(1,177,500)
End of year	$ 568	(1,075,278)	(1,074,710)

STATISTICAL SECTION (UNAUDITED)

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Statistical Section

This section of the annual comprehensive financial report for the City of San José presents detailed information as a context to the information presented in the financial statements, note disclosures, and required supplementary information and to provide a framework to assess the economic condition affecting the City of San José.

GASB issued Statement No. 44, *Economic Condition Reporting; The Statistical Section – an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition affecting a government.

Contents **Schedule**

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

SCHEDULE I

City of San José
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
($000'S)

	2014	2015[1]	2016	2017	2018[2]
Governmental activities					
Net investment in capital assets	$ 4,769,632	$ 4,566,716	$ 4,478,760	$ 4,391,069	$ 4,349,559
Restricted	889,631	927,190	930,553	982,168	1,000,459
Unrestricted	(206,396)	(1,734,224)	(1,723,260)	(1,935,456)	(2,667,125)
Total governmental activities net position	$ 5,452,867	$ 3,759,682	$ 3,686,053	$ 3,437,781	$ 2,682,893
Business-type activities					
Net investment in capital assets	$ 779,015	$ 769,516	$ 766,107	$ 814,473	$ 930,631
Restricted	125,345	113,459	76,709	75,945	72,750
Unrestricted	406,663	247,428	339,422	351,101	252,928
Total business-type activities net position	$ 1,311,023	$ 1,130,403	$ 1,182,238	$ 1,241,519	$ 1,256,309
Primary government					
Net investment in capital assets	$ 5,548,647	$ 5,336,232	$ 5,244,867	$ 5,205,542	$ 5,280,190
Restricted	1,014,976	1,040,649	1,007,262	1,058,113	1,073,209
Unrestricted	200,267	(1,486,796)	(1,383,838)	(1,584,355)	(2,414,197)
Total primary government net position	$ 6,763,890	$ 4,890,085	$ 4,868,291	$ 4,679,300	$ 3,939,202

	2019	2020	2021	2022	2023
Governmental activities					
Net investment in capital assets	$ 4,330,279	$ 4,262,597	$ 4,089,937	$ 3,777,037	$ 3,635,710
Restricted	1,036,765	1,088,593 [3]	1,116,441	1,178,965	1,363,869
Unrestricted	(2,657,523)	(2,860,084)	(2,978,383)	(2,586,680)	(2,640,313)
Total governmental activities net position	$ 2,709,521	$ 2,491,106	$ 2,227,995	$ 2,369,322	$ 2,359,266
Business-type activities					
Net investment in capital assets	$ 982,045	$ 1,090,408	$ 1,209,961	$ 1,232,137 [4]	$ 1,240,108
Restricted	72,890	76,104	49,785	71,173	58,192
Unrestricted	290,071	290,590	222,411	307,819 [4]	558,060
Total business-type activities net position	$ 1,345,006	$ 1,457,102	$ 1,482,157	$ 1,611,171	$ 1,856,360
Primary government					
Net investment in capital assets	$ 5,312,324	$ 5,353,005	$ 5,299,898	$ 5,009,174	$ 4,875,818
Restricted	1,109,655	1,164,697	1,166,226	1,250,138	1,422,061
Unrestricted	(2,367,452)	(2,569,494)	(2,755,972)	(2,278,861)	(2,082,253)
Total primary government net position	$ 4,054,527	$ 3,948,208	$ 3,710,152	$ 3,980,451	$ 4,215,626

(1) The decrease in net position as of June 30, 2015, was primarily due to the recording of the City's net pension liability in accordance with the GASB Statement Nos. 68 and 71.

(2) The decrease in net position as of June 30, 2018, was primarily due to the recording of the City's net OPEB liability in accordance with the GASB Statement Nos. 74 and 75.

(3) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing net position by $12,408,000.

(4) FY 2022 balances have been restated as a result of implementing GASB 96, Subscription-Based Information Technology Agreements (SBITAs).

SCHEDULE II

City of San José
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
($000'S)

	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	$ 119,299	$ 127,480	$ 122,363	$ 127,090	$ 132,157
Public safety	493,544	466,519	555,072	694,557	769,305
Community services	207,967	236,840	274,838	310,470	329,222
Sanitation	146,058	141,244	145,516	156,299	164,890
Capital maintenance	484,260	507,523	395,393	444,867	494,007
Interest and fiscal charges	60,852	60,266	56,768	54,844	57,002
Total governmental activities expenses	1,511,980	1,539,872	1,549,950	1,788,126	1,946,583
Business-type activities:					
San José Mineta International Airport	199,987	197,786	201,017	204,774	207,675
Wastewater Treatment System	169,622	158,385	163,985	192,302	203,272
Municipal Water System	33,187	33,885	36,246	42,647	49,156
Parking System	10,751	12,714	13,607	14,269	14,503
San José Clean Energy	-	-	-	-	1,116
Total business-type activities expenses	413,547	402,770	414,855	453,992	475,722
Total primary government expenses	$ 1,925,527	$ 1,942,642	$ 1,964,805	$ 2,242,118	$ 2,422,305
Program Revenues					
Governmental activities:					
Charges for services:					
General government	41,168	44,044	46,952	48,358	29,565
Public safety	19,228	20,300	23,046	23,164	78,700
Community services	116,522	117,006	129,905	177,436	88,895
Sanitation	151,056	150,546	157,477	143,062	155,772
Capital maintenance	40,024	67,098	66,440	70,842	66,257
Operating grants and contributions	103,844	97,467	107,583	86,779	113,938
Capital grants and contributions	29,873	129,901	69,848	63,647	97,441
Total governmental program revenues	501,715	626,362	601,251	613,288	630,568
Business-type activities:					
Charges for services					
San José Mineta International Airport	159,978	163,962	182,445	194,057	213,993
Wastewater Treatment System	195,891	192,715	209,056	222,654	252,722
Municipal Water System	35,427	37,295	37,368	44,680	48,615
Parking System	13,621	15,614	16,503	17,612	17,645
Operating grants and contributions	1,651	1,266	864	1,233	894
Capital grants and contributions	14,507	6,225	15,437	13,258	16,362
Total business-type activities program revenues	421,075	417,077	461,673	493,494	550,231
Total primary government revenues	$ 922,790	$ 1,043,439	$ 1,062,924	$ 1,106,782	$ 1,180,799

SCHEDULE II
(Continued)

City of San José
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
($000'S)

	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	$ 142,531	$ 296,294	$ 351,491	$ 230,695	$ 159,778
Public safety	709,532	813,126	783,928	614,802	735,061
Community services	308,345	301,697	345,762	375,192	473,032
Sanitation	164,677	183,197	184,816	202,142	225,979
Capital maintenance	422,170	476,251	487,239	531,355	554,674
Interest and fiscal charges	46,720	44,771	38,021	43,808	52,004
Total governmental activities expenses	1,793,975	2,115,336	2,191,257	1,997,994	2,200,528
Business-type activities:					
San José Mineta International Airport	224,387	232,002	205,378	221,655 (3)	210,479
Wastewater Treatment System	199,350	252,033	211,098	197,430	233,947
Municipal Water System	47,917	51,574	51,936	53,627	58,219
Parking System	16,151	22,559	12,581	13,143	18,853
San José Clean Energy	98,909	301,115	292,670	332,925	389,416
Total business-type activities expenses	586,714	859,283	773,663	818,780	910,914
Total primary government expenses	$ 2,380,689	$ 2,974,619	$ 2,964,920	$ 2,816,774	$ 3,111,442
Program Revenues					
Governmental activities:					
Charges for services:					
General government	26,656	19,151	5,534	8,168	8,662
Public safety	88,391	80,077	22,931	38,900	34,865
Community services	106,836	94,080	120,506	166,966	148,730
Sanitation	154,094	171,280	187,319	208,824	222,595
Capital maintenance	59,441	33,924	30,098	36,426	26,575
Operating grants and contributions	108,361	176,843 (1)	250,875	263,444	252,204
Capital grants and contributions	111,278	149,459	99,684	79,426	117,371
Total governmental program revenues	655,057	724,814	716,947	802,154	811,002
Business-type activities:					
Charges for services					
San José Mineta International Airport	223,267	211,141	147,078	205,381	231,305
Wastewater Treatment System	248,830	322,391	237,593	295,728	271,990
Municipal Water System	51,181	52,020	56,123	55,531	61,042
Parking System	19,185	14,763	7,062	12,993	15,036
San José Clean Energy	102,855	336,951	280,388	351,099	515,503
Operating grants and contributions	720	486	55,804	37,956	32,690
Capital grants and contributions	24,655	6,334	14,412	7,115	14,270
Total business-type activities program revenues	670,693	944,086	798,460	965,803	1,141,836
Total primary government revenues	$ 1,325,750	$ 1,668,900	$ 1,515,407	$ 1,767,957	$ 1,952,838

SCHEDULE II
(Continued)

City of San José
Change In Net Position
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
($000'S)

	2014	2015	2016	2017	2018
Net (Expenses) Revenues					
Governmental activities	$ (1,010,265)	$ (913,510)	$ (948,699)	$ (1,174,838)	$ (1,316,015)
Business-type activities	7,528	14,307	46,818	39,502	74,509
Total primary government	(1,002,737)	(899,203)	(901,881)	(1,135,336)	(1,241,506)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	368,233	384,523	404,878	431,138	461,964
Utility	114,486	112,645	113,474	121,046	120,234
Franchise	45,749	46,909	48,949	49,642	51,180
Transient occupancy	29,685	36,980	41,125	45,511	48,854
Business license	45,500	47,431	50,864	54,159	70,673
Sales taxes	173,412	180,407	201,797	207,695	226,337
State of California in-lieu	434	419	410	467	551
Unrestricted interest and investment income (loss)	5,060	4,125	7,790	9,062	6,688
Other revenue	18,278	17,753	2,103	4,459	36,485
Gain on sale of capital assets	-	-	-	-	-
Transfers	2,468	3,501	3,680	3,387	5,769
Total governmental activities	803,305	834,693	875,070	926,566	1,028,735
Business-type activities:					
Unrestricted interest and investment income (loss)	4,581	3,252	6,383	3,955	6,322
Other revenue	-	1,747	2,314	19,211	4,961
Transfers	(2,468)	(3,501)	(3,680)	(3,387)	(5,769)
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Total business-type activities	2,113	1,498	5,017	19,779	5,514
Total primary government	$ 805,418	$ 836,191	$ 880,087	$ 946,345	$ 1,034,249
Change In Net Position					
Governmental activities	$ (206,960)	$ (78,817)	$ (73,629)	$ (248,272)	$ (287,280)
Business-type activities	9,641	15,805	51,835	59,281	80,023
Total primary government	$ (197,319)	$ (63,012)	$ (21,794)	$ (188,991)	$ (207,257)

SCHEDULE II
(Concluded)

City of San José
Change In Net Position
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
($000'S)

	2019	2020	2021	2022	2023
Net (Expenses) Revenues					
Governmental activities	$ (1,138,918)	$ (1,390,522)	$ (1,474,310)	$ (1,195,840)	$ (1,389,526)
Business-type activities	83,979	84,803	24,797	147,023	230,922
Total primary government	(1,054,939)	(1,305,719)	(1,449,513)	(1,048,817)	(1,158,604)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	497,317	531,075	543,347 (2)	587,044 (2)	591,517
Real property transfer tax	-	-	50,531 (2)	110,015 (2)	56,280
Utility	120,846	120,213	127,844	124,906	145,361
Franchise	48,397	44,436	45,628	48,378	44,824
Transient occupancy	51,399	35,329	13,479	26,284	37,287
Business license	77,011	71,978	71,169	85,375	89,627
Sales taxes	263,530	260,558	284,020	323,144	343,472
State of California in-lieu	505	826	770	1,190	1,041
Unrestricted interest and investment income (loss)	24,165	39,635	14,438	(27,844)	20,666
Other revenue	34,707	56,435	49,798	52,649	42,480
Gain on sale of capital assets	44,528	5,231	6,913	1,766	3,959
Transfers	3,141	6,391	3,262	4,260	2,956
Total governmental activities	1,165,546	1,172,107	1,211,199	1,337,167	1,379,470
Business-type activities:					
Unrestricted interest and investment income (loss)	23,498	33,030	1,808	(15,369)	16,043
Other revenue	627	654	1,712	1,307	1,222
Transfers	(3,141)	(6,391)	(3,262)	(4,260)	(2,956)
Special item - rate stabilization fund and ten-year lookback distribution	(16,266)	-	-	-	-
Total business-type activities	4,718	27,293	258	(18,322)	14,309
Total primary government	$ 1,170,264	$ 1,199,400	$ 1,211,457	$ 1,318,845	$ 1,393,779
Change In Net Position					
Governmental activities	$ 26,628	$ (218,415)	$ (263,111)	$ 141,327	$ (10,056)
Business-type activities	88,697	112,096	25,055	128,701	245,231
Total primary government	$ 115,325	$ (106,319)	$ (238,056)	$ 270,028	$ 235,175

(1) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing revenue by $12,408,000
(2) FY 2021 and FY 2022 balances have been restated as a result of reclassification between Real property transfer tax and Property and other taxes.
(3) FY 2022 balances have been restated as a result of implementing GASB 96, SBITA.

SCHEDULE III

City of San José
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
($000'S)

	2014	2015	2016	2017	2018
General Fund					
Nonspendable	$ 219	$ 203	$ 186	$ 170	$ 153
Restricted	19,629	10,599	1,265	690	1,057
Committed	121,991	94,748	84,998	96,026	97,809
Assigned	111,587	143,398	167,239	136,093	111,509
Unassigned	50,638	67,006	65,351	79,853	82,494
Total General Fund	$ 304,064	$ 315,954	$ 319,039	$ 312,832	$ 293,022
Other Governmental Funds					
Nonspendable	$ 77	$ 144	$ 243	$ 340	$ -
Restricted	876,041	897,253	909,733	960,159	978,565
Committed	31,779	39,425	55,435	59,319	57,892
Assigned	59,243	70,715	82,785	82,584	94,797
Unassigned	-	-	-	-	-
Total Other Governmental Funds	$ 967,140	$ 1,007,537	$ 1,048,196	$ 1,102,402	$ 1,131,254

	2019	2020	2021	2022	2023
General Fund					
Nonspendable	$ 153	$ 121	$ 104	$ 88	$ 88
Restricted	1,370	2,007	307	303	300
Committed	100,147	95,414	73,580	67,343	98,507
Assigned	168,961	283,322	331,310	279,356	456,857
Unassigned	143,868	79,368	8,041	225,967	129,290
Total General Fund	$ 414,499	$ 460,232	$ 413,342	$ 573,057	$ 685,042
Other Governmental Funds					
Nonspendable	$ -	$ -	$ 4	$ -	$ -
Restricted	1,014,467	1,276,750 (1)	1,298,955	1,452,020	1,349,185
Committed	69,451	51,460	93,721	102,159	108,406
Assigned	93,500	96,038	99,068	94,222	94,971
Unassigned	(32,668)	(27,705)	(44,395)	(20)	(8,031)
Total Other Governmental Funds	$ 1,144,750	$ 1,396,543	$ 1,447,353	$ 1,648,381	$ 1,544,531

(1) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing fund balance by $12,408,000

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

SCHEDULE IV

City of San José
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
($000'S)

	2014	2015	2016	2017	2018
REVENUES					
Taxes and special assessments	$ 622,138	$ 648,907	$ 653,663	$ 721,419	$ 778,815
Sales taxes	173,412	180,407	228,317	207,695	226,337
Licenses, permits, and fines	66,826	62,000	69,856	75,173	74,859
Intergovernmental	96,396	90,119	81,133	87,622	94,202
Charges for current services	236,865	249,659	257,212	251,447	279,045
Rent	28,683	36,997	43,284	50,838	53,415
Investment income and other revenues	99,216	104,171	118,903	131,895	122,980
Total revenues	1,323,536	1,372,260	1,452,368	1,526,089	1,629,653
EXPENDITURES					
General government	90,395	90,031	108,505	110,853	115,276
Public safety	464,672	486,770	516,614	537,287	594,768
Community services	178,189	214,788	241,644	258,167	266,818
Sanitation	142,766	143,406	145,008	151,310	158,025
Capital maintenance	169,689	200,523	231,467	259,199	293,096
Capital outlay	73,037	75,903	60,049	68,197	81,311
Debt service:					
Principal	51,085	86,370	53,405	56,139	185,982
Interest and fiscal charges	62,954	62,464	59,007	57,103	57,557
Payment to refunded bond escrow agent	-	-	-	-	-
Total expenditures	1,232,787	1,360,255	1,415,699	1,498,255	1,752,833
Excess (deficiency) of revenues over (under) expenditures	90,749	12,005	36,669	27,834	(123,180)
OTHER FINANCING SOURCES (USES)					
Inception of lease	-	-	-	-	-
Proceeds from SARA refunding	-	-	-	-	92,620
Bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Proceeds from capital lease financing	19,286	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Premium / (discount) on bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(1,705)
Proceeds from sale of capital assets	2,221	37,482	3,848	17,602	38,187
Transfers in	104,097	114,998	96,561	128,089	129,801
Transfers out	(102,149)	(112,198)	(93,334)	(125,526)	(126,681)
Escrow payment to the County of Santa Clara	-	-	-	-	-
Total other financing sources (uses)	23,455	40,282	7,075	20,165	132,222
Net change in fund balances	$ 114,204	$ 52,287	$ 43,744	$ 47,999	$ 9,042
Debt service as a percentage of noncapital expenditures[1]	9.83%	11.59%	8.29%	7.92%	14.57%

SCHEDULE IV
(Concluded)

City of San José
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
($000'S)

	2019	2020	2021	2022	2023
REVENUES					
Taxes and special assessments	$ 819,139	$ 820,215	$ 866,088	$ 993,637	$ 977,408
Sales taxes	263,530	260,558	284,020	323,144	343,472
Licenses, permits, and fines	80,725	77,747	28,344	37,206	35,469
Intergovernmental	102,328	217,546 (2)	261,451	298,378	310,612
Charges for current services	269,807	243,745	252,441	292,686	300,110
Rent	60,974	49,387	13,331	31,508	46,682
Investment income and other revenues	135,047	187,121	188,433	164,493	162,020
Total revenues	1,731,550	1,856,319	1,894,108	2,141,052	2,175,773
EXPENDITURES					
General government	151,295	229,369	294,300	243,157	163,545
Public safety	623,853	642,840	678,689	727,257	758,025
Community services	255,471	262,653	330,076	355,397	438,791
Sanitation	163,271	182,625	190,402	207,788	227,492
Capital maintenance	235,456	298,232	321,876	374,102	383,867
Capital outlay	138,176	90,167	104,823	58,488	91,403
Debt service:					
Principal	73,022	99,034	63,236	93,245	65,225
Interest and fiscal charges	49,129	49,852	42,762	45,313	57,233
Payment to refunded bond escrow agent	-	-	31,750	12,194	-
Total expenditures	1,689,673	1,854,772	2,057,914	2,116,941	2,185,581
Excess (deficiency) of revenues over (under) expenditures	41,877	1,547	(163,806)	24,111	(9,808)
OTHER FINANCING SOURCES (USES)					-
Inception of lease	-	-	-	-	11,378
Proceeds from SARA refunding	-	-	-	-	-
Bonds issued	-	502,020	155,012	273,980	-
Bond premium	-	-	-	54,331	-
Proceeds from capital lease financing	-	-	-	-	-
Refunding bonds issued	-	-	347,143	115,190	-
Premium / (discount) on bonds	-	80,821	-	-	-
Payment to refunded bond escrow agent	-	(297,366)	(344,516)	(115,238)	1
Proceeds from sale of capital assets	160,943	5,352	7,020	4,252	4,962
Transfers in	196,800	135,966	138,958	86,318	106,265
Transfers out	(197,647)	(130,814)	(135,891)	(82,201)	(104,663)
Escrow payment to the County of Santa Clara	(67,000)	-	-	-	-
Total other financing sources (uses)	93,096	295,979	167,726	336,632	17,943
Net change in fund balances	$ 134,973	$ 297,526	$ 3,920	$ 360,743	$ 8,135
Debt service as a percentage of noncapital expenditures(1)(3)	7.87%	8.44%	5.43%	6.73%	5.85%

(1) Debt ratio was calculated by dividing principal and interest components by total government expenditures excluding capital outlay. Accordingly, the prior years' debt ratio is recalculated.
(2) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing revenue by $12,408,000.
(3) FY 2022 and the prior years' debt ratio was recalculated to exclude payments to refunded bond escrow agent.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

SCHEDULE V

City of San José
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
($000'S)

	City				Former Agency / SARA				
Fiscal Year	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	Total Direct Rate
2014	$ 111,660,402	$ 4,584,810	$ 4,561,937	$ 111,683,275	$ 16,739,547	$ 4,027,543	$ -	$ 20,767,090	0.184
2015	119,264,034	4,282,669	4,761,308	118,785,395	18,904,511	3,788,295	-	22,692,806	0.181
2016	127,846,046	4,240,467	5,067,884	127,018,629	19,976,466	3,879,443	-	23,855,909	0.178
2017	135,539,046	4,363,681	5,113,275	134,789,452	22,520,225	4,097,930	-	26,618,155	0.177
2018	143,343,719	4,654,231	5,768,938	142,229,012	24,820,811	4,223,132	-	29,043,943	0.175
2019	147,901,467	3,386,453	5,943,435	145,344,486	31,666,615	5,662,780	-	37,329,394	0.173
2020	159,210,811	3,861,480	6,073,328	156,998,964	33,114,555	5,956,381	-	39,070,936	0.178
2021	172,319,398	5,197,726	6,511,229	171,005,896	31,724,871	4,683,814	-	36,408,685	0.173
2022	179,688,813	5,058,233	6,483,972	178,263,074	33,236,762	4,732,371	-	37,969,133	0.177
2023	192,519,732	5,633,061	7,198,062	190,954,731	35,069,175	5,423,524	-	40,492,699	0.175

Note:

Proposition 13 limits property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the value of the property is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Department of Finance, County of Santa Clara

SCHEDULE VI

City of San José
Property Tax Rates - All Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
City of San José:										
General purpose	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156
Debt service	0.028	0.025	0.022	0.021	0.019	0.017	0.022	0.017	0.021	0.019
Total Direct Rate	0.184	0.181	0.178	0.177	0.175	0.173	0.178	0.173	0.177	0.175
Santa Clara County	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292
School districts	0.726	0.731	0.717	0.703	0.679	0.670	0.650	0.664	0.657	0.654
Special districts	0.031	0.030	0.029	0.032	0.030	0.028	0.028	0.028	0.029	0.028
Total direct and overlapping rates	1.233	1.234	1.216	1.204	1.176	1.162	1.148	1.157	1.155	1.149

Note: The above tax rates are applied per $100 of assessed valuation.

Source: Department of Finance, County of Santa Clara

SCHEDULE VII

City of San José
Principal Property Taxpayers
Current Year and Nine Years Ago
($000'S)

2023				2014		
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value		Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Google LLC	$ 1,149,489	0.50%		The Irvine Company LLC	$ 1,290,220	0.97%
Cisco Technology Inc.	1,052,412	0.45%		Cisco Systems, Inc.	1,133,232	0.86%
Essex Portfolio LP	1,025,781	0.44%		Blackhawk Parent LLC	755,279	0.57%
FRIT San Jose Town & Country Village LLC	989,522	0.43%		VF Mall LLC	510,903	0.39%
VF Mall LLC	957,547	0.41%		Sobrato Interests	488,372	0.37%
Sobrato Interests	916,028	0.40%		FRIT San Jose Town & Country Village LLC	433,452	0.33%
Adobe Systems Inc.	881,748	0.38%		Hitachi Global Storage Techs Inc	398,812	0.30%
San Jose Water Works	743,484	0.32%		Ebay Inc.	368,478	0.28%
River View Apartments	699,330	0.30%		San Jose Water Works	359,803	0.27%
KRE HQ at First Owner LLC	535,000	0.23%		M West Propco	358,407	0.27%
Total assessed property valuation, local secured net	$ 8,950,341	3.86%			$ 6,096,958	4.61%

Total City of San José net assessed property valuation (including the former Redevelopment Agency):

	2023	2014
FY 2013-2014		$ 132,450,365
FY 2022-2023	$ 231,447,430	

Source: *California Municipal Statistics, Inc.*
Finance Department, County of Santa Clara

SCHEDULE VIII

City of San José
Property Tax Levies and Collections
Last Ten Fiscal Years
($000'S)

Fiscal Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
2014	$ 146,783	$ 146,783	100.0	-	$ 146,783	100.0
2015	159,047	159,047	100.0	-	159,047	100.0
2016	168,813	168,813	100.0	-	168,813	100.0
2017	178,527	178,527	100.0	-	178,527	100.0
2018	187,179	187,029	99.9	-	187,029	99.9
2019	200,994	200,978	100.0	-	200,978	100.0
2020	211,117	212,087	100.5	-	212,087	100.5
2021	223,549	224,449	100.4	-	224,449	100.4
2022	231,874	232,521	100.3	-	232,521	100.3
2023	254,277	254,933	100.3	-	254,933	100.3

Note: The tax levied for the current year is based on estimates provided by the County of Santa Clara. The tax levied for prior years are adjusted to reflect actual tax collections.

Sources: Finance Department, County of Santa Clara

Finance Department, City of San José

SCHEDULE IX

City of San José
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
($000'S)

Governmental Activities

Fiscal Year	General Obligation Bonds (1)	Notes & Loans	Lease Revenue Bonds	Direct Placements	Special Assessment Bonds	Revenue Bonds	Leases & SBITA	Total Governmental Activities
2014	$ 427,256	$ 15,906	$ 631,899	$ -	$ 150,533	$ 141,995	$ 39,370	$ 1,406,959
2015	407,332	2,396	595,742	-	144,159	130,140	38,850	1,318,619
2016	387,403	2,157	579,326	-	139,434	117,715	37,209	1,263,244
2017	367,469	1,917	561,102	-	134,467	104,685	35,495	1,205,135
2018	347,530	1,200	505,519	-	129,228	-	33,704	1,017,181
2019	327,591	-	445,731	13,090	123,714	-	13,891	924,017
2020	545,984	-	421,585	11,175	109,332	-	12,431	1,100,507
2021	519,304	-	540,773	-	103,631	-	-	1,163,708
2022	699,184	-	684,411	-	3,524	-	4,893	1,392,012
2023	659,786	-	662,242	-	-	-	30,378	1,352,406

Business-type Activities

Fiscal Year	Airport Revenue Bonds	Clean Water Revenue Bonds	Wastewater Revenue Bonds	Wastewater Revolving Fund Loans	Wastewater Notes Payable (Direct Borrowings)	Leases & SBITA	Total Business-type Activities	Total Primary Government	Percentage of Property Value
2014	$ 1,376,038	$ 38,925	$ -	$ 18,720	$ -	$ -	$ 1,433,683	$ 2,840,642	2.14%
2015	1,349,266	33,169	-	14,597	-	-	1,397,032	2,715,651	1.92%
2016	1,325,579	27,138	-	10,399	-	-	1,363,116	2,626,360	1.74%
2017	1,310,332	21,116	-	6,125	-	-	1,337,573	2,542,708	1.58%
2018	1,261,909	15,846	-	1,772	18,490	-	1,298,017	2,315,198	1.34%
2019	1,229,409	10,756	-	-	89,076	-	1,329,241	2,253,258	1.23%
2020	1,194,784	5,456	-	-	106,920	-	1,307,160	2,407,667	1.23%
2021	1,146,872	-	-	-	150,368	-	1,297,240	2,460,948	1.19%
2022	1,138,859	-	-	-	236,870	363	1,376,092	2,768,104	1.28%
2023	1,130,509	-	300,512	-	98	4,072	1,435,191	2,787,597	1.20%

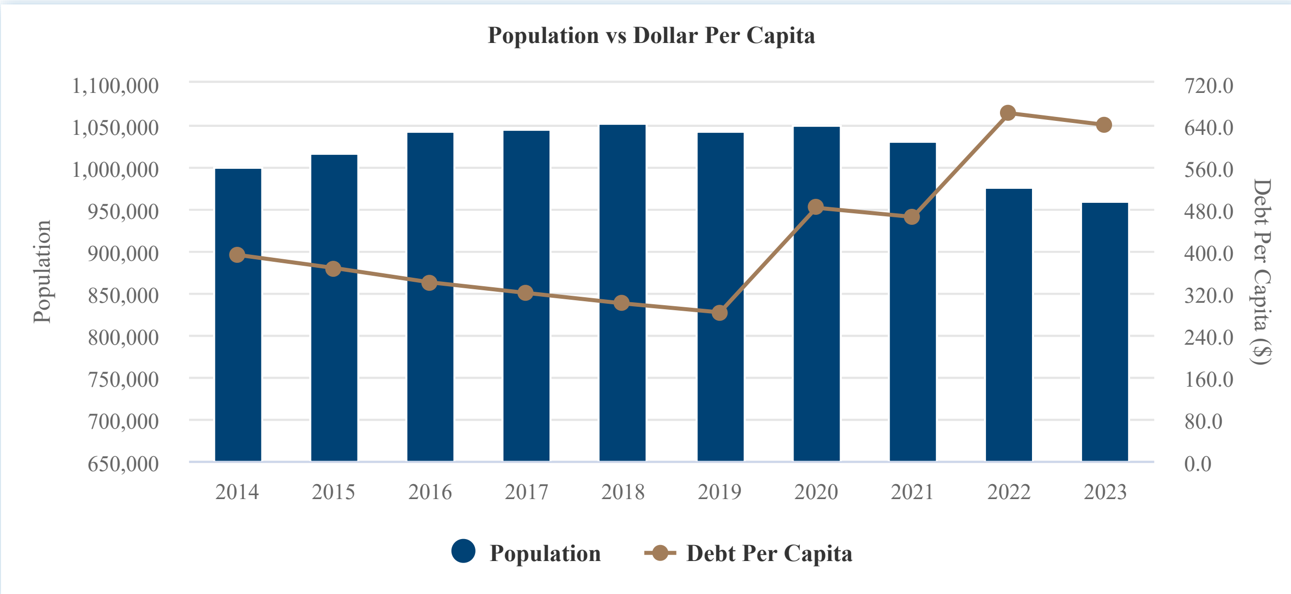
Note: Prior to FY 2016, "Total Governmental Activities Debt" was restated to include "Leases". Accordingly, the percentage of property value and debt per capita are recalculated.

(1) Total general obligation bonds includes the net premium/(discount)

Sources: Finance Department, City of San José
Finance Department, County of Santa Clara

SCHEDULE X

City of San José
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
($000'S)



Fiscal Year	Outstanding General Debt [1] General Obligation Bonds	Premium/ (Discount) Net	[2] Total General Bonded Debt	Net Position Restricted for GO Bond Debt Service	Net General Bonded Debt	Net Assessed Value	Population	[2] Ratio of Total General Bonded Debt to Net Assessed Value	[3] Net General Bonded Debt Per Capita (not in 000's)
2014	$ 421,380	$ 5,876	$ 427,256	$ 34,503	$ 392,753	$ 132,450,365	1,001,000	0.003226	$ 392.36
2015	401,735	5,597	407,332	33,887	373,445	141,478,201	1,016,479	0.002879	367.39
2016	382,085	5,318	387,403	33,099	354,304	150,874,538	1,042,094	0.002568	339.99
2017	362,430	5,039	367,469	33,028	334,441	161,407,607	1,046,079	0.002277	319.71
2018	342,770	4,760	347,530	32,309	315,221	171,272,955	1,051,316	0.002029	299.83
2019	323,110	4,481	327,591	32,552	295,039	182,673,880	1,043,058	0.001793	282.86
2020	468,980	77,004	545,984	40,265	505,719	196,069,899	1,049,187	0.002785	482.01
2021	446,460	72,844	519,304	40,867	478,437	207,414,581	1,029,782	0.002504	464.60
2022	582,110	117,074	699,184	52,576	646,608	216,232,207	976,482	0.003233	662.18
2023	548,595	111,191	659,786	46,154	613,632	231,447,430	959,256	0.002851	639.70

Note: Total Outstanding General Debt excludes special assessment, special tax bonds, capital leases, and notes and loans payable.

(1) Prior to FY 2016, the Total Outstanding General Debt was restated to exclude "Lease Revenue bonds" and "Revenue bonds". "Revenue bonds" were excluded because they were not secured by property taxes.

(2) Effective 2017, Net General Bonded Debt is used to calculate ratio. Prior to FY 2016, the ratio of Net General Bonded Debt to Net Assessed Value and Net General Bonded Debt per Capita were restated.

(3) Effective 2023, Net General Debt Per Capita is calculated using Total General Bonded Debt net of Net Position restricted for Debt Service value for the year. Years prior to 2023 have the Ratio of Net General Bonded Debt Per Capita restated.

Source: Finance Department, City of San José
State of California, Department of Finance, Population Estimates for California Cities

SCHEDULE XI

City of San José
Schedule of Direct and Overlapping Bonded Debt
June 30, 2023
(000's)

	% Applicable	Outstanding Debt as of 06/30/23	Estimated Share of Overlapping Debt
City Net Taxable Assessed Valuation		$ 231,447,430	
City Direct Debt	100.00%	$ 1,352,406	$ 1,352,406
Direct Tax and Assessment Debt:			
City of San José Community Facilities Districts	100.00%	$ -	$ -
City of San José Special Assessment Bonds	100.00%	-	
		-	-
Overlapping Tax and Assessment Debt:			
Alum Rock Union School District	77.26%	175,040	135,238
Berryessa Union School District	92.84%	173,259	160,845
Cambrian School District	64.42%	96,315	62,045
Campbell Union High School District	59.51%	354,085	210,698
Campbell Union School District	47.30%	205,899	97,390
Cupertino Union School District	15.78%	258,383	40,765
East Side Union High School District	95.73%	882,551	844,901
Evergreen School District	99.43%	144,702	143,874
Foothill-DeAnza Community College District	3.84%	603,654	23,204
Franklin-McKinley School District	99.46%	145,565	144,785
Fremont Union High School District	8.61%	771,685	66,434
Gavilan Joint Community College District	4.79%	195,600	9,373
Los Gatos Union School District	1.65%	62,020	1,025
Los Gatos-Saratoga Joint Union High School District	0.81%	81,235	659
Luther Burbank School District	17.23%	17,274	2,976
Midpeninsula Regional Open Space District	0.01%	82,680	9
Moreland School District	74.61%	109,784	81,908
Morgan Hill Unified School District	11.27%	209,570	23,608
Mount Pleasant School District	88.51%	30,097	26,640
Oak Grove School District	99.93%	282,743	282,548
Orchard School District	100.00%	30,856	30,856
San José Unified School District	98.50%	475,664	468,539
San José-Evergreen Community College District	85.11%	1,024,860	872,258
Santa Clara County	37.20%	1,041,125	387,246
Santa Clara Unified School District	20.85%	1,076,510	224,409
Santa Clara Valley Water District Benefit Assessment District	37.20%	38,900	14,469
Union School District	72.67%	144,498	105,002
West Valley Community College District	31.27%	694,320	217,114
Subtotal Overlapping Tax and Assessment Debt		9,408,873	4,678,820
Total Direct and Overlapping Tax and Assessment Debt		9,408,873	4,678,820

SCHEDULE XI

City of San José
Schedule of Direct and Overlapping Bonded Debt
June 30, 2023
(000's)

Overlapping Other Debt:			
Berryessa Union School District Certificates of Participation	92.83%	2,466	2,290
Campbell Union High School District General Fund Obligations	59.51%	14,500	8,628
Campbell Union School District General Fund Obligations	47.30%	1,575	745
East Side Union High School District Post Employment Obligations	95.73%	24,765	23,709
Foothill-DeAnza Community College District General Fund Obligations	3.84%	20,645	794
Gavilan Joint Community College District General Fund Obligations	4.79%	6,135	294
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	0.81%	149	1
Midpeninsula Regional Open Space Park District General Fund Obligations	0.01%	91,571	10
Morgan Hill Unified School District Certificates of Participation	11.26%	13,505	1,521
San Jose Unified School District Certificates of Participation	98.50%	4,910	4,836
San Jose-Evergreen Community College District Benefit Obligations	85.11%	47,260	40,223
Santa Clara County Board of Education Certificates of Participation	37.19%	935	348
Santa Clara County General Fund Obligations	37.20%	1,120,405	416,734
Santa Clara County Pension Obligation Bonds	37.20%	329,742	122,647
Santa Clara County Vector Control District Certificates of Participation	37.20%	1,230	457
Santa Clara Unified School District Certificates of Participation	20.85%	11,538	2,405
West Valley-Mission Community College District General Fund Obligations	31.27%	8,160	2,552
Total Gross Direct and Overlapping General Fund Debt		1,699,490	628,194
Total Overlapping Debt		$ 11,108,364	
Total Direct and Overlapping Debt			$ 5,307,014

Note:
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses in the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt, of each overlapping government. The City direct debt in this schedule includes bonds, notes, certificate of participation, loans, and capital leases.

Source: California Municipal Statistics, Inc.
Finance Department, County of Santa Clara

SCHEDULE XII

City of San José
Legal Debt Margin Information
Last Ten Fiscal Years
($000'S)

	2014	2015	2016	2017	2018
Calculation of Debt Limit					
Gross assessed value for fiscal year	$ 137,012,302	$ 146,239,509	$ 155,942,422	$ 166,520,882	$ 177,041,893
Debt limit at 15% of assessed value [1]	x .15	x .15	x .15	x .15	x .15
Debt limit applicable to fiscal year	$ 20,551,845	$ 21,935,926	$ 23,391,363	$ 24,978,132	$ 26,556,284
Calculation of Legal Debt Margin					
Debt limit applicable to fiscal year	$ 20,551,845	$ 21,935,926	$ 23,391,363	$ 24,978,132	$ 26,556,284
Total general obligation bonds [2]	427,256	407,332	387,403	367,469	347,530
Legal debt margin	$ 20,124,589	$ 21,528,594	$ 23,003,960	$ 24,610,663	$ 26,208,754
Percentage of outstanding debt subject to legal debt limit	2.1%	1.9%	1.7%	1.5%	1.3%

	2019	2020	2021	2022	2023
Calculation of Debt Limit					
Gross assessed value for fiscal year	$ 188,617,315	$ 202,143,227	$ 213,925,810	$ 222,716,179	$ 238,645,492
Debt limit at 15% of assessed value [1]	x .15	x .15	x .15	x .15	x .15
Debt limit applicable to fiscal year	$ 28,292,597	$ 30,321,484	$ 32,088,872	$ 33,407,427	$ 35,796,824
Calculation of Legal Debt Margin					
Debt limit applicable to fiscal year	$ 28,292,597	$ 30,321,484	$ 32,088,872	$ 33,407,427	$ 35,796,824
Total general obligation bonds [2]	327,591	545,984	519,304	699,184	659,786
Legal debt margin	$ 27,965,006	$ 29,775,500	$ 31,569,568	$ 32,708,243	$ 35,137,038
Percentage of outstanding debt subject to legal debt limit	1.2%	1.8%	1.6%	2.1%	1.8%

Note: The prior years' debts applicable to the limit were restated to be offset by the amounts that the applicable law expressly allows. Accordingly, the legal debt margin is recalculated.

(1) Section 1216 of the San José City Charter limits the general obligation bonds of the City to 15% of the total assessed value of all real and personal property within the City limits.

(2) Total general obligation bonds includes the net premium/(discount)

Source: Finance Department, County of Santa Clara
Finance Department, City of San José

SCHEDULE XIII

City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
($000'S)

			San José Mineta International Airport						
				Debt Service Requirements					
Year	Gross Revenues and Other Available Funds (1), (7)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Available Passenger Facility Charges (4)	Net Bond Debt Service Payable from Revenues	Coverage (3)(4)(5)
2014	$ 202,874	$ 66,319	$ 136,555	$ 22,275	$ 72,793	$ 95,068	$ 25,747	$ 69,321	1.97
2015	206,064 (8)	70,054	136,010	23,475	72,608	96,083	25,202	70,881	1.92
2016	217,275 (8)	73,118 (6)	144,157	23,660	71,792	95,452	24,829	70,623	2.04
2017	234,154	77,577	156,577	24,700	70,960	95,660	24,789	70,871	2.21
2018	252,019	85,584	166,435	41,900	61,866	103,766	24,792	78,974	2.11
2019	243,941	92,572	151,369	28,915	63,586	92,501	27,026	65,475	2.31
2020	234,289	97,122	137,167	31,040	62,218	93,258	27,479	65,779	2.09
2021	232,737 (9)	89,924 (9)	142,812	33,205	59,513	92,718	14,339	78,379	1.82
2022	245,556	97,717 (10)	147,839	1,900	43,805	45,705	12,420	33,285	4.44
2023	279,641	105,362	174,279	2,225	45,257	47,482	13,640	33,842	5.15

(1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges and other items as defined in the Master Trust Agreement.

(2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.

(3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.

(4) Under the Master Trust Agreement, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt services. The amount of Debt Service is reduced by the amount Available Passenger Facility Charges designated by the City and deposited with Trustee to pay Debt Service. Beginning 2009 - 2010, debt service requirements calculation excludes Passenger Facility Charges.

(5) The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service will be at least 125% of annual debt service for each fiscal year.

(6) Fiscal year 2015 Operating Expenses were revised to exclude expenses related to GASB Statement No. 68.

(7) Other Available Funds includes Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior fiscal year, unspent bond proceeds in FY12 through FY17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

(8) Other Available Funds was restated to include CFC revenues available for debt service not to exceed the amount of CFC eligible debt service and transportation costs.

(9) FY2021 revised amounts to reflect restated revenues and expenses related to GASB Statement No. 87.

(10) FY2022 amounts were revised to reflect restated expenses related to GASB Statement No. 96.

SCHEDULE XIII
(Continued)

City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
($000'S)

				Clean Water Financing Authority - Sewer Revenue Bonds				
				Net Revenue	Debt Service Requirements			
Year		Gross Revenues [1]	Operating Expenses [2]	Available for Debt Service	Principal	Interest	Total	Coverage [3][4]
2014		$ 159,084	$ 93,797	$ 65,287	$ 5,320	$ 1,608	$ 6,928	$ 9.42
2015		159,187	88,168	71,019	5,520	1,360	6,880	10.32
2016		168,436	95,200	73,236	5,795	1,121	6,916	10.59
2017		173,796	108,657	65,139	5,855	906	6,761	9.63
2018		185,816	125,384	60,432	5,145	713	5,858	10.32
2019		186,185	104,159	82,026	4,965	537	5,502	14.91
2020		191,816	136,437	55,379	5,175	322	5,497	10.07
2021		191,906	105,547	86,359	5,410	87	5,497	15.71
2022	[5]	-	-	-	-	-	-	N/A
2023		-	-	-	-	-	-	N/A

(1) Includes operating revenues, operating grants/contributions, and other revenues.
(2) Includes operating expenses less depreciation and amortization.
(3) The City has covenanted in the Improvement Agreement that net system revenues will be at least 115% of its allocable percentage of annual debt service.
(4) Debt Coverage Ratio is calculated based on San José revenues only.
(5) No debt service was required since 2021 because the relevant bond matured in November 2021 and no new debt has been issued since.

Source: Environmental Services Department, City of San José

SCHEDULE XIII
(Concluded)

City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
($000'S)

	San José Financing Authority - Wastewater Revenue Bonds						
			Net Revenue	Debt Service Requirements			
Year	Gross Revenues [1]	Operating Expenses [2]	Available for Debt Service	Principal	Interest	Total	Coverage [3][4]
2023 [5]	$ 229,617	$ 174,426	$ 55,191	-	$ 7,305	$ 7,305	7.56

(1) Includes operating revenues, operating grants/contributions, and other revenues.

(2) Includes operating expenses less depreciation and amortization.

(3) The City has covenanted in the Improvement Agreement that net system revenues will be at least 115% of its allocable percentage of annual debt service.

(4) The Debt Coverage Ratio is calculated using San Jose pledged revenues, excluding the South Bay Recycling Program. Refer to the updated Master Resolution for further details.

(5) The revenue bonds Series 2022B were issued in FY23 hence no information is shown for prior periods.

Source: Environmental Services Department, City of San José

SCHEDULE XIV

City of San José
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Net Taxable Assessed Values ($000's)	Per Capita Taxable Property Values	Unemployment Rate (%)
2014	1,001,000	$ 132,450,365	$ 132,318	6.3
2015	1,016,479	141,478,201	139,185	4.9
2016	1,042,094	150,874,538	144,780	4.2
2017	1,046,079	161,407,607	154,298	3.7
2018	1,051,316	171,272,955	162,913	2.9
2019	1,043,058	182,673,880	175,133	2.9
2020	1,049,187	196,069,899	186,878	10.8
2021	1,029,782	207,414,581	201,416	5.7
2022	976,482	216,232,207	221,440	2.8
2023	959,256	231,447,430	241,278	3.7

Note:

(a) Data pertaining to personal income is not readily available, thus the City used taxable assessed values to calculate per capita taxable property values.

(b) Population count only reflects preliminary numbers per the State's press release

(c) Unemployment rate reflects the rate as of 7/1 after fiscal year end

Sources: *State of California, Department of Finance, Population Estimates for California Cities*
Finance Department, County of Santa Clara
State of California, Employment Development Department, Labor Market Information Division; Unemployment in San José MSA

SCHEDULE XV

City of San José
Principal Employers
Current Year and Nine Years Ago

	2023			2014		
Company or Organization	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	20,000	1	3.78%	14,950	1	3.07%
City of San José	8,044 (1)	2	1.52%	6,263 (1)	3	1.29%
Cisco Systems	7,500	3	1.42%	13,600	2	2.79%
Kaiser Permanente	4,400	4	0.83%	1,940	12	0.40%
San José State University	4,095	5	0.77%	3,119	7	0.64%
Adobe Systems Inc.	4,000	6	0.76%	2,000	10	0.41%
Western Digital	2,891	7	0.55%	n/a	n/a	n/a
Broadcom	2,805	8	0.53%	n/a	n/a	n/a
Paypal Inc.	2,801	9	0.53%	n/a	n/a	n/a
San José Unified School District	2,516	10	0.48%	2,330	8	0.48%
ByteDance	2,500	11	0.47%	n/a	n/a	n/a
Target Stores	2,437	12	0.46%	n/a	n/a	n/a
eBay Inc.	2,351	13	0.44%	4,700	4	0.96%
Super Micro Computer	2,219	14	0.42%	n/a	n/a	n/a
IBM	2,070	15	0.39%	4,200	5	0.86%

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time-Equivalents (FTEs) employees presented in the Proposed Budget Document.
(n/a) Company or Organization not included in top 15 principal employers in 2014.

Source: *California Employment Development Department, Labor Market Information Division*
City of San José FY 2023-2024 Proposed Operating Budget
City of San José Finance Department
(payroll division)
FY 2013-2014 ACFR

SCHEDULE XVI

City of San José
Full-Time and Part-Time City Employees
Last Ten Fiscal Years

	Full-Time and Part-Time Employees as of June 30th (1)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Airport	165	172	164	180	204	206	209	199	190	209
City Attorney's Office	72	72	79	76	79	86	82	83	82	90
City Auditor's Office	14	14	14	15	14	11	15	13	13	13
City Clerk's Office	16	14	14	13	14	12	14	14	14	19
City Council & Mayor	78	89	90	95	104	102	120	113	109	104
City Manager's Office	59	60	65	65	70	81	87	83	91	94
Community Energy	0	0	0	0	5	21	25	30	32	42
Environmental Services	452	466	460	489	492	485	488	492	487	513
Finance	112	125	124	111	113	123	120	119	128	128
Fire	762	758	779	781	771	798	794	795	794	771
Housing	49	54	51	55	61	64	70	83	99	108
Human Resources	39	46	46	46	48	44	50	190 (2)	48	64
Independent Police Auditor	6	6	6	5	6	5	6	6	6	5
Information Technology	70	63	68	76	66	82	85	86	96	107
Library	525	576	643	574	554	557	552	511	545	587
Office of Economic Development	54	58	59	66	60	58	70	64	66	70
Parks, Recreation & Neighborhood Services	1,018	1,104	1,160	1,178	1,698	1,783	1,539	1,481	1,434	1,844
Planning, Building & Code Enforcement	294	317	289	284	299	292	289	273	247	266
Police	1,524	1,422	1,569	1,682	1,807	1,836	1,872	1,877	1,831	1,793
Public Works	516	519	535	557	575	592	598	602	596	659
Retirement Services	32	35	36	35	34	38	39	38	42	46
Transportation	406	418	428	422	453	452	451	475	463	512
Total	6,263	6,388	6,679	6,805	7,527	7,728	7,575	7,627	7,413	8,044

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time-Equivalents (FTEs) employees presented in the Proposed Budget Document.

(2) City hired a large number of temporary unbenefited employees to support COVID-19 vaccination sites in 2021 through a program managed by the Human Resources Department.

Source: Finance Department, Payroll Division, City of San José

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Schedule XVII

City of San José
Operating Indicators
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	74,088	73,835	76,050	104,377 (3)	128,242 (3)
Cargo Commercial Airlines Operations	1,504	1,497	1,570	1,654	1,596
Taxi / Commuter Commercial	16,843	18,326	19,055	NA (3)	NA (3)
General Aviation	31,246	31,950	34,670	34,105	35,664
Military Flights	228	200	241	279	249
Landings Per Day:					
Commercial	125	128	132	143	176
General Aviation	43	44	47	47	49
Number of Passengers Per Year	9,063,000	9,555,000	10,000,000	11,200,000	13,500,000
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	109	101	92	101	105
Muni Water Consumption Per Year (in bil. gal.)	8.1	8.2	6.4	6.5	6.6
Recycled Materials:					
Tons of Recyclables	103,000	82,000	85,239	96,363	78,606
Tons of Yard Trimmings	129,000	125,000	115,682	129,136	122,375
Gallons of Used Motor Oil	77,999	84,000	65,428	64,571	49,714
FIRE:					
Fires Per Year	2,000	2,000	1,950	2,300	3,284
Hazardous Materials Incidents Per Year	NA (2)	NA (2)	NA (2)	NA (2)	NA (2)
Fire Safety Code Inspections Per Year	13,000	13,700	15,000	17,000	19,585
Emergency Medical Calls Per Year	48,000	51,000	54,000	55,000	57,715
LIBRARIES:					
Circulation	10,700,000	9,840,912	9,705,777	9,228,155	8,372,753
Reference Questions	550,000	438,450	550,000	450,000	500,000
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	575,000	611,316	683,913	779,077	785,581
POLICE:					
911 Calls Per Year	549,000	578,000	563,000	565,000	610,000
311 Calls Per Year	368,000	370,000	385,000	382,000	426,800
Cases Investigated Per Year	22,300	27,000	22,000	23,000	30,200
BUILDING PERMITS:					
Number issued:					
New Buildings	1,191	901	742	885	858
Building Alterations	6,085	6,116	4,998	6,474	6,049
Value:					
New Buildings (in $)	1,398,057,690	852,554,975	866,643,670	1,002,500,194	1,131,512,740
Building Alterations (in $)	746,751,604	1,384,326,525	770,315,772	967,071,695	630,571,262

Schedule XVII
(Concluded)

City of San José
Operating Indicators
Last Ten Fiscal Years

	2019	2020	2021	2022	2023
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	141,454	119,018	54,558 (4)	87,824 (4)	111,318
Cargo Commercial Airlines Operations	1,562	1,494	1,534	1,147	1,350
Taxi / Commuter Commercial	NA (3)	NA (3)	NA (3)	NA (3)	NA (3)
General Aviation	48,762	47,724	36,389	49,653	55,483
Military Flights	230	148	118	293	26
Landings Per Day:					
Commercial	194	165	77	120	152
General Aviation	67	65	50	68	72
Number of Passengers Per Year	14,900,000	11,300,000	4,000,000 (4)	9,000,000 (4)	12,000,000
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	109	104	109	91	89
Muni Water Consumption Per Year (in bil. gal.)	6.5	6.6	8.2	6.5	6.5
Recycled Materials:					
Tons of Recyclables	84,344	87,084	104,627	95,371	90,530
Tons of Yard Trimmings	126,491	127,899	134,194	125,177	116,645
Gallons of Used Motor Oil	56,857	46,571	59,429	56,286	48,571
FIRE:					
Fires Per Year	3,076	3,675	4,000	4,271	4,500
Hazardous Materials Incidents Per Year	NA (2)	NA (2)	NA (2)	NA (2)	NA (2)
Fire Safety Code Inspections Per Year	19,573	18,672	18,304	15,828	16,700
Emergency Medical Calls Per Year	57,509	56,454	57,000	54,945	63,000
LIBRARIES:					
Circulation	8,613,193	6,992,895	3,613,471 (4)	6,799,375	8,566,177
Reference Questions	600,000	360,000	160,000 (4)	285,680	318,000
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	828,233	709,764	100,811 (4)	516,597	496,899
POLICE:					
911 Calls Per Year	608,000	639,000	640,000	660,552	633,300
311 Calls Per Year	441,000	523,000	525,000	488,298	609,200
Cases Investigated Per Year	34,000	35,500	30,000	30,000	28,000
BUILDING PERMITS:					
Number issued:					
New Buildings	1,325	1,240	1,310	1,363	1,098
Building Alterations	5,626	4,665	5,011	7,622	7,831
Value:					
New Buildings (in $)	938,617,645	1,160,972,661	1,282,313,750	499,255,860	484,399,634
Building Alterations (in $)	896,629,696	725,204,828	759,736,823	1,165,845,019	1,037,052,856

(1) Data currently unavailable due to the Police Department's transition to a new Records Management System.

(2) Data currently unavailable due to staffing resources. Efforts are underway to enhance and automate the process.

(3) Effective FY 2017, Airport Department no longer tracks the Taxi/Commuter Commerical separately. It is now included in Commercial Airline Operations.

(4) FY 2021, significant reductions in certain operating indicators due to COVID-19

Source: FY 2023-2024 Proposed Operating Budget City Manager's Office, City of San José

SCHEDULE XVIII

City of San José
Capital Asset Statistics
By Function
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Airport:										
Terminals	2	2	2	2	2	2	2	2	2	2
Runways	3	3	3	3	3	3	3	3	2	2
Public Parking Spaces:										
Short-Term Parking	2,500	2,500	2,500	2,130	1,980	1,620	1,620	1,443	3,023 (2)	3,023 (2)
Long-Term Parking	3,030	3,030	3,030	3,030	3,030	2,920	2,920	3,720	2,509 (2)	2,509 (2)
Environment And Utilities:										
Wastewater:										
Miles of Municipal Sewer Mains	2,294	2,302	2,308	2,030	2,315	2,320	2,322	2,327	2,030	2,040
Maximum Daily Capacity (millions of gallons)	167	167	167	167	167	167	167	167	167	167
Water:										
Meters in Municipal Service Water Area	26,700	26,700	26,700	26,700	26,894	26,671	27,356	26,839	26,980	26,980
Miles of Water Mains	345	345	345	345	345	345	345	345	344	345
Fire:										
Stations	33	33	33	33	33	33	33	33	34	34
Libraries:										
Main Library	1	1	1	1	1	1	1	1	1	1
Branches	22	22	23	23	23	24	24	24	24	24
Parks, Recreation And Neighborhood Services:										
Park Sites	194	199	200	200	203	206	209	209	212	213
Community Centers	12	12	12	12	11	11	16	16	12	12
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles and Motorcycles	369	369	380	352	303	316	367	367	367	374
Horses and K-9's	18	16	15	15	15	13 (1)	15	15	15	16
Aircraft	2	2	2	2	2	2	1	1	1	1

(1) Decrease due to the disbanding of the SJPD Mounted Unit

(2) Effective FY 2022, the hourly/daily parking spaces are no longer tracked separately. They are now included in short-term parking.

Source: FY 2023-2024 Proposed Capital Budget
City Manager's Office, City of San José

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

SCHEDULE XIX

City of San José
Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding (1)
As of June 30, 2023

Project Name	Series	Date Issued	Issue Amount	6/30/2023 Balance	Maturity / Redemption	Annual Fees (2)
Helzer Court Apartments	1999A	06/02/99	$ 16,948,000	$ 12,928,000	12/01/41	$ 26,123
Almaden Lake Village Apartments	2000A	03/29/00	2,000,000	2,000,000	03/01/32	n/a(3)
El Parador Apartments	2000A	12/07/00	6,130,000	4,620,000	01/01/41	14,413
San Jose Lutheran Seniors Apartments	2001A-1	07/11/01	3,850,000	2,180,929	02/15/34	6,250
Pollard Plaza Apartments	2002D	08/06/02	14,000,000	4,895,000	08/01/35	17,500
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453,000	2,424,000	12/01/34	8,750
Kennedy Apartment Homes	2002K	12/11/02	14,000,000	6,375,000	12/15/35	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360,000	7,720,000	06/01/36	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340,000	2,090,000	05/01/36	n/a(3)
The Oaks of Almaden Apartments	2003B-2	07/29/03	3,985,000	2,628,242	10/04/05	n/a(3)
Cinnabar Commons	2003C	08/07/03	25,900,000	20,600,000	02/01/37	32,375
Paseo Senter I	2005B-1	12/21/05	6,142,200	3,699,174	12/01/38	7,500
Paseo Senter II	2005C-1	12/21/05	4,903,000	2,811,637	06/01/38	7,500
Curtner Studios	2007C-1	12/19/07	5,520,000	4,000,697	07/31/07	7,500
Fairgrounds Senior Housing Apartments	2008B	05/08/08	26,000,000	9,810,000	02/15/36	32,500
Las Ventanas Apartments	2008B	07/15/08	25,900,000	25,900,000	10/04/05	38,750
Brookwood Terrace Family Apts	2009B-1	12/23/09	7,780,000	6,455,000	02/01/37	17,000
Fourth Street Apts	2010A-1	06/04/10	5,620,000	4,456,720	05/01/43	7,500
Orvieto Family Apartments	2010B-1	07/20/10	7,760,000	6,895,000	08/01/29	17,750
Kings Crossing Apartments	2010C	09/17/10	24,125,000	1,933,243	09/01/45	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950,000	3,530,000	10/01/28	7,875
1st and Rosemary Family Apartments	2012C	04/19/12	35,500,000	23,976,580	10/01/44	33,900
1st and Rosemary Senior Apartments	2012D	04/19/12	15,500,000	8,712,728	10/01/44	12,319
Mayfair Court Apartments	2012B-1	04/20/12	5,220,000	4,246,130	10/01/44	27,500
La Moraga Apartments	2012E	09/07/12	52,440,000	46,819,810	03/01/26	65,550
3rd Street Residential Apartments	2013A	06/27/13	6,630,000	3,572,256	07/01/33	8,288
Cambrian Center	2014A-1	10/17/14	19,034,500	11,719,660	05/01/47	32,048
Cambrian Center	2014A-2	10/17/14	19,034,500	11,719,660	05/01/47	n/a(3)
Poco Way Apartments	2015A-1	02/01/15	21,833,000	10,037,875	09/01/47	14,406
Town Park Towers Apartments	2015C	10/14/15	45,250,000	21,223,390	04/01/48	28,281
Canoas Terrace Apartments	2015B	10/30/15	22,700,000	10,196,335	05/01/48	28,375
Don de Dios Apartments	2016A	12/22/16	17,376,102	6,265,173	06/01/34	8,353
Villa De Guadalupe	2017A1 & A2	05/23/17	37,700,000	28,663,362	03/01/52	41,995
Villa De Guadalupe Junior	2017B	05/23/17	4,615,712	4,615,712	03/01/52	n/a(3)
Catalonia Apartments	2017C	10/17/17	16,264,154	5,968,342	04/01/39	7,905
El Rancho Verde	2018A	08/28/18	277,700,000	268,851,347	09/01/48	52,500
Lenzen Square	2019A-1	08/22/19	18,500,000	16,250,000	08/01/59	28,750
Lenzen Square	2019A-2	08/22/19	3,000,000	3,000,000	08/01/59	n/a(3)
Vista Park I	2019C	10/11/19	13,245,397	5,504,408	06/01/38	16,557
Palm Court Sr	2019D	10/11/19	12,247,056	4,336,098	06/01/38	15,309
Quetzal Gardens	2019E	12/20/19	32,207,500	6,306,831	07/01/37	40,259
Page Street	2020 B -1	10/01/20	6,000,000	6,000,000	05/05/53	33,437
Page Street	2020 B -2	10/01/20	20,750,000	20,750,000	11/02/23	n/a(3)
Vela (Alum Rock)	2020	11/01/20	32,895,768	29,769,072	12/01/39	37,082

SCHEDULE XIX

City of San José
Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding (1)
As of June 30, 2023

Project Name	Series	Date Issued	Issue Amount	6/30/2023 Balance	Maturity / Redemption	Annual Fees (2)
Arya	2021	03/01/21	34,314,000	27,889,070	03/01/46	42,893
Markham Plaza II C-2	2021	05/01/21	6,000,000	6,000,000	05/01/66	n/a
Immanual Sobrato	2021D	06/01/21	34,980,000	19,929,071	05/01/41	43,725
Blossom Hill	2021	06/01/21	39,362,559	30,786,429	08/01/45	49,203
Mariposa Place	2021E-1	01/28/22	31,341,010	764,196	01/01/40	39,176
Vitalia	2021F-1	01/28/22	25,172,716	7,103,882	01/01/41	44,591
Vitalia	2021F-2	01/28/22	10,500,000	10,500,000	01/01/41	n/a(3)
1860 Alum Rock	2023A-1	05/23/23	28,917,579	55,000	07/01/56	36,147
777 West San Carlos Apartments	2023C-1	06/12/23	70,700,000	3,307,768	07/01/57	88,375
The Charles	2023B-1	06/12/23	44,159,700	55,000	10/01/24	n/a(4)
Tamien Station Affordable	2023D	06/30/23	66,100,000	66,100,000	04/01/57	82,625
Grand Total			**$ 1,352,857,453**	**$ 868,947,827**		**$ 1,257,335**

(1) California Government Code Chapter 10.7 'Conduit Financing Transparency and Accountability' requires additional reporting and public disclosures by public agencies that issue certain revenue bonds, including conduit revenue bonds. This table provides the information required by section 5872 of Chapter 10.7 which includes disclosure of fees imposed on borrowers by conduit financing provider, expenditures related to fees, dollar amount and nature of fees and expenses, amount of any City authorized, but unsold bonds at end of June 30, 2023, and amount of debt issued and outstanding at end of reporting period. As of June 30, 2023, the City has served as a conduit issuer for only multifamily housing revenue bonds.

(2) Annual monitoring fees and upfront fees are collected pursuant to City Council Policy No. 1-16, Policy for the Issuance of Multifamily Housing Revenue Bonds. The annual monitoring fee is charged to reimburse the City for monitoring the restricted units and the reimbursement agreement and to ensure compliance with tax law. The annual monitoring fees are deposited in the Housing Activities Fund.

(3) Bonds are connected to the senior bonds. Those with second tranche are simply connected to the senior since the regulatory agreements do not split fees.

(4) Bonds were issued in the reporting period. The fees will be due in the next reporting period.

Source: Housing Department, City of San José

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY