

City of San José

California

Comprehensive

Annual

Financial

Report



Year Ending June 30, 2003



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87th Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003
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September 25, 2003

HONORABLE MAYOR and CITY COUNCIL

**THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE CITY OF SAN JOSE**

We are pleased to present the 2002-2003 Comprehensive Annual Financial Report (CAFR) for the City of San José as required by Sections 805(a) and 1215 of the City Charter. Responsibility for both the accuracy of the data presented in this report, and the completeness and fairness of the presentation including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, and changes in financial position, of the City as measured by the financial activity of its governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The CAFR 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 the services it provides, and the specifics of its legal operating environment. The introductory section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the Certificate of Award for Outstanding Financial Reporting, the Helen Putnam Award for Excellence Certificate of Honorable Mention and Appreciation, the Certificate of Award for Excellence in Operational Budgeting, the City's organizational chart and a list of principal officials.

Ensuring the financial integrity of our public institutions is crucial to maintaining the public's trust. Federal legislation and the Securities and Exchange Commission require top executives of public companies to attest personally to the accuracy of their companies' financial results. Although this legislation does not apply to governmental agencies, the City of San José is voluntarily including oaths from the City Manager and the Finance Director as part of the June 30, 2003 Comprehensive Annual Financial Report attesting to the accuracy and reliability of the data.

- The Financial Section is prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34) requirements by including the MD&A, the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information, supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States. The audited 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 the financial information of each of the City's major funds, as well as nonmajor governmental, fiduciary and other funds.

- The Statistical Section contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics.

In addition to its annual audit, the City is required to undergo a single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations and Government Auditing Standards* issued by the Comptroller General of the United States.

REPORTING ENTITY

San José has long been recognized as one of the best-managed and safest big cities in the nation. 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 City Council form the legislative body that represents the community and is empowered to formulate citywide policy. The City Council consists of a Mayor and ten Council Members. The Mayor is elected at large for up to two four-year terms. Council Members are elected by district, also for up to two four-year terms. Under the Charter, the Mayor recommends policy, program and budget priorities to the City 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. The City Manager is responsible for administration of City affairs, day-to-day operations, and implementation of Council policies. In addition to the City Manager, the City Attorney, City Clerk, City Auditor, and Independent Police Auditor are appointed by and report directly to the City Council. Additionally, the City Council, acting as the Redevelopment Agency Board, appoints the Executive Director of the Redevelopment Agency to administer redevelopment projects and programs.

The City provides a full range of municipal services, including police and fire protection, sanitation services, environmental management, construction and maintenance of highways, streets and infrastructure and the administration of recreational activities and cultural events. The City operates a downtown parking program, a municipal water system, a wastewater treatment facility, the Norman Y. Mineta San José International Airport and three municipal golf courses. In addition, it oversees convention and cultural event facilities that include History San José, the Center for the Performing Arts, the San José McEnery Convention Center and the HP Pavilion at San José; home of the San José Sharks of the National Hockey League.

This report includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial accountability. These organizations include the Redevelopment Agency of the City of San José, the Parking Authority of the City of San José, the San José-Santa Clara Clean Water Financing Authority, and the San José Financing Authority.

ECONOMIC CONDITION and OUTLOOK

San José is the county seat of Santa Clara County. It is the eleventh largest city in the United States and the third largest in California. The City covers approximately 177 square miles at the south end of San Francisco Bay. The oldest city in California, San José developed from a Spanish pueblo established on November 29, 1777. The City has a 2003 population of 925,000¹.

¹ State Department of Finance

From its rich agricultural setting of earlier days, San José has dramatically transformed into the center for information technology known as the “Capital of Silicon Valley”. Service, manufacturing, retail and government sectors provide well over half of the City’s employment. The City’s average unemployment rate for calendar year 2002 was 9.8% which was higher than the average state-wide rate of 6.7%².

Although the prolonged slowdown in the local economy has created much uncertainty in the fiscal landscape for the nation, the State and the City, San José has earned a well-deserved reputation for a strong and sound approach to fiscal management. Despite the challenging economic times that led to a downgrade of the California State bond rating, San José’s excellent credit ratings were reaffirmed and continue to be among the highest of California large cities. Nevertheless, the City continues to face economic challenges. Unemployment is still high, job losses continue, local consumer confidence is still dropping, general sales tax receipts have dropped below 1999 levels, and other economically sensitive City revenue sources continue to run below expectations.

Early in the fiscal year, as the magnitude of the economic slowdown became apparent, City management continued to address these ongoing issues by implementing an aggressive cost cutting plan with specific targets for each City Service Area. The hiring freeze initiated in FY 2001-02 was continued in FY 2002-03 and the Administration developed a comprehensive cost balancing strategy with multiple solutions, focusing City resources on vital core services and Council priorities. As a result, the City was able to save significant dollars during the fiscal year and still maintain priority services to the community.

Looking to FY 2003-04, the City Council approved a balanced General Fund budget in June 2003, overcoming a \$77 million projected deficit in the City’s General Fund for the coming fiscal year. The City also had to prepare for likely but unknown state “takeaways” as a result of the California state budget crisis. The state budget was approved in August 2003, which resulted in an additional \$10.8 million revenue loss to the City’s General Fund. The General Fund budget approved in June had assumed \$3.5 million in savings from a mandatory employee furlough program, however, agreement was not reached with the City bargaining units. Thus, budget rebalancing proposals were brought forward by the City Manager to manage the additional \$14.3 million net loss of resources. The budget rebalancing proposal was approved by the City Council on September 2, 2003.

SIGNIFICANT EVENTS and ACCOMPLISHMENTS

San José is committed to providing excellent municipal services to its diverse residents and visitors. The City organization is structured into seven City Service Areas that integrate services provided in individual departments and offices into the City’s key lines of business as viewed from the community’s perspective. The City Service Areas are: Aviation Services; Economic and Neighborhood Development; Environmental and Utility Services; Public Safety; Recreation and Cultural Services; Transportation Services; and, Strategic Support Highlights of the City’s activities and accomplishments for the fiscal year ended June 30, 2003, include the following:

Aviation Services

- ❖ Two new low fare airlines began serving San José in FY 2002-03, adding to the Norman Y. Mineta San José International Airport’s (Airport) diverse carrier base. In October 2002, Frontier Airlines started daily jet service to Denver and American Trans Air (ATA) began service to Chicago’s Midway Airport. ATA’s network is extensive in the Midwest and on the East Coast. In addition, Southwest Airlines inaugurated nonstop service to Baltimore/Washington International Airport in January 2003.

² State of California, Employment Development Department, Labor Market Information Division

- ❖ In October 2002, the Transportation Security Administration (TSA) deployed federal passenger screeners to the checkpoints in Terminals A and C. This signaled the transition from private security companies managed by the airlines to the federal government. The Airport also complied with the federally mandated security process requiring all checked baggage to be electronically screened for explosives by December 31, 2002. The explosive detection system (EDS) is housed in temporary structures behind Terminals A and C and does not affect the normal check-in process. In addition to EDS, the Airport also employs two canine teams to sniff out explosives.
- ❖ Quality customer service in the terminals remains a top priority at the Airport, but also a challenge with federal security requirements. In an effort to improve customer service, a security checkpoint and gate-hold room was added to Terminal C. In FY 2002-03, the Airport also launched a new and improved web site—www.sjc.org. A new web navigation structure, search engine and site index provides online visitors with resources such as AirportMonitor, which shows the movement of flights and air traffic patterns in the greater San José area. The new site also provides users with information on airport community programs, and terminal and access improvement programs.

Economic and Neighborhood Development Services

- ❖ Under the City's Strong Neighborhoods Initiative (SNI), residents, local retailers, and other stakeholders in each neighborhood come together to build on their own assets and strengthen their own neighborhood. In FY 2002-03, 9 neighborhoods completed plans that identified top priorities for neighborhood improvements completing plans for all 20 neighborhood groups. In addition, more than 600 residents applied for Exterior Home Improvement Grants during the first six months after the program was announced. This program was approved in August 2002 as an effort to provide funds for exterior residential rehabilitation including painting, roofing, fencing, walkways, driveways, and landscaping improvements. The Housing Department is moving forward with 85 SNI Exterior Home Improvement Grants worth \$1.95 million. The balance of applications has been placed on hold, pending future funding.
- ❖ During 2002-03, twelve new housing developments were completed, including 901 affordable units. In addition to new construction, the City also rehabilitates existing housing units. An additional 609 units were made affordable through the acquisition and rehabilitation program.
- ❖ After considering alternative locations for its corporate headquarters, eBay, the world's most profitable Internet company, renewed its commitment to San José. The decision to remain in San José shows that eBay sees the City as a viable place to conduct and expand a profitable Internet business. "Born" in San José in 1995, eBay now employs some 1,500 people here and continues to hire. Additionally, the philanthropic eBay Foundation funds community projects primarily in San José and the surrounding area.
- ❖ The City's Teacher Homebuyer Program continues to be an outstanding success in one of the nation's highest cost housing markets. The program, now in its third year, has assisted 337 public school teachers from 19 school districts. In FY 2002-03, 98 teachers went from being renters to being homeowners in the community where they teach thanks to the City's second-mortgage assistance program.

Environmental & Utility Services

- ❖ In July 2002, the City implemented a successful transition to a City-wide residential single stream recycling collection program. The transition, consisting of three new service providers for residential garbage and recycling collection, yard trimmings collection and street sweeping, was supported by a comprehensive education and outreach program to inform residents of the new services and collection days. During the initial start up phase, each single family home was provided a new recycling cart and a start up package containing a program brochure describing how the new service works. By the end of the first year, customer survey data indicates an overall program satisfaction rating of 88%.

- ❖ In June 2003, the City Council received a certificate from the California Integrated Waste Management Board recognizing the City of San José for its solid waste programs, which have resulted in a 64% diversion rate for the year 2000. This rate is the highest of any large City in the country and a significant accomplishment of our residents, businesses and City staff.
- ❖ In Spring 2003, construction began on the Silver Creek pipeline, a 30-inch diameter transmission line that will bring five million gallons of recycled water per day to the Metcalf Energy Center in Coyote Valley. The Metcalf Energy Center is a 600-megawatt natural gas fueled power generation facility under construction by Calpine Corporation. The facility is expected to be online in 2004 and will be one of the cleanest and most efficient facilities of its kind in the nation.

Public Safety

- ❖ Since the approval of the Neighborhood Security Act Bond Measure in FY 2001-02, work has progressed on initial projects designed to improve response times to emergency incidents, improve public access to services, and improve working conditions for public safety employees. The Police, Fire and Public Works Departments have planned a new driver training center facility with preliminary design work to commence during FY 2003-04. In addition, the Police and Public Works Departments began site selection for a southern police substation, and the Fire and Public Works Departments completed design work for remodeling several fire stations.
- ❖ The Santana Row and Moorpark Gardens fire in August 2002 was met with a tremendous effort by City firefighters and emergency crews which ensured no injuries or fatalities. Following the fire, significant improvements were made to Fire Department policies and operations that will enable even more effective response to large fire incidents. Additionally, significant progress has been made in revising fire code sections for large open construction projects.
- ❖ In FY 2002-03, a contract was awarded for the upgrade of the existing Computer-Aided Dispatch (CAD) system, the critical emergency dispatch and records system utilized for Police and Fire Services. The upgrade of CAD will add capacity and allow for flexibility to manage changing technologies. The system is expected to “go live” in June 2004.

Recreation and Cultural Services

- ❖ Smart Start San José, a learning readiness program to prepare children for kindergarten, created 225 new quality early care & education spaces at Overfelt High School, Evergreen Valley High School and Kay's Quality Daycare Center. Thirteen new family childcare home businesses were also opened. Smart Start San José was awarded Senator Barbara Boxer's Excellence in Education Award 2002, given to programs in recognition of their significant contributions to education.
- ❖ At the close of FY 2002-03, construction was completed on 38 neighborhood park bond-funded projects. Eight library projects were in various stages of design or construction and three other branches have site or master planning studies in progress. Community input is sought throughout the design and construction processes for these projects.
- ❖ Construction of the new Dr. Martin Luther King Jr. Library was completed in April 2003. This project is a unique joint project with San José State University. The Dr. Martin Luther King Jr. Library is an eight-story building containing 475,000 square feet and capacity for a 2 million piece (book) collection. The library opened to the public in August 2003.
- ❖ The City's Anti-Graffiti Program successfully reduced the number of “tags” that could be seen from San José streets to 3,827 in January 2003, a 95% reduction from 71,541 tags in January 1999.

Transportation Services

- ❖ The City is continuing to work with BART, the Valley Transportation Authority (VTA), County of Santa Clara, and neighboring cities to bring BART to San José. On June 28, 2002, the VTA and BART Boards of Directors unanimously approved a project description that is currently being studied in an Environmental Impact Statement/Environmental Impact Report (EIS/EIR). The proposed project begins south of the planned Warm Springs BART station in Fremont and ends 16.3 miles further south in the City of Santa Clara. When completed, the extension will operate with six-minute headways, and will include seven stations, with an optional station in Milpitas and a new maintenance and storage yard in San José/Santa Clara. The VTA began an environmental study in early 2002 and expects to complete the study in Spring 2004. The City's goal is to begin project construction in 2005 and for revenue service to begin in 2012.
- ❖ During FY 2002-03, the light rail expansion program along Capitol Avenue and in the Vasona Corridor achieved significant milestones. In partnership with the Valley Transportation Authority (VTA), the City has completed projects in San José totaling approximately \$190 million, including the light rail tunnel at the Diridon Station and significant civic improvements along Capitol Avenue. With the completion of the nine-mile expansion of light rail along the Capitol Avenue and Vasona Corridors planned for mid-2004 and early 2006, respectively, the City will be focusing on the completion of landscape and aesthetic enhancements, as well as traffic signal and roadway improvements.
- ❖ The completion of the 101 Widening Project and the Route 85/87 Interchange Project were the highlights of highway projects during FY 2002-03. The 101 Widening Project has relieved one of the worst traffic bottlenecks in the region. The City and the VTA continue efforts to complete the widening of I-880 (from North First Street to Montague Expressway) and the Hwy 85/101 interchange projects, which are scheduled for completion in September 2003 and July 2004, respectively.
- ❖ Traffic Calming continues to be a high priority for the City and the community. In FY 2002-03, speeding was actively enforced on more than 150 neighborhood streets through the Neighborhood Automated Speed Compliance Program (photo radar). In addition, the Street Smarts traffic safety education campaign was launched to positively change motorist and pedestrian behavior. The program focuses on improving 1) motorist's compliance to stop, 2) crosswalk and traffic signal controls, and 3) traffic safety in neighborhoods and near schools.

Strategic Support Services

- ❖ During FY 2002-03, despite the challenging economic environment, the City maintained its excellent general credit ratings of Aa1/AA+/AA+ which were reaffirmed by Moody's, Standard & Poor's and Fitch. The analysis from each rating reflected very positively on the City's long term fiscal stability. For example, Moody's noted in their report, "...rating is based primarily on the City's strong general credit characteristics..." The stable rating outlook reflects Moody's expectation that the City's conservative approach to financial management will result in the maintenance of stable operations and reserve levels.
- ❖ City staff presented "Proactive Accounts Receivable Collection Methodologies and Callables and Interest Rate Trends – San José's Experiences" at the California Municipal Treasurer's Association Northern California Chapter and Annual Conferences. The presentations focused specifically on how the City of San José is combating budgetary challenges through a heightened focus on delinquency management techniques and alternate investment opportunities.
- ❖ In November 2002, the City of San José Financing Authority issued \$412.425 million in lease revenue bonds to finance the land acquisition and construction of the new Civic Center.

- ❖ The Purchasing Division's Cost Savings Program initiated in October 2002 generated cost savings of approximately \$3.7 million during FY 2002-03. This program consists of a combination of cost reduction and cost avoidance strategies. Cost reductions reduce existing expenditures to the City by sourcing more effective solutions (e.g., procuring less expensive items), while the cost avoidance strategy works to reduce new expenditures through the competitive bid process for new products or services.
- ❖ City staff completed the City's "Budget in Brief", which highlights and educates the public on how the City receives and disburses public funds. This brochure was distributed in January 2003 with the City Manager's Annual Report (CMAR) and is also available as a stand alone document.

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

The City publishes a five-year Capital Improvement Program (CIP) which guides the City in the planning, scheduling, and budgeting of capital improvement projects during the five-year period. The CIP is updated annually and approved by the City Council. Significant issues and projects included in the Proposed 2004-2008 CIP, presented within the CSA structure, are as follows:

Aviation Services

- The CIP for the Norman Y. Mineta San José International Airport (Airport) was developed in alignment with the Airport Security and Traffic Relief Act (ASTRA) approved by the voters at a special election held on March 4, 2003. The passage of ASTRA enables the Airport to implement significant infrastructure improvements to support long-term growth and to address the immediate need to provide for mandated security and customer efficiency needs.
- The focus of the CIP is the implementation of the federal Aviation and Transportation Security Act of 2001 (ATSA). The program has imposed a number of new mandates that must be met by the Airport. The most significant and most immediate of these projects is the North Concourse Building, which will provide for a permanent automated in-line explosive detection baggage screening system and associated security screening space.
- Consistent with the City's commitment to neighborhood services, the CIP continues to make the Acoustical Treatment (ACT) Program a priority by treating approximately 300 residences per year in the Washington/Guadalupe neighborhood.

Economic & Neighborhood Development Services

- A highlight of the Economic and Neighborhood Development CSA is the Developer Assisted Projects Capital Program. This program reimburses residential developers for construction of major City streets and encourages the under grounding of existing overhead utilities. The objective of this program is to ensure that residential developments within San José include the construction of public improvements necessary to maintain or improve the infrastructure of the City.
- In the Underground Utility Program, projects are prioritized based on several criteria, the most significant of which is how much fee revenue has been collected within the proposed Underground District. Current priorities include an agreement with Pacific Gas and Electric Company (PG&E) for the Jackson/Taylor Underground Utility District, the design and construction of the McLaughlin Avenue/Senter Road Underground Utility District, and the design of the McKee/Toyon Underground Utility District.

Environmental & Utility Services

- The most prominent projects in the FY 2004-08 CIP for the Sanitary Sewer system continue to be those related to the construction and/or rehabilitation of the North San José Interceptor System. Other projects funded in this CIP include Flow Monitoring, Inflow/Infiltration (I&I) Reduction, and Neighborhood Sewer Improvement Programs. The Neighborhood Sewer Improvement Program includes projects to rehabilitate and/or replace sewers in the Fourth Ward, Hester-Naglee, East San José, Hobson Walnut, Rosemary, and Third Ward area neighborhoods.
- The Storm Sewer System Program includes the second and third years of a three-year Storm Sewer Use fee increase program of approximately 4 to 4.5% per year to ensure the fiscal health of the storm sewer system and continue a capital program. The program will fund Phase II of the Willow Glen-Guadalupe project (\$2.1 million), and various smaller neighborhood projects including new inlet and lateral construction as well as the re-establishment of flow-lines to provide relief for minor drainage problems (\$1.5 million).
- The major areas of investment for the Water Pollution Control Capital Program over the five-year CIP are plant improvements and modifications, Revised South Bay Action Plan (SBAP) projects, and wet weather reliability improvements. This program includes the continued development of the South Bay Water Recycling System and includes additional pipelines in Santa Clara and Milpitas and a major extension of the system to the proposed Metcalf Energy Center in South San José.
- Capital projects to support the San José Municipal Water Utility System include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. One of the major expansion areas for the system is the primarily industrial North Coyote Valley Service Area. Approximately \$5.0 million of funding for the North Coyote Valley water system is programmed in the FY 2004-08 CIP.

Public Safety

- The objective of the Fire Department's CIP is to build new stations, improve existing stations, and repair and replace emergency equipment to enable the City to provide emergency services effectively. As a result of the passage of the Neighborhood Security Act Bond Measure in 2002, twenty fire stations will receive essential facility remodels, four fire stations will be relocated, and four new fire stations will be built to improve service gap areas. Construction of a Communications Hill Fire Station, to be financed by the developers of Communications Hill, is scheduled for completion in 2006.
- The objective of the Police Department's CIP is to provide facilities that support the Department's mission: "Creating safe places to live, work and learn through community partnerships." The projects funded by the Neighborhood Security Act Bond Measure include construction of a South San José Substation, construction of four Community Policing Centers, construction of a Driver Safety Training Facility, and the upgrade and remodel of the City's current 9-1-1 Communications Dispatch Center.

Recreation & Cultural Services

- In November 2000, 75.8% of San José voters approved Measure O, a \$212 million general obligation bond to improve the branch library system over a 10-year period in accordance with the City's Master Plan. Over the course of the FY 2004-08 CIP, five new branches and eight expansion/relocation projects will be completed. Four others will be under construction and three will be in design. The Joint Library involving the City and San José State University completed construction in April 2003 and opened to the public in August 2003.

- In November 2000, 78.7% of San José voters approved Measure P, a \$228 million general obligation bond for park and recreational facilities improvements. This bond program will provide funding over a 10-year period to renovate 90 neighborhood park play areas, add a total of 164,000 square feet to nine community and senior centers, renovate 28 park restrooms, build two new sports complexes, expand the City's trail system at five locations, enhance four regional park facilities, including improvements and renovations at Happy Hollow Park and Zoo. The 2004-2008 CIP includes \$154 million for the construction of bond projects.

Transportation Services

- The Parking Program's Parking Management Plan includes funding for seismic upgrades to the Third Street Garage (\$2.6 million), for the upgrade of new revenue control equipment in parking garages to improve reliability and ease of use for parkers (\$1.4 million), and for investments in equipment to direct parkers to City garages by displaying real-time parking space availability and other information (\$2.1 million).
- The Traffic Capital Program includes funding for the build out of the major street network; enhancements to the environment; maintenance of paved roadways; an array of benefits at the neighborhood level including traffic calming, sidewalk, curb and gutter repair, and bicycle and pedestrian facilities; heightened safety features including new traffic signals; and funding to support the City's contribution to regional highway and transit systems.

Strategic Support Services

- In August 2002, the City broke ground on the new Civic Center which will include approximately 530,000 square feet on a 4.9-acre site located on the south side of East Santa Clara Street, between Fourth and Sixth Streets. Major components will include an 18-story office tower, a council chamber wing, an open public plaza with a rotunda, plus a 372-vehicle underground parking garage to serve the visiting public and some staff. The project also includes an off-site employee parking garage with approximately 1,130 vehicle spaces located north of Santa Clara Street, between Fourth and Fifth Streets. The finished Civic Center facility will house up to 1,950 City staff. The Civic Center project budget is \$343 million. Occupancy is planned for mid-2005.

FINANCIAL INFORMATION

The management staff of the City is responsible for establishing and maintaining internal controls that will safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that 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 financial assistance, 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 Federal award programs. Internal controls are subject to periodic evaluation by management, the City Auditor and the City's outside independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over Federal award programs and whether the City has complied with all applicable laws and regulations.

Budgetary Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the majority of the funds are included in the annual appropriated budget. The level of budgetary control, at which expenditures cannot legally exceed the budgeted amount, is at the appropriation level. This means that expenditures cannot legally exceed the amount appropriated by the City Council.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control over all fund types. A commitment for an expenditure is earmarked for its particular purpose and becomes unavailable for general spending. Appropriations that are not encumbered lapse at the end of the fiscal year. Year-end encumbrances are carried forward and become part of the following year's budget.

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.

Retirement Systems

Net assets of the Federated and Police and Fire Retirement Systems increased by \$130 million in FY 2002-03. The increase is attributed to a \$79.5 million appreciation in the fair value of plan investments. Interest and dividend income (net of investment-related expenses) decreased by \$16.9 million due to the current downturn in the economy and falling interest rates. Net rental income from real estate holdings and revenues from retirement contributions decreased by \$11.5 million and \$0.2 million, respectively.

The Retirement Systems' aggregate deductions in plan net assets for FY 2002-03 were \$131.8 million or \$8.2 million higher than the prior fiscal year. Retirement benefits paid rose by \$6.5 million and accounted for approximately 83% of the deductions in plan net assets. Other significant changes include an increase in health insurance costs of \$2.2 million and a \$0.5 million decrease in refunds of employee contributions to employees who have terminated employment with the City.

Cash Management

Public funds held by the City Treasury were invested in accordance with the Investment Policy adopted by City Council on April 2, 1985, as amended on June 17, 2003, and with established investment procedures. The earned interest yield and effective yield on these investments were 3.437% and 2.977%, respectively, for the year ended June 30, 2003. During this period, investments held by the City Treasury outperformed the six-month and one-year moving average yields on one-year U.S. Treasury securities and the monthly average yield on the State of California Local Agency Investment Fund (LAIF).

The City Investment Policy objectives are to preserve principal by mitigating credit and market or interest rate risks, provide sufficient liquidity to meet all possible cash demands and attain the maximum yield possible consistent with the first two objectives. All securities purchased were held by the City's third-party safekeeping agent.

As of June 30, 2003, 97% of the City's risk categorized investments were classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board.

Risk Management and Workers' Compensation

The Risk Management Section is responsible for managing the City's insured and self-insured programs by administering the City's Property & Liability Programs. The Section delivers and provides property and liability consulting services to departments on controlling, transferring, or eliminating exposures to loss. The Property and Liability program transferred significant risks of financial loss to vendors, contractors, or lessees of City property that have business relationships with the organization.

The Workers' Compensation Section is responsible for managing the City's insured and self-insured programs by administering the City's Workers' Compensation Program. The Program delivers medical and wage loss benefits to injured workers. In FY 2002-03, workers' compensation claims payments increased 4.28% from the previous fiscal year. The City's workers' compensation cost containment program (Diagnostic Testing and Medical Preferred Provider Organizations and the Medical Bill Review Program) saved the City \$6.9 million in claim costs during FY 2002-03.

Independent Audit

In accordance with sections 805(a) and 1215 of the City Charter, the annual audit was completed by Macias, Gini & Company LLP Certified Public Accountants for the fiscal year ended June 30, 2003. In addition to meeting the requirements set forth in the City Charter, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and the related Office of Management and Budget Circular A-133. The independent auditor's report is included in the financial section of this report.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. This was the fifteenth 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 CAFR, the contents of which conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year only. The City believes that this CAFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to GFOA to determine its eligibility for another certificate.

For the ninth consecutive year, the City received the Award for Outstanding Financial Reporting issued by the California Society of Municipal Finance Officers (CSMFO) for its CAFR for the fiscal year ended June 30, 2002. The award was issued in recognition of the City meeting the professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the report was prepared.

The City of San José received a Certificate of Honorable Mention from the League of California Cities Helen Putnam Award for Excellence Program for the City's 2003 Entry in the Category of Enhancing Public Trust, Ethics, & Community Involvement. The certificate was issued in recognition of the City voluntarily including oaths from the City Manager and the Finance Director as part of the June 30, 2002 Comprehensive Annual Financial Report attesting to the accuracy and reliability of the data.

For the twelfth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2002. To qualify for this award, the government unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide and as a communications medium.

The City was also presented with the “Excellence in Operational Budgeting” award for 2002-2003 by the CSMFO. This award recognizes the achievement of excellence in operational budgeting and reflects an outstanding budget document and underlying budgeting process through which the budget is implemented.

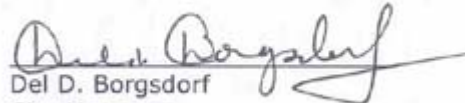
ACKNOWLEDGMENTS

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. Many members of the Department demonstrated unswerving personal determination and dedicated many long days of focused attention to produce this exemplary 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 role of Macias, Gini & Company LLP Certified Public Accountants should also be acknowledged as a significant contribution to a fine product.

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 in providing core services to the community.

Respectfully submitted,



Del D. Borgsdorf
City Manager



Scott P. Johnson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Jose,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "William Patrick O'Keefe".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of San Jose

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2003

Bret M. Chmlee
Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



league of california cities

**2003 California Cities
Helen Putnam Award for Excellence**

Certificate of Honorable Mention and Appreciation to the

City of San Jose

For their 2003 Entry in the Category of

Enhancing Public Trust, Ethics, & Community


Involvement
celebrating excellence in city government

JOHN RUSSO, PRESIDENT



LEAGUE
OF CALIFORNIA
CITIES

CHRIS MCKENZIE, EXECUTIVE DIRECTOR



*California Society of
Municipal Finance Officers*

Certificate of Award

Excellence in Operational Budgeting 2001-2002

Presented to

City of San Jose

*This certificate recognizes the achievement of Excellence in Operational Budgeting and reflects an outstanding budget document
and the underlying budgeting process through which the budget is implemented.*

February 21, 2002



Joan Michaels
Chair, Budgeting & Financial Management
Mark O'Connell
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

San Jose Mayor & City Council

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Vice Mayor
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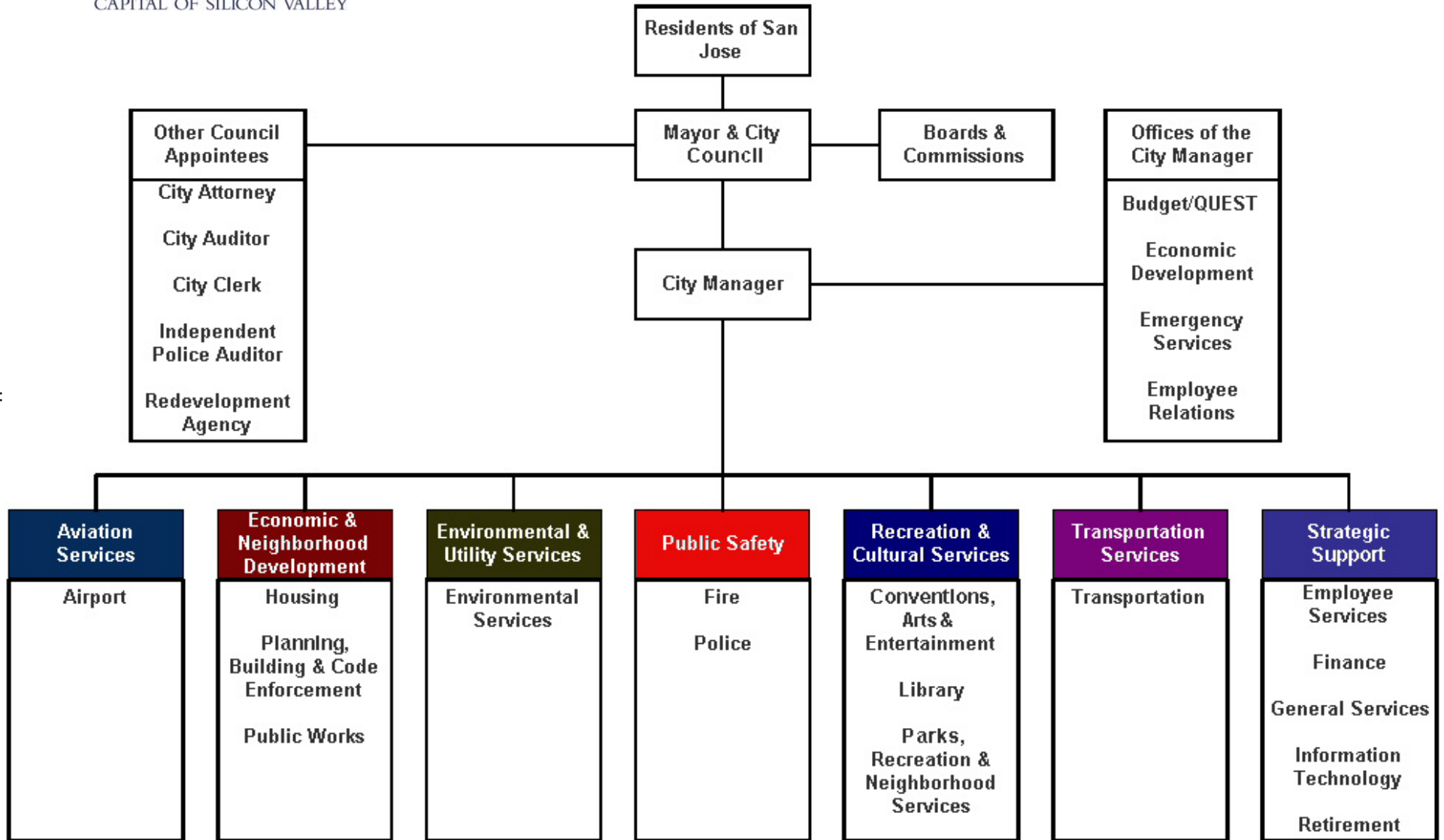


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District5@ci.sj.ca.us



CITY OF SAN JOSE ORGANIZATIONAL STRUCTURE

IIXX



Statement Under Oath of Principal Financial Officer Regarding Facts and Circumstances Relating to the Comprehensive Annual Financial Report (CAFR)

I, Scott P. Johnson, Director of Finance, state and attest that:


(1) To the best of my actual knowledge and belief, based upon a review of the covered reports of the City of San Jose, and, except as corrected or supplemented in a subsequent covered report:

- The covered report is accurate in all material respects; and
- Is reported in a manner designed to present fairly the financial position and results of operations of the City: and
- No covered report contained an untrue statement of a material fact as of the end of the period covered by such report; and
- No covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.

(2) I will review the contents of this statement with the City Council's Making Government Work Better Committee, which functions as the Council's audit committee, at a regularly noticed meeting of the Committee in October of 2003. Annually staff and the City's outside Certified Public Accountant (CPA) present the City's Financial Statements and independent auditor's report thereon to the Committee which then reports out to the full City Council.

(3) In this statement under oath, each of the following, as filed with the City Clerk, is a "covered report":

- The 87th Comprehensive Annual Financial Report of the City of San Jose for the fiscal year ended June 30, 2003;
- Any amendments to the foregoing.

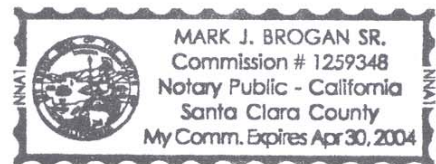


Scott P. Johnson
Director of Finance
September 26, 2003

Subscribed and sworn to
before me this 29 day of
September 2003.

/s/ Mark J. Brogan Sr.
Notary Public

My Commission Expires: 4/30/2004



Statement Under Oath of City Manager Regarding Facts and Circumstances Relating to the Comprehensive Annual Financial Report (CAFR)

I, Del D. Borgsdorf, City Manager, state and attest that:


(1) To the best of my actual knowledge and belief, based upon a review of the covered reports of the City of San Jose, and, except as corrected or supplemented in a subsequent covered report:

- The covered report is accurate in all material respects; and
- Is reported in a manner designed to present fairly the financial position and results of operations of the City; and
- No covered report contained an untrue statement of a material fact as of the end of the period covered by such report; and
- No covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.

(2) The contents of this statement will be reviewed with the City Council's Making Government Work Better Committee, which functions as the Council's audit committee, at a regularly noticed meeting of the Committee in October of 2003. Annually staff and the City's outside Certified Public Accountant (CPA) present the City's Financial Statements and independent auditor's report thereon to the Committee which then reports out to the full City Council.

(3) In this statement under oath, each of the following, as filed with the City Clerk, is a "covered report":

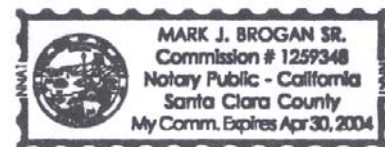
- The 87th Comprehensive Annual Financial Report of the City of San Jose for fiscal year ended June 30, 2003;
- Any amendments to the foregoing.


Del D. Borgsdorf
City Manager
September 26, 2003

Subscribed and sworn to
before me this 29 day of
SEPTEMBER 2003.

/s/ Mark J. Brogan Sr.
Notary Public

My Commission Expires: 4/30/2004





Macias, Gini & Company LLP
Certified Public Accountants and
Management Consultants

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2175 N. California Boulevard
Suite 620
Walnut Creek, CA 94596-3565

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City Council
City of San José, California

Independent Auditor's Report

We have audited the accompanying 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 (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 of San José, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, the budgetary comparison information and the schedule of funding progress listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
September 12, 2003

Management's Discussion and Analysis

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the transmittal letter on page v and the City's basic financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

The City's annual financial report for the fiscal year ended June 30, 2003 includes government-wide financial statements along with fund based financial statements. The primary role of the Statement of Net Assets and the Statement of Activities in the government-wide financial statements is to demonstrate operational accountability, while the primary role of the fund financial statements is to demonstrate fiscal accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. Whereas fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year). The following are some of the key financial highlights for the fiscal year:

- The assets of the City exceeded liabilities at the close of the 2002-03 fiscal year by \$8.2 billion (net assets). Of this amount, \$579.2 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, \$808.8 million is restricted for specific purpose (restricted net assets), and \$6.8 billion is invested in capital assets, net of related debt.
- The City's total net assets decreased by \$406.7 million during the fiscal year. A significant portion of this decrease is related to \$357.0 million in non-cash depreciation.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$1.5 billion, an increase of \$158.7 million. Approximately 38.0 percent of the combined fund balances, \$568.8 million, is available to meet the City's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$163.7 million, or 27.7 percent of total general fund expenditures.
- The City's total long-term debt increased by \$420.6 million compared with the prior year. The increase consisted of \$647.6 million of new debt issuance to finance libraries, parks and public safety projects and the City's new civic center, and to refund prior bonds issued on behalf of the Airport, a reassessment district and four improvement districts. These additions to long-term debt were offset by \$51.7 million of scheduled principal retirements, \$171.8 million of refunded Airport revenue bonds and reassessment and improvement district bonds, and \$3.5 million of retired notes payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components 1) **Government-wide** financial statements; 2) **Fund** financial statements; 3) **Notes** to the basic financial statements; and 4) **Required Supplementary Information**. This report also contains other **supplementary information** in addition to the basic financial statements themselves.

Management's Discussion and Analysis (Continued)

Government-wide Financial Statements

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

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

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended 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, and sanitation. The business-type activities of the City include an airport, wastewater operations, water operations, and various parking facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency and three legally separate financing authorities for which the City is financially accountable. Included within the governmental activities of the government-wide financial statements are the operations of the redevelopment agency and a financing authority. The business-type activities include the wastewater and parking financing authorities.

Fund Financial Statements

Fund Financial Statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to 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 determining what financial resources are available in the near future to finance the City's programs.

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 this comparison between *governmental funds* and *governmental activities*.

Management's Discussion and Analysis (Continued)

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Redevelopment Agency, Housing Activities, Special Assessment Districts, and Civic Center which are considered to be major funds. The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects funds). Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units of departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses proprietary funds to account for the Norman Y. Mineta San José International Airport, Wastewater Treatment System, Municipal Water System, and Parking System.

Fiduciary funds are used to account for resources held for the benefit of the City's employees and parties outside the City. The City's pension plan trust funds, private purpose trust fund, and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the 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 is presented concerning the City's General Fund and Housing Activities budgetary schedules and the City's progress in funding its obligation to provide pension benefits. The City adopts an annual appropriated budget for its General Fund and Housing Activities. A budgetary comparison schedule has been provided for the General Fund and Housing Activities to demonstrate compliance with this budget. The City's pension schedules have been provided to present the City's progress in funding its obligation to provide pension benefits to City employees.

The **combining and individual fund statements and schedules** referred to earlier provide information for nonmajor governmental funds and fiduciary funds and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets: As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$8.2 billion at the close of the current fiscal year.

Management's Discussion and Analysis (Continued)

The following table is a condensed summary of the City's net assets for governmental and business-type activities:

Statement of Net Assets June 30, 2003 (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Assets:						
Current and other assets.....\$	1,803,873	1,627,278	597,183	651,188	2,401,056	2,278,466
Capital assets.....	8,430,073	8,558,052	953,262	889,795	9,383,335	9,447,847
Total assets.....	<u>10,233,946</u>	<u>10,185,330</u>	<u>1,550,445</u>	<u>1,540,983</u>	<u>11,784,391</u>	<u>11,726,313</u>
Liabilities:						
Current and other liabilities.....	217,324	188,548	25,879	36,627	243,203	225,175
Long-term liabilities.....	2,945,725	2,482,295	441,118	457,780	3,386,843	2,940,075
Total liabilities.....	<u>3,163,049</u>	<u>2,670,843</u>	<u>466,997</u>	<u>494,407</u>	<u>3,630,046</u>	<u>3,165,250</u>
Net assets:						
Invested in capital assets, net of related debt.....	6,252,648	6,629,815	513,697	464,440	6,766,345	7,094,255
Restricted net assets.....	551,968	376,155	256,821	292,626	808,789	668,781
Unrestricted net assets.....	266,281	508,517	312,930	289,510	579,211	798,027
Total net assets.....\$	<u><u>7,070,897</u></u>	<u><u>7,514,487</u></u>	<u><u>1,083,448</u></u>	<u><u>1,046,576</u></u>	<u><u>8,154,345</u></u>	<u><u>8,561,063</u></u>

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The largest portion of the City's net assets at \$6.8 billion (83.0 percent) reflects its investment in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, and vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the City's net assets, \$579.2 million (7.1 percent), represents unrestricted net assets which may be used to meet the City's ongoing obligations to citizens and creditors. For governmental activities, the City reported a positive balance of \$266.3 million in unrestricted net assets and for business-type activities, the City reported a positive balance of \$312.9 million in unrestricted net assets.

Management's Discussion and Analysis (Continued)

An additional portion of the City's net assets of \$808.8 million (9.9 percent) represents resources that are subject to external restrictions on how they may be used.

The City's net assets decreased by 4.8 percent or \$406.7 million during the current fiscal year. The City is still experiencing the impact of the slow down in the economy which has resulted in a reduction in revenue streams in the face of increasing costs.

Key changes in the statement of net assets are as follows:

The City's capital assets decreased by \$64.5 million or less than 1 percent. Governmental capital assets decreased by \$128.0 million offset by an increase in business-type capital assets of \$63.5 million. The decrease in governmental capital assets was mainly the result of depreciation on major infrastructure assets. The offsetting increase in business-type capital assets was due mostly to wastewater and aviation construction projects as explained more fully in the Capital Assets and Debt Administration area below.

The City's current and other assets increased by \$122.6 million or 5.4 percent. This increase is a result of a \$176.6 million increase in governmental activities offset by a \$54.0 million decrease in business-type activities. The increase in governmental activities is mainly the result of bond proceeds for libraries, parks, public safety, and the new civic center. This increase was offset by decreases in business-type activities mainly due to spending on capital projects for airport and wastewater projects and for debt service payments.

Long-term liabilities for the City increased \$446.8 million or 15.2 percent. This is mainly due to the issuance of bonds for libraries, parks, and public safety projects and the new civic center project.

Current and other liabilities for the City increased by \$18.0 million or 8.0 percent. This increase was mainly due to increases in advances, deposits, and reimbursable credits of \$24.9 million, unearned revenue of \$23.1 million, due to outside agencies of \$9.9 million, accrued liabilities of \$2.7 million, \$0.4 million for interest payable, and other liabilities of \$8.0 million. These increases were offset by a decrease in accounts payable of \$43.7 million.

The City's portion of net assets invested in capital assets net of related debt decreased by \$327.9 million primarily due to depreciation of governmental major infrastructure assets and additions to construction in progress (CIP). The major CIP additions were related to Redevelopment Agency projects (\$62.6 million), aviation projects (\$50.1 million), parks and libraries projects (\$42.0 million), and the new civic center (\$42.0 million). The restricted net assets increased by \$140.0 million mainly due to the City's increased volume of low income housing loans, and the related increase in restricted debt service accounts. As noted above and explained in more detail in the governmental and business-type areas later in this document, the City's unrestricted net assets decreased by \$218.8 million.

Management's Discussion and Analysis (Continued)

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

Statement of Activities For the Year Ended June 30, 2003 (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Revenues:						
Program revenues:						
Fees, fines, and charges for services..... \$	190,128	192,726	243,770	242,980	433,898	435,706
Operating grants and contributions.....	51,691	54,319	5,685	2,404	57,376	56,723
Capital grants and contributions.....	70,726	110,551	16,821	23,926	87,547	134,477
General revenues:						
Property taxes.....	351,902	345,937	-	-	351,902	345,937
Utility taxes.....	65,785	66,889	-	-	65,785	66,889
Franchise taxes.....	32,093	34,432	-	-	32,093	34,432
Transit and occupancy taxes.....	14,600	17,019	-	-	14,600	17,019
Sales taxes shared revenue.....	122,757	133,241	-	-	122,757	133,241
State of California in-lieu.....	53,787	51,306	-	-	53,787	51,306
Business license fee.....	35,594	35,401	-	-	35,594	35,401
Unrestricted interest and investment earnings	59,287	70,124	15,861	26,619	75,148	96,743
Other revenue.....	22,994	21,262	-	-	22,994	21,262
Gain on sale of capital assets.....	317	706	-	-	317	706
Total revenues.....	<u>1,071,661</u>	<u>1,133,913</u>	<u>282,137</u>	<u>295,929</u>	<u>1,353,798</u>	<u>1,429,842</u>
Expenses:						
General government.....	125,482	130,963	-	-	125,482	130,963
Public safety.....	323,461	305,906	-	-	323,461	305,906
Capital maintenance.....	652,748	586,231	-	-	652,748	586,231
Community services.....	222,250	268,633	-	-	222,250	268,633
Sanitation.....	77,001	82,562	-	-	77,001	82,562
Interest and fiscal charges.....	121,647	105,077	-	-	121,647	105,077
Norman Y. Mineta San José International						
Airport.....	-	-	112,723	109,814	112,723	109,814
Wastewater Treatment System.....	-	-	102,148	108,491	102,148	108,491
Municipal Water System.....	-	-	15,577	16,295	15,577	16,295
Parking System.....	-	-	7,479	6,931	7,479	6,931
Total expenses.....	<u>1,522,589</u>	<u>1,479,372</u>	<u>237,927</u>	<u>241,531</u>	<u>1,760,516</u>	<u>1,720,903</u>
Excess (deficiency) before transfers.....	(450,928)	(345,459)	44,210	54,398	(406,718)	(291,061)
Transfers.....	7,338	5,842	(7,338)	(5,842)	-	-
Change in net assets.....	(443,590)	(339,617)	36,872	48,556	(406,718)	(291,061)
Net assets at beginning of year, as restated...	7,514,487	7,854,104	1,046,576	998,020	8,561,063	8,852,124
Net assets at end of year.....\$	<u>7,070,897</u>	<u>7,514,487</u>	<u>1,083,448</u>	<u>1,046,576</u>	<u>8,154,345</u>	<u>8,561,063</u>

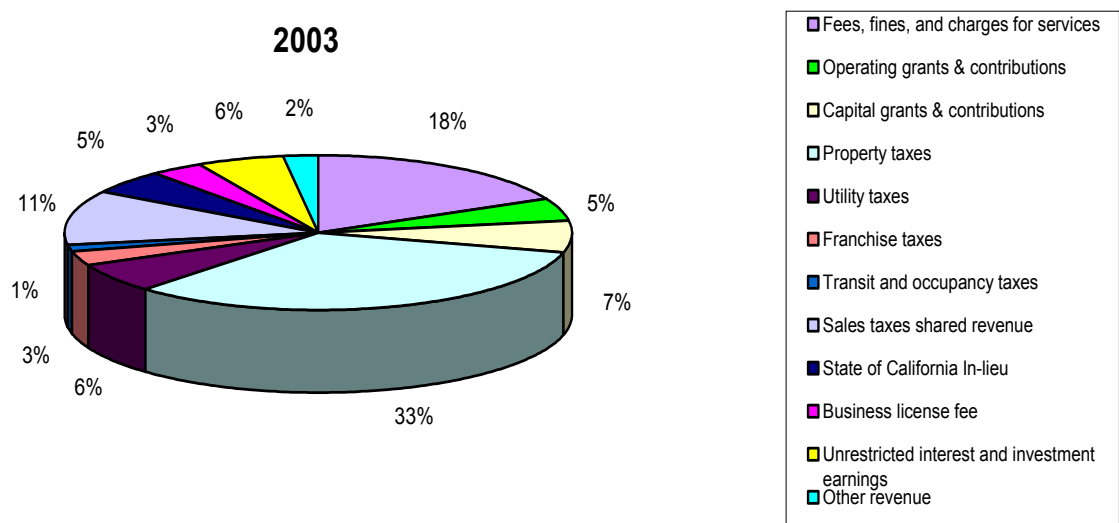
Governmental activities: Governmental activities decreased the City's net assets by \$443.6 million, which accounts for 100 percent of the total decrease in net assets of the City. This decrease in the City's net assets was partially offset by a \$36.9 million increase in the business-type activities as noted in greater detail below.

Management's Discussion and Analysis (Continued)

Key elements of the decrease in net assets for governmental activities are as follows:

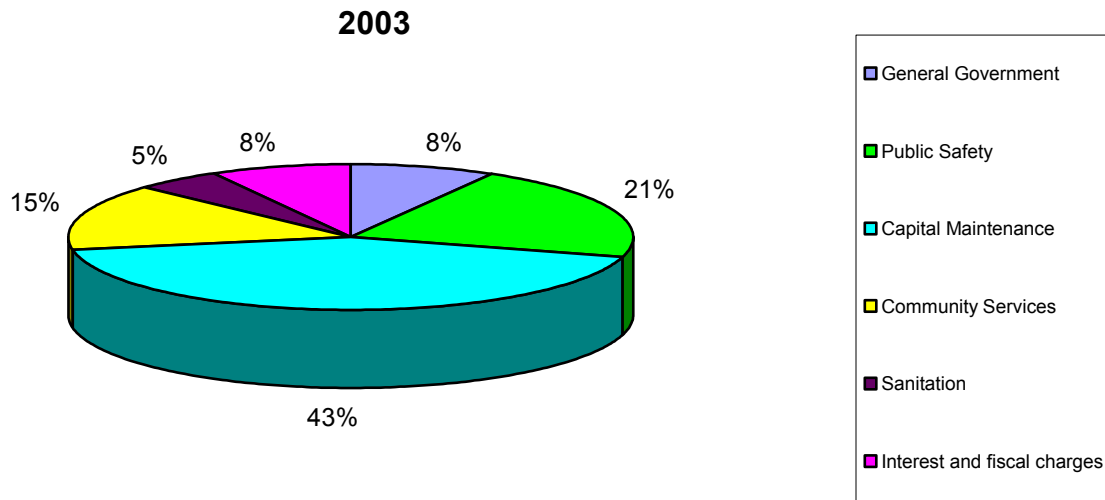
- The City maintained a balanced budget in the General Fund by utilizing a combination of on-going and one-time solutions by increasing various revenue sources, reducing service levels and related expenditures for various City programs and by utilizing a portion of its accumulated fund balance. As a result, the fund balance in the General Fund decreased by \$51.9 million contributing to the decrease in the governmental activities net assets.
- Property taxes increased by \$6.0 million during the year. This increase is primarily due to a \$4.7 billion increase in net assessed value base resulting in a 6.0 percent increase in property tax assessments in comparison to the prior year.
- Sales taxes shared revenue decreased by \$10.5 million or 7.9 percent during the year. This decrease is mainly due to the continued contraction in the City's economic environment, primarily due to the business to business sector.
- Other local taxes, including franchise, hotel, and utility users taxes, decreased by approximately \$5.9 million or 5.0 percent during the year. The decrease is a result of weak economic activity as well as an overall drop in utility tax collections.
- Depreciation of infrastructure and other capital assets resulted in a decrease in net assets of \$321.2 million in non-cash depreciation expense during the year.
- During the year, the City's investment portfolio earned interest yield declined 1.0 percentage point from 4.0 percent in FY 2002 to 3.0 percent for FY 2003. Factors contributing to this decrease included: 1) the general decline in interest rates during the fiscal year as a result of the Federal Reserve action that lowered the federal funds rate and the discount rate to stimulate the economy; and 2) the continued uncertainty of global political conditions and by the continued weakness in economic data.

The following chart shows a graphical comparison of revenue sources as a percentage of total revenues for fiscal year 2003:



Management's Discussion and Analysis (Continued)

For the most part, increases in expenses paralleled increases in the cost of living in the Bay Area and growth in the demand for government services. The following chart shows a graphical comparison of expenses for each category as a percentage of total expenses for fiscal year 2003:



Business-type activities: Business-type activities increased the City's net assets by \$36.9 million, helping to offset the \$443.6 million decrease in governmental activities net assets resulting in an overall decrease in the City's net assets of \$406.7 million. Key factors of the business-type activities increase are as follows:

- The Norman Y. Mineta San José International Airport (Airport) net assets increased by \$23.9 million. The Airport's operating loss increased to \$17.8 million from an operating loss of \$10.4 million in fiscal year 2002. Nonoperating revenue, primarily passenger facility charges and operating grants, exceeded nonoperating expenses by \$28.9 million. The Airport is still experiencing the impacts of increased security measures, lower passenger activity, and reduced revenues that occurred after the September 11 attacks. In addition, the Airport received \$12.7 million in capital contributions, primarily from Airport Improvement Program grants.
- The Wastewater Treatment System net assets increased by \$6.8 million. The Wastewater Treatment System reported operating income of \$6.6 million, up from operating income of \$0.5 million in the prior year. Operating revenues increased only \$0.6 million while operating expenses decreased \$5.4 million principally due to decreases in engineering and consulting services and rehabilitation expenses of \$6.7 million offset by increases in general and administrative expenses of \$1.3 million. Net nonoperating revenues declined to \$3.6 million in the current year, down \$5.8 million from the prior year as a result of net decreased returns on investments.

Management's Discussion and Analysis (Continued)

- The Municipal Water System net assets increased by \$3.8 million principally due to contributions of capital assets from developers. The Municipal Water System reported operating income of \$2.0 million, up \$1.0 million from an operating income of \$1.0 million reported in the prior year. The Municipal Water System also generated \$0.7 million in nonoperating income, principally investment income, and \$3.6 million of contributions from developers. This was offset by transfers to governmental funds of \$2.5 million primarily for in-lieu taxes and return on investments in assets.
- The Parking System net assets increased by \$2.5 million. The Parking System reported operating income of \$2.7 million, up \$1.3 million from operating income of \$1.4 million in fiscal year 2002. Nonoperating income of \$0.7 million was \$0.1 million less than nonoperating income of \$0.8 million in the prior fiscal year. Net transfers to other funds were \$0.9 million representing transfers of Convention Center parking receipts to the Convention Center.

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.

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$1.5 billion, an increase of \$158.7 million in comparison with the prior year. Approximately \$568.8 million of this total amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has been committed: 1) to pay debt service (\$248.2 million); 2) to reflect advances, loans, and other assets that are long-term in nature and thus do not represent available spendable resources (\$247.9 million); 3) to liquidate contractual commitments of the period (\$332.2 million); and 4) for a variety of other restricted purposes (\$99.7 million).

Revenues and other financing sources for governmental functions totaled approximately \$2.3 billion in the fiscal year ended June 30, 2003, which represents an increase of 15.0 percent from the fiscal year ended June 30, 2002. Expenditures and other financing uses for governmental functions, totaling \$2.1 billion, increased by approximately 16.6 percent from the fiscal year ended June 30, 2002. In the fiscal year which ended June 30, 2003, revenues and other financing sources from governmental functions exceeded expenses and other financing uses by approximately \$158.7 million or 11.9 percent over the prior year.

General Fund:

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$163.7 million while total fund balance was \$197.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.7 percent of total General Fund expenditures of \$590.2 million, while total fund balance represents 33.5 percent of that same amount.

General Fund revenues of \$519.0 million were \$32.5 million or 5.9 percent less than the prior fiscal year's level of \$551.5 million. This decrease is mainly attributable to a \$7.4 million decline in Taxes and Special Assessments, a \$4.1 million decrease in Intergovernmental, a \$0.9 million decrease in Charges for

Management's Discussion and Analysis (Continued)

Current Services, and a \$23.0 million decrease in Interest and Other Revenues. These decreases were offset by a \$2.9 million increase in Licenses, Permits, and Fines.

Tax revenues decreased by \$7.4 million primarily due to a continuing decline in sales taxes collections (\$10.6 million) and transient occupancy taxes (\$1.0 million) due to the continuing economic downturn combined with a net decreases in utility taxes (\$1.1 million), and Franchise Fees (\$2.3 million) primarily as a result of lower collections of gas and telephone utility taxes and increased solid waste diversion/recycling efforts. These decreases were somewhat mitigated by increases in property taxes (\$5.2 million) due to increasing property values and motor vehicle in-lieu fees (\$2.4 million). The \$2.9 million increase in Licenses and Permits was primarily attributable to higher collections from building permits resulting from the continued strength of the housing industry. The \$4.1 million decrease in intergovernmental reflects \$3.0 million of one time funding received from the State for Coyote Valley land acquisition in the prior year and not reflected in the current fiscal year and the transfer of the Local Law Enforcement Block Grant program from the General Fund to a separate special revenue fund (\$1.1 million). Charges for Services decreased \$0.9 million due to the economic downturn. The \$23.0 million decrease in Interest and Other Revenue was primarily the result of decreases in interest income due to lower interest rates (\$11.7 million), deferrals of California State SB90 reimbursements due to the State budget crises (\$1.2 million), one time funding received in the prior year due to a settlement between the County and the City (\$5.5 million), and \$4.6 million reductions in other revenues.

In contrast, General Fund expenditures of \$590.2 million increased by \$18.3 million or 3.2 percent over prior year expenditures of \$571.9 million. The following are some of the highlights of the City's expenditure activities. General Government expenditures of \$73.1 million were \$3.1 million or 4.1 percent less than the prior fiscal year's level of \$76.2 million. The net decrease was mainly the result of increases in worker's compensation (\$3.3 million) and general liability (\$2.3 million) expenditures offset by decreases in net departmental personal and non-personal/equipment expenditures (\$1.2 million) and decreases in one-time expenditures for citywide purchases of land and maintenance of automated systems (\$7.5 million). Public Safety expenditures of \$305.2 million were \$22.3 million or 7.9 percent higher than the prior fiscal year's level of \$282.9 million. The increase is mainly due to increases in police and fire salaries (\$17.2 million and \$7.8 million, respectively) offset by reductions in expenditures for patrol vehicles (\$3.3 million). Capital Maintenance expenditures of \$54.1 million were \$3.5 million or 6.0 percent less than the prior fiscal year's level of \$57.6 million reflecting a decrease in funding for capital maintenance. Community Services expenditures of \$133.1 million were \$1.8 million or 1.3 percent more than the prior fiscal year's level of \$131.3 million. The increase is mainly due to increases of salaries of \$3.2 million and other citywide expenditures of \$0.2 million offset by reductions in non-personal/equipment expenditures of \$1.7 million. Sanitation expenditures of \$1.8 million were \$1.2 million or 40.4 percent less than the prior fiscal year's level of \$3.0 million. The decrease is mainly attributable to a decrease in one-time funding for the Home Energy Assistance program (\$0.5 million) and a decrease in garbage disposal contract costs (\$0.6 million). Capital Outlay expenditures of \$20.9 million were \$2.0 million or 10.7 percent more than the prior fiscal year's level of \$18.9 million. The increase is mainly related to an increase in expenditures for infrastructure assets. Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified by the City in major categories which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

Although the General Fund ended the year with a fund balance higher than budgeted, the City maintained a balanced budget in the General Fund in part by reducing encumbrances (\$19.4 million), increasing the reserve for noncurrent advances and loans (\$1.1 million) and by increasing various revenue sources, reducing service levels and related expenditures for various City programs and by utilizing a portion of its accumulated fund balance resulting in a decrease in unreserved fund balance (\$33.6 million).

Management's Discussion and Analysis (Continued)

Redevelopment Agency:

The Redevelopment Agency (Agency) fund accounts for the activities of the Redevelopment Agency of the City of San José which was created to redevelop and upgrade blighted areas of the City. The Agency had a net decrease in fund balance of \$201.9 million. The majority of this decrease is attributable to redevelopment projects utilizing bond proceeds received in prior years. The Agency issues debt to finance redevelopment projects by pledging future tax increment revenues. The Agency currently has long-term bonds and notes of \$1.9 billion outstanding at June 30, 2003. No new Agency pledged debt was issued in fiscal year 2003.

The following are some of the highlights for the Agency:

- Revenues increased by \$3.3 million or 1.3 percent to \$241.4 million from \$238.1 million in the prior fiscal year. Tax increment revenue increased by \$9.6 million or 5 percent. The increase was down sharply from the 33% growth reported in the previous year due to the effects of a weak local economy that triggered a rise of assessment appeals from property owners and a declining value of R&D/office property in redevelopment project areas.
- Expenditures increased \$12.6 million or 3.5 percent primarily due to bond principal and interest repayments of debt and capital project costs.

Housing Activities:

The Housing Activities fund accounts for the City's commitment to ensure that lower and moderate income residents are provided with a diverse range of safe, decent, and affordable housing opportunities. In order to achieve this goal, the City works to preserve the existing affordable housing stock, continues to increase the supply of affordable housing, and provides services to homeless and at-risk populations in the City of San José. The fund's primary source of funding is 20% of the gross property tax increment from the Redevelopment Agency. As required by California State law, these 20% tax increment funds are used solely for affordable housing purposes. During fiscal year 2003, 971 affordable housing units were completed. The loan management workload continues to expand as the Housing Activities fund loans receivable grew from \$137.5 million in fiscal year 2002 to \$199.9 million in fiscal year 2003 as a result of the increase in loans from the City to developers of affordable housing projects.

Special Assessment Districts:

The Special Assessment Districts fund accounts for the activities related to the issuance of debt by special assessment districts in different parts of the City to finance infrastructure construction. In fiscal year 2003, \$13.9 million in refunding bonds to refund prior bonds issued for three improvement districts and one reassessment district and \$13.6 million of special tax bonds to fund a portion of interchange costs and refund the outstanding assessment district bonds, Series 24DA, were issued.

At June 30, 2003, a total of \$80.7 million in special assessment debt was outstanding, issued by eleven special assessment and community facilities districts. The debt is secured by special assessments or special taxes on real property in the district issuing the debt, and the City is not obligated to cure any deficiency in redeeming the debt. However, the City is not prevented, in its sole discretion, from curing any deficiency.

Management's Discussion and Analysis (Continued)

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Norman Y. Mineta San José International Airport were \$40.5 million, the Wastewater Treatment System were \$239.6 million, the Municipal Water System were \$16.0 million, and the Parking system were \$16.9 million.

The total growth in net assets for proprietary funds was \$36.9 million. Other factors concerning the activities of these funds have already been addressed in the discussion of the City's business-type activities above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to fiscal planning and foresight, the General Fund ended the year spending less than budgeted. This result is in part due to the efforts of the City to reduce expenditures in the face of a down economy and subsequent reduction in revenue sources.

General Fund differences between the original 2002-03 budget and the final amended budget resulted in a \$16.0 million net decrease in budgeted revenue and a \$19.0 million net increase in expenditure appropriations as summarized below:

Overall, the revenue decrease was primarily driven by decreases in sales tax (\$14.6 million); utility tax (\$5.2 million); franchise fees (\$2.1 million); transient occupancy tax (also referred to as "other" taxes; down \$1.7 million); licenses, permits, and fines (\$1.3 million); and interest and other revenues (\$0.2 million). These revenue decreases were offset by increases in property tax (\$5.2 million); intergovernmental (\$3.2 million); and charges for current services (\$0.8 million).

The net decrease is a result of bringing the budget estimates into closer alignment with the latest projections for the fiscal year ended June 30, 2003. Sales Taxes have declined for the last eight consecutive quarters due to the persistently weak economic environment. The increase in property tax was driven by higher than expected unsecured property taxes. The net increase to Franchise Fees was primarily driven by higher receipts in Electric and Gas Franchise Fees offset by lower Cable Television and Commercial Solid Waste Franchise Fees. Intergovernmental revenue includes revenue from local agencies, the State of California, and the federal government. Much of the budgetary increase from Intergovernmental revenue is driven by State and Federal grants. The decreases in budget for various revenue sources were primarily driven by lower than anticipated performance close to year-end, reflecting the weak local economy.

Management's Discussion and Analysis (Continued)

The increase in expenditure appropriations of \$19.0 million represents adjustments to the adopted budget for re-budgets of the prior fiscal year's unfinished projects, adjustments for increases and decreases in revenue estimates, and adjustments to capital projects estimates. The increase is primarily attributable to increases in General Government (\$9.8 million); Public Safety (\$5.1 million); Capital Maintenance (\$1.6 million); and Community Services (\$2.8 million) offset by a decrease in Sanitation (\$0.4 million).

Included in the General Government increase were increases in workers' compensation claims (\$3.9 million) due to unanticipated increases in medical costs even as the actual number of claims filed went down; increased general liability amounts (\$2.7 million); sick leave payments upon retirement (\$1.5 million); and funding for the Housing Assistance Program (\$1.7 million). The increases in Public Safety were mainly due to increased police overtime costs for additional mandated airport security activities (\$3.3 million); relocation of two police evidence warehouses (\$0.6 million); and increases in fire salaries and training, paramedic training (\$1.2 million). The \$1.6 million increase in Capital Maintenance was primarily for renovation of park facilities, curb and gutter repairs, and streets and lights and other maintenance activities. The increases to Community Services were mainly attributable to professional development and staffing for early care and education staff related to the Packard Foundation Smart Start program (\$2.8 million); increase in fee activities for classes at community centers (\$0.8 million); purchase and installation of stainless steel cages and a kennel system for the City's new animal shelter (\$0.8 million); and \$0.4 million of other community expenditures offset by decreases in personal services due to elimination and freezing of positions (\$2.0 million). The decrease in Sanitation expenditures was primarily due to reductions in garbage disposal contract costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$9.4 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, structures and improvements, vehicles and equipment, intangible assets, and construction in progress. The City's investment in capital assets decreased by less than 1 percent. 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.

Major capital asset events during the current fiscal year included the following:

- Improvements, other than buildings, increased by \$97.2 million or 29.0 percent, of which 80.1 percent of the increase is attributable to the business-type activities assets. The primary addition is the Airport's \$59.0 million runway 30L extension which will help to safely accommodate the demands for air carrier and general aviation operations.
- Buildings increased by \$67.8 million or 10.7 percent. This increase is mainly due to the addition of the \$44.8 million Federal Inspection Service (FIS) facility to accommodate international arrivals to the Airport.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Management's Discussion and Analysis (Continued)

Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2003	2002	2003	2002	2003	2002	Percent of Change
Land	\$ 480,729	477,564	117,211	103,710	597,940	581,274	2.87%
Construction in progress	356,265	266,986	86,448	148,792	442,713	415,778	6.48%
Buildings	375,448	343,462	323,350	287,578	698,798	631,040	10.74%
Improvements, other than buildings	28,912	9,535	403,603	325,954	432,515	335,489	28.92%
Infrastructure	7,164,126	7,429,698	-	-	7,164,126	7,429,698	-3.57%
Vehicles and equipment	21,963	27,866	7,895	8,222	29,858	36,088	-17.26%
Intangible assets	-	-	9,227	9,528	9,227	9,528	-3.16%
Property under capital leases	2,630	2,941	5,528	6,011	8,158	8,952	-8.87%
Total capital assets	\$ 8,430,073	8,558,052	953,262	889,795	9,383,335	9,447,847	-0.68%

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Commitments outstanding as of June 30, 2003, related to governmental and business-type activities construction in progress totaled approximately \$225.4 million and \$65.8 million, respectively.

Additional information about the City's capital assets can be found in Note III.D to the financial statements.

Debt Administration:

Debt Management Policy

The Debt Management Policy for the City was adopted by the City Council on May 21, 2002. The first set of program-specific policies, related to the City's multifamily housing program, was adopted by the City Council on June 11, 2002. 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 compliance with applicable State and Federal laws.

Management's Discussion and Analysis (Continued)

General Fund Bonded Debt Limit

The City of San Jose Charter limits bonded indebtedness for General Obligation bonds to 15 percent of the total assessed valuation of all real and personal property within the City. The total taxable assessed value on the City's FY 2002-03 tax roll is \$88.6 billion, which results in a net total debt capacity of approximately \$13.3 billion. As of June 30, 2003, the City had \$184.72 million of General Obligation bonds outstanding.

General Obligation Bond Rating

In August 2003, the City received confirmation of its general obligation bond ratings from the three major rating agencies: Aa1 from Moody's; AA+ from Standard & Poor's; and AA+ from Fitch. These ratings place San Jose in the second highest rating category (only one "notch" below Aaa/AAA/AAA), ranking it higher than the State of California and one of the highest rated large cities in California.

Outstanding Debt

The City's debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds, special assessment bonds and special tax bonds (together, "Land Secured Bonds"), Redevelopment Agency tax allocation bonds, capital lease obligations, and commercial paper.

As of June 30, 2003, the City had \$2.7 billion of outstanding long-term debt related to Governmental Activities and \$434.2 million of long-term debt related to Business-Type Activities, for a total of \$3.2 billion. These amounts for the fiscal year ended June 30, 2002 were \$2.3 billion for Governmental Activities and \$454.1 million for Business-Type Activities, for a total of \$2.8 billion.

The table below identifies the net changes in each category:

Governmental Activities

	<u>As of June 30, 2003</u>	<u>As of June 30, 2002</u>	<u>Net Changes</u>
GO bonds	\$ 184,720	71,000	113,720
Revenue bonds	47,545	47,545	-
Lease revenue bonds	573,140	196,879	376,261
Reassessment revenue bonds	4,960	6,880	(1,920)
COPs	-	1,080	(1,080)
Land secured bonds	80,708	96,096	(15,388)
Redevelopment agency	1,854,680	1,881,630	(26,950)
Equipment leases	81	2,178	(2,097)
Sub-total:	<u>2,745,834</u>	<u>2,303,288</u>	<u>442,546</u>

Business-Type Activities

Revenue bonds	368,055	387,445	(19,390)
State of CA-Revolving Fund Loan	59,479	62,798	(3,319)
Commercial paper notes	6,658	3,854	2,804
Equipment Leases	-	5	(5)
Sub-total:	<u>434,192</u>	<u>454,102</u>	<u>(19,910)</u>
Total:	<u>\$ 3,180,026</u>	<u>2,757,390</u>	<u>422,636</u>

Management's Discussion and Analysis (Concluded)

Since the close of the 2003 fiscal year, the City has issued additional debt of \$12.5 million of limited obligation special tax bonds to finance the acquisition of certain roadway improvements necessitated by development in the Silver Creek area (Community Facilities District No. 10). Additionally, the Redevelopment Agency has issued \$69 million of housing set-aside tax allocation bonds to refund several series of its housing set-aside tax allocation bonds, repay draws on the City's Housing Department line of credit, and fund affordable housing projects, and \$60 million of tax allocation bonds to finance redevelopment activities within the Agency's merged area redevelopment project.

Additional information about the City's long-term obligations can be found in Note III.F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City currently faces a continuation of the unfavorable economic environment. Just as the City's current economic situation hit much later than the downturn felt in the private sector, our recovery is expected to lag behind any recovery in the local economy -- and currently there are still no signs of improvement.
- The City took a two tiered approach to the fiscal year 2004 budget. The first tier addressed the City's \$76.9 million expected budget shortfall due to estimated declines in revenues in the face of anticipated increases in expenditures. The second tier addressed the impact of the reduction in Vehicle License Fee (VLF) and Interest Earnings due to State budget balancing actions.
- The City's tier II General Fund budget rebalancing plan, implemented due to the impacts of the State budget balancing actions noted above and changes in the tier I balancing strategy, is a combination of actions previously included in the State Budget Impact Contingency Plan (Tier II) reviewed by the City Council as part of the 2003-2004 Proposed Budget. Budget balancing recommendations, designed to bridge the \$14.3 million gap in the General Fund budget, involved a combination of strategies including the use of reserves, utilization of additional one-time revenues, and additional ongoing reductions in City Service Area/departamental budgets.
- Sales tax revenue is expected to remain flat with relatively little outlook for improvement in the near term and the June 2003 unemployment rate for Santa Clara County was 8.6 percent.

All of these factors were considered in preparing the City's budget for fiscal year 2004.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 801 North First Street, Room 110, San José, CA 95110.

City of San José
Statement of Net Assets
June 30, 2003
(\$000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 666,267	395,227	1,061,494
Other cash and investments	118,322	-	118,322
Receivables (net of allowances for uncollectibles)	170,713	11,487	182,200
Due from outside agencies	516	194	710
Internal balances	(6,927)	6,927	-
Inventories	1,624	1,304	2,928
Loans receivable (net)	258,697	-	258,697
Advances and deposits	958	-	958
Other assets	11,783	1	11,784
Restricted assets:			
Equity in pooled cash and investments	195,458	108,570	304,028
Other cash and investments	365,854	58,029	423,883
Receivables (net of allowances for uncollectibles)	270	10,332	10,602
Deferred bond issuance costs (net of accumulated amortization)	20,338	5,112	25,450
Capital assets (net of accumulated depreciation):			
Nondepreciable	836,994	203,659	1,040,653
Depreciable	7,593,079	749,603	8,342,682
Total assets	<u>10,233,946</u>	<u>1,550,445</u>	<u>11,784,391</u>
LIABILITIES			
Accounts payable	36,820	13,406	50,226
Accrued liabilities	12,557	1,010	13,567
Interest payable	43,576	5,486	49,062
Due to outside agencies	40,024	-	40,024
Unearned revenue	28,944	2,391	31,335
Advances, deposits, and reimbursable credits	45,520	3,179	48,699
Other liabilities	9,883	407	10,290
Noncurrent obligations:			
Due within one year	109,919	27,097	137,016
Due in more than one year	2,835,806	414,021	3,249,827
Total liabilities	<u>3,163,049</u>	<u>466,997</u>	<u>3,630,046</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,252,648	513,697	6,766,345
Restricted for:			
Debt service	239,128	64,645	303,773
Capital projects	204,797	113,521	318,318
Community services	99,754	-	99,754
Public safety	8,289	-	8,289
Other purposes	-	78,655	78,655
Unrestricted	266,281	312,930	579,211
Total net assets	<u>\$ 7,070,897</u>	<u>1,083,448</u>	<u>8,154,345</u>

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Activities
For the Year Ended June 30, 2003
(\$000's)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -Type Activities	
Governmental activities:							
General government	\$ 125,482	10,533	122	-	(114,827)	-	(114,827)
Public safety	323,461	19,569	8,379	-	(295,513)	-	(295,513)
Capital maintenance	652,748	32,871	5,985	63,027	(550,865)	-	(550,865)
Community services	222,250	55,361	37,151	7,699	(122,039)	-	(122,039)
Sanitation	77,001	71,794	54	-	(5,153)	-	(5,153)
Unallocated interest and fiscal charges *	121,647	-	-	-	(121,647)	-	(121,647)
Total governmental activities	1,522,589	190,128	51,691	70,726	(1,210,044)	-	(1,210,044)
Business -Type activities:							
Norman Y. Mineta San José							
International Airport	112,723	113,047	5,685	12,687	-	18,696	18,696
Wastewater Treatment System	102,148	103,041	-	530	-	1,423	1,423
Municipal Water System	15,577	17,538	-	3,604	-	5,565	5,565
Parking System	7,479	10,144	-	-	-	2,665	2,665
Total business-type activities	237,927	243,770	5,685	16,821	-	28,349	28,349
Total	\$ 1,760,516	433,898	57,376	87,547	(1,210,044)	28,349	(1,181,695)
General revenues:							
Taxes:							
Property					351,902	-	351,902
Utility					65,785	-	65,785
Franchise					32,093	-	32,093
Transit and occupancy					14,600	-	14,600
Sales taxes shared revenue					122,757	-	122,757
State of California in-lieu					53,787	-	53,787
Business license fee					35,594	-	35,594
Unrestricted interest and investment earnings					59,287	15,861	75,148
Other revenue					22,994	-	22,994
Gain on sale of capital assets					317	-	317
Transfers					7,338	(7,338)	-
Total general revenues and transfers					766,454	8,523	774,977
Change in net assets					(443,590)	36,872	(406,718)
Net assets - beginning, as restated					7,514,487	1,046,576	8,561,063
Net assets - ending					\$ 7,070,897	1,083,448	8,154,345

* This amount excludes \$9,279 of interest expense that is included as direct expenses of the community services program.

The notes to the financial statements are an integral part of this statement.

City of San José
Balance Sheet
Governmental Funds
June 30, 2003
(\$000's)

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 170,170	118,049	31,927
Other cash and investments	-	-	-
Receivables (net of allowance for uncollectibles)	49,732	4,532	2,443
Due from outside agencies	388	-	51
Due from other funds	2,066	21,951	-
Inventories	-	-	-
Loans receivable (net)	4,147	32,655	205,315
Advances and deposits	13	64	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	1,036	-	3
Other cash and investments	11	141,635	-
Accrued interest	-	270	-
Advances to other funds	3,810	580	-
Other assets	-	-	11,783
Total assets	<u>\$ 231,373</u>	<u>319,736</u>	<u>251,522</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,480	9,976	444
Accrued interest	-	-	-
Accrued salaries, wages, and payroll taxes	10,442	280	157
Due to other funds	919	5,178	12,635
Due to other agencies	522	39,502	-
Deferred revenue	5,467	41,738	4,091
Advances, deposits, and reimbursable credits	7	24,846	-
Advances from other funds	-	-	580
Bonds payable-current	-	-	-
Other liabilities	9,883	-	-
Total liabilities	<u>33,720</u>	<u>121,520</u>	<u>17,907</u>
Fund balances:			
Reserved for:			
Encumbrances	26,195	65,177	20,410
Noncurrent advances, loans and other assets	7,723	4,134	217,098
Debt service	-	94,431	-
Restricted cash commitments	-	22,021	3
Unreserved reported in:			
General fund	163,735	-	-
Special revenue funds	-	-	(3,896)
Capital projects funds	-	12,453	-
Total fund balances	<u>197,653</u>	<u>198,216</u>	<u>233,615</u>
Total liabilities and fund balances	<u>\$ 231,373</u>	<u>319,736</u>	<u>251,522</u>

The notes to the financial statements are an integral part of this statement.

Special Assessment Districts	Civic Center	Nonmajor Governmental Funds	Total Governmental Funds
12,709	-	333,412	666,267
-	-	118,322	118,322
80,879	-	33,127	170,713
-	-	77	516
-	-	28,513	52,530
-	-	1,624	1,624
-	-	16,580	258,697
489	-	392	958
39,848	-	154,571	195,458
8,962	192,070	23,176	365,854
-	-	-	270
-	-	-	4,390
-	-	-	11,783
<u>142,887</u>	<u>192,070</u>	<u>709,794</u>	<u>1,847,382</u>
276	2,200	17,444	36,820
9	-	-	9
29	36	1,613	12,557
-	4,238	31,960	54,930
-	-	-	40,024
81,047	-	9,388	141,731
3,872	-	16,795	45,520
-	-	8,338	8,918
165	-	-	165
-	-	-	9,883
<u>85,398</u>	<u>6,474</u>	<u>85,538</u>	<u>350,557</u>
1,908	107,986	110,542	332,218
489	-	18,443	247,887
21,438	-	132,322	248,191
-	77,610	105	99,739
-	-	-	163,735
-	-	206,476	202,580
33,654	-	156,368	202,475
<u>57,489</u>	<u>185,596</u>	<u>624,256</u>	<u>1,496,825</u>
<u>142,887</u>	<u>192,070</u>	<u>709,794</u>	<u>1,847,382</u>

City of San José
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2003
(\$000's)

Total fund balances-governmental funds (Page 23) \$ 1,496,825

Amounts reported for governmental activities in the statement of net assets 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	\$ 480,729	
Infrastructure assets	10,991,415	
Other capital assets	1,017,509	
Accumulated depreciation	<u>(4,059,580)</u>	
Total capital assets		8,430,073

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. (43,567)

Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.
 Deferred charges, net of amortization 20,338

Special Assessments are reported as revenue when levied in government-wide financial statements. In governmental funds, these assessments are reported as deferred revenue (a liability) since they are not available. 80,563

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis. 32,225

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable	\$ (2,746,001)	
Accreted interest on capital appreciation bonds	(2,602)	
Capital leases	(81)	
Compensated absences	(74,777)	
Claims and judgments	(107,134)	
Other	<u>(14,965)</u>	
Total long-term liabilities		<u>(2,945,560)</u>

Net assets of governmental activities (Page 20) **\$ 7,070,897**

The notes to the 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, 2003
(\$000's)

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>
REVENUES			
Taxes and special assessments	\$ 380,030	198,026	-
Licenses, permits, and fines	73,687	-	-
Intergovernmental	9,745	-	7,337
Charges for current services	22,975	-	-
Rent	-	988	17
Interest and other revenues	32,580	42,345	12,085
Total revenues	<u>519,017</u>	<u>241,359</u>	<u>19,439</u>
EXPENDITURES			
Current:			
General government	73,083	26,523	-
Public safety	305,212	-	-
Capital maintenance	54,098	185,798	-
Community services	133,062	-	16,476
Sanitation	1,795	-	-
Capital outlay	20,892	42,714	-
Debt service:			
Principal	1,954	26,950	-
Interest and fiscal charges	73	91,515	-
Bond issuance costs	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total expenditures	<u>590,169</u>	<u>373,500</u>	<u>16,476</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(71,152)</u>	<u>(132,141)</u>	<u>2,963</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bonds	-	-	-
Proceeds from refunding bonds	-	-	-
Discount on bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from sale of capital assets	-	317	-
Transfers in	30,594	81,755	95,617
Transfers out	(11,318)	(151,829)	(25,760)
Total other financing sources (uses)	<u>19,276</u>	<u>(69,757)</u>	<u>69,857</u>
Net change in fund balances	(51,876)	(201,898)	72,820
Fund balances - beginning	<u>249,529</u>	<u>400,114</u>	<u>160,795</u>
Fund balances - ending	<u>\$ 197,653</u>	<u>198,216</u>	<u>233,615</u>

The notes to the financial statements are an integral part of this statement.

Special Assessment Districts	Civic Center	Nonmajor Governmental Funds	Total Governmental Funds
9,605	-	88,568	676,229
-	-	-	73,687
-	-	61,864	78,946
-	-	154,592	177,567
-	-	8,137	9,142
3,283	2,232	40,721	133,246
<u>12,888</u>	<u>2,232</u>	<u>353,882</u>	<u>1,148,817</u>
346	-	85,304	185,256
-	-	2,779	307,991
994	150	97,464	338,504
-	-	45,421	194,959
-	-	75,004	76,799
14,447	42,027	80,979	201,059
5,648	-	10,504	45,056
4,063	-	30,880	126,531
1,445	-	8,998	10,443
17,331	-	-	17,331
<u>44,274</u>	<u>42,177</u>	<u>437,333</u>	<u>1,503,929</u>
<u>(31,386)</u>	<u>(39,945)</u>	<u>(83,451)</u>	<u>(355,112)</u>
5,945	-	535,548	541,493
21,555	-	-	21,555
(86)	-	(3,692)	(3,778)
(21,555)	-	(31,567)	(53,122)
-	-	-	317
2,112	262,303	97,369	569,750
(70)	(43,500)	(329,935)	(562,412)
<u>7,901</u>	<u>218,803</u>	<u>267,723</u>	<u>513,803</u>
<u>(23,485)</u>	<u>178,858</u>	<u>184,272</u>	<u>158,691</u>
<u>80,974</u>	<u>6,738</u>	<u>439,984</u>	<u>1,338,134</u>
<u>57,489</u>	<u>185,596</u>	<u>624,256</u>	<u>1,496,825</u>

City of San José
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2003
(\$000's)

Net change in fund balances—total governmental funds (Page 27) \$ 158,691

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	\$ 201,059	
Depreciation expense	(321,210)	
Excess of depreciation expense over capital outlay		(120,151)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations) (7,828)

Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for the purposes of the statement of activities.

Bond issuance costs	\$ 10,443	
Amortization of bond issuance costs	(952)	
Total bond issuance costs, net of amortization		9,491

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 assets 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 bond holders and HUD. 113,300

Accrued interest expense 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, discounts and deferred amounts on refunding should be expensed as a component of interest expense on the statement of activities. This amount represents the net accrued interest expense and the amortization of bond premiums, discounts and deferred amounts on refunding not reported in governmental funds.

Accrued interest on capital appreciation bonds	\$ (326)	
Discount/(Premium) on bonds issued	(3,255)	
Increase in accrued interest expense	(984)	
Amortization of deferred amounts	76	
Total net interest expense and amortization of discount/premium		(4,489)

Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. (556,015)

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Deferred revenues increased by this amount this year. (18,884)

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 decrease in accrued landfill postclosure costs	\$ 465	
Net increase in net pension obligation	(29)	
Net increase in vacation, sick leave, and compensatory time	(5,179)	
Net increase in estimated liability for self-insurance	(14,824)	
Net decrease in arbitrage liability	1,862	
Total additional expenditures		(17,705)

Change in net assets of governmental activities (Page 21) \$ (443,590)

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Fund Net Assets
Proprietary Funds
June 30, 2003
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals
ASSETS					
Current assets:					
Equity in pooled cash and investments held in City Treasury	\$ 67,997	288,584	21,795	16,851	395,227
Receivables (net of allowance for uncollectibles)	2,282	6,808	1,912	485	11,487
Due from outside agencies	-	194	-	-	194
Due from other funds	-	2,400	-	-	2,400
Inventories	-	1,304	-	-	1,304
Total unrestricted current assets	<u>70,279</u>	<u>299,290</u>	<u>23,707</u>	<u>17,336</u>	<u>410,612</u>
Restricted assets:					
Equity in pooled cash and investments held in City Treasury	88,535	20,035	-	-	108,570
Other cash and investments	46,799	8,133	-	3,097	58,029
Receivables (net of allowances for uncollectibles)	10,332	-	-	-	10,332
Prepaid expenses, advances and deposits	1	-	-	-	1
Total restricted current assets	<u>145,667</u>	<u>28,168</u>	<u>-</u>	<u>3,097</u>	<u>176,932</u>
Total current assets	<u>215,946</u>	<u>327,458</u>	<u>23,707</u>	<u>20,433</u>	<u>587,544</u>
Noncurrent assets:					
Deferred bond issuance costs (net of accumulated amortization)	4,097	1,015	-	-	5,112
Advances to other funds	-	10,189	-	-	10,189
Capital assets (net of accumulated depreciation):					
Nondepreciable	108,706	85,101	2,276	7,576	203,659
Depreciable	322,892	369,418	48,359	8,934	749,603
Total noncurrent assets	<u>435,695</u>	<u>465,723</u>	<u>50,635</u>	<u>16,510</u>	<u>968,563</u>
Total assets	<u>651,641</u>	<u>793,181</u>	<u>74,342</u>	<u>36,943</u>	<u>1,556,107</u>

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Fund Net Assets
Proprietary Funds
June 30, 2003
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 2,062	5,224	659	366	8,311
Accrued liabilities	49	874	62	25	1,010
Interest payable	-	609	-	-	609
Accrued vacation, sick leave and compensatory time	-	3,586	27	70	3,683
Estimated liability for self-insurance	-	1,480	52	8	1,540
Loans payable	-	3,414	-	-	3,414
Other liabilities	165	77	-	-	242
Total current liabilities	<u>2,276</u>	<u>15,264</u>	<u>800</u>	<u>469</u>	<u>18,809</u>
Current liabilities payable from restricted assets:					
Accounts payable and accrued liabilities	5,095	-	-	-	5,095
Interest payable	4,364	513	-	-	4,877
Accrued vacation, sick leave and compensatory time	2,332	-	-	-	2,332
Estimated liability for self-insurance	480	-	-	-	480
Advances and deposits payable	781	-	-	-	781
Deferred revenue	2,391	-	-	-	2,391
Current portion of loans payable	6,658	-	-	-	6,658
Current portion of bonds payable	5,450	3,540	-	-	8,990
Total current liabilities payable from restricted assets	<u>27,551</u>	<u>4,053</u>	<u>-</u>	<u>-</u>	<u>31,604</u>
Noncurrent liabilities:					
Estimated liability for self-insurance	1,670	1,568	-	-	3,238
Advances from other funds	-	-	5,662	-	5,662
Advance contributions from participating agencies	-	1,108	-	-	1,108
Advances, deposits and reimbursable credits	-	-	1,290	-	1,290
Loans payable	-	56,065	-	-	56,065
Bonds payable (net of discount and deferred loss on premium/refunding)	260,663	94,055	-	-	354,718
Other liabilities	165	-	-	-	165
Total noncurrent liabilities	<u>262,498</u>	<u>152,796</u>	<u>6,952</u>	<u>-</u>	<u>422,246</u>
Total liabilities	<u>292,325</u>	<u>172,113</u>	<u>7,752</u>	<u>469</u>	<u>472,659</u>
NET ASSETS					
Invested in capital assets, net of related debt	195,590	250,961	50,636	16,510	513,697
Restricted for debt service	51,901	9,647	-	3,097	64,645
Restricted for capital projects	71,301	42,220	-	-	113,521
City of Santa Clara equity in Wastewater Treatment System	-	78,655	-	-	78,655
Unrestricted	40,524	239,585	15,954	16,867	312,930
Total net assets	<u>\$ 359,316</u>	<u>621,068</u>	<u>66,590</u>	<u>36,474</u>	<u>1,083,448</u>

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2003
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals
OPERATING REVENUES					
Charges for services	\$ 45,275	83,227	17,378	10,132	156,012
Rentals and concessions	38,862	1,015	-	-	39,877
Customer transportation fees	4,192	-	-	-	4,192
Service connection, engineering and inspection	-	4,954	-	-	4,954
Contributions	-	10,744	-	-	10,744
Other	128	3,081	-	-	3,209
Total operating revenues	<u>88,457</u>	<u>103,021</u>	<u>17,378</u>	<u>10,132</u>	<u>218,988</u>
OPERATING EXPENSES					
Operations and maintenance	68,526	55,968	12,586	3,616	140,696
General and administrative	21,128	22,590	914	3,239	47,871
Depreciation and amortization	16,567	17,646	1,887	478	36,578
Materials and supplies	-	240	-	146	386
Total operating expenses	<u>106,221</u>	<u>96,444</u>	<u>15,387</u>	<u>7,479</u>	<u>225,531</u>
Operating income (loss)	<u>(17,764)</u>	<u>6,577</u>	<u>1,991</u>	<u>2,653</u>	<u>(6,543)</u>
NONOPERATING REVENUES (EXPENSES)					
Passenger facility charges	21,167	-	-	-	21,167
Operating grants	5,685	-	-	-	5,685
Investment income	5,157	9,292	695	717	15,861
Land and building rental	-	20	-	-	20
Interest expense	(6,502)	(5,549)	(190)	-	(12,241)
Contributions refunded to participating agencies	-	(143)	-	-	(143)
Loss on disposal of capital assets	-	(12)	-	-	(12)
Other revenues	3,423	-	160	12	3,595
Net nonoperating revenues (expenses)	<u>28,930</u>	<u>3,608</u>	<u>665</u>	<u>729</u>	<u>33,932</u>
Income before capital contributions and transfers	<u>11,166</u>	<u>10,185</u>	<u>2,656</u>	<u>3,382</u>	<u>27,389</u>
Capital contributions	12,687	530	3,604	-	16,821
Transfers in	-	-	-	28	28
Transfers out	-	(3,944)	(2,475)	(947)	(7,366)
Changes in net assets	<u>23,853</u>	<u>6,771</u>	<u>3,785</u>	<u>2,463</u>	<u>36,872</u>
Net assets - beginning, as restated	<u>335,463</u>	<u>614,297</u>	<u>62,805</u>	<u>34,011</u>	<u>1,046,576</u>
Net assets - ending	<u>\$ 359,316</u>	<u>621,068</u>	<u>66,590</u>	<u>36,474</u>	<u>1,083,448</u>

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 88,976	100,412	17,597	9,863	216,848
Payments to suppliers	(43,265)	(41,636)	(11,243)	(3,966)	(100,110)
Payments to employees	(28,290)	(41,091)	(2,674)	(3,195)	(75,250)
Payments for interfund services	(20,079)	-	-	-	(20,079)
Claims paid	(409)	-	-	-	(409)
Other receipts (payments)	3,553	-	-	-	3,553
Net cash provided by operating activities	<u>486</u>	<u>17,685</u>	<u>3,680</u>	<u>2,702</u>	<u>24,553</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer (to) from other funds	-	(3,944)	(2,475)	(919)	(7,338)
Advances (to) from other funds	-	1,300	-	-	1,300
Subsidies from operating grants	5,153	-	-	-	5,153
Advances, deposits and credits	-	-	(38)	-	(38)
Net cash provided (used) by noncapital and related financing activities	<u>5,153</u>	<u>(2,644)</u>	<u>(2,513)</u>	<u>(919)</u>	<u>(923)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Passenger facility charges received	21,210	-	-	-	21,210
Proceeds from debt	97,634	-	-	-	97,634
Proceeds from commercial paper	2,804	-	-	-	2,804
Payments to commercial paper	-	-	-	-	-
Subsidies from capital grants	12,226	2,922	-	-	15,148
Acquisition and construction of capital assets	(50,459)	(39,168)	(2,950)	(240)	(92,817)
Principal paid on debt	(6,780)	(8,994)	-	-	(15,774)
Payment for defeasance of bonds	(100,312)	-	-	-	(100,312)
Bond issuance costs	(1,391)	-	-	-	(1,391)
Interest paid on debt	(14,582)	(5,385)	-	-	(19,967)
Capital lease payment	(5)	-	-	-	(5)
Net cash used in capital and related financing activities	<u>(39,655)</u>	<u>(50,625)</u>	<u>(2,950)</u>	<u>(240)</u>	<u>(93,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	64,161	2,620	-	-	66,781
Purchase of investments	(58,290)	(2,428)	-	-	(60,718)
Interest and dividends received	7,720	9,408	742	724	18,594
Land and building rentals	-	20	-	-	20
Net cash provided by investing activities	<u>13,591</u>	<u>9,620</u>	<u>742</u>	<u>724</u>	<u>24,677</u>
Net change in cash and cash equivalents	<u>(20,425)</u>	<u>(25,964)</u>	<u>(1,041)</u>	<u>2,267</u>	<u>(45,163)</u>
Cash and cash equivalents - beginning	206,570	334,583	22,836	17,681	581,670
Cash and cash equivalents - ending	<u>\$ 186,145</u>	<u>308,619</u>	<u>21,795</u>	<u>19,948</u>	<u>536,507</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (17,764)	6,577	1,991	2,653	(6,543)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	16,567	17,646	1,887	478	36,578
Other nonoperating revenues(expenses)	3,423	-	161	12	3,596
Decrease (increase) in:					
Accounts receivable	491	(2,785)	59	(281)	(2,516)
Due from outside agencies	-	176	-	-	176
Inventories	-	(57)	-	-	(57)
Prepaid expenses	187	-	-	-	187
Increase (decrease) in:					
Accounts payable and accrued liabilities	(3,007)	(4,379)	(429)	(208)	(8,023)
Accrued vacation, sick leave and compensatory time	107	148	5	41	301
Estimated liability for self-insurance	195	359	6	7	567
Deferred revenues	188	-	-	-	188
Advances and deposits payable	99	-	-	-	99
Total adjustments	<u>18,250</u>	<u>11,108</u>	<u>1,689</u>	<u>49</u>	<u>31,096</u>
Net cash provided by operating activities	<u>\$ 486</u>	<u>17,685</u>	<u>3,680</u>	<u>2,702</u>	<u>24,553</u>
Reconciliation of cash and cash equivalents to the balance sheet:					
Equity in pooled cash and investments held in City Treasury					
Unrestricted	\$ 67,997	288,584	21,795	16,851	395,227
Restricted	88,535	20,035	-	-	108,570
Other investments	46,799	8,133	-	3,097	58,029
Less investments not meeting the definition of cash equivalents	<u>(17,186)</u>	<u>(8,133)</u>	<u>-</u>	<u>-</u>	<u>(25,319)</u>
	<u>\$ 186,145</u>	<u>308,619</u>	<u>21,795</u>	<u>19,948</u>	<u>536,507</u>
Noncash noncapital, capital and related financing activities:					
Loss on disposal of capital assets	\$ -	(12)	-	-	(12)
Acquisition of capital assets on accounts payable and accrued liabilities	2,484	541	-	-	3,025
Contributions from developers	-	-	3,604	-	3,604
Bond discount/(premium)	(6,089)	-	-	-	(6,089)
Unrealized loss on investments held by fiscal agent	(453)	-	-	-	(453)

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003
(\$000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund	Agency Funds
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ -	11	3,482
Investments of retirement plans:			
Investments, excluding securities lending collateral	2,972,383	-	-
Securities lending collateral	123,399	-	-
Other cash and investments	-	32	-
Receivables (net of allowances for uncollectibles):			
Accrued investment income	16,942	-	26
Employee contributions	778	-	-
Employer contributions	1,757	-	-
Due from brokers	44,782	-	-
Other	4,223	-	-
Total assets	3,164,264	43	3,508
LIABILITIES			
Due to brokers	137,600	-	-
Accounts payable	-	-	1,125
Securities lending collateral, due to borrowers	123,399	-	-
Accrued salaries, wages and payroll taxes	-	-	5
Advances, deposits and reimbursable credits	364	-	-
Other liabilities	4,381	-	2,378
Total liabilities	265,744	-	3,508
NET ASSETS			
Held in trust for:			
Employees' pension benefits	2,801,080	-	-
Employees' postemployment healthcare benefits	97,440	-	-
Other purpose	-	43	-
	\$ 2,898,520	43	-

The notes to the financial statements are an integral part of this statement.

City of San José
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2003
(\$000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund
ADDITIONS		
Investment income:		
Interest	\$ 53,092	2
Dividends	17,711	-
Net rental income	16,985	-
Net change in fair value of plan investments	79,499	-
Investment expenses	(10,859)	-
Securities lending activities:		
Securities lending income	4,306	-
Securities lending expenses	(3,720)	-
Contributions:		
Employer	70,038	-
Employees	34,743	-
Total additions	<u>261,795</u>	<u>2</u>
DEDUCTIONS		
General and administrative	3,245	-
Health insurance	16,963	-
Refunds to terminated employees	990	-
Retirement and other benefits paid:		
Death benefits paid	2,150	-
Retirement benefits paid	108,491	-
Total deductions	<u>131,839</u>	<u>-</u>
Change in net assets	129,956	2
Net assets - beginning	<u>2,768,564</u>	<u>41</u>
Net assets - ending	<u>\$ 2,898,520</u>	<u>43</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of San José, California (the City), was chartered on March 25, 1850, and operates under a Council-Manager form of government. The City has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America (GAAP), 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 criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary government is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary government regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. 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 substantively the same as the City's governing body, and/or the component unit provides 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.

- **Redevelopment Agency of the City of San José** – The Redevelopment Agency of the City of San José (the Redevelopment Agency) was created by the City Council with the authority and responsibility for redeveloping and upgrading blighted areas of the City. The members of the City Council are also members of the Redevelopment Agency's Board of Directors and, as such, are authorized to transact business and exercise their power to plan, engineer, and carry out projects of the Redevelopment Agency.
- **Parking Authority of the City of San José** – The Parking Authority of the City of San José (the Parking Authority) was created by the City Council to provide funding through debt issuance for parking facilities constructed on City-owned land. Such parking facilities are leased to the City. Members of the City Council are also members of the Parking Authority's Board of Directors.
- **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, the City of Santa Clara, and certain other cities to finance the acquisition of additions and improvements to the existing San José – Santa Clara Water Pollution Control Plant (the Plant). The Clean Water Financing Authority is governed by a five-member Board of Directors, three are members of the City Council of the City of San José and two are members of the City Council of the City of Santa Clara. The Clean Water Financing Authority and the participating cities subsequently entered into an Improvement Agreement, which requires the cities to make base payments that are at least equal to the debt service requirements of the Clean Water Financing Authority's outstanding revenue bonds.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

- **San José Financing Authority** – The San José Financing Authority (the Authority) was created by a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency. The 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 Authority is governed by an 11 member Governing Board, which consists of the members of the City Council.

Separate financial reports for the year ended June 30, 2003, containing additional information as required by revenue bond indentures and more detailed information regarding financial condition and change in financial position, are available from the City's Director of Finance, 801 North First Street, Room 110, San José, CA 95110, for the following:

- Federated City Employees' Retirement System
- Police and Fire Department Retirement Plan
- Redevelopment Agency of the City of San José
- Norman Y. Mineta San José International Airport
- San José – Santa Clara Clean Water Financing Authority

B. Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. For the most part, eliminations of internal activity have been made in these statements. 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 nonexchange 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 for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or 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 meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

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 **Redevelopment Agency Fund** is a capital projects fund that accounts for administrative, operating, low-to-moderate income housing program, debt and construction activities necessary to carry out responsibilities for redeveloping and upgrading blighted areas in the City.

The **Housing Activities Fund** is a special revenue fund that accounts for the City's affordable housing activities.

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

The **Civic Center Fund** is a capital projects fund that accounts for the construction of a new civic center facility.

The City reports the following major enterprise funds:

The **Norman Y. Mineta San José International Airport Fund** accounts for the activities of the City owned commercial service airport.

The **Wastewater Treatment System Fund** accounts for the financing, construction, and operation of the sewer system, the Water Pollution Control Plant (the Plant), and the regional water reclamation program.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

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 parking lot facilities, parking lots and parking meters located within the City.

The City reports the following fiduciary fund types:

The ***Pension Trust Funds*** account for the accumulated resources to be used for retirement annuity payments to all members of the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan.

The ***James Lick Private Purpose Trust Fund*** is used to account for resources legally held in trust for use towards the support of the Eastfield Home of Benevolence (orphanage). All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

The ***Agency Funds*** account for assets held by the City in a custodial capacity on behalf of other agencies.

These fiduciary funds are not included in the government – wide financial statements.

C. Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide, proprietary and fiduciary funds (excluding agency funds) financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund and trust funds financial statements are reported using 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. Nonexchange 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 users 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. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby 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 to be available if they are collected within sixty days of 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 only when payment is due.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

In governmental funds, revenues from taxes, licenses, franchise taxes, interest, certain 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. Only the portion of special assessments receivables due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be 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. 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 assets 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.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board or any Accounting Research Bulletins unless those pronouncements conflict with or contradict GASB pronouncements.

D. Assets, Liabilities, and Net Assets or Equity

1. 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 earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate shares of the average weekly cash balance.

2. Deposits and Investments

Pooled Cash and Investments held in City Treasury. Investments in securities purchased with the intent to trade for a profit are prohibited by the City's investment policy. Investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value in the statement of net assets or balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The City reports its investments in guaranteed investment contracts at cost, special assessment bonds at amortized costs and all other investments at fair value. The fair value is based on quoted market information obtained from fiscal agents or other sources. Income from some investments is allocated directly to the General Fund rather than the fund that holds the investment on which the income was earned. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. The total

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

investment income from these funds that was allocated to the General Fund was \$4,108,000 for the year ended June 30, 2003.

Retirement Systems. Investments of the Pension Trust Funds are reported at fair value and include securities lending transactions. 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 are reported at estimated fair value. The fair value of real estate investments is based on independent appraisals. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned. Rental income is recognized as earned, net of expenses.

Investments in forward currency contracts are recorded commitments to purchase or sell stated amounts of foreign currency. The Retirement Systems utilized these contracts to hedge the currency risk of foreign investments. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair value of forward currency contracts is determined by quoted currency prices from national exchanges. As of June 30, 2003, total commitments in forward currency contracts to purchase and sell foreign currencies were \$183,615,000 and \$183,596,000, respectively, with market values of \$184,781,000 and \$185,388,000, respectively. The Retirement Systems' commitments relating to forward currency contracts will be settled on a net basis.

The municipal code permits the Retirement Systems to use investments of the plan to enter into securities lending transactions with their principal custodian banks (Custodians). These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The custodial agreements with the Retirement Systems' Custodians authorize such custodians to loan securities in the Retirement Systems' investment portfolio under such terms and conditions as the Custodians deem advisable and to permit the loaned securities to be transferred into the name of the borrowers. The Retirement Systems receive a fee from the borrower for the use of the loaned securities. If the loaned securities are not returned by the borrower, the Custodians are responsible for replacement of the loaned securities with other securities of the same issuer, class and denomination, or if such securities are not available on the open market, the Custodians are required to credit the Retirement Systems' accounts with the market value of such unreturned loaned securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the Retirement Systems or borrowers.

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

3. 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, 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.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

4. Inventory

Inventory of the proprietary funds is valued at the lower of cost (first-in/first-out) or market. In the governmental funds, inventory items are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Special Assessment Districts

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by deferred revenues in the governmental fund financial statements. The special assessment 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 hence the City's management believes 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 assessment bond laws of the state of California. A liability is recorded for the balance remaining until a final legal determination has been made.

6. Advances and Deposits

Amounts deposited in connection with eminent domain proceedings and special assessment surpluses are reported as advances and deposits. In the governmental fund statements noncurrent portions of these are offset equally by either a deferred credit or a fund balance reserve account that indicates they do not constitute expendable financial resources available for appropriation.

7. Other Assets

Other assets primarily consist of real properties acquired outright and/or through foreclosure in connection with the housing rehabilitation program. These assets are recorded at the lower of cost or estimated net realizable value.

8. Bond Issuance Costs; Original Issue Discounts and Premiums and Deferred Amounts on Refundings

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and are amortized over the term of the related debt. Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

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.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

9. *Capital Assets*

Capital assets, which 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 extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization. Buildings and improvements, infrastructure, and vehicles and equipment 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
Intangible assets	40 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 road, bridges, drainage systems, and lighting systems.

In addition, the beginning balance for the capital assets reported in the Municipal Water System enterprise fund was restated to record the book value of water delivery systems. At the end of fiscal year 2002, an analysis of donated assets was conducted that revealed past donations that had not been recorded. The analysis was concluded in fiscal year 2003 and include capital assets donated from developers in prior years. This is being treated as a prior period adjustment, and accordingly, the Municipal Water System fund's net assets, as of June 30, 2002, has been restated and increased by \$2,427,000.

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

Vested vacation, sick leave, compensatory time, and related benefits are accrued as appropriate. 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 enterprise funds, compensated absences are expensed when earned by employees. At year-end, accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate enterprise funds.

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Notes to Basic Financial Statements

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Vacation pay may be accumulated up to a total of 160 hours and carried forward for one year in most circumstances. Sick pay vests when a full-time employee reaches 15 years of service (20 years for police officers and firefighters) based on the following percentages, up to a maximum of 1,200 accumulated hours:

<u>Hours Accumulated</u>	<u>Amount Vested</u>
1 to 399	50%
400 to 799	60%
800 to 1,200	75%

The amount vested for police officers who have accumulated over 1,200 hours of sick leave and firefighters who have accumulated over 1,680 hours of sick leave is 100%, provided that the employee is a service retiree (nondisability) or died while on active service.

Management employees who have 15 years of service become vested for 75% of an additional 192 hours of sick leave above the 1,200 hour maximum, provided these hours were earned in the last 2 years of service.

Payments for vacation and compensatory time to regularly scheduled part-time employees who retire after 15 years of service are prorated accordingly.

11. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans and unsettled service transactions) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are 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.

12. Self-Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks. 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 are 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.

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13. *Net Assets/Fund Equity*

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category represents net assets that have 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.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2003, reservations of fund balance are described below:

- *Encumbrances* - to reflect the outstanding contractual obligations for which goods and services have not been received.
- *Noncurrent advances, loans, other assets, and cash commitments* - to reflect the portion of assets which are not available spendable resources.
- *Debt service* - to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations include:

- *Contingencies* - to reflect management's intent to expend certain funds for unanticipated needs.
- *Future projects and redevelopment activities* - to reflect management's intent to expend certain funds approved for capital projects in prior year's but not yet completed.

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The unreserved governmental fund balance designations at June 30, 2003 are composed of the following (in thousands):

	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	Nonmajor Funds	Total
Unreserved, designated for:						
Future projects	\$ 56,884	-	-	33,654	362,844	453,382
Contingencies	38,995	-	-	-	-	38,995
Redevelopment activities	-	17,222	-	-	-	17,222
Undesignated	67,856	-	(3,896)	-	-	63,960
Total fund balances, unreserved	\$ 163,735	17,222	(3,896)	33,654	362,844	573,559

14. Property Taxes

Property taxes are collected on behalf of and remitted to the City by Santa Clara County (the County). The amount of property tax levies 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) 50% on February 1 (April 10)	July 1 (August 31)

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. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

The City's net assessed valuation for the year ended June 30, 2003, was approximately \$86,648,560,000, an increase of approximately 6% over the previous year. The tax rate was approximately \$0.174 per \$100 of assessed valuation, which included the 1% basic levy and additional levies for Measure O general obligation bonds.

15. Wastewater Treatment System

The Wastewater Treatment System is an enterprise of the City and is comprised of the Water Pollution Control Plant (the Plant), South Bay Water Recycling, the Clean Water Financing Authority, and the San José Sewage Collection System.

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The Plant provides wastewater treatment services to the City of San José and to seven other sewage collection agencies. The Clean Water Financing Authority was established to provide financing for the capital programs of the Plant and the regional water reclamation program. 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 of San José serves as the administering agency and is responsible for operating and maintaining the Plant. The cities own an undivided interest in the Plant and 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. Such percentages are determined annually and applied to the capital and operating costs of the funds, determined on an accrual basis.

For the year ended June 30, 2003, the City's portion was approximately 80% and, based on operations through the year ended June 30, 2003, the City's interest in the net assets of the Plant is approximately 80%.

16. City of San José/Santa Clara County Joint Powers Authority

In 1994 the City of San José/Santa Clara County Joint Powers Authority (the JPA) was created by a Joint Exercise of Powers Agreement between the City and the County. The JPA was created for the purpose of administering and approving the use of certain sums of money to be paid by the Redevelopment Agency to the County. The JPA was terminated as of June 30, 2001, except to take whatever actions deemed necessary to implement the grants made by the JPA. All actions necessary to implement the grants have been accomplished and the JPA Agency Fund has been dissolved and is no longer reported in the City's fiduciary fund financial statements.

17. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets and liabilities, 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.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

There are three nonmajor governmental funds with a deficit balance at June 30, 2003. These deficits will be eliminated upon reimbursement of expenditures from the Redevelopment Agency, upon receipt of lease revenues, and upon receipt of financing proceeds. These funds and the related deficits are as follows (in thousands):

Nonmajor Governmental Funds

Fiber Optics Development	\$	2,362
City Hall Renovation		309
San José Financing Authority		28

CITY OF SAN JOSE, CALIFORNIA

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III. Detailed Notes on All Funds

A. Cash and Investments

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

The City Council adopted an investment policy on April 2, 1985, as amended on June 17, 2003, related to the City's cash and investment pool which is subject to annual review. The policy permits investments in obligations of the U.S. government, commercial paper of domestic corporations with assets in excess of \$500,000,000 and the highest ranking or with the highest letter and number rating as provided for by Standard and Poor's, Moody's Investors Service or Fitch, bankers' acceptances, negotiable certificates of deposit, insured time deposits, uninsured time deposits of City area banks rated "B" or better by Fitch, repurchase agreements, reverse repurchase agreements, money market mutual funds, the State of California Local Agency Investment Fund, and medium-term U.S. corporation notes. Guaranteed investment contracts may be used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures.

Reverse repurchase agreements under the City's investment 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.

No more than 5% of the total portfolio can be invested in instruments of any single institution other than securities issued by the U.S. government and its affiliated agencies.

The City has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the City's pooled cash and investments as of June 30, 2003, was approximately 12 months. If it becomes necessary or strategically prudent for the City to sell a security prior to maturity, the investment policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.

In order to protect against sudden declines in fair value, the investment policy requires that securities used as collateral for all repurchase agreements have a market value of no less than 102% of the face value of the securities. The City Treasurer monitors compliance with this policy daily.

The City's investment 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. Whenever a deviation from this policy is made, it must be reported to the City Manager and the City Council within one business day. No deviations from the City's policy occurred during fiscal 2003.

Other deposits and investments outside the City Treasury are invested pursuant to governing bond covenants, San José Municipal Code or California Government Code provisions. The following provides a brief description of the nature of these investments.

Pension Trust Funds. The Retirement Systems' funds are invested pursuant to policy guidelines established by the Retirement Systems' Boards. The objective of the 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

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diversified. As of June 30, 2003, the Retirement Systems had no investments in any one organization that represented 5% or more of plan net assets.

Other Investments. Other 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.

1. *Deposits and Investments*

Total City deposits and investments, at fair value, are as follows (in thousands of dollars):

	Governmental Activities	Business-type Activities	Fiduciary Funds			Carrying Value
			Private-Purpose Trust	Pension Trust	Agency	
Equity in pooled cash and investments	\$ 666,267	395,227	11	-	3,482	1,064,987
Other cash and investments	118,322	-	32	-	-	118,354
Restricted investments:						
Equity in pooled cash and investments	195,458	108,570	-	-	-	304,028
Other cash and investments	365,854	58,029	-	-	-	423,883
Investment in retirement plans	-	-	-	3,095,782	-	3,095,782
Total deposits and investments	\$ 1,345,901	561,826	43	3,095,782	3,482	5,007,034
Deposits						5,096
Investments						5,001,938
Total deposits and investments						\$ 5,007,034

The City entered into several repurchase agreements during the year ended June 30, 2003. However, at year-end, there were no outstanding, unfulfilled agreements.

2. *Deposits*

As of June 30, 2003, the carrying amount of the City's deposits was \$5,096,000, and the bank balance was \$54,102,000. The difference between the carrying amount and bank balance relates to outstanding checks and wire transfers issued against the general operating account. Of the bank balance, \$815,000 was covered by federal depository insurance and \$53,287,000 was uninsured. The uninsured deposits of \$53,287,000 are held by financial institutions which are legally required by the California Government Code to collateralize the City's deposits by pledging government securities or first trust deed mortgage notes. The market value of the pledged government securities and first trust deed mortgage notes 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.

3. *Investments*

The City's investments that are represented by specific identifiable investment securities are categorized by level of custodial credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligation). Category 1, the lowest risk, includes investments that are insured or registered or for which securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered with securities held by a counterparty's trust department or agent in the City's name. Category 3, the highest risk, includes investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the City's name. At June 30, 2003, the City does not hold any category 3 investments.

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Notes to Basic Financial Statements

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The City's investments by category as of June 30, 2003, are as follows (in thousands of dollars):

<u>Type of Investment</u>	<u>Category</u>		<u>Non Categorized</u>	<u>Carrying Value</u>
	<u>1</u>	<u>2</u>		
Pooled investments in the City Treasury:				
U.S. Treasury bills	\$ 928	-	-	928
U.S. Treasury notes and bonds	185,849	-	-	185,849
U.S. Government securities	811,496	-	-	811,496
Bankers' acceptances	73,358	-	-	73,358
Commercial paper	119,970	-	-	119,970
Money market mutual funds	-	-	1,201	1,201
Local agency investment fund	-	-	209,820	209,820
Total pooled investments in the City Treasury	<u>1,191,601</u>	<u>-</u>	<u>211,021</u>	<u>1,402,622</u>
Retirement Systems:				
U.S. Treasury notes and bonds:				
Not on securities loan	94,153	-	-	94,153
Loaned securities for non cash collateral	9,665	-	-	9,665
U.S. Government securities:				
Not on securities loan	322,159	-	-	322,159
Foreign government bonds	166,577	-	-	166,577
Domestic corporate bonds	330,700	-	-	330,700
Foreign corporate bonds	76,562	-	-	76,562
Domestic equity securities	898,019	-	-	898,019
Foreign equity securities	283,559	-	-	283,559
State and local obligations	6,084	-	-	6,084
Investments held by broker-dealer under securities loans for:				
U.S. Treasury notes and bonds	-	-	25,397	25,397
U.S. Government securities	-	-	3,291	3,291
Foreign government bonds	-	-	5,568	5,568
Domestic corporate bonds	-	-	18,009	18,009
Foreign corporate bonds	-	-	56,151	56,151
Foreign equity securities	-	-	10,515	10,515
Short-term foreign currency investments	-	-	607	607
Collective short-term investment fund	-	-	425,852	425,852
Real estate	-	-	239,516	239,516
Investments in lending agents' short-term investment pool	-	-	123,398	123,398
Total investments in retirement plans	<u>2,187,478</u>	<u>-</u>	<u>908,304</u>	<u>3,095,782</u>
Other funds:				
U.S. Treasury bills	-	2,318	-	2,318
U.S. Treasury notes and bonds	-	30,250	-	30,250
U.S. Government securities	-	73,744	-	73,744
Money market mutual funds	-	-	110,597	110,597
Guaranteed investment contracts	-	-	43,374	43,374
Investment in special assessment bonds	-	-	5,321	5,321
Local agency investment fund	-	-	237,930	237,930
Total other funds	<u>-</u>	<u>106,312</u>	<u>397,222</u>	<u>503,534</u>
Total investments	<u>\$ 3,379,079</u>	<u>106,312</u>	<u>1,516,547</u>	<u>5,001,938</u>

Included in "Restricted assets: Other investments" in the governmental funds are \$4,965,000 of the City's 1994 Consolidated Refunding Bond Series 24M with interest rates ranging from 5.59% to 6.00% and maturing in September 2007 and \$513,000 of the City's Seismic Resistance Improvement Series 24K Special Assessment Bonds with interest rates of 8.50% and maturing in

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Notes to Basic Financial Statements

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September 2013. The carrying amount of these two investments was \$5,321,000, including unamortized discount of \$157,000, as of June 30, 2003.

The Local Investment Advisory Board (Board) has oversight responsibility for the State of California's Local Agency Investment Fund (LAIF). The Board consists of five members as designated by state statute. The value of the pool shares in LAIF that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

As of June 30, 2003, the City's investment in LAIF is \$447,750,000. The total amount recorded by all public agencies in LAIF at that date is \$55,422,506,000. Of that amount, 98% is invested in non-derivative financial products and 2% in structured notes and asset backed securities.

In return for loaned securities, the Retirement Systems receives collateral in the form of cash or securities at 102% to 107% of the principal plus accrued interest for reinvestment. Securities lent at year-end for cash collateral are presented as noncategorized in the preceding categorization of the Retirement Systems' investments; securities lent for noncash collateral are classified according to the category of related collateral.

Securities lending collateral represents investments in a securities lending collateral investment pool purchased with cash collateral, as well as securities collateral which the Retirement Systems may pledge or sell without a borrower default. The Retirement Systems do not match the maturities of cash collateral with the securities on loan.

As of June 30, 2003, the underlying securities loaned out for the Retirement Systems as a whole amounted to approximately \$128,595,000. The cash collateral and the noncash collateral as a whole totaled approximately \$123,399,000 and \$10,024,000, respectively. The Retirement Systems have no exposure to credit risk related to the securities lending transactions as of June 30, 2003.

The collective short-term investment fund is used for overnight investment of all excess cash in the Retirement Systems' funds. It is invested by the Retirement System custodians, and held in the Retirement System custodians' names. This fund consists of:

- Short-term fixed obligations of the U.S. government or any federal agency, or of other issuers that are fully guaranteed by the U.S. government or a federal agency as to repayment of principal and the payment of interest;
- Repurchase agreements with major banks and U.S. government securities dealers that are collateralized by obligations of the U.S. government or a federal agency, or obligations fully guaranteed by the U.S. government or a federal agency; and
- Fully insured bank deposits.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

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B. Receivables, Net of Allowances

Receivables at year-end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (in thousands of dollars):

<u>Receivables – Governmental Activities:</u>	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>	<u>Special Assessment Districts</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Taxes	\$ 32,151	528	-	-	6,434	39,113
Accrued interest	2,335	801	1,212	266	4,580	9,194
Grants	3,919	-	1,143	-	11,544	16,606
Special assessments	-	-	-	80,563	-	80,563
Other	20,601	3,473	88	53	10,871	35,086
Less: allowance for uncollectibles	<u>(9,274)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(302)</u>	<u>(9,579)</u>
Total receivables, net	<u>\$ 49,732</u>	<u>4,802</u>	<u>2,443</u>	<u>80,879</u>	<u>33,127</u>	<u>170,983</u>

<u>Receivables – Business-Type Activities:</u>	<u>Norman Y. Mineta San José International Airport</u>	<u>Wastewater Treatment System</u>	<u>Municipal Water System</u>	<u>Parking System</u>	<u>Total Business-Type Activities</u>
Accounts	\$ 9,714	4,551	1,763	360	16,388
Accrued interest	1,503	2,054	161	133	3,851
Grants	1,749	530	-	-	2,279
Less: allowance for uncollectibles	<u>(352)</u>	<u>(327)</u>	<u>(12)</u>	<u>(8)</u>	<u>(699)</u>
Total receivables, net	<u>\$ 12,614</u>	<u>6,808</u>	<u>1,912</u>	<u>485</u>	<u>21,819</u>

C. Loans Receivable

The composition of the City's loans receivable as of June 30, 2003 is as follows (in thousands of dollars):

<u>Type of Loan</u>	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>
20% Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	4,559	355,928	-	360,487
Loans funded by federal grants	-	3,384	26,335	10,915	40,634
Loans related to Hayes Mansion	-	-	-	5,691	5,691
Economic development, real estate developer and other loans	4,147	28,358	86	3,570	36,161
Less: allowance	<u>-</u>	<u>(3,646)</u>	<u>(177,034)</u>	<u>(3,596)</u>	<u>(184,276)</u>
Total loans, net	<u>\$ 4,147</u>	<u>32,655</u>	<u>205,315</u>	<u>16,580</u>	<u>258,697</u>

California Community Redevelopment Law requires that at least 20% of the incremental tax revenues generated from redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this requirement, the City established its 20% Housing Program to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates.

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June 30, 2003

Typical loans and related terms are summarized as follows:

<u>Loan Type</u>	<u>Interest Rate</u>	<u>Due</u>
New construction	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
Take-out (first time homeowners)	4%	7 to 40 years
Home improvement	3 - 6%	1 to 30 years

Loans are secured by first, second, or third deeds of trust except for take-out loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for take-out loans, which do not require payments until their due date.

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 40 years. Generally, these loans are to be repaid through fixed payments or net cash flow from project operations, and the term and potential risk of each loan is different. Because of the net cash flow feature of these second mortgages, earnings and repayments are not as definite as with other loans receivable. There is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these second mortgage loans than on other loans.

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 with amortizing and 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 through charges to the allowance and any subsequent recoveries are added to 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 20% Housing Program loans receivable as of June 30, 2003.

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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, 2003. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2003, amounts committed to extend credit under normal lending agreements totaled approximately \$14,743,000.

D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the fiscal year ended June 30, 2003 (in thousands):

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Notes to Basic Financial Statements

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	Balance June 30, 2002, as restated	Additions	Deletions	Transfers	Balance June 30, 2003
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 477,564	44,093	47,060	6,132	480,729
Construction in progress	266,986	195,363	19,967	(86,117)	356,265
Total capital assets, not being depreciated	<u>744,550</u>	<u>239,456</u>	<u>67,027</u>	<u>(79,985)</u>	<u>836,994</u>
Capital assets, being depreciated:					
Buildings	480,362	498	-	45,605	526,465
Improvements, other than buildings	13,020	-	-	21,387	34,407
Infrastructure	10,961,385	17,037	-	12,993	10,991,415
Vehicles and equipment	86,009	3,454	2,470	-	86,993
Property under capital leases	13,379	-	-	-	13,379
Total capital assets, being depreciated	<u>11,554,155</u>	<u>20,989</u>	<u>2,470</u>	<u>79,985</u>	<u>11,652,659</u>
Less accumulated depreciation for:					
Buildings	136,900	14,117	-	-	151,017
Improvements, other than buildings	3,485	2,010	-	-	5,495
Infrastructure	3,531,687	295,602	-	-	3,827,289
Vehicles and equipment	58,143	9,170	2,283	-	65,030
Property under capital leases	10,438	311	-	-	10,749
Total accumulated depreciation	<u>3,740,653</u>	<u>321,210</u>	<u>2,283</u>	<u>-</u>	<u>4,059,580</u>
Total capital assets, being depreciated, net	<u>7,813,502</u>	<u>(300,221)</u>	<u>187</u>	<u>79,985</u>	<u>7,593,079</u>
Governmental activities capital assets, net	<u>\$ 8,558,052</u>	<u>(60,765)</u>	<u>67,214</u>	<u>-</u>	<u>8,430,073</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 103,710	13,501	-	-	117,211
Construction in progress	148,792	66,057	215	(128,186)	86,448
Total capital assets, not being depreciated	<u>252,502</u>	<u>79,558</u>	<u>215</u>	<u>(128,186)</u>	<u>203,659</u>
Capital assets, being depreciated:					
Buildings	506,302	425	53	52,166	558,840
Improvements, other than buildings	561,690	18,780	-	74,914	655,384
Vehicles and equipment	29,422	726	213	1,106	31,041
Intangible assets	15,150	38	-	-	15,188
Property under capital leases	13,406	-	-	-	13,406
Total capital assets, being depreciated	<u>1,125,970</u>	<u>19,969</u>	<u>266</u>	<u>128,186</u>	<u>1,273,859</u>
Less accumulated depreciation for:					
Buildings	218,724	16,809	43	-	235,490
Improvements, other than buildings	235,736	16,321	-	(276)	251,781
Vehicles and equipment	21,200	1,881	211	276	23,146
Intangible assets	5,622	339	-	-	5,961
Property under capital leases	7,395	483	-	-	7,878
Total accumulated depreciation	<u>488,677</u>	<u>35,833</u>	<u>254</u>	<u>-</u>	<u>524,256</u>
Total capital assets, being depreciated, net	<u>637,293</u>	<u>(15,864)</u>	<u>12</u>	<u>128,186</u>	<u>749,603</u>
Business-type activities capital assets, net	<u>\$ 889,795</u>	<u>63,694</u>	<u>227</u>	<u>-</u>	<u>953,262</u>

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

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2. Depreciation

Depreciation expense was charged to functions/programs of the City as follows (in thousands):

Governmental activities:

General government	\$	6,735
Public safety		1,137
Capital maintenance		297,105
Community services		16,218
Sanitation		<u>15</u>
Total depreciation expense - governmental activities	\$	<u><u>321,210</u></u>

Business-type activities:

Norman Y. Mineta San José International Airport	\$	16,026
Wastewater Treatment System		17,442
Municipal Water System		1,887
Parking System		<u>478</u>
Total depreciation expense - business-type activities	\$	<u><u>35,833</u></u>

3. Intangible Assets

Intangible assets consist primarily of the Airport's acquisition of certain habitational rights and navigation/relocation easements made in accordance with its land acquisition program under the California Noise Reduction Act. All costs associated with such acquisitions have been capitalized as intangible assets. Amortization of such intangible assets is calculated using the straight-line method over a 40 year estimated useful life.

4. Capitalized Interest

Interest costs that related to the acquisition of buildings and improvements and equipment acquired with tax-exempt debt are capitalized for business-type activities. The amount of interest to be capitalized is calculated by off-setting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. For the year ended June 30, 2003, the total amount of interest capitalized in the Airport Enterprise Fund, net of allowable interest earned of temporary investment proceeds, was \$5,469,000.

5. Construction Commitments

Commitments outstanding as of June 30, 2003, related to governmental and business-type activities construction in progress totaled approximately \$225,429,000 and \$65,811,000, respectively.

E. Leases

1. Governmental Activities

General Fund. In October 1991, the City entered into a 15-year agreement with the San José Arena Management Corporation (the Manager), an unrelated entity, regarding the management, operations, and maintenance of the San José Arena, and use of the San José Arena by the San José Sharks, a franchise of the National Hockey League. The Manager is required to pay the City an annual payment of \$500,000 in each of the first 6 years of the agreement. The annual payment

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

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increases by \$100,000 each year in years 7 through 10 and totals \$1,000,000 annually in years 11 through 15. Additionally, the City will receive a portion of luxury box suite revenue beginning in year 4 and may receive a portion of hockey ticket sales revenues in years 11 through 15. Fiscal year 2003 was year 10 of the lease for which the City received approximately \$900,000.

Lease Commitments. The City has commitments under various operating lease agreements for business equipment, office facilities and land necessary for City operations which expire at various dates through 2019. Various governmental funds include expenditures related to such lease agreements. The lease agreements are cancelable by the City at any time. Annual rent in fiscal 2003 for such operating leases for the General Fund and the Redevelopment Agency Fund was approximately \$7,981,000 and \$4,107,000, respectively. In addition, the City is party to a master equipment capital program and is authorized up to \$15,000,000 for various equipment and properties, the terms of which extend through the year 2005. The assets and related obligations for capital lease agreements are recorded in the government-wide financial statements.

The following is a schedule, by year, of future minimum rental payments required under several noncancelable operating and capital leases as of June 30, 2003 (in thousands):

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Fund</u>		<u>Redevelopment Agency</u>		
	<u>Operating</u> <u>Leases</u>	<u>Capital</u> <u>Leases</u>	<u>Minimum</u> <u>Payment</u> <u>Operating</u> <u>Leases</u>	<u>Income</u> <u>from</u> <u>Subleases</u>	<u>Net</u> <u>Minimum</u> <u>Payments</u>
2004	\$ 7,712	67	4,811	333	4,478
2005	6,534	17	3,565	156	3,409
2006	3,047	-	1,783	27	1,756
2007	358	-	804	-	804
2008	-	-	627	-	627
2009-2013	-	-	2,900	-	2,900
2014-2018	-	-	3,362	-	3,362
2019	-	-	734	-	734
Future minimum payments	<u>\$ 17,651</u>	84	<u>18,586</u>	<u>516</u>	<u>18,070</u>
Less interest		<u>(3)</u>			
Present value of future minimum payments		<u>\$ 81</u>			

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

2. *Business-Type Activities*

Lease Commitments. The Airport is served by 12 major commercial airlines under terms and conditions that provide the airlines with the right to use the Airport's facilities, equipment, improvements and services, and to occupy certain premises and facilities. Of these airlines, 9 operate under long-term lease agreements, while the 3 remaining airlines operate on a month-to-month basis. Such long-term lease agreements incorporate a "residual cost methodology," as called for under the Master Lease Agreements, whereby landing fees and terminal rents are set such that, over time, the Airport's total revenues equal total expenses, including debt service requirements and certain budgeted capital items, as well as estimated maintenance and operation expenses, but excluding depreciation.

As provided in the Master Lease Agreements, actual year-end surplus, as defined, can be used to lower or stabilize airline rates in future fiscal years. For the year ended June 30, 2003, the Airport's actual revenues exceeded its expenses and reserve requirements by approximately \$22,595,000. The surplus for 2003 will be credited to the airlines as a reduction of future rates and charges.

The Airport also enters into leases with concessionaires, airline carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. The terms of these operating leases range from 1 month to 35 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount.

The future minimum rentals to be received from the aforementioned operating leases as of June 30, 2003, are as follows (in thousands):

Fiscal Year Ending June 30,

2004	\$ 27,660
2005	23,676
2006	14,449
2007	14,035
2008	8,400
2009-2012	<u>45,634</u>
Future minimum lease rentals	<u>\$ 133,854</u>

These future minimum rentals are based upon annual rates and charges agreed to by the airlines and other tenants. In addition to the future minimum rentals disclosed above, the Airport expects to receive approximately \$4,106,000 from month-to-month rentals in fiscal 2004.

In June 1998, the Airport entered into an operating lease agreement for the rental of office space. The lease, which commenced on December 1, 1998, is for a period of seven years, with an option to extend for one additional period of three years. In November 2000, the operating lease agreement was amended to include additional office space. The amendment to the lease commenced on November 15, 2000 with the same terms as the original lease. In June 2003, the operating agreement was again amended to extend the term through December 2009. The amended agreement also decreased the rate for the current space and increased the leased space effective December 1, 2003. Rental expense for the year ended June 30, 2003, was approximately \$3,237,000.

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In July 2003, the Airport entered into a sublease agreement for the rental of additional office space. The lease commenced on August 1, 2003 and will expire on January 31, 2009.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Operating Leases</u>
2004	\$ 2,724
2005	2,781
2006	3,090
2007	2,901
2008	2,745
2009-2010	<u>4,572</u>
Total minimum lease payments	<u>\$ 18,813</u>

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 as of June 30, 2003 (in thousands):

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2003
Governmental Activities:							
City of San Jose:							
General Obligation bonds:							
Series 2001 (Libraries and Parks)	Community Facilities	\$ 71,000	06/01/2001	09/01/2031	4.25-5.13%	2.40	\$ 68,630
Series 2002 (Libraries, Parks, Public Safety)	Community Facilities	116,090	07/18/2002	09/01/2032	2.50-5.00%	3.87	<u>116,090</u>
							<u>184,720</u>
San Jose Financing Authority:							
Lease revenue bonds:							
Series 1993A (Taxable) (Comm. Facilities)	Community Facilities	8,620	02/01/1993	11/15/2003	8.125%	0.54	535
Series 1993B (Community Facilities)	Community Facilities	18,045	03/01/1993	11/15/2018	5.40-6.00%	0.53-1.11	11,715
Series 1993D (Central Service Yard)	City Facilities	24,875	10/15/1993	10/15/2023	4.90-5.40%	0.61-1.68	22,210
Series 1997A (Golf Course Project)	Community Facilities	6,875	07/01/1997	08/15/2027	5.30-5.60%	0.13-0.46	6,525
Series 1997B (Fire, Childcare, Library Land)	Community Facilities	9,805	07/01/1997	08/01/2012	4.25-4.875%	0.36-1.07	6,410
Series 2000B (Tuers-Capitol/Camden)	Golf Course/Refunding	22,635	08/08/2000	08/15/2030	4.70-5.50%	0.14-1.67	22,380
Series 2000C (Taxable) (Ice Centre)	Refunding	22,200	12/13/2000	12/01/2024	Variable	0.50-2.00	22,200
Series 2001B (Taxable) (Hayes Mansion)	Conference Center	24,000	02/14/2001	07/01/2024	Variable	0.10-2.20	24,000
Series 2001C (Taxable) (Hayes Mansion)	Conference Center	18,500	02/14/2001	07/01/2024	Variable	0.10-1.70	18,500
Series 2001D (Hayes Mansion)	Conference Center	10,800	02/14/2001	07/01/2026	Variable	1.80-4.60	10,800
Series 2001E (Communication Center)	Refunding	18,610	03/01/2001	05/10/2010	3.50-5.00%	1.72-4.04	15,440
Series 2002B (Civic Center Project)	Civic Center	292,425	11/14/2002	06/01/2037	3.00-5.25%	0.14-33.45	292,425
Series 2002C (Civic Center Project)	Civic Center	60,000	11/14/2002	06/01/2039	3.125-5.00%	17.10-21.79	60,000
Series 2002D (Civic Center Project)	Civic Center	60,000	11/14/2002	06/01/2039	5.00%	17.10-21.78	<u>60,000</u>
							<u>573,140</u>
Reassessment revenue bonds:							
Series 1994A	Consolidated Refunding	16,680	06/23/1994	09/02/2005	5.40%	0.28-1.40	2,815
Series 1994B (Subordinate)	Consolidated Refunding	8,035	06/23/1994	09/02/2007	6.00%	0.18-0.62	<u>2,145</u>
							<u>4,960</u>
Special Assessment bonds with limited governmental commitment:							
Special Assessment bonds:							
Series 23N (Senter Road-Wool Creek)	Public Infrastructure	4,000	06/15/1984	07/02/2004	10.60%	0.17	165
Series 24C (Evergreen Creek)	Public Infrastructure	1,080	09/07/1988	09/02/2009	8.10-8.20%	0.07-0.10	570
Series 24H (Hellyer-Fontanoso)	Refunding	8,560	04/15/1992	09/02/2004	7.00%	0.96-1.04	1,995
Series 24J (Consolidated Refunding)	Consolidated Refunding	11,435	06/08/1993	09/02/2007	5.20%	0.14-0.67	1,515
Series 24K (Seismic Retrofit)	Seismic Retrofit	823	06/29/1993	09/02/2013	8.50%	0.03-0.07	513
Series 24M (Consolidated Refunding)	Consolidated Refunding	22,240	06/01/1994	09/02/2007	5.58-6.00%	0.39-2.03	4,965
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	06/02/2001	09/02/2023	4.80-5.88%	0.77-2.14	27,595
Series 24R (2002 Consolidated Refunding)	Consolidated Refunding	13,940	07/03/2002	09/02/2015	1.70-4.375%	0.89-1.25	13,920
Special tax bonds:							
CFD #1 (Capitol Expressway Auto Mall)	Public Infrastructure	4,100	11/01/1997	11/01/2022	4.70-5.70%	0.11-0.30	3,710
CFD #6 (Great Oaks-Route 85)	Public Infrastructure	12,200	12/18/2001	09/01/2023	4.50-6.00%	0.37-0.97	12,200
CFD No. 9 (Bailey/Highway 101)	Public Infrastructure	13,560	02/13/2003	09/01/2032	2.00-6.65%	0.21-0.95	<u>13,560</u>
							<u>80,708</u>

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June 30, 2003

Governmental Activities (continued):	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2003
Redevelopment Agency:							
Revenue bonds:							
Series 1996A (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.70-2.00	29,500
Series 1996B (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.70-2.00	29,500
San Jose Financing Authority Revenue Bonds:							
Series 2001A (4th & San Fernando)	Parking Facility	48,675	04/10/2001	09/01/2026	3.80-5.25%	1.18-3.21	47,545
Series 2001F (Convention Center)	Refunding	186,150	07/01/2001	09/01/2022	4.00-5.00%	4.05-14.73	185,440
							<u>291,985</u>
HUD Section 108 Loans	Redevelopment Projects	Various	Various	Various	Variable	0.20-0.50	4,315
Tax allocation bonds:							
Series 1993 (Merged Area)	Advance Refundings	692,075	12/01/1993	02/01/2024	4.75-6.00%	14.18-42.41	576,400
Series 1997 (Merged Area)	Redevelopment Projects	106,000	03/27/1997	08/01/2028	5.375-5.625%	0.16-8.49	95,725
Series 1998 (Merged Area)	Redevelopment Projects	175,000	03/19/1998	08/01/2029	5.00-5.25%	1.18-31.35	170,720
Series 1999 (Merged Area)	Redevelopment Projects	240,000	01/06/1999	08/01/2031	4.75-5.00%	3.72-23.60	229,705
Series 2002 (Merged Area)	Redevelopment Projects	350,000	01/24/2002	08/01/2032	3.00-5.00%	6.93-29.89	350,000
Housing Set-Aside tax allocation bonds:							
Series 1993A (Merged Area)	Affordable Housing	27,445	02/01/1993	08/01/2009	8.125%	1.49-2.60	14,430
Series 1993B (Merged Area)	Affordable Housing	7,555	03/01/1993	08/01/2011	5.75%	1.34-3.20	7,555
Series 1993C (Merged Area)	Affordable Housing	24,475	12/01/1993	08/01/2021	7.00-7.60%	0.75-1.52	19,615
Series 1993D (Merged Area)	Affordable Housing	10,525	12/02/1997	08/01/2024	5.75%	0.88-2.36	10,525
Series 1997E (Merged Area)	Affordable Housing	17,045	06/21/1997	08/01/2027	5.75-5.85%	0.34-3.67	17,045
Series 2000F (Merged Area)	Affordable Housing	44,205	12/13/2000	08/01/2030	7.70-7.80%	1.11-4.24	44,205
Series 2002G (Merged Area)	Affordable Housing	35,000	05/29/2002	08/01/2029	Variable	1.00-3.40	35,000
Series 2002H (Merged Area)	Affordable Housing	35,000	05/29/2002	08/01/2029	Variable	1.00-3.40	35,000
							<u>1,605,925</u>
Total governmental activities - bonds and loans payable							<u>\$2,745,753</u>
Business-type Activities:							
Norman Y. Mineta San Jose International Airport:							
Revenue bonds:							
Series 1994	Refunding	19,345	01/25/1994	03/01/2007	5.875%	1.71-1.83	\$ 7,085
Series 1998A	Refunding	14,015	01/01/1998	03/01/2018	4.125-4.75%	0.55-1.09	11,685
Series 2001A	Runway Construction	158,455	08/14/2001	03/01/2031	3.00-5.25%	3.02-10.06	158,455
Series 2002A	Refunding	53,600	01/09/2003	03/01/2018	5.00-5.375%	4.46-9.29	53,600
Series 2002B	Refunding	37,945	01/09/2003	03/01/2012	3.00-5.00%	1.00-6.55	37,945
							<u>268,770</u>
Clean Water Financing Authority:							
Revenue bonds:							
Series 1995A	Wastewater Facilities	68,820	11/01/1995	11/15/2020	4.60%-5.375%	1.70-8.38	68,820
Series 1995B	Wastewater Facilities	26,700	11/30/1995	11/15/2011	Variable Rate	3.90-5.00	26,700
Series 1995C	Refunding	12,230	11/01/1995	11/15/2004	4.60-4.70%	1.84-1.93	3,765
							<u>99,285</u>
State of California - Revolving Fund Loan	Wastewater Facilities	73,566	Various	Various	Various	3.00	59,479
Total business-type activities - bonds and loan payable							<u>\$ 427,534</u>

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

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2. 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.

3. Legal Debt Limit and Margin

The City's legal debt limit and debt margin (as defined by Section 1216 of the City Charter) as of June 30, 2003, are approximately \$13,295,140,000 and \$13,110,420,000, respectively. In accordance with the California Community Redevelopment Law, the Redevelopment Agency establishes its own legal debt limit, based primarily on the aggregate of all future projected tax increment revenues from existing redevelopment areas. The amount of the Redevelopment Agency's legal debt limit as of June 30, 2003, is approximately \$7,600,000,000.

4. 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 rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings. Liabilities were calculated for the issues listed above. However, the five-year reporting period has not yet occurred and therefore the amount calculated has been recorded as a liability to the IRS. The rebate amounts are recorded as liabilities in the Wastewater Treatment System fund in the amount of \$77,000 and in the Governmental Activities column of the government-wide statements in the amount of \$163,000.

5. Defeasance of Prior Years' Debt Issues

In December 1993, the Agency issued \$692,075,000 in 1993 Merged Area Refunding Tax Allocation Bonds (1993 Merged Bonds) to advance refund \$434,790,000 of the Agency's outstanding 1986, 1989, 1991, and 1992 Merged Area Redevelopment Project Tax Allocation Bonds and Short-term Commercial Paper, and to provide additional proceeds to finance various redevelopment projects in the Merged Project Area. Net proceeds of the refunding bonds were placed in an irrevocable trust to provide future debt service payments on the refunded tax allocation bonds, resulting in a defeasance. In August 2002, the 1992 Merged Area Redevelopment Project Tax Allocation Bonds considered defeased were paid in full.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

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6. Special Assessment Bonds with Limited City Commitment

Except for \$165,000 of Improvement District Bonds, Series 23N, for which the City has a limited obligation, all obligations of the City under the Special Assessment Bonds are not considered general obligations of the City, but are considered limited obligations, payable solely from the assessments and from the funds pledged therefore under the Paying Agent Agreement. Neither the faith and credit nor the taxing power of the City, or any political subdivision thereof, is pledged to the payment of the bonds. Notwithstanding any other provision of the Paying Agent Agreement, the City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund; provided, however, the City is not prevented, in its sole discretion, from so advancing funds. As of June 30, 2003, the City has recorded approximately \$80,563,000 of deferred revenue and related special assessments receivables in the Special Assessments Fund. These balances consist primarily of property tax assessments to be collected in the future by the County for the City for debt service.

As of June 30, 2003, there are assessment surpluses of approximately \$2,294,000 that have been declared by the City Council. These are included in advances and deposits on the accompanying statement of net assets and governmental funds balance sheet. Such surpluses will be used to correct construction deficiencies or be returned to the assessment district property owners.

7. Conduit Debt

The City has outstanding approximately \$492,255,000 of tax exempt multifamily housing revenue bonds due through March 2039. Multifamily housing revenue bonds were issued to provide funds for secured loans to builders of multifamily housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with Internal Revenue Service requirements, the owner is required to set aside 20% of all units built for low-income households. The bonds are payable solely from payments made on the related secured loans.

In August 1997, the Redevelopment Agency served as the conduit issuer of \$10,595,000 in Multifamily Housing Revenue Bonds in order to provide funds for a mortgage loan to finance a multifamily rental housing project in the Japantown Redevelopment Project Area. The Redevelopment Agency has no obligation for these bonds as they are secured primarily by fully modified pass-through mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association. The bonds were issued for the purpose of expanding the community's supply of low to moderate-income housing, and to construct a community center and retail space. The loan is secured on a nonrecourse basis, and is insured by the Federal Housing Authority pursuant to and in accordance with the provisions of Section 221(d)(4) of the National Housing Act and applicable regulations thereunder. At June 30, 2003, the outstanding balance was \$10,318,000.

In April 1998, the Redevelopment Agency served as the conduit issuer of \$38,000,000 in Multifamily Housing Revenue Bonds in order to provide funds for a mortgage loan to finance the acquisition and construction of a multifamily residential project in the Century Center Redevelopment Project Area. The Redevelopment Agency has no obligation for these bonds as they will be payable solely

from and secured, to the extent and as provided in the indenture, by a pledge of certain revenues and other amounts to be received by the Redevelopment Agency under the Loan Agreement. The borrower, a developer, has arranged for an initial irrevocable direct pay letter of credit to be issued in favor of the trustee. As of June 30, 2003, there has been no principal retirement.

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In the opinion of the City's officials, these bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the state, or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

8. Summary of Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2003, are as follows (in thousands):

	June 30, 2002	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2003	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	\$ 71,000	116,090	(2,370)	184,720	6,240
San Jose Financing Authority					
Lease and Reassessment revenue bonds	201,483	412,425	(38,410)	575,498	6,471
Certificate of Participation	1,080	-	(1,080)	-	-
Special Assessment bonds with					
limited governmental commitment	95,436	27,500	(42,393)	80,543	5,876
Add current amounts reported in					
the Special Assessment fund	660	-	(495)	165	165
Redevelopment Agency					
Revenue bonds	295,905	-	(3,920)	291,985	5,225
HUD Section 108 notes payable	4,490	-	(175)	4,315	190
Tax allocation bonds	1,628,780	-	(22,855)	1,605,925	30,900
Less deferred amounts:					
For refunding	(3,527)	-	175	(3,352)	(175)
For issuance premiums	3,552	7,033	(320)	10,265	388
For issuance discounts	(189)	(3,778)	69	(3,898)	(116)
Total long-term debt payable	2,298,670	559,270	(111,774)	2,746,166	55,164
Accreted interest on capital appreciation bonds	2,276	326	-	2,602	-
Obligations under capital lease	2,178	-	(2,097)	81	65
Arbitrage liability	2,025	-	(1,862)	163	-
Accrued vacation, sick leave and compensatory time	69,598	39,568	(34,389)	74,777	34,000
Accrued landfill postclosure costs	12,090	-	(465)	11,625	465
Estimated liability for self-insurance	92,310	34,547	(19,723)	107,134	20,000
Net pension obligation	3,148	252	(223)	3,177	225
Governmental activity long-term obligations	\$ 2,482,295	633,963	(170,533)	2,945,725	109,919

CITY OF SAN JOSE, CALIFORNIA

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Debt service payments are made from various sources. General Obligation bonds debt service payments are made from property taxes recorded in the Nonmajor Governmental Funds. Lease Revenue Bonds debt service payments are made from lease rental revenue from "lessee" departments in the General Fund and Nonmajor Funds. Assessment and Reassessment Bonds debt service payments are made from property tax assessments and reassessments recorded in the Special Assessments Fund. Tax Allocation Bonds and Redevelopment Agency Revenue Bonds debt service payments are made from tax increment revenue recorded in the Redevelopment Agency Fund. Other Long-Term Obligations payments are primarily made from general revenue recorded in the General Fund.

		Additional	Current		
	June 30,	Obligations	Maturities,	June 30,	Amounts
	2002	and Net	Retirements,	2003	Due Within
	<u>2002</u>	<u>Increases</u>	<u>and Net</u>	<u>2003</u>	<u>One Year</u>
		<u>Decreases</u>			
Business-Type Activities:					
Norman Y. Mineta San Jose International Airport:					
Revenue bonds	\$ 282,485	91,545	(105,260)	268,770	6,270
Less deferred amounts:					
For refunding	(532)	(7,251)	452	(7,331)	(879)
For issuance premiums	-	6,088	-	6,088	97
For issuance discounts	(4,165)	-	2,751	(1,414)	(38)
Commercial paper notes	3,854	2,804	-	6,658	6,658
Clean Water Financing Authority:					
Revenue bonds	104,960	-	(5,675)	99,285	3,540
Less deferred amounts:					
For refunding	(390)	-	246	(144)	-
For issuance premiums	2	-	(2)	-	-
For issuance discounts	(1,642)	-	96	(1,546)	-
State of California - Revolving Fund Loan	62,798	-	(3,319)	59,479	3,414
Obligations under capital lease	5	-	(5)	-	-
Accrued vacation, sick leave and compensatory time	5,715	3,516	(3,216)	6,015	6,015
Estimated liability for self-insurance	4,690	2,415	(1,847)	5,258	2,020
Business-type long-term obligations	<u>\$ 457,780</u>	<u>99,117</u>	<u>(115,779)</u>	<u>441,118</u>	<u>27,097</u>

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in their respective enterprise funds.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

9. Annual Requirements to Maturity

The annual requirements to amortize all bonds, notes, and certificates of participation outstanding as of June 30, 2003, are as follows (in thousands):

Fiscal Year Ending June 30,	Governmental Activities				
	General Obligation		Lease Revenue		
	Bonds		Bonds ⁽¹⁾		
	Principal	Interest	Principal	Accreted Interest	Interest
2004	\$ 6,240	8,476	6,471	229	25,207
2005	6,240	8,251	6,342	378	24,928
2006	6,240	8,025	5,184	406	24,701
2007	6,240	7,800	5,712	433	24,494
2008	6,240	7,555	5,457	458	24,292
2009-2013	31,195	33,788	29,957	2,598	118,139
2014-2018	31,175	26,700	46,805	-	112,355
2019-2023	31,175	19,040	74,390	-	101,409
2024-2028	31,175	11,190	90,675	-	85,212
2029-2033	28,800	3,386	95,530	-	64,885
2034-2038	-	-	166,730	-	35,660
2039-2043	-	-	42,245	-	1,964
Total	\$ 184,720	134,211	575,498	4,502	643,246

Fiscal Year Ending June 30,	Governmental Activities			
	Special Assessment Bonds			
	With Limited Government		Redevelopment	
	Commitment		Agency ⁽¹⁾	
Principal	Interest	Principal	Interest	
2004	\$ 6,041	4,121	36,315	91,951
2005	5,594	3,790	39,670	90,240
2006	3,378	3,581	41,745	88,407
2007	3,256	3,439	43,970	86,334
2008	3,410	3,292	46,695	84,016
2009-2013	15,847	14,343	277,705	380,868
2014-2018	16,232	10,247	361,305	302,402
2019-2023	16,660	5,870	444,990	202,784
2024-2028	6,120	2,002	388,940	99,609
2029-2033	4,170	729	220,890	23,321
Total	\$ 80,708	51,414	1,902,225	1,449,932

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

Fiscal Year Ending June 30,	Business-Type Activities					
	Airport		Wastewater Treatment System ⁽¹⁾			
	Revenue		Revenue		Loans	
	Bonds		Bonds		Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 6,270	13,093	3,540	3,958	3,380	1,084
2005	8,615	12,849	3,710	3,789	3,441	1,022
2006	8,975	12,492	3,890	3,609	3,504	960
2007	9,365	12,105	3,900	3,498	3,568	896
2008	9,745	11,729	4,100	3,464	3,633	831
2009-2013	55,730	51,648	24,165	16,620	19,184	3,136
2014-2018	70,935	36,440	32,125	10,910	20,997	1,322
2019-2023	30,895	21,888	23,855	1,969	1,772	32
2024-2028	39,490	13,303	-	-	-	-
2029-2033	28,750	2,922	-	-	-	-
Total	\$ 268,770	188,469	99,285	47,817	59,479	9,283

(1) The following series of bonds are issued as Variable Rate Bonds. Each series may be set at different interest rate calculation modes, including daily, weekly, monthly, and fixed rates. On June 30, 2003, all the variable rate bonds were set in weekly mode at the following rates. Lease Revenue Bonds: Series 2000C (1.05%), Series 2001B (1.03%), Series 2001C (1.05%), Series 2001D (0.95%). Redevelopment Agency Revenue Bonds: Series 1996A (1.00%), Series 1996B (0.95%). Redevelopment Agency Housing Set-Aside Tax Allocation Bonds: Series 2002G (1.05%), Series 2002H (1.05%). Clean Water Financing Authority Revenue Bonds: Series 1995B (0.85%). Interest on the HUD Section 108 loans interest rate is 1.48%.

For governmental and business-type activities, the specific year for payment of estimated liabilities for accrued vacation, sick leave and compensatory time, accrued landfill postclosure cost, estimated liability for self-insurance and for the net pension obligation is not practicable to determine.

10. New Debt Issuances and Unused Authorizations

Governmental Activities

Civic Center Project Bond Anticipation Notes. On July 2, 2002, the Authority issued \$85,000,000 of lease revenue bond anticipation notes ("BANs"). The BANs proceeds were used to: (1) repay the Redevelopment Agency for land acquisition and site preparation costs for the Civic Center Plaza and the related off-site Parking Facility sites; (2) fund additional land acquisition; (3) fund initial construction costs of the new City Hall and off-site Parking Facility; and (4) pay the costs of issuing the BANs. The yield on the BANs was 1.32%, and they had a final maturity date of December 12, 2002. The BANs were redeemed with the proceeds of the Authority's Lease Revenue Bonds, Series 2002C and Series 2002D (Civic Center Project), which were issued on November 14, 2002.

Consolidated Assessment District Refunding. On July 3, 2002, the City issued \$13,940,000 of

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Series 24R limited obligation refunding bonds (the "Refunding Bonds") to refund prior bonds issued for three improvement districts and one reassessment district: (1) Series 23W, Improvement District No. 85-193SJ (Blossom Hill-Coniston); (2) Series 24G, Improvement District No. 91-207SJ (Senter-Burke); (3) Series 24L, Improvement District No. 93-213SJ (Capitol-Copperfield); and (4) Series 24P, Reassessment District No. 98-216SJ (Silver Creek 1998 Refunding) (collectively, the "Refunded Bonds"). The Consolidated Refunding benefited property owners in the four districts by reducing their assessments, and benefited the City by removing some of the more cumbersome administrative tasks required as a result of contingent liens related to the Silver Creek Development. The Refunding Bonds are secured by unpaid assessments levied on property within Reassessment District No. 02-219SJ, bear interest at fixed rates ranging from 1.70% to 4.375%, and have a final maturity date of September 2, 2015.

A refunding escrow, in the amount of \$27,143,000, was funded from a combination of Refunding Bonds net proceeds, Refunded Bonds debt service and reserve funds, and proceeds of contingent assessments. The refunding escrow provided for the principal, call premium and accrued interest through the date of redemption for each series of Refunded Bonds. The Refunded Bonds were redeemed on September 2, 2002, and have been removed from the City's basic financial statements.

The refunding achieved economic savings for the property owners within Reassessment District No. 02-219SJ approximately in the following amounts (in thousands):

	Series 23W ID 85-193SJ (Blossom Hill-Coniston)	Series 24G ID 91-207SJ (Senter- Burke)	Series 24L ID 93-213SJ (Capitol- Copperfield)	Series 24P ID 98-216SJ (Silver Creek)
Aggregate Debt Service Savings (net of available funds)	\$12	\$102	\$440	\$4,853
Net Present Value (NPV) Debt Service Savings	\$5	\$41	\$274	\$1,279
NPV Savings as a % of Refunded Principal	3.62%	12.10%	10.52%	6.03%

Libraries, Parks and Public Safety Projects General Obligation Bonds. The City issued \$116,090,000 of Series 2002 general obligation bonds on July 18, 2002. The proceeds were used to fund \$30,000,000 for library projects, \$46,715,000 for neighborhood parks and recreation projects, and \$39,375,000 for public safety projects. The Series 2002 bonds bear interest at fixed rates ranging from 2.50% to 5.10%, and have a final maturity date of September 1, 2032.

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and parks. As of June 30, 2003, the City has issued \$187,090,000 in general obligation bonds for governmental activities of which \$184,720,000 is still outstanding. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2003, follows (in thousands):

	Libraries	Parks	Public Safety	Total
Authorized and unissued as of June 30, 2002	\$ 180,790	188,030	159,000	527,820
New authorizations:				
Public safety projects	(30,000)	(46,715)	(39,375)	(116,090)
Net authorized and unused as of June 30, 2003	\$ 150,790	141,315	119,625	411,730

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Civic Center Project Bonds. On November 14, 2002, the Authority issued \$292,425,000 of Series 2002B, \$60,000,000 of Series 2002C, and \$60,000,000 of Series 2002D lease revenue bonds (the "2002 Bonds"). The proceeds of the 2002 Bonds were used to: (1) finance the cost of acquisition and construction of the new city hall facility; (2) redeem the Series 2002A (Civic Center Project) BANs when they matured on December 12, 2002; (3) refund the Series 2000A (Civic Center-Phase I) variable rate lease revenue bonds; and (4) fund costs of issuance, capitalized interest and a debt service reserve fund. The Series 2002B bonds bear interest at fixed rates ranging from 3.00% to 5.25%, and have a final maturity date of June 1, 2037. The Series 2002C and Series 2002D bonds bear interest at long rate yielding 3.25% through the initial period until June 1, 2006. At the end of the long period the Series 2002C and Series 2002D Bonds will convert to weekly variable rate demand bonds.

A redemption account for the Series 2000A variable rate lease revenue bonds, in the amount of \$31,567,000, was funded from a combination of Series 2002B Bonds net proceeds and a portion of the remaining proceeds of the Series 2000A Bonds. The Series 2000A Bonds were redeemed on December 2, 2002, and have been removed from the City's basic financial statements.

The refunding of the Series 2000A Bonds allowed the City to release the existing city hall facility as an asset pledged to the financing and replace it with the asset being financed, the new city hall facility.

Community Facilities District No. 9 (Bailey/Highway 101). On February 13, 2003, the City issued \$13,560,000 of special tax bonds (the "Refunding Bonds") to fund a portion of interchange costs and refund the outstanding assessment district bonds, Series 24DA, Improvement District No. 89-205SJ (Bailey-Santa Teresa) (the "Refunded Bonds"). The bonds are secured by special tax revenues paid by the owners of taxable parcels in Community Facilities District No. 9 ("CFD No. 9"). The CFD No. 9 bonds bear interest at fixed rates ranging from 2.00% to 6.65%, and have a final maturity date of September 1, 2032.

A refunding escrow, in the amount of \$11,743,000, was funded from a combination of Refunding Bonds net proceeds, remaining proceeds of the Refunded Bonds, and special tax revenues. The refunding escrow provided for the principal, call premium and accrued interest through the date of redemption for the Refunded Bonds. The Refunded Bonds were redeemed on March 2, 2003, and have been removed from the City's basic financial statements.

The refunding allowed the property owners in CFD No. 9 to extend the term of their debt service payments by seventeen years, resulting in annual debt service reductions of approximately \$535,000 during what would have been the remaining life of the Refunded Bonds. The increase in aggregate debt service resulting from the refunding is approximately \$8,174,000 net of available funds, or approximately \$78,000 on a present value basis, which is 0.71% of the refunded principal.

Business-Type Activities

Airport Refunding Bonds. The City issued \$53,600,000 of Series 2002A and \$37,945,000 of Series 2002B airport revenue refunding bonds on January 9, 2003. Bond proceeds were used to refund a portion of the City's Airport Revenue Bonds, Series of 1992, and the City's Airport Revenue Bonds, Series of 1993 (together, the "Refunded Bonds"). The Series 2002A Bonds bear interest at fixed rates ranging from 4.00% to 5.375%, and have a final maturity date of March 1, 2018. The Series 2002B Bonds bear interest at fixed rates ranging from 3.00% to 5.00%, and have a final maturity date of March 1, 2012.

A refunding escrow, in the amount of \$102,458,000, was funded from a combination of Refunding

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Bonds net proceeds, cash remaining in the debt service and reserve funds of the Refunded Bonds, and commercial paper proceeds. The refunding escrow provided for the principal, call premium and accrued interest through the date of redemption for each series of Refunded Bonds. The Refunded Bonds were redeemed on March 1, 2003, and have been removed from the City's basic financial statements.

The refunding achieved approximately \$4,202,000 in aggregate debt service savings net of available funds, or \$6,266,000 on a present value basis, which is 6.4% of the refunded principal.

Commercial Paper Notes Payable. On November 2, 1999, the City Council adopted a resolution authorizing the issuance of City of San José, San José International Airport subordinated commercial paper notes in several series in an amount not to exceed \$100,000,000. The commercial paper program was established to provide an interim source of financing for the initial capital projects in the Airport Master Plan until a permanent financing plan was finalized and implemented. Subsequently, on November 19, 2002, the City Council authorized use of the commercial paper program to fund costs associated with the Airport's Series 2002A Revenue Refunding Bonds, and on April 1, 2003, the City Council authorized use of the commercial paper program to fund costs associated with implementation of the requirements under the federal Aviation and Transportation Security Act (ATSA).

Under this program, the Airport is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. The commercial paper is secured by a subordinate pledge of the Airport's revenues and additionally secured by a letter of credit provided by JPMorgan Chase Bank.

On June 30, 2003, \$1,200,000 of Series B (subject to alternative minimum tax) commercial paper notes were outstanding at an interest rate of 1.15%, and \$5,458,000 of Series C (taxable) commercial paper notes were outstanding at an interest rate of 1.10%.

11. Landfill Postclosure Costs

The City has five closed landfills for which postclosure and monitoring services may be required for approximately a 30 year period which began in fiscal year 1996, coinciding with the closure of the last landfill. An estimated liability of \$11,625,000 related to the closed landfills is recorded in the government-wide financial statements as of June 30, 2003. The City's Environmental Compliance Officer performs an annual evaluation of the aforementioned 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.

12. Estimated Liability for Self-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. The City maintains an all-risk property policy where the maximum total liability in a single occurrence for all coverage combined will not exceed \$500,000,000, with a single occurrence deductible of \$100,000 for property damage and time element combined. This policy also provides coverage for loss due to flood in the amount of \$100,000,000 and loss due to earthquake in the amount of \$5,000,000. The City has an airport liability policy covering the Airport, which provides a limit of \$200,000,000 per occurrence with an annual deductible of \$100,000 per occurrence. During the past three years there have been no instances of the amount of claim settlements exceeding insurance coverage. Reinsurance capacity in the market has decreased significantly which has resulted in a dramatic increase in reinsurance rates with more restrictive coverage. As a consequence the City lowered the all-risk property policy liability limit to \$500,000,000 from \$1,000,000,000 because the costs

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were not considered to be economically justifiable.

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Claims expenditures/expenses and liabilities are reported as appropriate when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques. This represents the City's best estimate based upon available information. Changes in the reported liability since July 1, 2000, resulted from the following (in thousands):

Liability as of July 1, 2001	\$	68,776
Claims and changes in estimates during 2002		43,416
Claims payments		<u>(15,192)</u>
Liability as of June 30, 2002		97,000
Claims and changes in estimates during 2003		36,998
Claims payments		<u>(21,606)</u>
Liability as of June 30, 2003	\$	<u><u>112,392</u></u>

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2003. The City Attorney and the City's Risk Manager 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 has included a provision for losses in its claims liability for loss contingencies that are both probable and can be reasonably estimated.

13. Net Pension Obligation

The City determined the net pension obligation at transition (July 1, 1997) amounted to \$2,300,000 for the Federated Employees' Retirement System (the System) in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The methods and assumptions that apply for the calculation of the net pension obligation are those that are used for amortizing actuarial experience gains and losses in determining the City's contribution rates. The System's amortization factors incorporate the use of an investment return rate of 8% and an inflation rate of 5%, with an amortization period of 26 years as a level percentage of projected payroll on an open basis, resulting in an amortization factor of 14.09 for fiscal 2003 (see note IV).

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G. Interfund Transactions

The composition of interfund balances as of June 30, 2003, with explanations of significant transactions, is as follows (in thousands):

1. Due from/Due to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency	\$ 242 (1)
	Nonmajor Governmental Funds	1,824 (2)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	19,339 (3)
	Civic Center Fund	4,238 (4)
	Redevelopment Agency	4,936 (5)
Redevelopment Agency	General Fund	919 (6)
	Nonmajor Governmental Funds	8,397 (7)
	Housing Activities	12,635 (8)
Wastewater Treatment System	Nonmajor Governmental Funds	<u>2,400 (9)</u>
		<u>\$ 54,930</u>

- (1) Reflects amounts accrued for interest and discounts.
- (2) Accrual of gas tax transfers from the Gas Tax Funds and construction and conveyance tax transfers.
- (3) Short-term borrowings for working capital.
- (4) Short-term borrowings for working capital.
- (5) Reimbursement for fees incurred under the Parkland In-lieu Fee Low-income Unit Voucher Program.
- (6) Accrue interest receivable from pooled cash funds.
- (7) Accrue reimbursement of new civic plaza land acquisition and 4th Street Parking Garage project.
- (8) Funding for housing activities.
- (9) Short-term loan for the current City Hall Renovation project.

2. Advances to/Advances from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 3,810 (1)
Redevelopment Agency	Housing Activities	580 (2)
Wastewater Treatment System	Nonmajor Governmental Funds	4,527 (3)
	Municipal Water System	<u>5,662 (4)</u>
		<u>\$ 14,579</u>

- (1) Loans to support City owned golf course operations until they are self supporting.
- (2) Discounted loan to the YMCA Villa Nueva Housing project.
- (3) Long-term loans to the Fiber Optics and sewer extension projects.
- (4) Long-term loan for the North Coyote Valley Water project.

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3. 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 schedule summarizes the City's transfer activity with explanations of significant transactions:

Between Governmental and Business-type Activities:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Nonmajor Governmental Funds	Parking System	\$ 28 (1)
Parking System	Redevelopment Agency	28 (2)
	Nonmajor Governmental Funds	919 (3)
Municipal Water System	General Fund	2,475 (4)
Wastewater Treatment System	General Fund	<u>3,944 (5)</u>
		<u>\$ 7,394</u>

- (1) Transfer of debt service interest for a joint parking project.
- (2) Transfer of debt service interest to the Redevelopment Agency for a joint parking project.
- (3) Transfer of convention center parking receipts.
- (4) Municipal Water System payments for in-lieu taxes and return on capital.
- (5) Wastewater Treatment System payments for in-lieu taxes.

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Between Funds within the Governmental and Business-type Activities ^(A):

Transfers from	Transfers to	Amount
General Fund	Nonmajor Governmental Funds	\$ 11,318 (1)
Redevelopment Agency	General Fund	459 (2)
	Housing Activities	95,617 (3)
	Special Assessment Districts	2,112 (4)
	Nonmajor Governmental Funds	53,641 (5)
Housing Activities	Redevelopment Agency	11,741 (6)
	General Fund	14,019 (7)
Special Assessment Districts	Nonmajor Governmental Funds	70 (8)
Civic Center	Nonmajor Governmental Funds	1,600 (9)
	Redevelopment Agency	41,900 (10)
Nonmajor Governmental Funds	Redevelopment Agency	28,086 (11)
	General Fund	9,697 (12)
	Nonmajor Governmental Funds	29,821 (13)
	Civic Center	262,303 (14)
		\$ 562,384

- (1) \$2.4 million transfer to the San José Financing Authority for debt service on the communication center, \$2.6 million transfer to Convention, Arts and Entertainment for art grants, marketing and improvements, \$2.9 million transferred for central service yard debt service, and \$1.5 million to establish the LLEBG program as a separate special revenue fund.
- (2) \$0.3 million for arena pass through payments and \$0.2 million payment for the Vehicular Crime warehouse relocation project.
- (3) \$39.7 million for 20% increment tax transfers as required under California Community Redevelopment Law, \$16.5 million transferred to pay off an existing Line of Credit that provided interim funding for housing projects with bond series G & H funds, and \$39.4 million for civic center debt service.
- (4) Transfer for Redevelopment Agency direct land acquisition of Hellyer/Piercy improvements.
- (5) Transfers from the Redevelopment Agency to fund various redevelopment related capital projects and Parkland In-lieu fees for Low-income households.
- (6) Transfers from the Housing Activities Fund for principal and interest payments for series A,C,D,E, and F lease revenue bonds.
- (7) Housing Activities payment for purchase of City-owned surplus property.
- (8) Transfer for Flower Creek Park project.
- (9) Transfer from Civic Center fund for potential arbitrage rebate to IRS.
- (10) Reimbursement to the Redevelopment Agency for Civic Center land acquisition costs.
- (11) \$2.0 million for accrual of reimbursement of Civic Plaza land acquisition. \$5.7 million for reimbursement for new Civic Center parking land acquisition, and \$19.4 million Transfer to the Redevelopment Agency for the 4th and San Fernando project.
- (12) \$3.6 million distribution of construction and conveyance tax, \$1.4 million reimbursement from the vehicle replacement fund for cancelled vehicle purchases, \$1.5 million transfer for reimbursement of surplus prior debt service transfers, and \$1.3 million from the construction Excise Tax fund for operating and street maintenance.
- (13) Transfers for principal and interest payments for debt service of \$9.0 million, transfers of Transient Occupancy Tax to Convention, Arts and Entertainment (CAE) for \$3.4 million, transfers of bond proceeds to the Civic Center Parking fund for \$13.6 million, and \$1.6 million transfer from the Hayes Mansion Trust fund for assistance to the Hayes Mansion Conference center.
- (14) Transfer of bond proceeds to the Civic Center fund.

(A) These transfers were eliminated in the consolidation, by column for the governmental and business-type activities.

The remaining interfund transactions resulted from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

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IV. Other Information

A. Employee Defined Benefit Retirement Systems

1. Systems Description

The City sponsors and administers two single employer defined benefit retirement systems, the Federated City Employees' Retirement System (the "System") and the Police and Fire Department Retirement Plan (the "Plan" collectively, "the Retirement Systems"), which together cover all full-time and certain part-time employees of the City. Each of them provides postemployment health subsidy benefits in addition to regular retirement benefits. The Retirement Systems are accounted for as separate Pension Trust Funds. The estimated payrolls for employees covered under the Federated City Employees' Retirement System (the System) and the Police and Fire Department Retirement Plan (the Plan) for the year ended June 30, 2003, were approximately \$278,498,000 and \$193,998,000, respectively. The City's total payroll for the year ended June 30, 2003, was approximately \$505,678,000.

The separately issued annual reports of the Retirement Systems and the City's municipal code provide more detailed information about the Retirement Systems. Those reports may be obtained by writing to the City of San José Office of Retirement Services, 1737 North First Street, Suite 580, San José, California 95112.

The Retirement Systems provide general retirement benefits under Defined Benefit Pension Plans, including pension, death, disability, as well as postemployment medical and dental benefits under the Postemployment Healthcare Plans. Benefits are based on average final compensation, years of service, and limited required cost-of-living increases.

The current membership in the Retirement Systems as of June 30, 2003, is as follows:

	Police and Fire	Federated
Defined Benefit Pension Plans, excluding		
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,312	2,211
Terminated vested members not yet receiving benefits	56	378
Active members	2,114	4,494
Total	3,482	7,083
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,189	1,621
Terminated vested members not yet receiving benefits	13	51
Active members	2,114	4,494
Total	3,316	6,166

The Retirement Systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974. It is the City's policy to obtain actuarial valuations for the Retirement Systems every two years.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

2. Funding Policy

Contributions to the Defined Benefit Pension Plan for each Retirement System for both the City and the participating employees are based upon an actuarially determined percentage of each employee's base salary sufficient to provide adequate assets to pay benefits when due. Contributions to the Postemployment Healthcare Plan for both the City and the participating employees are 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 Plan, and over the next 15 years for the System. The significant assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability shown in the Schedule of Funding Progress for the Defined Benefit Pension Plan.

Contribution rates for the City and the participating employees for fiscal 2003 were established in accordance with actuarially determined requirements computed through actuarial valuations dated June 30, 2001. The contribution rates and the amounts contributed to the Plan and the System for the fiscal year ended June 30, 2003, are as follows (in thousands):

	Police and Fire			Federated		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Defined Benefit Plan:						
7/1/01 - 8/18/01	14.00%	8.43%		15.33%	4.17%	
8/19/01 - 6/22/02	14.00%	8.43%		16.64%	4.37%	
6/23/02 - 6/30/03	12.01%	8.44%		13.82%	4.04%	
Post Employment Healthcare Plan:						
7/1/01 - 8/18/01	1.60%	1.36%		0.76%	0.59%	
8/19/01 - 6/22/02	1.60%	1.36%		0.76%	0.59%	
6/23/02 - 6/30/03	2.21%	1.81%		1.38%	1.04%	
Annual Pension Contribution (in thousands):						
Defined Benefit Plan	\$ 23,511	16,416	39,927	38,411	11,776	50,187
Post Employment Healthcare Plan	4,251	3,520	7,771	3,865	3,032	6,897
	<u>\$ 27,762</u>	<u>19,936</u>	<u>47,698</u>	<u>42,276</u>	<u>14,808</u>	<u>57,084</u>

3. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Plan and the System as of and for the year ended June 30, 2003, were as follows (dollar amounts expressed in thousands):

	Police and Fire	Federated
Annual required contribution	\$ 27,762	42,276
Interest on net pension obligation	-	252
Adjustment to annual required contribution	-	(223)
Annual pension cost	<u>27,762</u>	<u>42,305</u>
Contributions made	<u>(27,762)</u>	<u>(42,276)</u>
Increase in net pension obligation	-	29
Net pension obligation – beginning of year	-	3,148
Net pension obligation – end of year	<u>\$ -</u>	<u>3,177</u>

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

The following is three year trend information for the City's single-employer pension plans (in thousands):

	<u>Fiscal year ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent APC Contributed</u>	<u>Net Pension Obligation</u>
Police and Fire Retirement Plan	6/30/01	\$ 24,672	100%	\$ —
	6/30/02	28,115	100%	—
	6/30/03	27,762	100%	—
Federated Retirement System	6/30/01	\$ 37,070	99.9%	\$ 3,116
	6/30/02	45,138	100%	3,148
	6/30/03	42,305	100%	3,177

The June 30, 2001 actuarial study reported unfunded healthcare benefits liabilities for the Plan and the System are as follows (in thousands of dollars):

	<u>Police and Fire</u>	<u>Federated</u>
Healthcare benefits liability	\$ 86,880	139,936
Less:		
Actuarial value of assets for healthcare benefits	<u>57,283</u>	<u>67,495</u>
Unfunded healthcare benefits liability	<u>\$ 29,597</u>	<u>72,441</u>

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

4. *Actuarial Assumptions and Methods*

The more significant actuarial assumptions and methods used in the calculations of employer contributions to the Retirement Systems for the fiscal year ended June 30, 2003 are as follows:

<u>Method/Assumptio n</u>	<u>Police and Fire Department Retirement Plan</u>	<u>Federated City Employees' Retirement System</u>
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll	Level percentage of payroll
Remaining amortization period, closed	18 years	19 years
Actuarial asset valuation method	5 year smoothed market	5 year smoothed market
Investment rate of return	8% per annum	8.25% per annum
Postretirement mortality	The 1994 Male Group Annuity Mortality Table, with a three year set back, is used for male members. The 1994 Female Group Annuity Mortality Table, with a one year set forward, is used for female members.	The 1983 Group Annuity Mortality Table for males, with a one year set back, is used for male members. The 1983 Group Annuity Mortality Table for females, with a one year set forward, is used for female members.
Active service, withdrawal, death, disability service retirement	Based upon the June 30, 2001 Experience Analysis	Tables based on current experience
Salary increases	10.3% for employees for the first five years of service; graded increases thereafter ranging from 10.1% at age 25 to 4.6% at ages 60 and over. Of the total salary increases 4.5% is inflation	In general, merit and longevity increases plus assumed general wage increase of 4.50% per year.
Cost-of-living adjustments	4.5% a year	3.0% a year
Health and dental cost inflation rates	5.75% to 8.00%	7.50%

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

B. Defined Contribution Retirement Plan

In January 1995, the Redevelopment Agency adopted a single employer defined contribution retirement plan, the Redevelopment Agency of the City of San José Retirement Plan (the Retirement Plan), which provides pension benefits for its non-civil service employees. For eligible employees who contribute 3.5% of their annual base salary, the Redevelopment Agency contributes approximately 9.0%. The Redevelopment Agency's contributions are based on a formula taking into account employee annual base salary and length of service. The Redevelopment Agency's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service from the original date of employment. The Redevelopment Agency's contributions and interest forfeited by employees who leave employment before vesting occurs may be used to reduce the Redevelopment Agency's contribution requirement or to offset plan operating expenses. The Redevelopment Agency contracts with an advisor to manage the pension plan with all assets of the plan being held in trust by a third party custodian in the name of each of the Plan's participants. Each of the Plan's participants directs the investments of their separate account.

The Redevelopment Agency's total payroll in fiscal year 2003 for all non-civil service employees was approximately \$9,355,000. Both the Redevelopment Agency and the participating employees made contributions to the Retirement Plan amounting to approximately \$802,000 and \$291,000, respectively.

C. Commitments and Contingencies

1. Norman Y. Mineta San José International Airport

Purchase Commitments. As of June 30, 2003, the Airport was obligated for purchase commitments of approximately \$65,938,000, primarily for the noise attenuation, road improvements, design and planning of the North Concourse building, air cargo ramp expansion, taxiway Z extension, and rental car garage projects. Additionally, the Airport has projected that it will expend or encumber approximately \$2,333,665,000 on proposed capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from passenger facility charges (PFC), federal grant monies, bond proceeds and other Airport revenues.

Fuel Storage Facility. During fiscal 1987, a fuel leak was discovered in the Airport's fuel storage facility. The Airport and the fuel supplier agreed to share the costs of a study to develop an acceptable cleanup program. The cleanup program submitted to the Santa Clara Valley Water District, the responsible regulatory authority, was approved, and the cleanup work commenced during fiscal 1990. The agreement between the Airport and the fuel supplier provides for a sharing of cleanup costs between the Airport and the fuel supplier. The fuel supplier also receives a 10% management fee for overseeing the cleanup operation. As of June 30, 2003, the Airport accrued \$330,000 of the estimated remaining costs of its portion of the initial phase of the cleanup program. Due to minimal fuel activities, the Airport temporarily closed its portion of the facility on December 22, 1998, and ceased operation at that time. As of June 30, 2003, the timing of the complete closure of the facility, which is dependent upon the construction of the new fuel farm facility, and the full costs of remediation have not yet been determined. Based on presently available information, the Airport's management does not anticipate that the full costs of remediation of the fuel storage facility will have a significant impact on the Airport's financial position or results of operations.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

Acoustical Treatment Program. The Airport has an Acoustical Treatment Program (ACT) to comply with the requirements of Title 21 of the California Noise Standard. The program provides acoustical treatment to residences in the noise impact areas surrounding the Airport, at no cost to the property owners. The program is primarily funded by grants from the Federal Aviation Administration (FAA) and by PFC revenues. The Airport expended approximately \$8,139,000 on noise attenuation projects during the year ended June 30, 2003 and expects to spend approximately \$26,231,000 during fiscal year 2004.

Master Plan. In June 1997, the San José City Council approved a Master Plan for the Airport, which will serve as a long-range guide for its future development. In December 1999, the FAA issued a Record of Decision certifying the Environmental Impact Statement and approving the Airport Layout Plan, thus completing the final step in the 11-year process of updating the Airport Master Plan. The Airport Master Plan includes plans for expanded airfield, terminal, cargo, road, and parking facilities intended to accommodate expected growth in passenger and cargo traffic at the Airport through 2010.

On December 14, 1999, the Airport Traffic Relief Act (ATRA) Ordinance was approved by the City Council, which links specific traffic improvement projects on and off the Airport to the Airport Master Plan development program. The ATRA Ordinance also provides that, to the extent permitted by law, Airport funds, rather than the City's General Fund, are to be used to pay for the required transportation projects and that all other Airport projects are not conditioned upon the development of these transportation projects.

To accommodate the security requirements imposed after the terrorist attacks on September 11, 2001, the City Council on November 26, 2002, adopted a resolution placing an amendment to the ATRA Ordinance on the ballot for voter approval. At a March 4, 2003 special election, San José voters passed the Airport Security and Traffic Relief Act (ASTRA), an amendment to the ATRA Ordinance. ASTRA allows the Airport to expand terminal facilities as needed to accommodate baggage and passenger screening equipment and personnel, thus avoiding substantial expenditures for interim facilities that would have to be dismantled once permanent terminal facilities are completed. ASTRA also allows the Airport to begin construction of the full Airport terminal facility once the City Council formally identifies the funding source for the people mover connection and determines that the other required traffic relief projects are within three years of completion.

On November 13, 2001, the City Council approved a new centralized terminal concept, which called for adjustments to square footage limitations on terminal space and rental car ready-return spaces. Continued study was also approved for an Airport people mover transit connection to Valley Transportation Authority light rail.

2. Redevelopment Agency

Line of Credit. In March 2003, the Agency entered into a line of credit agreement with a bank for an amount not to exceed \$50,000,000, to provide interim funding for various housing projects. The line of credit is secured by the 20% Housing Fund, which bears interest at an annual rate of LIBOR plus 0.75%, and is available until April 1, 2005. The entire principal amount then outstanding shall be repaid in quarterly installments over five years and shall bear interest at annual rates ranging from LIBOR plus 1.35% to LIBOR plus 3.35%. The outstanding balance of \$12,635,000 as of June 30, 2003 will be repaid from a portion of the proceeds of the sale of Housing Set-Aside Taxable Tax Allocation Bonds, Series 2003J, with a settlement date of July 10, 2003.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

Tax Sharing Agreement with the County of Santa Clara. On May 22, 2001, the County of Santa Clara, City of San José and the Agency amended and restated the 1993 Tax Revenue Sharing Agreement (the new agreement). The new agreement requires the Agency to share, in addition to the 1993 revenue sharing amounts, a portion of its tax increment revenue with the County. The money will be used by the County to undertake redevelopment projects within the City of San José. At June 30, 2003, the County's share of the Agency's revenue amounted to \$41,300,000.

Redevelopment Limit Extension. The agreement requires the County and the City to work on legislation to extend the time limitations on plan activity, time for collection of tax increment and incurrence of debt by the Agency. It is the intent of the Agency to make the following changes: (1) the limitation on the last day to collect tax increment is extended by 25 years; (2) the limitation on the day to issue debt is extended 10 years to year 2014; and (3) the limitation on the effectiveness of redevelopment plans is extended so as to allow adequate time for the expenditure of proceeds from bonds issued within the parameter of the proposed time limitation.

The Agency will delegate unconditionally to the County the authority to expend an amount equal to 20% of the "new" proceeds of the Agency's Non-Housing Set Aside Tax Allocation Bonds (i.e., not "refunding" proceeds) issued during the period of January 1, 2004 through December 31, 2014 for eligible projects. In the event that such extensions are not implemented by January 1, 2004, only the 1993 revenue sharing amounts listed in the 1993 Settlement Agreement will be continued in addition to sharing 20% of non-housing bonds.

3. San José - Santa Clara Water Pollution Control Plant

The City's 2003-2007 Five-Year Capital Improvement Program includes the South Bay Water Reclamation (SBWR) project, 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. Failure to maintain effluent flows below the allowed maximum level could result in regulatory action by the RWQCB.

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 \$141,000,000 funded by the tributary agencies, grants, and bond proceeds.

Recycled water is sold on a wholesale basis to four water retailers: City of Santa Clara, City of San José Municipal Water System, City of Milpitas Water Company and the San José Water Company. The wholesale cost of recycled water is indexed to the wholesale cost of untreated potable water, currently \$260 per acre-foot. In addition, the City provides a discount to landscape irrigation customers of \$80 per acre-foot, and industrial and agricultural customers of \$240 per acre-foot. Also, the Santa Clara Valley Water District provides a rebate of \$115 per acre-foot to the City in recognition of the avoided cost of purchasing additional potable water supplies.

Proceeds from the 1995 Series A and B Sewer Revenue Bonds and other funds were used to pay for the City's share of Phase I costs. The City of Santa Clara's share of Phase I costs was approximately \$20,067,000. Sources of funding included credit for the City of Santa Clara's existing nonpotable water reclamation distribution system, in-kind services, additional construction, and City of Santa Clara sewer utility cash reserves. Other sources of funding for Phase I included U.S. Bureau of Reclamation grants, \$6,449,000 transferred in fiscal year 1995 from the Authority to the City's Wastewater Treatment Plant Capital Fund, and cash contributions from the other participating agencies.

CITY OF SAN JOSE, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2003

In June 1997, the RWQCB and the City approved the Proposed Revision to the South Bay Action Plan, which describes the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 million gallons per day (mgd) 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 nonpotable 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 is to be funded by the City and other tributary agencies through a combination of State Revolving Fund Loans, Sewage Treatment Plant Connection Fees, federal grants, and cash contributions.

4. Federal Financial Assistance Programs

The City participates in a number of federally assisted grant programs, primarily with the Department of Housing and Urban Development, the Department of Transportation, Department of Interior, the Department of Labor, and the Department of Justice. These programs are subject to program compliance audits by the grantors or their representatives.

Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 for the year ended June 30, 2003, these programs are still subject to financial and compliance audits by federal auditors, and to resolution of identified findings and questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

D. Subsequent Events

1. Debt Issues

Housing Set-Aside Tax Allocation Bonds. On July 10, 2003, the Redevelopment Agency issued \$55,265,000 of Series 2003J (taxable) and \$13,735,000 of Series 2003K housing set-aside tax allocation bonds (the "Refunding Bonds"). The bond proceeds were used to current refund the Agency's Series 1993A and Series 1993C housing set-aside tax allocation bonds and advance refund the Agency's Series 1993B housing set-aside tax allocation bonds (collectively, the "Refunded Bonds"), repay \$12,635,000 of the existing \$50,000,000 line of credit with Bank of New York and fund additional affordable housing projects. The Series 2003J bonds bear interest at fixed rates ranging from 2.00% to 5.25%, and have a final maturity date of August 1, 2024. The Series 2003K bonds bear interest at fixed rates ranging from 2.00% to 4.45%, and have a final maturity date of August 1, 2029.

Community Facilities District No. 10 (Hassler-Silver Creek). On July 23, 2003, the City issued \$12,500,000 of special tax bonds to finance the acquisition of certain roadway improvements necessitated by development in the Silver Creek area. The bonds are secured by special tax revenues paid by the owners of taxable parcels in Community Facilities District No. 10 ("CFD No. 10"). The CFD No. 10 bonds bear interest at fixed rates ranging from 3.30% to 5.25%, and have a final maturity date of September 1, 2023.

Merged Area Taxable Revenue Bonds. On August 27, 2003, the Agency issued Merged Area Taxable Revenue Bonds Series 2003A and Series 2003B totaling to \$60 million. The proceeds of the bonds are used mainly to finance redevelopment projects within the Merged Area. The bonds are special obligation of the Agency and are payable from and secured by a pledge of the subordinated revenues.

ERAF Payment. On September 1, 2003, SB 1045 was signed into law requiring redevelopment agencies statewide to shift around \$135 million property tax increment revenues to State's Educational Revenue Augmentation Fund (ERAF) as a way to save the State's 2003-2004 budget deficit. The share of the Agency on this revenue shift is approximately \$10.1 million and the payment is not expected until May 10, 2004.

City of San José
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2003
(\$000's)

(Unaudited-See accompanying independent auditor's report)

	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	\$ 87,971	93,137	1,971	95,108	-	95,108	
Sales	148,849	134,279	(6,822)	127,457	-	127,457	
Utility	70,673	65,429	356	65,785	-	65,785	
State of California in-lieu	52,517	52,517	1,270	53,787	-	53,787	
Franchise	33,857	31,754	339	32,093	-	32,093	
Other	8,400	6,700	(900)	5,800	-	5,800	
Licenses, permits and fines	73,562	72,249	1,438	73,687	-	73,687	
Intergovernmental	6,933	10,115	(370)	9,745	-	9,745	
Charges for current services	22,770	23,538	(563)	22,975	-	22,975	
Interest and other revenues	33,347	33,120	1,372	34,492	(1,912)	32,580	(1)
Total revenues	<u>538,879</u>	<u>522,838</u>	<u>(1,909)</u>	<u>520,929</u>	<u>(1,912)</u>	<u>519,017</u>	
EXPENDITURES							
Current:							
General government	89,474	99,296	(19,249)	80,047	(6,964)	73,083	(2), (3)
Public safety	308,422	313,538	(5,876)	307,662	(2,450)	305,212	(2)
Capital maintenance	75,943	77,563	(18,115)	59,448	(5,350)	54,098	(2)
Community services	147,752	150,540	(10,271)	140,269	(7,207)	133,062	(2)
Sanitation	3,375	2,975	(186)	2,789	(994)	1,795	(2)
Capital outlay	29,053	29,079	(3,239)	25,840	(4,948)	20,892	(2), (3)
Debt service:							
Principal	1,954	1,954	-	1,954	-	1,954	
Interest	73	73	-	73	-	73	
Total expenditures	<u>656,046</u>	<u>675,018</u>	<u>(56,936)</u>	<u>618,082</u>	<u>(27,913)</u>	<u>590,169</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(117,167)</u>	<u>(152,180)</u>	<u>55,027</u>	<u>(97,153)</u>	<u>26,001</u>	<u>(71,152)</u>	
OTHER FINANCING SOURCES (USES)							
Transfers in	10,268	26,941	3,653	30,594	-	30,594	
Transfers out	(9,398)	(10,292)	(1,001)	(11,293)	25	(11,318)	
Total other financing sources (uses)	<u>870</u>	<u>16,649</u>	<u>2,652</u>	<u>19,301</u>	<u>25</u>	<u>19,276</u>	
Net change in fund balances	(116,297)	(135,531)	57,679	(77,852)	26,026	(51,876)	
Fund balances - beginning	191,797	191,797	-	191,797	57,732	249,529	
Beginning encumbrance	-	-	-	45,628	-	-	
Fund balances - ending	<u>\$ 75,500</u>	<u>56,266</u>	<u>57,679</u>	<u>159,573</u>	<u>83,758</u>	<u>197,653</u>	

Explanation of differences:

- (1) Gain or loss in fair value of investments are not formally budgeted transactions.
- (2) Encumbrances of funds for which formal budget are prepared.
- (3) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

See accompanying notes to the required supplementary information.

City of San José
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Housing Activities
For the Year Ended June 30, 2002
(\$000's)

(Unaudited-See accompanying independent auditor's report)

	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						
Intergovernmental	\$ 11,726	17,555	(10,242)	7,313	24	7,337 (1, 3)
Charges for current services	25	25	(8)	17	-	17
Interest and other revenues	12,985	12,985	25,259	38,244	(26,159)	12,085 (1, 3)
Total revenues	<u>24,736</u>	<u>30,565</u>	<u>15,009</u>	<u>45,574</u>	<u>(26,135)</u>	<u>19,439</u>
EXPENDITURES						
Current:						
Community services	197,222	225,335	(99,365)	125,970	(109,494)	16,476 (2, 3)
Total expenditures	<u>197,222</u>	<u>225,335</u>	<u>(99,365)</u>	<u>125,970</u>	<u>(109,494)</u>	<u>16,476</u>
Excess (deficiency) of revenues over expenditures	<u>(172,486)</u>	<u>(194,770)</u>	<u>114,374</u>	<u>(80,396)</u>	<u>83,359</u>	<u>2,963</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	202,981	204,731	(109,114)	95,617	-	95,617
Transfers out	(11,500)	(25,893)	133	(25,760)	-	(25,760)
Total other financing sources (uses)	<u>191,481</u>	<u>178,838</u>	<u>(108,981)</u>	<u>69,857</u>	<u>-</u>	<u>69,857</u>
Net change in fund balances	18,995	(15,932)	5,393	(10,539)	83,359	72,820
Fund balance - beginning	6,425	6,425	-	6,425	154,370	160,795
Add beginning encumbrance balance				13,332		
Fund balances - ending	<u>\$ 25,420</u>	<u>(9,507)</u>	<u>5,393</u>	<u>9,218</u>	<u>237,729</u>	<u>233,615</u>

Explanation of differences:

- (1) Gain or loss in fair value of investments are not formally budgeted transactions.
- (2) Encumbrances of funds for which formal budget are prepared.
- (3) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

See accompanying notes to the required supplementary information.

CITY OF SAN JOSE, CALIFORNIA

Required Supplementary Information

Schedule of Funding Progress (Dollars In Thousands)

(Unaudited – See accompanying independent auditor's report)

Police and Fire Department Retirement Plan

Actuarial Valuation Date (a)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	(Overfunded) AAL as a Percentage of Covered Payroll
6/30/97 (b)	\$ 1,124,294	\$ 1,030,168	\$ (94,126)	109%	\$ 129,850	(72)%
6/30/99 (c)	1,440,117	1,276,364	(163,753)	113%	144,125	(114)%
6/30/01	1,713,812	1,492,732	(221,080)	115%	171,779	(129)%

Federated City Employee's Retirement System

Actuarial Valuation Date (a)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/97	\$ 678,954	\$ 735,772	\$ 56,818	92%	\$ 176,284	32%
6/30/99	804,860	862,226	57,366	93%	196,178	29%
6/30/01	1,060,144	1,072,333	12,189	99%	252,696	5%

- (a) The actuarial valuations have been performed biennially (through June 30, 2001).
- (b) The June 30, 1997 actuarial valuation reflects the impact of improved Police and Fire Department retirement benefit formula awarded in the arbitration process and enacted on July 31, 1998. The improved benefit will be paid retroactively to all members who retired on or after February 4, 1996.
- (c) After reflection of benefit improvements effective February 4, 2000.

CITY OF SAN JOSE

Notes to Required Supplementary Information

June 30, 2003

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.

Annual budgets are prepared for the general fund and all special revenue funds except for the following:

- Developers' Fees
- William F. Prusch, Jr.
- Special Assessment Special Services

Capital project budgets are based on a project time frame rather than a fiscal year time frame and therefore are not included. Debt Service Funds appropriations were implicitly adopted by the Council when the formal bond resolutions were approved.

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 schedule 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 statements, while encumbered amounts are not recognized as expenditures on the 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 for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the 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 for the 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 statements, but is an expenditure for the 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 statements.

CITY OF SAN JOSE

Notes to Required Supplementary Information

June 30, 2003

III. Budget Revisions

On September 9, 2003, the City Council approved certain fiscal 2003 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying combined statement of revenues, expenditures, and changes in fund balances - budget and actual (budgetary basis) reflect such budget revisions.

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 261,907,469	17,803,859	53,701,098	333,412,426
Other investments	24,811	118,297,298	-	118,322,109
Receivables (net of allowance for uncollectibles)	28,207,773	156,959	4,762,468	33,127,200
Due from outside agencies	55,536	21,231	-	76,767
Due from other funds	11,942,990	-	16,569,949	28,512,939
Inventories	1,623,901	-	-	1,623,901
Loans receivable (net)	14,538,436	-	2,041,112	16,579,548
Advances and deposits	181,805	-	210,194	391,999
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	-	154,570,990	154,570,990
Other investments	104,868	-	23,071,349	23,176,217
Total assets	\$ 318,587,589	136,279,347	254,927,160	709,794,096
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14,111,506	1,342	3,332,479	17,445,327
Accrued salaries, wages, and payroll taxes	1,288,485	-	324,735	1,613,220
Due to other funds	8,830,731	-	23,129,065	31,959,796
Deferred revenue	9,387,836	-	-	9,387,836
Advances, deposits, and reimbursable credits	16,795,193	-	-	16,795,193
Advances from other funds	1,375,353	3,809,895	3,152,000	8,337,248
Total liabilities	51,789,104	3,811,237	29,938,279	85,538,620
Fund balances:				
Reserved for:				
Encumbrances	44,025,422	146,150	66,370,746	110,542,318
Noncurrent advances, loans and other assets	16,192,142	-	2,251,306	18,443,448
Debt service	-	132,321,960	-	132,321,960
Restricted cash commitments	104,868	-	-	104,868
Unreserved:				
Special revenue funds	206,476,053	-	-	206,476,053
Capital projects funds	-	-	156,366,829	156,366,829
Total fund balances	266,798,485	132,468,110	224,988,881	624,255,476
Total liabilities and fund balances	\$ 318,587,589	136,279,347	254,927,160	709,794,096

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments	\$ 54,443,374	17,074,248	17,050,702	88,568,324
Intergovernmental	52,270,015	-	9,593,544	61,863,559
Charges for current services	154,391,548	-	200,910	154,592,458
Rent	8,136,640	-	-	8,136,640
Gifts	210,949	-	-	210,949
Interest and other revenues	19,446,577	3,180,399	17,882,098	40,509,074
Total revenues	<u>288,899,103</u>	<u>20,254,647</u>	<u>44,727,254</u>	<u>353,881,004</u>
EXPENDITURES				
Current:				
General government	85,304,219	-	-	85,304,219
Public safety	2,779,548	-	-	2,779,548
Capital maintenance	67,225,517	-	30,238,448	97,463,965
Community services	45,420,882	-	-	45,420,882
Sanitation	75,004,064	-	-	75,004,064
Capital outlay	23,792,283	-	57,186,690	80,978,973
Debt service:				
Principal	143,852	10,360,000	-	10,503,852
Interest and fiscal charges	6,125	30,873,417	-	30,879,542
Bond issuance cost	-	8,998,161	-	8,998,161
Total expenditures	<u>299,676,490</u>	<u>50,231,578</u>	<u>87,425,138</u>	<u>437,333,206</u>
Deficiency of revenues under expenditures	<u>(10,777,387)</u>	<u>(29,976,931)</u>	<u>(42,697,884)</u>	<u>(83,452,202)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	419,458,447	116,090,000	535,548,447
Bond discount	-	(3,692,157)	-	(3,692,157)
Payment to refunded bond escrow agent	-	(31,566,884)	-	(31,566,884)
Transfers in	31,785,247	19,781,603	45,802,517	97,369,367
Transfers out	<u>(14,524,212)</u>	<u>(285,022,522)</u>	<u>(30,387,960)</u>	<u>(329,934,694)</u>
Total other financing sources (uses)	<u>17,261,035</u>	<u>118,958,487</u>	<u>131,504,557</u>	<u>267,724,079</u>
Net change in fund balances	6,483,648	88,981,556	88,806,673	184,271,877
Fund balances - beginning	260,314,837	43,486,554	136,182,208	439,983,599
Fund balances - ending	<u>\$ 266,798,485</u>	<u>132,468,110</u>	<u>224,988,881</u>	<u>624,255,476</u>

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Emma Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Developer Fees (Fund 138)	William F. Prusch Jr. (Fund 151)
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 224,250	1,339,472	11,912,159	13,744
Other investments	-	19,507	-	-
Receivables (net of allowance for uncollectibles)	1,602	9,682	89,014	98
Due from other funds	-	-	-	-
Due from outside agencies	-	-	-	-
Inventories	-	-	-	-
Loans receivable (net)	-	-	-	-
Advances and deposits	-	-	-	-
Restricted assets:				
Other investments	-	-	-	-
Total assets	\$ 225,852	1,368,661	12,001,173	13,842
LIABILITIES				
Accounts payable	-	9,376	-	-
Accrued salaries, wages and payroll taxes	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Advances, deposits and reimbursable credits	-	-	12,001,173	-
Advances from other funds	-	-	-	-
Total liabilities	-	9,376	12,001,173	-
FUND BALANCES				
Reserved for:				
Encumbrances	-	10,988	-	-
Noncurrent advances, loans, and other assets	-	-	-	-
Restricted cash commitments	-	-	-	-
Unreserved:				
Designated for future expenditures	-	-	-	-
Undesignated	225,852	1,348,297	-	13,842
Total fund balances	225,852	1,359,285	-	13,842
Total liabilities and fund balances	\$ 225,852	1,368,661	12,001,173	13,842

Employee Benefit (Funds 155-161)	Workforce Investment Act (Fund 290)	Construction and Property Conveyance (Funds 377-398)	Special Assessment Maintenance Districts (Funds 351-369 371-372)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
5,461,886	-	57,427,271	7,745,282	38,214	39,087,167	4,599,842	-
-	-	-	-	-	-	-	-
224,084	6,857,993	2,974,898	113,664	167,539	283,412	25,480	700,000
-	-	-	-	-	4,935,750	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,685,970</u>	<u>6,857,993</u>	<u>60,409,274</u>	<u>7,858,946</u>	<u>205,753</u>	<u>44,306,329</u>	<u>4,625,322</u>	<u>700,000</u>
199,393	1,320,525	1,535,184	67,165	-	110,791	-	-
152,915	54,945	95,453	15,400	-	9,865	-	-
-	5,176,856	273,491	-	-	-	-	700,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>352,308</u>	<u>6,552,326</u>	<u>1,904,128</u>	<u>82,565</u>	<u>-</u>	<u>120,656</u>	<u>-</u>	<u>700,000</u>
14,186	4,074,002	7,519,862	679,116	6,833	1,349,119	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,475,000	-	-	16,506,641	-	-
<u>5,319,476</u>	<u>(3,768,335)</u>	<u>49,503,179</u>	<u>7,097,265</u>	<u>198,920</u>	<u>26,329,913</u>	<u>4,625,322</u>	<u>-</u>
<u>5,333,662</u>	<u>305,667</u>	<u>58,505,146</u>	<u>7,776,381</u>	<u>205,753</u>	<u>44,185,673</u>	<u>4,625,322</u>	<u>-</u>
<u>5,685,970</u>	<u>6,857,993</u>	<u>60,409,274</u>	<u>7,858,946</u>	<u>205,753</u>	<u>44,306,329</u>	<u>4,625,322</u>	<u>700,000</u>

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	1964 Gas Tax Construction and Maintenance (Funds 410-411)	Library Benefit Assessment (Fund 412)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Federal LLEBG Program (Fund 415)
ASSETS					
Equity in pooled cash and investments held in City Treasury	\$ -	1,750,023	941,488	7,791,611	899,303
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	911,701	-	673	58,524	7,411
Due from other funds	-	-	-	-	-
Due from outside agencies	-	18,258	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Restricted assets:					
Other investments	-	-	-	-	-
Total assets	\$ 911,701	1,768,281	942,161	7,850,135	906,714
LIABILITIES					
Accounts payable	-	16,738	-	-	10,422
Accrued salaries, wages and payroll taxes	-	75,736	276	4,117	-
Due to other funds	850,000	-	-	-	-
Deferred revenue	-	-	-	1,822,137	455,883
Advances, deposits and reimbursable credits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	850,000	92,474	276	1,826,254	466,305
FUND BALANCE					
Reserved for:					
Encumbrances	-	43,524	58,629	5,690,430	268,796
Noncurrent advances, loans, and other assets	-	-	-	-	-
Restricted cash commitments	-	-	-	-	-
Unreserved:					
Designated for future expenditures	61,701	100,000	-	333,451	171,613
Undesignated	-	1,532,283	883,256	-	-
Total fund balances	61,701	1,675,807	941,885	6,023,881	440,409
Total liabilities and fund balances	\$ 911,701	1,768,281	942,161	7,850,135	906,714

Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Federal Drug Forfeiture (Fund 419)	Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
2,723,384	1,027,245	784,764	814,492	2,639,575	2,660,326	21,815,758	18,605,207
-	-	-	-	-	-	-	-
20,849	7,368	5,597	13,837	18,996	2,845,714	4,297,877	137,524
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,690,677	-	150,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,744,233</u>	<u>1,034,613</u>	<u>790,361</u>	<u>828,329</u>	<u>2,658,571</u>	<u>11,196,717</u>	<u>26,113,635</u>	<u>18,892,731</u>
85,608	-	-	-	33,925	-	7,770,048	1,292,428
9,820	-	-	-	68	-	112,393	37,249
-	-	-	-	-	-	-	-
-	-	-	-	-	2,875,006	1,967,176	-
-	-	-	-	-	-	4,754,020	-
-	-	-	-	-	-	-	-
<u>95,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,993</u>	<u>2,875,006</u>	<u>14,603,637</u>	<u>1,329,677</u>
726,991	126,402	8,752	2,361	106,075	12,500	4,054,255	2,516,894
-	-	-	-	-	5,690,677	-	150,000
-	-	-	-	-	-	-	-
-	-	-	-	-	16,555	1,227,206	2,567,553
<u>1,921,814</u>	<u>908,211</u>	<u>781,609</u>	<u>825,968</u>	<u>2,518,503</u>	<u>2,601,979</u>	<u>6,228,537</u>	<u>12,328,607</u>
<u>2,648,805</u>	<u>1,034,613</u>	<u>790,361</u>	<u>828,329</u>	<u>2,624,578</u>	<u>8,321,711</u>	<u>11,509,998</u>	<u>17,563,054</u>
<u>2,744,233</u>	<u>1,034,613</u>	<u>790,361</u>	<u>828,329</u>	<u>2,658,571</u>	<u>11,196,717</u>	<u>26,113,635</u>	<u>18,892,731</u>

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Fund 441)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)
ASSETS						
Equity in pooled cash and investments held in City Treasury	\$ 43,322,758	3,025,476	-	26,353	8,595,399	227,150
Other investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	2,501,208	22,196	3,579,564	229	35,022	1,216,244
Due from other funds	7,007,240	-	-	-	-	-
Due from outside agencies	-	-	-	-	37,278	-
Inventories	-	-	-	-	-	-
Loans receivable (net)	-	749,331	7,645,276	303,152	-	-
Advances and deposits	111,500	-	-	-	63,200	-
Restricted assets:						
Other investments	-	-	104,868	-	-	-
Total assets	\$ 52,942,706	3,797,003	11,329,708	329,734	8,730,899	1,443,394
LIABILITIES						
Accounts payable	856,547	-	38,814	-	305,768	-
Accrued salaries, wages and payroll taxes	156,537	1,777	82,375	-	114,989	-
Due to other funds	-	-	1,830,384	-	-	-
Deferred revenue	-	-	1,579,581	-	-	-
Advances, deposits and reimbursable credits	-	-	40,000	-	-	-
Advances from other funds	-	-	-	-	1,375,353	-
Total liabilities	1,013,084	1,777	3,571,154	-	1,796,110	-
FUND BALANCE						
Reserved for:						
Encumbrances	10,471,850	6,156	3,084,913	-	795,433	130,348
Noncurrent advances, loans, and other assets	111,500	749,331	7,493,276	303,152	63,200	-
Restricted cash commitments	-	-	104,868	-	-	-
Unreserved:						
Designated for future expenditures	-	-	-	-	270,120	-
Undesignated	41,346,272	3,039,739	(2,924,503)	26,582	5,806,036	1,313,046
Total fund balance	51,929,622	3,795,226	7,758,554	329,734	6,934,789	1,443,394
Total liabilities and fund balances	\$ 52,942,706	3,797,003	11,329,708	329,734	8,730,899	1,443,394

Lake Cunningham (Fund 462)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
1,415,105	1,429,798	3,683,473	9,879,494	261,907,469
-	-	-	5,304	24,811
10,009	9,659	978,003	82,102	28,207,773
-	-	-	-	11,942,990
-	-	-	-	55,536
-	-	-	1,623,901	1,623,901
-	-	-	-	14,538,436
-	-	-	-	181,805
-	-	-	-	104,868
<u>1,425,114</u>	<u>1,439,457</u>	<u>4,661,476</u>	<u>11,590,801</u>	<u>318,587,589</u>
11,700	-	256,686	190,388	14,111,506
1,111	1,674	208,557	153,228	1,288,485
-	-	-	-	8,830,731
-	-	688,053	-	9,387,836
-	-	-	-	16,795,193
-	-	-	-	1,375,353
<u>12,811</u>	<u>1,674</u>	<u>1,153,296</u>	<u>343,616</u>	<u>51,789,104</u>
70,275	25,662	401,964	1,769,106	44,025,422
-	-	-	1,623,901	16,192,142
-	-	-	-	104,868
-	-	520,074	-	23,249,914
<u>1,342,028</u>	<u>1,412,121</u>	<u>2,586,142</u>	<u>7,854,178</u>	<u>183,226,139</u>
<u>1,412,303</u>	<u>1,437,783</u>	<u>3,508,180</u>	<u>11,247,185</u>	<u>266,798,485</u>
<u>1,425,114</u>	<u>1,439,457</u>	<u>4,661,476</u>	<u>11,590,801</u>	<u>318,587,589</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Emma Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Developer Fees (Fund 138)	William F. Prusch Jr. (Fund 151)
REVENUES				
Taxes and special assessments	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Rent	66,806	-	-	-
Gifts	-	210,949	-	-
Interest and other revenues	7,201	56,195	-	428
Total revenues	74,007	267,144	-	428
EXPENDITURES				
Current:				
General government	5,388	-	-	-
Public safety	-	-	-	-
Community services	11,631	278,057	-	-
Sanitation	-	-	-	-
Capital maintenance	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	17,019	278,057	-	-
Excess (deficiency) of revenue over (under) expenditures	56,988	(10,913)	-	428
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	56,988	(10,913)	-	428
Fund balances - beginning	168,864	1,370,198	-	13,414
Fund balances - ending	\$ <u>225,852</u>	<u>1,359,285</u>	<u>-</u>	<u>13,842</u>

Employee Benefits (Funds 155-161)	Workforce Investment Act (Fund 290)	Construction and Property Conveyance Tax (Funds 377-398)	Special Assessment Maintenance Districts (Funds 351-369 371-372)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
-	-	24,835,258	3,423,215	170,939	-	-	-
-	16,604,003	250,858	-	-	-	-	7,699,057
52,644,274	-	-	-	-	5,907,438	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
192,419	-	529,466	219,889	-	1,362,012	92,732	-
<u>52,836,693</u>	<u>16,604,003</u>	<u>25,615,582</u>	<u>3,643,104</u>	<u>170,939</u>	<u>7,269,450</u>	<u>92,732</u>	<u>7,699,057</u>
52,594,530	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	12,243,473	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,748,569	20,563,505	2,944,535	63,617	2,977,410	-	7,699,057
-	-	3,584,061	-	-	1,869,610	-	-
-	-	143,852	-	-	-	-	-
-	-	6,125	-	-	-	-	-
<u>52,594,530</u>	<u>15,992,042</u>	<u>24,297,543</u>	<u>2,944,535</u>	<u>63,617</u>	<u>4,847,020</u>	<u>-</u>	<u>7,699,057</u>
242,163	611,961	1,318,039	698,569	107,322	2,422,430	92,732	-
-	-	1,121,000	142,318	-	17,760,150	-	-
-	-	(4,236,184)	-	-	(500,000)	-	-
-	-	(3,115,184)	142,318	-	17,260,150	-	-
242,163	611,961	(1,797,145)	840,887	107,322	19,682,580	92,732	-
5,091,499	(306,294)	60,302,291	6,935,494	98,431	24,503,093	4,532,590	-
<u>5,333,662</u>	<u>305,667</u>	<u>58,505,146</u>	<u>7,776,381</u>	<u>205,753</u>	<u>44,185,673</u>	<u>4,625,322</u>	<u>-</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	1964 Gas Tax Construction and Maintenance (Funds 410-411)	Library Benefit Assessment (Fund 412)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Federal LLEBG Program (Fund 415)	Underground Utility (Fund 416)
REVENUES						
Taxes and special assessments	\$ -	6,129,662	-	-	-	-
Intergovernmental	9,764,673	-	10,000	1,294	457,617	773,710
Charges for current services	-	-	464,215	-	-	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	-	5,715	-	263,817	35,968	-
Total revenues	<u>9,764,673</u>	<u>6,135,377</u>	<u>474,215</u>	<u>265,111</u>	<u>493,585</u>	<u>773,710</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,205,858	1,406,713	-
Community services	-	2,840,113	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	9,764,673	3,276,726	614,847	-	-	1,874,110
Capital outlay	-	296,097	225,891	19,100	138,047	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>9,764,673</u>	<u>6,412,936</u>	<u>840,738</u>	<u>1,224,958</u>	<u>1,544,760</u>	<u>1,874,110</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(277,559)</u>	<u>(366,523)</u>	<u>(959,847)</u>	<u>(1,051,175)</u>	<u>(1,100,400)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	1,491,584	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,491,584</u>	<u>-</u>
Net change in fund balances	-	(277,559)	(366,523)	(959,847)	440,409	(1,100,400)
Fund balances - beginning	61,701	1,953,366	1,308,408	6,983,728	-	3,749,205
Fund balances - ending	<u>\$ 61,701</u>	<u>1,675,807</u>	<u>941,885</u>	<u>6,023,881</u>	<u>440,409</u>	<u>2,648,805</u>

State Drug Forfeiture (Fund 417)	Federal Drug Forfeiture (Fund 419)	Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
-	-	331,871	-	-	-	-
-	-	-	-	-	33,173	-
-	-	-	221,969	-	60,056,648	-
-	-	-	-	2,446,545	-	-
-	-	-	-	-	-	-
166,379	258,663	-	81,537	-	690,484	12,568,213
<u>166,379</u>	<u>258,663</u>	<u>331,871</u>	<u>303,506</u>	<u>2,446,545</u>	<u>60,780,305</u>	<u>12,568,213</u>
-	-	-	-	-	-	14,256,124
166,977	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	281,477	79,999	28,372	63,266,885	-
-	-	-	428,585	-	8,931	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
166,977	-	281,477	508,584	28,372	63,275,816	14,256,124
<u>(598)</u>	<u>258,663</u>	<u>50,394</u>	<u>(205,078)</u>	<u>2,418,173</u>	<u>(2,495,511)</u>	<u>(1,687,911)</u>
-	-	-	-	2,699,730	315,595	-
-	-	-	-	(2,247,597)	-	-
-	-	-	-	452,133	315,595	-
(598)	258,663	50,394	(205,078)	2,870,306	(2,179,916)	(1,687,911)
1,035,211	531,698	777,935	2,829,656	5,451,405	13,689,914	19,250,965
<u>1,034,613</u>	<u>790,361</u>	<u>828,329</u>	<u>2,624,578</u>	<u>8,321,711</u>	<u>11,509,998</u>	<u>17,563,054</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Fund 441)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)
REVENUES						
Taxes and special assessments	\$ 10,752,429	-	-	-	-	8,800,000
Intergovernmental	4,035,306	-	12,295,380	10,816	200,000	-
Charges for current services	92,100	-	-	-	13,164,127	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	2,348,464	124,816	-	-	137,358	25,424
Total revenues	17,228,299	124,816	12,295,380	10,816	13,501,485	8,825,424
EXPENDITURES						
Current:						
General government	-	80,220	-	39,500	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	6,829,120	-	-	5,732,676
Sanitation	-	-	-	-	11,737,179	-
Capital maintenance	9,751,508	-	2,377,513	-	759,744	-
Capital outlay	15,386,013	-	329,267	-	1,085,749	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	25,137,521	80,220	9,535,900	39,500	13,582,672	5,732,676
Excess (deficiency) of revenue over (under) expenditures	(7,909,222)	44,596	2,759,480	(28,684)	(81,187)	3,092,748
OTHER FINANCING SOURCES (USES)						
Transfers in	-	600,000	-	-	-	-
Transfers out	-	-	(304,000)	-	-	(3,406,052)
Total other financing sources (uses)	-	600,000	(304,000)	-	-	(3,406,052)
Net change in fund balances	(7,909,222)	644,596	2,455,480	(28,684)	(81,187)	(313,304)
Fund balances - beginning	59,838,844	3,150,630	5,303,074	358,418	7,015,976	1,756,698
Fund balances - ending	\$ 51,929,622	3,795,226	7,758,554	329,734	6,934,789	1,443,394

Lake Cunningham (Fund 462)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
-	-	-	-	54,443,374
-	-	134,128	-	52,270,015
657,325	823,249	1,561,916	18,798,287	154,391,548
-	-	5,623,289	-	8,136,640
-	-	-	-	210,949
44,657	69,683	158,672	6,385	19,446,577
<u>701,982</u>	<u>892,932</u>	<u>7,478,005</u>	<u>18,804,672</u>	<u>288,899,103</u>
-	-	-	18,328,457	85,304,219
-	-	-	-	2,779,548
-	57,068	17,428,744	-	45,420,882
-	-	-	-	75,004,064
223,452	-	105,018	91,385	67,225,517
-	122,154	32,909	265,869	23,792,283
-	-	-	-	143,852
-	-	-	-	6,125
<u>223,452</u>	<u>179,222</u>	<u>17,566,671</u>	<u>18,685,711</u>	<u>299,676,490</u>
<u>478,530</u>	<u>713,710</u>	<u>(10,088,666)</u>	<u>118,961</u>	<u>(10,777,387)</u>
-	733,701	6,921,169	-	31,785,247
(226,000)	(1,666,911)	(112,468)	(1,825,000)	(14,524,212)
<u>(226,000)</u>	<u>(933,210)</u>	<u>6,808,701</u>	<u>(1,825,000)</u>	<u>17,261,035</u>
252,530	(219,500)	(3,279,965)	(1,706,039)	6,483,648
<u>1,159,773</u>	<u>1,657,283</u>	<u>6,788,145</u>	<u>12,953,224</u>	<u>260,314,837</u>
<u>1,412,303</u>	<u>1,437,783</u>	<u>3,508,180</u>	<u>11,247,185</u>	<u>266,798,485</u>

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, 2003

	Emma Prusch Memorial Park (Funds 131)			Gift Trust (Funds 139)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	17,000	-	(17,000)
Charges for current services	-	-	-	-	-	-
Rent	67,000	66,807	(193)	-	-	-
Gifts	-	-	-	-	210,949	210,949
Interest and other revenues	5,000	6,514	1,514	88,140	57,949	(30,191)
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>72,000</u>	<u>73,321</u>	<u>1,321</u>	<u>105,140</u>	<u>268,898</u>	<u>163,758</u>
EXPENDITURES						
Current:						
General government	94,349	5,388	(88,961)	-	-	-
Community services	-	-	-	1,532,355	289,044	(1,243,311)
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	11,631	11,631	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>105,980</u>	<u>17,019</u>	<u>(88,961)</u>	<u>1,532,355</u>	<u>289,044</u>	<u>(1,243,311)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,980)</u>	<u>56,302</u>	<u>90,282</u>	<u>(1,427,215)</u>	<u>(20,146)</u>	<u>1,407,069</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (33,980)</u>	<u>56,302</u>	<u>90,282</u>	<u>(1,427,215)</u>	<u>(20,146)</u>	<u>1,407,069</u>
Fund balances - beginning		166,188			1,329,182	
Prior year encumbrances and other budgetary basis differences		-			18,532	
Fund balances - ending		<u>\$ 222,490</u>			<u>\$ 1,327,568</u>	

Employee Benefit (Funds 155-161)			Workforce Investment Act (Fund 290)			Construction and Property Conveyance (Funds 377-398)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	19,760,000	24,835,258	5,075,258
-	-	-	23,212,094	16,604,003	(6,608,091)	5,055,000	250,858	(4,804,142)
50,471,050	52,644,274	2,173,224	-	-	-	43,000	-	(43,000)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
221,000	169,424	(51,576)	-	-	-	750,000	535,887	(214,113)
-	-	-	-	-	-	-	-	-
<u>50,692,050</u>	<u>52,813,698</u>	<u>2,121,648</u>	<u>23,212,094</u>	<u>16,604,003</u>	<u>(6,608,091)</u>	<u>25,608,000</u>	<u>25,622,003</u>	<u>14,003</u>
55,962,924	52,608,716	(3,354,208)	-	-	-	-	-	-
-	-	-	16,941,726	14,617,960	(2,323,766)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,448,084	5,448,084	-	80,173,429	28,090,472	(52,082,957)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,584,061	3,584,061	-
-	-	-	-	-	-	143,852	143,852	-
-	-	-	-	-	-	6,125	6,125	-
<u>55,962,924</u>	<u>52,608,716</u>	<u>(3,354,208)</u>	<u>22,389,810</u>	<u>20,066,044</u>	<u>(2,323,766)</u>	<u>83,907,467</u>	<u>31,824,510</u>	<u>(52,082,957)</u>
<u>(5,270,874)</u>	<u>204,982</u>	<u>5,475,856</u>	<u>822,284</u>	<u>(3,462,041)</u>	<u>(4,284,325)</u>	<u>(58,299,467)</u>	<u>(6,202,507)</u>	<u>52,096,960</u>
-	-	-	-	-	-	1,121,000	1,121,000	-
-	-	-	-	-	-	(4,238,403)	(4,236,184)	2,219
-	-	-	-	-	-	(3,117,403)	(3,115,184)	2,219
<u>(5,270,874)</u>	<u>204,982</u>	<u>5,475,856</u>	<u>822,284</u>	<u>(3,462,041)</u>	<u>(4,284,325)</u>	<u>(61,416,870)</u>	<u>(9,317,691)</u>	<u>52,099,179</u>
	2,536,003			(4,995,841)			53,473,215	
	17,074			4,689,547			6,638,590	
	<u>\$ 2,758,059</u>			<u>\$ (3,768,335)</u>			<u>\$ 50,794,114</u>	

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, 2003

	Special Assessment Maintenance Districts (Funds 351-369, 371-372)			Subdivision Park Trust (Fund 375)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ 3,330,515	3,423,215	92,700	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	5,907,438	5,907,438
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	279,087	223,522	(55,565)	-	1,183,088	1,183,088
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>3,609,602</u>	<u>3,646,737</u>	<u>37,135</u>	<u>-</u>	<u>7,090,526</u>	<u>7,090,526</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	5,408,240	3,623,651	(1,784,589)	11,675,820	4,326,529	(7,349,291)
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	1,869,610	1,869,610	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>5,408,240</u>	<u>3,623,651</u>	<u>(1,784,589)</u>	<u>13,545,430</u>	<u>6,196,139</u>	<u>(7,349,291)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,798,638)</u>	<u>23,086</u>	<u>1,821,724</u>	<u>(13,545,430)</u>	<u>894,387</u>	<u>14,439,817</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	142,318	142,318	-	1,531,250	17,760,150	16,228,900
Transfers out	-	-	-	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>142,318</u>	<u>142,318</u>	<u>-</u>	<u>1,031,250</u>	<u>17,260,150</u>	<u>16,228,900</u>
Net change in fund balances	<u>\$ (1,656,320)</u>	<u>165,404</u>	<u>1,821,724</u>	<u>(12,514,180)</u>	<u>18,154,537</u>	<u>30,668,717</u>
Fund balances - beginning	-	5,854,644	-	-	22,901,891	-
Prior year encumbrances and other budgetary basis differences	-	973,523	-	-	1,188,181	-
Fund balances - ending	-	<u>\$ 6,993,571</u>	-	-	<u>\$ 42,244,609</u>	-

Emergency Reserve (Funds 405-407)			1943 Gas Tax Maintenance and Construction (Fund 409)			1964 Gas Tax 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)
-	-	-	-	-	-	-	-	-
-	-	-	7,800,000	7,699,057	(100,943)	10,000,000	9,764,673	(235,327)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	116,303	116,303	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	<u>116,303</u>	<u>116,303</u>	<u>7,800,000</u>	<u>7,699,057</u>	<u>(100,943)</u>	<u>10,000,000</u>	<u>9,764,673</u>	<u>(235,327)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	7,800,000	7,699,057	(100,943)	10,000,000	9,764,673	(235,327)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>7,800,000</u>	<u>7,699,057</u>	<u>(100,943)</u>	<u>10,000,000</u>	<u>9,764,673</u>	<u>(235,327)</u>
-	116,303	116,303	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	116,303	116,303	-	-	-	-	-	-
-	4,455,506	-	-	-	-	-	61,701	-
-	-	-	-	-	-	-	-	-
\$	<u>4,571,809</u>		\$	<u>-</u>		\$	<u>61,701</u>	

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, 2003

	Library Benefit Assessment (Fund 412)			Storm Drainage Fee (Funds 413, 427)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ 6,270,000	6,129,662	(140,338)	-	-	-
Intergovernmental	-	-	-	4,000	10,000	6,000
Charges for current services	-	-	-	351,000	464,215	113,215
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	-	21,558	21,558	-	10,209	10,209
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>6,270,000</u>	<u>6,151,220</u>	<u>(118,780)</u>	<u>355,000</u>	<u>484,424</u>	<u>129,424</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	3,477,590	2,879,756	(597,834)	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	4,173,208	3,280,607	(892,601)	1,137,631	673,476	(464,155)
Other expenditures	-	-	-	-	-	-
Capital outlay	296,097	296,097	-	225,891	225,891	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>7,946,895</u>	<u>6,456,460</u>	<u>(1,490,435)</u>	<u>1,363,522</u>	<u>899,367</u>	<u>(464,155)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,676,895)</u>	<u>(305,240)</u>	<u>1,371,655</u>	<u>(1,008,522)</u>	<u>(414,943)</u>	<u>593,579</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,676,895)</u>	<u>(305,240)</u>	<u>1,371,655</u>	<u>(1,008,522)</u>	<u>(414,943)</u>	<u>593,579</u>
Fund balances - beginning		1,813,251			576,830	
Prior year encumbrances and other budgetary basis differences		124,272			720,522	
Fund balances - ending		<u>\$ 1,632,283</u>			<u>\$ 882,409</u>	

Supplemental Local Law Enforcement (Fund 414)			Federal LLEBG Program (Fund 415)			Underground Utility (Fund 416)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
1,823,431	1,294	(1,822,137)	986,668	923,277	(63,391)	750,000	773,710	23,710
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
131,627	2,082,290	1,950,663	-	35,968	35,968	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,955,058</u>	<u>2,083,584</u>	<u>128,526</u>	<u>986,668</u>	<u>959,245</u>	<u>(27,423)</u>	<u>750,000</u>	<u>773,710</u>	<u>23,710</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,646,688	6,896,288	(1,750,400)	2,277,519	1,675,509	(602,010)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,054,105	2,601,101	(453,004)
-	-	-	-	-	-	-	-	-
19,100	19,100	-	138,047	138,047	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>8,665,788</u>	<u>6,915,388</u>	<u>(1,750,400)</u>	<u>2,415,566</u>	<u>1,813,556</u>	<u>(602,010)</u>	<u>3,054,105</u>	<u>2,601,101</u>	<u>(453,004)</u>
<u>(6,710,730)</u>	<u>(4,831,804)</u>	<u>1,878,926</u>	<u>(1,428,898)</u>	<u>(854,311)</u>	<u>574,587</u>	<u>(2,304,105)</u>	<u>(1,827,391)</u>	<u>476,714</u>
-	-	-	1,491,584	1,491,584	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>1,491,584</u>	<u>1,491,584</u>	<u>-</u>	-	-	-
<u>(6,710,730)</u>	<u>(4,831,804)</u>	<u>1,878,926</u>	<u>62,686</u>	637,273	<u>574,587</u>	<u>(2,304,105)</u>	<u>(1,827,391)</u>	<u>476,714</u>
	1,940,217			-			3,393,633	
	4,924,266			-			355,572	
	<u>\$ 2,032,679</u>			<u>\$ 637,273</u>			<u>\$ 1,921,814</u>	

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, 2003

	State Drug Forfeiture (Fund 417)			Federal Drug Forfeiture (Fund 419)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	35,000	168,596	133,596	25,000	255,625	230,625
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>35,000</u>	<u>168,596</u>	<u>133,596</u>	<u>25,000</u>	<u>255,625</u>	<u>230,625</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public Safety	723,619	293,379	(430,240)	8,752	8,752	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>723,619</u>	<u>293,379</u>	<u>(430,240)</u>	<u>8,752</u>	<u>8,752</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(688,619)</u>	<u>(124,783)</u>	<u>563,836</u>	<u>16,248</u>	<u>246,873</u>	<u>230,625</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (688,619)</u>	<u>(124,783)</u>	<u>563,836</u>	<u>16,248</u>	<u>246,873</u>	<u>230,625</u>
Fund balances - beginning		920,107			514,230	
Prior year encumbrances and other budgetary basis differences		97,413			8,752	
Fund balances - ending		<u>\$ 892,737</u>			<u>\$ 769,855</u>	

Residential Construction Tax Contribution (Fund 420)			Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422,432)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
80,000	331,871	251,871	-	-	-	-	-	-
-	-	-	-	221,969	221,969	-	-	-
-	-	-	-	-	-	4,347,181	2,446,545	(1,900,636)
-	-	-	370,000	89,791	(280,209)	430,884	144,382	(286,502)
-	-	-	-	-	-	-	-	-
<u>80,000</u>	<u>331,871</u>	<u>251,871</u>	<u>370,000</u>	<u>311,760</u>	<u>(58,240)</u>	<u>4,778,065</u>	<u>2,590,927</u>	<u>(2,187,138)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
490,000	283,838	(206,162)	186,207	186,074	(133)	3,318,417	2,812,008	(506,409)
-	-	-	428,585	428,585	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>490,000</u>	<u>283,838</u>	<u>(206,162)</u>	<u>614,792</u>	<u>614,659</u>	<u>(133)</u>	<u>3,318,417</u>	<u>2,812,008</u>	<u>(506,409)</u>
<u>(410,000)</u>	<u>48,033</u>	<u>458,033</u>	<u>(244,792)</u>	<u>(302,899)</u>	<u>(58,107)</u>	<u>1,459,648</u>	<u>(221,081)</u>	<u>(1,680,729)</u>
-	-	-	-	-	-	1,500,000	2,699,730	1,199,730
-	-	-	-	-	-	<u>(4,268,649)</u>	<u>(2,247,597)</u>	<u>2,021,052</u>
-	-	-	-	-	-	<u>(2,768,649)</u>	<u>452,133</u>	<u>3,220,782</u>
<u>(410,000)</u>	<u>48,033</u>	<u>458,033</u>	<u>(244,792)</u>	<u>(302,899)</u>	<u>(58,107)</u>	<u>(1,309,001)</u>	<u>231,052</u>	<u>1,540,053</u>
	777,585			2,727,479			5,404,769	
	350			54,030			(3,057,472)	
<u>\$</u>	<u>825,968</u>		<u>\$</u>	<u>2,478,610</u>		<u>\$</u>	<u>2,578,349</u>	

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, 2003

	Integrated Waste Management (Fund 423)			Tobacco Settlement (Fund 426)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	449,999	33,173	(416,826)	-	-	-
Charges for current services	62,405,174	60,056,648	(2,348,526)	-	-	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	546,177	711,728	165,551	11,725,000	12,620,803	895,803
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>63,401,350</u>	<u>60,801,549</u>	<u>(2,599,801)</u>	<u>11,725,000</u>	<u>12,620,803</u>	<u>895,803</u>
EXPENDITURES						
Current:						
General government	-	-	-	17,569,302	16,773,018	(796,284)
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	70,307,274	67,321,140	(2,986,134)	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	8,931	8,931	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>70,316,205</u>	<u>67,330,071</u>	<u>(2,986,134)</u>	<u>17,569,302</u>	<u>16,773,018</u>	<u>(796,284)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,914,855)</u>	<u>(6,528,522)</u>	<u>386,333</u>	<u>(5,844,302)</u>	<u>(4,152,215)</u>	<u>1,692,087</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	450,000	315,595	(134,405)	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>450,000</u>	<u>315,595</u>	<u>(134,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (6,464,855)</u>	<u>(6,212,927)</u>	<u>251,928</u>	<u>(5,844,302)</u>	<u>(4,152,215)</u>	<u>1,692,087</u>
Fund balances - beginning		8,658,452			15,207,180	
Prior year encumbrances and other budgetary basis differences		4,374,632			3,552,379	
Fund balances - ending		<u>\$ 6,820,157</u>			<u>\$ 14,607,344</u>	

Building and Structures Construction Tax (Fund 429)			Development Enhancement (Fund 439)			Community Development Block Grant (Fund 441)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
6,924,000	10,752,429	3,828,429	-	-	-	-	-	-
4,979,000	4,035,306	(943,694)	-	-	-	14,257,000	15,294,426	1,037,426
92,000	92,100	100	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,420,000	2,549,432	129,432	355,000	218,902	(136,098)	-	-	-
-	-	-	-	-	-	-	-	-
<u>14,415,000</u>	<u>17,429,267</u>	<u>3,014,267</u>	<u>355,000</u>	<u>218,902</u>	<u>(136,098)</u>	<u>14,257,000</u>	<u>15,294,426</u>	<u>1,037,426</u>
-	-	-	2,008,156	692,376	(1,315,780)	-	-	-
-	-	-	-	-	-	12,534,473	7,777,961	(4,756,512)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
51,256,167	20,334,858	(30,921,309)	-	-	-	9,027,773	5,072,821	(3,954,952)
-	-	-	-	-	-	-	-	-
15,386,013	15,386,013	-	-	-	-	329,267	329,267	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>66,642,180</u>	<u>35,720,871</u>	<u>(30,921,309)</u>	<u>2,008,156</u>	<u>692,376</u>	<u>(1,315,780)</u>	<u>21,891,513</u>	<u>13,180,049</u>	<u>(8,711,464)</u>
<u>(52,227,180)</u>	<u>(18,291,604)</u>	<u>33,935,576</u>	<u>(1,653,156)</u>	<u>(473,474)</u>	<u>1,179,682</u>	<u>(7,634,513)</u>	<u>2,114,377</u>	<u>9,748,890</u>
-	-	-	600,000	600,000	-	-	-	-
-	-	-	-	-	-	(304,000)	(304,000)	-
-	-	-	600,000	600,000	-	(304,000)	(304,000)	-
<u>(52,227,180)</u>	<u>(18,291,604)</u>	<u>33,935,576</u>	<u>(1,053,156)</u>	<u>126,526</u>	<u>1,179,682</u>	<u>(7,938,513)</u>	<u>1,810,377</u>	<u>9,748,890</u>
	46,677,456			2,860,443			7,577,928	
	12,192,862			6,156			3,508,988	
	<u>\$ 40,578,714</u>			<u>\$ 2,993,125</u>			<u>\$ 12,897,293</u>	

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, 2003

	Economic Development Administration Loans			Storm Drainage Service Use Charge		
	(Fund 444)			(Funds 446, 469)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	58,000	47,146	(10,854)	-	200,000	200,000
Charges for current services	-	-	-	13,410,439	13,164,127	(246,312)
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	-	-	-	234,000	168,199	(65,801)
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>58,000</u>	<u>47,146</u>	<u>(10,854)</u>	<u>13,644,439</u>	<u>13,532,326</u>	<u>(112,113)</u>
EXPENDITURES						
Current:						
General government	228,064	204,094	(23,970)	-	-	-
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	14,110,213	12,411,321	(1,698,892)
Capital maintenance	-	-	-	1,783,832	944,235	(839,597)
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	1,085,749	1,085,749	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>228,064</u>	<u>204,094</u>	<u>(23,970)</u>	<u>16,979,794</u>	<u>14,441,305</u>	<u>(2,538,489)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,064)</u>	<u>(156,948)</u>	<u>13,116</u>	<u>(3,335,355)</u>	<u>(908,979)</u>	<u>2,426,376</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	1,250,000	-	(1,250,000)
Transfers out	-	-	-	(1,250,000)	-	1,250,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (170,064)</u>	<u>(156,948)</u>	<u>13,116</u>	<u>(3,335,355)</u>	<u>(908,979)</u>	<u>2,426,376</u>
Fund balances - beginning		183,050			4,417,147	
Prior year encumbrances and other budgetary basis differences		-			2,495,300	
Fund balances - ending		<u>\$ 26,102</u>			<u>\$ 6,003,468</u>	

Transient Occupancy Tax (Fund 461)			Lake Cunningham (Fund 462)			Municipal Golf Courses (Fund 518)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
10,150,000	8,800,000	(1,350,000)	-	-	-	-	-	-
-	-	-	584,000	657,325	73,325	1,128,000	823,249	(304,751)
-	-	-	-	-	-	-	-	-
-	53,381	53,381	50,000	42,917	(7,083)	570,637	71,781	(498,856)
-	-	-	-	-	-	-	-	-
<u>10,150,000</u>	<u>8,853,381</u>	<u>(1,296,619)</u>	<u>634,000</u>	<u>700,242</u>	<u>66,242</u>	<u>1,698,637</u>	<u>895,030</u>	<u>(803,607)</u>
-	-	-	-	-	-	-	-	-
6,216,943	5,863,024	(353,919)	-	-	-	100,393	57,068	(43,325)
-	-	-	-	-	-	-	-	-
-	-	-	1,505,854	293,727	(1,212,127)	52,009	25,662	(26,347)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	122,154	122,154	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>6,216,943</u>	<u>5,863,024</u>	<u>(353,919)</u>	<u>1,505,854</u>	<u>293,727</u>	<u>(1,212,127)</u>	<u>274,556</u>	<u>204,884</u>	<u>(69,672)</u>
<u>3,933,057</u>	<u>2,990,357</u>	<u>(942,700)</u>	<u>(871,854)</u>	<u>406,515</u>	<u>1,278,369</u>	<u>1,424,081</u>	<u>690,146</u>	<u>(733,935)</u>
-	-	-	-	-	-	573,732	733,701	159,969
<u>(4,721,007)</u>	<u>(3,406,052)</u>	<u>1,314,955</u>	<u>(226,000)</u>	<u>(226,000)</u>	<u>-</u>	<u>(1,666,911)</u>	<u>(1,666,911)</u>	<u>-</u>
<u>(4,721,007)</u>	<u>(3,406,052)</u>	<u>1,314,955</u>	<u>(226,000)</u>	<u>(226,000)</u>	<u>-</u>	<u>(1,093,179)</u>	<u>(933,210)</u>	<u>159,969</u>
<u>(787,950)</u>	<u>(415,695)</u>	<u>372,255</u>	<u>(1,097,854)</u>	<u>180,515</u>	<u>1,278,369</u>	<u>330,902</u>	<u>(243,064)</u>	<u>(573,966)</u>
	1,489,374			1,010,638			1,561,238	
	232,751			129,854			73,663	
	<u>\$ 1,306,430</u>			<u>\$ 1,321,007</u>			<u>\$ 1,391,837</u>	

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, 2003

	Convention and Cultural Facilities (Fund 536)			Stores Vehicle Maintenance and Operations (Funds 551-553)		
	Budget	Budgetary Basis	Variance Over	Budget	Budgetary Basis	Variance Over
		Actual	(Under)		Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	134,128	134,128	-	-	-
Charges for current services	1,708,300	1,561,916	(146,384)	25,215,077	18,798,287	(6,416,790)
Rent	5,927,200	5,623,289	(303,911)	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	260,000	206,821	(53,179)	84,660	6,589	(78,071)
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>7,895,500</u>	<u>7,526,154</u>	<u>(369,346)</u>	<u>25,299,737</u>	<u>18,804,876</u>	<u>(6,494,861)</u>
EXPENDITURES						
Current:						
General government	-	-	-	20,788,043	19,960,519	(827,524)
Community services	19,277,045	17,826,346	(1,450,699)	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	138,198	110,110	(28,088)	3,681,579	228,614	(3,452,965)
Other expenditures	-	-	-	-	-	-
Capital outlay	32,909	32,909	-	265,869	265,869	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>19,448,152</u>	<u>17,969,365</u>	<u>(1,478,787)</u>	<u>24,735,491</u>	<u>20,455,002</u>	<u>(4,280,489)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,552,652)</u>	<u>(10,443,211)</u>	<u>1,109,441</u>	<u>564,246</u>	<u>(1,650,126)</u>	<u>(2,214,372)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	8,468,124	6,921,169	(1,546,955)	-	-	-
Transfers out	<u>(112,468)</u>	<u>(112,468)</u>	<u>-</u>	<u>(1,837,784)</u>	<u>(1,825,000)</u>	<u>12,784</u>
Total other financing sources (uses)	<u>8,355,656</u>	<u>6,808,701</u>	<u>(1,546,955)</u>	<u>(1,837,784)</u>	<u>(1,825,000)</u>	<u>12,784</u>
Net change in fund balances	<u>\$ (3,196,996)</u>	<u>(3,634,510)</u>	<u>(437,514)</u>	<u>(1,273,538)</u>	<u>(3,475,126)</u>	<u>(2,201,588)</u>
Fund balances - beginning		6,503,825			9,046,495	
Prior year encumbrances and other budgetary basis differences		<u>489,547</u>			<u>1,835,047</u>	
Fund balances - ending		<u>\$ 3,358,862</u>			<u>\$ 7,406,416</u>	

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2003

	2001 Series E Communications Center Refunding (Fund 201)	1991 COPS Communications Center (Fund 202)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 49,479	-	220,084	957,632
Other investments	-	-	-	6,830
Receivables (net of allowances for uncollectibles)	352	-	1,569	-
Due from outside agencies	-	-	-	-
Total assets	<u>\$ 49,831</u>	<u>-</u>	<u>221,653</u>	<u>964,462</u>
LIABILITIES				
Accounts payable	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for encumbrances				
Reserved for debt service	49,831	-	221,653	964,462
Total fund balances	<u>49,831</u>	<u>-</u>	<u>221,653</u>	<u>964,462</u>
Total liabilities and fund balances	<u>\$ 49,831</u>	<u>-</u>	<u>221,653</u>	<u>964,462</u>

1993 COP Accelerated Street Improvements (Fund 205)	2000 Series C Ice Centre Refunding (Fund 206)	2001 GO Bonds Parks & Libraries (Fund 209)	San José Financing Authority	Totals
29,473	1,635,278	14,046,675	865,238	17,803,859
-	11,782	429	118,278,257	118,297,298
210	-	147,298	7,530	156,959
-	-	21,231	-	21,231
<u>29,683</u>	<u>1,647,060</u>	<u>14,215,633</u>	<u>119,151,025</u>	<u>136,279,347</u>
-	1,342	-	-	1,342
-	-	-	3,809,895	3,809,895
-	<u>1,342</u>	-	<u>3,809,895</u>	<u>3,811,237</u>
29,683	1,645,718	14,215,633	146,150	146,150
<u>29,683</u>	<u>1,645,718</u>	<u>14,215,633</u>	<u>115,194,980</u>	<u>132,321,960</u>
<u>29,683</u>	<u>1,645,718</u>	<u>14,215,633</u>	<u>115,341,130</u>	<u>132,468,110</u>
<u>29,683</u>	<u>1,647,060</u>	<u>14,215,633</u>	<u>119,151,025</u>	<u>136,279,347</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2003

	2001 Series E Communications Center Refunding (Fund 201)	1991 COPS Communications Center (Fund 202)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)
REVENUES				
Property taxes	-	-	-	-
Interest and other revenues	4,811	-	7,612	35,544
Total revenues	<u>4,811</u>	<u>-</u>	<u>7,612</u>	<u>35,544</u>
EXPENDITURES				
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	<u>4,811</u>	<u>-</u>	<u>7,612</u>	<u>35,544</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Bond discount	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	2,376,180	-	213,263	1,494,746
Transfers out	<u>(2,978,071)</u>	<u>-</u>	<u>(213,339)</u>	<u>(1,472,806)</u>
Total other financing sources (uses)	<u>(601,891)</u>	<u>-</u>	<u>(76)</u>	<u>21,940</u>
Net change in fund balances	(597,080)	-	7,536	57,484
Fund balances - beginning	<u>646,911</u>	<u>-</u>	<u>214,117</u>	<u>906,978</u>
Fund balances - ending	<u>\$ 49,831</u>	<u>-</u>	<u>221,653</u>	<u>964,462</u>

1993 COPS Accelerated Street Improvements (Fund 205)	2000 Series C Ice Centre Refunding (Fund 206)	2001 GO Bonds Parks & Libraries (Fund 209)	San José Financing Authority	Totals
-	-	17,074,248	-	17,074,248
2,318	60,880	279,033	2,790,201	3,180,399
<u>2,318</u>	<u>60,880</u>	<u>17,353,281</u>	<u>2,790,201</u>	<u>20,254,647</u>
-	-	2,370,000	7,990,000	10,360,000
-	107,137	6,711,046	24,055,234	30,873,417
-	-	516,880	8,481,281	8,998,161
<u>-</u>	<u>107,137</u>	<u>9,597,926</u>	<u>40,526,515</u>	<u>50,231,578</u>
<u>2,318</u>	<u>(46,257)</u>	<u>7,755,355</u>	<u>(37,736,314)</u>	<u>(29,976,931)</u>
-	-	1,456,938	418,001,509	419,458,447
-	-	-	(3,692,157)	(3,692,157)
-	-	-	(31,566,884)	(31,566,884)
229,000	797,887	-	14,670,527	19,781,603
<u>(988,600)</u>	<u>(299,720)</u>	<u>(80,597)</u>	<u>(278,989,389)</u>	<u>(285,022,522)</u>
<u>(759,600)</u>	<u>498,167</u>	<u>1,376,341</u>	<u>118,423,606</u>	<u>118,958,487</u>
(757,282)	451,910	9,131,696	80,687,292	88,981,556
786,965	1,193,808	5,083,937	34,653,838	43,486,554
<u>29,683</u>	<u>1,645,718</u>	<u>14,215,633</u>	<u>115,341,130</u>	<u>132,468,110</u>

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2003

	Fiber Optics Development (Fund 007)	San Antonio (Fund 403)	Capital Improvements (Funds 408, 424)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 783,949	94,066	445,546
Receivables (net of allowance for uncollectibles)	5,591	671	3,237
Due from other funds	-	-	-
Loans receivable, net	-	-	-
Advances and deposits	-	-	4,472
Total current assets	<u>789,540</u>	<u>94,737</u>	<u>453,255</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	-
Other investments	-	-	-
Total assets	<u>\$ 789,540</u>	<u>94,737</u>	<u>453,255</u>
LIABILITIES			
Accounts payable	-	-	-
Accrued salaries, wages and payroll taxes	-	-	-
Due to other funds	-	-	-
Advances from other funds	3,152,000	-	-
Total liabilities	<u>3,152,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Encumbrances	-	-	-
Noncurrent advances and loans	-	-	4,472
Unreserved:			
Undesignated	(2,362,460)	94,737	448,783
Total fund balances	<u>(2,362,460)</u>	<u>94,737</u>	<u>453,255</u>
Total liabilities and fund balances	<u>\$ 789,540</u>	<u>94,737</u>	<u>453,255</u>

Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	33,333,779	31,337
-	-	297,214	223
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>33,630,993</u>	<u>31,560</u>
-	-	-	-
7,280,130	2,343,112	-	-
<u>7,280,130</u>	<u>2,343,112</u>	<u>33,630,993</u>	<u>31,560</u>
1,885	163,712	770,922	-
2,406	1,748	32,820	-
2,534,321	512,024	-	-
-	-	-	-
<u>2,538,612</u>	<u>677,484</u>	<u>803,742</u>	<u>-</u>
1,294,185	577,069	21,344,326	-
-	-	-	-
3,447,333	1,088,559	11,482,925	31,560
<u>4,741,518</u>	<u>1,665,628</u>	<u>32,827,251</u>	<u>31,560</u>
<u>7,280,130</u>	<u>2,343,112</u>	<u>33,630,993</u>	<u>31,560</u>

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2003

	Route 85/87 (Fund 455)	Central Service Yard (Fund 463)	Construction Excise Tax (Funds 464, 465, 470)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 90,111	-	16,496,994
Receivables (net of allowance for uncollectibles)	643	-	3,350,074
Due from other funds	-	-	16,569,949
Loans receivable, net	-	-	2,041,112
Advances and deposits	-	-	205,722
Total current assets	<u>90,754</u>	<u>-</u>	<u>38,663,851</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	84,703
Other investments	-	-	-
Total assets	<u>90,754</u>	<u>-</u>	<u>38,748,554</u>
LIABILITIES			
Accounts payable	-	-	288,019
Accrued salaries, wages and payroll taxes	-	-	139,975
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>427,994</u>
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	7,783,800
Noncurrent advances and loans	-	-	2,246,834
Unreserved:			
Undesignated	90,754	-	28,289,926
Total fund balance	<u>90,754</u>	<u>-</u>	<u>38,320,560</u>
Total liabilities and fund balance	<u>\$ 90,754</u>	<u>-</u>	<u>38,748,554</u>

Park Center Project Contingency (Fund 466)	Community Facilities Construction (Funds 467, 468)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Neighborhood Security Bond Projects (Fund 475)
142,528	190,450	-	-	-
1,016	1,358	499,511	310,592	292,338
-	-	-	-	-
-	-	-	-	-
<u>143,544</u>	<u>191,808</u>	<u>499,511</u>	<u>310,592</u>	<u>292,338</u>
-	-	69,997,105	43,523,542	40,965,640
-	-	19,146	7,009,418	16,046
<u>143,544</u>	<u>191,808</u>	<u>70,515,762</u>	<u>50,843,552</u>	<u>41,274,024</u>
-	-	978,632	1,073,561	55,748
-	-	63,065	42,565	41,073
-	-	5,411,245	3,746,863	2,093,483
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,452,942</u>	<u>4,862,989</u>	<u>2,190,304</u>
-	-	17,711,271	17,150,625	484,033
-	-	-	-	-
<u>143,544</u>	<u>191,808</u>	<u>46,351,549</u>	<u>28,829,938</u>	<u>38,599,687</u>
<u>143,544</u>	<u>191,808</u>	<u>64,062,820</u>	<u>45,980,563</u>	<u>39,083,720</u>
<u>143,544</u>	<u>191,808</u>	<u>70,515,762</u>	<u>50,843,552</u>	<u>41,274,024</u>

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2003

	City Hall Renovation Construction (Fund 485)	San José Financing Authority (Fund 857)	Totals
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 2,092,338	-	53,701,098
Receivables (net of allowance for uncollectibles)	-	-	4,762,468
Due from other funds	-	-	16,569,949
Loans receivable, net	-	-	2,041,112
Advances and deposits	-	-	210,194
Total current assets	<u>2,092,338</u>	<u>-</u>	<u>77,284,821</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	154,570,990
Other investments	-	6,403,497	23,071,349
Total assets	<u>2,092,338</u>	<u>6,403,497</u>	<u>254,927,160</u>
LIABILITIES			
Accounts payable	-	-	3,332,479
Accrued salaries, wages and payroll taxes	1,083	-	324,735
Due to other funds	2,400,000	6,431,129	23,129,065
Advances from other funds	-	-	3,152,000
Total liabilities	<u>2,401,083</u>	<u>6,431,129</u>	<u>29,938,279</u>
FUND BALANCE			
Reserved for:			
Encumbrances	25,437	-	66,370,746
Noncurrent advances and loans	-	-	2,251,306
Unreserved:			
Undesignated	(334,182)	(27,632)	156,366,829
Total fund balance	<u>(308,745)</u>	<u>(27,632)</u>	<u>224,988,881</u>
Total liabilities and fund balance	<u>\$ 2,092,338</u>	<u>6,403,497</u>	<u>254,927,160</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2003

	Fiber Optics Development (Fund 007)	San Antonio (Fund 403)	Capital Improvements (Funds 408, 424)
REVENUES			
Taxes	\$ -	-	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Interest and other revenues:			
Interest	24,349	2,928	121
Other revenues	434	-	-
Total revenues	<u>24,783</u>	<u>2,928</u>	<u>121</u>
EXPENDITURES			
Current:			
Capital maintenance	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	24,783	2,928	121
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,783	2,928	121
Fund balances - beginning	(2,387,243)	91,809	453,134
Fund balances - ending	<u>\$ (2,362,460)</u>	<u>94,737</u>	<u>453,255</u>

Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	-	-
-	-	-	-
-	-	-	-
160,212	78,818	1,435,798	975
-	-	-	-
<u>160,212</u>	<u>78,818</u>	<u>1,435,798</u>	<u>975</u>
102,136	-	7,518,256	-
599,634	10,774,483	9,865,992	-
<u>701,770</u>	<u>10,774,483</u>	<u>17,384,248</u>	<u>-</u>
(541,558)	(10,695,665)	(15,948,450)	975
-	-	-	-
13,625,000	14,986	31,910,934	-
(8,130,618)	-	(747,260)	-
<u>5,494,382</u>	<u>14,986</u>	<u>31,163,674</u>	<u>-</u>
4,952,824	(10,680,679)	15,215,224	975
(211,306)	12,346,307	17,612,027	30,585
<u>4,741,518</u>	<u>1,665,628</u>	<u>32,827,251</u>	<u>31,560</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2003

	Route 85/87 (Fund 455)	Central Service Yard (Fund 463)	Construction Excise Tax (Funds 464, 465, 470)
REVENUES			
Taxes	\$ -	-	17,050,702
Intergovernmental	-	-	9,593,544
Charges for current services	-	-	200,910
Interest and other revenues:			
Interest	2,805	(579)	1,368,893
Other revenues	-	-	6,933,390
Total revenues	<u>2,805</u>	<u>(579)</u>	<u>35,147,439</u>
EXPENDITURES			
Current:			
Capital maintenance	-	-	20,306,854
Capital outlay	-	-	5,012,680
Total expenditures	<u>-</u>	<u>-</u>	<u>25,319,534</u>
Excess (deficiency) of revenues over (under) expenditures	2,805	(579)	9,827,905
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	-	171,000
Transfers out	-	(260,991)	(1,852,000)
Total other financing sources (uses)	<u>-</u>	<u>(260,991)</u>	<u>(1,681,000)</u>
Net change in fund balances	2,805	(261,570)	8,146,905
Fund balances - beginning	87,949	261,570	30,173,655
Fund balances - ending	<u>\$ 90,754</u>	<u>-</u>	<u>38,320,560</u>

Park Center Project Contingency (Fund 466)	Community Facilities Construction (Funds 467, 468)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Neighborhood Security Bond Projects (Fund 475)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,436	5,927	3,237,732	2,152,449	1,883,039
-	-	-	-	-
<u>4,436</u>	<u>5,927</u>	<u>3,237,732</u>	<u>2,152,449</u>	<u>1,883,039</u>
-	-	-	-	2,002,457
-	-	17,843,425	12,902,629	187,847
-	-	<u>17,843,425</u>	<u>12,902,629</u>	<u>2,190,304</u>
4,436	5,927	(14,605,693)	(10,750,180)	(307,265)
-	-	46,715,000	30,000,000	39,375,000
-	-	37,820	26,792	15,985
-	-	-	-	-
-	-	<u>46,752,820</u>	<u>30,026,792</u>	<u>39,390,985</u>
4,436	5,927	32,147,127	19,276,612	39,083,720
139,108	185,881	31,915,693	26,703,951	-
<u>143,544</u>	<u>191,808</u>	<u>64,062,820</u>	<u>45,980,563</u>	<u>39,083,720</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2003

	City Hall Renovation Construction (Fund 485)	San José Financing Authority (Fund 857)	Totals
REVENUES			
Taxes	\$ -	-	17,050,702
Intergovernmental	-	-	9,593,544
Charges for current services	-	-	200,910
Interest and other revenues:			
Interest	-	590,371	10,948,274
Other revenues	-	-	6,933,824
Total revenues	<u>-</u>	<u>590,371</u>	<u>44,727,254</u>
EXPENDITURES			
Current:			
Capital maintenance	308,745	-	30,238,448
Capital outlay	-	-	57,186,690
Total expenditures	<u>308,745</u>	<u>-</u>	<u>87,425,138</u>
Excess (deficiency) of revenues over (under) expenditures	(308,745)	590,371	(42,697,884)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	116,090,000
Transfers in	-	-	45,802,517
Transfers out	-	(19,397,091)	(30,387,960)
Total other financing sources (uses)	<u>-</u>	<u>(19,397,091)</u>	<u>131,504,557</u>
Net change in fund balances	(308,745)	(18,806,720)	88,806,673
Fund balances - beginning	-	18,779,088	136,182,208
Fund balances - ending	<u>\$ (308,745)</u>	<u>(27,632)</u>	<u>224,988,881</u>

City of San José
Combining Statement of Pension Net Assets
Pension Trust Funds
June 30, 2003

	Federated Retirement System (Funds 134 and 140)	Police and Fire Plan (Funds 135 and 141)	Totals
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,216,849,563	1,755,533,483	2,972,383,046
Securities lending collateral	121,693,902	1,704,774	123,398,676
Receivables (net of allowance for uncollectables):			
Accrued investment income	8,048,797	8,893,677	16,942,474
Employee contributions	323,732	454,444	778,176
Employer contributions	968,733	788,245	1,756,978
Due from brokers	782,515	43,999,570	44,782,085
Other	1,257,689	2,965,037	4,222,726
Total assets	1,349,924,931	1,814,339,230	3,164,264,161
LIABILITIES			
Accounts payable:			
Due to brokers	9,071,842	128,528,761	137,600,603
Securities lending collateral, due to borrowers	121,693,902	1,704,774	123,398,676
Advances, deposits, and reimbursable credits	100,688	263,466	364,154
Other liabilities	1,269,933	3,110,854	4,380,787
Total liabilities	132,136,365	133,607,855	265,744,220
NET ASSETS HELD IN TRUST FUND FOR PENSION BENEFITS			
Reserved for retirement plans:			
Employees' pension benefits	1,149,872,866	1,651,207,326	2,801,080,192
Employees' postemployment health care benefits	67,915,700	29,524,049	97,439,749
Net assets held in trust for pension benefits	\$ 1,217,788,566	1,680,731,375	2,898,519,941

City of San José
Combining Statement of Changes in Pension Net Assets
Pension Trust Funds
For the Year Ended June 30, 2003

	Federated Retirement System (Funds 134 and 140)	Police and Fire Plan (Funds 135 and 141)	Totals
ADDITIONS			
Investment income:			
Interest	\$ 25,508,420	27,584,000	53,092,420
Dividends	5,500,665	12,209,874	17,710,539
Net rental income	7,276,577	9,708,234	16,984,811
Net appreciation in fair value of plan investments	40,718,983	38,780,237	79,499,220
Investment expenses	(3,793,036)	(7,066,254)	(10,859,290)
Securities lending activities:			
Securities lending income	1,637,837	2,667,832	4,305,669
Securities lending expenses	(1,475,939)	(2,243,811)	(3,719,750)
Contributions:			
Employer	42,275,845	27,762,371	70,038,216
Employees	14,806,676	19,936,408	34,743,084
Total additions	<u>132,456,028</u>	<u>129,338,891</u>	<u>261,794,919</u>
DEDUCTIONS			
General and administrative	1,630,748	1,613,874	3,244,622
Health insurance	9,191,360	7,772,254	16,963,614
Refunds to terminated employees	714,069	275,707	989,776
Retirement and other benefits paid:			
Death benefits paid	45,905	2,103,905	2,149,810
Retirement benefits paid	51,519,882	56,970,882	108,490,764
Total deductions	<u>63,101,964</u>	<u>68,736,622</u>	<u>131,838,586</u>
Net increase	69,354,064	60,602,269	129,956,333
Net assets held in trust for pension benefits			
Beginning of year	1,148,434,502	1,620,129,106	2,768,563,608
End of year	<u>\$ 1,217,788,566</u>	<u>1,680,731,375</u>	<u>2,898,519,941</u>

City of San José
Combining Statement of Defined Benefit
and Postemployment Healthcare Plan Net Assets
Federated Retirement System
June 30, 2003

	Federated Retirement		
	(Fund 134)		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 849,389,214	67,781,177	917,170,391
Securities lending collateral	86,483,484	6,901,374	93,384,858
Receivables (net of allowance for uncollectibles):			
Accrued investment income	5,724,071	456,780	6,180,851
Employee contributions	186,082	66,276	252,358
Employer contributions	675,768	88,562	764,330
Due from brokers	556,105	44,377	600,482
Other	891,281	71,124	962,405
Total assets	<u>943,906,005</u>	<u>75,409,670</u>	<u>1,019,315,675</u>
LIABILITIES			
Accounts payable:			
Due to brokers	6,447,029	514,474	6,961,503
Securities lending collateral, due to borrowers	86,483,484	6,901,374	93,384,858
Advances, deposits and reimbursable credits	73,043	5,829	78,872
Other liabilities	905,929	72,293	978,222
Total liabilities	<u>93,909,485</u>	<u>7,493,970</u>	<u>101,403,455</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFIT			
Reserved for retirement plans:			
Employees' pension benefits	849,996,520	-	849,996,520
Employees' postemployment healthcare benefits	-	67,915,700	67,915,700
Net assets held in trust for pension benefits	<u>\$ 849,996,520</u>	<u>67,915,700</u>	<u>917,912,220</u>

**Federated Cost of Living
(Fund 140)**

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
299,679,172	-	299,679,172	1,216,849,563
28,309,044	-	28,309,044	121,693,902
1,867,946	-	1,867,946	8,048,797
71,374	-	71,374	323,732
204,403	-	204,403	968,733
182,033	-	182,033	782,515
295,284	-	295,284	1,257,689
<u>330,609,256</u>	<u>-</u>	<u>330,609,256</u>	<u>1,349,924,931</u>
2,110,339	-	2,110,339	9,071,842
28,309,044	-	28,309,044	121,693,902
21,816	-	21,816	100,688
291,711	-	291,711	1,269,933
<u>30,732,910</u>	<u>-</u>	<u>30,732,910</u>	<u>132,136,365</u>
299,876,346	-	299,876,346	1,149,872,866
-	-	-	67,915,700
<u>299,876,346</u>	<u>-</u>	<u>299,876,346</u>	<u>1,217,788,566</u>

City of San José
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Plan Net Assets
Federated Retirement System
For the Year Ended June 30, 2003

	Federated Retirement		
	(Fund 134)		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
ADDITIONS			
Investment income:			
Interest	\$ 18,117,186	1,469,648	19,586,834
Dividends	3,906,723	316,909	4,223,632
Net rental income	5,172,113	419,557	5,591,670
Net appreciation in fair value of plan investments	27,089,231	2,197,451	29,286,682
Investment expenses	(2,701,483)	(219,142)	(2,920,625)
Securities lending activities:			
Securities lending income	1,163,867	94,412	1,258,279
Securities lending expenses	(1,048,834)	(85,080)	(1,133,914)
Contributions:			
Employer	29,495,720	3,865,536	33,361,256
Employees	8,511,549	3,031,511	11,543,060
Total additions	89,706,072	11,090,802	100,796,874
DEDUCTIONS			
General and administrative	1,256,882	101,957	1,358,839
Health insurance	-	9,191,360	9,191,360
Refunds to terminated employees	580,011	-	580,011
Retirement and other benefits paid:			
Death benefits paid	45,905	-	45,905
Retirement benefits paid	40,142,971	-	40,142,971
Total deductions	42,025,769	9,293,317	51,319,086
Net increase	47,680,303	1,797,485	49,477,788
Net assets held in trust for pension benefits			
Beginning of year	802,316,217	66,118,215	868,434,432
End of year	\$ 849,996,520	67,915,700	917,912,220

**Federated Cost of Living
(Fund 140)**

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
5,921,586	-	5,921,586	25,508,420
1,277,033	-	1,277,033	5,500,665
1,684,907	-	1,684,907	7,276,577
11,432,301	-	11,432,301	40,718,983
(872,411)	-	(872,411)	(3,793,036)
379,558	-	379,558	1,637,837
(342,025)	-	(342,025)	(1,475,939)
8,914,589	-	8,914,589	42,275,845
3,263,616	-	3,263,616	14,806,676
<u>31,659,154</u>	<u>-</u>	<u>31,659,154</u>	<u>132,456,028</u>
271,909	-	271,909	1,630,748
-	-	-	9,191,360
134,058	-	134,058	714,069
-	-	-	45,905
11,376,911	-	11,376,911	51,519,882
<u>11,782,878</u>	<u>-</u>	<u>11,782,878</u>	<u>63,101,964</u>
19,876,276	-	19,876,276	69,354,064
280,000,070	-	280,000,070	1,148,434,502
<u>299,876,346</u>	<u>-</u>	<u>299,876,346</u>	<u>1,217,788,566</u>

City of San José
Combining Statement of
Defined Benefit and Postemployment Healthcare Plan Net Assets
Police and Fire Retirement Plan
June 30, 2003

	Police and Fire Retirement (Fund 135)		
	<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 135</u>
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,242,486,312	30,678,635	1,273,164,947
Securities lending collateral	1,203,277	29,711	1,232,988
Receivables (net of allowance for uncollectibles):			
Accrued investment income	6,286,906	155,232	6,442,138
Employee contributions	270,450	80,248	350,698
Employer contributions	350,830	96,796	447,626
Due from brokers	31,056,138	766,816	31,822,954
Other	1,887,830	46,612	1,934,442
Total assets	<u>1,283,541,743</u>	<u>31,854,050</u>	<u>1,315,395,793</u>
LIABILITIES			
Accounts payable:			
Due to brokers	90,719,224	2,239,977	92,959,201
Securities lending collateral, due to borrowers	1,203,277	29,711	1,232,988
Advances, deposits and reimbursable credits	202,746	5,006	207,752
Other liabilities	2,239,965	55,307	2,295,272
Total liabilities	<u>94,365,212</u>	<u>2,330,001</u>	<u>96,695,213</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Reserved for retirement plans:			
Employees' pension benefits	1,189,176,531	-	1,189,176,531
Employees' postemployment healthcare benefits	-	29,524,049	29,524,049
Net assets held in trust for pension benefits	<u>\$ 1,189,176,531</u>	<u>29,524,049</u>	<u>1,218,700,580</u>

**Police and Fire Cost of Living
(Fund 141)**

<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 141</u>	<u>Totals</u>
482,368,536	-	482,368,536	1,755,533,483
471,786	-	471,786	1,704,774
2,451,539	-	2,451,539	8,893,677
103,746	-	103,746	454,444
340,619	-	340,619	788,245
12,176,616	-	12,176,616	43,999,570
1,030,595	-	1,030,595	2,965,037
<u>498,943,437</u>	<u>-</u>	<u>498,943,437</u>	<u>1,814,339,230</u>
35,569,560	-	35,569,560	128,528,761
471,786	-	471,786	1,704,774
55,714	-	55,714	263,466
815,582	-	815,582	3,110,854
<u>36,912,642</u>	<u>-</u>	<u>36,912,642</u>	<u>133,607,855</u>
462,030,795	-	462,030,795	1,651,207,326
-	-	-	29,524,049
<u>462,030,795</u>	<u>-</u>	<u>462,030,795</u>	<u>1,680,731,375</u>

City of San José
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Plan Net Assets
Police and Fire Retirement Plan
For the Year Ended June 30, 2003

	Police and Fire Retirement (Fund 135)		
	<u>Defined Benefit Pension Plan</u>	<u>Post Employment Healthcare Plan</u>	<u>Total Fund 135</u>
ADDITIONS			
Investment income:			
Interest	\$ 19,495,883	479,974	19,975,857
Dividends	8,632,365	212,523	8,844,888
Net rental income	6,861,804	168,933	7,030,737
Net appreciation in fair value of plan investments	27,226,908	670,311	27,897,219
Investment expenses	(5,043,360)	(124,164)	(5,167,524)
Securities lending activities:			
Securities lending income	1,887,944	46,480	1,934,424
Securities lending expenses	(1,587,985)	(39,095)	(1,627,080)
Contributions:			
Employer	15,408,887	4,251,391	19,660,278
Employees	11,864,569	3,520,470	15,385,039
Total additions	<u>84,747,015</u>	<u>9,186,823</u>	<u>93,933,838</u>
DEDUCTIONS			
General and administrative	1,301,008	32,029	1,333,037
Health insurance	-	7,772,254	7,772,254
Refunds to terminated employees	211,890	-	211,890
Retirement and other benefits paid:			
Death benefits paid	2,103,905	-	2,103,905
Retirement benefits paid	45,061,273	-	45,061,273
Total deductions	<u>48,678,076</u>	<u>7,804,283</u>	<u>56,482,359</u>
Net increase	36,068,939	1,382,540	37,451,479
Net assets held in trust for pension benefits			
Beginning of year	1,153,107,592	28,141,509	1,181,249,101
End of year	<u>\$ 1,189,176,531</u>	<u>29,524,049</u>	<u>1,218,700,580</u>

**Police and Fire Cost of Living
(Fund 141)**

<u>Defined Benefit Pension Plan</u>	<u>Post Employment Healthcare Plan</u>	<u>Total Fund 141</u>	<u>Total</u>
7,608,143	-	7,608,143	27,584,000
3,364,986	-	3,364,986	12,209,874
2,677,497	-	2,677,497	9,708,234
10,883,018	-	10,883,018	38,780,237
(1,898,730)	-	(1,898,730)	(7,066,254)
733,408	-	733,408	2,667,832
(616,731)	-	(616,731)	(2,243,811)
8,102,093	-	8,102,093	27,762,371
4,551,369	-	4,551,369	19,936,408
<u>35,405,053</u>	<u>-</u>	<u>35,405,053</u>	<u>129,338,891</u>
280,837	-	280,837	1,613,874
-	-	-	7,772,254
63,817	-	63,817	275,707
-	-	-	2,103,905
11,909,609	-	11,909,609	56,970,882
<u>12,254,263</u>	<u>-</u>	<u>12,254,263</u>	<u>68,736,622</u>
23,150,790	-	23,150,790	60,602,269
438,880,005	-	438,880,005	1,620,129,106
<u>462,030,795</u>	<u>-</u>	<u>462,030,795</u>	<u>1,680,731,375</u>

City of San José
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2003

		Municipal Health Services	Arena Capital Reserve	Total
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$	1,990,933	1,491,426	3,482,359
Accrued interest		13,995	11,409	25,404
Total assets	\$	2,004,928	1,502,835	3,507,763
LIABILITIES				
Accounts payable		1,124,772	-	1,124,772
Accrued salaries, wages, and payroll taxes		4,777	-	4,777
Other liabilities		875,379	1,502,835	2,378,214
Total liabilities	\$	2,004,928	1,502,835	3,507,763

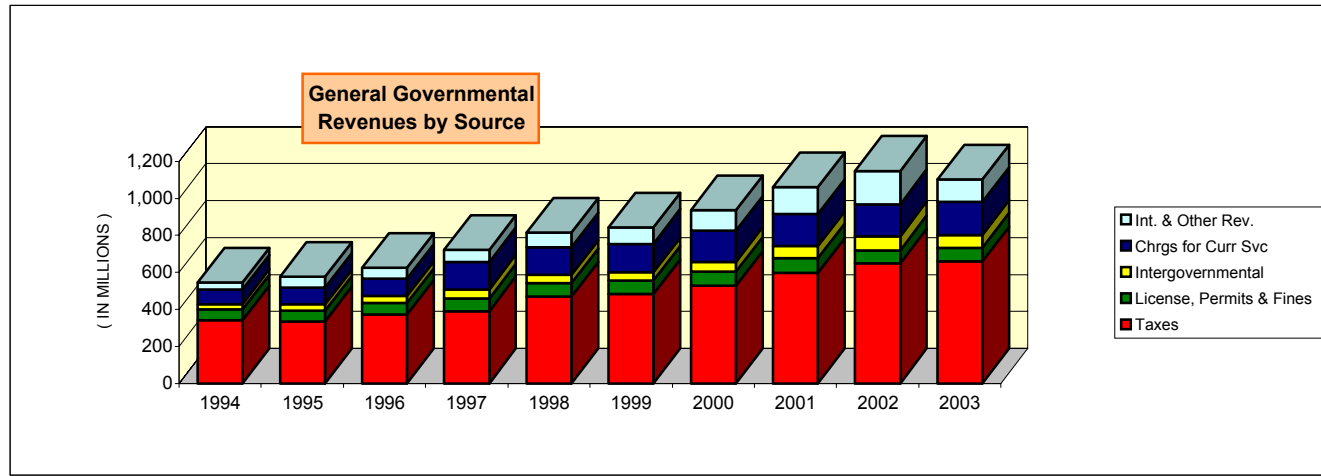
City of San José
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003

<u>City/County Joint Powers Authority (Fund 152)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 711,059	-	711,059	-
Total assets	<u>\$ 711,059</u>	<u>-</u>	<u>711,059</u>	<u>-</u>
LIABILITIES				
Other liabilities	711,059	-	711,059	-
Total liabilities	<u>\$ 711,059</u>	<u>-</u>	<u>711,059</u>	<u>-</u>
<u>Municipal Health Services (Fund 132)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 708,873	6,778,066	5,496,006	1,990,933
Receivables (net of allowances for uncollectibles):				
Accrued interest	7,142	13,995	7,142	13,995
Other	722,079	-	722,079	-
Total assets	<u>\$ 1,438,094</u>	<u>6,792,061</u>	<u>6,225,227</u>	<u>2,004,928</u>
LIABILITIES				
Accounts payable	15,245	7,462,878	6,353,351	1,124,772
Accrued salaries, wates, and payroll taxes	1,907	4,777	1,907	4,777
Other liabilities	1,420,942	5,972,180	6,517,743	875,379
Total liabilities	<u>\$ 1,438,094</u>	<u>13,439,835</u>	<u>12,873,001</u>	<u>2,004,928</u>
<u>Arena Capital Reserve (Fund 459)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 1,381,648	291,712	181,934	1,491,426
Receivables (net of allowances for uncollectibles):				
Accrued interest	12,426	11,409	12,426	11,409
Total assets	<u>\$ 1,394,074</u>	<u>303,121</u>	<u>194,360</u>	<u>1,502,835</u>
LIABILITIES				
Other liabilities	1,394,074	253,262	144,501	1,502,835
Total liabilities	<u>\$ 1,394,074</u>	<u>253,262</u>	<u>144,501</u>	<u>1,502,835</u>

City of San José
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003

<u>Total Agency Funds</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 2,801,580	7,069,778	6,388,999	3,482,359
Receivables (net of allowances for uncollectibles):				
Accrued interest	19,568	25,404	19,568	25,404
Other	722,079	-	722,079	-
Total assets	\$ <u>3,543,227</u>	<u>7,095,182</u>	<u>7,130,646</u>	<u>3,507,763</u>
LIABILITIES				
Accounts payable	15,245	7,462,878	6,353,351	1,124,772
Accrued salaries, wages, and payroll taxes	1,907	4,777	1,907	4,777
Other liabilities	3,526,075	6,225,442	7,373,303	2,378,214
	\$ <u>3,543,227</u>	<u>13,693,097</u>	<u>13,728,561</u>	<u>3,507,763</u>

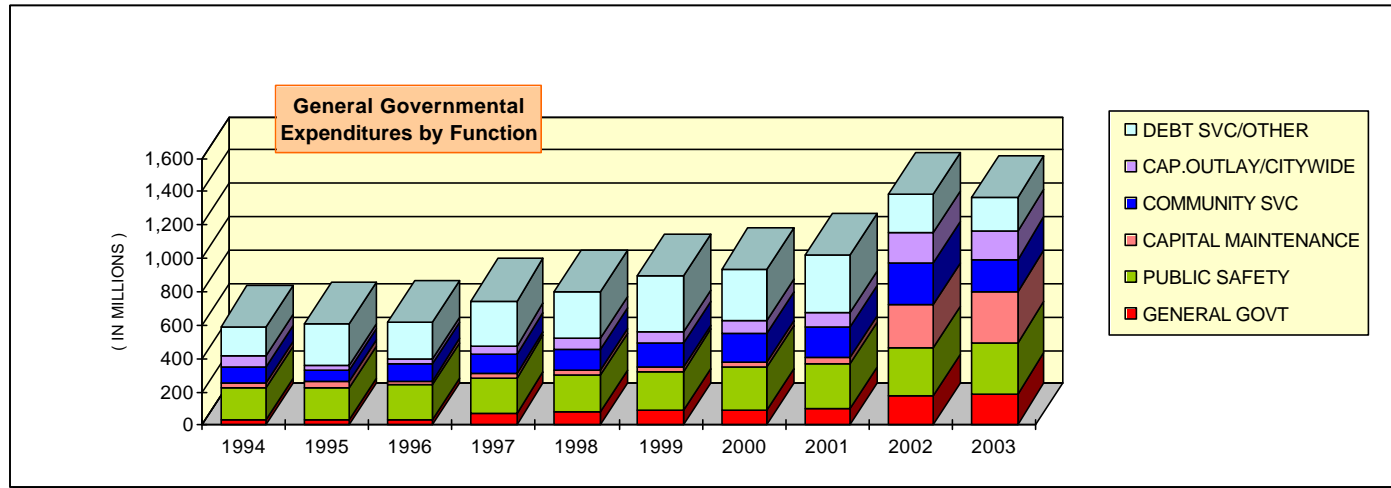
CITY OF SAN JOSE
 GENERAL GOVERNMENTAL REVENUES BY SOURCE
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
 LAST TEN FISCAL YEARS
 (\$000'S)



Fiscal Year	Taxes	Licenses, Permits & Fines		Inter- Governmental		Charges for Current Services		Interest & Other Revenue		Total	
		% of Total	% of Total	% of Total	% of Total	% of Total	% of Total				
1994	\$340,225	62.6%	\$58,325	10.7%	\$30,202	5.6%	\$78,836	14.5%	\$35,852	6.6%	\$543,440
1995	335,451	58.2%	58,130	10.1%	34,350	6.0%	89,958	15.6%	58,097	10.1%	575,986
1996	371,810	59.5%	61,396	9.8%	39,189	6.3%	93,606	15.0%	58,446	9.4%	624,447
1997	(1) 390,469	54.1%	66,557	9.2%	50,831	7.0%	147,882	20.5%	66,614	9.2%	722,353
1998	467,995	57.4%	73,433	9.0%	44,999	5.5%	149,744	18.4%	78,882	9.7%	815,053
1999	481,990	57.2%	73,919	8.8%	44,215	5.2%	153,944	18.3%	88,203	10.5%	842,271
2000	526,659	56.2%	75,641	8.1%	55,143	5.9%	167,232	17.9%	112,018	12.0%	936,693
2001	596,790	56.3%	79,143	7.5%	65,844	6.2%	172,720	16.3%	145,768	13.7%	1,060,265
2002	648,707	56.5%	70,803	6.2%	75,745	6.6%	173,727	15.1%	179,207	15.6%	1,148,189
2003	659,178	59.8%	73,687	6.7%	69,352	6.3%	177,366	16.1%	122,274	11.1%	1,101,857

(1) The following funds previously reported under Internal Service Funds and Enterprise Funds were reclassified to Special Revenue Funds: Stores Fund, Vehicle Maintenance and Operations Fund, Repair and Demolition Fund and Muni Golf Course Fund.

CITY OF SAN JOSE
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
 LAST TEN FISCAL YEARS
 (\$000's)

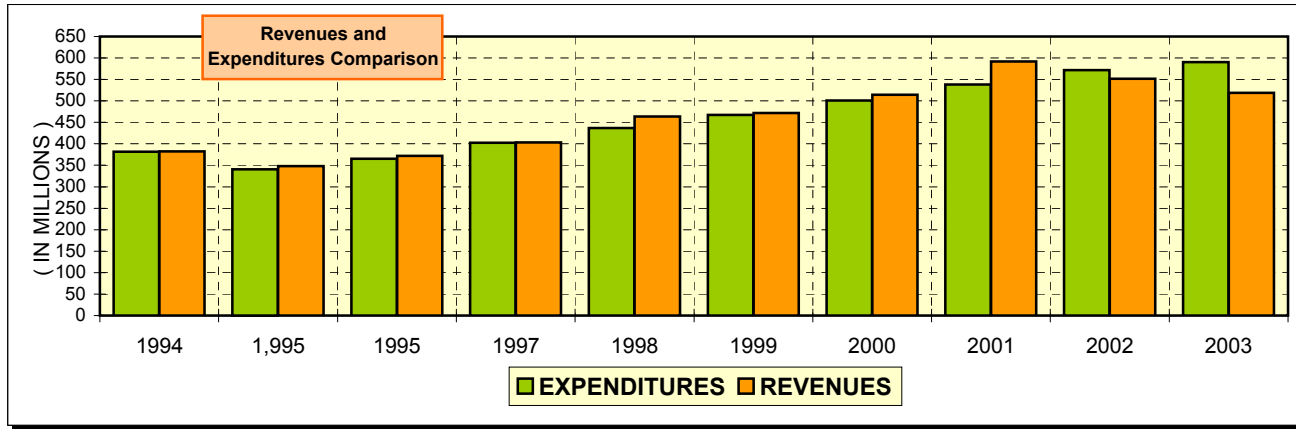


Fiscal Year	General Gov't	% of Total	Public Safety	% of Total	Capital Maint.	% of Total	Comm. Services	% of Total	Capital Outlay	% of Total	Debt Service	% of Total	Citywide	% of Total	Other	% of Total	Total
1994	\$34,357	5.8	\$186,440	31.7	\$31,138	5.3	\$97,294	16.6	\$31,126	5.3	\$94,116	16.0	\$39,758	6.8	\$73,396	12.5	\$587,625
1995	35,081	5.8	193,539	31.8	32,433	5.3	69,813	11.5	25,960	4.3	109,859	18.0	-	0.0	142,365	23.4	609,050
1996	32,523	5.3	208,832	33.9	26,490	4.3	99,408	16.2	32,482	5.3	99,168	16.1	-	0.0	116,532	18.9	615,435
1997 (1)	73,214	9.8	214,180	28.7	22,531	3.0	119,098	15.9	49,507	6.6	106,193	14.2	-	0.0	162,801	21.8	747,524
1998	78,122	9.8	223,415	27.9	24,961	3.1	129,467	16.2	65,789	8.2	107,055	13.4	-	0.0	171,996	21.5	800,805
1999	86,624	9.7	238,914	26.7	26,285	2.9	139,783	15.6	70,721	7.9	152,631	17.1	-	0.0	179,888	20.1	894,846
2000	92,317	9.9	258,351	27.7	28,008	3.0	175,857	18.9	71,392	7.7	126,408	13.6	-	0.0	179,642	19.3	931,975
2001	100,463	9.8	269,139	26.4	34,534	3.4	187,503	18.4	88,091	8.6	133,546	13.1	-	0.0	206,665	20.3	1,019,941
2002	176,880	12.8	284,259	20.5	260,061	18.8	249,222	18.0	180,639	13.1	149,950	10.8	-	0.0	82,760	6.0	1,383,771
2003	185,256	13.5	307,991	22.5	308,116	22.5	194,959	14.2	87,398	6.4	130,203	9.5	78,869	5.8	76,799	5.6	1,369,591

(1) The following funds previously reported under Internal Service Funds and Enterprise Funds were reclassified to Special Revenue Funds: Stores Fund, Vehicle Maintenance and Operations Fund, Repair and Demolition Fund and Muni Golf Course Fund.

CITY OF SAN JOSE
 GENERAL FUND REVENUES AND EXPENDITURES
 LAST TEN FISCAL YEARS
 (\$ 000's)

SCHEDULE III



<u>Fiscal Year</u>	<u>Revenues</u>	<u>% Increase/ (Decrease)</u>	<u>Expenditures</u>	<u>% Increase/ (Decrease)</u>
1994	\$382,574	15.7	\$381,292	15.6
1995	348,106	(9.0)	340,941	(10.6)
1996	372,152	6.9	365,111	7.1
1997	403,222	8.3	402,657	10.3
1998	464,013	15.1	436,776	8.5
1999	472,132	1.7	467,288	7.0
2000	514,247	8.9	501,213	7.3
2001	591,740	15.1	538,047	7.3
2002	551,468	(6.8)	571,922	6.3
2003	519,017	(5.9)	590,169	3.2

Source: Finance Department, City of San José

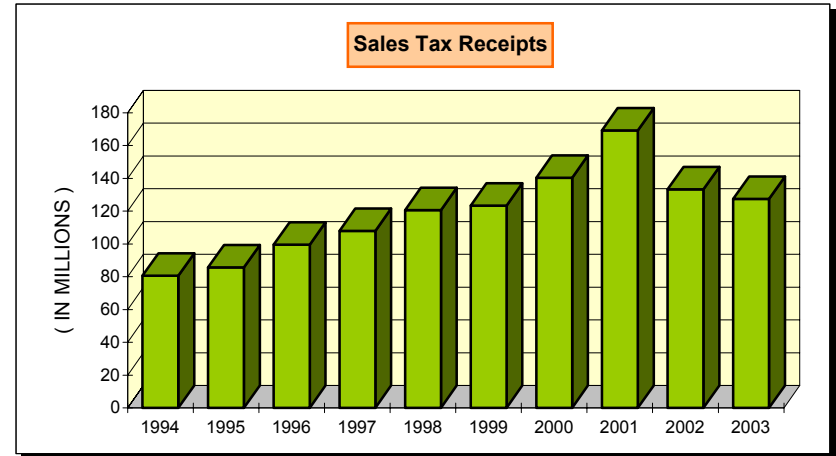
CITY OF SAN JOSE
 LAST TEN FISCAL YEARS
 (\$ 000's)

SCHEDULE IV

SALES TAX RECEIPTS

Fiscal Year	Revenues	Increase / (Decrease) from Preceding Year	% Increase / (Decrease) from Preceding Year	Revenue Per Capita
1994	\$80,624	\$5,042	6.7	\$96.49
1995	85,668	5,044	6.3	101.26
1996	99,558	13,890	16.2	117.21
1997	108,000	8,442	8.5	123.67
1998	120,697	12,697	11.8	135.01
1999	123,306	2,609	2.2	135.64
2000	140,307	17,001	13.8	151.91
2001	169,217	28,910	20.6	189.08
2002	133,241	-35,976	-21.3	145.15
2003	127,457	-5,784	-4.3	137.79

Source: Finance Department, City of San José

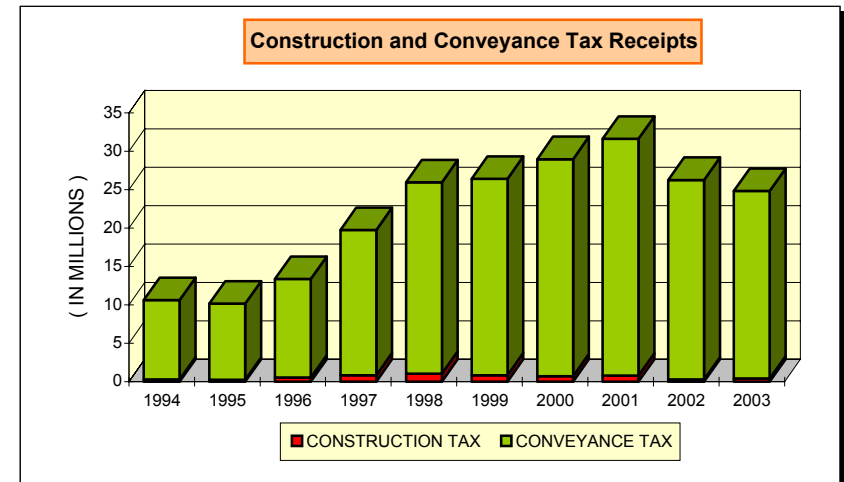


CONSTRUCTION AND CONVEYANCE TAXES

(COUNCIL DISTRICTS)

Fiscal Year	Construction Tax	Real Property Conveyance Tax	Total
1994	\$286	\$10,329	\$10,615
1995	239	9,936	10,175
1996	528	12,840	13,368
1997	836	18,926	19,762
1998	1,038	24,920	25,958
1999	831	25,580	26,411
2000	703	28,278	28,981
2001	787	30,846	31,633
2002	309	25,962	26,271
2003	407	24,428	24,835

Source: Finance Department, City of San José



CITY OF SAN JOSE
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (\$ 000's)

SCHEDULE V

Fiscal Year	Gross Assessed Value	Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value	% of Gross Assessed Value Growth
1994	\$46,361,472	\$2,104,811	\$44,256,661	\$46,361,472	100.0 %	4.72%
1995	46,074,404	1,922,527	44,151,877	46,074,404	100.0 %	(0.62%)
1996	47,400,940	2,062,794	45,338,146	47,400,940	100.0 %	2.88%
1997	49,441,848	993,260	48,448,588	49,441,848	100.0 %	4.31%
1998	53,669,315	1,183,528	52,485,787	53,669,315	100.0 %	8.55%
1999	59,777,691	1,337,056	58,440,635	59,777,691	100.0 %	11.38%
2000	65,316,993	1,369,112	63,947,881	65,316,993	100.0 %	9.27%
2001	72,432,107	1,480,468	70,951,639	72,432,107	100.0 %	10.89%
2002	83,699,432	1,844,586	81,854,846	83,699,432	100.0 %	15.56%
2003	88,634,267	1,985,707	86,648,560	88,634,267	100.0 %	5.90%

Source: Department of Finance, County of Santa Clara

CITY OF SAN JOSE
 TEN LARGEST LOCAL SECURED PROPERTY TAXPAYERS
 (\$ 000's)

Company	Type of Business	Net Assessed Property Valuation	Percent of Total
IBM Corporation	Computers and peripherals	\$ 935,518	1.08%
Spieker Properties	Real estate and land development	702,041	0.81%
UBS Lease Finance LLC	Real estate and land development	684,615	0.79%
Sobrato Development Co.	Real estate and land development	400,958	0.46%
Agilent Technologies	Test measurement instruments	382,056	0.44%
Carramerica Realty Corp.	Real estate and land development	350,552	0.40%
ABN Amro Leasing Inc.	Financial Services	338,551	0.39%
VF Mall LLC	Real estate and land development	311,450	0.36%
Mission West Properties LP	Real estate and land development	286,684	0.33%
Bay Area Apartment Communities Inc.	Real estate and land development	242,715	0.28%
Total assessed property valuation, local secured net		\$ 4,635,140	5.35%
Total City of San Jose assessed property valuation, fiscal year 2002-03		\$ 86,648,560	

Source: California Municipal Statistics, Inc.

CITY OF SAN JOSE
LAST TEN FISCAL YEARS
(\$ 000's)

SCHEDULE VI

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

Fiscal Year	Outstanding Assessments Beginning of Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Outstanding Assessments End of Fiscal Year
1994	\$143,937	\$15,428	\$14,765	95.7%	\$122,843
1995	122,843	14,480	13,912	96.1%	113,190
1996	113,190	14,657	14,278	97.4%	104,979
1997	104,979	14,003	13,770	98.3%	93,466
1998	93,466	13,096	12,791	97.7%	87,888
1999	87,888	12,482	12,261	98.2%	78,736
2000	78,736	10,555	10,284	97.4%	70,420
2001	70,420	9,745	9,435	96.8%	63,232
2002	63,232	9,275	9,002	97.1%	95,436
2003	95,436	8,463	8,303	98.1%	80,563

Source: Finance Department, City of San José

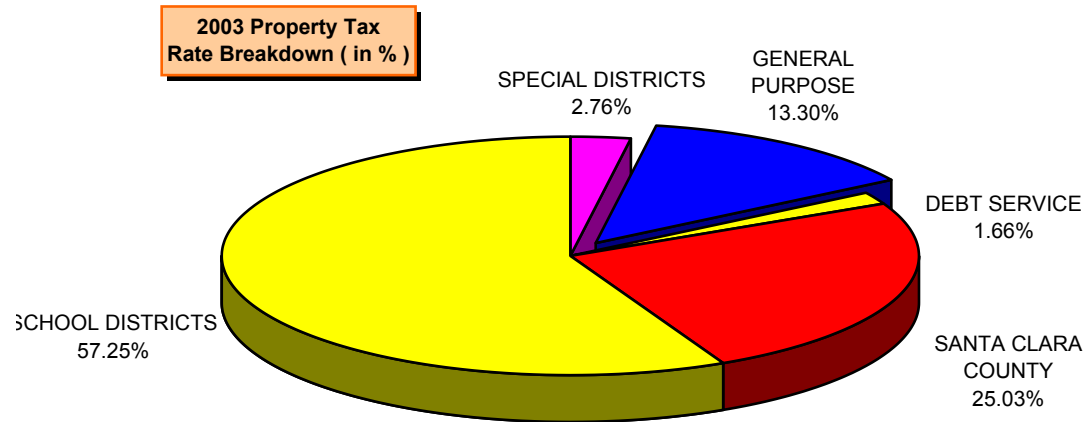
PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Gross Tax Levy	Current Tax Collections	% of Current Levy Collected	Total Tax Collections (Including Delinquencies)
1994	\$48,183	\$48,616	100.9	\$52,276
1995	48,734	48,738	100.0	48,870
1996	50,070	48,987	97.8	49,121
1997	56,010	46,804	83.6	46,954
1998	56,157	55,906	99.6	55,906
1999	65,071	64,815	99.6	64,815
2000	71,504	71,971	100.7	71,971
2001	80,510	80,694	100.2	80,694
2002	88,526	88,286	99.7	88,286
2003	93,189	93,592	100.4	93,592

Source: Finance Department, Santa Clara County

CITY OF SAN JOSE
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

SCHEDULE VII



<u>Fiscal Year</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
City of San Jose:										
General purpose	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.155
Debt service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.009	0.019
	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.164	0.174
Santa Clara County	0.287	0.287	0.287	0.287	0.292	0.292	0.285	0.289	0.290	0.292
School districts	0.574	0.573	0.569	0.569	0.574	0.589	0.605	0.608	0.622	0.667
Special districts	0.035	0.033	0.034	0.034	0.033	0.032	0.032	0.031	0.030	0.032
	1.051	1.048	1.045	1.045	1.054	1.068	1.077	1.083	1.105	1.166

The above tax rates are applied per \$100 of assessed valuation.

Source: Department of Finance, County of Santa Clara

CITY OF SAN JOSE
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2003

SCHEDULE VIII

	<u>% Applicable</u>	<u>Debt (\$)</u>
<u>Direct Debt:</u>		
City of San José General Obligation Bonds	100.000	\$ 184,720,000
Total Gross Direct Debt		\$ 184,720,000 ⁽¹⁾
<u>Overlapping Debt:</u>		
	<u>% Applicable</u>	<u>Debt (\$)</u>
Santa Clara County General Fund Obligations	37.716	\$ 228,747,540
Santa Clara County Board of Education Certificates of Participation	37.716	7,173,583
Santa Clara County Flood Control & Water Conservation District, Zone W-1	45.049	3,171,450
San José Community College District and Certificates of Participation	Various	121,923,824
Foothill Community College District	4.281	4,449,673
San José Unified School District and Certificates of Participation	97.695	338,433,975
Morgan Hill Unified School District	19.503	14,105,107
Santa Clara Unified School District and Certificates of Participation	5.117	6,806,378
East Side Union High School District	94.467	251,216,044
Fremont Union High School District	8.875	11,965,719
Los Gatos Union School District	1.708	579,012
Los Gatos Joint Union H.S. District and Certificates of Participation	0.753	588,733
Alum Rock Union School District and Certificates of Participation	74.533	38,061,602
Berryessa Union School District	92.899	47,241,957
Burbank School District	21.173	366,293
Campbell Union High School District	58.934	32,233,951
Campbell Union School District	44.072	28,095,154
Cupertino Union School District and Certificates of Participation	15.762	20,844,386
Evergreen School District	99.440	74,390,767
Evergreen School District Community Facilities District #92-1	100.000	6,455,000
Franklin-McKinley School District and Certificates of Participation	97.779	57,965,619
Milpitas Unified School District	0.0003	179
Moreland School District and Certificates of Participation	75.202	39,382,777
Mount Pleasant School District	86.715	9,660,051
Oak Grove School District	99.766	59,245,857
Orchard School District	100.000	32,600,697
Union School District	72.378	46,346,905
Santa Clara Valley Water District Benefit Assessment District	37.716	76,816,177
Other Special Districts	0.017	18,380
Total Overlapping Debt		\$ 1,558,886,790
Net Direct and Overlapping Debt		\$ 1,743,606,790

	<u>Per Capita</u> ⁽²⁾	<u>% of Assessed Value</u> ⁽³⁾
Debt Ratios:		
Gross Direct Debt	\$ 199.70	0.2084%
Net Direct and Overlapping Bonded Debt	\$ 1,884.98	1.9672%

(1) Excludes revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and special assessment bonds.

(2) Population of the City of San José at 1/1/2003 was 925,000

(3) 2002-2003 gross assessed value: \$88,634,267,000

Source: California Municipal Statistics, Inc.

CITY OF SAN JOSE
STATEMENT OF LEGAL DEBT MARGIN
JUNE 30, 2003

SCHEDULE IX

Calculation of Debt Limit

Total assessed value for fiscal year 2002-03	\$	88,634,267,000
Debt limit at 15 % of assessed value (1)		x .15
Debt limit applicable to fiscal year 2002-03	\$	<u>13,295,140,050</u>

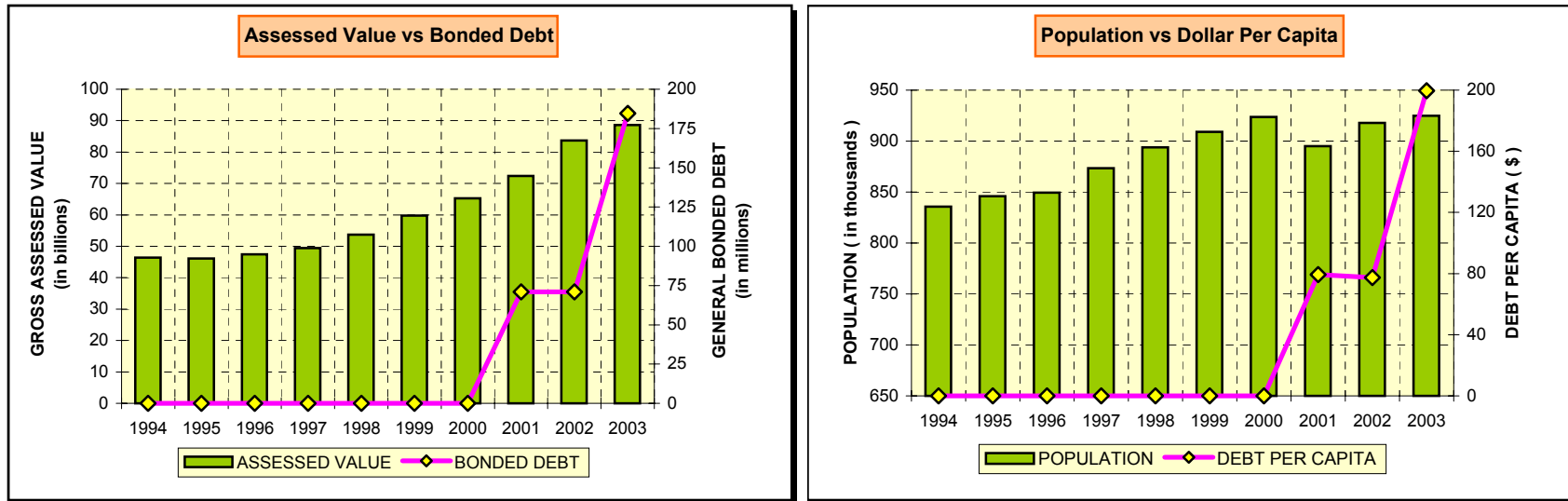
Calculation of Legal Debt Margin

Debt limit applicable to fiscal year 2002-03	\$	13,295,140,050
Less: total general obligation bonds		<u>184,720,000</u>
Legal debt margin	\$	<u>13,110,420,050</u>

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.

CITY OF SAN JOSE
 BONDED DEBT COMPARED TO ASSESSED VALUE AND PER CAPITA
 LAST TEN FISCAL YEARS
 (\$ 000's)

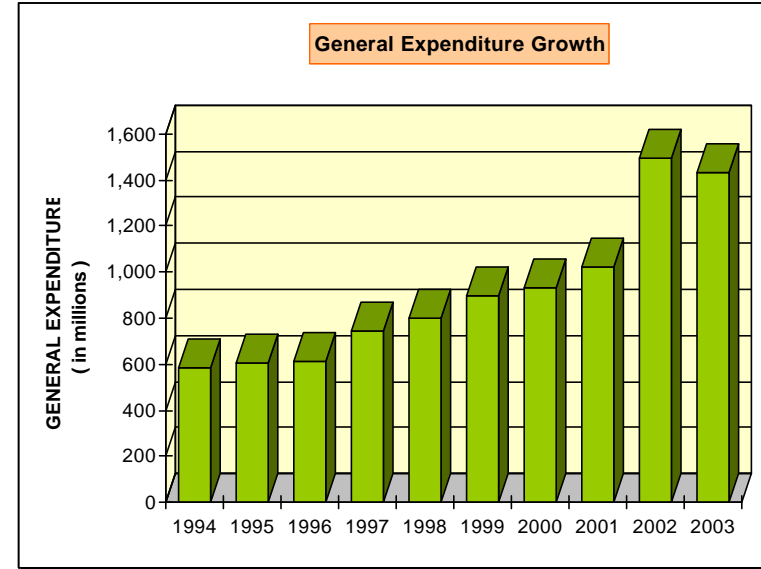
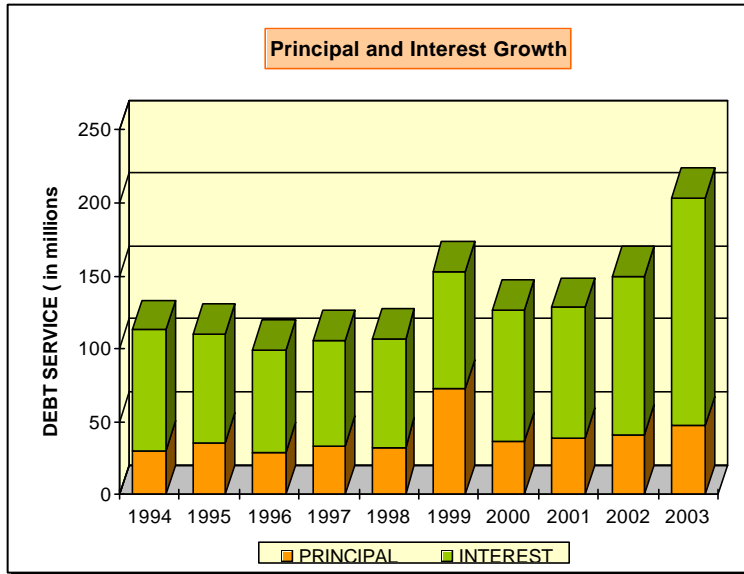
SCHEDULE X



Fiscal Year	Gross Assessed Value	Tax Supported General Bonded Debt	Ratio of Debt to Assessed Value	Population	Debt Per Capita
1994	\$ 46,361,472	\$ 0	0.0000%	835,529	\$ 0.00
1995	46,074,404	0	0.0000%	845,991	0.00
1996	47,400,940	0	0.0000%	849,363	0.00
1997	49,441,848	0	0.0000%	873,286	0.00
1998	53,669,315	0	0.0000%	893,969	0.00
1999	59,777,691	0	0.0000%	909,100	0.00
2000	65,316,993	0	0.0000%	923,591	0.00
2001	72,432,107	71,000	0.0980%	894,943	79.33
2002	83,699,432	71,000	0.0848%	917,971	77.34
2003	88,634,267	184,720	0.2084%	925,000	199.70

Source: Finance Department, City of San José

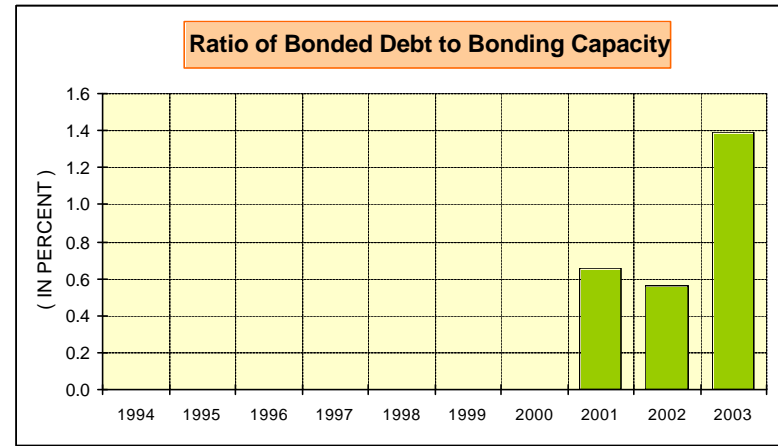
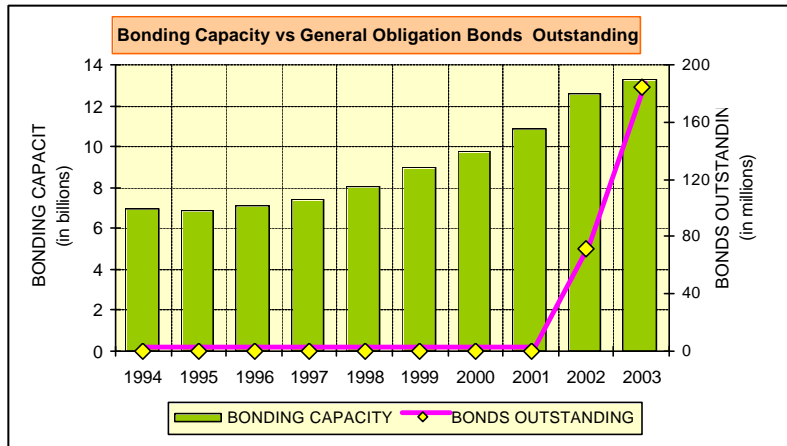
CITY OF SAN JOSE
 RATIO OF ANNUAL DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (\$000's)



Fiscal Year	Debt Service			Total General Expenditures	Debt Service to Total General Expenditures
	Principal	Interest	Total		
1994	\$29,938	\$82,882	\$112,820	\$587,625	19.20%
1995	35,831	74,028	109,859	609,050	18.04%
1996	28,889	70,279	99,168	615,435	16.11%
1997	33,591	72,601	106,192	747,263	14.21%
1998	32,398	74,657	107,055	800,805	13.37%
1999	72,595	80,036	152,631	894,846	17.06%
2000	36,205	90,203	126,408	931,975	13.56%
2001	38,649	89,611	128,260	1,019,941	12.58%
2002	41,546	108,404	149,950	1,492,216	10.05%
2003	47,361	155,814	203,175	1,428,294	14.23%

Source: Finance Department, City of San José

CITY OF SAN JOSE
 RATIO OF GENERAL BONDED DEBT TO BONDING CAPACITY
 LAST TEN FISCAL YEARS
 (\$000's)



Fiscal Year	General Obligation Bonds	Capacity ⁽¹⁾	% Bonded Debt to Bonding Capacity
1994	\$ 0	\$ 6,954,221	0.000 %
1995	0	6,911,161	0.000 %
1996	0	7,110,141	0.000 %
1997	0	7,416,277	0.000 %
1998	0	8,050,397	0.000 %
1999	0	8,966,654	0.000 %
2000	0	9,797,549	0.000 %
2001	71,000	10,864,816	0.653 %
2002	71,000	12,554,915	0.566 %
2003 ⁽²⁾	184,720	13,295,140	1.389 %

(1) 15% of gross assessed valuation.

(2) The City has issued general obligation bonds for library and park improvements as authorized by the voters in November 2000, and for public safety projects as authorized by the voters in March 2002.

Source: Finance Department, City of San José

CITY OF SAN JOSE
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(\$000's)

SCHEDULE XIII
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$55,832	\$26,424	\$29,408	\$3,691	\$10,639	\$14,330	2.1
1995	59,471	29,200	30,271	4,611	9,452	14,063	2.2
1996	64,570	31,407	33,163	4,708	9,168	13,876	2.4
1997	74,453	34,486	39,967	4,938	8,888	13,826	2.9
1998	75,542	38,212	37,330	5,183	8,566	13,749	2.7
1999	85,118	44,345	40,773	5,458	7,985	13,443	3.0
2000	91,389	50,932	40,457	5,801	7,710	13,511	3.0
2001	124,537	61,248	63,289	6,041	7,382	13,423	4.7
2002	115,856	71,564	44,292	6,124	7,884	14,008	3.2
2003	127,816	73,300	54,516	6,610	11,036	17,646	3.1

1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges.

2) Includes operating expenses less depreciation and expenses paid from sources other than revenues.

Note: Prior year operating expenses are restated to reflect the most recent information.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

MUNICIPAL WATER SYSTEM

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$10,644	\$8,801	\$1,843	\$8	\$4	\$12	153.6
1995	10,946	8,668	2,278	8	4	12	189.8
1996	12,615	9,592	3,023	8	4	12	251.9
1997	14,944	10,683	4,261	9	3	12	355.1
1998	14,949	10,599	4,350	0	0	0	0.0
1999	14,822	9,999	4,823	0	0	0	0.0
2000	16,294	13,247	3,047	0	0	0	0.0
2001	19,526	14,644	4,882	0	0	0	0.0
2002	18,580	12,999	5,581	0	0	0	0.0
2003	18,233	13,500	4,733	0	0	0	0.0

1) Includes operating and other revenues.

2) Includes operating expenses less depreciation and amortization.

Source: Finance Department, City of San José

CITY OF SAN JOSE
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(\$000's)

SCHEDULE XIII
(Continued)

PARKING SYSTEM

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$5,504	\$4,295	\$1,209	\$875	\$229	\$1,104	1.1
1995	5,765	4,529	1,236	950	167	1,117	1.1
1996	5,977	4,127	1,850	1,025	107	1,132	1.6
1997	6,570	4,369	2,201	885	43	928	2.4
1998	6,857	4,359	2,498	250	6	256	9.8
1999	7,066	4,597	2,469	0	0	0	0.0
2000	7,680	5,093	2,587	0	0	0	0.0
2001	9,383	8,923	460	0	0	0	0.0
2002	9,134	6,443	2,691	0	0	0	0.0
2003	10,861	7,001	3,860	0	0	0	0.0

1) Includes operating and other revenues.

2) Includes operating expenses less depreciation and amortization.

Source: Finance Department, City of San José

WASTEWATER TREATMENT SYSTEM

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$97,952	\$72,074	\$25,878	\$5,290	\$5,240	\$10,530	2.5
1995	105,868	64,351	41,517	6,135	4,851	10,986	3.8
1996	126,831	72,389	54,442	17,960	6,435	24,395	2.2
1997	127,653	80,588	47,065	7,185	8,720	15,905	3.0
1998	124,394	54,890	69,504	7,675	8,229	15,904	4.4
1999	126,552	84,662	41,890	8,775	6,737	15,512	2.7
2000	126,552	84,662	41,890	12,269	7,683	19,952	2.1
2001	121,070	80,220	40,850	12,781	7,269	20,050	2.0
2002	118,409	84,059	34,350	13,385	5,881	19,266	1.8
2003	112,333	78,798	33,535	8,994	5,385	14,379	2.3

1) Includes operating and other revenues.

2) Includes operating expenses less depreciation and amortization.

Source: Environmental Services Department, City of San José

CITY OF SAN JOSE
GENERAL CITY INFORMATION
JUNE 30, 2003

SCHEDULE XIV
(Continued)

HISTORICAL DATA

Incorporated as a Pueblo (under the Spanish Government)	November 29, 1777
Incorporated as a City	March 27, 1850
Named the State's First Capital	September 9, 1850

AREA

As of January 1, 2003 (see schedule XV)	177.00 sq. mi.
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ELEVATION

Minimum	Sea Level
Maximum	4,372 feet

CLIMATE

Annual mean temperature	60 degrees
Rainfall	14.40"

POPULATION

As of January 1, 2003 (see schedule XV)	925,000
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ELECTIONS

Registered voters (as of March 4, 2003)	359,374
Votes cast (November 5, 2002)	146,025
<i>(Source: Registrar of Voters, Santa Clara County)</i>	

PERSONNEL

	<u>Full Time (City Funded)</u>	<u>Part Time Employees</u>	<u>Total Employees</u>
City Council Staff	89	10	99
City Manager's Office	86	11	97
City Auditor's Office	19	9	28
City Attorney's Office	89	4	93
City Clerk's Office	16	4	20
Information Technology	110	3	113
Planning, Building & Code Enforcement Department	324	11	335
Police Department	1,793	197	1,990
Independent Police Auditor	6	-	6
Fire Department	793	3	796
Library Department	209	319	528
Finance Department	105	2	107
Employee Services	67	122	189
Airport	359	2	361
Convention, Arts and Entertainment	124	5	129
General Services Department	323	15	338
Transpoortation	476	24	500

CITY OF SAN JOSE
 GENERAL CITY INFORMATION
 JUNE 30, 2003

SCHEDULE XIV
 (Concluded)

FIRE PROTECTION

Stations	31
Companies	44
Pieces of equipment	96

BUILDING PERMITS

	<u>Number Issued</u>	<u>Value</u>
New buildings	1,023	\$ 552,699,198
Building alterations	8,976	\$ 371,974,285

BUSINESS TAX CERTIFICATES

Number of certificates	52,818
Value	\$ 36,560,659

SAN JOSE INTERNATIONAL AIRPORT

Acres available for aviation	1,050
Number of terminals	2
Square feet of terminals	473,800
Number of auto parking spaces (surface lot and garage)	8,053
Number of passengers (annual)	10,727,840
Number of commercial airlines	12
Number of cargo airlines	4

PARKING

Number of meters	2,100
Parking lots	17 (2,167 total spaces)
Parking garages	5 (4,408 total spaces)

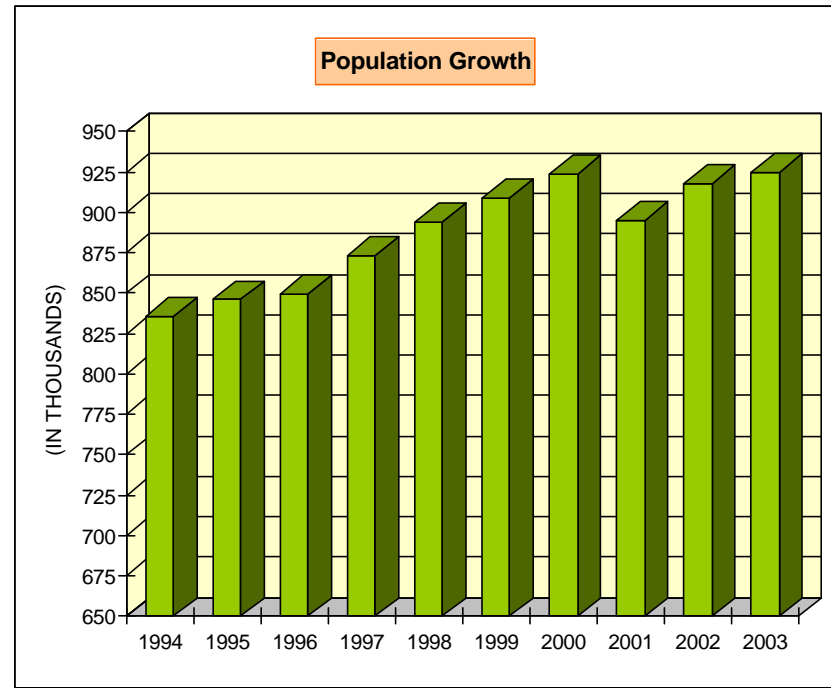
RECREATION

Park sites	149
Park acreage	3,750
Playgrounds - schools	515
Playgrounds - parks	181
Community centers	19
Senior centers	5
Swimming pools (schools not included)	6
Tennis courts - schools	185
Tennis courts - parks	95

CITY OF SAN JOSE
POPULATION AND AREA OF THE CITY

SCHEDULE XV

Fiscal Year	Date	Population	Area in Square Miles
1777		66	
1900		21,500	5.47
1950		95,280	16.98
1960		204,196	54.47
1970		459,913	136.20
1980	Jan 01	629,546	158.10
1981	Jan 01	646,660	161.08
1982	Jan 01	656,793	161.05
1983	Jan 01	671,800	162.75
1984	Jan 01	683,800	167.88
1985	Jan 01	696,021	168.62
1986	Jan 01	713,385	170.71
1987	Jan 01	719,466	171.19
1988	Jan 01	732,792	171.62
1989	Jan 01	738,399	172.31
1990	Jan 01	749,820	172.90
1991	Jan 01	791,645	173.60
1992	Jan 01	803,038	173.63
1993	Jan 01	822,013	174.21
1994	Jan 01	835,529	174.21
1995	Jan 01	845,991	174.43
1996	Jan 01	849,363	175.35
1997	Jan 01	873,286	176.60
1998	Jan 01	893,969	176.60
1999	Jan 01	909,100	179.35
2000	Jan 01	923,591	177.00
2001 (*)	Jan 01	894,943	177.00
2002 (**)	Jan 01	917,971	177.00
2003 (**)	Jan 01	925,000	177.00



Source: City of San José Planning Department, Census 2000 (*),
State Department of Finance (**)

CITY OF SAN JOSE
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS
(\$ 000's)

SCHEDULE XVI

Fiscal Year	Property Value			Construction		
	Gross Assessed Value	Exemptions	Net Assessed Value	Assessed Valuation	# of Permits	% Change in Valuation
1994	46,361,472	2,104,811	44,256,661	475,691	8,239	37.91
1995	46,074,404	1,922,527	44,151,877	435,771	8,178	(8.39)
1996	47,400,940	2,062,794	45,338,146	769,120	9,479	76.50
1997	49,441,848	993,260	48,448,588	1,100,591	10,993	43.10
1998	53,669,315	1,183,528	52,485,787	1,411,948	12,962	28.29
1999	59,777,691	1,337,056	58,440,635	1,237,682	13,181	(12.34)
2000	65,316,993	1,369,112	63,947,881	1,325,056	12,450	7.06
2001	72,432,107	1,480,468	70,951,639	1,689,404	10,191	27.50
2002	83,699,432	1,844,586	81,854,846	995,661	8,757	(41.06)
2003	88,634,267	1,985,707	86,648,560	924,673	9,999	(7.13)

Property value source: Department of Finance, County of Santa Clara

Construction valuation source: Planning, Building & Code Enforcement, City of San José

Note: Bank deposits, as reported in prior years, have been omitted from this schedule. This information has become less pertinent as City residents may use the services of banks located outside the City of San José.

CITY OF SAN JOSE
STATEMENT OF INSURANCE COVERAGE
June 30, 2003

SCHEDULE XVII

TYPE	COVERAGE	LIMITS	DEDUCTIBLE	INSURANCE CO.	POLICY NO.	EXPIRATION DATE	ANNUAL PREMIUM
Airport	Automobile	\$1,000,000	\$ -	Westchester Fire	D35912538	10/01/04	\$ 118,857
Airport	Airport primary liability	50,000,000	100,000	Ace Property & Casualty	AAPN00055621	10/01/04	408,672
Airport	Airport excess liability	150,000,000	-	Lloyds	L9900347	10/01/04	Incl. Above
Airport	Automobile - Shuttle Buses (Liability)	Incl. Above	-		Incl. Above	Incl. Above	Incl. Above
Airport	Automobile - Shuttle Buses (Physical Damage)	Actual Cash Value	25,000	Westchedter Fire	D35912538	10/01/04	55,067
Airport	Customs Bond	100,000	-	Travelers Casualty	460302754	01/17/04	2,000
City - Building & Contents	Property - Including Employee Dishonesty	750,000,000	100,000	Allianz/Royal	CLP3002102/K2HD325200	10/01/04	1,924,508
City	Boiler & Machinery	100,000,000	100,000	Pacific Indemnity	76417192	10/01/04	64,663
City	Notary Bond	15,000	-	Western Surety	N54082166	10/01/04	50
City	Notary Bond	15,000	-	Western Surety	N23366325	06/10/07	50
City	Fair Skate Park Liability	1,000,000	-	Sports & Rec Provider	TBD	07/01/04	8,688
Parking Garages 45 N. Market Street 280 S. Second Street 75 N. Third Street	Bldgs., including earthquake	25,000,000	5,000,000	Various	Various	10/01/04	188,354
Water Pollution	Automobile	1,000,000	-	United States Fire Ins.	133665853-5	10/01/04	130,187
Police Aircraft	Liability	50,000,000	-	Westchester	ACL770952	10/01/04	161,214
Helicopter	Hull (In-Motion/ Not In-Motion)	1,750,000	43,750/ 1,000	Westchester	B02062507089	10/01/04	incl. above
Cessna	Hull (In-Motion/ Not In-Motion)	257,000	500/ 100	Westchester	B02062507089	10/01/04	incl. above
Life Insurance	Accidental Death & Dismemberment	1,250,000	Per Accident	CIGNA	ABL633484	10/01/04	14,773
City	Excess Workers' Comp. (Not Renewed)						
City	Flood - Specific Locations Only	Various	2,000	Omaha Property & Cas.	Various	03/04/04	14,957
City	Police Secondary Employment Prof. Liab.	2,000,000	10,000	Steadfast Ins. Co.	EOC3627782-01	10/01/04	515,551
City	Fiduciary Liability	1,000,000	1,000	Chubb Custom Ins. Co.	8169-3032	04/11/04	5,891
Joint Library - OCIP	Liability	2,000,000	-	National Union	GL9330640	09/07/03	100,084
Joint Library - OCIP	Excess Liability	50,000,000	-	RLI Insurance Co.	RXL0253078	09/07/03	100,800
Joint Library - OCIP	Builders' Risk	125,000,000	25,000	Continental Casualty	IM210726508	09/07/03	211,685
Library	Builders' Risk - Blossom Hill	6,791,000	5,000	RLI Insurance Co.	RBL0001724	12/31/03	10,211
Library	Builders' Risk - Berryessa	6,648,000	10,000	Westchester (ACE)	I2066812A001	06/30/04	45,871
Community Center	Builders' Risk - Gardner Satellite	3,540,000	5,000	Fireman's Fund	TBD	12/14/04	9,051
Residence & Barn	Builders' Risk - LeFevre Residence & Barn	1,050,000	10,000	Fireman's Fund	TBD	01/23/04	7,111
New City Hall - OCIP	Liability - Primary	4,000,000	-	National Union	GL933-22-51-RA	07/01/05	3,256,203
New City Hall - OCIP	Liability - Excess	100,000,000	-	Various	Various	07/01/05	933,063
New City Hall - OCIP	Workers' Compensation - Employers Liability	Statutory	-	AIG	WC708-54-30	07/01/05	incl. above
New City Hall - OCIP	Owners Protective Professional Indemnity	10,000,000	250,000	Zurich	EOC4910547	10/01/03	580,781
New City Hall - OCIP	Builders' Risk (Fire Insurance)	242,000,000	50,000	Zurich	IM455061300	07/10/05	1,191,915

Source: Finance Department, City of San José

CITY OF SAN JOSE
 TEN LARGEST PUBLIC COMPANIES BY REVENUE
 (\$ 000's)

SCHEDULE XVIII

Company	Type of Business	Revenues Last 4 Quarters	4 Qtrs. Ended
Cisco Systems	Networking equipment	\$ 19,209,000	1/25
Sanmina-SCI	Electronic manufacturing services	10,168,000	12/28
Calpine	Power-generation facilities	7,458,000	12/31
Knight Ridder	Newspaper publisher	2,842,000	12/29
Bell Microproducts	Electronics distributor	2,105,000	12/31
KLA-Tencor	Semiconductor manufacturing equip.	1,441,000	12/31
Cadence Design	Electronic design software	1,293,000	12/28
eBay	Internet-based auction services	1,214,000	12/31
Atmel	Semiconductors	1,194,000	12/31
Adobe Systems	Software for printing and display	1,194,000	2/28

Source: The Silicon Valley 150