

California

Comprehensive Annual Financial Report



City Hall

Year Ended June 30, 2005

89th
Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2005

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Comprehensive Annual Financial Report
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City Auditor
City Clerk
City Manager
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Environmental Services
General Services
Housing Department
Information Technology
Public Works

Parks, Recreation and
Neighborhood Services
Police Department
Public Works
Redevelopment Agency
Retirement Department

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October 20, 2005

HONORABLE MAYOR and CITY COUNCIL

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

We are pleased to present the 2004-2005 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, is 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, nature and scope of the services it provides, and specifics of its legal operating environment. The introductory section includes this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, Certificate of Award for Outstanding Financial Reporting, Certificate of Award for Excellence in Operational Budgeting, 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 Finance Director as part of the June 30, 2005 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 including the Management Discussion and Analysis (MD&A), independent auditor's report, 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, cultural event and hospitality facilities that include History San José, Center for the Performing Arts, San José McEnery Convention Center, Dolce Hayes Mansion Conference Center and HP Pavilion at San José; home of the San José Sharks of the National Hockey League.

San José is the county seat of Santa Clara County. During Fiscal Year (FY) 2004-2005, San José passed Detroit, MI to become the tenth largest city in the United States which will help showcase the wonderful features of San José and the excellent economic advantages for being in the Capital of Silicon Valley to the country and the world. San José is the third largest city in California, and 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 2005 population of 945,000¹. 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.

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, Parking Authority of the City of San José, San José-Santa Clara Clean Water Financing Authority, and San José Financing Authority.

ECONOMIC CONDITION and OUTLOOK

The City's average unemployment rate for calendar year 2004 was 7.2%, which was higher than the statewide average of 6.2%². The regional economic decline that began in early 2001 has sustained itself far longer and with greater severity than predicted. The employment base in the region appears to have stabilized with minimal job growth projected in Silicon Valley for the next couple of years. Steadily rising gasoline prices threaten to impact consumer spending. Additionally, San José continues to confront a structural fiscal challenge that has required pro-active budget balancing strategies over the past several

¹ State Department of Finance

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

fiscal years due to expenditures exceeding revenues in the General Fund. However, it appears that the deterioration in City revenues has leveled off and the downward cycle has apparently bottomed out – an indication that a slow recovery is in sight. For the first time in four years, some economically sensitive revenue sources, including Sales Tax revenue and Transit Occupancy Tax revenue, are showing trends of increasing compared to prior periods and, recently, collections have been above budget projections. An additional positive note is the City's ability to maintain its strong general credit ratings from the national rating agencies (AA+, AA+, Aa1 from Standard and Poors, Fitch and Moody's, respectively), the highest of any major California city. San José has maintained its ratings throughout the economic downturn, reflective of the commitment to fiscal prudence and a conservative approach to fiscal management by the City's administration and the City Council

The City Council approved a balanced General Fund budget for FY 2005-06, closing a funding gap of approximately \$58 million. The resulting budget includes a combination of ongoing cost reductions, prudent fee increases, and the strategic use of reserves and one-time revenues. Over half of the \$58 million budget balancing actions were due to the use of reserves and other one-time revenue sources, while new revenue sources and opportunities to recover costs through fees has produced limited new funds.

SIGNIFICANT EVENTS and ACCOMPLISHMENTS

Highlights of activities and accomplishments for the FY ended June 30, 2005 include the following:

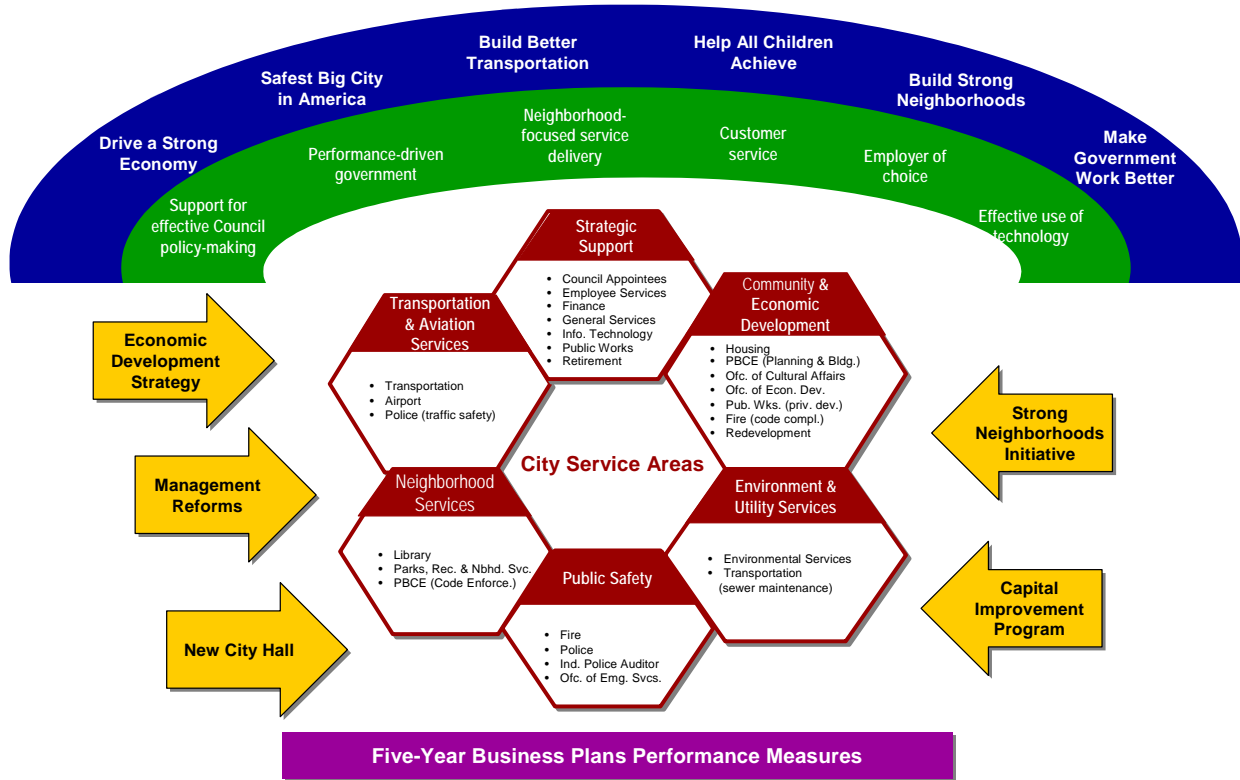
- ❖ Earlier this summer construction of the New City Hall was primarily complete, allowing City staff to begin moving into the new downtown complex in June 2005. The move was completed in August 2005 and approximately 1,700 City employees moved from ten different locations around the City into the New City Hall complex. Moving City employees out of leased space throughout the City and into the newly constructed City Hall is projected to save the City over \$150 million (in net present value savings) over the next fifty years. Co-locating many of the City's administrative and development services staff in downtown San José facilitates economic development in the downtown area, and creates significant operational efficiencies through the consolidation of many City services in one central location.
- ❖ The City received the 2004 Morgan Quitno Safest City Award, which recognizes San José as the safest big city in America of the 32 cities in the United States with populations over 500,000. The award is based on a city's rate for six basic crime categories: murder, rape, robbery, aggravated assault, burglary and motor vehicle theft.
- ❖ Construction of the first phase of the airport master plan projects at the Norman Y. Mineta San José International Airport (Airport) started in August 2004. When completed in late 2007, the improvements will offer state-of-the-art security and improved customer service for travelers and businesses.
- ❖ In August 2004, the Airport was selected as one of ten airports across the country that will participate in a high-tech security pilot program administered by the U.S. Transportation Security Administration (TSA). TSA selected the Airport to test multiple technologies, including the Global Positioning System receivers and biometric technology to identify and track vehicles within the Airport's secure area.
- ❖ After being closed for over 30 years, the historic California Theatre in downtown San José reopened in September 2004 as a major modern performing arts facility designed for live stage performances, including opera, and for motion pictures. The \$75 million restoration was the result of a six-year joint undertaking of the San José Redevelopment Agency and the Packard Humanities Institute, which financed over one-third of the project costs.

- ❖ The Silicon Valley Workforce Investment Network (SVWIN) launched its Small Business Initiative in October 2004 to provide training, technical assistance, and mentoring specifically tailored to help small and new companies in San José and Silicon Valley grow, thrive, and create jobs. Operated through the City's Office of Economic Development, SVWIN serves San José, the cities of Campbell, Los Gatos, Morgan Hill, Los Altos Hills, Saratoga, Monte Sereno, and the unincorporated areas of Santa Clara County.
- ❖ In November 2004, the BART-to-San Jose project secured a \$2.5 million earmark from the Federal Transit Administration's "New Starts" account. With 78 percent of the project's total funding already committed from state and local resources, the federal earmark is critical to the effort of connecting BART with highly frequented Santa Clara County destinations.
- ❖ In December 2004, the City Council approved downtown San José as the site of the San José Grand Prix open-wheel street race on the international Champ Car World Series in July 2005. The inaugural San José Grand Prix brought world class racing excitement to downtown streets, and it will continue to bring attention to San José across the nation and around the world in future years.
- ❖ A groundbreaking economic partnership was forged in April 2005 between the City and the East of England, the United Kingdom's leading region for technological innovation. The partnership seals commitment on both sides to achieving six key objectives to enhance further trade and investment between the regions, including arranging networking and sharing best practice among business incubators and innovation centers in both regions, encouraging communication between technology networks, collaboration through a joint presence at a world-leading industry exhibition/trade show in North America or Europe and undertaking a study of world class technology regions including Silicon Valley and the East of England.
- ❖ Construction began in April 2005 for a new major retail center adjacent to downtown San José at the 34-acre site of the former Union Pacific railroad yard near the intersection of Coleman Avenue and Taylor Street. The 385,000 square foot retail development by Cousins Properties will become the new home of six national tenants including Target, Marshall's, Cost Plus, Michael's, PetsMart and Office Depot.
- ❖ In May 2005, the City announced a new program to help small businesses navigate the City's development review and permitting process. The Small Business Ambassador Program is the result of feedback from business owners who have requested that the City simplify its process and reduce the time needed for planning review and permits. Each small business going through the development process will now have a single point of contact at City Hall – an ambassador who can remove the guesswork and reduce the surprises that small businesses can encounter.
- ❖ Five San José schools that have made the greatest academic improvements over the past two years received the "Mayor's Progress to Excellence" award in May 2005. The five top schools included Arbuckle, Christopher, McCollam, and Chavez elementary schools, and Mathson Middle School.
- ❖ With the goal of making San José a safer city for pedestrians, the City announced in April 2005 its plans to install additional safety devices at critical street intersections. Over the next eighteen months, plans include installing pedestrian "countdown signals" at 50 of the City's busiest intersections to let pedestrians know exactly how much time they have left to cross the street, and installing devices that allow police to catch red-light runners at 50 high-risk intersections throughout the City.
- ❖ Each of the three credit rating agencies, Moody's Investor Services, Standard & Poor's, and Fitch, confirmed the City's high Aa1/AA+/AA+ bond ratings in June 2005. These credit ratings, the highest of any large city in California, are a particularly noteworthy achievement given the weak local economy and unpredictable State budget situation over the last several years. The City's success in preserving its rating status is due, in part, to sound, pro-active conservative budgeting and strong financial management.

CITY SERVICE AREAS (CSAs)

San José is committed to providing excellent municipal services to its diverse residents and visitors. The City organization is structured into six CSAs 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 following graph illustrates the central positioning of these cross-departmental CSAs that provide a forum for strategic planning in linking corporate priorities with council policy:

CITY OF SAN JOSE CONNECTING POLICY DIRECTION WITH SERVICE DELIVERY



FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

The City publishes a five-year Capital Improvement Program (CIP) that guides the City in the planning, scheduling, and budgeting of capital improvement projects during the next five-year period. The CIP is updated annually and approved by the City Council. Significant issues and projects included in the Proposed 2006-2010 CIP, presented within the CSA structure, are as follows:

Economic & Community Development

- A highlight of the Economic and Neighborhood Development CSA is the Developer Assisted Projects Capital Program, which consists of the Underground Utility Fund and the Residential Construction Tax Contribution Fund (RCTCF). This program reimburses developers for the construction of street improvements throughout the City 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.

- The Underground Utility Fund is used to collect developer fees when a developer opts out of placing facilities underground at the time of development. 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 five proposed Underground Utility District projects within the City.
- Developers who construct residential dwelling units pay contributions to the RCTCF. Payments from the fund are made to developers who construct eligible improvements on major City streets in connection with new residential developments. Some major anticipated activities within the RCTCF include reimbursements to KB Homes South Bay and Summerhill Homes for median island construction and center strip paving related to the Communications Hill and Dairy Hill projects.

Environment & Utility Services

- The FY 2006-2010 CIP for the Sanitary Sewer system provides funding of \$109.0 million, and includes prominent projects related to the construction and/or rehabilitation of the North San José Interceptor System. Other projects funded in this CIP, but subject to budgetary constraints, include Flow Monitoring and Master Planning, 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 Forest-Rosa, East San José, Hobson-Walnut, Willow Glen and Rosemary neighborhoods.
- The Storm Sewer System Capital Program provides funding of \$12.7 million and proposes a new three-year 4.5% annual rate increase to fund additional capacity and neighborhood Storm improvements. The City Council previously approved rate increases of 4% in FY 2002-2003 and 4.5% in FY 2003-2004 and FY 2004-2005. The program will fund the Willow Glen-Guadalupe Drainage Improvement Phases II and III project (\$1.6 million), the Albany-Kiely Storm Drainage Improvement Phase II, III and IV project (\$2.3 million), the Chateau Drive Storm Drain Improvement Phases I and II project (\$1.3 million), Storm Pump Station Rehabilitation and Replacement (\$1.0 million), and various smaller neighborhood storm drain improvement projects including new inlet and lateral construction and the establishment of the construction of flow-lines to provide relief for minor drainage problems and address water quality issues (\$1.6 million).
- The major areas of investment for the Water Pollution Control Capital Program providing funding of \$111.6 million over the five-year CIP are Plant Reliability Improvements, South Bay Action Plan (SBAP) projects to reduce average dry weather effluent flow from the Plant as required by the National Pollution Discharge Elimination System (NPDES), and several other major projects required to meet regulatory mandates or ensure process reliability.
- The San José Municipal Water Utility System CIP provides funding of \$25.0 million and includes the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. The Evergreen, North San José, Alviso, Edenvale and Coyote Service Area projects include seismic retrofits, water main construction and well construction.

Neighborhood Services

- In November 2000, voters in San José approved Measure O, a \$212 million general obligation bond measure to improve the branch library system over a ten-year period in accordance with the City's Master Plan. Over the course of the Library's FY 2006-2010 CIP providing funding of \$135.4 million, two new branches and thirteen expansion/relocations will be completed, and one new branch will be under construction. Non-bond funded projects include funding for the purchase of new library materials, automation projects and system maintenance to provide customer service enhancements, increase staff productivity and effectiveness, and increase the Library's ability to provide faster, better electronic access to information.

- In November 2000, voters in San José approved Measure P, a \$228 million general obligation bond measure for park and recreational facilities improvements. The Park and Community Facilities Development's FY 2006-2010 CIP provides funding of \$312.5 to complete two new sports parks, renovate or build six community centers, renovate the Emma Prusch Memorial Park, and make significant progress on the renovation and expansion of the Happy Hollow Park and Zoo. Non-bond funded projects include funding programmed for the development of trails.

Public Safety

- On March 5, 2002, voters in San José approved the Neighborhood Security Act Bond Measure to provide the funding for Police and Fire capital improvements through the issuance of General Obligation Bonds in an amount not to exceed \$159 million. The Public Safety Capital Improvement Program for FY 2006-2010 provides funding of \$135.2 million and consists of public safety projects that will support the many infrastructure improvements necessary to enhance police, fire and medical emergency response services and facilities.
- Fire Department Bond Projects include the construction of three new fire stations, the relocation of six fire stations, the remodel of seventeen fire stations, the rebuilding of one fire station on its existing site, the expansion and renovation of the City's current 9-1-1 Communications Dispatch Center (also included as part of the Police Department's Bond Projects), and funding to renovate the existing Fire Training Center.
- Police Department Bond Projects include a South San José Police substation, four community-policing centers, a driver safety training facility, and the expansion and renovation of the City's current 9-1-1 Communications Dispatch Center (also included as part of the Fire Department's Bond Projects).

Strategic Support

- The largest capital investment within the Strategic Support CIP is the construction of the New City Hall and associated parking structures. Occupancy of this new facility started in June 2005, but due to legal challenges regarding an historic building, construction of the off-site employee-parking garage was delayed. The legal issues have been resolved, and construction is in process and scheduled for completion in spring 2006. In addition, the CIP also includes funding for the replacement and upgrade of the City's public safety and non-public safety communications equipment, and the implementation of the Central Service Yard Phase II build-out.

Transportation & Aviation Services

- The CIP for the Norman Y. Mineta San José International Airport (Airport) totals \$723.0 million and contains approximately seventy-five capital projects. The program is focused on the implementation of the security mandates imposed by the Aviation Transportation Security Act (ATSA). The five-year CIP represents a reduction of \$1.4 billion from the program presented in the FY 2005-2009 CIP, acknowledging the reality of the continued weakness in the economy and air travel market.
- The largest of the security related projects is the North Concourse Building, including the baggage screening equipment, security screening space, ticketing and baggage claim operations, holdrooms and jet bridge gates. Other security projects include the construction of the Belly-Freight Facility, Air Cargo Screening, Security Identification Display Area Improvements and associated demolitions and relocations needed to support the North Concourse Building.
- Airport non-security projects in the CIP include Taxiway Y reconstruction, Taxiway Z alignment, the North Concourse Roadway mitigation, and Public Art.

- The Parking CIP for FY 2006-2010 provides funding of \$7.4 million including the completion of seismic upgrades to the Second/San Carlos Street Garage to extend its life expectancy and help ensure the safe condition of the parking facility; the replacement of revenue control equipment in selected City parking facilities to reduce operating and maintenance costs and provide customers more convenient pay options; and investments in the Parking Guidance System to inform motorists of parking locations and availability using electronic message signs.
- The Traffic CIP provides funding of \$197.7 million, including the development of arterial and collector projects throughout the City including the Senter Road, Lucretia Avenue, Hamilton Avenue, Quito Road and Union Avenue improvement projects; environmental enhancement projects to preserve and enhance neighborhood streetscapes; maintenance activities including bridge and street maintenance, sidewalk repairs, land management and weed abatement; programs to construct, modify and synchronize traffic signals, expand pedestrian and bicycle facilities, install street lights and construct curb ramps; and funding to support the City's contribution to regional highway and transit systems.

FINANCIAL INFORMATION

The City's management staff is responsible for establishing and maintaining internal controls that 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 Generally Accepted Accounting Principles (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 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 (Systems) increased by \$295 million in FY 2004-05. Changes in plan net assets of the Systems represent the net of additions to plan net assets, including investment income, securities lending activities and contributions, and deductions from plan net assets, including general and administrative costs, health insurance premiums, refunds to terminated employees and retirement benefits paid.

The Systems' aggregate additions to plan net assets for FY 2004-05 were \$463.4 million, or \$105.8 million lower than the prior fiscal year. The decrease from the prior year is mainly attributable to lower appreciation in the fair value of plan investments by \$143.9 million. Net rental income from real properties increased by \$1.7 million, dividends and fixed income increased by \$9.8 million and revenues from contributions increased by \$26.4 million.

The Systems' aggregate deductions from plan net assets for FY 2004-05 were \$168.4 million, or \$17.6 million higher than the prior fiscal year. Retirement benefits paid increased by \$14.7 million over the prior year and accounted for approximately 83% of the deductions in plan net assets. Other significant changes include an increase in health insurance costs of \$3.5 million and a \$0.67 million decrease in general and administrative costs.

Cash Management

The City's cash and investments were invested in accordance with the City's Investment Policy adopted by the City Council on April 2, 1985, as amended on December 14, 2004, and with established investment procedures. The earned interest yield and effective yield on these investments were 2.728% and 3.127%, respectively, for the year ended June 30, 2005.

Given that the City's investment portfolio is managed primarily on a "hold-to-maturity" strategy, the City benchmarks its portfolio on a comparable benchmark to the weighted average days to maturity of the City's investment portfolio, as a relative gauge of performance compared to the general market. The weighted average days to maturity as of June 30, 2005 were 417 days. For the majority of this period, the City's pool investments outperformed the six-month, one-year and two-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 the City's cash flow requirements and attain the maximum yield possible consistent with the first two objectives. The City's third-party safekeeping agent held all securities purchased.

Risk Management and Workers' Compensation

The City's Risk Management Program is responsible for managing and administering the City's Property & Liability Programs. This Program delivers and provides property and liability consulting services to departments on controlling, transferring, or eliminating exposures to loss. The City's Liability Program is primarily self-insured while the Property Program transfers most of the potential risk of loss through securing commercial insurance. The Property and Liability program also transfers significant risks of financial loss to vendors, contractors, or lessees of City property that have business relationships with the organization.

The Workers' Compensation Program is responsible for managing and administering the City's self-insured Workers' Compensation Program. The Program delivers medical and wage loss benefits to injured workers. In FY 2004-05, workers' compensation claims payments decreased 8.5% from the previous fiscal year. The City's workers' compensation cost containment program (Medical Bill Review, Diagnostic Testing and Medical Preferred Provider Organization Discounts, and Utilization Review) saved the City \$11.3 million in claim costs during FY 2004-05.

Independent Audit

The annual audit for the fiscal year ended June 30, 2005 was completed by Macias, Gini & Company LLP Certified Public Accountants in accordance with sections 805(a) and 1215 of the City Charter. In addition to meeting the requirements set forth in the City Charter, the audit was also designed to meet the requirements of Generally Accepted Auditing Standards (GAAS) and 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, 2004. This was the seventeenth 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 eleventh 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, 2004. 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.

For the fifteenth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2004. 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 2004-2005 by the CSMFO for the fifth consecutive year. This award recognizes the meritorious achievement in operational budgeting and reflects a highly professional budget document and the underlying budgeting process through which the budget is implemented.

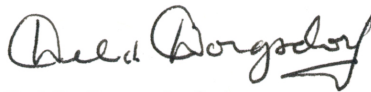
ACKNOWLEDGMENTS

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 constant 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, 2004

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.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2003-04

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, 2005

William A. Shoup

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



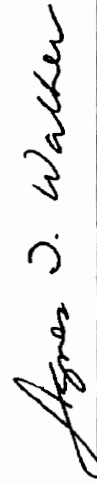
*California Society of
Municipal Finance Officers*

Certificate of Award
Excellence in Operational Budgeting 2004-05

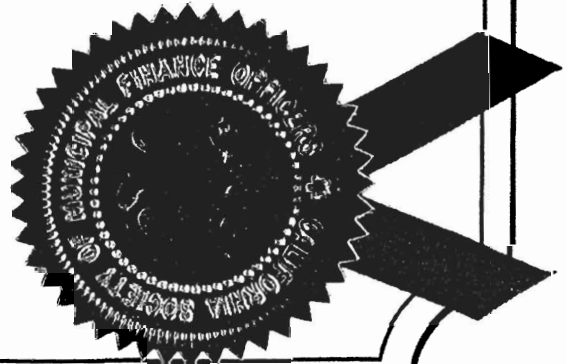
Presented to
City of San Jose

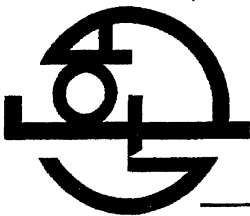
This certificate recognizes Excellent Achievement in Operational Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

February 24, 2005


Agnes Walker
Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management





The Government Finance Officers Association
of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

**City Manager's Budget Office
City of San Jose, California**

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Date

January 31, 2005

San Jose Mayor & City Council

To contact members of the San Jose City Council by mail, send to:
801 North First Street, Rm. 600, San Jose, CA 95110



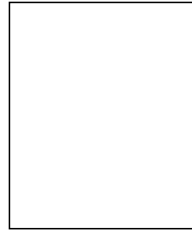
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mayoremail@sanjoseca.gov



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Chuck Reed
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District4@ci.sj.ca.us



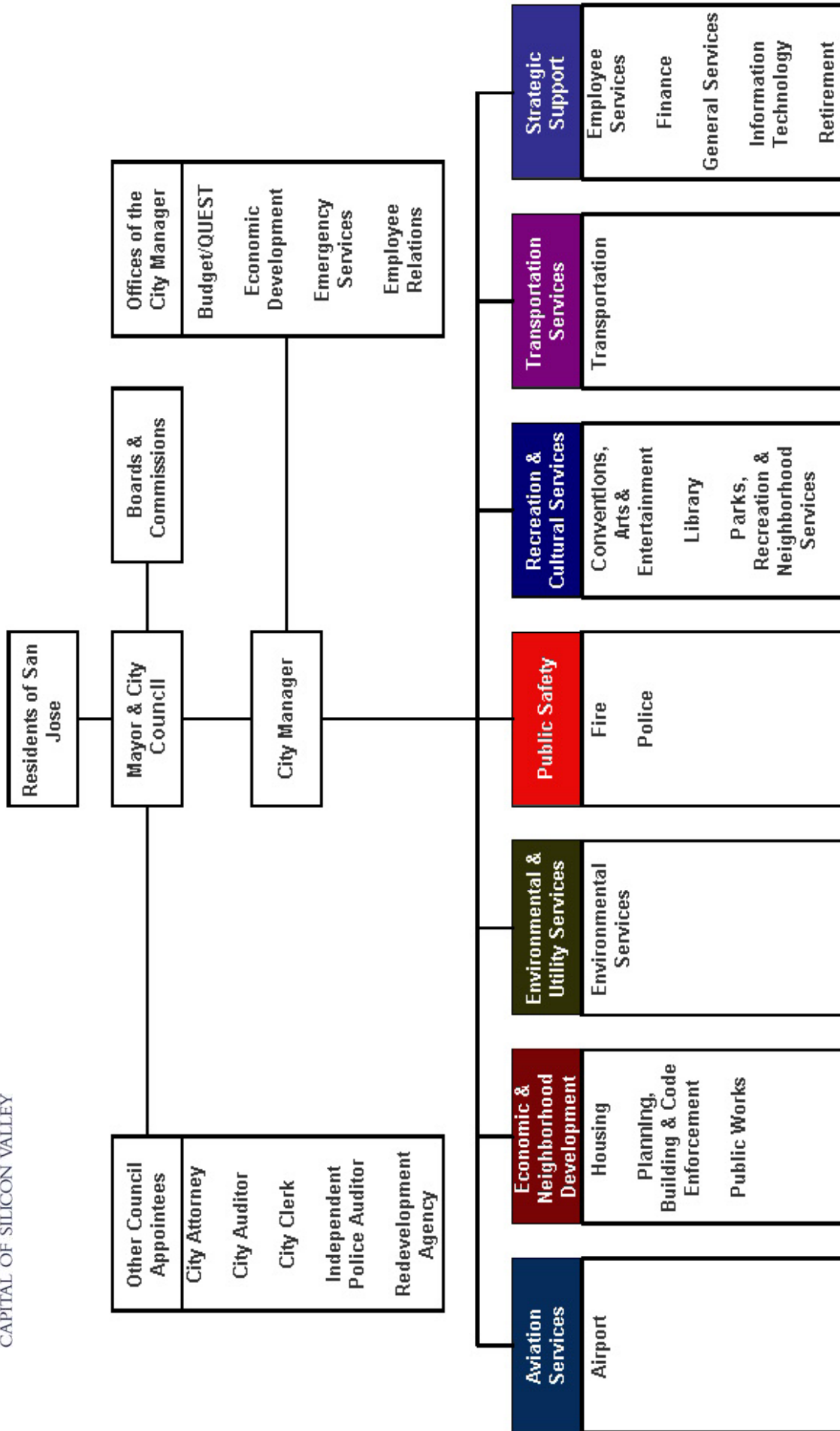
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Nora Campos
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CITY OF SAN JOSE ORGANIZATIONAL STRUCTURE



**Statement Under Oath of Principal Financial Officer Regarding Facts and Circumstances Relating
to the Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

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

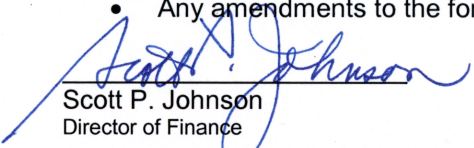
(1) To the best of my actual knowledge and belief, based upon a review of the covered reports of the City of San Jose, and, except as corrected or supplemented in a subsequent covered report:

- 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) Each year, upon completion of the City's annual audit of its Financial Statements, City staff, along with the City's external Certified Public Accountant (CPA) auditing firm, present the City's Financial Statements and related independent auditor's report thereon to the Making Government Work Better (MGWB) Committee which then reports out to the full City Council. I will review the contents of this statement with the City Council's MGWB Committee, which functions as the Council's audit committee, at a regularly noticed meeting of the Committee in October of 2005.

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

- The 89th Comprehensive Annual Financial Report of the City of San Jose for the fiscal year ended June 30, 2005;
- Any amendments to the foregoing.

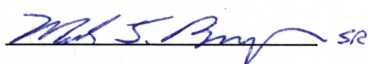


Scott P. Johnson
Director of Finance

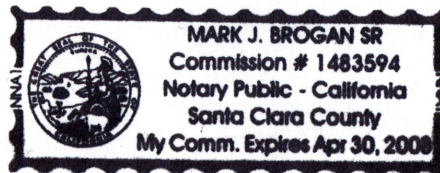
State of California, County of Santa Clara

On 10/3/05 before me, Mark J. Brogan, Sr., Notary Public, Personally appeared Scott P. Johnson, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

 SR

Mark J. Brogan, Sr., Notary Public



**Statement Under Oath of City Manager Regarding Facts and Circumstances Relating to the
Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2005**

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 2005. 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":

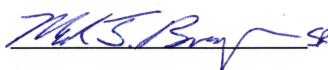
- The 89th Comprehensive Annual Financial Report of the City of San Jose for fiscal year ended June 30, 2005;
- Any amendments to the foregoing.

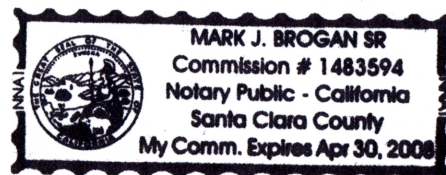

Del D. Borgsdorf
City Manager

State of California, County of Santa Clara

On 10/3/05 before me, Mark J. Brogan, Sr., Notary Public, Personally appeared Del D. Borgsdorf, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.


Mark J. Brogan, Sr., Notary Public



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MACIAS GINI & COMPANY^{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

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, 2005, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2005, 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.

As discussed in Note I.E. to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 accounting principles generally accepted in the United States of America. 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, Dini & Company LLP

Certified Public Accountants
Walnut Creek, California

September 16, 2005

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) in conjunction with the transmittal letter (page v) and the City's basic financial statements (page 18) provides the reader an overview of the City's financial activities for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the 2004-05 fiscal year by \$7.5 billion (net assets). Of this amount, \$432.7 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, \$643 million is restricted for specific purpose (restricted net assets), and \$6.4 billion is invested in capital assets, net of related debt.
- The City's total net assets decreased by \$222.0 million during the fiscal year. A significant portion of this decrease is related to depreciation in the amount of \$360.6 million. After accounting for depreciation, net assets increased by \$138.6 million.
- The City's governmental funds reported combined ending fund balances of \$1.375 billion, an increase of \$49.7 million in comparison to the prior year. Increases in fund balance for the General fund (\$8.7 million), Housing activities (\$34.6 million) and other nonmajor funds (\$128.1 million) were offset by fund balance decreases for the Redevelopment Agency (\$34.3 million), the Civic Center fund (\$84.3 million) and Special Assessment District funds (\$3.1 million). Of this amount approximately \$712.4 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 \$162.5 million, or 28.1 percent of total general fund expenditures.
- The City's total long-term obligations increased by \$244.8 million compared to the prior year. The increase consisted of \$525 million of new debt issuance for Infrastructure, Redevelopment Agency projects, Airport facility improvements and refunding of prior bonds of the Redevelopment Agency. These additions to long-term debt were offset by \$128.6 million of scheduled principal retirements and \$124.7 million of refunded Redevelopment agency tax allocation bonds. In contrast, estimated liabilities for claims and judgments experienced a significant decrease of \$27.3 million mainly due to a change in calculation methodology for worker's compensation claims.

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 are comprised of four components 1) Government-wide Financial Statements; 2) Fund Financial Statements; 3) Notes to the Basic Financial Statements; and 4) Required Supplementary Information. In addition this report also contains other supplementary information.

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

Management's Discussion and Analysis

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 operations for the City's airport, wastewater treatment plant, water utility 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.

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*.

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.

Management's Discussion and Analysis

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 future pension benefits for active and retired 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 \$7.5 billion at the close of the current fiscal year.

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, 2005						
(in thousands)						
	Governmental Activities		Business-type Activities		Totals	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Assets:						
Current and other assets.....	\$ 1,717,404	1,666,590	739,266	789,989	2,456,670	2,456,579
Capital assets.....	8,278,641	8,321,084	1,150,291	1,087,590	9,428,932	9,408,674
Total assets.....	<u>9,996,045</u>	<u>9,987,674</u>	<u>1,889,557</u>	<u>1,877,579</u>	<u>11,885,602</u>	<u>11,865,253</u>
Liabilities:						
Current and other liabilities.....	232,395	235,011	35,505	35,276	267,900	270,287
Long-term liabilities.....	3,446,147	3,187,374	667,595	681,649	4,113,742	3,869,023
Total liabilities.....	<u>3,678,542</u>	<u>3,422,385</u>	<u>703,100</u>	<u>716,925</u>	<u>4,381,642</u>	<u>4,139,310</u>
Net assets:						
Invested in capital assets, net of related debt.....	5,755,755	6,118,214	672,893	651,130	6,428,648	6,769,344
Restricted net assets.....	380,102	229,871	262,554	261,303	642,656	491,174
Unrestricted net assets.....	181,646	217,204	251,010	248,221	432,656	465,425
Total net assets.....	<u>\$ 6,317,503</u>	<u>6,565,289</u>	<u>1,186,457</u>	<u>1,160,654</u>	<u>7,503,960</u>	<u>7,725,943</u>

Management's Discussion and Analysis

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 of \$6.4 billion (86 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 is 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.

Of the City's net assets, \$432.7 million (6 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 \$182 million in unrestricted net assets and for business-type activities, the City reported a positive balance of \$251.0 million in unrestricted net assets. An additional portion of the City's net assets of \$643 million (9 percent) represents resources that are subject to legal restrictions on how they may be used.

The City's net assets decreased by \$222.0 million, or 3.0 percent 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 increased by \$20.3 million or less than 1.0 percent over the prior fiscal year. Governmental capital assets decreased by \$42.4 million but was offset by an increase in business-type capital assets of \$62.7 million. The decrease in governmental capital assets was due to asset additions of \$312.5 million, offset by depreciation on major infrastructure and other assets of \$322.9 million and Redevelopment Agency asset disposals of \$32.0 million. The increase in business-type capital assets was due mostly to continued airport expansion construction projects in the amount of \$52.8 million.

The City's current and other assets decreased by \$0.9 million, or less than 1 percent. This net decrease is a result of a \$50.8 million increase in governmental activities, offset by a \$50.7 million decrease in business-type activities. The increase in governmental activities is mainly the result of unspent general obligation bond proceeds for capital projects. Conversely, the increase was mainly offset by decreases in business-type activities related to bond proceeds of \$47.6 million expended on airport capital projects.

Long-term liabilities for the City increased by \$244.7 million, or 6.3 percent. This is mainly due to the issuance of general obligation bonds of \$165.0 million, lease revenue bonds of \$80.3 million and Redevelopment Agency tax allocation bonds of \$71.1 million, net of refunding. The City also recorded a decrease in estimated liabilities for claims and judgements of \$27.3 million mostly due to a change in how the City calculates workers' compensation claims.

Current and other liabilities for the City decreased by \$2.4 million or less than 1 percent. This net decrease is generally spread across all categories.

The City's net assets invested in capital assets net of related debt experienced a decrease of \$341 million. While the business-type activities category increased by \$21.8 million, this increase was offset by a decrease in general government activities in the amount of \$362.5 million.

Management's Discussion and Analysis

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, 2005
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Revenues:						
Program revenues:						
Fees, fines, and charges for services.....	\$ 236,768	199,761	254,745	242,865	491,513	442,626
Operating grants and contributions.....	63,909	46,034	5,570	5,724	69,479	51,758
Capital grants and contributions.....	48,715	68,343	21,584	24,601	70,299	92,944
General revenues:						
Property taxes.....	398,541	351,096	-	-	398,541	351,096
Utility taxes.....	73,081	68,455	-	-	73,081	68,455
Franchise taxes.....	33,722	31,712	-	-	33,722	31,712
Transit and occupancy taxes.....	15,957	14,166	-	-	15,957	14,166
Sales taxes shared revenue.....	128,822	126,426	-	-	128,822	126,426
State of California in-lieu.....	20,850	41,455	-	-	20,850	41,455
Business license tax.....	36,936	36,201	-	-	36,936	36,201
Unrestricted interest and investment earnings.	17,594	17,040	11,503	3,024	29,097	20,064
Other revenue.....	44,343	26,368	-	-	44,343	26,368
Gain on sale of capital assets.....	-	4,487	-	-	-	4,487
Total revenues.....	<u>1,119,238</u>	<u>1,031,544</u>	<u>293,402</u>	<u>276,214</u>	<u>1,412,640</u>	<u>1,307,758</u>
Expenses:						
General government.....	108,070	143,335	-	-	108,070	143,335
Public safety.....	326,029	353,009	-	-	326,029	353,009
Capital maintenance.....	502,586	502,819	-	-	502,586	502,819
Community services.....	210,936	277,404	-	-	210,936	277,404
Sanitation.....	89,159	76,889	-	-	89,159	76,889
Interest and fiscal charges.....	136,955	127,052	-	-	136,955	127,052
Norman Y. Mineta San José International						
Airport.....	-	-	122,882	117,122	122,882	117,122
Wastewater Treatment System.....	-	-	111,026	101,627	111,026	101,627
Municipal Water System.....	-	-	18,328	19,089	18,328	19,089
Parking System.....	-	-	8,652	9,952	8,652	9,952
Total expenses.....	<u>1,373,735</u>	<u>1,480,508</u>	<u>260,888</u>	<u>247,790</u>	<u>1,634,623</u>	<u>1,728,298</u>
Excess (deficiency) before transfers and special item.....	(254,497)	(448,964)	32,514	28,424	(221,983)	(420,540)
Transfers.....	6,711	(48,782)	(6,711)	48,782	-	-
Special item.....	-	(7,862)	-	-	-	(7,862)
Change in net assets.....	(247,786)	(505,608)	25,803	77,206	(221,983)	(428,402)
Net assets at beginning of year	6,565,289	7,070,897	1,160,654	1,083,448	7,725,943	8,154,345
Net assets at end of year.....	<u>\$ 6,317,503</u>	<u>6,565,289</u>	<u>1,186,457</u>	<u>1,160,654</u>	<u>7,503,960</u>	<u>7,725,943</u>

Governmental activities: Governmental activities decreased the City's net assets by \$247.8 million, which accounts for 120 percent of the total decrease in net assets of the City. This decrease in the City's net assets was partially offset by a \$25.8 million increase in the business-type activities as noted in greater detail below.

Management's Discussion and Analysis

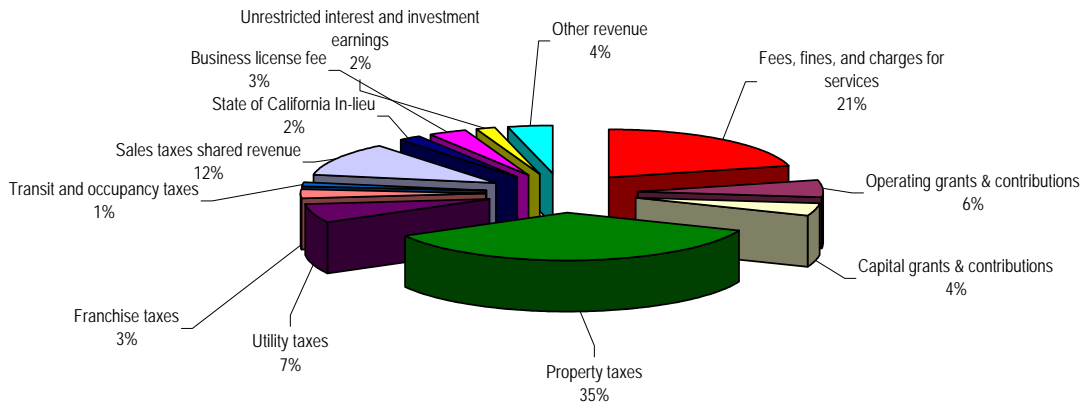
Key elements of the decrease in net assets for governmental activities are as follows:

- In light of a third straight year of declining revenues and with a forecast that showed little chance of recovery in the near future, 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 available fund balance. As a result of these budget strategies, the fund balance in the General Fund increased by \$8.7 million.
- Property taxes increased by \$47.4 million (13.5 percent) during the year. This increase is primarily due to the State reimbursing the City via increased property tax to offset the loss of vehicle license fee revenue. The "swapping" of vehicle license fees was one part of the voter approved Proposition 57 Economic Recovery Bond Act, which allowed the State to purchase bonds to reduce the State budget deficit.
- Sales tax revenue increased by a modest \$2.4 million, or 2 percent during the year. This increase is mainly due to a one time collection from delinquent payers. Taking into account the one time collection, sales tax revenue was essentially the same when compared to the prior year.
- Other revenues, fines charges for services, operating grants and contributions, utility taxes, franchise taxes, transit and occupancy taxes, business license tax and investment earnings increased by \$103.2 million. These increases were offset by decreases in State of California in-lieu revenue and other revenue totaling \$20.6 million. The decreases are attributed to the state balancing action that reduced motor vehicle in-lieu fees, offset by increased property tax revenue as described above. Gain on sale of capital assets also decreased by \$4.5 million.
- Depreciation of infrastructure and other capital assets resulted in a decrease in net assets of \$322.9 million due to depreciation expense during the year.
- During the year, the City's investment interest yield increased from 2.25 percent in FY 2004 to 3.13 percent for FY 2005. The higher interest yield, coupled with higher average cash balances resulted in an increase of \$9 million in unrestricted interest and investment earnings. The general increase in interest rates during the fiscal year was a result of the Federal Reserve action that increased the federal funds rate and the discount rate to guard against inflation. Continued uncertainty of global political conditions and by the continued weakness in the local economy remains flat.

The following chart shows a graphical comparison of revenue sources for governmental activities as a percentage of total revenues for fiscal year 2005:

Management's Discussion and Analysis

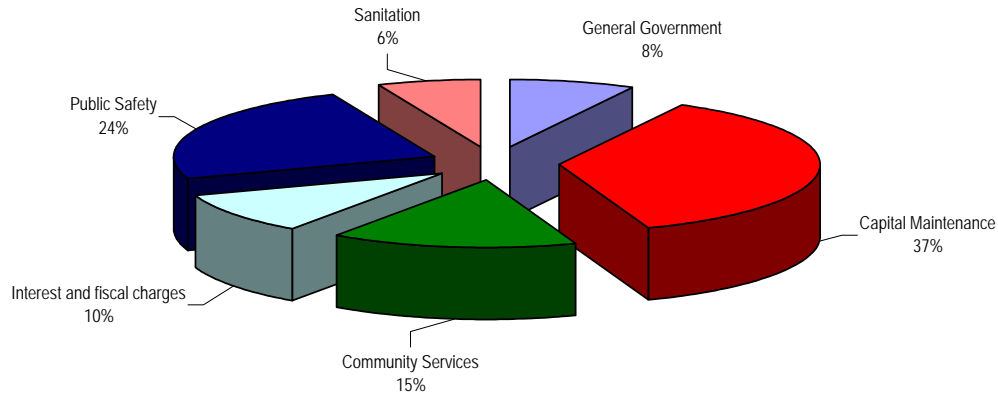
Revenue 2005



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 governmental activity expenses for each category as a percentage of total expenses for fiscal year 2005:

Management's Discussion and Analysis

Expenses 2005



Of the total amount of decreases in Public Safety (\$27 million) and General Government (\$35.3 million) expenditures, \$10 million for Public Safety and \$14.7 million for General Government are attributed to cost decreases in workers' compensation and general liability claims due to a change in methodology in calculating workers' compensation claims. The majority of the decrease in Community Services is attributed to a decrease in housing loan activity (\$47.6 million). The increase in Sanitation expenditures (\$12.3 million) is related to higher than expected garbage collection cost.

Business-type activities: Business-type activities increased the City's net assets by \$25.8 million, helping to offset the \$247.8 million decrease in governmental activities net assets resulting in an overall decrease in the City's net assets of \$222.0 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 \$13.8 million. The Airport's operating loss increased to \$25.5 million from an operating loss of \$21.7 million in fiscal year 2004. Nonoperating revenue, primarily passenger facility charges and operating grants, exceeded nonoperating expenses by \$25.1 million. The Airport is still experiencing reduced revenues impacted by increased security measures, low passenger activity due to continuing local economic decline and continued fallout from the September 11 attacks. In addition, the Airport received \$13.8 million in capital contributions, primarily from Airport Improvement Program grants.

Management's Discussion and Analysis

- The Wastewater Treatment System net assets increased by \$8.5 million. The Wastewater Treatment System reported operating revenues of \$111.7 million, an increase of \$12.2 million when compared to fiscal year 2004. Most of this increase is attributed to higher charges for services (\$7.6 million) and increases in contributions (\$3.6 million). Additional increases in nonoperating revenues (\$6.5 million) were offset by increases operating expenses of \$9.4 million.
- The Municipal Water System net assets increased by \$3.0 million or 4 percent. Lower consumption demand due to extended rains and lower service connection revenue translated to a reduction in charges for services by \$0.76 million. This reduction was offset by lower operating expenses (\$0.75 million). Increases in nonoperating revenues (\$0.18 million) and lower inter-fund transfers (\$0.66 million) were offset by lower capital contributions (\$4.6 million).
- The Parking System net assets increased by \$0.63 million or less than 1 percent. The Parking System reported operating revenues of \$9.5 million, compared to \$9.6 million for fiscal year 2004. Nonoperating income increased by \$0.32 million mainly due to higher investment earnings. There were no capital contributions for fiscal year 2005, compared to \$56 million in fiscal 2004 due to last year's transfer of the 4th Street Parking garage capital asset from the Redevelopment Agency.

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 \$1.375 billion, an increase of \$49.7 million in comparison with the prior year. Of this amount, \$712.4 million 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 (\$208.4 million); 2) to reflect advances, loans, and other assets that are long-term in nature and thus do not represent available spendable resources (\$257.5 million); 3) to liquidate contractual commitments of the period (\$196.7 million); and 4) for a variety of other restricted purposes (\$0.1 million).

Revenues and other financing sources for governmental functions totaled approximately \$1.850 billion in the fiscal year ended June 30, 2005, which represents a decrease of 2 percent from the fiscal year ended June 30, 2004.

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 \$162.5 million while total fund balance was \$192.0 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 28 percent of total General Fund expenditures of \$578.8 million, while total fund balance represents 33 percent of that same amount.

General Fund revenues of \$559.4 million were \$36.7 million, or 7.0 percent higher than the prior fiscal year revenues of \$522.7 million. Increases in taxes and special assessments revenues (\$24.6 million) were attributable to increases in State of California in-lieu fees (\$11.4 million), Sales tax (\$2.4 million),

Management's Discussion and Analysis

Utility fees (\$4.6 million), Franchise fees (\$2.0 million) and other State revenues (\$1.3 million). Revenue increases in Licenses, Permits, and Fines (\$2.8 million), Charges for Current Services (\$0.6 million) and Interest and other revenues (\$9.6 million) can be attributed to a modest upturn in the State and local economy and higher yields in investment earnings.

General Fund expenditures of \$578.8 million were \$16.4 million, or 2.9 percent higher than prior year expenditures of \$562.4 million. The majority of this increase, \$15.3 million, can be attributed to a negotiated general compensation increase of approximately 5% for Public Safety. With the exception of Public Safety which will continue to be of the highest priority, general decreases across the organization reflect savings on vacant budgeted positions and corresponding service level reductions due to modest revenue growth driven by sluggish state and local economies.

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's governmental funds reported combined fund balances of \$229.3 million, a decrease of \$34.3 million from the prior year. Deficiency of revenues over expenditures in the amount of \$60.9 million were offset by other financing sources of \$26.6 million. Most of the decrease in net assets and be attributed to a decrease in tax revenue in the amount of \$20.2 million.

The following are some of the highlights for the Agency:

- Revenues decreased by \$11.7 million or 7 percent to \$169.6 million from \$181.3 million in the prior fiscal year. Most of this decrease relates to tax increment revenue which was lower by \$20.2 million due to the effects of increased assessment appeals from property owners and declining values of R&D office property in redevelopment project areas. This decrease was offset by slightly higher investment earnings and other revenues (\$8.2 million). The decrease in tax increment revenue reflects a continuing decline of the 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 decreased \$43.1 million, or 16 percent from the prior fiscal year primarily due to deferrals of several redevelopment projects.

Housing Activities:

The Housing Activities fund accounts for the City's commitment to ensure that low 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 are proceeds from Redevelopment Agency tax allocation bonds and 20% of the gross property tax increment. As required by California State law, these 20% tax increment funds are used solely for affordable housing purposes. Loans to developers of affordable housing project increased the Housing Activities fund loans receivable by \$17.2 million. Most of this growth was offset by an adjustment to loan reserves by a similar amount.

Special Assessment Districts:

The Special Assessment Districts fund accounts for the activities related to the issuance of debt and the related capital improvements by special assessment districts in different parts of the City.

At June 30, 2005, a total of \$79.4 million in special assessment debt issued by twelve special assessment and community facilities districts was outstanding. 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

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 \$7.9 million, the Wastewater Treatment System were \$215.2 million, the Municipal Water System were \$9.1 million, and the Parking system were \$18.8 million.

The total growth in net assets for proprietary funds was \$25.8 million over the prior fiscal year. Other factors concerning the activities of these funds have already been addressed in the discussion of the City's business-type activities section above.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund variances between the original 2004-05 budget and the final amended budget resulted in an increase of \$32.9 million in budgeted revenues and transfers in, and a decrease in appropriated expenditures and transfers out of \$30.3 million.

Budgeted revenues were adjusted to reflect the higher than originally expected increases in most categories of revenue as previously noted in the General Fund discussion above.

The City charter mandates that the operating and capital budget be submitted to the City Council prior to the beginning of the fiscal year. Adjustments to the original budget, adopted by the City in June 2005, were driven by the delayed state budget action which was enacted in July 2005.

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, 2005, 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 increased by less than 1 percent from the prior fiscal year. 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:

- Construction in progress increased by \$226.5 million, or 36.7 percent. Of this amount \$182.8 million is attributable to the governmental activities. The new City Hall project represents approximately \$85.4 million of the increase in construction in progress. The primary addition for business type activities were the continuing Airport expansion projects (\$52.3 million) and Waste Water Systems (\$12.6 million), mainly for the South Bay Water Recycling System improvements.

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

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

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)	
	2005	2004	2005	2004	2005	2004	Percent of Change	Dollar Chg
Land	\$ 517,005	474,260	134,445	126,645	651,450	600,905	8.41%	50,545
Construction in progress	674,181	491,415	170,030	126,325	844,211	617,740	36.66%	226,471
Buildings	410,869	407,321	346,985	363,386	757,854	770,707	-1.67%	(12,853)
Improvements, other than buildings	30,165	31,518	478,856	449,752	509,021	481,270	5.77%	27,751
Infrastructure	6,631,308	6,897,718	-	-	6,631,308	6,897,718	-3.86%	(266,410)
Vehicles and equipment	13,105	16,533	6,779	7,506	19,884	24,039	-17.28%	(4,155)
Intangible assets	-	-	8,579	8,903	8,579	8,903	-3.64%	(324)
Property under capital leases	2,008	2,319	4,617	5,073	6,625	7,392	-10.38%	(767)
Total capital assets	\$ 8,278,641	8,321,084	1,150,291	1,087,590	9,428,932	9,408,674	0.22%	

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, 2005, related to governmental and business-type activities construction in progress totaling \$103.5 million and \$135.9 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

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 2004-05 tax roll is \$95.3 billion, which results in a net total debt capacity of approximately \$14.3 billion. As of June 30, 2005, the City had \$337.2 million of General Obligation bonds outstanding.

General Obligation Bond Rating

As of June 2005, 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 the highest-rated large city in California.

Outstanding Debt

The City's debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds, special assessment bonds, reassessment bonds, Redevelopment Agency tax allocation bonds and commercial paper.

As of June 30, 2005, the City had \$3.2 billion of gross outstanding long-term debt related to governmental activities and \$656.3 million of debt related to business-type activities, for a total of \$3.87 billion. These amounts for the fiscal year ended June 30, 2004 were \$2.9 billion for governmental activities and \$670 million for business-type activities, for a total of \$3.6 billion.

The table below identifies the net changes in each category (in thousands):

	<u>As of June 30 2005</u>	<u>As of June 30 2004</u>	<u>Net Change</u>
Governmental Activities			
General obligation bonds	\$ 337,240	178,480	158,760
HUD loan	342	-	342
Lease, reassessment and revenue bonds	655,235	581,977	73,258
Special assessments	79,434	85,142	(5,708)
Redevelopment agency	2,145,375	2,086,365	59,010
Equipment leases	-	17	(17)
Sub-total:	<u>3,217,626</u>	<u>2,931,981</u>	<u>285,645</u>
Business-Type Activities			
Revenue bonds	595,920	608,245	(12,325)
State of CA-Revolving Fund Loan	52,658	56,099	(3,441)
Commercial paper notes	7,755	5,786	1,969
Sub-total:	<u>656,333</u>	<u>670,130</u>	<u>(13,797)</u>
Total:	<u>\$ 3,873,959</u>	<u>3,602,111</u>	<u>271,848</u>

Management's Discussion and Analysis (Concluded)

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 an unfavorable economic environment. The City faces the daunting task of creating a balanced budget in the face of a fourth straight year of declining revenues and a forecast that shows little chance of recovery in the near term.
- Following City Council priorities, the adopted budget will attempt to focus available resources on the most essential services – primarily public safety, meeting basic infrastructure requirements and maintaining the City Council's commitment to neighborhoods.
- Deterioration of key revenues such as sales taxes and hotel transient occupancy tax seem to have leveled off.
- The local unemployment rate was 5.8%, still above the State average of 5.7% and the national average of 5.4%.
- Contract negotiations with the City's two largest labor organizations: the Police Officers Association and the International Association of Fire Fighters remain unresolved.
- Following Council direction from a year ago, a "Tier Two" strategy will be available in the form of a 2005-2006 Compensation/State Budget Impact Contingency Plan in the event a need for additional balancing actions prove to be necessary. These contingencies could be triggered depending on changes to employee compensation assumptions and, as in the prior year, additional revenue reduction which could result from final state budget actions.

All of these factors were considered in preparing the City's budget for fiscal year 2006.

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, 200 E. Santa Clara Street, San José, CA 95113.

Basic Financial Statements

City of San José
Statement of Net Assets
June 30, 2005
(\$000's)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and investments	\$ 674,005	366,547	1,040,552
Other cash and investments	92,411	-	92,411
Receivables (net of allowances for uncollectibles)	158,192	12,379	170,571
Due from outside agencies	297	466	763
Internal balances	(7,211)	7,211	-
Inventories	2,162	1,375	3,537
Loans receivable (net)	270,342	-	270,342
Advances and deposits	732	3,900	4,632
Other assets	10,996	162	11,158
Restricted assets:			
Equity in pooled cash and investments	67,853	123,217	191,070
Other cash and investments	411,051	207,203	618,254
Receivables (net of allowances for uncollectibles)	92	7,616	7,708
Deferred bond issuance costs (net of accumulated amortization)	36,482	9,190	45,672
Capital assets (net of accumulated depreciation):			
Nondepreciable	1,191,186	304,475	1,495,661
Depreciable	7,087,455	845,816	7,933,271
Total assets	<u>9,996,045</u>	<u>1,889,557</u>	<u>11,885,602</u>
LIABILITIES			
Accounts payable	65,158	22,315	87,473
Accrued liabilities	19,639	1,622	21,261
Interest payable	44,400	7,080	51,480
Due to outside agencies	12,376	-	12,376
Unearned revenue	16,773	747	17,520
Advances, deposits, and reimbursable credits	27,784	3,411	31,195
Other liabilities	46,265	330	46,595
Noncurrent obligations:			
Due within one year	122,705	32,177	154,882
Due in more than one year	3,323,442	635,418	3,958,860
Total liabilities	<u>3,678,542</u>	<u>703,100</u>	<u>4,381,642</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,755,755	672,893	6,428,648
Restricted for:			
Debt service	201,323	83,024	284,347
Capital projects	45,467	95,524	140,991
Community services	131,044	-	131,044
Public safety	2,268	-	2,268
City of Santa Clara equity in Wastewater Treatment System	-	84,006	84,006
Unrestricted	181,646	251,010	432,656
Total net assets	<u>\$ 6,317,503</u>	<u>1,186,457</u>	<u>7,503,960</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, 2005
(\$000's)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -Type Activities	
Governmental activities:							
General government	\$ 108,070	34,550	384	-	(73,136)	-	(73,136)
Public safety	326,029	21,411	8,763	-	(295,855)	-	(295,855)
Capital maintenance	502,586	27,365	21,176	48,694	(405,351)	-	(405,351)
Community services	210,936	67,276	33,586	21	(110,053)	-	(110,053)
Sanitation	89,159	86,166	-	-	(2,993)	-	(2,993)
Unallocated interest and fiscal charges	136,955	-	-	-	(136,955)	-	(136,955)
Total governmental activities	1,373,735	236,768	63,909	48,715	(1,024,343)	-	(1,024,343)
Business -Type activities:							
Norman Y. Mineta San José							
International Airport	122,882	112,273	5,570	13,791	-	8,752	8,752
Wastewater Treatment System	111,026	113,850	-	4,121	-	6,945	6,945
Municipal Water System	18,328	19,149	-	3,672	-	4,493	4,493
Parking System	8,652	9,473	-	-	-	821	821
Total business-type activities	260,888	254,745	5,570	21,584	-	21,011	21,011
Total	\$ 1,634,623	491,513	69,479	70,299	(1,024,343)	21,011	(1,003,332)
General revenues:							
Taxes:							
Property and other taxes					398,541	-	398,541
Utility					73,081	-	73,081
Franchise					33,722	-	33,722
Transit and occupancy					15,957	-	15,957
Sales taxes shared revenue					128,822	-	128,822
State of California in-lieu					20,850	-	20,850
Business license tax					36,936	-	36,936
Unrestricted interest and investment earnings					17,594	11,503	29,097
Other revenue					44,343	-	44,343
Transfers					6,711	(6,711)	-
Total general revenues and transfers					776,557	4,792	781,349
Change in net assets					(247,786)	25,803	(221,983)
Net assets - beginning					6,565,289	1,160,654	7,725,943
Net assets - ending					\$ 6,317,503	1,186,457	7,503,960

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

City of San José
Balance Sheet
Governmental Funds
June 30, 2005
(\$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	\$ 177,336	129,575	35,841
Other cash and investments	-	-	-
Receivables (net of allowance for uncollectibles)	46,001	1,267	1,929
Due from outside agencies	195	-	51
Due from other funds	3,220	5,633	-
Inventories	-	-	-
Loans receivable (net)	2,141	33,743	224,261
Advances and deposits	116	60	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	1,053	-	3
Other cash and investments	11	125,909	-
Accrued interest	-	92	-
Advances to other funds	3,676	580	-
Other assets	-	-	10,878
Total assets	<u>\$ 233,749</u>	<u>296,859</u>	<u>272,963</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,132	8,283	2,736
Accrued salaries, wages, and payroll taxes	16,384	308	227
Due to other funds	264	5,873	-
Due to other agencies	505	11,871	-
Deferred revenue	5,699	32,701	9,314
Advances, deposits, and reimbursable credits	7	5,154	-
Advances from other funds	-	3,400	580
Other liabilities	9,727	-	-
Total liabilities	<u>41,718</u>	<u>67,590</u>	<u>12,857</u>
Fund balances:			
Reserved for:			
Encumbrances	22,517	31,471	11,680
Noncurrent advances, loans and other assets	6,997	3,693	234,388
Debt service	-	114,167	-
Restricted cash commitments	-	-	3
Unreserved reported in:			
General fund	162,517	-	-
Special revenue funds	-	-	14,035
Capital projects funds	-	79,938	-
Total fund balances	<u>192,031</u>	<u>229,269</u>	<u>260,106</u>
Total liabilities and fund balances	<u>\$ 233,749</u>	<u>296,859</u>	<u>272,963</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
9,615	-	321,131	673,498
-	-	92,411	92,411
79,629	-	29,366	158,192
-	-	51	297
-	-	45,102	53,955
-	-	2,162	2,162
-	-	10,197	270,342
390	-	166	732
29,679	-	37,118	67,853
14,320	36,534	234,277	411,051
-	-	-	92
-	-	-	4,256
-	-	118	10,996
<u>133,633</u>	<u>36,534</u>	<u>772,099</u>	<u>1,745,837</u>
1	9,214	35,777	65,143
17	34	2,473	19,443
-	3,009	44,891	54,037
-	-	-	12,376
79,819	-	6,787	134,320
3,967	-	18,656	27,784
-	-	7,405	11,385
-	-	36,538	46,265
<u>83,804</u>	<u>12,257</u>	<u>152,527</u>	<u>370,753</u>
1,828	9,175	120,001	196,672
-	-	12,414	257,492
17,451	-	76,795	208,413
-	-	105	108
-	-	-	162,517
-	-	234,828	248,863
30,550	15,102	175,429	301,019
<u>49,829</u>	<u>24,277</u>	<u>619,572</u>	<u>1,375,084</u>
<u>133,633</u>	<u>36,534</u>	<u>772,099</u>	<u>1,745,837</u>

City of San José
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005
(\$000's)

Total fund balances-governmental funds (Page 21) \$ 1,375,084

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	\$ 517,005	
Infrastructure assets	11,052,677	
Other capital assets	1,410,208	
Accumulated depreciation	<u>(4,701,249)</u>	
Total capital assets		8,278,641

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. (44,400)

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 36,482

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. 79,434

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis. 38,113

The Public Works Program Support Internal Service fund is used by management to charge its costs to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets. 296

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	\$ (3,216,487)	
Accreted interest on capital appreciation bonds	(2,630)	
Compensated absences	(78,058)	
Claims and judgments	(132,530)	
Other	<u>(16,442)</u>	
Total long-term liabilities		<u>(3,446,147)</u>

Net assets of governmental activities (Page 18) \$ 6,317,503

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

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City of San José
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005
(\$000's)

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>
REVENUES			
Taxes and special assessments	\$ 399,278	149,977	-
Licenses, permits, and fines	86,518	-	-
Intergovernmental	9,022	-	5,835
Charges for current services	28,067	-	-
Rent	-	1,251	85
Interest and other revenues	36,536	18,347	8,946
Total revenues	<u>559,421</u>	<u>169,575</u>	<u>14,866</u>
EXPENDITURES			
Current:			
General government	72,430	18,131	-
Public safety	332,540	-	-
Capital maintenance	37,723	56,760	-
Community services	125,850	-	26,940
Sanitation	1,522	-	-
Capital outlay	8,692	27,109	-
Debt service:			
Principal	8	29,990	-
Interest and fiscal charges	-	92,511	-
Bond issuance costs	-	3,977	-
Payment to refunded bond escrow agent	-	2,022	-
Total expenditures	<u>578,765</u>	<u>230,500</u>	<u>26,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,344)</u>	<u>(60,925)</u>	<u>(12,074)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bonds	-	-	-
Proceeds from refunding bonds	-	195,870	-
Premiums (discount) on bonds	-	395	-
Payment to refunded bond escrow agent	-	(126,899)	-
Proceeds from sale of capital assets	-	4,482	-
Loan proceeds	342	19,085	-
Transfers in	35,686	19,507	61,175
Transfers out	(7,992)	(85,807)	(14,528)
Total other financing sources (uses)	<u>28,036</u>	<u>26,633</u>	<u>46,647</u>
Net change in fund balances	8,692	(34,292)	34,573
Fund balances - beginning	<u>183,339</u>	<u>263,561</u>	<u>225,533</u>
Fund balances - ending	<u>\$ 192,031</u>	<u>229,269</u>	<u>260,106</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
7,426	-	129,407	686,088
-	-	-	86,518
-	-	66,495	81,352
-	-	197,330	225,397
-	-	6,875	8,211
2,669	1,789	29,212	97,499
10,095	1,789	429,319	1,185,065
-	-	107,758	198,319
-	-	1,629	334,169
839	-	82,940	178,262
-	-	41,719	194,509
-	-	87,846	89,368
2,212	85,407	166,565	289,985
5,708	-	15,046	50,752
4,464	-	41,278	138,253
-	-	2,845	6,822
-	-	-	2,022
13,223	85,407	547,626	1,482,461
(3,128)	(83,618)	(118,307)	(297,396)
-	-	245,025	245,025
-	-	-	195,870
-	-	2,732	3,127
-	-	-	(126,899)
-	-	-	4,482
-	-	-	19,427
-	798	75,802	192,968
-	(1,446)	(77,143)	(186,916)
-	(648)	246,416	347,084
(3,128)	(84,266)	128,109	49,688
52,957	108,543	491,463	1,325,396
49,829	24,277	619,572	1,375,084

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, 2005
(\$000's)

Net change in fund balances--total governmental funds (Page 25) \$ 49,688

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	\$ 289,985	
Depreciation expense	(322,902)	
Excess of depreciation expense over capital outlay		(32,917)

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

Donated assets	\$ 22,535	
Disposal and other adjustments	(32,061)	
		(9,526)

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	\$ 6,822	
Amortization of bond issuance costs	(1,133)	
Total bond issuance costs, net of amortization		5,689

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.

175,485

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	\$ (308)	
Discount/(premium) on bonds issued	(3,127)	
Decrease in accrued interest expense	1,944	
Amortization of deferred amounts, premiums and discounts	469	
Deferred amounts on bonds issued premiums and discounts	4,486	
Total net interest expense and amortization of discount/premium		3,464

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

(460,322)

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 decreased by this amount this year.

(5,125)

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	(19)	
Net increase in vacation, sick leave, and compensatory time	(812)	
Net decrease in estimated liability for self-insurance	25,824	
Net decrease in arbitrage liability	24	
Total additional expenditures		25,482

The net revenues of the Public Works Program Support Internal Service fund is reported with the governmental activities

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Change in net assets of governmental activities (Page 19)

\$ (247,786)

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

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City of San José
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
ASSETS						
Current assets:						
Equity in pooled cash and investments held in City Treasury	\$ 68,541	266,773	15,437	15,796	366,547	507
Receivables (net of allowance for uncollectibles)	3,482	6,390	1,764	743	12,379	-
Due from outside agencies	-	466	-	-	466	-
Due from other funds	99	-	-	-	99	-
Inventories	-	1,375	-	-	1,375	-
Total unrestricted current assets	<u>72,122</u>	<u>275,004</u>	<u>17,201</u>	<u>16,539</u>	<u>380,866</u>	<u>507</u>
Restricted assets:						
Equity in pooled cash and investments held in City Treasury	109,263	13,954	-	-	123,217	-
Other cash and investments	198,500	7,273	-	1,430	207,203	-
Receivables (net of allowances for uncollectibles)	7,616	-	-	-	7,616	-
Prepaid expenses, advances and deposits	162	-	-	-	162	-
Total restricted current assets	<u>315,541</u>	<u>21,227</u>	<u>-</u>	<u>1,430</u>	<u>338,198</u>	<u>-</u>
Total current assets	<u>387,663</u>	<u>296,231</u>	<u>17,201</u>	<u>17,969</u>	<u>719,064</u>	<u>507</u>
Noncurrent assets:						
Deferred bond issuance costs (net of accumulated amortization)	8,344	846	-	-	9,190	-
Advances and deposits	3,900	-	-	-	3,900	-
Advances to other funds	-	8,988	-	3,400	12,388	-
Capital assets (net of accumulated depreciation):						
Nondepreciable	163,170	120,503	2,477	18,325	304,475	-
Depreciable	361,082	366,463	64,681	53,590	845,816	-
Total noncurrent assets	<u>536,496</u>	<u>496,800</u>	<u>67,158</u>	<u>75,315</u>	<u>1,175,769</u>	<u>-</u>
Total assets	<u>924,159</u>	<u>793,031</u>	<u>84,359</u>	<u>93,284</u>	<u>1,894,833</u>	<u>507</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, 2005
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 4,356	7,302	1,410	959	14,027	15
Accrued liabilities	161	1,329	96	36	1,622	-
Interest payable	-	540	-	-	540	-
Due to other funds	17	-	-	-	17	-
Accrued vacation, sick leave and compensatory time	314	3,756	42	97	4,209	196
Estimated liability for self-insurance	-	1,516	51	7	1,574	-
Loans payable	-	3,540	-	-	3,540	-
Total current liabilities unrestricted	<u>4,848</u>	<u>17,983</u>	<u>1,599</u>	<u>1,099</u>	<u>25,529</u>	<u>211</u>
Current liabilities payable from restricted assets:						
Accounts payable and accrued liabilities	8,288	-	-	-	8,288	-
Interest payable	6,024	516	-	-	6,540	-
Accrued vacation, sick leave and compensatory time	2,541	-	-	-	2,541	-
Estimated liability for self-insurance	480	-	-	-	480	-
Advances and deposits payable	519	-	-	-	519	-
Deferred revenue	747	-	-	-	747	-
Current portion of loans payable	7,755	-	-	-	7,755	-
Current portion of bonds payable	8,278	3,800	-	-	12,078	-
Total current liabilities payable from restricted assets	<u>34,632</u>	<u>4,316</u>	<u>-</u>	<u>-</u>	<u>38,948</u>	<u>-</u>
Total current liabilities	<u>39,480</u>	<u>22,299</u>	<u>1,599</u>	<u>1,099</u>	<u>64,477</u>	<u>211</u>
Noncurrent liabilities:						
Estimated liability for self-insurance	2,941	3,385	-	-	6,326	-
Advances from other funds	-	-	5,259	-	5,259	-
Advance contributions from participating agencies	-	1,653	-	-	1,653	-
Advances, deposits and reimbursable credits	-	-	1,239	-	1,239	-
Loans payable	-	49,118	-	-	49,118	-
Bonds payable (net of discount and deferred loss on premium/refunding)	493,100	86,874	-	-	579,974	-
Other liabilities	330	-	-	-	330	-
Total noncurrent liabilities	<u>496,371</u>	<u>141,030</u>	<u>6,498</u>	<u>-</u>	<u>643,899</u>	<u>-</u>
Total liabilities	<u>535,851</u>	<u>163,329</u>	<u>8,097</u>	<u>1,099</u>	<u>708,376</u>	<u>211</u>
NET ASSETS						
Invested in capital assets, net of related debt	247,008	286,812	67,158	71,915	672,893	-
Restricted for debt service	72,676	8,918	-	1,430	83,024	-
Restricted for capital projects	60,737	34,787	-	-	95,524	-
City of Santa Clara equity in Wastewater Treatment System	-	84,006	-	-	84,006	-
Unrestricted	7,887	215,179	9,104	18,840	251,010	296
Total net assets	<u>\$ 388,308</u>	<u>629,702</u>	<u>76,262</u>	<u>92,185</u>	<u>1,186,457</u>	<u>296</u>

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
OPERATING REVENUES						
Charges for services	\$ 43,709	84,391	19,120	9,446	156,666	10,500
Rentals and concessions	42,161	1,455	-	-	43,616	-
Customer transportation fees	4,297	-	-	-	4,297	-
Service connection, engineering and inspection	-	4,241	-	-	4,241	-
Contributions	-	14,585	-	-	14,585	-
Other	23	7,005	-	-	7,028	-
Total operating revenues	<u>90,190</u>	<u>111,677</u>	<u>19,120</u>	<u>9,446</u>	<u>230,433</u>	<u>10,500</u>
OPERATING EXPENSES						
Operations and maintenance	74,530	67,281	15,283	3,347	160,441	11,633
General and administrative	21,741	20,231	706	3,471	46,149	-
Depreciation and amortization	19,438	17,923	2,195	1,674	41,230	-
Materials and supplies	-	237	-	160	397	-
Total operating expenses	<u>115,709</u>	<u>105,672</u>	<u>18,184</u>	<u>8,652</u>	<u>248,217</u>	<u>11,633</u>
Operating income (loss)	<u>(25,519)</u>	<u>6,005</u>	<u>936</u>	<u>794</u>	<u>(17,784)</u>	<u>(1,133)</u>
NONOPERATING REVENUES (EXPENSES)						
Passenger facility charges	21,768	-	-	-	21,768	-
Operating grants	5,570	-	-	-	5,570	-
Investment income	4,584	6,145	345	429	11,503	-
Land and building rental	-	21	-	-	21	-
Interest expense	(7,173)	(5,076)	(144)	-	(12,393)	-
Contributions refunded to participating agencies	-	(271)	-	-	(271)	-
Loss on disposal of capital assets	-	(7)	-	-	(7)	-
Other revenues	315	2,152	29	27	2,523	770
Net nonoperating revenues (expenses)	<u>25,064</u>	<u>2,964</u>	<u>230</u>	<u>456</u>	<u>28,714</u>	<u>770</u>
Income before capital contributions and transfers	<u>(455)</u>	<u>8,969</u>	<u>1,166</u>	<u>1,250</u>	<u>10,930</u>	<u>(363)</u>
Capital contributions	13,791	4,121	3,672	-	21,584	-
Transfers in	511	-	-	10	521	659
Transfers out	-	(4,726)	(1,876)	(630)	(7,232)	-
Changes in net assets	<u>13,847</u>	<u>8,364</u>	<u>2,962</u>	<u>630</u>	<u>25,803</u>	<u>296</u>
Net assets - beginning	<u>374,461</u>	<u>621,338</u>	<u>73,300</u>	<u>91,555</u>	<u>1,160,654</u>	<u>-</u>
Net assets - ending	<u>\$ 388,308</u>	<u>629,702</u>	<u>76,262</u>	<u>92,185</u>	<u>1,186,457</u>	<u>296</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, 2005
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 90,479	98,318	19,973	9,342	218,112	10,500
Payments to suppliers	(64,557)	(40,760)	(13,113)	(5,454)	(123,884)	(137)
Payments to employees	(31,959)	(43,363)	(2,966)	(1,450)	(79,738)	(11,285)
Other receipts (payments)	370	14,585	-	-	14,955	-
Net cash provided by (used in) operating activities	<u>(5,667)</u>	<u>28,780</u>	<u>3,894</u>	<u>2,438</u>	<u>29,445</u>	<u>(922)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from other funds	511	-	-	10	521	1,429
Transfer to other funds	-	(4,726)	(1,876)	(630)	(7,232)	-
Advances (to) from other funds	-	7,804	(700)	(3,400)	3,704	-
Subsidies from operating grants	5,570	-	-	-	5,570	-
Advances, deposits and credits	(1,800)	-	81	-	(1,719)	-
Net cash provided by (used in) by noncapital and related financing activities	<u>4,281</u>	<u>3,078</u>	<u>(2,495)</u>	<u>(4,020)</u>	<u>844</u>	<u>1,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Passenger facility charges received	22,738	-	-	-	22,738	-
Proceeds from commercial paper	64,029	-	-	-	64,029	-
Principal payment for commercial paper	(62,060)	-	-	-	(62,060)	-
Subsidies from capital grants	12,691	2,819	-	-	15,510	-
Acquisition and construction of capital assets	(52,046)	(35,257)	(3,440)	(1,643)	(92,386)	-
Principal paid on debt	(8,615)	(7,151)	-	-	(15,766)	-
Bond issuance costs	(986)	-	-	-	(986)	-
Interest paid on debt	(19,364)	(5,037)	-	-	(24,401)	-
Net cash used in capital and related financing activities	<u>(43,613)</u>	<u>(44,626)</u>	<u>(3,440)</u>	<u>(1,643)</u>	<u>(93,322)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	180,718	870	-	-	181,588	-
Purchase of investments	(223,967)	-	-	-	(223,967)	-
Interest and dividends received	7,946	5,796	353	438	14,533	-
Land and building rentals	-	21	-	-	21	-
Net cash provided by (used in) investing activities	<u>(35,303)</u>	<u>6,687</u>	<u>353</u>	<u>438</u>	<u>(27,825)</u>	<u>-</u>
Net change in cash and cash equivalents	<u>(80,302)</u>	<u>(6,081)</u>	<u>(1,688)</u>	<u>(2,787)</u>	<u>(90,858)</u>	<u>507</u>
Cash and cash equivalents - beginning	399,502	286,808	17,125	20,013	723,448	-
Cash and cash equivalents - ending	<u>\$ 319,200</u>	<u>280,727</u>	<u>15,437</u>	<u>17,226</u>	<u>632,590</u>	<u>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, 2005
(\$000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (25,519)	6,005	936	794	(17,784)	(1,133)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	19,438	17,923	2,195	1,674	41,230	-
Other nonoperating revenues(expenses)	315	2,152	29	27	2,523	-
Decrease (increase) in:						
Accounts receivable	666	(957)	824	(131)	402	-
Due from outside agencies	-	32	-	-	32	-
Due from other funds	(99)	-	-	-	(99)	-
Inventories	-	(50)	-	-	(50)	-
Prepaid expenses	18	-	-	-	18	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	59	4,429	(87)	64	4,465	15
Accrued vacation, sick leave and compensatory time	307	63	2	14	386	196
Estimated liability for self-insurance	(696)	(817)	(5)	(4)	(1,522)	-
Deferred revenues	(131)	-	-	-	(131)	-
Due to other funds	17	-	-	-	17	-
Advances and deposits payable	(42)	-	-	-	(42)	-
Total adjustments	19,852	22,775	2,958	1,644	47,229	211
Net cash provided by (used in) operating activities	\$ (5,667)	28,780	3,894	2,438	29,445	(922)
Reconciliation of cash and cash equivalents to the balance sheet:						
Equity in pooled cash and investments held in City Treasury						
Unrestricted	\$ 68,541	266,773	15,437	15,796	366,547	507
Restricted	109,263	13,954	-	-	123,217	-
Other investments	198,500	7,273	-	1,430	207,203	-
Less investments not meeting the definition of cash equivalents	(57,104)	(7,273)	-	-	(64,377)	-
	\$ 319,200	280,727	15,437	17,226	632,590	507
Noncash noncapital, capital and related financing activities:						
Loss on disposal of capital assets	\$ -	(7)	-	-	(7)	-
Acquisition of capital assets on accounts payable and accrued liabilities	2,716	746	-	-	3,462	-
Bond discount/(premium)	(896)	-	-	-	(896)	-
Capitalized interest	9,753	-	-	-	9,753	-
Unrealized loss on investments held by fiscal agent	1	-	-	-	1	-
Contributions from developers and other funds	-	2,494	3,672	-	6,166	-

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, 2005
(\$000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund	Agency Funds
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ -	17	2,492
Investments of retirement plans:			
Investments, excluding securities lending collateral:			
Domestic fixed maturities	1,044,650	-	-
International fixed maturities	229,696	-	-
Domestic equities	1,463,624	-	-
International equities	779,185	-	-
Real estate	163,033	-	-
Cash equivalents and short term investments	112	-	-
Securities lending collateral	536,928	-	-
Total investments	<u>4,217,228</u>	<u>-</u>	<u>-</u>
Other cash and investments	-	32	-
Receivables (net of allowances for uncollectibles):			
Accrued investment income	14,762	-	13
Employee contributions	1,319	-	-
Employer contributions	3,264	-	-
Due from brokers	68,098	-	-
Other	4,185	-	-
Total assets	<u>4,308,856</u>	<u>49</u>	<u>2,505</u>
LIABILITIES			
Due to brokers	153,768	-	-
Accounts payable	173	-	1
Securities lending collateral, due to borrowers	536,928	-	-
Accrued salaries, wages and payroll taxes	-	-	7
Advances, deposits and reimbursable credits	444	-	-
Other liabilities	5,604	-	2,497
Total liabilities	<u>696,917</u>	<u>-</u>	<u>2,505</u>
NET ASSETS			
Held in trust for:			
Employees' pension benefits	3,496,025	-	-
Employees' postemployment healthcare benefits	115,914	-	-
Other purpose	-	49	-
	<u>\$ 3,611,939</u>	<u>49</u>	<u>-</u>

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, 2005
(\$000's)

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Investment income:		
Interest	\$ 53,944	4
Dividends	27,339	-
Net rental income	15,155	-
Net change in fair value of plan investments	243,277	-
Investment expenses	(12,555)	-
Total investment income	<u>327,160</u>	<u>4</u>
Securities lending activities:		
Securities lending income	8,598	-
Securities lending expenses	(7,727)	-
Total securities lending activities	<u>871</u>	<u>-</u>
Contributions:		
Employer	95,801	-
Employees	39,525	-
Total contributions	<u>135,326</u>	<u>-</u>
Total additions	<u>463,357</u>	<u>4</u>
DEDUCTIONS		
General and administrative	3,330	-
Health insurance	24,487	-
Refunds to terminated employees	1,352	-
Retirement and other benefits paid:		
Death benefits paid	9,662	-
Retirement benefits paid	129,545	-
Total deductions	<u>168,376</u>	<u>-</u>
Change in net assets	294,981	4
Net assets - beginning	<u>3,316,958</u>	<u>45</u>
Net assets - ending	<u>\$ 3,611,939</u>	<u>49</u>

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

City of San José

Notes to Basic Financial Statements

June 30, 2005

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 generally accepted accounting principles ("GAAP") in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary 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 primary government, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

- **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. Their purpose was to finance the acquisition of, and 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 José

Notes to Basic Financial Statements

June 30, 2005

- **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 fiscal year ended June 30, 2005, 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, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

- Federated City Employees’ Retirement System (the “System”)
- Police and Fire Department Retirement Plan (the “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 non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities, which is included in the government-wide financial statements, presents a comparison between direct expenses and program revenues for each business-type activity of the City and each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a business-type activity or 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 instead presented as general revenues.

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

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

City of San José

Notes to Basic Financial Statements

June 30, 2005

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 operations of the City's sewer system, the Water Pollution Control Plant (the Plant), and the regional water reclamation program.

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 (the "System") and the Police and Fire Department Retirement Plan (the "Plan" and collectively, the "Retirement System").

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 the San José Arena and the Health Care Financing Administration.

The City reports the following internal service fund:

The **Public Works Program Support Fund** is used to account for Public Works department administrative services provided to citywide capital programs and certain other Public Works operating divisions on a cost reimbursement basis.

City of San José

Notes to Basic Financial Statements

June 30, 2005

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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales and use, transient occupancy and utility user tax 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 resources, 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 as 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.

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 measurable and available only when cash is received by the City.

Proprietary funds distinguish between operating revenues and expenses from non-operating 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 non-operating 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 Opinions or any Accounting Research Bulletins unless those pronouncements conflict with or contradict GASB pronouncements.

City of San José

Notes to Basic Financial Statements

June 30, 2005

D. 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 principals generally accepted in the United States of America. Actual results could differ from those estimates.

E. New Pronouncements

Effective for the year ended June 30, 2005, the City is required to report certain disclosures concerning deposits and investments, as outlined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This statement addresses certain exposure risks that common deposits and investments of state and local governments are subject to that may have the potential to result in losses. These risks are credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. There are also requirements for disclosure concerning investments that have fair values that are highly sensitive to changes in interest rates. The investment policies of the City are also disclosed as they relate management of these risks identified in this Statement, as they relate to the deposits and investments.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other post-employment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. Application of this statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting; The Statistical Section—an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to post-employment

City of San José

Notes to Basic Financial Statements

June 30, 2005

healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Application of this statement is effective for the City's fiscal year ending June 30, 2008.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. Application of this statement is effective for the City in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. For all other termination benefits, application of this Statement is effective for the City's fiscal year ending June 30, 2006.

F. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

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

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer unless otherwise dictated by legal or contractual requirements. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds

City of San José

Notes to Basic Financial Statements

June 30, 2005

and component units on a monthly basis, based on their proportionate shares of the average weekly cash balance.

3. Deposits and Investments

Investments are accounted for in accordance with the provisions of GASB Statement No. 31; *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This Statement requires governmental entities to report investments at fair value in the statement of net assets or balance sheet and to recognize the corresponding change in fair value of investments in the year in which the change occurred.

Pooled Cash and Investments held in City Treasury. The City reports its investments held in City Treasury 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. For the fiscal year ended June 30, 2005, the total investment income from these funds allocated to the General Fund was approximately \$3,125,000.

Retirement Systems. Investments of the Pension Trust Funds are reported at their 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 date of trade. Investment income is recognized as earned. Rental income from real estate activity is recognized as earned, net of expenses.

Other Investments. Non-pooled investments are generally carried at fair value. However, investments in guaranteed investment contracts are carried at cost and special assessments bonds at amortized 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.

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.

City of San José

Notes to Basic Financial Statements

June 30, 2005

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, non-current 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.

9. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because they are maintained in separate bank accounts or by fiscal agents, and their use is limited by applicable bond covenants or agreements.

10. 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 and the proprietary funds' statement of net assets. 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 are 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.

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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.

11. 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, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate enterprise funds.

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 and firefighters who have accumulated over 1,200 and 1,680 hours of sick leave, respectively, is 100%, provided that, the employee is a non-disabled, service retiree whom has not lost their life 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.

12. Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, 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 inter-fund loans and unsettled service transactions) or “advances to/from other funds” (i.e., the non-current portion of

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

13. 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.

14. 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.

Reservations of fund balance are described as follows:

- *Encumbrances* - to reflect the outstanding contractual obligations for which, goods and services have not been received.
- *Non-current advances, loans, other assets, and cash commitments* - to reflect the portion of assets that are not currently available as a spendable resource.

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- *Debt service* - to reflect the funds held by trustees or other fiscal agents for future payment of principal and interest related to bond issue. 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 future 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.

The unreserved governmental fund balance designations at June 30, 2005 are composed of the following (dollars in thousands):

	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	Civic Center	Nonmajor Funds	Total
Unreserved, designated for:							
Future projects	\$ 56,645	-	-	30,550	15,102	410,257	\$ 512,554
Contingencies	47,023	-	-	-	-	-	47,023
Redevelopment activities	-	79,938	-	-	-	-	79,938
Undesignated	58,849	-	14,035	-	-	-	72,884
Total unreserved fund balances	<u>\$ 162,517</u>	<u>79,938</u>	<u>14,035</u>	<u>30,550</u>	<u>15,102</u>	<u>410,257</u>	<u>\$ 712,399</u>

15. 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
Livy 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.

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The City's net assessed valuation for the fiscal year ended June 30, 2005, was approximately \$95,306,884,000, an increase of approximately 6% over the previous year. The tax rate was approximately \$0.182 per \$100 of assessed valuation, which included the 1% basic levy and additional levies for general obligation bonds Measures "O" and "P".

16. 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.

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, and 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. Annually, these percentages are determined and applied to the capital and operating costs, on an accrual basis.

For the fiscal year ended June 30, 2005, the City's portion of the capital and operating costs was approximately 80% and, based on operations through the fiscal year ended June 30, 2005, the City's interest in the net assets of the Plant was approximately 80%.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

Deficit fund balances were reported for the non-major capital projects Fiber Optics Development fund, the Interim City Facility fund and the Civic Center Improvement fund in the amounts of \$2,340,000, \$15,000 and \$9,604,000, respectively. The Fiber Optic fund deficits will be eliminated with future lease revenues. The deficit fund balances in the Interim City Facility fund and the Civic Center Improvement fund will be eliminated from commercial paper proceeds. The deficit fund balance for the non-major Convention and Cultural Facilities fund in the amount of \$103,000 will be eliminated with future operating transfers from the General Fund.

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III. Detailed Notes on All Funds

A. Cash, Deposits and Investments

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

	Governmental Activities	Business-type Activities	Fiduciary Funds			Carrying Value
			Pension Trust	Private-Purpose Trust	Agency	
Equity in pooled cash and investments	\$ 674,005	366,547	-	17	2,492	\$ 1,043,061
Other cash and investments	92,411	-	-	32	-	92,443
Restricted investments:						
Equity in pooled cash and investments	67,853	123,217	-	-	-	191,070
Other cash and investments	411,051	207,203	-	-	-	618,254
Investments of retirement plans	-	-	4,217,228	-	-	4,217,228
Total deposits and investments	<u>\$ 1,245,320</u>	<u>696,967</u>	<u>4,217,228</u>	<u>49</u>	<u>2,492</u>	<u>6,162,056</u>
Deposits						(8,430)
Investments						<u>6,170,486</u>
Total deposits and investments						<u>\$ 6,162,056</u>

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."

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

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.

Included in "Restricted assets: Other cash and investments" in the governmental funds is the City's Seismic Resistance Improvement Series 24K Special Assessment Bonds with interest rates of 8.5% and maturing in September 2013. The carrying amount of these investments was \$1,275,000.

Investments in Retirement Plans. 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 diversified.

Investments in forward currency contracts of the Pension Trust Funds are recorded commitments to purchase or sell stated amounts of foreign currency. The Retirement Systems' net position in these contracts is recorded at fair value as short-term foreign currency investments. The fair value of forward currency contracts is determined by quoted currency prices from national exchanges.

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

1. Governmental and Business-Type Activities

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the time of maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing the cash flows from the maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations. As of June 30, 2005, there were no investments, with fair values, that were highly sensitive to interest rate fluctuation.

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 governed by the Policy as of June 30, 2005, was approximately 15 months. If it becomes necessary or strategically prudent for the City to sell a security prior to maturity, the Policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.

Credit Quality Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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

As of June 30, 2005, the City's investment in LAIF is approximately \$181,127,000. The total amount recorded by all public agencies in LAIF at that date is approximately \$18,573,278,000. Of that amount, 98% is invested in non-derivative financial products and 2% in structured notes and asset backed securities.

Concentration of Credit Risk. The City Council adopted an investment policy (the "Policy") on April 2, 1985, as amended on December 14, 2004, related to the City's cash and investment pool, which is subject to annual review. The Policy prohibits investment in securities purchased with the intent to trade for a profit. Per the Policy the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Policy.

City of San José

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The following table identifies the investment types that are authorized for the City by the California Government Code and Policy, where more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage or Dollar of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Agency Issues	5 Years	None	None
Bankers' Acceptances	180 Days	25%	5%
Insured Time Deposits	3 Years	\$10 Million	5%
Uninsured Time Deposits	18 Months	\$10 Million	5%
Commercial Paper	180 Days	20%	5%
Negotiable Certificates of Deposit	180 Days	25%	5%
Repurchase Agreements	10 Days	None	None
Reverse Repurchase Agreements	30 Days	\$25 Million or 20%	None
Corporate Notes	3 Years	15%	5%
Local Agency California Investment Fund	None	None	None
Money Market Mutual Funds	None	15%	5%
California Municipal Bonds – Category 1	5 Years	15%	5%
California Municipal Bonds – Category 2	5 Years	5%	5%
California Municipal Bonds – Category 3	5 Years	10 %	5%
Investment Agreements	None	None	None

Other restrictions on investments are summarized as follows:

Purchases of United States government agency securities are limited to issues of Federal Farm Credit Banks, the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and Student Loan Marketing Association.

The purchase of Banker Acceptances (BAs) are limited to issues by domestic U.S. or foreign banks and which must be rated by Fitch as follows: an issuer of "B" or better for domestic U.S., "C" or better for California banks or "A/B" or better for foreign banks. Additionally, foreign BAs must be in U.S. dollar denominations.

Insured and uninsured time deposits are limited to issuances from banks and savings and loans with offices located in San Jose and deposits shall not exceed the net worth of that depository. Additionally, concerning uninsured time deposits, depositories must have an issuer rating of "B" or better by Fitch and be collateralized in a manner prescribed by state law for depositories.

Investments in commercial paper are limited to investments in domestic corporations with the highest ranking or with the highest letter and number rating as provided for by the three nationally recognized rating services. Issuing corporations must be organized and operating within the U.S. and have total assets in excess of \$500,000,000.

Negotiable certificates of deposit are limited to banks and savings and loans with an issuer rating of "A/B" or better by Fitch and may not exceed the net worth of issuing institution.

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Repurchase agreements are to be executed only with primary dealers of the Federal Reserve Bank of New York and financial institutions, which have entered into the City's Master Repurchase agreement. Securities accepted as collateral for the repurchase agreement are limited to U.S. Treasury or U.S. Federal Government Agencies permitted under the Policy. The market value of the securities that have been accepted as collateral, shall, at the time of transfer, equal at least 102 percent face value of the repurchase agreement. For other than overnight investments, the securities transferred shall be marked to market on a daily basis and maintained at a market value to at least 102 percent purchase agreement's face value.

Corporate notes eligible for investment must be rated "A" or better by two of the three nationally recognized rating services.

Funds invested in Local Agency Investment Fund, a state of California managed investment pool, may be made up to the maximum dollar amount per separate legal entity in conformity with account balance limits authorized by the California State Treasurer.

Investments in money market mutual funds are limited to those funds registered with the Securities and Exchange Commission and for which a qualified investment advisor has been assigned. The funds must be rated "AAA" by the two nationally recognized rating services. Investments by the funds are restricted to certain U.S. Treasury and U.S. Government Agency backed securities permitted under the Policy and be maintained at no less than \$1.00 per share.

Reverse repurchase agreements under the Policy are limited to the lesser of \$25,000,000 or 20% of the portfolio value and to those occasions where unanticipated short-term cash requirements can be met more advantageously by initiating a reverse repurchase agreement than by selling a security into the secondary market prior to maturity.

Investment agreements may be used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures and in accordance with other safeguards outlined in the Policy to reduce the risk associated with a Provider's inability to meet its contractual obligations.

- California municipal bonds under the Policy are limited to a total of no more than 20% of the portfolio value. The Policy establishes three California municipal bond categories (1 through 3): bonds issued by the City or its agencies (as defined in the Policy), by the State of California and by other California local agencies, respectively. Eligible securities must be rated AA or better by two nationally recognized rating services. For category 3, a rating of AAA through credit enhancements is also permitted.

In order to protect against losses resulting from 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 the Policy on a daily basis.

The Policy permits the Director of Finance to authorize investments that depart from the Policy's numerical limits if such an action is in the best interest of the City and is otherwise consistent with the Policy and applicable City, State and Federal laws. Whenever a deviation from the Policy is made, it must be reported to the City Manager and the City Council within one business day. During fiscal year ended June 30, 2005, there were no deviations from or violations against the Policy.

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The Policy stipulates that no more than 5% of the total portfolio can be invested in investments of a single institution other than securities issued by the U.S. Government and its affiliated agencies and LAIF.

The following schedule indicates the interest rate risk, credit quality risk and concentration credit risk of the City's investments, as of June 30, 2005. The credit ratings listed are for Moody's Investors Services and Standards and Poor's, respectively. Certain investments, such as obligations, which are backed by the full faith and credit of the United States Government, are not subject to credit rating (dollars in thousands):

Type of Investment	Credit Rating	Maturity					Carrying Value
		Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	Over 5 Years	
Pooled investments in the City Treasury:							
U.S. Treasury bills	Exempt	\$ -	176	-	-	-	176
U.S. Treasury notes and bonds	Exempt	-	9,825	29,791	39,550	-	79,286
Federal Farm Credit Banks*	Aaa / AAA	-	5,038	16,547	67,705	-	89,290
Federal Home Loan Banks (FHLB)*	Aaa / AAA	-	64,866	106,003	371,308	-	544,177
Federal Home Loan Mortgage Corporation	Aaa / AAA	-	9,988	9,397	19,488	-	38,873
Federal National Mortgage Association*	Aaa / AAA	-	1,936	9,892	97,115	-	109,943
Federal Farm Credit Banks - Discount	P-1 / A-1+	26,977	7,861	8,449	-	-	43,287
Federal Home Loan Banks - Discount*	P-1 / A-1+	40,594	37,112	24,389	-	-	102,095
Federal National Mortgage Association (FNMA) - Discount	P-1 / A-1+	-	12,870	-	-	-	12,870
Bankers' acceptances	P-1 / A-1+	4,989	4,611	-	-	-	9,600
Repurchase agreements (backed by FHLB with Bank of the West)*	Aaa / AAA	131,408	-	-	-	-	131,408
Commercial paper	P-1 / A-1+	22,100	-	-	-	-	22,100
Local agency investment fund	Not Rated	-	64,507	-	-	-	64,507
Total pooled investments in the City Treasury		226,066	218,860	206,468	595,168	-	1,246,590
Other funds:							
U.S. Treasury bills	Exempt	-	1,412	-	-	-	1,412
U.S. Treasury notes and bonds	Exempt	-	19,282	9,808	1,864	-	30,754
Federal Home Loan Banks	Aaa / AAA	-	718	-	-	-	718
Federal Farm Credit Banks - Discount	P-1 / A-1+	-	-	1,088	-	-	1,088
Federal Home Loan Banks - Discount**	P-1 / A-1+	-	203,039	-	-	-	203,039
Federal National Mortgage Association - Discount	P-1 / A-1+	-	1,207	-	-	-	1,207
Investment Agreements***	Not Rated	-	-	-	154,818	34,171	188,989
Repurchase agreements (backed by FNMA with Bank of the West)**	Aaa / AAA	70,847	-	-	-	-	70,847
Money market mutual funds	AAAm	74,838	1,242	-	-	-	76,080
U.S. Treasury - State and Local Government Series	Not Rated	14,839	-	-	-	-	14,839
Special assessment bonds	Not Rated	-	485	-	790	-	1,275
Local agency investment fund	Not Rated	-	116,620	-	-	-	116,620
Total other funds		180,324	344,005	10,896	157,272	34,171	706,668
Total citywide investments (excluding Retirement Systems)		\$ 386,390	\$ 562,865	\$ 217,364	\$ 752,438	\$ 34,171	\$ 1,953,258
Retirement Systems:							
Total investments of retirement plans (See page 65)							4,217,228
Total investments							\$ 6,170,486

* These investments represent more than 5% of the City's pooled investments held in the City's Treasury.

** These investments represent more than 5% of the investments held outside of the City's Treasury.

*** Included in this investment category is a \$154,818,000 guaranteed investment contract with FSA Management Services.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of the City's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the City's name.

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As of June 30, 2005, the carrying amount of the City's deposits with financial institutions was in a net overdraft position in the amount of \$8,430,000, and the bank balance was \$13,626,000. 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, \$557,000 was covered by federal depository insurance and \$13,069,000 was uninsured.

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2005, the investments in the city wide investment pool were not subject to foreign currency risk.

2. Retirement Systems

Interest Rate Risk. The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. The Retirement Systems' has investments included in the GNMA, U.S. Government Agency Securities, and collateralized mortgage obligations classifications that are back by mortgage pass-throughs. Therefore, these investments are sensitive to prepayments by mortgages, which may result from a decline in interest rates.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The Plan's custodian holds all investments of the Plan in the Plan's name except for the "not-in-bank" pooled funds that are held at the managers' custodian bank and the System's custodian holds all investments of the System in the custodian's nominee System's name except for assets held in pooled funds, which are under custody of the manager's custodian bank.

Credit Quality Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by nationally recognized statistical rating organizations that provide rating of debt securities quality, based on a variety of factors, such as the financial conditions of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The System's assets shall generally be invested in investment grade, marketable, fixed-income securities. Domestic fixed maturity investment grade shall be defined as being rated Baa/BBB or better by two of the following three rating service: Moody's, Standard & Poor's or Fitch's. In the event that ratings are provided by only two agencies and the third is non-rated, the most conservative (lowest) rating will be assigned. If only one agency assigns a rating, that rating will be used. Up to 15% investment in BB or B securities will be permitted with written authorization of the Board. The investment managers employed to manage domestic fixed-income securities will have discretion in the day-to-day management of the funds under their control. International fixed maturity must be at least Aa3/AA-. If the corresponding ratings assigned by S&P and Moody's are not equivalent the higher rating will be used for purposes of measuring portfolio and security quality. If a security is not rated by S&P or Moody's, the equivalent rating determined by the investment manager's research department will be used. If bonds are downgraded below the minimum credit quality allowable in the guidelines at the time of purchase, the Manager is permitted to hold up to 2% of the System's portfolio managed by the individual manager, using the lower of S&P, Moody's, and Fitch's rating in the event of a split-rated security.

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All domestic and international bonds and notes in which the Plan's assets are invested, and which mature one year or more from the date of original issues, shall carry a rating of "BBB" or better by two of the following three services: Standard & Poor's, Moody's Investors Service, or Fitch Ratings. In the event that ratings are provided by only two agencies and the third is non-rated, the most conservative (lowest) rating will be assigned. If only one agency assigns a rating, that rating will be used; or, if unrated, shall be of equivalent quality in the judgment of the investment manager to a similar domestic issue. Managers may with prior written authorization, invest a maximum of 20% of their fixed income portfolio in bonds or notes that are rated B or BB.

The Retirement Systems may hedge against the possible adverse effects of currency fluctuations on the Retirement Systems' portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments.

The following schedule indicates the credit quality rate risk of the Retirement System's investments, by category, as of June 30, 2005. The credit ratings listed are for Moody's Investors Services and/or Standard and Poor's. Certain investments, such as obligations, which are backed by the full faith and credit of the United States Government, are not subject to credit rating. (dollars in thousands):

Ratings	Total	Percentage
AAA	\$ 763,879	59.94%
AA	57,094	4.48%
A	74,558	5.85%
BBB	92,778	7.28%
BB	55,189	4.33%
B	8,629	0.68%
CCC & below	360	0.03%
Not rated*	221,859	17.41%
	\$ 1,274,346	100.00%

* This category includes the pooled bonds; Government Short-term Investment Fund and GNMA, FNMA, FHMLC TBA's mortgages

Concentration of Credit Risk. The investment policies limit the aggregate amount that can be invested in each class of investments. The policy limits are as follows:

Type of Investment	Policy Limits and Descriptions
The Plan	<ul style="list-style-type: none"> Domestic Equity: Minimum of 29% and maximum of 34% of the market value of the aggregate portfolio. International Equity: Minimum of 10% and maximum of 25% of the market value of the aggregate portfolio. Emerging Market Equity: Limited to 8% of the market value of the aggregate portfolio. Domestic Fixed Income: Minimum of 15% and maximum of 25% of the market value of the aggregate portfolio. Long Duration Fixed Income: Limited to 7% of the market value of the aggregate portfolio. Private Market Equity: Limited to 8% of the market value of the aggregate portfolio. Real Estate: Limited to 17% of the market value of the aggregate portfolio. Real estate investments include: <ul style="list-style-type: none"> - Apartment complexes located in Houston, TX and Colorado Springs, CO. - Office buildings located in Denver, CO, San Jose, CA and near Chicago, IL. - Warehouses located in Nashville, TN and near Minneapolis, MN.
The System	<ul style="list-style-type: none"> Domestic Equity: Minimum of 30% and maximum of 40% of the market value of the aggregate portfolio. International Equity: Minimum of 10% and maximum of 20% of the market value of the aggregate portfolio. Domestic Bonds: Minimum of 29% and maximum of 39% of the market value of the aggregate portfolio. Global Bonds: Minimum of 4% and maximum of 10% of the market value of the aggregate portfolio. Private Market Equity: Limited to 6% of the market value of the aggregate portfolio. Real Estate: Minimum of 3% and maximum of 9% of the market value of the aggregate portfolio. Real estate investments include: <ul style="list-style-type: none"> - Warehouse located in Northern California. - Interest in three separate real estate funds managed by third parties.

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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 Systems' custodians, and held in the Retirement Systems' 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.

As of June 30, 2005, the Retirement Systems had no investments in any one organization that represented 5% or more of the Plan's or the System's total net investments.

Foreign Currency Risk. The risk that changes in foreign exchange rates will adversely affect the fair value of an investment. As of June 30, 2005, the Retirement Systems were subject to foreign currency risk. To mitigate this risk, individual investment managers are permitted to defensively hedge currency to mitigate the impact on currency fluctuation on the underlying asset value.

Forward Currency Contracts. The Retirement Systems made investments in forward currency contracts, which are commitments to purchase or sell stated amounts of foreign currency. The Retirement Systems utilize these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2005, the Retirement Systems' net position in these contracts is recorded at fair value as short-term foreign currency investments. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' investments in forward currency contracts bear credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2005, total commitments in forward currency contracts to purchase and sell foreign currencies for the System were \$5,162,000 and \$5,162,000, respectively, with market values of \$5,162,000 and \$4,989,000, respectively. As of June 30, 2005, total commitments in forward currency contracts to purchase and sell foreign currencies for the Plan were \$45,998,000 and \$45,998,000 respectively, with fair values of \$45,610,000 and \$45,549,000, respectively. The Retirement Systems' commitments relating to forward currency contracts are settled on a net basis.

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The following tables provide information related to the various investment risks that may affect the investments of the Retirement System (dollars in thousands):

Type of Investment	3 Months or Less	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	Total Fair Value
Fixed maturities:							
Domestic:							
U.S. Treasury Securities	\$ 38,168	6,962	18,760	154,531	35,786	74,684	\$ 328,891
U.S. Treasury Strips	-	-	-	-	-	2,217	2,217
Government National Mortgage Association (GNMA)	-	-	-	-	-	32,445	32,445
U.S. Government Agency Securities	-	3,850	1,057	13,984	28,689	180,850	228,430
Asset Backed Securities	-	-	-	6,957	10,924	26,688	44,569
Collateralized Mortgage Obligations	-	-	-	1,248	109	27,783	29,140
Corporate Bonds	704	71	2,116	65,938	79,249	123,176	271,254
Municipal Bonds	-	-	-	1,044	-	1,614	2,658
Pooled Domestic Bonds	-	-	-	-	6,332	-	6,332
Government Short Term Investment Fund	98,714	-	-	-	-	-	98,714
Total domestic fixed maturities	137,586	10,883	21,933	243,702	161,089	469,457	1,044,650
International:							
Government bonds:							
Australian Dollar	-	-	-	3,527	-	-	3,527
British Pound	-	-	-	1,194	6,022	2,256	9,472
Canadian Dollar	-	-	-	-	3,619	-	3,619
Danish Krone	-	-	-	2,793	-	-	2,793
Euro Currency	-	-	2,456	38,374	16,977	21,255	79,062
Japanese Yen	-	-	-	22,468	2,384	-	24,852
Mexican Peso	-	-	-	1,054	584	-	1,638
New Zealand Dollar	-	-	-	-	465	-	465
Singapore Dollar	-	-	-	2,115	3,682	-	5,797
Swedish Krona	-	-	-	1,784	1,831	-	3,615
United States Dollar Denominated	-	-	-	687	2,559	5,051	8,297
Total international government bonds	-	-	2,456	73,996	38,123	28,562	143,137
Corporate bonds:							
Australian Dollar	-	-	-	1,459	489	-	1,948
Brazilian Real	-	-	-	-	944	-	944
British Pound	-	-	-	1,982	1,431	-	3,413
Canadian Dollar	-	-	-	1,218	692	576	2,486
Euro Currency	-	-	-	9,800	2,088	-	11,888
Japanese Yen	2,084	2,167	-	27,488	1,689	-	33,428
New Zealand Dollar	-	-	-	498	-	-	498
United States Dollar Denominated	-	-	-	5,144	4,590	1,233	10,967
Total international corporate bonds	2,084	2,167	-	47,589	11,923	1,809	65,572
Pooled International Fixed Maturity	-	-	-	-	-	20,987	20,987
Total international fixed maturities	2,084	2,167	2,456	121,585	50,046	51,358	229,696
Total fixed maturities	\$ 139,670	13,050	24,389	365,287	211,135	520,815	1,274,346
Equities:							
Domestic:							
Private equity	-	-	-	-	-	-	1,462,610
Total domestic equities	-	-	-	-	-	-	1,462,610
International:							
International currency:							
Australian Dollar	-	-	-	-	-	-	12,397
Brazilian Real	-	-	-	-	-	-	4,365
British Pound	-	-	-	-	-	-	101,778
Canadian Dollar	-	-	-	-	-	-	17,148
Egyptian Pound	-	-	-	-	-	-	1,009
Euro Currency	-	-	-	-	-	-	189,285
Hong Kong Dollar	-	-	-	-	-	-	11,360
Hungarian Forint	-	-	-	-	-	-	1,031
Indonesian Rupiah	-	-	-	-	-	-	1,035
Japanese Yen	-	-	-	-	-	-	106,488
Malaysian Ringgit	-	-	-	-	-	-	569
Mexican Peso	-	-	-	-	-	-	5,378
New Taiwan Dollar	-	-	-	-	-	-	5,721
New Turkish Lira	-	-	-	-	-	-	883
New Zealand Dollar	-	-	-	-	-	-	2,321
Norwegian Krone	-	-	-	-	-	-	6,738
Singapore Dollar	-	-	-	-	-	-	7,053
South African Rand	-	-	-	-	-	-	4,151
South Korean Won	-	-	-	-	-	-	9,839
Swedish Krona	-	-	-	-	-	-	4,279
Swiss Franc	-	-	-	-	-	-	40,070
United States Dollar Denominated	-	-	-	-	-	-	32,950
Total international currency	-	-	-	-	-	-	565,848
Pooled international equity	-	-	-	-	-	-	213,337
Total international equities	-	-	-	-	-	-	779,185
Total equities	-	-	-	-	-	-	2,242,809
Real estate	-	-	-	-	-	-	163,033
Forward international currency contracts	-	-	-	-	-	-	112
Securities lending collateral	-	-	-	-	-	-	536,928
Total investments of retirement plans	\$ 139,670	13,050	24,389	365,287	211,135	520,815	\$ 4,217,228

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Securities Lending. The municipal code and the investment policies, adopted by the Retirement Systems, permit the use of a securities lending program with its principal custodian banks (Custodians). The custodial agreement with the Plan's custodian authorizes such custodian to loan no more than 20% of the securities in the Plan's investment portfolio and the custodial agreement with the System's custodian requires that loan maturities cannot stretch beyond one year, and no more than 15% of the portfolio can be lent longer than six months. The custodial agreements with the Retirement Systems' Custodians authorize such custodian 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' account 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.

Securities lending collateral represents investments in an investment pool purchased with cash collateral, as well as securities collateral that may be pledged or sold without a default by the borrower. Securities lending transactions collateralized with securities that cannot be pledged or sold without borrower default are not reported as assets and liabilities in the fiduciary statement of net assets. The Retirement Systems do not match the maturities of investments made with cash collateral with the securities on loan because its cash collateral is in a large pool with various maturities so liquidity is never an issue.

The loaned securities as of June 30, 2005 consisted of U.S. Treasury bonds and notes, U.S. government securities, domestic corporate bonds, domestic equity securities, and international equity securities. In return, the Retirement Systems receive collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment.

As of June 30, 2005, the underlying securities loaned by the Retirement Systems as a whole amounted to approximately \$579,774,000. The cash collateral and the non-cash collateral totaled \$536,928,000 and \$58,048,000, respectively. The Retirement Systems had no exposure to credit risk related to the securities lending transactions as of June 30, 2005.

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The following table provides information concerning securities lent and collateral received as of June 30, 2005 (dollars in thousands):

<u>Type of Investment Lent</u>	<u>The Plan</u>	<u>The System</u>	<u>Total Fair Value</u>
For Cash Collateral:			
U.S. government and agencies securities	\$ 188,267	78,019	\$ 266,286
Domestic corporate bonds	11,173	14,731	25,904
International government bonds	-	522	522
Domestic equities	91,403	70,045	161,448
International equities	68,740	-	68,740
Total Lent for Cash Collateral	<u>359,583</u>	<u>163,317</u>	<u>522,900</u>
For Non-Cash Collateral:			
U.S. government and agencies securities	4,936	50,678	55,614
Domestic corporate bonds	-	86	86
International government bonds	-	783	783
Domestic equities	28	-	28
International equities	-	363	363
Total Lent for Non-Cash Collateral	<u>4,964</u>	<u>51,910</u>	<u>56,874</u>
Total Securities Lent	<u>\$ 364,547</u>	<u>215,227</u>	<u>\$ 579,774</u>
Type of Collateral Received			
Cash Collateral	<u>\$ 369,578</u>	<u>167,350</u>	<u>\$ 536,928</u>
Non-Cash Collateral:			
For lent U.S. government and agencies securities	5,033	51,861	56,894
For lent domestic corporate bonds	-	99	99
For lent international government bonds	-	648	648
For lent domestic equities	30	-	30
For lent international equities	-	377	377
Total Non-Cash Collateral	<u>5,063</u>	<u>52,985</u>	<u>58,048</u>
Total Collateral Received	<u>\$ 374,641</u>	<u>220,335</u>	<u>\$ 594,976</u>

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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 non-major funds taken in aggregate, including the applicable allowances for uncollectible accounts are as follows (dollars in thousands):

Receivables –	General	Redevelopment	Housing	Special	Nonmajor	Total
<u>Governmental Activities:</u>	<u>Fund</u>	<u>Agency</u>	<u>Activities</u>	<u>Assessment</u>	<u>Funds</u>	<u>Governmental</u>
				<u>Districts</u>		<u>Activities</u>
Taxes	\$ 26,904	251	1,437	192	6,914	\$ 35,698
Accrued interest	2,102	302	324	-	3,001	5,729
Grants	1,443	-	-	-	9,035	10,478
Special assessments	-	-	-	79,440	-	79,440
Other	24,584	814	168	-	10,421	35,987
Less: allowance for uncollectibles	(9,032)	(8)	-	(3)	(5)	(9,048)
Total receivables, net	<u>\$ 46,001</u>	<u>1,359</u>	<u>1,929</u>	<u>79,629</u>	<u>29,366</u>	<u>\$ 158,284</u>
		Norman Y. Mineta				
		San José				
		International	Wastewater	Municipal	Parking	Total
<u>Business-Type Activities:</u>		<u>Airport</u>	<u>Treatment</u>	<u>Water</u>	<u>System</u>	<u>Business-Type</u>
Accounts		\$ 5,199	3,941	1,698	662	\$ 11,500
Accrued interest		1,830	1,281	79	89	3,279
Grants		3,218	1,495	-	-	4,713
Other		1,373	-	-	-	1,373
Less: allowance for uncollectibles		(522)	(327)	(13)	(8)	(870)
Total receivables, net		<u>\$ 11,098</u>	<u>6,390</u>	<u>1,764</u>	<u>743</u>	<u>\$ 19,995</u>

C. Loans Receivable

The composition of the City's loans receivable as of June 30, 2005 is as follows (dollars in thousands):

<u>Type of Loan</u>	<u>General</u>	<u>Redevelopment</u>	<u>Housing</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Agency</u>	<u>Activities</u>	<u>Funds</u>	<u>Governmental</u>
					<u>Activities</u>
20% Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	-	433,415	-	\$ 433,415
Loans funded by federal grants	-	-	29,966	8,901	38,867
Economic development, real estate developer and other loans	2,141	38,649	61	4,208	45,059
Less: allowance	-	(4,906)	(239,181)	(2,912)	(246,999)
Total loans, net	<u>\$ 2,141</u>	<u>33,743</u>	<u>224,261</u>	<u>10,197</u>	<u>\$ 270,342</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.

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.

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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, 2005.

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, 2005. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2005, amounts committed to extend credit under normal lending agreements totaled approximately \$6,857,000.

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D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the fiscal year ended June 30, 2005 (dollars in thousands):

	Balance June 30, 2004	Additions	Deletions	Transfers	Balance June 30, 2005
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 474,260	74,801	32,056	-	\$ 517,005
Construction in progress	491,415	205,199	-	(22,433)	674,181
Total capital assets, not being depreciated	<u>965,675</u>	<u>280,000</u>	<u>32,056</u>	<u>(22,433)</u>	<u>1,191,186</u>
Capital assets, being depreciated:					
Buildings	574,321	123	-	19,549	593,993
Improvements, other than buildings	38,772	-	-	590	39,362
Infrastructure	11,021,591	28,792	-	2,294	11,052,677
Vehicles and equipment	87,969	3,605	2,281	-	89,293
Property under capital leases	13,379	-	-	-	13,379
Total capital assets, being depreciated	<u>11,736,032</u>	<u>32,520</u>	<u>2,281</u>	<u>22,433</u>	<u>11,788,704</u>
Less accumulated depreciation for:					
Buildings	167,000	16,124	-	-	183,124
Improvements, other than buildings	7,254	1,943	-	-	9,197
Infrastructure	4,123,873	297,496	-	-	4,421,369
Vehicles and equipment	71,436	7,028	2,276	-	76,188
Property under capital leases	11,060	311	-	-	11,371
Total accumulated depreciation	<u>4,380,623</u>	<u>322,902</u>	<u>2,276</u>	<u>-</u>	<u>4,701,249</u>
Total capital assets, being depreciated, net	<u>7,355,409</u>	<u>(290,382)</u>	<u>5</u>	<u>22,433</u>	<u>7,087,455</u>
Governmental activities capital assets, net	<u>\$ 8,321,084</u>	<u>(10,382)</u>	<u>32,061</u>	<u>-</u>	<u>\$ 8,278,641</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 126,645	7,800	-	-	\$ 134,445
Construction in progress	126,325	70,491	-	(26,786)	170,030
Total capital assets, not being depreciated	<u>252,970</u>	<u>78,291</u>	<u>-</u>	<u>(26,786)</u>	<u>304,475</u>
Capital assets, being depreciated:					
Buildings	617,714	974	111	777	619,354
Improvements, other than buildings	719,266	23,064	-	25,387	767,717
Vehicles and equipment	32,301	543	89	622	33,377
Intangible assets	15,188	-	-	-	15,188
Property under capital leases	13,406	-	-	-	13,406
Total capital assets, being depreciated	<u>1,397,875</u>	<u>24,581</u>	<u>200</u>	<u>26,786</u>	<u>1,449,042</u>
Less accumulated depreciation for:					
Buildings	254,328	18,146	105	-	272,369
Improvements, other than buildings	269,514	19,347	-	-	288,861
Vehicles and equipment	24,795	1,891	88	-	26,598
Intangible assets	6,285	324	-	-	6,609
Property under capital leases	8,333	456	-	-	8,789
Total accumulated depreciation	<u>563,255</u>	<u>40,164</u>	<u>193</u>	<u>-</u>	<u>603,226</u>
Total capital assets, being depreciated, net	<u>834,620</u>	<u>(15,583)</u>	<u>7</u>	<u>26,786</u>	<u>845,816</u>
Business-type activities capital assets, net	<u>\$ 1,087,590</u>	<u>62,708</u>	<u>7</u>	<u>-</u>	<u>\$ 1,150,291</u>

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2. Depreciation

Depreciation expense charged to various governmental and business type activities of the City for the fiscal year ended June 30, 2005 is as follows (dollars in thousands):

Governmental activities:

General government	\$	3,993
Public safety		2,140
Capital maintenance		298,995
Community services		17,767
Sanitation		<u>7</u>
Total depreciation expense governmental activities	\$	<u><u>322,902</u></u>

Business-type activities:

Norman Y. Mineta San José International Airport	\$	18,542
Wastewater Treatment System		17,753
Municipal Water System		2,195
Parking System		<u>1,674</u>
Total depreciation expense business-type activities	\$	<u><u>40,164</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. Amortization expense that was reported for the year ended June 30, 2005 related to these acquisitions was approximately \$320,000.

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 offsetting 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, 2005, the total amount of interest capitalized in the Airport Enterprise Fund, net of allowable interest earned of temporary investment proceeds, was approximately \$9,753,000.

5. Construction Commitments

Commitments outstanding as of June 30, 2005, related to governmental and business-type activities construction in progress totaled approximately \$103,483,000 and \$135,869,000, respectively.

City of San José

Notes to Basic Financial Statements

June 30, 2005

E. Leases

The City has commitments under various operating lease agreements requiring annual rental payments, which are described as follows:

Governmental Activities

The City has ongoing commitments under operating lease agreements for business equipment, office facilities and land necessary for City operations, which expire at various dates through 2019. Each governmental fund includes the expenditures related to such lease agreements. The lease agreements are cancelable by the City at any time. Rental expenditures reported by the General Fund and the Redevelopment Agency Fund under these capital lease agreements for the fiscal year ended June 30, 2005 amounted to approximately \$4,744,100 and \$3,958,000, respectively. The future minimum lease payments anticipated under the existing lease commitments, as of June 30, 2005, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	General Fund	Redevelopment Agency			Total Governmental Activities
	Minimum Lease Payments	Minimum Lease Payments	Income from Subleases	Net Minimum Payments	
2006	\$ 2,334	1,707	(33)	1,674	\$ 4,008
2007	1,443	1,439	-	1,439	2,882
2008	1,187	1,295	-	1,295	2,482
2009	1,177	1,270	-	1,270	2,447
2010	591	818	-	818	1,409
2011-2015	1,715	3,077	-	3,077	4,792
2016-2020	-	2,810	-	2,810	2,810
Totals	<u>\$ 8,447</u>	<u>12,416</u>	<u>(33)</u>	<u>12,383</u>	<u>\$ 20,830</u>

Business-Type Activities

The Airport leases its office space under two separate operating lease agreements. The lease agreements, as amended, expire in January 2009 and December 2009, respectively. Rental expense for the Airport's office space for the year ended June 30, 2005 was approximately \$2,972,000. The future minimum lease payments anticipated under these lease commitments, as of June 30, 2005, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Operating Leases
2006	\$ 3,359
2007	2,901
2008	2,745
2009	3,024
2010	1,548
Total	<u>\$ 13,577</u>

City of San José

Notes to Basic Financial Statements

June 30, 2005

The City also leases building space, facilities, and/or the privilege of operating a concession to tenants and concessionaries resulting in receipt of annual rents, which are described as follows:

Governmental Activities

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 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 received a portion of the luxury-box suite revenue beginning in year 4 and may receive a portion of hockey-ticket sales revenues in years 11 through 15. The fiscal year ended June 30, 2005 was year 12 of the lease for which the City received approximately \$3,173,000. As of June 30, 2005, leased assets had total historic cost of approximately \$107,234,000 and accumulated depreciation of approximately \$29,613,000.

Business-Type Activities

The Airport is served by 14 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, 3 operate under long-term lease agreements, while the 11 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 fiscal year ended June 30, 2005, the Airport's actual revenues exceeded its expenses and reserve requirements by approximately \$21,981,000. The surplus received during the fiscal year ended June 30, 2005 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 34 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount.

City of San José

Notes to Basic Financial Statements

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The future minimum rentals to be received from the aforementioned operating leases, as of June 30, 2005, are as follows (dollars in thousands):

Fiscal Year		
Ending		
June 30,		
2006	\$	16,839
2007		14,076
2008		9,485
2009		4,916
2010		3,209
2011-2015		15,541
2016-2020		10,646
2021-2025		9,976
2026-2030		9,232
2031-2035		7,230
2036-2040		<u>3,823</u>
Total	\$	<u>104,973</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 \$14,451,000 from month-to-month rentals in fiscal year ending June 30, 2006. As of June 30, 2005, leased assets had historic costs of approximately \$94,273,000 and accumulated depreciation of approximately \$34,099,000.

City of San José

Notes to Basic Financial Statements

June 30, 2005

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, 2005 (dollars in thousands):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance, June 30, 2005
Governmental Activities:							
City of San Jose:							
General Obligation Bonds:							
Series 2001 (Libraries and Parks)	Community Facilities	\$ 71,000	6/6/2001	9/1/2031	4.25-5.125%	2.37	\$ 63,890
Series 2002 (Libraries, Parks, Public Safety)	Community Facilities	116,090	7/18/2002	9/1/2032	3.00-5.00%	3.87	108,350
Series 2004 (Libraries, Parks, Public Safety)	Community Facilities	118,700	7/14/2004	9/1/2034	4.00-5.00%	3.96	118,700
Series 2005 (Libraries and Public Safety)	Community Facilities	46,300	6/23/2005	9/1/2035	3.00-7.50%	1.55	46,300
							<u>337,240</u>
HUD Section 108 Note	Economic Development	342	2/16/2005	8/1/2007	Variable	0.34	<u>342</u>
City of San Jose Financing Authority:							
Lease Revenue Bonds:							
Series 1993B (Community Facilities)	Community Facilities	18,045	4/13/1993	11/15/2018	5.60-6.00%	0.81-1.11	11,010
Series 1997A (Golf Course Project)	Community Facilities	6,875	7/10/1997	8/15/2027	5.30-5.60%	0.15-0.46	6,260
Series 1997B (Fire, Childcare, Library Land)	Community Facilities	9,805	7/29/1997	8/1/2012	4.40-4.875%	0.36-1.04	4,330
Series 2000B (Tuers-Capitol/Camden)	Golf Course/Refunding	22,635	8/8/2000	8/15/2030	4.70-5.50%	0.15-1.67	22,100
Series 2000C (Taxable) (Ice Centre)	Refunding	22,200	12/13/2000	12/1/2021	Variable	0.80-2.05	21,450
Series 2001B (Taxable) (Hayes Mansion)	Conference Center	24,000	2/14/2001	7/1/2024	Variable	0.10-2.20	24,000
Series 2001C (Taxable) (Hayes Mansion)	Conference Center	18,500	2/14/2001	7/1/2024	Variable	0.10-1.70	18,500
Series 2001D (Hayes Mansion)	Conference Center	10,800	2/14/2001	7/1/2026	Variable	1.80-4.60	10,800
Series 2001E (Communication Center)	Refunding	18,610	3/29/2001	5/1/2010	4.00-5.00%	1.86-4.04	11,935
Series 2002B (Civic Center Project)	Civic Center	292,425	11/14/2002	6/1/2037	3.00-5.25%	0.14-33.45	292,425
Series 2002C (Civic Center Project)	Civic Center	60,000	11/14/2002	6/1/2039	Variable	17.10-21.79	60,000
Series 2002D (Civic Center Project)	Civic Center	60,000	11/14/2002	6/1/2039	Variable	17.10-21.78	60,000
Series 2003A (Central Service Yard)	Refunding	22,625	9/18/2003	10/15/2023	3.00-4.70%	0.83-1.61	21,880
Series 2004A (Taxable) (Ice Centre)	Ice Centre	9,225	6/3/2004	12/1/2024	Variable	2.05-2.55	9,225
Series 2005A (Taxable) (Land Acquisition)	Economic Development	54,480	2/17/2005	3/1/2029	Variable	1.40-3.88	54,480
Series 2005B (AMT) (Land Acquisition)	Economic Development	25,545	2/17/2005	3/1/2034	Variable	2.54-4.97	25,545
							<u>653,940</u>
Reassessment Revenue Bonds							
Series 1994A	Consolidated Refunding	16,680	6/23/1994	9/2/2005	5.40%	0.28	280
Series 1994B (Subordinate)	Consolidated Refunding	8,035	6/23/1994	9/2/2007	6.00%	0.18-0.42	1,015
							<u>1,295</u>
Special Assessment Bonds with Limited Governmental Commitment:							
Special Assessment Bonds:							
Series 24C (Evergreen Creek)	Public Infrastructure	1,080	9/7/1988	9/2/2009	8.15-8.20%	0.08-0.10	435
Series 24K (Seismic Retrofit)	Seismic Retrofit	823	6/29/1993	9/2/2013	8.50%	0.03-0.06	379
Series 24M (Consolidated Refunding)	Consolidated Refunding	22,240	6/23/1994	9/2/2007	5.62-6.00%	0.39-0.49	1,275
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	6/26/2001	9/2/2023	4.80-5.88%	0.81-2.05	24,995
Series 24R (2002 Consolidated Refunding)	Consolidated Refunding	13,940	7/3/2002	9/2/2015	2.40-4.375%	0.98-1.23	11,910
Special Tax Bonds:							
CFD No. 1 (Capitol Expressway Auto Mall)	Public Infrastructure	4,100	11/18/1997	11/1/2022	4.90-5.70%	0.12-0.30	3,485
CFD No. 6 (Great Oaks-Route 85)	Public Infrastructure	12,200	12/18/2001	9/1/2023	4.50-6.00%	0.39-0.97	11,830
CFD No. 9 (Bailey/Highway 101)	Public Infrastructure	13,560	2/13/2003	9/1/2032	3.25-6.65%	0.21-0.95	12,990
CFD No. 10 (Hassler-Silver Creek)	Public Infrastructure	12,500	7/23/2003	9/1/2023	3.30-5.25%	0.44-0.94	12,135
							<u>79,434</u>

City of San José

Notes to Basic Financial Statements

June 30, 2005

Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance, June 30, 2005
Governmental Activities (continued):						
Redevelopment Agency:						
Tax Allocation Bonds:						
Series 1993 (Merged Area Refunding)	\$ 692,075	12/15/1993	2/1/2024	4.75-6.00%	0.00-42.41	\$ 317,330
Series 1997 (Merged Area)	106,000	3/27/1997	8/1/2028	5.375-5.625%	0.16-8.49	83,255
Series 1998 (Merged Area)	175,000	3/19/1998	8/1/2029	5.00-5.25%	1.28-31.35	168,320
Series 1999 (Merged Area)	240,000	1/6/1999	8/1/2031	4.75-5.00%	4.10-23.60	222,115
Series 2002 (Merged Area)	350,000	1/24/2002	8/1/2032	3.00-5.00%	0.00-29.89	302,085
Series 2003 (Merged Area)	135,000	12/22/2003	8/1/2033	3.00-5.00%	0.00-34.10	129,010
Series 2004A (Merged Area)	281,985	5/27/2004	8/1/2019	2.00-5.25%	0.54-31.90	281,985
						<u>1,504,100</u>
Revenue Bonds (Subordinate):						
Series 1996A (Merged Area)	29,500	6/27/1996	7/1/2026	Variable	0.70-2.00	28,800
Series 1996B (Merged Area)	29,500	6/27/1996	7/1/2026	Variable	0.70-2.00	28,800
Series 2003A (Taxable) (Merged Area)	45,000	8/27/2003	8/1/2028	Variable	1.10-3.10	45,000
Series 2003B (Merged Area)	15,000	8/27/2003	8/1/2032	Variable	0.50-3.90	15,000
						<u>117,600</u>
City of San Jose Financing Authority Revenue Bonds (Subordinate):						
Series 2001A (4th & San Fernando)	48,675	4/10/2001	9/1/2026	3.80-5.25%	1.28-3.21	45,145
Series 2001F (Convention Center)	186,150	7/26/2001	9/1/2022	4.00-5.00%	5.05-14.73	176,850
						<u>221,995</u>
HUD Section 108 Note	5,200	2/11/1997	8/1/2016	Variable	0.22-0.50	3,920
California Statewide Community Development Authority - ERAF Loan Program	19,085	4/24/2005	8/1/2015	3.87 - 5.01%	1908	19,085
Housing Set-Aside Tax Allocation Bonds:						
Series 1997E (AMT) (Merged Area)	17,045	6/23/1997	8/1/2027	5.75-5.85%	0.34-3.67	17,045
Series 2003J (Taxable) (Merged Area)	55,265	7/10/2003	8/1/2024	2.00-5.25%	2.02-3.51	52,930
Series 2003K (Merged Area)	13,735	7/10/2003	8/1/2029	2.00-4.40%	0.23-1.07	12,830
Series 2005A (Merged Area)	10,445	6/30/2005	8/1/2024	3.75-5.00%	0.97-2.27	10,445
Series 2005B (Taxable) (Merged Area)	119,275	6/30/2005	8/1/2035	3.89-5.46%	0.70-8.30	119,275
Series 2005C (AMT) (Merged Area)	33,075	6/30/2005	8/1/2035	Variable	0.10-1.57	33,075
Series 2005D (AMT) (Merged Area)	33,075	6/30/2005	8/1/2035	Variable	0.10-1.57	33,075
						<u>278,675</u>
Total Governmental Activities - Bonds, Certificates of Participation and Notes Payable						<u>\$ 3,217,626</u>
Business-type Activities:						
Norman Y. Mineta San Jose International Airport:						
Revenue Bonds:						
Series 1994	\$ 19,345	1/25/1994	3/1/2007	5.875%	1.80-1.83	\$ 3,620
Series 1998A	14,015	1/27/1998	3/1/2018	4.25-4.75%	0.60-1.09	10,570
Series 2001A	158,455	8/14/2001	3/1/2031	3.25-5.25%	3.21-10.06	152,325
Series 2002A	53,600	1/9/2003	3/1/2018	4.00-5.375%	4.46-9.29	53,600
Series 2002B	37,945	1/9/2003	3/1/2012	3.00-5.00%	2.38-6.55	33,770
Series 2004A (AMT)	70,000	6/24/2004	6/1/2034	Variable	7.58-16.05	70,000
Series 2004B (AMT)	70,000	6/24/2004	6/1/2034	Variable	7.58-16.05	70,000
Series 2004C (AMT)	75,730	6/24/2004	3/1/2026	4.625-5.25%	1.00-10.59	75,730
Series 2004D	34,270	6/24/2004	3/1/2028	5.00%	9.96-12.56	34,270
						<u>503,885</u>
Clean Water Financing Authority:						
Revenue Bonds:						
Series 1995A	68,820	11/30/1995	11/15/2020	4.80-5.375%	3.89-8.38	65,335
Series 1995B	26,700	11/30/1995	11/15/2011	Variable	3.90-5.00	26,700
						<u>92,035</u>
State of California - Revolving Fund Loan	73,566	Various	5/1/2019	Various	3.50-4.35	52,658
Total Business-type Activities - Bonds and Loan Payable						<u>\$ 648,578</u>
Total Governmental and Business-Type Activities						<u>\$ 3,866,204</u>

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.

City of San José

Notes to Basic Financial Statements

June 30, 2005

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, 2005, are approximately \$14,296,033,000 and \$13,958,793,000, 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, 2005, 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 amount is recorded as a liability in the Governmental Activities column of the government-wide statements in the amount of \$119,000.

5. Special Assessment Bonds with Limited City Commitment

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, 2005, the City has recorded approximately \$79,819,000 of deferred revenue and related special assessments receivables in the Special Assessment Districts 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, 2005, there are assessment surpluses of approximately \$2,389,000 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 either be used to correct construction deficiencies or will be returned to the assessment-district property owners.

6. Conduit Debt

The Agency has issued multifamily housing revenue bonds 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 in order to meet the tax-exempt status, 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. These tax-exempt housing bonds have maturity dates that are due at various dates through February 1, 2047. As of June 30, 2005, the outstanding bond issues aggregated to approximately \$571,081,000.

City of San José

Notes to Basic Financial Statements

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In October 1993, the Agency served as the conduit issuer of \$11,700,000 Multifamily Housing Revenue Refunding Bonds in connection with the refunding of the 1983 Floating Rate Monthly Demand Multi-Family Housing Revenue Bonds that were used to finance the acquisition and construction of a multifamily rental housing project known as the Colonade Apartments. The Agency has no obligation for these bonds, as they are payable solely from revenues and property pledged to the extent provided in the indenture. As of June 30, 2005, there have been no principal retirements.

In August 1997, the 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 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 purpose of the bonds issue was for expanding the community's supply of low to moderate-income housing and constructing a community center and retail space. The loan is secured on a non-recourse 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 there under. At June 30, 2005, the outstanding balance was approximately \$10,058,000.

In April 1998, the 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 Agency has no obligation for these bonds, as they will be payable solely from, secured, to the extent, and as provided in the indenture, by a pledge of certain revenues and other amounts to be received by the 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, 2005, there has been no principal retirement.

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.

City of San José

Notes to Basic Financial Statements

June 30, 2005

7. Summary of Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2005, are as follows (dollars in thousands):

	June 30, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	\$ 178,480	165,000	(6,240)	337,240	\$ 10,195
HUD Section 108 loan	-	342	-	342	-
San Jose Financing Authority					
Lease and Reassessment revenue bonds	579,277	80,025	(6,697)	652,605	5,644
Accreted interest on capital appreciation bonds	2,700	308	(378)	2,630	289
Special Assessment bonds with limited governmental commitment	85,142	-	(5,708)	79,434	3,535
Redevelopment Agency					
Revenue bonds	346,760	-	(7,165)	339,595	7,725
HUD Section 108 notes payable	4,125	-	(205)	3,920	215
Tax allocation bonds	1,735,480	195,870	(148,575)	1,782,775	32,260
California Statewide Communities Development Authority - ERAF loan	-	19,085	-	19,085	-
Total long-term debt payable	<u>2,931,964</u>	<u>460,630</u>	<u>(174,968)</u>	<u>3,217,626</u>	<u>59,863</u>
Less deferred amounts:					
For refunding	(20,021)	(4,486)	1,634	(22,873)	1,818
For issuance premiums	26,199	3,127	(1,452)	27,874	1,452
For issuance discounts	(3,797)	-	287	(3,510)	(287)
Total deferred amounts	<u>2,381</u>	<u>(1,359)</u>	<u>469</u>	<u>1,491</u>	<u>2,983</u>
Total long-term debt payable and deferred amounts	<u>2,934,345</u>	<u>459,271</u>	<u>(174,499)</u>	<u>3,219,117</u>	<u>62,846</u>
Other Long-term obligations:					
Loan to City for Hayes Mansion	2,908	-	(500)	2,408	500
Obligations under capital lease	17	-	(17)	-	-
Arbitrage liability	143	-	(24)	119	-
Accrued vacation, sick leave and compensatory time	77,246	38,258	(37,446)	78,058	37,000
Accrued landfill postclosure costs	11,160	-	(465)	10,695	465
Estimated liability for self-insurance	158,354	29,475	(55,299)	132,530	21,876
Net pension obligation	3,201	256	(237)	3,220	18
Total other long-term obligations	<u>253,029</u>	<u>67,989</u>	<u>(93,988)</u>	<u>227,030</u>	<u>59,859</u>
Governmental activity long-term obligations	<u>\$ 3,187,374</u>	<u>527,260</u>	<u>(268,487)</u>	<u>3,446,147</u>	<u>\$ 122,705</u>

City of San José

Notes to Basic Financial Statements

June 30, 2005

	June 30, 2004	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Business-Type Activities:					
Norman Y. Mineta San Jose International Airport:					
Revenue bonds	\$ 512,500	-	(8,615)	503,885	\$ 8,975
Less deferred amounts:					
For refunding	(6,452)	-	858	(5,594)	(819)
For issuance premiums	5,990	-	(151)	5,839	163
For issuance discounts	(2,791)	-	39	(2,752)	(41)
Commercial paper notes	5,786	64,029	(62,060)	7,755	7,755
Clean Water Financing Authority:					
Revenue bonds	95,745	-	(3,710)	92,035	3,890
Less deferred amounts:					
For refunding	(39)	-	39	-	-
For issuance discounts	(1,452)	-	91	(1,361)	(90)
State of California - Revolving Fund Loan	56,099	-	(3,441)	52,658	3,540
Accrued vacation, sick leave and compensatory time	6,364	4,344	(3,958)	6,750	6,750
Estimated liability for self-insurance	9,899	3,612	(5,131)	8,380	2,054
Business-type long-term obligations	<u>\$ 681,649</u>	<u>71,985</u>	<u>(86,039)</u>	<u>667,595</u>	<u>\$ 32,177</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.

Debt service payments are made from various sources. General Obligation bonds debt service payments are made from property taxes recorded in the Non-major Governmental Funds. Lease Revenue Bonds debt service payments are made from lease rental revenue from "lessee" departments in the General Fund and Non-major Funds. Assessment and Reassessment Bonds debt service payments are made from property tax assessments and reassessments recorded in the Special Assessment Districts 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.

City of San José

Notes to Basic Financial Statements

June 30, 2005

8. Annual Requirements to Maturity

The annual requirements to amortize all bonds, notes, and certificates of participation outstanding as of June 30, 2005, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Governmental Activities				
	General Obligation Bomds and HUD Loan		Lease Revenue and Reassessment Bomds ^(1,2,3)		
	Principal	Interest	Principal	Accreted Interest	
2006	\$ 10,195	15,056	5,644	406	29,177
2007	11,735	15,271	8,047	433	28,484
2008	12,077	14,742	7,292	458	28,213
2009	11,735	14,208	7,695	480	27,912
2010	11,735	13,650	10,154	501	27,638
2011-2015	58,660	60,246	42,623	1,617	133,162
2016-2020	58,695	47,043	71,615	-	122,063
2021-2025	58,700	32,863	102,960	-	103,859
2026-2030	58,675	18,407	108,390	-	81,544
2031-2035	43,830	4,801	133,325	-	55,863
2036-2040	1,545	35	154,860	-	18,468
Total	<u>\$ 337,582</u>	<u>236,322</u>	<u>652,605</u>	<u>3,895</u>	<u>656,383</u>

Fiscal Year Ending June 30,	Governmental Activities			
	Special Assessment Bomds With Limited Government Commitment		Redevelopment Agency ^(1,3)	
	Principal	Interest	Principal	Interest
2006	\$ 3,535	4,038	40,200	97,288
2007	3,519	3,893	50,545	98,520
2008	3,677	3,741	54,115	96,110
2009	3,396	3,591	57,070	93,472
2010	3,541	3,442	60,180	90,694
2011-2015	19,420	14,633	343,985	405,433
2016-2020	18,310	9,771	435,270	314,835
2021-2025	17,940	4,254	482,895	204,745
2026-2030	3,435	1,484	396,860	97,111
2031-2035	2,661	273	221,005	19,693
2036-2040	-	-	3,250	78
Total	<u>\$ 79,434</u>	<u>49,120</u>	<u>2,145,375</u>	<u>1,517,979</u>

City of San José

Notes to Basic Financial Statements

June 30, 2005

Fiscal Year Ending June 30,	Business-Type Activities					
	Airport ^(1,4)		Wastewater Treatment System ⁽¹⁾			
	Revenue		Revenue		Loans	
	Bonds		Bonds		Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 8,975	21,528	3,890	3,972	3,540	960
2007	9,365	21,140	3,900	3,836	3,568	896
2008	9,745	20,774	4,100	3,748	3,633	831
2009	11,180	20,328	4,300	3,654	3,699	765
2010	11,645	19,816	4,600	3,556	3,767	697
2011-2015	66,120	90,446	27,090	15,329	19,889	2,430
2016-2020	75,125	71,983	35,775	7,266	14,562	598
2021-2025	82,405	52,620	8,380	225	-	-
2026-2030	110,770	29,805	-	-	-	-
2031-2035	118,555	7,778	-	-	-	-
2036-2040	-	-	-	-	-	-
Total	\$ 503,885	356,218	92,035	41,586	52,658	7,177

- (1) Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2005. Lease Revenue Bonds: Series 2000C (3.30%), Series 2001B (3.31%), Series 2001C (3.32%), Series 2001D (2.26%), Series 2002C (4.30% long rate), Series 2002D (5.00% long rate), Series 2004A (3.10%), Series 2005A (3.30%), Series 2005B (2.30%). Redevelopment Agency Revenue Bonds: Series 1996A (2.21%), Series 1996B (2.28%), Series 2003A (3.30%), Series 2003B (2.32%). Redevelopment Agency Housing Set-Aside Tax Allocation Bonds: Series 2005C (2.30%), Series 2005D (2.30%). Airport Revenue Bonds: Series 2004A (2.30%), Series 2004B (2.57%). Clean Water Financing Authority Revenue Bonds: Series 1995B (2.21%). City of San Jose and Redevelopment Agency Loans: HUD Section 108 Notes (3.53%). Each series may be set at different interest rate calculation modes, including daily, weekly, monthly, and long rates.
- (2) Amount shown is accreted value payable in each period. As of June 30, 2005, \$2,630,000 of value had accreted on the outstanding capital appreciation bonds, which combined with the \$652,605,000 of outstanding current interest bonds totals \$655,235,000 of outstanding lease revenue and reassessment revenue debt.
- (3) Projected debt service payments for the City of San Jose Financing Authority Series 2001A Parking Revenue Bonds and Series 2001F Lease Revenue Bonds is included in the Redevelopment Agency Redevelopment Project category, reflecting that the Redevelopment Agency is the primary source of payment for those bonds.
- (4) Does not include notional amortization of outstanding commercial paper notes.

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

9. New Debt Issuances and Unused Authorizations

Governmental Activities

General Obligation Bonds, Series 2004 (Libraries, Parks and Public Safety Projects). The City issued \$118,700,000 of Series 2004 general obligation bonds on July 14, 2004. The proceeds will be used to fund \$58,300,000 of library projects, \$46,000,000 of neighborhood parks and recreation projects, and \$14,400,000 million of public safety projects. Debt service on the Series 2004 bonds is payable from ad valorem taxes levied upon all property subject to taxation by the City. The Series 2004 bonds bear interest at fixed rates ranging from 4.00% to 5.00%, and have a final maturity date of September 1, 2034.

City of San José Financing Authority Lease Revenue Bonds, Series 2005A (Taxable) and 2005B (AMT) (Land Acquisition Project). On February 17, 2005, the City of San José Financing Authority issued \$54,480,000 of Series 2005A (Taxable) and \$25,545,000 of Series 2005B (AMT) lease revenue bonds. The bond proceeds were used to finance acquisition of and improvements to property adjacent to the Airport to be temporarily used by the Airport for aviation purposes. Debt service on the bonds during the period the property is used for aviation purposes will be paid from base rental payments received by the City from the Airport. The Series 2005A Bonds, which are insured by XL Capital, bear interest at weekly variable rate, which on June 30, 2005, was 3.30%,

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Notes to Basic Financial Statements

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and have a final maturity date of March 1, 2029. The Series 2005B Bonds, also insured by XL Capital, bear interest at a weekly variable rate, which on June 30, 2005, was 2.30%, and have a final maturity date of March 1, 2034.

U.S. Department of Housing and Urban Development (HUD) Section 108 Loan (Land Acquisition Project Phase II). On February 10, 2005, the City of San José received a loan commitment in the amount of \$25,810,000 from HUD under the Section 108 Loan Guarantee Program. The City plans to draw on the loan commitment to finance acquisition of property adjacent to the Airport. On February 16, 2005, the City made an initial draw on the loan commitment in the amount of \$342,000 to place a deposit on the property and pay other costs associated with the land acquisition. Debt service on the HUD loan will initially be reimbursed from HUD grant funds received by the City, and then paid from lease revenue and sales tax revenue generated by commercial activities on the property to be acquired. The HUD Section 108 Loan bears interest at a monthly variable rate, which on June 30, 2005, was 3.53%, and has a final maturity date of August 1, 2024.

General Obligation Bonds, Series 2005 (Libraries and Public Safety Projects). The City issued \$46,300,000 of Series 2005 general obligation bonds on June 23, 2005. The proceeds will be used to fund \$21,300,000 of library projects and \$25,000,000 of public safety projects. Debt service on the Series 2005 bonds is payable from ad valorem taxes levied upon all property subject to taxation by the City. The Series 2005 bonds bear interest at fixed rates ranging from 3.00% to 7.50%, and have a final maturity date of September 1, 2035.

Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds, Series 2005A, Series 2005B (Taxable), Series 2005C (AMT) and Series 2005D (AMT). On June 30, 2005, the Redevelopment Agency issued \$10,445,000 of Series 2005A, \$119,275,000 of Series 2005B (Taxable), \$33,075,000 of subordinate Series 2005C (AMT) and \$33,075,000 of subordinate Series 2005D (AMT) housing set-aside tax allocation bonds (collectively, the "Series 2005 Bonds"). The proceeds of the Series 2005A bonds were used to current refund the Agency's Series 1993D housing set-aside tax allocation bonds. The proceeds of the Series 2005B bonds were used to advance refund all of the Agency's Series 2000F housing set-aside tax allocation bonds and repay a portion of the Agency's Series 2002G and Series 2002H housing set-aside tax allocation bonds. Proceeds of the Series 2005C and Series 2005D bonds were used to repay the remaining portion of the Agency's Series 2002G and Series 2002H bonds and to finance and refinance affordable housing projects. Debt service will be payable from the 20% portion of Agency tax increment revenues set aside for affordable housing.

The Series 2005A bonds, which are insured by FGIC, bear interest at tax-exempt fixed rates ranging from 3.75% to 5.00%, and have a final maturity date of August 1, 2024. The Series 2005B bonds, which are also insured by FGIC, bear interest at taxable fixed rates ranging from 3.89% to 5.46%, and have a final maturity date of August 1, 2035. The Series 2005C and Series 2005D bonds, which are supported by a Bank of New York direct-pay letter of credit, bear interest at tax-exempt (AMT) weekly variable rates, and have a final maturity date of August 1, 2035.

A refunding escrow for the Series 1993D Bonds, in the amount of \$10,905,000, was funded from a combination of Series 2005A Bonds net proceeds and cash remaining in the debt service funds of the Series 1993D Bonds. A refunding escrow for the Series 2000F Bonds, in the amount of \$48,015,000, was funded from a combination of Series 2005B Bonds net proceeds and cash remaining in the debt service funds of the Series 2000F Bonds. The refunding escrows, deposited in an irrevocable trust with an escrow agent, provided for the principal, call premium and accrued interest through the dates of redemption for the Series 1993D and Series 2000F Bonds. The Series 1993D Bonds were redeemed on August 1, 2005 and the Series 2000F Bonds are considered defeased and will be redeemed on August 1, 2006. Both series of bonds have been removed from the City's basic financial statements.

City of San José

Notes to Basic Financial Statements

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These refundings achieved economic savings in the following amounts:

	Series 1993D	Series 2000F
Aggregate Debt Service Savings (net of available funds)	\$2,054,000	\$16,610,000
Net Present Value (NPV) Debt Service Savings	\$1,410,000	\$8,994,000
NPV Savings as a % of Refunded Principal	13.40%	20.35%

Simultaneously with the issuance of the Series 2005 Bonds, the fiscal agent for the Series 2002G and Series 2002H Bonds drew on the letter of credit in effect with respect to those bonds in the amount necessary to redeem them in full. Proceeds of the Series 2005B, Series 2005C and Series 2005D Bonds were applied to reimburse the letter of credit provider for the draws used to redeem the Series 2002G and Series 2002H Bonds. The Series 2002G and Series 2002H Bonds were redeemed on June 30, 2005, and have been removed from the City's basic financial statements.

The redemption of the Series 2002G bonds and Series 2002H bonds, both of which were taxable and paid interest at weekly variable rates, with proceeds of the taxable fixed rate Series 2005B bonds and tax-exempt (AMT) variable rate Series 2005C and Series 2005D bonds, allowed the Agency to achieve a more economic allocation of variable and fixed rate debt and to refund a portion of its taxable debt on a tax-exempt basis.

California Statewide Communities Development Authority (CSCDA) Education Revenue Augmentation Fund (ERAF) Loan. As part of its actions to address the State of California's fiscal crisis, the State has enacted a budget requiring local governments to give up a grand total of \$1.3 billion in local funds for each of the next two fiscal years. The Agency's share, of approximately \$18,627,000 for FY 2004-05, is to be paid onto the Education Revenue Augmentation Fund (ERAF) and is frequently referred as the ERAF payment. The Agency is required to make the payment to the County of Santa Clara on or before May 10, 2006. The Agency, as a participant of the California Statewide Communities Development Authority (CSCDA) decided to join the California Redevelopment Association/ Education Revenue Augmentation Fund (CRA/ERAF) Loan Program. On April 27, 2005, a grand total for the bond issued was \$27,020,000 by the CSCDA and the Agency's share of the bond was \$19,085,000. The loan with CSCDA is scheduled to be repaid over a 10-year period and bear fixed interest rate from 3.87% to 5.01%. The final maturity date for the loan is August 1, 2015.

City of San José Financing Authority Lease Revenue Commercial Paper Notes Payable. On January 13, 2004, the City Council and the City of San José Financing Authority each adopted a resolution authorizing the issuance of City of San José Financing Authority tax-exempt lease revenue commercial paper notes in an amount not to exceed \$98,000,000. This commercial paper program was established as a mechanism for financing public improvements of the City including the offsite-parking garage for the new Civic Center and non-construction costs for technology, furniture, equipment and relocation services for the new Civic Center. On November 9, 2004, the City Council and the Authority authorized use of the commercial paper program to finance procurement costs of the City's consolidated utility billing system. Subsequently, on June 21, 2005, the City Council and the City of San José Financing Authority each adopted a resolution authorizing the issuance of taxable lease revenue commercial paper notes, under the same \$98,000,000 not to exceed limitation as the tax-exempt notes. This subsequent authorization permits the Authority to issue taxable commercial paper notes to pay for expenses otherwise authorized under the commercial paper program, but ineligible to be paid from tax-exempt commercial paper proceeds.

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Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. The commercial paper notes are secured by a pledge of lease revenues from various City assets and additionally secured by a letter of credit provided by State Street Bank and Trust Company and the California State Teachers' Retirement System.

During fiscal year ended June 30, 2005, the Authority issued \$1,421,000 of commercial paper notes for the new City Hall offsite-parking garage, \$6,955,000 for technology, furniture and relocation services for the new City Hall, \$50,000 for municipal facility improvements, and \$1,904,000 for the consolidated utility billing system. On June 30, 2005, \$32,797,000 of Authority tax-exempt commercial paper notes were outstanding at interest rates ranging from 1.85% to 2.90%, and \$100,000 of Authority taxable commercial paper notes were outstanding at a 3.60% interest rate. The commercial paper notes payable are recorded as part of other liabilities in the government-wide statement of net assets and the government fund balance sheet.

The changes in commercial paper payables are as follows (dollars in thousands):

<u>June 30,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2005</u>
<u>\$ 22,673</u>	<u>10,330</u>	<u>(106)</u>	<u>\$ 32,897</u>

Unused General Obligation Bonds Authorization. The City has issued \$352,090,000 in general obligation bonds to provide funds for the acquisition and construction of major capital facilities and parks. Of this amount, as of June 30, 2005, \$337,240,000 is outstanding. Of the total amount authorized to be issued of \$527,820,000, there remains an unused balance of \$175,730,000.

Business-Type Activities

Airport 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 three series (Series A, Tax-Exempt; Series B, Subject to the AMT; Series C, Taxable) in an amount not to exceed \$100,000,000. The commercial paper program provides an interim source of financing for the capital projects in the Airport Master Plan, until a permanent financing plan for such projects is finalized and implemented. Subsequently, 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 City 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. Additionally the commercial paper is secured by a letter of credit provided by JP Morgan Chase Bank.

During fiscal year ended June 30, 2005, no Series A or Series B commercial paper notes were issued or outstanding. However, during fiscal year ended June 30, 2005, the City issued \$164,000 of Series C commercial paper notes to pay the interest cost associated with renewing mature notes, \$1,800,000 to pay expenses related to implementation of ATSA, and \$5,000 for other authorized purposes. On June 30, 2005, \$7,755,000 of Series C commercial paper notes was outstanding with an interest rate of 3.35%.

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Notes to Basic Financial Statements

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10. Landfill Post-closure Costs

The City has five closed landfills for which post-closure 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 \$10,695,000 related to the closed landfills is recorded in the government-wide financial statements as of June 30, 2005. 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.

11. 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 \$1,000,000,000, 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 for Zone A and V of \$15,000,000. Zone B \$25,000,000 and \$50,000,000 in all other flood zones with flood deductibles ranging from \$100,000 to \$1,000,000 per occurrence depending on the flood zone. 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.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims.

During the fiscal year ended June 30, 2005, the City's management changed its method of estimating its liability for workers' compensation claims. In prior years, management used actuarial estimates based on the expected value for the estimates ("old method"). In the current year, management began estimating based on its historical claims development data, discounted at 3.5% to estimate its workers' compensation claims liability ("new method"). Under the old method, the workers' compensation claims liability at June 30, 2005 would have been approximately \$126,773,000. Under the new method, claims liabilities at June 30, 2005 were approximately \$105,932,000.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2005. 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.

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

Liability as of July 1, 2003	\$ 112,392
Claims and changes in estimates during 2004	75,671
Claims payments	(19,810)
Liability as of June 30, 2004	168,253
Claims and changes in estimates during 2005	(8,350)
Claims payments	(18,994)
Liability as of June 30, 2005	\$ 140,909

(a) Owner Controlled Insurance Programs

On October 1, 2002 and on March 31, 2004, the City acquired certain liability insurance coverage (see chart below) for major components of the “2004 Security Projects” and the “New Civic Center Project” through Owner Controlled Insurance Programs (“OCIP”). An OCIP is a single insurance program that provides commercial general liability, excess liability and workers’ compensation insurance coverage for construction jobsite risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

Coverage	2004 Security Projects		New Civic Center Project	
	Limits	Deductible	Limits	Deductible
General Liability	\$2 million per occurrence/ \$4 million / aggregate for general liability	\$250,000 per occurrence	\$2 million per occurrence/ \$4 million / aggregate for general liability	None
Workers' Compensation	Workers' Compensation - Statutory	None	Workers' Compensation - Statutory	None
	Employers' Liability - \$2 million per accident	None	Employers' Liability - \$1 million per accident	None
Excess Liability	\$150,000,000	None	\$100,000,000	None

The 2004 Security Project OCIP and the New Civic Center Project terms include a 36-month construction period with ten years completed operations and a 33 month construction period with 5 year completed operations, respectively, for general liability. The benefits to the City for implementing OCIP programs for the Airport Master Plan projects include providing \$150 million of general liability coverage along with ten-years of completed operations coverage and for the New Civic Center Project include \$100 million of general liability coverage along with 5 years of completed operations coverage.

12. 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 23 years as a level percentage of projected payroll on an open basis, resulting in an amortization factor of 13.5 for fiscal 2005 (see note IV).

City of San José

Notes to Basic Financial Statements

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G. Inter-fund Transactions

The composition of inter-fund balances as of June 30, 2005, with explanations of significant transactions, is as follows (dollars in thousands):

1. Due from/Due to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency	\$ 379 (1)
	Nonmajor Governmental Funds	2,824 (2)
	Norman Y. Mineta San Jose International Airport	17 (3)
Nonmajor Government Funds	Nonmajor Governmental Funds	38,053 (4)
	Civic Center	1,555 (5)
	Redevelopment Agency	5,494 (6)
Redevelopment Agency	General Fund	264 (7)
	Nonmajor Governmental Funds	3,915 (8)
	Civic Center	1,454 (9)
Norman Y. Mineta San Jose International Airport	Nonmajor Governmental Funds	99 (10)
		\$ 54,054

- (1) \$174 represents interest receivable from pooled investment and \$205 related to staff support labor charges.
(2) Various inter-governmental transfers due for gas taxes, construction and conveyance tax and Emergency communication support fees.
(3) 2005 A-B Stand-By Bond remarketing fee accrual.
(4) Short-term borrowing for working capital.
(5) Short-term borrowing for working capital.
(6) Parkland vouchers fee for low income household.
(7) Accrual of interest receivable of pooled cash funds.
(8) Reimbursement of new civic center parking land acquisition and 4th Street communication conduits cost.
(9) Accrual of new civic center land cost.
(10) Accrue reimburseable expenses related to the FMC, Inc. land acquisition project.

2. Advances to/Advances from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 3,676 (1)
Redevelopment Agency	Housing Activities	580 (2)
Parking System	Redevelopment Agency	3,400 (3)
Wastewater Treatment System	Nonmajor Governmental Funds	3,729 (4)
	Municipal Water System	5,259 (5)
		\$ 16,644

- (1) Loan to support City owned golf course operations until they are self supporting.
(2) Discounted loan to the YMCA Villa Nueva Housing project.
(3) Redevelopment Agency loan from the Parking System
(4) \$2,353 long-term loan for the Fiber Conduit project and \$1,375 loan for the Sewer Extension program.
(5) Loan for the North Coyote Valley Water Project.

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Notes to Basic Financial Statements

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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 schedules summarize the City's transfer activity with explanations of significant transactions (dollars in thousands):

Between Governmental and Business-type Activities:

Transfers from	Transfers to	Amount	
Nonmajor Governmental Funds	Parking System	\$ 10	(1)
	Norman Y. Mineta San Jose International Airport Fund	511	(2)
Parking System	Redevelopment Agency	10	(3)
	Nonmajor Governmental Funds	620	(4)
Municipal Water System	General Fund	1,841	(5)
	Redevelopment Agency	35	(6)
Wastewater Treatment System	General Fund	4,726	(7)
General Fund	Public Works Program Support Fund	659	(8)
		\$ 8,412	

(1) Transfer interest earned from debt service for the joint parking project.

(2) Reimburse expenses for FMC, Inc. land acquisition project.

(3) Transfer interest earned from debt service to the Agency per partnership agreement.

(4) Transfer of convention center parking receipts.

(5) Municipal Water System payments for in-lieu taxes and rate of return on assets.

(6) Consultant service cost reimbursement related to the Rincon De Los Esteros plan.

(7) \$4,371,000 for Wastewater Treatment System payments for in-lieu taxes and \$355,000 for Calpine, Inc. access road easement.

(8) Transfer to establish the new internal service fund.

City of San José

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Between Funds within the Governmental Activities:

Transfers from	Transfers to	Amount	
General Fund	Redevelopment Agency	\$ 307	(1)
	Nonmajor Governmental Funds	7,026	(2)
Redevelopment Agency	General Fund	372	(3)
	Housing Activities	61,175	(4)
	Nonmajor Governmental Funds	24,260	(5)
Housing Activities	Redevelopment Agency	14,528	(6)
Nonmajor Governmental Funds	Redevelopment Agency	3,181	(7)
	General Fund	28,747	(8)
	Nonmajor Governmental Funds	43,896	(9)
	Civic Center	798	(10)
Civic Center	Redevelopment Agency	1,446	(11)
		\$ 185,736	

- (1) Various transfers for neighborhood center site work and loan repayment.
- (2) Various transfers for debt service, grants, and operations.
- (3) Various transfers for capital improvements.
- (4) 20% tax increment transfer, bond proceeds and housing capital project transfers.
- (5) Various transfers to pay accounts receivables, debt service and capital projects.
- (6) Transfer from the Housing Activities Fund for principal and interest payments for bonds.
- (7) Various transfers for capital projects.
- (8) Various transfers for operating, capital projects.
- (9) Various transfers for debt service.
- (10) Transfer from debt service reserve fund for investment transaction.
- (11) Civic Center fund to the Redevelopment Agency for accrual of new Civic Center land acquisition cost reimbursement.

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 Police and Fire Department Retirement Plan (the "Plan") and the Federated City Employees' Retirement System (the "System" and collectively, "the Retirement Systems"), which together cover all full-time and certain part-time employees of the City. Each of them provides post-employment 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 Plan and the System for the fiscal year ended June 30, 2005, were approximately \$196,543,000 and \$277,939,000, respectively. The City's total payroll for the fiscal year ended June 30, 2005, was approximately \$514,482,000.

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 post-employment medical and dental benefits under the Post-employment Healthcare Plans. Benefits are based on average final compensation, years of service, and limited required cost-of-living increases. The Retirement Systems are administered by the Director of Retirement, an employee of the City, under the direction of the Retirement Systems' Boards of Administration. The contribution and benefit provisions and all other requirements are established by City ordinances.

City of San José

Notes to Basic Financial Statements

June 30, 2005

The current membership in the Retirement Systems as of June 30, 2005, is as follows (dollars in thousands):

	<u>The Plan</u>	<u>The System</u>
Defined Benefit Pension Plans, excluding		
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,445	2,485
Terminated vested members not yet receiving benefits	69	448
Active members	2,004	4,155
Total	3,518	7,088
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,295	1,839
Terminated vested members not yet receiving benefits	15	59
Active members	2,004	4,155
Total	3,314	6,053

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.

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 Post-employment 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 year ended June 30, 2005 were established in accordance with actuarially determined requirements computed through actuarial valuations dated June 30, 2003. The contribution rates and the amounts contributed to the Plan and the System for the fiscal year ended June 30, 2005, are as follows (dollars in thousands):

	<u>The Plan</u>			<u>The System</u>		
	<u>City</u>	<u>Participants</u>	<u>Total</u>	<u>City</u>	<u>Participants</u>	<u>Total</u>
Actuarial Rate:						
Defined Benefit Plan:						
7/01/04 - 7/03/04	12.01%	8.44%		13.82%	4.04%	
7/04/04 - 6/30/05	21.32%	8.27%		14.96%	4.26%	
Post Employment Healthcare Plan:						
7/01/04 - 7/03/04	2.21%	1.81%		1.38%	1.04%	
7/04/04 - 6/30/05	3.27%	2.89%		2.16%	1.80%	
Annual Pension Contribution (in thousands):						
Defined Benefit Plan	\$ 41,835	16,240	58,075	41,552	12,393	\$ 53,945
Post Employment Healthcare Plan	6,418	5,674	12,092	5,996	5,219	11,215
	\$ 48,253	21,914	70,167	47,548	17,612	\$ 65,160

City of San José

Notes to Basic Financial Statements

June 30, 2005

The Retirement Systems completed new actuarial valuations dated June 30, 2003 and the rates were adopted effective July 4, 2004. The new rates increased the Plan's contribution from the City from 14.22% to 24.59% and for the employees the rate increases from 10.25% to 11.16%. Funding status of the Plan was reduced from 115% to 100%. The new rates increased the System's contributions from the City from 15.20% to 17.12% and for the employees the rate increases from 5.08% to 6.06%. Funding status of the System was reduced from 99% to 98%.

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 fiscal year ended June 30, 2005, were as follows (dollar in thousands):

	The Plan	The System
Annual required contribution	\$ 48,253	\$ 47,548
Interest on net pension obligation	-	256
Adjustment to annual required contribution	-	(237)
Annual pension cost	48,253	47,567
Contributions made	(48,253)	(47,548)
Increase in net pension obligation	-	19
Net pension obligation – beginning of year	-	3,201
Net pension obligation – end of year	\$ -	\$ 3,220

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

	Fiscal year ended	Annual Pension Cost (APC)	Percent APC Contributed	Net Pension Obligation
The Plan	6/30/03	\$ 27,762	100%	\$ -
	6/30/04	28,903	100%	-
	6/30/05	48,253	100%	-
The System	6/30/03	\$ 42,305	100%	\$ 3,177
	6/30/04	43,506	100%	3,201
	6/30/05	47,567	100%	3,220

The June 30, 2003 actuarial study reported unfunded healthcare benefits liabilities for the Plan and the System are as follows (dollars in thousands):

	The Plan	The System
Healthcare benefits liability	\$ 136,695	\$ 220,316
Less:		
Actuarial value of assets for healthcare benefits	33,007	75,268
Unfunded healthcare benefits liability	\$ 103,688	\$ 145,048

City of San José

Notes to Basic Financial Statements

June 30, 2005

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, 2005 are as follows:

<u>Method/Assumption</u>	<u>The Plan</u>	<u>The 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	14 years	30 years
Actuarial asset valuation method	5 year smoothed market	5 year smoothed market
Investment rate of return	8.00% per annum	8.25% per annum
Postretirement mortality	The 1994 Male Group Annuity Mortality Table, with a four-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, 2003 experience analysis	Tables based on current experience
Salary increases	10.10% for employees for the first five years of service; graded increases thereafter ranging from 9.80% at age 25 to 4.70% at ages 60 and over. Of the total salary increases 4.50% is inflation	Total System payroll is assumed to increase 4.50% per year. Graded increases ranging from 8.00% at age 25 to 5.00% at age 65 and over. Of the total salary increases, 4.50% is for inflation, merit and longevity.
Cost-of-living adjustments	3.00% a year	3.00% a year
Health and dental cost inflation rates	5.75% to 8.00%	7.5%

City of San José

Notes to Basic Financial Statements

June 30, 2005

B. Defined Contribution Retirement Plan

In January 1995, the Agency Board 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 Agency contributes approximately 9.0%. The Agency's contributions are based on a formula taking into account employee annual base salary and length of service. The 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 Agency's contributions and interest forfeited by employees who leave employment before vesting occurs may be used to reduce the Agency's contribution requirement or to offset plan-operating expenses. The 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 Agency's Board of Directors may authorize changes to the Plan.

The Agency's total payroll in fiscal year ended June 30, 2005 for all non-civil service employees was approximately \$7,397,000. Contributions to the plan during the year ended June 30, 2005, made by both the Agency and the participating employees, amounted to approximately \$667,000 and \$251,000, respectively.

C. Commitments and Contingencies

1. Norman Y. Mineta San José International Airport

Purchase Commitments. As of June 30, 2005, the Airport was obligated for purchase commitments of approximately \$47,699,000, primarily for the noise attenuation, design and construction of the North Concourse building, runway extension and rental car garage projects. Additionally, the Airport has projected that it will expend or encumber approximately \$808,588,000 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. In 1985, a fuel leak was discovered in the Airport's fuel storage facility. The Airport and a fuel supplier with a fuel storage facility adjacent to the City owned facility agreed to share the costs of a study to develop an acceptable cleanup program for the contaminated site. The cleanup program submitted to the Santa Clara Valley Water District, the responsible regulatory authority, was approved and the cleanup program commenced during the fiscal year ended June 30, 1991. The agreement between the Airport and the fuel supplier required the Airport to pay 60% of the costs and the fuel supplier to pay the balance of 40% of the costs. The fuel supplier also receives a 10% management fee for overseeing the cleanup operation. As of June 30, 2005, the Airport has accrued approximately \$330,000 to reflect its share of the remaining estimated costs of the initial phase of the cleanup program. On December 22, 1998, due to minimal fuel activities, the Airport temporarily closed its facility and ceased operation at that time. It has been mandated by the regulatory agencies that the final closure of the facility must occur by May 2008. The timing of the complete closure of the facility, which is dependent upon the construction of the new fueling facility at the Airport, and an estimate of the full costs of the existing tank removal and final site remediation have not yet been determined. As of June 30, 2005 and 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 José

Notes to Basic Financial Statements

June 30, 2005

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 \$11,006,000 on noise attenuation projects during the fiscal year ended June 30, 2005 and expects to spend approximately \$25,024,000 during fiscal year ending June 30, 2006.

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 the year 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 no other Airport projects are to be conditioned upon the development of these transportation projects.

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.

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.

2. Redevelopment Agency

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 in or of benefit to the merged area, and requires the Agency to transfer funds to the County to pay for such projects. Such payments are considered Delegated Payments. Until June 30, 2004, the Delegated Payment was equal to the County's pass-through payment. However, after January 1, 2004, the Delegated Payment was re-defined as 20% of the proceeds of any debt secured by the Agency's tax revenues (excluding refunding bonds). For the fiscal year ended June 30, 2005, the pass-through payment totaled approximately \$11,871,000. There were no Delegated Payments for the fiscal year ended June 30, 2005.

City of San José

Notes to Basic Financial Statements

June 30, 2005

In August 2004, the City and the Agency filed a lawsuit seeking a judicial determination as to whether the County had breached an agreement entered into among the parties in May 2001 (the 2001 Agreement). The 2001 Agreement included provisions regarding redevelopment tax increment allocation and the application of land use procedures in County territory within the San Jose urban service area. The City and the Agency contend that under the 2001 Agreement, the County was required to abide by City land use procedures before it entered into agreements with private entities for the development of a theater on the County fairgrounds.

In April 2005, the County filed a cross complaint against the City and the Agency alleging, among other things, breach of the 2001 Agreement, breach of the 2001 Agreement's implied covenant of good faith and fair dealing, and intentional interference with prospective economic relations. The County's cross complaint alleges no specific amount of damages and seeks damages and restitution according to proof. If the County were to prevail in this cross complaint, the City and the Agency are unable to predict the nature or amount of damages that can be proven.

3. San José - Santa Clara Water Pollution Control Plant

The City's 2005-2009 Five-Year Capital Improvement Program includes the South Bay Water Recycling (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 \$420 per acre-foot. In addition, the City provides a discount to landscape irrigation customers of \$165 per acre-foot, and industrial and agricultural customers of \$365 per acre-foot. Also, the Santa Clara Valley Water District provided a rebate of \$115 per acre-foot to the City in Fiscal Year 2004-05 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 non-potable 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.

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

City of San José

Notes to Basic Financial Statements

June 30, 2005

wetlands. The estimated cost for implementing these projects is \$127,500,000, of which \$96,247,000 has been expended or encumbered. These estimated costs are 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 fiscal year ended June 30, 2005, these programs are still subject to financial and compliance audits by federal auditors, and to resolution of identified findings and questioned costs. At this time, the amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined.

D. Subsequent Event

Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Refunding Bonds, Series 2005A and Series 2005B. On July 25, 2005, the Redevelopment Agency issued \$152,950,000 of Series 2005A and \$67,130,000 of Series 2005B tax allocation bonds. The proceeds of the Series 2005A bonds were used to current refund a portion of the Agency's Series 1993 tax allocation bonds and advance refund portions of the Agency's Series 1997 and Series 2002 tax allocation bonds. The proceeds of the Series 2005B bonds were used to current refund portions of the Agency's Series 1998 and Series 1999 tax allocation bonds. Debt service is payable from the Agency's tax increment revenues.

Required Supplementary Information

City of San José
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2005
(\$000's)

(Unaudited-see accompanying independent auditor's report)

	Budgeted Amounts		Actual Amounts	Actual	Budgetary	Actual
	Original	Final	Budgetary Basis	Amounts	to GAAP	Amounts
			Variance with	Budgetary	Differences	GAAP Basis
			Final Budget	Basis		
			Over (Under)			
REVENUES						
Taxes:						
Property	\$ 99,308	143,508	3,434	146,942	-	146,942
Sales	128,488	128,488	4,625	133,113	-	133,113
Utility	64,804	70,004	3,077	73,081	-	73,081
State of California in-lieu	54,001	5,701	310	6,011	-	6,011
Franchise	32,162	32,462	1,260	33,722	-	33,722
Other	5,846	5,846	563	6,409	-	6,409
Licenses, permits and fines	69,939	85,689	829	86,518	-	86,518
Intergovernmental	10,739	17,363	(8,341)	9,022	-	9,022
Charges for current services	26,989	28,034	33	28,067	-	28,067
Interest and other revenues	43,035	50,507	(11,939)	38,568	(2,032)	36,536
Total revenues	535,311	567,602	(6,149)	561,453	(2,032)	559,421
EXPENDITURES						
Current:						
General government	126,263	97,560	(19,818)	77,742	(5,312)	72,430
Public safety	336,279	345,764	(9,823)	335,941	(3,401)	332,540
Capital maintenance	84,324	57,507	(12,927)	44,580	(6,857)	37,723
Community services	150,319	154,023	(23,072)	130,951	(5,101)	125,850
Sanitation	2,398	2,343	(582)	1,761	(239)	1,522
Capital outlay	210	8,785	(85)	8,700	(8)	8,692
Debt service:						
Principal	8	8	-	8	-	8
Total expenditures	699,801	665,990	(66,307)	599,683	(20,918)	578,765
Excess (deficiency) of revenues over expenditures	(164,490)	(98,388)	60,158	(38,230)	18,886	(19,344)
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	-	-	342	342
Transfers in	35,051	35,686	-	35,686	-	35,686
Transfers out	(3,954)	(7,449)	(543)	(7,992)	-	(7,992)
Total other financing sources (uses)	31,097	28,237	(543)	27,694	342	28,036
Net change in fund balances	(133,393)	(70,151)	59,615	(10,536)	19,228	8,692
Fund balances - beginning	153,454	153,454	-	153,454	29,885	183,339
Beginning encumbrance	-	-	-	23,154	-	-
Fund balances - ending	\$ 20,061	83,303	59,615	166,072	49,113	192,031

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.
- (4) Loan proceeds are budgetary reclassified as other revenue

See accompanying notes to the required supplementary information.

City of San José
Housing Activities
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2005
(\$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	\$ 12,957	14,457	(8,573)	5,884	(49)	5,835 (1, 3)
Charges for current services	-	-	85	85	-	85
Interest and other revenues	9,386	9,386	21,867	31,253	(22,307)	8,946 (1, 3)
Total revenues	<u>22,343</u>	<u>23,843</u>	<u>13,379</u>	<u>37,222</u>	<u>(22,356)</u>	<u>14,866</u>
EXPENDITURES						
Current:						
Community services	153,131	142,911	(46,743)	96,168	(69,228)	26,940 (2, 3)
Total expenditures	<u>153,131</u>	<u>142,911</u>	<u>(46,743)</u>	<u>96,168</u>	<u>(69,228)</u>	<u>26,940</u>
Excess (deficiency) of revenues over expenditures	<u>(130,788)</u>	<u>(119,068)</u>	<u>60,122</u>	<u>(58,946)</u>	<u>46,872</u>	<u>(12,074)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	117,200	119,980	(58,805)	61,175	-	61,175
Transfers out	(1,340)	(17,186)	2,658	(14,528)	-	(14,528)
Total other financing sources (uses)	<u>115,860</u>	<u>102,794</u>	<u>(56,147)</u>	<u>46,647</u>	<u>-</u>	<u>46,647</u>
Net change in fund balances	(14,928)	(16,274)	3,975	(12,299)	46,872	34,573
Fund balance - beginning	15,099	15,099	-	15,099	210,434	225,533
Add beginning encumbrance balance	-	-	-	11,315	-	-
Fund balances - ending	<u>\$ 171</u>	<u>(1,175)</u>	<u>3,975</u>	<u>14,115</u>	<u>257,306</u>	<u>260,106</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
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
6/30/99 (b)	\$ 1,440,117	\$ 1,276,364	\$ (163,753)	113%	\$ 144,125	(114)%
6/30/01 (c)	1,713,812	1,492,732	(221,080)	115%	171,779	(129)%
6/30/03	1,826,287	1,823,200	(3,087)	100%	202,222	2%

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
6/30/99	\$ 804,860	\$ 862,226	\$ 57,366	93%	\$ 176,284	30%
6/30/01	1,060,144	1,072,333	12,189	99%	252,696	5%
6/30/03	1,280,719	1,311,691	30,972	98%	292,961	11%

(a) The actuarial valuations have been performed biennially (through June 30, 2003).

(b) After reflection of benefit improvements effective February 4, 2000.

(c) After reflection of adoption of supplemental retiree benefit reserve (SRBR) program

City of San José

Notes to Required Supplementary Information

June 30, 2005

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:

- Developer
- Fees
- William F. Prusch, Jr.
- Emergency Communication Support System Fee
- Emergency Reserve
- Special Assessment Special Services

The annual appropriation ordinance adopts the budget at the appropriation level by expenditure category (personal services, nonpersonal) within departments. Accordingly, the lowest level of budgetary control exercised by the City Council is the appropriation level within a department. The City's legal level of budgetary control is so detailed that it is not practical to demonstrate compliance within the CAFR itself. As a result, the City prepares a separate report to demonstrate compliance with its legal level of budgetary control.

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.

City of San José

Notes to Required Supplementary Information

June 30, 2005

- 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.
- The Community Facilities non-major special revenue fund has been blended to include the financial operations of the Dolce Hayes Mansion. Formal budgets are not prepared for this financial activity and is excluded from the budgetary basis financial statements.

III. Budget Revisions

On September 27, 2005, the City Council approved certain fiscal 2005 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying schedule of revenues, expenditures, and changes in fund balances - budget and actual (budgetary basis) reflect such budget revisions.

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**City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 293,774,949	20,892,254	6,463,834	321,131,037
Other cash and investments	5,576	92,405,392	-	92,410,968
Receivables (net of allowance for uncollectibles)	28,292,229	204,702	869,499	29,366,430
Due from other funds	7,318,474	-	37,783,537	45,102,011
Due from outside agencies	30,365	20,838	-	51,203
Inventories	2,161,897	-	-	2,161,897
Loans receivable (net)	8,156,137	-	2,041,112	10,197,249
Advances and deposits	9,705	-	156,672	166,377
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	-	37,117,576	37,117,576
Other investments	412,023	-	233,864,675	234,276,698
Other assets	118,000	-	-	118,000
Total assets	\$ 340,279,355	113,523,186	318,296,905	772,099,446
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	23,198,529	44,356	12,533,900	35,776,785
Accrued salaries, wages, and payroll taxes	2,030,103	-	442,541	2,472,644
Due to other funds	4,648,772	-	40,242,378	44,891,150
Deferred revenue	6,787,109	-	-	6,787,109
Advances, deposits, and reimbursable credits	18,655,823	-	-	18,655,823
Advances from other funds	1,375,353	3,676,030	2,353,918	7,405,301
Other liabilities	3,641,266	32,897,232	-	36,538,498
Total liabilities	60,336,955	36,617,618	55,572,737	152,527,310
Fund balances:				
Reserved for:				
Encumbrances	34,793,610	110,853	85,097,035	120,001,498
Noncurrent advances, loans and other assets	10,215,739	-	2,197,784	12,413,523
Debt service	-	76,794,715	-	76,794,715
Restricted cash commitments	104,868	-	-	104,868
Unreserved:				
Special revenue funds	234,828,183	-	-	234,828,183
Capital projects funds	-	-	175,429,349	175,429,349
Total fund balances	279,942,400	76,905,568	262,724,168	619,572,136
Total liabilities and fund balances	\$ 340,279,355	113,523,186	318,296,905	772,099,446

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments	\$ 90,488,116	23,647,350	15,271,947	129,407,413
Intergovernmental	50,638,304	-	15,856,555	66,494,859
Charges for current services	197,038,401	-	291,048	197,329,449
Rent	6,874,608	-	-	6,874,608
Interest and other revenues	20,591,694	1,820,011	6,800,774	29,212,479
Total revenues	<u>365,631,123</u>	<u>25,467,361</u>	<u>38,220,324</u>	<u>429,318,808</u>
EXPENDITURES				
Current:				
General government	107,758,015	-	-	107,758,015
Public safety	1,629,163	-	-	1,629,163
Capital maintenance	54,814,996	-	28,124,812	82,939,808
Community services	41,718,886	-	-	41,718,886
Sanitation	87,845,439	-	-	87,845,439
Capital outlay	26,726,956	-	139,838,397	166,565,353
Debt service:				
Principal	505,980	14,540,000	-	15,045,980
Interest and fiscal charges	118	41,277,696	-	41,277,814
Bond issuance cost	-	2,845,198	-	2,845,198
Total expenditures	<u>320,999,553</u>	<u>58,662,894</u>	<u>167,963,209</u>	<u>547,625,656</u>
Excess (deficiency) of revenues under (over) expenditures	<u>44,631,570</u>	<u>(33,195,533)</u>	<u>(129,742,885)</u>	<u>(118,306,848)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	6,782,500	238,242,500	245,025,000
Bond premium	-	2,731,532	-	2,731,532
Transfers in	19,266,681	32,777,855	23,757,590	75,802,126
Transfers out	(30,389,376)	(19,610,052)	(27,143,488)	(77,142,916)
Total other financing sources (uses)	<u>(11,122,695)</u>	<u>22,681,835</u>	<u>234,856,602</u>	<u>246,415,742</u>
Net change in fund balances	33,508,875	(10,513,698)	105,113,717	128,108,894
Fund balances - beginning	246,433,525	87,419,266	157,610,451	491,463,242
Fund balances - ending	<u>\$ 279,942,400</u>	<u>76,905,568</u>	<u>262,724,168</u>	<u>619,572,136</u>

Nonmajor Special Revenue Funds

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Emma Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Developer Fees (Fund 138)	William F. Prusch Jr. (Fund 151)	Emergency Communication System Support Fee (Fund 154)
ASSETS					
Equity in pooled cash and investments held in City Treasury	\$ 273,135	1,639,777	8,547,317	14,144	978
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	6,982	8,459	44,500	72	1,350,000
Due from other funds	-	-	-	-	-
Due from outside agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Restricted assets:					
Other investments	-	-	-	-	-
Other Assets	-	-	-	-	-
Total assets	<u>\$ 280,117</u>	<u>1,648,236</u>	<u>8,591,817</u>	<u>14,216</u>	<u>1,350,978</u>
LIABILITIES					
Accounts payable	8,349	21,278	-	-	-
Accrued salaries, wages and payroll taxes	55	602	-	-	-
Due to other funds	-	-	-	-	1,350,978
Deferred revenue	-	-	-	-	-
Advances, deposits and reimbursable credits	-	-	8,591,817	-	-
Advances from other funds	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total liabilities	<u>8,404</u>	<u>21,880</u>	<u>8,591,817</u>	<u>-</u>	<u>1,350,978</u>
FUND BALANCES					
Reserved for:					
Encumbrances	-	41,299	-	-	-
Noncurrent advances, loans, and other assets	-	-	-	-	-
Restricted cash commitments	-	-	-	-	-
Unreserved:					
Designated for future expenditures	-	-	-	-	-
Undesignated	271,713	1,585,057	-	14,216	-
Total fund balances	<u>271,713</u>	<u>1,626,356</u>	<u>-</u>	<u>14,216</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 280,117</u>	<u>1,648,236</u>	<u>8,591,817</u>	<u>14,216</u>	<u>1,350,978</u>

Employee Benefits (Funds 155-161)	Workforce Investment Act (Funds 290-294)	Construction and Property Conveyance (Funds 377-398)	Special Assessment Maintenance Districts (Funds 351-369 371-373)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
5,912,558	-	87,324,511	9,096,306	64,397	57,345,676	4,571,809	-
-	-	-	-	-	-	-	-
298,611	4,316,612	6,642,445	173,431	211,803	289,434	-	386,973
-	-	-	-	-	5,493,600	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,211,169</u>	<u>4,316,612</u>	<u>93,974,061</u>	<u>9,269,737</u>	<u>276,200</u>	<u>63,128,710</u>	<u>4,571,809</u>	<u>386,973</u>
361,985	2,616,576	2,245,477	242,443	-	1,858,969	-	-
23,502	121,827	141,163	24,825	-	15,537	-	-
-	1,009,687	496,487	-	-	-	-	386,973
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>385,487</u>	<u>3,748,090</u>	<u>2,883,127</u>	<u>267,268</u>	<u>-</u>	<u>1,874,506</u>	<u>-</u>	<u>386,973</u>
3,778	3,732,197	4,566,971	866,778	18,411	789,517	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,050,000	-	-	38,792,167	-	-
<u>5,821,904</u>	<u>(3,163,675)</u>	<u>83,466,858</u>	<u>8,135,691</u>	<u>257,789</u>	<u>21,672,520</u>	<u>4,571,809</u>	<u>-</u>
<u>5,825,682</u>	<u>568,522</u>	<u>91,090,934</u>	<u>9,002,469</u>	<u>276,200</u>	<u>61,254,204</u>	<u>4,571,809</u>	<u>-</u>
<u>6,211,169</u>	<u>4,316,612</u>	<u>93,974,061</u>	<u>9,269,737</u>	<u>276,200</u>	<u>63,128,710</u>	<u>4,571,809</u>	<u>386,973</u>

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	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	\$ -	3,104,412	1,874,376	1,995,351	539,630
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	589,460	4,006	5,140	10,276	2,787
Due from other funds	-	-	-	-	-
Due from outside agencies	-	9,469	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Restricted assets:					
Other investments	-	-	-	-	-
Other Assets	-	-	-	-	-
Total assets	<u>\$ 589,460</u>	<u>3,117,887</u>	<u>1,879,516</u>	<u>2,005,627</u>	<u>542,417</u>
LIABILITIES					
Accounts payable	-	110,004	172,510	322,703	6,918
Accrued salaries, wages and payroll taxes	-	119,028	630	-	-
Due to other funds	589,460	-	-	-	-
Deferred revenue	-	-	-	1,600,987	412,877
Advances, deposits and reimbursable credits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total liabilities	<u>589,460</u>	<u>229,032</u>	<u>173,140</u>	<u>1,923,690</u>	<u>419,795</u>
FUND BALANCE					
Reserved for:					
Encumbrances	-	72,662	232,124	315,907	61,995
Noncurrent advances, loans, and other assets	-	-	-	-	-
Restricted cash commitments	-	-	-	-	-
Unreserved:					
Designated for future expenditures	-	100,000	-	-	60,627
Undesignated	-	2,716,193	1,474,252	(233,970)	-
Total fund balances	<u>-</u>	<u>2,888,855</u>	<u>1,706,376</u>	<u>81,937</u>	<u>122,622</u>
Total liabilities and fund balances	<u>\$ 589,460</u>	<u>3,117,887</u>	<u>1,879,516</u>	<u>2,005,627</u>	<u>542,417</u>

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 422,432,438)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
1,905,024	1,241,902	831,410	1,082,924	1,724,011	6,300,539	31,872,328	6,254,885
-	-	-	-	-	-	-	-
1,029,672	6,314	4,227	-	8,944	1,661,981	4,494,690	32,257
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-
-	-	-	-	-	118,000	-	-
<u>2,934,696</u>	<u>1,248,216</u>	<u>835,637</u>	<u>1,082,924</u>	<u>1,732,955</u>	<u>8,080,520</u>	<u>36,367,018</u>	<u>6,887,142</u>
422	20,743	-	-	15,805	797,446	11,020,524	389,271
7,270	-	-	3,561	12,502	370,131	208,913	42,814
-	-	-	-	-	-	-	-
-	-	-	-	-	89,032	2,256,357	-
-	-	-	-	-	695,457	9,274,050	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,641,266	-	-
<u>7,692</u>	<u>20,743</u>	<u>-</u>	<u>3,561</u>	<u>28,307</u>	<u>5,593,332</u>	<u>22,759,844</u>	<u>432,085</u>
38,716	12,584	679	1,518	-	-	3,904,386	2,896,056
-	-	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,900,000	1,900,384
<u>2,888,288</u>	<u>1,214,889</u>	<u>834,958</u>	<u>1,077,845</u>	<u>1,704,648</u>	<u>2,487,188</u>	<u>5,802,788</u>	<u>1,058,617</u>
<u>2,927,004</u>	<u>1,227,473</u>	<u>835,637</u>	<u>1,079,363</u>	<u>1,704,648</u>	<u>2,487,188</u>	<u>13,607,174</u>	<u>6,455,057</u>
<u>2,934,696</u>	<u>1,248,216</u>	<u>835,637</u>	<u>1,082,924</u>	<u>1,732,955</u>	<u>8,080,520</u>	<u>36,367,018</u>	<u>6,887,142</u>

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	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	\$ 36,491,698	2,751,056	-	39,140	11,973,393	1,330,228
Other investments	-	-	-	-	-	-
Receivables (net of allowance						
for uncollectibles)	2,029,725	14,325	3,452,404	199	46,584	864,059
Due from other funds	1,824,874	-	-	-	-	-
Due from outside agencies	-	-	-	-	20,896	-
Inventories	-	-	-	-	-	-
Loans receivable (net)	-	961,709	6,313,828	280,600	-	-
Advances and deposits	2,600	-	-	-	-	-
Restricted assets:						
Other investments	-	-	104,868	-	-	-
Other Assets	-	-	-	-	-	-
Total assets	<u>\$ 40,348,897</u>	<u>3,727,090</u>	<u>9,871,100</u>	<u>319,939</u>	<u>12,040,873</u>	<u>2,194,287</u>
LIABILITIES						
Accounts payable	630,391	40,022	736,133	-	685,998	116,773
Accrued salaries, wages and payroll taxes	149,567	3,583	143,399	-	214,351	-
Due to other funds	-	-	815,187	-	-	-
Deferred revenue	-	-	1,760,047	-	-	-
Advances, deposits and reimbursable credits	-	-	-	-	-	-
Advances from other funds	-	-	-	-	1,375,353	-
Other Liabilities	-	-	-	-	-	-
Total liabilities	<u>779,958</u>	<u>43,605</u>	<u>3,454,766</u>	<u>-</u>	<u>2,275,702</u>	<u>116,773</u>
FUND BALANCE						
Reserved for:						
Encumbrances	10,245,983	-	2,682,282	-	3,091,952	65,383
Noncurrent advances, loans,						
and other assets	2,600	961,709	6,201,828	280,600	-	-
Restricted cash commitments	-	-	104,868	-	-	-
Unreserved:						
Designated for future expenditures	-	-	-	-	100,000	-
Undesignated	29,320,356	2,721,776	(2,572,644)	39,339	6,573,219	2,012,131
Total fund balance	<u>39,568,939</u>	<u>3,683,485</u>	<u>6,416,334</u>	<u>319,939</u>	<u>9,765,171</u>	<u>2,077,514</u>
Total liabilities and fund balances	<u>\$ 40,348,897</u>	<u>3,727,090</u>	<u>9,871,100</u>	<u>319,939</u>	<u>12,040,873</u>	<u>2,194,287</u>

Lake Cunningham (Fund 462)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
1,707,719	54,058	326,274	5,583,983	293,774,949
-	-	-	5,576	5,576
8,716	13,647	235,369	48,125	28,292,229
-	-	-	-	7,318,474
-	-	-	-	30,365
-	-	-	2,161,897	2,161,897
-	-	-	-	8,156,137
-	-	-	-	9,705
-	-	307,155	-	412,023
-	-	-	-	118,000
<u>1,716,435</u>	<u>67,705</u>	<u>868,798</u>	<u>7,799,581</u>	<u>340,279,355</u>
22,189	-	22,799	732,801	23,198,529
6,805	-	187,073	232,965	2,030,103
-	-	-	-	4,648,772
-	-	667,809	-	6,787,109
-	-	94,499	-	18,655,823
-	-	-	-	1,375,353
-	-	-	-	3,641,266
<u>28,994</u>	<u>-</u>	<u>972,180</u>	<u>965,766</u>	<u>60,336,955</u>
11,057	10,519	139,371	991,485	34,793,610
-	-	-	2,161,897	10,215,739
-	-	-	-	104,868
-	-	-	-	47,903,178
<u>1,676,384</u>	<u>57,186</u>	<u>(242,753)</u>	<u>3,680,433</u>	<u>186,925,005</u>
<u>1,687,441</u>	<u>67,705</u>	<u>(103,382)</u>	<u>6,833,815</u>	<u>279,942,400</u>
<u>1,716,435</u>	<u>67,705</u>	<u>868,798</u>	<u>7,799,581</u>	<u>340,279,355</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, 2005

	Emma Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Developer Fees (Fund 138)	William F. Prusch Jr. (Fund 151)	Emergency Communication System Support Fee (Fund 154)
REVENUES					
Taxes and special assessments	-	-	-	-	-
Intergovernmental	-	479,377	-	-	-
Charges for current services	-	-	-	-	9,071,284
Rent	61,644	-	-	-	-
Interest and other revenues	5,704	34,065	-	293	-
Total revenues	<u>67,348</u>	<u>513,442</u>	<u>-</u>	<u>293</u>	<u>9,071,284</u>
EXPENDITURES					
Current:					
General government	34,135	-	-	-	-
Public safety	-	-	-	-	-
Community services	7,208	357,228	-	-	-
Sanitation	-	-	-	-	-
Capital maintenance	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>41,343</u>	<u>357,228</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>26,005</u>	<u>156,214</u>	<u>-</u>	<u>293</u>	<u>9,071,284</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(50,000)	-	-	-	(9,071,284)
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,071,284)</u>
Net change in fund balances	(23,995)	156,214	-	293	-
Fund balances - beginning	<u>295,708</u>	<u>1,470,142</u>	<u>-</u>	<u>13,923</u>	<u>-</u>
Fund balances - ending	<u>\$ 271,713</u>	<u>1,626,356</u>	<u>-</u>	<u>14,216</u>	<u>-</u>

Employee Benefits (Funds 155-161)	Workforce Investment Act (Funds 290-294)	Construction and Property Conveyance Tax (Funds 377-398)	Special Assessment Maintenance Districts (Funds 351-369 371-373)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
-	-	46,684,425	4,085,010	95,646	-	-	-
-	12,484,692	3,541,649	-	-	-	-	7,465,999
64,877,549	-	-	-	-	9,757,784	-	-
-	-	-	-	-	-	-	-
130,443	-	1,234,590	164,455	-	954,350	-	-
<u>65,007,992</u>	<u>12,484,692</u>	<u>51,460,664</u>	<u>4,249,465</u>	<u>95,646</u>	<u>10,712,134</u>	<u>-</u>	<u>7,465,999</u>
64,593,395	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	12,214,393	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	21,208,993	3,737,642	25,948	2,876,287	-	7,465,999
-	-	2,221,426	-	-	1,835,389	-	-
-	-	5,980	-	-	-	-	-
-	-	118	-	-	-	-	-
<u>64,593,395</u>	<u>12,214,393</u>	<u>23,436,517</u>	<u>3,737,642</u>	<u>25,948</u>	<u>4,711,676</u>	<u>-</u>	<u>7,465,999</u>
<u>414,597</u>	<u>270,299</u>	<u>28,024,147</u>	<u>511,823</u>	<u>69,698</u>	<u>6,000,458</u>	<u>-</u>	<u>-</u>
-	-	500,001	123,106	-	6,407,100	-	-
-	-	(9,490,125)	-	-	(500,000)	-	-
-	-	(8,990,124)	123,106	-	5,907,100	-	-
414,597	270,299	19,034,023	634,929	69,698	11,907,558	-	-
<u>5,411,085</u>	<u>298,223</u>	<u>72,056,911</u>	<u>8,367,540</u>	<u>206,502</u>	<u>49,346,646</u>	<u>4,571,809</u>	<u>-</u>
<u>5,825,682</u>	<u>568,522</u>	<u>91,090,934</u>	<u>9,002,469</u>	<u>276,200</u>	<u>61,254,204</u>	<u>4,571,809</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, 2005

	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	\$ -	6,207,073	-	-	-	-
Intergovernmental	9,533,999	-	4,000	960,074	273,186	1,425,476
Charges for current services	-	-	514,729	-	-	157,711
Rent	-	-	-	-	-	-
Interest and other revenues	-	21,085	16,964	40,234	11,377	-
Total revenues	<u>9,533,999</u>	<u>6,228,158</u>	<u>535,693</u>	<u>1,000,308</u>	<u>284,563</u>	<u>1,583,187</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,303,553	304,867	-
Community services	-	3,152,942	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	9,533,999	2,051,429	393,614	-	-	600,716
Capital outlay	-	-	39,312	21,596	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>9,533,999</u>	<u>5,204,371</u>	<u>432,926</u>	<u>1,325,149</u>	<u>304,867</u>	<u>600,716</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>1,023,787</u>	<u>102,767</u>	<u>(324,841)</u>	<u>(20,304)</u>	<u>982,471</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	110,116	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,116</u>	<u>-</u>
Net change in fund balances	-	1,023,787	102,767	(324,841)	89,812	982,471
Fund balances - beginning	-	1,865,068	1,603,609	406,778	32,810	1,944,533
Fund balances - ending	<u>\$ -</u>	<u>2,888,855</u>	<u>1,706,376</u>	<u>81,937</u>	<u>122,622</u>	<u>2,927,004</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 422,432,438)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
-	-	351,817	-	12,527,087	-	-
-	-	-	-	-	-	-
-	-	-	105,464	-	73,298,978	-
-	-	-	-	1,867,801	-	-
329,701	28,351	-	43,740	2,194,289	655,343	10,352,762
<u>329,701</u>	<u>28,351</u>	<u>351,817</u>	<u>149,204</u>	<u>16,589,177</u>	<u>73,954,321</u>	<u>10,352,762</u>
-	-	-	-	15,452,454	-	9,169,828
20,743	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	76,116,659	-
-	-	174,737	78,239	239,057	-	-
-	-	-	580,818	-	-	-
-	-	-	-	500,000	-	-
-	-	-	-	-	-	-
<u>20,743</u>	<u>-</u>	<u>174,737</u>	<u>659,057</u>	<u>16,191,511</u>	<u>76,116,659</u>	<u>9,169,828</u>
<u>308,958</u>	<u>28,351</u>	<u>177,080</u>	<u>(509,853)</u>	<u>397,666</u>	<u>(2,162,338)</u>	<u>1,182,934</u>
-	-	-	-	3,519,505	1,898,770	-
-	-	-	-	(2,523,945)	(869,722)	-
-	-	-	-	995,560	1,029,048	-
308,958	28,351	177,080	(509,853)	1,393,226	(1,133,290)	1,182,934
<u>918,515</u>	<u>807,286</u>	<u>902,283</u>	<u>2,214,501</u>	<u>1,093,962</u>	<u>14,740,464</u>	<u>5,272,123</u>
<u>1,227,473</u>	<u>835,637</u>	<u>1,079,363</u>	<u>1,704,648</u>	<u>2,487,188</u>	<u>13,607,174</u>	<u>6,455,057</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, 2005

	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	\$ 10,989,424	-	-	-	-	9,547,634
Intergovernmental	2,055,834	-	12,381,495	11,321	-	-
Charges for current services	-	-	-	-	14,636,947	-
Rent	-	-	-	-	-	-
Interest and other revenues	3,994,311	94,538	-	-	164,595	42,523
Total revenues	<u>17,039,569</u>	<u>94,538</u>	<u>12,381,495</u>	<u>11,321</u>	<u>14,801,542</u>	<u>9,590,157</u>
EXPENDITURES						
Current:						
General government	-	262,292	-	17,000	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	9,438,467	-	-	4,165,433
Sanitation	-	-	-	-	11,728,780	-
Capital maintenance	3,654,101	-	1,805,541	-	518,677	-
Capital outlay	15,719,364	-	1,849,728	-	1,392,680	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>19,373,465</u>	<u>262,292</u>	<u>13,093,736</u>	<u>17,000</u>	<u>13,640,137</u>	<u>4,165,433</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,333,896)</u>	<u>(167,754)</u>	<u>(712,241)</u>	<u>(5,679)</u>	<u>1,161,405</u>	<u>5,424,724</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	250,000	-	-	-	-
Transfers out	(124,000)	(31,422)	(110,000)	-	-	(3,813,083)
Total other financing sources (uses)	<u>(124,000)</u>	<u>218,578</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>(3,813,083)</u>
Net change in fund balances	(2,457,896)	50,824	(822,241)	(5,679)	1,161,405	1,611,641
Fund balances - beginning	<u>42,026,835</u>	<u>3,632,661</u>	<u>7,238,575</u>	<u>325,618</u>	<u>8,603,766</u>	<u>465,873</u>
Fund balances - ending	<u>\$ 39,568,939</u>	<u>3,683,485</u>	<u>6,416,334</u>	<u>319,939</u>	<u>9,765,171</u>	<u>2,077,514</u>

Lake Cunningham (Fund 462)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
-	-	-	-	90,488,116
21,202	-	-	-	50,638,304
669,379	758,558	1,825,435	21,364,583	197,038,401
-	-	4,945,163	-	6,874,608
37,800	35,812	-	4,369	20,591,694
<u>728,381</u>	<u>794,370</u>	<u>6,770,598</u>	<u>21,368,952</u>	<u>365,631,123</u>
-	-	-	18,228,911	107,758,015
-	-	-	-	1,629,163
-	103,725	12,279,490	-	41,718,886
-	-	-	-	87,845,439
376,711	6,013	-	67,293	54,814,996
-	-	-	3,066,643	26,726,956
-	-	-	-	505,980
-	-	-	-	118
<u>376,711</u>	<u>109,738</u>	<u>12,279,490</u>	<u>21,362,847</u>	<u>320,999,553</u>
<u>351,670</u>	<u>684,632</u>	<u>(5,508,892)</u>	<u>6,105</u>	<u>44,631,570</u>
-	300,000	6,158,083	-	19,266,681
(450,000)	(1,471,849)	(208,946)	(1,675,000)	(30,389,376)
<u>(450,000)</u>	<u>(1,171,849)</u>	<u>5,949,137</u>	<u>(1,675,000)</u>	<u>(11,122,695)</u>
(98,330)	(487,217)	440,245	(1,668,895)	33,508,875
<u>1,785,771</u>	<u>554,922</u>	<u>(543,627)</u>	<u>8,502,710</u>	<u>246,433,525</u>
<u>1,687,441</u>	<u>67,705</u>	<u>(103,382)</u>	<u>6,833,815</u>	<u>279,942,400</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, 2005

	Emma Prusch Memorial Park (Funds 131)			Gift Trust (Funds 139)		
		Budgetary Basis	Variance Over (Under)		Budgetary Basis	Variance Over (Under)
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	479,376	479,376
Charges for current services	-	-	-	-	-	-
Rent	67,000	61,644	(5,356)	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	6,000	5,615	(385)	-	34,065	34,065
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>73,000</u>	<u>67,259</u>	<u>(5,741)</u>	<u>-</u>	<u>513,441</u>	<u>513,441</u>
EXPENDITURES						
Current:						
General government	50,000	34,135	(15,865)	-	-	-
Community services	125,000	7,208	(117,792)	1,869,887	398,527	(1,471,360)
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>175,000</u>	<u>41,343</u>	<u>(133,657)</u>	<u>1,869,887</u>	<u>398,527</u>	<u>(1,471,360)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,000)</u>	<u>25,916</u>	<u>127,916</u>	<u>(1,869,887)</u>	<u>114,914</u>	<u>1,984,801</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(50,000)	(50,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (102,000)</u>	<u>(24,084)</u>	<u>77,916</u>	<u>(1,869,887)</u>	<u>114,914</u>	<u>1,984,801</u>
Fund balances - beginning		296,807			1,464,786	
Prior year encumbrances		-			14,044	
Fund balances - ending		<u>\$ 272,723</u>			<u>\$ 1,593,744</u>	

Employee Benefits (Funds 155-161)			Workforce Investment Act (Funds 290-294)			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)
-	-	-	-	-	-	19,686,000	46,684,425	26,998,425
-	-	-	22,031,963	12,484,692	(9,547,271)	7,934,000	3,541,649	(4,392,351)
66,770,557	64,877,549	(1,893,008)	-	-	-	43,000	-	(43,000)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
120,781	147,844	27,063	-	-	-	654,000	1,252,342	598,342
-	-	-	-	-	-	-	-	-
<u>66,891,338</u>	<u>65,025,393</u>	<u>(1,865,945)</u>	<u>22,031,963</u>	<u>12,484,692</u>	<u>(9,547,271)</u>	<u>28,317,000</u>	<u>51,478,416</u>	<u>23,161,416</u>
67,910,200	64,597,173	(3,313,027)	-	-	-	-	-	-
-	-	-	20,510,903	15,946,590	(4,564,313)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	49,858,985	25,783,064	(24,075,921)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,103,970	2,221,426	(2,882,544)
-	-	-	-	-	-	5,980	5,980	-
-	-	-	-	-	-	118	118	-
<u>67,910,200</u>	<u>64,597,173</u>	<u>(3,313,027)</u>	<u>20,510,903</u>	<u>15,946,590</u>	<u>(4,564,313)</u>	<u>54,969,053</u>	<u>28,010,588</u>	<u>(26,958,465)</u>
<u>(1,018,862)</u>	<u>428,220</u>	<u>1,447,082</u>	<u>1,521,060</u>	<u>(3,461,898)</u>	<u>(4,982,958)</u>	<u>(26,652,053)</u>	<u>23,467,828</u>	<u>50,119,881</u>
-	-	-	-	-	-	719,001	500,001	(219,000)
-	-	-	-	-	-	(9,490,125)	(9,490,125)	-
-	-	-	-	-	-	(8,771,124)	(8,990,124)	(219,000)
<u>(1,018,862)</u>	<u>428,220</u>	<u>1,447,082</u>	<u>1,521,060</u>	<u>(3,461,898)</u>	<u>(4,982,958)</u>	<u>(35,423,177)</u>	<u>14,477,704</u>	<u>49,900,881</u>
	2,956,174			(2,234,417)			64,682,145	
	20,203			2,532,640			6,953,570	
	<u>\$ 3,404,597</u>			<u>\$ (3,163,675)</u>			<u>\$ 86,113,419</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, 2005

	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	\$ 3,934,551	4,085,010	150,459	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	9,757,784	9,757,784
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	194,000	190,848	(3,152)	-	1,206,253	1,206,253
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>4,128,551</u>	<u>4,275,858</u>	<u>147,307</u>	<u>-</u>	<u>10,964,037</u>	<u>10,964,037</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	5,929,918	4,604,419	(1,325,499)	8,757,801	3,665,804	(5,091,997)
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	1,848,056	1,835,389	(12,667)
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>5,929,918</u>	<u>4,604,419</u>	<u>(1,325,499)</u>	<u>10,605,857</u>	<u>5,501,193</u>	<u>(5,104,664)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,801,367)</u>	<u>(328,561)</u>	<u>1,472,806</u>	<u>(10,605,857)</u>	<u>5,462,844</u>	<u>16,068,701</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	123,106	123,106	-	-	6,407,100	6,407,100
Transfers out	-	-	-	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>123,106</u>	<u>123,106</u>	<u>-</u>	<u>(500,000)</u>	<u>5,907,100</u>	<u>6,407,100</u>
Net change in fund balances	<u>\$ (1,678,261)</u>	<u>(205,455)</u>	<u>1,472,806</u>	<u>(11,105,857)</u>	<u>11,369,944</u>	<u>22,475,801</u>
Fund balances - beginning		7,414,030			48,308,667	
Prior year encumbrances		987,788			1,237,573	
Fund balances - ending		<u>\$ 8,196,363</u>			<u>\$ 60,916,184</u>	

1943 Gas Tax Maintenance and Construction (Fund 409)			1964 Gas Tax Construction (Funds 410-411)			Library Benefit Assessment (Fund 412)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	\$ 6,140,000	6,207,073	67,073
7,466,000	7,465,999	(1)	9,534,000	9,533,999	(1)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	27,148	27,148
-	-	-	-	-	-	-	-	-
<u>7,466,000</u>	<u>7,465,999</u>	<u>(1)</u>	<u>9,534,000</u>	<u>9,533,999</u>	<u>(1)</u>	<u>6,140,000</u>	<u>6,234,221</u>	<u>94,221</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,469,362	3,215,362	(1,254,000)
-	-	-	-	-	-	-	-	-
7,466,000	7,465,999	(1)	9,534,000	9,533,999	(1)	3,250,319	2,061,671	(1,188,648)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>7,466,000</u>	<u>7,465,999</u>	<u>(1)</u>	<u>9,534,000</u>	<u>9,533,999</u>	<u>(1)</u>	<u>7,719,681</u>	<u>5,277,033</u>	<u>(2,442,648)</u>
-	-	-	-	-	-	<u>(1,579,681)</u>	<u>957,188</u>	<u>2,536,869</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (1,579,681)</u>	<u>957,188</u>	<u>2,536,869</u>
							1,853,740	
							11,515	
	<u>\$ -</u>			<u>\$ -</u>			<u>\$ 2,822,443</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, 2005

	Storm Drainage Fee			Supplemental Local Law Enforcement		
	(Funds 413, 427)			(Fund 414)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	-	-	-	-	-	-
Intergovernmental	-	4,000	4,000	1,359,906	117,942	(1,241,964)
Charges for current services	454,000	514,729	60,729	-	-	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	-	21,477	21,477	-	48,119	48,119
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>454,000</u>	<u>540,206</u>	<u>86,206</u>	<u>1,359,906</u>	<u>166,061</u>	<u>(1,193,845)</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public Safety	-	-	-	2,899,111	1,619,460	(1,279,651)
Sanitation	-	-	-	-	-	-
Capital maintenance	838,500	625,738	(212,762)	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	200,000	39,312	(160,688)	21,596	21,596	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>1,038,500</u>	<u>665,050</u>	<u>(373,450)</u>	<u>2,920,707</u>	<u>1,641,056</u>	<u>(1,279,651)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(584,500)</u>	<u>(124,844)</u>	<u>459,656</u>	<u>(1,560,801)</u>	<u>(1,474,995)</u>	<u>85,806</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>(584,500)</u>	<u>(124,844)</u>	<u>459,656</u>	<u>(1,560,801)</u>	<u>(1,474,995)</u>	<u>85,806</u>
Fund balances - beginning		1,492,614			2,765,130	
Prior year encumbrances		114,500			92,910	
Fund balances - ending		<u>\$ 1,482,270</u>			<u>\$ 1,383,045</u>	

Federal LLEBG Program (Fund 415)			Underground Utility (Fund 416)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-
314,545	314,164	(381)	1,050,000	1,425,476	375,476
-	-	-	-	166,952	166,952
-	-	-	-	-	-
-	13,645	13,645	-	-	-
-	-	-	-	-	-
<u>314,545</u>	<u>327,809</u>	<u>13,264</u>	<u>1,050,000</u>	<u>1,592,428</u>	<u>542,428</u>
-	-	-	-	-	-
-	-	-	-	-	-
823,160	366,862	(456,298)	-	-	-
-	-	-	-	-	-
-	-	-	1,977,943	639,432	(1,338,511)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>823,160</u>	<u>366,862</u>	<u>(456,298)</u>	<u>1,977,943</u>	<u>639,432</u>	<u>(1,338,511)</u>
<u>(508,615)</u>	<u>(39,053)</u>	<u>469,562</u>	<u>(927,943)</u>	<u>952,996</u>	<u>1,880,939</u>
110,116	110,116	-	-	-	-
-	-	-	-	-	-
<u>110,116</u>	<u>110,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(398,499)</u>	71,063	<u>469,562</u>	<u>(927,943)</u>	952,996	<u>1,880,939</u>
	349,162			1,718,877	
	57,626			231,274	
	<u>\$ 477,851</u>			<u>\$ 2,903,147</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, 2005

	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	335,004	300,004	25,000	30,949	5,949
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>35,000</u>	<u>335,004</u>	<u>300,004</u>	<u>25,000</u>	<u>30,949</u>	<u>5,949</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public Safety	62,584	33,327	(29,257)	679	679	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>62,584</u>	<u>33,327</u>	<u>(29,257)</u>	<u>679</u>	<u>679</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,584)</u>	<u>301,677</u>	<u>329,261</u>	<u>24,321</u>	<u>30,270</u>	<u>5,949</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>\$ (27,584)</u>	<u>301,677</u>	<u>329,261</u>	<u>24,321</u>	<u>30,270</u>	<u>5,949</u>
Fund balances - beginning		910,476			810,602	
Prior year encumbrances		12,584			679	
Fund balances - ending		<u>\$ 1,224,737</u>			<u>\$ 841,551</u>	

Residential Construction Tax Contribution (Fund 420)			Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422,432,438)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
224,000	351,817	127,817	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	100,000	105,464	5,464	-	-	-
-	-	-	-	-	-	2,043,834	1,867,801	(176,033)
-	-	-	-	-	-	-	-	-
-	-	-	59,000	46,683	(12,317)	2,590,509	2,194,289	(396,220)
-	-	-	-	-	-	-	-	-
<u>224,000</u>	<u>351,817</u>	<u>127,817</u>	<u>159,000</u>	<u>152,147</u>	<u>(6,853)</u>	<u>4,634,343</u>	<u>4,062,090</u>	<u>(572,253)</u>
-	-	-	-	-	-	3,731,045	3,184,920	(546,125)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
548,110	176,255	(371,855)	80,000	78,239	(1,761)	497,912	239,057	(258,855)
-	-	-	-	-	-	-	-	-
-	-	-	656,970	580,818	(76,152)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>548,110</u>	<u>176,255</u>	<u>(371,855)</u>	<u>736,970</u>	<u>659,057</u>	<u>(77,913)</u>	<u>4,228,957</u>	<u>3,423,977</u>	<u>(804,980)</u>
<u>(324,110)</u>	<u>175,562</u>	<u>499,672</u>	<u>(577,970)</u>	<u>(506,910)</u>	<u>71,060</u>	<u>405,386</u>	<u>638,113</u>	<u>232,727</u>
-	-	-	-	-	-	4,000,000	3,519,505	(480,495)
-	-	-	-	-	-	<u>(735,584)</u>	<u>(2,523,945)</u>	<u>(1,788,361)</u>
-	-	-	-	-	-	<u>3,264,416</u>	<u>995,560</u>	<u>(2,268,856)</u>
<u>(324,110)</u>	<u>175,562</u>	<u>499,672</u>	<u>(577,970)</u>	<u>(506,910)</u>	<u>71,060</u>	<u>3,669,802</u>	<u>1,633,673</u>	<u>(2,036,129)</u>
	901,933			2,127,540			4,432,037	
	350			97,970			-	
	<u>\$ 1,077,845</u>			<u>\$ 1,718,600</u>			<u>\$ 6,065,710</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, 2005

	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	-	-	-	-	-	-
Charges for current services	70,975,634	73,298,978	2,323,344	-	-	-
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	389,089	750,288	361,199	10,234,293	10,368,243	133,950
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>71,364,723</u>	<u>74,049,266</u>	<u>2,684,543</u>	<u>10,234,293</u>	<u>10,368,243</u>	<u>133,950</u>
EXPENDITURES						
Current:						
General government	-	-	-	17,534,190	15,015,884	(2,518,306)
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	89,516,351	80,021,045	(9,495,306)	-	-	-
Capital maintenance	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>89,516,351</u>	<u>80,021,045</u>	<u>(9,495,306)</u>	<u>17,534,190</u>	<u>15,015,884</u>	<u>(2,518,306)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,151,628)</u>	<u>(5,971,779)</u>	<u>12,179,849</u>	<u>(7,299,897)</u>	<u>(4,647,641)</u>	<u>2,652,256</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,898,770	1,898,770	-	4,800,000	2,500,000	(2,300,000)
Transfers out	<u>(869,722)</u>	<u>(869,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,029,048</u>	<u>1,029,048</u>	<u>-</u>	<u>4,800,000</u>	<u>2,500,000</u>	<u>(2,300,000)</u>
Net change in fund balances	<u>\$ (17,122,580)</u>	<u>(4,942,731)</u>	<u>12,179,849</u>	<u>(2,499,897)</u>	<u>(2,147,641)</u>	<u>352,256</u>
Fund balances - beginning		9,504,971			2,143,610	
Prior year encumbrances		<u>5,091,352</u>			<u>3,013,550</u>	
Fund balances - ending		<u>\$ 9,653,592</u>			<u>\$ 3,009,519</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)
9,148,000	10,989,424	1,841,424	-	-	-	-	-	-
2,356,000	2,055,834	(300,166)	-	-	-	13,646,000	13,733,013	87,013
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,038,000	4,095,101	(942,899)	151,000	405,063	254,063	-	-	-
-	-	-	-	-	-	-	-	-
<u>16,542,000</u>	<u>17,140,359</u>	<u>598,359</u>	<u>151,000</u>	<u>405,063</u>	<u>254,063</u>	<u>13,646,000</u>	<u>13,733,013</u>	<u>87,013</u>
-	-	-	1,635,000	702,292	(932,708)	-	-	-
-	-	-	-	-	-	11,545,773	13,655,252	2,109,479
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
10,611,814	13,902,684	3,290,870	-	-	-	6,073,861	4,213,467	(1,860,394)
-	-	-	-	-	-	-	-	-
42,339,874	15,719,364	(26,620,510)	-	-	-	3,123,838	1,849,728	(1,274,110)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>52,951,688</u>	<u>29,622,048</u>	<u>(23,329,640)</u>	<u>1,635,000</u>	<u>702,292</u>	<u>(932,708)</u>	<u>20,743,472</u>	<u>19,718,447</u>	<u>(1,025,025)</u>
<u>(36,409,688)</u>	<u>(12,481,689)</u>	<u>23,927,999</u>	<u>(1,484,000)</u>	<u>(297,229)</u>	<u>1,186,771</u>	<u>(7,097,472)</u>	<u>(5,985,434)</u>	<u>1,112,038</u>
-	-	-	250,000	250,000	-	-	-	-
<u>(124,000)</u>	<u>(124,000)</u>	<u>-</u>	<u>(31,422)</u>	<u>(31,422)</u>	<u>-</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
<u>(124,000)</u>	<u>(124,000)</u>	<u>-</u>	<u>218,578</u>	<u>218,578</u>	<u>-</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
<u>(36,533,688)</u>	<u>(12,605,689)</u>	<u>23,927,999</u>	<u>(1,265,422)</u>	<u>(78,651)</u>	<u>1,186,771</u>	<u>(7,207,472)</u>	<u>(6,095,434)</u>	<u>1,112,038</u>
	27,088,121			2,822,772			10,804,793	
	15,142,420			-			3,725,667	
	<u>\$ 29,624,852</u>			<u>\$ 2,744,121</u>			<u>\$ 8,435,026</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, 2005

	Economic Development Administration Loans (Fund 444)			Storm Drainage Service Use Charge (Funds 446, 469)		
	Budget	Budgetary Basis	Variance Over	Budget	Budgetary Basis	Variance Over
		Actual	(Under)		Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	58,000	67,689	9,689	-	-	-
Charges for current services	-	-	-	14,470,095	14,636,947	166,852
Rent	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	-	-	-	200,000	193,552	(6,448)
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>58,000</u>	<u>67,689</u>	<u>9,689</u>	<u>14,670,095</u>	<u>14,830,499</u>	<u>160,404</u>
EXPENDITURES						
Current:						
General government	80,000	52,250	(27,750)	-	-	-
Community services	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	13,595,319	12,339,159	(1,256,160)
Capital maintenance	-	-	-	1,896,347	3,000,250	1,103,903
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	4,606,000	1,392,680	(3,213,320)
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>80,000</u>	<u>52,250</u>	<u>(27,750)</u>	<u>20,097,666</u>	<u>16,732,089</u>	<u>(3,365,577)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,000)</u>	<u>15,439</u>	<u>37,439</u>	<u>(5,427,571)</u>	<u>(1,901,590)</u>	<u>3,525,981</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	2,528,000	-	(2,528,000)
Transfers out	-	-	-	(2,528,000)	-	2,528,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (22,000)</u>	<u>15,439</u>	<u>37,439</u>	<u>(5,427,571)</u>	<u>(1,901,590)</u>	<u>3,525,981</u>
Fund balances - beginning		24,210			8,205,211	
Prior year encumbrances		-			429,474	
Fund balances - ending		<u>\$ 39,649</u>			<u>\$ 6,733,095</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)
8,870,000	9,547,634	677,634	-	21,202	21,202	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	690,000	669,379	(20,621)	1,141,500	758,558	(382,942)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	47,115	47,115	40,000	42,763	2,763	-	34,416	34,416
-	-	-	-	-	-	-	-	-
<u>8,870,000</u>	<u>9,594,749</u>	<u>724,749</u>	<u>730,000</u>	<u>733,344</u>	<u>3,344</u>	<u>1,141,500</u>	<u>792,974</u>	<u>(348,526)</u>
-	-	-	-	-	-	-	-	-
4,550,430	4,230,816	(319,614)	-	-	-	171,112	103,725	(67,387)
-	-	-	-	-	-	-	-	-
-	-	-	773,424	387,768	(385,656)	124,018	16,531	(107,487)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>4,550,430</u>	<u>4,230,816</u>	<u>(319,614)</u>	<u>773,424</u>	<u>387,768</u>	<u>(385,656)</u>	<u>295,130</u>	<u>120,256</u>	<u>(174,874)</u>
4,319,570	5,363,933	1,044,363	(43,424)	345,576	389,000	846,370	672,718	(173,652)
-	-	-	-	-	-	-	300,000	300,000
(3,813,083)	(3,813,083)	-	(450,000)	(450,000)	-	(1,477,521)	(1,471,849)	5,672
(3,813,083)	(3,813,083)	-	(450,000)	(450,000)	-	(1,477,521)	(1,171,849)	305,672
<u>506,487</u>	<u>1,550,850</u>	<u>1,044,363</u>	<u>(493,424)</u>	<u>(104,424)</u>	<u>389,000</u>	<u>(631,151)</u>	<u>(499,131)</u>	<u>132,020</u>
	390,201			1,785,966			522,775	
	79,272			8,437			34,909	
	<u>\$ 2,020,323</u>			<u>\$ 1,689,979</u>			<u>\$ 58,553</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, 2005

	Convention and Cultural Facilities (Fund 536)			Stores Vehicle Maintenance and Operations (Funds 551-553)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	1,825,435	1,825,435	23,723,923	20,332,383	(3,391,540)
Rent	-	4,945,163	4,945,163	-	-	-
Gifts	-	-	-	-	-	-
Interest and other revenues	8,479,200	1,721	(8,477,479)	-	3,761	3,761
Contributions from Redevelopment Agency	-	-	-	-	-	-
Total revenues	<u>8,479,200</u>	<u>6,772,319</u>	<u>(1,706,881)</u>	<u>23,723,923</u>	<u>20,336,144</u>	<u>(3,387,779)</u>
EXPENDITURES						
Current:						
General government	-	-	-	20,399,011	19,479,877	(919,134)
Community services	13,025,302	12,418,131	(607,171)	-	-	-
Public Safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	207,991	730	(207,261)	5,096,997	137,886	(4,959,111)
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	3,066,643	3,066,643
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>13,233,293</u>	<u>12,418,861</u>	<u>(814,432)</u>	<u>25,496,008</u>	<u>22,684,406</u>	<u>(2,811,602)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,754,093)</u>	<u>(5,646,542)</u>	<u>(892,449)</u>	<u>(1,772,085)</u>	<u>(2,348,262)</u>	<u>(576,177)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	7,986,561	6,158,083	(1,828,478)	-	-	-
Transfers out	<u>(400,000)</u>	<u>(208,946)</u>	<u>191,054</u>	<u>(1,689,544)</u>	<u>(1,675,000)</u>	<u>14,544</u>
Total other financing sources (uses)	<u>7,586,561</u>	<u>5,949,137</u>	<u>(1,637,424)</u>	<u>(1,689,544)</u>	<u>(1,675,000)</u>	<u>14,544</u>
Net change in fund balances	<u>\$ 2,832,468</u>	<u>302,595</u>	<u>(2,529,873)</u>	<u>(3,461,629)</u>	<u>(4,023,262)</u>	<u>(561,633)</u>
Fund balances - beginning		(620,081)			4,807,908	
Prior year encumbrances		382,605			2,451,522	
Fund balances - ending		<u>\$ 65,119</u>			<u>\$ 3,236,168</u>	

Nonmajor Debt Service Funds

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2005

	2001 Series E Communications Center Refunding (Fund 201)	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	\$ 207,047	233,332	1,071,846
Other investments	-	-	-
Receivables (net of allowances for uncollectibles)	1,053	1,187	5,449
Due from outside agencies	-	-	-
Total assets	<u>\$ 208,100</u>	<u>234,519</u>	<u>1,077,295</u>
LIABILITIES			
Accounts payable	-	-	-
Advances from other funds	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for encumbrances	-	-	-
Reserved for debt service	208,100	234,519	1,077,295
Total fund balances	<u>208,100</u>	<u>234,519</u>	<u>1,077,295</u>
Total liabilities and fund balances	<u>\$ 208,100</u>	<u>234,519</u>	<u>1,077,295</u>

1993 COP Accelerated Street Improvements (Fund 205)	2000 Series C Ice Centre Refunding (Fund 206)	2001-2005 GO Bonds Parks & Libraries (Fund 209)	San José Financing Authority	Totals
-	354,804	18,946,254	78,971	20,892,254
-	-	127,869	92,277,523	92,405,392
-	3,573	192,752	688	204,702
-	-	20,838	-	20,838
-	358,377	19,287,713	92,357,182	113,523,186
-	9,921	-	34,435	44,356
-	-	-	3,676,030	3,676,030
-	-	-	32,897,232	32,897,232
-	9,921	-	36,607,697	36,617,618
-	-	-	110,853	110,853
-	348,456	19,287,713	55,638,632	76,794,715
-	348,456	19,287,713	55,749,485	76,905,568
-	358,377	19,287,713	92,357,182	113,523,186

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2005

	2001 Series E Communications Center Refunding (Fund 201)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)
REVENUES			
Property taxes	\$ -	-	-
Interest and other revenues	2,477	4,393	18,175
Total revenues	<u>2,477</u>	<u>4,393</u>	<u>18,175</u>
EXPENDITURES			
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	2,300	-
Bond issuance costs	-	-	-
Total expenditures	<u>-</u>	<u>2,300</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	<u>2,477</u>	<u>2,093</u>	<u>18,175</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Bond premium	-	-	-
Transfers in	2,374,534	217,048	1,136,876
Transfers out	<u>(2,308,983)</u>	<u>(211,373)</u>	<u>(1,126,997)</u>
Total other financing sources (uses)	<u>65,551</u>	<u>5,675</u>	<u>9,879</u>
Net change in fund balances	68,028	7,768	28,054
Fund balances - beginning	<u>140,072</u>	<u>226,751</u>	<u>1,049,241</u>
Fund balances - ending	<u>\$ 208,100</u>	<u>234,519</u>	<u>1,077,295</u>

1993 COPS Accelerated Street Improvements (Fund 205)	2000 Series C Ice Centre Refunding (Fund 206)	2001-05 GO Bonds Parks & Libraries (Fund 209)	San José Financing Authority	Totals
-	-	23,647,350	-	23,647,350
61	28,078	162,102	1,604,725	1,820,011
<u>61</u>	<u>28,078</u>	<u>23,809,452</u>	<u>1,604,725</u>	<u>25,467,361</u>
-	-	6,240,000	8,300,000	14,540,000
-	-	11,841,868	29,433,528	41,277,696
-	-	1,602,137	1,243,061	2,845,198
<u>-</u>	<u>-</u>	<u>19,684,005</u>	<u>38,976,589</u>	<u>58,662,894</u>
61	28,078	4,125,447	(37,371,864)	(33,195,533)
-	-	-	6,782,500	6,782,500
-	-	2,731,532	-	2,731,532
-	666,750	-	28,382,647	32,777,855
<u>(7,108)</u>	<u>(1,726,127)</u>	<u>(29,297)</u>	<u>(14,200,167)</u>	<u>(19,610,052)</u>
<u>(7,108)</u>	<u>(1,059,377)</u>	<u>2,702,235</u>	<u>20,964,980</u>	<u>22,681,835</u>
(7,047)	(1,031,299)	6,827,682	(16,406,884)	(10,513,698)
<u>7,047</u>	<u>1,379,755</u>	<u>12,460,031</u>	<u>72,156,369</u>	<u>87,419,266</u>
<u>-</u>	<u>348,456</u>	<u>19,287,713</u>	<u>55,749,485</u>	<u>76,905,568</u>

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Nonmajor Capital Project Funds

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2005

	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	\$ 10,798	96,801	445,374
Receivables (net of allowance for uncollectibles)	3,097	492	20
Due from other funds	-	-	-
Loans receivable, net	-	-	-
Advances and deposits	-	-	4,472
Total current assets	13,895	97,293	449,866
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	-
Other investments	-	-	-
Total assets	13,895	97,293	449,866
LIABILITIES			
Accounts payable	-	-	-
Accrued salaries, wages and payroll taxes	-	-	-
Due to other funds	-	-	-
Advances from other funds	2,353,918	-	-
Total liabilities	2,353,918	-	-
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	-
Noncurrent advances and loans	-	-	4,472
Unreserved:			
Undesignated	(2,340,023)	97,293	445,394
Total fund balance	(2,340,023)	97,293	449,866
Total liabilities and fund balance	\$ 13,895	97,293	449,866

Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	2,644,268	32,248
-	-	101,580	164
-	-	16,814,721	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>19,560,569</u>	<u>32,412</u>
-	-	-	-
6,575,354	2,292,643	-	-
<u>6,575,354</u>	<u>2,292,643</u>	<u>19,560,569</u>	<u>32,412</u>
656,938	-	963,233	-
3,977	1,017	82,458	-
4,203,688	1,552,563	-	-
-	-	-	-
<u>4,864,603</u>	<u>1,553,580</u>	<u>1,045,691</u>	<u>-</u>
19,696,951	22,001	8,582,994	-
-	-	-	-
(17,986,200)	717,062	9,931,884	32,412
<u>1,710,751</u>	<u>739,063</u>	<u>18,514,878</u>	<u>32,412</u>
<u>6,575,354</u>	<u>2,292,643</u>	<u>19,560,569</u>	<u>32,412</u>

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2005

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 464, 465, 470)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 92,731	-	2,994,942
Receivables (net of allowance for uncollectibles)	471	-	762,929
Due from other funds	-	-	20,968,816
Loans receivable, net	-	-	2,041,112
Advances and deposits	-	-	92,500
Total current assets	<u>93,202</u>	<u>-</u>	<u>26,860,299</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	89,050
Other investments	-	2	-
Total assets	<u>93,202</u>	<u>2</u>	<u>26,949,349</u>
LIABILITIES			
Accounts payable	-	9,300	262,964
Accrued salaries, wages and payroll taxes	-	976	168,198
Due to other funds	-	5,119	-
Advances from other funds	-	-	-
Total liabilities	<u>-</u>	<u>15,395</u>	<u>431,162</u>
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	2,618,623
Noncurrent advances and loans	-	-	2,133,612
Unreserved:			
Undesignated	93,202	(15,393)	21,765,952
Total fund balance	<u>93,202</u>	<u>(15,393)</u>	<u>26,518,187</u>
Total liabilities and fund balance	<u>\$ 93,202</u>	<u>2</u>	<u>26,949,349</u>

Park Center Project Contingency (Fund 466)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Civic Center Improvement (Fund 473)	Neighborhood Security Bond Projects (Fund 475)
146,672	-	-	-	-
746	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	59,700	-	-
<u>147,418</u>	<u>-</u>	<u>59,700</u>	<u>-</u>	<u>-</u>
-	18,898,940	4,742,732	-	13,386,854
-	58,741,925	82,401,372	-	63,581,280
<u>147,418</u>	<u>77,640,865</u>	<u>87,203,804</u>	<u>-</u>	<u>76,968,134</u>
-	2,056,503	5,595,477	2,820,117	169,368
-	67,654	64,845	-	53,416
-	7,601,953	9,212,768	6,784,158	10,783,084
-	-	-	-	-
<u>-</u>	<u>9,726,110</u>	<u>14,873,090</u>	<u>9,604,275</u>	<u>11,005,868</u>
-	16,209,210	29,263,699	6,508,892	2,194,665
-	-	59,700	-	-
<u>147,418</u>	<u>51,705,545</u>	<u>43,007,315</u>	<u>(16,113,167)</u>	<u>63,767,601</u>
<u>147,418</u>	<u>67,914,755</u>	<u>72,330,714</u>	<u>(9,604,275)</u>	<u>65,962,266</u>
<u>147,418</u>	<u>77,640,865</u>	<u>87,203,804</u>	<u>-</u>	<u>76,968,134</u>

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2005

	City Hall Renovation Construction (Fund 485)	San José Financing Authority (Fund 858-859)	Totals
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ -	-	6,463,834
Receivables (net of allowance for uncollectibles)	-	-	869,499
Due from other funds	-	-	37,783,537
Loans receivable, net	-	-	2,041,112
Advances and deposits	-	-	156,672
Total current assets	<u>-</u>	<u>-</u>	<u>47,314,654</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	37,117,576
Other investments	-	20,272,099	233,864,675
Total assets	<u>-</u>	<u>20,272,099</u>	<u>318,296,905</u>
LIABILITIES			
Accounts payable	-	-	12,533,900
Accrued salaries, wages and payroll taxes	-	-	442,541
Due to other funds	-	99,045	40,242,378
Advances from other funds	-	-	2,353,918
Total liabilities	<u>-</u>	<u>99,045</u>	<u>55,572,737</u>
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	85,097,035
Noncurrent advances and loans	-	-	2,197,784
Unreserved:			
Undesignated	-	20,173,054	175,429,349
Total fund balance	<u>-</u>	<u>20,173,054</u>	<u>262,724,168</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>20,272,099</u>	<u>318,296,905</u>

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City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For The Year Ended June 30, 2005

	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	17,825	2,003	95
Other revenues	-	-	-
Total revenues	<u>17,825</u>	<u>2,003</u>	<u>95</u>
EXPENDITURES			
Current:			
Capital maintenance	-	-	3,507
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>3,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,825</u>	<u>2,003</u>	<u>(3,412)</u>
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	17,825	2,003	(3,412)
Fund balances - beginning	(2,357,848)	95,290	453,278
Fund balances - ending	<u>\$ (2,340,023)</u>	<u>97,293</u>	<u>449,866</u>

Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	-	-
14,839,031	-	-	-
-	-	-	-
133,437	33,445	416,280	667
-	-	-	-
<u>14,972,468</u>	<u>33,445</u>	<u>416,280</u>	<u>667</u>
-	89,322	8,358,646	-
2,691,574	-	5,245,908	-
<u>2,691,574</u>	<u>89,322</u>	<u>13,604,554</u>	<u>-</u>
<u>12,280,894</u>	<u>(55,877)</u>	<u>(13,188,274)</u>	<u>667</u>
-	-	-	-
1,653,268	4,551	14,236,031	-
(15,021,637)	-	(2,639,141)	-
<u>(13,368,369)</u>	<u>4,551</u>	<u>11,596,890</u>	<u>-</u>
(1,087,475)	(51,326)	(1,591,384)	667
2,798,226	790,389	20,106,262	31,745
<u>1,710,751</u>	<u>739,063</u>	<u>18,514,878</u>	<u>32,412</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, 2005

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 464, 465, 470)
REVENUES			
Taxes	\$ -	-	15,271,947
Intergovernmental	-	-	1,017,524
Charges for current services	-	-	291,048
Interest and other revenues:			
Interest	1,918	6	571,490
Other revenues	-	-	1,258,550
Total revenues	<u>1,918</u>	<u>6</u>	<u>18,410,559</u>
EXPENDITURES			
Current:			
Capital maintenance	-	52,100	13,032,159
Capital outlay	-	21,596	2,131,606
Total expenditures	<u>-</u>	<u>73,696</u>	<u>15,163,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,918</u>	<u>(73,690)</u>	<u>3,246,794</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	58,297	-
Transfers out	-	-	(8,754,000)
Total other financing sources (uses)	<u>-</u>	<u>58,297</u>	<u>(8,754,000)</u>
Net change in fund balances	1,918	(15,393)	(5,507,206)
Fund balances - beginning	91,284	-	32,025,393
Fund balances - ending	<u>\$ 93,202</u>	<u>(15,393)</u>	<u>26,518,187</u>

Park Center Project Contingency (Fund 466)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Civic Center Improvement (Fund 473)	Neighborhood Security Bond Projects (Fund 475)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,036	1,722,773	1,529,968	1,874	975,304
-	-	-	-	-
<u>3,036</u>	<u>1,722,773</u>	<u>1,529,968</u>	<u>1,874</u>	<u>975,304</u>
-	-	-	-	2,410,630
-	21,779,731	33,306,410	16,301,722	2,117,350
-	<u>21,779,731</u>	<u>33,306,410</u>	<u>16,301,722</u>	<u>4,527,980</u>
<u>3,036</u>	<u>(20,056,958)</u>	<u>(31,776,442)</u>	<u>(16,299,848)</u>	<u>(3,552,676)</u>
-	46,000,000	79,600,000	-	39,400,000
-	11,426	14,355	7,774,676	3,516
-	-	-	(65,000)	-
-	<u>46,011,426</u>	<u>79,614,355</u>	<u>7,709,676</u>	<u>39,403,516</u>
3,036	25,954,468	47,837,913	(8,590,172)	35,850,840
144,382	41,960,287	24,492,801	(1,014,103)	30,111,426
<u>147,418</u>	<u>67,914,755</u>	<u>72,330,714</u>	<u>(9,604,275)</u>	<u>65,962,266</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, 2005

	City Hall Renovation Construction (Fund 485)	San José Financing Authority (Fund 858-859)	Totals
REVENUES			
Taxes	\$ -	-	15,271,947
Intergovernmental	-	-	15,856,555
Charges for current services	-	-	291,048
Interest and other revenues:			
Interest	895	131,208	5,542,224
Other revenues	-	-	1,258,550
Total revenues	<u>895</u>	<u>131,208</u>	<u>38,220,324</u>
EXPENDITURES			
Current:			
Capital maintenance	-	4,178,448	28,124,812
Capital outlay	-	56,242,500	139,838,397
Total expenditures	<u>-</u>	<u>60,420,948</u>	<u>167,963,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>895</u>	<u>(60,289,740)</u>	<u>(129,742,885)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	73,242,500	238,242,500
Transfers in	-	1,470	23,757,590
Transfers out	(66,534)	(597,176)	(27,143,488)
Total other financing sources (uses)	<u>(66,534)</u>	<u>72,646,794</u>	<u>234,856,602</u>
Net change in fund balances	(65,639)	12,357,054	105,113,717
Fund balances - beginning	65,639	7,816,000	157,610,451
Fund balances - ending	<u>\$ -</u>	<u>20,173,054</u>	<u>262,724,168</u>

Trust and Agency Funds

City of San José
Pension Trust Funds
Combining Statement of Pension Net Assets
June 30, 2005

	Federated Retirement System (Fund 134 and 140)	Police and Fire Plan (Fund 135 and 141)	Totals
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,531,079,958	2,149,219,962	3,680,299,920
Securities lending collateral	167,350,443	369,577,454	536,927,897
Receivables (net of allowance for uncollectables):			
Accrued investment income	6,230,387	8,531,951	14,762,338
Employee contributions	574,431	744,851	1,319,282
Employer contributions	1,622,871	1,641,207	3,264,078
Due from brokers	40,594,527	27,503,575	68,098,102
Other	2,909,807	1,274,989	4,184,796
Total assets	<u>1,750,362,424</u>	<u>2,558,493,989</u>	<u>4,308,856,413</u>
LIABILITIES			
Accounts payable:			
Refund to terminated employees	134,762	38,540	173,302
Due to brokers	69,240,508	84,527,815	153,768,323
Securities lending collateral, due to borrowers	167,350,443	369,577,454	536,927,897
Advances, deposits, and reimbursable credits	100,274	343,770	444,044
Other liabilities	1,373,415	4,230,244	5,603,659
Total liabilities	<u>238,199,402</u>	<u>458,717,823</u>	<u>696,917,225</u>
NET ASSETS HELD IN TRUST FUND FOR:			
Employees' pension benefits	1,433,328,433	2,062,697,144	3,496,025,577
Employees' post employment health care benefits	78,834,589	37,079,022	115,913,611
Net assets held in trust	<u>\$ 1,512,163,022</u>	<u>2,099,776,166</u>	<u>3,611,939,188</u>

City of San José
Pension Trust Funds
Combining Statement of Changes in Pension Net Assets
Year Ended June 30, 2005

	Federated Retirement System (Fund 134 and 140)	Police and Fire Plan (Fund 135 and 141)	Totals
ADDITIONS			
Investment income:			
Interest	\$ 24,884,110	29,059,620	53,943,730
Dividends	6,100,444	21,238,616	27,339,060
Net rental income	8,543,893	6,611,583	15,155,476
Net appreciation in fair value of plan investments	86,952,822	156,324,089	243,276,911
Investment expenses	(4,537,911)	(8,017,172)	(12,555,083)
Securities lending activities:			
Securities lending income	2,754,562	5,843,156	8,597,718
Securities lending expenses	(2,541,060)	(5,185,375)	(7,726,435)
Contributions:			
Employer	47,547,806	48,252,699	95,800,505
Employees	17,611,636	21,913,273	39,524,909
Total additions	<u>187,316,302</u>	<u>276,040,489</u>	<u>463,356,791</u>
DEDUCTIONS			
General and administrative	1,681,432	1,648,940	3,330,372
Health insurance	13,394,684	11,092,130	24,486,814
Refunds to terminated employees	925,920	425,679	1,351,599
Retirement and other benefits paid:			
Death benefits paid	5,436,713	4,225,762	9,662,475
Retirement benefits paid	60,438,580	69,105,972	129,544,552
Total deductions	<u>81,877,329</u>	<u>86,498,483</u>	<u>168,375,812</u>
Net increase	105,438,973	189,542,006	294,980,979
Net assets held in trust for pension and post employment healthcare benefits			
Beginning of year	1,406,724,049	1,910,234,160	3,316,958,209
End of year	<u>\$ 1,512,163,022</u>	<u>2,099,776,166</u>	<u>3,611,939,188</u>

City of San José
Federated Retirement System
Combining Statement of Defined Benefit
and Postemployment Healthcare Plan Net Assets
June 30, 2005

	Federated Retirement (Fund 134)		
	<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 134</u>
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,071,382,855	79,567,996	1,150,950,851
Securities lending collateral	119,112,258	8,846,066	127,958,324
Receivables (net of allowance for uncollectables):			
Accrued investment income	4,438,890	329,661	4,768,551
Employee contributions	318,497	170,623	489,120
Employer contributions	1,150,797	204,755	1,355,552
Due from brokers	28,893,296	2,145,807	31,039,103
Other	2,080,391	154,504	2,234,895
Total assets	<u>1,227,376,984</u>	<u>91,419,412</u>	<u>1,318,796,396</u>
LIABILITIES			
Accounts payable:			
Refund to terminated employees	105,641	-	105,641
Due to brokers	49,282,172	3,660,021	52,942,193
Securities lending collateral, due to borrowers	119,112,258	8,846,066	127,958,324
Advances, deposits and reimbursable credits	73,122	5,431	78,553
Other liabilities	987,069	73,305	1,060,374
Total liabilities	<u>169,560,262</u>	<u>12,584,823</u>	<u>182,145,085</u>
NET ASSETS HELD IN TRUST FOR:			
Employees' pension benefits	1,057,816,722	-	1,057,816,722
Employees' post employment healthcare benefits	-	78,834,589	78,834,589
Net assets held in trust	<u>\$ 1,057,816,722</u>	<u>78,834,589</u>	<u>1,136,651,311</u>

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

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
380,129,107	-	380,129,107	1,531,079,958
39,392,119	-	39,392,119	167,350,443
1,461,836	-	1,461,836	6,230,387
85,311	-	85,311	574,431
267,319	-	267,319	1,622,871
9,555,424	-	9,555,424	40,594,527
674,912	-	674,912	2,909,807
431,566,028	-	431,566,028	1,750,362,424
29,121	-	29,121	134,762
16,298,315	-	16,298,315	69,240,508
39,392,119	-	39,392,119	167,350,443
21,721	-	21,721	100,274
313,041	-	313,041	1,373,415
56,054,317	-	56,054,317	238,199,402
375,511,711	-	375,511,711	1,433,328,433
-	-	-	78,834,589
375,511,711	-	375,511,711	1,512,163,022

City of San José
Federated Retirement System
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Net Plan Assets
Year Ended June 30, 2005

	Federated Retirement (Fund 134)		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
ADDITIONS			
Investment income:			
Interest	\$ 17,707,788	1,331,936	19,039,724
Dividends	4,340,568	326,487	4,667,055
Net rental income	6,094,878	458,442	6,553,320
Net appreciation in fair value of plan investments	61,915,085	4,657,100	66,572,185
Investment expenses	(3,250,125)	(244,466)	(3,494,591)
Securities lending activities:			
Securities lending income	1,959,556	147,393	2,106,949
Securities lending expenses	(1,807,673)	(135,969)	(1,943,642)
Contributions:			
Employer	33,698,143	5,995,716	39,693,859
Employee	9,741,409	5,218,612	14,960,021
Total additions	<u>130,399,629</u>	<u>17,755,251</u>	<u>148,154,880</u>
DEDUCTIONS			
General and administrative	1,260,551	94,816	1,355,367
Health insurance	-	13,394,684	13,394,684
Refunds to terminated employees	726,161	-	726,161
Retirement and other benefits paid:			
Death benefits paid	3,452,968	-	3,452,968
Retirement benefits paid	48,790,308	-	48,790,308
Total deductions	<u>54,229,988</u>	<u>13,489,500</u>	<u>67,719,488</u>
Net increase	76,169,641	4,265,751	80,435,392
Net assets held in trust for pension and post employment healthcare benefits			
Beginning of year	981,647,081	74,568,838	1,056,215,919
End of year	<u>\$ 1,057,816,722</u>	<u>78,834,589</u>	<u>1,136,651,311</u>

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

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
5,844,386	-	5,844,386	24,884,110
1,433,389	-	1,433,389	6,100,444
1,990,573	-	1,990,573	8,543,893
20,380,637	-	20,380,637	86,952,822
(1,043,320)	-	(1,043,320)	(4,537,911)
647,613	-	647,613	2,754,562
(597,418)	-	(597,418)	(2,541,060)
7,853,947	-	7,853,947	47,547,806
2,651,615	-	2,651,615	17,611,636
<u>39,161,422</u>	<u>-</u>	<u>39,161,422</u>	<u>187,316,302</u>
326,065	-	326,065	1,681,432
-	-	-	13,394,684
199,759	-	199,759	925,920
1,983,745	-	1,983,745	5,436,713
11,648,272	-	11,648,272	60,438,580
<u>14,157,841</u>	<u>-</u>	<u>14,157,841</u>	<u>81,877,329</u>
25,003,581	-	25,003,581	105,438,973
350,508,130	-	350,508,130	1,406,724,049
<u>375,511,711</u>	<u>-</u>	<u>375,511,711</u>	<u>1,512,163,022</u>

City of San José
Police and Fire Retirement Plan
Combining Statement of
Defined Benefit and Postemployment Healthcare Plan Net Assets
June 30, 2005

	Police and Fire Retirement (Fund 135)		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,503,052,736	37,576,803	1,540,629,539
Securities lending collateral	258,061,555	6,451,622	264,513,177
Receivables (net of allowance for uncollectables):			
Accrued investment income	5,965,265	149,134	6,114,399
Employee contributions	393,783	192,887	586,670
Employer contributions	953,756	218,249	1,172,005
Due from brokers	19,012,511	475,319	19,487,830
Other	890,267	22,257	912,524
Total assets	1,788,329,873	45,086,271	1,833,416,144
LIABILITIES			
Accounts payable:			
Refunds payable to terminated employees	29,754	-	29,754
Due to brokers	58,830,319	1,470,777	60,301,096
Securities lending collateral, due to borrowers	258,061,555	6,451,622	264,513,177
Advances, deposits and reimbursable credits	259,502	6,486	265,988
Other liabilities	3,134,580	78,364	3,212,944
Total liabilities	320,315,710	8,007,249	328,322,959
NET ASSETS HELD IN TRUST FOR:			
Employees' pension benefits	1,468,014,163	-	1,468,014,163
Employees' post employment healthcare bene	-	37,079,022	37,079,022
Net assets held in trust	\$ 1,468,014,163	37,079,022	1,505,093,185

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

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 141	Totals
608,590,423	-	608,590,423	2,149,219,962
105,064,277	-	105,064,277	369,577,454
2,417,552	-	2,417,552	8,531,951
158,181	-	158,181	744,851
469,202	-	469,202	1,641,207
8,015,745	-	8,015,745	27,503,575
362,465	-	362,465	1,274,989
<u>725,077,845</u>	<u>-</u>	<u>725,077,845</u>	<u>2,558,493,989</u>
8,786	-	8,786	38,540
24,226,719	-	24,226,719	84,527,815
105,064,277	-	105,064,277	369,577,454
77,782	-	77,782	343,770
1,017,300	-	1,017,300	4,230,244
<u>130,394,864</u>	<u>-</u>	<u>130,394,864</u>	<u>458,717,823</u>
594,682,981	-	594,682,981	2,062,697,144
-	-	-	37,079,022
<u>594,682,981</u>	<u>-</u>	<u>594,682,981</u>	<u>2,099,776,166</u>

City of San José
Police and Fire Retirement Plan
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Plan Net Assets
Year Ended June 30, 2005

	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	\$ 20,325,261	503,257	20,828,518
Dividends	14,857,730	367,880	15,225,610
Net rental income	4,676,641	115,795	4,792,436
Net appreciation in fair value of plan investments	108,852,203	2,695,201	111,547,404
Investment expenses	(5,653,568)	(139,983)	(5,793,551)
Securities lending activities:			
Securities lending income	4,087,954	101,219	4,189,173
Securities lending expenses	(3,627,686)	(89,822)	(3,717,508)
Contributions:			
Employer	28,047,055	6,418,046	34,465,101
Employees	11,582,822	5,673,620	17,256,442
Total additions	<u>183,148,412</u>	<u>15,645,213</u>	<u>198,793,625</u>
DEDUCTIONS			
General and administrative	1,288,254	31,897	1,320,151
Health insurance	-	11,092,130	11,092,130
Refunds to terminated employees	327,907	-	327,907
Retirement and other benefits paid:			
Death benefits paid	2,454,988	-	2,454,988
Retirement benefits paid	55,501,860	-	55,501,860
Total deductions	<u>59,573,009</u>	<u>11,124,027</u>	<u>70,697,036</u>
Net increase	123,575,403	4,521,186	128,096,589
Net assets held in trust for pension and post employment healthcare benefits			
Beginning of year	1,344,438,760	32,557,836	1,376,996,596
End of year	<u>\$ 1,468,014,163</u>	<u>37,079,022</u>	<u>1,505,093,185</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>
8,231,102	-	8,231,102	29,059,620
6,013,006	-	6,013,006	21,238,616
1,819,147	-	1,819,147	6,611,583
44,776,685	-	44,776,685	156,324,089
(2,223,621)	-	(2,223,621)	(8,017,172)
1,653,983	-	1,653,983	5,843,156
(1,467,867)	-	(1,467,867)	(5,185,375)
13,787,598	-	13,787,598	48,252,699
4,656,831	-	4,656,831	21,913,273
<u>77,246,864</u>	<u>-</u>	<u>77,246,864</u>	<u>276,040,489</u>
328,789	-	328,789	1,648,940
-	-	-	11,092,130
97,772	-	97,772	425,679
1,770,774	-	1,770,774	4,225,762
13,604,112	-	13,604,112	69,105,972
<u>15,801,447</u>	<u>-</u>	<u>15,801,447</u>	<u>86,498,483</u>
61,445,417	-	61,445,417	189,542,006
533,237,564	-	533,237,564	1,910,234,160
<u>594,682,981</u>	<u>-</u>	<u>594,682,981</u>	<u>2,099,776,166</u>

City of San José
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2005

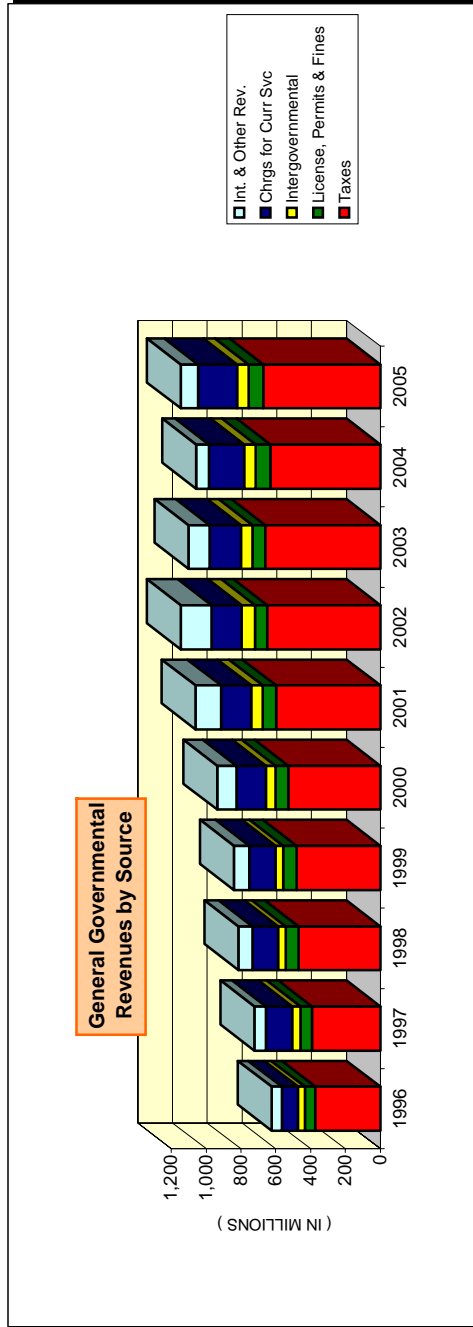
	Municipal Health Services	Arena Capital Reserve	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 828,723	1,663,280	2,492,003
Receivables (net of allowances for uncollectibles):			
Accrued interest	4,274	8,456	12,730
Total assets	832,997	1,671,736	2,504,733
LIABILITIES			
Accounts payable	1,252	-	1,252
Accrued salaries, wages, and payroll taxes	7,101	-	7,101
Other liabilities	824,644	1,671,736	2,496,380
Total liabilities	\$ 832,997	1,671,736	2,504,733

City of San José
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2005

Municipal Health Services (Fund 132)	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 2,812,413	4,582,230	6,565,920	828,723
Receivables (net of allowances for uncollectibles):				
Accrued interest	13,406	4,274	13,406	4,274
Total assets	<u>2,825,819</u>	<u>4,586,504</u>	<u>6,579,326</u>	<u>832,997</u>
LIABILITIES				
Accounts payable	1,370,393	4,900,874	6,270,015	1,252
Accrued salaries, wages, and payroll taxes	8,926	7,101	8,926	7,101
Other liabilities	1,446,500	4,548,882	5,170,738	824,644
Total liabilities	<u>\$ 2,825,819</u>	<u>9,456,857</u>	<u>11,449,679</u>	<u>832,997</u>
Arena Capital Reserve (Fund 459)				
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 1,629,456	56,505	22,681	1,663,280
Receivables (net of allowances for uncollectibles):				
Accrued interest	7,861	8,456	7,861	8,456
Total assets	<u>1,637,317</u>	<u>64,961</u>	<u>30,542</u>	<u>1,671,736</u>
LIABILITIES				
Accounts payable	-	-	-	-
Other liabilities	1,637,317	34,419	-	1,671,736
Total liabilities	<u>\$ 1,637,317</u>	<u>34,419</u>	<u>-</u>	<u>1,671,736</u>
Total Agency Funds				
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 4,441,869	4,638,735	6,588,601	2,492,003
Receivables (net of allowances for uncollectibles):				
Accrued interest	21,267	12,730	21,267	12,730
Total assets	<u>4,463,136</u>	<u>4,651,465</u>	<u>6,609,868</u>	<u>2,504,733</u>
LIABILITIES				
Accounts payable	1,370,393	4,900,874	6,270,015	1,252
Accrued salaries, wages, and payroll taxes	8,926	7,101	8,926	7,101
Other liabilities	3,083,817	4,583,301	5,170,738	2,496,380
Total liabilities	<u>\$ 4,463,136</u>	<u>9,491,276</u>	<u>11,449,679</u>	<u>2,504,733</u>

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

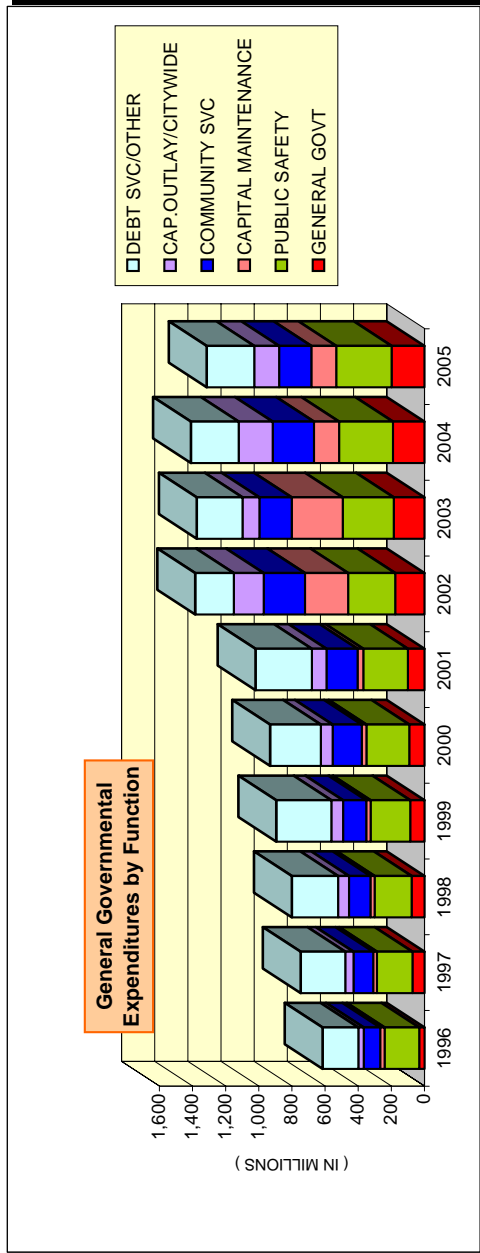


Fiscal	Taxes		Licenses, Permits & Fines		Charges for Current Services		Interest & Other		Total
	Total	% of Total	Total	% of Total	Total	% of Total	Revenue	% of Total	
1996	\$371,810	59.5%	\$61,396	9.8%	\$93,606	15.0%	\$58,446	9.4%	\$624,447
1997	390,469	54.1%	66,557	9.2%	147,882	20.5%	66,614	9.2%	722,353
1998	467,995	57.4%	73,433	9.0%	149,744	18.4%	78,882	9.7%	815,053
1999	481,990	57.2%	73,919	8.8%	153,944	18.3%	88,203	10.5%	842,271
2000	526,659	56.2%	75,641	8.1%	167,232	17.9%	112,018	12.0%	936,693
2001	596,790	56.3%	79,143	7.5%	172,720	16.3%	145,768	13.7%	1,060,265
2002	648,707	56.5%	70,803	6.2%	173,727	15.1%	179,207	15.6%	1,148,189
2003	659,178	59.8%	73,687	6.7%	177,366	16.1%	122,274	11.1%	1,101,857
2004	632,769	59.9%	83,631	7.9%	202,816	19.2%	71,914	6.8%	1,057,063
2005	670,816	58.5%	86,518	7.5%	225,106	19.6%	98,910	8.6%	1,146,845

(1) Pre-GASB 34 implementation, the schedule includes General, Special Revenue and Debt Service Funds.

(2) Post GASB 34 implementation, the schedule includes General Fund, Housing Activities Major Fund, Redevelopment Agency Major Fund, Special Assessment District Major Fund, Nonmajor Special Revenue and Nonmajor Debt Service Funds.

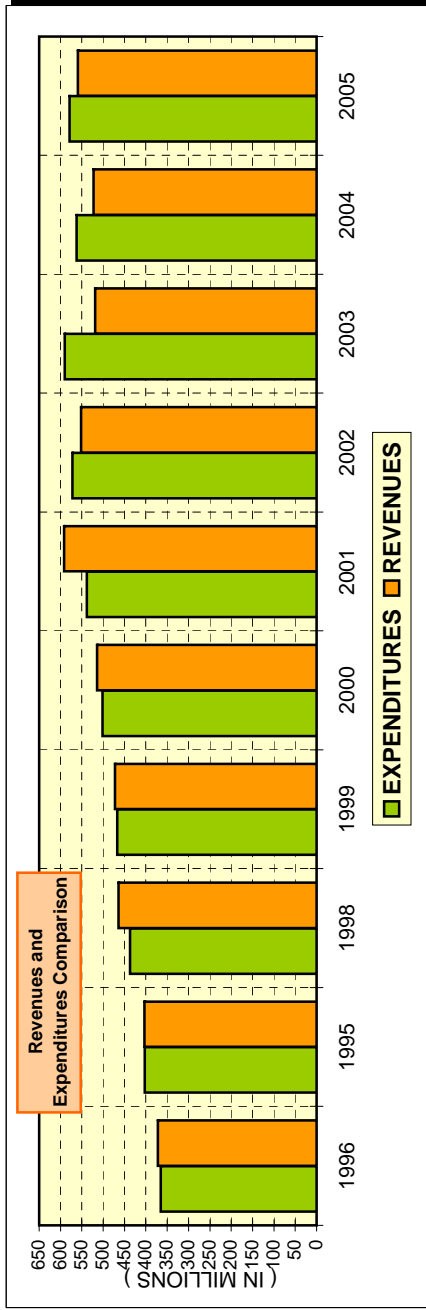
CITY OF SAN JOSE
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
 LAST TEN FISCAL YEARS
 (\$000's)



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	Other	% of Total	Total
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	\$116,532	18.9	\$615,435
1997	(1)	9.8	214,180	28.7	22,531	3.0	119,098	15.9	49,507	6.6	106,193	14.2	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	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	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	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	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	82,760	6.0	1,383,771
2003	185,256	13.5	307,992	22.4	308,116	22.4	194,959	14.2	101,845	7.4	199,361	14.5	76,799	5.6	1,374,328
2004	190,132	13.5	325,301	23.1	151,633	10.8	249,079	17.7	205,186	14.6	210,698	14.9	77,507	5.5	1,409,536
2005	198,319	15.1	334,169	25.4	150,137	11.4	194,509	14.8	150,147	11.4	197,849	15.1	89,368	6.8	1,314,498

(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)



Fiscal Year	Revenues	Expenditures	% Increase/ (Decrease)
1996	\$372,152	\$365,111	7.1
1997	403,222	402,657	10.3
1998	464,013	436,776	8.5
1999	472,132	467,288	7.0
2000	514,247	501,213	7.3
2001	591,740	538,047	7.3
2002	551,468	571,922	6.3
2003	519,017	590,169	3.2
2004	522,700	562,391	(4.7)
2005	559,421	578,765	2.9

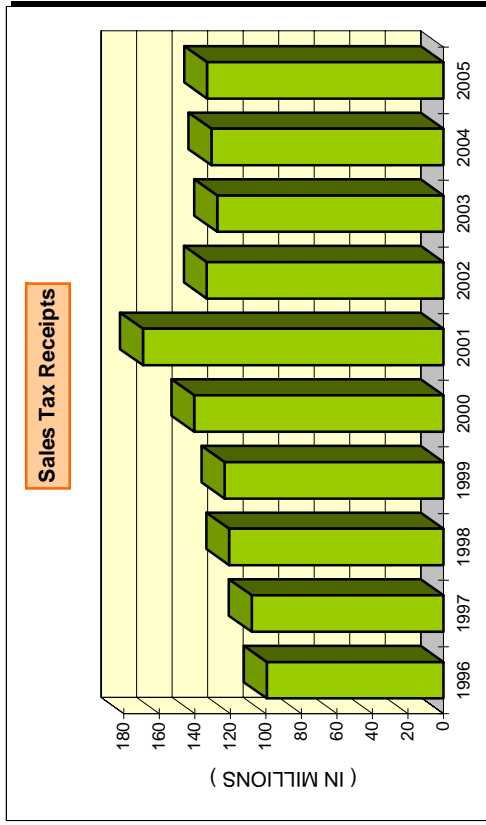
Source: Finance Department, City of San José

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
1996	\$99,558	\$13,890	16.2	\$117
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
2004	130,698	3,241	2.5	141.11
2005	133,113	2,415	1.8	143.72

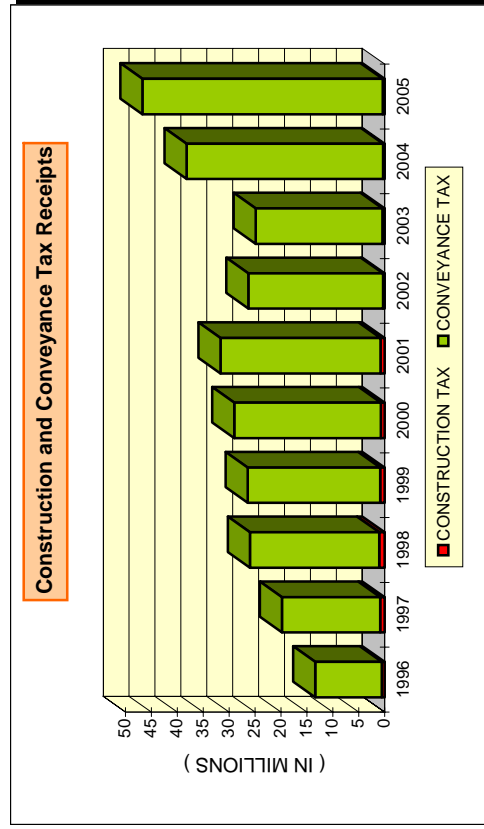


Source: Finance Department, City of San José

CONSTRUCTION AND CONVEYANCE TAXES

(COUNCIL DISTRICTS)

Fiscal Year	Construction Tax	Real Property Conveyance Tax	Total
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
2004	294	37,905	38,199
2005	360	46,324	46,684



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
					Actual Value	%	
1996	\$47,400,940	\$2,062,794	\$45,338,146	\$47,400,940	100.0 %	100.0 %	2.88%
1997	49,441,848	993,260	48,448,588	49,441,848	100.0 %	100.0 %	4.31%
1998	53,669,315	1,183,528	52,485,787	53,669,315	100.0 %	100.0 %	8.55%
1999	59,777,691	1,337,056	58,440,635	59,777,691	100.0 %	100.0 %	11.38%
2000	65,316,993	1,369,112	63,947,881	65,316,993	100.0 %	100.0 %	9.27%
2001	72,432,107	1,480,468	70,951,639	72,432,107	100.0 %	100.0 %	10.89%
2002	83,699,432	1,844,586	81,854,846	83,699,432	100.0 %	100.0 %	15.56%
2003	88,634,267	1,985,707	86,648,560	88,634,267	100.0 %	100.0 %	5.90%
2004	92,414,521	2,373,902	90,040,619	92,414,521	100.0 %	100.0 %	4.27%
2005	95,306,884	2,733,404	92,573,480	95,306,884	100.0 %	100.0 %	3.13%

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
Cisco Technology Inc.	Networking Equipment	\$ 629,418	0.68%
Hitachi Global Storage Technologies, Inc.	Hard disk drive storage	573,472	0.62%
Sobrato Development Co.	Real estate and land development	450,532	0.49%
VF Mail LLC	Real estate and land development	436,467	0.47%
Spieker Properties	Real estate and land development	374,813	0.40%
Invine Community Development Co.	Real estate and land development	295,897	0.32%
San Jose Water Works	Water services	271,554	0.29%
Carrameria Reality Corp.	Real estate and land development	255,062	0.28%
Bay Area Apartment Communities Inc.	Real estate and land development	250,043	0.27%
Mission West Properties LP	Real estate and land development	249,370	0.27%
Total assessed property valuation, local secured net		\$ 3,786,628	4.09%
Total City of San José assessed property valuation, fiscal year 2004-05		\$ 92,573,480	

Source: California Municipal Statistics, Inc.

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

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
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
2004	80,563	8,897	8,816	99.1%	85,162
2005	85,162	7,401	7,209	97.4%	79,434

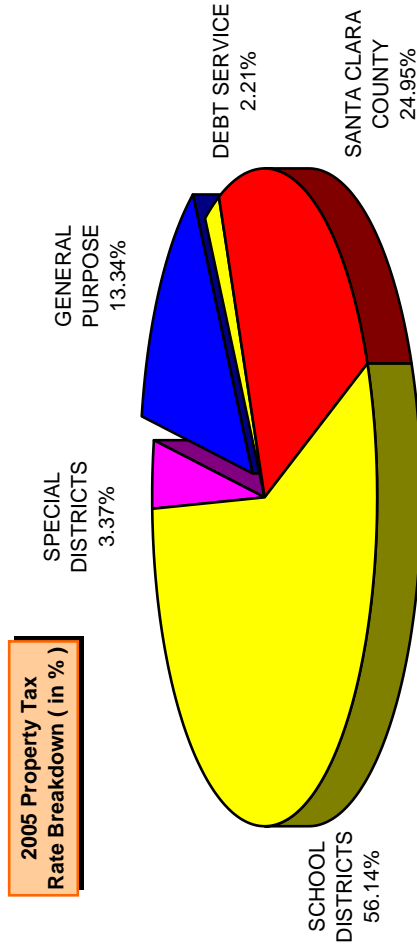
Source: Finance Department, City of San José

PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Gross Tax Levy	Current Tax Collections	% of Current Levy Collected	Total Tax Collections (Including Delinquencies)
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
2004	97,748	95,407	97.6	95,649
2005	103,465	105,486	102.0	105,702

Source: Finance Department, Santa Clara County
Finance Department, City of San José

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



Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
City of San Jose:										
General purpose	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.156	0.156
Debt service	0.000	0.000	0.000	0.000	0.000	0.000	0.009	0.019	0.026	0.026
	0.155	0.155	0.155	0.155	0.155	0.155	0.164	0.174	0.182	0.182
Santa Clara County	0.287	0.287	0.292	0.292	0.285	0.289	0.290	0.292	0.292	0.292
School districts	0.569	0.569	0.574	0.589	0.605	0.608	0.622	0.667	0.656	0.656
Special districts	0.034	0.034	0.033	0.032	0.032	0.031	0.030	0.032	0.039	0.039
	1.045	1.045	1.054	1.068	1.077	1.083	1.105	1.166	1.169	1.169

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, 2005

SCHEDULE VIII

	<u>% Applicable</u>		<u>Debt (\$)</u>
<u>Direct Debt:</u>			
City of San José General Obligation Bonds	100.000	\$	337,240,000
 Total Gross Direct Debt		 \$	 337,240,000 ⁽¹⁾
 <u>Overlapping Debt:</u>			
Santa Clara County General Fund Obligations	39.290	\$	316,374,867
Santa Clara County Board of Education Certificates of Participation	39.290		7,066,307
Santa Clara County Flood Control & Water Conservation District, Zone W-1	46.991		1,766,862
Gavilan Joint Community College District	7.933		2,379,900
San José Community College District and Certificates of Participation	Various		155,815,942
Foothill Community College District	4.600		8,524,955
San José Unified School District and Certificates of Participation	97.745		398,168,101
Morgan Hill Unified School District	21.007		14,925,002
Santa Clara Unified School District and Certificates of Participation	4.225		5,389,622
East Side Union High School District	94.569		357,673,649
Fremont Union High School District	9.807		14,063,238
Los Gatos Union School District	1.633		939,792
Los Gatos Joint Union H.S. District and Certificates of Participation	0.717		555,711
Alum Rock Union School District and Certificates of Participation	74.007		34,594,978
Berryessa Union School District	93.919		45,872,886
Burbank School District	17.658		294,006
Cambrian School District	67.235		13,934,416
Campbell Union High School District	59.488		55,880,053
Campbell Union School District	44.760		38,562,220
Cupertino Union School District and Certificates of Participation	16.364		21,557,943
Evergreen School District	99.472		84,496,193
Evergreen School District Community Facilities District #92-1	100.000		5,805,000
Franklin-McKinley School District and Certificates of Participation	98.074		69,639,728
Milpitas Unified School District	0.0003		178
Moreland School District and Certificates of Participation	75.466		55,217,915
Mount Pleasant School District	86.967		9,453,313
Oak Grove School District	99.786		71,993,163
Orchard School District	100.000		30,343,457
Union School District	72.263		53,526,119
Santa Clara Valley Water District Benefit Assessment District	39.290		74,910,314
Other Special Districts	0.018		20,583
 Total Overlapping Debt		 \$	 1,949,746,413
 Net Direct and Overlapping Debt		 \$	 2,286,986,413

<u>Debt Ratios:</u>	<u>Per Capita</u> ⁽²⁾	<u>% of Assessed Value</u> ⁽³⁾
Gross Direct Debt	\$ 356.92	0.3538%
Net Direct and Overlapping Bonded Debt	\$ 2,420.46	2.3996%

(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 1/1/2004 was 945,000

(3) 2004-2005 gross assessed value: \$95,306,884,000

CITY OF SAN JOSE
STATEMENT OF LEGAL DEBT MARGIN
JUNE 30, 2005

SCHEDULE IX

Calculation of Debt Limit

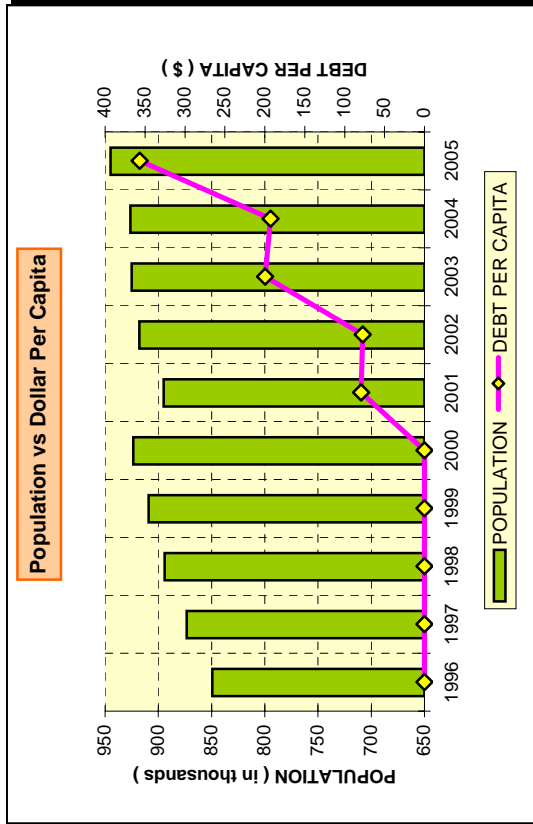
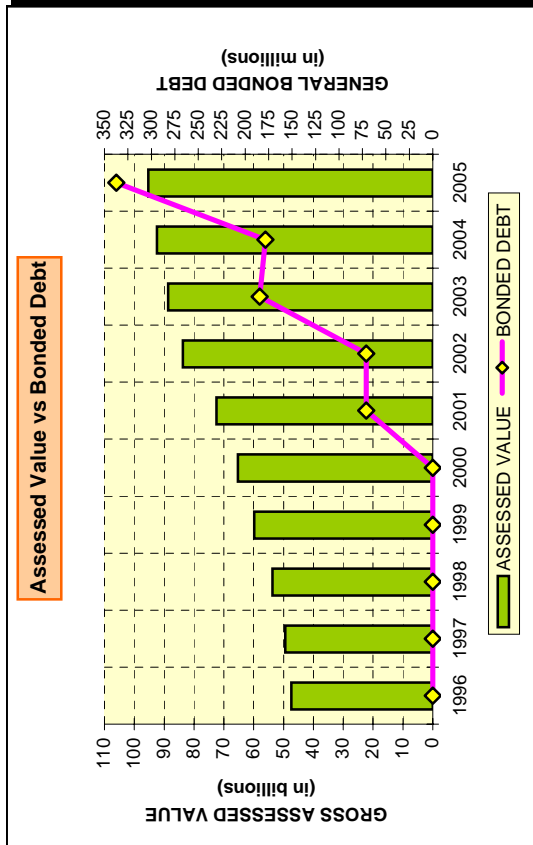
Total assessed value for fiscal year 2004-05	\$	95,306,884,000
Debt limit at 15 % of assessed value (1)		x .15
Debt limit applicable to fiscal year 2004-05	\$	<u>14,296,032,600</u>

Calculation of Legal Debt Margin

Debt limit applicable to fiscal year 2004-05	\$	14,296,032,600
Less: total general obligation bonds		<u>337,240,000</u>
Legal debt margin	\$	<u>13,958,792,600</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.

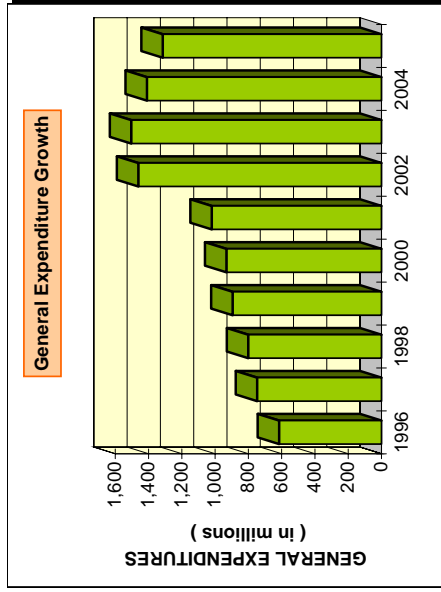
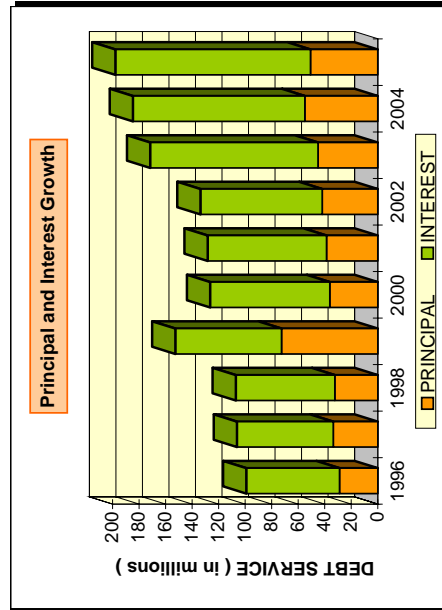
CITY OF SAN JOSE
 BONDED DEBT COMPARED TO ASSESSED VALUE AND PER CAPITA
 LAST TEN FISCAL YEARS
 (\$ 000's)



Fiscal Year	Gross Assessed Value	Tax Supported General Bonded Debt	Ratio of Debt to Assessed Value	Population	Debt Per Capita
1996	\$47,400,940	\$ -	0.0000%	849,363	\$ -
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
2004	92,414,521	178,480	0.1931%	926,200	192.70
2005	95,306,884	337,240	0.3538%	945,000	356.87

Source: Finance Department, City of San José

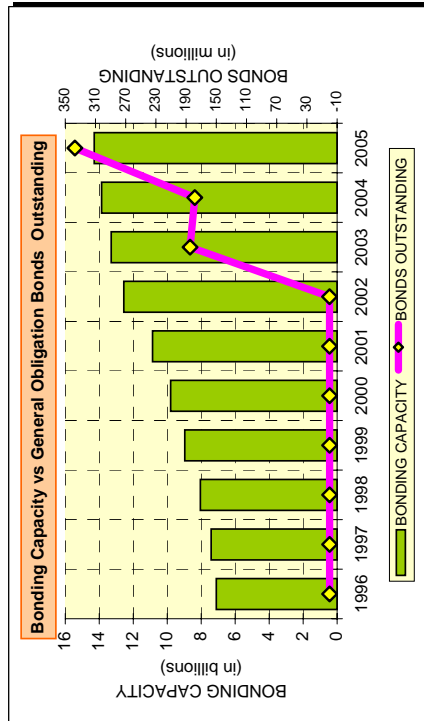
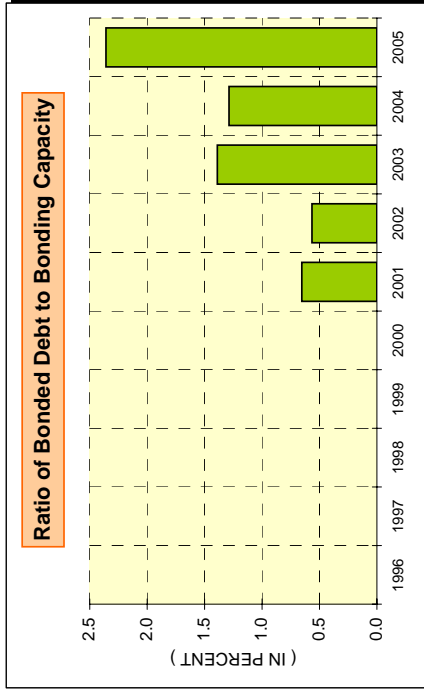
CITY OF SAN JOSE
 RATIO OF ANNUAL DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (\$000's)



Fiscal Year	Debt Service		Total General Expenditures	Debt Service to Total General Expenditures
	Principal	Interest & Fiscal Charges		
1996	\$28,889	\$70,279	\$615,435	16.11%
1997	33,591	72,601	747,263	14.21%
1998	32,398	74,657	800,805	13.37%
1999	72,595	80,036	894,846	17.06%
2000	36,205	90,203	931,975	13.56%
2001	38,649	89,611	1,019,941	12.58%
2002	41,897	91,800	1,461,471	9.15%
2003	45,056	126,531	1,503,929	11.41%
2004	54,966	129,641	1,409,536	13.10%
2005	50,752	147,097	1,314,498	15.05%

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 ⁽²⁾	Capacity ⁽¹⁾	% Bonded Debt to Bonding Capacity
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	184,720	13,295,140	1.389 %
2004	178,480	13,862,178	1.288 %
2005	337,240	14,296,033	2.359 %

(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)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$64,570	\$31,407	\$33,163	\$4,708	\$9,168	\$13,876	2.39
1997	74,453	34,486	39,967	4,938	8,888	13,826	2.89
1998	75,542	38,212	37,330	5,183	8,566	13,749	2.72
1999	85,118	44,345	40,773	5,458	7,985	13,443	3.03
2000	91,389	50,932	40,457	5,801	7,710	13,511	2.99
2001	124,537	61,248	63,289	6,041	7,382	13,423	4.71
2002	115,856	71,564	44,292	6,124	7,884	14,008	3.16
2003	127,816	73,300	54,516	6,610	11,036	17,646	3.09
2004	125,664	71,313	54,351	5,993	11,460	17,453	3.11
2005	127,425	73,654	53,771	7,608	10,324	17,932	3.00

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.

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

MUNICIPAL WATER SYSTEM

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$12,615	\$9,592	\$3,023	\$8	\$4	\$12	251.92
1997	14,944	10,683	4,261	9	3	12	355.08
1998	14,949	10,599	4,350	0	0	0	0.00
1999	14,822	9,999	4,823	0	0	0	0.00
2000	16,294	13,247	3,047	0	0	0	0.00
2001	19,526	14,644	4,882	0	0	0	0.00
2002	18,580	12,999	5,581	0	0	0	0.00
2003	18,233	13,500	4,733	0	0	0	0.00
2004	20,080	16,837	3,243	0	0	0	0.00
2005	19,494	15,989	3,505	0	0	0	0.00

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)

PARKING SYSTEM

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$5,977	\$4,127	\$1,850	\$1,025	\$107	\$1,132	1.63
1997	6,570	4,369	2,201	885	43	928	2.37
1998	6,857	4,359	2,498	250	6	256	9.76
1999	7,066	4,597	2,469	0	0	0	0.00
2000	7,680	5,093	2,587	0	0	0	0.00
2001	9,383	8,923	460	0	0	0	0.00
2002	9,134	6,443	2,691	0	0	0	0.00
2003	10,861	7,001	3,860	0	0	0	0.00
2004	9,710	7,710	2,000	0	0	0	0.00
2005	9,902	6,978	2,924	0	0	0	0.00

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	
1996	\$126,831	\$72,389	\$54,442	\$17,960	\$6,435	\$24,395	2.23
1997	127,653	80,588	47,065	7,185	8,720	15,905	2.96
1998	124,394	54,890	69,504	7,675	8,229	15,904	4.37
1999	126,552	84,662	41,890	8,775	6,737	15,512	2.70
2000	126,552	84,662	41,890	12,269	7,683	19,952	2.10
2001	121,070	80,220	40,850	12,781	7,269	20,050	2.04
2002	118,409	84,059	34,350	13,385	5,881	19,266	1.78
2003	112,333	78,798	33,535	8,994	5,365	14,379	2.33
2004	101,281	78,393	22,888	6,920	5,057	11,977	1.91
2005	119,995	87,749	32,246	7,151	5,037	12,188	2.65

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, 2005

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, 2004 (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, 2004 (see schedule XV)	945,000
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ELECTIONS

Registered voters	402,115
Votes cast (Measure S - November 2, 2004)	257,345
<i>(Source: Registrar of Voters, Santa Clara County)</i>	

PERSONNEL

	Full Time (City Funded)	Part Time Employees	Total Employees
City Council Staff	85	12	97
City Manager's Office	99	9	108
City Auditor's Office	17	4	21
City Attorney's Office	86	2	88
City Clerk's Office	12	2	14
Information Technology	109	8	117
Planning, Building & Code Enforcement Department	309	11	320
Police Department	1,699	199	1,898
Independent Police Auditor	5	-	5
Fire Department	762	4	766
Library Department	192	397	589
Finance Department	104	2	106
Employee Services	59	64	123
Airport	358	2	360
Convention, Arts and Entertainment	91	2	93
General Services Department	285	13	298
Transportation	427	25	452
Public Works Department	367	16	383
Office of Economic Development	60	-	60
Environmental Services Department	407	17	424
Parks, Recreation and Neighborhood Services	368	1,592	1,960
Housing Department	63	3	66
Retirement Services	20	1	21
Totals 6/30/2005	5,984	2,385	8,369
Totals 6/30/2004	6,175	2,344	8,519
Increase (decrease)	(191)	41	(150)

POLICE PROTECTION

Ratio of uniformed officers to 1,000 population	1.40
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CITY OF SAN JOSE
GENERAL CITY INFORMATION
JUNE 30, 2005

SCHEDULE XIV
(Concluded)

FIRE PROTECTION

Stations	31
Companies	43
Pieces of equipment	106

BUILDING PERMITS

	<u>Number Issued</u>	<u>Value</u>
New buildings	1,206	\$ 532,785,367
Building alterations	8,547	\$ 273,798,097

BUSINESS TAX CERTIFICATES

Number of certificates	55,362
Value	\$ 38,176,483

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)	8,258
Number of passengers (annual)	11,000,613
Number of commercial airlines	14
Number of cargo airlines	4

PARKING

Number of meters	2,218
Parking lots	17 (2,593 total spaces)
Parking garages	5 (4,729 total spaces)

RECREATION

Park sites	3,672
Park acreage	3,600
Playgrounds - schools	515
Playgrounds - parks	195
Community centers	21
Senior centers	5
Swimming pools (schools not included)	6
Tennis courts - schools	187
Tennis courts - parks	77
Golf courses	3
Sports centers	4
Youth centers	6

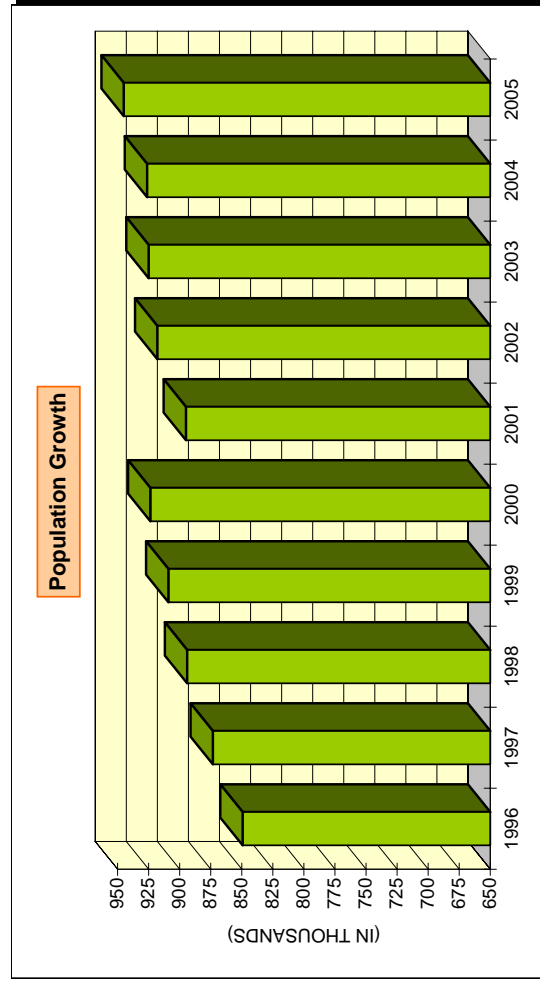
LIBRARIES

Number of outlets	1 Main Library, 15 Branches
Circulation	14,449,984
Number of reference questions answered	489,292
Number of personnel (full and part-time)	564

Source: Finance Department, City of San José

CITY OF SAN JOSE
POPULATION AND AREA OF THE CITY

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
2004 (**)	Jan 01	926,200	177.00
2005 (**)	Jan 01	945,000	177.00



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

SCHEDULE XVI

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

Fiscal Year	Property Value			Construction		
	Gross Assessed Value	Exemptions	Net Assessed Value	Assessed Valuation	% Change in Valuation	# of Permits
1996	\$47,400,940	\$2,062,794	\$45,338,146	\$769,120	76.50	9,479
1997	49,441,848	993,260	48,448,588	1,100,591	43.10	10,993
1998	53,669,315	1,183,528	52,485,787	1,411,948	28.29	12,962
1999	59,777,691	1,337,056	58,440,635	1,237,682	(12.34)	13,181
2000	65,316,993	1,369,112	63,947,881	1,325,056	7.06	12,450
2001	72,432,107	1,480,468	70,951,639	1,689,404	27.50	10,191
2002	83,699,432	1,844,586	81,854,846	995,661	(41.06)	8,757
2003	88,634,267	1,985,707	86,648,560	924,673	(7.13)	9,999
2004	92,414,521	2,373,902	90,040,619	804,635	(12.98)	10,090
2005	95,306,884	2,733,404	92,573,480	806,583	0.24	9,753

Property value source: Department of Finance, County of Santa Clara
Construction valuation source: Planning, Building & Code Enforcement, City of San José

CITY OF SAN JOSE
STATEMENT OF INSURANCE COVERAGE
June 30, 2005

TYPE	COVERAGE	LIMITS	DEDUCTIBLE	INSURANCE CO.	POLICY NO.	EXPIRATION DATE	PREMIUM
Airport	Automobile	\$1,000,000	\$ -	United States Fire Ins. Co.	133720718-4	10/01/06	\$ 94,153
Airport	Airport Primary liability	50,000,000	100,000	Ace Property & Casualty	AAPN00985673	10/01/06	318,127
Airport	Airport Excess liability	150,000,000	-	Lloyds	L99000430	10/01/06	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	Westchester Fire	D35912538 003	10/01/06	30,988
Airport	Customs Bond	100,000	-	Travelers Casualty	480302754	01/17/06	2,000
Airport No. Concourse - OCIP	Liability - Primary	4,000,000	250,000	National Union	Binder 5504	03/31/07	522,346
Airport No. Concourse - OCIP	Liability - Excess	150,000,000	-	Various	Various	03/31/07	1,706,180
Airport No. Concourse - OCIP	Workers' Compensation - Employers Liability	Statutory - \$2 million	-	National Union	Binder 5353	03/31/07	1,715,446
Airport No. Concourse - OCIP	Builder's Risk - Property Insurance	Various	50,000	Westchester	IMC120855424	06/15/08	449,735
Airport No. Concourse - OCIP	Property - Including Employee Dishonesty	1,000,000,000	100,000	Allianz/Royal	CLP3002102/K2HD325200	10/01/06	1,420,320
City	Boiler & Machinery	100,000,000	100,000	Pacific Indemnity	76417192	10/01/06	54,825
City	Notary Bond	15,000	-	Western Surety	N64082166	07/24/08	50
City	Notary Bond	15,000	-	Western Surety	N23366325	06/10/07	50
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	10/01/06	92,389
Water Pollution	Automobile	1,000,000	-	United States Fire Ins.	133720717-5	10/01/06	83,663
Police Aircraft	Liability	50,000,000	-	Westchester	AACN00985685 002	10/01/06	117,305
Helicopter	Hull (In-Motion/ Not In-Motion)	1,750,000	43,750/ 1,000	Westchester	AACN00985685 002	10/01/06	incl. above
Cessna	Hull (In-Motion/ Not In-Motion)	257,000	500/ 100	Westchester	AACN00985685 002	10/01/06	incl. above
City	Police Secondary Employment Prof. Liab.	2,000,000	10,000	Gemini	UGL0000093	10/01/05	400,240
City	Fiduciary Liability	1,000,000	1,000	Chubb Custom Ins. Co.	8169-3032	04/11/06	6,950
Library	Builders' Risk - Evergreen	7,712,500	10,000	Lexington	7477312	06/08/06	42,804
Library	Builders' Risk - Rosegarden	7,605,265	10,000	RLI Insurance	RBL0021084	10/31/05	11,421
New City Hall - OCIP	Liability - Primary	4,000,000	-	National Union	GL933-22-51-RA	11/01/05	3,256,203
New City Hall - OCIP	Liability - Excess	100,000,000	-	Various	Various	11/01/05	933,063
New City Hall - OCIP	Workers' Compensation - Employers Liability	Statutory	-	AIG	WC708-54-30	11/01/05	incl. above
New City Hall - OCIP	Owners Protective Professional Indemnity (OPPI)	10,000,000	250,000	Steadfast Insurance Co.	EOC 4910547	11/01/05	580,781
New City Hall - OCIP	Builder's Risk (Fire Insurance)	242,000,000	50,000	Zurich American Insurance Co.	IM4550613-00	11/01/05	1,206,256
City	Flood - Specific Locations Only	Various	2,000	Fidelity National Insurance	Various	03/04/06	17,714

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	\$ 23,579,000	12/31
Sanmina-SCI	Electronic manufacturing services	12,487,000	12/31
Calpine	Power-generation facilities	9,230,000	12/31
eBay	Internet-based auction services	3,271,000	12/31
Knight Ridder	Newspaper publisher	3,014,000	12/26
Bell Microproducts	Electronics distributor	2,828,000	1/31
KLA-Tencor	Semiconductor manufacturing equip.	1,892,000	12/31
Adobe Systems	Software for printing and display	1,716,000	3/4
Atmel	Semiconductors	1,650,000	12/31
Xilinx	Programmable logic devices	1,586,000	1/1

Source: *The Silicon Valley 150*