



2006

California

**Comprehensive  
Annual  
Financial  
Report**



**Welcome to San José City Hall**

Fiscal Year Ended June 30, 2006



90<sup>th</sup>  
Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2006

Prepared by Finance Department

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**Comprehensive Annual Financial Report**  
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City Clerk  
City Manager  
City Attorney

Department of Transportation  
Environmental Services  
Employee Services  
General Services  
Housing Department  
Information Technology

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

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October 19, 2006

HONORABLE MAYOR and CITY COUNCIL

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of San José for the fiscal year July 1, 2005 through June 30, 2006 as required by Sections 805(a) and 1215 of the City Charter. Although addressed to the City's governing body, the CAFR is intended also to provide relevant financial information to the citizens of San José, creditors, investors, and other interested parties. This transmittal letter provides a summary of City of San José finances, services, achievements, and economic prospects for readers without a technical background. Those wishing a more detailed discussion of the City's financial results should refer to Management's Discussion & Analysis (MD&A) contained in the Financial Section of the CAFR.

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

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 publicly-traded companies to attest personally to the accuracy of their companies' financial results. Although this legislation does not apply to governmental agencies, the Introductory Section includes voluntary oaths from the City Manager and Director of Finance attesting to the accuracy, reliability, and completeness of the CAFR as a means of conveying the importance of the City's commitment to excellence in financial reporting in keeping with the spirit of maintaining the public's trust.

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for fiscal year 2005-2006 are fairly stated and in compliance with accounting principles generally accepted in the United States. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, the auditors audited the City's expenditure of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Department of Finance.



# Transmittal Letter

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This Comprehensive Annual Financial Report is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of the services it provides, and specifics of its legal operating environment.
- The Financial Section contains the City's audited financial statements including the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds, as well as for nonmajor governmental, fiduciary, and other funds.
- The Statistical Section contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics. This fiscal year, the City implemented Statement No. 44 of the Governmental Accounting Standards Board (GASB) titled "Economic Condition Reporting: the Statistical Section". This pronouncement required significant changes to the content and presentation of the Statistical Section of the CAFR.

## 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 library, 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 covers approximately 177 square miles at the south end of the San Francisco Bay and is the county seat of Santa Clara County. With a 2006 population of 954,000<sup>1</sup>, it is the tenth largest city in the United States and the third largest city in California. In addition, San José is the oldest city in California, developing from a Spanish pueblo established on November 29, 1777. The City has transformed dramatically from the rich agricultural setting of its early years 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.

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<sup>1</sup> State Department of Finance

# Transmittal Letter

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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 the San José Financing Authority.

## **ECONOMIC CONDITION and OUTLOOK**

The City's average unemployment rate for calendar year 2005 was 6.0 percent, which was higher than the statewide average of 5.4 percent<sup>2</sup>. For the fifth consecutive year, the City continues to confront the need for significant budget reductions in the General Fund, as projected growth in revenues will not be sufficient to meet expenditure obligations for both existing programs and new operating and maintenance costs. However, the local economic decline over the prior four years now has ended and the City's economically sensitive revenues, such as General Sales Tax and Transient Occupancy Tax, have resumed modest growth. In addition, fiscal year 2006-07 Property Tax revenue is projected for solid growth since it will be based on 2005 tax rolls even as the local housing market slows. National and State economic predictions are for continued growth, but at a reduced level from the prior year due to spiking oil prices, a slowing housing market, and a continued rise in interest rates approved by the Federal Reserve Board.

In addition, the three national credit rating agencies, Moody's Investor Services, Standard & Poor's, and Fitch, each mentioned an improved financial outlook for the local economy when reaffirming the City's high Aa1/AA+/AA+ bond ratings. These credit ratings, the highest of any large city in California, are a particularly noteworthy achievement given the general economic downturn and unpredictable State budget situation over the last several years. The City's success in preserving its rating status is due, in part, to a pro-active approach, conservative budgeting, and strong financial management.

The City Council approved a balanced General Fund budget for FY 2006-07, closing a funding gap of approximately \$34.9 million. The resulting budget includes a combination of ongoing cost reductions, prudent fee increases, the extension of the Emergency Communication System Support (ECSS) Fee beyond the original December 31, 2006 sunset date to June 30, 2009, continued inclusion of Cardroom Business Tax revenue, and the strategic use of reserves and one-time revenues. Council's approval of the extension of the ECSS Fee filled a funding gap of \$10.4 million in the FY 2006-07 budget and mitigated a \$20.6 million annual problem in the following two fiscal years.

## **SIGNIFICANT EVENTS and ACCOMPLISHMENTS**

Highlights of activities and accomplishments for the fiscal year ended June 30, 2006 include the following:

- ❖ On August 9, 2005, the Mayor and City Council dedicated the council chambers at the new downtown San José City Hall and conducted the first council meeting in the new building. The council chambers are located in the "wing" section of the new City Hall on East Santa Clara Street at Fourth Street. It seats 320, raked theater-style above the council dais. New technology includes large projection displays easily seen by the audience; touch-screen computers for Council members and staff; and innovative meeting management technology. Approximately 1,700 City staff completed their move into the new City Hall in August 2005.
- ❖ For the fifth consecutive year, the City received the 2005 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.

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<sup>2</sup> State of California, Employment Development Department, Labor Market Information Division

## Transmittal Letter

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- ❖ In August 2005, the City announced plans for the producers of the Rock 'n' Roll Marathon race series to bring the inaugural "music half-marathon" to San José in October 2006. The 13.1 mile race on downtown San José streets proposed by Elite Racing, Inc., is expected to attract 15,000 runners and walkers and more than 50,000 spectators. It will feature live bands and cheer squads at every mile, and finish with a post-race party and headliner concert at the HP Pavilion at San José. The event will also include elite athletes invited to provide world-class competition, a wheelchair invitational race, finish-line festival, and a two-day health and fitness expo at the San José McEnergy Convention Center.
- ❖ In October 2005, the Mayor the City Council held its third "Getting Families Back to Work" (GFBW) economic summit with business leaders, organized labor, and City management. The 2005 GFBW Economic Report Card showed improvement over the prior year by going from a "B" to a "B+" as the overall grade for economic recovery, job creation, and business growth in San José and Silicon Valley. This grade applies to five economic areas: airport services, downtown businesses, job growth, industry growth and retention, and cutting red tape. These areas were identified by business and community leaders as critical factors for San José to keep its competitive economic edge.
- ❖ In November 2005, construction began on a high-rise housing and retail complex in downtown San José. The full project, known as Central Place, includes two 24-story towers that will have 402 condominiums, 68,000 square feet of ground-floor retail and restaurant space, a new pedestrian-oriented street, and 338 below-grade public parking spaces. The site is located at San Fernando Street between Second and Third Streets at the surface parking next to the San José Repertory Theatre. The project is being funded in part by the San José Redevelopment Agency.
- ❖ In December 2005, the Bond Buyer, the premier daily newspaper serving the municipal bond industry, honored San José with its annual "Deal of the Year" award, first as the western regional winner, and then as the national "Deal of the Year" over the other the regional winners. The Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds, Series 2005A-D issue, sponsored by the City's Redevelopment Agency, received the award for its innovative use of tax exempt features to attract private funds to affordable housing projects. The Bond Buyer started their "Deal of the Year" awards program in 2002 to honor innovation in the municipal finance market.
- ❖ In January 2006, the City celebrated the 500<sup>th</sup> teacher to be aided by the San José Teacher Homebuyer Program. The San José Teacher Homebuyer Program is part of the City's efforts to support better education in San José public schools by helping districts recruit and retain quality teachers. Since the program was established in 1999, more than 500 San José teachers serving students in 166 local schools have received zero-interest loans for up to \$65,000 used for down payments to help buy their first homes in San José.
- ❖ In March 2006, the City received the prestigious Entrepreneurial American Leadership Award recognizing San José's innovative affordable housing programs. The award is given by Washington D.C.-based Partners for Livable Communities and acknowledges the civic capacity building, commitment, vision and entrepreneurial spirit of an individual, group, or city.
- ❖ In March 2006, the City celebrated the 20<sup>th</sup> anniversary of the sister city designation between San José and Dublin, Ireland. Established in 1986, the San José & Dublin Sister City Program serves to nurture cultural, economic, artistic, sporting, and educational ties between San José/Silicon Valley and Dublin.
- ❖ San José MarketCenter, 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, opened in March 2006. The 360,000 square foot retail development by Cousins Properties is the new home of six national tenants including Target, Marshall's, Cost Plus, Michael's, PetsMart and Office Depot.

## Transmittal Letter

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- ❖ In May 2006, groundbreaking ceremonies at the Paseo Senter housing project in San José marked the completion of the City's major milestone for creating 10,000 affordable homes since 1999. In the last seven years, the City has invested over \$800 million using redevelopment and other resources, and it has leveraged more than \$2.8 billion in other public and private funds, totaling more than \$3.6 billion to create affordable homes. The City's efforts have produced more affordable homes than any other California city over the same time.
- ❖ As noted earlier, the City maintained its strong general obligation bonds credit ratings from the national rating agencies (AA+, AA+, Aa1 from Standard and Poors, Fitch and Moody's, respectively) in June 2006, earning the highest rating of any major California city above 250,000 in population. San José has maintained its ratings throughout the economic downturn, reflecting its commitment to a conservative and prudent approach to fiscal management by the City's administration and the City Council.

### **FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM**

San José is committed to providing excellent municipal services to its diverse residents and visitors. The City organization is structured into six City Service Areas (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 CSAs are: Community & Economic Development; Environment & Utility Services; Neighborhood Services; Public Safety; Strategic Support; and Transportation & Aviation Services. 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 Adopted 2007-2011 CIP, presented within the CSA structure, are as follows:

#### ***Community & Economic Development***

- A highlight of the Community and Economic Development CSA is the Developer Assisted Projects Capital Program, which includes 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 within a five-year plan based on several criteria, the most important of which is the amount of fees collected within the proposed Underground District. Priorities include six proposed Underground Utility District projects within the City that are currently in the design stage and scheduled for construction during fiscal year 2006-2007.
- 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. These projects were budgeted in FY 2005-06, but are now programmed in FY 2006-07 due to delays in project completion.

# Transmittal Letter

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## ***Environment & Utility Services***

- The FY 2007-2011 CIP for the Sanitary Sewer system provides funding of \$112.9 million and includes prominent projects related to the construction and/or rehabilitation of the North San José Interceptor System. Projects in this CIP that are not yet fully funded include the Flow Monitoring and Master Planning, Inflow/Infiltration (I&I) Reduction, and Neighborhood Sewer Improvement Programs. The Neighborhood Sewer Improvement Program currently targets the Forest-Rosa, East San José, Hobson-Walnut and Rosemary neighborhoods for rehabilitation and replacement projects.
- The Storm Sewer System Capital Program provides funding of \$11.8 million and assumes the continuation of 4.5 percent annual rate increases to fund additional capacity for neighborhood storm drain improvements. The City Council previously approved rate increases of 4.0 percent in FY 2002-2003 and 4.5 percent in each of FY 2003-2004 and FY 2004-2005. Last year, the City Council gave conceptual approval in the 2006-2010 Adopted CIP to increasing rates by 4.5 percent annually for the first three fiscal years of the plan. The program will fund the Willow Glen-Guadalupe Drainage Improvement Phase III project (\$1.6 million), the Albany-Kiely Storm Drainage Improvement Phase II, III and IV project (\$3.0 million), the Chateau Drive Storm Drain Improvement Phases I and II project (\$1.3 million), Storm Pump Station Rehabilitation and Replacement (\$1.2 million), and a series of smaller neighborhood storm drain improvement projects including installation of technology and/or infrastructure to improve the capacity of the storm drain collection system, the quality of storm water runoff, and localized ponding in residential neighborhoods (\$1.2 million).
- The major areas of investment for the Water Pollution Control Capital Program providing funding of \$238.1 million over the five-year CIP are Plant Reliability Improvements to increase the Plant's wet weather flow peak capacity, Plant Electrical Reliability Project to enhance the overall safety and reliability of the Plant electrical systems, 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 Water Utility System CIP provides funding of \$25.6 million and includes the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. The Water Utility System provides water service to approximately 26,500 customers in five Service Areas within the City: Evergreen, North San José, Alviso, Edenvale and Coyote. Service Area projects include seismic retrofits, water main construction and water valve rehabilitation.

## ***Neighborhood Services***

- In November 2000, voters in San José approved Measure O, a \$212 million general obligation bond (GO 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 2007-2011 CIP, \$137.2 million of GO bonds are anticipated to be issued by the City to fund and complete three new branches and ten expansion/relocation projects. The highest priority non-GO bond-funded projects include 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.

# Transmittal Letter

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- In November 2000, voters in San José also approved Measure P, a \$228 million general obligation bond measure for park and recreational facilities improvements. The Parks and Community Facilities Development's FY 2007-2011 CIP provides funding of \$391.3 million to complete two new sports parks, renovate or build four community centers, complete the renovation of Emma Prusch Memorial Park, complete the expansion of three trail projects, and complete the renovation and expansion of the Happy Hollow Park and Zoo. Non-bond funded projects include funding programmed for the development of trails, and several projects to be funded (or partially funded) in the Park Trust Fund, including improvements related to parks, community centers, dog parks, skateboard parks, pools and gymnasiums.

## ***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 CIP for FY 2007-2011 provides funding of \$137.1 million and consists of public safety projects to provide, maintain, and improve facilities and equipment that support the delivery of effective emergency services to City residents and visitors. All projects funded by the Neighborhood Security Act Bond Measure are scheduled for completion during the FY 2007-2011 CIP.
- Police Department Bond Projects scheduled during the FY 2007-2011 CIP include a South San José Police substation, two community-policing centers, a Driver Safety Training Center, 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).
- Fire Department Bond Projects scheduled during the FY 2007-2011 CIP include constructing three new fire stations, relocating six existing fire stations, upgrading four fire stations, rebuilding one fire station on its existing site, and 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).

## ***Strategic Support***

- The Strategic Support Capital Improvement Program for FY 2007-2011 provides funding for two large projects. The first is the construction of an off-site employee parking structure for City Hall. This structure will contain approximately 1,128 parking spaces and is scheduled for completion in the fall of 2006. A total of \$1 million has been budgeted in FY 2006-07 to complete the garage, bringing the total estimated construction cost, not including land acquisition, to \$26.2 million.
- The second major project is Phase II of the Central Service Yard build-out scheduled for completion in the summer of 2007. This will allow moving support shops out of the Main Service Yard and centralizing support functions at the Central Service Yard. The CIP includes \$6.3 million to complete the project, bringing the total estimated cost of the project to \$31.3 million. In addition, replacement and upgrade of the City's public safety and non-public safety communications equipment, demolition of the Main Service Yard, and additional improvements to the Central Service Yard are included.

## ***Transportation & Aviation Services***

- The Traffic CIP provides funding of \$227.7 million, including the development of arterial and collector projects throughout the City including the Senter Road, Branham Lane, Hamilton Avenue, SJSU to Japantown Pedestrian Corridor, Hostetter 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, weed abatement and City-wide emergency repairs; projects and programs to improve the operational efficiency and safety of the City's transportation network; and funding to support the City's contribution to regional highway and transit systems.



## Transmittal Letter

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- The Parking CIP for FY 2007-2011 provides funding of \$6.4 million including the completion of seismic upgrades to the Second/San Carlos Street Garage to retrofit the facility to meet current building codes, extend its life expectancy and help ensure safety in the event of an earthquake; pedestrian entrance/exit and access improvements to garages; the replacement of revenue control equipment in all City owned/operated parking facilities to reduce maintenance costs and increase customer satisfaction; and investments in the Parking Guidance System Phase II to direct motorists to the parking facilities and indicate the number of available parking spaces at specific garages.
- The FY 2007-2011 CIP for the Norman Y. Mineta San José International Airport (Airport) totals \$1.2 billion and contains approximately thirty-eight capital projects. This CIP represents an increase of approximately \$407.2 million over the Airport CIP of \$792.8 million in FY 2006-2010. However, the Airport Master Plan also was rescoped and rephased which will deliver the project faster and more economically. As a result, many of the Master Plan projects have been combined and are now included as part of the Terminal Area Development Program Phase I. Terminal upgrades, roadway improvements, landscaping and signage projects were programmed as separate projects in the FY 2006-2010 CIP, but are now included as part of the Terminal Area Development Program Phase I. Terminal Area Development Program Phase II provides for the initial cost of a number of demand-driven projects, including the expansion at the Airport to a total of 40 gates and associated utility improvements.
- The Airport's FY 2007-2011 CIP also is focused on the completion and construction of the North Concourse Building which will include nine new gates with holdrooms and jet bridges, restrooms, utility and service rooms, concessions and other public space, and in-line baggage screening system and baggage make-up facilities.
- Other projects in the Airport's FY 2007-2011 CIP include the Consolidated Rental Car Facility, an asphalt overlay of a portion of the West Side Airfield, Public Art, and numerous terminal and tenant improvements.

### 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 Office of 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.



# Transmittal Letter

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## ***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. An encumbrance is a commitment to future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse.

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

## ***Debt Management Policy***

The 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 and subsequently amended on December 6, 2005. 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

## **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, 2005. This was the eighteenth 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 twelfth 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, 2005. 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.

## Transmittal Letter

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For the sixteenth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2005. 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 2005-2006 by the CSMFO for the sixth 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.

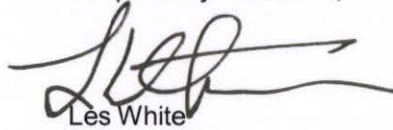
### ACKNOWLEDGMENTS

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 exemplary personal determination and dedicated many long days of focused attention to produce this document.

In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Macias Gini & O'Connell LLP Certified Public Accountants should also be acknowledged as a significant contribution.

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

Respectfully submitted,



Les White  
City Manager



Scott P. Johnson  
Director of Finance

**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, 2006**

I, Les White, 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 2006. 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 90<sup>th</sup> Comprehensive Annual Financial Report of the City of San Jose for fiscal year ended June 30, 2006;
- Any amendments to the foregoing.



Les White  
City Manager

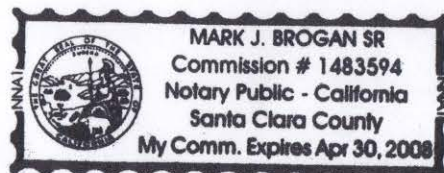
State of California, County of Santa Clara

On 10/5/06 before me, Mark J. Brogan, Sr., Notary Public, Personally appeared Les White, 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





**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, 2006**

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 2006.

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


- The 90<sup>th</sup> Comprehensive Annual Financial Report of the City of San Jose for the fiscal year ended June 30, 2006;
- Any amendments to the foregoing.

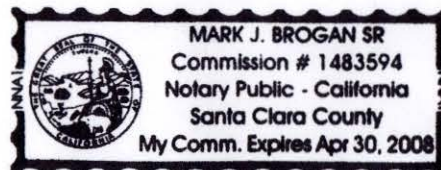
  
Scott P. Johnson  
Director of Finance

State of California, County of Santa Clara

On 10/6/06 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.

  
Mark J. Brogan, Sr., Notary Public



# 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, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# California Society of Municipal Finance Officers

Certificate of Award

*Outstanding Financial Reporting 2004-05*

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, 2006*

*William A. Thomas*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*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**

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*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

Date

January 12, 2006

California Society of  
Municipal Finance Officers

Certificate of Award

For

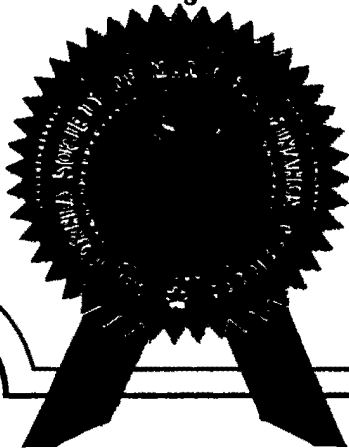
*Excellence in Operating Budgeting*  
*Fiscal Year 2005-2006*

*The California Society of Municipal Finance Officers (CSMFO) proudly presents this certificate to*

*The City of San Jose*

*For meeting the criteria established to achieve the EXCELLENCE AWARD in the OPERATING BUDGET CATEGORY.*

*February 23, 2006*



*Paul Schubert*

President

*Agnes J. Walker*

Agnes Walker, Chair  
Budgeting & Financial Management



## San José Mayor & City Council

To contact members of the San José City Council by mail, send to:  
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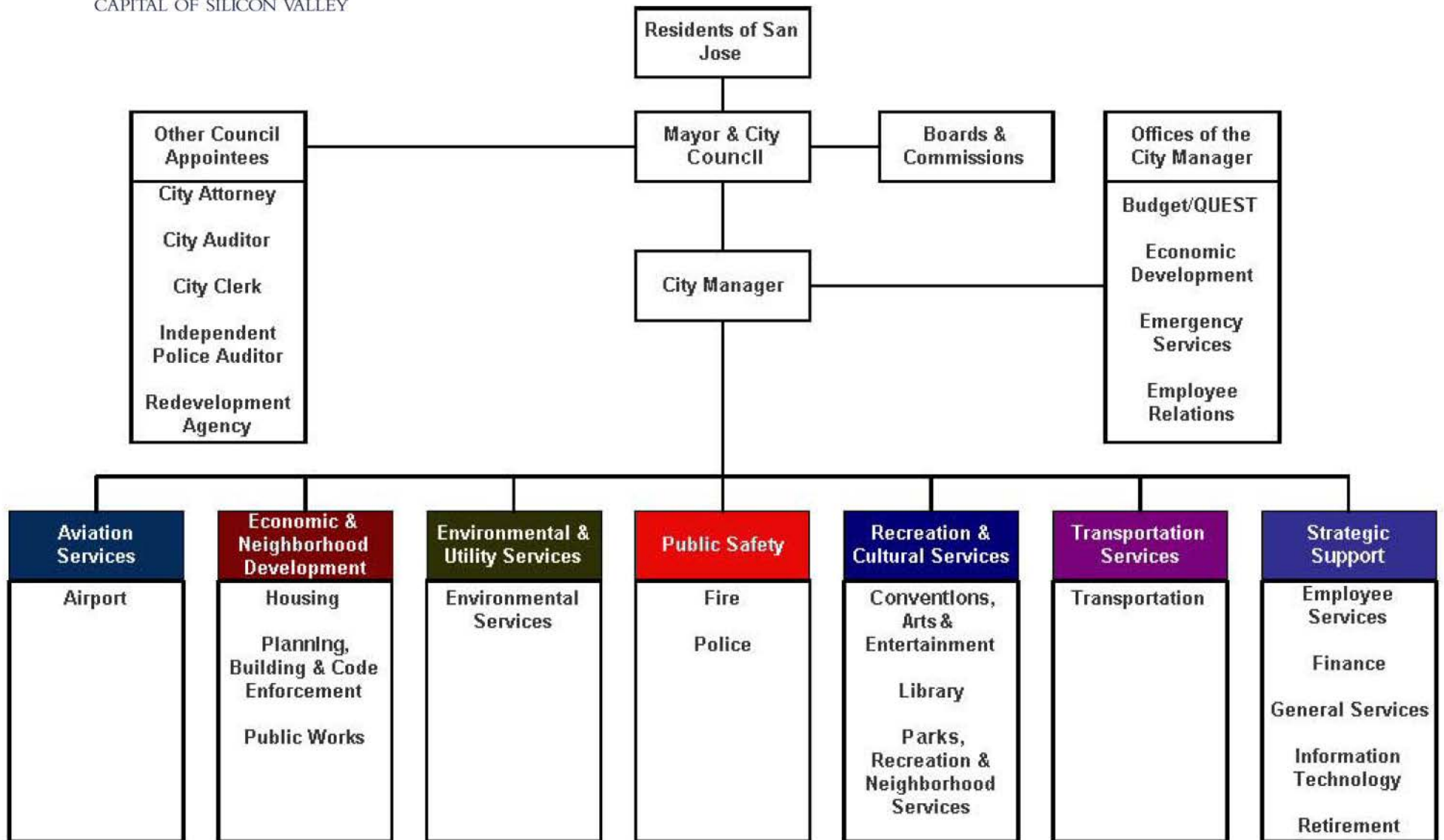
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## CITY OF SAN JOSE ORGANIZATIONAL STRUCTURE





**MACIAS GINI & O'CONNELL LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

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, 2006, 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, 2006, 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. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2006, 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 Gini & Cannelo LLP*  
Certified Public Accountants

Walnut Creek, California  
October 3, 2006

# Management's Discussion and Analysis

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Management's Discussion and Analysis (MD&A) provides an overview of the City of San José's activities and financial performance for the 2005-2006 fiscal year ended June 30, 2006. We encourage readers to read the MD&A in conjunction with the basic financial statements that immediately follow it, with the transmittal letter at the beginning of the Introductory Section, and with other portions of this Comprehensive Annual Financial Report. All amounts have been rounded to the nearest one hundred thousand dollars and one tenth of a percent.

## FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities at June 30, 2006 by \$7.257 billion (net assets). Of this amount, unrestricted net assets of \$150.0 million may be used to meet the City's ongoing obligations to citizens and creditors. In addition, restricted net assets of \$1.014 billion are dedicated to specific purposes and \$6.093 billion is invested in capital assets, net of related debt.
- Total net assets decreased by \$247.1 million or 3.3 percent during 2005-2006 from \$7.504 billion to \$7.257 billion. Depreciation expense of \$375.8 million accounts for this result. Excluding depreciation, net assets increased by \$128.7 million.
- Governmental funds report combined fund balances of \$1.357 billion at June 30, 2006, which are \$17.8 million or 1.3 percent less than the June 30, 2005 balances. Decreases in fund balances for the Redevelopment Agency (\$101.6 million), San Jose Financing Authority Debt Service (\$70.8 million) and Special Assessment Districts (\$0.8 million) slightly offset the fund balance increases of the General Fund (\$44.9 million), Housing Activities (\$35.6 million), and other nonmajor funds (\$74.9 million). Unreserved fund balance comprises \$750.6 million or 55.3 percent of combined governmental fund balances at June 30, 2006 and is available to meet the City's current and future spending needs at its discretion.
- Unreserved fund balance for the General Fund is \$203.7 million at June 30, 2006 and represents 33.3 percent of total General Fund expenditures during 2005-2006.
- Total long-term obligations increased by \$136.6 million during 2005-2006 to \$4.25 billion at June 30, 2006, an increase of 3.3 percent over the amount at June 30, 2005. Redevelopment Agency, Airport facility, and other infrastructure improvement projects and refunding of prior bonds benefited from new debt issuances of \$614.7 million. Offsetting these additions to long-term debt were scheduled principal retirements, refunded tax allocation bonds, City of San José Financing Authority Series 2002D lease revenue bonds, and Clean Water Financing Authority revenue bonds totaling \$532.4 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction to the City of San José's basic financial statements which are comprised of four components:

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

In addition this report also contains other supplementary information.

# Management's Discussion and Analysis

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## Government-wide Financial Statements

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

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

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

Both of these government-wide financial statements address functions that principally are supported by taxes and intergovernmental revenues (*governmental activities*) as distinguished from other functions that intend to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of San José include general government, public safety, capital maintenance, community services, and sanitation. Its business-type activities include airport, wastewater treatment, water supply, and various parking management operations.

The government-wide financial statements include not only the primary government of the City of San José, 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** report information about groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. As do other state and local governments, the City of San José uses fund accounting to ensure and demonstrate finance-related legal compliance. Each City fund falls into one of three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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

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

The governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, Redevelopment Agency, Housing Activities, Special Assessment Districts, and the San José Financing Authority Debt Service, as these are classified as major funds. These statements also report several individual governmental funds organized according to their type, such as special revenue, debt service, and capital projects funds.

## Management's Discussion and Analysis

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Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of San José adopts an annual appropriated budget for its General Fund and Housing Activities. This report includes budgetary comparison statements to demonstrate compliance with these budgets.

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

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

**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** includes the budgetary schedules for General Fund and Housing Activities. In addition, pension schedules present the City of San José's progress towards funding its obligation to provide future pension benefits for its active and retired employees.

**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.

# Management's Discussion and Analysis

## 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 of San José, assets exceeded liabilities by \$7.257 billion at the June 30, 2006 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, 2006 and 2005  
(in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
<b>Assets:</b>						
Current and other assets.....	\$ 1,754,132	1,717,404	679,995	739,266	2,434,127	2,456,670
Capital assets.....	8,163,242	8,278,641	1,230,239	1,150,291	9,393,481	9,428,932
Total assets.....	<u>9,917,374</u>	<u>9,996,045</u>	<u>1,910,234</u>	<u>1,889,557</u>	<u>11,827,608</u>	<u>11,885,602</u>
<b>Liabilities:</b>						
Current and other liabilities.....	283,173	232,395	37,235	35,505	320,408	267,900
Long-term liabilities.....	3,603,842	3,446,147	646,505	667,595	4,250,347	4,113,742
Total liabilities.....	<u>3,887,015</u>	<u>3,678,542</u>	<u>683,740</u>	<u>703,100</u>	<u>4,570,755</u>	<u>4,381,642</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt.....	5,402,375	5,755,755	689,045	672,893	6,091,420	6,428,648
Restricted net assets.....	735,931	380,102	279,505	262,554	1,015,436	642,656
Unrestricted net assets.....	(107,947)	181,646	257,944	251,010	149,997	432,656
Total net assets.....	<u>\$ 6,030,359</u>	<u>6,317,503</u>	<u>1,226,494</u>	<u>1,186,457</u>	<u>7,256,853</u>	<u>7,503,960</u>

At June 30, 2006, the City of San José 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.

At \$6.091 billion, investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, and equipment, less outstanding debt used to acquire them) comprise 83.9 percent of the City of San José's total net assets. Since these assets are not liquid and they provide services to citizens, they are *not* available for future spending. Although capital investment is reported net of related debt, it is important to recognize that other resources must be identified to repay indebtedness, as the capital assets themselves cannot be used to liquidate liabilities.

Of the total net assets, \$150.0 million or 2.1 percent represents unrestricted net assets available for meeting the City's ongoing obligations to citizens and creditors. Governmental activities show a deficit balance of \$107.9 million in unrestricted net assets and business-type activities show a positive balance of \$257.9 million. An additional portion of the City's net assets representing \$1.015 billion or 14.0 percent of the total are subject to legal restrictions on their use.

During 2005-2006, the City of San José's net assets decreased by \$247.1 million or 3.3 percent. Although the City is beginning to experience moderate growth in major revenue streams, these are not yet sufficient to meet annual expenditure obligations.



## Management's Discussion and Analysis

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Notable changes in the statement of net assets between June 30, 2006 and June 30, 2005 include:

- Capital assets decreased by \$35.5 million or less than 1.0 percent compared to the prior fiscal year. Governmental capital assets decreased by \$115.4 million, but were partially offset by an increase in business-type capital assets of \$79.9 million. The decrease in governmental capital assets resulted from asset additions of \$231.1 million less \$334.9 million in depreciation expense for major infrastructure and other assets. The majority of the increase in business-type capital assets was due to continued airport expansion construction projects in the amount of \$59.5 million.
- Current and other assets decreased by \$22.6 million or 1.0 percent due to a \$36.7 million increase for governmental activities offset by a \$59.3 million decrease for business-type activities. The increase for governmental activities primarily resulted from unspent general obligation bond proceeds for capital projects. Conversely, bond proceeds expended on airport capital projects caused the decrease for business-type activities.
- Long-term liabilities increased by \$136.6 million or 3.3 percent principally due to issuance of general obligation bonds for \$105.4 million and of Redevelopment Agency HUD Section 108 notes for \$31.0 million.
- Current and other liabilities for the City increased by \$52.5 million or 19.6 percent. Issuance of City of San José Financing Authority lease revenue commercial notes accounts for the majority of this change. The proceeds are funding the new City Hall offsite parking garage, relocation services for the new City Hall, municipal facility improvements, and the Central Service Yard Phase II project.
- Net assets invested in capital assets, net of related debt decreased \$337.2 million or 5.2 percent. While the business-type activities increased by \$16.2 million, general government activities accounted for the overall result with a decrease of \$353.4 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, 2006 and 2005**  
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
<b>Revenues:</b>						
Program revenues:						
Fees, fines, and charges for services.....	\$ 264,517	236,768	257,610	254,745	522,127	491,513
Operating grants and contributions.....	76,004	63,909	8,398	5,570	84,402	69,479
Capital grants and contributions.....	60,337	48,715	32,956	21,584	93,293	70,299
General revenues:						
Property taxes.....	430,426	398,541	-	-	430,426	398,541
Utility taxes.....	75,489	73,081	-	-	75,489	73,081
Franchise taxes.....	36,760	33,722	-	-	36,760	33,722
Transient and occupancy taxes.....	19,214	15,957	-	-	19,214	15,957
Sales taxes shared revenue.....	136,031	128,822	-	-	136,031	128,822
State of California in-lieu.....	5,817	20,850	-	-	5,817	20,850
Business license tax.....	37,236	36,936	-	-	37,236	36,936
Unrestricted interest and investment earnings.	23,682	17,594	13,079	11,503	36,761	29,097
Other revenue.....	42,076	44,343	-	-	42,076	44,343
Total revenues.....	<u>1,207,589</u>	<u>1,119,238</u>	<u>312,043</u>	<u>293,402</u>	<u>1,519,632</u>	<u>1,412,640</u>
<b>Expenses:</b>						
General government.....	180,633	108,070	-	-	180,633	108,070
Public safety.....	351,331	326,029	-	-	351,331	326,029
Capital maintenance.....	514,025	502,586	-	-	514,025	502,586
Community services.....	220,719	210,936	-	-	220,719	210,936
Sanitation.....	91,353	89,159	-	-	91,353	89,159
Interest and fiscal charges.....	144,444	136,955	-	-	144,444	136,955
Norman Y. Mineta San José International						
Airport.....	-	-	125,770	122,882	125,770	122,882
Wastewater Treatment System.....	-	-	108,510	111,026	108,510	111,026
Municipal Water System.....	-	-	19,896	18,328	19,896	18,328
Parking System.....	-	-	10,058	8,652	10,058	8,652
Total expenses.....	<u>1,502,505</u>	<u>1,373,735</u>	<u>264,234</u>	<u>260,888</u>	<u>1,766,739</u>	<u>1,634,623</u>
Excess (deficiency) before transfers	(294,916)	(254,497)	47,809	32,514	(247,107)	(221,983)
Transfers.....	7,772	6,711	(7,772)	(6,711)	-	-
Change in net assets.....	(287,144)	(247,786)	40,037	25,803	(247,107)	(221,983)
Net assets at beginning of year	6,317,503	6,565,289	1,186,457	1,160,654	7,503,960	7,725,943
Net assets at end of year.....	<u>\$ 6,030,359</u>	<u>6,317,503</u>	<u>1,226,494</u>	<u>1,186,457</u>	<u>7,256,853</u>	<u>7,503,960</u>

## Management's Discussion and Analysis

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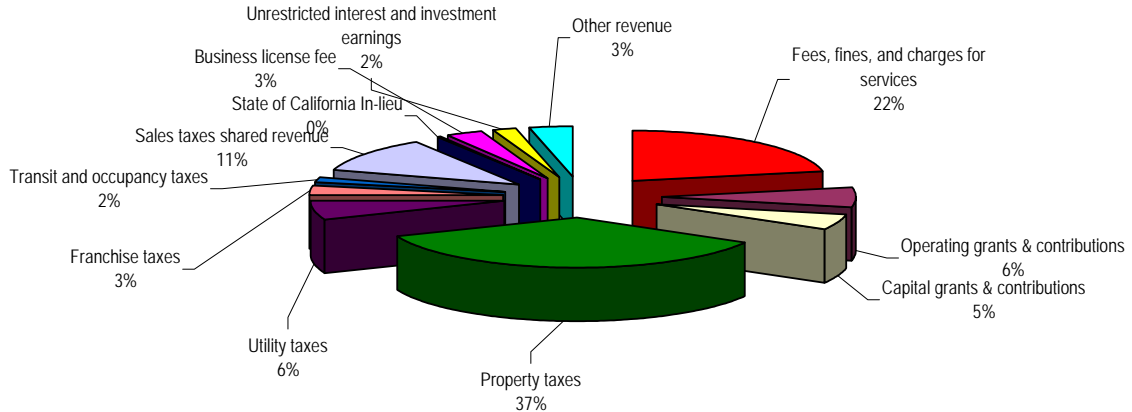
**Governmental activities:** Net assets for governmental activities decreased by \$287.1 million or 4.5 percent during 2005-2006 from \$6.317 billion to \$6.030 billion while business-type activities partially offset this decline with a \$40.0 million or 3.4 percent increase from \$1.186 billion to \$1.226 billion. Together, they account for the overall reduction in the City of San José's net assets from \$7.504 billion at June 30, 2005 to \$7.257 billion at June 30, 2006, a decrease of \$247.1 million or 3.3 percent.

Significant elements of the decrease in net assets for governmental activities from June 30, 2005 to June 30, 2006 are as follows:

- Although key revenue sources experienced moderate growth, it was not sufficient to cover expenses.
- Property taxes increased by \$31.9 million or 8.0 percent 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 that allowed the State to purchase bonds to reduce the State budget deficit.
- Sales tax revenue increased by \$7.2 million or 5.6 percent due to the improving local economy.
- Fees, fines and charges for services, operating grants and contributions, capital grants and contributions, utility taxes, franchise taxes, business license tax, transient and occupancy tax and investment earnings increased by \$66.6 million or 12.6 percent. However, reductions in State of California in-lieu revenue and other revenue totaling \$17.3 million partially offset these gains. The largest decrease is due to the State revenue "swapping" mentioned above.
- Of the increase in fees, fines and charges for services (\$27.7 million), Emergency Communication System Support Fee revenue increased by \$12.4 million or 136.0 percent between years, as this revenue source was in effect for a portion of 2004-2005
- Depreciation expense for infrastructure and other capital assets was \$334.9 million.
- Annualized investment interest yield increased from 3.13 percent as of June 30, 2005 to 4.11 percent as of June 30, 2006. The higher interest yield, coupled with higher average cash balances, increased 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.

# Management's Discussion and Analysis

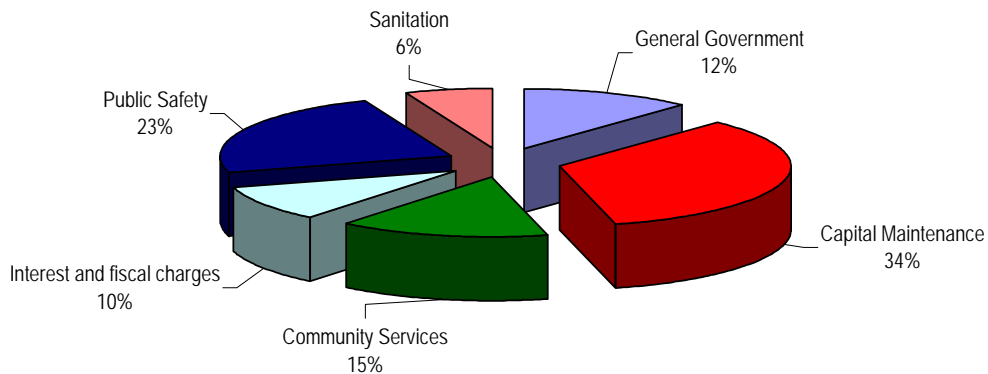
## Revenue 2006



The chart above shows the principal components of 2005-2006 revenue sources for governmental activities. Of the \$1.208 billion in total revenues generated by governmental activities, 70 percent is attributable to property taxes (37 percent), fees, fines, and charges for services (22 percent), and sales taxes (11 percent).

The chart below shows the principal categories of 2005-2006 expenses for governmental activities. Expenses for 2005-2006 increased \$128.8 million or 9.4 percent over 2004-2005 expenses. General Government expenses increased by \$72.6 million or 67.1 percent between fiscal years primarily due to increases in depreciation expense related to the new City Hall and general liability claims related to the Redevelopment Agency. Public Safety increased by \$25.3 million between years primarily due to higher wages and benefit costs resulting from the settlement of the San José Police Officers' Association labor negotiations.

## Expenses 2006



## Management's Discussion and Analysis

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**Business-type activities:** Business-type activities net assets increased by \$40.0 million or 3.4 percent to \$1.226 billion during 2005-2006, helping to offset the \$287.1 million decrease in governmental activities net assets.

The notable components of the increase in net assets for business-type activities during 2005-2006 are:

- The Norman Y. Mineta San José International Airport (Airport) net assets increased by \$18.5 million or 4.8 percent. The Airport incurred an operating loss of \$27.3 million in 2005-2006, an unfavorable increase of \$1.8 million or 7.1 percent compared to the 2004-2005 loss of \$25.5 million in 2004-2005. Operating revenues increased by \$5.1 million or 5.6 percent million reflecting an upswing in the local economy. However, operation and maintenance costs offset this result by driving 2005-2006 total operating expenses \$6.9 million or 5.9 percent higher compared to 2004-2005. Nonoperating revenues exceeded nonoperating expenses in 2005-2006 by \$33.3 million primarily due to increases in passenger facility charges and operating grants. In addition, the Airport received \$10.5 million in capital contributions primarily from Airport Improvement Program grants.
- Wastewater Treatment System net assets increased by \$16.5 million or 2.6 percent from \$629.7 million to \$646.2 million. Capital contributions of \$15.9 million accounted for most of this result. Wastewater Treatment System operating revenues decreased \$2.1 million or 1.9 percent from \$111.7 million in 2004-2005 to \$109.6 million in 2005-2006 primarily due to reduced operating contributions. Lower operating and maintenance costs offset the revenue reduction by decreasing total operating expenses \$1.6 million or 1.5 percent. Nonoperating revenues of \$2.4 million and capital contributions of \$15.9 million also contributed to the increase in net assets.
- Municipal Water System net assets increased by \$5.9 million or 7.7 percent from \$76.3 million to \$82.1 million. Operating revenues of \$20.3 million increased \$1.1 million or 6.0 percent from \$19.1 million due to increased charges for services. More than offsetting this gain, operating expenses of \$19.7 million increased \$1.5 million or 8.4 percent from \$18.2 million primarily due to higher operation and maintenance costs. Capital contributions of \$6.6 million increased \$2.9 million or 79.2% from \$3.7 million and was the major factor leading to the increase in net assets.
- Parking System net assets decreased by \$0.8 million or 1.0 percent from \$92.2 million to \$91.4 million. Operating revenues increased \$0.3 million or 3.2 percent showing signs of an improved local economy. Operating expenses increased more by \$1.4 million or 16.3 percent primarily due to higher operations and maintenance costs.

### 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 City of San José's governmental funds provide information about near-term inflows, outflows, and resources balances available for spending. Such information is useful in assessing the City's financial requirements for its programs and activities. In particular, unreserved fund balance at the fiscal year end may serve as a useful measure of a government's capacity for spending in future years. Governmental funds reported by the City of San José include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of June 30, 2006, the City's governmental funds reported combined fund balances of \$1.357 billion, a decrease of \$17.7 million or 1.3 percent compared to the balance at June 30, 2005. *Unreserved fund balance* at \$750.6 million constitutes 55.3 percent of the combined balances and is available for spending at the City's discretion. The \$606.8 million remainder of the governmental fund balances is *reserved* to indicate that it is *not* available for new spending because the following portions have been committed to particular purposes:

## Management's Discussion and Analysis

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- \$270.3 million for advances, loans, and other assets that are long-term in nature and thus do not represent currently available resources;
- \$195.4 million for contractual commitments of 2005-2006 carried into fiscal year of 2006-2007;
- \$141.0 million for debt service payable in new fiscal year of 2006-2007;
- \$0.1 million for a variety of other restricted purposes.

Revenues and other financing sources for governmental functions totaled approximately \$1.986 billion in 2005-2006, an increase of \$139.6 million or 7.6 percent over 2004-2005.

**General Fund:** The General Fund is the chief operating fund of the City of San José. At June 30, 2006, its unreserved fund balance is \$203.7 million or 85.9 percent of the \$237.0 million total General Fund balance. Comparing both unreserved fund balance and total fund balance to total fund expenditures may be useful as a measure of the General Fund's capacity to liquidate future obligations. At June 30, 2006, unreserved fund balance represents 33.3 percent of total General Fund expenditures of \$611.0 million, while total fund balance represents 38.8 percent. This measure of financial health has improved significantly over the prior fiscal year. At the June 30, 2005, the same measures were 28.1 percent and 33.2 percent respectively of \$578.8 million in 2004-2005 expenditures.

Although key revenue sources grew moderately in 2005-2006 as expected, the growth was not sufficient to meet all expenditure obligations. However, loan proceeds and transfers in to the General Fund contributed to a net increase in fund balance. The City of San José addressed this structural deficit in its General Fund budget through a combination of one-time revenue sources, reduced program services and expenditures, and the anticipated use of a portion of available fund balance. Actual performance resulted in the first two strategies exceeding expectations and, not only avoiding the consumption of fund balance during 2005-2006, but achieving a \$44.9 million or 23.4 percent addition to the General Fund balance.

In 2005-2006, General Fund revenues of \$602.5 million were \$43.1 million or 7.7 percent higher than the 2004-2005 revenues of \$559.4 million. An upturn in the local economy accounts for this positive result with property tax revenue the primary factor at \$21.6 million for the year. Other revenue sources also improving performance between fiscal years were sales tax (\$7.2 million, up 5.4 percent), utility fees (\$2.4 million, up 3.3 percent), franchise fees (\$3.0 million, up 9.0 percent), transient and occupancy tax (\$1.3 million, up 20.0 percent), licenses, permits, and fines (\$3.8 million, up 4.4 percent), and interest and other revenues (\$1.0 million, up 2.7 percent).

General Fund expenditures of \$611.0 million in 2005-2006 were \$32.2 million or 5.6 percent higher than 2005-2006 expenditures of \$578.8 million. Capital outlay, primarily for the acquisition of aviation-related land, accounts for \$18.6 million or 57.8 percent of the increase between fiscal years. With the exception of capital outlay, there were no other notable increases in General Fund expenditure categories.

## Management's Discussion and Analysis

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**Redevelopment funds:** The Redevelopment Agency (Agency) fund accounts for the activities of the Redevelopment Agency of the City of San José that redevelops and upgrades blighted areas. Balances for the Agency's governmental funds decreased \$101.6 million or 44.3 percent to \$127.7 million at June 30, 2006 due to a deficit of revenues over expenditures of \$109.3 million. Capital outlay for project expenditures comprises most of the 2005-2006 decrease in Agency fund balances.

The following are some of the highlights for the Agency:

- Revenues decreased by \$6.1 million or 3.6 percent to \$163.5 million from \$169.6 million in the prior fiscal year. Most of this decrease relates to the collection of loans in the prior year (\$4.4 million).
- Expenditures increased \$42.3 million, or 18.4 percent from the prior fiscal year primarily due to the resumption of some important redevelopment projects that were deferred as a result of economic downturn such as new redevelopment projects in conjunction with the City of San José's Strong Neighborhoods Initiative Program.
- Other financing sources of \$7.7 million are comprised of net proceeds from bond issues, bond refunding, sale of capital assets, and transfers in.

**Housing funds:** The Housing Activities fund accounts for the City of San José's commitment to providing low and moderate income residents with a diverse range of safe, decent, and affordable housing opportunities. Objectives include preserving the existing affordable housing stock, increasing the supply of affordable housing, and providing services to homeless and at-risk populations. Redevelopment Agency tax allocation bonds and 20 percent of the gross property tax increment provide the fund's primary resources. As required by California State law, the tax increment revenue is used solely for affordable housing. Loans to developers of various affordable housing projects increased the fund's loans receivable during the current year by \$18.9 million or 8.4 percent to \$243.2 million at June 30, 2006.

**Special assessment funds:** The Special Assessment Districts fund accounts for debt issuance and capital improvements related to the specific purposes of eight special assessment and community facilities districts located in different parts of the City of San José.

A total of \$75.0 million in special assessment debt outstanding at June 30, 2006 is secured by special assessments or taxes charged to the owners real property in the district issuing the debt. The City of San José is not obligated to cure any deficiency or redeem any debt of special assessment districts. However, the City may voluntarily choose to cure a deficiency at its sole discretion. There was no new special assessment debt issued during 2005-2006.

**Financing authority funds:** The San José Financing Authority Debt Service fund accounts for the issuance of commercial paper notes secured by lease revenues as a mechanism for financing City of San José public improvements such as the offsite parking garage for the new City Hall, Phase II improvements of the City's Central Service Yard, non-construction costs for technology, furniture, equipment and relocation services at the new City Hall, and procuring the new consolidated utility billing system. The amount of commercial paper notes outstanding increased from \$32.9 million on June 30, 2005 to \$65.1 million on June 30, 2006, a net increase of \$32.2 million or 97.9 percent.

### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. At June 30, 2006, the unrestricted net assets were \$44.5 million for the Norman Y. Mineta San José International Airport, \$185.3 million for the Wastewater Treatment System, \$8.7 million for the Municipal Water System and \$19.4 million for the Parking System. Net assets for proprietary funds grew from \$1.186 billion at June 30, 2005 to \$1.226 billion at June 30, 2006, an increase of \$40.0 million or 3.4 percent. Other aspects of proprietary fund activities are discussed in the business-type activities section above.

# Management's Discussion and Analysis

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## GENERAL FUND BUDGETARY HIGHLIGHTS

The City of San José charter requires staff to submit operating and capital budgets to the City Council prior to the beginning of a new fiscal year that begins each July 1 and ends on the following June 30. Council approved the 2006-2007 both budgets in June 2006. The adopted budget closed a \$34.9 million General Fund gap from the initial draft budget through the use of additional one-time revenues and limited expenditure reductions. For the first time in several years, the City of San José dedicated a significant addition of resources towards addressing critical service and infrastructure needs in the 2006-2007 budgets.

During the year, there was a \$48.1 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- A supplemental appropriation of \$10.3 million to Public Safety that included an increase for police personal costs and an automated fingerprint identification system phase III budget increase.
- A supplemental appropriation of \$7.7 million for Capital Maintenance that included miscellaneous projects such as Watson Site Planning & Remediation and the San José Grand Prix.
- A supplemental appropriation of \$29.5 million for Capital Outlay relating to various capital projects, including the acquisition of aviation-related land.

Actual budgetary basis expenditures of \$637.4 million were \$70.4 million less than the amended budget and \$22.3 million less than the original budget. Savings were experienced over all expenditure categories.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City of San José's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to \$9.393 billion at June 30, 2006,. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction-in-progress. The City of San José's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. The result of the new additions less depreciation expense during 2005-2006 yielded a decrease of \$35.5 million in net capital asset balance between June 30, 2005 and June 30, 2006.

Total construction-in-progress decreased from \$844.2 million at June 30, 2005 to \$524.9 million at June 30, 2006 by \$319.3 million or 37.8 percent. The governmental activities' portion of construction-in-progress decreased \$418.0 million due to the completion and capitalization of the new City Hall project. Business-type activities contributed a net increase of \$98.7 million to construction-in-progress including the on-going Airport expansion (\$59.5 million) and Wastewater Systems (\$44.4 million) projects. Outstanding commitments related to construction-in-progress at June 30, 2006 total \$73.2 million and \$113.5 million for governmental and business-type activities, respectively.



## Management's Discussion and Analysis

The City of San Jose records infrastructure assets at historical cost in the government-wide financial statements and depreciates assets them from acquisition date to the end of the current fiscal year as required by GASB Statement No. 34. For fund financial statements record, capital asset purchases are recorded as expenditures, rather than recording depreciation. Capital assets, net of depreciation, for governmental and business-type activities are presented below to illustrate changes between June 30, 2005 and June 30, 2006 (in thousands):

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2006	2005	2006	2005	2006	2005	Percent of Change
Land	\$ 558,079	517,005	134,926	134,445	693,005	651,450	6.4%
Construction in progress	256,123	674,181	268,766	170,030	524,889	844,211	-37.8%
Buildings	813,819	410,869	295,680	310,104	1,109,499	720,973	53.9%
Improvements, other than buildings	28,269	30,165	476,109	479,598	504,378	509,763	-1.1%
Infrastructure	6,469,997	6,631,308	-	-	6,469,997	6,631,308	-2.4%
Vehicles and equipment	35,206	13,105	42,341	42,918	77,547	56,023	38.4%
Intangible assets	-	-	8,256	8,579	8,256	8,579	-3.8%
Property under capital leases	1,749	2,008	4,161	4,617	5,910	6,625	-10.8%
<b>Total capital assets</b>	<b>\$ 8,163,242</b>	<b>8,278,641</b>	<b>1,230,239</b>	<b>1,150,291</b>	<b>9,393,481</b>	<b>9,428,932</b>	<b>-0.4%</b>

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

### General Fund Bonded Debt Limit

The City of San José 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 2005-06 tax roll is \$100.3 billion, which results in a net total debt capacity of approximately \$15.0 billion. As of June 30, 2006, the City had \$432.4 million of General Obligation bonds outstanding.

### General Obligation Bond Rating

As of June 2006, 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 all other California large cities.

### 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.

At June 30, 2006, the City had \$3.323 billion of gross outstanding long-term debt related to governmental activities and \$633.3 million related to business-type activities, for a total of \$3.957 billion. These amounts for the fiscal year ended June 30, 2005 were \$3.218 billion for governmental activities and \$656.3 million for business-type activities, for a total of \$3.874 billion.

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

## Management's Discussion and Analysis (Concluded)

	As of June 30 2006	As of June 30 2005	Net Change
<b>Governmental Activities</b>			
General obligation bonds	\$ 432,445	337,240	95,205
HUD Section 108 loan	25,436	342	25,094
Lease, reassessment and revenue bonds	646,070	655,235	(9,165)
Special assessments	75,007	79,434	(4,427)
Redevelopment Agency	2,144,495	2,145,375	(880)
Sub-total:	<u>3,323,453</u>	<u>3,217,626</u>	<u>105,827</u>
<b>Business-Type Activities</b>			
Revenue bonds	576,060	595,920	(19,860)
State of CA-Revolving Fund Loan	49,153	52,658	(3,505)
Commercial paper notes	8,089	7,755	334
Sub-total:	<u>633,302</u>	<u>656,333</u>	<u>(23,031)</u>
<b>Total:</b>	<u>\$ 3,956,755</u>	<u>3,873,959</u>	<u>82,796</u>

Note: No discounts or premiums, gross debt only

Additional information about the City's long-term obligations appears in Note III.F. of the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City of San José continues to confront the need for significant budget reductions. The fiscal year 2006-07 budget is the fifth consecutive one containing multi-million dollar reductions to General Fund programs. While there are now solid indications that a steady, if slow recovery, is finally underway in the local economy, projected growth in revenues will not be sufficient to meet expenditure obligations for the foreseeable future.
- As in past budgets, the fiscal year 2006-2007 budget focuses on City Council priorities, directing resources toward essential services, basic infrastructure requirements, economic development opportunities, and maintaining the City's strong commitment to neighborhoods.
- After deteriorating and leveling off over the past several years, key revenues such as sales tax and hotel transient occupancy tax are experiencing moderate growth.
- For the 2005 calendar year, the average local unemployment rate was 6.0 percent, still above the State average of 5.4 percent and the national average of 5.1 percent.
- The 2006-07 budget strategy relied heavily on continuing existing fees and taxes including the Emergency Communication System Support Fee and Cardroom Business Tax. As in the past, the 2006-07 budget is balanced with assumptions about things that have yet to occur that would have significant impacts on the budget if they did not. Among these is unanticipated compensation increases resulting from unresolved bargaining unit agreements with the International Association of Firefighters, Local 230 and the International Union of Operating Engineers, Local No. 3.

All of these factors were considered in preparing the City's budget for fiscal year 2006-07.

### 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 his 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, 2006**  
**(\$000's)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 685,405	327,342	1,012,747
Other cash and investments	55,311	-	55,311
Receivables (net of allowances for uncollectibles)	181,355	12,085	193,440
Due from outside agencies	393	518	911
Internal balances	(9,637)	9,637	-
Inventories	2,636	1,240	3,876
Loans receivable (net)	290,791	250	291,041
Advances and deposits	962	3,993	4,955
Other assets	10,986	154	11,140
Restricted assets:			
Equity in pooled cash and investments	61,906	143,083	204,989
Other cash and investments	433,568	162,423	595,991
Receivables (net of allowances for uncollectibles)	-	9,961	9,961
Deferred bond issuance costs (net of accumulated amortization)	40,456	9,309	49,765
Capital assets (net of accumulated depreciation):			
Nondepreciable	814,202	403,692	1,217,894
Depreciable	7,349,040	826,547	8,175,587
Total assets	<u>9,917,374</u>	<u>1,910,234</u>	<u>11,827,608</u>
<b>LIABILITIES</b>			
Accounts payable	57,497	23,207	80,704
Accrued liabilities	23,328	1,756	25,084
Interest payable	47,649	6,718	54,367
Due to outside agencies	12,561	-	12,561
Short term notes payable	65,104	-	65,104
Unearned revenue	32,343	1,440	33,783
Advances, deposits, and reimbursable credits	28,232	3,784	32,016
Other liabilities	16,459	330	16,789
Noncurrent obligations:			
Due within one year	124,710	33,451	158,161
Due in more than one year	3,479,132	613,054	4,092,186
Total liabilities	<u>3,887,015</u>	<u>683,740</u>	<u>4,570,755</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,402,375	689,045	6,091,420
Restricted for:			
Debt service	73,297	75,832	149,129
Capital projects	225,585	111,538	337,123
Community services	434,622	-	434,622
Public safety	2,427	-	2,427
City of Santa Clara equity in Wastewater Treatment System	-	92,135	92,135
Unrestricted	(107,947)	257,944	149,997
Total net assets	<u>\$ 6,030,359</u>	<u>1,226,494</u>	<u>7,256,853</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, 2006**  
**(\$000's)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -Type Activities	
Governmental activities:							
General government	\$ 180,633	51,449	80	-	(129,104)	-	(129,104)
Public safety	351,331	18,377	11,684	-	(321,270)	-	(321,270)
Capital maintenance	514,025	28,998	21,459	57,815	(405,753)	-	(405,753)
Community services	220,719	78,736	42,431	2,522	(97,030)	-	(97,030)
Sanitation	91,353	86,957	350	-	(4,046)	-	(4,046)
Unallocated interest and fiscal charges	144,444	-	-	-	(144,444)	-	(144,444)
<b>Total governmental activities</b>	<b>1,502,505</b>	<b>264,517</b>	<b>76,004</b>	<b>60,337</b>	<b>(1,101,647)</b>	<b>-</b>	<b>(1,101,647)</b>
Business -Type activities:							
Norman Y. Mineta San José							
International Airport	125,770	117,983	8,398	10,509	-	11,120	11,120
Wastewater Treatment System	108,510	109,587	-	15,866	-	16,943	16,943
Municipal Water System	19,896	20,284	-	6,581	-	6,969	6,969
Parking System	10,058	9,756	-	-	-	(302)	(302)
<b>Total business-type activities</b>	<b>264,234</b>	<b>257,610</b>	<b>8,398</b>	<b>32,956</b>	<b>-</b>	<b>34,730</b>	<b>34,730</b>
<b>Total</b>	<b>\$ 1,766,739</b>	<b>522,127</b>	<b>84,402</b>	<b>93,293</b>	<b>(1,101,647)</b>	<b>34,730</b>	<b>(1,066,917)</b>
General revenues:							
Taxes:							
Property and other taxes					430,426	-	430,426
Utility					75,489	-	75,489
Franchise					36,760	-	36,760
Transient and occupancy					19,214	-	19,214
Sales taxes shared revenue (unrestricted)					136,031	-	136,031
State of California in-lieu (unrestricted)					5,817	-	5,817
Business license tax					37,236	-	37,236
Unrestricted interest and investment earnings					23,682	13,079	36,761
Other revenue					42,076	-	42,076
Transfers					7,772	(7,772)	-
<b>Total general revenues and transfers</b>					<b>814,503</b>	<b>5,307</b>	<b>819,810</b>
<b>Change in net assets</b>					<b>(287,144)</b>	<b>40,037</b>	<b>(247,107)</b>
<b>Net assets - beginning</b>					<b>6,317,503</b>	<b>1,186,457</b>	<b>7,503,960</b>
<b>Net assets - ending</b>					<b>\$ 6,030,359</b>	<b>1,226,494</b>	<b>7,256,853</b>

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

**City of San José**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**  
**(\$000's)**

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Housing Activities</u>
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ 221,735	39,648	50,289
Other cash and investments	-	-	-
Receivables (net of allowance for uncollectibles)	50,927	20,938	3,733
Due from outside agencies	246	-	51
Due from other funds	10,598	1,264	-
Inventories	-	-	-
Loans receivable (net)	2,141	35,914	243,204
Advances and deposits	74	60	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	975	-	2,106
Other cash and investments	80	112,573	-
Advances to other funds	3,635	1,184	-
Other assets	-	-	10,877
Total assets	<u>\$ 290,411</u>	<u>211,581</u>	<u>310,260</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 13,212	3,384	1,163
Accrued salaries, wages, and payroll taxes	18,989	376	266
Due to other funds	44	10,215	-
Due to other agencies	489	12,072	-
Short term notes payable	-	-	-
Deferred revenue	8,635	48,888	12,505
Advances, deposits, and reimbursable credits	9	2,168	-
Advances from other funds	604	6,800	580
Other liabilities	11,459	-	-
Total liabilities	<u>53,441</u>	<u>83,903</u>	<u>14,514</u>
Fund balances:			
Reserved for:			
Encumbrances	26,362	27,929	26,572
Noncurrent advances, loans and other assets	6,905	4,100	246,735
Debt service	-	95,001	-
Restricted cash commitments	-	-	3
Unreserved reported in:			
General fund	203,703	-	-
Special revenue funds	-	-	22,436
Debt service funds	-	-	-
Capital projects funds	-	648	-
Total fund balances	<u>236,970</u>	<u>127,678</u>	<u>295,746</u>
Total liabilities and fund balances	<u>\$ 290,411</u>	<u>211,581</u>	<u>310,260</u>

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

<b>Special Assessment Districts</b>	<b>San Jose Financing Authority Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
11,854	341	360,809	684,676
-	53,384	1,927	55,311
75,256	-	30,501	181,355
-	-	96	393
-	-	56,524	68,386
-	-	2,636	2,636
-	-	9,532	290,791
351	-	477	962
29,381	-	29,444	61,906
11,616	-	309,299	433,568
-	-	-	4,819
-	-	109	10,986
<u>128,458</u>	<u>53,725</u>	<u>801,354</u>	<u>1,795,789</u>
152	-	39,483	57,394
25	-	3,404	23,060
-	-	58,152	68,411
-	-	-	12,561
-	65,104	-	65,104
75,354	-	7,361	152,743
3,918	-	22,137	28,232
-	3,635	2,812	14,431
-	-	5,000	16,459
<u>79,449</u>	<u>68,739</u>	<u>138,349</u>	<u>438,395</u>
3,376	95	111,090	195,424
5	-	12,533	270,278
20,067	-	25,956	141,024
-	-	105	108
-	-	-	203,703
-	-	245,908	268,344
-	(15,109)	-	(15,109)
25,561	-	267,413	293,622
<u>49,009</u>	<u>(15,014)</u>	<u>663,005</u>	<u>1,357,394</u>
<u>128,458</u>	<u>53,725</u>	<u>801,354</u>	<u>1,795,789</u>

**City of San José**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2006**  
**(\$000's)**

**Total fund balances-governmental funds** (Page 21) \$ 1,357,394

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	\$	558,079	
Infrastructure assets		11,193,115	
Other capital assets		1,447,326	
Accumulated depreciation		(5,035,278)	
Total capital assets		8,163,242	8,163,242

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. (47,649)

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 40,456

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. 75,007

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis. 45,393

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. 358

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	\$	(3,328,594)	
Accreted interest on capital appreciation bonds		(2,505)	
Compensated absences		(83,806)	
Claims and judgments		(173,555)	
Other		(15,382)	
Total long-term liabilities		(3,603,842)	(3,603,842)

**Net assets of governmental activities** (Page 18) \$ 6,030,359

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, 2006**  
**(\$000's)**

	General Fund	Redevelopment Agency	Housing Activities
<b>REVENUES</b>			
Taxes and special assessments	\$ 434,604	149,819	-
Licenses, permits, and fines	90,351	-	-
Intergovernmental	12,232	-	9,169
Charges for current services	27,847	-	-
Rent	-	981	1
Interest and other revenues	37,515	12,704	14,535
Total revenues	<u>602,549</u>	<u>163,504</u>	<u>23,705</u>
<b>EXPENDITURES</b>			
Current:			
General government	78,505	17,541	-
Public safety	341,794	-	-
Capital maintenance	37,667	93,087	-
Community services	124,057	-	30,065
Sanitation	1,735	-	-
Capital outlay	27,288	17,496	-
Debt service:			
Principal	-	40,285	-
Interest and fiscal charges	-	91,944	-
Bond issuance costs	-	5,539	-
Advance refunding escrow	-	6,945	-
Total expenditures	<u>611,046</u>	<u>272,837</u>	<u>30,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,497)</u>	<u>(109,333)</u>	<u>(6,360)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	45,920	-
Refunding bonds issued	-	220,080	-
Premiums on bonds	-	17,191	-
Payment to refunded bond escrow agent	-	(232,010)	-
Proceeds from sale of capital assets	-	11,449	-
Loan proceeds	25,094	-	-
Transfers in	43,814	14,505	55,511
Transfers out	(15,472)	(69,393)	(13,511)
Total other financing sources (uses)	<u>53,436</u>	<u>7,742</u>	<u>42,000</u>
Net change in fund balances	44,939	(101,591)	35,640
Fund balances - beginning	<u>192,031</u>	<u>229,269</u>	<u>260,106</u>
Fund balances - ending	<u>\$ 236,970</u>	<u>127,678</u>	<u>295,746</u>

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

Special Assessment Districts	San Jose Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
6,749	-	139,733	730,905
-	-	-	90,351
-	-	58,602	80,003
-	-	223,128	250,975
-	-	8,854	9,836
2,105	3,681	36,031	106,571
8,854	3,681	466,348	1,268,641
-	-	116,918	212,964
-	-	1,782	343,576
3,787	-	75,491	210,032
-	-	49,151	203,273
-	-	90,173	91,908
1,076	-	157,713	203,573
4,427	8,160	10,695	63,567
4,190	34,482	15,082	145,698
-	621	516	6,676
-	2,337	-	9,282
13,480	45,600	517,521	1,490,549
(4,626)	(41,919)	(51,173)	(221,908)
-	-	105,400	151,320
-	57,440	-	277,520
-	850	2,436	20,477
-	(57,663)	-	(289,673)
-	-	-	11,449
-	-	-	25,094
3,806	27,866	85,590	231,092
-	(57,337)	(67,348)	(223,061)
3,806	(28,844)	126,078	204,218
(820)	(70,763)	74,905	(17,690)
49,829	55,749	588,100	1,375,084
49,009	(15,014)	663,005	1,357,394

**City of San José**  
**Reconciliation of the Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**  
**(\$000's)**

**Net change in fund balances—total governmental funds** (Page 25) \$ (17,690)

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	\$ 203,573	
Depreciation expense	<u>(334,883)</u>	
Excess of depreciation expense over capital outlay		(131,310)

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

Donated assets	\$ 18,354	
Disposal and other adjustments	<u>(2,443)</u>	
		15,911

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	\$ 6,676	
Amortization of bond issuance costs	<u>(2,702)</u>	
Total bond issuance costs, net of amortization		3,974

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.

348,887

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	\$ (280)	
Discount/(premium) on bonds issued	(20,477)	
Increase in accrued interest expense	(3,249)	
Amortization of deferred amounts, premiums and discounts	104	
Deferred amounts on bonds issued	<u>14,218</u>	
Total net interest expense and amortization of discount/premium		(9,684)

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

(453,934)

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

2,853

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	(13)	
Net increase in vacation, sick leave, and compensatory time	(5,748)	
Net Increase in estimated liability for self-insurance	(41,025)	
Net decrease in arbitrage liability	<u>108</u>	
Total additional expenditures		(46,213)

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

62

**Change in net assets of governmental activities**(Page 19) \$ (287,144)

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, 2006**  
**(\$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
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments held in City Treasury	\$ 57,125	243,090	14,492	12,635	327,342	729
Receivables (net of allowance for uncollectibles)	3,974	5,135	2,074	902	12,085	-
Due from outside agencies	-	518	-	-	518	-
Due from other funds	166	1,158	-	-	1,324	-
Inventories	-	1,240	-	-	1,240	-
Total unrestricted current assets	<u>61,265</u>	<u>251,141</u>	<u>16,566</u>	<u>13,537</u>	<u>342,509</u>	<u>729</u>
Restricted assets:						
Equity in pooled cash and investments held in City Treasury	126,699	14,915	-	1,469	143,083	-
Other cash and investments	162,207	216	-	-	162,423	-
Receivables (net of allowances for uncollectibles)	9,961	-	-	-	9,961	-
Prepaid expenses, advances and deposits	154	-	-	-	154	-
Total restricted current assets	<u>299,021</u>	<u>15,131</u>	<u>-</u>	<u>1,469</u>	<u>315,621</u>	<u>-</u>
Total current assets	<u>360,286</u>	<u>266,272</u>	<u>16,566</u>	<u>15,006</u>	<u>658,130</u>	<u>729</u>
Noncurrent assets:						
Deferred bond issuance costs (net of accumulated amortization)	8,402	907	-	-	9,309	-
Loan receivable	250	-	-	-	250	-
Advances and deposits	3,993	-	-	-	3,993	-
Advances to other funds	-	6,841	-	6,800	13,641	-
Capital assets (net of accumulated depreciation):						
Nondepreciable	220,822	161,487	2,692	18,691	403,692	-
Depreciable	344,562	359,521	70,724	51,740	826,547	-
Total noncurrent assets	<u>578,029</u>	<u>528,756</u>	<u>73,416</u>	<u>77,231</u>	<u>1,257,432</u>	<u>-</u>
Total assets	<u>938,315</u>	<u>795,028</u>	<u>89,982</u>	<u>92,237</u>	<u>1,915,562</u>	<u>729</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, 2006**  
**(\$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
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 5,008	6,090	1,627	695	13,420	103
Accrued liabilities	95	1,496	113	52	1,756	268
Interest payable	-	505	-	-	505	-
Due to other funds	-	599	700	-	1,299	-
Accrued vacation, sick leave and compensatory time	336	4,113	46	142	4,637	-
Estimated liability for self-insurance	-	1,208	99	7	1,314	-
Loans payable	-	3,568	-	-	3,568	-
Total current liabilities unrestricted	<u>5,439</u>	<u>17,579</u>	<u>2,585</u>	<u>896</u>	<u>26,499</u>	<u>371</u>
Current liabilities payable from restricted assets:						
Accounts payable and accrued liabilities	9,787	-	-	-	9,787	-
Interest payable	5,895	318	-	-	6,213	-
Accrued vacation, sick leave and compensatory time	2,805	-	-	-	2,805	-
Estimated liability for self-insurance	480	-	-	-	480	-
Advances and deposits payable	701	-	-	-	701	-
Deferred revenue	1,440	-	-	-	1,440	-
Current portion of notes payable	8,089	-	-	-	8,089	-
Current portion of bonds payable	8,752	3,806	-	-	12,558	-
Total current liabilities payable from restricted assets	<u>37,949</u>	<u>4,124</u>	<u>-</u>	<u>-</u>	<u>42,073</u>	<u>-</u>
Total current liabilities	<u>43,388</u>	<u>21,703</u>	<u>2,585</u>	<u>896</u>	<u>68,572</u>	<u>371</u>
Noncurrent liabilities:						
Estimated liability for self-insurance	3,413	3,897	-	-	7,310	-
Advances from other funds	-	-	4,029	-	4,029	-
Advance contributions from participating agencies	-	1,839	-	-	1,839	-
Advances, deposits and reimbursable credits	-	-	1,244	-	1,244	-
Loans payable	-	45,585	-	-	45,585	-
Bonds payable (net of discount and deferred loss on premium/refunding)	484,347	75,812	-	-	560,159	-
Other liabilities	330	-	-	-	330	-
Total noncurrent liabilities	<u>488,090</u>	<u>127,133</u>	<u>5,273</u>	<u>-</u>	<u>620,496</u>	<u>-</u>
Total liabilities	<u>531,478</u>	<u>148,836</u>	<u>7,858</u>	<u>896</u>	<u>689,068</u>	<u>371</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	214,828	330,370	73,416	70,431	689,045	-
Restricted for debt service	72,370	1,993	-	1,469	75,832	-
Restricted for capital projects	75,113	36,425	-	-	111,538	-
City of Santa Clara equity in Wastewater Treatment System	-	92,135	-	-	92,135	-
Unrestricted	44,526	185,269	8,708	19,441	257,944	358
Total net assets	<u>\$ 406,837</u>	<u>646,192</u>	<u>82,124</u>	<u>91,341</u>	<u>1,226,494</u>	<u>358</u>

**City of San José**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**  
**(\$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
<b>OPERATING REVENUES</b>						
Charges for services	\$ 46,235	88,047	20,259	9,750	164,291	11,636
Rentals and concessions	44,234	1,876	-	-	46,110	-
Customer transportation fees	4,491	-	-	-	4,491	-
Service connection, engineering and inspection	-	5,284	-	-	5,284	-
Contributions	-	10,237	-	-	10,237	-
Other	303	4,108	-	-	4,411	-
Total operating revenues	<u>95,263</u>	<u>109,552</u>	<u>20,259</u>	<u>9,750</u>	<u>234,824</u>	<u>11,636</u>
<b>OPERATING EXPENSES</b>						
Operations and maintenance	80,473	64,347	16,613	4,611	166,044	11,315
General and administrative	22,637	21,194	710	3,369	47,910	-
Depreciation and amortization	19,473	18,115	2,384	1,849	41,821	-
Materials and supplies	-	395	-	229	624	-
Total operating expenses	<u>122,583</u>	<u>104,051</u>	<u>19,707</u>	<u>10,058</u>	<u>256,399</u>	<u>11,315</u>
Operating income (loss)	<u>(27,320)</u>	<u>5,501</u>	<u>552</u>	<u>(308)</u>	<u>(21,575)</u>	<u>321</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Passenger facility charges	22,270	-	-	-	22,270	-
Operating grants	8,398	-	-	-	8,398	-
Investment income	5,376	6,866	395	442	13,079	-
Land and building rental	-	24	-	-	24	-
Interest expense	(3,184)	(4,273)	(170)	-	(7,627)	-
Contributions refunded to participating agencies	-	(186)	-	-	(186)	-
Loss on disposal of capital assets	(3)	-	(19)	-	(22)	-
Other revenues	450	11	25	6	492	-
Net nonoperating revenues (expenses)	<u>33,307</u>	<u>2,442</u>	<u>231</u>	<u>448</u>	<u>36,428</u>	<u>-</u>
Income before capital contributions and transfers	<u>5,987</u>	<u>7,943</u>	<u>783</u>	<u>140</u>	<u>14,853</u>	<u>321</u>
Capital contributions	10,509	15,866	6,581	-	32,956	-
Transfers in	2,033	98	153	32	2,316	-
Transfers out	-	(7,417)	(1,655)	(1,016)	(10,088)	(259)
Changes in net assets	<u>18,529</u>	<u>16,490</u>	<u>5,862</u>	<u>(844)</u>	<u>40,037</u>	<u>62</u>
Net assets - beginning	<u>388,308</u>	<u>629,702</u>	<u>76,262</u>	<u>92,185</u>	<u>1,186,457</u>	<u>296</u>
Net assets - ending	<u>\$ 406,837</u>	<u>646,192</u>	<u>82,124</u>	<u>91,341</u>	<u>1,226,494</u>	<u>358</u>

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



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**City of San José**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**  
**(\$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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 94,568	99,602	19,992	9,600	223,762	11,637
Payments to suppliers	(73,186)	(41,617)	(13,612)	(6,816)	(135,231)	
Payments to employees	(32,873)	(45,132)	(3,425)	(1,596)	(83,026)	(11,156)
Other receipts (payments)	750	10,242	-	-	10,992	-
Net cash provided by (used in) operating activities	<u>(10,741)</u>	<u>23,095</u>	<u>2,955</u>	<u>1,188</u>	<u>16,497</u>	<u>481</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer from other funds	2,033	98	153	32	2,316	-
Transfer to other funds	-	(7,417)	(1,655)	(1,016)	(10,088)	(259)
Advances (to) from other funds	-	1,588	(700)	(3,400)	(2,512)	-
Subsidies from operating grants	8,398	-	-	-	8,398	-
Advances, deposits and credits	(93)	-	6	-	(87)	-
Net cash provided by (used in) by noncapital and related financing activities	<u>10,338</u>	<u>(5,731)</u>	<u>(2,196)</u>	<u>(4,384)</u>	<u>(1,973)</u>	<u>(259)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Passenger facility charges received	21,368	-	-	-	21,368	-
Proceeds from commercial paper	79,287	-	-	-	79,287	-
Principal payment for commercial paper	(78,953)	-	-	-	(78,953)	-
Subsidies from capital grants	10,031	14,002	-	-	24,033	-
Acquisition and construction of capital assets	(39,888)	(48,703)	(2,080)	(366)	(91,037)	-
Principal paid on debt	(8,975)	(14,389)	-	-	(23,364)	-
Bond issuance costs	(379)	-	-	-	(379)	-
Interest paid on debt	(22,339)	(4,775)	-	-	(27,114)	-
Net cash used in capital and related financing activities	<u>(39,848)</u>	<u>(53,865)</u>	<u>(2,080)</u>	<u>(366)</u>	<u>(96,159)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sales and maturities of investments	101,807	7,057	-	-	108,864	-
Purchase of investments	(64,683)	-	-	-	(64,683)	-
Interest and dividends received	9,981	6,699	376	440	17,496	-
Land and building rentals	-	23	-	-	23	-
Net cash provided by investing activities	<u>47,105</u>	<u>13,779</u>	<u>376</u>	<u>440</u>	<u>61,700</u>	<u>-</u>
Net change in cash and cash equivalents	<u>6,854</u>	<u>(22,722)</u>	<u>(945)</u>	<u>(3,122)</u>	<u>(19,935)</u>	<u>222</u>
Cash and cash equivalents - beginning	<u>179,803</u>	<u>280,727</u>	<u>15,437</u>	<u>17,226</u>	<u>493,193</u>	<u>507</u>
Cash and cash equivalents - ending	<u>\$ 186,657</u>	<u>258,005</u>	<u>14,492</u>	<u>14,104</u>	<u>473,258</u>	<u>729</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, 2006**  
**(\$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
<b>Reconciliation of operating income (loss) to net cash provided (used in) by operating activities:</b>						
Operating income (loss)	\$ (27,320)	5,501	552	(308)	(21,575)	321
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	19,473	18,115	2,384	1,849	41,821	-
Other nonoperating revenues(expenses)	450	(454)	25	6	27	-
Decrease (increase) in:						
Accounts receivable	(1,254)	333	(292)	(156)	(1,369)	-
Loan receivable	(250)	-	-	-	(250)	-
Due from outside agencies	-	(52)	-	-	(52)	-
Due from other funds	(67)	-	-	-	(67)	-
Inventories	-	135	-	-	135	-
Prepaid expenses	7	-	-	-	7	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(3,396)	(1,046)	235	(248)	(4,455)	89
Accrued vacation, sick leave and compensatory time	287	357	4	45	693	71
Estimated liability for self-insurance	471	206	47	-	724	-
Deferred revenues	693	-	-	-	693	-
Due to other funds	(17)	-	-	-	(17)	-
Advances and deposits payable	182	-	-	-	182	-
Total adjustments	16,579	17,594	2,403	1,496	38,072	160
Net cash provided by (used in) operating activities	\$ (10,741)	23,095	2,955	1,188	16,497	481
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>						
Equity in pooled cash and investments held in City Treasury						
Unrestricted	\$ 57,125	243,090	14,492	12,635	327,342	729
Restricted	126,699	14,915	-	1,469	143,083	-
Other investments	162,207	216	-	-	162,423	-
Less investments not meeting the definition of cash equivalents	(159,374)	(216)	-	-	(159,590)	-
	\$ 186,657	258,005	14,492	14,104	473,258	729
<b>Noncash noncapital, capital and related financing activities:</b>						
Loss on disposal of capital assets	\$ (3)	-	(19)	-	(22)	-
Acquisition of capital assets on accounts payable and accrued liabilities	8,403	458	-	-	8,861	-
Bond discount/(premium)	854	-	-	-	854	-
Capitalized interest	14,220	-	-	-	14,220	-
Unrealized loss on investments held by fiscal agent	(2)	-	-	-	(2)	-
Contributions from developers and other funds	-	2,953	6,581	-	9,534	-
Payment to refunded bond escrow agent from bond proceeds	-	(81,376)	-	-	(81,376)	-
Payment of cost of issuance from bond proceeds	-	(1,014)	-	-	(1,014)	-
Retirement of deferred charges and other charges	-	(2,384)	-	-	(2,384)	-

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, 2006**  
**(\$000's)**

	<b>Pension Trust Funds</b>	<b>James Lick Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ -	19	2,572
Investments of retirement plans:			
Investments, excluding securities lending collateral:			
Domestic fixed maturities	1,116,377	-	-
International fixed maturities	142,592	-	-
Domestic equities	1,582,238	-	-
International equities	962,433	-	-
Private equity	18,584	-	-
Real estate	238,838	-	-
Cash equivalents and short term investments	51	-	-
Securities lending cash collateral investment pool	574,824	-	-
Total investments	<u>4,635,937</u>	<u>-</u>	<u>-</u>
Other cash and investments	-	32	-
Receivables (net of allowances for uncollectibles):			
Accrued investment income	13,165	-	19
Employee contributions	1,474	-	-
Employer contributions	3,967	-	-
Other	149,657	-	1,235
Total assets	<u>4,804,200</u>	<u>51</u>	<u>3,826</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	1,243
Due to brokers	286,103	-	-
Securities lending collateral, due to borrowers	574,824	-	-
Accrued salaries, wages and payroll taxes	-	-	12
Other liabilities	8,281	-	2,571
Total liabilities	<u>869,208</u>	<u>-</u>	<u>3,826</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' pension benefits	3,813,187	-	-
Employees' postemployment healthcare benefits	121,804	-	-
Other purpose	-	51	-
Total net assets	<u>\$ 3,934,991</u>	<u>51</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, 2006**  
**(\$000's)**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Investment income:		
Interest	\$ 56,598	2
Dividends	30,830	-
Net rental income	8,897	-
Net change in fair value of plan investments	291,307	-
Investment expenses	(14,586)	-
Total investment income	<u>373,046</u>	<u>2</u>
Securities lending activities:		
Securities lending income	22,396	-
Securities lending expenses	(20,979)	-
Total securities lending activities	<u>1,417</u>	<u>-</u>
Contributions:		
Employer	97,230	-
Employees	39,795	-
Total contributions	<u>137,025</u>	<u>-</u>
Total additions	<u>511,488</u>	<u>2</u>
 <b>DEDUCTIONS</b>		
General and administrative	4,108	-
Health insurance	28,786	-
Refunds to terminated employees	1,390	-
Retirement and other benefits paid:		
Death benefits paid	10,525	-
Retirement benefits paid	143,627	-
Total deductions	<u>188,436</u>	<u>-</u>
Change in net assets	323,052	2
Net assets - beginning	<u>3,611,939</u>	<u>49</u>
Net assets - ending	<u>\$ 3,934,991</u>	<u>51</u>

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

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# Notes to Basic Financial Statements

June 30, 2006

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# Notes to Basic Financial Statements

June 30, 2006

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## 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 of San José and the City of Santa Clara. 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 cities of San José and Santa Clara subsequently entered into an Improvement Agreement, which requires each city to make base payments that are at least equal to each city's allocable share of debt service requirements of the Clean Water Financing Authority's outstanding revenue bonds.



# Notes to Basic Financial Statements

June 30, 2006

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- **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, 2006, 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; 13<sup>th</sup> 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 governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions that are restricted to 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.

# Notes to Basic Financial Statements

June 30, 2006

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

The City reports the following major governmental funds:

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

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

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

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

The **San José Financing Authority** is a debt service fund that accounts for the debt activities to finance a variety of capital projects.

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.

# Notes to Basic Financial Statements

June 30, 2006

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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.

## 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. 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.

# Notes to Basic Financial Statements

June 30, 2006

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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 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.

## 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, 2006, the City has implemented GASB 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. The disclosure changes related to this statement are reflected in note I.F.14.

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 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 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 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

# Notes to Basic Financial Statements

June 30, 2006

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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.

## **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 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, 2006, the total investment income from these funds allocated to the General Fund was approximately \$3,381,000.

**Retirement Systems.** Investments of the Retirement Systems 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. The Retirement Systems investments in pooled holdings have the accompanying securities held by the fund manager in accordance with the above standards. At June 30, 2006, the Retirement Systems had the following pooled holdings: \$121,600,000 in fixed income, \$333,436,000 in international equities, \$362,225,000 in domestic equities, \$96,184,000 in real estate, and

# Notes to Basic Financial Statements

June 30, 2006

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\$18,584,000 in private equities. 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.

#### **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.

# Notes to Basic Financial Statements

June 30, 2006

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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 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 is met. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

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

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

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

# Notes to Basic Financial Statements

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## 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 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.



# Notes to Basic Financial Statements

June 30, 2006

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## 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. At June 30, 2006, the government-wide statement of net assets reported restricted assets of \$735.9 million in governmental activities and \$279.5 million in business type activities. Of these amounts \$582.9 million and \$99.1 million, respectively, are restricted by 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.
- *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.

# Notes to Basic Financial Statements

## June 30, 2006

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, 2006 are composed of the following (dollars in thousands):

	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	San Jose Financing Authority	Nonmajor Funds	Total
Unreserved, designated for:							
Future projects	\$ 68,555	-	-	25,561	-	513,321	\$607,437
Contingencies	75,973	9	-	-	-	-	75,982
Redevelopment activities	-	639	-	-	-	-	639
Undesignated	59,175	-	22,436	-	(15,109)	-	66,502
Total unreserved fund balances	<u>\$203,703</u>	<u>648</u>	<u>22,436</u>	<u>25,561</u>	<u>(15,109)</u>	<u>513,321</u>	<u>\$750,560</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
Levy dates	October 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

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

General property taxes are based either on a flat 1% rate applied to the fiscal 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal 1976 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

# Notes to Basic Financial Statements

June 30, 2006

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The City's net assessed valuation for the fiscal year ended June 30, 2006, was approximately \$100.3 billion, an increase of approximately 1% 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, 2006, the City's portion of the capital and operating costs was approximately 80% and, based on operations through the fiscal year ended June 30, 2006, 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 of \$2,335,000 and \$15,014,000 were reported in non-major capital projects Fiber Optics Development fund and the San José Financing Authority major debt service fund, respectively. The deficit fund balance for the Fiber Optics Development fund will be eliminated with future lease revenues, and the San José Financing Authority deficit fund balance will be eliminated with future debt service transfers from other governmental funds.

# Notes to Basic Financial Statements

June 30, 2006

## 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	\$ 685,405	327,342	-	19	2,572	\$ 1,015,338
Other cash and investments	55,311	-	-	32	-	55,343
Restricted investments:						
Equity in pooled cash and investments	61,906	143,083	-	-	-	204,989
Other cash and investments	433,568	162,423	-	-	-	595,991
Investments of retirement plans	-	-	4,635,937	-	-	4,635,937
Total deposits and investments	<u>\$ 1,236,190</u>	<u>632,848</u>	<u>4,635,937</u>	<u>51</u>	<u>2,572</u>	<u>\$ 6,507,598</u>
Deposits						19,722
Investments						6,487,876
Total deposits and investments						<u>\$ 6,507,598</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.

**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 international currency. The Retirement Systems' net position in these contracts is recorded at fair value as short-term international currency investments. The fair value of forward currency contracts is determined by quoted currency prices from national exchanges.

**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:

# Notes to Basic Financial Statements

June 30, 2006

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## **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, 2006, 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 as of June 30, 2006, was approximately 11 months. If it becomes necessary or strategically prudent for the City to sell a security prior to maturity, the City may occasionally restructure 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-rata 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, 2006, the City's investment in LAIF is approximately \$107,784,000. The total amount recorded by all public agencies in LAIF at that date is approximately \$16,392,000,000. 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 May 16, 2006, 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.

## Notes to Basic Financial Statements

June 30, 2006

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.

## Notes to Basic Financial Statements

June 30, 2006

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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.

# Notes to Basic Financial Statements

## June 30, 2006

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, 2006, there were no deviations from or violations against the Policy.

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, 2006. 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	\$ -	123	-	-	-	\$ 123
U.S. Treasury notes and bonds	Exempt	-	29,808	-	9,796	-	39,604
Federal Farm Credit Banks*	Aaa / AAA	-	24,070	30,206	24,561	-	78,837
Federal Home Loan Banks*	Aaa / AAA	4,994	199,902	217,039	210,163	-	632,098
Federal Home Loan Mortgage Corporation*	Aaa / AAA	-	9,869	87,952	45,335	-	143,156
Federal National Mortgage Association*	Aaa / AAA	-	27,609	5,575	57,808	-	90,992
Federal Farm Credit Banks - Discount	P-1 / A-1+	1,045	8,262	-	-	-	9,307
Federal Home Loan Banks - Discount	P-1 / A-1+	24,283	31,843	-	-	-	56,126
Federal Home Loan Banks - Quarterly	P-1 / A-1+	-	4,925	-	-	-	4,925
Federal Home Loan Mortgage Corporation - Discount*	P-1 / A-1+	-	11,069	65,635	-	-	76,704
Bankers' acceptances	P-1 / A-1+	1,998	-	-	-	-	1,998
Commercial paper	Not Rated	32,885	13,611	-	-	-	46,496
Local agency investment fund	Not Rated	-	40,000	-	-	-	40,000
Total pooled investments in the City Treasury		65,205	401,091	406,407	347,663	-	1,220,366
Other funds:							
U.S. Treasury bills	Exempt	-	1,003	-	-	-	1,003
U.S. Treasury notes and bonds	Exempt	-	5,008	888	-	-	5,896
Federal Home Loan Banks**	Aaa / AAA	-	32,779	-	-	-	32,779
Federal Farm Credit Banks - Discount	P-1 / A-1+	-	-	1,080	-	-	1,080
Federal Home Loan Banks - Discount**	P-1 / A-1+	43,434	234	22,139	-	-	65,807
Federal Home Loan Mortgage Corp - Discount**	P-1 / A-1+	49,393	58,823	26,189	-	-	134,405
Federal National Mortgage Association - Discount	P-1 / A-1+	-	222	401	-	-	623
Investment Agreements**	Not Rated	-	-	117,287	5,395	34,171	156,853
Money market mutual funds**	AAAm	21,974	143,369	-	-	-	165,343
Local agency investment fund**	Not Rated	-	67,784	-	-	-	67,784
Total other funds		114,801	309,222	167,984	5,395	34,171	631,573
Total citywide investments (excluding Retirement Systems)		\$ 180,006	710,313	574,391	353,058	34,171	1,851,939
Retirement Systems:							
Total investments in Retirement Systems (See page 56 and 57)							4,635,937
Total investments							\$ 6,487,876

\* 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.



# Notes to Basic Financial Statements

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

As of June 30, 2006, the carrying amount of the City's deposits with financial institutions was in the amount of \$19,722,000, and the bank balance was \$37,209,000. 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, \$500,000 was covered by Federal depository insurance and \$36,709,000 was collateralized.

**Foreign Currency Risk.** The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2006, 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 do not have policies for managing interest rate risk, although the Retirement Systems do hold certain investments that could be affected by changes in interest rates. The Retirement Systems have investments in GNMA's in the amount of \$23,909,000 and U.S. government agency securities in the amount of \$321,704,000 backed by mortgage pass-throughs which are sensitive interest rate changes. Therefore, if interest rates decline, the mortgages are subject to prepayments by borrowers. In addition, \$8,200,000 of the asset backed securities, \$13,549,000 of the collateralized mortgage obligations, and \$2,870,000 of the corporate securities are floating rate securities tied to the LIBOR. The Retirement Systems also had \$4,891,000 of the collateralized mortgage obligations invested in floating rate securities tied to the LIBOR plus 31-250 bps, and \$2,062,000 of the U.S. government agency securities in floating rate FNMA securities tied to the one-year CMT plus 212.9 bps.

**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 assets held "not-in-bank" pooled funds that are held under custody of the investment manger's custodian bank, and the System's custodian holds all investments of the System in the Systems's nominee name except for assets held in pooled funds, which are under custody of the manager's custodian bank.

## Notes to Basic Financial Statements

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**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 Investors' Service, Standard & Poor's or Fitch Ratings. If the 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 System's 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 Investment 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.

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, are required to 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. Investment 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 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, 2006. The credit ratings listed are for Moody's Investors Services and/or Standard and Poor's. Certain investments, such as obligations backed by the full faith and credit of the United States Government, are not subject to credit rating. (dollars in thousands):

<u>Ratings</u>	<u>Total</u>	<u>Percentage</u>
AAA \$	557,883	44.31%
AA	43,685	3.47%
A	84,231	6.69%
BBB	87,122	6.92%
BB	39,478	3.14%
B	17,652	1.40%
CCC & below	278	0.02%
Not rated*	372,728	29.61%
Not available**	55,912	4.44%
	<u>\$ 1,258,969</u>	<u>100.00%</u>

\*Includes the pooled bonds, Government Short-term Investment Fund and GNMA, FNMA, FHMLC TBA's mortgages.

\*\*Includes collective short-term investment fund.

# Notes to Basic Financial Statements

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

	<u>Type of Investment</u>	<u>Policy Limits and Descriptions</u>
The Plan	Domestic Equity	Minimum of 29% and maximum of 39% 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: - Apartment complexes located in Houston, TX and Colorado Springs, CO. - Office buildings located in Denver, CO; San Jose, CA; Anchorage, AK and near Chicago, IL. - Warehouses located in Nashville, TN and near Minneapolis, MN.
The System	Domestic Equity	Minimum of 38% and maximum of 48% 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 24% and maximum of 34% 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 9% of the market value of the aggregate portfolio. Real estate investments include: - Warehouse located in Northern California. - Interest in three separate real estate funds managed by third parties.

At June 30, 2006, the System had \$152,666,000 invested in FNMA securities, which represents 9.3% of its investment portfolio. 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.
- The System also has commercial paper, certificates of deposits and short term corporate obligations.

**Foreign Currency Risk.** The risk that changes in foreign exchange rates will adversely affect the fair value of an investment. As of June 30, 2006, 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 International Currency Contracts.** The Retirement Systems made investments in forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Retirement Systems utilize these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2006, the Retirement Systems' net position in these contracts is recorded at fair value as short-term

# Notes to Basic Financial Statements

## June 30, 2006

international 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, 2006, total commitments in forward currency contracts to purchase and sell foreign currencies for the System were \$10,821,000 and \$10,821,000, respectively, with market values of \$10,868,000 and \$10,808,000 respectively. As of June 30, 2006, total commitments in forward currency contracts to purchase and sell foreign currencies for the Plan were \$1,496,000 and \$1,496,000 respectively, with fair values of \$1,505,000 and \$1,497,000, respectively. The Retirement Systems' commitments relating to forward currency contracts are settled on a net basis. 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	Maturity						Total Fair Value
	3 Months or Less	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	
<b>Fixed Maturity:</b>							
Domestic:							
U.S. Treasury Securities	\$ 1,357	1,249	11,085	164,852	46,276	43,208	\$ 268,027
U.S. Treasury Strips	-	-	-	-	-	150	150
GNMA	-	-	-	-	-	23,909	23,909
U.S. Gov't Agency Securities	6,010	668	7,924	7,152	27,921	280,126	329,801
Asset Backed Securities	-	-	-	36,618	5,075	18,735	60,428
Collateralized Mortgage Obligations	-	-	-	2,427	-	100,385	102,812
Corporate Bonds	1,124	677	5,241	56,372	59,373	100,522	223,309
Municipals	-	-	-	-	-	1,521	1,521
Collective Short Term Investments	26,295	-	1,383	3,163	-	-	30,841
Pooled Domestic Bonds	-	-	-	-	-	5,752	5,752
Government Short Term Investment Fund	69,827	-	-	-	-	-	69,827
<b>Total domestic maturities</b>	<b>104,613</b>	<b>2,594</b>	<b>25,633</b>	<b>270,584</b>	<b>138,645</b>	<b>574,308</b>	<b>1,116,377</b>
<b>International:</b>							
Government bonds:							
British Pound	-	-	-	-	-	1,276	1,276
Colombian Peso	-	-	-	113	359	-	472
Euro Currency	4,664	-	-	12,414	7,669	7,432	32,179
Japanese Yen	5,174	975	-	15,002	3,283	-	24,434
Mexican Peso	-	-	-	-	1,980	148	2,128
New Zealand Dollar	-	-	-	-	754	-	754
Norwegian Krone	-	-	-	968	-	-	968
Singapore Dollar	-	-	2,201	836	-	-	3,037
South African Rand	-	-	-	947	-	-	947
Swedish Krona	-	-	-	3,007	-	-	3,007
Swiss Franc	-	-	799	-	-	-	799
USD Donominated	-	344	-	-	253	7,195	7,792
<b>Total international government bonds</b>	<b>9,838</b>	<b>1,319</b>	<b>3,000</b>	<b>33,287</b>	<b>14,298</b>	<b>16,051</b>	<b>77,793</b>
Corporate Bonds:							
Australian Dollar	-	-	-	458	458	-	916
Brazilian Real	-	-	-	488	-	-	488
British Pound	-	-	-	1,854	1,430	813	4,097
Canadian Dollar	-	-	-	-	891	-	891
Euro Currency	-	-	457	3,011	3,815	-	7,283
Indonesian Rupiah	-	-	-	419	-	-	419
Japanese Yen	-	-	-	9,621	-	-	9,621
Mexican Peso	-	-	-	-	301	-	301
New Zealand Dollar	-	-	-	430	113	-	543
South Korean Won	-	-	-	1,460	-	-	1,460
Thai Bhat	-	-	-	973	-	-	973
USD Dominated	-	-	-	4,378	10,279	7,970	22,627
<b>Total international corporate bonds</b>	<b>-</b>	<b>-</b>	<b>457</b>	<b>23,092</b>	<b>17,287</b>	<b>8,783</b>	<b>49,619</b>
Pool International Fixed Maturity	-	-	-	-	-	15,180	15,180
<b>Total international fixed maturities</b>	<b>9,838</b>	<b>1,319</b>	<b>3,457</b>	<b>56,379</b>	<b>31,585</b>	<b>40,014</b>	<b>142,592</b>
<b>Total fixed maturity</b>	<b>114,451</b>	<b>3,913</b>	<b>29,090</b>	<b>326,963</b>	<b>170,230</b>	<b>614,322</b>	<b>1,258,969</b>

# Notes to Basic Financial Statements

## June 30, 2006

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
<b>Equities:</b>							
Domestic							1,220,013
Pooled domestic equity							362,225
<b>Total domestic equities</b>							<b>1,582,238</b>
<b>International:</b>							
Australian Dollar							13,495
Brazilian Real							8,877
British Pound							90,781
Canadian Dollar							19,574
Chilean Pesos							940
Danish Krone							618
Euro Currency							201,434
Hong Kong Dollar							12,446
Hungarian Forint							1,307
Indian Rupee							5,614
Indonesian Rupiah							378
Japanese Yen							124,701
Malaysian Ringgit							1,293
Mexican Peso							5,503
New Taiwan Dollar							7,117
New Zealand Dollar							1,368
Norwegian Krone							9,085
Polish Zloty							823
Singapore Dollar							9,704
South African Rand							5,766
South Korean Won							18,895
Swedish Krona							7,083
Swiss Franc							37,051
USD Denominated							45,144
<b>Total international currency</b>							<b>628,997</b>
Pooled International Equities							333,436
<b>Total international equities</b>							<b>962,433</b>
<b>Total equities</b>							<b>2,544,671</b>
Private equity							18,584
Real Estate							238,839
Forward international currency contracts							51
Securities Lending Collateral							574,824
<b>Total investments of retirement plans</b>							<b>4,635,937</b>

## Notes to Basic Financial Statements

June 30, 2006

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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.

The loaned securities as of June 30, 2006 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, 2006, the fair value of the collateral provided was 101% of the fair value of the investments lent, thus did not meet the Plan's policy of 102% due to daily market fluctuations. However, on July 1, 2006, borrowers delivered \$4.7 million to the Plan's custodian to bring the fair value of collateral to 102% of the fair value of investments lent.

As of June 30, 2006, the underlying securities loaned by the Retirement Systems as a whole amounted to approximately \$585,614,000. The cash collateral and the non-cash collateral totaled \$574,824,000 and \$20,556,000, respectively. The Retirement Systems had no exposure to credit risk related to the securities lending transactions as of June 30, 2006.

## Notes to Basic Financial Statements

**June 30, 2006**

The following table provides information concerning securities lent and collateral received as of June 30, 2006 (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. treasury notes and bonds	\$ 162,276	30,551	\$ 192,827
U.S. government agency securities	4,820	-	4,820
Domestic corporate bonds	11,622	17,909	29,531
International government bonds	-	2,558	2,558
Domestic equity securities	175,866	74,262	250,128
International equity securities	65,227	20,295	85,522
Total Lent for Cash Collateral	<u>419,811</u>	<u>145,575</u>	<u>565,386</u>
For Non-Cash Collateral:			
U.S. treasury notes and bonds	1,957	13,614	15,571
Domestic corporate bonds	-	1,940	1,940
Domestic equity securities	7	2,314	2,321
International equity securities	-	396	396
Total Lent for Non-Cash Collateral	<u>1,964</u>	<u>18,264</u>	<u>20,228</u>
Total Securities Lent	<u>\$ 421,775</u>	<u>163,839</u>	<u>\$ 585,614</u>
<b>Type of Collateral Received</b>			
Cash Collateral	<u>\$ 426,787</u>	<u>\$ 148,037</u>	<u>\$ 574,824</u>
Non-Cash Collateral:			
For lent U.S. treasury notes and bonds	1,976	13,834	15,810
For lent domestic corporate bonds	-	1,972	1,972
For lent domestic equity securities	7	2,355	2,362
For lent international equity securities	-	412	412
Total Non-Cash Collateral	<u>1,983</u>	<u>18,573</u>	<u>20,556</u>
Total Collateral Received	<u>\$ 428,770</u>	<u>166,610</u>	<u>\$ 595,380</u>

# Notes to Basic Financial Statements

## June 30, 2006

### 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 – Governmental Activities:	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	Nonmajor Funds	Total Governmental Activities
Taxes	\$ 27,619	-	-	-	7,358	\$ 34,977
Accrued interest	3,393	110	1,681	252	3,207	8,643
Grants	2,619	-	-	-	10,077	12,696
Special assessments	-	-	-	75,007	-	75,007
Other	26,643	20,836	2,052	-	10,584	60,115
Less: allowance for uncollectibles	(9,347)	(8)	-	(3)	(725)	(10,083)
Total receivables, net	<u>\$ 50,927</u>	<u>20,938</u>	<u>3,733</u>	<u>75,256</u>	<u>30,501</u>	<u>\$ 181,355</u>

Business-Type Activities:	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total Business-Type Activities
Accounts	\$ 8,727	3,608	1,989	818	\$ 15,142
Accrued interest	2,034	1,447	97	92	3,670
Grants	3,623	407	-	-	4,030
Less: allowance for uncollectibles	(449)	(327)	(12)	(8)	(796)
Total receivables, net	<u>\$ 13,935</u>	<u>5,135</u>	<u>2,074</u>	<u>902</u>	<u>\$ 22,046</u>

Special assessment receivables in the amount of \$75,007,000 are not expected to be collected within the subsequent year.

### C. Loans Receivable

The composition of the City's loans receivable as of June 30, 2006 is as follows (dollars in thousands):

Type of Loan	General Fund	Redevelopment Agency	Housing Activities	Nonmajor Funds	Total Governmental Activities
20% Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	-	457,004	-	\$ 457,004
Loans funded by federal grants	-	-	40,121	7,953	48,074
Economic development, real estate developer and other loans	2,141	40,837	-	4,076	47,054
Less: allowance	-	(4,923)	(253,921)	(2,497)	(261,341)
Total loans, net	<u>\$ 2,141</u>	<u>35,914</u>	<u>243,204</u>	<u>9,532</u>	<u>\$ 290,791</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:

Loan Type	Interest Rate	Due
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



## Notes to Basic Financial Statements

June 30, 2006

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

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

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

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

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

The City's management believes the combined amount of the aforementioned risk and present value discount allowances is adequate to reflect the net realizable value of the Community Development Block Grant ("CDBG") loans, Home Investment Partnership Program ("HOME") loans, and 20% Housing Program loans receivable as of June 30, 2006.

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, 2006. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2006, amounts committed to extend credit under normal lending agreements totaled approximately \$27,990,000.

### **D. Capital Assets**

#### **1. Summary Schedule**

The following is a summary of capital assets activity for the fiscal year ended June 30, 2006 (dollars in thousands):

# Notes to Basic Financial Statements

## June 30, 2006

	Balance 6/30/2005*	Additions	Deletions	Transfers	Balance June 30, 2006
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 517,005	52,460	11,386	-	558,079
Construction in progress	674,181	135,160	4	(553,214)	256,123
Total capital assets, not being depreciated	1,191,186	187,620	11,390	(553,214)	814,202
Capital assets, being depreciated:					
Buildings	593,993	-	-	426,017	1,020,010
Improvements, other than buildings	39,362	-	-	152	39,514
Infrastructure	11,052,677	40,680	326	100,084	11,193,115
Vehicles and equipment	89,293	2,815	769	26,961	118,300
Property under capital leases	13,379	-	-	-	13,379
Total capital assets, being depreciated	11,788,704	43,495	1,095	553,214	12,384,318
Less accumulated depreciation for:					
Buildings	183,124	23,067	-	-	206,191
Improvements, other than buildings	9,197	2,048	-	-	11,245
Infrastructure	4,421,369	301,850	101	-	4,723,118
Vehicles and equipment	76,188	7,659	753	-	83,094
Property under capital leases	11,371	259	-	-	11,630
Total accumulated depreciation	4,701,249	334,883	854	-	5,035,278
Total capital assets, being depreciated, net	7,087,455	(291,388)	241	553,214	7,349,040
Governmental activities capital assets, net	\$ 8,278,641	(103,768)	11,631	-	8,163,242
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 134,445	481	-	-	134,926
Construction in progress	170,030	106,339	-	(7,603)	268,766
Total capital assets, not being depreciated	304,475	106,820	-	(7,603)	403,692
Capital assets, being depreciated:					
Buildings*	503,699	56	-	182	503,937
Improvements, other than buildings*	778,407	13,771	-	3,488	795,666
Vehicles and equipment*	138,342	255	402	3,933	142,128
Intangible assets	15,188	-	-	-	15,188
Property under capital leases	13,406	-	-	-	13,406
Total capital assets, being depreciated	1,449,042	14,082	402	7,603	1,470,325
Less accumulated depreciation for:					
Buildings*	193,595	14,662	-	-	208,257
Improvements, other than buildings*	298,809	20,748	-	-	319,557
Vehicles and equipment*	95,424	4,743	380	-	99,787
Intangible assets	6,609	323	-	-	6,932
Property under capital leases	8,789	456	-	-	9,245
Total accumulated depreciation	603,226	40,932	380	-	643,778
Total capital assets, being depreciated, net	845,816	(26,850)	22	7,603	826,547
Business-type activities capital assets, net	\$ 1,150,291	79,970	22	-	1,230,239

\* The business-type activities capital assets were reclassified to conform with current year presentation.

# Notes to Basic Financial Statements

June 30, 2006

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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, 2006 is as follows (dollars in thousands):

<b>Governmental activities:</b>	
General government	\$ 11,943
Public safety	3,617
Capital maintenance	302,327
Community services	16,996
Total depreciation expense governmental activities	<u>\$ 334,883</u>
 <b>Business-type activities:</b>	
Norman Y. Mineta San José International Airport	\$ 18,620
Wastewater Treatment System	18,079
Municipal Water System	2,384
Parking System	<u>1,849</u>
Total depreciation expense business-type activities	<u>\$ 40,932</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, 2006 related to these acquisitions was approximately \$323,000.

## 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, 2006, the total amount of interest capitalized in the Airport Enterprise Fund, net of allowable interest earned of temporary investment proceeds, was approximately \$14,220,000.

## 5. Construction Commitments

Commitments outstanding as of June 30, 2006, related to governmental and business-type activities construction in progress totaled approximately \$73,216,000 and \$113,532,000 respectively.

## Notes to Basic Financial Statements

June 30, 2006

### 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 2021. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and the Redevelopment Agency Fund under these capital lease agreements for the fiscal year ended June 30, 2006 amounted to approximately \$2,334,000 and \$3,104,000, respectively. The future minimum lease payments anticipated under the existing lease commitments, as of June 30, 2006, 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	
2007	\$ 1,361	3,084	(42)	3,042	4,403
2008	1,153	2,728	-	2,728	3,881
2009	1,140	2,684	-	2,684	3,824
2010	588	2,214	-	2,214	2,802
2011-2016	1,764	5,134	-	5,134	6,898
2017-2021	-	2,358	-	2,358	2,358
Totals	\$ 6,006	18,202	(42)	18,160	\$ 24,166

#### 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, 2006 was approximately \$2,911,000. In June 2001, the Airport entered into an operating lease and maintenance agreement of 20 compressed natural gas powered buses. The term of the agreement is from March 1, 2003 to February 28, 2010. Rental expenses for the Airport buses for the year ended June 30, 2006 was approximately \$2,026,000.

## Notes to Basic Financial Statements

June 30, 2006

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The future minimum payments anticipated under these commitments, as of June 30, 2006, are as follows (dollars in thousands):

Fiscal Year	
Ending	Operating
June 30,	Leases
2007	\$ 6,325
2008	4,882
2009	3,024
2010	1,547
Total	<u>\$ 15,778</u>

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, 2006 was year 13 of the lease for which the City received approximately \$2,032,000. As of June 30, 2006, leased assets had total historic cost of approximately \$107,234,000 and accumulated depreciation of approximately \$32,313,000.

### Business-Type Activities

The Airport is served by 16 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 13 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, 2006, the Airport's actual revenues exceeded its expenses and reserve requirements by approximately \$20,803,000. The surplus received during the fiscal year ended June 30, 2006 will be credited to the airlines as a reduction of future rates and charges.

## Notes to Basic Financial Statements

June 30, 2006

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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.

The future minimum rentals to be received from the aforementioned operating leases, as of June 30, 2006, are as follows (dollars in thousands):

<b>Fiscal Year</b>		
<b>Ending</b>		
<b>June 30,</b>		
2007	\$	20,484
2008		7,913
2009		5,198
2010		3,322
2011		3,227
2012-2016		15,047
2017-2021		10,628
2022-2026		10,628
2027-2031		9,112
2032-2036		7,010
2037-2041		3,822
Total	\$	<u>96,391</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 \$14,979,000 from month-to-month rentals in fiscal year ending June 30, 2006. As of June 30, 2006, leased assets had historic costs of approximately \$94,273,000 and accumulated depreciation of approximately \$36,960,000.

In February 2005, the City of San José Financing Authority (Authority), assisted the City in financing the acquisition and improvement of certain real property situated in the City of San José and the City of Santa Clara by issuing lease revenue bonds pursuant to a trust agreement with a trustee. In order to secure and provide for the repayment of the bonds, the City, as lessor, leased the property to the Authority, as lessee, and leased back such property from the Authority under an operating sublease agreement. The City will use the property for aviation-related purposes during the initial term of the agreement, which will expire on June 30, 2014, unless such term is extended or sooner terminated. The rental for the possession and use of property in each rental payment period (twelve month period commencing on March 1 and ending on the immediately following February 28 or 29, as applicable) is equal to the lesser of (i) the maximum annual rent or (ii) an amount which is equal to the sum of the principal and interest on the bonds and any reimbursement obligations coming due in the rental payment period (the base rental payments). In addition to base rental payments, the City shall also pay such amounts (the additional payments) as shall be required by the Authority for the payment of all amounts, costs, and expenses incurred by the Authority and not otherwise funded in connection with the execution, performance or enforcement of the operating sublease or any assignment hereof, the trust agreement, and the sublease of the property, including but not limited to payment of the following:

## Notes to Basic Financial Statements

June 30, 2006

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- (a) all fees, costs and expenses (including reasonable attorney fees and out-of-pocket expenses of the Authority);
- (b) all annual fees and expenses of the trustee, the remarketing agent and any rebate analyst for the bonds, and the fees of auditors, accountants, attorneys or architects and all other necessary administrative costs of the Authority or the trustee, or charges required to be paid by either of them in order to comply with the terms of the trust agreement or the operating sublease; but not including in such additional payments amounts required to pay the principal or interest on the bonds; and
- (c) all fees and expenses payable to the liquidity facility provider under the liquidity agreement, which amounts shall be paid as specified in the liquidity agreement.

The parties have agreed and determined that such total rental payable for each rental payment period represents no more than the fair rental value of the property for each such period. The City will pay the base rental payments and additional payments from (a) Airport revenues on deposit in the Maintenance and Operations Fund of the Airport, and (b) to the extent such revenues are unavailable, from the general funds of the City. Rental expenses for the property were \$992,000 for fiscal year ended June 30, 2006. The estimated future rental payments based on the lesser of (i) the maximum annual rent or (ii) an amount which is equal to the sum of the principal and interest on the bonds and any reimbursement obligations coming due in the rental payment period are as follows:

<b>Fiscal Year Ending June 30,</b>		
2007	\$	3,008
2008		3,712
2009		3,724
2010		3,753
2011		3,781
2012-2016		19,422
2017-2021		20,440
2022-2026		21,773
2027-2031		23,439
2032-2034		14,920
Total	\$	<u>117,972</u>

# Notes to Basic Financial Statements

## June 30, 2006

### 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, 2006 (dollars in thousands):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance, June 30, 2006
<b>Governmental Activities:</b>							
City of San Jose:							
General Obligation Bonds:							
Series 2001 (Libraries and Parks)	Community Facilities	\$ 71,000	06/06/2001	09/01/2031	4.25-5.125%	2.37	\$ 61,520
Series 2002 (Libraries, Parks, Public Safety)	Community Facilities	116,090	07/18/2002	09/01/2032	3.00-5.00%	3.87	104,480
Series 2004 (Libraries, Parks, Public Safety)	Community Facilities	118,700	07/14/2004	09/01/2034	4.00-5.00%	3.96	114,745
Series 2005 (Libraries and Public Safety)	Community Facilities	46,300	06/23/2005	09/01/2035	3.00-7.50%	1.55	46,300
Series 2006 (Libraries and Park)	Community Facilities	105,400	06/29/2006	09/01/2036	4.00-5.00%	3.51	105,400
							<u>432,445</u>
HUD Section 108 Note	Economic Development	25,436	02/16/2005	08/01/2024	Variable	0.93-2.08	25,436
City of San Jose Financing Authority:							
Lease Revenue Bonds:							
Series 1993B (Community Facilities)	Community Facilities	18,045	04/13/1993	11/15/2018	5.625-6.00%	0.81-1.11	10,480
Series 1997A (Golf Course Project)	Community Facilities	6,875	07/10/1997	08/15/2027	5.30-5.60%	0.15-0.46	6,115
Series 1997B (Fire, Childcare, Library Land)	Community Facilities	9,805	07/29/1997	08/01/2012	4.50-4.875%	0.36-1.04	3,330
Series 2000B (Tuers-Capitol/Camden)	Golf Course/Refunding	22,635	08/08/2000	08/15/2030	4.70-5.50%	0.15-1.67	21,950
Series 2000C (Taxable) (Ice Centre)	Refunding	22,200	12/13/2000	12/01/2021	Variable	0.85-2.05	20,650
Series 2001B (Taxable) (Hayes Mansion)	Conference Center	24,000	02/14/2001	07/01/2024	Variable	0.10-2.20	24,000
Series 2001C (Taxable) (Hayes Mansion)	Conference Center	18,500	02/14/2001	07/01/2024	Variable	0.10-1.70	18,500
Series 2001D (Hayes Mansion)	Conference Center	10,800	02/14/2001	07/01/2026	Variable	1.80-4.60	10,800
Series 2001E (Communication Center)	Refunding	18,610	03/29/2001	05/01/2010	4.00-5.00%	1.94-4.04	10,080
Series 2002B (Civic Center Project)	Civic Center	292,425	11/14/2002	06/01/2037	3.00-5.25%	0.14-33.45	292,425
Series 2002C (Civic Center Project)	Civic Center	60,000	11/14/2002	06/01/2039	Variable	17.10-21.79	60,000
Series 2003A (Central Service Yard)	Refunding	22,625	09/18/2003	10/15/2023	3.00-4.70%	0.86-1.61	21,050
Series 2004A (Taxable) (Ice Centre)	Ice Centre	9,225	06/03/2004	12/01/2024	Variable	2.05-2.55	9,225
Series 2005A (Taxable) (Land Acquisition)	Economic Development	54,480	02/17/2005	03/01/2029	Variable	1.40-3.88	54,480
Series 2005B (AMT) (Land Acquisition)	Economic Development	25,545	02/17/2005	03/01/2034	Variable	2.54-4.97	25,545
Series 2006A (Civic Center Project)	Refunding	57,440	06/01/2006	06/01/2039	3.80-5.25%	0.17-10.73	57,440
							<u>646,070</u>
Special Assessment Bonds with Limited Governmental Commitment:							
Special Assessment Bonds:							
Series 24C (Evergreen Creek)	Public Infrastructure	1,080	09/07/1988	09/02/2009	8.15-8.20%	0.08-0.10	360
Series 24K (Seismic Retrofit)	Seismic Retrofit	823	06/29/1993	09/02/2013	8.50%	0.03-0.06	337
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	06/26/2001	09/02/2023	4.80-5.88%	0.85-2.05	24,190
Series 24R (2002 Consolidated Refunding)	Consolidated Refunding	13,940	07/03/2002	09/02/2015	2.90-4.375%	0.98-1.22	10,835
Special Tax Bonds:							
CFD No. 1 (Capitol Expressway Auto Mall)	Public Infrastructure	4,100	11/18/1997	11/01/2022	5.10-5.70%	0.13-0.30	3,365
CFD No. 6 (Great Oaks-Route 85)	Public Infrastructure	12,200	12/18/2001	09/01/2023	4.50-6.00%	0.41-0.97	11,440
CFD No. 9 (Bailey/Highway 101)	Public Infrastructure	13,560	02/13/2003	09/01/2032	4.10-6.65%	0.22-0.95	12,780
CFD No. 10 (Hassler-Silver Creek)	Public Infrastructure	12,500	07/23/2003	09/01/2023	3.40-5.25%	0.45-0.94	11,700
							<u>75,007</u>



# Notes to Basic Financial Statements

## June 30, 2006

Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance, June 30, 2006
<b>Governmental Activities (continued):</b>						
Redevelopment Agency:						
Tax Allocation Bonds:						
Series 1993 (Merged Area Refunding)	\$ 692,075	12/15/1993	02/01/2024	4.75-6.00%	13.03-42.41	\$ 277,125
Series 1997 (Merged Area)	106,000	03/27/1997	08/01/2028	5.375-5.625%	0.01-3.11	11,600
Series 1998 (Merged Area)	175,000	03/19/1998	08/01/2029	5.00-5.25%	1.33-31.35	149,265
Series 1999 (Merged Area)	240,000	01/06/1999	08/01/2031	4.75-5.00%	4.21-23.60	166,595
Series 2002 (Merged Area)	350,000	01/24/2002	08/01/2032	4.00-5.00%	1.88-29.89	247,865
Series 2003 (Merged Area)	135,000	12/22/2003	08/01/2033	4.00-5.00%	0.03-34.10	128,280
Series 2004A (Merged Area)	281,985	05/27/2004	08/01/2019	2.00-5.25%	0.54-31.90	269,090
Series 2005A (Merged Area)	152,950	07/25/2005	08/01/2028	3.25-5.00%	0.11-26.21	152,950
Series 2005B (Merged Area)	67,130	07/25/2005	08/01/2015	4.50-5.00%	4.23-21.56	67,130
						<u>1,469,900</u>
Revenue Bonds (Subordinate):						
Series 1996A (Merged Area)	29,500	06/27/1996	07/01/2026	Variable	0.70-2.00	28,100
Series 1996B (Merged Area)	29,500	06/27/1996	07/01/2026	Variable	0.70-2.00	28,100
Series 2003A (Taxable) (Merged Area)	45,000	08/27/2003	08/01/2028	Variable	1.10-3.10	45,000
Series 2003B (Merged Area)	15,000	08/27/2003	08/01/2032	Variable	0.50-3.90	15,000
						<u>116,200</u>
City of San Jose Financing Authority Revenue Bonds (Subordinate):						
Series 2001A (4th & San Fernando)	48,675	04/10/2001	09/01/2026	3.80-5.25%	1.33-3.21	43,870
Series 2001F (Convention Center)	186,150	07/26/2001	09/01/2022	4.00-5.00%	5.59-14.73	171,800
						<u>215,670</u>
HUD Section 108 Note	5,200	02/11/1997	08/01/2016	Variable	0.24-0.47	3,705
HUD Section 108 Note	13,000	02/08/2006	08/01/2025	Variable	0.57-1.14	13,000
HUD Section 108 Note	5,200	06/29/2006	08/01/2016	Variable	0.67-1.57	18,000
						<u>34,705</u>
CSCD Authority - ERAF Loan	19,085	04/24/2005	08/01/2015	3.87-5.01%	1.64-2.35	17,725
CSCD Authority - ERAF Loan	14,920	05/03/2006	08/01/2016	5.28-5.67%	0.99-1.91	14,920
						<u>32,645</u>
Housing Set-Aside Tax Allocation Bonds:						
Series 1997E (AMT) (Merged Area)	17,045	06/23/1997	08/01/2027	5.75-5.85%	0.34-3.67	17,045
Series 2003J (Taxable) (Merged Area)	55,265	07/10/2003	08/01/2024	2.00-5.25%	2.02-3.51	50,550
Series 2003K (Merged Area)	13,735	07/10/2003	08/01/2029	2.00-4.40%	0.23-1.07	11,910
Series 2005A (Merged Area)	10,445	06/30/2005	08/01/2024	3.75-5.00%	0.97-2.27	10,445
Series 2005B (Taxable) (Merged Area)	119,275	06/30/2005	08/01/2035	3.89-5.46%	0.70-8.30	119,275
Series 2005C (AMT) (Merged Area)	33,075	06/30/2005	08/01/2035	Variable	0.10-1.57	33,075
Series 2005D (AMT) (Merged Area)	33,075	06/30/2005	08/01/2035	Variable	0.10-1.57	33,075
						<u>275,375</u>
Total Governmental Activities - Bonds, Certificates of Participation and Notes Payable						<u>\$ 3,323,453</u>
<b>Business-type Activities:</b>						
Norman Y. Mineta San Jose International Airport:						
Revenue Bonds:						
Series 1994	\$ 19,345	01/25/1994	03/01/2007	5.875%	1.80	\$ 1,795
Series 1998A	14,015	01/27/1998	03/01/2018	4.30-4.75%	0.63-1.09	9,975
Series 2001A	158,455	08/14/2001	03/01/2031	3.45-5.25%	3.31-10.06	149,120
Series 2002A	53,600	01/09/2003	03/01/2018	4.00-5.375%	4.46-9.29	53,600
Series 2002B	37,945	01/09/2003	03/01/2012	3.00-5.00%	2.38-6.55	30,420
Series 2004A (AMT)	70,000	06/24/2004	06/01/2034	Variable	7.58-16.05	70,000
Series 2004B (AMT)	70,000	06/24/2004	06/01/2034	Variable	7.58-16.05	70,000
Series 2004C (AMT)	75,730	06/24/2004	03/01/2026	4.625-5.25%	1.00-10.59	75,730
Series 2004D	34,270	06/24/2004	03/01/2028	5.00%	9.96-12.56	34,270
						<u>494,910</u>
Clean Water Financing Authority:						
Revenue Bonds:						
Series 2005A	54,020	10/05/2005	11/15/2016	3.25-5.00%	3.97-5.80	54,020
Series 2005B	27,130	10/05/2005	11/15/2020	Variable	0.90-6.88	27,130
						<u>81,150</u>
State of California - Revolving Fund Loan	73,566	Various	05/01/2019	Various	1.77-4.35	49,153
Total Business-type Activities - Bonds and Loan Payable						<u>\$ 625,213</u>
						<u>\$ 3,948,666</u>

# Notes to Basic Financial Statements

June 30, 2006

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## **2. Debt Compliance**

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

## **3. Legal Debt Limit and Margin**

The City's legal debt limit and debt margin (as defined by Section 1216 of the City Charter) as of June 30, 2006, are approximately \$15,493,455,000 and \$15,061,010,000, 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.

## **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 \$11,000.

## **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 or Fiscal 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, 2006, the City has recorded approximately \$75,007,000 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, 2006, there are assessment surpluses of approximately \$2,341,000 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.

## Notes to Basic Financial Statements

June 30, 2006

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### **6. Conduit Debt**

The City 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 very 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, 2006, the outstanding bond issues aggregated to approximately \$533,854,000.

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, 2006, 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, 2006, 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.

# Notes to Basic Financial Statements

## June 30, 2006

### 7. Summary of Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2006, are as follows (dollars in thousands):

	June 30, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Long-term debt payable:					
General Obligation bonds	\$ 337,240	105,400	(10,195)	432,445	\$ 11,735
HUD Section 108 loan	342	25,094	-	25,436	-
San Jose Financing Authority					
Lease and Reassessment revenue bonds	652,605	57,440	(66,480)	643,565	7,632
Accreted interest on capital appreciation bonds	2,630	280	(405)	2,505	433
Special Assessment bonds with limited governmental commitment	79,434	-	(4,427)	75,007	3,132
Redevelopment Agency					
Revenue bonds	339,595	-	(7,725)	331,870	9,410
HUD Section 108 notes payable	3,920	31,000	(215)	34,705	235
Tax allocation bonds	1,782,775	220,080	(257,580)	1,745,275	31,490
California Statewide Communities Development Authority - ERAF loan					
	19,085	14,920	(1,360)	32,645	2,625
Total long-term debt payable	<u>3,217,626</u>	<u>454,214</u>	<u>(348,387)</u>	<u>3,323,453</u>	<u>66,692</u>
Less deferred amounts:					
For refunding	(22,873)	(14,218)	2,609	(34,482)	(2,681)
For issuance premiums	27,874	20,477	(2,824)	45,527	2,824
For issuance discounts	(3,510)	-	111	(3,399)	(103)
Total deferred amounts	<u>1,491</u>	<u>6,259</u>	<u>(104)</u>	<u>7,646</u>	<u>40</u>
Total long-term debt payable and deferred amounts	<u>3,219,117</u>	<u>460,473</u>	<u>(348,491)</u>	<u>3,331,099</u>	<u>66,732</u>
Other Long-term obligations:					
Loan to City (Hayes Mansion)	2,408	-	(500)	1,908	500
Arbitrage liability	119	-	(108)	11	-
Accrued vacation, sick leave and compensatory time	78,058	41,173	(35,425)	83,806	35,000
Accrued landfill postclosure costs	10,695	-	(465)	10,230	465
Estimated liability for self-insurance	132,530	63,066	(22,041)	173,555	22,000
Net pension obligation	3,220	257	(244)	3,233	13
Total other long-term obligations	<u>227,030</u>	<u>104,496</u>	<u>(58,783)</u>	<u>272,743</u>	<u>57,978</u>
Governmental activities long-term obligations	<u>\$ 3,446,147</u>	<u>564,969</u>	<u>(407,274)</u>	<u>3,603,842</u>	<u>\$ 124,710</u>

## Notes to Basic Financial Statements

**June 30, 2006**

	June 30, 2005	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Norman Y. Mineta San Jose International Airport:					
Revenue bonds	\$ 503,885	-	(8,975)	494,910	\$ 9,365
Deferred amounts:					
For refunding	(5,594)	-	819	(4,775)	(777)
For issuance premiums	5,839	-	(163)	5,676	203
For issuance discounts	(2,752)	-	41	(2,711)	(39)
Commercial paper notes	7,755	79,287	(78,953)	8,089	8,089
Clean Water Financing Authority:					
Revenue bonds	92,035	81,150	(92,035)	81,150	3,965
Deferred amounts:					
For refunding	-	(2,891)	203	(2,688)	(270)
For issuance premiums	-	1,240	(84)	1,156	111
For issuance discounts	(1,361)	-	1,361	-	-
State of California - Revolving Fund Loan	52,658	-	(3,505)	49,153	3,568
Accrued vacation, sick leave and compensatory time	6,750	4,677	(3,985)	7,442	7,442
Estimated liability for self-insurance	8,380	1,532	(809)	9,103	1,794
Business-type long-term obligations	\$ 667,595	164,995	(186,085)	646,505	\$ 33,451

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.

# Notes to Basic Financial Statements

## June 30, 2006

### 8. Annual Requirements to Maturity

The annual requirements to amortize all bonds, notes, and certificates of participation outstanding as of June 30, 2006, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Governmental Activities				
	General Obligation Bonds and HUD Section 108 Loan		Lease Revenue and Reassessment Bonds <sup>(1,2,3)</sup>		
	Principal	Interest	Principal	Accreted Interest	Interest
2007	\$ 11,735	20,034	7,632	433	31,257
2008	16,179	20,968	6,872	458	30,912
2009	16,198	20,239	7,695	480	30,559
2010	16,253	19,486	10,154	501	30,212
2011	16,283	18,742	6,729	521	29,701
2012-2016	82,150	82,625	50,819	1,096	142,147
2017-2021	84,082	63,264	80,805	-	125,528
2022-2026	84,021	42,519	111,175	-	101,098
2027-2031	76,250	22,972	112,505	-	74,211
2032-2036	51,215	5,974	149,385	-	44,484
2037-2041	3,515	88	99,794	-	8,192
Total	\$ 457,881	316,911	643,565	3,489	648,301

Fiscal Year Ending June 30,	Governmental Activities			
	Special Assessment Bonds With Limited Government Commitment		Redevelopment Agency <sup>(1,3)</sup>	
	Principal	Interest	Principal	Interest
2007	\$ 3,132	3,853	43,760	104,063
2008	3,266	3,725	55,535	101,482
2009	3,385	3,587	58,565	98,701
2010	3,529	3,438	62,430	95,737
2011	3,558	3,280	66,625	92,593
2012-2016	19,922	13,684	384,420	409,616
2017-2021	18,240	8,761	461,020	306,631
2022-2026	14,480	3,308	496,235	187,952
2027-2031	3,665	1,249	367,920	80,142
2032-2036	1,830	124	147,985	11,026
	\$ 75,007	45,009	2,144,495	1,487,943

# Notes to Basic Financial Statements

## June 30, 2006

Fiscal Year	Business-Type Activities					
	Airport <sup>(1,4)</sup>		Wastewater Treatment System <sup>(1)</sup>			
	Revenue		Revenue		Loans	
	Bonds		Bonds		Payable	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 9,365	22,865	3,965	2,996	3,568	896
2008	9,745	22,503	4,310	2,853	3,633	831
2009	11,180	22,053	4,480	2,696	3,699	765
2010	11,645	21,540	4,640	2,543	3,767	697
2011	12,120	21,019	4,790	2,390	3,835	628
2012-2016	69,150	95,807	26,705	9,024	20,252	2,067
2017-2021	74,905	76,713	32,260	3,114	10,399	333
2022-2026	86,775	57,047	-	-	-	-
2027-2031	118,775	33,115	-	-	-	-
2032-2036	91,250	6,891	-	-	-	-
Total	\$ 494,910	379,553	81,150	25,616	49,153	6,217

[1] Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2006. Lease Revenue Bonds: Series 2000C (5.36%), Series 2001B (5.43%), Series 2001C (5.36%), Series 2001D (3.92%), Series 2002C (3.88%), Series 2004A (4.98%), Series 2005A (5.44%), Series 2005B (4.00%). Redevelopment Agency Revenue Bonds: Series 1996A (3.87%), Series 1996B (3.85%), Series 2003A (5.35%), Series 2003B (3.94%). Redevelopment Agency Housing Set-Aside Tax Allocation Bonds: Series 2005C (3.97%), Series 2005D (3.99%). Airport Revenue Bonds: Series 2004A (3.90%), Series 2004B (3.40%). Clean Water Financing Authority Revenue Bonds: Series 2005B (3.87%). HUD Section 108 Notes: City of San Jose and Redevelopment Agency Loans (5.43%). 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, 2006, \$2,505,000 of value had accreted on the outstanding capital appreciation bonds, which combined with the \$643,565,000 of outstanding current interest bonds totals \$646,070,000 of outstanding lease 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

**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.

The refunding generated aggregate debt service savings (net of available funds) of \$7,232,000, net present value savings of \$6,886,000, representing a 3.06% net present value reduction in debt service payments. The Series 2005A bonds, which are insured by MBIA, bear interest at fixed rates ranging from 3.25% to 5.00%, and have a final maturity date of August 1, 2028. The Series 2005B bonds, which are insured by Ambac, bear interest at fixed rates ranging from 4.50% to 5.00%, and have a final maturity date of August 1, 2015.

**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 \$25.81 million from HUD under the Section 108 Loan Guarantee Program for the purchase of property adjacent to the Airport. On February 16, 2005, the City made

## Notes to Basic Financial Statements

June 30, 2006

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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. On May 17, 2006, the City drew an additional \$25.09 million to complete the purchase. Debt service on the HUD loan will initially be paid from HUD grant funds received by the City, and then 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, 2006, was 5.43%, and has a final maturity date of August 1, 2024.

**City of San José Financing Authority Lease Revenue Refunding Bonds, Series 2006A (Civic Center Project).** On June 1, 2006, the Authority issued \$57.44 million of lease revenue refunding bonds. The bond proceeds were used to refund the Authority's Series 2002D lease revenue bonds issued to finance a portion of the costs of the City Hall project. Debt service on the Series 2006A bonds will be paid from the General Fund, special funds, and capital funds.

Refunding bonds net proceeds and cash remaining in the project and capitalized fees funds of the refunded bonds were used to pay the redemption price of the Series 2002D bonds on the date of issuance of the refunding bonds. The redemption price provided for the principal and accrued interest through the date of redemption for the refunded bonds. The refunded bonds were redeemed on June 1, 2006, and have been removed from the City's basic financial statements.

The redemption of the Series 2002D bonds, which paid interest at weekly variable rates, with proceeds of the fixed rate Series 2006A bonds created capacity for additional variable rate debt in the City's debt portfolio. The Series 2006A bonds, which are insured by Ambac, bear interest at fixed rates ranging from 3.80% to 5.25%, and have a final maturity date of June 1, 2039.

**General Obligation Bonds, Series 2006 (Libraries and Parks Projects).** On June 29, 2006, the City issued \$105.4 million of Series 2006 general obligation bonds. The proceeds will be used to fund \$60.0 million of library projects and \$45.4 million of parks projects. Debt service on the Series 2006 bonds is payable from ad valorem taxes levied upon all property subject to taxation by the City. The Series 2006 bonds bear interest at fixed rates ranging from 4.00% to 5.00%, and have a final maturity date of September 1, 2036.

At June 30, 2006, the City has issued \$457,490,000 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, 2006, \$432,445,000 is outstanding. Of the total amount authorized to be issued of \$598,820,000, there remains an unused balance of \$141,330,000.

**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, 2005, 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.



## Notes to Basic Financial Statements

June 30, 2006

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On November 15, 2005, the City Council and the City of San José Financing Authority each adopted a resolution expanding the capacity of the lease revenue commercial paper program from \$98,000,000 to \$116,000,000 and authorizing the issuance of commercial paper notes to pay a portion of the costs of the Phase II improvements at the City's Central Service Yard and a portion of the demolition and clean-up costs at the City's Main Service Yard.

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 (CalSTRS).

During fiscal year 2005-06, the Authority issued \$24,205,000 of commercial paper notes for the new City Hall and offsite parking garage, \$21,357,000 for technology, furniture and relocation services for the new City Hall, \$105,000 for municipal facility improvements, \$3,480,000 for the consolidated utility billing system, and \$5,173,000 for the Central Service Yard Phase II project.

Also during fiscal year 2005-06, the Authority redeemed \$14,956,000 of commercial paper notes for the new City Hall offsite parking garage, \$6,895,000 for technology, furniture and relocation services for the new City Hall and \$262,000 for municipal facility improvements.

On June 30, 2006, \$63,996,000 of Authority tax-exempt commercial paper notes were outstanding at interest rates ranging from 3.38% to 3.67%, and \$1,108,000 of Authority taxable commercial paper notes were outstanding at interest rates ranging from 5.04% to 5.14%.

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

<u>June 30,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2006</u>
<u>\$ 32,897</u>	<u>54,320</u>	<u>(22,113)</u>	<u>\$ 65,104</u>

**U.S. Department of Housing and Urban Development (HUD) Section 108 Loan (Merged Project Area).** In June, 2006, the Agency received loan proceeds of \$13,000,000 from HUD, under the Section 108. The proceeds are used to finance certain projects in the Merged Project area.

On June 29, 2006, the Agency also requested a draw down for another loan of \$18,000,000 that was approved by HUD during fiscal year ended June 30, 2006. The loan is for reimbursement of cost for the Story/King Retail Project. The loan proceeds were received by the Agency on July 12, 2006. At June 30, 2006, a corresponding other receivable balance of \$18,000,000 was recorded related to this loan.

At June 30, 2006, the Agency has outstanding loans due of approximately \$34,705,000. The notes payable mature annually through August, 2025, and bear interest at 20 basis points above the LIBOR index.

## Notes to Basic Financial Statements

June 30, 2006

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**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. For the current year the Agency's share, of approximately \$14,501,000 was paid into 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 May 3, 2006, CSCDA issued bonds aggregating to \$20,135,000 and the Agency's share of the bonds was \$14,920,000. For fiscal year 2005, the Agency's share in the CSCDA loan amounted to \$19,085,000. As of June 30, 2006, the Agency's aggregate loans with CSCDA have a balance of \$32,645,000. The loans with CSCDA are scheduled to be repaid over a 10 year period and bear fixed interest rate from 3.87% to 5.67%. The final maturity dates for the loans are August 1, 2015 and 2016, respectively.

### 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 was established to provide an interim source of financing for the initial capital projects in the Airport Master Plan until a permanent financing plan was finalized and implemented.

Subsequently, on 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). On June 20, 2006, the City Council approved an expansion of the Airport commercial paper program from \$100 million to \$200 million to ensure that funding would be available for the award of the design and construction contracts related to the rephased Airport Master Plan projects. Various Airport Master Plan projects are anticipated for award in calendar year 2006, such as the design-build agreement for the Terminal Area Improvement Program and continuation of the North Concourse Building and related projects. Additionally, the Airport CP Program will be used for the payment of costs related to the Airport's lease of the former FMC property.

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 and additionally secured by a letter of credit provided by JPMorgan Chase Bank.

During fiscal year 2005-06, no Series A or Series B commercial paper notes were issued or outstanding. During fiscal year 2005-06, the City issued \$334,000 of Series C commercial paper notes to pay the interest cost associated with renewing mature notes. On June 30, 2006, \$8,089,000 of Series C commercial paper notes were outstanding at an interest rate of 5.12%.

## Notes to Basic Financial Statements

June 30, 2006

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**San José-Santa Clara Clean Water Financing Authority Sewer Revenue Refunding Bonds, Series 2005A and Series 2005B.** On October 5, 2005, the Clean Water Financing Authority issued \$54.02 million of Series 2005A and \$27.13 million of Series 2005B sewer revenue refunding bonds. The proceeds of the Series 2005A bonds were used to current refund the Authority's Series 1995A sewer revenue bonds. The proceeds of the Series 2005B bonds were used to current refund the Authority's Series 1995B sewer revenue bonds. Debt service is payable from the Authority's revenues which consist primarily of payments from the City's of San José's sewer revenues.

A refunding escrow for the Series 1995A bonds, in the amount of \$60,502,000, was funded from a combination of refunding bonds net proceeds and cash remaining in the revenue, reserve, and excess earnings funds of the refunded bonds. The refunding escrow provided for the principal, call premium and accrued interest through the date of redemption for the refunded bonds. The refunded bonds were redeemed on November 15, 2005, and have been removed from the City's basic financial statements.

A refunding escrow for the Series 1995B bonds, in the amount of \$27,099,000, was funded from a combination of refunding bonds net proceeds, City funds, and cash remaining in the revenue fund of the refunded bonds. The refunding escrow provided for the principal and accrued interest through the date of redemption for the refunded bonds. The refunded bonds were redeemed on December 7, 2005, and have been removed from the City's basic financial statements.

The refunding of the Series 1995A bonds generated net present value savings of \$9.45 million, representing a 14.47% net present value reduction in debt service payments. The redemption of the Series 1995B bonds, which paid interest at weekly variable rates, with proceeds of the variable rate Series 2005B bonds allowed the Authority to achieve a more economic amortization of its variable and fixed rate debt. The Series 2005A bonds, which are insured by FSA, bear interest at fixed rates ranging from 3.25% to 5.00%, and have a final maturity date of November 15, 2016. The Series 2005B bonds, which are also insured by FSA, bear interest at a weekly variable rate, which on June 30, 2006, was 3.87%, and have a final maturity date of November 15, 2020.

### **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 \$10,230,000 related to the closed landfills is recorded in the government-wide financial statements as of June 30, 2006. 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.

# Notes to Basic Financial Statements

June 30, 2006

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## 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.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2006. 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.

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

Liability as of July 1, 2004	\$	168,254
Claims and changes in estimates during 2005		(8,350)
Claims payments		<u>(18,994)</u>
Liability as of June 30, 2005		140,910
Claims and changes in estimates during 2006		64,598
Claims payments		<u>(22,850)</u>
Liability as of June 30, 2006	\$	<u>182,658</u>

## Notes to Basic Financial Statements

**June 30, 2006**

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### **(a) Owner Controlled Insurance Programs**

On March 31, 2004, the City acquired certain liability insurance coverage (see chart below) for major components of the “2004 Security Projects” 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.

<u>Coverage</u>	<u>2004 Security Projects</u>	
	<u>Limits</u>	<u>Deductible</u>
General Liability	\$2 million per occurrence/ \$4 million / aggregate for general liability	\$250,000 per occurrence
Workers' Compensation	Workers' Compensation - Statutory	None
	Employers' Liability - \$2 million per accident	None
Excess Liability	\$150,000,000	None

The 2004 Security Project OCIP Project terms include a 36-month construction period with ten years completed operations 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.

### **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 8.25% and an inflation rate of 4.50%, with an amortization period of 23 years as a level percentage of projected payroll on an open basis, resulting in an amortization factor of 13.16 for fiscal 2006 (see note IV).

### **G. Inter-fund Transactions**

The composition of inter-fund balances as of June 30, 2006, with explanations of significant transactions, is as follows (dollars in thousands):

# Notes to Basic Financial Statements

**June 30, 2006**

## 1. Due from/Due to other funds

### Due From/Due to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency	\$ 2,103 (1)
	Nonmajor governmental funds	7,896 (2)
	Wastewater Treatment System	599 (3)
Nonmajor governmental funds	Nonmajor governmental funds	48,412 (4)
	Redevelopment Agency	8,112 (5)
Redevelopment Agency	General Fund	44 (6)
	Nonmajor governmental funds	1,220 (7)
Wastewater Treatment System	Nonmajor governmental funds	458 (8)
	Municipal Water System	700 (9)
Norman Y. Mineta San Jose International Airport	Nonmajor governmental funds	166 (10)
		<u>\$ 69,710</u>

- (1) \$315 represents interest receivable accrual from pooled investments and \$1,788 related to staff support labor charges and other various accruals.  
 (2) \$6 million represents short term borrowing for working capital and other various inter-governmental reimbursements due from non-major special revenue funds.  
 (3) In- lieu tax revenue accrual.  
 (4) Short-term borrowing for working capital.  
 (5) Parkland vouchers fees for low income household.  
 (6) Accrual of interest receivable of pooled investments funds.  
 (7) Represents various capital projects refunds due.  
 (8) Short term portion of loan for Sewer Extension program.  
 (9) Short term portion of loan for North Coyote Valley Water Project.  
 (10) Represents reimburseable expenses related to the FMC land project.

## 2. Advances to/Advances from other funds

Receivable Fund	Payable Fund	Amount
General Fund	San Jose Financing Authority	\$ 3,635 (1)
Redevelopment Agency	Housing Activities	580 (2)
	General Fund	604 (3)
Parking System	Redevelopment Agency	6,800 (4)
Wastewater Treatment System	Nonmajor governmental funds	2,812 (5)
	Municipal Water System	<u>4,029 (6)</u>
		<u>\$ 18,460</u>

- (1) Represents loan to support City owned golf courses (\$3,297) and short term borrowing for Seismic district bond purchase.  
 (2) Discounted loan to the YMCA Villa Nueva Housing project.  
 (3) Security deposit for disposition and development agreement of the Mesa Partnership LLC project.  
 (4) Redevelopment Agency loan from the Parking Systems.  
 (5) \$2,354 represents a long-term loans for the Fiber Conduit project and \$460 for sewer extension program.  
 (6) Loan for the North Coyote Valley Water Project.

# Notes to Basic Financial Statements

## June 30, 2006

### 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:**

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General Fund	Municipal Water System	\$ 153 (1)
	Wastewater Treatment System	98 (2)
San Jose Financing Authority	Parking System	32 (3)
Nonmajor governmental funds	Norman Y. Mineta San Jose International Airport	2,033 (4)
Parking Systems	Redevelopment Agency	32 (5)
	General Fund	42 (6)
	Nonmajor governmental funds	893 (7)
	San Jose Financing Authority	49 (8)
Municipal Water System	General Fund	1,638 (9)
	San Jose Financing Authority	17 (10)
Wastewater Treatment System	General Fund	3,941 (11)
	Housing Activities	3,040 (12)
	Nonmajor governmental funds	34 (13)
	San Jose Financing Authority	402 (14)
Public Works Program Support	General Fund	120 (15)
	San Jose Financing Authority	139 (16)
		<u>\$ 12,663</u>

- (1) Reimbursement to the Municipal Water System for rate of return and In-Lieu fee.
- (2) Transfer to Wastewater Treatment System for operating and capital projects.
- (3) Transfer interest earned for the joint parking project.
- (4) Reimburse expenses for the FMC project.
- (5) Transfer interest earned from debt service to Redevelopment Agency per partnership agreement.
- (6) Transfer to General Fund for City Hall operations and maintenance.
- (7) Transfer of convention center parking receipts and debt service payment.
- (8) Transfer of debt service payment.
- (9) Municipal Water System payments for in-lieu taxes and rate of return on assets.
- (10) Transfer for debt service payments.
- (11) Wastewater Treatment System payments for in-lieu taxes.
- (12) Transfers to the Housing Activities for the Las Plumas Land Control Project.
- (13) Transfers for operations and maintenance and debt service payments.
- (14) Transfer for debt service payments.
- (15) Transfer for City Hall operations and maintenance.
- (16) Transfer for debt service payments.

# Notes to Basic Financial Statements

**June 30, 2006**

**Between Funds within the Governmental Activities:**

Transfers from	Transfers to	Amount	
General Fund	Redevelopment Agency	\$ 70	(1)
	Nonmajor governmental funds	6,654	(2)
	San Jose Financing Authority	8,497	(3)
Redevelopment Agency	General Fund	315	(4)
	Housing Activities	51,011	(5)
	Nonmajor governmental funds	14,701	(6)
	San Jose Financing Authority	3,366	(7)
Housing Activities	Redevelopment Agency	12,868	(8)
	General Fund	297	(9)
	San Jose Financing Authority	346	(10)
Nonmajor governmental funds	Redevelopment Agency	1,535	(11)
	General Fund	37,461	(12)
	Nonmajor governmental funds	9,809	(13)
	San Jose Financing Authority	15,050	(14)
	Housing Activities	1,460	(15)
San Jose Financing Authority	Special Assessment Fund	3,806	(16)
	Nonmajor governmental funds	53,499	(17)
		\$ 220,745	

- (1) Transfer to RDA for demolition old community center at Edenvale Elementary School.
- (2) Various inter-governmental transfers for operating purposes and debt service
- (3) Transfer for debt service payments.
- (4) Transfer for arena pass through payment and code enforcement inspectors labor accrual.
- (5) Various transfers for 20% increment tax, bond proceeds and development projects.
- (6) Represents transfer for various capital projects and for Parkland voucher fee accrual.
- (7) Transfer for debt service payments.
- (8) Transfer for debt service payments.
- (9) Transfer for City Hall operations and maintenance.
- (10) Transfer for debt service payments.
- (11) Transfer for various capital projects.
- (12) Various transfers for City Hall operations and maintenance and for various capital projects.
- (13) Various transfers for debt service, debt proceeds, operations and various capital projects.
- (14) Transfer for debt service payments.
- (15) Transfer to Housing Activities for the Las Plumas Land Control Project.
- (16) Transfer to Special Assessment District for 24M and debt service payments.
- (17) Transfer of commercial paper proceeds.



# Notes to Basic Financial Statements

June 30, 2006

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## IV. Other Information

### A. Employee Defined Benefit Retirement Systems

#### 1. Systems Description

The City sponsors and administers two single employer defined benefit retirement systems, the 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, 2006, were approximately \$198,131,000 and \$274,592,000, respectively. The City's total payroll for the fiscal year ended June 30, 2006, was approximately \$515,214,000.

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.

The current membership in the Retirement Systems as of June 30, 2006, is as follows:

	<u>The Plan</u>	<u>The System</u>
Defined Benefit Pension Plans:		
Retirees and beneficiaries currently receiving benefits	1,479	2,621
Terminated vested members not yet receiving benefits	72	458
Active members	<u>2,044</u>	<u>4,066</u>
Total	<u>3,595</u>	<u>7,145</u>
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,328	1,963
Terminated vested members not yet receiving benefits	15	62
Active members	<u>2,044</u>	<u>4,066</u>
Total	<u>3,387</u>	<u>6,091</u>

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.

# Notes to Basic Financial Statements

**June 30, 2006**

## 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, 2006 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, 2006, are as follows:

	The Plan			The System		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Defined Benefit Plan:						
7/01/05 - 7/02/05	21.32%	8.27%		14.96%	4.26%	
7/03/05 - 6/30/06	21.77%	8.27%		14.96%	4.26%	
Post Employment Healthcare Plan:						
7/01/05 - 6/30/06	3.27%	2.89%		2.16%	1.80%	
Annual Pension Contribution (in thousands):						
Defined Benefit Plan	\$ 43,473	16,432	59,905	41,267	12,395	53,662
Post Employment Healthcare Plan	6,529	5,742	12,271	5,961	5,226	11,187
	<u>\$ 50,002</u>	<u>22,174</u>	<u>72,176</u>	<u>47,228</u>	<u>17,621</u>	<u>64,849</u>

The Retirement Systems completed new actuarial valuations dated June 30, 2005 and the rates were adopted effective July 2, 2006. The new rates increased the Plan's contribution from the City from 25.04% to 25.22% and for the employees the rate increases from 11.16% to 11.26%. Funding status of the Plan was reduced from 100.2% to 97.8%. The new rates increased the System's contributions from the City from 17.12% to 21.98% and for the employees the rate increases from 6.06% to 7.58%. Funding status of the System was reduced from 97.6% to 80.9%.

## Notes to Basic Financial Statements

**June 30, 2006**

### 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, 2006, were as follows (dollar in thousands):

	<b>The Plan</b>	<b>The System</b>
Annual required contribution	\$ 43,473	\$ 41,266
Interest on net pension obligation	-	257
Adjustment to annual required contribution	-	(244)
Annual pension cost	43,473	41,279
Contributions made	(43,473)	(41,266)
Increase in net pension obligation	-	13
Net pension obligation – beginning of year	-	3,220
Net pension obligation – end of year	\$ -	\$ 3,233

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

	<b>Fiscal year ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percent APC Contributed</b>	<b>Net Pension Obligation</b>
The Plan	6/30/04	\$ 24,412	100%	\$ -
	6/30/05	41,835	100%	-
	6/30/06	43,473	100%	-
The System	6/30/04	\$ 39,558	100%	\$ 3,201
	6/30/05	41,571	100%	3,220
	6/30/06	41,279	100%	3,233

The June 30, 2005 actuarial study reported unfunded healthcare benefits liabilities for the Plan and the System are as follows (dollars in thousands):

	<b>The Plan</b>	<b>The System</b>
Healthcare benefits liability	\$ 172,633	\$ 312,650
Less:		
Actuarial value of assets for healthcare benefits	35,996	76,990
Unfunded healthcare benefits liability	\$ 136,637	\$ 235,660

## Notes to Basic Financial Statements

**June 30, 2006**

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### **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, 2006 are as follows:

<u>Method/Assumption</u>	<u>The Plan</u>	<u>The System</u>
Valuation date	June 30, 2003	June 30, 2003
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	14 years, closed	30 years, open
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%

# Notes to Basic Financial Statements

June 30, 2006

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## 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, 2006 for all non-civil service employees was approximately \$7,453,000. Contributions to the plan during the year ended June 30, 2006, made by both the Agency and the participating employees, amounted to approximately \$689,000 and \$264,000, respectively.

## C. Commitments and Contingencies

### 1. *Norman Y. Mineta San José International Airport*

**Purchase Commitments.** As of June 30, 2006, the Airport was obligated for purchase commitments of approximately \$75,631,000, primarily for the noise attenuation, design and construction of the North Concourse building and Taxiway Y reconstruction. Additionally, the Airport has projected that it will expend or encumber approximately \$1.3 billion 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, 2006, 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, 2006 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.

# Notes to Basic Financial Statements

June 30, 2006

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**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 \$11,671,000 on noise attenuation projects during the fiscal year ended June 30, 2006 and expects to spend approximately \$29,131,000 during fiscal year ending June 30, 2007.

**Master Plan.** The Airport Master Plan consists of a program of facility improvements designed to fully accommodate commercial aviation demand (passengers and cargo) projected for the year 2017, with development phased as demand warrants and is determined to be financially feasible. The Master Plan was originally adopted by the City of San Jose in June 1997 and approved by the Federal Aviation Administration (FAA) in December 1999. Subsequent to its 1997 approval, the Airport Master Plan has been revised through a series of City-approved amendments. The Master Plan development program currently includes approximately 70 improvement projects, of which about half have been completed or are underway.

The Airport development program incorporates environmental mitigation measures and other requirements set forth in the City's Airport Master Plan Environmental Impact Report (EIR) and Implementation Ordinance, and the California Air Resources Board's air quality certification for runway improvements. These associated requirements have also been updated subsequent to their original issuance.

## **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, 2006, the pass-through payment totaled approximately \$12,072,000. There were no Delegated Payments for the fiscal year ended June 30, 2006.

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 compliant 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 compliant alleges no specific amount of damages and seeks damages and restitution according to proof. In addition a second lawsuit was filed by the County challenging the Council's approval of the North San Jose Development Policies Update. These lawsuits resulted in a tentative settlement.

## Notes to Basic Financial Statements

June 30, 2006

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The tentative settlement among the City, Agency and County is that each would drop their respective lawsuits and the Agency and/or City would pay the County a sum of \$22.5 million, to be used by County on specified facilities that benefit the citizens of the City of San José. The Agency and/or City will pay the \$22.5 million in three installments of \$7.5 million over a three-year period, commencing on July 1, 2007 (i.e., FY2008). In addition, as part of the tentative agreement, the City would be required to fund up to \$11 million toward certain improvements on Montague Expressway no later than June 30, 2010.

### **3. San José - Santa Clara Water Pollution Control Plant**

The City's 2006-2010 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.

Proceeds from the 1995 Series A and B Sewer Revenue Bonds, which were refunded during the Fiscal Year 2005-06, (2005 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 non-potable reuse system by extending additional piping, placing greater emphasis on water conservation programs, reducing infiltration inflow, augmenting stream flow, and creating wetlands. The estimated cost for implementing these projects is \$127,500,000, of which \$97,913,000 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.

# Notes to Basic Financial Statements

June 30, 2006

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## **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, 2006, 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**

The Memorandum of Agreement ("MOA") for both the International Association of Fire Fighters Local 230 ("Local 230") and the Police Officers Association ("POA") for retirement benefits expired June 30, 2004. The POA signed a new MOA in December 2005 with the following changes to be effective July 1, 2006:

- Members will receive a monthly allowance for a service retirement consisting of final compensation multiplied by 2.5% for the first 20 years of service and by 4% for the next 10 years of service (maximum benefit, 90% of final average salary).
- Members will receive a monthly allowance for a service connected disability consisting of final compensation multiplied by 50% plus 4% for each year in excess of 20 years of service (maximum benefit, 90% of final average salary).
- Members with more than 20 years of service will receive a monthly allowance for a non-service connected disability consisting of final compensation multiplied by 50% plus 4% for each year in excess 20 years of service (maximum benefit, 90% of final average salary).

The new MOA with Local 230 is still pending and has now gone to arbitration. The POA also has a re-opener provision in their new MOA in the event that the City and Local 230 enter into an agreement covering the term of the POA MOA which includes superior enhanced retirement benefits.



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, 2006**  
**(\$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)			
<b>REVENUES</b>						
Taxes:						
Property	\$ 144,896	164,834	3,689	168,523	-	168,523
Sales	135,243	138,743	1,584	140,327	-	140,327
Utility	67,844	75,496	(7)	75,489	-	75,489
State of California in-lieu	5,510	5,510	307	5,817	-	5,817
Franchise	33,138	35,302	1,458	36,760	-	36,760
Other	6,450	7,100	588	7,688	-	7,688
Licenses, permits and fines	84,965	86,977	3,374	90,351	-	90,351
Intergovernmental	15,723	25,508	(13,276)	12,232	-	12,232
Charges for current services	27,123	27,855	(8)	27,847	-	27,847
Interest and other revenues	36,178	73,528	(8,707)	64,821	(27,306)	37,515
Total revenues	557,070	640,853	(10,998)	629,855	(27,306)	602,549
<b>EXPENDITURES</b>						
Current:						
General government	115,459	108,205	(21,618)	86,587	(8,082)	78,505
Public safety	349,833	360,151	(14,477)	345,674	(3,880)	341,794
Capital maintenance	49,999	57,731	(14,853)	42,878	(5,211)	37,667
Community services	142,088	149,964	(18,106)	131,858	(7,801)	124,057
Sanitation	2,315	2,298	(285)	2,013	(278)	1,735
Capital outlay	-	29,471	(1,113)	28,358	(1,070)	27,288
Total expenditures	659,694	707,820	(70,452)	637,368	(26,322)	611,046
Excess (deficiency) of revenues over expenditures	(102,624)	(66,967)	59,454	(7,513)	(984)	(8,497)
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds	-	-	-	-	(25,094)	25,094
Transfers in	38,570	43,814	-	43,814	-	43,814
Transfers out	(11,980)	(15,472)	-	(15,472)	-	(15,472)
Total other financing sources (uses)	26,590	28,342	-	28,342	(25,094)	53,436
Net change in fund balances	(76,034)	(38,625)	59,454	20,829	(26,078)	44,939
Fund balances - beginning	166,072	166,072	-	166,072	25,959	192,031
Beginning encumbrance	-	-	-	22,517	-	-
Fund balances - ending	\$ 90,038	127,447	59,454	209,418	(119)	236,970

**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.

(Continued)

**City of San José**  
**Housing Activities**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**For the Year Ended June 30, 2006**  
**(\$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				
<b>REVENUES</b>						
Taxes:						
Intergovernmental	\$ 13,913	19,093	(9,524)	9,569	(400)	9,169 (1, 3)
Interest and other revenues	14,023	14,023	11,645	25,668	(11,132)	14,536 (1, 3)
Total revenues	<u>27,936</u>	<u>33,116</u>	<u>2,121</u>	<u>35,237</u>	<u>(11,532)</u>	<u>23,705</u>
<b>EXPENDITURES</b>						
Current:						
Community services	84,050	101,713	(21,728)	79,985	(49,920)	30,065 (2, 3)
Total expenditures	<u>84,050</u>	<u>101,713</u>	<u>(21,728)</u>	<u>79,985</u>	<u>(49,920)</u>	<u>30,065</u>
Excess (deficiency) of revenues over expenditures	<u>(56,114)</u>	<u>(68,597)</u>	<u>23,849</u>	<u>(44,748)</u>	<u>38,388</u>	<u>(6,360)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	61,386	61,668	(6,157)	55,511	-	55,511
Transfers out	(13,864)	(14,211)	700	(13,511)	-	(13,511)
Total other financing sources (uses)	<u>47,522</u>	<u>47,457</u>	<u>(5,457)</u>	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Net change in fund balances	(8,592)	(21,140)	18,392	(2,748)	38,388	35,640
Fund balance - beginning	14,115	14,115	-	14,115	245,991	260,106
Add beginning encumbrance balance	-	-	-	11,680	-	-
Fund balances - ending	<u>\$ 5,523</u>	<u>(7,025)</u>	<u>18,392</u>	<u>23,047</u>	<u>284,379</u>	<u>295,746</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.

(Continued)

**Required Supplementary Information**  
**Schedule of Funding Progress (Dollars in Thousands)**  
(Unaudited-See accompanying independent auditor's report)

<b>Police and Fire Department Retirement Plan</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (1)</b>	<b>Entry Age Actuarial Accrued Liability (AAL) (2)</b>	<b>Unfunded (Overfunded) AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll (3)</b>	<b>(Overfunded) Unfunded AAL as a Percentage of Covered Payroll</b>
6/30/01 (4)	\$ 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)%
6/30/05	1,983,090	2,027,432	44,342	98%	210,018	21%
<b>Federated City Employees' Retirement System</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (1)</b>	<b>Entry Age Actuarial Accrued Liability (AAL) (2)</b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded AAL as a Percentage of Covered Payroll</b>
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%
6/30/05	1,384,454	1,711,370	326,716	81%	286,446	114%

- (1) Excludes accounts payable and post employment healthcare plan assets.  
(2) Excludes post employment healthcare liability.  
(3) Annual covered payroll represents the actuarial estimate of annual covered payroll for the subsequent year.  
(4) After adoption of the Supplemental Retiree Benefit Reserve (SRBR) program.

(Continued)

## Notes to Required Supplementary Information

June 30, 2006

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### 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 System Support 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 schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial 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.

(Continued)

## Notes to Required Supplementary Information

June 30, 2006

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- 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 October 3, 2006, the City Council approved certain fiscal 2006 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.

(Concluded)

Combining Nonmajor Governmental Funds



**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Equity in pooled cash and investments held in City Treasury	\$ 334,517,570	23,707,938	2,583,494	360,809,002
Other cash and investments	5,728	1,921,625	-	1,927,353
Receivables (net of allowance for uncollectibles)	28,152,261	276,243	2,073,401	30,501,905
Due from other funds	10,637,941	-	45,885,831	56,523,772
Due from outside agencies	45,520	50,395	-	95,915
Inventories	2,635,630	-	-	2,635,630
Loans receivable (net)	7,273,136	-	2,258,681	9,531,817
Advances and deposits	438,205	-	38,672	476,877
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	-	29,443,680	29,443,680
Other investments	2,364,144	-	306,934,403	309,298,547
Other assets	109,000	-	-	109,000
<b>Total assets</b>	<b>386,179,135</b>	<b>25,956,201</b>	<b>389,218,162</b>	<b>801,353,498</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	29,201,282	-	10,281,983	39,483,265
Accrued salaries, wages, and payroll taxes	2,949,772	-	453,412	3,403,184
Due to other funds	4,881,335	-	53,271,342	58,152,677
Deferred revenue	7,360,708	-	-	7,360,708
Advances, deposits, and reimbursable credits	22,136,795	-	-	22,136,795
Advances from other funds	458,451	-	2,353,918	2,812,369
Other liabilities	5,000,000	-	-	5,000,000
<b>Total liabilities</b>	<b>71,988,343</b>	<b>-</b>	<b>66,360,655</b>	<b>138,348,998</b>
Fund balances:				
Reserved for:				
Encumbrances	57,943,169	-	53,147,033	111,090,202
Noncurrent advances, loans and other assets	10,234,972	-	2,297,353	12,532,325
Debt service	-	25,956,201	-	25,956,201
Restricted cash commitments	104,868	-	-	104,868
Unreserved:				
Special revenue funds	245,907,783	-	-	245,907,783
Capital projects funds	-	-	267,413,121	267,413,121
<b>Total fund balances</b>	<b>314,190,792</b>	<b>25,956,201</b>	<b>322,857,507</b>	<b>663,004,500</b>
<b>Total liabilities and fund balances</b>	<b>\$ 386,179,135</b>	<b>25,956,201</b>	<b>389,218,162</b>	<b>801,353,498</b>



**City of San José**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Taxes and special assessments	\$ 97,783,005	27,874,459	14,075,086	139,732,550
Intergovernmental	54,436,837	-	4,165,637	58,602,474
Charges for current services	222,964,973	-	163,262	223,128,235
Rent	8,854,222	-	-	8,854,222
Interest and other revenues	22,477,773	365,243	13,188,039	36,031,055
Total revenues	<u>406,516,810</u>	<u>28,239,702</u>	<u>31,592,024</u>	<u>466,348,536</u>
<b>EXPENDITURES</b>				
Current:				
General government	116,917,402	-	-	116,917,402
Public safety	1,782,253	-	-	1,782,253
Capital maintenance	53,318,465	-	22,172,803	75,491,268
Community services	49,150,433	-	-	49,150,433
Sanitation	90,173,721	-	-	90,173,721
Capital outlay	34,577,913	-	123,135,365	157,713,278
Debt service:				
Principal	500,000	10,195,000	-	10,695,000
Interest and fiscal charges	-	15,082,181	-	15,082,181
Bond issuance costs	-	515,746	-	515,746
Total expenditures	<u>346,420,187</u>	<u>25,792,927</u>	<u>145,308,168</u>	<u>517,521,282</u>
Excess (deficiency) of revenues under (over) expenditures	<u>60,096,623</u>	<u>2,446,775</u>	<u>(113,716,144)</u>	<u>(51,172,746)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issued	-	1,101,000	104,299,000	105,400,000
Bond premium	-	2,436,112	-	2,436,112
Transfers in	20,343,345	3,723,496	61,522,905	85,589,746
Transfers out	(46,191,576)	(4,907,265)	(16,249,521)	(67,348,362)
Total other financing sources (uses)	<u>(25,848,231)</u>	<u>2,353,343</u>	<u>149,572,384</u>	<u>126,077,496</u>
Net change in fund balances	34,248,392	4,800,118	35,856,240	74,904,750
Fund balances - beginning	279,942,400	21,156,083	287,001,267	588,099,750
Fund balances - ending	<u>\$ 314,190,792</u>	<u>25,956,201</u>	<u>322,857,507</u>	<u>663,004,500</u>

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# Nonmajor Special Revenue Funds

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State Drug Forfeiture Fund - To account for State drug forfeiture monies received pursuant to California Health and Safety Code Section 11489.

Library Parcel Tax Fund - To account for the annual parcel tax used for enhancing the City's library services and facilities.

Federal Drug Forfeiture Fund - To account for Federal drug forfeiture monies received pursuant to the drug abuse prevention and control provisions of Title 21, Chapter 13 of the United States Codes.

Residential Construction Tax Contribution Fund - To account for the accumulation of residential construction tax monies for eligible street improvements.

Arterial and Major Collectors Fund - To account for funds repaid by abutting landowners for City costs of acquisition and construction of existing and proposed arterial and major collector streets.

Community Facility Revenue Funds - To account for the rental revenues received from the Hayes Mansion and the Ice Rink Center operations, and to provide for the accumulation and transfer of base rental income to the appropriate debt service funds for repayment of the facilities-related debts.

Integrated Waste Management Fund - To account for activities related to the Integrated Waste Management Program which includes garbage collection, recycling services, and related billing operations.

Tobacco Settlement Fund - To account for revenues received per the Master Settlement Agreement in the tobacco industry lawsuit.

Building and Structures Construction Tax Fund - To account for revenues received from the issuance of building permits and expenditures of the construction, reconstruction, replacement, and widening of existing and proposed city streets.

Development Enhancement Fund - To account for loans and loan guarantees to assist small business development.

Community Development Block Grant Fund - To account for Federal grant funds received from the U.S. Department of Housing and Urban Development under Title II of the Housing and Community Development Act of 1974.

Economic Development Administration Loans Fund - To account for Federal funds received for the Economic Development Administration Loan program for eligible administrative expenses and loans to small businesses.

Storm Drainage Service Use Charge Fund - To account for revenues collected from owners of properties benefited by the storm drainage service which may be used for the construction, reconstruction, maintenance, and operation of the storm drainage system.

Transient Occupancy Tax Fund - To account for transient occupancy tax revenues and to provide for the funding of fine arts and cultural grant programs.

Lake Cunningham Park Fund - To account for the parking fees and lease payment revenues used for the purchase of equipment, maintenance, and operations at Lake Cunningham Park.

Edward Brown Memorial Justice Fund - To account for the Federal funding in support of the Edward G. Brown Memorial Justice Assistance grant.

Municipal Golf Courses - The Municipal Golf Courses Fund was established in 1969 to manage and operate the public golf courses.

Convention and Cultural Facilities - The Convention and Cultural Facilities Fund was established in 1977 to manage and operate the Center of the Performing Arts, Civic Auditorium, McCabe Hall, Montgomery Theater, Exhibit Hall, and the newly built San José McEnery Convention Center, and their related facilities and grounds.

Stores, Vehicle Maintenance and Operations Funds - To account for the purchase and issuance of materials and supplies consumed by the departments for their general operations. Also to account for the cost of operating a maintenance facility for automotive equipment used by other City departments, repairs, demolition, or other abatement of dangerous buildings.

**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	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)
<b>ASSETS</b>					
Equity in pooled cash and investments held in City Treasury	\$ 266,338	1,943,727	8,317,026	14,494	1,711,419
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	7,742	15,650	56,555	95	-
Due from other funds	-	-	-	-	-
Due from outside agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Restricted assets:					
Other investments	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>274,080</u>	<u>1,959,377</u>	<u>8,373,581</u>	<u>14,589</u>	<u>1,711,419</u>
<b>LIABILITIES</b>					
Accounts payable	495	26,941	-	-	-
Accrued salaries, wages and payroll taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances, deposits and reimbursable credits	-	-	8,373,581	-	-
Advances from other funds	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>495</u>	<u>26,941</u>	<u>8,373,581</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	-	70,203	-	-	-
Noncurrent advances, loans, and other assets	-	-	-	-	-
Restricted cash commitments	-	-	-	-	-
Unreserved:					
Designated for future expenditures	-	-	-	-	-
Undesignated	273,585	1,862,233	-	14,589	1,711,419
Total fund balances	<u>273,585</u>	<u>1,932,436</u>	<u>-</u>	<u>14,589</u>	<u>1,711,419</u>
Total liabilities and fund balances	<u>\$ 274,080</u>	<u>1,959,377</u>	<u>8,373,581</u>	<u>14,589</u>	<u>1,711,419</u>

Employee Benefits (Funds 155-161)	Workforce Investment Act (Funds 290-294)	Construction and Property Conveyance (Funds 377-398)	Special Assessment Maintenance Districts (Funds 351-369 371-374)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
8,977,330	-	104,820,038	10,652,159	124,058	68,113,285	4,590,663	-
-	-	-	-	-	-	-	-
381,596	6,119,603	4,424,371	266,646	156,304	446,670	-	623,568
-	-	-	-	-	8,111,800	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>9,358,926</u>	<u>6,119,603</u>	<u>109,251,514</u>	<u>10,918,805</u>	<u>280,362</u>	<u>76,671,755</u>	<u>4,590,663</u>	<u>623,568</u>
3,022,578	4,228,235	3,504,395	585,564	2,624	14,450	-	-
296,179	142,540	202,081	24,884	-	10,486	-	-
-	1,013,792	479,455	-	-	-	-	623,568
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,318,757</u>	<u>5,384,567</u>	<u>4,185,931</u>	<u>610,448</u>	<u>2,624</u>	<u>24,936</u>	<u>-</u>	<u>623,568</u>
5,775	6,165,082	21,665,585	1,211,201	38,349	133,544	-	-
-	-	7,105	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	41,889,740	-	-
<u>6,034,394</u>	<u>(5,430,046)</u>	<u>83,392,893</u>	<u>9,097,156</u>	<u>239,389</u>	<u>34,623,535</u>	<u>4,590,663</u>	<u>-</u>
<u>6,040,169</u>	<u>735,036</u>	<u>105,065,583</u>	<u>10,308,357</u>	<u>277,738</u>	<u>76,646,819</u>	<u>4,590,663</u>	<u>-</u>
<u>9,358,926</u>	<u>6,119,603</u>	<u>109,251,514</u>	<u>10,918,805</u>	<u>280,362</u>	<u>76,671,755</u>	<u>4,590,663</u>	<u>623,568</u>

**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	<b>1964 Gas Tax Construction and Maintenance (Funds 410-411)</b>	<b>Library Benefit Assessment (Fund 412)</b>	<b>Storm Drainage Fee (Funds 413, 427)</b>	<b>Supplemental Local Law Enforcement (Fund 414)</b>	<b>Federal LLEBG Program (Fund 415)</b>
<b>ASSETS</b>					
Equity in pooled cash and investments held in City Treasury	\$ -	115,877	1,457,115	1,715,150	241,036
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	793,720	1,079	5,512	11,893	1,577
Due from other funds	-	-	-	-	-
Due from outside agencies	-	13,753	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	-	-	-	-	-
Advances and deposits	-	-	-	-	-
Restricted assets:					
Other investments	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 793,720</b>	<b>130,709</b>	<b>1,462,627</b>	<b>1,727,043</b>	<b>242,613</b>
<b>LIABILITIES</b>					
Accounts payable	-	30,791	1,174	117,290	-
Accrued salaries, wages and payroll taxes	-	-	16,046	-	-
Due to other funds	793,720	-	-	-	-
Deferred revenue	-	-	-	1,551,792	173,868
Advances, deposits and reimbursable credits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>793,720</b>	<b>30,791</b>	<b>17,220</b>	<b>1,669,082</b>	<b>173,868</b>
<b>FUND BALANCE</b>					
Reserved for:					
Encumbrances	-	5,661	366,858	732,559	418
Noncurrent advances, loans, and other assets	-	-	-	-	-
Restricted cash commitments	-	-	-	-	-
Unreserved:					
Designated for future expenditures	-	-	-	-	68,327
Undesignated	-	94,257	1,078,549	(674,598)	-
<b>Total fund balances</b>	<b>-</b>	<b>99,918</b>	<b>1,445,407</b>	<b>57,961</b>	<b>68,745</b>
<b>Total liabilities and fund balances</b>	<b>\$ 793,720</b>	<b>130,709</b>	<b>1,462,627</b>	<b>1,727,043</b>	<b>242,613</b>

Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)	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)
3,335,467	1,382,110	4,109,799	902,745	1,208,067	1,379,792	6,920,326	34,996,298
-	-	-	-	-	-	-	-
1,029,672	9,041	12,921	5,924	180	30,826	829,495	4,857,446
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	109,000	-
<u>4,365,139</u>	<u>1,391,151</u>	<u>4,122,720</u>	<u>908,669</u>	<u>1,208,247</u>	<u>1,410,618</u>	<u>7,858,821</u>	<u>39,853,744</u>
106	-	74,892	-	129	434	480,296	12,464,064
6,107	-	141,082	-	-	7,865	677,757	299,717
-	-	-	-	-	-	-	-
-	-	-	-	-	-	89,032	2,374,353
-	-	-	-	-	-	885,486	11,692,467
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,000,000	-
<u>6,213</u>	<u>-</u>	<u>215,974</u>	<u>-</u>	<u>129</u>	<u>8,299</u>	<u>7,132,571</u>	<u>26,830,601</u>
1,133	73,277	29,502	37,628	1,047	63,436	889	7,831,697
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	100,000	-	-	-	-	5,127,206
<u>4,357,793</u>	<u>1,317,874</u>	<u>3,777,244</u>	<u>871,041</u>	<u>1,207,071</u>	<u>1,338,883</u>	<u>725,361</u>	<u>64,240</u>
<u>4,358,926</u>	<u>1,391,151</u>	<u>3,906,746</u>	<u>908,669</u>	<u>1,208,118</u>	<u>1,402,319</u>	<u>726,250</u>	<u>13,023,143</u>
<u>4,365,139</u>	<u>1,391,151</u>	<u>4,122,720</u>	<u>908,669</u>	<u>1,208,247</u>	<u>1,410,618</u>	<u>7,858,821</u>	<u>39,853,744</u>

**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	<b>Tobacco Settlement (Fund 426)</b>	<b>Building and Structures Construction Tax (Fund 429)</b>	<b>Development Enhancement (Fund 439)</b>	<b>Community Development Block Grant (Fund 441)</b>	<b>Economic Development Administration Loans (Fund 444)</b>
<b>ASSETS</b>					
Equity in pooled cash and investments held in City Treasury	\$ 6,694,001	32,511,056	2,872,940	-	48,119
Other investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	45,116	2,180,527	18,796	4,052,202	295
Due from other funds	-	2,526,141	-	-	-
Due from outside agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Loans receivable (net)	600,000	-	629,253	5,781,768	262,115
Advances and deposits	-	431,100	-	-	-
Restricted assets:					
Other investments	-	-	-	104,868	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 7,339,117</u>	<u>37,648,824</u>	<u>3,520,989</u>	<u>9,938,838</u>	<u>310,529</u>
<b>LIABILITIES</b>					
Accounts payable	71,259	1,219,741	-	1,173,561	-
Accrued salaries, wages and payroll taxes	42,622	227,325	6,112	145,585	-
Due to other funds	-	-	-	1,512,349	-
Deferred revenue	-	-	-	1,545,332	-
Advances, deposits and reimbursable credits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>113,881</u>	<u>1,447,066</u>	<u>6,112</u>	<u>4,376,827</u>	<u>-</u>
<b>FUND BALANCE</b>					
Reserved for:					
Encumbrances	2,806,445	10,385,808	-	1,548,112	1,417
Noncurrent advances, loans, and other assets	600,000	431,100	629,253	5,669,769	262,115
Restricted cash commitments	-	-	-	104,868	-
Unreserved:					
Designated for future expenditures	2,957,904	-	-	-	-
Undesignated	860,887	25,384,850	2,885,624	(1,760,738)	46,997
Total fund balance	<u>7,225,236</u>	<u>36,201,758</u>	<u>3,514,877</u>	<u>5,562,011</u>	<u>310,529</u>
Total liabilities and fund balances	<u>\$ 7,339,117</u>	<u>37,648,824</u>	<u>3,520,989</u>	<u>9,938,838</u>	<u>310,529</u>



<b>Storm Drainage Service Use Charge (Funds 446, 469)</b>	<b>Transient Occupancy Tax (Fund 461)</b>	<b>Lake Cunningham (Fund 462)</b>	<b>Edward Brown Memorial Justice (Fund 474)</b>	<b>Municipal Golf Courses (Fund 518)</b>	<b>Convention and Cultural Facilities (Fund 536)</b>	<b>Stores Vehicle Maintenance and Operations (Funds 551-553)</b>	<b>Totals</b>
10,920,940	2,764,490	1,544,547	291,417	752,453	1,568,035	7,255,253	334,517,570
-	-	-	-	-	-	5,728	5,728
41,993	1,003,104	44,317	1,906	17,947	616,023	41,949	28,152,261
-	-	-	-	-	-	-	10,637,941
31,767	-	-	-	-	-	-	45,520
-	-	-	-	-	-	2,635,630	2,635,630
-	-	-	-	-	-	-	7,273,136
-	-	-	-	-	-	-	438,205
-	-	-	-	-	2,259,276	-	2,364,144
-	-	-	-	-	-	-	109,000
<u>10,994,700</u>	<u>3,767,594</u>	<u>1,588,864</u>	<u>293,323</u>	<u>770,400</u>	<u>4,443,334</u>	<u>9,938,560</u>	<u>386,179,135</u>
326,909	3,349	3,735	-	4,686	5,741	1,837,843	29,201,282
256,501	4,161	1,646	-	-	190,831	250,245	2,949,772
458,451	-	-	-	-	-	-	4,881,335
-	-	-	294,290	-	1,332,041	-	7,360,708
-	-	-	-	-	1,185,261	-	22,136,795
458,451	-	-	-	-	-	-	458,451
-	-	-	-	-	-	-	5,000,000
<u>1,500,312</u>	<u>7,510</u>	<u>5,381</u>	<u>294,290</u>	<u>4,686</u>	<u>2,713,874</u>	<u>2,088,088</u>	<u>71,988,343</u>
2,256,791	78,258	64,308	-	10,793	150,320	2,207,073	57,943,169
-	-	-	-	-	-	2,635,630	10,234,972
-	-	-	-	-	-	-	104,868
100,000	-	-	-	-	-	-	50,243,177
<u>7,137,597</u>	<u>3,681,826</u>	<u>1,519,175</u>	<u>(967)</u>	<u>754,921</u>	<u>1,579,140</u>	<u>3,007,769</u>	<u>195,664,606</u>
<u>9,494,388</u>	<u>3,760,084</u>	<u>1,583,483</u>	<u>(967)</u>	<u>765,714</u>	<u>1,729,460</u>	<u>7,850,472</u>	<u>314,190,792</u>
<u>10,994,700</u>	<u>3,767,594</u>	<u>1,588,864</u>	<u>293,323</u>	<u>770,400</u>	<u>4,443,334</u>	<u>9,938,560</u>	<u>386,179,135</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, 2006**

	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)
<b>REVENUES</b>					
Taxes and special assessments	\$ -	-	-	-	-
Intergovernmental	-	472,496	-	-	-
Charges for current services	-	-	-	-	21,509,294
Rent	67,584	-	-	-	-
Interest and other revenues	6,550	43,867	-	373	2,125
Total revenues	<u>74,134</u>	<u>516,363</u>	<u>-</u>	<u>373</u>	<u>21,511,419</u>
<b>EXPENDITURES</b>					
Current:					
General government	16,922	-	-	-	-
Public safety	-	-	-	-	-
Community services	5,340	227,996	-	-	-
Sanitation	-	-	-	-	-
Capital maintenance	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Total expenditures	<u>22,262</u>	<u>227,996</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>51,872</u>	<u>288,367</u>	<u>-</u>	<u>373</u>	<u>21,511,419</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	17,713	-	-	-
Transfers out	(50,000)	-	-	-	(19,800,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>17,713</u>	<u>-</u>	<u>-</u>	<u>(19,800,000)</u>
Net change in fund balances	1,872	306,080	-	373	1,711,419
Fund balances - beginning	<u>271,713</u>	<u>1,626,356</u>	<u>-</u>	<u>14,216</u>	<u>-</u>
Fund balances - ending	<u>\$ 273,585</u>	<u>1,932,436</u>	<u>-</u>	<u>14,589</u>	<u>1,711,419</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 351-369 371-374)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)
-	-	48,995,425	4,937,079	13,189	-	-	-
-	17,968,220	1,100,499	-	-	-	18,854	7,930,000
69,957,072	-	-	-	-	14,822,475	-	-
-	-	-	-	-	-	-	-
187,781	-	931,516	219,040	-	1,561,864	-	-
<u>70,144,853</u>	<u>17,968,220</u>	<u>51,027,440</u>	<u>5,156,119</u>	<u>13,189</u>	<u>16,384,339</u>	<u>18,854</u>	<u>7,930,000</u>
69,897,012	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	17,792,410	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	18,742,363	3,973,337	11,651	2,470,710	-	7,930,000
-	-	12,947,920	-	-	103,335	-	-
-	-	-	-	-	-	-	-
<u>69,897,012</u>	<u>17,792,410</u>	<u>31,690,283</u>	<u>3,973,337</u>	<u>11,651</u>	<u>2,574,045</u>	<u>-</u>	<u>7,930,000</u>
247,841	175,810	19,337,157	1,182,782	1,538	13,810,294	18,854	-
-	-	4,236,545	123,106	-	2,643,200	-	-
(33,354)	(9,296)	(9,599,053)	-	-	(1,060,879)	-	-
(33,354)	(9,296)	(5,362,508)	123,106	-	1,582,321	-	-
214,487	166,514	13,974,649	1,305,888	1,538	15,392,615	18,854	-
5,825,682	568,522	91,090,934	9,002,469	276,200	61,254,204	4,571,809	-
<u>6,040,169</u>	<u>735,036</u>	<u>105,065,583</u>	<u>10,308,357</u>	<u>277,738</u>	<u>76,646,819</u>	<u>4,590,663</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, 2006**

	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)
<b>REVENUES</b>					
Taxes and special assessments	\$ -	149	-	-	-
Intergovernmental	9,670,000	-	-	1,412,512	239,010
Charges for current services	-	-	549,835	-	-
Rent	-	-	-	-	-
Interest and other revenues	-	97,638	24,623	58,707	11,544
Total revenues	<u>9,670,000</u>	<u>97,787</u>	<u>574,458</u>	<u>1,471,219</u>	<u>250,554</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	1,366,287	304,431
Community services	-	1,694,074	-	-	-
Sanitation	-	-	-	-	-
Capital maintenance	9,670,000	1,192,650	534,249	-	-
Capital outlay	-	-	300,178	128,908	-
Debt service:					
Principal	-	-	-	-	-
Total expenditures	<u>9,670,000</u>	<u>2,886,724</u>	<u>834,427</u>	<u>1,495,195</u>	<u>304,431</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(2,788,937)</u>	<u>(259,969)</u>	<u>(23,976)</u>	<u>(53,877)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(1,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(2,788,937)	(260,969)	(23,976)	(53,877)
Fund balances - beginning	<u>-</u>	<u>2,888,855</u>	<u>1,706,376</u>	<u>81,937</u>	<u>122,622</u>
Fund balances - ending	<u>\$ -</u>	<u>99,918</u>	<u>1,445,407</u>	<u>57,961</u>	<u>68,745</u>

Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)	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)
-	-	6,243,746	-	280,924	-	16,122,044	-
1,776,984	-	-	-	-	-	-	350,000
-	-	-	-	-	151,666	-	75,060,110
-	186,635	-	85,916	-	44,956	2,103,798	-
-	-	-	-	-	-	3,498,486	835,234
<u>1,776,984</u>	<u>186,635</u>	<u>6,243,746</u>	<u>85,916</u>	<u>280,924</u>	<u>196,622</u>	<u>21,724,328</u>	<u>76,245,344</u>
-	-	-	-	-	-	19,177,934	-
-	22,957	-	1,088	-	-	-	-
-	-	2,096,526	-	-	-	-	-
-	-	-	-	-	-	-	78,027,998
336,183	-	211,826	-	150,169	81,998	311,034	-
-	-	-	11,796	-	412,953	-	-
-	-	-	-	-	-	500,000	-
<u>336,183</u>	<u>22,957</u>	<u>2,308,352</u>	<u>12,884</u>	<u>150,169</u>	<u>494,951</u>	<u>19,988,968</u>	<u>78,027,998</u>
<u>1,440,801</u>	<u>163,678</u>	<u>3,935,394</u>	<u>73,032</u>	<u>130,755</u>	<u>(298,329)</u>	<u>1,735,360</u>	<u>(1,782,654)</u>
-	-	-	-	-	-	2,050,000	3,169,796
(8,879)	-	(28,648)	-	(2,000)	(4,000)	(5,546,298)	(1,971,173)
<u>(8,879)</u>	<u>-</u>	<u>(28,648)</u>	<u>-</u>	<u>(2,000)</u>	<u>(4,000)</u>	<u>(3,496,298)</u>	<u>1,198,623</u>
1,431,922	163,678	3,906,746	73,032	128,755	(302,329)	(1,760,938)	(584,031)
<u>2,927,004</u>	<u>1,227,473</u>	<u>-</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>4,358,926</u>	<u>1,391,151</u>	<u>3,906,746</u>	<u>908,669</u>	<u>1,208,118</u>	<u>1,402,319</u>	<u>726,250</u>	<u>13,023,143</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, 2006**

	Tobacco Settlement (Fund 426)	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)
<b>REVENUES</b>						
Taxes and special assessments	\$ -	9,664,860	-	-	-	-
Intergovernmental	-	1,421,473	-	11,984,093	6,173	-
Charges for current services	-	-	-	-	-	15,416,381
Rent	-	-	-	-	-	-
Interest and other revenues	9,535,027	4,418,707	107,881	-	-	217,265
<b>Total revenues</b>	<b>9,535,027</b>	<b>15,505,040</b>	<b>107,881</b>	<b>11,984,093</b>	<b>6,173</b>	<b>15,633,646</b>
<b>EXPENDITURES</b>						
Current:						
General government	8,726,009	-	231,997	-	15,583	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	8,728,199	-	-
Sanitation	-	-	-	-	-	12,145,723
Capital maintenance	-	3,827,370	-	2,907,712	-	503,634
Capital outlay	-	14,450,203	-	1,161,833	-	3,120,634
Debt service:						
Principal	-	-	-	-	-	-
<b>Total expenditures</b>	<b>8,726,009</b>	<b>18,277,573</b>	<b>231,997</b>	<b>12,797,744</b>	<b>15,583</b>	<b>15,769,991</b>
Excess (deficiency) of revenue over (under) expenditures	809,018	(2,772,533)	(124,116)	(813,651)	(9,410)	(136,345)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	33,658	-	-	-	2,000
Transfers out	(38,839)	(628,306)	(44,492)	(40,672)	-	(136,438)
<b>Total other financing sources (uses)</b>	<b>(38,839)</b>	<b>(594,648)</b>	<b>(44,492)</b>	<b>(40,672)</b>	<b>-</b>	<b>(134,438)</b>
<b>Net change in fund balances</b>	<b>770,179</b>	<b>(3,367,181)</b>	<b>(168,608)</b>	<b>(854,323)</b>	<b>(9,410)</b>	<b>(270,783)</b>
Fund balances - beginning	6,455,057	39,568,939	3,683,485	6,416,334	319,939	9,765,171
Fund balances - ending	\$ 7,225,236	36,201,758	3,514,877	5,562,011	310,529	9,494,388

Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Brown Memorial Justice (Fund 474)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
11,525,589	-	-	-	-	-	97,783,005
-	-	86,523	-	-	-	54,436,837
-	656,475	-	828,563	2,071,158	21,941,944	222,964,973
-	-	-	-	6,682,840	-	8,854,222
68,845	45,526	-	281,917	-	5,750	22,477,773
<u>11,594,434</u>	<u>702,001</u>	<u>86,523</u>	<u>1,110,480</u>	<u>8,753,998</u>	<u>21,947,694</u>	<u>406,516,810</u>
-	-	-	-	-	18,851,945	116,917,402
-	-	87,490	-	-	-	1,782,253
4,989,761	-	-	74,874	13,541,253	-	49,150,433
-	-	-	-	-	-	90,173,721
-	355,959	-	30,225	-	77,395	53,318,465
-	-	-	-	-	1,940,153	34,577,913
-	-	-	-	-	-	500,000
<u>4,989,761</u>	<u>355,959</u>	<u>87,490</u>	<u>105,099</u>	<u>13,541,253</u>	<u>20,869,493</u>	<u>346,420,187</u>
<u>6,604,673</u>	<u>346,042</u>	<u>(967)</u>	<u>1,005,381</u>	<u>(4,787,255)</u>	<u>1,078,201</u>	<u>60,096,623</u>
-	-	-	1,250,000	6,817,327	-	20,343,345
(4,922,103)	(450,000)	-	(1,557,372)	(197,230)	(61,544)	(46,191,576)
<u>(4,922,103)</u>	<u>(450,000)</u>	<u>-</u>	<u>(307,372)</u>	<u>6,620,097</u>	<u>(61,544)</u>	<u>(25,848,231)</u>
1,682,570	(103,958)	(967)	698,009	1,832,842	1,016,657	34,248,392
<u>2,077,514</u>	<u>1,687,441</u>	<u>-</u>	<u>67,705</u>	<u>(103,382)</u>	<u>6,833,815</u>	<u>279,942,400</u>
<u>3,760,084</u>	<u>1,583,483</u>	<u>(967)</u>	<u>765,714</u>	<u>1,729,460</u>	<u>7,850,472</u>	<u>314,190,792</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, 2006**

	<b>Emma Prusch Memorial Park (Funds 131)</b>			<b>Gift Trust (Funds 139)</b>		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	472,496	472,496
Charges for current services	-	-	-	-	-	-
Rent	67,000	67,584	584	-	-	-
Interest and other revenues	6,000	6,193	193	-	43,867	43,867
Total revenues	<u>73,000</u>	<u>73,777</u>	<u>777</u>	<u>-</u>	<u>516,363</u>	<u>516,363</u>
<b>EXPENDITURES</b>						
Current:						
General government	50,000	16,922	(33,078)	-	-	-
Community services	84,000	5,340	(78,660)	1,833,706	368,402	(1,465,304)
Public safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>134,000</u>	<u>22,262</u>	<u>(111,738)</u>	<u>1,833,706</u>	<u>368,402</u>	<u>(1,465,304)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,000)</u>	<u>51,515</u>	<u>112,515</u>	<u>(1,833,706)</u>	<u>147,961</u>	<u>1,981,667</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	17,713	17,713
Transfers out	-	(50,000)	(50,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>17,713</u>	<u>17,713</u>
Net change in fund balances	<u>\$ (61,000)</u>	<u>1,515</u>	<u>62,515</u>	<u>(1,833,706)</u>	<u>165,674</u>	<u>1,999,380</u>
Fund balances - beginning		272,723			1,593,744	
Prior year encumbrances		-			41,299	
Fund balances - ending		<u>\$ 274,238</u>			<u>\$ 1,800,717</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)
-	-	-	-	-	-	44,000,000	48,995,425	4,995,425
-	-	-	21,439,404	17,968,220	(3,471,184)	12,216,000	1,100,499	(11,115,501)
72,534,938	69,957,072	(2,577,866)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
66,000	234,591	168,591	-	-	-	23,380,000	943,443	(22,436,557)
<u>72,600,938</u>	<u>70,191,663</u>	<u>(2,409,275)</u>	<u>21,439,404</u>	<u>17,968,220</u>	<u>(3,471,184)</u>	<u>79,596,000</u>	<u>51,039,367</u>	<u>(28,556,633)</u>
72,278,232	69,902,787	(2,375,445)	-	-	-	-	-	-
-	-	-	26,014,016	23,957,492	(2,056,524)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	76,877,431	40,415,054	(36,462,377)
-	-	-	-	-	-	12,947,920	12,947,920	-
<u>72,278,232</u>	<u>69,902,787</u>	<u>(2,375,445)</u>	<u>26,014,016</u>	<u>23,957,492</u>	<u>(2,056,524)</u>	<u>89,825,351</u>	<u>53,362,974</u>	<u>(36,462,377)</u>
322,706	288,876	(33,830)	(4,574,612)	(5,989,272)	(1,414,660)	(10,229,351)	(2,323,607)	7,905,744
-	-	-	-	-	-	4,236,545	4,236,545	-
(15,401)	(33,354)	(17,953)	(9,296)	(9,296)	-	(9,548,610)	(9,599,053)	(50,443)
(15,401)	(33,354)	(17,953)	(9,296)	(9,296)	-	(5,312,065)	(5,362,508)	(50,443)
<u>307,305</u>	255,522	(51,783)	<u>(4,583,908)</u>	(5,998,568)	(1,414,660)	<u>(15,541,416)</u>	(7,686,115)	7,855,301
	3,404,597			(3,163,675)			86,113,419	
	3,778			3,732,197			4,574,076	
	<u>\$ 3,663,897</u>			<u>\$ (5,430,046)</u>			<u>\$ 83,001,380</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, 2006**

	Special Assessment Maintenance Districts (Funds 351-369, 371-373)			Subdivision Park Trust (Fund 375)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ 5,085,600	4,937,079	(148,521)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	96,000	14,822,475	14,726,475
Rent	-	-	-	-	-	-
Interest and other revenues	76,400	262,467	186,067	99,100	1,942,256	1,843,156
Total revenues	<u>5,162,000</u>	<u>5,199,546</u>	<u>37,546</u>	<u>195,100</u>	<u>16,764,731</u>	<u>16,569,631</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	6,443,743	5,184,538	(1,259,205)	8,492,589	2,604,254	(5,888,335)
Capital outlay	-	-	-	150,515	103,335	(47,180)
Total expenditures	<u>6,443,743</u>	<u>5,184,538</u>	<u>(1,259,205)</u>	<u>8,643,104</u>	<u>2,707,589</u>	<u>(5,935,515)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,281,743)</u>	<u>15,008</u>	<u>1,296,751</u>	<u>(8,448,004)</u>	<u>14,057,142</u>	<u>22,505,146</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	123,106	123,106	-	25,000	2,643,200	2,618,200
Transfers out	-	-	-	(1,060,879)	(1,060,879)	-
Total other financing sources (uses)	<u>123,106</u>	<u>123,106</u>	<u>-</u>	<u>(1,035,879)</u>	<u>1,582,321</u>	<u>2,618,200</u>
Net change in fund balances	<u>\$ (1,158,637)</u>	<u>138,114</u>	<u>1,296,751</u>	<u>(9,483,883)</u>	<u>15,639,463</u>	<u>25,123,346</u>
Fund balances - beginning		8,196,363			60,916,184	
Prior year encumbrances		866,778			789,517	
Fund balances - ending		<u>\$ 9,201,255</u>			<u>\$ 77,345,164</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)
-	-	-	-	-	-	\$ -	149	149
7,930,000	7,930,000	-	9,970,000	9,670,000	(300,000)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	93,399	93,399
<u>7,930,000</u>	<u>7,930,000</u>	<u>-</u>	<u>9,970,000</u>	<u>9,670,000</u>	<u>(300,000)</u>	<u>-</u>	<u>93,548</u>	<u>93,548</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,696,863	1,694,143	(2,720)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,930,000	7,930,000	-	9,970,000	9,670,000	(300,000)	1,198,242	1,198,242	-
-	-	-	-	-	-	-	-	-
<u>7,930,000</u>	<u>7,930,000</u>	<u>-</u>	<u>9,970,000</u>	<u>9,670,000</u>	<u>(300,000)</u>	<u>2,895,105</u>	<u>2,892,385</u>	<u>(2,720)</u>
-	-	-	-	-	-	(2,895,105)	(2,798,837)	96,268
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (2,895,105)</u>	<u>(2,798,837)</u>	<u>96,268</u>
	-			-			2,822,443	
	-			-			72,662	
	<u>\$ -</u>			<u>\$ -</u>			<u>\$ 96,268</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, 2006**

	<u>Storm Drainage Fee</u> <u>(Funds 413, 427)</u>			<u>Supplemental Local Law Enforcement</u> <u>(Fund 414)</u>		
		Budgetary	Variance		Budgetary	Variance
	Budget	Basis Actual	Over Under	Budget	Basis Actual	Over Under
<b>REVENUES</b>						
Taxes and special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	1,363,317	1,363,317	-
Charges for current services	490,000	549,835	59,835	-	-	-
Rent	-	-	-	-	-	-
Interest and other revenues	-	25,362	25,362	25,000	64,828	39,828
Total revenues	<u>490,000</u>	<u>575,197</u>	<u>85,197</u>	<u>1,388,317</u>	<u>1,428,145</u>	<u>39,828</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Public safety	-	-	-	2,950,634	2,098,846	(851,788)
Sanitation	-	-	-	-	-	-
Capital maintenance	940,124	901,107	(39,017)	-	-	-
Capital outlay	405,000	300,178	(104,822)	128,908	128,908	-
Total expenditures	<u>1,345,124</u>	<u>1,201,285</u>	<u>(143,839)</u>	<u>3,079,542</u>	<u>2,227,754</u>	<u>(851,788)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(855,124)</u>	<u>(626,088)</u>	<u>229,036</u>	<u>(1,691,225)</u>	<u>(799,609)</u>	<u>891,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(1,000)	(1,000)	-	-	-	-
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(856,124)</u>	<u>(627,088)</u>	<u>229,036</u>	<u>(1,691,225)</u>	<u>(799,609)</u>	<u>891,616</u>
Fund balances - beginning		1,482,270			1,383,045	
Prior year encumbrances		232,124			315,907	
Fund balances - ending		<u>\$ 1,087,306</u>			<u>\$ 899,343</u>	

Federal LLEBG Program (Fund 415)			Underground Utility (Fund 416)			State Drug Forfeiture (Fund 417)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	1,450,000	1,801,696	351,696	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>25,000</u>	<u>10,133</u>	<u>(14,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>193,623</u>	<u>173,623</u>
<u>25,000</u>	<u>10,133</u>	<u>(14,867)</u>	<u>1,450,000</u>	<u>1,801,696</u>	<u>351,696</u>	<u>20,000</u>	<u>193,623</u>	<u>173,623</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
527,335	304,849	(222,486)	-	-	-	128,584	96,234	(32,350)
-	-	-	-	-	-	-	-	-
-	-	-	2,074,108	337,316	(1,736,792)	-	-	-
-	-	-	-	-	-	-	-	-
<u>527,335</u>	<u>304,849</u>	<u>(222,486)</u>	<u>2,074,108</u>	<u>337,316</u>	<u>(1,736,792)</u>	<u>128,584</u>	<u>96,234</u>	<u>(32,350)</u>
<u>(502,335)</u>	<u>(294,716)</u>	<u>207,619</u>	<u>(624,108)</u>	<u>1,464,380</u>	<u>2,088,488</u>	<u>(108,584)</u>	<u>97,389</u>	<u>205,973</u>
-	-	-	-	-	-	-	-	-
-	-	-	(8,879)	(8,879)	-	-	-	-
-	-	-	(8,879)	(8,879)	-	-	-	-
<u>(502,335)</u>	<u>(294,716)</u>	<u>207,619</u>	<u>(632,987)</u>	<u>1,455,501</u>	<u>2,088,488</u>	<u>(108,584)</u>	<u>97,389</u>	<u>205,973</u>
	477,851			2,903,147			1,224,737	
	61,995			38,716			12,584	
\$	<u>245,130</u>		\$	<u>4,397,364</u>		\$	<u>1,334,710</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, 2006**

	Library Parcel Tax (Fund 418)			Federal Drug Forfeiture (Fund 419)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ 6,140,000	6,243,746	103,746	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Interest and other revenues	-	24,065	24,065	20,000	90,356	70,356
Total revenues	<u>6,140,000</u>	<u>6,267,811</u>	<u>127,811</u>	<u>20,000</u>	<u>90,356</u>	<u>70,356</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Community services	3,822,355	2,098,506	(1,723,849)	-	-	-
Public safety	-	-	-	38,883	38,716	(167)
Sanitation	-	-	-	-	-	-
Capital maintenance	2,000,000	239,348	(1,760,652)	-	-	-
Capital outlay	-	-	-	11,796	11,796	-
Total expenditures	<u>5,822,355</u>	<u>2,337,854</u>	<u>(3,484,501)</u>	<u>50,679</u>	<u>50,512</u>	<u>(167)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>317,645</u>	<u>3,929,957</u>	<u>3,612,312</u>	<u>(30,679)</u>	<u>39,844</u>	<u>70,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(28,648)	(28,648)	-	-	-	-
Total other financing sources (uses)	<u>(28,648)</u>	<u>(28,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 288,997</u>	<u>3,901,309</u>	<u>3,612,312</u>	<u>(30,679)</u>	<u>39,844</u>	<u>70,523</u>
Fund balances - beginning	-	-	-	-	841,551	-
Prior year encumbrances	-	-	-	-	679	-
Fund balances - ending	<u>\$ 3,901,309</u>	<u>-</u>	<u>-</u>	<u>\$ 882,074</u>	<u>-</u>	<u>-</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)
212,000	280,924	68,924	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	250,000	151,666	(98,334)	-	-	-
-	-	-	-	-	-	2,209,160	2,103,798	(105,362)
-	-	-	41,000	48,000	7,000	3,525,940	3,498,486	(27,454)
<u>212,000</u>	<u>280,924</u>	<u>68,924</u>	<u>291,000</u>	<u>199,666</u>	<u>(91,334)</u>	<u>5,735,100</u>	<u>5,602,284</u>	<u>(132,816)</u>
-	-	-	-	-	-	3,767,120	2,646,582	(1,120,538)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
789,518	151,216	(638,302)	82,000	81,998	(2)	551,410	311,034	(240,376)
-	-	-	596,000	476,389	(119,611)	-	-	-
<u>789,518</u>	<u>151,216</u>	<u>(638,302)</u>	<u>678,000</u>	<u>558,387</u>	<u>(119,613)</u>	<u>4,318,530</u>	<u>2,957,616</u>	<u>(1,360,914)</u>
<u>(577,518)</u>	<u>129,708</u>	<u>707,226</u>	<u>(387,000)</u>	<u>(358,721)</u>	<u>28,279</u>	<u>1,416,570</u>	<u>2,644,668</u>	<u>1,228,098</u>
-	-	-	-	-	-	4,000,000	2,050,000	(1,950,000)
<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(2,183,910)</u>	<u>(5,546,298)</u>	<u>(3,362,388)</u>
<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>1,816,090</u>	<u>(3,496,298)</u>	<u>(5,312,388)</u>
<u>(579,518)</u>	<u>127,708</u>	<u>707,226</u>	<u>(391,000)</u>	<u>(362,721)</u>	<u>28,279</u>	<u>3,232,660</u>	<u>(851,630)</u>	<u>(4,084,290)</u>
	1,077,845			1,718,600			6,065,710	
	1,518			-			-	
	<u>\$ 1,207,071</u>			<u>\$ 1,355,879</u>			<u>\$ 5,214,080</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, 2006**

	Integrated Waste Management (Fund 423)			Tobacco Settlement (Fund 426)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	350,000	350,000	-	-	-
Charges for current services	76,324,307	75,060,110	(1,264,197)	-	-	-
Rent	-	-	-	-	-	-
Interest and other revenues	517,625	990,861	473,236	9,302,791	9,568,534	265,743
Total revenues	<u>76,841,932</u>	<u>76,400,971</u>	<u>(440,961)</u>	<u>9,302,791</u>	<u>9,568,534</u>	<u>265,743</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	11,814,925	11,532,454	(282,471)
Community services	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Sanitation	90,303,728	85,859,693	(4,444,035)	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>90,303,728</u>	<u>85,859,693</u>	<u>(4,444,035)</u>	<u>11,814,925</u>	<u>11,532,454</u>	<u>(282,471)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,461,796)</u>	<u>(9,458,722)</u>	<u>4,003,074</u>	<u>(2,512,134)</u>	<u>(1,963,920)</u>	<u>548,214</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	3,169,796	3,169,796	4,500,000	1,000,000	(3,500,000)
Transfers out	-	(1,971,173)	(1,971,173)	(4,550,839)	(1,038,839)	3,512,000
Total other financing sources (uses)	<u>-</u>	<u>1,198,623</u>	<u>1,198,623</u>	<u>(50,839)</u>	<u>(38,839)</u>	<u>12,000</u>
Net change in fund balances	<u>\$ (13,461,796)</u>	<u>(8,260,099)</u>	<u>5,201,697</u>	<u>(2,562,973)</u>	<u>(2,002,759)</u>	<u>560,214</u>
Fund balances - beginning		9,653,592			3,009,519	
Prior year encumbrances		3,904,386			2,896,056	
Fund balances - ending		<u>\$ 5,297,879</u>			<u>\$ 3,902,816</u>	



<b>Building and Structures Construction Tax (Fund 429)</b>			<b>Development Enhancement (Fund 439)</b>			<b>Community Development Block Grant (Fund 441)</b>		
	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
9,091,000	9,664,860	573,860	-	-	-	-	-	-
3,896,000	1,421,473	(2,474,527)	-	-	-	12,976,472	13,393,615	417,143
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>3,307,000</u>	<u>4,549,859</u>	<u>1,242,859</u>	<u>408,000</u>	<u>532,998</u>	<u>124,998</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,294,000</u>	<u>15,636,192</u>	<u>(657,808)</u>	<u>408,000</u>	<u>532,998</u>	<u>124,998</u>	<u>12,976,472</u>	<u>13,393,615</u>	<u>417,143</u>
-	-	-	1,385,134	311,997	(1,073,137)	-	-	-
-	-	-	-	-	-	10,918,749	9,511,654	(1,407,095)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
14,280,540	7,597,279	(6,683,261)	-	-	-	6,109,388	3,929,189	(2,180,199)
35,200,051	21,497,202	(13,702,849)	-	-	-	2,099,764	1,605,363	(494,401)
<u>49,480,591</u>	<u>29,094,481</u>	<u>(20,386,110)</u>	<u>1,385,134</u>	<u>311,997</u>	<u>(1,073,137)</u>	<u>19,127,901</u>	<u>15,046,206</u>	<u>(4,081,695)</u>
<u>(33,186,591)</u>	<u>(13,458,289)</u>	<u>19,728,302</u>	<u>(977,134)</u>	<u>221,001</u>	<u>1,198,135</u>	<u>(6,151,429)</u>	<u>(1,652,591)</u>	<u>4,498,838</u>
33,658	33,658	-	-	-	-	-	-	-
<u>(628,306)</u>	<u>(628,306)</u>	<u>-</u>	<u>(44,492)</u>	<u>(44,492)</u>	<u>-</u>	<u>(40,672)</u>	<u>(40,672)</u>	<u>-</u>
<u>(594,648)</u>	<u>(594,648)</u>	<u>-</u>	<u>(44,492)</u>	<u>(44,492)</u>	<u>-</u>	<u>(40,672)</u>	<u>(40,672)</u>	<u>-</u>
<u>(33,781,239)</u>	<u>(14,052,937)</u>	<u>19,728,302</u>	<u>(1,021,626)</u>	<u>176,509</u>	<u>1,198,135</u>	<u>(6,192,101)</u>	<u>(1,693,263)</u>	<u>4,498,838</u>
	29,624,852			2,744,121			8,435,026	
	10,248,583			-			2,682,282	
	<u>\$ 25,820,498</u>			<u>\$ 2,920,630</u>			<u>\$ 9,424,045</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, 2006**

	<u>Economic Development Administration Loans</u>			<u>Storm Drainage Service Use Charge</u>		
	<u>(Fund 444)</u>			<u>(Funds 446, 469)</u>		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	61,500	44,911	(16,589)	-	-	-
Charges for current services	-	-	-	15,159,029	15,416,381	257,352
Rent	-	-	-	-	-	-
Interest and other revenues	-	-	-	143,393	229,618	86,225
Total revenues	<u>61,500</u>	<u>44,911</u>	<u>(16,589)</u>	<u>15,302,422</u>	<u>15,645,999</u>	<u>343,577</u>
<b>EXPENDITURES</b>						
Current:						
General government	55,000	37,014	(17,986)	-	-	-
Community services	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Sanitation	-	-	-	14,904,219	12,844,335	(2,059,884)
Capital maintenance	-	-	-	1,478,734	654,106	(824,628)
Capital outlay	-	-	-	5,412,839	4,528,341	(884,498)
Total expenditures	<u>55,000</u>	<u>37,014</u>	<u>(17,986)</u>	<u>21,795,792</u>	<u>18,026,782</u>	<u>(3,769,010)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,500</u>	<u>7,897</u>	<u>1,397</u>	<u>(6,493,370)</u>	<u>(2,380,783)</u>	<u>4,112,587</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	2,027,000	2,000	(2,025,000)
Transfers out	-	-	-	(2,161,438)	(136,438)	2,025,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,438)</u>	<u>(134,438)</u>	<u>-</u>
Net change in fund balances	<u>\$ 6,500</u>	<u>7,897</u>	<u>1,397</u>	<u>(6,627,808)</u>	<u>(2,515,221)</u>	<u>4,112,587</u>
Fund balances - beginning		39,649			6,733,095	
Prior year encumbrances		-			3,091,952	
Fund balances - ending		<u>\$ 47,546</u>			<u>\$ 7,309,826</u>	

Transient Occupancy Tax (Fund 461)			Lake Cunningham (Fund 462)			Edward Brown Memorial Justice (Fund 474)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
9,626,840	11,525,589	1,898,749	-	-	-	-	-	-
-	-	-	-	-	-	381,780	380,813	(967)
-	-	-	645,000	656,475	11,475	-	-	-
-	-	-	-	-	-	-	-	-
-	93,392	93,392	39,000	50,609	11,609	-	3,549	3,549
<u>9,626,840</u>	<u>11,618,981</u>	<u>1,992,141</u>	<u>684,000</u>	<u>707,084</u>	<u>23,084</u>	<u>381,780</u>	<u>384,362</u>	<u>2,582</u>
-	-	-	-	-	-	-	-	-
5,803,481	5,068,019	(735,462)	-	-	-	-	-	-
-	-	-	-	-	-	381,780	87,490	(294,290)
-	-	-	-	-	-	-	-	-
-	-	-	1,742,057	420,267	(1,321,790)	-	-	-
-	-	-	-	-	-	-	-	-
<u>5,803,481</u>	<u>5,068,019</u>	<u>(735,462)</u>	<u>1,742,057</u>	<u>420,267</u>	<u>(1,321,790)</u>	<u>381,780</u>	<u>87,490</u>	<u>(294,290)</u>
3,823,359	6,550,962	2,727,603	(1,058,057)	286,817	1,344,874	-	296,872	296,872
-	-	-	-	-	-	-	-	-
(4,922,103)	(4,922,103)	-	(450,000)	(450,000)	-	-	-	-
(4,922,103)	(4,922,103)	-	(450,000)	(450,000)	-	-	-	-
<u>(1,098,744)</u>	1,628,859	<u>2,727,603</u>	<u>(1,508,057)</u>	(163,183)	<u>1,344,874</u>	<u>-</u>	296,872	<u>296,872</u>
	2,020,323			1,689,979			-	
	65,383			11,057			-	
	<u>\$ 3,714,565</u>		<u>\$ 1,537,853</u>			<u>\$ 296,872</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, 2006**

	<b>Municipal Golf Courses</b>			<b>Convention and Cultural Facilities</b>		
	<b>(Fund 518)</b>			<b>(Fund 536)</b>		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
<b>REVENUES</b>						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	1,035,000	828,563	(206,437)	-	2,071,158	2,071,158
Rent	-	-	-	8,545,000	6,682,840	(1,862,160)
Interest and other revenues	-	289,211	289,211	-	1,720	1,720
Total revenues	<u>1,035,000</u>	<u>1,117,774</u>	<u>82,774</u>	<u>8,545,000</u>	<u>8,755,718</u>	<u>210,718</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Community services	100,393	74,874	(25,519)	14,015,626	13,690,843	(324,783)
Public safety	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	357,018	41,018	(316,000)	13,501	730	(12,771)
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>457,411</u>	<u>115,892</u>	<u>(341,519)</u>	<u>14,029,127</u>	<u>13,691,573</u>	<u>(337,554)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>577,589</u>	<u>1,001,882</u>	<u>424,293</u>	<u>(5,484,127)</u>	<u>(4,935,855)</u>	<u>548,272</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,250,000	1,250,000	-	5,282,535	6,817,327	1,534,792
Transfers out	<u>(1,875,992)</u>	<u>(1,557,372)</u>	<u>318,620</u>	<u>-</u>	<u>(197,230)</u>	<u>(197,230)</u>
Total other financing sources (uses)	<u>(625,992)</u>	<u>(307,372)</u>	<u>318,620</u>	<u>5,282,535</u>	<u>6,620,097</u>	<u>1,337,562</u>
Net change in fund balances	<u>\$ (48,403)</u>	<u>694,510</u>	<u>742,913</u>	<u>(201,592)</u>	<u>1,684,242</u>	<u>1,885,834</u>
Fund balances - beginning		58,553			65,119	
Prior year encumbrances		<u>10,519</u>			<u>139,371</u>	
Fund balances - ending		<u>\$ 763,582</u>			<u>\$ 1,888,732</u>	

**Stores Vehicle Maintenance and Operations  
(Funds 551-553)**

Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-
-	-	-
26,089,580	21,941,944	(4,147,636)
-	-	-
<u>225,000</u>	<u>6,826</u>	<u>(218,174)</u>
<u>26,314,580</u>	<u>21,948,770</u>	<u>(4,365,810)</u>
22,155,170	20,472,136	(1,683,034)
-	-	-
-	-	-
3,154,588	1,138,011	(2,016,577)
1,940,153	1,940,153	-
<u>27,249,911</u>	<u>23,550,300</u>	<u>(3,699,611)</u>
<u>(935,331)</u>	<u>(1,601,530)</u>	<u>(666,199)</u>
-	-	-
<u>(75,445)</u>	<u>(61,544)</u>	<u>13,901</u>
<u>(75,445)</u>	<u>(61,544)</u>	<u>13,901</u>
<u>(1,010,776)</u>	<u>(1,663,074)</u>	<u>(652,298)</u>
	3,236,168	
	991,485	
	<u>\$ 2,564,579</u>	

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Nonmajor Debt Service Funds



**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2006**

	<b>2001 Series E Communications Center Refunding (Fund 201)</b>	<b>2000 Series B Camden Park Refunding (Fund 203)</b>	<b>1993 A&amp;B Community Facilities Financing (Fund 204)</b>
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ 247,373	249,733	1,129,801
Other investments	-	-	-
Receivables (net of allowances for uncollectibles)	1,618	1,634	5,976
Due from outside agencies	-	-	-
Total assets	<u>248,991</u>	<u>251,367</u>	<u>1,135,777</u>
<b>FUND BALANCES</b>			
Reserved for debt service	<u>248,991</u>	<u>251,367</u>	<u>1,135,777</u>
Total fund balances	<u>248,991</u>	<u>251,367</u>	<u>1,135,777</u>
Total liabilities and fund balances	<u>\$ 248,991</u>	<u>251,367</u>	<u>1,135,777</u>



<b>2000 Series C Ice Centre Refunding (Fund 206)</b>	<b>2001-2006 GO Bonds Parks &amp; Libraries (Fund 209)</b>	<b>Totals</b>
240,276	21,840,755	23,707,938
-	1,921,625	1,921,625
2,152	264,863	276,243
-	50,395	50,395
<u>242,428</u>	<u>24,077,638</u>	<u>25,956,201</u>
<u>242,428</u>	<u>24,077,638</u>	<u>25,956,201</u>
<u>242,428</u>	<u>24,077,638</u>	<u>25,956,201</u>
<u>242,428</u>	<u>24,077,638</u>	<u>25,956,201</u>

**City of San José**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2006**

	<b>2001 Series E Communications Center Refunding (Fund 201)</b>	<b>2000 Series B Camden Park Refunding (Fund 203)</b>	<b>1993 A&amp;B Community Facilities Financing (Fund 204)</b>
<b>REVENUES</b>			
Property taxes	-	-	-
Interest and other revenues	4,910	6,645	27,499
Total revenues	<u>4,910</u>	<u>6,645</u>	<u>27,499</u>
<b>EXPENDITURES</b>			
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>4,910</u>	<u>4,345</u>	<u>27,499</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	2,372,800	213,525	1,137,171
Transfers out	<u>(2,336,819)</u>	<u>(201,022)</u>	<u>(1,106,188)</u>
Total other financing sources (uses)	<u>35,981</u>	<u>12,503</u>	<u>30,983</u>
Net change in fund balances	40,891	16,848	58,482
Fund balances - beginning	<u>208,100</u>	<u>234,519</u>	<u>1,077,295</u>
Fund balances - ending	<u>\$ 248,991</u>	<u>251,367</u>	<u>1,135,777</u>

<b>2000 Series C Ice Centre Refunding (Fund 206)</b>	<b>2001-06 GO Bonds Parks &amp; Libraries (Fund 209)</b>	<b>Totals</b>
-	27,874,459	27,874,459
12,290	313,899	365,243
<u>12,290</u>	<u>28,188,358</u>	<u>28,239,702</u>
-	10,195,000	10,195,000
-	15,079,881	15,082,181
-	515,746	515,746
<u>-</u>	<u>25,790,627</u>	<u>25,792,927</u>
<u>12,290</u>	<u>2,397,731</u>	<u>2,446,775</u>
-	1,101,000	1,101,000
-	2,436,112	2,436,112
-	-	3,723,496
<u>(118,318)</u>	<u>(1,144,918)</u>	<u>(4,907,265)</u>
<u>(118,318)</u>	<u>2,392,194</u>	<u>2,353,343</u>
(106,028)	4,789,925	4,800,118
<u>348,456</u>	<u>19,287,713</u>	<u>21,156,083</u>
<u>242,428</u>	<u>24,077,638</u>	<u>25,956,201</u>

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Nonmajor Capital Project Funds



**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2006**

	<b>Fiber Optics Development (Fund 007)</b>	<b>San Antonio (Fund 403)</b>	<b>Capital Improvements (Funds 408, 424)</b>
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ 18,942	99,198	443,628
Receivables (net of allowance for uncollectibles)	124	649	27
Due from other funds	-	-	-
Loans receivable, net	-	-	-
Advances and deposits	-	-	4,472
Total current assets	<u>19,066</u>	<u>99,847</u>	<u>448,127</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	-
Other investments	-	-	-
Total assets	<u><u>19,066</u></u>	<u><u>99,847</u></u>	<u><u>448,127</u></u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Accrued salaries, wages and payroll taxes	-	-	-
Due to other funds	-	-	-
Advances from other funds	2,353,918	-	-
Total liabilities	<u>2,353,918</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Reserved for:			
Encumbrances	-	-	-
Noncurrent advances and loans	-	-	4,472
Unreserved:			
Undesignated	(2,334,852)	99,847	443,655
Total fund balance	<u>(2,334,852)</u>	<u>99,847</u>	<u>448,127</u>
Total liabilities and fund balance	<u>\$ 19,066</u>	<u>99,847</u>	<u>448,127</u>

<b>Civic Center (Fund 425)</b>	<b>Civic Center Parking (Fund 433)</b>	<b>Hayes Mansion Phase III (Fund 434)</b>	<b>RDA Capital Projects (Fund 450)</b>	<b>Julian Stockton (Fund 453)</b>
-	-	-	111,000	33,047
-	-	-	719	216
-	-	-	25,770,110	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,881,829</u>	<u>33,263</u>
-	-	-	-	-
11,095,646	11,047,000	2,377,243	-	-
<u>11,095,646</u>	<u>11,047,000</u>	<u>2,377,243</u>	<u>25,881,829</u>	<u>33,263</u>
2,204,694	1,099,706	10,174	1,398,512	-
2,105	9,545	-	49,877	-
1,866,312	3,091,174	1,840,139	12,751,324	-
-	-	-	-	-
<u>4,073,111</u>	<u>4,200,425</u>	<u>1,850,313</u>	<u>14,199,713</u>	<u>-</u>
238,165	3,224,872	27,772	4,149,391	-
-	-	-	-	-
6,784,370	3,621,703	499,158	7,532,725	33,263
<u>7,022,535</u>	<u>6,846,575</u>	<u>526,930</u>	<u>11,682,116</u>	<u>33,263</u>
<u>11,095,646</u>	<u>11,047,000</u>	<u>2,377,243</u>	<u>25,881,829</u>	<u>33,263</u>

**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2006**

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Construction Excise Tax (Funds 464,465)
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ 95,026	-	1,632,350
Receivables (net of allowance for uncollectibles)	622	-	1,885,499
Due from other funds	-	-	20,115,721
Loans receivable, net	-	-	2,258,681
Advances and deposits	-	-	34,200
Total current assets	<u>95,648</u>	<u>-</u>	<u>25,926,451</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	91,467
Other investments	-	25,058	-
Total assets	<u>95,648</u>	<u>25,058</u>	<u>26,017,918</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	296,750
Accrued salaries, wages and payroll taxes	-	315	231,498
Due to other funds	-	24,704	-
Advances from other funds	-	-	-
Total liabilities	<u>-</u>	<u>25,019</u>	<u>528,248</u>
<b>FUND BALANCE</b>			
Reserved for:			
Encumbrances	-	-	2,745,510
Noncurrent advances and loans	-	-	2,292,881
Unreserved:			
Undesignated	95,648	39	20,451,279
Total fund balance	<u>95,648</u>	<u>39</u>	<u>25,489,670</u>
Total liabilities and fund balance	<u>\$ 95,648</u>	<u>25,058</u>	<u>26,017,918</u>



<b>Park Center Project Contingency (Fund 466)</b>	<b>Parks Bond Projects (Fund 471)</b>	<b>Branch Libraries Bond Projects (Fund 472)</b>	<b>Civic Center Improvement (Fund 473)</b>	<b>Neighborhood Security Bond Projects (Fund 475)</b>
150,303	-	-	-	-
983	95,042	38	-	89,482
-	-	-	-	-
-	-	-	-	-
<u>151,286</u>	<u>95,042</u>	<u>38</u>	<u>-</u>	<u>89,482</u>
-	15,100,709	5,923	-	14,245,581
-	93,650,598	123,311,774	3,552,970	45,888,096
<u>151,286</u>	<u>108,846,349</u>	<u>123,317,735</u>	<u>3,552,970</u>	<u>60,223,159</u>
-	1,057,146	2,591,764	1,244,009	379,228
-	62,999	46,523	-	50,550
-	9,824,328	15,945,782	554,929	7,206,713
-	-	-	-	-
<u>-</u>	<u>10,944,473</u>	<u>18,584,069</u>	<u>1,798,938</u>	<u>7,636,491</u>
-	8,759,158	14,110,507	1,029,944	18,861,714
-	-	-	-	-
<u>151,286</u>	<u>89,142,718</u>	<u>90,623,159</u>	<u>724,088</u>	<u>33,724,954</u>
<u>151,286</u>	<u>97,901,876</u>	<u>104,733,666</u>	<u>1,754,032</u>	<u>52,586,668</u>
<u>151,286</u>	<u>108,846,349</u>	<u>123,317,735</u>	<u>3,552,970</u>	<u>60,223,159</u>

**City of San José**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2006**

	<b>San José Financing Authority (Fund 858-859)</b>	<b>Totals</b>
<b>ASSETS</b>		
Equity in pooled cash and investments held in City Treasury	\$ -	2,583,494
Receivables (net of allowance for uncollectibles)	-	2,073,401
Due from other funds	-	45,885,831
Loans receivable, net	-	2,258,681
Advances and deposits	-	38,672
Total current assets	-	52,840,079
Restricted assets:		
Equity in pooled cash and investments held in City Treasury	-	29,443,680
Other investments	15,986,018	306,934,403
Total assets	15,986,018	389,218,162
<b>LIABILITIES</b>		
Accounts payable	-	10,281,983
Accrued salaries, wages and payroll taxes	-	453,412
Due to other funds	165,937	53,271,342
Advances from other funds	-	2,353,918
Total liabilities	165,937	66,360,655
<b>FUND BALANCE</b>		
Reserved for:		
Encumbrances	-	53,147,033
Noncurrent advances and loans	-	2,297,353
Unreserved:		
Undesignated	15,820,081	267,413,121
Total fund balance	15,820,081	322,857,507
Total liabilities and fund balance	\$ 15,986,018	389,218,162

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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, 2006**

	<b>Fiber Optics Development (Fund 007)</b>	<b>San Antonio (Fund 403)</b>	<b>Capital Improvements (Funds 408, 424)</b>
<b>REVENUES</b>			
Taxes	\$ -	-	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Interest and other revenues:			
Interest	5,171	2,554	123
Other revenues	-	-	-
Total revenues	<u>5,171</u>	<u>2,554</u>	<u>123</u>
<b>EXPENDITURES</b>			
Current:			
Capital maintenance	-	-	1,862
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,862</u>
Excess (deficiency) of revenues over (under) expenditures	5,171	2,554	(1,739)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,171	2,554	(1,739)
Fund balances - beginning	(2,340,023)	97,293	449,866
Fund balances - ending	<u>\$ (2,334,852)</u>	<u>99,847</u>	<u>448,127</u>

<b>Civic Center (Fund 425)</b>	<b>Civic Center Parking (Fund 433)</b>	<b>Hayes Mansion Phase III (Fund 434)</b>	<b>RDA Capital Projects (Fund 450)</b>	<b>Julian Stockton (Fund 453)</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,183,694	49,197	79,652	-	851
-	590,240	-	-	-
<u>1,183,694</u>	<u>639,437</u>	<u>79,652</u>	<u>-</u>	<u>851</u>
-	-	296,733	7,548,350	-
19,032,296	17,089,253	-	9,308,760	-
<u>19,032,296</u>	<u>17,089,253</u>	<u>296,733</u>	<u>16,857,110</u>	<u>-</u>
(17,848,602)	(16,449,816)	(217,081)	(16,857,110)	851
-	-	-	-	-
4,264,867	22,455,877	4,948	11,506,576	-
(3,670,829)	(870,237)	-	(1,482,228)	-
<u>594,038</u>	<u>21,585,640</u>	<u>4,948</u>	<u>10,024,348</u>	<u>-</u>
(17,254,564)	5,135,824	(212,133)	(6,832,762)	851
24,277,099	1,710,751	739,063	18,514,878	32,412
<u>7,022,535</u>	<u>6,846,575</u>	<u>526,930</u>	<u>11,682,116</u>	<u>33,263</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, 2006**

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Construction Excise Tax (Funds 464, 465)
<b>REVENUES</b>			
Taxes	\$ -	-	14,075,086
Intergovernmental	-	-	4,165,637
Charges for current services	-	-	163,262
Interest and other revenues:			
Interest	2,446	348	599,705
Other revenues	-	-	1,642,074
Total revenues	<u>2,446</u>	<u>348</u>	<u>20,645,764</u>
<b>EXPENDITURES</b>			
Current:			
Capital maintenance	-	63,136	12,422,935
Capital outlay	-	-	1,154,799
Total expenditures	<u>-</u>	<u>63,136</u>	<u>13,577,734</u>
Excess (deficiency) of revenues over (under) expenditures	2,446	(62,788)	7,068,030
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	-	-
Transfers in	-	78,220	-
Transfers out	-	-	(8,096,547)
Total other financing sources (uses)	<u>-</u>	<u>78,220</u>	<u>(8,096,547)</u>
Net change in fund balances	2,446	15,432	(1,028,517)
Fund balances - beginning	93,202	(15,393)	26,518,187
Fund balances - ending	<u>\$ 95,648</u>	<u>39</u>	<u>25,489,670</u>

<b>Park Center Project Contingency (Fund 466)</b>	<b>Parks Bond Projects (Fund 471)</b>	<b>Branch Libraries Bond Projects (Fund 472)</b>	<b>Civic Center Improvement (Fund 473)</b>	<b>Neighborhood Security Bond Projects (Fund 475)</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,868	2,779,342	3,047,142	76,600	2,457,695
-	-	-	-	-
<u>3,868</u>	<u>2,779,342</u>	<u>3,047,142</u>	<u>76,600</u>	<u>2,457,695</u>
-	-	-	-	1,839,787
-	18,192,221	31,370,831	10,079,792	14,016,783
-	<u>18,192,221</u>	<u>31,370,831</u>	<u>10,079,792</u>	<u>15,856,570</u>
3,868	(15,412,879)	(28,323,689)	(10,003,192)	(13,398,875)
-	45,400,000	58,899,000	-	-
-	-	1,827,641	21,361,499	23,277
-	-	-	-	-
-	<u>45,400,000</u>	<u>60,726,641</u>	<u>21,361,499</u>	<u>23,277</u>
3,868	29,987,121	32,402,952	11,358,307	(13,375,598)
147,418	67,914,755	72,330,714	(9,604,275)	65,962,266
<u>151,286</u>	<u>97,901,876</u>	<u>104,733,666</u>	<u>1,754,032</u>	<u>52,586,668</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, 2006**

	<b>San José Financing Authority (Fund 858-859)</b>	<b>Totals</b>
<b>REVENUES</b>		
Taxes	\$ -	14,075,086
Intergovernmental	-	4,165,637
Charges for current services	-	163,262
Interest and other revenues:		
Interest	667,337	10,955,725
Other revenues	-	2,232,314
Total revenues	<u>667,337</u>	<u>31,592,024</u>
<b>EXPENDITURES</b>		
Current:		
Capital maintenance	-	22,172,803
Capital outlay	2,890,630	123,135,365
Total expenditures	<u>2,890,630</u>	<u>145,308,168</u>
Excess (deficiency) of revenues over (under) expenditures	(2,223,293)	(113,716,144)
<b>OTHER FINANCING SOURCES (USES)</b>		
Bonds issued	-	104,299,000
Transfers in	-	61,522,905
Transfers out	(2,129,680)	(16,249,521)
Total other financing sources (uses)	<u>(2,129,680)</u>	<u>149,572,384</u>
Net change in fund balances	(4,352,973)	35,856,240
Fund balances - beginning	20,173,054	287,001,267
Fund balances - ending	<u>\$ 15,820,081</u>	<u>322,857,507</u>



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Trust and Agency Funds



**City of San José**  
**Combining Statement of Pension Net Assets**  
**Pension Trust Funds**  
**June 30, 2006**

	<b>Federated City Employees Retirement System (Fund 134 and 140)</b>	<b>Police and Fire Plan (Fund 135 and 141)</b>	<b>Totals</b>
<b>ASSETS</b>			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,642,450,826	2,418,661,812	4,061,112,638
Securities lending cash collateral investment pool	148,036,523	426,787,571	574,824,094
Receivables (net of allowance for uncollectables):			
Accrued investment income	6,327,488	6,837,179	13,164,667
Employee contributions	628,529	845,552	1,474,081
Employer contributions	1,850,489	2,116,238	3,966,727
Brokers and others	22,345,938	127,311,853	149,657,791
Total assets	<u>1,821,639,793</u>	<u>2,982,560,205</u>	<u>4,804,199,998</u>
<b>LIABILITIES</b>			
Due to brokers	47,583,875	238,519,299	286,103,174
Securities lending collateral, due to borrowers	148,036,523	426,787,571	574,824,094
Other liabilities	2,062,246	6,218,964	8,281,210
Total liabilities	<u>197,682,644</u>	<u>671,525,834</u>	<u>869,208,478</u>
<b>NET ASSETS HELD IN TRUST FUND FOR PENSION BENEFIT</b>			
Reserved for retirement plans:			
Employees' pension benefits	1,542,668,810	2,270,518,466	3,813,187,276
Employees' postemployment healthcare benefits	81,288,339	40,515,905	121,804,244
Net assets held in trust for pension and postemployment healthcare benefits	<u>\$ 1,623,957,149</u>	<u>2,311,034,371</u>	<u>3,934,991,520</u>

**City of San José**  
**Combining Statement of Changes in Pension Net Assets**  
**Pension Trust Funds**  
**Year Ended June 30, 2006**

	<b>Federated City Employees Retirement System (Fund 134 and 140)</b>	<b>Police and Fire Plan (Fund 135 and 141)</b>	<b>Totals</b>
<b>ADDITIONS</b>			
Investment income:			
Interest	\$ 26,923,488	29,674,727	56,598,215
Dividends	7,879,716	22,949,925	30,829,641
Net rental income	956,500	7,940,550	8,897,050
Net appreciation in fair value of plan investments	109,238,213	182,068,701	291,306,914
Investment expenses	(5,231,043)	(9,354,859)	(14,585,902)
Securities lending activities:			
Securities lending income	6,964,812	15,431,590	22,396,402
Securities lending expenses	(6,582,054)	(14,396,816)	(20,978,870)
Contributions:			
Employer	47,227,513	50,002,315	97,229,828
Employees	17,621,400	22,173,212	39,794,612
Total additions	<u>204,998,545</u>	<u>306,489,345</u>	<u>511,487,890</u>
<b>DEDUCTIONS</b>			
General and administrative	1,893,441	2,214,622	4,108,063
Health insurance	15,905,271	12,880,108	28,785,379
Refund of contributions	1,245,864	143,962	1,389,826
Retirement and other benefits:			
Death benefits	5,721,509	4,803,409	10,524,918
Retirement benefits	68,438,333	75,189,039	143,627,372
Total deductions	<u>93,204,418</u>	<u>95,231,140</u>	<u>188,435,558</u>
Net increase	111,794,127	211,258,205	323,052,332
Net assets held in trust for pension and postemployment healthcare benefits			
Beginning of year	1,512,163,022	2,099,776,166	3,611,939,188
End of year	<u>\$ 1,623,957,149</u>	<u>2,311,034,371</u>	<u>3,934,991,520</u>

**City of San José**  
**Combining Statement of Defined Benefit**  
**and Postemployment Healthcare Plan Net Assets**  
**Federated City Employees Retirement System**  
**June 30, 2006**

	<b>Federated Retirement (Fund 134)</b>		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
<b>ASSETS</b>			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,152,806,039	81,924,380	1,234,730,419
Securities lending cash collateral investment pool	105,599,898	7,504,476	113,104,374
Receivables (net of allowance for uncollectables):			
Accrued investment income	4,529,098	321,861	4,850,959
Employee contributions	348,491	186,692	535,183
Employer contributions	1,312,205	233,473	1,545,678
Brokers and Others	15,938,673	1,132,685	17,071,358
Total assets	1,280,534,404	91,303,567	1,371,837,971
<b>LIABILITIES</b>			
Due to brokers	33,943,329	2,412,189	36,355,518
Securities lending collateral, due to borrowers	105,599,898	7,504,476	113,104,374
Other liabilities	1,504,201	98,563	1,602,764
Total liabilities	141,047,428	10,015,228	151,062,656
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFIT</b>			
Reserved for retirement plans:			
Employees' pension benefits	1,139,486,976	-	1,139,486,976
Employees' postemployment healthcare benefits	-	81,288,339	81,288,339
Net assets held in trust for pension and postemployment healthcare benefits	\$ 1,139,486,976	81,288,339	1,220,775,315

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

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
407,720,407	-	407,720,407	1,642,450,826
34,932,149	-	34,932,149	148,036,523
1,476,529	-	1,476,529	6,327,488
93,346	-	93,346	628,529
304,811	-	304,811	1,850,489
5,274,580	-	5,274,580	22,345,938
<u>449,801,822</u>	<u>-</u>	<u>449,801,822</u>	<u>1,821,639,793</u>
11,228,357	-	11,228,357	47,583,875
34,932,149	-	34,932,149	148,036,523
459,482	-	459,482	2,062,246
<u>46,619,988</u>	<u>-</u>	<u>46,619,988</u>	<u>197,682,644</u>
403,181,834	-	403,181,834	1,542,668,810
-	-	-	81,288,339
<u>403,181,834</u>	<u>-</u>	<u>403,181,834</u>	<u>1,623,957,149</u>

**City of San José**  
**Combining Statement of Defined Benefit and Postemployment Healthcare**  
**Changes in Plan Net Assets**  
**Federated City Employees Retirement System**  
**Year Ended June 30, 2006**

	<b>Federated Retirement (Fund 134)</b>		
	<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 134</u>
<b>ADDITIONS</b>			
Investment income:			
Interest	\$ 19,180,018	1,397,695	20,577,713
Dividends	5,613,349	409,058	6,022,407
Net rental income	670,886	48,889	719,775
Net appreciation in fair value of plan investments	77,853,475	5,673,374	83,526,849
Investment expenses	(3,754,168)	(273,575)	(4,027,743)
Securities lending activities:			
Securities lending income	4,962,286	361,614	5,323,900
Securities lending expenses	(4,689,598)	(341,743)	(5,031,341)
Contributions:			
Employer	33,502,831	5,960,965	39,463,796
Employees	9,755,212	5,226,006	14,981,218
Total additions	<u>143,094,291</u>	<u>18,462,283</u>	<u>161,556,574</u>
<b>DEDUCTIONS</b>			
General and administrative	1,417,026	103,262	1,520,288
Health insurance	-	15,905,271	15,905,271
Refund of contributions	996,042	-	996,042
Retirement and other benefits:			
Death benefits	3,618,362	-	3,618,362
Retirement benefits	55,392,607	-	55,392,607
Total deductions	<u>61,424,037</u>	<u>16,008,533</u>	<u>77,432,570</u>
Net increase	81,670,254	2,453,750	84,124,004
Net assets held in trust for pension and postemployment healthcare benefits			
Beginning of year	1,057,816,722	78,834,589	1,136,651,311
End of year	<u>\$ 1,139,486,976</u>	<u>81,288,339</u>	<u>1,220,775,315</u>

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

<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 140</u>	<u>Totals</u>
6,345,775	-	6,345,775	26,923,488
1,857,309	-	1,857,309	7,879,716
236,725	-	236,725	956,500
25,711,364	-	25,711,364	109,238,213
(1,203,300)	-	(1,203,300)	(5,231,043)
1,640,912	-	1,640,912	6,964,812
(1,550,713)	-	(1,550,713)	(6,582,054)
7,763,717	-	7,763,717	47,227,513
2,640,182	-	2,640,182	17,621,400
<u>43,441,971</u>	<u>-</u>	<u>43,441,971</u>	<u>204,998,545</u>
373,153	-	373,153	1,893,441
-	-	-	15,905,271
249,822	-	249,822	1,245,864
2,103,147	-	2,103,147	5,721,509
13,045,726	-	13,045,726	68,438,333
<u>15,771,848</u>	<u>-</u>	<u>15,771,848</u>	<u>93,204,418</u>
27,670,123	-	27,670,123	111,794,127
375,511,711	-	375,511,711	1,512,163,022
<u>403,181,834</u>	<u>-</u>	<u>403,181,834</u>	<u>1,623,957,149</u>

**City of San José**  
**Combining Statement of**  
**Defined Benefit and Postemployment Healthcare Plan Net Assets**  
**Police and Fire Retirement Plan**  
**June 30, 2006**

	<b>Police and Fire Retirement (Fund 135)</b>		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135
<b>ASSETS</b>			
Investments at fair value:			
Investments, excluding securities lending collateral	\$ 1,682,236,896	41,942,757	1,724,179,653
Securities lending cash collateral investment pool	296,696,251	7,397,448	304,093,699
Receivables (net of allowance for uncollectables):			
Accrued investment income	4,758,879	118,652	4,877,531
Employee contributions	447,021	218,965	665,986
Employer contributions	1,245,705	276,354	1,522,059
Brokers and others	88,501,657	2,206,588	90,708,245
Total assets	<u>2,073,886,409</u>	<u>52,160,764</u>	<u>2,126,047,173</u>
<b>LIABILITIES</b>			
Due to brokers	165,815,002	4,134,221	169,949,223
Securities lending collateral, due to borrowers	296,696,251	7,397,448	304,093,699
Other liabilities	4,569,399	113,190	4,682,589
Total liabilities	<u>467,080,652</u>	<u>11,644,859</u>	<u>478,725,511</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFIT</b>			
Reserved for retirement plans:			
Employees' pension benefits	1,606,805,757	-	1,606,805,757
Employees' postemployment healthcare benefits	-	40,515,905	40,515,905
Net assets held in trust for pension and postemployment healthcare benefits	<u>\$ 1,606,805,757</u>	<u>40,515,905</u>	<u>1,647,321,662</u>



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

Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 141	Totals
694,482,159	-	694,482,159	2,418,661,812
122,693,872	-	122,693,872	426,787,571
1,959,648	-	1,959,648	6,837,179
179,566	-	179,566	845,552
594,179	-	594,179	2,116,238
36,603,608	-	36,603,608	127,311,853
<u>856,513,032</u>	<u>-</u>	<u>856,513,032</u>	<u>2,982,560,205</u>
68,570,076	-	68,570,076	238,519,299
122,693,872	-	122,693,872	426,787,571
1,536,375	-	1,536,375	6,218,964
<u>192,800,323</u>	<u>-</u>	<u>192,800,323</u>	<u>671,525,834</u>
663,712,709	-	663,712,709	2,270,518,466
-	-	-	40,515,905
<u>663,712,709</u>	<u>-</u>	<u>663,712,709</u>	<u>2,311,034,371</u>

**City of San José**  
**Combining Statement of Defined Benefit and Postemployment Healthcare**  
**Changes in Plan Net Assets**  
**Police and Fire Retirement Plan**  
**Year Ended June 30, 2006**

	<b>Police and Fire Retirement (Fund 135)</b>		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135
<b>ADDITIONS</b>			
Investment income:			
Interest	\$ 20,645,987	521,012	21,166,999
Dividends	15,972,772	403,082	16,375,854
Net rental income	5,576,470	140,726	5,717,196
Net appreciation in fair value of plan investments	125,700,239	3,172,120	128,872,359
Investment expenses	(6,572,773)	(165,868)	(6,738,641)
Securities lending activities:			
Securities lending income	10,743,575	271,121	11,014,696
Securities lending expenses	(10,022,998)	(252,937)	(10,275,935)
Contributions:			
Employer	29,431,408	6,529,220	35,960,628
Employees	11,721,560	5,741,578	17,463,138
Total additions	203,196,240	16,360,054	219,556,294
<b>DEDUCTIONS</b>			
General and administrative	1,706,451	43,063	1,749,514
Health insurance	-	12,880,108	12,880,108
Refund of contributions	111,536	-	111,536
Retirement and other benefits:			
Death benefits	2,856,340	-	2,856,340
Retirement benefits	59,730,319	-	59,730,319
Total deductions	64,404,646	12,923,171	77,327,817
Net increase	138,791,594	3,436,883	142,228,477
Net assets held in trust for pension and postemployment healthcare benefits			
Beginning of year	1,468,014,163	37,079,022	1,505,093,185
End of year	\$ 1,606,805,757	40,515,905	1,647,321,662

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

<u>Defined Benefit Pension Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>Total Fund 141</u>	<u>Total</u>
8,507,728	-	8,507,728	29,674,727
6,574,071	-	6,574,071	22,949,925
2,223,354	-	2,223,354	7,940,550
53,196,342	-	53,196,342	182,068,701
(2,616,218)	-	(2,616,218)	(9,354,859)
4,416,894	-	4,416,894	15,431,590
(4,120,881)	-	(4,120,881)	(14,396,816)
14,041,687	-	14,041,687	50,002,315
4,710,074	-	4,710,074	22,173,212
<u>86,933,051</u>	<u>-</u>	<u>86,933,051</u>	<u>306,489,345</u>
465,108	-	465,108	2,214,622
-	-	-	12,880,108
32,426	-	32,426	143,962
1,947,069	-	1,947,069	4,803,409
15,458,720	-	15,458,720	75,189,039
<u>17,903,323</u>	<u>-</u>	<u>17,903,323</u>	<u>95,231,140</u>
69,029,728	-	69,029,728	211,258,205
594,682,981	-	594,682,981	2,099,776,166
<u>663,712,709</u>	<u>-</u>	<u>663,712,709</u>	<u>2,311,034,371</u>

**City of San José**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2006**

	<u>Municipal Health Services</u>	<u>Arena Capital Reserve</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and investments held in City Treasury	\$ 1,074,952	1,496,659	2,571,611
Receivables ( net of allowances for uncollectibles):			
Accrued interest	8,985	9,789	18,774
Other	1,235,373	-	1,235,373
 Total assets	 <u>2,319,310</u>	 <u>1,506,448</u>	 <u>3,825,758</u>
<b>LIABILITIES</b>			
Accounts payable	1,242,876	-	1,242,876
Accrued salaries, wages, and payroll taxes	11,486	-	11,486
Other liabilities	1,064,948	1,506,448	2,571,396
 Total liabilities	 \$ <u>2,319,310</u>	 <u>1,506,448</u>	 <u>3,825,758</u>

**City of San José**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For The Year Ended June 30, 2006**

<b>Municipal Health Services (Fund 132)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Equity in pooled cash and investments held in City Treasury	\$ 828,723	3,625,291	3,379,062	1,074,952
Receivables ( net of allowances for uncollectibles):				
Accrued interest	4,274	8,985	4,274	8,985
Other	-	2,470,746	1,235,373	1,235,373
Total assets	<u>832,997</u>	<u>6,105,022</u>	<u>4,618,709</u>	<u>2,319,310</u>
<b>LIABILITIES</b>				
Accounts payable	1,252	4,616,288	3,374,664	1,242,876
Accrued salaries, wages, and payroll taxes	7,101	11,486	7,101	11,486
Other liabilities	824,644	4,844,524	4,604,220	1,064,948
Total liabilities	<u>\$ 832,997</u>	<u>9,472,298</u>	<u>7,985,985</u>	<u>2,319,310</u>
<b>Arena Capital Reserve (Fund 459)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Equity in pooled cash and investments held in City Treasury	\$ 1,663,280	355,795	522,416	1,496,659
Receivables ( net of allowances for uncollectibles):				
Accrued interest	8,456	9,789	8,456	9,789
Other	-	-	-	-
Total assets	<u>1,671,736</u>	<u>365,584</u>	<u>530,872</u>	<u>1,506,448</u>
<b>LIABILITIES</b>				
Accounts payable	-	489,678	489,678	-
Other liabilities	1,671,736	324,390	489,678	1,506,448
Total liabilities	<u>\$ 1,671,736</u>	<u>814,068</u>	<u>979,356</u>	<u>1,506,448</u>
<b>Total Agency Funds</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Equity in pooled cash and investments held in City Treasury	\$ 2,492,003	3,981,086	3,901,478	2,571,611
Receivables ( net of allowances for uncollectibles):				
Accrued interest	12,730	18,774	12,730	18,774
Other	-	2,470,746	1,235,373	1,235,373
Total assets	<u>2,504,733</u>	<u>6,470,606</u>	<u>5,149,581</u>	<u>3,825,758</u>
<b>LIABILITIES</b>				
Accounts payable	1,252	5,105,966	3,864,342	1,242,876
Accrued salaries, wages, and payroll taxes	7,101	11,486	7,101	11,486
Other liabilities	2,496,380	5,168,914	5,093,898	2,571,396
Total liabilities	<u>\$ 2,504,733</u>	<u>10,286,366</u>	<u>8,965,341</u>	<u>3,825,758</u>

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# Statistical Section

## Statistical Section

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This part of the comprehensive annual financial report for the City of San José presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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. During fiscal year 2005-2006, the City implemented this statement and added new information that financial statement users have identified as important and eliminated certain schedules previously required.

<b>Contents</b>	<b>Schedule</b>
Financial Trends	I - IV
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	V - VIII
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, which is property tax.</i>	
Debt Capacity	IX - XIII
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	XIV-XVI
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	XVII-XVIII
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



CITY OF SAN JOSE  
NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(\$ 000's)

SCHEDULE I

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 6,629,815	\$ 6,252,648	\$ 6,118,214	\$ 5,755,755	\$ 5,402,375
Restricted	376,155	551,968	229,871	380,102	735,931
Unrestricted	508,517	266,281	217,204	181,646	(107,947)
Total governmental activities net assets	<u>\$ 7,514,487</u>	<u>\$ 7,070,897</u>	<u>\$ 6,565,289</u>	<u>\$ 6,317,503</u>	<u>\$ 6,030,359</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 462,193	\$ 513,697	\$ 651,130	\$ 672,893	\$ 689,045
Restricted	292,446	256,821	261,303	262,554	279,505
Unrestricted	289,510	312,930	248,221	251,010	257,944
Total business-type activities net assets	<u>\$ 1,044,149</u>	<u>\$ 1,083,448</u>	<u>\$ 1,160,654</u>	<u>\$ 1,186,457</u>	<u>\$ 1,226,494</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 7,092,008	\$ 6,766,345	\$ 6,769,344	\$ 6,428,648	\$ 6,091,420
Restricted	668,601	808,789	491,174	642,656	1,015,436
Unrestricted	798,027	579,211	465,425	432,656	149,997
Total primary government net assets	<u>\$ 8,558,636</u>	<u>\$ 8,154,345</u>	<u>\$ 7,725,943</u>	<u>\$ 7,503,960</u>	<u>\$ 7,256,853</u>

The City of San José implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

SCHEDULE II

CITY OF SAN JOSE

CHANGE IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

(\$ 000's)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 130,963	125,482	143,335	108,070	180,633
Public safety	305,906	323,461	353,009	326,029	351,331
Capital maintenance	586,231	652,748	502,819	502,586	514,025
Community services	268,633	222,250	277,404	210,936	220,719
Sanitation	82,562	77,001	76,889	89,159	91,353
Unallocated interest and fiscal charges	105,077	121,647	127,052	136,955	144,444
Total governmental activities expenses	1,479,372	1,522,589	1,480,508	1,373,735	1,502,505
Business-type activities:					
Norman Y. Mineta San José					
International Airport	109,814	112,723	117,122	122,882	125,770
Wastewater Treatment System	108,491	102,148	101,627	111,026	108,510
Municipal Water System	16,295	15,577	19,089	18,328	19,896
Parking System	6,831	7,479	9,952	8,652	10,058
Total business-type activities expenses	241,531	237,927	247,790	260,888	264,234
Total primary government expenses	1,720,903	1,760,516	1,728,298	1,634,623	1,766,739
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	18,570	10,533	18,646	34,550	51,449
Public Safety	17,306	19,569	18,856	21,411	18,377
Capital maintenance	28,029	32,871	28,359	27,365	28,988
Community services	54,381	55,361	53,635	67,276	76,736
Sanitation	74,440	71,794	80,265	86,166	86,957
Operating grants and contributions	54,319	51,691	46,034	63,909	76,004
Capital grants and contributions	110,551	70,726	81,229	48,715	60,337
Total governmental program revenues	357,596	312,545	327,024	349,392	400,858
Business-type activities:					
Charges for services					
Norman Y. Mineta San José					
International Airport	114,952	113,047	113,758	112,273	117,983
Wastewater Treatment System	102,446	103,041	99,511	113,850	109,587
Municipal Water System	17,298	17,538	20,013	19,149	20,284
Parking System	8,284	10,144	9,583	9,473	9,756
Operating grants and contributions	2,404	5,685	5,724	5,570	8,398
Capital grants and contributions	21,499	16,821	80,651	21,584	32,956
Total business-type activities program revenues	266,883	266,276	329,240	281,899	298,964
Total primary government revenues	\$ 624,479	\$ 578,821	\$ 656,264	\$ 631,291	\$ 699,822

CITY OF SAN JOSE  
CHANGE IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(\$ 000's)

SCHEDULE II  
(Concluded)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Net (Expenses) Revenues</b>					
Governmental activities	\$ (1,121,776)	\$ (1,210,044)	\$ (1,153,484)	\$ (1,024,343)	\$ (1,101,647)
Business-type activities	25,352	28,349	81,450	21,011	34,730
Total primary government	<u>(1,096,424)</u>	<u>(1,181,695)</u>	<u>(1,072,034)</u>	<u>(1,003,332)</u>	<u>(1,066,917)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property	356,136	351,902	338,210	398,541	430,426
Utility	66,889	65,785	68,455	73,081	75,489
Franchise	34,432	32,093	31,712	33,722	36,760
Transit and Occupancy	6,820	14,600	14,166	15,957	19,214
Sales taxes shared revenues	133,241	122,757	126,426	128,822	136,031
State of California in-lieu	51,306	53,787	41,455	20,850	5,817
Business license fee	35,401	35,594	36,201	36,936	37,236
Unrestricted interest and investment earnings	70,124	59,287	17,040	17,594	23,682
Other revenue	21,262	22,994	26,368	44,343	42,076
Gain on sale of capital assets	706	317	4,487	-	-
Transfers	5,842	7,338	(48,782)	6,711	7,772
Special items	-	-	(7,862)	-	-
Total governmental activities	<u>782,159</u>	<u>766,454</u>	<u>647,876</u>	<u>776,557</u>	<u>814,503</u>
Business-type activities	26,619	15,861	3,024	11,503	13,079
Unrestricted interest and investment earnings	(5,842)	(7,338)	(7,268)	(6,711)	(7,772)
Transfers	20,777	8,523	(4,244)	4,792	5,307
Total business-type activities	<u>802,936</u>	<u>774,977</u>	<u>643,632</u>	<u>781,349</u>	<u>819,810</u>
Total primary government					
<b>Change In Net Assets</b>					
Governmental activities	(339,617)	(443,590)	(505,608)	(247,786)	(287,144)
Business-type activities	46,129	36,872	77,206	25,803	40,037
Total Primary government	<u>(293,488)</u>	<u>(406,718)</u>	<u>(428,402)</u>	<u>(221,983)</u>	<u>(247,107)</u>

The City of San Jose implemented GASB 34 for the fiscal period ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

CITY OF SAN JOSE  
 FUND BALANCE, GOVERNMENTAL FUNDS  
 LAST FIVE FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 (\$ 000's)

SCHEDULE III

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 52,218	\$ 33,918	\$ 29,582	\$ 29,514	\$ 33,267
Unreserved	197,311	163,735	153,757	162,517	203,703
Total General Fund	<u>\$ 249,529</u>	<u>\$ 197,653</u>	<u>\$ 183,339</u>	<u>\$ 192,031</u>	<u>\$ 236,970</u>
Other Governmental Funds					
Reserved	\$ 557,551	\$ 894,117	\$ 666,185	\$ 633,171	\$ 573,567
Unreserved, reported in:					
Special revenue funds	207,677	202,580	191,129	248,863	268,344
Debt service funds					(15,109)
Capital project funds	323,377	202,475	284,743	301,019	293,622
Total Other Governmental Funds	<u>\$ 1,088,605</u>	<u>\$ 1,299,172</u>	<u>\$ 1,142,057</u>	<u>\$ 1,183,053</u>	<u>\$ 1,120,424</u>

Note: As certain data required by GASB 44 was not readily available for years prior to 2002, the City of San José has elected to show five years of data for this schedule.

CITY OF SAN JOSE  
 CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS  
 LAST FIVE FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 (\$ '000's)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>REVENUES</b>					
Taxes and special assessments	\$ 663,580	\$ 676,229	\$ 646,732	\$ 686,088	\$ 730,905
Licenses, permits, and fines	70,803	73,687	83,631	86,518	90,351
Intergovernmental	79,756	78,946	67,254	81,352	80,003
Charges for current services	173,942	177,567	202,564	225,397	250,975
Rent	10705	9,142	7,866	8,211	9,836
Interest and other revenues	185,944	133,246	68,082	97,499	106,571
Total revenues	<u>1,184,730</u>	<u>1,148,817</u>	<u>1,076,119</u>	<u>1,185,065</u>	<u>1,268,641</u>
<b>EXPENDITURES</b>					
General government	176,880	185,256	190,132	198,319	212,964
Public safety	284,259	307,991	325,301	334,169	343,576
Capital maintenance	283,203	338,504	177,688	178,262	210,032
Community services	249,222	194,959	249,079	194,509	203,273
Sanitation	82,760	76,799	77,507	89,368	91,908
Capital outlay	228,996	201,059	278,536	289,985	203,573
Debt service:					
Principal	41,897	45,056	54,966	50,752	63,567
Interest and fiscal charges	91,800	126,531	129,641	136,253	145,698
Bond issuance costs	11,025	10,443	11,175	6,822	6,676
Payment to refunded bond escrow agent	6,429	17,331	14,916	2,022	9,282
Total expenditures	<u>1,461,471</u>	<u>1,503,929</u>	<u>1,508,941</u>	<u>1,482,461</u>	<u>1,490,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(276,741)</u>	<u>(355,112)</u>	<u>(432,822)</u>	<u>(297,396)</u>	<u>(221,908)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds issued	434,858	541,493	216,725	245,025	151,320
Refunding bonds issued	191,725	21,555	373,610	195,870	277,520
Discount / (Premium) on bonds	(189)	(3,778)	16,795	3,127	20,477
Payment to refunded bond escrow agent	(189,650)	(53,122)	(352,829)	(126,899)	(289,673)
Proceeds from sale of capital assets	2,277	317	4,487	4,482	11,449
Loan proceeds	-	-	3,200	19,427	25,094
Transfers in	182,943	569,750	187,128	192,968	231,092
Transfers out	(177,101)	(562,412)	(179,860)	(186,916)	(223,061)
Total other financing sources (uses)	<u>444,863</u>	<u>513,803</u>	<u>269,256</u>	<u>347,084</u>	<u>204,218</u>
Loss at transition	-	-	(7,862)	-	-
Net change in fund balance	<u>\$ 168,122</u>	<u>\$ 158,691</u>	<u>\$ (171,428)</u>	<u>\$ 49,688</u>	<u>\$ (17,690)</u>
Debt service as a percentage of noncapital expenditures	12.36%	15.55%	18.10%	19.00%	19.71%

Note: As certain data required by GASB 44 was not readily available for years prior to 2002, the City of San José has elected to show only five years of data for this schedule.

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

Fiscal Year	City				Redevelopment Agency <sup>1</sup>				Total Direct Tax Rate		
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Rate	Secured	Unsecured	Less: Exemptions		Taxable Assessed Value	Direct rate
1997	\$ 44,486,684	4,955,164	993,260	48,446,588	0.116%						0.116%
1998	47,736,697	5,932,618	1,183,528	52,485,787	0.107%						0.107%
1999	52,911,450	6,866,240	1,337,055	58,440,635	0.111%						0.111%
2000	58,813,662	6,503,332	1,369,113	63,947,881	0.112%						0.112%
2001	54,647,708	4,008,056	1,480,468	57,175,296	0.141% \$	10,355,892	3,420,451	0	13,776,343	1.032%	0.314%
2002	61,143,626	4,676,212	1,844,586	63,975,252	0.138%	12,296,146	5,583,448	0	17,879,594	1.054%	0.335%
2003	65,530,209	4,371,115	1,985,708	67,915,616	0.137%	13,266,320	5,486,624	0	18,732,944	1.057%	0.336%
2004	71,389,828	4,062,051	2,373,902	73,077,977	0.134%	11,685,532	5,277,110	0	16,962,642	1.003%	0.298%
2005	76,286,940	3,979,113	2,733,404	77,532,649	0.133%	11,197,792	3,843,039	0	15,040,831	0.997%	0.274%
2006	84,455,121	3,800,649	3,020,934	85,234,836	0.139%	11,211,222	3,822,707	0	15,033,929	1.001%	0.269%

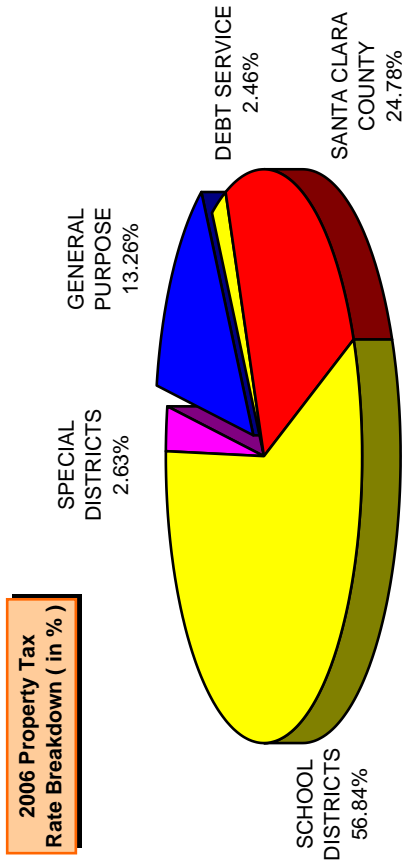
1. The Redevelopment Agency (RDA) became a separate entity in 2001. Prior to 2001, the RDA operated as a component unit of the City. Thus, financial data pertaining to RDA prior to 2001 is included in the City data.

Note:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Department of Finance, County of Santa Clara

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



Fiscal Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City of San Jose:										
General purpose	0.155	0.155	0.155	0.155	0.155	0.155	0.155	0.156	0.156	0.156
Debt service	0.000	0.000	0.000	0.000	0.000	0.009	0.019	0.026	0.026	0.029
	<u>0.155</u>	<u>0.155</u>	<u>0.155</u>	<u>0.155</u>	<u>0.155</u>	<u>0.164</u>	<u>0.174</u>	<u>0.182</u>	<u>0.182</u>	<u>0.185</u>
Santa Clara County	0.287	0.292	0.292	0.285	0.289	0.290	0.292	0.292	0.292	0.292
School districts	0.569	0.574	0.589	0.605	0.608	0.622	0.667	0.656	0.656	0.669
Special districts	0.034	0.033	0.032	0.032	0.031	0.030	0.032	0.039	0.039	0.031
	<u>1.045</u>	<u>1.054</u>	<u>1.068</u>	<u>1.077</u>	<u>1.083</u>	<u>1.105</u>	<u>1.166</u>	<u>1.169</u>	<u>1.169</u>	<u>1.177</u>

Note:

- The above tax rates are applied per \$100 of assessed valuation.
- In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of school district bonds.

Source: Department of Finance, County of Santa Clara

CITY OF SAN JOSE SCHEDULE VII

PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(\$ 000's)

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Hitachi Global Storage Technologies, Inc.	\$ 596,117	0.59%	\$	
Cisco Technology, Inc.	586,085	0.58%		
Sobrato Development Companies	452,152	0.45%	148,323	0.31%
VF Mall LLC	445,197	0.44%		
Spieker Properties LP	376,200	0.38%	170,388	0.35%
Irvine Community Development Co.	358,937	0.36%		
Carramerica Realty Corp.	299,252	0.30%	171,171	0.35%
Mission West Properties LP	282,508	0.28%		
San Jose Water Works	276,324	0.28%		
Bay Apartment Communities, Inc.	268,474	0.27%		
Frit San Jose Town & Country Village LLC	257,138	0.26%		
International Business Machines Corp.	255,817	0.26%	1,083,968	2.24%
Xilinx, Inc.	233,697	0.23%		
Novellus Systems Inc.	231,237	0.23%		
Oakridge Mall LP	227,770	0.23%		
Adobe Systems Inc.	205,902	0.21%		
Agilent Technologies, Inc.	157,557	0.16%		
Woods LP	152,405	0.15%		
eBay Inc.	130,595	0.13%		
Good Samaritan Hospital LP	129,206	0.13%		
<b>Total assessed property valuation, local secured net</b>	<b>\$ 5,922,570</b>	<b>5.91%</b>	<b>\$ 1,573,850</b>	<b>3.25%</b>
<b>Total City of San José assessed property valuation (including RDA):</b>				
FY 1996-1997			\$ 48,448,588	
FY 2005-2006	\$ 100,268,765			

Note: As some information required by GASB 44 is not readily available, certain data for 1997 is not shown in the schedule.

Source: California Municipal Statistics, Inc.



CITY OF SAN JOSE  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (\$ 000's)

Fiscal Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 56,010	\$ 46,804	83.6	\$ 150	\$ 46,954	83.8
1998	56,157	55,906	99.6	0	55,906	99.6
1999	65,071	64,815	99.6	0	64,815	99.6
2000	71,504	71,971	100.7	0	71,971	100.7
2001	80,510	80,694	100.2	0	80,694	100.2
2002	88,526	88,286	99.7	0	88,286	99.7
2003	93,189	93,592	100.4	0	93,592	100.4
2004	97,748	95,407	97.6	0	95,649	97.9
2005	103,465	105,486	102.0	0	105,702	102.2
2006	118,803	117,360	98.8	209	117,570	99.0

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

CITY OF SAN JOSE  
SCHEDULE IX

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(\$ 000's)

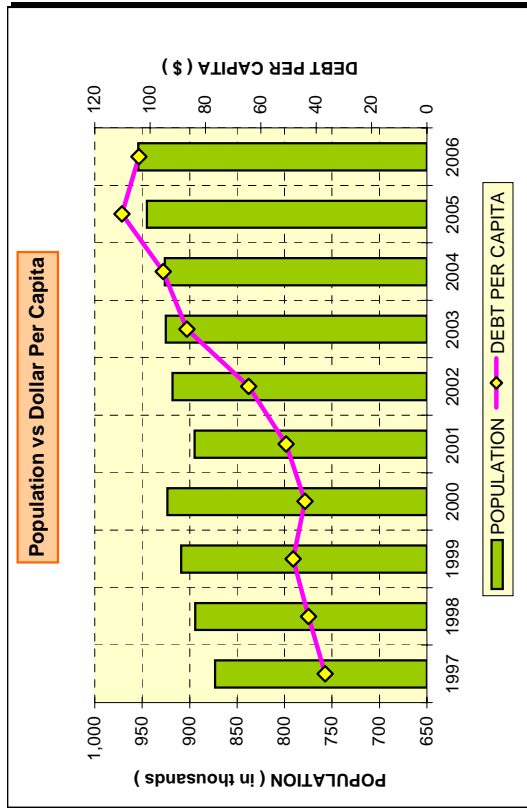
Fiscal Year	Governmental Activities										Total Governmental Activities	
	General Obligation Bonds	Tax Allocation Bonds	Loans	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds		
1997	\$ 0	\$ 835,900	\$ 7,827	\$ 131,480	\$ 118,415	\$ 248,891	\$ 1,342,513					
1998	0	998,425	13,540	140,795	111,508	248,430	1,512,698					
1999	0	1,223,560	4,945	108,560	101,049	247,552	1,685,666					
2000	0	1,207,000	4,805	154,036	70,420	247,805	1,684,066					
2001	71,000	1,230,560	4,655	260,741	90,827	246,150	1,903,933					
2002	71,000	1,628,780	4,490	204,839	96,096	295,905	2,301,110					
2003	184,720	1,605,925	4,315	578,100	80,708	291,985	2,745,753					
2004	178,480	1,735,480	4,125	581,978	85,142	346,760	2,931,965					
2005	337,240	1,782,775	23,347	655,235	79,434	339,595	3,217,626					
2006	432,445	1,745,275	92,786	646,070	75,007	331,870	3,323,453					

Fiscal Year	Business-type Activities					Total Business-type Activities	Total Primary Government	Percentage of Property Value	Debt Per Capita
	Airport Revenue Bonds	Clean Water Revenue Bonds	Loans	Lease Revenue Bonds	Special Assessment Bonds				
1997	\$ 147,359	\$ 149,795	\$ 0	\$ 297,154	\$ 1,639,667	\$ 1,639,667	1.80%	\$ 30	
1998	147,975	134,085	0	282,060	1,794,758	1,794,758	1.70%	31	
1999	134,739	133,790	0	268,529	1,954,195	1,954,195	1.56%	30	
2000	136,515	124,665	69,260	330,440	2,014,506	2,014,506	1.44%	29	
2001	130,470	115,085	66,058	311,613	2,215,546	2,215,546	1.06%	23	
2002	282,485	104,960	62,798	450,243	2,751,353	2,751,353	0.92%	25	
2003	268,770	99,285	59,479	427,534	3,173,287	3,173,287	0.88%	28	
2004	512,500	95,745	56,099	664,344	3,596,309	3,596,309	0.87%	31	
2005	503,885	92,035	52,658	648,578	3,866,204	3,866,204	0.88%	34	
2006	494,910	81,150	49,153	625,213	3,948,666	3,948,666	0.83%	33	

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

CITY OF SAN JOSE  
 RATIO OF GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS  
 (\$ 000'S)



Fiscal Year	General Obligation Bonds		Tax Allocation Bonds		Lease Revenue Bonds		Special Assessment Bonds		Revenue Bonds	Total	Percent of Assessed Value		Population	Debt Per Capita
	\$		\$		\$		\$				%	\$		
1997	0	835,900	131,480	118,415	248,891	1,334,686	2.75%	873,286	37					
1998	0	998,425	140,795	111,508	248,430	1,499,158	2.86%	893,969	43					
1999	0	1,223,560	108,560	101,049	247,552	1,680,721	2.88%	909,100	48					
2000	0	1,207,000	154,036	70,420	247,805	1,679,261	2.63%	923,591	44					
2001	71,000	1,230,560	260,741	90,827	246,150	1,899,278	2.68%	894,943	51					
2002	71,000	1,628,780	204,839	96,096	295,905	2,296,620	2.81%	917,971	64					
2003	184,720	1,605,925	578,100	80,708	291,985	2,741,438	3.16%	925,000	87					
2004	178,480	1,735,480	581,978	85,142	346,760	2,927,840	3.25%	926,200	95					
2005	337,240	1,782,775	655,235	79,434	339,595	3,194,279	3.45%	945,000	110					
2006	432,445	1,745,275	646,070	75,007	331,870	3,230,667	3.22%	954,000	104					

Source: Finance Department, City of San José

CITY OF SAN JOSE  
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT  
JUNE 30, 2006

SCHEDULE XI

City Assessed Valuation (000's)	\$	85,234,836
Redevelopment Agency Incremental Valuation (000's)		<u>15,033,929</u>
Total Assessed Valuation (000's)	\$	<u><u>100,268,765</u></u>

	<u>% Applicable</u>	<u>Outstanding Debt as of 06/30/06</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Direct and Overlapping Tax and Assessment Debt</u>			
City of San Jose Community Facilities Districts	100.00%	\$ 39,285,000	\$ 39,285,000
City of San Jose Special Assessment Bonds	100.00%	35,722,485	35,722,485
West Valley Community College District	27.62%	100,000,000	27,615,000
Santa Clara Unified School District	5.19%	196,170,000	10,175,338
Gavilan Joint Community College District	8.91%	28,935,000	2,578,977
San José Community College District and Certificates of Participation	86.52%	166,122,177	143,723,924
Foothill Community College District	4.63%	240,259,999	11,133,648
San José Unified School District and Certificates of Participation	97.80%	471,102,986	460,719,876
Morgan Hill Unified School District	23.32%	69,862,754	16,291,994
East Side Union High School District	94.39%	370,919,477	350,122,022
Fremont Union High School District	9.86%	138,590,000	13,669,132
Los Gatos Union School District	1.56%	75,250,000	1,171,643
Los Gatos Joint Union H.S. District and Certificates of Participation	0.68%	70,355,000	479,118
Alum Rock Union School District and Certificates of Participation	73.66%	48,959,710	36,062,743
Berryessa Union School District	93.38%	49,228,031	45,969,628
Burbank School District	17.69%	2,065,000	365,195
Cambrian School District	67.25%	20,424,944	13,734,958
Campbell Union High School District	44.63%	92,134,978	41,122,605
Campbell Union School District	59.58%	92,240,000	54,955,670
Cupertino Union School District and Certificates of Participation	16.38%	124,045,023	20,323,537
Evergreen School District	99.45%	81,549,701	81,101,993
Evergreen School District Community Facilities District #92-1	100.00%	5,460,000	5,460,000
Franklin-McKinley School District and Certificates of Participation	98.01%	55,947,329	54,832,858
Milpitas Unified School District	0.00%	56,795,000	170
Moreland School District and Certificates of Participation	76.08%	104,520,566	79,521,337
Mount Pleasant School District	87.29%	10,390,000	9,069,535
Oak Grove School District	99.77%	70,407,559	70,247,734
Orchard School District	100.00%	29,791,618	29,791,618
Union School District	72.07%	83,714,231	60,329,498
Santa Clara Valley Water District Benefit Assessment District	39.74%	<u>183,850,000</u>	<u>73,058,313</u>
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 3,114,098,568</u>	<u>1,788,635,549</u>
<u>Overlapping Other Debt:</u>			
Santa Clara County General Fund Obligations	39.74%	\$ 920,595,000	\$ 365,826,041
Santa Clara County Board of Education Certificates of Participation	39.74%	17,170,000	6,823,015
Community College District Certificates of Participation	19.28%	56,350,000	10,863,737
San Jose Unified School District Certificates of Participation	97.80%	119,174,371	116,547,768
Santa Clara Unified School District Certificates of Participation	5.19%	7,575,000	392,915
Los Gatos - Saratoga Joint Union High School District Certificates of Participati	0.68%	4,170,000	28,398
Alum Rock Union School District Certificates of Participation	73.66%	1,105,000	813,921
Cupertino Union School District Certificates of Participation	16.38%	4,520,000	740,557
Franklin - McKinley School District Certificates of Participation	98.01%	6,330,000	6,203,906
Midpeninsula Regional Open Space Park District General Fund Obligations	0.17%	<u>111,690,193</u>	<u>18,987</u>
Total Gross Direct and Overlapping General Fund Debt		<u>1,248,679,564</u>	508,259,245
Total Overlapping Debt		<u>\$ 4,362,778,132</u>	
City Direct Debt			<u>432,445,000</u>
Total Direct and Overlapping Debt			<u>\$ 940,704,245</u>

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.  
Finance Department, County of Santa Clara

SCHEDULE XII

CITY OF SAN JOSE  
 LEGAL DEBT MARGIN INFORMATION  
 Last Ten Fiscal Years  
 (\$ 000's)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Calculation of Debt Limit</u>										
Total assessed value for fiscal year	\$ 49,441,848	53,669,315	59,777,691	65,316,893	72,432,107	83,699,432	88,634,267	92,414,521	95,306,884	103,289,698
Debt limit at 15% of assessed value (1)	x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15
Debt limit applicable to fiscal year	\$ 7,416,277	8,050,397	8,966,654	9,797,549	10,864,816	12,554,915	13,295,140	13,862,178	14,296,033	15,493,455
<u>Calculation of Legal Debt Margin</u>										
Debt limit applicable to fiscal year	\$ 7,416,277	8,050,397	8,966,654	9,797,549	10,864,816	12,554,915	13,295,140	13,862,178	14,296,033	15,493,455
Less: total general obligation bonds	0	0	0	0	71,000	71,000	184,720	178,480	337,240	432,445
Legal debt margin	\$ 7,416,277	8,050,397	8,966,654	9,797,549	10,793,816	12,483,915	13,110,420	13,683,698	13,958,793	15,061,010
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.7%	0.6%	1.4%	1.3%	2.4%	2.8%

Note: (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.

Source: Department of Finance, County of Santa Clara

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 Requirements			Coverage
			Debt Service	Total	Principal	Interest	Total	
1997	\$ 74,453	\$ 34,486	\$ 39,967	\$ 13,826	\$ 4,938	\$ 8,888	\$ 13,826	2.89
1998	75,542	38,212	37,330	13,749	5,183	8,566	13,749	2.72
1999	85,118	44,345	40,773	13,443	5,458	7,985	13,443	3.03
2000	91,389	50,932	40,457	13,511	5,801	7,710	13,511	2.99
2001	124,537	61,248	63,289	13,423	6,041	7,382	13,423	4.71
2002	115,856	71,564	44,292	14,008	6,124	7,884	14,008	3.16
2003	127,816	73,300	54,516	17,646	6,610	11,036	17,646	3.09
2004	125,664	71,313	54,351	17,453	5,993	11,460	17,453	3.11
2005	127,425	73,654	53,771	17,932	7,608	10,324	17,932	3.00
2006	137,412	78,320	59,092	21,423	8,975	12,448	21,423	2.76

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 Requirements			Coverage
			Debt Service	Total	Principal	Interest	Total	
1997	\$ 14,944	\$ 10,683	\$ 4,261	\$ 12	\$ 9	\$ 3	\$ 12	355.08
1998	14,949	10,599	4,350	0	0	0	0	0.00
1999	14,822	9,999	4,823	0	0	0	0	0.00
2000	16,294	13,247	3,047	0	0	0	0	0.00
2001	19,526	14,644	4,882	0	0	0	0	0.00
2002	18,580	12,999	5,581	0	0	0	0	0.00
2003	18,233	13,500	4,733	0	0	0	0	0.00
2004	20,080	16,837	3,243	0	0	0	0	0.00
2005	19,494	15,989	3,505	0	0	0	0	0.00
2006	20,679	17,323	3,356	0	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)

SCHEDULE XIII  
(Concluded)

**PARKING SYSTEM**

Year	Gross		Operating Expenses (2)	Net Revenue Available for Debt Service		Debt Service Requirements			Coverage
	Revenues (1)	Expenses (2)		Debt Service	Principal	Interest	Total		
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	
2006	10,198	8,209	1,989	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		Operating Expenses (2)	Net Revenue Available for Debt Service		Debt Service Requirements			Coverage
	Revenues (1)	Expenses (2)		Debt Service	Principal	Interest	Total		
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	5,385	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	
2006	116,453	85,936	30,517	14,389	4,775	19,164		1.59	

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  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Taxable Assessed Values (2) (\$000's)	Per Capita Taxable Property Values (2)	Average Unemployment Rate % (3)
1997	873,286	\$ 48,448,588	\$ 55,478	4.2
1998	893,969	52,485,787	58,711	3.6
1999	909,100	58,440,633	64,284	3.2
2000	923,591	63,947,881	69,238	3.0
2001 (*)	894,943	70,951,639	79,281	2.3
2002 (**)	917,971	81,854,846	89,169	4.2
2003 (**)	925,000	86,648,560	93,674	9.8
2004 (**)	926,200	90,040,619	97,215	9.6
2005 (**)	945,000	92,573,480	97,961	7.2
2006	954,000	100,268,765	105,104	6.0

Note: Data pertaining to personal income is not readily available, thus the City used taxable assessed values to calculate per capita taxable property value

Sources:

1. City of San José Planning Department, Census 2000(\*)
2. State Department of Finance (\*\*)
3. Department of Finance, County of Santa Clara
4. California Employment Development Department



CITY OF SAN JOSE  
 PRINCIPAL EMPLOYERS  
 2006

SCHEDULE XV

Employer	Number of Employees	Percent of Total Employment
Cisco Systems	16,500	1.89%
County of Santa Clara	14,860	1.70%
City of San José	6,670	0.76%
IBM	5,800	0.66%
San José State University	3,100	0.35%
Hitachi	2,880	0.33%
Xilinx	2,300	0.26%
eBay	2,200	0.25%
Sanmina - SCl	2,100	0.24%
Adobe Systems	2,000	0.23%
KLA-Tencor	1,850	0.21%
Good Samaritan Hospital	1,850	0.21%
San Jose Unified School District	1,820	0.21%
Cadence Design Systems	1,750	0.20%
Novellus Systems	1,450	0.17%

Note: Data pertaining to principal employers for nine years ago is not readily available.

Source: Office of Economic Development, City of San José

CITY OF SAN JOSE  
 FULL-TIME AND PART-TIME CITY EMPLOYEES  
 LAST TEN FISCAL YEARS

SCHEDULE XVI

Full-Time and Part-Time Employees as of June 30

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Council Staff	38	54	81	88	85	100	99	97	97	94
City Manager's Office	82	70	77	84	101	115	97	95	108	109
City Auditor's Office	24	21	24	28	26	28	28	23	21	20
City Attorney's Office	66	83	92	93	98	98	93	91	88	82
City Clerk's Office	18	18	17	18	17	18	20	13	14	15
Information Technology	83	90	98	104	120	129	113	109	117	100
Planning, Building & Code Enforcement	259	281	303	315	336	349	335	336	320	309
Police Department	1,915	1,938	1,962	1,960	1,993	2,018	1,990	1,962	1,898	1,881
Independent Police Auditor	0	5	5	4	6	8	6	6	5	6
Fire Department	749	777	771	765	802	831	796	775	766	801
Library Department	504	529	528	540	566	577	528	543	589	621
Finance Department	150	147	140	129	130	137	107	106	106	133
Human Resources	136	146	125	108	130	175	189	146	123	139
Airport	237	275	302	311	332	348	361	362	360	347
Convention, Arts and Entertainment	419	459	465	604	142	155	129	118	93	71
General Services Department	319	329	341	352	347	351	338	325	298	178
Transportation	411	412	441	444	500	519	500	480	452	447
Public Works Department	353	382	412	430	433	464	455	440	383	365
Office of Economic Development	15	14	14	16	42	44	46	54	60	85
Environmental Services Department	442	423	434	438	434	414	408	401	424	418
Parks, Recreation & Neighborhood Services	1,289	1,752	1,593	2,364	3,581	3,159	2,323	1,944	1,960	2,214
Housing Department	35	46	54	64	66	64	67	70	66	67
Retirement Services	14	14	13	15	20	21	23	23	21	26
	7,558	8,265	8,292	9,274	10,307	10,122	9,051	8,519	8,369	8,528

Note: For FY 2005-2006, the purchasing group was transferred from the General Services Department to the Finance Department.

Source: Finance Department, City of San José

CITY OF SAN JOSE  
OPERATING INDICATORS  
LAST FIVE FISCAL YEARS

SCHEDULE XVII

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>AIRPORT:</b>					
Takeoffs Per Year:					
Commercial Airline Operations	145,271	129,317	113,972	98,892	97,198
Cargo Commercial Airlines Operations	6,582	5,815	4,636	3,594	3,464
Taxi / Commuter Commercial	5,690	10,385	19,032	29,672	30,756
General Aviation	97,661	78,618	62,510	63,708	61,907
Military Flights	295	211	125	99	83
Landings Per Day:					
Commercial	432	199	189	181	180
General Aviation	266	108	86	87	85
Number of Passengers Per Year:					
Business	6,394,000	4,320,000	5,136,000	5,148,960	5,208,960
Non-Business	7,367,000	6,480,000	5,564,000	5,578,040	5,643,040
<b>ENVIRONMENT AND UTILITIES:</b>					
Water:					
Gallons of Wastewater Treated Per Day (in millions)	122	118	118	116	116
Gallons of Municipal Water Consumption Per Year (in billions)	7.2	7.0	7.0	7.4	7.7
Recycled Materials:					
Tons of Recyclables	100,637	95,217	69,615	100,703	104,631
Tons of Yard Trimmings	123,066	127,401	135,733	141,061	146,706
Gallons of Used Motor Oil	210,135	212,276	194,645	244,647	249,477
<b>FIRE:</b>					
Fires Per Year	2,250	2,245	2,200	1,700	2,794
Hazardous Materials Incidents Per Year	600	500	500	350	221
Fire Safety Code Inspections Per Year	13,000	16,000	16,000	16,000	16,050
Emergency Medical Calls Per Year	NA	40,000	40,000	40,650	41,322
<b>LIBRARIES:</b>					
Circulation	9,368,248	11,635,848	13,491,212	14,170,776	14,449,984
Reference Questions	413,080	500,345	536,073	529,641	489,282
<b>PARKS, RECREATION AND NEIGHBORHOOD SERVICES:</b>					
Annual Participant Hours in Recreation Programs	178,625,677	11,160,164	4,226,800	3,592,800	3,679,836
<b>POLICE:</b>					
911 Calls Per Year	220,612	212,152	202,891	235,100	317,884
311 Calls Per Year	292,922	285,214	301,144	300,700	265,548
Cases Investigated Per Year	25,000	32,472	33,202	24,262	37,399
<b>BUILDING PERMITS:</b>					
Number issued:					
New Buildings	789	1,023	1,166	1,206	1,201
Building Alterations	7,968	8,976	8,924	8,547	8,025
Value:					
New Buildings	673,270,409	552,699,198	473,149,068	532,785,367	466,877,910
Building Alterations	322,390,480	371,974,285	331,486,068	273,798,097	314,031,962

Note: As certain data required by GASB 44 was not readily available prior to 2002 the City of San José has elected to show five years of data in this schedule.

Source: Norman Y. Mineta San José International Airport  
City Manager's Office, City of San José

CITY OF SAN JOSE  
CAPITAL ASSET STATISTICS  
BY FUNCTION  
LAST FIVE FISCAL YEARS

SCHEDULE XVIII

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>AIRPORT:</b>					
Terminals	2	2	2	2	2
Runways	3	3	3	3	3
<b>Public Parking Spaces:</b>					
Short-Term Parking	3,100	2,878	2,888	2,888	2,888
Long-Term Parking	4,100	4,100	4,000	4,050	4,050
<b>ENVIRONMENT AND UTILITIES:</b>					
<b>Wastewater:</b>					
Miles of Municipal Sewer Mains	2,169	2,169	2,181	2,190	2,195
Maximum Daily Capacity (millions of gallons)	167.0	167.0	167.0	167.0	167.0
<b>Water:</b>					
Meters in Municipal Service Water Area	25,161	25,500	26,025	26,416	26,954
Miles of Water Mains	360	311	325	330	340
<b>FIRE:</b>					
Stations	31	31	31	31	31
<b>LIBRARIES:</b>					
Main Library	1	1	1	1	1
Branches	17	17	17	17	20
Bookmobile	2	2	2	0	0
<b>PARKS, RECREATION AND NEIGHBORHOOD SERVICES:</b>					
Park Sites	149	149	170	194	159
Community Centers	19	19	19	27	28
<b>POLICE:</b>					
Stations	1	1	1	1	1
Vehicles and Motorcycles	451	418	412	399	384
Horses and Dogs	32	34	33	23	26
Aircraft	2	2	2	2	2

Note: As certain data required by GASB 44 was not readily available for years prior to 2002, the City of San José has elected to show five years of data for this schedule.

Source: City Manager's Office, City of San José