

2011-2012

**ANNUAL
REPORT**

DEFINITIONS/

GLOSSARY OF TERMS/

FUND DESCRIPTIONS

DEFINITIONS

- **Actuals vs. Budget/Estimate** – This document includes analyses of department appropriations and funds based on variances between the 2011-2012 actual revenues/expenditures and either the 2011-2012 Modified Budget or 2011-2012 estimates.
 - "Actuals" represent unaudited year-end close figures as of June 30, 2012.
 - "Budget" reflects the original 2011-2012 Adopted Budget plus Council-approved modifications to the Appropriation Ordinance and Funding Sources Resolution. This number represents the year-end budget.
 - "Estimates" are revenue/expenditure projections based on information available prior to June 30, 2012. These estimates were used in projecting the year-end fund balance, and consequently, the 2012-2013 Adopted Budget beginning fund balance.

- **Budgetary Basis vs. GAAP** – The figures used throughout the text of this report are presented in accordance with the budget. The Financial Statements section of this report, however, has been prepared using reports which, in many cases, have been adjusted to report transactions in accordance with generally accepted accounting principles (GAAP). Major differences between the budgetary basis and GAAP basis include:
 - Year-end encumbrances are recognized as the equivalent of expenditures for budgetary purposes. Encumbrances are not recognized as expenditures on a GAAP basis until recorded as actual expenditures. As a result, the expenditures and encumbrances have been combined in the text for a budgetary basis presentation, while the Financial Statements section presents expenditures and encumbrances separately.
 - In Governmental Funds, an amount for the current year's compensated absences is not recognized on a budgetary basis since annual expenditures related to vacation, sick leave, and compensatory time are budgeted as part of departmental personal services.
 - Certain loan transactions and debt service payments are not recognized as expenditures on a GAAP basis since these payments represent a reduction of an existing debt obligation. For budgetary purposes, however, these payments represent a "use of funds" and are budgeted as such.
 - Under the GAAP basis, grant resources that are restricted to capital acquisition or construction in an enterprise fund are identified as contributions of capital and are not recorded as revenue. For budgetary purposes, grant funding, such as this, is recognized as a source of funds.

- **Glossary of Terms** – Definitions of frequently used budgetary and accounting terms are presented on the next page.

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GLOSSARY OF TERMS

Appropriation

The legal authorization granted by the City Council to the Administration to make expenditures and incur obligations for purposes specified in the Appropriation Ordinance.

Base Budget

Ongoing expense level necessary to maintain service levels previously authorized by the City Council.

Capital Budget

A financial plan of capital projects and the means of financing them for a given period of time.

Capital Improvement Program (Five-Year)

A plan, separate from the annual budget, which identifies all capital projects to be undertaken during a five-year period, along with cost estimates, method of financing, and a recommended schedule for completion.

Capital Funds

These funds account for resources designated to acquire, rehabilitate, or construct general fixed assets and major improvements.

Carryover

Unspent funds, either encumbered, reserved, or unobligated, brought forward from prior fiscal years.

Contingency Reserve

An appropriation of funds to cover unforeseen events that occur during the budget year, such as emergencies, newly-required programs, shortfalls in revenue, or other eventualities.

Contractual Services

Operating expenditures for services provided by outside organizations and businesses, including maintenance contracts, management services, etc.

Debt Service

The amount required to pay interest on and to retire the principal of outstanding debt.

Encumbrance

Financial obligations such as purchase orders, contracts, or commitments which are chargeable to an appropriation and for which a portion of the appropriation is reserved.

Fiscal Year

A 12-month accounting period to which the annual budget applies; for San José, it is the period from July 1 through June 30.

Fund

An independent fiscal and accounting entity used to account for all financial transactions related to the specific purpose for which the fund was created by ordinance.

Fund Balance

The difference between total revenue sources and total expenditures in a fund. The fund balance is calculated at the end of the fiscal year.

General Fund

The primary operating fund used to account for all the revenues and expenditures of the City which are not related to special or capital funds.

Non-Personal/Equipment Expenses

Operating costs which are not related to personnel, such as supplies, training, contractual services, utilities, and vehicles.

Operating Budget

A financial plan for the provision of direct services and support functions.

Personal Services

Salary and fringe benefit costs of City employees.

Rebudget

Unspent and unencumbered prior year funds reauthorized for the same purpose as previously approved, usually as a result of delayed program implementation.

Reserve

Funds budgeted for a particular purpose but not authorized for immediate obligation.

Special Funds

These funds account for revenues derived from specific taxes or other earmarked revenue sources and are usually required by statute, charter provision, local ordinance, or federal grant regulation to finance particular functions of the City.

Transfers

Transfers between funds to account for reimbursements for services, overhead expenses, or other payments.

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FUND DESCRIPTIONS

Affordable Housing Investment Fund (Low and Moderate Income Asset Fund)

Accounts for housing assets and functions related to the Low and Moderate Income Housing Program retained by the City. This fund was established in February 1, 2012 with the dissolution of the former Redevelopment Agency through recognition of loan repayments and other sources to provide funding for the administrative costs associated with managing the Successor Housing Agency assets and the continuation of affordable housing programs in the future.

Airport Capital Funds

Account for the Airport's capital expenditures and revenues and consist of the following funds: Airport Capital Improvement; Airport Revenue Bond Improvement; Airport Renewal and Replacement; and the Airport Passenger Facility Charge Funds.

Airport Operating Funds

Account for the operation of the Airport and consist of the following funds: Airport Revenue; Airport Maintenance and Operation; Airport Surplus Revenue; Airport Customer Facility and Transportation Fee; and the Airport Fiscal Agent Funds.

Anti-Tobacco Master Settlement Agreement Revenue Fund ("Healthy Neighborhoods Venture Fund")

Accounts for the disposition of encumbered funds related to the national tobacco settlement received by the City of San José prior to July 1, 2010. As of June 30, 2012, this fund will be closed and future proceeds from the settlement will be deposited into the General Fund.

Benefit Funds

Account for the provision and financing of benefits to City employees, retirees, and their dependents. It consists of the Dental Insurance Fund, Life Insurance Fund, Unemployment Insurance Fund, and Benefit Fund.

Branch Libraries Bond Projects Fund

Accounts for General Obligation Bond proceeds approved by voters on the November 2000 ballot (Measure O). The use of this fund is restricted to the acquisition of property and the expansion and construction of branch libraries.

Building and Structure Construction Tax Fund

Accounts for the tax on residential, commercial, and industrial development. The use of these funds, along with grant revenues, is restricted to traffic capital improvements on major arterials and collectors, including bridges, culverts, lighting, and traffic control systems.

Business Improvement District Fund

Accounts for assessments involving Business Improvement District activities.

Cash Reserve Fund

Accounts for the payment of authorized expenditures for any fiscal year in anticipation of and before the collection of taxes and other revenues, and for payment of authorized expenses for any fiscal year that must be paid prior to the receipt of tax payments and other revenues.

FUND DESCRIPTIONS

City Hall Debt Service Fund

Accounts for the debt service payments for City Hall, the City Hall off-site parking garage, and City Hall furniture, fixtures, and equipment. This fund receives transfers from the General Fund, special funds, and capital funds in amounts sufficient to cover the debt service payments.

Civic Center Construction Fund

Accounts for the revenues and construction costs related to the construction of City Hall.

Community Development Block Grant Fund

Accounts for federal grant monies received from the U.S. Department of Housing and Urban Development under Title II Housing and Community Development Act of 1974 and Rental Rehabilitation Program funds.

Community Facilities and Maintenance Districts Funds

Account for the maintenance and administration of assessment districts throughout the City.

Community Facilities Revenue Fund

Accounts for the rental revenues received from Hayes Mansion operations and provides for the accumulation and transfer of base rental income to the appropriate debt service funds for repayment of facilities-related debts.

Construction and Conveyance Tax Funds

Account for Construction and Conveyance tax receipts. The Construction Tax is a flat rate assessed to residential, commercial, and industrial

development. The Conveyance Tax is a fee imposed at a rate of \$3.30 for each \$1,000 of the value of property conveyed. Construction and Conveyance Tax Funds are dedicated to the Parks and Community Facilities, Communications, Public Safety (Fire Department), Library, and Service Yards Capital Programs.

Construction Excise Tax Fund

Accounts for the tax on the construction of residential, commercial, and mobile home developments (also referred to as the Commercial, Residential, Mobile Home Park Building Tax). This general purpose tax is based on building valuation, with the majority of the revenues in the fund historically being used for traffic improvements.

Convention and Cultural Affairs Fund

Accounts for the costs of managing and operating the San José McEnergy Convention Center, Center for the Performing Arts (CPA), California Theatre, Civic Auditorium, Montgomery Theatre, Exhibit Hall, and their related facilities and grounds.

Convention Center Facilities District Project Fund

Accounts for the bond proceeds and construction costs related to the expansion and renovation of the San José McEnergy Convention Center.

Convention Center Facilities District Revenue Fund

Accounts for Special Tax revenues collected by the City on behalf of the Convention Center Facilities District No. 2008-1.

FUND DESCRIPTIONS

Downtown Property and Business Improvement District Fund

Accounts for revenue collected and expenses related to maintaining and operating any public improvements which are payable from annual assessments apportioned among the several lots of parcels or property within the Downtown area.

Economic Development Administration Loan Fund

Accounts for federal funds and loan repayments associated with the economic development administration program, which provides loans to small businesses for business expansion, remodeling, working capital, equipment or other specified uses with the goal of generating additional employment opportunities as a result of such assistance to businesses within the City of San José.

Economic Development Enhancement Fund

Accounts for grants and interest income to assist San José small businesses by providing loan guarantees to lenders for transactions that do not meet traditional banking standards, and provides direct loans to eligible and qualified borrowers to close the gap in financing when the lender does not provide the total amount of funds requested.

Edward Byrne Memorial Justice Assistance Grant Trust Fund

Accounts for the City's portion of funding from the U.S. Department of Justice through the County of Santa Clara as a fiscal agent. Funds are restricted to law enforcement, prevention and education programs, and planning, evaluation, and technology improvements for front line law enforcement. The Justice Assistance

Grant process replaces the Local Law Enforcement Block Grant (LLEBG) process.

Emergency Reserve Fund

Accounts for reserves established from local revenues to meet public emergencies.

Emma Prusch Memorial Park Fund

Accounts for the development and improvement of the Emma Prusch Memorial Park.

Federal Drug Forfeiture Fund

Accounts for federal drug forfeiture monies received pursuant to the drug abuse prevention and control provisions of Title 21, Chapter 13 of the United States Code. Federal guidelines for this fund stipulate that seizure monies be used for the financing of programs or costs required for the direct or indirect enhancement of narcotics-related enforcement activities.

Federated Retirement Fund

Accounts for the accumulation of resources to be used for retirement annuity payments to all full-time and some eligible part-time City of San José employees, except members of the Police and Fire Retirement System.

Fiber Optics Development Fund

Accounts for the repayment of a loan from the Sewage Treatment Plant Connection Fee Fund for the installation of a fiber optic conduit system owned by the City.

FUND DESCRIPTIONS

Gas Tax Maintenance and Construction Funds

Account for the City's portion of the State collected Gas Tax. Revenues are restricted for acquisition, construction, improvement, and maintenance of public streets subject to provisions of the Streets and Highways Code of the State of California and to provide for traffic capital improvements.

General Purpose Parking Fund

Accounts for the operation of City parking lot facilities and parking meters as well as financing of the Parking Program capital improvements.

Gift Trust Fund

Accounts for revenues from and expenditures related to gifts, donations, and bequests to the City.

Home Investment Partnership Program Trust Fund

Accounts for all monies allocated to the City by the U.S. Department of Housing and Urban Development for affordable housing projects pursuant to the HOME Investment Partnership Act.

Housing Trust Fund

Accounts for funding to assist non-profit service providers and organizations by providing one-time grants for housing-related projects.

Ice Centre Revenue Fund

Accounts for the rental revenues received from Ice Centre operations and provides for the accumulation and transfer of base income to the appropriate debt service funds for repayment of facilities-related debts.

Integrated Waste Management Fund

Accounts for activities related to the Integrated Waste Management Program, which includes garbage collection, recycling services and related billing operations. The fund collects revenues from the City's Recycle Plus program. These funds are expended for programs related to the City's efforts to comply with State law requiring cities to reduce waste sent to landfills along with other integrated waste management services.

Lake Cunningham Fund

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

Library Parcel Tax Fund

Accounts for annual parcel tax revenues used for enhancing the City's library services and facilities.

Local Law Enforcement Block Grant Fund

Accounts for funding received from the federal government in support of the Local Law Enforcement Block Grant Program. These grant funds are used to support law enforcement activities such as training, overtime for law enforcement officers, procurement of equipment, technology and other material directly related to law enforcement functions. As of June 30, 2012, this fund has been closed out. Grant funds of this type are now collected and expensed in the Edward Byrne Memorial Justice Assistance Grant Trust Fund.

FUND DESCRIPTIONS

Low and Moderate Income Housing Fund

Accounts for the former San Jose Redevelopment Agency tax increment funds received to provide affordable housing rehabilitation and new housing programs. Funds were available for eligible administrative expenses, loans and grants. Beginning February 1, 2012, this fund was designated as a Successor Agency Fund per AB1X 26 to be used to pay for enforceable obligations.

Major Collectors and Arterial Fund

Accounts for the collection of monies owed by developers for previously completed street improvements.

Major Facilities Fund

Accounts for fees associated with the connection of municipal water activities for many water facilities constructed in the North San José, Evergreen, Alviso, Edenvale, and Coyote Valley areas. These fees are assessed for the future construction of large water mains, reservoirs, and other large projects.

Multi-Source Housing Fund

Accounts for grants, inclusionary fees, and rental dispute mediation fees to support the rental rights and referrals program, to expand the supply of affordable housing for low and very-low income residents by providing both financial and technical assistance to non-profit organizations in the production and operation of affordable housing, and to preserve the existing supply of affordable housing by providing rehabilitation grants and loans to low and moderate income homeowners.

Municipal Golf Course Fund

Accounts for the construction, management, and operation of various City golf courses, including the San José Municipal Golf Course, Los Lagos Golf Course, and Rancho del Pueblo Golf Course.

Neighborhood Security Act Bond Fund

Accounts for General Obligation Bond proceeds authorized by voters on the March 2002 ballot (Measure O). This fund is dedicated for the acquisition of real property and construction and rehabilitation of public safety-related facilities.

North San José Traffic Impact Fee Fund

Accounts for fees imposed to offset the impacts on traffic from new industrial and residential development within the boundaries of and subject to the North San José Area Development Policy.

Parking Capital Development Fund

Accounts for funding to acquire land; design, develop, and construct parking facilities; acquire parking inventory; pay parking debt obligations; and support activities that have a direct impact on increasing parking supply development.

Parks and Recreation Bond Projects Fund

Accounts for General Obligation Bond proceeds approved by voters on the November 2000 ballot (Measure P). The use of this fund is restricted to acquisition of property, upgrades, and construction of neighborhood parks, community centers, trails, regional parks, and sports complexes.

FUND DESCRIPTIONS

Police and Fire Retirement Fund

Accounts for the accumulation of resources to be used for retirement annuity payments to all City of San José's Police and Fire sworn personnel.

Public Works Program Support Fund

Accounts for Public Works administrative costs, compensated absences, unfunded activities, and non-personal costs. An annual cost allocation plan is utilized to equitably allocate these costs to capital programs on the basis of service levels received as compensated time-off is earned rather than charging the costs when the time-off is taken. Various capital projects are charged a rate for each hour Public Works' staff spends on the project and corresponding revenue is received by this fund.

Residential Construction Tax Contribution Fund

Accounts for taxes imposed upon the construction of single-family dwelling units or any mobile home lots in the City. The tax is used to reimburse developers who have constructed a portion of an arterial street that is wider than what is normally required in connection with residential development. The funds are also used to construct median island landscaping and other street improvements.

San José Arena Enhancement Fund

Accounts for the payback of an \$8.25 million loan under the 2007 Amended and Restated San José Arena Management Agreement for capital improvements at the San José Arena (HP Pavilion).

San José Diridon Development Authority Fund

This Special Revenue Fund accounts for revenues and expenditures associated with the San José Diridon Development Authority and certain properties in the area.

San José Municipal Stadium Capital Fund

Accounts for revenues received pursuant to an agreement with the Baseball Acquisition Company for the use, operation, and management of the Municipal Stadium.

San José-Santa Clara Treatment Plant Capital Fund

Accounts for the construction of improvements to the regional San José/Santa Clara Water Pollution Control Plant (WPCP) and the purchase of equipment through contributions from the City of Santa Clara and other tributary agencies, and transfers from the Sewer Service and Use Charge Operating Fund.

San José-Santa Clara Treatment Plant Income Fund

Accounts for revenues and expenditures not related to the day-to-day operation and maintenance of the WPCP. It contains the City's share of revenue from activities such as land rentals, legal settlements, and purchase of land located at the WPCP.

San José-Santa Clara Treatment Plant Operating Fund

Accounts for the revenues and expenditures required for day-to-day operation and maintenance of the WPCP.

FUND DESCRIPTIONS

Sanitary Sewer Connection Fee Fund

Accounts for connection fees charged to developers for access to the City's sanitary sewer system. Funds are restricted to the construction and reconstruction of the sewer system.

Services for Redevelopment Capital Projects Fund

Accounts for funds paid directly to the City from the San Jose Redevelopment Agency (Agency) for design, construction and acquisition of public improvements on behalf of the Agency. To the extent construction project funds are not fully expended, the savings are returned to the Agency. As of June 30, 2012, this fund has been closed due to the passage of ABIX 26 which resulted in the dissolution of the Redevelopment Agency.

Sewage Treatment Plant Connection Fee Fund

Accounts for revenues from new residential, commercial and industrial connections to the WPCP. These revenues pay the City's share of acquisition, construction, reconstruction or enlargement of the WPCP.

Sewer Service and Use Charge Fund

Accounts for sewer service and use charge fees collected from San José property owners to be used for financing, construction, and operation of the City's sewage collection system and the City's share of the WPCP.

Sewer Service and Use Charge Capital Improvement Fund

Accounts for the reconstruction of the sanitary sewer system and is funded primarily by annual transfers from the Sewer Service and Use Charge Fund.

State Drug Forfeiture Fund

Accounts for State drug forfeiture monies received whenever the Police Department is involved in asset seizures from convicted drug law violators. City Council guidelines for this fund stipulate that seizure monies be used for the financing of programs or costs required for the direct or indirect enhancement of narcotics-related enforcement activities.

Stores Fund

Accounts for the purchase and issuance of materials and supplies consumed by City departments for their general operations.

Storm Drainage Fee Fund

Accounts for fees collected from developers as a result of connections to the storm drainage sewer system, which may be used for expansion or capacity improvements of the storm drainage system or land acquisition for the system.

Storm Sewer Capital Fund

Accounts for the construction and reconstruction of the storm drainage system, and is funded primarily by transfers from the Storm Sewer Operating Fund.

Storm Sewer Operating Fund

Accounts for revenues collected from owners of properties that benefit from the storm drainage system. Funds may be used for maintenance and operation of the storm drainage system. Expenditures are focused on non-point source pollution reduction, along with maintenance and operation of the storm drainage system.

FUND DESCRIPTIONS

Subdivision Park Trust Fund

Accounts for payments of fees in lieu of dedication of land for park and recreation purposes in residential subdivisions. Moneys in the fund, including accrued interest, may be expended solely for the acquisition or development of improvements on parkland to serve the subdivision for which the fees were paid.

Supplemental Law Enforcement Services Fund

Accounts for revenues received from the State of California (AB 3229) to be used for front line municipal police services.

Transient Occupancy Tax Fund

Accounts for receipts generated through the assessment of a percentage of the rental price for transient occupancy lodging charged when the period of occupancy is less than 30 days. The tax rate is currently 10%, 6% of which is placed in this fund and 4% of which is deposited in the General Fund. The uses of revenues from this source are specified by City Ordinance and include grants and rental subsidies for fine arts and cultural programs, and subsidies for the San José Convention and Visitors Bureau and Convention and Cultural Facilities.

Underground Utility Fund

Accounts for fees collected from developers in lieu of placing utility facilities underground at the time of development. The Underground Utility Program implements the City's General Plan goals and policies, which state that the City should encourage the movement of existing overhead utilities underground. The fund is used to establish Rule 20B Underground Utility Districts.

Vehicle Maintenance and Operations Fund

Accounts for the operation, maintenance, and replacement of City vehicles and equipment.

Water Utility Capital Fund

Accounts for the acquisition, construction, and installation of water system capital improvements for the Municipal Water System. This system provides water service to North San José, Evergreen, Alviso, Edenvale, and Coyote areas and is primarily funded through user charges.

Water Utility Fund

Accounts for the operation of five water system operating districts: North San José, Evergreen, Coyote Valley, Edenvale, and Alviso. The water system provides services to the general public on a continuing basis and is financed through user charges.

Workforce Investment Act Fund

Accounts for the administration of a federal program that provides primary employment and training services to dislocated and low-income residents.