

**CITY OF SAN JOSE  
PUBLIC SAFETY AND INFRASTRUCTURE  
BOND PROJECTS FUND  
(A Fund of the City of San José)**

Independent Auditor's Reports,  
Financial Statements,  
Other Supplementary Information and  
Independent Accountant's Report

For the Year Ended June 30, 2021



Certified  
Public  
Accountants

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
For the Year Ended June 30, 2021

*Table of Contents*

|  | <i>Page</i> |
|--|-------------|
| <b>Independent Auditor’s Report</b> .....  | 1           |
| <b>Financial Statements:</b>   |             |
| Balance Sheet .....  | 5           |
| Statement of Revenues, Expenditures, and Change in Fund Balance .....  | 6           |
| Notes to the Financial Statements .....  | 7           |
| <b>Other Supplementary Information:</b>  |             |
| Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year<br>For the Period from July 25, 2019 through June 30, 2021 .....  | 13          |
| <b>Other Reports:</b>  |             |
| Independent Auditor’s Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 15          |
| Independent Accountant’s Report on Compliance with Measure T .....   | 17          |



## Independent Auditor's Report

City Council and  
Members of the Public Safety and Infrastructure Commission  
City of San José, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Safety and Infrastructure Bond Projects Fund as of June 30, 2021, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying statement of revenues, expenditures, and change in fund balance (supplementary information) by fiscal year for the period from July 25, 2019 through June 30, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information for the year ended June 30, 2021 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended June 30, 2021 is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Fund's financial statements as of and for the period July 25, 2019 through June 30, 2020 which are not presented with the accompanying financial statements. In our report dated November 17, 2020, we expressed an unmodified opinion on the Fund's financial statements. The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information for the period July 25, 2019 through June 30, 2020 has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the period July 25, 2019 through June 30, 2020 is fairly stated in all material respects in relation to the financial statements from which they have been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the City's internal control over the Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Fund's financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California  
November 3, 2021

This page is intentionally blank.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**

(A Fund of the City of San José)

Balance Sheet

June 30, 2021

**Assets**

Restricted assets:

|                                     |                              |
|-------------------------------------|------------------------------|
| Investments held with fiscal agents | \$ 194,640,641               |
| Prepaid expenses                    | <u>20</u>                    |
| Total assets                        | <u><u>\$ 194,640,661</u></u> |

**Liabilities and Fund Balance**

Liabilities:

|   |                   |
|---|-------------------|
| Accounts payable                          | \$ 5,747,400      |
| Accrued salaries, wages and payroll taxes | 154,405           |
| Due to the City of San José               | <u>71,598,873</u> |
| Total liabilities                         | 77,500,678        |

Fund balance:

|   |                              |
|---|------------------------------|
| Restricted for Public Safety and Infrastructure Bond projects | <u>117,139,983</u>           |
| Total liabilities and fund balance                            | <u><u>\$ 194,640,661</u></u> |

See accompanying notes to the financial statements.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**

(A Fund of the City of San José)

Statement of Revenues, Expenditures, and Change in Fund Balance

For the Year Ended June 30, 2021

**Revenues:**

|                   |                     |
|-------------------|---------------------|
| Investment income | <u>\$ 1,616,937</u> |
|-------------------|---------------------|

**Expenditures:**

|               |            |
|---------------|------------|
| Public safety | 31,390,243 |
|---------------|------------|

|         |            |
|---------|------------|
| Traffic | 40,383,406 |
|---------|------------|

|             |         |
|-------------|---------|
| Storm sewer | 612,967 |
|-------------|---------|

|                        |           |
|------------------------|-----------|
| Municipal improvements | 3,036,312 |
|------------------------|-----------|

|                             |               |
|-----------------------------|---------------|
| Park & community facilities | <u>49,969</u> |
|-----------------------------|---------------|

|                    |                   |
|--------------------|-------------------|
| Total expenditures | <u>75,472,897</u> |
|--------------------|-------------------|

|   |              |
|---|--------------|
| Deficiency of revenues under expenditures | (73,855,960) |
|---|--------------|

**Other Financing Sources and Uses:**

|                     |               |
|---------------------|---------------|
| Excess bond premium | <u>44,909</u> |
|---------------------|---------------|

|                        |              |
|------------------------|--------------|
| Change in fund balance | (73,811,051) |
|------------------------|--------------|

|                                 |                    |
|---------------------------------|--------------------|
| Fund balance, beginning of year | <u>190,951,034</u> |
|---------------------------------|--------------------|

|                                  |                                     |
|----------------------------------|-------------------------------------|
| <b>Fund balance, end of year</b> | <b><u><u>\$ 117,139,983</u></u></b> |
|----------------------------------|-------------------------------------|

See accompanying notes to the financial statements.



**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 1 – BACKGROUND**

In November 6, 2018, registered voters of the City of San José (City) approved Measure T, the San José Public Safety and Infrastructure Bonds, authorizing the issuance and sale of general obligation bonds (PSI Bonds) not to exceed \$650,000,000 to be used to fund the cost of land or improvement of land of, without limitation, the following categories of projects.

- The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
- Repair deteriorating bridges vulnerable to being damaged in an earthquake;
- Repaving local and neighborhood streets and potholes in the worst condition;
- Preventing flooding and water quality contamination; and
- Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

The table below sets forth the amount of PSI Bonds authorized and issued pursuant to Measure T:

|                         | Amount         | Date             |
|-------------------------|----------------|------------------|
| Voter authorization     | \$ 650,000,000 | November 6, 2018 |
| Bonds issued:           |                |                  |
| Series 2019 Bonds       | 239,900,000    | July 25, 2019    |
| Total bonds issued      | 239,900,000    |                  |
| Authorized but unissued | \$ 410,100,000 |                  |

As of June 30, 2021, outstanding projects approved by the City Council to be funded by the bond proceeds include the emergency operations center relocation, Fire Station Nos. 8 and 20 relocations, new Fire Station Nos. 32, 36 and 37, police air support unit hangar, police training center relocation, public art – public safety, bridges, pavement maintenance, Charcot storm drainage, clean water projects and city facilities LED lighting.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying financial statements present only the financial position and the changes in financial position of the Public Safety and Infrastructure Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the City’s financial position as of June 30, 2021 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A capital projects fund (governmental fund) is used to account for the City’s Public Safety and Infrastructure Bond Projects activities. Capital projects funds are used to account for financial resources (e.g., bond proceeds and investment income) that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of land or acquisition and construction of major governmental facilities.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Accounting*

The Fund's activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fund considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to vacation, sick leave, claims and judgments are recorded only when payment is due.

*Restricted Cash and Investments*

Cash and investments that are restricted for specified uses by bond covenants or other requirements are classified as restricted. The Fund's restricted cash and investments are held in the City Treasury and in fiscal agent accounts to be spent only on authorized capital projects. The Fund's restricted cash and investments are subject to the requirements of the City's adopted investment policy and bond indentures. The fair value of investments is based on quoted market information obtained from fiscal agents or other sources.

*Fund Balance*

Under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the balance sheets of governmental funds classify fund balances based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which those funds can be spent. The Fund only has restricted fund balance at June 30, 2021. Restricted fund balance represents amounts when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 3 – RESTRICTED INVESTMENTS**

A summary of the Fund’s restricted and investments at June 30, 2021 are as follows:

| Type of investment                               | Fair Value            | Moody’s Credit<br>Risk Rating | Weighted Average<br>Maturity |
|--|-----------------------|-------------------------------|------------------------------|
| State of California Local Agency Investment Fund | \$ 181,724,360        | Unrated                       | 291 days                     |
| Wilmington Trust Money Market Mutual Fund        | 12,916,281            | Aaa-mf                        | 40 days                      |
| Total investments                                | <u>\$ 194,640,641</u> |                               |                              |

The Fund has investments subject to provisions of the bond indentures of its various bond issues. According to the bond indentures, the Fund is permitted to invest in the City’s cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other investments.

The Fund maintains its investments in the City’s cash and investment pool. The amounts held in the City’s investment pool can be withdrawn upon demand. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds on a monthly basis, based on their proportionate shares of the average weekly cash balance. As of June 30, 2021, there was a negative pooled balance of \$71,598,873 in the City’s cash and investment pool, which is included as a payable to the City of San José on the accompanying financial statements.

Information regarding the characteristics of the entire investment pool can be found in the City’s basic financial statements for the year ended June 30, 2021. A copy of that report may be obtained by contacting the City’s Finance Department, 200 East Santa Clara Street, 13<sup>th</sup> Floor, San José, CA, 95113 or can be found at the City’s Finance Department Website at <http://www.sanjoseca.gov>.

Government Code Section 16429.1 authorizes each local government agency to invest funds in the LAIF administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2021 was approximately \$37.1 billion. LAIF is part of the State’s Pooled Money Investment Account (PMIA). The total amount recorded by all public agencies in PMIA at June 30, 2021 was approximately \$193.3 billion and of that amount, 97.69% was invested in non-derivative financial products and 2.31% in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Fund’s position in the pool.

*Credit 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 nationally recognized statistical rating organizations. The City’s investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio, and by establishing monitoring procedures.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 3 – RESTRICTED CASH AND INVESTMENTS (Continued)**

*Concentration Credit Risk*

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Fund. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. The City's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification. These limits, for investments other than external investment pools and money market mutual funds, range from 10 days to 5 years depending on the investment classification.

*Fair Value Measurement Categorization*

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The City's investment in Wilmington Trust Money Market Mutual Funds is measured at level 1 inputs, while investments in the City's cash and investment pool and LAIF are not subject to fair value hierarchy.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 4 – COMMITMENTS**

At June 30, 2021, the Fund has related outstanding project construction encumbrances as follows:

| <u>Project</u>                         | <u>Amount</u>        |
|--|----------------------|
| Public safety                          |                      |
| Emergency operations center relocation | \$ 7,192,979         |
| Fire station No. 8 relocation          | 966,090              |
| Fire station No. 20 relocation         | 1,132,378            |
| New fire station No. 32                | 1,189,713            |
| New fire station No. 36                | 8,353                |
| New fire station No. 37                | 5,167,023            |
| Police air support unit hangar         | 106,184              |
| Police training center relocation      | 1,500                |
| Public art - public safety             | 78,926               |
| Traffic                                |                      |
| Bridges                                | 305,203              |
| Pavement maintenance                   | 3,876,185            |
| Storm sewer                            |                      |
| Charcot storm drainage                 | 1,281                |
| Clean water projects                   | 110,456              |
| Municipal improvements                 |                      |
| City facilities LED lighting           | 1                    |
| Total project encumbrances             | <u>\$ 20,136,272</u> |

**NOTE 5 – GENERAL OBLIGATION BONDS**

On July 25, 2019, the City issued Series 2019 General Obligation Bonds (2019 Bonds) pursuant to the fiscal agent agreement with Wilmington Trust. The 2019 Bonds were the first tranche of bonds issued under Measure T, as disclosed in Note 1. Proceeds from the 2019 Bonds in the amount of \$239,900,000 and a bond premium at issuance in the amount of \$34,158,933 were issued for Measure T purposes. The premium was used to pay debt service on the Series 2019 A-2 taxable Measure T Bonds in the amount of \$33,114,340, to pay cost of issuance, and to fund the debt service accounts. The proceeds related to the premium in excess of the amounts necessary to pay debt service on the 2019 A-2 Bonds, cost of issuance, and debt service fund deposits amounted to \$95,698, and was deposited into the Public Safety and Infrastructure Bond Projects Fund for Measure T purposes.

The 2019 Bonds related to Measure T are reported in capital projects and debt service funds of the City, and further details can be located in the City’s comprehensive annual financial report.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2021

**NOTE 6 – SUBSEQUENT EVENT**

On July 29, 2021, the City issued \$200,530,000 of General Obligation Bonds, consisting of Series 2021A (in the principal amount of \$151,210,000), Series 2021B (federally taxable, in the principal amount of \$8,450,000) and Series 2021C (federally taxable, in the principal amount of \$40,870,000) (collectively, the “2021 GO Bonds”). The 2021 GO Bonds constitute the second round of general obligation bonds issued under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. The 2021 GO Bonds are secured by a pledge of the City to levy ad valorem property taxes without limitation of rate or amount (except certain personal property which is taxable at limited rates). The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

The events of default under the Fiscal Agent Agreement for the 2021 GO Bonds are as follows: (i) failure to pay principal of, or redemption premiums on, any 2021 GO Bond when due; and (ii) failure to pay interest on any 2021 GO Bond when due.

The Fiscal Agent Agreement for the 2021 GO Bonds provides any bondholder with the following remedies upon the occurrence of an event of default: (a) the right, by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents, or employees to perform each and every term, provision and covenant contained in the Fiscal Agent Agreement for the 2021 GO Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it; (b) the right, by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the bond owners’ rights.

The 2021 GO Bonds were rated Aa1 from Moody’s Investors Service, AA+ from S&P Global Ratings, and AAA from Fitch Ratings with stable outlook. The Fitch rating on the outstanding 2019 GO Bonds was upgraded from AA+ to AAA in connection with Fitch’s rating of the 2021 GO Bonds.

**CITY OF SAN JOSE**  
**PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND**  
(A Fund of the City of San José)  
Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year  
For the Period from July 25, 2019 through June 30, 2021

|   | 2020                  | 2021                  | Total                 |
|---|-----------------------|-----------------------|-----------------------|
| <b>Revenues:</b>                          |                       |                       |                       |
| Investment income                         | \$ 3,201,017          | \$ 1,616,937          | \$ 4,817,954          |
| <b>Expenditures:</b>                      |                       |                       |                       |
| Public safety                             |                       |                       |                       |
| Emergency operations center relocation    | 82,346                | 3,665,164             | 3,747,510             |
| Fire station No. 8 relocation             | 63,503                | 2,472,973             | 2,536,476             |
| Fire station No. 20 relocation            | -                     | 3,774,693             | 3,774,693             |
| Fire station No. 23 relocation            | 9,202                 | 25,855                | 35,057                |
| New fire station No. 32                   | 40,316                | 138,401               | 178,717               |
| New fire station No. 36                   | 7,986                 | 78,384                | 86,370                |
| New fire station No. 37                   | 34,056                | 1,823,256             | 1,857,312             |
| Police air support unit hangar            | 63,843                | 138,608               | 202,451               |
| Police training center relocation         | 271,570               | 18,620,490            | 18,892,060            |
| Public art - public safety                | 50,860                | 225,060               | 275,920               |
| 911 call center upgrade                   | 17,877                | 37,016                | 54,893                |
| PD headquarters upgrade                   | 8,232                 | 19,431                | 27,663                |
| Admin - public safety                     | 307,365               | 370,912               | 678,277               |
| Traffic                                   |                       |                       |                       |
| Bridges                                   | 823,581               | 679,065               | 1,502,646             |
| Pavement maintenance                      | 1,481,453             | 38,809,769            | 40,291,222            |
| LED streetlight conversion                | 520,608               | 873,614               | 1,394,222             |
| Admin - traffic                           | 105,007               | 20,958                | 125,965               |
| Storm sewer                               |                       |                       |                       |
| Charcot storm drainage                    | 322,422               | 154,206               | 476,628               |
| Clean water projects                      | 455,552               | 425,697               | 881,249               |
| Public art - storm sewer                  | 962                   | 4,896                 | 5,858                 |
| Admin - storm sewer                       | 30,452                | 28,168                | 58,620                |
| Municipal improvements                    |                       |                       |                       |
| Environment Protection <sup>1</sup>       | 46,077,538            | 451,094               | 46,528,632            |
| City facilities LED lighting              | 1,385,703             | 2,564,706             | 3,950,409             |
| Admin - municipal improvements            | 30,918                | 20,512                | 51,430                |
| Park & Community Facilities               |                       |                       |                       |
| Community centers/emergency               | 6,407                 | 45,064                | 51,471                |
| Admin - parks                             | 3,013                 | 4,905                 | 7,918                 |
| Total expenditures                        | <u>52,200,772</u>     | <u>75,472,897</u>     | <u>127,673,669</u>    |
| Deficiency of revenues under expenditures | <u>(48,999,755)</u>   | <u>(73,855,960)</u>   | <u>(122,855,715)</u>  |
| <b>Other Financing Sources and Uses:</b>  |                       |                       |                       |
| Bond proceeds                             | 239,900,000           | -                     | 239,900,000           |
| Excess bond premium                       | 50,789                | 44,909                | 95,698                |
| Total other financing sources and uses    | <u>239,950,789</u>    | <u>44,909</u>         | <u>239,995,698</u>    |
| Change in fund balance                    | 190,951,034           | (73,811,051)          | 117,139,983           |
| Fund balance, beginning of period         | -                     | 190,951,034           | -                     |
| <b>Fund balance, end of period</b>        | <u>\$ 190,951,034</u> | <u>\$ 117,139,983</u> | <u>\$ 117,139,983</u> |

<sup>1</sup> Environmental Protection – FY 2019-2020 transactions include the acquisition of real property located in the Coyote Valley for \$38.3 million and the payoff of the Community Facilities District No. 9 (Bailey/Highway 101) outstanding bonds for \$7.59 million.

This page is intentionally blank.





**Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

City Council and  
Members of the Public Safety and Infrastructure Commission  
City of San José, California

We have audited, in accordance with the 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, the financial statements of the Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Fund’s financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California  
November 3, 2021



## Independent Accountant's Report on Compliance with Measure T

City Council and  
Members of the Public Safety and Infrastructure Commission  
City of San José, California

We have examined the City of San José's (City) compliance with certain provisions of Measure T for the year ended June 30, 2021 as follows:

- Bond proceeds were used to pay for the cost of land or improvement of land of, without limitation, the following categories of projects.
  - The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
  - Repair deteriorating bridges vulnerable to being damaged in an earthquake;
  - Repaving local and neighborhood streets and potholes in the worst condition;
  - Preventing flooding and water quality contamination; and
  - Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance whether the City complied with the specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2021.

This report is intended solely for the information and use of the City Council, the Public Safety and Infrastructure Commission, the City Auditor and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

Walnut Creek, California  
November 3, 2021