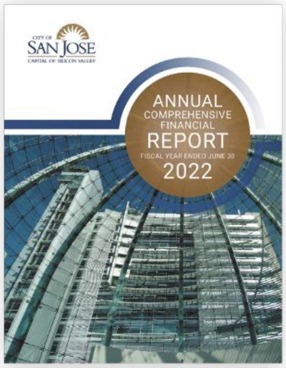
CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

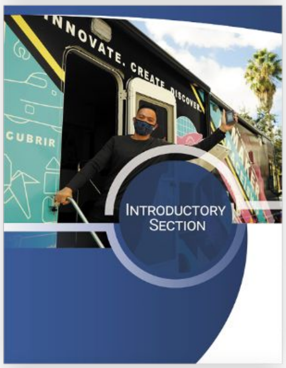
FOR THE YEAR ENDED JUNE 30

2022

The featured photos throughout this year's Annual Comprehensive Financial Report include:



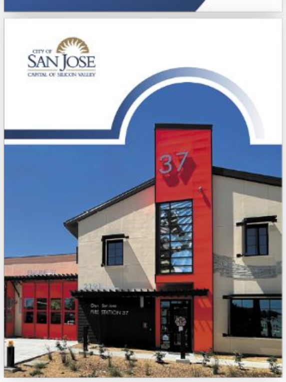

**Cover** – The cover photo features a view of the City Hall tower through the rotunda. City Hall consists of three structures within the Civic Plaza: the Tower, the Rotunda, and the Wing.  City Hall has received LEED Platinum certification for its environmentally friendly design.




**Introductory Section** – The section photo features San José Public Library staff providing SJ Access device during a Maker[Space]Ship visit to the African American Community Services Agency. The Maker[Space]Ship has toured hard-to-reach neighborhoods throughout San José  to bridge the digital divide by offering residents the ability to check out Wi-Fi hotspot devices and register for a library card.


**Financial Section** – The section photo features the Aircraft Rescue and Fire Fighting (ARFF) Station 20, located at Mineta San José International Airport. The new facility broke ground in September 2020 and covers 18,300 square feet with a modern hybrid design for ARFF capabilities.


**Statistical Section** – The section photo features San José Public Library staff distributing free food and snacks during the Library's Summer Food Program. This is the eighth consecutive year the San José Public Library has offered a nine-week summer meal food program.




**Back Cover** – The back cover photo features the new Fire Station 37, located on Lincoln Avenue.  The new building is an 8,100 square foot two-story, single-fire company station that contains two apparatus bays, separate crew and captain's offices.

# City of San José
## California

# Annual Comprehensive Financial Report

**Fiscal Year Ended June 30, 2022**

Prepared by the Finance Department

Julia H. Cooper

Director of Finance

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# Annual Comprehensive Financial Report
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**Special Assistance - Departments and Offices**

Airport
Budget
City Attorney
City Auditor
City Clerk
City Manager

Community Energy
Environmental Services
Fire
Housing
Human Resources
Information Technology
Library

Parks, Recreation and Neighborhood Services
Planning, Building and Code Enforcement
Police
Public Works
Retirement Services
Transportation

TABLE OF CONTENTS

## Introductory Section

Letter of Transmittal I
Certificate of Achievement for Excellence in Financial Reporting (GFOA) XVIII
Distinguished Budget Preparation Award (GFOA) XIX
Mayor and City Council XX
City Organization by Function XXI

## Financial Section

Independent Auditor's Report 1
Management's Discussion and Analysis (Unaudited) 5
Basic Financial Statements:
*Government-wide Financial Statements:*
Statement of Net Position 27
Statement of Activities 28
*Fund Financial Statements:*
Governmental Funds:
Balance Sheet 29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 31
Statement of Revenues, Expenditures and Changes in Fund Balances 33
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities 35
Proprietary Funds:
Statement of Fund Net Position 37
Statement of Revenues, Expenses and Changes in Fund Net Position 39
Statement of Cash Flows 41

TABLE OF CONTENTS


Fiduciary Funds:

Statement of Fiduciary Net Position 43

Statement of Changes in Fiduciary Net Position 45

Notes to Basic Financial Statements 45

**Required Supplementary Information (Unaudited)**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:

General Fund 192

Housing Activities Fund 193

Low and Moderate Income Housing Asset Fund 194

Schedule of Employer Contributions – Defined Benefit Pension Plans 195

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 - Defined Benefit Pension Plans 200

Schedule of Investment Returns - Defined Benefit Pension Plans 202

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios - CalPERS 203

Schedule of Employer Contributions - CalPERS 204

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30 – Postemployment Healthcare Plans 205

Changes in Assumptions 207

Schedule of Employer Contributions – Postemployment Healthcare Plans 208

Notes to Required Supplementary Information 211

**Supplemental Information**

*Nonmajor Governmental Funds*

Combining Balance Sheet 215

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 216

# TABLE OF CONTENTS

*Nonmajor Special Revenue Funds*

Combining Balance Sheet 221

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 229

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 237

*Nonmajor Debt Service Funds*

Combining Balance Sheet 254

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 255

*Nonmajor Capital Project Funds*

Combining Balance Sheet 259

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 261

*Internal Service Funds*

Combining Statement of Fund Net Position 266

Combining Statement of Revenues, Expenses and Changes in Fund Net Position 267

Combining Statement of Cash Flows 268

*Pension Trust Funds*

Combining Statement of Fiduciary Net Position 272

Combining Statement of Changes in Fiduciary Net Position 273

Combining Statement of Fiduciary Net Position - Federated City Employees' Retirement System 274

Combining Statement of Changes in Fiduciary Net Position - Federated City Employees' Retirement System 275

Combining Statement of Fiduciary Net Position - Police and Fire Plan 276

Combining Statement of Changes in Fiduciary Net Position - Police and Fire Plan 277

TABLE OF CONTENTS

*Private-Purpose Trust Funds*

Combining Statement of Fiduciary Net Position 278

Combining Statement of Changes in Fiduciary Net Position 279

## Statistical Section (Unaudited)

I Net Position by Component - Last Ten Fiscal Years 282

II Change in Net Position - Last Ten Fiscal Years 283

III Fund Balances, Governmental Funds - Last Ten Fiscal Years 287

IV Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years 289

V Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years 292

VI Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years 293

VII Principal Property Taxpayers - Current Year and Nine Years Ago 294

VIII Property Tax Levies and Collections - Last Ten Fiscal Years 295

IX Ratios of Outstanding Debt by Type - Last Ten Fiscal Years 296

X Ratio of Net General Bonded Debt Outstanding - Last Ten Fiscal Years 297

XI Schedule of Direct and Overlapping Bonded Debt 298

XII Legal Debt Margin Information - Last Ten Fiscal Years 299

XIII Revenue Bond Coverage - Last Ten Fiscal Years 301

XIV Demographic and Economic Statistics - Last Ten Fiscal Years 303

XV Principal Employers - Current Year and Nine Years Ago 304

XVI Full-time and Part-time City Employees - Last Ten Fiscal Years 305

XVII Operating Indicators - Last Ten Fiscal Years 307

XVIII Capital Asset Statistics by Function - Last Ten Fiscal Years 309

XIX Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding 311


# Introductory Section

Office of the City Manager

November 17, 2022

HONORABLE MAYOR and CITY COUNCIL and
RESIDENTS OF THE CITY OF SAN JOSE

## The Annual Comprehensive Financial Report of the City of San José

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the City of San José ("City") for the fiscal year July 1, 2021 through June 30, 2022 as required by Sections 805(a) and 1215 of the City Charter. Although formally submitted to the Mayor and City Council ("Council"), the ACFR is also intended to provide relevant financial information to the residents of San José, taxpayers, creditors, investors, and other interested parties.

This letter of transmittal provides a non-technical summary of City finances, services, achievements, and economic prospects. We ask that readers who wish a more detailed discussion of the City's financial results refer to the Management's Discussion & Analysis contained in the Financial Section of the ACFR.

The City Administration is 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 ACFR 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.

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 2021-2022 ("FY 2021-2022") are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, Macias Gini & O'Connell LLP performs an audit of the City's major program expenditures of federal funds for compliance with the requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement,* 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 ACFR and, when completed, can be obtained from the City of San José's website at https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits.

This ACFR 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 City services, and specifics of the City's legal operating environment.
- The Financial Section includes the Management's Discussion & Analysis, Basic Financial Statements, Notes to Basic Financial Statements, Required Supplementary Information, and other Supplemental Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds, governmental funds, as well as enterprise funds, internal service funds, and fiduciary funds. This section also contains the independent auditor's report on the Basic Financial Statements.
- The Statistical Section presents up to ten years of detailed statistical data on the City's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context to the information presented in the financial statements and note disclosures.

The ACFR includes all funds of the City, as well as all governmental organizations and activities for which the Council has financial accountability. These organizations include the San José-Santa Clara Clean Water Financing Authority, the City of San José Financing Authority, San José Diridon Development Authority, and the Successor Agency to the Redevelopment Agency of the City of San José.

## Reporting Entity

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 Council form the legislative body that represents the community and is empowered to formulate citywide policy. The Council consists of a Mayor and ten (10) Council members. The Mayor is elected at-large for a four-year term and the Council members are elected by district for staggered four-year terms. The Mayor[1] and Council members are limited to two (2) consecutive four-year terms. Under the Charter, the Mayor recommends policy, program, and budget priorities to the 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 responsible for the 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 Council.

The City Charter provides that the boards of administration for each of the City's retirement plans, the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, hire and prescribe the duties of the chief executive officer (Director of Retirement Services) and chief investment officer (Assistant Director of Retirement Services) within the Office of Retirement Services who serve at the pleasure of the retirement boards. The City Charter also specifies certain duties and obligations of each retirement board and authorizes the chief executive officer to hire and oversee the Office of Retirement Services' employees, subject to any applicable Civil Service Rules.

[1] On June 7, 2022, 55.48% of San José voters approved Measure B, a ballot measure amending the San Jose City Charter to (1) move the mayoral election from the gubernatorial election cycle to the presidential election cycle beginning in 2024 and (2) to limit the person elected to the Office of Mayor in 2022 to a two-year term with the option to run for the Office of Mayor and serve as such for two additional successive four-year terms.

## City History

San José is the oldest city in California, developed from a Spanish pueblo established in 1777. Situated between the Diablo and Santa Cruz mountain ranges, San José encompasses approximately 181 square miles at the south end of the San Francisco Bay, and is the county seat of Santa Clara County. San José's central location between San Francisco to the north and Monterey/Carmel to the south makes San José the "Capital of Silicon Valley" a gateway to adventures throughout California. With a 2021 estimated population of 976,482[2], San José is the third most populous city in California and the tenth most populous in the United States.

The City has transformed dramatically from the rich agricultural setting of its early years into the largest city in the Silicon Valley. Silicon Valley is a region in the Southern San Francisco Bay Area of Northern California which serves as a global center of high technology, innovation, and social media. Silicon Valley corresponds roughly to the geographical Santa Clara Valley. The San José-Sunnyvale-Santa Clara Metropolitan Statistical Area ("San José MSA") in the Silicon Valley has a large concentration of high-tech employment with 330,500 workers out of a total civilian employment level of 1.05 million[3]. Commercial, retail, professional, high-tech manufacturing, electronic assembly, and service businesses all have a presence in San José. On the international front, San José attracts significant foreign investment from throughout the globe.

## Successor Agency to the Redevelopment Agency of the City of San José (SARA)

Beginning July 1, 2018, pursuant to Health and Safety Code section 34179(j), the individual successor agency oversight boards within Santa Clara County were combined into one county-wide oversight board ("Oversight Board"). The Oversight Board is comprised of seven (7) member representatives with one (1) member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made by the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the County. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller, and tasks have been delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

Total Redevelopment Property Tax Trust Fund ("RPTTF") revenue distributed by the County to the SARA in FY 2021-2022 was $141,841,586 which was used to pay debt service and debt-related expenses on the Successor Agency Senior and Subordinate Tax Allocation Bonds ("SARA TABs") and other enforceable obligations. During the year ended June 30, 2022, the County withheld $47,944,257 in RPTTF for payments for its current year pass-through payments.

## Economic Condition and Fiscal Outlook

The local, regional and state economies all have been negatively affected by the Coronavirus ("COVID-19") Pandemic. The Silicon Valley, including the City, experienced a long period of economic expansion from

[2] State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and State with Annual Percentage Change – January 1, 2021 and 2022 (Released May 2022).

[3] State of California, Employment Development Department, Labor Market Information Division Press Release, August 19, 2022.

2010 to 2019, fueled primarily by technology sectors. This period of economic growth came to a sudden end in the first quarter of 2020 as the region, like much of the United States and the world, was forced to abide by restrictive public health orders to combat the spread of the COVID-19 virus. The orders resulted in temporary business closures and significant job losses, particularly in the hospitality and service sectors. The City has steadily rebounded since the initial onset of the pandemic, with growth that accelerated with the arrival and widespread use of effective vaccines. Despite this growth, the broader economic environment is still recovering and, in some areas, has not returned to pre-pandemic levels.

The June 2022 employment level in the San José MSA of 1.16 million represented a 6.9% increase from the June 2021 level of 1.09 million. Between June 2021 and June 2022, employment expanded by approximately 75,000 jobs in the San José MSA, including 26,100 jobs in the leisure and hospitality sector, 17,600 jobs in professional and business services, 9,900 jobs in private educational and health services, 9,100 jobs in technology, and 4,400 jobs in government, and 4,100 jobs in information services. Smaller changes in employment levels across all other sectors make up the remaining difference[4].

The unemployment rates at the local, state, and national levels have continued to decline and have improved compared to the prior year. In June 2022, the unemployment rate of 2.3 percent for the San José MSA was much lower than experienced in June 2021. The San José MSA June 2022 unemployment rate continued to be lower than the unadjusted unemployment for the State (3.9 percent) and the nation (3.8 percent)[5].

Construction permit valuation in San José declined in FY 2021-2022 from FY 2020-2021 – which was a historically high year – primarily due to a drop off in industrial activity. The total valuation of projects submitted in FY 2021-2022 was $1.5 billion, approximately 20% below the $1.9 billion valuation of projects in FY 2020-2021. The number of new residential dwelling unit permits issued in FY 2021-2022 totaled 1,887, which was 4.5% below the prior year level of 1,975 permits issued. Valuations for all land use categories (residential, commercial, and industrial) ended the year slightly below the estimates.

The local real estate market has continued strong performance through FY 2021-2022, recording record high median single home prices. However, sales activity has begun to slow down, which may be indicative of a cooling market due to rising interest rates. According to data from the Santa Clara County Association of Realtors, the number of property transfers (sales) experienced year-over-year decreases (from the same time period in the prior year) ranging from -10% to -54% between the beginning of the shelter-in-place in March 2020 through June 2020. However, beginning in September 2020, the local real estate market once again began to experience year-over-year gains. As of June 2022, the median single-family home price in San José totaled $1.6 million, which is 5.6% above the June 2021 price of $1.5 million. The average days-on-market through June 2022 totaled 14 days, which is significantly below the average of 23 days experienced year-to-date through June 2021. While, in the first half of FY 2021-2022, property sales for single family and multi-dwelling homes grew 15% compared to the prior year, total sales for January-June 2022 dropped 12% compared to the same time period in 2021. As interest rates continue to rise, which has a direct impact on mortgage rates, the number of property sales and average sales price may be negatively affected.

The City Council approved the FY 2021-2022 Adopted Budget with the assumption that the City's revenue and overall budgetary position would improve as the community and region emerged from the pandemic. The City again leveraged a significant influx of external funding sources, including from the

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4 State of California, Employment Development Department, Labor Market Information Division Press Release, August 19. 2022.

5 Ibid

American Rescue Plan Act, to continue existing and initiate new community and economic recovery workstreams aligned to the City Council-approved Mayor's March and June Budget Messages for FY 2021-2022 that focused on: Supporting an Equitable Recovery for a "Better Normal", Back to Basics – A Cleaner and Safer San José, Accelerating Solutions to Homelessness and the Affordable Housing Crisis, and Fiscal Resilience and Our Future.

The broader economic recovery happened more quickly and robustly than many anticipated, providing a surge of revenues across several City funds, including the General Fund, that helped to significantly improve the City's budgetary position in FY 2021-2022 and into FY 2022-2023. In the General Fund, actions were taken over the course of the year to increase revenue estimates across nearly all major categories, including Property Tax, Sales Tax, Business Tax, Real Property Transfer Tax (Measure E), Utility Taxes, and others. As City operations continued their transition from pandemic response into pandemic recovery and more normal business operations, the City experienced elevated levels of expenditure savings across many of its funds due to the extremely competitive labor market that has made it challenging to fill vacant positions. As a result of these adjustments, as well as diligent forecasting, monitoring, and management throughout all City funds, overall FY 2021-2022 revenues and expenditures ended the year very close to revised budgeted expectations.

The City's current General Obligation ("GO") Bonds credit ratings are Aa1/AA+/AAA from Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), respectively. The ratings continue to reflect the diversity of the local economy anchored by a strong technology presence, sound financial management, and prudent budgetary practices.

As of June 30, 2022, the outstanding series with investor ratings on the City of San José Financing Authority ("Authority") bonds are noted in the table below.

| Series | Moody's | S&P | Fitch |
|---|---|---|---|
| 2013B, 2020A, and 2021A | Aa2 | AA | AA |
| 2020B | Aa3 | AA | AA- |
| 2022A | Aa3 | AA | AA |
| Rating Outlook | Stable | Stable | Stable |

As of June 30, 2022, the underlying ratings on the City of San José Airport Revenue Bonds were rated by Moody's, S&P, and Fitch: A2, A, and A, respectively, all with stable outlooks.

## City Organization and Services

The City provides a range of municipal services, including police and fire protection, sanitation services, environmental management, maintenance of streets and infrastructure, library services, and recreational activities. The City operates a number of enterprises including a parking program, a municipal water system, a wastewater treatment facility, the Norman Y. Mineta San José International Airport (Airport), and the San José Clean Energy ("SJCE") program. In addition, the City provides oversight of the management of convention and cultural event facilities that include the San José McEnery Convention Center, Center for the Performing Arts, California Theatre, Mexican Heritage Plaza, Ice Centre, and the SAP Center at San José – home of the San José Sharks of the National Hockey League.

The City organization is structured into six (6) City Service Areas ("CSAs") that integrate services provided by separate departments and offices into key alignments from the community's perspective. The CSAs are:

- ***Community and Economic Development*:** The mission of the Community and Economic Development CSA is to manage the growth and change of the City of San José in order to encourage a strong economy, create and preserve healthy neighborhoods, ensure a diverse range of housing and employment opportunities, and encourage a diverse range of arts, cultural, and entertainment offerings. The outcomes of this CSA include a strong economic base; safe, healthy, attractive, and vital community; diverse range of housing options; and a range of quality events, cultural offerings, and public artworks.

- ***Environmental and Utility Services*:** The mission of the Environmental and Utility Services CSA is to provide environmental leadership through policy development, program design, and reliable utility services. The outcomes of this CSA include reliable utility infrastructure; healthy streams, rivers, marsh, and bay; "Clean and Sustainable" air, land, and energy; and safe, reliable, and sufficient water supply.

- ***Neighborhood Services*:** The mission of the Neighborhood Services CSA is to serve, foster, and strengthen the community by providing access to lifelong learning, opportunities to enjoy life, and preserving healthy neighborhoods. The outcomes for this CSA include safe and clean parks, facilities, and attractions; vibrant cultural, learning, recreation, and leisure opportunities; and healthy neighborhoods and capable communities.

- ***Public Safety*:** The mission of the Public Safety CSA is to provide prevention and emergency response services for crime, fire, medical, hazardous, and disaster related situations. The outcomes for this CSA include having the public feel safe anywhere, anytime in San José and residents share in the responsibility for public safety.

- ***Transportation and Aviation Services*:** The mission of the Transportation and Aviation Services CSA is to provide the community with safe, secure, and efficient surface and air transportation systems that support San José's livability and economic vitality. The outcomes for this CSA include providing safe and secure transportation systems; providing viable transportation choices that promote a strong economy; ensuring travelers have a positive, reliable, and efficient experience; preserving and improving transportation assets and facilities; and providing a transportation system that enhances community livability.

- ***Strategic Support*: ** The mission of the Strategic Support CSA is to effectively develop, manage, and safeguard the City's fiscal, physical, technological, and human resources to enable and enhance the delivery of City services and projects. The outcomes of this CSA include ensuring a high-performing workforce that is committed to exceeding internal and external customer expectations; safe and functional public infrastructure, facilities, and equipment; effective use of technology; and sound fiscal management that facilitates meeting the needs of the community.

## Enterprise Priorities, City Initiatives Roadmap, and Significant Accomplishments

The City's Enterprise Priorities[6] are the City's focus areas on challenges that affect community lives and livelihoods which are the primary focus of the organization. The Enterprise Priorities are categorized into "Core" priorities which focus on our residents and "Foundational" priorities which focus on enabling the City's employees to better deliver all City services including the Core Enterprise Priorities. The Administration further organizes the City's priorities though the City Initiatives Roadmap. The purpose of the City Initiatives Roadmap is to focus the City on our most vital change initiatives and service transformations. The initiatives that make up the City Initiatives Roadmap in any year are importantly distinct from City core services as they represent significant new policies, strategies, projects, or programs (series of projects that in totality deliver the expected impact) that are not traditionally or routinely delivered by the City, are complex and cross-departmental, and/or require significant strategic planning and leadership capacity to deliver successfully. Organizing around the City Initiatives Roadmap is a major change to the way the City considers, communicates, and delivers on City Council priorities, and is an opportunity for the Administration and City Council to be more measured, transparent, and accountable.

The Administration presented the 2021-2022 City Initiative Roadmap to City Council on March 16, 2021 as the priorities that the Administration would focus on during the fiscal year. A description of each Enterprise Priority for FY 2021-2022 and their associated significant accomplishments are described below in the City Initiatives Roadmap.

[6] On May 16, 2022, the City Council adopted the FY 2022-2023 City Roadmap which merged two Core Enterprise Priorities to create "Resilient and Sustainable City Infrastructure and Emergency Preparedness" and separated the "Safe, Vibrant, and Inclusive Neighborhoods and Public Life" into two distinct Core Enterprise Priorities: "Safer San José" and "Clean, Vibrant, and Inclusive Neighborhoods and Public Life".

## 2021-2022 City Initiatives Roadmap

| Enterprise Priority | Initiatives | | | | | | |
|---|---|---|---|---|---|---|---|
| COVID-19 Pandemic: Community + Economic Recovery | Housing Stabilization | Re-Employment + Workforce Development | Small Business Recovery | Food + Necessities Distribution | Digital Equity | Child Care | Build Back Better + Recovery Task Force |
| Emergency Management + Preparedness | Vaccination Task Force | Soft-Story Building Earthquake Retrofit Policy | | | | | |
| Ending Homelessness | Emergency Housing Construction + Operation | Sheltering + Enhanced Encampment Services | Encampment Management + Safe Relocation Policy | | | | |
| Safe, Vibrant, + Inclusive Neighborhoods + Public Life | Police Reforms Work Plan | San José 311 + Service Delivery | Encampment Waste Pick-Up BeautifySJ | Vision Zero Traffic Safety | Equity Strategy Development | Neighborhood Services Access Strategy | |
| Building the San José of Tomorrow with a Downtown for Everyone | Align Zoning with General Plan | Development Services Transformation | Google Development | Major Real Estate Development Projects | BART + High-Speed Rail Strategy | North San José Strategy | |
| Smart, Sustainable, + Reliable City: 21st Century Infrastructure | Pavement, Fire, EOC, Transit Capital Improvements | Regional Wastewater Facility Capital Improvements | Electrical Service for Major Development | Climate Smart American Cities Climate Challenge | Lowering PG&E Above Market Costs for Clean Energy | | |

| Enterprise Priority Foundational | Initiatives | | | | | | |
|---|---|---|---|---|---|---|---|
| Strategic Fiscal Positioning + Resource Deployment | Federal + State Recovery Advocacy | Secure City Cybersecurity | Procurement Improvement | Pension Obligation Bond Analysis | Budgeting for Equity | City Roadmap Budgeting, Accountability, + Performance | |
| Powered by People | Continuity of City Services | Safe Workplace | Employee Health + Wellness | Drive to Digital | Effective Teams | City Workforce Diversity + Skill Building | |

Approved by Council on March 16, 2021

***COVID-19 Pandemic: Community and Economic Recovery (Core****): No event in living memory has been more painful or traumatic for our community than the COVID-19 pandemic and economic crisis which exacerbated existing inequalities. In this moment, our biggest challenge and our biggest opportunity is to foster an equitable recovery to a "Better Normal." The journey to healing, recovery, and resilience will require unprecedented effort, resources, and creativity. Recovery is not for us to do alone, rather it must be done with the community, for the benefit of those most burdened by the crisis, guided by their wisdom, tapping into their potential, and building on their deep enduring strength.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Invested over $98 million to achieve a more equitable COVID-19 community and economic recovery for housing stabilization, re-employment and workforce development, small business recovery, food and necessities distribution, digital equity, childcare, and the COVID-19 Recovery Task Force.
- Committed $83 million of emergency rental assistance funds to 6,700 extremely low-income households county-wide alongside opening and operating two Rental Relief and Eviction Prevention Help Centers.
- Launched an Eviction Diversion and Settlement Program at the Superior Court, assisting 180 households.
- Enrolled 185 Resilience Corps clients into Learning, Environmental, and Small Business pathways to increase workforce development and job training in high-growth, high-wage sectors including the grand opening of the work2future jobs center in East San José.
- Partnered with the Enterprise Foundation for small business rent/utility relief and the Silicon Valley Community Foundation for nonprofit grants, totaling $4.1 million and $5.7 million, respectively.
- Facilitated the distribution of 52 million meals to food-insecure individuals.
- Distributed over 9,100 hotspots and devices to students and families for school and education digital access in circulation at Library branches.

- Launched 47 childcare and preschool programs for over 1,500 students grade K-8 and children ages three to five years at City youth centers, community centers, schools, and parks.
- Distributed 109 art and culture grants to support arts programming, festivals, and special events to activate vibrant spaces city-wide.
- Established a COVID-19 Recovery Task Force to engage 55 community-based organizations and a Lived Experience Group in the City's community and economic recovery from the pandemic.
- Partnered with three non-profits to launch a Promotores program to scale community outreach and engagement in COVID-19 community and economic recovery efforts.

***Emergency Management and Preparedness (Core)****: No issue is more important than the lives and safety of our residents. The City has more work to do to ensure San José is well-prepared for earthquakes and other disasters, particularly for those who are most vulnerable. As a City, we will do more to be prepared for emergencies and commit to this priority with relentless attention and support.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Responded to new COVID-19 variants including delta and omicron variants by increasing community and employee access to vaccinations and emergency public information and education.
- Partnered with the County to organize over 70 vaccination events in priority neighborhoods, leading San José to be the most vaccinated large city in the United States.
- Created and implemented the City's Mandatory Vaccination Policy and the interactive process for employees who submitted exemption requests related to the initial COVID-19 vaccination requirement and the COVID-19 booster requirement and organized three onsite City employee vaccination events to increase City employee access to vaccination opportunities resulting in a 97% vaccination rate for City employees and a 94% boosted rate.
- Established a review approach with the California Governor's Office of Emergency Services (CalOES) and the Federal Emergency Management Agency (FEMA) to streamline soft story earthquake retrofits for compliance, and launched a Request for Proposal for a seismic consultant to create an inventory of structures, retrofit measures, and a soft story building retrofit program.

***Ending Homelessness (Core):*** *All people in San José need a place they can call home and feel they belong as a vital part of the City, yet the City and region are faced with an unprecedented housing crisis. While the brunt of this crisis is borne by our unhoused neighbors, its impacts are felt across our community. The City will continue to invest in permanent supportive and affordable housing, while addressing systemic issues to improve the condition of our City. The City will also take immediate action by increasing emergency and interim housing options and expanding services to meet the basic health and safety needs of our unhoused residents.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Invested $68 million in homelessness programs for housing-based solutions, crisis response, and emergency interim housing ("EIH").
- Completed first generation EIH long-term financial analysis through 2029-2030 to achieve feasibility and sustainability of emergency housing maintenance and operations, and to significantly increase funds available to expand the number of EIH sites and beds available over the next two years.
- Initiated construction with substantial progress towards completion of the Guadalupe EIH site with a late 2022 opening.
- Secured Project Home key grants totaling $91 million in project support, including the acquisition of two properties to increase interim and permanent supportive housing units through the Arena Hotel on the Alameda and at the Branham and Monterey sites.
- Approved service operation agreements at two Bridge Housing Community sites, three existing EIH

sites, and one new EIH sites for 2022-2023.
- Facilitated developing 448 affordable housing units via four affordable housing project loans, including a childcare center to support families.
- Implemented a Guadalupe Gardens re-housing program (under implementation) to support humane transition of the unhoused to various types of housing.
- Refined the Measure E Policy and Funding Strategy to target and reduce homelessness.
- Initiated a study to benchmark and improve EIH operations and services through partnership with the SF Foundation and received a $2 million competitive Encampment Resolution grant.
- Awarded SJ Bridge contract to engage current and previous unsheltered residents in meaningful work and self-sufficiency.
- Developed 10-year Memo of Understanding with Union Pacific Railroad and formalized joint protocol with Santa Clara County for encampment management and removal of trash from properties within the City of San José.

***Safe, Vibrant, and Inclusive Neighborhoods and Public Life (Core)**: The diverse mosaic of people who live, work, learn, and play in San José deserve vibrant, beautiful, accessible, safe, and inclusive public spaces that inspire friendship and connection across generations, cultures, and points of view. Our neighborhoods and public life must reflect the rich cultural history and lived experiences of our residents. Neighborhoods should serve as conduits for people to connect with one another; to build community; and provide pathways to opportunity, lifelong learning, and prosperity.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Deployed five new SJ311 services (Report Community WiFi Coverage, Report Illegal Fireworks, Access Affordable Housing Portal, Access Eviction Prevention Portal, and Pay Utility Bills), two SJ311 virtual agents to increase language access of key services, and launched a SJ311 marketing campaign communicating to low-income communities on how to better access and utilize services.
- Completed Guadalupe Gardens Phases #1 and #2 clean-ups requiring the removal of structures and vehicles, coordinated six waterway cleanups with Santa Clara Valley Water District (Valley Water), and implemented a weekly encampment trash service at 100% of sites in the City, enabling the BeautifySJ removal of over nine million pounds of trash (garbage, dumping, bio-waste household hazardous waste) from encampments, streets, sidewalks, and waterways.
- Continued implementation of the Vision Zero Action Plan to improve traffic safety and cultivate a safety culture among roadway users, including traffic safety improvements at 30 locations and deployed 46 Changeable Message Signs on major roadways to increase traffic safety awareness, reduce pedestrian traffic fatalities, and deter sideshow activities.
- Revised and restored in-person services to the public at all library locations, bringing services back to funded levels, increasing hours at 13 branches in “low-resourced” neighborhoods, and advancing capital modifications to maximize access.
- Provided 500 scholarships to eligible families to increase access to SJ Recreation Preschool and R.O.C.K. afterschool programs over the academic year, and allocated $10.5 million in State and Local Fiscal Recovery Funds from the American Rescue Plan Act to expand and enhance access to children and youth programs and services.
- Expanded Family Friend and Neighbor Early Education Training to support business development for over 100 new care providers, resulting in 350 new licensed childcare slots.
- Responded on an emergency basis to a record setting call volume to Fire Dispatch of 103,145 (+8.8%) driven primarily by a 10.5% increase in Emergency Medical Services demand.
- Developed and implemented the Re-Districting Campaign, which informed the community of new City

Council District boundaries, and included multilingual direct mail postcards to the 39,000 San José addresses affected by the boundary changes.

***Building the San José of Tomorrow with a Downtown for Everyone (Core):*** *San José has a bold plan that envisions a more urban, connected, and livable city by 2040. Making this a reality will require driving private development and ensuring those investments create great places. The approval processes must be clear, consistent, and easy to use for everyone, and move at the speed of business, not bureaucracy. The center piece of these efforts, our Downtown plan, is a complex mosaic of new train lines, large offices mixed with vibrant street front retail, urban housing, and creative public spaces that we must get right.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Completed the General Plan Four-Year Review Process.
- Made progress rezoning properties to comply with Senate Bill (SB) 1333, passed in 2018, which requires all charter cities, including San José, to align zoning districts with their respective land use designation. The City has rezoned 1,000 parcels out of an impacted 13,000 parcels, and completed an appropriate noticing process and significant data analysis.
- Issued 24,508 building permits, with 18,898 of those issued online.
- Completed the launch of Development Services Transformation Rapid Online Service Intake (ROSI) to reduce building permit intake wait time for customers and allow customers to drop off applications without needing an appointment, and expanded SJePlans, the City's electronic plan review software, to accommodate Planning Subdivision applications.
- Completed modifications to the Commercial Linkage Fee to provide more flexibility to developers, including modifying payment timing and scheduling of final building inspection, and adding credits for constructing new affordable housing units.
- Completed Zoning Ordinance amendments and developed an application process to comply with SB 9, effective January 1, 2022, which requires cities and counties to ministerially approve certain two-unit projects and lot splits.
- Reprioritized and accelerated the Housing Element Update to ensure release of draft documents for public comment in July 2022 and ensure compliance with State requirements.
- Implemented new 90-minute free parking program to encourage Downtown San José activation and messaging, eliminating a cumbersome validation program.
- Advanced Google's Downtown West Phase 1 development plan, currently at 65% drawings for horizontal development, and allocated Google's $4.5 million community benefit payment for economic opportunity, Gardner neighborhood programs, and staffing to setup the Community Stabilization and Opportunity Pathways Fund and associated advisory commission.
- Completed or advanced the City's Real Estate Division projects, including the Sharks Ice expansion and construction of the new 4,200-seat "Tech CU" Arena (new home of the San José Barracudas, minor league hockey team), providing a much-enhanced community amenity.
- Supported the Valley Transit Authority Bay Area Rapid Transit (BART) Phase 2 project milestone with award of the tunnel construction contract.
- Advocated for the final environmental clearance of high-speed rail segments to and through San José, with the entire first phase of high-speed rail from the Bay Area to Los Angeles now environmentally cleared.
- Released the Downtown Transportation Plan to solicit public input.

***Smart, Sustainable and Reliable City: 21st Century Infrastructure (Core):*** *Competing in the global economy and addressing climate imperatives requires updating our energy, water, waste, transportation, and internet connectivity infrastructure, as well as translating traditional infrastructure such as roads and streetlights into 21st century infrastructure. From the launch of a Clean Energy program, long-term investments in the Regional Wastewater Facility and San José International Airport, and new strategies for Broadband and Digital Inclusion as well as Automated/Electric Vehicles, we must focus on developing smart, sustainable, and reliable infrastructure to shape America's next great city.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Maintained 205 miles of roadways, including 29 miles of new and enhanced bikeways and over 2,100 accessible ramps, raising pavement condition ratings from 66 to 67 on the way to the long-term goal of 70.
- Completed Fire Stations 37 and 20 construction and launched operations.
- Continued to implement the $1.5 billion 10-year Capital Improvement Program (CIP), currently in the ninth year, at the Regional Wastewater Facility (RWF) with key milestones met, including: commissioned the new Cogeneration Facility ($114 million) to improve reliability, increase energy efficiency, and reduce overall associated emissions; substantially completed the Digester and Thickener Facilities Upgrades ($219 million); and substantially completed the M4 Switchgear Replacement and G3 and G3A Removal ($9.4 million), which is the last step of the multiple CIP projects completed in the last ten years to upgrade and improve the reliability of the electrical grid at RWF.
- Completed the final three American Cities Climate Smart Challenges: Framework for Existing Building Electrification; Transportation Demand Management and Parking Policy Update; and the Climate Mobility Campaign.
- Converted 18,000 streetlights to energy and cost saving LEDs, bringing the total converted to over 64,000 of the City's 80,000 streetlights.
- Secured advanced power contracts for San José Clean Energy (SJCE) to minimize price volatility exposure and reduce costs by executing over 85 short-term power purchase agreements totaling $300 million, and updated SJCE business and financial plan to set future strategic objectives to mitigate risks such as the Power Charge Indifference Adjustment (PCIA) and high power supply costs.
- Increased volume of Airport passengers by over 130%, reaching over one million passengers per month, up from an average of 400,000 passengers as compared to the same month in the prior year.

***Strategic Fiscal Positioning and Resource Deployment (Foundational):*** *We will continue to be both strategic and responsible in how we manage and balance the City's $5.5 billion budget, as well as smart and efficient in how we serve our community. We will always look for opportunities to be cost-effective in all aspects of our service delivery system while working to ensure equity and inclusion in how services are delivered. If new or expanded revenues are considered, we will minimize impacts to our tax, rate, and fee-payers to the extent possible.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Provided ongoing review, monitoring, analyses, forecasts, and reporting on the City's over 135 Operating and Capital funds totaling $5.5 billion with 6,900 positions, allowing for effective oversight and controls throughout the fiscal year.
- Collaborated with the Office of Racial Equity and departmental staff to further embed the explicit consideration of equity into the budgeting process, including a new iteration of the Budgeting for Equity Worksheet.

- Deployed a Finance/Recovery Unit in the Finance Department Accounting Division to support the citywide coordination and delivery of emergency financial and recovery activities in response to the COVID-19 pandemic.
- Filed a validation action to secure judgment confirming the City's authority to issue Pension Obligation Bonds.
- Met demand for procurement and contracting services with over 150 procurement requests, 2,000 Purchase Orders, and over 200 contracts and 620 contract adjustments.
- Recognized by the Center for Digital Government as the nation's #1 most innovative local government in the 2021 Digital Cities Survey for the second consecutive year. The Center also recognized the City with two Government Experience Awards for building and adapting constituent-centric services.
- Launched the Outcomes, Equity Indicators, and Performance Management City Initiatives Roadmap initiative to improve alignment of the City Initiatives Roadmap with the budget process, equity indicators, and performance reporting.

***Powered by People (Foundational):*** *We recognize that our 6,900 employees power the City of San José, and our success as a City is dependent on our ability to create a dynamic and engaged workforce. Our employees' ability to provide excellent service is strengthened when we invest in attracting talent, providing opportunities for career growth, enabling an environment focused on health, safety, and wellness, and retaining a diverse workforce in a workplace that is equitable and inclusive.*

Significant accomplishments in this Enterprise Priority for FY 2021-2022 include:

- Resumed on-site work activities to successfully and safely bring back employees to City facilities, and support the City's transition to a digital workforce by meeting the increased need for hybrid workplace tools and spaces – essential for employee retention – while continuing to support the COVID-19 response through staffing, policy, and safety.
- Launched a series of employee-focused wellness activities and programs to nurture employee growth, safety, and wellness to attract, retain, and engage a diverse workforce.
- Provided training opportunities to more than 800 employees that include a human-centered design learning lab, innovation academy, leading remote workforce, leading hybrid workforce, coaching for supervisors, storytelling, and public presentations.
- Launched a second round of trauma-informed culture building to train 200 employees and create six departmental pilot learning communities.
- Deployed 32 business process automation workflows to increase City service efficiency and effectiveness.
- Recognized by National Equity Officers as the first city in the United States to mandate comprehensive racial equity training for 100% of its employees and conduct study sessions and trainings for City Council in 2022.

## Major City Awards, Recognitions and Distinctions

The following listing represents the major awards, recognitions and distinctions the City received in FY 2021-2022.

- American Public Works Association (APWA) Silicon Valley Chapter - Project of the Year Award for the Environment/Parks Category for the Arcadia Ballfields in 2021
- Engineering News Record California Award of Merit - Mineta San José International Airport Aircraft Rescue and Firefighting Facility (Fire Station 20) for the 2022 Best Projects competition in the Airport / Transit Category for Northern California in 2022
- California Association of Public Information Officials (CAPIO) – San José Clean Energy Award of Distinction in the Diversity, Equity and Inclusion in Outreach/Campaign category for their Solar Access Campaign that partners with Community Based Organizations in 2021
- Design Build - National Award of Merit (Water/Wastewater) for the new Cogeneration Facility for 2021
- Association of Zoos and Aquariums - Happy Hollow Park & Zoo granted five-year Zoo Accreditation for meeting highest standards in animal care and welfare and providing a fun, safe, and educational family experience in 2021
- Alum Rock Park Celebrates 150 Years as a Historic and Natural Destination in 2021
- Urban Libraries Council - 2021 Top Innovator Award for 2021
- International Academies of Emergency Dispatch - Accredited Center of Excellence for Emergency Medical Dispatch San José Fire Department Communications Division recognition in 2021
- S&P Global Ratings raised long-term rating to ‘A’ from ‘A-’ on San José Airport Revenue Bonds 2022 with stable outlook.
- Fitch Ratings upgraded San José General Obligation Bonds from AA+ to AAA with Stable Outlook 2021
- Achievement of Excellence in Procurement Award from the National Procurement Institute (2022)
- Welcoming America - San José achieves “Certified Welcome Status” – Certified Welcoming is a formal designation by *Welcoming America* for cities and counties that have created policies and programs reflecting their values and commitment to immigrant inclusion in 2022
- United States Treasury - San José recognized for Equity and Outcomes in San José’s COVID-19 recovery in 2022
- Excellence in Public Information and Communications (EPIC) Awards – Award for Crisis Communications Response for the Language Access Unit’s work on COVID-19 communications for 2021
- Digital Cities Awards – Most Innovative Large City in America (Based on Operational Excellence, Customer Engagement, and Innovative Services through Technology) for 2021

## Five-Year Capital Improvement Program

The City publishes a five-year Capital Improvement Program ("CIP") that guides the City in the planning, scheduling, and budgeting of capital improvement projects. The CIP is updated annually and approved by the City Council. The CIP maintains critical investment to sustain, enhance, and develop a wide array of public infrastructure to improve system reliability, enhance recreational experience, advance public safety, and ensure San José is well-positioned for further economic growth and opportunity while building on the efforts of the last several years of making targeted investments that align with the City's economic development and community livability goals contained within the Envision San José 2040 General Plan ("General Plan").

Though our community and organization are challenged by the impacts of the COVID-19 Pandemic, the City's work to plan for the future and maintain public infrastructure continues. Even in this challenging environment, the General Plan guides the CIP with a focus on the renovation, renewal, and expansion of critical public assets, ranging from the infrastructure that is integrated into daily life, such as roadways and the sewer collection and treatment systems, to parks and sports fields that promote community health, fire and police facilities that help keep our community safe, and airport facilities to meet the long-term travel needs of our residents and businesses. While capital revenue allocation is often restricted to specific uses, considerations of equity within those allowable uses is an important factor in the development of the CIP. Many of the projects included in the CIP result from technical analysis necessary to identify new or deferred infrastructure rehabilitation needs, along with community and City Council conversations to help ensure resources are allocated with an understanding of how communities will benefit or be affected by a recommended capital improvement.

Over a five-year period, the 2023-2027 CIP totals $3.4 billion, a 10.5% decrease over the 2022-2026 Adopted CIP of $3.8 billion. The FY 2022-2023 Adopted Capital Budget of $1.7 billion reflects a 6.3% increase from the FY 2021-2022 Adopted Capital Budget of $1.6 billion. While capital-related revenues have stabilized, and some have significantly increased from pre-pandemic levels, especially Construction & Conveyance (C&C) Tax revenues or new revenues from the issuance of bonds, funding challenges remain. Two examples of these funding challenges are highlighted. First, the resources available to the Storm Sewer Capital Program continue to decline, as the storm sewer service and use charge fee rate has remained flat over the past decade while costs have continued to increase. Second, prior to the onset of the COVID-19 Pandemic, the City lacked sufficient resources to fully maintain and fund its entire infrastructure portfolio. The Status Report on Deferred Infrastructure Maintenance Backlog, presented to the Transportation and Environment Committee on April 4, 2022, identifies an infrastructure backlog of approximately $1.7 billion, with an additional $91.5 million needed annually to maintain the City's infrastructure in a sustained functional condition. The existing backlog of $1.7 billion is expected to decrease as Measure T projects are fully implemented – including $300 million for street pavement maintenance.

## Financial Information

The City Administration is responsible for establishing and maintaining internal controls that safeguard the City's assets 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. Internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes 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 funding, 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 award programs. Internal controls are subject to periodic evaluation by management, the Office of the City Auditor, and the City's external independent auditors.

As part of the City's single audit procedures, tests are performed to test the effectiveness of its internal controls over major federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

### Budgetary Controls

The City maintains budgetary controls through City Council adoption of an annual appropriation ordinance and by maintaining an encumbrance accounting system. Expenditures for City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council.

The City uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a 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 City's Debt Management Policy was adopted by the City Council on May 21, 2002 and most recently revised on March 7, 2017 and is reviewed annually. 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 financial controls are in place with respect to proceeds of debt issuances; and
- Ensure compliance with applicable State and Federal laws.

## Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association ("GFOA") of the United States and Canada awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2021. This was the thirty-fourth 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 ACFR, the contents of which conform to program standards. Such a report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

The Certificate of Achievement is valid for only one year. The City believes this ACFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to GFOA for consideration of the annual award.

For the thirty-second consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2021. To qualify for this award, the government unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

## Acknowledgements

The preparation of this ACFR 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 City also recognizes the contributions and positive working relationship with Macias Gini & O'Connell LLP.

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 our community.

Respectfully submitted,

JENNIFER A. MAGUIRE
City Manager

JULIA H. COOPER
Director of Finance

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of San Jose California**

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

GOVERNMENT FINANCE OFFICERS ASSOCIATION

# *Distinguished Budget Presentation Award*

**PRESENTED TO**

**City of San Jose**
**California**

For the Fiscal Year Beginning

**July 01, 2021**

Christopher P. Morrill

**Executive Director**

## San José Mayor & City Council

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# City Organization by Function

- Residents of San José
  - Mayor and City Council
    - Boards and Commissions
    - Council Appointees
      - Office of the City Manager
        - GENERAL GOVERNMENT DEPARTMENTS
          - Finance
          - Human Resources
          - Information Technology
        - PUBLIC SAFETY DEPARTMENTS
          - Fire
          - Police
        - CAPITAL MAINTENANCE DEPARTMENTS
          - Public Works
          - Transportation
        - COMMUNITY SERVICES DEPARTMENTS
          - Airport
          - Community Energy
          - Environmental Services
          - Housing
          - Library
          - Parks, Recreation and Neighborhood Services
          - Planning, Building and Code Enforcement
      - Office of the City Attorney
      - Office of the City Auditor
      - Office of the City Clerk
      - Office of the Independent Police Auditor
      - RETIREMENT BOARDS*
        - Office of Retirement Services

*Federated City Employees' Retirement System Board of Administration and Police and Fire Department Retirement Plan Board of Administration


# Financial Section

MGO Certified Public Accountants

## Independent Auditor's Report

City Council
City of San José, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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 (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of San José Federated City Employees' Retirement System and the City of San José Police and Fire Department Retirement Plan (collectively, "the Pension Trust Funds"), which represent 86.0 percent, 102.0 percent, and 2.7 percent, respectively, of the assets, net position/fund balances, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds, is based solely on the reports of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 1.E. to the financial statements, effective as of July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, Housing Activities Fund, and Low and Moderate Income Housing Asset Fund; the schedule of employer contributions – defined benefit pension plans; the schedule of changes in the employer's net pension liability and related ratios for the measurement periods ended June 30 – defined benefit pension plans; the schedule of investment returns – defined benefit pension plans; the schedule of the City's proportionate share of the net pension liability and related ratios – CalPERS; the schedule of employer contributions – CalPERS; the schedule of changes in the employer's net OPEB liability and related ratios for the measurement periods ended June 30 – postemployment healthcare plans; and the schedule of employer contributions – postemployment healthcare plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The combining and individual fund financial statements and schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the combining and individual fund financial statements and schedules listed as supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

The City's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over 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 financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 17, 2022

Management's Discussion and Analysis

Required Supplementary Information (Unaudited)

The Management's Discussion and Analysis ("MD&A") provides an overview of the City of San José's ("City") activities and financial performance for the year ended June 30, 2022. Readers are encouraged to read the MD&A in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal at the beginning of the Introductory Section and other portions of this Annual Comprehensive Financial Report ("ACFR"). All amounts in the billions and millions have been rounded to the nearest million and hundred thousand, respectively. All percentages have been rounded to the nearest one hundredth of a percent.

## Financial Highlights

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2022, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $3.980 billion. Of this amount, a deficit balance of $2.279 billion represents unrestricted net position, which consists of a deficit balance of $2.587 billion for governmental activities, and a positive balance of $307.8 million for business-type activities. In addition, the City's restricted net position totals $1.250 billion ($1.179 billion for governmental activities and $71.2 million for business-type activities) based on the restrictions imposed by the enabling legislations or debt covenants. Lastly, net position of $5.009 billion is the City's net investment in capital assets, which include $3.777 billion from governmental activities and $1.232 billion from business-type activities.
- The net position increased by $270.1 million or 7.28 percent during FY 2022 to $3.980 billion from $3.710 billion. Governmental activities accounted for $141.3 million of increase due to total revenue and transfers of $2.139 billion exceeding the total expense of $1.998 billion. Business-type activities accounted for $128.7 million of increase due to total revenue of $951.7 million exceeding the total expense and transfers of $823.0 million.
- Governmental funds reported a combined ending fund balance of $2.221 billion at June 30, 2022, which is $360.7 million or 19.39 percent higher than the June 30, 2021 balance. The change was attributable to an increase in the General Fund of $159.7 million, the Nonmajor Governmental Funds of $130.9 million, the San José Financing Authority Debt Service Fund of $46.0 million, the Housing Activities Fund of $38.4 million and offset by decreases in the Special Assessment Districts Fund of $11.0 million and the Low and Moderate Income Housing Asset Fund of $3.3 million.
- Unassigned fund balance of governmental funds is $225.9 million, which is 10.17 percent of the combined governmental fund balances at June 30, 2022.
- Total long-term liabilities decreased by $999.5 million to $6.200 billion at June 30, 2022, which represents a decrease by 13.88 percent compared to $7.199 billion at June 30, 2021. The primary factors leading to the decrease in long-term liabilities for governmental activities of $957.8 million was due to the decrease of net pension liability by $1.144 billion and the net Other Postemployment Benefits ("OPEB") liability by $71.1 million, offset by the increase of long-term obligations by $257.6 million. The primary factor leading to the decrease in long-term liabilities for business-type activities of $41.7 million was the result of a decrease of net pension liability by $104.5 million and the net OPEB liability by $15.6 million, offset by an increase of long-term obligations by $78.4 million.

## Overview of the Financial Statements

This discussion and analysis introduce the City's basic financial statements, which are comprised of four components:

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

In addition, this report also contains other supplementary information.

## Government-wide Financial Statements

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is the City's net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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. Examples include revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both government-wide financial statements address functions principally supported by taxes and intergovernmental revenues ("governmental activities") and 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 include general government, public safety, capital maintenance, community services, sanitation, and interest and fiscal charges. The City's business-type activities include airport, wastewater treatment, water system, parking operations, and clean energy.

The government-wide financial statements include the primary government of the City and three separate components 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 uses fund accounting to ensure and demonstrate finance-related legal compliance. Each City fund falls into one of three categories: governmental funds, proprietary funds, or 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, the Housing Activities Fund, the Low and Moderate Income Housing Asset Fund, the Special Assessment Districts Fund, and the San José Financing Authority Debt Service Fund which are all classified as major funds. These statements also report several individual governmental funds classified as nonmajor funds such as special revenue, debt service, and capital project funds, which 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 ACFR.

*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 accounts for its airport, wastewater treatment, water system, parking operations, and clean energy program in proprietary funds.

The City accounts for its public works program support, employee benefits, and vehicle maintenance and operations as internal service funds. These services predominantly benefit governmental functions. Therefore, they are included as governmental activities in the government-wide financial statements. Individual fund data for each of the nonmajor internal service funds are provided in the form of combining statements elsewhere in this ACFR.

*Fiduciary funds* account for resources held for the benefit of City employees and outside parties in a similar manner as that for proprietary funds. Pension plan trust funds, private-purpose trust funds, and custodial 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 programs.

**Notes to 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 the General Fund, the Housing Activities Fund, and the Low and Moderate Income Housing Asset Fund. In addition, pension and other postemployment healthcare schedules present the City's progress toward funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees.

**Combining and individual fund statements and schedules** provide information for nonmajor governmental funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information.

## Government-Wide Financial Analysis

Analysis of net position: As noted earlier, net position may serve as a useful indicator of the City's financial position. As of June 30, 2022, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $3.980 billion. The following table is a condensed summary of the City's net position for governmental and business-type activities:

**Statement of Net Position**
**June 30, 2022 and 2021**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| **Assets:** | | | | | | |
| Current and other assets | $ 2,709,223 | $ 2,462,291 (a) | $ 1,030,042 | $ 939,464 (a) | $ 3,739,265 | $ 3,401,755 |
| Capital assets | 4,871,505 | 5,041,987 (a) | 2,546,995 | 2,463,639 (a) | 7,418,500 | 7,505,626 |
| Total assets | 7,580,728 | 7,504,278 | 3,577,037 | 3,403,103 | 11,157,765 | 10,907,381 |
| **Deferred outflows of resources:** | | | | | | |
| Loss on refundings of debt | 5,620 | 4,128 | 11,034 | 11,516 | 16,654 | 15,644 |
| Pensions | 564,651 | 697,257 | 63,385 | 67,722 | 628,036 | 764,979 |
| Other postemployment benefits | 102,929 | 98,152 | 16,039 | 12,776 | 118,968 | 110,928 |
| Total deferred outflows of resources | 673,200 | 799,537 | 90,458 | 92,014 | 763,658 | 891,551 |
| **Liabilities:** | | | | | | |
| Current and other liabilities | 428,571 | 522,415 | 184,211 | 193,109 (a) | 612,782 | 715,524 |
| Long-term liabilities | 1,661,591 | 1,403,958 (a) | 1,417,102 | 1,338,705 (a) | 3,078,693 | 2,742,663 |
| Net pension liability | 2,070,435 | 3,214,827 | 272,444 | 376,970 | 2,342,879 | 3,591,797 |
| Net OPEB Liability | 716,818 | 787,874 | 61,406 | 77,000 | 778,224 | 864,874 |
| Total liabilities | 4,877,415 | 5,929,074 | 1,935,163 | 1,985,784 | 6,812,578 | 7,914,858 |
| **Deferred inflows of resources:** | | | | | | |
| Gain on refundings of debt | 3,371 | 3,634 | - | - | 3,371 | 3,634 |
| Pensions | 852,722 | 33,835 | 90,303 | 7,468 | 943,025 | 41,303 |
| Other postemployment benefits | 137,243 | 93,560 | 20,681 | 7,225 | 157,924 | 100,785 |
| Leases | 13,855 | 15,717 (a) | 10,177 | 12,212 (a) | 24,032 | 27,929 |
| Total deferred inflow of resources | 1,007,191 | 146,746 | 121,161 | 26,905 | 1,128,352 | 173,651 |
| **Net position:** | | | | | | |
| Net investment in capital assets | 3,777,037 | 4,089,937 | 1,232,173 | 1,209,959 (a) | 5,009,210 | 5,299,896 |
| Restricted | 1,178,965 | 1,116,441 | 71,173 | 49,784 | 1,250,138 | 1,166,225 |
| Unrestricted | (2,586,680) | (2,978,383) | 307,825 | 222,685 (a) | (2,278,855) | (2,755,698) |
| Total net position | $ 2,369,322 | $ 2,227,995 | $ 1,611,171 | $ 1,482,428 | $ 3,980,493 | $ 3,710,423 |

(a) FY 2021 balances have been restated as a result of implementing GASB 87, Leases.

At June 30, 2022, the City reported positive balances in net position on a total basis. Net investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, equipment, and lease assets less outstanding debt used to acquire assets and deferred inflows and outflows related to debt) of $5.009 billion comprises 125.84 percent of the City's total net position. These capital assets facilitate providing services to the San José community, but they are not liquid, and therefore not available for future spending. During FY 2022, net investment in capital assets decreased by $290.7 million primarily due to the decreases of $312.9 million from governmental activities and the increase of $22.2 million from business-type activities. A portion of the City's net position, $1.250 billion or 31.41 percent, are subject to legal restrictions for their use, including $1.179 billion in governmental activities and $71.2 million in business-type activities. Of the total net position at June 30, 2022, a deficit balance of $2.279 billion or 57.25 percent represents unrestricted net position, which comprises a deficit balance of $2.587 billion for governmental activities, and a positive balance of $307.8 million for business-type activities. The primary factor contributing to the deficit in unrestricted net position is the City's net pension and OPEB liabilities.

During FY 2022, the City's total net position increased by $270.1 million. Notable changes in the statement of net position between June 30, 2022 and June 30, 2021 include:

**Assets**

- Capital assets decreased by $87.1 million compared to the prior fiscal year. Governmental capital assets decreased by $170.5 million and business-type capital assets increased by $83.4 million. The decrease in governmental capital assets resulted from depreciation expense of $234.8 million for major infrastructure and other assets and $2.4 million in net deletions, partially offset by additions to capital assets of $66.7 million, which included $38.0 million of additional capital projects, $13.3 million in vehicles and equipment, $8.4 million from property acquisitions and $7.0 million of contributed capital from donated infrastructure assets. The increase in business-type capital assets was primarily due to additions to capital assets of $177.3 million primarily from the Airport and Wastewater Treatment Facility, offset by depreciation expense of $92.6 million and net of deletions of $1.4 million.
- Current and other assets increased by $337.5 million or 9.92 percent due to an increase by $246.9 million for governmental activities and an increase by $90.6 million for business-type activities. The increase in governmental activities is mainly due to the increase in property taxes collection based on a strong real estate market and real property transfer tax receipts (Measure E). The increase in current assets for business-type activities is mainly due to higher cash and investments and receivables resulting from more revenue received through charges for services and operating contributions.

**Liabilities**

- Total long-term liabilities decreased by $999.5 million to $6.200 billion at June 30, 2022, which represents a decrease by 13.88 percent compared to $7.199 billion at June 30, 2021. The primary factors leading to the decrease in long-term liabilities for governmental activities of $957.8 million was due to the decrease of net pension liability by $1.144 billion and the net OPEB liability by $71.1 million, offset by the increase of long-term obligations by $257.6 million. The primary factor leading to the decrease in long-term liabilities for business-type activities of $41.7 million was the result of a decrease of net pension liability by $104.5 million and the net OPEB liability by $15.6 million, offset by an increase of long-term obligations by $78.4 million.
- Net pension liability decreased by $1.249 billion since the prior measurement date, primarily due to investments earning more than the assumed rate of return offset by experience losses and assumption changes that increased the net pension liability.

- Net OPEB liability decreased by $86.7 million since the prior measurement date, primarily due to investments earning more than the assumed rate of return and experience gains offset by assumption changes that increased the net OPEB liability.
- Current and other liabilities decreased by $102.7 million or 14.36 percent due primarily to a decrease in governmental activities. The decrease in governmental activities of $93.8 million is driven by a reduction of $63.0 million in accounts payable and $34.2 million in unearned revenue. For business-type activities, current and other liabilities decreased by $8.9 million.

**Deferred Outflows/Inflows of Resources**

- Deferred outflows of resources decreased by $127.9 million to $763.7 million at June 30, 2022, which represents a decrease by 14.35 percent compared to $891.6 million at June 30, 2021. The primary factor leading to the decrease in deferred outflows of resources is the reduction in deferred outflows of resources related to pensions of $136.9 million.
- Deferred inflows of resources increased by $954.7 million to $1.128 billion at June 30, 2022, which represents an increase by 549.78 percent compared to $173.7 million at June 30, 2021. The increase of deferred inflows of resources was primarily due to the increase in deferred inflows of resources related to pensions of $901.7 million.

**Net Position**

- Unrestricted net position for governmental activities increased by $391.7 million or 13.15 percent with a deficit balance of $2.587 billion at June 30, 2022. The primary factors contributing to the deficit in unrestricted net position are the City's net pension and OPEB liabilities. For business-type activities, unrestricted net position increased by $85.1 million or 38.23 percent with a positive balance of $307.8 million at June 30, 2022.

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

**Statement of Activities**
**For the Years Ended June 30, 2022 and 2021**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| **Revenues:** | | | | | | |
| Program revenues: | | | | | | |
| Fees, fines, and charges for services | $ 459,284 | $ 366,388 | $ 920,732 | $ 728,229 (a) | $ 1,380,016 | $ 1,094,617 |
| Operating grants and contributions | 263,444 | 250,875 | 37,956 | 55,804 | 301,400 | 306,679 |
| Capital grants and contributions | 79,426 | 99,684 | 7,115 | 14,412 | 86,541 | 114,096 |
| General revenues: | | | | | | |
| Property and other taxes | 697,059 | 593,878 | - | - | 697,059 | 593,878 |
| Utility | 124,906 | 127,844 | - | - | 124,906 | 127,844 |
| Franchise | 48,378 | 45,628 | - | - | 48,378 | 45,628 |
| Transient occupancy taxes | 26,284 | 13,479 | - | - | 26,284 | 13,479 |
| Business taxes | 85,375 | 71,169 | - | - | 85,375 | 71,169 |
| Sales taxes | 323,144 | 284,020 | - | - | 323,144 | 284,020 |
| State of California in-lieu | 1,190 | 770 | - | - | 1,190 | 770 |
| Unrestricted interest and investment income (loss) | (27,844) | 14,438 | (15,369) | 1,808 | (43,213) | 16,246 |
| Other revenue | 52,649 | 49,798 | 1,307 | 1,995 (a) | 53,956 | 51,793 |
| Gain on sale of capital assets | 1,766 | 6,913 | - | - | 1,766 | 6,913 |
| Total revenues | 2,135,061 | 1,924,884 | 951,741 | 802,248 | 3,086,802 | 2,727,132 |
| **Expenses:** | | | | | | |
| General government | 230,695 | 351,491 | - | - | 230,695 | 351,491 |
| Public safety | 614,802 | 783,928 | - | - | 614,802 | 783,928 |
| Community services | 375,192 | 345,762 | - | - | 375,192 | 345,762 |
| Sanitation | 202,142 | 184,816 | - | - | 202,142 | 184,816 |
| Capital maintenance | 531,355 | 487,239 | - | - | 531,355 | 487,239 |
| Interest and fiscal charges | 43,808 | 38,021 | - | - | 43,808 | 38,021 |
| Norman Y. Mineta San José International Airport | - | - | 221,613 | 205,375 (a) | 221,613 | 205,375 |
| Wastewater Treatment System | - | - | 197,430 | 211,098 | 197,430 | 211,098 |
| Municipal Water System | - | - | 53,627 | 51,936 | 53,627 | 51,936 |
| Parking System | - | - | 13,143 | 12,581 | 13,143 | 12,581 |
| San José Clean Energy | - | - | 332,925 | 292,670 | 332,925 | 292,670 |
| Total expenses | 1,997,994 | 2,191,257 | 818,738 | 773,660 | 2,816,732 | 2,964,917 |
| Excess (deficiency) before transfers | 137,067 | (266,373) | 133,003 | 28,588 | 270,070 | (237,785) |
| Transfers | 4,260 | 3,262 | (4,260) | (3,262) | - | - |
| Change in net position | 141,327 | (263,111) | 128,743 | 25,326 | 270,070 | (237,785) |
| Net position at beginning of year | 2,227,995 | 2,491,106 | 1,482,428 | 1,457,102 (a) | 3,710,423 | 3,948,208 |
| Net position at end of year | $ 2,369,322 | $ 2,227,995 | $ 1,611,171 | $ 1,482,428 | $ 3,980,493 | $ 3,710,423 |

(a) FY 2021 balances have been restated as a result of implementing GASB 87, Leases.

**Governmental activities:** The change in net position for governmental activities increased by $404.4 million during FY 2022 from a deficit of $263.1 million to a surplus of $141.3 million. Total expenses decreased by $193.3 million and total revenues including transfers increased by $211.2 million. The major factors contributing to the increase in net position in FY 2022 compared to FY 2021 are as follows:

**Revenues**

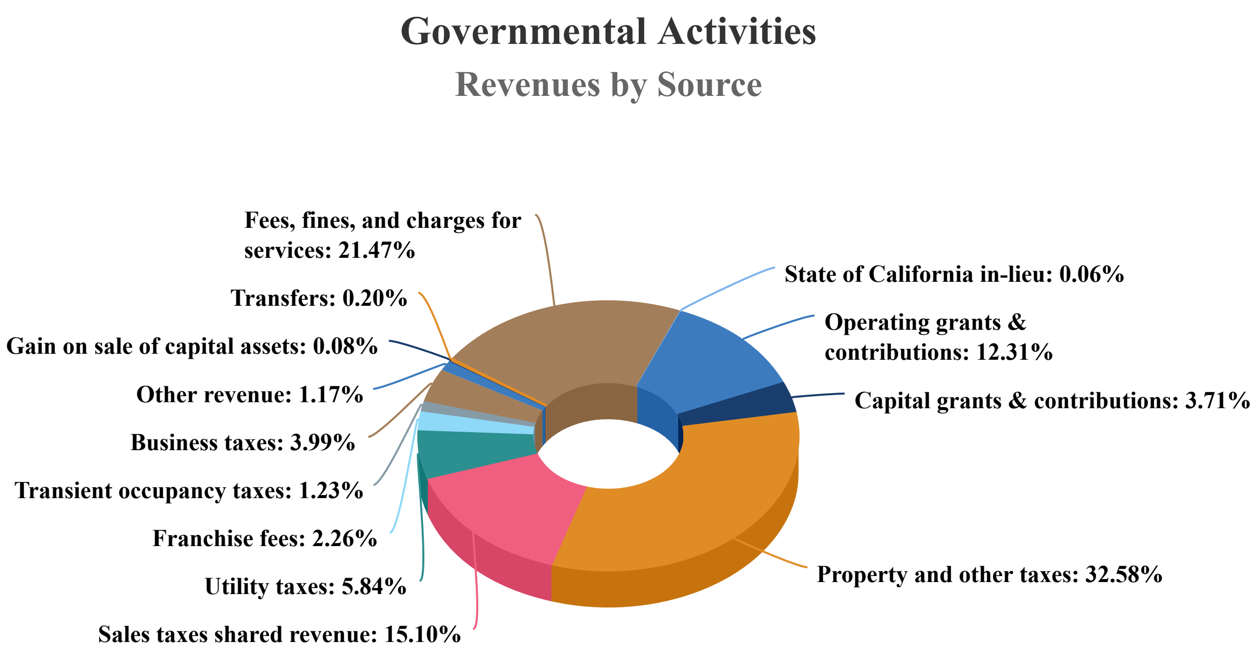
- Fees, fines, and charges for services increased by $92.9 million or 25.35 percent mainly due to a $25.2 million increase in Housing Activities Fund primarily from collection of inclusionary in-lieu fee, $22.0 million increase in Integrated Waste Management Fund resulting from higher revenue collected from Recycle Plus Collection Charges, $18.1 million increased in Convention and Cultural Facilities Fund due to business recovery from pandemic, and $23.4 million increase in General Fund. The change in General Fund primarily included $13.9 million collected from Parks, Recreation, and Neighborhood Services ("PRNS") Department's fee revenue, and $5.1 million from citations, fines, and penalties.
- Operating grants and contributions increased by $12.6 million or 5.01 percent mainly due to an increase in General Fund, primarily attributable to higher grant revenue payments such the receipt of $2.2 million for Mobile Operation Satellite System and reimbursements of $7.5 million for Office of Emergency Services' strike team. Furthermore, operating grants related to COVID-19 response and recovery increased by $1.6 million due to an increase of $103.0 million from the American Rescue Plan Act ("ARPA"), offset by a decrease of $101.4 million from the Coronavirus Relief Fund ("CRF").
- Capital grants and contributions decreased by $20.3 million or 20.32 percent mainly due to the decrease in contributions received from donated assets, from $16.6 million in FY 2021 to $7.6 million in FY 2022. Additionally, there was a decrease due to the payoff of special assessment bonds, Series 24Q, for $5.8 million in FY 2022.
- Other revenues and transfers increased by $126.0 million or 10.40 percent mainly due to a $103.2 million increase in property taxes due to higher assessed valuations based on a strong real estate market and Measure E property tax, and a $39.1 million increase in sales taxes due to favorable economy. Furthermore, business taxes and transient occupancy taxes increased $14.2 million and $12.8 million, respectively, due to recovery from pandemic. This was offset by the decrease in unrestricted interest and investment income for $42.3 million due to the City's pooled investments recorded unrealized losses as of June 30, 2022. The City only invests in fixed income securities which are purchased with maturities up to five years. Beginning in March 2022, interest rates increased as the Federal Reserve tightened monetary policies to curb rising U.S. inflation. Fair value of fixed income securities typically falls in a rising interest rate environment. The losses in fair value can only be realized when the security is sold. Since the City maintains a buy-and-hold investment strategy, losses on pooled investments are not expected to be realized.

**Expenses**

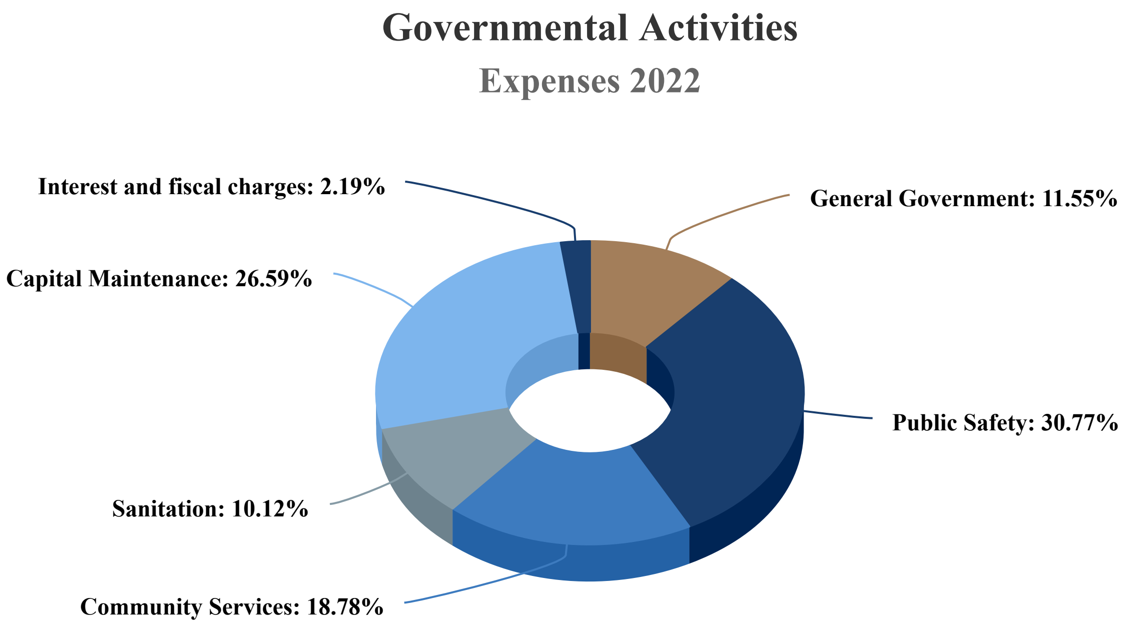
- Pension expense decreased $349.7 million during FY 2022. Federated City Employees' Retirement System ("FCERS")'s pension expense decreased by $142.6 million and Police and Fire Department Retirement Plan ("PFDRP")'s pension expense decreased by $207.1 million primarily due to the reduction of net pension liability in both plans.
- OPEB expense decreased by $38.4 million during FY 2022. FCERS's OPEB expense decreased by $25.6 million and PFDRP's OPEB expense decreased by $12.8 million primarily due to the reduction of net OPEB liability in both plans.

- General government expenses decreased by $120.8 million or 34.37 percent during FY 2022 mainly due to pension expense decreased $99.2 million. Additionally, a $49.5 million decrease in personnel, local assistance, and other miscellaneous expenses related to COVID-19 response activities, offset by a $22.6 million increase in general liability expenses due to the City having numerous unsettled lawsuits filed or claims asserted as of June 30, 2022.
- Public safety expenses decreased by $169.1 million or 21.57 percent primarily due to the reduction of net pension and OPEB expenses for $207.1 million and $8.6 million, respectively. These changes were offset by the increases of $48.6 million in the General Fund. The change in the General Fund included a $27.4 million increase in police personnel expenses and a $23.8 increase in fire suppression personnel expenses.
- Community services expenses increased by $29.4 million or 8.51 percent mainly due to the increase of $21.4 million in Parks, Recreation and Neighborhood Services due to higher fee related expenses and expenses to support the Beautify San José program to provide dedicated and enhanced focus on ridding the City of blight. Additionally, an increase of $14.9 million in labor expenses in Convention and Cultural Facilities, offset by a decrease of $11.4 million spent on emergency shelter and homeless prevention, all due to the recovery from pandemic.
- Sanitation expenses increased by $17.3 million or 9.37 percent primarily due to the increase of expenses incurred in the Integrated Waste Management Fund, which included an annual adjustment of $15.8 million due to inflation built into solid waste hauler contracts.
- Capital maintenance expenses increased by $44.1 million or 9.05 percent primarily due an increase of $42.6 million in the General Fund. The change in General Fund included a $19.2 million increase due to fire training center relocation, $6.2 million on Measure E Homelessness Prevention, $3.1 million on Police buildings and elevator improvements, and Fire apparatus replacement for $1.9 million.
- Interest and fiscal charges increased by $5.8 million or 15.22 percent in FY 2022 due to the addition of $4.5 million in 2021 GO Bond interest payments.

The chart below shows the primary components of governmental activities revenue sources for FY 2022. Of the $2.139 billion in total revenues and transfers generated by governmental activities, 81.46 percent is attributable to four categories: property and other taxes (32.58 percent), fees, fines, and charges for services (21.47 percent), sales taxes (15.10 percent), operating grants and contributions (12.31 percent).



The chart below shows the major categories of FY 2022 expenses for governmental activities. Of the $1.998 billion in total expenses incurred by governmental activities, 87.69 percent is attributable to four categories: public safety (30.77) percent, capital maintenance (26.59) percent, community services (18.78) percent and general government (11.55) percent.




**<u>Business-type activities:</u>** Business-type activities net position increased by $128.7 million or 8.68 percent to $1.611 billion in FY 2022.

The notable components of the changes in net position for business-type activities in FY 2022 are:

**<u>Airport</u>** change in net position from prior year activities showed an increase of $18.5 million in FY 2022 compared to an increase of $12.9 million in FY 2021. The increase in operating revenues and Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC") revenue resulted from the increase in passenger activity, the decrease in interest expense, and capital contributions, were partially offset by the increase in net revenue sharing with participating airlines and operating expenses, and the decrease in grant revenues.

Net nonoperating revenues decreased $27.6 million mainly due to a $26.1 million increase in the participating airline net revenue sharing due as of June 30, 2022. Capital contributions decreased by $6.1 million.

The Airport had a net operating income of $22.8 million, an increase of $39.8 million compared to prior year's operating loss of $17.0 million. Operating revenues increased by 35.55 percent from $131.1 million in FY 2021 to $177.7 million in FY 2022 mainly due to increased passenger activity.

Operating expenses in FY 2022 increased by 4.56 percent, or $6.8 million, from $148.1 million in FY 2021 to $154.9 million in FY 2022 reflective of the increased passenger activity.

**Wastewater Treatment System** net position increased by $89.5 million or 8.54 percent from $1.048 billion to $1.138 billion. The increase was primarily due to revenues exceeding expenses (before capital contributions) by $90.3 million. The largest portion, $948.3 million or 83.35 percent, of the net position was its net investment in capital assets (e.g. land, buildings, and infrastructure) less outstanding debt that was used to acquire those assets. Approximately $189.4 million, or 16.65 percent of the total net position, constitutes unrestricted net position, which may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Operating revenues increased $58.1 million primarily due to higher contributions from the City of Santa Clara and the Tributary Agencies toward the Water Pollution Control Plant ("the Plant") ongoing maintenance and replacement costs by $62.1 million offset by lower sewer revenue due to decrease in sewer discharges in commercial user categories by $3.7 million.

Total operating expenses decreased by $14.0 million compared to the prior fiscal year. The decrease was mainly due to a net decrease of $16.0 million in pension expense and OPEB expense, a $4.6 million decrease in the Condition Assessment and Urgent Rehabilitation and Repair projects in the sewer collection system and a $1.1 million decrease in the Plant Master Plan Updates; offset by a $4.0 million increase in Owner-Controlled Insurance Program expenses, which provides a centralized insurance program for risks associated with onsite construction of the Plant CIP, and a $3.4 million increase in personal and non-personal service costs.

Net nonoperating revenues/expenses decreased by $9.1 million primarily due to decreases in the fair value of investments. Capital contributions decreased by $1.1 million mainly due to a $1.1 million decrease in donated assets from developers.

**Municipal Water System** net position increased by $0.8 million or 0.87 percent from $92.2 million to $93.0 million. The increase was due to operating revenue exceeding operating expenses. Operating revenues of $55.5 million decreased by $0.6 million or 1.05 percent due to increases in wholesale water rates and conservation of potable and recycled water usage and the decrease of $0.8 million in interest income. Operating expenses of $53.6 million increased by $1.7 million or 3.26 percent largely due to increases in wholesale water purchases, personnel and benefit costs and increases in the costs of goods and services.

**Parking System** net position decreased by $2.0 million or 2.27 percent from $90.3 million to $88.3 million. Operating revenues increased by $5.9 million or 83.98 percent from $7.1 million to $13.0 million. Nonoperating revenues and expenses decreased by $2.4 million or 2,429.59 percent. The decrease in nonoperating revenues and expenses is primarily the decrease in investment income and loss on disposal of capital assets. The decrease of investment income arises from fair value and amortized cost which is based on unrealized gain/loss from capitalized City pooled investments. The loss on disposal of capital assets was from Revenue Control Equipment that was disposed of through the annual inventory review process. Operating expenses decreased by $0.8 million or 6.5 percent.

**San José Clean Energy (SJCE)** is the enterprise fund established in FY 2018 to account for revenues from the sale of electricity and the costs associated with the San José Clean Energy ("SJCE") Program. Operating revenues were $351.1 million and expenses were $331.3 million in FY 2022. In FY 2021, operating revenues were $280.4 million and expenses were $291.6 million. Operating revenues increased approximately 25.22 percent while expenses increased 13.60 percent. The year-over-year increase in operating revenues stems from increases in rates made in January 2022 and March 2022. SJCE establishes rates that mirror the structure of Pacific Gas and Electric's ("PG&E's") rates, while factoring in PG&E fees that SJCE customers pay as part of SJCE's rate setting.

In FY 2021, SJCE's unrestricted cash reserves were depleted as a result of reduced revenues due to PG&E's significant increase of the Power Charge Indifference Adjustment ("PCIA") fee, and SJCE's subsequent rate reduction to accommodate the fee. To mitigate declining revenues, SJCE increased the rates of their two established energy products and introduced a new low-cost product in addition to discounted rate programs for low income customers in May 2021. To sustain cash reserves as SJCE recovered from the loss of revenue, the City Council approved SJCE's participation in the City of San José Financing Authority's Commercial Paper Program for up to $95.0 million, and SJCE has borrowed $60.0 million in increments from June through December 2021. SJCE has not yet commenced re-payment of the Commercial Paper funds borrowed, however no further borrowing was needed in FY 2022.

As of June 30, 2022, SJCE serves approximately 350,000 customer accounts in San José with three electricity rate options that provide customers with the ability to select the rate plan that best serves their financial needs while also providing access to service choices with renewable energy content that is greater than that of the electricity provided by PG&E.

## 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.

As of June 30, 2022, the City's governmental funds reported combined fund balances of $2.221 billion compared to $1.861 billion balances in FY 2021. The governmental fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned.

- $0.1 million consists of nonspendable fund balance related to advances and deposits long-term in nature that are not intended to convert into cash and do not represent currently available resources.
- $1.452 billion is reported as restricted fund balance that includes restrictions imposed by external parties or enabling legislation. This amount includes unspent bond proceeds, unspent grant revenues, and restricted tax revenues.
- $169.5 million is reported as committed fund balance that had been limited by formal Council action for a specific purpose.
- $373.6 million is reported as assigned fund balance that includes amounts that may be used for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- $225.9 million is reported as unassigned fund balance that represents the residual classification for the City's General Fund and San José Financing Authority Debt Service Fund and includes all spendable amounts not contained in the other classifications.

**General Fund.** The General Fund is the chief operating fund of the City. At June 30, 2022, the General Fund unassigned fund balance is $226.0 million or 39.43 percent of the $573.1 million total General Fund balance. Comparing unassigned 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, 2022, unassigned fund balance represents 18.53 percent of total General Fund expenditures of $1.219 billion, while total fund balance represents 47.01 percent of total General Fund expenditures. At June 30, 2021, the same measures were 0.68 percent and 34.73 percent, respectively.

The General Fund ending fund balance increased by $159.7 million from $413.3 million to $573.1 million at June 30, 2022.

In FY 2022, General Fund revenues of $1.382 billion were $200.7 million or 16.99 percent higher than FY 2021 revenues of $1.181 billion. The general Secured Property Tax receipts growth of $15.2 million in FY 2022 primarily reflects an increase in assessed value due to changes in ownership or new construction. Secured Property Tax collections were positively impacted by excess Educational Revenue Augmentation Fund (ERAF) revenue. ERAF collections totaled $38.9 million in FY 2022, which is $5.7 million above the FY 2021 collection level. General Sales Tax receipts grew by $39.1 million due to an increase in merchandise that are subject to the tax. Additionally, the Real Property Transfer Tax collections totaled $110.0 million, which is $59.5 million above prior year collections due to the significant number of large commercial properties sold. Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by the several City departments, the largest of which are Parks, Recreation, and Neighborhood Services ("PRNS") Department Fees. PRNS Department Fee revenue ended the year at $16.0 million, which is significantly above the FY 2021 collection level of $2.1 million. This large year over year increase in PRNS fee revenue is due to the deep impact felt by pandemic-related health orders in FY 2021 on PRNS fee related programs.

FY 2022 General Fund expenditures of $1.219 billion were $28.8 million or 2.42 percent higher than FY 2021 expenditures of $1.190 billion. The increase was primarily due to a $51.2 million increase in personnel services for Fire and Police due to elevated sworn overtime usage to backfill vacancies and absences of line duty positions, $10.8 million increase in the fire training center location, $7.0 million increase for one-time funding from the Sworn Hire Ahead Program to pay for Police Academy Recruits as well as to backfill the patrol and investigative positions on overtime, $6.1 million increase in the Measure E – Homeless Prevention that address the lack of affordable housing and increase in the homeless population, and $6.0 million increase in general liability claims payments.

**Housing Activities Fund.** The City's Housing Activities fund receives resources from the U.S. Department of Housing and Urban Development and the California Department of Housing and Community Development and, in FY 2022, COVID-19 related funding through the U. S. Treasury. At June 30, 2022, the fund's loan receivable balance (net), which represents loans to developers of various affordable housing projects and first-time homebuyers, was $60.5 million. This balance includes loans to developers for various projects, including Ford and Monterey, Taylor Oaks Apartments, Donner Lofts, Japantown Seniors, The Metropolitan, Roundtable, Kings Crossing, Fourth Street Apartments, Peacock Commons, Archer Studios, Curtner Studios, Homesafe, Markham Plaza, Corde Terra Village Senior, Willow Glen Senior Housing, Leigh Avenue Senior Apartments, and Second Street Studios.

Restricted fund balance increased by $38.4 million to $183.1 million at June 30, 2022. The increase is primarily due to revenues from intergovernmental ($33.4 million) and investment and other revenues ($55.4 million) exceeding expenditures for community service ($50.1 million). Community services expenditures decreased by $11.4 million or 18.54 percent compared to prior year due to lower spending on emergency shelters. In addition, no expenditures were spent on capital outlay in the current year as compared to $10.9 million spent in the prior year.

**Low and Moderate Income Housing Asset Fund.** The Low and Moderate Income Housing Asset fund was created pursuant to the Redevelopment Dissolution Law to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Redevelopment Agency. At June 30, 2022, the fund's loan receivable balance (net) was $220.0 million. This balance consists mainly of loans to developers for various projects including Almaden Family Apartments, Belovida Apartments, Brookwood Terrace, Cinnabar Commons, Corde Terra Village, Las Ventanas, Oak Tree Village, Pollard Plaza, Villas on the Park, Second Street Studios, and The Metropolitan

(South). Restricted fund balance decreased by $3.3 million to $434.5 million from $437.8 million. The decrease is primarily due to a land purchase of $3.1 million.

**Special Assessment Districts Fund.** The Special Assessment Districts fund accounts for debt issuance and capital improvements related to the specific purposes of special assessment and community facilities districts located in different parts of the City. A total of $3.5 million in special assessment and special tax bonds were outstanding at June 30, 2022. All bonds are secured by special assessments or special taxes charged to the owners' real property in the district issuing the debt. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund for these bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

Restricted fund balance decreased by $11.0 million from $41.2 million to $30.2 million as of June 30, 2022. The total revenues of $10.7 million were below total expenditures of $20.5 million for FY 2022. The net transfers amount of negative $1.2 million resulted in a $11.0 million negative change in fund balance. The increase of expenditures for $7.1 million, or 52.9 percent compared to the prior fiscal year was predominantly related to current refunding escrow for Convention Center expansion and renovation project of $8.2 million in FY 2022.

**City of San José Financing Authority Fund.** The City's Financing Authority Debt Service Fund accounts for debt activity related to lease revenue bonds and commercial paper notes, which serves as a mechanism for financing City public improvements and other eligible purposes. Unassigned fund balance increased by $46.0 million from a deficit of $44.3 million to $1.7 million as of June 30, 2022. The increase was primarily due to a $50.9 million increase in bond proceeds to refinance commercial paper, and a decrease of $4.0 million to refund 2003A and 2011A Lease Revenue Bonds using current resources.

**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, 2022, the unrestricted net position was $36.8 million for the Airport, $189.4 million for the Wastewater Treatment System, $18.8 million for the Municipal Water System, $34.5 million for the Parking System, and $28.3 million for the San José Clean Energy fund. Net position for proprietary funds increased from $1.482 billion at June 30, 2021 to $1.611 billion at June 30, 2022, resulting in an increase of $128.7 million or 8.68 percent.

Other aspects of proprietary fund activities are discussed in the business-type activities section above.

## General Fund Budgetary Highlights

The City Charter requires the City Manager to submit balanced 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 FY 2022 budget in June 2021.

During the year ended June 30, 2022, there was a $258.1 million increase in the budgeted revenues between the original and final amended operating budget for the General Fund. The increase in budgeted revenues was due to $86.6 million increase in the Property Tax category, $82.9 million increase in the Intergovernmental category, and $43.0 million increase in the Sales Tax category.

Actual budgetary basis expenditures of $1.289 billion were $146.1 million less than the amended budget as of June 21, 2022, and $298.9 million less than the original budget due to planned expenditures not occurring in the year ended June 30, 2022. Some of the unexpended expenditures include the Fire Apparatus Replacement, Fire Training Center Relocation, the Tech Museum Controls Module Improvements, Police Athletic League Stadium Turf Replacement, and other miscellaneous projects.

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to $7.419 billion at June 30, 2022. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, right-to-use assets, intangible assets, and construction in progress. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. For the year ended June 30, 2022, net capital assets decreased by $0.087 billion ($170.5 million decreased in governmental activities and $0.083 billion increased in business-type activities) compared to net capital assets at June 30, 2021. The decrease of $170.5 million in governmental activities is primarily due to depreciation expense of $234.8 million and net deletions of $2.4 million. The decrease was offset by acquisitions of $66.7 million. The increase of $0.083 billion in capital assets in the business-type activities resulted from depreciation expense of $92.6 million and deletions of a net value of $1.4 million, offset by additions of capital projects of $161.9 million and additions of $15.5 million in other capital improvements primarily at the Airport and the Wastewater Treatment Facility, respectively.

Total construction in progress increased by $157.4 million from $624.7 million at June 30, 2021 to $782.1 million at June 30, 2022. Construction in progress for the governmental activities increased by $3.6 million primarily due to $38.0 million additions to CIP projects and $34.4 million net of projects being transferred into service. Business-type activities contributed an increase of $153.8 million to the total CIP as additions to the Airport and the Wastewater Treatment System totaling $161.8 million was offset by $0.1 million deletions and $7.9 million projects that were completed and placed in service. The completed Airport projects include the following: Amadeus Network Upgrade and Upgrade Public Wi-Fi.

The City records infrastructure assets at historical cost in the government-wide financial statements and depreciates assets from acquisition date to the end of the current fiscal year as required by GASB Statement No. 34. For governmental fund financial statements recording purposes, capital asset purchases are recorded as expenditures, rather than capitalizing and recording related depreciation.

Capital assets, net of depreciation, for governmental and business-type activities in the government-wide financial statements are presented below to illustrate changes between June 30, 2022 and June 30, 2021 (in thousands):

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $ 549,676 | $ 542,184 | $ 137,938 | $ 137,938 | $ 687,614 | $ 680,122 |
| Intangible assets | - | - | 12,882 | 12,882 | 12,882 | 12,882 |
| Construction in progress | 141,466 | 137,876 | 640,685 | 486,870 | 782,151 | 624,746 |
| Buildings | 871,508 | 904,399 | 974,254 | 1,019,595 | 1,845,762 | 1,923,994 |
| Improvements, other than buildings | 237,074 | 235,023 | 666,588 | 687,315 | 903,662 | 922,338 |
| Infrastructure | 3,019,636 | 3,162,624 | - | - | 3,019,636 | 3,162,624 |
| Furniture and fixtures, vehicles, equipment | 47,346 | 53,518 | 114,291 | 118,556 | 161,637 | 172,074 |
| Right-to-use assets* | 4,799 | 6,363 | 357 | 483 | 5,156 | 6,846 |
| Total capital assets | $ 4,871,505 | $ 5,041,987 | $ 2,546,995 | $ 2,463,639 | $ 7,418,500 | $ 7,505,626 |

* FY 2021 balances have been restated due to the implementation of GASB 87, Leases

Commitments outstanding as of June 30, 2022, related to governmental and business-type activities construction in progress totaled approximately $30.7 million and $362.9 million, respectively. Additional information about the City's capital assets can be found in the Notes to Basic Financial Statements, Note III.D.

### Net General Obligation Bonded Debt Limit

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property on the City's FY 2022 tax roll was $222.7 billion, which results in a total debt limit of approximately $33.4 billion. As of June 30, 2022, the City had $582.1 million of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is $32.8 billion.

### General Obligation Bonds and Other Bond Ratings

The City's General Obligation credit ratings as of June 30, 2022 are Aa1/AA+/AAA from Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), respectively. The credit ratings from Moody's, S&P and Fitch were confirmed in June 2021, respectively, and remained unchanged from the prior year. The City continues to be one of the highest rated large cities (with population over 250,000) in California.

As of June 30, 2022, the credit ratings and the outlook of the respective credit rating agencies for the City of San José Financing Authority ("Authority"), lease revenue bonds are set forth in the table below.

| Series | Moody's | S&P | Fitch |
|---|---|---|---|
| 2013B, 2020A, and 2021A | Aa2 | AA | AA |
| 2020B | Aa3 | AA | AA- |
| 2022A | Aa3 | AA | AA |
| Rating Outlook | Stable | Stable | Stable |

As of June 30, 2022, the underlying credit ratings of the City of San José Airport Revenue Bonds were rated by Moody's, S&P and Fitch: A2, A and A, respectively, all with stable outlooks.

## Outstanding Debt

The City's debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds, revenue notes, and special tax bonds. During the current fiscal year, the City's outstanding long-term debt increased by $301.9 million to $2.763 billion, comprising $1.387 billion of governmental activities and $1.376 billion of business-type activities. The increase of $223.4 million in governmental activities is due to:

- Issuance of $200.5 million of CSJ General Obligation bonds for Series 2021A, 2021B, and 2021C (2021C was issued and retired in the same year) to finance improvement projects authorized under Measure T;
- Issuance $22.8 million (plus $4.2 million in premium) in Lease Revenue Refunding Bonds, Series 2021A to (i) refinance on a current basis the outstanding Lease Revenue Bonds, Series 2003A of the Authority for $3.2 million ($1.5 million of new money plus $1.7 million from the 2003A Reserve account)(Central Service Yard Refunding Project), (ii) refinance on a current basis the outstanding Central Service Yard Commercial Paper Notes of the Authority for $2.5 million, (iii) finance the acquisition and construction of public improvements for $22.6 million, and (iv) pay the issuance costs of $0.4 million of the CSJFA 2021A Bonds; and
- Issuance of $165.8 million of Taxable Lease Revenue Bonds, Series 2022A to (i) refinance on a current basis the outstanding Special Hotel Tax Revenue Bonds, Series 2011 (Convention Center Expansion

and Renovation Project) for $96.2 million ($88.0 million of new money plus $8.2 million from remaining funds from 2011 CCFD Bonds) (ii) refinance on a current basis the outstanding Lease Revenue Bonds, Series 2011A (Convention Center Expansion and Renovation Project) for $28.1 million ($25.8 million of new money plus $2.3 million from remaining funds from 2011A Bonds), (iii) refinance the outstanding Exhibit Hall for $8.4 million and South Hall for $42.4 million Commercial Paper Notes of the Authority, and (iv) pay the issuance costs of $1.2 million for the CSJFA 2022A Bonds.

The increase of $78.5 million in the business-type activities is primarily due to the issuance of Regional Wastewater Facility Revenue Notes in the amount of $86.5 million to finance the expenses associated with capital improvement of the San José-Santa Clara Regional Wastewater Facility. Additional information about the City's outstanding debt can be found in the Notes to Basic Financial Statements, Note III.F.

## COVID-19 Funding Sources

As of June 30, 2022, the City was awarded and/or appropriated $810 million in federal, state and local grants and relief funding, including approximately $178.3 million of Coronavirus Relief Fund ("CRF") money under the CARES Act and $212.3 million of American Rescue Plan funding, to address the impact of the COVID-19 pandemic.

| **COVID-19 Related Funding Sources (in thousands)** | **Acronym** | **Amount** |
|---|---|---|
| Coronavirus Relief Fund | CRF | $ 178,295 |
| Community Development Block Grant Supplemental Funding | CDBG | 12,842 |
| Emergency Solutions Grant | ESG | 35,520 |
| Housing Opportunities for Person with AIDS | HOPWA | 210 |
| Federal Emergency Management Agency-Public Assistance | FEMA-PA | 38,080 |
| US Department of Justice-Bureau of Justice Assistance | BJA-Byrne | 866 |
| Federal Emergency Management Agency-Assistance for Firefighters | FEMA-AFG-S | 301 |
| Housing Opportunities for Person with AIDS-Competitive | HOPWA-Comp | 140 |
| California Emergency Homeless Housing | SB89 | 3,920 |
| California Homeless Housing, Assistance & Prevention Grant | HHAP | 28,499 |
| HOME Investments Partnerships Program | HOME | 23,227 |
| Emergency Rental Assistance Program - Phase 1 | ERA1 | 30,380 |
| Emergency Rental Assistance Program - Phase 2 | ERA2 | 36,278 |
| Resiliency Project | EDA-CRRP | 1,172 |
| Coronavirus State and Local Fiscal Recovery Fund (ARPA) | CSLFRF | 212,280 |
| San José Airport - CARES | SJC-CARES | 65,633 |
| San José Airport - CRSSAA Primary | CRSSAA-Primary | 13,422 |
| San José Airport - CRSSAA Concessions | CRSSAA-Concess | 1,643 |
| San José Airport - ARPA - Primary | SJC-Primary | 48,911 |
| San José Airport - ARPA - Concessions | SJC-Concess | 6,586 |
| California Project Homekey | HomeKey | 12,230 |
| California Affordable Housing | SB2 | 8,697 |
| Housing Authority Litigation Funds | HALA | 2,000 |
| California Arrearage Payment Program | CAPP | 4,349 |
| California Water and Wastewater Arrearage Program | CWWAP | 663 |
| Santa Clara County Office of Education | SCCOE | 400 |
| Continuity of Operations Reserve | General Fund | 43,500 |
| **Total Funding Sources** | | **$ 810,044** |

Note: The amounts reflect the base grant award excluding any interest earned.

## Economic Factors and Next Year's Budget

- Emerging from the pandemic, the City Council approved the FY 2022 Adopted Budget with the assumption that the City's revenue and overall budgetary position would improve as the community and region recovered from the pandemic. The City again leveraged a significant influx of external funding sources, including from the American Rescue Plan Act, to continue existing and initiate new community and economic recovery workstreams aligned to the City Council-approved Mayor's March and June Budget Messages for FY 2022 that focused on: Supporting an Equitable Recovery for a "Better Normal", Back to Basics – A Cleaner and Safer San José, Accelerating Solutions to Homelessness and the Affordable Housing Crisis, and Fiscal Resilience and Our Future.

  The broader economic recovery happened more quickly and robustly than many anticipated, providing a surge of revenues across several City funds, including the General Fund, that helped to significantly change the City's budgetary position in FY 2022 and into FY 2023. In the General Fund, actions were taken over the course of the year to increase revenue estimates across nearly all major categories, including Property Tax, Sales Tax, Business Tax, Real Property Transfer Tax (Measure E), Utility Taxes, and others. As City operations continued their transition from pandemic response into pandemic recovery and more normal business operations, and due to the extremely competitive labor market that made it challenging to fill vacant positions, the City experienced elevated levels of expenditure savings across many of its funds. As a result of these adjustments, as well as careful forecasting, monitoring, and management throughout all City funds, overall FY 2022 revenues and expenditures ended the year very close to budgeted expectations

- The FY 2023 Adopted Budget includes modest increase to staffing levels to support a variety of activities and limited enhancements to other critical services. Overall, the level of staffing will increase by a net 208 positions, from 6,647 full-time equivalent positions in the FY 2022 Adopted Budget to 6,855 positions in the FY 2023 Adopted Budget. This three percent increase still leaves City staffing well below its peak of almost 7,500 positions in FY 2002 and well below the average of large U.S. cities.

- As reported in the GASB 67/68 Report as of June 30, 2022 prepared by the actuary for PFDRP, the net position of the Defined Benefit Pension Plan was 78.31 percent of the total pension liability. The total pension liability was $5.631 billion, and the fiduciary net position was $4.410 billion, resulting in a net pension liability of $1.221 billion. This actuarial information will be used to report pension amounts in the City's FY 2023 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Retirement System.

- As reported in the GASB 67/68 Report as of June 30, 2022 prepared by the actuary for FCERS, the net position of the Defined Benefit Pension Plan was 57.75 percent of the total pension liability. The total pension liability was $4.689 billion, and the fiduciary net position was $2.708 billion, resulting in a net pension liability of $1.981 billion. This actuarial information will be used to report pension amounts in the City's FY 2023 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Retirement System.

- As of June 30, 2022, the net position of PFDRP's OPEB Plan was 33.57 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was $790.1 million and the fiduciary net position was $265.3 million, resulting in a net OPEB liability of $524.8 million.

This actuarial information will be used to report OPEB amounts in the City's FY 2023 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Retirement System.

- As of June 30, 2022, the net position of the FCERS's OPEB Plan was 51.46 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was $678.4 million and the fiduciary net position was $349.1 million, resulting in a net OPEB liability of $329.3 million. This actuarial information will be used to report OPEB amounts in the City's FY 2023 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Retirement System.
- For FY 2023, the City's contribution rates and amounts for pension benefits and postemployment healthcare benefits are as follows (in thousands):

| | PFDRP[1] | | | | FCERS[1] | |
|---|---|---|---|---|---|---|
| **Contribution Rates** | **Police Tier 1** | **Police Tier 2** | **Fire Tier 1** | **Fire Tier 2** | **Tier 1** | **Tier 2** |
| Retirement Pension | $ 99,360 [2] | 14.37% | $ 90,788 [2] | 15.18% | $ 184,423 [2] | 8.13% |
| Postemployment Healthcare Benefits | $ 17,503 | - | $ 10,972 | - | $ 18,318 | 4.95% |

[1] The rates are the Retirement Board adopted rates based on the June 30, 2021, actuarial valuations.

[2] PFDRP and FCERS Tier 1 pension contributions are discounted because the City prefunded those amounts in FY 2023.

# Forward-Looking Statements and Requests for Information

## Forward-Looking Statements

When used in this ACFR, the words or phrases "will likely result," "are expected to," "will continue," "is "anticipated", "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forwardlooking statements", but are not the exclusive means of identifying forward-looking statements in the ACFR. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this ACFR. The City undertakes no obligation to revise or update any forward-looking statements to reflect any event or circumstance that may arise after the date of the ACFR.

## Requests for Information

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances. All summaries of documents contained in this ACFR are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this ACFR to a document is qualified in its entirety by reference to such document, which is on file with the City.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 East Santa Clara Street, San José, California 95113. Requests for documents may be directed to the City department designated in the ACFR as the holder of a particular document or to the Director of Finance. This report can also be found online at https://www.sanjoseca.gov/your-government/departments/finance/reports.

# Basic Financial Statements

# City of San José
## Statement of Net Position
## June 30, 2022
## ($000's)

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ 1,663,950 | 780,603 | 2,444,553 |
| Other cash and investments | 7 | - | 7 |
| Receivables (net of allowances for uncollectibles) | 194,553 | 126,951 | 321,504 |
| Prepaid expenses, advances and deposits | - | 5,101 | 5,101 |
| Inventories | 1,682 | 866 | 2,548 |
| Internal balances | 60,000 | (60,000) | - |
| Leases receivable | 14,499 | 10,658 | 25,157 |
| Loans receivable (net of allowances for uncollectibles) | 284,214 | - | 284,214 |
| Advances and deposits | 308 | 1,180 | 1,488 |
| Restricted assets: | | | |
| Equity in pooled cash and investments held in City Treasury | 87,880 | 71,534 | 159,414 |
| Cash and investments held with fiscal agent | 331,349 | 84,344 | 415,693 |
| Other cash and investments | 16,781 | - | 16,781 |
| Receivables (net of allowances for uncollectibles) | - | 3,843 | 3,843 |
| Prepaid expenses, advances and deposits | - | 8 | 8 |
| Prepaid bond insurance costs | - | 20 | 20 |
| Prepaid bond insurance costs (net of accumulated amortization) | - | 309 | 309 |
| Other assets | 54,000 | - | 54,000 |
| Net other postemployment benefits asset | - | 1,878 | 1,878 |
| Net pension asset | - | 2,747 | 2,747 |
| Capital assets (net of accumulated depreciation): | | | |
| Nondepreciable | 691,142 | 791,505 | 1,482,647 |
| Depreciable | 4,180,363 | 1,755,490 | 5,935,853 |
| Total assets | 7,580,728 | 3,577,037 | 11,157,765 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Loss on refundings of debt | 5,620 | 11,034 | 16,654 |
| Pensions | 564,651 | 63,385 | 628,036 |
| Other postemployment benefits | 102,929 | 16,039 | 118,968 |
| Total deferred outflows of resources | 673,200 | 90,458 | 763,658 |
| **LIABILITIES** | | | |
| Accounts payable | 90,726 | 111,031 | 201,757 |
| Accrued salaries, wages and payroll taxes | 52,909 | 7,207 | 60,116 |
| Interest payable | 9,681 | 15,243 | 24,924 |
| Due to outside agencies | 485 | - | 485 |
| Short-term notes payable | 66,947 | 34,112 | 101,059 |
| Unearned revenue | 155,695 | 11,269 | 166,964 |
| Advances, deposits, and reimbursable credits | 7,919 | 5,349 | 13,268 |
| Long-term payable to SARA | 733 | - | 733 |
| Other liabilities | 43,476 | - | 43,476 |
| Due within one year | 144,531 | 253,354 | 397,885 |
| Net pension liability | 2,070,435 | 272,444 | 2,342,879 |
| Net other postemployment benefits liability | 716,818 | 61,406 | 778,224 |
| Other long-term obligations | 1,517,060 | 1,163,748 | 2,680,808 |
| Total liabilities | 4,877,415 | 1,935,163 | 6,812,578 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Gain on refundings of debt | 3,371 | - | 3,371 |
| Pensions | 852,722 | 90,303 | 943,025 |
| Other postemployment benefits | 137,243 | 20,681 | 157,924 |
| Leases | 13,855 | 10,177 | 24,032 |
| Total deferred inflows of resources | 1,007,191 | 121,161 | 1,128,352 |
| **NET POSITION** | | | |
| Net investment in capital assets | 3,777,037 | 1,232,173 | 5,009,210 |
| Restricted for: | | | |
| Debt service | 44,770 | 37,847 | 82,617 |
| Capital projects | 373,004 | 33,326 | 406,330 |
| Community services | 759,721 | - | 759,721 |
| Public safety | 1,470 | - | 1,470 |
| Unrestricted (deficit) | (2,586,680) | 307,825 | (2,278,855) |
| Total net position | $ 2,369,322 | 1,611,171 | 3,980,493 |

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
# Statement of Activities
# For the Year Ended June 30, 2022
# ($000's)

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Fees, Fines, and Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business -Type Activities** | **Total** |
| Governmental activities: | | | | | | | |
| General government | $ 230,695 | 8,168 | 95,229 | - | (127,298) | - | (127,298) |
| Public safety | 614,802 | 38,900 | 47,477 | - | (528,425) | - | (528,425) |
| Community services | 375,192 | 166,966 | 76,761 | - | (131,465) | - | (131,465) |
| Sanitation | 202,142 | 208,824 | 1,897 | - | 8,579 | - | 8,579 |
| Capital maintenance | 531,355 | 36,426 | 42,080 | 79,426 | (373,423) | - | (373,423) |
| Interest and fiscal charges | 43,808 | - | - | - | (43,808) | - | (43,808) |
| **Total governmental activities** | **1,997,994** | **459,284** | **263,444** | **79,426** | **(1,195,840)** | **-** | **(1,195,840)** |
| Business -Type activities: | | | | | | | |
| Norman Y. Mineta San José International Airport | 221,613 | 205,381 | 32,821 | 5,894 | - | 22,483 | 22,483 |
| Wastewater Treatment System | 197,430 | 295,728 | - | 1,090 | - | 99,388 | 99,388 |
| Municipal Water System | 53,627 | 55,531 | 541 | 131 | - | 2,576 | 2,576 |
| Parking System | 13,143 | 12,993 | - | - | - | (150) | (150) |
| San José Clean Energy | 332,925 | 351,099 | 4,594 | - | - | 22,768 | 22,768 |
| **Total business-type activities** | **818,738** | **920,732** | **37,956** | **7,115** | **-** | **147,065** | **147,065** |
| **Total** | **$ 2,816,732** | **1,380,016** | **301,400** | **86,541** | **(1,195,840)** | **147,065** | **(1,048,775)** |
| | | General revenues: | | | | | |
| | | Taxes and franchise fees: | | | | | |
| | | Property and other taxes | | | 697,059 | - | 697,059 |
| | | Utility | | | 124,906 | - | 124,906 |
| | | Franchise | | | 48,378 | - | 48,378 |
| | | Transient occupancy | | | 26,284 | - | 26,284 |
| | | Business taxes | | | 85,375 | - | 85,375 |
| | | Sales taxes | | | 323,144 | - | 323,144 |
| | | State of California in-lieu | | | 1,190 | - | 1,190 |
| | | Unrestricted interest and investment loss | | | (27,844) | (15,369) | (43,213) |
| | | Other revenue | | | 52,649 | 1,307 | 53,956 |
| | | Gain on sale of capital assets | | | 1,766 | - | 1,766 |
| | | Transfers | | | 4,260 | (4,260) | - |
| | | **Total general revenues and transfers** | | | **1,337,167** | **(18,322)** | **1,318,845** |
| | | **Change in net position** | | | **141,327** | **128,743** | **270,070** |
| | | Net position - beginning, as previously reported | | | 2,227,995 | 1,482,157 | 3,710,152 |
| | | Change in accounting principles | | | - | 271 | 271 |
| | | Beginning, as restated | | | 2,227,995 | 1,482,428 | 3,710,423 |
| | | **Net position - ending** | | | **$ 2,369,322** | **1,611,171** | **3,980,493** |

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
# Balance Sheet
# Governmental Funds
# June 30, 2022
# ($000's)

| | General Fund | Housing Activities | Low and Moderate Income Housing Asset |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ 680,755 | 150,167 | 169,569 |
| Receivables (net of allowance for uncollectibles) | 111,921 | 9,320 | 451 |
| Due from other funds | 4,385 | - | - |
| Loans receivables (net of allowance for uncollectibles) | 1,241 | 60,535 | 220,012 |
| Advances and deposits | 88 | - | - |
| Restricted assets: | | | |
| Equity in pooled cash and investments held in City Treasury | 1,399 | 12,982 | - |
| Cash and investments held with fiscal agent | - | - | - |
| Other cash and investments | 1,357 | - | - |
| Advances to other funds | 3,297 | - | - |
| Leases receivable | 13,767 | 35 | - |
| Other assets | - | 2,300 | 49,776 |
| Total assets | 818,210 | 235,339 | 439,808 |
| **LIABILITIES** | | | |
| Accounts payable | 30,487 | 8,150 | 1,193 |
| Accrued salaries, wages, and payroll taxes | 43,229 | 214 | 524 |
| Due to other funds | - | - | - |
| Due to outside agencies | 373 | - | - |
| Short-term notes payable | - | - | - |
| Unearned revenue | 116,100 | 25,271 | - |
| Advances, deposits, and reimbursable credits | 170 | - | - |
| Advances from other funds | - | - | - |
| Long-term advances from SARA | - | - | 733 |
| Other liabilities | 38,695 | - | - |
| Total liabilities | 229,054 | 33,635 | 2,450 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | 2,957 | 18,573 | 2,862 |
| Leases | 13,142 | 48 | - |
| Total deferred inflows of resources | 16,099 | 18,621 | 2,862 |
| **FUND BALANCES** | | | |
| Nonspendable | 88 | - | - |
| Restricted | 303 | 183,083 | 434,496 |
| Committed | 67,343 | - | - |
| Assigned | 279,356 | - | - |
| Unassigned | 225,967 | - | - |
| Total fund balances | 573,057 | 183,083 | 434,496 |
| Total liabilities, deferred inflows of resources and fund balances | $ 818,210 | 235,339 | 439,808 |

The Notes to Basic Financial Statements are an integral part of this statement.

| Special Assessment Districts | San José Financing Authority Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| - | 474 | 643,263 | 1,644,228 |
| 1,664 | 145 | 70,642 | 194,143 |
| - | 60,000 | 7,791 | 72,176 |
| - | - | 2,426 | 284,214 |
| 5 | - | 215 | 308 |
| 28,548 | - | 44,951 | 87,880 |
| 1,958 | 12,365 | 317,026 | 331,349 |
| - | - | 14,909 | 16,266 |
| - | - | - | 3,297 |
| - | - | 697 | 14,499 |
| - | - | 1,924 | 54,000 |
| 32,175 | 72,984 | 1,103,844 | 2,702,360 |
| 73 | 164 | 50,250 | 90,317 |
| 2 | - | 7,477 | 51,446 |
| - | 799 | 11,377 | 12,176 |
| - | 112 | - | 485 |
| - | 66,947 | - | 66,947 |
| - | - | 14,324 | 155,695 |
| 1,578 | - | 6,171 | 7,919 |
| - | 3,297 | - | 3,297 |
| - | - | - | 733 |
| 317 | - | 4,464 | 43,476 |
| 1,970 | 71,319 | 94,063 | 432,491 |
| - | - | 10,184 | 34,576 |
| - | - | 665 | 13,855 |
| - | - | 10,849 | 48,431 |
| - | - | - | 88 |
| 30,205 | 1,665 | 802,571 | 1,452,323 |
| - | - | 102,159 | 169,502 |
| - | - | 94,222 | 373,578 |
| - | - | (20) | 225,947 |
| 30,205 | 1,665 | 998,932 | 2,221,438 |
| 32,175 | 72,984 | 1,103,844 | 2,702,360 |

# City of San José
## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
## June 30, 2022
## ($000's)

| | | |
|---|---|---|
| **Total fund balances-governmental funds (page 30)** | | $ 2,221,438 |
| Amounts reported for governmental activities in the statement of net position 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 | $ 549,676 | |
| Construction in progress | 141,466 | |
| Infrastructure assets | 11,618,825 | |
| Other capital assets | 2,168,910 | |
| Leased assets | 6,363 | |
| Accumulated depreciation | (9,616,626) | |
| Total capital assets | | 4,868,614 |
| Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in governmental funds. | | 34,576 |
| Gain/loss on refundings of debt are reported as deferred inflows/outflows of resources are not financial resources, therefore are not reported in the funds. Such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position. | | 2,249 |
| 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. | | (9,681) |
| Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The assets and liabilities are included in governmental activities in the statement of net position. | | 19,325 |
| Long-term obligations are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| Bonds, loan payables, and lease-purchase agreements | $ (1,387,119) | |
| Accrued vacation, sick leave and compensatory time | (80,824) | |
| Estimated liability for self-insurance | (178,644) | |
| Other | (10,974) | |
| Total long-term obligations | | (1,657,561) |
| Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of: | | |
| Net pension liability | $ (2,070,435) | |
| Deferred outflows of resources | 564,651 | |
| Deferred inflows of resources | (852,722) | |
| Total pension related balances | | (2,358,506) |
| Other postemployment benefits liability and related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of: | | |
| Net other postemployment benefits liability | $ (716,818) | |
| Deferred outflows of resources | 102,929 | |
| Deferred inflows of resources | (137,243) | |
| Total other postemployment benefits related balances | | (751,132) |
| **Net position of governmental activities (page 27)** | | $ 2,369,322 |

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
## Statement of Revenues, Expenditures and Changes in Fund Balances
## Governmental Funds
## For the Year Ended June 30, 2022
## ($000's)

| | General Fund | Housing Activities | Low and Moderate Income Housing Asset |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ 791,549 | - | - |
| Sales taxes | 323,144 | - | - |
| Licenses, permits, and fines | 37,206 | - | - |
| Intergovernmental | 153,495 | 33,363 | - |
| Charges for current services | 21,830 | - | - |
| Rent | - | - | - |
| Investment income (loss) | (15,333) | (875) | 13,031 |
| Other revenue | 70,093 | 56,241 | 2,038 |
| Total revenues | 1,381,984 | 88,729 | 15,069 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 243,052 | - | - |
| Public safety | 724,909 | - | - |
| Community services | 143,127 | 50,060 | 14,905 |
| Sanitation | 3,290 | - | - |
| Capital maintenance | 87,968 | - | - |
| Capital outlay | 14,304 | - | 3,100 |
| Debt service: | | | |
| Principal | 1,470 | - | - |
| Interest and fiscal charges | 1,018 | - | - |
| Current refunding escrow | - | - | - |
| Total expenditures | 1,219,138 | 50,060 | 18,005 |
| Excess (deficiency) of revenues over (under) expenditures | 162,846 | 38,669 | (2,936) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds issued | 12,654 | - | - |
| Bond premium | 2,346 | - | - |
| Refunding bonds issued | - | - | - |
| Payment to refunded bond escrow agent | - | - | - |
| Proceeds from sale of capital assets | 435 | - | - |
| Transfers in | 12,883 | - | - |
| Transfers out | (31,449) | (277) | (369) |
| Total other financing sources (uses) | (3,131) | (277) | (369) |
| Net change in fund balances | 159,715 | 38,392 | (3,305) |
| **FUND BALANCE** | | | |
| Beginning of year | 413,342 | 144,691 | 437,801 |
| End of year | $ 573,057 | 183,083 | 434,496 |

The Notes to Basic Financial Statements are an integral part of this statement.

| Special Assessment Districts | San José Financing Authority Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| 10,445 | - | 191,643 | 993,637 |
| - | - | - | 323,144 |
| - | - | - | 37,206 |
| - | - | 111,520 | 298,378 |
| - | - | 270,856 | 292,686 |
| - | - | 31,508 | 31,508 |
| (574) | 49 | (12,036) | (15,738) |
| 788 | 793 | 50,278 | 180,231 |
| 10,659 | 842 | 643,769 | 2,141,052 |
| | | | |
| - | - | 105 | 243,157 |
| - | - | 2,348 | 727,257 |
| - | - | 147,305 | 355,397 |
| - | - | 204,498 | 207,788 |
| 437 | - | 285,697 | 374,102 |
| - | - | 41,084 | 58,488 |
| | | | |
| 7,990 | 18,905 | 64,880 | 93,245 |
| 3,800 | 16,829 | 23,666 | 45,313 |
| 8,237 | 3,957 | - | 12,194 |
| 20,464 | 39,691 | 769,583 | 2,116,941 |
| | | | |
| (9,805) | (38,849) | (125,814) | 24,111 |
| | | | |
| - | 54,385 | 206,941 | 273,980 |
| - | 672 | 51,313 | 54,331 |
| 87,966 | 27,224 | - | 115,190 |
| (87,966) | (27,272) | - | (115,238) |
| - | - | 3,817 | 4,252 |
| - | 29,880 | 43,555 | 86,318 |
| (1,195) | - | (48,911) | (82,201) |
| (1,195) | 84,889 | 256,715 | 336,632 |
| (11,000) | 46,040 | 130,901 | 360,743 |
| | | | |
| 41,205 | (44,375) | 868,031 | 1,860,695 |
| 30,205 | 1,665 | 998,932 | 2,221,438 |

# 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, 2022
## ($000's)

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (page 34)** | | $ 360,743 |
| 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 | $ 58,488 | |
| Depreciation expense | (233,422) | |
| Excess of depreciation expense over capital outlay | | (174,934) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations) | | |
| Donated assets and other additions | $ 7,565 | |
| Proceeds from sale of capital assets | (4,252) | |
| Gain on disposal of assets | 1,766 | |
| | | 5,079 |
| Amortization of deferred inflows of resources and deferred outflows of resources resulting from the deferred refunding gains and losses. | | 1,757 |
| 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 position 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 bondholders. | | 215,695 |
| Accrued interest payable 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 and discounts should be expensed as a component of interest expense on the statement of activities. This amount represents the change in accrued interest payable and the amortization of bond premiums and discounts not reported in governmental funds. | | |
| Increase in accrued interest payable | $ (1,136) | |
| Amortization of premiums and discounts on bonds issued | 4,395 | |
| Total net interest expense and amortization of discount/premium | | 3,259 |
| Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position. | | (443,501) |
| Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available revenues" and are reported as deferred inflows of resources in the governmental funds. | | (15,319) |
| Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The change in net position is included in governmental activities in the statement of activities. | | (2,383) |
| 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 increase in vacation, sick leave, and compensatory time | $ 3,367 | |
| Net increase in estimated liability for self-insurance | (38,127) | |
| Net decrease in other liabilities | (828) | |
| Net increase in lease payable | 1,470 | |
| Total expenditures | | (34,118) |
| Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | 192,899 |
| Changes to net other postemployment benefits liability and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | 32,150 |
| **Change in net position of governmental activities (page 28)** | | $ 141,327 |

The Notes To Basic Financial Statements are an integral part of this statement.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# City of San José
# Statement of Fund Net Position
# Proprietary Funds
# June 30, 2022
# ($000's)

| | Enterprise Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Norman Y. Mineta San José International Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total | Internal Service Funds |
| **ASSETS** | | | | | | | |
| Current assets: | | | | | | | |
| Equity in pooled cash and investments held in City Treasury | $ 175,170 | 492,953 | 32,541 | 42,500 | 37,439 | 780,603 | 19,722 |
| Other cash and investments | - | - | - | - | - | - | 7 |
| Receivables (net of allowance for uncollectibles) | 29,389 | 6,194 | 12,909 | 227 | 78,232 | 126,951 | 410 |
| Lease receivable | 1,924 | - | - | - | - | 1,924 | - |
| Prepaid expenses, advances and deposits | 245 | - | - | - | 4,856 | 5,101 | - |
| Inventories | - | 866 | - | - | - | 866 | 1,682 |
| Total unrestricted current assets | 206,728 | 500,013 | 45,450 | 42,727 | 120,527 | 915,445 | 21,821 |
| Restricted assets: | | | | | | | |
| Equity in pooled cash and investments held in City Treasury | 45,899 | - | - | 2,268 | 23,367 | 71,534 | - |
| Cash and investments held with fiscal agent | 84,344 | - | - | - | - | 84,344 | - |
| Other cash and investments | - | - | - | - | - | - | 515 |
| Receivables (net of allowances for uncollectibles) | 3,843 | - | - | - | - | 3,843 | - |
| Prepaid expenses, advances and deposits | 8 | - | - | - | - | 8 | - |
| Current portion of prepaid bond insurance | 20 | - | - | - | - | 20 | - |
| Total restricted current assets | 134,114 | - | - | 2,268 | 23,367 | 159,749 | 515 |
| Total current assets | 340,842 | 500,013 | 45,450 | 44,995 | 143,894 | 1,075,194 | 22,336 |
| Noncurrent assets: | | | | | | | |
| Prepaid bond insurance (net of accumulated amortization) | 309 | - | - | - | - | 309 | - |
| Advances and deposits | 1,180 | - | - | - | - | 1,180 | - |
| Lease receivable | 8,734 | - | - | - | - | 8,734 | - |
| Net pension asset | - | - | - | - | 2,747 | 2,747 | - |
| Net other postemployment benefits asset | - | - | - | - | 1,878 | 1,878 | - |
| Capital assets (net of accumulated depreciation): | | | | | | | |
| Nondepreciable | 121,986 | 633,126 | 12,604 | 23,789 | - | 791,505 | - |
| Depreciable | 1,113,777 | 552,002 | 61,597 | 27,757 | - | 1,755,133 | 2,891 |
| Right to use asset net of amortization | 92 | - | - | 265 | - | 357 | - |
| Total noncurrent assets | 1,246,078 | 1,185,128 | 74,201 | 51,811 | 4,625 | 2,561,843 | 2,891 |
| Total assets | 1,586,920 | 1,685,141 | 119,651 | 96,806 | 148,519 | 3,637,037 | 25,227 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | |
| Loss on refundings of debt | 11,034 | - | - | - | - | 11,034 | - |
| Pensions | 15,768 | 39,436 | 4,208 | 1,046 | 2,927 | 63,385 | - |
| Other postemployment benefits | 2,595 | 11,257 | 1,162 | 311 | 714 | 16,039 | - |
| Total deferred outflows of resources | $ 29,397 | 50,693 | 5,370 | 1,357 | 3,641 | 90,458 | - |

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
# Statement of Fund Net Position
# Proprietary Funds (Continued)
# June 30, 2022
# ($000's)

| | Enterprise Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Norman Y. Mineta San José Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total | Internal Service Funds |
| **LIABILITIES** | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | $ 32,968 | 43,730 | 3,373 | 99 | 30,728 | 110,898 | 409 |
| Accrued salaries, wages, and payroll taxes | 1,808 | 4,382 | 510 | 125 | 382 | 7,207 | 1,463 |
| Interest payable | 3 | 236 | - | - | - | 239 | - |
| Due to other funds | - | - | - | - | 60,000 | 60,000 | - |
| Short-term notes payable | 34,112 | - | - | - | - | 34,112 | - |
| Accrued vacation, sick leave and compensatory time | 1,752 | 3,905 | 596 | 165 | 410 | 6,828 | - |
| Estimated liability for self-insurance | 633 | 361 | 196 | - | - | 1,190 | - |
| Advances and deposits payable | 1,931 | - | - | 85 | 1,601 | 3,617 | - |
| Leases payable | 94 | - | - | 22 | - | 116 | - |
| Unearned revenue | 5,220 | - | - | - | 6,025 | 11,245 | - |
| Total current liabilities unrestricted | 78,521 | 52,614 | 4,675 | 496 | 99,146 | 235,452 | 1,872 |
| Current liabilities payable from restricted assets: | | | | | | | |
| Accounts payable and accrued liabilities | 133 | - | - | - | - | 133 | - |
| Interest payable | 15,004 | - | - | - | - | 15,004 | - |
| Unearned revenue | 24 | - | - | - | - | 24 | - |
| Current portion of bonds payable, net | 8,350 | - | - | - | - | 8,350 | - |
| Total current liabilities payable from restricted assets | 23,511 | - | - | - | - | 23,511 | - |
| Total current liabilities | 102,032 | 52,614 | 4,675 | 496 | 99,146 | 258,963 | 1,872 |
| Noncurrent liabilities: | | | | | | | |
| Accrued vacation, sick leave and compensatory time | 359 | 861 | - | - | - | 1,220 | 4,030 |
| Leases payable | - | - | - | 247 | - | 247 | - |
| Estimated liability for self-insurance | 1,655 | 1,136 | 801 | - | - | 3,592 | - |
| Advances, deposits, and reimbursable credits | - | - | 1,732 | - | - | 1,732 | - |
| Pollution remediation obligation | - | 28,180 | - | - | - | 28,180 | - |
| Notes payable | - | 236,870 | - | - | - | 236,870 | - |
| Bonds payable (net of premium/discount) | 1,130,509 | - | - | - | - | 1,130,509 | - |
| Net pension liability | 86,042 | 166,476 | 13,701 | 6,225 | - | 272,444 | - |
| Net other postemployment benefits liability | 15,082 | 41,478 | 3,981 | 865 | - | 61,406 | - |
| Total noncurrent liabilities | 1,233,647 | 475,001 | 20,215 | 7,337 | - | 1,736,200 | 4,030 |
| Total liabilities | 1,335,679 | 527,615 | 24,890 | 7,833 | 99,146 | 1,995,163 | 5,902 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Pensions | 22,955 | 56,237 | 5,624 | 1,653 | 3,834 | 90,303 | - |
| Other postemployment benefits | 3,664 | 14,292 | 1,475 | 402 | 848 | 20,681 | - |
| Leases | 10,177 | - | - | - | - | 10,177 | - |
| Total deferred inflows of resources | 36,796 | 70,529 | 7,099 | 2,055 | 4,682 | 121,161 | - |
| **NET POSITION** | | | | | | | |
| Net investment in capital assets | 158,168 | 948,258 | 74,201 | 51,546 | - | 1,232,173 | 2,891 |
| Restricted for debt service | 15,579 | - | - | 2,268 | 20,000 | 37,847 | - |
| Restricted for capital projects and other agreements | 33,326 | - | - | - | - | 33,326 | - |
| Unrestricted | 36,769 | 189,432 | 18,831 | 34,461 | 28,332 | 307,825 | 16,434 |
| Total net position | $ 243,842 | 1,137,690 | 93,032 | 88,275 | 48,332 | 1,611,171 | 19,325 |

# City of San José
## Statement of Revenues, Expenses and Changes in Fund Net Position
## Proprietary Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Enterprise Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Norman Y. Mineta San José International Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total | Internal Service Funds |
| **OPERATING REVENUES** | | | | | | | |
| Charges for services | $ 54,535 | 192,127 | 55,531 | 12,993 | 351,099 | 666,285 | 150,657 |
| Rentals and concessions | 106,199 | 15,920 | - | - | - | 122,119 | - |
| Customer transportation fees | 5,689 | - | - | - | - | 5,689 | - |
| Service connection, engineering and inspection | - | 1,782 | - | - | - | 1,782 | - |
| Operating contributions from participating agencies | - | 84,649 | - | - | - | 84,649 | - |
| Other | 11,317 | 1,250 | - | - | - | 12,567 | - |
| Total operating revenues | 177,740 | 295,728 | 55,531 | 12,993 | 351,099 | 893,091 | 150,657 |
| **OPERATING EXPENSES** | | | | | | | |
| Operations and maintenance | 79,523 | 130,560 | 47,998 | 3,877 | 321,784 | 583,742 | 151,623 |
| General and administrative | 20,122 | 31,557 | 2,684 | 5,694 | 9,504 | 69,561 | - |
| Depreciation | 55,260 | 32,392 | 2,945 | 2,012 | - | 92,609 | 1,354 |
| Materials and supplies | - | 479 | - | 175 | - | 654 | - |
| Total operating expenses | 154,905 | 194,988 | 53,627 | 11,758 | 331,288 | 746,566 | 152,977 |
| Operating income (loss) | 22,835 | 100,740 | 1,904 | 1,235 | 19,811 | 146,525 | (2,320) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | |
| Passenger facility charges | 19,674 | - | - | - | - | 19,674 | - |
| Customer facility charges | 7,967 | - | - | - | - | 7,967 | - |
| Operating grants | 718 | - | 541 | - | 4,594 | 5,853 | - |
| Nonoperating grants | 32,103 | - | - | - | - | 32,103 | - |
| Investment income (loss) | (4,681) | (8,524) | (709) | (898) | (557) | (15,369) | (255) |
| Lease interest income | 274 | - | - | - | - | 274 | - |
| Interest expense | (39,312) | (2,442) | - | - | (1,637) | (43,391) | - |
| Participating airline net revenue sharing | (27,396) | - | - | - | - | (27,396) | - |
| Gain (loss) on disposal of capital assets | - | - | - | (1,385) | - | (1,385) | 49 |
| Other revenues (expenses), net | 499 | 531 | 3 | - | - | 1,033 | - |
| Net nonoperating revenues (expenses) | (10,154) | (10,435) | (165) | (2,283) | 2,400 | (20,637) | (206) |
| Income (loss) before capital contributions and transfers | 12,681 | 90,305 | 1,739 | (1,048) | 22,211 | 125,888 | (2,526) |
| Capital contributions | 5,894 | 1,090 | 131 | - | - | 7,115 | - |
| Transfers in | 300 | - | - | - | - | 300 | 1,000 |
| Transfers out | (334) | (1,929) | (1,070) | (1,007) | (220) | (4,560) | (857) |
| Changes in net position | 18,541 | 89,466 | 800 | (2,055) | 21,991 | 128,743 | (2,383) |
| Net position - beginning, as previously reported | 225,030 | 1,048,224 | 92,232 | 90,330 | 26,341 | 1,482,157 | 21,708 |
| Change in accounting principles | 271 | - | - | - | - | 271 | - |
| Beginning, as restated | 225,301 | 1,048,224 | 92,232 | 90,330 | 26,341 | 1,482,428 | 21,708 |
| Net position - ending | $ 243,842 | 1,137,690 | 93,032 | 88,275 | 48,332 | 1,611,171 | 19,325 |

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF SAN JOSE

CAPITAL OF SILICON VALLEY

# City of San José
# Statement of Cash Flows
# Proprietary Funds
# For the Year Ended June 30, 2022
# ($000's)

| | Enterprise Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Norman Y. Mineta San José International Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total | Internal Service Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | |
| Receipts from customers and users | $ 169,194 | 248,749 | 54,706 | 12,997 | 315,890 | 801,536 | - |
| Cash received from interfund services provided | - | - | - | - | - | - | 151,104 |
| Payments to suppliers | (43,503) | (87,185) | (41,448) | (7,278) | (326,634) | (506,048) | (123,306) |
| Payments for employees | (36,437) | (96,467) | (12,068) | (2,715) | (7,049) | (154,736) | (27,930) |
| Payments for City services | (24,472) | - | - | - | - | (24,472) | - |
| Payments to airlines | (1,324) | - | - | - | - | (1,324) | - |
| Claims paid | (179) | - | - | - | - | (179) | - |
| Other receipts | 522 | 50,336 | - | - | - | 50,858 | - |
| Net cash provided by (used in) operating activities | 63,801 | 115,433 | 1,190 | 3,004 | (17,793) | 165,635 | (132) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | | |
| Transfers from other funds | 300 | - | - | - | - | 300 | 1,000 |
| Transfers to other funds | (334) | (1,929) | (1,070) | (1,007) | (220) | (4,560) | (857) |
| Operating grants | 693 | - | 541 | - | 4,594 | 5,828 | - |
| Nonoperating grants | 27,149 | - | - | - | - | 27,149 | - |
| Advances and deposits | - | - | 38 | - | 6,400 | 6,438 | - |
| Loans | (129) | - | - | - | - | (129) | - |
| Net cash provided by (used in) noncapital financing activities | 27,679 | (1,929) | (491) | (1,007) | 10,774 | 35,026 | 143 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | | |
| Passenger facility charges received | 19,228 | - | - | - | - | 19,228 | - |
| Customer facility charges received | 7,607 | - | - | - | - | 7,607 | - |
| Capital grants received | 6,114 | 280 | - | - | - | 6,394 | - |
| Acquisition and construction of capital assets | (18,090) | (157,292) | (1,747) | (631) | - | (177,760) | (676) |
| Lease payment | (309) | - | - | (22) | - | (331) | - |
| Interest income related to lease | 274 | - | - | - | - | 274 | - |
| Proceeds from commercial paper | - | - | - | - | 45,000 | 45,000 | - |
| Proceeds from line of credit | - | 86,502 | - | - | - | 86,502 | - |
| Principal payment on commercial paper | (17,818) | - | - | - | - | (17,818) | - |
| Principal paid on debt | (1,900) | - | - | - | - | (1,900) | - |
| Interest paid on debt | (43,990) | (2,506) | - | - | (1,637) | (48,133) | - |
| Advances and deposits received | 1 | - | - | - | - | 1 | - |
| Net cash provided by (used in) capital and related financing activities | (48,883) | (73,016) | (1,747) | (653) | 43,363 | (80,936) | (676) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Proceeds from sales and maturities of investments | 22,755 | - | - | - | - | 22,755 | - |
| Purchases of investments | (17,293) | - | - | - | - | (17,293) | - |
| Interest received (loss) | (4,334) | (8,350) | (691) | (898) | (557) | (14,830) | (255) |
| Land and building rentals | - | 132 | - | - | - | 132 | - |
| Net cash provided by (used in) investing activities | 1,128 | (8,218) | (691) | (898) | (557) | (9,236) | (255) |
| Net change in cash and cash equivalents | 43,725 | 32,270 | (1,739) | 446 | 35,787 | 110,489 | (920) |
| Cash and cash equivalents - beginning | 251,989 | 460,683 | 34,280 | 44,322 | 25,019 | 816,293 | 21,164 |
| Cash and cash equivalents - ending | $ 295,714 | 492,953 | 32,541 | 44,768 | 60,806 | 926,782 | 20,244 |

The Notes to Basic 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, 2022
# ($000's)

| | Enterprise Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Norman Y. Mineta San José International Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total | Internal Service Funds |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities** | | | | | | | |
| Operating income (loss) | $ 22,835 | 100,740 | 1,904 | 1,235 | 19,811 | 146,525 | (2,320) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation | 55,260 | 32,392 | 2,945 | 2,012 | - | 92,609 | 1,354 |
| Participating airline net revenue sharing | (27,396) | - | - | - | - | (27,396) | - |
| Other nonoperating revenues | 521 | 284 | 3 | - | - | 808 | - |
| Decrease (increase) in: | | | | | | | |
| Accounts receivable | (7,844) | 3,073 | (828) | 4 | (37,482) | (43,077) | 10 |
| Inventories | - | (96) | - | - | - | (96) | (192) |
| Prepaid expenses, advances and deposits | (19) | - | - | - | 4,619 | 4,600 | 438 |
| Other assets | - | 1 | - | - | - | 1 | - |
| Increase (decrease) in: | | | | | | | |
| Accounts payable and accrued liabilities | 27,557 | (2,652) | (1,321) | 100 | (4,621) | 19,063 | 474 |
| Accrued salaries, wages, and payroll taxes | - | 274 | 113 | 15 | 82 | 484 | - |
| Accrued vacation, sick leave and compensatory time | - | (130) | 350 | (27) | 11 | 204 | 104 |
| Estimated liability for self-insurance | (185) | (151) | 10 | - | - | (326) | - |
| Unearned revenue | (1,116) | - | - | - | - | (1,116) | - |
| Net pension liability, deferred outflows and inflows of pension related resources | (4,764) | (12,479) | (1,512) | (254) | (1,090) | (20,099) | - |
| Net other postemployment benefits liability, deferred outflows and inflows of postemployment benefits related resources | (1,233) | (4,078) | (474) | (81) | (349) | (6,215) | - |
| Advances, deposits, and reimbursable credits | 185 | - | - | - | 1,226 | 1,411 | - |
| Other liabilities | - | (1,745) | - | - | - | (1,745) | - |
| Net cash provided by (used in) operating activities | $ 63,801 | 115,433 | 1,190 | 3,004 | (17,793) | 165,635 | (132) |
| **Reconciliation of cash and cash equivalents to the statement of net position:** | | | | | | | |
| Equity in pooled cash and investments held in City Treasury | | | | | | | |
| Unrestricted | $ 175,170 | 492,953 | 32,541 | 42,500 | 37,439 | 780,603 | 19,722 |
| Restricted | 45,899 | - | - | 2,268 | 23,367 | 71,534 | 515 |
| Cash and investments held with fiscal agents | 74,645 | - | - | - | - | 74,645 | - |
| Other cash and investments | - | - | - | - | - | - | 7 |
| Cash and cash equivalents | $ 295,714 | 492,953 | 32,541 | 44,768 | 60,806 | 926,782 | 20,244 |
| **Noncash noncapital, capital and related financing, and investing activities:** | | | | | | | |
| Capital contributions from developers | - | 810 | 131 | - | - | 941 | - |
| Amortization of bond discount/premium, and prepaid bond insurance costs | 6,094 | - | - | - | - | 6,094 | - |
| Amortization of deferred outflows of resources related to bond refundings | (482) | - | - | - | - | (482) | - |
| Change in capital related payables | (1,351) | - | - | - | - | (1,351) | - |
| Change in capital related receivables | 220 | - | - | - | - | 220 | - |
| Change in fair value of investments | 457 | - | - | - | - | 457 | - |
| Increase (decrease) in operating grants receivables | (24) | - | - | - | - | (24) | - |
| Increase (decrease) in nonoperating grants receivables | (4,954) | - | - | - | - | (4,954) | - |

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
## Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2022
## ($000's)

| | Pension Trust Funds | Private-Purpose Trust Funds | Custodial Fund |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Equity in pooled cash and investments held in City Treasury | $ - | 201 | 7,069 |
| Cash and investments | - | 2,507 | - |
| Investments of retirement systems: | | | |
| Investments: | | | |
| Public equity | 3,583,134 | - | - |
| Short-term investment grade bonds | 25,420 | - | - |
| Investment grade bonds | 523,574 | - | - |
| Private equity | 762,496 | - | - |
| Market neutral strategies | 227,238 | - | - |
| Immunized cash flows | 238,225 | - | - |
| Core real estate | 434,905 | - | - |
| Commodities | 29,322 | - | - |
| Private debt | 244,089 | - | - |
| Emerging market bonds | 174,507 | - | - |
| Growth real estate | 297,828 | - | - |
| Treasury inflation protected securities | 147,447 | - | - |
| Cash and cash equivalents | 479,731 | - | - |
| Private real assets | 128,063 | - | - |
| Venture/growth capital | 46,460 | - | - |
| Long-term government bonds | 149,360 | - | - |
| High yield bonds | 134,482 | - | - |
| Total investments of retirement systems | 7,626,281 | - | - |
| Receivables: | | | |
| Accrued investment income | 10,015 | - | 19 |
| Employee contributions | 4,204 | - | - |
| Employer contributions | 24,574 | - | - |
| Other | 147,718 | 74 | - |
| Restricted cash and investments held with fiscal agent | - | 121,843 | - |
| Total current assets | 7,812,792 | 124,625 | 7,088 |
| Noncurrent assets: | | | |
| Advances to the City of San José | - | 733 | - |
| Accrued interest, net | - | 1,285 | - |
| Loans receivable, net | - | 3,986 | - |
| Advances and deposits | - | 5 | - |
| Prepaid bond insurance | - | 1,407 | - |
| Capital assets: | | | |
| Nondepreciable | - | 2,078 | - |
| Depreciable, net | - | 642 | - |
| Other assets, net | 6,724 | - | - |
| Total noncurrent assets | 6,724 | 10,136 | - |
| Total assets | 7,819,516 | 134,761 | 7,088 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Loss on refundings of debt | $ - | 26,654 | - |

(Continued)

The Notes to Basic Financial Statements are an integral part of this statement.

# City of San José
## Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2022
## ($000's)

| | Pension Trust Funds | Private-Purpose Trust Funds | Custodial Fund |
|---|---|---|---|
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | $ - | 154 | 465 |
| Due to brokers | 67,814 | - | - |
| Accrued interest payable | - | 18,925 | - |
| Other liabilities | 19,412 | - | - |
| Total current liabilities | 87,226 | 19,079 | 465 |
| Long-term liabilities: | | | |
| Due within one year | - | 103,084 | - |
| Due in more than one year | - | 1,216,752 | - |
| Total noncurrent liabilities | - | 1,319,836 | - |
| Total liabilities | 87,226 | 1,338,915 | 465 |
| **NET POSITION** | | | |
| Restricted for: | | | |
| Employees' pension benefits | 7,117,896 | - | - |
| Employees' postemployment healthcare benefits | 614,394 | - | - |
| Redevelopment dissolution and other purposes | - | (1,177,500) | - |
| Arena capital reserve | - | - | 6,623 |
| Total net position (deficit) | $ 7,732,290 | (1,177,500) | 6,623 |

# City of San José
## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Pension Trust Funds | Private-Purpose Trust Funds | Custodial Fund |
|---|---|---|---|
| **ADDITIONS** | | | |
| Redevelopment property tax revenues | $ - | 189,786 | - |
| Investment income: | | | |
| Interest | 52,231 | 147 | 3,583 |
| Dividends | 31,866 | - | - |
| Net depreciation in fair value of plan investments | (587,854) | - | - |
| Investment expenses | (25,508) | - | - |
| Total investment income | (529,265) | 147 | 3,583 |
| Contributions: | | | |
| Employer | 475,194 | - | - |
| Employees | 81,098 | - | - |
| Total contributions | 556,292 | - | - |
| Development fees and other | - | 44 | - |
| Gain on sale of revenue participation | - | 136 | - |
| Total additions | 27,027 | 190,113 | 3,583 |
| **DEDUCTIONS** | | | |
| General and administrative | 11,948 | 229 | - |
| Project expenses | - | 72 | 3,709 |
| Pass through amounts to the County of Santa Clara | - | 47,944 | - |
| Depreciation | - | 27 | - |
| Allowance for loan losses | - | 56 | - |
| Interest on debt | - | 45,237 | - |
| Health insurance premiums | 57,546 | - | - |
| Refunds of contributions | 2,777 | - | - |
| Retirement and other benefits: | | | |
| Death benefits | 33,311 | - | - |
| Retirement benefits | 461,061 | - | - |
| Total deductions | 566,643 | 93,565 | 3,709 |
| Change in net position | (539,616) | 96,548 | (126) |
| Net position restricted for pension benefits, postemployment healthcare benefits and other purposes: | | | |
| Beginning of year | 8,271,906 | (1,274,048) | 6,749 |
| End of year | $ 7,732,290 | (1,177,500) | 6,623 |

The Notes to Basic Financial Statements are an integral part of this statement.

INDEX TO THE NOTES

# Notes to basic financial statements June 30, 2022

## I. Summary of Significant Accounting Policies


A. Reporting Entity 49
B. Financial Statement Presentation 51
C. Measurement Focus and Basis of Accounting 53
D. Use of Estimates 53
E. New Pronouncements 54
F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity 58


## II. Stewardship, Compliance, and Accountability


A. Deficit Net Position 67
B. Deficit Unrestricted Net Position - Governmental Activities 67
C. Deficit Fund Balance - Nonmajor Governmental Funds 67


## III. Detailed Notes on All Funds


A. Cash, Deposits and Investments 68
1. Cash and Investments Managed by the City Treasurer 69
2. Retirement Systems 76
B. Receivables, Net of Allowances 89
C. Loans Receivable, Net of Allowances 90
D. Capital Assets 92
E. Leases 94
F. Long-Term Debt and Other Obligations 102
G. Interfund Transactions 128
H. Deferred Inflows of Resources 131
I. Governmental Fund Balances 132

INDEX TO THE NOTES

# Notes to basic financial statements June 30, 2022

## IV. Other Information

A. Defined Benefit Retirement Plans 134

1. City Sponsored Defined Benefit Pension Plans 134
2. California Public Employees' Retirement System 152
3. Defined Contribution Retirement Plans 156
4. Postemployment Benefit Plans Other than Pension Plans 157

B. Commitments and Contingencies 169

C. Successor Agency to the Redevelopment Agency of the City of San José 181

D. Subsequent Events 188

E. Restatement of Net Position 191

# I. Summary of Significant Accounting Policies

## A. Reporting Entity

The City of San José, California (the "City"), was chartered on March 25, 1850, and has operated under a Council–Manager form of government since 1916. 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 criteria for including a potential component unit within the reporting entity are the governing body's financial accountability or whether the nature and significance of the relationship with the primary government is misleading to exclude.

A primary government is considered to be financially accountable, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. 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" (or in the case of the Successor Agency to the Redevelopment Agency of the City of San José reported as a fiduciary fund) as though they are part of the primary government because the component unit's governing body is substantially the same as the City's primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, 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, or the City is entirely or almost entirely responsible for the repayment of the debt of the component unit.

- **Successor Agency to the Redevelopment Agency of the City of San José** – The Successor Agency to the Redevelopment Agency of the City of San José (the "SARA") was created by State statute, referred to in these notes as the Redevelopment Dissolution Law, to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of San José (the "Agency"). The SARA is subject to the direction and oversight of a board consisting of the Mayor and the other members of the City Council ("SARA Board").

  The SARA is also, pursuant to the Redevelopment Dissolution Law, subject to the direction and oversight of an oversight board. Beginning July 1, 2018, pursuant to Health and Safety Code Section 34179(j), the individual oversight boards within Santa Clara County no longer existed and were combined into one county-wide oversight board (the "Oversight Board"). The Oversight Board is comprised of seven member representatives with one member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the county. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller and tasks have been delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

In general, the SARA's assets can only be used to pay the enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In general, the SARA is allocating revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Agency until all enforceable obligations of the Agency have been paid in full and all assets have been liquidated. Based upon the nature of the SARA's custodial role, the SARA is reported in a fiduciary fund (private-purpose trust fund).

- **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 and the City of Santa Clara. The purpose was to finance the acquisition of, and additions and improvements to the existing San José – Santa Clara Water Pollution Control Plant (the "Plant"), currently known as the San José – Santa Clara Regional Wastewater Facility (the "RWF"). The Clean Water Financing Authority is governed by a five-member Board of Directors; three are members of the San José City Council and two are members of the City Council of the City of Santa Clara.
- **City of San José Financing Authority** – The City of San José Financing Authority (the "Financing Authority") was created by a Joint Exercise of Powers Agreement between the City and the Agency. The Financing 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 Financing Authority is governed by an 11-member Governing Board, which consists of the members of the City Council. The Financing Authority is blended in the San José Financing Authority Debt Service Fund for financial reporting purposes.
- **San José Diridon Development Authority** – The San José Diridon Development Authority (the "Diridon Authority") was created in March 2011 by a Joint Exercise of Powers Agreement between the City and the Agency. The Diridon Authority was created for the purposes of overseeing the development of properties within the area of the City surrounding the San José Diridon Station, and is authorized to issue bonds for this purpose. The Diridon Authority is governed by an 11-member Governing Board, which consists of the members of the City Council.

Separate financial reports for City departments and component units for the FY 2022, containing additional information and more detailed information regarding financial position, changes in financial position, and, where applicable, cash flows, are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

  - Police and Fire Department Retirement Plan (the "PFDRP")
  - Federated City Employees' Retirement System (the "FCERS")
  - Successor Agency to the Redevelopment Agency of the City of San José
  - Norman Y. Mineta San José International Airport (the "Airport")
  - San José – Santa Clara Clean Water Financing Authority
  - San José Clean Energy

## B. Financial Statement Presentation

***Government-wide Financial Statements.*** The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary funds or component units that are fiduciary in nature. Eliminations have been made to prevent the double counting of internal activities. For example, the direct expense charges based on actual use are not eliminated, whereas indirect expense allocations made in the funds are eliminated. 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 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 meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are 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 nonmajor funds in the accompanying financial statements.

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

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 ***Housing Activities*** *Fund* is a special revenue fund that accounts for all of the City's affordable housing activities funded by federal and state grants, as well as various fees.

The ***Low and Moderate Income Housing Asset Fund*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Agency on February 1, 2012. This fund is primarily funded by loan repayment program income generated from the former Agency's housing assets.

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

The ***San José Financing Authority Debt Service Fund*** is a debt service fund that accounts for the debt activities related to capital projects funded with Financing Authority debt.

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 and general aviation airport.

The ***Wastewater Treatment System Fund*** accounts for the financing, construction and operations of the Plant, including the regional water reclamation program (known as South Bay Water Recycling); the San José Sewage Collection System; and the Clean Water Financing Authority.

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 City owned parking garage facilities, parking lots, and parking meters located within the City.

The ***San José Clean Energy Fund*** accounts for the procurement of electricity by San José Clean Energy, a Community Choice Energy program.

The City also reports the following types of funds:

*The* ***Internal Service Funds*** are used to account for the public works support services provided to City-wide capital programs; the cost of operating an automotive maintenance facility used by other City departments; and employee benefits including medical, vision, dental, and unemployment insurance costs on a cost-reimbursement basis.

The ***Pension Trust Funds*** account for the accumulated resources to be used for retirement annuity and postemployment healthcare payments to members of the FCERS and the PFDRP, collectively, the "Retirement Systems".

The ***Private-Purpose Trust Funds*** account for the custodial responsibilities that are assigned to the SARA with the passage of the Redevelopment Dissolution Law and for the James Lick Fund, which holds resources in trust for the support of the EMQ Families First Agency (a.k.a. Eastfield Ming Quong).

The ***Custodial Fund*** accounts for assets held by the City in a custodial capacity with respect to the San José Arena.

***Document Summaries.*** *All summaries of documents contained in the notes to the financial statements are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference is qualified in its entirety by reference to such document, which is on file with or may be obtained from the City's Director of Finance at the address set forth in Note I.A.*

## C. Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and 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 taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. 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. 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 after 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 when payment is due.

In governmental funds, revenues from taxes, franchise fees, investment income, 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. In addition, the Wastewater Treatment System Fund's on-going contributions from other participating agencies for their allocation of the Plant's operating and maintenance expenses, their share of debt service, and other commitments towards the Plant's improvements are also included as operating revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

## D. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions.

## E. New Pronouncements

*During the year ended June 30, 2022, the City implemented the following Governmental Accounting Standards Board (the "GASB") Statements:*

The City has adopted GASB Statement No. 87, *Leases*. This GASB statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement was implemented for FY 2022 reporting purposes. The required changes are reflected in the City's financial statements and notes to those statements. Adoption of the new standard resulted in restatement of net position of $271,000 in Normal Y. Mineta San José International Airport fund.

The City has adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, and fiduciary fund. The City previously updated the Capitalized Interest policy to no longer capitalize interest for the Wastewater Treatment System Fund which had an immaterial impact to the financial statements. Application of Statement No. 89 is effective for the City's fiscal year ended June 30, 2022 to all remaining funds. The application of Statement No. 89 did not have any effect on the City's financial statements.

The City has adopted GASB Statement No. 92, *Omnibus 2020*. The statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and Terminology used to refer to derivative instruments. The application of Statement No. 92 did not have any effect on the City's financial statements.

The City has adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This statement achieves that objective by: providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement No. 53, as amended; and providing an exception to the lease modifications guidance in Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. The City did not have any direct exposure to derivative contracts tied to Libor as of June 30, 2022, so the application of Statement No. 92 did not have any effect on the City's financial statements.

The City has adopted GASB Statement No. GASB 99, *Omnibus 2022* for the items as follows, which were effective upon issuance, and they did not have any effect on the City's financial statements: (i). Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate of taxable debt, (ii). Disclosures related to nonmonetary transactions, (iii). Pledges of future revenues when resources are not received by the pledging government, (iv). Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance program (SNAP), (v). Classification of provisions in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (vi). Terminology used in Statement 53 to refer to resource flows statements, and (vii). Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The City is currently evaluating the remaining items in this Statement with the detail in the section that follows.

*The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the upcoming GASB Statements:*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of Statement No. 91 is effective for the City's fiscal year ending June 30, 2023.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. Application of Statement No. 94 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option). Under this statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. Application of Statement No. 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In April 2022, the GASB issued Statement No. GASB 99, *Omnibus 2022***.** The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing: (1) Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; (2) Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; (3) Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset; (4) Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; (5) Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; (6) Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); (7) Disclosures related to nonmonetary transactions; (8) Pledges of future revenues when resources are not received by the pledging government; (9) Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; (10) Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and* (11) Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement that are effective as follows: Items (5), (6), (7), (8), (9), (10), and (11) were implemented starting this fiscal year and all reporting period thereafter; items (2), (3), and (4) related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements.

The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

## F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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 (i.e. Director of Finance), 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. 72, *Fair Value Measurement and Application*. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments whose values are based on inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments whose values are based on unobservable inputs for an asset and may require a degree of professional judgment.

**Pooled Cash and Investments held in City Treasury.** The City reports its investments held in the City Treasury at fair value. The fair value is based primarily on quoted market information and using pricing applications and models obtained from fiscal agents or other sources. Income from some investments is assigned to the General Fund. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. For the year ended June 30, 2022, the total investment income from these investments assigned and transferred to the General Fund was approximately $1.1 million.

**Retirement Systems.** The Retirement Systems' investment policies authorize various types of investments. These investments are reported at fair value. 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, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. 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 investment agreements are carried at cost. Income from non-pooled investments is recorded based on the specific investments held by the fund. The investment income is recorded in the fund that earned the income.

### *4. Inventories*

Inventories of proprietary funds are reported at cost.

### *5. Loans Receivable, net*

Long-term loans receivable, which consist of the principal amount of the loan plus accrued borrower's deferred interest is reported in the governmental fund financial statements with an offset to unavailable revenue for the deferred interest accrued and to restricted fund balance for the principal amount of the loan. Long-term loans receivable reported in the governmental activities on the government-wide statement of net position is not offset by unavailable revenue as it is recorded on an accrual basis. Long-term loans receivable are recorded at their net realizable value.

### *6. Special Assessment Districts*

Special assessments are recorded as receivables when liens are placed on properties. Special assessments not considered available are recorded as receivables and offset by deferred inflows of resources in the governmental fund financial statements. In general, special assessment and special tax 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 management believes full 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 laws of the State of California. A liability is recorded for the balance remaining until a final legal determination has been made.

### *7. Advances and Deposits*

Amounts deposited mainly in connection with eminent domain proceedings are reported as advances and deposits. In the governmental fund statements, noncurrent portions of these are offset equally by either a credit or a classification of fund balance in the nonspendable, restricted or committed account.

### *8. Other Assets*

Other Assets primarily consist of real properties acquired outright and/or through foreclosure in connection with land acquired for the purpose of future development of affordable housing. These other assets are recorded at the lower of cost or estimated net realizable value.

### *9. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings*

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of interest expense.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. Bond premiums and discounts are deferred and amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred outflows or inflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

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.

### *10. Restricted Assets*

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements.

### *11. Capital Assets*

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide statement of net position, the proprietary funds' statement of net position, and the private-purpose trust fund's statement of fiduciary net position.

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 if purchased or constructed. Donated capital assets are recorded at acquisition 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. For the Norman Y. Mineta San José International Airport Fund and the Wastewater Treatment System Fund, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures 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 |
| Furniture and fixtures | 10 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 roads, bridges, drainage systems, and lighting systems.

Consistent with GASB Statement No. 87, *Leases*, the City recognizes an intangible right to use lease asset when the applicable accounting criteria is met. The capitalization threshold for the City as lessee is an initial cost of more than $10,000 per item at its net present value for land, buildings, office space, vehicle, or equipment. The leased asset must also have an initial useful life of more than one year.

## *12. Leases*

**City as Lessee**: The City is a lessee for noncancellable leases of land, building, office space and airport vehicles. The City recognizes a lease liability and an intangible right to use lease asset (lease asset) in the government-wide, proprietary fund, and fiduciary fund financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a shorter of lease term or useful life per policy described above.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The City monitors changes in circumstances that would require a remeasurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Payments due under the lease contracts include fixed payments plus, for many of the City's leases, variable payments. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. For office equipment leases for which the City has elected not to separate lease and non-lease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the City under residual value guarantees,
- the exercise price of a purchase option if the City is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the City exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases held by the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations. The majority of extension and termination options held are exercisable only by the City and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate as of the commencement of the lease term.

**City as Lessor**: The City is a lessor for several noncancellable leases including but not limited to building, office space and airport hangars. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund financial statements and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreements between the City and the respective employees' collective bargaining group. 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 proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and noncurrent liabilities in the appropriate proprietary funds.

Vacation hours may be accumulated up to two times an employee's annual accrual rate, which will vary by years of service and bargaining unit, but it generally does not exceed a maximum of 400 hours for non-sworn employees and 360 hours for employees represented by the San José Police Officer's Association ("SJPOA"). Employees represented by the International Association of Firefighters, Local 230 ("IAFF"), may accumulate vacation hours up to 400 hours for employees on a 40-hour workweek and 576 hours for employees on a 56-hour workweek.

Employees in FCERS who retire with at least 15 years of service, or 20 years for police officers and firefighters in PFDRP, may be eligible to receive, upon retirement, sick leave payouts based on percentages of accumulated unused sick leave hours as determined by the respective collective bargaining agreements for represented employees. Similar terms are applicable to eligible unrepresented employees. Eligibility for sick leave payouts depends on the employee's hire date.

Unrepresented employees and all bargaining units are eligible for sick leave payouts if they were hired before September 30, 2012 except the San José Police Officers' Association and the San José Fire Fighters, IAFF Local 230 are eligible for sick leave payouts if they were hired before July 7, 2013 and September 14, 2014, respectively. The sick leave balances eligible for payouts were frozen on June 22, 2013 for unrepresented employees and all bargaining units except the San José Police Officers' Association and the San José Fire Fighters, IAFF Local 230 were frozen on July 6, 2013 and June 20, 2015, respectively.

For purposes of Sick Leave Payout, employees will continue to accrue sick leave hours after the "Sick Leave Balance Frozen as of" date, but such accrued sick leave may not be used for sick leave payout purposes. If an employee reduces their sick leave balance below what it was as of the "Sick Leave Balance Frozen as of" date, such employee will not be able to restore their sick leave balance for sick leave payout purposes. Employees may receive pay increases subsequent to the "Rate of Pay Frozen as of" date, but the employee's sick leave payout will be based on their rate of pay as of the "Rate of Pay Frozen as of" date.

At the time of the negotiated agreements, the Confidential Employees' Organization (CEO) was a separate bargaining unit. As of October 7, 2018, the classifications represented by CEO were incorporated under the exclusive representation of the Municipal Employees' Federation (MEF). All terms and conditions of the previous sick leave payout provision remain unchanged.

Compensatory time is generally provided to employees who work overtime and earn compensatory time off at the rate of one and one half the number of overtime hours worked in lieu of pay. The Fair Labor Standards Act ("FLSA") provides that general employees may accrue up to 240 hours of compensatory time, and employees responsible for law enforcement or fire suppression such as those represented by SJPOA, IAFF, and in the Public Safety Communication Dispatcher classifications may accrue up to 480 hours of compensatory time.

### *14. Interfund Transactions*

Interfund 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, and are subject to elimination upon consolidation of similar fund types. The current portion of interfund loans and unsettled service transactions are reported as "due to/from other funds" and the noncurrent portion is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses in the fund receiving revenue or being charged. 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 interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

### *15. Insurance*

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks, except as otherwise described in Note III.F.12. 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 is 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.

### *16. Deferred Outflows/Inflows of Resources*

Deferred resources related to pension expense, OPEB expense, leases, and unamortized portions of the gain and loss on refunding debt are reported as deferred outflows and deferred inflows of resources. In addition to this, when an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

### *17. Pensions*

For purposes of measuring the net pension liability/(asset), deferred outflows/inflows of resources related to pensions and pension expense, the fiduciary net position of the City's defined benefit retirement plans (PFDRP, FCERS, and the California Public Employees' Retirement System ("CalPERS")), and additions to/ deductions from the Retirement Systems' and CalPERS' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *18. Other Postemployment Benefits (OPEB)*

For purpose of measuring the net OPEB liability/(asset), deferred outflows/inflows of resources related to OPEB and OPEB expense, the fiduciary net position of the PFDRP and FCERS OPEB plans, and additions to/ deductions from the OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *19. Net Position*

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and deferred outflows/inflows of resources associated with the debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has 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, 2022, the government-wide statement of net position reported restricted net position of $1,178,965,000 in governmental activities and $71,173,000 in business-type activities. Of these amounts $393,753,000 and $23,857,000, respectively, are restricted by enabling legislation.

- *Unrestricted Net Position* – This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets". When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

### *20. Fund Balances*

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity.
- *Restricted Fund Balance* – includes amounts reported as restricted when constraints placed on the 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.
- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision-making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. On June 21, 2011, the City Council adopted a resolution establishing the City's *Governmental Fund Balance Financial Reporting Policy*, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

### *21.* Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Santa Clara (the “County”). The amount of property tax levied 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)<br>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. The assessed value increases each year by an inflationary rate not to exceed the percentage change for the California Consumer Price Index (“CPI”), or 2%, whichever is less.

The City’s net assessed valuation for the year ended June 30, 2022, was approximately $216.2 billion, an increase of approximately 4.3% from the previous year. The City’s tax rate was approximately $0.177 per $100 of assessed valuation, which included the City’s share of the 1% basic levy and additional levies for general obligation bonds: Measures “O” and “P” (2000), Measure “O” (2002) and Measure “T” (2018).

### *22. Wastewater Treatment System*

The Wastewater Treatment System is an enterprise of the City and is comprised of the Plant, including South Bay Water Recycling and the San José Sewage Collection System. The Clean Water Financing Authority was established to provide financing for the capital programs of the Plant including the regional water reclamation program.

The Plant provides wastewater treatment services to the City and to six other sewage collection agencies. The City’s sewer service rates pay for the City’s share of the Plant operations, maintenance, administration and capital costs.

In 1959, the City and the City of Santa Clara entered into an agreement to jointly own and operate the Plant. Under the agreement, the City serves as the administering agency and is responsible for operating and maintaining the Plant. The cities 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 year ended June 30, 2022, the City’s portion of the capital and operating costs was approximately 80.5% and the City’s interest in the net position of the Plant was approximately 80.59%.

## II. Stewardship, Compliance, and Accountability

### A. Deficit Net Position

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it had incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the SARA on February 1, 2012. As of June 30, 2022, the SARA had a deficit of $1,178,055,000, which will be reduced when future redevelopment property tax revenues, are distributed from the Redevelopment Property Tax Trust Fund administered by the County of Santa Clara Auditor-Controller to pay SARA's annual enforceable obligations.

### B. Deficit Unrestricted Net Position – Governmental Activities

As of June 30, 2022, the City reported a negative balance in unrestricted net position for its governmental activities in the amount of a deficit of $2,586,680,000 after accounting for net pension liabilities and net OPEB liabilities.

### C. Deficit Fund Balance – Nonmajor Governmental Funds

As of June 30, 2022, the City reported a deficit fund balance of $20,000 for the Edward Byrne Memorial Justice special revenue fund, which was primarily due to the purchase of Motorola radio consoles in FY 2019.

## III. Detailed Notes on All Funds

### A. Cash, Deposits, and Investments

As of June 30, 2022, total City cash, deposits and investments, at fair value, are as follows (in thousands):

| | Governmental Activities | Business-Type Activities | Fiduciary Funds: Pension Trust | Fiduciary Funds: Private-Purpose Trust | Fiduciary Funds: Custodial | Carrying Value |
|---|---|---|---|---|---|---|
| Equity in pooled cash and investments | $ 1,663,950 | $ 780,603 | $ - | $ 201 | $ 7,069 | $ 2,451,823 |
| Cash and investments | 7 | - | - | 2,507 | - | 2,514 |
| Restricted assets: | | | | | | |
| Equity in pooled cash and investments | 87,880 | 71,534 | - | - | - | 159,414 |
| Cash and investments with fiscal agents | 331,349 | 84,344 | - | 121,843 | - | 537,536 |
| Other cash and investments | 16,781 | - | - | - | - | 16,781 |
| Investments of retirement systems | - | - | 7,626,281 | - | - | 7,626,281 |
| Total deposits and investments | $ 2,099,967 | $ 936,481 | $ 7,626,281 | $ 124,551 | $ 7,069 | $ 10,794,349 |
| Deposits | | | | | | $ (38,525) |
| Investments | | | | | | 10,832,874 |
| Total deposits and investments | | | | | | $ 10,794,349 |

**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. All investment activities in the City's investment pool are executed in compliance with the requirements set forth in the City of San José Investment Policy and California Government Code Section 53600 et seq. The City Council adopted an investment policy (Council Policy 1-12) related to the City's cash and investment pool (the "Policy") on April 2, 1985, which is subject to annual review and was reviewed and amended on March 15, 2022. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Policy, the investments conform to the California Government Code and the applicable limitations contained within the Policy.

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

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

Other cash and 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 of Retirement Systems.** The Retirement Systems' funds are invested pursuant to policy guidelines established by the respective Boards. The objective of each 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.

**Investment Risk.** The investments are subject to certain types of risk, including interest rate risk, credit 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 to the Retirement Systems, as follows:

### *1. Cash and Investments Managed by the City Treasurer*

**Interest Rate Risk.** Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, debt investments with fixed coupons for longer terms are subject to more variability in their value as a result of changing interest rates. The City manages its exposure to interest rate risk by capping the weighted average maturity of the investment portfolio at 2.5 years (or 913 days). Also, the City sets the maximum maturity for every investment at the time of purchase by asset class, with the longest not to exceed five years.

In practice, the City purchases a combination of short-term and long-term investments and times the cash flows to meet liquidity needs for operations. The weighted average days to maturity of the City's pooled cash and investments at June 30, 2022, was approximately 533 days.

**Credit Risk.** Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. When investing, the City applies the Prudent Investor Standard and acts with care, prudence and diligence to safeguard the principal, maintain liquidity and seek reasonable yields. The City's investment policy has strict rating requirements. The City manages credit risk by selecting high quality securities, diversifying the portfolio and establishing monitoring procedures.

**Investment in Local Agency Investment Fund.** The City is a voluntary participant in the California Local Agency Investment Fund ("LAIF") that is governed 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 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 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.

LAIF is part of the State's Pooled Money Investment Account ("PMIA") that allows cities, counties and special districts to place money into the fund. LAIF operating account allows a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than $5,000 and in increments of a thousand dollars. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal every 30 days.

At June 30, 2022, the City's pooled and fiscal agent investments in LAIF were approximately $439,884,000 and the SARA's investments in LAIF was $1,860,000. The weighted average days to maturity of LAIF was 311 days at June 30, 2022. The total amount recorded by all public agencies in LAIF at June 30, 2022 was approximately $36 billion. PMIA is not registered with the Securities and Exchange Commission ("SEC"), but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2022 was approximately $235 billion and of that amount, 86.92% was invested in U.S. Treasuries and agencies, 7.82% in depository securities, 4.91% in commercial paper, and 0.35% in loans.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy sets forth the guidelines regarding concentration of credit risk.

The following table identifies the investment types that are authorized by the Policy as of June 30, 2022:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage or Dollar of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Government Agency Issues | 5 years | None | None |
| Supranationals | 5 years | 20% * | None |
| Bankers' Acceptances | 180 days | 20% * | 5% * |
| Insured Time Deposits | 3 years * | 10% * | FDIC Limit |
| Uninsured Time Deposits | 18 months * | 5% * | 2.5% * |
| Commercial Paper | 270 days | 20% * | 5% * |
| Negotiable Certificates of Deposit | 1 year * | 20% * | 5% * |
| Repurchase Agreements | 92 days * | 20% * | 5% * |
| Reverse Repurchase Agreements | 30 days * | Lesser of $25 million or 20% * | None |
| Corporate Medium Term Notes | 5 years | 30% | 5% * |
| California Local Agency Investment Fund | N/A | State Treasurer Limit | None |
| Joint Powers Authority Pools | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Municipal Bonds - Category 1 (City) | 5 years | 10% * | 5% * |
| Municipal Bonds - Category 2 (State of CA) | 5 years | 5% * | 5% * |
| Municipal Bonds - Category 3 (CA Issuers) | 5 years | 30% | 5% * |
| Municipal Bonds - Category 4 (Other 49 States) | 5 years | 30% | 5% * |
| Investment Agreements | None | None | None |
| Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO) | 5 years | 10%* | None |
| Asset Backed Securities (ABS) | 5 years | 5% * | None |

* Represents where the Policy is more restrictive than the California Government Code.

Other restrictions on investments are summarized as follows:

- Purchases of United States government agency securities are limited to issues of Federal Agriculture Mortgage Corporation ("Farmer Mac"), Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. Investment in Farmer Mac may not exceed 10% of the total portfolio.
- Purchases of supranationals are limited to International Bank for Reconstruction and Development, International Finance Corporation and Inter-American Development Bank. Securities shall be rated in a rating category of "AA" or its equivalent or better by Moody's Investors Services ("Moody's"), S&P Global Ratings ("S&P"), or Fitch Ratings ("Fitch"). If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

- Purchases of bankers' acceptances ("BAs") are limited to issues by domestic U.S. or foreign bank branches that are licensed by federal or state governments. Foreign bank issued BAs must be dollar-denominated. Issuing banks must have a short-term rating of "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations, Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Deposits up to 10% of the portfolio may be invested in banks and savings and loans and deposits shall not exceed the net worth of that depository. Depositories must have a short-term rating of "P-1, A-1, or F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be rated in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase. Deposits shall be either insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized in the manner prescribed by State law for depositories. Rating requirements do not apply to depositories where the City's deposits are fully insured by the FDIC.
- Commercial paper eligible for investment must be rated "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations; Moody's, S&P, or Fitch, respectively. Issuing corporations must be organized and operating within the United States, have total assets in excess of $500,000,000 and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better, by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Negotiable certificates of deposit are limited to banks and savings and loans with an issuer short-term rating of "P-1, A-1, F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. No rating may be lower than any of the ratings listed above. The outstanding debt of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Repurchase agreements are to be executed only with primary dealers of the Federal Reserve Bank of New York, which have entered into the City's Master Repurchase Agreement and any subsequent amendments to the 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 of 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 of the repurchase agreement's face value.
- 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.
- Corporate medium-term notes eligible for investment must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.

- Funds invested in LAIF, 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. The current maximum amount authorized by the State Treasurer is $75 million. Also, the California State Treasurer authorized agencies receiving federal and/or state COVID-19 relief funds to deposit a maximum of $75 million in a special Emergency LAIF account.
- Funds may be invested in a Joint Powers Authority Pool ("JPAP") organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in Section 53601. Investments in JPAPs will be limited to the California Asset Management Program ("CAMP") and the Investment Trust of California ("CalTRUST"). Ratings of a JPAP must be in a rating category of "AAA" or its equivalent by Moody's, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence. No more than 10% of the portfolio shall be invested in any single JPAP. JPAPs may not exceed 20% of the City's portfolio.
- Investments in money market mutual funds are limited to those funds registered with the SEC and for which either one of the credit criteria are met: (1) obtained the highest ranking or highest letter and numerical rating provided by no less than two nationally recognized rating services or (2) retained an investment advisor registered with the SEC or exempt from the SEC registration requirements with no less than five years of experience investing in securities and obligations authorized by California Government Code Section 53601 and managing money market mutual funds with assets under management in excess of $500,000,000. Investments by the funds are restricted to U.S. Treasury and U.S. Government Agency backed securities permitted under the Policy and must be maintained at no less than $1.00 per share.
- Municipal bonds investments can be made in four categories: (1) bonds issued by the City or its agencies (as defined in the Policy), (2) by the State of California, (3) by other California local agencies, and (4) by any of the other 49 states. Eligible securities must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations; Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- 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.
- Mortgage backed securities and collateralized mortgage obligations must be in a rating category of "AA" or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Asset backed securities must be in a rating category of "AA" or better Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

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 or exception to the Policy occurs, it must be reported to the City Manager within 3 business days and to the City Council within 10 days of its discovery.

The following schedule indicates the interest rate risk, credit risk and concentration of credit risk of the City's investments, as of June 30, 2022 (in thousands). The credit ratings listed are for Moody's and S&P, respectively.

| | | Maturity | | | | |
|---|---|---|---|---|---|---|
| Type of Investment | Credit Rating | Under 30 Days | 31 - 180 Days | 181 - 365 Days | 1 - 5 Years | Carrying Value |
| Pooled investments in the City Treasury: | | | | | | |
| Treasury Notes | AAA / N/A | $ - | $ 19,952 | $ - | $ 14,796 | $ 34,748 |
| Federal Home Loan Banks | AAA / AA+ | 34,988 | 35,262 | 10,293 | 13,174 | 93,717 |
| Federal Home Loan Banks - Callable | AAA / AA+ | - | - | 17,333 | 416,645 | 433,978 |
| Federal National Mortgage Association | AAA / AA+ | - | 1,117 | 19,356 | 108,888 | 129,361 |
| Federal National Mortgage Association - Callable | AAA / AA+ | - | - | - | 62,149 | 62,149 |
| Federal Farm Credit Bank Bonds | AAA / AA+ | - | 19,819 | 26,148 | 50,087 | 96,054 |
| Federal Farm Credit Bank Bonds - Callable | AAA / AA+ | - | 20,250 | 27,330 | 134,310 | 181,890 |
| Federal Home Loan Mortgage Corporation | AAA / AA+ | - | 11,354 | 13,089 | 46,301 | 70,744 |
| Federal Home Loan Mortgage Corporation - Callable | AAA / AA+ | - | - | 4,925 | 157,242 | 162,167 |
| Farmer Mac Interest Bearing | N/A | - | - | - | 20,583 | 20,583 |
| Farmer Mac Interest Bearing-Callable | N/A | - | - | - | 19,710 | 19,710 |
| Supranationals | AAA / AAA | 23,500 | 23,155 | 36,259 | 138,643 | 221,557 |
| Corporate Medium Term Notes | AAA / AAA | 13,355 | 43,962 | 107,925 | 110,223 | 275,465 |
| Negotiable Certificates of Deposit | N/A | 49,998 | - | - | - | 49,998 |
| Asset Backed Securities | AAA / AAA | - | - | - | 11,367 | 11,367 |
| Municipal Bonds | AAA / AAA | 2,710 | 23,343 | 11,839 | 130,632 | 168,524 |
| Money Market Mutual Funds | N/A | 272,565 | - | - | - | 272,565 |
| California Local Agency Investment Fund | Not Rated | - | - | 85,000 | - | 85,000 |
| Joint Powers Authority Pool | N/A / AAA | - | - | 269,000 | - | 269,000 |
| Total pooled investments in the City Treasury | | 397,116 | 198,214 | 628,497 | 1,434,750 | 2,658,577 |
| Investments with fiscal agents: | | | | | | |
| Treasury Notes | N/A | 15,020 | 3,779 | - | - | 18,799 |
| Federal Farm Credit Banks | N/A | 5,441 | - | - | 4,425 | 9,866 |
| Federal Home Loan Banks | N/A | - | - | - | 5,274 | 5,274 |
| Money Market Mutual Funds | Aaa / AAA | 35,490 | - | - | - | 35,490 |
| California Local Agency Investment Fund | Not Rated | - | - | 354,884 | - | 354,884 |
| Total investments with fiscal agents | | 55,951 | 3,779 | 354,884 | 9,699 | 424,313 |
| Total Citywide investments (excluding Retirement Systems and the SARA) | | $ 453,067 | $ 201,993 | $ 983,381 | $ 1,444,449 | 3,082,890 |
| Trust Funds: | | | | | | |
| Total investments in Retirement Systems (See page 78) | | | | | | 7,626,281 |
| Total investments in the SARA (See page 181) | | | | | | 123,703 |
| Total investments | | | | | | $10,832,874 |

The City has the following recurring fair value measurements as of June 30, 2022 (in thousands):

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| | Carrying Value 6/30/22 | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Pooled Investments in the City Treasury: | | | | |
| Investments by fair value level | | | | |
| Treasury Notes | $ 34,748 | $ 34,748 | $ - | $ - |
| Federal Home Loan Banks | 93,717 | - | 93,717 | - |
| Federal Home Loan Banks - Callable | 433,978 | - | 433,978 | - |
| Federal National Mortgage Association | 129,361 | - | 129,361 | - |
| Federal National Mortgage Association - Callable | 62,149 | - | 62,149 | - |
| Federal Farm Credit Bank Bonds | 96,054 | - | 96,054 | - |
| Federal Farm Credit Bank Bonds - Callable | 181,890 | - | 181,890 | - |
| Federal Home Loan Mortgage Corporation | 70,744 | - | 70,744 | - |
| Federal Home Loan Mortgage Corporation - Callable | 162,167 | - | 162,167 | - |
| Farmer Mac Interest Bearing | 20,583 | - | 20,583 | - |
| Farmer Mac Interest Bearing-Callable | 19,710 | - | 19,710 | - |
| Supranationals | 221,557 | - | 221,557 | - |
| Corporate Medium Term Notes | 275,465 | - | 275,465 | - |
| Negotiable Certificates of Deposit | 49,998 | - | 49,998 | - |
| Asset Backed Securities | 11,367 | - | 11,367 | - |
| Municipal Bonds | 168,524 | - | 168,524 | - |
| Total Investments by fair value level | 2,032,012 | 34,748 | 1,997,264 | - |
| Investments not subject to fair value hierarchy | | | | |
| Joint Powers Authority Pool | 269,000 | - | - | - |
| California Local Agency Investment Fund | 85,000 | - | - | - |
| Money Market Mutual Funds | 272,565 | - | - | - |
| Total Investments not subject to fair value hierarchy | 626,565 | - | - | - |
| Total Pooled Investments in the City Treasury | 2,658,577 | 34,748 | 1,997,264 | - |
| Investments with fiscal agents: | | | | |
| Investments by fair value level | | | | |
| Treasury Notes | 18,799 | - | 18,799 | - |
| Federal Farm Credit Banks | 9,866 | - | 9,866 | - |
| Federal Home Loan Banks | 5,274 | - | 5,274 | - |
| Total Investments by fair value level | 33,939 | - | 33,939 | - |
| Investments not subject to fair value hierarchy | | | | |
| California Local Agency Investment Fund | 354,884 | - | - | - |
| Money Market Mutual Funds | 35,490 | - | - | - |
| Total Investments not subject to fair value hierarchy | 390,374 | - | - | - |
| Total Investments with fiscal agents | 424,313 | - | 33,939 | - |
| Total Citywide investments (excluding Retirement Systems and the SARA) | 3,082,890 | $ 34,748 | $ 2,031,203 | $ - |
| Trust Funds: | | | | |
| Total investments in Retirement Systems (See page 78) | 7,626,281 | | | |
| Total investments in the SARA (See page 181) | 123,703 | | | |
| Total investments | $ 10,832,874 | | | |

**Fair Value Measurement Categorization.** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The City's investments in Money Market Mutual Funds and LAIF are not subject to fair value hierarchy.

Securities classified in Level 1 of the fair value hierarchy include Treasury notes. Treasury notes are priced primarily by automated Interactive Data Corporation (IDC) institutional bond pricing with additional inputs from evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. All other securities in the City's investment pool are classified in Level 2 of the fair value hierarchy. IDC applies various methodologies to price Level 2 securities depending on the asset class. For instance, US agency notes are valued by creating a bullet spread scale for each issuer with maturities going out to forty years. Municipal bonds are valued with multi-dimensional model or series matrices utilizing standard inputs including Municipal Securities Rulemaking Board ("MSRB") reported trades and material event notices. Corporate bonds are valued with evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. Mortgage backed securities are valued upon the given tranche, a cash flow stream model or an option adjusted spread model.

**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, 2022, the City's deposits were collateralized at 110%. All investments in the City Treasury were in the City's name. Neither deposits nor investments held by the City were subject to custodial credit risk.

**Concentration of Credit Risk.** Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The City mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to a maximum weight in various asset classes. No more than 10% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers' Acceptances, Commercial Paper, Negotiable Certificates of Deposits, and Corporate Notes. Investments issued by or explicitly guaranteed by the U.S. government are exempt from this requirement.

As of June 30, 2022, the City's pooled investments in the City Treasury have investments that represent 5% or more of the total pooled investments in the following:

| | |
|---|---|
| Federal Home Loan Bank | 19.85% |
| Federal Farm Credit Bank | 10.45% |
| Federal Home Loan Mortgage Corporation | 8.76% |
| Federal National Mortgage Association | 7.20% |

**Foreign Currency Risk.** The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2022, the City's Policy does not permit investments in the pool to hold foreign currency; as such the investments in the City's investment pool were not subject to foreign currency risk.

### *2. Retirement Systems*

**Investment Policies** – The City's Municipal Code delegates authority to the Boards of Administration of PFDRP and FCERS (collectively the "Retirement Boards") to invest monies of the respective plans as provided in the Municipal Code. Each Retirement Board has adopted detailed investment guidelines consistent with the conditions and limitations set forth in the Municipal Code.

The Board of Administration of PFDRP adopted an updated asset allocation on April 1, 2021, and the asset allocation transitioned over the next several months until a new investment policy was approved on May 5, 2022. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and PFDRP's adopted actuarial assumed rate of return as utilized in the June 30, 2021 actuarial valuation.

The PFDRP's investment allocation for the Defined Benefit Pension Plan is as follows:

**PFDRP - Pension**

| Asset Class | Target Asset Allocation | Asset Class | Target Asset Allocation |
|---|---|---|---|
| Public equity | 42.0% | Private real assets | 4.0% |
| Private equity | 9.0% | Venture / growth capital | 4.0% |
| Cash and cash equivalents | 8.0% | Market neutral strategies | 3.0% |
| Core real estate | 5.0% | Emerging market bonds | 2.0% |
| Immunized cash flows | 5.0% | High yield bonds | 2.0% |
| Investment grade bonds | 4.5% | Treasury inflation-protected securities | 2.0% |
| Growth real estate | 4.0% | Long-term government bonds | 1.5% |
| Private debt | 4.0% | | |

The PFDRP's investment allocation for the Postemployment Healthcare Plan is as follows:

**PFDRP - Postemployment Healthcare**

| Asset Class | Target Asset Allocation |
|---|---|
| Public equity | 58% |
| Investment grade bonds | 14% |
| Core real estate | 12% |
| Short-term investment grade bonds | 6% |
| Commodities | 5% |
| Long-term government bonds | 5% |

The FCERS Defined Benefit Pension Plan investment policy was updated and approved by the FCERS' Board of Administration on May 19, 2022, with the asset allocation being updated and approved on March 18, 2021. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2021 actuarial valuation.

The FCERS' Defined Benefit Pension Plan investment asset allocation is as follows:

**FCERS - Pension**

| Asset Class | Target Asset Allocation | Asset Class | Target Asset Allocation |
|---|---|---|---|
| Public equity | 49% | Emerging market bonds | 3% |
| Private equity | 8% | Private debt | 3% |
| Investment grade bonds | 8% | Market neutral strategies | 3% |
| Core real estate | 5% | Private real assets | 3% |
| Immunized cash flows | 5% | Long-term government bonds | 2% |
| Venture / growth capital | 4% | Treasury inflation-protected securities | 2% |
| Growth real estate | 3% | High yield bonds | 2% |

The FCERS Postemployment Healthcare Plan investment policy and asset allocation were updated and approved by the FCERS' Board of Administration on January 20, 2022 and April 21, 2022, respectively. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2021 actuarial valuation.

**FCERS - Postemployment Healthcare**

| Asset Class | Target Asset Allocation |
|---|---|
| Public equity | 58% |
| Investment grade bonds | 14% |
| Core real estate | 12% |
| Short-term investment grade bonds | 6% |
| Commodities | 5% |
| Long-term investment grade bonds | 5% |

At June 30, 2022, the Retirement Systems held the following investments (in thousands):

| | PFDRP | FCERS | Total |
|---|---|---|---|
| Securities and other: | | | |
| Fixed income: | | | |
| Investment grade bonds | $ 237,409 | $ 286,165 | $ 523,574 |
| Immunized cash flows | 169,477 | 68,748 | 238,225 |
| Emerging market bonds | 90,800 | 83,707 | 174,507 |
| Long-term government bonds | 81,661 | 67,699 | 149,360 |
| Private debt | 157,688 | 86,401 | 244,089 |
| Treasury inflation-protected securities | 90,484 | 56,963 | 147,447 |
| High yield bonds | 83,029 | 51,453 | 134,482 |
| Cash and cash equivalents | 419,417 | 60,314 | 479,731 |
| Short-term investment grade bonds | 12,648 | 12,772 | 25,420 |
| Total fixed income | 1,342,613 | 774,222 | 2,116,835 |
| Commodities | 12,509 | 16,813 | 29,322 |
| Core real estate | 258,353 | 176,552 | 434,905 |
| Growth real estate | 195,890 | 101,938 | 297,828 |
| Venture / growth capital | 32,512 | 13,948 | 46,460 |
| Market neutral strategies | 141,458 | 85,780 | 227,238 |
| Private equity | 397,297 | 365,199 | 762,496 |
| Private real assets | 78,529 | 49,534 | 128,063 |
| Public equity | 2,157,941 | 1,425,193 | 3,583,134 |
| Total investments | $ 4,617,102 | $ 3,009,179 | $ 7,626,281 |

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk, and concentration of credit risk. The following describes those risks:

***Market Risk*** - General market risk factors exist that could cause depreciation or appreciation of the Retirement Systems' investment portfolio. These risks include general, economic, political and regulatory risks. The Retirement Systems' investments may be impacted by changes caused by global and domestic market conditions and industry-specific economic and regulatory conditions.

***Interest Rate Risk*** – The fair value of fixed income investments fluctuates 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, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. The Retirement Systems' do not have a policy regarding interest rate risk.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2022 (in thousands):

| | PFDRP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 0 - 3 months | 3 - 6 months | 6 months - 1 year | 1 - 5 years | 5 - 10 years | More than 10 years | Total Fair Value | Cost |
| Investment grade bonds | $ - | $ - | $ 2,499 | $ 60,088 | $ 31,232 | $ 143,590 | $ 237,409 | $ 257,221 |
| Immunized cash flows | 8,283 | 9,061 | 21,815 | 130,318 | - | - | 169,477 | 178,788 |
| Treasury inflation-protected securities | 4,912 | - | 11,228 | 74,344 | - | | 90,484 | 93,513 |
| High yield bonds | - | 35 | 579 | 25,887 | 46,338 | 10,190 | 83,029 | 96,574 |
| Long-term government bonds | - | - | - | - | - | 81,661 | 81,661 | 102,651 |
| Private debt* | 6,231 | - | - | - | - | - | 6,231 | 8,331 |
| Total fixed income | $ 19,426 | $ 9,096 | $ 36,121 | $ 290,637 | $ 77,570 | $ 235,441 | $ 668,291 | $ 737,078 |

| | FCERS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 0 - 3 months | 3 - 6 months | 6 months - 1 year | 1 - 5 years | 5 - 10 years | More than 10 years | Total Fair Value | Cost |
| Investment grade bonds | $ - | $ - | $ 1,176 | $ 104,141 | $ 18,757 | $ 162,091 | $ 286,165 | $ 308,149 |
| Immunized cash flows | 6,501 | 6,689 | 16,479 | 39,079 | - | - | 68,748 | 71,581 |
| Treasury inflation-protected securities | 3,090 | - | 7,100 | 46,773 | - | - | 56,963 | 59,275 |
| High yield bonds | - | 22 | 357 | 16,035 | 29,221 | 5,818 | 51,453 | 59,971 |
| Long-term government bonds | - | - | - | - | - | 67,699 | 67,699 | 87,981 |
| Private debt* | 6,231 | - | - | - | - | - | 6,231 | 8,701 |
| Total fixed income | $ 15,822 | $ 6,711 | $ 25,112 | $ 206,028 | $ 47,978 | $ 235,608 | $ 537,259 | $ 595,658 |

** Total fair value for this security is a combination of fixed income and separately managed accounts. The separately managed accounts are not included in this table.*

***Custodial Credit Risk*** – Custodial credit risk is the risk that the Retirement Systems will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The Retirement Systems do not have a policy regarding custodial credit risk. As of June 30, 2022, all of the Retirement Systems' investments are held in the Retirement Systems' name and are not exposed to custodial credit risk.

***Credit Quality Risk*** – The Retirement Systems' investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Generally credit risk is managed through establishing investment guidelines for every investment manager. Investment managers may, as part of their investment strategy, invest in securities where the issuer's ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. 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. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A-1 or P-1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The table provides information for the portfolios as of June 30, 2022 concerning credit risk (in thousands) and reflect only securities held in the Retirement Systems' names.

| | PFDRP | | FCERS | |
|---|---|---|---|---|
| S&P Quality Rating | Fair Value | Fair Value as a % of Total Fixed Income | Fair Value | Fair Value as a % of Total Fixed Income |
| AAA | $ 364,887 | 54.60% | $ 139,111 | 25.89% |
| AA+ | 37,548 | 5.62% | 682 | 0.13% |
| AA | 614 | 0.09% | - | 0.00% |
| AA- | 2,413 | 0.36% | 1,028 | 0.19% |
| A+ | 2,647 | 0.40% | 1,246 | 0.23% |
| A | 3,884 | 0.58% | - | 0.00% |
| A- | 8,878 | 1.33% | - | 0.00% |
| BBB+ | 13,455 | 2.01% | 586 | 0.11% |
| BBB | 17,777 | 2.66% | - | 0.00% |
| BBB- | 21,350 | 3.19% | 2,041 | 0.38% |
| BB+ | 11,088 | 1.66% | 100 | 0.02% |
| BB | 10,823 | 1.62% | - | 0.00% |
| BB- | 18,567 | 2.78% | 474 | 0.09% |
| B+ | 10,782 | 1.61% | 409 | 0.08% |
| B | 12,295 | 1.84% | 274 | 0.05% |
| B- | 5,951 | 0.89% | 53 | 0.01% |
| CCC+ | 6,038 | 0.90% | - | 0.00% |
| CCC | 2,696 | 0.40% | - | 0.00% |
| CCC- | - | 0.00% | - | 0.00% |
| CC | - | 0.00% | - | 0.00% |
| D | 68 | 0.01% | - | 0.00% |
| Not Rated | 116,530 | 17.45% | 391,255 | 72.82% |
| Total | $ 668,291 | 100.00% | $ 537,259 | 100.00% |

***Foreign Currency Risk*** – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Retirement Systems' investment policies permit individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Retirement Systems' investment managers enter into international 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, 2022, the Retirement Systems' net positions in these contracts are recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' commitments relating to international currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2022, concerning the fair value of investments that are subject to foreign currency risk (in thousands):

| | PFDRP | | | |
|---|---|---|---|---|
| Currency Name | Cash | Public Equity | Growth Real Estate | Total Exposure |
| Australian dollar | $ - | $ 5,736 | $ - | $ 5,736 |
| Canadian dollar | - | 11,500 | - | 11,500 |
| Danish krone | - | 6,769 | - | 6,769 |
| Euro currency | - | 71,013 | 41,196 | 112,209 |
| Hong Kong dollar | - | 7,802 | - | 7,802 |
| Japanese yen | 147 | 16,717 | - | 16,864 |
| Norwegian krone | - | 2,491 | - | 2,491 |
| Swedish krona | - | 3,659 | - | 3,659 |
| Swiss franc | 208 | 35,062 | - | 35,270 |
| United Kingdom pound | 46 | 37,834 | - | 37,880 |
| Total | $ 401 | $ 198,583 | $ 41,196 | $ 240,180 |

| | FCERS | | | | |
|---|---|---|---|---|---|
| Currency Name | Cash | Public Equity | Private Equity | Growth Real Estate | Total Exposure |
| Australian dollar | $ - | $ 3,962 | $ - | $ - | $ 3,962 |
| Canadian dollar | - | 7,330 | - | - | 7,330 |
| Danish krone | - | 3,359 | - | - | 3,359 |
| Euro currency | - | 38,330 | 689 | 22,774 | 61,793 |
| Hong Kong dollar | - | 3,733 | - | - | 3,733 |
| Japanese yen | 76 | 9,746 | - | - | 9,822 |
| Norwegian krone | - | 1,655 | - | - | 1,655 |
| Swedish krona | - | 2,190 | - | - | 2,190 |
| Swiss franc | - | 18,031 | - | - | 18,031 |
| Taiwanese new dollar | 26 | - | - | - | 26 |
| United Kingdom pound | 25 | 20,862 | - | - | 20,887 |
| Total | $ 127 | $ 109,198 | $ 689 | $ 22,774 | $ 132,788 |

***Investment Concentration Risk*** – The Retirement Systems' investment policies specify that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the applicable plan's assets without approval by the applicable Retirement Board, with the exception of passive management, where the applicable plan's assets are not held in the applicable plan's name at the applicable plan's custodial bank. In such cases, there is no concentration limit.

***Derivative Instruments*** – The Retirement Systems' investment policies allow for investments in derivative instruments that comply with the Retirement Systems' objectives of providing a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. The Retirement Systems are currently authorized to use derivative instrument strategies to equitize cash during portfolio transitions until physical securities are in place and to reproduce or replicate a physical holding that corresponds to the applicable Retirement Board's approved policy benchmark. In addition to the Retirement Systems' internal derivative instrument policies, it is understood that the mandates of certain investment managers retained by the Retirement Systems may use derivative instruments.

Derivative instruments are reported at fair value. Derivative instruments 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. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2022. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates*. GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can be replaced with another IBOR without needing a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. The Retirement Systems do not expect GASB 93 to significantly impact the financial statements as the Retirement Systems do not have any direct exposure to derivative instruments tied to LIBOR as of June 30, 2022.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2022, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows (in thousands):

**PFDRP**

| | Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2022 | | Fair Value at June 30, 2022 | | |
|---|---|---|---|---|---|
| Investment Derivative Instruments | Classification | Amount | Classification | Amount | Notional Amount/Shares |
| Fixed income futures long | Investment income | $ (6,240) | Futures | $ - | 15,215 |
| Fixed income futures short | Investment income | 183 | Futures | - | (17,102) |
| FX forwards | Investment income | (419) | Long-term instruments | - | $ 372 |
| Index futures long | Investment income | 1,102 | Futures | - | 9,561 |
| Index futures short | Investment income | 724 | Futures | - | (7,314) |
| Total derivative instruments | | $ (4,650) | | $ - | |

**FCERS**

| | Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2022 | | Fair Value at June 30, 2022 | | |
|---|---|---|---|---|---|
| Investment Derivative Instruments | Classification | Amount | Classification | Amount | Notional Amount/Shares |
| Fixed income futures long | Investment income | $ (2,393) | Futures | $ - | 49,331 |
| Fixed income futures short | Investment income | 218 | Futures | - | (9,752) |
| FX forward | Investment income | (270) | Long-term instruments | - | $ 261 |
| Index futures long | Investment income | (4,528) | Futures | - | 5,198 |
| Index futures short | Investment income | (369) | Futures | - | (8,818) |
| Total derivative instruments | | $ (7,342) | | $ - | |

Investment derivative instruments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2022.

***Counterparty Credit Risk*** – The Retirement Systems are exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Retirement Systems' investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract.

As of June 30, 2022, PFDRP's total commitments in forward currency contracts to purchase and sell international currencies were $372,000, with fair values of $372,000 and $372,000, respectively, held by counterparties with an S&P rating of at least AA-.

As of June 30, 2022, FCERS' total commitments in forward currency contracts to purchase and sell international currencies were $261,000, with fair values of $261,000 and $261,000, respectively, held by counterparties with an S&P rating of AA and above.

***Fair Value Measurements*** – The Retirement Systems categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

**Level 2** inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

**Level 3** inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

The Retirement Systems have the following recurring fair value measurements as of June 30, 2022:

| PFDRP | | Fair Value Measurement Using | | | |
|---|---|---|---|---|---|
| (In Thousands) | Total | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) |
| **Investments by fair value level** | | | | | |
| Public equity | $ 2,157,941 | $ 428,788 | $ - | $ - | $ 1,729,153 |
| Cash and cash equivalents | 419,417 | 419,417 | - | - | - |
| Private equity | 397,297 | - | - | 30,339 | 366,958 |
| Core real estate | 258,353 | - | - | - | 258,353 |
| Investment grade bonds | 237,409 | 163,511 | 38,294 | - | 35,604 |
| Growth real estate | 195,890 | - | - | - | 195,890 |
| Immunized cash flows | 169,477 | 92,882 | 76,595 | - | - |
| Private debt | 157,688 | - | - | 5,721 | 151,967 |
| Market neutral strategies | 141,458 | - | - | - | 141,458 |
| Emerging market bonds | 90,800 | - | - | - | 90,800 |
| Treasury inflation-protected securities | 90,484 | 90,484 | - | - | - |
| High yield bonds | 83,029 | 74,566 | - | - | 8,463 |
| Long-term government bonds | 81,661 | - | - | - | 81,661 |
| Private real assets | 78,529 | - | - | - | 78,529 |
| Venture / growth | 32,512 | - | - | - | 32,512 |
| Short-term investment grade bonds | 12,648 | 12,648 | - | - | - |
| Commodities | 12,509 | - | - | - | 12,509 |
| **Total investments measured at fair value level** | **$ 4,617,102** | **$ 1,282,296** | **$ 114,889** | **$ 36,060** | **$ 3,183,857** |

| FCERS | | Fair Value Measurement Using | | | |
|---|---|---|---|---|---|
| (In Thousands) | Total | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) |
| **Investments by fair value level** | | | | | |
| Public equity | $ 1,425,193 | $ 268,402 | $ - | $ - | $ 1,156,791 |
| Private equity | 365,199 | - | - | 30,339 | 334,860 |
| Investment grade bonds | 286,165 | 87,988 | 38,575 | - | 159,602 |
| Core real estate | 176,552 | - | - | - | 176,552 |
| Growth real estate | 101,938 | - | - | - | 101,938 |
| Private debt | 86,401 | - | - | 6,250 | 80,151 |
| Market neutral strategies | 85,780 | - | - | - | 85,780 |
| Emerging market bonds | 83,707 | - | - | - | 83,707 |
| Immunized cash flows | 68,748 | 35,335 | 33,413 | - | - |
| Long-term government bonds | 67,699 | - | - | - | 67,699 |
| Cash and cash equivalents | 60,314 | 60,314 | - | - | - |
| Treasury inflation-protected securities | 56,963 | 56,963 | - | - | - |
| High yield bonds | 51,453 | 46,580 | - | - | 4,873 |
| Private real assets | 49,534 | - | - | - | 49,534 |
| Commodities | 16,813 | - | - | - | 16,813 |
| Venture / growth | 13,948 | - | - | - | 13,948 |
| Short-term investment grade bonds | 12,772 | 12,772 | - | - | - |
| **Total investments measured at fair value** | **$ 3,009,179** | **$ 568,354** | **$ 71,988** | **$ 36,589** | **$ 2,332,248** |

## Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices for similar securities that are observable in the marketplace. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are unobservable by the marketplace. Many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank for PFDRP or FCERS as applicable.

### Alternative Investments

For both Retirement Systems, alternative investments include public equity, private equity, core real estate, investment grade bonds, growth real estate, high yield bonds, market neutral strategies, emerging market bonds, commodities, private debt, venture capital, long-term government bonds and private real assets. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner ("GP") of each investment firm retained by the Retirement Systems. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in the Retirement Systems' alternative investment programs are classified as Level 3 assets or at the NAV Level. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB Statement No.72, *Fair Value Measurement and Application*, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of the fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value / latest 12 months earnings before interest, taxes, depreciation and amortization ("EBITDA") or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 or NAV in the fair value hierarchy, provided that the NAV is calculated and used as a practical expedient method to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy.

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2022:

**PFDRP**

| Investments Measured at the NAV as of June 30, 2022 (In Thousands) | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Public equity | $ 1,729,153 | $ - | Daily, Weekly, Monthly | 1 - 30 Days |
| Private equity | 366,958 | 123,069 | Daily, N/A | 1 Day, N/A |
| Core real estate | 258,353 | 65,500 | Quarterly | 90 Days |
| Investment grade bonds | 35,604 | - | Daily | 1- 3 Days |
| Growth real estate | 195,890 | 99,400 | N/A | N/A |
| Private debt | 151,967 | 164,000 | N/A | N/A |
| Market neutral strategies | 141,458 | - | Monthly, Bi-Annual | 45 - 60 Days |
| Emerging market bonds | 90,800 | - | Daily, Quarterly | 1 - 45 days |
| High yield bonds | 8,463 | - | Daily | 3 Days |
| Long-term government bonds | 81,661 | - | Daily | 3 Days |
| Private real assets | 78,529 | 52,200 | N/A | N/A |
| Venture / growth | 32,512 | 52,200 | N/A | N/A |
| Commodities | 12,509 | - | Daily | 3 Days |
| **Total investments measured at the NAV** | **$ 3,183,857** | **$ 556,369** | | |

**FCERS**

| Investments Measured at the NAV as of June 30, 2022 (In Thousands) | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Public equity | $ 1,156,791 | $ - | Daily, Weekly, Monthly | 1 - 30 Days |
| Private equity | 334,860 | 99,559 | Daily, N/A | 1 Day, N/A |
| Core real estate | 176,552 | 44,700 | Quarterly | 90 Days |
| Investment grade bonds | 159,602 | - | Daily | 1 - 3 Days |
| Growth real estate | 101,938 | 54,000 | N/A | N/A |
| Market neutral strategies | 85,780 | - | Monthly, Bi-Annual | 45 - 60 Days |
| Emerging market bonds | 83,707 | - | Daily, Quarterly | 1 - 45 Days |
| Private debt | 80,151 | 53,000 | N/A | N/A |
| Long-term government bonds | 67,699 | - | Daily | 3 Days |
| Private real assets | 49,534 | 32,900 | N/A | N/A |
| Commodities | 16,813 | | Daily | 3 Days |
| Venture / growth | 13,948 | 49,100 | N/A | N/A |
| High yield bonds | 4,873 | - | Daily | 3 Days |
| **Total investments measured at the NAV** | **$ 2,332,248** | **$ 333,259** | | |

## Public equity

Public equities are shares of ownership of a firm listed on an exchange; the Retirement Systems hold global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

## Private equity

This type generally invests in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with a one-day notice.

## Core real estate

This type includes investments in open-ended real estate commingled funds. Core real estate funds typically invest in physical properties. The goal of core real estate is to produce price appreciation and income while maintaining a low correlation to stocks and bonds held by the Retirement Systems. The open-ended real estate funds offer quarterly redemptions with notice periods of three months.

### Investment grade bonds

The purpose of investment grade bonds is to produce returns and income for the Retirement Systems by providing exposure to rates and credit risk. The commingled funds offer daily liquidity with a notice period of one to three days.

### Growth real estate

The goal of growth real estate is to produce price appreciation and income for the Retirement Systems while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

### Private debt

This type includes investments in private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

### Market neutral strategies

This type includes investments in limited partnership hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivative instruments, and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from monthly to bi-annual with notice periods of forty-five days to sixty days.

### Emerging market bonds

Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivative instruments thereof in emerging market countries with a sovereign rating less than BBB-. One partnership has a quarterly redemption period with a notice period of 45 days; the other has a daily redemption period with one-day notice period.

### High yield bonds

The primary purpose of high yield bonds is to provide the Retirement Systems exposure to high yielding corporate debt. The commingled fund offers daily liquidity with a notice period of three days.

### Long-term government bonds

The purpose of long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk. The commingled fund offers daily liquidity with a notice period of three days.

### Private real assets

Private real assets are physical or tangible assets that have value due to their substance and properties. The goal of real assets is to help the portfolio maintain purchasing power through periods of inflation. The only way to exit these funds is through a sale in a secondary market.

### Venture capital

This type includes investments in venture capital limited partnership funds, which generally invest in early stage privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

### Commodities

Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation. The commodities funds offer daily liquidity with three business days' notice.

## B. Receivables, Net of Allowances

At June 30, 2022, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts, are as follows (in thousands):

| Receivables - Governmental Activities: | General Fund | Housing Activities | Low and Moderate Income Housing Asset | Special Assessment Districts | San José Financing Authority Debt Service | Nonmajor Funds | Internal Service Funds | Total Governmental Activities |
|---|---|---|---|---|---|---|---|---|
| Taxes | $ 71,140 | $ - | $ - | $ 860 | $ - | $ 9,914 | $ - | $ 81,914 |
| Accrued interest | 2,105 | 402 | 450 | 81 | - | 3,085 | 46 | 6,169 |
| Grants | 3,724 | 8,501 | - | - | - | 32,797 | - | 45,022 |
| Other | 69,291 | 419 | 1 | 727 | 145 | 27,893 | 373 | 98,849 |
| Less: allowance for uncollectibles | (34,339) | (2) | - | (4) | - | (3,047) | (9) | (37,401) |
| Total receivables, net | $ 111,921 | $ 9,320 | $ 451 | $ 1,664 | $ 145 | $ 70,642 | $ 410 | $ 194,553 |

| Receivables - Business-Type Activities: | Norman Y. Mineta San José International Airport | Wastewater Treatment System | Municipal Water System | Parking System | San José Clean Energy | Total Business-Type Activities |
|---|---|---|---|---|---|---|
| Accounts | $ 23,646 | $ 5,420 | $ 13,974 | $ 122 | $ 92,777 | $ 135,939 |
| Accrued interest | 732 | 1,162 | 95 | 119 | 74 | 2,182 |
| Grants | 9,378 | - | - | - | - | 9,378 |
| Other | 129 | | | | | 129 |
| Less: allowance for uncollectibles | (653) | (388) | (1,160) | (14) | (14,619) | (16,834) |
| Total receivables, net | $ 33,232 | $ 6,194 | $ 12,909 | $ 227 | $ 78,232 | $ 130,794 |

## C. Loans Receivable, Net of Allowances

The composition of the City's loans receivable balance for governmental funds, net of the allowance for uncollectible accounts, as of June 30, 2022 is as follows (in thousands):

| Type of Loan | General Fund | Housing Activities | Low and Moderate Income Housing Asset | Nonmajor Governmental Funds | Total Governmental Activities |
|---|---|---|---|---|---|
| Housing Program Developer, rehabilitation, second mortgage and relocation loans | $ - | $ 41,225 | $ 468,118 | $ - | $ 509,343 |
| Loans funded by federal grants | - | 81,851 | - | 4,214 | 86,065 |
| Economic development, real estate developer and other loans | 1,241 | - | - | - | 1,241 |
| Less: allowance for uncollectibles | - | (62,541) | (248,106) | (1,788) | (312,435) |
| Total loans, net | $ 1,241 | $ 60,535 | $ 220,012 | $ 2,426 | $ 284,214 |

The City uses funds generated from the loan repayment program income as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals, and families by providing loans at "below market" interest rates.

Typical loans and related terms are summarized as follows:

| Loan Type | Interest Rates | Due |
|---|---|---|
| New construction and permanent | 0 - 4% | up to 55 years |
| Multi-unit rental rehabilitation | 3% | 5 or more years |
| First time home buyer | 4% | 7 to 40 years |
| Home improvement | 3 - 6% | 1 to 30 years |

Loans are secured by first, second, third or lower in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer loans, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving very low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

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 and include amortized net cash flow 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 as an addition to the allowance and any subsequent recoveries are deducted from 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 Low and Moderate Income Housing Asset Fund loans receivable as of June 30, 2022.

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, 2022. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2022, amounts committed to extend credit under normal lending agreements totaled approximately $50,793,000.

## D. Capital Assets

### *1. Summary Schedule*

The following is a summary of capital assets activity for the year ended June 30, 2022 (in thousands):

| | Balance July 1, 2021 | Additions | Deletions | Transfers | Balance June 30, 2022 |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 542,184 | $ 8,435 | $ 943 | $ - | $ 549,676 |
| Construction in progress | 137,876 | 37,994 | - | (34,404) | 141,466 |
| Total capital assets, not being depreciated | 680,060 | 46,429 | 943 | (34,404) | 691,142 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 1,668,576 | - | 1,538 | 8,311 | 1,675,349 |
| Improvements, other than buildings | 315,949 | 5 | - | 12,444 | 328,398 |
| Infrastructure | 11,598,177 | 6,999 | - | 13,649 | 11,618,825 |
| Vehicles and equipment | 179,822 | 13,348 | 6,136 | - | 187,034 |
| Furniture and fixtures | 1,302 | - | 37 | - | 1,265 |
| Right to use assets: Buildings* | 6,363 | - | - | - | 6,363 |
| Total capital assets, being depreciated | 13,770,189 | 20,352 | 7,711 | 34,404 | 13,817,234 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (764,177) | (40,109) | 445 | - | (803,841) |
| Improvements, other than buildings | (80,926) | (10,398) | - | - | (91,324) |
| Infrastructure | (8,435,553) | (163,636) | - | - | (8,599,189) |
| Vehicles and equipment | (126,704) | (19,008) | 5,699 | - | (140,013) |
| Furniture and fixtures | (902) | (61) | 23 | - | (940) |
| Right to use assets: Buildings | - | (1,564) | - | - | (1,564) |
| Total accumulated depreciation | (9,408,262) | (234,776) | 6,167 | - | (9,636,871) |
| Total capital assets, being depreciated, net | 4,361,927 | (214,424) | 1,544 | 34,404 | 4,180,363 |
| Governmental activities capital assets, net | $ 5,041,987 | $ (167,995) | $ 2,487 | $ - | $ 4,871,505 |
| **Business-type Activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 137,938 | $ - | $ - | $ - | $ 137,938 |
| Intangible assets | 12,882 | - | - | - | 12,882 |
| Construction in progress | 486,870 | 161,847 | 172 | (7,860) | 640,685 |
| Total capital assets, not being depreciated | 637,690 | 161,847 | 172 | (7,860) | 791,505 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 1,774,123 | - | - | - | 1,774,123 |
| Improvements, other than buildings | 1,427,672 | 13,212 | - | 475 | 1,441,359 |
| Vehicles and equipment | 335,959 | 2,290 | 10,100 | 7,385 | 335,534 |
| Right to use assets: Equipment* | 293 | - | - | - | 293 |
| Right to use assets: Land* | 290 | - | - | - | 290 |
| Total capital assets, being depreciated | 3,538,337 | 15,502 | 10,100 | 7,860 | 3,551,599 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (754,528) | (45,338) | - | - | (799,866) |
| Improvements, other than buildings | (740,357) | (34,417) | - | - | (774,774) |
| Vehicles and equipment | (217,403) | (12,727) | 8,887 | - | (221,243) |
| Right-to-use assets: Equipment | (100) | (101) | - | - | (201) |
| Right-to-use assets: Land | - | (25) | - | - | (25) |
| Total accumulated depreciation | (1,712,388) | (92,609) | 8,887 | - | (1,796,110) |
| Total capital assets, being depreciated, net | 1,825,949 | (77,106) | 1,213 | 7,860 | 1,755,490 |
| Business-type activities capital assets, net | $ 2,463,639 | $ 84,741 | $ 1,385 | $ - | $ 2,546,995 |

*Balance on 7/1/2021, as restated due to implementation of GASB 87 Leases

### 2. Depreciation

Depreciation expense charged to various governmental and business-type activities of the City for the year ended June 30, 2022 is as follows (in thousands):

| | | |
|---|---|---|
| **Governmental activities:** | | |
| General government | $ | 12,119 |
| Public safety | | 14,434 |
| Capital maintenance | | 173,165 |
| Community services | | 33,704 |
| Capital assets held by City's internal service funds | | 1,354 |
| Total depreciation expense - governmental activities | $ | 234,776 |
| **Business-type activities:** | | |
| Norman Y. Mineta San José International Airport | $ | 55,260 |
| Wastewater Treatment System | | 32,392 |
| Municipal Water System | | 2,945 |
| Parking System | | 2,012 |
| Total depreciation expense - business-type activities | $ | 92,609 |

### 3. Construction Commitments

Commitments outstanding as of June 30, 2022, related to governmental and business-type activities construction in progress totaled approximately $19,391,000 and $271,888,000, respectively.

## E. Leases

***Lease payable***

This note provides information for leases where the City is a lessee.

The City is obligated under leases covering certain airport buses that expire in May 2023 (disclosed separately under section "Business-type Activities - Airport". The City has entered into various lease agreements as lessee primarily for land, building and office space. Most leases have initial terms of up to five years, and contain one or more renewal at the City's option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. Additionally, office space leases that include variable payments, include the City's proportionate share of the building's property taxes, insurance, and common area maintenance in the payment. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The statement of net position includes the following amounts relating to leases excluding Airport, which discloses separately (in thousands):

| | Governmental Activities: | Business-type Activities: | Total |
|---|---|---|---|
| **Right to use assets:** | | | |
| Buildings | $ 4,799 | $ - | $ 4,799 |
| Land | - | 265 | 265 |
| | $ 4,799 | $ 265 | $ 5,064 |
| **Lease payable:** | | | |
| Current | $ 1,504 | $ 22 | $ 1,526 |
| Noncurrent | 3,389 | 247 | 3,636 |
| | $ 4,893 | $ 269 | $ 5,162 |

The future principal and interest lease payments as of June 30, 2022 excluding Airport, which discloses separately, were as follows (in thousands):

| Fiscal year | Governmental Activities: Principal | Governmental Activities: Interest | Business-type Activities: Principal | Business-type Activities: Interest |
|---|---|---|---|---|
| 2023 | $ 1,504 | $ 122 | $ 22 | $ 8 |
| 2024 | 952 | 82 | 22 | 7 |
| 2025 | 445 | 64 | 23 | 6 |
| 2026 | 416 | 52 | 23 | 6 |
| 2027 | 86 | 44 | 24 | 5 |
| 2028-2032 | 523 | 179 | 133 | 13 |
| 2033-2037 | 607 | 96 | 22 | - |
| 2038-2042 | 183 | 41 | | - |
| 2043-2047 | 177 | 11 | | - |
| | **$ 4,893** | **$ 691** | **$ 269** | **$ 45** |

***Lease receivable***

The City leases out its buildings, office space and airport hangars (disclosed separately under section "Business-Type Activities - Airport". Most leases have initial terms of up to 10 years, and contain one or more renewals at the City's and lessor's option, generally for three or five year periods. The City has generally included these renewal periods in the lease term when it is reasonably certain that the City will exercise the renewal option. The City's lease arrangements do not contain any material residual value guarantees. The City utilizes its incremental borrowing rate to discount the lease payments.

The City has several leases with variable payments. For fiscal year 2022, the total of the variable payments was immaterial.

Although the City is exposed to changes in the residual value at the end of the current leases, the City typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investment properties are as follows (in thousands):

| | Governmental Activities: Principal | Governmental Activities: Interest |
|---|---|---|
| 2023 | $ 1,205 | $ 414 |
| 2024 | 1,036 | 381 |
| 2025 | 699 | 353 |
| 2026 | 1,078 | 329 |
| 2027 | 1,172 | 294 |
| 2028-2032 | 5,415 | 988 |
| 2033-2037 | 3,894 | 200 |
| | **$ 14,499** | **$ 2,959** |

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows (in thousands):

| | 2022 Governmental Activities: |
|---|---|
| Lease revenue | $ 1,862 |
| Interest revenue | $ 404 |

## ***Business-Type Activities – Airport***

### Airport Leases

#### *Leases as a Lessor*

As a lessor, the Airport recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset to the lessee. The Airport does not have any leases of assets held as investment or leases that transfer ownership of the underlying asset to lessee. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

### ***Regulated Leases***

In accordance with GASB Statement No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers and other aeronautical users. Regulated leases include the Airline Lease Agreement and related airline leases, as well as contracts with Fixed Based Operators ("FBOs"), Specialized Aviation Service Operators ("SASO"), and a jet fuel farm.

#### *Airline Leases*

The City entered into an Airline Lease Agreement with various passenger and cargo airlines serving the Airport, effective July 1, 2019. The Airline Lease Agreement has an initial term of ten years and is set to expire on June 30, 2029. The term of this Airline Lease Agreement may be extended for two consecutive five-year renewal periods by the mutual written agreement of the Signatory Passenger Carriers and the City.

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The terminal rate per square foot is calculated based on expenses allocable to the terminal for each fiscal year divided by the total amount of rentable terminal space. Should there be any remaining net revenues generated at the Airport and all requirements of the Master Trust Agreement and any Subordinated Financing Agreements have been satisfied, including the minimum rate covenant requirement, the Passenger Carriers' share of the remaining net terminal revenues shall be distributed as a refund once a final accounting of the Airport's operations for the last fiscal year has been completed. After the final accounting is completed, an invoice will be sent to the Passenger Carriers if the actual expenses in the terminal were higher than the revenues. The landing fee rate is calculated by dividing the expenses allocable to the airfield, offset by airfield revenues, other than landing fees, by the projected aggregated maximum gross landed weight for all aircraft at the Airport during the fiscal year. The aggregate credit or debit, if any, resulting from the final accounting after each fiscal year shall be applied to the airfield revenue requirement for the following fiscal year.

The Airline Lease Agreement defines a Signatory Airline as either a 1) Passenger Carrier that executes the Airline Lease Agreement, or an agreement with substantially similar terms, and pays at least $500,000 per year in Terminal Rents and other charges due for its use of the Terminal, excluding PFC payments, or 2) a Cargo Carrier that has executed an Airline-Airport Cargo Operating Agreement. A Passenger Carrier cannot become a Signatory Airline within three years of the expiration of the Airline Lease Agreement, except for new entrants to the Airport that have not operated at the Airport at any other time during the term of the Airline Lease Agreement.

The Airline Lease Agreement includes other provisions to: 1) allocate the cost of the office and administrative space used by the City and the City's contractors at the Airport to all terminal tenants; 2) pre-approves the Terminal Area Improvement Program ("TAIP") for the Phase II of Terminal B, which can include New Federal Inspection Station ("FIS") Facilities when the Airport reaches an annual rate of 550,000 international deplaning passengers for 18 consecutive months; 3) increases current spending limits for terminal and airfield projects from $5.0 million to $10.0 million without consultation or approval from the Signatory Airlines to fund a capital project; 4) requires Non-Signatory Airlines to provide a security deposit in addition to payment of a 25% premium over the rates and charges applicable to Signatory Airlines; 5) establishes revenue sharing in any year when there is remaining revenue generated at the Airport for Signatory Airlines as follows: a) the Airport will receive the first $4.0 million until the Phase II of Terminal B terminal project is completed and occupied and $2.0 million thereafter, and b) the rest of the net remaining revenue will be split 40%/60% (Airport/Signatory Airlines) throughout the term; 6) Airlines continue to make extraordinary coverage protection for covering annual debt service and coverage requirements should revenues less operating expenses be insufficient to meet the Airport's debt service obligations; and 7) provides continuation of the City's indirect overhead brackets to no less than 15% and not more than 25% of the Airport's operating budget.

Any passenger or air cargo carrier that does not meet the minimum requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement in a form similar to that of the Airline Lease Agreement. Non-Signatory Airlines are charged a premium of 25% over the rates and charges applicable to Signatory Airlines, do not participate in revenue sharing and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport. Non-signatory agreements may be terminated by either party on a 30-day notice. For the fiscal year ended June 30, 2022, no airlines were under the Non-Signatory Airline agreement. For the fiscal year ended June 30, 2021, one of thirteen airlines was under the Non-Signatory Airline agreement.

Any passenger or air cargo carrier operating at the Airport that is neither a Signatory Airline nor a Non-Signatory Airline will be subject to the Airline Rates and Charges Ordinance, which requires such air carriers to comply with all applicable rules and regulations as established by the Director of Aviation regarding the proper use and occupancy of the Airport or any portion thereof. In addition, the Airline Rates and Charges Ordinance establishes all rates and charges applicable to such airline's operations at and use of the Airport or any portion thereof, including airfield and terminal rates and charges, at a 30% premium over the rates and charges as determined pursuant to the terms of the City's then current Airline Lease Agreement.

For the fiscal year ended June 30, 2022, the Airport's net remaining revenues as defined in its lease agreements was $50.5 million. For the fiscal year ended June 30, 2022, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by $36.2 million. The net remaining revenues for the fiscal years ended June 30, 2022 was divided by allocating the first $4.0 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities is addressed in the Airline Lease Agreement. As of July 1, 2020, 29 of the Airport's 36 gates were leased under exclusive use agreements to 5 airlines. The remaining 7 gates were available to other airlines for rent on a per use basis. Effective February 1, 2021, the number of preferential gates decreased to 21, increasing the per-use basis gates to 15. Effective February

1, 2022, the number of preferential gates increased to 25, decreasing the per-use basis gates to 11. As of July 1, 2020, 26 of the Airport's 53 ticket counters were leased under exclusive use agreements to 6 airlines. The remaining 27 ticket counters were available to other airlines for rent on a per-use basis. The number of preferential counters remained at 26 through June 30, 2022.

By definition, the Airline Lease Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Airport has entered into a Signatory Airline Lease Agreement with 10 passenger airlines. For the fiscal year ended June 30, 2022, the Airport recognized terminal lease revenue of $68,489,000. Due to the variable nature of the above revenues from year-to-year, expected future minimum payments are indeterminable.

### *FBO Leases*

The City currently has two FBOs, Atlantic Aviation and Signature Flight Support, that provide essential support services for business and private aviation, including refueling, hangar space, maintenance, repair and overhaul, and other services.

Atlantic Aviation, the operating business entity for San Jose Jet Center and ACM Property Services, LLC, has multiple agreements with the City. On June 25, 1985, the City entered into a ground lease of 653,400 square feet for 42 years and six month-term, which was extended to June 30, 2035, with the fifth amendment on June 17, 1994. With the sixth amendment, the City entered into an additional ground lease of 313,095 square feet on April 29, 2003, which resulted in a total of 966,495 square feet ground lease. On November 26, 2012, the City entered into another ground lease of 45,238 square feet and subsequently added an additional 12,482 square feet. Through various amendments, the lease term has been extended and is set to expire on June 30, 2025. Rental revenues from the ground lease with Atlantic was $3,255,000 for the fiscal year ended June 30, 2022.

On December 12, 2013, the City entered into a ground lease and operating agreement with Signature, which constructed a full-service, fixed-based facility on approximately 29 acres of the Airport's west side (Original Master Leasehold Parcel). The term of the agreement is for 50 years from December 12, 2013 to December 11, 2063. On July 2, 2018, the City entered into the first amendment to the ground lease and operating agreement by adding a new parcel of land containing approximately 4 acres (Additional Premises), bringing the total lease to approximately 33 acres. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. Rental revenues from the ground lease with Signature were $3,746,000 for the fiscal year ended June 30, 2022.

### *SASO*

The City entered into a thirty-year ground lease contract with Avbase on March 20, 2001 for 213,537 square feet. Rental revenues from the ground lease with Avbase were $539,000 for the fiscal year ended June 30, 2022.

### *Hangars*

On May 29, 1986, the City entered into a forty-two year and six-month ground lease contract with Hewlett Packard Enterprise Company for 308,775.6 square feet for corporate aviation operations, including servicing and monitoring aircraft owned, leased, operated, and controlled by the tenant. Rental revenues from the ground lease with Hewlett Packard Enterprise Company were $895,000 for the fiscal year ended June 30, 2022.

### *Jet Fuel Farm*

On May 2, 2006, City entered into a ground lease contract with SJC Fuel Company LLC for 242,194 square feet space for storage and fuel dispensing area. The contract expires on July 20, 2038, the thirtieth anniversary of the commencement date. On June 30, 2008, the first amendment to the ground lease agreement was executed under which the lessee agreed to expand the fuel storage area and relocate the fuel dispensing area resulting in the lease of an additional 34,316 square feet. As a result of the fuel dispensing area relocation, the City has provided monthly rental credits for actual additional construction cost incurred by the lessee. The monthly credit of $2,609 was issued in FY 2022. This credit is expected to end on July 1, 2038. Net rental revenues from the ground lease with SJC Fuel was $549,000 for the fiscal year ended June 30, 2022.

The future expected minimum rentals to be received from the existing FBO, SASO, hangars, and jet fuel farm leases as of June 30, 2022, are as follows (in thousands):

| Fiscal Year Ending June 30, 2022 | | |
|---|---|---|
| 2023 | $ | 9,104 |
| 2024 | | 9,550 |
| 2025 | | 10,017 |
| 2026 | | 10,256 |
| 2027 | | 10,758 |
| 2028-2032 | | 57,421 |
| 2033-2037 | | 58,031 |
| 2038-2042 | | 44,066 |
| 2043-2047 | | 54,333 |
| 2048-2052 | | 68,946 |
| 2053-2057 | | 87,489 |
| 2058-2062 | | 111,019 |
| 2063-2067 | | 38,335 |
| **Total minimum lease rentals** | $ | 569,325 |

### *Leases with Variable Payments*

The table below shows the amount of inflow of resources recognized in this reporting period for variable payments per various concession categories for the year ended June 30, 2022 (in thousands):

| Concession Categories | Inflow of Resources year ended June 30, 2022 | |
|---|---|---|
| Misc. Concessions | $ | 92 |
| Inflight Kitchen | | 865 |
| Retail | | 3,212 |
| Food & Beverage | | 4,536 |
| Rental Car | | 14,627 |
| | $ | 23,332 |

The City entered into an On-Airport Rental Car Operation Agreement and Lease with multiple rental car companies on February 19, 2008, which have the largest inflow of variable payments, as shown in the table above. Part of the agreement is for the ground rent of the rental car facility. Each company's share of the ground rent is based on its proportionate share of square feet of the consolidated rental car facility. The agreement expired on June 30, 2020 and the rental car companies are operating in hold-over as negotiations to extend the agreement continue.

The leases with major concessionaires are generally based on the greater of percentage of their sales or a minimum annual guarantee (MAG). The City provided temporary financial relief to some concessionaires in FY 2021 by suspending the MAG and charging only the applicable percentage fee of gross sales. Miscellaneous concessionaires do not have a MAG, and concession fees are based on their sales; therefore, the inflow of resources is variable. Additionally, the major concessionaire contracts include a MAG abatement clause in which, if passenger counts fall below a certain level, then their MAG is reduced by the same percentage, therefore, making the inflow of resources variable.

The Airport distributed $6.6 million of American Rescue Plan Act ("ARPA") grant funds to be eligible for in-terminal concessions in FY 2022.

***Other Lease***

In accordance with GASB No. 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB No. 87. Effective July 31, 2007, the Airport entered into an advertising concession agreement with Clear Channel Outdoor. The agreement has been amended and restated various times since its inception. The latest amendment on April 3, 2019, extended the term through June 30, 2027, and the MAG was revised to $2.0 million effective July 1, 2019 with an annual increase of 2.5% at each July 1 thereafter. The Airport is reporting lessor lease receivable of $14,247,000 for the beginning of the fiscal year ended June 30, 2021. For the fiscal year ended June 30, 2022, the Airport reported lease revenue of $2,035,000 and interest revenue of $274,000 and $288,000. The amount of inflows of resources recognized in this reporting period for variable payments was $2,103,000 for the fiscal year ended June 30, 2022. The future expected lease receivable and revenue balances for this in-scope GASB No. 87 lease are summarized as follows (in thousands):

| Fiscal Year Ending June 30: | Beginning Lease Receivable | Interest Revenue | Receivable Reduction | Annual Lease Revenue | Ending Lease Receivable |
|---|---|---|---|---|---|
| 2023 | $ 10,658 | $ 230 | $ 1,924 | $ 2,035 | $ 8,735 |
| 2024 | 8,735 | 184 | 2,024 | 2,035 | 6,711 |
| 2025 | 6,711 | 135 | 2,128 | 2,035 | 4,583 |
| 2026 | 4,583 | 84 | 2,236 | 2,035 | 2,347 |

On June 30, 2022, ending lease receivable is $1,924,000 and $8,735,000 for current and noncurrent assets, respectively.

Ground rent revenues from rental car companies for the fiscal year ended June 30, 2022 is $782,000.

### *Leases as a Lessee*

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

On September 16, 2009, the Airport entered into a restated operating lease and maintenance agreement for a total of 24 compressed natural gas (CNG) powered buses. On May 23, 2012, a first amendment was entered into to terminate the lease on 14 of the 24 buses. On May 19, 2017, the restated agreement was amended a second time to extend the term through May 31, 2019, with a one-year option to extend. On May 15, 2020, the third amendment to the restated agreement was executed, extending the term for up to three additional one-year option terms. As amended and restated, the second option reduced the number of CNG buses from ten to six as of August 1, 2020 and four as of November 1, 2020. The third option was exercised on April 29, 2021, extending the term through May 31, 2022. The fourth option was exercised on March 30, 2022, extending the term through May 31, 2023. Rental expense was $104,000 for the fiscal year ended June 30, 2022. In accordance with GASB No. 87, the Airport recognizes a lease liability and a lease asset for leases the Airport categorizes as in-scope of GASB No. 87. For this lease, the Airport reported a lease liability and lease asset of $293,000 at the beginning of the fiscal year ended June 30, 2021. Accumulated amortization for the year ended June 30, 2022 is $201,000. The lease liability as of June 30, 2022 is $94,000. The lease asset value, net of accumulated amortization, as of June 30, 2022 is $92,200.

### *Security Deposit*

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant or any other entity or person, which is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable LOC, surety bond, cashier's check or other forms acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms, and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of LOC or surety bond, which are not recorded in the financial statements. The amount on file as of June 30, 2022 is $20,026,000.

# 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 governmental activities as of June 30, 2022 (in thousands, unless otherwise noted):

| | Purpose | Issue Amount | Issue Date | Final Maturity | Range of Interest Rates | Range of Principal Payments ($ millions) | Balance June 30, 2022 |
|---|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | | |
| City of San José | | | | | | | |
| General Obligation Bonds: | | | | | | | |
| Series 2019A-1 (Disaster Preparedness, Public Safety, and Infrastructure) | Community Facilities | $ 140,360 | 07/25/2019 | 09/01/2049 | 5.00% | 7.13-12.19 | $ 140,360 |
| Series 2019B (Disaster Preparedness, Public Safety, and Infrastructure) | Community Facilities | 66,500 | 07/25/2019 | 09/01/2027 | 2.35-2.60% | 3.47-22.83 | 66,500 |
| Series 2019C (Libraries, Parks, Public Safety) | Community Facilities/ Refunding | 158,185 | 07/25/2019 | 09/01/2035 | 5.00% | 2.14-22.12 | 156,045 |
| Series 2019D (Libraries, Parks, Public Safety) | Refunding | 103,935 | 07/25/2019 | 09/01/2024 | 2.30-2.35% | 17.08-21.87 | 59,545 |
| Series 2021A (Disaster, Preparedness, Public Safety, and Infrastructure) | Community Facilities | 151,210 | 07/29/2021 | 09/01/2051 | 5.00% | 1.36-9.43 | 151,210 |
| Series 2021B (Disaster Preparedness, Public Safety, and Infrastructure) | Community Facilities | 8,450 | 07/29/2021 | 09/01/2022 | 1.00% | 8.45 | 8,450 |
| | | | | | | | **582,110** |
| City of San José Financing Authority | | | | | | | |
| Lease Revenue Bonds: | | | | | | | |
| Series 2013B (Civic Center Garage Project) | Refunding | 30,445 | 06/19/2013 | 06/01/2039 | 3.00-5.00% | 0.94-1.91 | 23,835 |
| Series 2020A (Civic Center Refunding) | Refunding | 355,620 | 09/24/2020 | 06/01/2039 | 0.54-2.88% | 16.49-22.55 | 320,590 |
| Series 2020B (Ice Center Expansion) | Expansion/Refunding | 146,535 | 10/15/2020 | 06/01/2051 | 0.76-3.52% | 2.82-7.76 | 146,535 |
| Series 2021A (Fire Training Center and Central Service Yard Project) | Community Facilities | 22,825 | 11/02/2021 | 10/01/2034 | 4.00% | 1.42-2.20 | 22,825 |
| Series 2022A (Convention Center Refunding) | Refunding | 165,815 | 4/21/2022 | 05/01/2052 | 2.92-4.36% | 2.7-9.76 | 165,815 |
| | | | | | | | **679,600** |
| Special Tax Bonds | | | | | | | |
| CFD No. 6 (Great Oaks-Route 85) | Public Infrastructure | 12,200 | 12/18/2001 | 09/01/2023 | 6.00% | 0.83-0.87 | 1,695 |
| CFD No. 10 (Hassler-Silver Creek) | Public Infrastructure | 12,500 | 07/23/2003 | 09/01/2023 | 5.25% | 0.89-0.94 | 1,830 |
| | | | | | | | **3,525** |
| **Total Government Activities - Bonds Payable** | | | | | | | **$ 1,265,235** |

The following is a summary of long-term debt of the City for business-type activities as of June 30, 2022 (in thousands, unless otherwise noted):

| | Purpose | Issue Amount | Issue Date | Final Maturity | Range of Interest Rates | Range of Principal Payments ($ millions) | Balance June 30, 2022 |
|---|---|---|---|---|---|---|---|
| Business-Type Activities | | | | | | | |
| Norman Y. Mineta San Jose International Airport | | | | | | | |
| Revenue Bonds: | | | | | | | |
| Series 2014A (AMT) | Refunding | $ 57,350 | 10/07/2014 | 03/01/2026 | 3.38-5.00% | 0.14-9.18 | $ 18,240 |
| Series 2014B (Non-AMT) | Refunding | 28,010 | 10/07/2014 | 03/01/2028 | 3.10-5.00% | 8.0-10.37 | 28,010 |
| Series 2014C (Non-AMT) | Refunding | 40,285 | 10/07/2014 | 03/01/2031 | 5.00% | 7.30-8.90 | 40,285 |
| Series 2017A (AMT) | Refunding | 473,595 | 04/11/2017 | 03/01/2047 | 4.00-5.00% | 4.0-35.14 | 405,350 |
| Series 2017B (Non-AMT) | Refunding | 150,675 | 04/11/2017 | 03/01/2047 | 4.00-5.00% | 1.40-11.18 | 128,960 |
| Series 2021A (AMT) | Refunding | 85,860 | 04/07/2021 | 03/01/2034 | 4.00-5.00% | 1.30-15.04 | 85,860 |
| Series 2021B (Non-AMT) | Refunding | 48,200 | 04/07/2021 | 03/01/2034 | 4.00-5.00% | 0.27-10.22 | 48,200 |
| Series 2021C (Taxable) | Refunding | 294,020 | 04/07/2021 | 03/01/2041 | 0.24-3.29% | 1.90-29.0 | 292,120 |
| | | | | | | | 1,047,025 |
| City of San José Financing Authority - SJFA (Direct Borrowings) | | | | | | | |
| Regional Wastewater Facility Notes Payable | Public Infrastructure | $ 300,000 | 10/01/2017 | Anytime | Variable | Variable | 236,870 |
| **Total Business-Type Activities - Bonds and Notes Payable** | | | | | | | **$ 1,283,895** |

## 2. Summary of Default Provisions for Long-Term Debt

***Governmental Activities – General Obligation Bonds***

The City has six series of general obligation bonds outstanding as of June 30, 2022: Series 2019A-1 Bonds, Series 2019B Bonds, Series 2019C Bonds, Series 2019D Bonds, Series 2021A Bonds, and Series 2021B Bonds (collectively, "General Obligation Bonds"). The City issued each series of General Obligation Bonds pursuant to a fiscal agent agreement with Wilmington Trust, National Association ("Fiscal Agent Agreement"). The events of default under the Fiscal Agent Agreement for the General Obligation Bonds are as follows: (i) failure to pay principal of, or redemption premiums on, any General Obligation Bond when due; and (ii) failure to pay interest on any General Obligation Bond when due.

Under the Fiscal Agent Agreements bondholders may exercise 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 applicable Fiscal Agent Agreement, 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.

***Governmental Activities – City of San José Financing Authority Lease Revenue Bonds***

The Financing Authority has five series of lease revenue bonds outstanding as of June 30, 2022: Series 2013B Bonds, Series 2020A Bonds, Series 2020B Bonds, Series 2021A Bonds, and Series 2022A Bonds (collectively, "Lease Revenue Bonds"). The Financing Authority issued each series of Lease Revenue Bonds pursuant to a trust agreement or an indenture of trust ("Trust Agreement") with a trustee bank ("Trustee").

Each series of Lease Revenue Bonds is structured with the City leasing a City facility to the Financing Authority and the Financing Authority leasing it back to the City pursuant to a lease ("City Lease"). The City's lease payments under each City Lease are the Financing Authority's source of payment of debt service on the applicable series of Lease Revenue Bonds. The facilities subject to the City Leases are: (i) the City employees' parking garage (Series 2013B Bonds); (ii) City Hall (Series 2020A Bonds); (iii) the Ice Center (Series 2020B Bonds); (iv) Fire Stations 29 and 34 and the site of the Fire Department Training Center (Series 2021A Bonds); and (v) City Convention Center excluding the property commonly known as the South Hall (Series 2022A Bonds).

The Trust Agreements and the City Leases under each transaction specify the events of default for each transaction. Generally, the events of default under each Trust Agreement are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the Trust Agreement and such default shall have continued for a specified period of days following the Financing Authority's receipt from the Trustee, or the owners of at least 25% of the aggregate principal amount of the applicable series of Lease Revenue Bonds outstanding, of written notice of the occurrence of such default, provided that such period may be extended as specified in the Trust Agreement; (iii) bankruptcy or similar debtor relief proceedings; or (iv) City's failure to pay a lease payment under the applicable City Lease.

During the continuance of an event of default under the Trust Agreement, the Trustee may declare payment of the outstanding principal of the applicable series of Lease Revenue Bonds and accrued interest to be immediately due and payable. Each Trust Agreement provides for the application of funds upon an event of default or acceleration in the order of priority set forth in the respective Trust Agreement.

Generally, the events of default under the City Leases are: (i) failure to pay a lease payment under the City Lease when due; (ii) failure to comply with covenants and conditions of the City Lease and such default shall have continued for a specified period of days following the City's receipt of written notice of the occurrence of such default from the Financing Authority, provided that such period may be extended as specified in the City Lease; (iii) assignment or transfer of the City Lease without the satisfaction of the condition(s) precedent specified in the City Lease; or (iv) bankruptcy or similar debtor relief proceedings under the City Lease relating to the Series 2013A Bonds, vacation or abandonment by the City of the facility subject to the City Lease also constitutes an event of default under the Trust Agreement.

Upon an event of default under the City Lease, the Financing Authority or the Trustee as the Financing Authority's assignee may (i) terminate the City Lease and re-enter the facility subject to the City Lease, remove the persons and personal property occupying the facility and re-let the facility to another lessee; or (ii) without terminating the City Lease, keep the City Lease in effect and continue to collect lease payments from the City or re-enter the facility and re-let the facility to another lessee.

To further secure the Series 2022A Bonds, City, for and on behalf of the Convention Center Facilities District No. 2008-1, City of San José, County of Santa Clara, State of California (the "CCFD"), pursuant to a Pledge Agreement has pledged and agreed to, among other things, levy and collect special taxes within the CCFD to make lease payments required to be paid by the City to the Authority under the City Lease relating to the Series 2022A Bonds. Under the Pledge Agreement, the City has covenanted to monitor the collection of the special taxes and to engage in certain collection actions, including instituting foreclosure proceedings against hotel property with delinquent special taxes in accordance with foreclosure procedures under State law. The principal of the Series 2022A Bonds is not subject to acceleration under the applicable Trust Agreement as a result of delinquent or unpaid special taxes.

During FY 2022, the outstanding Series 2003A Bonds were refunded in full with proceeds of the Series 2021A Bonds and the outstanding Series 2011A Bonds were refunded in full with proceeds of the Series 2022A Bonds.

**Governmental Activities – Special Tax Bonds, CFD 6 Great Oaks-Route 85**

The City issued its special tax bonds, CFD 6 (Great Oaks-Route 85) ("CFD 6 Bonds") to finance certain public improvements pursuant to provisions of State law, the San José Municipal Code and a fiscal agent agreement ("Fiscal Agent Agreement") with a banking institution as fiscal agent. The CFD 6 Bonds were limited obligations of the City of San José. The only financial obligation of the City was to transfer amounts available in the reserve fund to make debt service payments on the bonds.[1]

**Governmental Activities – Special Tax Bonds, CFD 10 Hassler-Silver Creek**

The City issued its special tax bonds, CFD 10 (Hassler-Silver Creek) ("CFD 10 Bonds") to finance certain public improvements pursuant to provisions of State law, the San José Municipal Code and a fiscal agent agreement ("Fiscal Agent Agreement") with a banking institution as fiscal agent. The CFD 10 Bonds were limited obligations of the City of San José. The only financial obligation of the City was to transfer amounts available in the reserve fund to make debt service payments on the bonds.[2]

**Governmental Activities – Special Hotel Tax Revenue Bonds, Convention Center**

The City issued its Special Hotel Tax Revenue Bonds, Series 2011 Convention Center ("Hotel Tax Bonds") to finance expansion to its convention center pursuant to provisions of State law, the San José Municipal Code and a trust agreement ("2011 Trust Agreement") with a banking institution as trustee ("2011 Trustee"). The Hotel Tax Bonds were issued as limited obligations of the City. Under the 2011 Trust Agreement, the City had the obligation to collect and remit the Special Tax revenues levied within the CCFD to the 2011 Trustee for the 2011 Trustee to deposit in various funds held by the 2011 Trustee in the order of priority specified in the 2011 Trust Agreement, including a Revenue Fund for the payment of debt service. Under certain circumstances as specified in the 2011 Trust Agreement, the City Manager had the obligation to request the City Council to appropriate certain transient occupancy tax revenues in the City's annual budget for the following fiscal year for deposit in the Revenue Fund. The City Council was not obligated to appropriate such funds and failure to do so was not a default under the 2011 Trust Agreement.

The City covenants in the 2011 Trust Agreement include the City's responsibilities to monitor the collection of the Special Taxes and to engage in certain collection actions, including instituting foreclosure proceedings of a hotel property that is delinquent in the payment of the Special Hotel Tax in accordance with foreclosure procedures under State law. The remaining balance of the Hotel Tax Bonds were optionally redeemed on April 22, 2022 with proceeds of the Financing Authority's Lease Revenue Bonds, Series 2022A, and are no longer outstanding.

### *3. 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 including various reporting requirements for which non-compliance could adversely affect the cost of debt service on future financings.

1 The CFD 6 Bonds were redeemed in full on September 1, 2022 and are no longer outstanding. Please refer to the Subsequent Events - Bond Redemption for details.
2 The CFD 10 Bonds were redeemed in full on September 1, 2022 and are no longer outstanding. Please refer to the Subsequent Events - Bond Redemption for details.

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

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property on the City's FY 2022 tax roll was $222.7 billion, which results in a total debt limit of approximately $33.4 billion. As of June 30, 2022, the City had $582.1 million of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is $32.8 billion.

### *5. 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 rebate liabilities are not reported and paid to the Internal Revenue Service ("IRS") at least every five years. During the current year, the City performed calculations to determine the rebate liabilities for the City's tax-exempt bond issues listed above. However, as no bond issue with a positive rebate liability was due for a fifth-year payment, there was no rebate liability outstanding as of June 30, 2022.

### *6. Special Tax Bonds with Limited City Commitment*

All obligations of the City under the Special Tax Bonds are not considered general obligations of the City, but are considered limited obligations, payable solely from the special taxes and from the certain funds pledged under the 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. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the respective Redemption Funds for these bonds; provided, however, the City is not prevented, in its sole discretion, from advancing funds.

### *7. Conduit Debt*

The City has issued multi-family housing revenue bonds to provide funds for secured loans to builders of multi-family housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with IRS requirements in order to meet the tax-exempt status, the owner is required to set aside a certain percentage of all units built for very low to moderate-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 August 1, 2059. As of June 30, 2022, the total principal amount outstanding of conduit multi-family housing revenue bonds is $790,813,000.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which provides that the debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer. So the third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.

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

Governmental Activities - The changes in long-term obligations for the year ended June 30, 2022 are as follows (in thousands):

| | July 1, 2021 | Additional Obligations, Interest Accretion and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Long-term debt payable: | | | | | |
| General Obligation bonds | $ 446,460 | $ 200,530 | $ (64,880) | $ 582,110 | $ 33,515 |
| Issuance premiums: | | | | | |
| For issuance premiums | 72,844 | 50,124 | (5,894) | 117,074 | - |
| San José Financing Authority | | | | | |
| Lease revenue bonds | 540,365 | 188,640 | (49,405) | 679,600 | 21,795 |
| Issuance premiums/discounts: | | | | | |
| For issuance premiums | 879 | 4,207 | (275) | 4,811 | - |
| For issuance discounts | (471) | - | 471 | - | - |
| Special assessment and special tax bonds with limited governmental commitment | 104,935 | - | (101,410) | 3,525 | 3,525 |
| Issuance discounts: | | | | | |
| For issuance discounts | (1,304) | - | 1,303 | (1) | - |
| Total long-term debt payable | 1,163,708 | 443,501 | (220,090) | 1,387,119 | 58,835 |
| Other Long-term obligations: | | | | | |
| Accrued vacation, sick leave and compensatory time | 88,117 | 64,687 | (67,950) | 84,854 | 61,063 |
| Accrued landfill postclosure costs | 3,255 | - | (465) | 2,790 | 465 |
| Estimated liability for self-insurance | 140,517 | 67,593 | (29,466) | 178,644 | 22,664 |
| Pollution remediation obligation | 1,998 | 1,293 | - | 3,291 | - |
| Lease payable* | 6,363 | - | (1,470) | 4,893 | 1,504 |
| Total other long-term obligations | 240,250 | 133,573 | (99,351) | 274,472 | 85,696 |
| Governmental activities long-term obligations | $ 1,403,958 | $ 577,074 | $ (319,441) | $ 1,661,591 | $ 144,531 |

*Balance on 7/1/2021, as restated due to implementation of GASB 87 Leases

**General Obligation Bonds** are issued pursuant to a two-thirds majority voter authorization. In 2000 and 2002, San José voters approved three ballot measures (Measures O and P in 2000 and Measure O in 2002) that authorized the total issuance of $598,820,000 of general obligation ("prior GO") bonds for library, parks and public safety projects. On November 6, 2018, voters approved the Measure T ballot measure that authorized total issuance of $650,000,000 of general obligation ("GO") bonds for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure. 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.

On July 25, 2019, the City issued $502,020,000 of General Obligation Bonds ("2019 GO Bonds") that included new money bonds under three separate authorizations: (1) Measure T, approved by the voters on November 6, 2018 in the not-to-exceed amount of $650,000,000 (2) Measure O (approved by the voters on November

7, 2000 in the not-to-exceed amount of $211,790,000 for library projects); and (3) Measure O (approved by the voters on March 5, 2002 in the not-to-exceed amount of $159,000,000 for public safety projects). Of the 2019 GO Bonds issued, $239.9 million was issued under the Measure T authorization for acquisition of real property and infrastructure projects as provided under Measure T; $9.2 million issued under prior and remaining Measure O authorizations (2000 and 2002) for library and public safety projects; and $252.9 million in GO refunding bonds that refunded all of the prior general obligation bonds issued under Measure O (2000), Measure P (approved by the voters on November 7, 2000 in the not-to-exceed amount of $228,030,000) and Measure O (2002).

On July 29, 2021, the City issued $200,530,000 of General Obligation Bonds, Series 2021, the second round of issuances under Measure T authorization for Disaster Preparedness, Public Safety, and Infrastructure project. .

As of June 30, 2022, the City had remaining authorization under Measure T in the amount of $209,570,000.

**City of San José**
**General Obligation Bonds**
**Issuance Amounts and Outstanding Balances as of June 30, 2022**

| Issuance | Final Maturity | Series 2019 (Refunding) | Measure T Issuance: Series 2019 (New Money) | Measure T Issuance: Series 2021 (New Money) | Measure T Total Issued | Principal Outstanding |
|---|---|---|---|---|---|---|
| Series 2019A-1 | 9/1/2049 | | $ 173,400,000 | | $ 173,400,000 | $ 140,360,000 |
| Series 2019B | 9/1/2027 | | 66,500,000 | | 66,500,000 | 66,500,000 |
| Series 2019C (1) | 9/1/2035 | $ 158,185,000 | | | | 156,045,000 |
| Series 2019D | 9/1/2024 | 103,935,000 | | | | 59,545,000 |
| Series 2021A | 9/1/2051 | | | $ 151,210,000 | 151,210,000 | 151,210,000 |
| Series 2021B (2) | 9/1/2022 | | | 8,450,000 | 8,450,000 | 8,450,000 |
| Series 2021C (3) | 9/1/2021 | | | 40,870,000 | 40,870,000 | - |
| Total | | $ 262,120,000 | $ 239,900,000 | $ 200,530,000 | $ 440,430,000 | $ 582,110,000 |
| | | | | Measure T Voter Authorization | $ 650,000,000 | |
| | | | | *Remaining Measure T Authorization* | $ 209,570,000 | |

(1) A portion of the 2019C Bonds funded remaining projects under Measure O (2000) in the amount of $5,905,000 and under Measure O (2002) in the amount of $3,325,000.

(2) The Series 2021B Bonds matured on September 1, 2022 and are fully redeemed.

(3) The Series 2021C Bonds matured on September 1, 2021 and are fully redeemed.

**Lease Revenue Bonds** are issued by the City of San José Financing Authority ("CSJFA") primarily to finance various capital improvements, which are leased to the City and are secured by lease payments received by the Financing Authority from by the City. Such lease payments are payable by the City from all legally available funds of the City. The City allocates such lease payments to departments in the General Fund and Nonmajor Governmental Funds. The lease revenue for each fiscal year is generally equal to 100% of annual debt service net of other available funding sources. Described below are the two lease revenue bonds issued during FY 2022.

On November 2, 2021, the Authority issued $22.8 million (plus $4.2 million in premium) in Lease Revenue Refunding Bonds, Series 2021A to (i) refinance on a current basis the outstanding Lease Revenue Bonds, Series 2003A of the Authority for $3.2 million ($1.5 million of new money plus $1.7 million from the 2003A Reserve account)(Central Service Yard Refunding Project), (ii) refinance on a current basis the outstanding Central Service Yard Commercial Paper Notes of the Authority for $2.5 million, (iii) finance the acquisition and construction of public improvements for $22.6 million, and (iv) pay the issuance costs of $0.4 million of the CSJFA 2021A Bonds. The Series CSJFA 2021A Bonds are rated by Moody's, S&P and Fitch: Aa2, AA and AA, respectively. The CSJFA 2021A Bonds generated total debt service savings of over $182,000 and net present value ("NPV") savings of approximately $178,000, or approximately 5.6% as a percent of the refunded obligations. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in the refunding transaction) and the net carrying amount of the outstanding lease revenue bonds of $9,000. The difference is reported as deferred inflow of resources in the statement of net position.

On April 21, 2022, the Authority issued $165.8 million in Taxable Lease Revenue Bonds, Series 2022A to (i) refinance on a current basis the outstanding Special Hotel Tax Revenue Bonds, Series 2011 (Convention Center Expansion and Renovation Project) for $96.2 million ($88.0 million of new money plus $8.2 million from remaining funds from 2011 CCFD Bonds) (ii) refinance on a current basis the outstanding Lease Revenue Bonds, Series 2011A (Convention Center Expansion and Renovation Project) for $28.1 million ($25.8 million of new money plus $2.3 million from remaining funds from 2011A Bonds), (iii) refinance the outstanding Exhibit Hall for $8.4 million and South Hall for $42.4 million Commercial Paper Notes of the Authority, and (iv) pay the issuance costs of $1.2 million for the CSJFA 2022A Bonds. The Series CSJFA 2022A Bonds are rated by Moody's, S&P, and Fitch: Aa3, AA and AA, respectively. The CSJFA 2022A Bonds generated total debt service savings of over $20,967,000 and NPV savings of approximately $18.3 million or 15.2% as a percentage of the refunded obligations, excluding the commercial paper notes.

Total principal and interest remaining on lease revenue bonds as of June 30, 2022 is approximately $979.9 million, with the final payment due on May 1, 2052.

**Special Tax Bonds** are issued by the City to finance public improvements in special tax districts established by the City and are secured by special taxes levied on properties located within the special districts. The special taxes, as applicable, are calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources. Total principal and interest remaining on the bonds as of June 30, 2022 is approximately $3,725,000, with the final payment due on September 1, 2023. Please refer to Subsequent Events, Bond Redemption section for more information.

**Other Long-Term Obligation** payments are primarily made from general revenues recorded in the General Fund.

Business-Type Activities - The changes in long-term obligations for the year ended June 30, 2022 are as follows (in thousands):

| | July 1, 2021 | Additional Obligations, Interest Accretion and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Norman Y. Mineta San José International Airport: | | | | | |
| Revenue bonds | $ 1,048,925 | $ - | $ (1,900) | $ 1,047,025 | $ 2,225 |
| Issuance premiums/discounts: | | | | | |
| For issuance premiums | 97,947 | - | (6,113) | 91,834 | 6,125 |
| City of San José Financing Authority Subordinate Wastewater Revenue Notes: | | | | | |
| Direct Borrowings | | | | | |
| Notes payable | 150,368 | 86,502 | - | 236,870 | 236,870 |
| Total long-term debt payable | 1,297,240 | 86,502 | (8,013) | 1,375,729 | 245,220 |
| Other Long-term obligations: | | | | | |
| Accrued vacation, sick leave and compensatory time | 8,169 | 6,403 | (6,524) | 8,048 | 6,828 |
| Estimated liability for self-insurance | 5,109 | 482 | (809) | 4,782 | 1,190 |
| Pollution remediation obligation | 28,187 | - | (7) | 28,180 | - |
| Lease payable* | 485 | - | (122) | 363 | 116 |
| Total other long-term obligations | 41,950 | 6,885 | (7,462) | 41,373 | 8,134 |
| Business-type activities long-term obligations | $ 1,339,190 | $ 93,387 | $ (15,475) | $ 1,417,102 | $ 253,354 |

*Balance on 7/1/2021, as restated due to implementation of GASB 87, Leases

**Airport Revenue Bonds** are issued primarily to finance the construction of capital improvements at the Norman Y. Mineta San José International Airport. Pursuant to the Airport's Master Trust Agreement, the City has irrevocably pledged the general airport revenues and certain other funds held or made available under the Airport's Master Trust Agreement, first to the payment of maintenance and operation costs of the Airport, and second to the payment of principal and interest on the bonds. General airport revenues generally include all revenues, income, receipts, and monies derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues and other moneys.

The net revenues available to pay Debt Service, as defined in the Master Trust Agreement for the year ended June 30, 2022 totaled $148,620,000, which is composed of $116,394,000 of Net General Airport Revenues (as defined in the Master Trust Agreement) and $32,226,000 of Other Available Funds (as defined in the Master Trust Agreement). Other Available Funds include surplus carryover of $7,250,000, rolling debt service coverage of $16,977,000, and Customer Facility Charges ("CFC") Revenues of $7,999,000. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $33,285,000, which is net of $12,420,000 of bond debt service paid from the accumulated Passenger Facility Charges ("PFC") funds.

The City has covenanted in the Master Trust Agreement that net revenues available to pay Debt Service for each fiscal year plus certain other available funds held or made available under the Master Trust Agreement will be at least 125% of annual Debt Service for such fiscal year. Under the Master Trust Agreement, annual "debt service" means for any specified period, the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds, less Available PFC Revenues (as defined in the Master Trust Agreement). Under the Master Trust Agreement, annual Debt Service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is $1,713,985,000, with the final payment due on March 1, 2047.

Events of default under the Master Trust Agreement include: (a) non-payment of the principal of or interest on the bonds; (b) a breach of a covenant if the default shall have continued for a period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Fiscal Agent or a Municipal Bond Insurer (as defined in the Master Trust Agreement), or to the City and the Fiscal Agent by the owners of not less than 25% in aggregate principal amount of the bonds at the time outstanding; and (c) filing a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws. There is no acceleration remedy in the event of default for any current Airport Revenue Bonds and Airport Revenue Refunding Bonds that are outstanding.

### City of San José Financing Authority Subordinate Wastewater Revenue Notes (Long-Term Direct Borrowings)

On October 19, 2017, pursuant to a Credit Agreement dated as of October 1, 2017 ("Credit Agreement") and recently amended in March 2022 by and among the City, the Financing Authority, and Wells Fargo Bank, National Association (the "Bank"), the Financing Authority issued to the Bank (i) a subordinate tax-exempt wastewater revenue note in an amount not to exceed $300 million and (ii) a subordinate taxable wastewater revenue note in an amount not to exceed $300 million outstanding at any one time. The Credit Agreement effectively established an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not to exceed $300 million to finance capital improvements at the Regional Wastewater Facility ("RWF"). Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF. Upon issuance of the notes, $174,500 was advanced under the tax-exempt note to pay for transactional closing costs. Total advances through FY 2022 were $236,870,000.

In the event that the Notes are not refinanced as anticipated, the Credit Agreement provides for repayment of the Notes following the termination of the Credit Agreement. Assuming no events of default under the Credit Agreement have occurred and subject to the City and the Financing Authority making certain representations and warranties, if the Financing Authority fails to repay the loans on the Termination Date (as defined in the Credit Agreement), the unpaid notes will bear interest at the Bank Rate (as defined in the Credit Agreement) and will be amortized in equal quarterly installments over a period ending three years following the Termination Date of the Credit Agreement.

The source of repayment of the Notes, including associated fee and interest costs, are installment payments made to the Financing Authority from pledged net system revenues received by the City related to the wastewater treatment system, pursuant to a Subordinate Installment Purchase Contract, dated as of October 1, 2017, by and between the City and the Financing Authority, and City Resolution No. 78382 (the "Master Resolution"), which provides for the allocation and pledge of net system revenues to secure the payment of wastewater revenue obligations. Payments on the notes will be subordinate to payments on long-term bonds issued in the future.

In June 2018, the City Council and the Financing Authority Board authorized amendments to the Credit Agreement, specifically the margin rate factor, as a result of the reduction in the federal corporate tax rate from 35% to 21% enacted by The Tax Cuts and Jobs Act in December 2017. The Financing Authority Board also authorized the amendment and restatement of the fee letter agreement between the Financing Authority and the Bank.

In September 2020, City staff negotiated a Second Amendment to the Credit Agreement with the Bank that extended the Credit Agreement to October 18, 2023 (which was set to expire on October 18, 2020) to continue to provide for the borrowing of up to $300 million outstanding at any one time, as needed, to finance RWF CIP improvements; revise the drawn rate; and other conforming changes.

In March 2022, City staff negotiated a Third Amendment to the Credit Agreement with the Bank to revise various definitions, and replace the benchmark index from LIBOR to the U.S. Secured Overnight Financing Rate. The U.S. Secured Overnight Financing Rate is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The amendment to the Fee Letter Agreement reduced the fee on the undrawn portion of the $300 million credit facility (Commitment Fee) from 35 basis points (bps) (or 0.35%) per year to 21 bps (or 0.21%). The total interest rate based on the City's credit above the benchmark index ("Applicable Spread") on the tax-exempt draws was reduced from 95 bps (0.95%) to 37 bps (0.37%). On any taxable draws, the Applicable Spread was reduced from 110 bps (1.10%) to 45 bps (0.45%). All other key terms remain unchanged.

The Commitment Fee and Applicable Spread were based on the credit ratings associated with the San José-Santa Clara Clean Water Financing Authority 2009A Bonds; however, these bonds matured on November 15, 2020 and those ratings have since been withdrawn. In the absence of public ratings from the rating agencies, the documents provide that an alternate pricing methodology based on the Debt Service Coverage Ratio ("DSCR") would apply. The DSCR is calculated as the ratio of (a) the amount of Adjusted Net System Revenues in a consecutive 12-month period (selected by the City, occurring during the 18 months prior to the date of calculation to (b) Maximum Debt Service, making the current fees the lowest fee rate category based on the City's DSCR. The Commitment Fee and Applicable Spread would increase in the event the DSCR falls below two times (2.0x) the coverage ratio.

Events of default under the Credit Agreement by the City or the Financing Authority include: (i) non-payment; (ii) default under any the Related Documents (as defined in the Credit Agreement); (iii) bankruptcy; (iv) a breach of various covenants, including financial covenants to maintain 115% of Debt Service on Parity Obligations (as defined in the Master Resolution) and 110% of Debt Service on Parity Obligations and Subordinate Obligations (as defined in the Master Resolution); (v) breach of representations and warranties; (vi) default with respect to a Material Debt (as defined in the Master Resolution); (vii) final judgment of $10 million or more against the City or the Financing Authority payable from System Revenues; (viii) City or Financing Authority contesting validity of obligations related to payment of the notes or a determination by a court of competent jurisdiction that the obligations of the City or the Financing Authority related to payment of the notes are not valid or binding; (ix) invalidity of a Lien (as defined in the Credit Agreement) created by the Credit Agreement or the Related Documents; and (x) ratings events including downgrades by any of Moody's, S&P, or Fitch of its long term ratings or long-term debt issued in the future that constitutes Parity Obligations under the Master Resolution below "Aa3," "A-" and "A-," respectively.

The Bank has certain rights and remedies upon the occurrence and continuance of specified events of default in the Credit Agreement including (i) by notice to the Financing Authority and the City to terminate the Bank's commitment to make advances under the notes; (ii) exercise rights and remedies under the Related Documents (as defined in the Credit Agreement); (iii) exercise rights and remedies at law or in equity; (iv) bring action in mandamus or other action or proceeding to compel performance by the Financing Authority and/or the City under the Master Resolution or Installment Purchase Agreement; and (v) appointment of a trustee to protect and enforce Bank's rights.

In addition to these rights and remedies, the Bank has the right to accelerate repayment of the notes, which is automatic in the case of bankruptcy. The Credit Agreement includes subjective acceleration provisions in the event that: (i) City fails to comply with laws and contracts, which in the reasonable opinion of the Bank, would materially adversely affect the rights of the Bank or the City's ability to perform its obligations under the Credit Agreement; (ii) either the City or the Financing Authority fails to promptly pay taxes, assessments or government charges which if not paid would likely result in a Material Adverse Effect (defined below); and (iii) either the City or the Financing Authority breaches its covenant to promptly inform the Bank of an event that could reasonably be expected to result in a Material Adverse Change (defined below) or which could be expected to result in a Material Adverse Effect. Under the Credit Agreement, Material Adverse Change and Material Adverse Effect are defined as any event or change, in the Bank's sole discretion, which materially and adversely affects (i) the enforceability of the Credit Agreement or any Related Document; (ii) the ability of the City or the Financing Authority to perform their respective obligations under the Credit Agreement or any Related Document; or (iii) the Bank's rights and remedies.

| July 1, 2021 | Additions | Deletions | June 30, 2022 | Interest Rate |
|---|---|---|---|---|
| $150,368 | $86,502 | $- | $236,870 | 1.53% |

### *9.* Annual Requirements to Maturity

The annual requirements to amortize all bonds and leases outstanding as of June 30, 2022 are as follows (in thousands):

| | Governmental Activities | | | | | | Business-Type Activities | |
|---|---|---|---|---|---|---|---|---|
| | City of San José General Obligation Bonds | | City of San José Financing Authority Bonds (1) | | Special Assessment & Tax Bonds with Limited Governmental Commitment (2) | | Airport Revenue Bonds (1) | |
| Fiscal Year Ending June 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | $ 33,515 | $ 25,119 | $ 21,795 | $ 20,681 | $ 1,715 | $ 150 | $ 2,225 | $ 45,258 |
| 2024 | 25,780 | 24,379 | 24,790 | 20,238 | 1,810 | 50 | 24,155 | 45,250 |
| 2025 | 25,550 | 23,656 | 26,005 | 19,889 | - | - | 27,225 | 44,184 |
| 2026 | 25,480 | 22,948 | 26,945 | 19,461 | - | - | 29,965 | 43,022 |
| 2027 | 25,225 | 22,252 | 28,865 | 18,936 | - | - | 32,355 | 41,799 |
| 2028-2032 | 125,920 | 95,787 | 154,845 | 84,214 | - | - | 184,625 | 187,141 |
| 2033-2037 | 96,695 | 67,118 | 173,075 | 60,673 | - | - | 258,740 | 141,838 |
| 2038-2042 | 64,835 | 48,090 | 119,375 | 32,715 | - | - | 277,140 | 85,852 |
| 2043-2047 | 81,425 | 29,996 | 50,465 | 17,253 | - | - | 210,595 | 32,616 |
| 2048-2052 | 77,685 | 8,234 | 53,440 | 6,239 | - | - | - | - |
| Total | $ 582,110 | $ 367,579 | $ 679,600 | $ 300,299 | $ 3,525 | $ 200 | $ 1,047,025 | $ 666,959 |

(1) Does not include commercial paper notes.
(2) Total principal outstanding $3,525 was paid in September 2022.

### *10. New Debt Issuances for Short-Term Debt Activities*

#### Governmental Activities

#### City of San José Financing Authority Lease Revenue Commercial Paper Notes Payable (Short-Term Direct Borrowings)

The City's Commercial Paper ("CP") Program utilizes a lease revenue financing structure. Under this program, the Financing Authority is able to issue commercial paper notes ("CP Notes") on a tax-exempt and federally taxable basis at prevailing interest rates for a term not to exceed 270 days. The CP Program was initially established on January 13, 2004, pursuant to resolutions of the City Council and the Financing Authority authorizing the issuance of the Financing Authority tax-exempt lease revenue CP Notes in an amount not to exceed $98,000,000. Since 2004, the City Council and the Financing Authority have taken actions to modify the CP Program, including increasing and decreasing the program's capacity and authorizing the issuance of taxable lease revenue CP Notes.

On August 31, 2021, the City adopted Resolution No. 80208 authorizing the execution and delivery of amendments to certain financing documents, including an amendment to a Letter of Credit and Reimbursement Agreement, and authorizing other related actions in connection with the CP Notes in order to increase the not-to-exceed aggregate principal amount thereof to $175 million and to extend the expiration date and commitment available under such Letter of Credit and Reimbursement Agreement to March 2025; and the negotiation, execution and delivery of one or more additional extensions to the Letter of Credit issued under the Letter of Credit and Reimbursement Agreement or the commitment available under such Letter of

Credit and Reimbursement Agreement based on substantially the same terms and conditions for a duration of time that the City Designated Officers deem necessary, advisable or prudent.

As of June 30, 2022, the maximum principal amount of CP Notes authorized to be issued is $175 million, consisting solely of CP Notes designated Series 2 Notes and Series 2-T Notes; CP Notes designed Series 1 Notes and Series 1-T Notes are not authorized to be issued. As of June 30, 2022, the Series 2 Notes and Series 2-T Notes were supported by a direct-pay letter of credit ("LOC") provided by U.S. Bank National Association ("U.S. Bank") pursuant to a Letter of Credit and Reimbursement Agreement by and among the Financing Authority, the City, and U.S. Bank, as amended (the "Reimbursement Agreement"). At June 30, 2022, the LOC had a stated amount of $187,945,206 representing the maximum principal amount plus interest calculated at 10% for 270 days with a stated expiration date of March 24, 2025.

The LOC of U.S. Bank supports only the payment of principal and interest on the Series 2 Notes and Series 2-T Notes. The annual commitment fee payable to U.S. Bank is 0.38%, paid quarterly in arrears during FY 2022.

The Financing Authority issues the CP Notes under State law pursuant to an Amended and Restated Trust Agreement, between the Financing Authority and Wells Fargo Bank, National Association, as trustee, as amended and supplemented from time to time (as so amended and supplemented, the "Trust Agreement") and a Second Amended and Restated Issuing and Paying Agent Agreement between the Financing Authority and Wells Fargo Bank, National Association, as paying agent ("Issuing and Paying Agent Agreement"). Barclays Capital Inc. currently serves as the dealer for the CP Notes pursuant to an Amended and Restated Commercial Paper Dealer Agreement.

The City has leased to the Financing Authority various City-owned facilities pursuant to a Site Lease, as amended (the "Site Lease"). The Financing Authority subleased these same facilities back to the City pursuant to a Sublease, as amended (the "Sublease") in exchange for the rental payments, subject to abatement in the event the City does not have use and occupancy of the property and not in excess of the fair rental value of the facilities. The facilities subject to the Site Lease and Sublease are: the Animal Care Center, Fire Station No. 1, Fire Station No. 3, the Police Communications Center, the South San José Police Substation, and the Tech Museum (the "Pledged Properties"). The rental payments received by the Financing Authority from the City under the Sublease are used to repay CP Notes.

Interest on any Principal Advances (draws under the LOC that U.S. Bank is not reimbursed by the City on the same day) are calculated at various increasing interest rates depending on the number of days the Principal Advance remains outstanding.

Interest on any Term Loan draws that are not reimbursed by the City one hundred eighty-one days after a Principal Advance or the Letter of Credit Expiration Date, whichever comes first (such date the "Term Loan Conversion Date") are payable at the Term Loan Rate from the date of such Term Loan Conversion Date, payable monthly in arrears on the first day of each calendar month and on the date on which the final installment of the principal of the Term Loan is payable. The principal amount of each Term Loan is amortized over such a three-year period; provided, however, that the unpaid amount of each Term Loan shall be paid by the City in each year only to the extent of the then fair rental value with respect to the Pledged Property subject to the Sublease for such Base Rental Period, and to the extent not so repaid, such Term Loan shall be paid by the City during each subsequent Base Rental Period, to the extent owed, to the extent of the then fair rental value with respect to the Pledged Property subject to the Sublease for each such Base Rental Period, and such Term Loan shall continue to be an obligation of the City pursuant to the Sublease to be paid on or before the expiration of the three-year amortization period. Per the terms of the Reimbursement Agreement, U.S. Bank has the right to require that the rent payable for any of the Pledged Properties be re-determined in order to increase the amount of the rent payable.

Events of default under the Reimbursement Agreement include: (i) default under the Trust Agreement, Sublease, Issuing and Paying Agent Agreement and certain other agreements relating to the CP Notes; (ii) non-payment; (iii) breach of certain covenants set forth in the Reimbursement Agreement; (iv) bankruptcy; (v) the occurrence of certain ratings events including downgrades by any of Moody's, S&P, or Fitch of its long-term ratings on the Financing Authority's lease revenue debt below "Baa1," "BBB+" and "BBB+," respectively; or (vi) suspension or withdrawal of the long-term ratings on the Financing Authority's lease revenue debt for any credit related reason.

U.S. Bank has certain rights and remedies upon the occurrence and continuance of specified events of default in the Reimbursement Agreement, including the ability, by notice to the Financing Authority and the Issuing and Paying Agent (i) to deliver a notice to the Issuing and Paying Agent (a "No-Issuance Notice") requiring the Issuing and Paying Agent to cease authenticating CP Notes of the applicable series unless and until such No-Issuance Notice is rescinded, (ii) to reduce the unutilized portion of the applicable commitment to zero dollars ($0), (iii) to declare the Revolving Note, in whole or in part, all or some advances, as well as any other reimbursement obligations under the Reimbursement Agreement and all interest thereon to be a default advance under the Reimbursement Agreement due and payable at the Default Rate (as defined in the Reimbursement Agreement) and payable as set forth therein, or (iv) to take any other action permitted by law. The amount of the Default Advance required to be paid by the Financing Authority upon acceleration as described in clause (iii) above cannot exceed the then fair rental value with respect to the Pledged Properties subject to the Sublease.

Upon any action by U.S. Bank, as contemplated in the foregoing clauses (i) and (ii), the Stated Amount of the LOC will be permanently reduced upon, and by the amount of, each drawing under the LOC following the occurrence of an event of default. The occurrence of an event of default will not affect U.S. Bank's obligations under the LOC with respect to Series 2 Notes and Series 2-T Notes that are outstanding at the time of the occurrence of such event of default, and the Issuing and Paying Agent will continue to have the right to draw under the LOC to pay the principal of and accrued interest on maturing Series 2 Notes and Series 2-T Notes that are outstanding at the time of the occurrence of such event of default.

As of June 30, 2022, $37,947,000 of taxable CP Notes was outstanding at an interest rate of 1.25% and $29,000,000 at an interest rate of 1.45%.

The remaining capacity under the U.S. Bank LOC as of June 30, 2022 is $108,053,000. The activity in commercial paper notes during the year ended June 30, 2022 are as follows (in thousands):

| July 1, 2021 | Additions | Deletions | June 30, 2022 |
|---|---|---|---|
| $76,359 | $45,000 | $54,412 | $66,947 |

## 2021 Tax and Revenue Anticipation Notes

The City issued a short-term note for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions.  A $285 million Tax and Revenue Anticipation Note ("the 2021 Note") was purchased by Bank of America, N.A., on July 1, 2021.  Security for the repayment of the 2021 Note is a pledge of the City's FY 2022 secured property tax and other  available General Fund revenues of the City including sales tax revenues, if required.  The 2021 Note was fully repaid on June 30, 2022.

## Business-Type Activities

### Airport Commercial Paper Notes Payable (Short-Term Direct Borrowings)

In November 1999, the City authorized the issuance from time to time of the Airport's Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, and Series C ("Subordinated CP Notes") that are secured by a lien on Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues. Surplus Revenues are General Airport Revenues remaining after the payment of maintenance and operation costs of the Airport and the payment of debt service on the Airport Revenue Bonds and the funding of any reserve funds established for the Airport Revenue Bonds. The Subordinated CP Notes may be issued for periods of maturity not to exceed 270 days. The Series A-1, Series A-2, Series B and Series C Notes may be sold at an interest rate not to exceed 12% per annum. The Series C Notes may be issued and sold either as interest bearing notes or at a discount.

The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014, as subsequently amended, by and between the City and U.S. Bank National Association ("US Bank"). Credit support for the timely payment of the principal and interest on the Subordinated CP Notes at maturity is provided through a letter of credit as described below. The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to $600 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the applicable letter of credit, as described below.

On September 12, 2018, the City substituted for the prior letter of credit supporting the Subordinated CP Notes with a letter of credit issued by Bank of America, N.A ("BANA"). Pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2018, between the City and BANA ("BANA Reimbursement Agreement"), BANA issued its irrevocable transferable letter of credit ("BANA LOC") in the initial stated amount of approximately $81.7 million (to cover principal of $75.0 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365-day year) that as of June 30, 2021, was scheduled to expire on September 10, 2021 unless sooner terminated or extended pursuant to its terms. The $75.0 million principal amount of the LOC was secured to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. On August 19, 2021, BANA extended the expiration date of the BANA LOC to September 10, 2024.

In connection with BANA's issuance of its LOC in 2018, other agreements governing the Subordinated CP Notes were executed, including the First Amendment to the Third Amended and Restated Issuing and Paying Agent Agreement between the City and US Bank and the Fourth Amended and Restated Dealer Agreement between the City and each of the dealers of the Subordinated CP Notes, a fee letter between the City and BANA and a bank note payable to BANA in the amount of approximately $81.7 million under which the City promises to pay principal of and interest on the unpaid principal amount of all Unreimbursed Drawings (as defined in the BANA Reimbursement Agreement) and Term Loans (as defined in the BANA Reimbursement Agreement) evidenced by the note on the dates and at the rates provided for in the BANA Reimbursement Agreement ("Bank Note").

The ratings of the outstanding Airport Subordinated CP Notes, are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch, respectively, based on the credit support provided by BANA pursuant to its LOC, as of June 30, 2022.

The terms of the BANA LOC are specified in the BANA Reimbursement Agreement. In general, BANA agrees to advance funds to the issuing and paying agent for the Subordinated CP Notes to pay the principal of and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the LOC. In the event that the CP dealer is unable to find investors to purchase Subordinated CP Notes to repay the advance from BANA, the City is obligated to pay interest to BANA based on a formula specified in the BANA Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the BANA Reimbursement Agreement. All amounts payable by the City to BANA under the BANA Reimbursement Agreement are secured by a lien on the Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues, which lien is subordinate to the lien securing the Airport Revenue Bonds.

Events of default under the BANA Reimbursement Agreement generally include, among others: (i) an event of default under the Master Trust Agreement or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment of any debt secured by General Airport Revenues (as defined in the Reimbursement Agreement) on a parity with, or senior to, the Subordinated CP Notes; (iii) a breach of a various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) default on a Secured Debt (as defined in the BANA Reimbursement Agreement); (vii) a final judgment of $10 million or more against the City payable from General Airport Revenues; (viii) the City contesting validity of obligations related to payment of the Subordinated CP Notes or a determination by a court of competent jurisdiction that certain obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of the Bank, the Bank Note or certain other payment obligations under the BANA Reimbursement Agreement; (x) ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the City requested such withdrawal and the Airport Revenue Bonds shall continue to be rated by any two of Moody’s, Fitch, or S&P), or downgrades by any of Moody’s, Fitch, or S&P of its ratings on the Airport Revenue Bonds below “Baa2”, “BBB”, and “BBB”, respectively, for a period of 120 calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the BANA, a material adverse effect on the obligation of the City to make payments under the BANA Reimbursement Agreement or the security granted to secure such payments.

An event of default under the BANA Reimbursement Agreement would entitle BANA to demand that no additional Subordinated CP Notes be issued, that the City reimburse BANA immediately for draws under the LOC and that all other amounts owed by the City to BANA be accelerated and become due immediately. The BANA Reimbursement Agreement includes a subjective acceleration provision in the event that any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the BANA, a material adverse effect on the obligation of the City to make payments under the BANA Reimbursement Agreement or the security granted to secure such payments.

In connection with the BANA LOC, the City entered into a fee letter with BANA to specify the facility fee rate and other charges payable by the Airport with respect to the BANA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BANA LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the BANA Reimbursement Agreement. The facility fee rate in effect under the LOC issued by BANA was 0.40% as of June 30, 2022.

The remaining capacity under the LOC issued by BANA as of June 30, 2022 is $40.9 million. The total LOC capacity is $75 million. The activity in Airport commercial paper notes during the year ended June 30, 2022 are as follows (in thousands):

| July 1, 2021 | Additions | Deletions | June 30, 2022 | Interest Rate |
|---|---|---|---|---|
| $51,930 | $0 | $17,818 | $34,112 | 1.60% |

**Clean Energy Revolving Credit Agreement (Long-Term Direct Borrowings)**

On September 25, 2018, the City Council authorized the City Manager, the Director of Finance, the Assistant Director of Finance or their authorized designees to negotiate, execute, and deliver a Revolving Credit Agreement ("Credit Agreement") by and between the City and Barclays Bank PLC (the "Bank"), and a promissory note (the "Note"), evidencing the City's obligations thereunder in the aggregate principal amount not to exceed $50,000,000 for the purpose of financing start-up costs of the City of San José Clean Energy program ("SJCE"), purchase power, and in the case of standby letters of credit, secure payments under power purchase agreements and other costs associated with the Community Energy Implementation Plan. The Note qualifies as a "Direct Borrowing" under GASB Statement No. 88.

Effective on November 27, 2018, the Bank and the City entered into the Credit Agreement providing a credit facility in the form of a commitment by the Bank to: (i) issue revolving loans to the City under the Revolving Line of Credit Facility in an aggregate principal amount not to exceed $20,000,000 (the "Revolving Line of Credit Facility Sublimit") for the period commencing November 27, 2018 and ending no later than November 26, 2021, with all outstanding revolving loans thereunder due and payable to the Bank on November 27, 2021; and (ii) issue standby letters of credit for the account of the City under the Standby Letter of Credit Facility in an aggregate principal amount not to exceed $35,000,000 (the "Standby Letter of Credit Facility Sublimit") for the period commencing November 27, 2018 and ending no later than October 28, 2023, with all unrepaid draws under such letters of credit due and payable to the Bank on November 27, 2023; provided, however, that the aggregate principal amount outstanding under the Revolving Line of Credit Facility and the Standby Letter of Credit Facility shall not exceed $50,000,000 at any one time (the "Aggregate Commitment"). The City's obligations under the Credit Agreement are secured solely by a pledge and lien on revenues of SJCE, including revenues deposited in an operating reserve account held by the City pursuant to the Credit Agreement (the "Operating Reserve Account").

On April 30, 2019, the City Council authorized the City Manager, the Director of Finance, the Assistant Director of Finance or their authorized designees to negotiate, execute and deliver the First Amendment to the Revolving Credit Agreement with the Bank to increase the sublimit for the Revolving Line of Credit Facility from an aggregate principal amount not to exceed $20,000,000 to $30,000,000, increase the sublimit for the Standby Letter of Credit Facility from an aggregate principal amount not to exceed $35,000,000 to $65,000,000, increase the Aggregate Commitment to issue revolving loans and standby letters of credit from an aggregate principal amount not to exceed $50,000,000 to $80,000,000 outstanding at any one time, and increase certain fees payable by the City to the Bank in connection with the credit facilities under the Credit Agreement and to clarify that the City is allowed to draw on the revolving line of credit to fund the operating reserve account as discussed herein. Effective May 10, 2019, the Bank and the City entered into the First Amendment to the Revolving Credit Agreement to issue revolving loans and standby letters of credit for the purposes and within the limits mentioned above.

As of June 30, 2022, the remaining balance for the Standby Letter of Credit Facility was as follows (in thousands):

| Credit Facility | Available Credit Sublimit | Less: Letters of Credit Commitments[1] | Remaining Available Credit as of 6/30/2022 |
|---|---|---|---|
| Standby Letter of Credit Facility | $ 65,000 | $ (27,644) | $ 37,356 |

(1) Letters of Credit are issued by Barclays as a commitment to pay collateral calls in the event of an SJCE default. The commitment does not become a liability of SJCE unless and until a collateral call is paid by Barclays on behalf of SJCE, which has not yet occurred.

On June 22, 2021, the City Council authorized the City Manager and the Director of Finance, or their authorized designees, to negotiate, execute and deliver a Second Amendment to the Revolving Credit Agreement with the Bank amending certain terms and provisions of the Revolving Credit Agreement in connection with the issuance of CP Notes secured by General Fund lease payments to finance the purchase of power and other operating costs of SJCE. The Second Amendment to the Revolving Credit Agreement was entered into on June 24, 2021. The Revolving Line of Credit Facility matured on November 26, 2021 and was not renewed.

Under the Credit Agreement, as amended by the First Amendment to the Revolving Credit Agreement and the Second Amendment to the Revolving Credit Agreement, the City agreed, among other things, that, so long as the Bank has any commitment thereunder or any amount payable thereunder remains unpaid from and including: (a) August 31, 2019, to but excluding November 15, 2019, to maintain not less than $10,000,000 in the Operating Reserve Account at all times during such period; (b) November 15, 2019, to but excluding June 24, 2021, to maintain not less than $15,000,000 in the Operating Reserve Account at all times during such period; and (c) from and after June 24, 2021, to maintain at all times $20,000,000 in the Operating Reserve Account (collectively, the "Operating Reserve Requirement"). The City has complied with the Operating Reserve Requirement.

In addition, the Credit Agreement, as amended, permits the City to make loans from any fund, including the General Fund, to SJCE, including from proceeds of CP issued by the Financing Authority in an amount not to exceed $100 million (previously limited to $10 million solely for the payment of start-up costs of SJCE). Such loans are subordinate to the City's obligations to the Bank under the Credit Agreement, as amended. Loans from the Financing Authority to SJCE are not permitted unless the City first delivers to the Bank evidence that the Financing Authority has agreed that such loans are subordinate to the City's obligations to the Bank under the Credit Agreement.

The Credit Agreement, as amended, prohibits repayment of loans and other debt payable from Revenues or Net Revenues of SJCE to the City or the Financing Authority, if any, unless, among other things,: (i) the amount held in the Operating Reserve Account, together with the unrestricted cash of SJCE, as of the last day for the month immediately preceding the date of such payment and as of the last day of the month for at least three of the four months immediately preceding such month, has been, and after such payment will remain, equal to or in excess of $50 million (inclusive of the $20 million required to be on deposit in the Operating Reserve Account); and (ii) the Debt Service Coverage Ratio is not less than 1.25 to 1.00 as of the last day of the fiscal quarter most recently ended.

Under the Credit Agreement, as amended, the City is required to maintain a Debt Service Coverage Ratio of not less than 1.25 to 1 as follows: (i) commencing on September 30, 2021, for the period of one fiscal quarter ending September 30, 2021; (ii) as of December 31, 2021, for the period of two consecutive fiscal quarters ending December 31, 2021; (iii) as of March 31, 2022, for the period of three consecutive fiscal quarters ending March 31, 2022; and (iv) as of the last day of each fiscal quarter thereafter for the period of four consecutive fiscal quarters ended on such day.

Events of default under the Credit Agreement include, among others: (i) default under any of the underlying Financing Documents (as defined in the Credit Agreement); (ii) non-payment; (iii) breach of certain covenants, including failure to maintain the required debt service coverage ratio or to maintain the required amounts in the Operating Reserve Account; (iv) bankruptcy; (v) breach of representations and warranties; (vi) the long-term, unenhanced ratings by any of Moody's, S&P, or Fitch on any general obligation bonded indebtedness of the City is withdrawn or suspended (but excluding withdrawals or suspensions if the rating agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "A1" (or its equivalent) by Moody's, "A+" (or its equivalent) by S&P, or "A+" (or its equivalent) by Fitch; (vii) the dissolution or termination of SJCE; (viii) one or more final, unappealable judgments or orders for the payment of money in excess of $5 million where such judgment or order remains unsatisfied and unstayed for a period of 60 days and which is payable from revenues of SJCE; (ix) PG&E defaults in the performance of its agreement with the City for billing services related to charges for the cost of energy provided by SJCE; (x) any event of default under any Other Credit Agreement (as defined in the Credit Agreement) secured by revenues of SJCE; (xi) a Material Adverse Effect (as defined in the Credit Agreement) occurs with respect to SJCE or the City's ability to repay its obligations under the Credit Agreement; (xii) failure to pay when due any principal of or interest on any Debt (as defined in the Credit Agreement) secured by revenues of SJCE; (xiii) failure to pay when due any amount owing under any power purchase agreement, unless the City disputes payment in good faith; or (xiv) the acceleration of the maturity of Debt secured by revenues of SJCE.

When an event of default occurs, the Bank may exercise all of its rights and remedies available to it under the Credit Agreement and as otherwise permitted by law. The Bank's rights and remedies include, among others, taking one or more of the following actions: (i) declare the commitment and the obligation of the Bank to make Credit Extensions to be terminated; (ii) by written notice to City, declare the outstanding amount of the obligations of the City under the Credit Agreement to be immediately due and payable; (iii) require the City to cash collateralize 105% of the LOC Obligations (which generally include the amounts available to be drawn under any letters of credit plus any amounts drawn by beneficiaries under such letters of credit but which are not reimbursed by the City as required under the Credit Agreement) ("Unreimbursed Amounts") as applicable; (iv) and at the expense of the City, cure any event of default; provided, however that the Bank shall have no obligation to effect such a cure. Upon the occurrence and during the continuance of an event of default under the Credit Agreement, any outstanding loan amounts or Unreimbursed Amounts will accrue interest at the Default Rate as defined in the Credit Agreement. Certain other per annum rates payable by the City under the Credit Agreement also increase upon the occurrence and during the continuance of an event of default.

In the case of bankruptcy where the City obtains an entry of order for relief under the Bankruptcy Code, the obligation of the Bank to make Credit Extensions shall automatically terminate and all unpaid principal amounts of all outstanding loans and Unreimbursed Amounts and all interest and other amounts payable to the Bank by the City shall automatically become due and payable, and City shall be required to cash collateralize 105% of the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, without further action by the Bank.

### *11. Landfill Postclosure Costs*

The City has five closed landfills for which postclosure and monitoring services are required. An estimated liability of $2,790,000 related to the closed landfills is recorded in the government-wide statement of net position as of June 30, 2022. The City's Environmental Compliance group within the Environmental Services Department performs an annual evaluation of the liability. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City does not own or operate any open landfills at this time.

### *12. 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.

During FY 2022, the City maintained an all-risk property policy including boiler and machinery exposures, coverage for loss due to business interruption and flood.

The City did not carry earthquake insurance as it was not available at reasonable rates. A summary of insurable coverage for the policy period October 1, 2021 to October 1, 2022 is provided below:

**City of San José**
**Summary of Citywide Property Insurance Coverage**
*(For Policy period October 1, 2021 - October 1, 2022)*

| | Limits Per Occurrence (1) | Deductible Per Occurrence (2) |
|---|---|---|
| Property(3) | $1,000,000,000 | $100,000 |
| Business Interruption | 300,000,000 | $100,000 |
| Flood Locations - Low Hazard(4) | $100,000,000 Annual Aggregate | $100,000 per Location |
| Flood Zones (Other)(5)(6) | $10,000,000 Annual Aggregate | $500,000 per Location |

(1) Other sub-limits apply.
(2) Other deductibles apply.
(3) Covers "Certified Act of Terrorism" under the Terrorism Risk Insurance Act of 2002, as amended.
(4) Refers to Flood Locations - Low Hazard as defined in the City's insurance policy.
(5) The Airport and McEnery Convention Center are subject to a $10,000,000 per Location deductible for flood.
(6) The San José - Santa Clara Regional Wastewater Facility is subject to a $5,000,000 per Location deductible for flood.
Source: City of San José, Finance Department - Risk Management Unit.

To mitigate the impact of reduction to the base flood coverage from $25,000,000 to $10,000,000 as of October 1, 2019, the City has obtained an excess policy for locations not in low hazard flood zones. The excess policy provides $15,000,000 in flood limits excess of the primary property policy on a 50/50 quota share basis, where the City and excess insurers share the financing of losses on a 50/50 basis.

For the policy period of October 1, 2021 to October 1, 2022, the City maintained an Airport General Liability policy covering the Airport including Control Tower Operators, which provides a $200,000,000 combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $50,000,000 each occurrence and in the annual aggregate for personal injury, and a limit of $200,000,000 each occurrence and in the annual aggregate with respect to war liability. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

In addition, the Airport Liability policy also provides excess auto liability coverage with a limit that was increased from $5,000,000 to $25,000,000 effective October 1, 2021, and provides coverage excess of the underlying auto liability limit of $1,000,000, which is provided by a separate automobile policy issued to provide coverage for the off-premise operations of scheduled Airport vehicles including shuttle bus fleets with a limit of $1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a $250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleet and is subject to a $10,000 comprehensive and $10,000 collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy period of October 1, 2021, to October 1, 2022, the City maintained an automobile liability policy covering scheduled vehicles at the San José - Santa Clara Regional Wastewater Facility with a limit of $1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a $250,000 per accident retention.

For the policy period of October 1, 2021 to October 1, 2022, the City maintained an aircraft policy covering physical damage to City aircraft used by the San José Police Department's Air Support Unit as well as liability coverage for bodily injury and property damage arising from the use of covered aircraft. The aircraft policy provides up to $50,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage caused by war and other perils and is subject to a deductible of $0 per occurrence. For the policy period of June 17, 2021, to June 17, 2022, the City maintained a separate aircraft policy to include liability and physical damage coverage for the unmanned aerial systems (UAS) programs in place at the San José Police Department and San José Fire Department ("Drone Coverage"). The Drone Coverage provides up to $2,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage.

For the policy period of October 1, 2021 to October 1, 2022, the City maintained a law enforcement liability policy that provides coverage for third party bodily injury, property damage, or personal injury arising from the law enforcement activities conducted on behalf of approved third party employers by City police officers who have been approved to participate in the Secondary Employment program. The law enforcement liability policy provides $2,000,000 in aggregate limits and is subject to a $100,000 per occurrence deductible.

The City also maintained fiduciary liability insurance policies covering the City's defined contribution employee benefit plans: the Deferred Compensation Plans, the Voluntary Employees' Beneficiary Association ("VEBA") Plans; and the Defined Contribution 401(a) Plan. The policies protect the City and the members of the applicable governing board from legal liability arising from fiduciary obligations to plan beneficiaries. For the policy period from June 30, 2021, to June 30, 2022, the City purchased a fiduciary liability policy covering the Deferred Compensation Plans that provided $5,000,000 in aggregate limits subject to a $25,000 per claim retention except for a $100,000 per claim retention for Class Action Claims as defined in the policy. For the policy period from June 30, 2021, to June 30, 2022, the City purchased a fiduciary liability policy covering the VEBA Plans that provided $5,000,000 in aggregate limits subject to a $25,000 per claim retention. For the policy period from June 30, 2021, to June 20, 2022, the City purchased a fiduciary liability policy covering the Defined Contribution 401(a) Plan that provided $1,000,000 in aggregate limits subject to a $25,000 per claim retention.

For the policy period of October 22, 2021 to October 22, 2022, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts. For the policy period of October 1, 2021 to October 1, 2022, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a $5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a $1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims are subject to a $100,000 per occurrence deductible.

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, newly discovered information 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), economic and social factors, newly discovered information and changes in the law. The estimate of the claims liability also includes increases or decreases to previously reported unsettled claims. The workers' compensation estimate includes allocated loss adjustment expenses, which represent the direct cost associated with the defense of individual claims, which may be years into the future and have been discounted to their present value using a rate of approximately 1.5% for the amounts recorded.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2022. The City Attorney and, with respect to workers' compensation claims, the City's Department of Human Resources 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 is self-insured and 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 (in thousands):

| | |
|---|---|
| Liability as of June 30, 2020 | $139,182 |
| Claims and changes in estimates during 2021 | 34,274 |
| Claims payments | (27,830) |
| Liability as of June 30, 2021 | 145,626 |
| Claims and changes in estimates during 2022 | 68,075 |
| Claims payments and other adjustments | (30,275) |
| Liability as of June 30, 2022 | $183,426 |

**Owner Controlled Insurance Programs** - On March 15, 2007, the City bound certain liability insurance coverage for the major components of the Airport's Terminal Airport Improvement Project through an owner-controlled insurance program ("TAIP OCIP") with National Union Fire Insurance Company of Pittsburgh, PA ("AIG"), formerly known as Chartis Insurance. The OCIP is a single insurance program that provides commercial general liability, excess liability and worker's compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

The coverage for this program is as follows:

| | Terminal Area Improvement Projects | |
|---|---|---|
| **Coverages** | **Limits** | **Deductible Per Occurrence** |
| General Liability | $2 million per occurrence/ $4 million aggregate | $250,000 |
| Workers' Compensation | Statutory | $250,000 |
| Employers' Liability | $1 million per accident | $250,000 |
| Excess Liability | $200 million | None |

The liability under the TAIP OCIP is based upon an estimated payroll of $92,500,000 for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP required the City to fund a claims loss reserve fund with AIG in the amount of $8,900,000. The claims loss reserve fund is available to AIG to pay claims within the City's deductible subject to an aggregate maximum loss exposure within coverage limits to the City of $8,900,000. The City was able to negotiate to fund 74% of the claims loss reserve and interest generated remains in the fund. The full amount of $6,500,000 was deposited with AIG in FY 2009 and was recorded as advances and deposits in the accompanying Airport enterprise fund statement of net position. The balance of the TAIP reserve fund as of June 30, 2022 was approximately $1,179,000.

The City was obligated to maintain the TAIP OCIP through final acceptance of the TAIP, pursuant to the terms of its design-build contract with Hensel Phelps. The TAIP Project has been completed and the policies expired on June 30, 2011. AIG will continue to hold the remaining funds in the claims loss reserve until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

On June 30, 2017, the City bound certain liability insurance coverage for the major components of the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program through an owner-controlled insurance program ("RWF OCIP I") with the primary carrier Old Republic General Insurance Corporation ("Old Republic"). The RWF OCIP I is a single insurance program that the City sponsors and provides commercial general liability, excess liability and worker's compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site. In addition, the City procured Builder's Risk and Contractor's Pollution Liability insurance to cover liabilities associated with the work. The Contractor's Pollution Liability insurance for RWF OCIP II provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The $10 million in Contractor's Pollution Liability coverage is subject to a $100,000 per occurrence deductible.

The City was also required to establish and post a cash collateral fund of $2,657,395, to be paid in five annual installments and subject to the Old Republic's quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of $4,385,000. Due to positive claims experience since the inception of the program, the City negotiated a $100,000 reduction in the overall cash collateral requirement. As of July 31, 2021, the City has provided Old Republic with $2,557,395 for the cash collateral fund. The cash collateral fund is available to Old Republic to pay claims within the City's deductible of up to $250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of $4,385,000.

| | RWF Capital Improvement Projects (OCIP I) | |
|---|---|---|
| **Coverages** | **Limits** | **Deductible Per Occurrence** |
| General Liability | $2 million per occurrence/ $4 million aggregate | $250,000 |
| Workers' Compensation | Statutory | $250,000 |
| Employers' Liability | $1 million per accident | $250,000 |
| Excess Liability | $100 million | None |

The premiums of the RWF OCIP I are calculated based on the estimated hard cost of construction valued at $535,000,000 for the covered capital improvement projects to be enrolled and for work to be performed up to March 30, 2023.

On January 25, 2022, the City bound certain liability insurance coverage for the major components of the capital improvement program of the Treatment Plant through a second Owner-Controlled Insurance Program ("RWF OCIP II") with the primary carrier Ace American Insurance Company ("Chubb"). The RWF OCIP II is a single insurance program that the City sponsors and provides commercial general liability, excess liability, and worker's compensation insurance coverage for construction jobsite risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

The City secured Builder's Risk insurance to provide replacement cost property coverage for scheduled RWF OCIP II capital projects with construction start dates from April 1, 2022, to April 1, 2024. The City purchased Contractor's Pollution Liability insurance for RWF OCIP II, which provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The $10 million in Contractor's Pollution Liability coverage is subject to a $100,000 per occurrence deductible.

The City also elected to purchase Excess Professional Liability insurance for RWF OCIP II. Excess Professional Liability coverage provides claims-made, project-specific coverage to the City for liabilities and exposures resulting from breach of the performance of professional services providers, including design, architecture and engineering work. The $10 million in Excess Professional Liability coverage is in excess of the individual policies of these professionals, which must provide a minimum of $2 million in professional liability coverage and applies only after exhaustion of proceeds on those policies.

The City was also required to establish and post a cash collateral fund of $1,496,471, to be paid in four annual installments and subject to Chubb's quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of $2,559,441. The cash collateral fund is available to Chubb to pay claims within the City's deductible of up to $250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of $2,559,441. As of June 30, 2022, the City has provided Chubb with $374,118 for the cash collateral fund.

The coverage for the RWF OCIP II is as follows:

| | RWF Capital Improvement Projects (OCIP II) | |
|---|---|---|
| **Coverages** | **Limits** | **Deductible Per Occurrence** |
| General Liability | $2 million per occurrence/ $4 million aggregate | $250,000 |
| Workers' Compensation | Statutory | $250,000 |
| Employers' Liability | $1 million per accident | $250,000 |
| Excess Liability | $100 million | None |

The premiums of the RWF OCIP II are calculated based on the estimated hard cost of construction valued at $310,600,000 for the covered capital improvement projects to be enrolled and for work to be performed during the policy period February 1, 2022 through February 1, 2028.

### *13. Pollution Remediation Obligations*

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including Las Plumas Warehouse and the former San José Fire Training Facility. Although the City has significant experience in estimating these types of cleanups, the calculation of the expected outlays related to this pollution remediation is based on estimates provided by both City engineers and consultants hired by the City. The amount of the estimated pollution remediation liability assumes that there will be no major increases in the cost of providing these cleanup services. As of June 30, 2022, the government-wide statement of net position reported a net pollution remediation obligation in the amount of $3.3 million in governmental activities.

**Convention Center South Hall Site** – On October 10, 2018, the City purchased the Convention Center South Hall Site ("South Hall Site") from the SARA in "as-is" condition. The South Hall Site is contaminated with gasoline, diesel products, and lead. The San Francisco Regional Water Quality Control Board ("Water Board") has listed the South Hall Site as an open-inactive case. The Water Board is not requiring further investigation or possible remediation at this time based upon the current use of the property as a Convention Center that is completely paved. There are no immediate plans to redevelop the South Hall Site which would likely require environmental mitigation, the cost of which is unknown and would depend on the specific redevelopment plans for the South Hall Site.

**San José Santa Clara Wastewater Treatment Facility** - San José Santa Clara Wastewater Treatment Facility is co-owned by the City of San José and City of Santa Clara and treats wastewater for over 1.7 million residents and thousands of businesses in the cities of San José, Santa Clara, Milpitas, Campbell, Los Gatos, Monte Sereno, Cupertino, and unincorporated areas of the County. As part of the wastewater treatment process, the water is filtered, treated, and the solids removed. The solid material byproduct is called biosolids and placed in lagoons in the RWF buffer lands where the biosolids are dredged and then dried to reduce the water content for eventual off-site disposal.

In the 1960s and 1970s, biosolids from the wastewater were kept on the RWF buffer lands and stored in lagoons over about 200-acres. These biosolids, estimated to be approximately 750,000 cubic yards, were tested for disposal purposes and found to contain several metals that characterize the biosolids as hazardous waste. The San Francisco Bay Regional Water Quality Control Board ("Water Board") issued an order in August 2019 to require the City to remediate the biosolids. The City received approval from the Water Board to consolidate the biosolids into a smaller footprint (about 25-acres) and cap with clean soil. The City has decided to do the work in two phases. Phase 1 was completed in late 2020 at cost of about $6.2 million. The remaining biosolids will be placed in the consolidated area in a second phase implemented over several years. The project is expected to be completed in 2026 or 2027. The estimated cost for the Phase 2 removal is currently $28.2 million.

## G. Interfund Transactions

The composition of interfund balances as of June 30, 2022, with explanations of transactions, is as follows (in thousands):

### *1. Due from/Due to other funds*

| Receivable Fund | Payable Fund | Amount | |
|---|---|---|---|
| General Fund | Nonmajor Governmental Funds | $3,586 | (1) |
| General Fund | San José Financing Authority Debt Service | 799 | (2) |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 7,791 | (3) |
| San José Financing Authority Debt Service | San José Clean Energy | 60,000 | (4) |
| | | $72,176 | |

*(1) $2,814 represents accrual of gas tax transfers, $566 represents accrual of construction and conveyance tax transfer, and $206 represents short-term borrowing for working capital.*

*(2) Represents loan interest for the Rancho Del Pueblo golf course.*

*(3) Represents short-term borrowing for working capital.*

*(4) Represents loan for commercial paper issuance.*

### *2. Advances to/Advances from other funds*

| Receivable Fund | Payable Fund | Amount | |
|---|---|---|---|
| General Fund | San José Financing Authority Debt Service | $3,297 | (1) |
| | | $3,297 | |

*(1) Represents a $3,297 loan to support the Rancho Del Pueblo golf course.*

### *3. Long-term Advances from SARA*

The City has a payable and SARA has a receivable related to an Agency advance of a portion of a loan made by the City's Housing Department to a third party for a transitional housing project. The SARA is entitled to 24.5% of the total loan repayment and therefore has a long-term receivable in the amount of $733,000 due from the City as of June 30, 2022.

### *4. 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 for the year ended June 30, 2022, with explanations of transactions (in thousands):

**Between governmental and business-type activities:**

| Transfer from | Transfer to | Amount | |
|---|---|---|---|
| Norman Y. Mineta San José International Airport | General Fund | $ 334 | (1) |
| Wastewater Treatment System | Nonmajor Governmental Funds | 1,929 | (2) |
| Municipal Water System | General Fund | 800 | (3) |
| | Nonmajor Governmental Funds | 270 | (4) |
| Parking System | General Fund | 820 | (5) |
| | Nonmajor Governmental Funds | 187 | (6) |
| San José Clean Energy | Nonmajor Governmental Funds | 220 | (7) |
| General Fund | Norman Y. Mineta San José International Airport | 300 | (8) |

*(1) Transfer for partial repayment of local sales tax for jet fuel.*
*(2) Transfer for City Hall debt service payments.*
*(3) Transfer for late fee collections from water utility customers.*
*(4) Transfer for City Hall debt service payments.*
*(5) Transfer of $323 to San Jose Downtown Association, and $497 for strategic support.*
*(6) Transfer of $110 for City Hall debt service payments and $77 to Downtown Property and Business Improvement District Fund.*
*(7) Transfer for City Hall debt service payments.*
*(8) Transfer of local sales tax for jet fuel.*

**Between governmental activities:**

| Transfer from | Transfer to | Amount | |
|---|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 29,296 | (1) |
| | Internal Service Funds | 1,000 | (2) |
| | San José Financing Authority Debt Service | 853 | (3) |
| Housing Activities | Nonmajor Governmental Funds | 277 | (4) |
| Low and Moderate Income Housing Asset | Nonmajor Governmental Funds | 369 | (5) |
| Special Assessment Districts | General Fund | 120 | (6) |
| | San José Financing Authority Debt Service | 1,075 | (7) |
| Nonmajor Governmental Funds | General Fund | 10,338 | (8) |
| | Nonmajor Governmental Funds | 10,621 | (9) |
| | San José Financing Authority Debt Service | 27,952 | (10) |
| Internal Service Funds | General Fund | 471 | (11) |
| | Nonmajor Governmental Funds | 386 | (12) |
| | | $ 82,758 | |

*(1) Transfer of $17,283 for debt service payments, and $12,013 for operations and subsidies.*
*(2) Transfer to vehicle maintenance and operations fund.*
*(3) Transfer for City Hall debt service payments.*
*(4) Transfer for City Hall debt service payments.*
*(5) Transfer for City Hall debt service payments.*
*(6) Transfer for administrative expenses.*
*(7) Transfer of interest and debt service payments.*
*(8) Various transfers for operations, interest earnings, and capital projects.*
*(9) Transfer of $4,113 for City Hall debt service payments and $6,508 for operations, interesting earnings, and capital projects.*
*(10) Transfer for reimbursements for debt service payments.*
*(11) Transfer of $24 for interest and discount allocation and $447 transfer for vehicle maintenance and operations.*
*(12) Transfer for City Hall debt service payments.*

## H. Deferred Inflows of Resources

As of June 30, 2022, total deferred inflows of resources in the governmental funds related to the following unavailable resources (in thousands):

| Description | | |
|---|---|---|
| General Fund receivables | $ | 16,099 |
| Housing Activities loans receivable | | 18,621 |
| Low and Moderate Income Housing Asset loans receivable | | 2,862 |
| Community Development Block Grant (CDBG) loans receivable | | 10,849 |
| Total deferred inflows of resources | $ | 48,431 |

## I. Governmental Fund Balances

As of June 30, 2022, total fund balances for the City's major and nonmajor governmental funds are as follows (in thousands):

| | General Fund | Housing Activities | Low & Moderate Income Housing Asset | Special Assessment Districts | San José Financing Authority Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Nonspendable:** | | | | | | | |
| Advances & Deposits | $ 88 | $ - | $ - | $ - | $ - | $ - | $ 88 |
| **Subtotal** | 88 | - | - | - | - | - | 88 |
| **Restricted for:** | | | | | | | |
| Affordable Housing | - | 183,083 | 434,496 | - | - | - | 617,579 |
| Capital Projects & Improvements | - | - | - | 30,205 | - | 582,770 | 612,975 |
| Employment/ Training Services | - | - | - | - | - | 1,310 | 1,310 |
| Drug Abuse Prevention & Control | 300 | - | - | - | - | 1,057 | 1,357 |
| Community Development Services | - | - | - | - | - | 1,687 | 1,687 |
| Library Services & Facilities | - | - | - | - | - | 5,339 | 5,339 |
| Small Business Loans | - | - | - | - | - | 7 | 7 |
| Parks, Recreation, & Neighborhood Development | 3 | - | - | - | - | 102,180 | 102,183 |
| Underground Utility Projects | - | - | - | - | - | 10,462 | 10,462 |
| Storm Drainage Projects | - | - | - | - | - | 44,690 | 44,690 |
| Supplemental Law Enforcement Services | - | - | - | - | - | 110 | 110 |
| Convention Center, Auditorium, Theaters | - | - | - | - | - | 173 | 173 |
| Debt Service | - | - | - | - | 1,665 | 52,786 | 54,451 |
| **Subtotal** | 303 | 183,083 | 434,496 | 30,205 | 1,665 | 802,571 | 1,452,323 |
| **Committed to:** | | | | | | | |
| Capital Projects and Improvements | 24,288 | - | - | - | - | 1,428 | 25,716 |
| Parks, Recreation, & Neighborhood Development | - | - | - | - | - | 4,184 | 4,184 |
| Development Enhancement | - | - | - | - | - | 507 | 507 |
| Convention Center, Auditorium, Theaters | - | - | - | - | - | 2,999 | 2,999 |
| Employee Compensation Planning | 9,230 | - | - | - | - | - | 9,230 |
| Development Fee Program Technology | 235 | - | - | - | - | - | 235 |
| Residential Program Administration | - | - | - | - | - | 2,823 | 2,823 |
| Government Functions/Services | 14,558 | - | - | - | - | - | 14,558 |
| Police Department Staffing | 550 | - | - | - | - | - | 550 |
| Public Safety | 6,073 | - | - | - | - | - | 6,073 |
| Community Development Services | 8,070 | - | - | - | - | 58,873 | 66,943 |
| Salaries & Benefits | 4,000 | - | - | - | - | - | 4,000 |
| Sanitation Projects | 339 | - | - | - | - | 31,341 | 31,680 |
| Debt Service | - | - | - | - | - | 4 | 4 |
| **Subtotal** | 67,343 | - | - | - | - | 102,159 | 169,502 |
| **Assigned to:** | | | | | | | |
| Financing Authority Debt Service | 3,297 | - | - | - | - | - | 3,297 |
| Development Enhancement | - | - | - | - | - | 20 | 20 |
| Community & Culture Projects | - | - | - | - | - | 4,724 | 4,724 |
| Hayes Mansion and Ice Center Operations | - | - | - | - | - | 1,870 | 1,870 |
| Capital Projects & Improvements | - | - | - | - | - | 87,608 | 87,608 |
| Government Functions/Services | 276,059 | - | - | - | - | - | 276,059 |
| **Subtotal** | 279,356 | - | - | - | - | 94,222 | 373,578 |
| **Unassigned** | 225,967 | - | - | - | - | (20) | 225,947 |
| **Total Fund Balance** | $ 573,057 | $ 183,083 | $ 434,496 | $ 30,205 | $ 1,665 | $ 998,932 | $ 2,221,438 |

**City Reserves Policy.** The City Council-approved Operating Budget and Capital Improvement Program Policy (Policy Number 1-18) incorporates direction on contingency funding, including general purpose reserves, the Cash Reserve Fund and the Emergency Reserve Fund. Within the General Fund, general purpose reserves are to be set aside as a safety net for general city operations. Currently, the General Fund Contingency Reserve, the General Fund Budget Stabilization Reserve, and the General Fund Workers' Compensation/General Liability Catastrophic Reserve are available for general purposes. Each of these reserves is described below. With the exception of the General Fund Contingency Reserve Fund, use of these reserves requires a majority vote of the City Council.

Within capital project and special revenue funds, general purpose reserves may be set aside as a safety net for City operations pertaining to the respective fund or to provide stability for customer rates when there are fluctuations to revenues and expenditures.

The Policy also identifies the Cash Reserve Fund and the Emergency Reserve Fund, which are mandated by the City Charter described below.

The ***General Fund Contingency Reserve Fund*** was created to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. The policy established a minimum of three percent of the General Fund operating budget as the reserve balance. Any use of the General Fund Contingency Reserve shall require a two-thirds vote of approval by the City Council. As of June 30, 2022, the contingency amount accounts for $40,500,000 of the unassigned fund balance.

The ***General Fund Budget Stabilization Reserve*** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. As of June 30, 2022, the budget stabilization reserve accounts for $46,500,000 of the unassigned fund balance.

The ***General Fund Workers' Compensation/General Liability Catastrophic Reserve*** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide funding for potential workers' compensation or general liability claims that exceed the budgeted amounts as the City, for the most part, is self-insured. As of June 30, 2022, the workers' compensation and general liability catastrophic reserve accounts for $15,000,000 of the unassigned fund balance.

The ***Cash Reserve Fund*** was created for the payment of any authorized expenditures of the City for any fiscal year in anticipation of and before the collection of taxes and other revenues of the City for such fiscal year, and for the payment of authorized expenses of the City for any fiscal year, which became due and payable and must be paid prior to the receipt of tax payments and other revenues for such fiscal year. A reserve shall be built up in said fund from any available sources other than restricted sources in an amount which the Council deems sufficient for said purposes. As of June 30, 2022, the cash reserve amount accounts for $6,000 of the unassigned fund balance.

The ***Emergency Reserve Fund*** was created for the purpose of meeting any public emergency involving or threatening the lives, property or welfare of the people of the City or property of the City. A reserve shall be built up in said fund from any available sources, other than restricted sources, in an amount which the Council deems desirable. As of June 30, 2022, the emergency reserve amount accounts for $3,179,000 of the unassigned fund balance.

# IV. Other Information

## A. Defined Benefit Retirement Plans

## A. 1. City Sponsored Defined Benefit Pension Plans

### *1. General Information about the Pension Plans*

The City sponsors and administers two single employer defined benefit retirement systems, the Police and Fire Department Retirement Plan (the "PFDRP") and the Federated City Employees' Retirement System (the "FCERS"), and collectively, "the Retirement Systems", which with the exception of certain unrepresented employees together cover all full-time and certain part-time employees of the City. The Retirement Systems provide general retirement benefits under single employer Defined Benefit Pension Plans, as well as the Postemployment Healthcare Plans. The Retirement Systems are accounted for in the Pension Trust Funds.

The Retirement Systems are administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Boards of Administration for the Retirement Systems. The compensation paid to the Chief Executive Officer and the investment professional staff within the Office of Retirement Services is set by the City Council. The Boards of Administration in recommending to the City Council the compensation amounts for these positions are required under the City Charter to consider compensation of equivalent positions in comparable United States public pension plans.

The separately issued annual reports of PFDRP and FCERS, together with various chapters in Title 3 of the City's Municipal Code, provide more detailed information about the Retirement Systems. Those reports may be obtained from the City of San José Office of Retirement Services at http://www.sjretirement.com.

### Benefits

The Defined Benefit Pension Plans provide general retirement benefits including pension, death, and disability benefits to members. The contribution and benefit provisions and all other requirements are established by the City Charter and the City's Municipal Code. Benefits are based on average Final Compensation, years of service, and cost-of-living increases as specified by the City's Municipal Code. Information regarding disability and death benefits can be found in the annual reports of the Retirement Plans and on the Office of Retirement Services website.

Effective June 18, 2017, the PFDRP has several Tiers as follows:

| PFDRP Membership Tiers | | | |
|---|---|---|---|
| **Tier** | **Hire Date** | **Pension** | **Defined Benefit Retiree Healthcare (Medical/Dental)** |
| **Police Tier 1** | • Before August 4, 2013<br>• Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions | Tier 1 | Medical/Dental (2) (4) |
| **Police Tier 1 Rehire** | • Tier 1 employee rehired between August 4, 2013 through June 17, 2017 | Tier 1 (1) | Medical/Dental (2) (4) |
| **Fire Tier 1** | • Before January 2, 2015<br>• Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions | Tier 1 | Medical/Dental (2) (4) |
| **Fire Tier 1 Rehire** | • Tier 1 employee rehired between January 2, 2015 through June 17, 2017 | Tier 1 (1) | Medical/Dental (2) (4) |
| **Tier 1 Classic** | • "Classic" membership with CalPERS/reciprocal agency hired on or after August 4, 2013 for Police and January 2, 2015 for Fire | Tier 1 (5) | Not Eligible |
| **Police Tier 2** | • On or after August 4, 2013 | Tier 2 | Not Eligible (3) (4) |
| **Fire Tier 2** | • On or after January 2, 2015 | Tier 2 | Not Eligible (3) (4) |

(1) Employees in these tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.

(2) Employees in these Tiers were provided a one-time irrevocable election to remain in the Police and Fire Healthcare Plan or opt into the Police and Fire VEBA. Employees that opted into the Police and Fire VEBA are not eligible for the Police and Fire Healthcare Plan. The Police and Fire VEBA was implemented on March 25, 2018.

(3) Employees in these tiers were mandatorily placed into the Police and Fire VEBA.

(4) Unrepresented employees were eligible to opt into a Police and Fire VEBA but are not eligible to make ongoing contributions to the Police and Fire VEBA.

(5) Employees in these tiers are responsible for 50% of the amortization costs for any prior years of service in Tier 2 changed to Tier 1 for all employees in the "Classic" tier regardless of start date.

The following tables summarize the pension benefits for the members:

| | PFDRP | | |
|---|---|---|---|
| | **Police Tier 1 [1]** | **Police Tier 1 Classic [2]** | **Police Tier 2 [3]** |
| *Pension* | | | |
| Service required to leave contributions in retirement plan | 10 years of service<br>(20 years must have elapsed from date of entry into Retirement System to collect pension) | 10 years of service | 5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked within applicable 12-month period) |
| ***Service Retirement*** | | | |
| Age/Years of Service | 50 with 25 years of service<br>55 with 20 years of service<br>30 years of service at any age (with reciprocity, must be 50 years of age) | 50 with 25 years of service<br>55 with 20 years of service<br>30 years of service at any age (with reciprocity, must be 50 years of age) | 57 with 5 years of service with the City in the Plan<br><br>50 with 5 years of service with the City in the Plan |
| | Mandatory retirement at 70 years of age | Mandatory retirement at 70 years of age | A reduction factor of 7.0% per year for each year between age 57 and Tier 2 member's age at retirement, prorated to the closest month |
| Early Retirement | 50-54 with 20 years of service (discounted pension)<br>Allowance reduced pursuant to Municipal<br>Code Section 3.36.810 | 50-54 with 20 years of service (discounted pension)<br>Allowance reduced pursuant to Municipal Code Section 3.36.810 | N/A |
| Deferred Vested Retirement | 55 with 10 years of service only if 20 years have elapsed from date of membership.<br>(Qualifying members can begin receiving benefits at age 50 with least 25 years of service.) | 55 with 10 years of service only if 20 years have elapsed from date of membership.<br>(Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.) | At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) |
| | | | Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month. |

*(1) Police Tier 1 employees are those hired before August 4, 2013.*

*(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3.AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.*

*(3) Police Tier 2 employees are those hired on or after August 4, 2013.*

**PFDRP (Continued)**

| | Police Tier 1 (1) | Police Tier 1 Classic (2) | Police Tier 2 (3) |
|---|---|---|---|
| Allowance | First 20 years of City service: 50% of Final Compensation (2.5% per year)<br><br>Next 21-30 years City service: 4% per year of service x Final Compensation (90% max) | First 20 years of City service: 50% of Final Compensation (2.5% per year)<br><br>Next 21-30 years City service: 4% per year of service x Final Compensation (90% max) | First 20 years of service: 2.4% per year of service x Final Compensation<br><br>Beginning of 21st year of service: 3.0% per year of service x Final Compensation<br><br>Beginning of 26th year of service: 3.4% per year of service x Final Compensation<br><br>Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05)<br><br>Maximum benefit is 80% of Final Compensation |
| ***Reciprocity*** | | | |
| Reciprocity | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement. | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement. | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement. |
| ***Cost-of-Living Adjustments*** | | | |
| Cost-of-Living Adjustments | Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA. | Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA. | Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired. |

*(1) Police Tier 1 employees are those hired before August 4, 2013.*

*(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3.AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.*

*(3) Police Tier 2 employees are those hired on or after August 4, 2013.*

| | PFDRP | | |
|---|---|---|---|
| | **Fire Tier 1 [1]** | **Fire Tier 1 Classic[2]** | **Fire Tier 2 [3]** |
| *Pension* | | | |
| Service required to leave contributions in retirement system | 10 years of service (20 years must have elapsed from date of entry into Retirement System to collect pension) | 10 years of service | 5 years of service with the City in the Retirement System (Year of Service = 2080 hours worked in the applicable 12-month period) |
| ***Service Retirement*** | | | |
| Age/Years of Service | 50 with 25 years of service<br>55 with 20 years of service<br>30 years of service at any age (with reciprocity, must be 50 years of age)<br><br>Mandatory retirement at 70 years of age | 50 with 25 years of service<br>55 with 20 years of service<br>30 years of service at any age (with reciprocity, must be 50 years of age)<br><br>Mandatory retirement at 70 years of age | 57 with 5 years of service with the City in the Retirement System<br>50 with 5 years of service with the City in the Retirement System<br>A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month |
| Early Retirement | 50-54 with 20 years of service (discounted pension)<br><br>Allowance reduced pursuant to Municipal Code Section 3.36.810 | 50-54 with 20 years of service (discounted pension)<br><br>Allowance reduced pursuant to Municipal Code Section 3.36.810 | N/A |
| Deferred Vested Retirement | 55 with 10 years of service only if 20 years have elapsed from date of membership.<br>(Qualifying member can begin receiving benefits at age 50 with at least 25 years of service.) | 55 with 10 years of service only if 20 years have elapsed from date of membership.<br>(Qualifying member can begin receiving benefits at age 50 with at least 25 years of service.) | At least 5 years of service with the City in the Retirement System. (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)<br>Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month |

(1) Fire Tier 1 members are those hired before January 2, 2015.
(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.
(3) Fire Tier 2 employees are those hired on or after January 2, 2015.

| | PFDRP (Continued) | | |
|---|---|---|---|
| | Fire Tier 1 (1) | Fire Tier 1 Classic(2) | Fire Tier 2 (3) |
| Allowance | First 20 years of service: 50% of Final Compensation (2.5% per year) | First 20 years of service: 50% of Final Compensation (2.5% per year) | First 20 years of service: 2.4% per year of service x Final Compensation |
| | >20 years of service - all years convert to 3% for each full year x Final Compensation (90% max) | Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) - All years convert to 3% after 20 years of service | Beginning of 21st year of service: 3.0% per year of service x Final Compensation |
| | | | Beginning of 26th year of service: 3.4% per year of service x Final Compensation |
| | | | Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05) |
| | | | Maximum benefit is 80% of Final Compensation |
| ***Reciprocity*** | | | |
| Reciprocity | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement | As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement |
| ***Cost-of-Living Adjustments*** | | | |
| Cost-of-Living Adjustments | Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA. | Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA. | Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired. |

(1) Fire Tier 1 employees are those hired before January 2, 2015.

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013. 2. AND is hired by the City of San José after a break in service of less than six months. 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity election form must be submitted within thirty days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan.

(3) Fire Tier 2 employees are those hired on or after January 2, 2015.

Effective June 18, 2017, the FCERS has several Tiers as follows:

**FCERS Membership Tiers**

| Tier | Hire Date | Pension | Defined Benefit Retiree Healthcare (Medical/Dental) |
|---|---|---|---|
| **Tier 1** | • On or before September 29, 2012 | | |
| | • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions | Tier 1 | Medical/Dental (2) (4) |
| **Tier 1 Rehire** | • Former Tier 1 rehired on or after September 30, 2012 through June 17, 2017 | Tier 1 (1) | Medical/Dental (2) (4) (5) |
| **Tier 1 Classic** | • "Classic" membership with CalPERS/reciprocal agency hired by the City of San Jose on or after June 18, 2017. | Tier 1 (6) | Medical/Dental |
| | • "Classic" membership with California Public Employees' Retirement System ("CalPERS")/reciprocal agency hired on or after September 30, 2012, but before September 27, 2013 | Tier 1 (6) | Not Eligible (3) (4) |
| | • "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2013 | Tier 1 (6) | |
| **Tier 2 (or Tier 2A)** | • Hired/rehired/reinstated on or after September 30, 2012, but before September 27, 2013 | Tier 2 | Medical/Dental (2) (4) |
| **Tier 2B** | • Hired/rehired/reinstated after September 27, 2013 and have not met City's eligibility for retiree healthcare | Tier 2 | Not Eligible (3) (4) |

(1) Employees in these tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.

(2) Employees in these tiers were provided a one-time irrevocable election to remain in the Federated Healthcare Plan or opt into the Federated VEBA. Employees that opted into the Federated VEBA are not eligible for Federated Healthcare Plan. The Federated VEBA was implemented on March 25, 2018.

(3) Employees in these tiers were mandatorily placed into the Federated VEBA.

(4) Unrepresented employees were eligible to opt into the Federated VEBA but are not eligible to make ongoing contributions to the Federated VEBA.

(5) All Tier 1 rehires formerly in Tier 2B and Tier 2C who opted to remain in the Federated Healthcare Plan began contributing to the Federated Healthcare Plan on March 25, 2018.

(6) Employees in these tiers are responsible for 50% of the amortization costs for any prior years of service in Tier 2 changed to Tier 1 for all employees in the "Classic" tier regardless of start date.

| | FCERS | | | |
|---|---|---|---|---|
| | Tier 1 (1) | Tier 1 Classic (2) | Tier 2A (3) | Tier 2B (4) |
| *Pension* | | | | |
| Service required to leave contributions in retirement system | 5 years | | 5 years Federated City Service (Year of Service = 2080 hours worked in the applicable 12-month period) | |
| ***Service Retirement*** | | | | |
| Age/Years of Service | 55 with 5 years service<br>30 years service at any age | | 62 years with 5 years Federated City Service May retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age fifty-five (55) and the Tier 2 member's age at retirement before age 62, prorated to the closest month | |
| Deferred Vested retirement | 55 with 5 years service<br>(This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) | | May commence on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 55 with reduction factor of 5% per year for each year between age fifty-five and the Tier 2 member's age at retirement before age 62, prorated to the closest month | |
| Allowance | 2.5% x Years of Service x Final Compensation (75.0% max)<br>Tier 1: Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months.<br>Tier 1 Classic: If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months. | | 2.0% x Years of Federated City Service x Final Compensation (70.0% max)<br>Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive years of Federated City Service<br>Excludes premium pay or any other forms of additional compensation | |
| ***Disability Retirement (Service Connected)*** | | | | |
| Minimum Service | None | | None | |
| Allowance | 40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) | | 2% x Years of Federated City Service x Final Compensation (Minimum of 40% and maximum of 70% of Final Compensation) | |

*(1) Federated Tier 1 applies to employees hired on or before September 29, 2012.*

*(2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José, on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan/ employees.*

*(3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.*

*(4) Tier 2B are employees who were newly hired on or after September 27, 2013.*

| | FCERS (Continued) | | | |
|---|---|---|---|---|
| | Tier 1 (1) | Tier 1 Classic (2) | Tier 2A (3) | Tier 2B (4) |
| ***Disability Retirement (Non-Service Connected)*** | | | | |
| Minimum Service | 5 years | | 5 years | |
| Allowance | Tier 1: 20% of Final Compensation for up to 6 years of service.<br>Add 2% for each year of service in excess of 6 years but less than 16 years.<br>Add 2.5% for each year of service in excess of 16 years of services. (Maximum 75% of Final Compensation).<br>For those who entered the Retirement System on 8/31/98 or before, the calculation is as follows:<br>40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55<br>Tier 1 Classic: 40% of Final Compensation plus 2.5% years of service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55. For those who entered the System on 9/01/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 year of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service(Maximum 75% of Final Compensation) | | 2% x Years of Federated City Service x Final Compensation. (Minimum of 20% and maximum of 70.0% of Final Compensation) | |
| ***Reciprocity*** | | | | |
| Reciprocity | As of December 9, 1994, the City of San José Federated City Employees' Retirement System adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. Final eligibility for reciprocity is determined at the time of retirement. | | | |
| ***Cost-of-Living Adjustments (COLA)*** | | | | |
| Cost-of-Living adjustments | Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each April. There is no prorating of COLA. | | Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the lesser of the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), or a back loaded 2.0% COLA per fiscal year. The back loaded COLA shall be calculated as follows:<br>i. Service at retirement of 1-10 years: 1.25% per year<br>ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5%<br>iii. Service at retirement of 11-20 years: 1.5% per year<br>iv. Service at retirement of 21-25 years: 1.75% per year<br>v. Service at retirement of 26 years and above: 2.0% per year<br>The first COLA will be prorated based on the number of months retired. | |

*(1) Federated Tier 1 applies to employees hired on or before September 29, 2012.*

(2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José, on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan/employees.

*(3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.*

*(4) Tier 2B are employees who were newly hired on or after September 27, 2013.*

**Employees Covered** - The current membership in the Defined Benefit Pension Plans as of June 30, 2022, is as follows:

| FCERS | Tier 1 Pension Only (2) | Tier 1 Pension & Medical (3) | Tier 2 Pension Only (2) | Tier 2 Pension & Medical (3) | Totals |
|---|---|---|---|---|---|
| Defined Benefit Pension Plan: | | | | | |
| Retirees and beneficiaries currently receiving benefits (1) | 752 | 3,778 | 27 | - | 4,557 |
| Terminated vested members entitled to future benefits | 774 | 154 | 962 | - | 1,890 |
| Active members | 135 | 1,157 | 2,427 | 73 | 3,792 |
| Total | 1,661 | 5,089 | 3,416 | 73 | 10,239 |

(1) The combined domestic relations orders are not included in the count above as their benefit payment is included in the retiree member count.

(2) Includes members that are eligible for the catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan.

(3) Eligible for full retiree medical benefits.

| | Retirees and Beneficiaries (1) | | Terminated Vested Members Entitled to Future Benefits | | Active Members | | |
|---|---|---|---|---|---|---|---|
| PFDRP | Tier 1 | Tier 2 | Tier 1 | Tier 2 | Tier 1 | Tier 2 | Totals |
| Police | | | | | | | |
| Pension & Medical (2) | 1,465 | - | 6 | - | 469 | - | 1,940 |
| Pension only (3) | 130 | - | 159 | 124 | 39 | 585 | 1,037 |
| Police Total | 1,595 | - | 165 | 124 | 508 | 585 | 2,977 |
| Fire | | | | | | | |
| Pension & Medical (2) | 872 | - | 3 | - | 427 | - | 1,302 |
| Pension only (3) | 51 | - | 36 | 8 | 31 | 195 | 321 |
| Fire Total | 923 | - | 39 | 8 | 458 | 195 | 1,623 |
| Total | 2,518 | - | 204 | 132 | 966 | 780 | 4,600 |

(1) Retiree counts do not include combined domestic relations orders.

(2) Members are eligible for full retiree medical benefits.

(3) Includes members that are eligible for the catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan.

The Retirement Systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974, a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.

### *2. Contributions*

Under GASB Statement No. 68, the City's and the participating employees' contributions to the Defined Benefit Pension Plans are based upon an actuarially determined percentage of each employee's pensionable and earnable salary to arrive at an actuarially determined contribution ("ADC") sufficient to provide adequate assets to pay benefits when due.  The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

The contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for the year ended June 30, 2022 were based on the actuarial valuations performed as of June 30, 2020. The contribution rates in effect and the amounts contributed to the pension plans for the year ended June 30, 2022 are as follows (in thousands):

| | PFDRP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | City | | | | | | Participants (2) | | | |
| Defined Benefit Pension Plan | Police Tier 1 | Minimum Dollar Amount (3) | Police Tier 2 | Fire Tier 1 | Minimum Dollar Amount (3) | Fire Tier 2 | Police Tier 1 | Police Tier 2 | Fire Tier 1 | Fire Tier 2 |
| Actuarial Rate: | | | | | | | | | | |
| 06/26/22-06/30/22 | 33.24% | | 14.37% | 34.34% | | 15.18% | 10.99% | 14.37% | 12.11% | 15.18% |
| 07/01/21-06/26/22 (1) | 32.47% | $ 80,921 | 14.37% | 33.70% | $ 70,887 | 15.28% | 10.85% | 14.43% | 11.91% | 15.28% |

*(1) The actual contribution rates paid by the City for year ended June 30, 2022 differed from what is above for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

*(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.47% in contributions for the year ended June 30, 2022.*

*(3) Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.*

| | FCERS | | | | |
|---|---|---|---|---|---|
| | City | | | Participants (2) | |
| Defined Benefit Pension Plan | Tier 1 | Minimum Dollar Amount (3) | Tier 2 | Tier 1 | Tier 2 |
| Actuarial Rate: | | | | | |
| 06/26/22-06/30/22 | 20.32% | | 8.13% | 7.41% | 8.13% |
| 07/01/21-06/26/22 (1) | 20.25% | $ 160,694 | 8.17% | 7.39% | 8.17% |

*(1) The actual contribution rates paid by the City for year ended June 30, 2022 differed for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

*(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 3.00% in contributions. Classic Tier 1 members paid an additional 1.46% effective August 12, 2018.*

*(3) Contributions are structured as a normal cost, plus a payment on the UAL. City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.*

| | Annual Pension Contribution for the Year Ended 06/30/22 | | |
|---|---|---|---|
| Defined Benefit Pension Plan | City | Participants | Total |
| PFDRP | $ 212,046 | $ 31,660 | $ 243,706 |
| FCERS | $ 207,598 | $ 27,464 | $ 235,062 |

### *3. Net Pension Liability*

The City's net pension liability for each Defined Pension Plan is measured as the total pension liability, less the pension plans' fiduciary net position as of the measurement date of June 30, 2021. The City's net pension liability as of June 30, 2022 of each of the Defined Pension Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures by the actuary for the respective plans. In summary, the City's net pension liability at June 30, 2022 is as follows (in thousands):

| | PFDRP | FCERS | CalPERS | Total |
|---|---|---|---|---|
| Net Pension Liability | $ 696,730 | $ 1,645,252 | $ 897 | $ 2,342,879 |
| Net Pension Asset | - | (2,747) | - | (2,747) |
| | $ 696,730 | $ 1,642,505 | $ 897 | $ 2,340,132 |

The General Fund and Enterprise Funds have historically been used to liquidate the pension liabilities.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* states that when a significant change in the net pension liability has occurred between the measurement date (i.e. June 30, 2021) and the City's reporting date (i.e. June 30, 2022), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net pension liability have occurred after the City's measurement date of June 30, 2021:

#### PFDRP

As of the measurement date June 30, 2022, the Plan's fiduciary net position decreased approximately $317 million from approximately $4.73 billion to $4.41 billion due to significant decreases in fair value of the Plan's investments. Overall, the decrease in the fiduciary net position and increase in total pension liability of $208 million from interest and service costs, resulted in an increase in net pension liability from approximately $697 million to $1.22 billion, a change of approximately $525 million.

#### FCERS

As of the measurement date June 30, 2022, the Plan's fiduciary net position decreased approximately $176 million from approximately $2.88 billion to $2.71 billion due to significant decreases in fair value of the Plan's investments. Overall, the decrease in the fiduciary net position and the increase in total pension liability of $163 million from interest and service costs, resulted in an increase in net pension liability from $1.64 billion to $1.98 billion, a change of approximately $339 million.

**Changes in Net Pension Liabilities** - The components of the net pension liabilities of the PFDRP and FCERS plans as of the measurement date, June 30, 2021, were as follows (in thousands):

| | Increase (Decrease) | | |
|---|---|---|---|
| **PFDRP** | **Total Pension Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net Pension Liability (a-b)** |
| Balance at 6/30/2020 | $ 5,177,016 | $ 3,702,020 | $ 1,474,996 |
| Changes for the Year: | | | |
| Service costs | 89,470 | - | 89,470 |
| Interest | 342,802 | - | 342,802 |
| Changes of benefit terms | - | - | - |
| Contributions-employer | - | 201,370 | (201,370) |
| Contributions-employees | - | 29,033 | (29,033) |
| Net investment income | - | 1,044,290 | (1,044,290) |
| Difference between expected and actual experience | (15,131) | - | (15,131) |
| Changes of assumptions | 73,525 | - | 73,525 |
| Benefit payments, including refunds of member contributions | (244,310) | (244,310) | - |
| Administrative expenses | - | (5,761) | 5,761 |
| Net changes | 246,356 | 1,024,622 | (778,266) |
| Balance at 6/30/2021 | $ 5,423,372 | $ 4,726,642 | $ 696,730 |

| | Increase (Decrease) | | |
|---|---|---|---|
| **FCERS** | **Total Pension Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net Pension Liability (a-b)** |
| Balance at 6/30/2020 | $ 4,323,370 | $ 2,208,017 | $ 2,115,353 |
| Changes for the Year: | | | |
| Service costs | 65,712 | - | 65,712 |
| Interest | 283,610 | - | 283,610 |
| Changes of benefit terms | - | - | - |
| Contributions-employer | - | 183,964 | (183,964) |
| Contributions-employees | - | 25,725 | (25,725) |
| Net investment income | - | 698,606 | (698,606) |
| Difference between expected and actual experience | 44,381 | - | 44,381 |
| Changes of assumptions | 36,981 | - | 36,981 |
| Benefit payments, including refunds of member contributions | (227,205) | (227,205) | - |
| Administrative expenses | - | (4,763) | 4,763 |
| Net changes | 203,479 | 676,327 | (472,848) |
| Balance at 6/30/2021 | $ 4,526,849 | $ 2,884,344 | $ 1,642,505 |

Note: The schedules of changes in the net pension liability as of June 30, 2022 are presented in the Required Supplementary Information.

**Sensitivity of the Net Pension Liabilities to Changes in Discount Rates** - The discount rates used to measure the total pension liabilities were 6.625%, for both the PFDRP and FCERS plans for the valuations dated June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures by the actuary for the respective plans. It is assumed that PFDRP and FCERS members' contributions and City's contributions will be made based on the actuarially determined rates based on the funding policy of each board. Based on those assumptions, the PFDRP's and FCERS's fiduciary net positions are expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

The following presents the net pension liabilities, calculated using the discount rates of 6.625% in effect as of the measurement date, as well as what the net pension liabilities would be if they were calculated using discount rates that are one percentage point lower (5.625%) or one percentage point higher (7.625%) than the rates used, for the PFDRP and FCERS plans, respectively (in thousands):

| PFDRP - Sensitivity Analysis | 1% Decrease (5.625%) | Measurement Date Rate (6.625%) | 1% Increase (7.625%) |
|---|---|---|---|
| Total pension liability | $ 6,214,603 | $ 5,423,372 | $ 4,784,152 |
| PFDRP fiduciary net position | 4,726,642 | 4,726,642 | 4,726,642 |
| Net pension liability | $ 1,487,961 | $ 696,730 | $ 57,510 |
| PFDRP fiduciary net position as a percentage of the total pension liability | 76.1% | 87.2% | 98.8% |

| FCERS - Sensitivity Analysis | 1% Decrease (5.625%) | Measurement Date Rate (6.625%) | 1% Increase (7.625%) |
|---|---|---|---|
| Total pension liability | $ 5,145,457 | $ 4,526,849 | $ 4,021,456 |
| FCERS fiduciary net position | 2,884,344 | 2,884,344 | 2,884,344 |
| Net pension liability | $ 2,261,113 | $ 1,642,505 | $ 1,137,112 |
| FCERS fiduciary net position as a percentage of the total pension liability | 56.1% | 63.7% | 71.7% |

**Pension Expense and Deferrals** – For the year ended June 30, 2022, the City recognized pension expense and reported deferred outflows and inflows of resources related to pensions as follows (in thousands):

| | PFDRP | FCERS | Total |
|---|---|---|---|
| Pension Expense | $ 90,494 | $ 116,426 | $ 206,920 |

**Schedule of Deferred Outflows and Inflows of Resources - PFDRP**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions subsequent to measurement date | $ 212,046 | $ - |
| Differences between expected and actual experience | 18,563 | 15,601 |
| Changes in assumptions | 114,676 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 528,451 |
| **Total** | $ 345,285 | $ 544,052 |

As of June 30, 2022, $212,046,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the PFDRP will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

| Fiscal Year Ending June 30: | Deferred Outflows / (Inflows) of Resources |
|---|---|
| 2023 | $ (56,900) |
| 2024 | (70,135) |
| 2025 | (123,842) |
| 2026 | (159,936) |
| | **$ (410,813)** |

**Schedule of Deferred Outflows and Inflows of Resources - FCERS**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions subsequent to measurement date | $ 207,598 | $ - |
| Differences between expected and actual experience | 33,286 | 16,777 |
| Changes in assumptions | 41,336 | 1,469 |
| Net difference between projected and actual earnings on pension plan investments | - | 380,306 |
| **Total** | **$ 282,220** | **$ 398,552** |

As of June 30, 2022, $207,598,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the FCERS will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

| Fiscal Year Ending June 30: | Deferred Outflows / (Inflows) of Resources |
|---|---|
| 2023 | $ (60,242) |
| 2024 | (74,412) |
| 2025 | (79,215) |
| 2026 | (110,061) |
| | **$ (323,930)** |

**Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS**

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The recognition period differs depending on the source of the gain or loss:

| | |
|---|---|
| Net difference between projected and actual earnings on pension plan investments | 5 Years |
| All other amounts | Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2021 measurement date) |

**Long-term Expected Rate of Return on Plan Investments** - The assumption for the long-term expected rates of return on PFDRP and FCERS investments of 6.625% for the valuations dated June 30, 2020 was selected by estimating the median nominal rates of return based on long-term capital market assumptions adopted by the respective Boards, including nominal expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for each plan as of the measurement date of June 30, 2021, are summarized in the following tables:

| | PFDRP | |
|---|---|---|
| | Target Asset Allocation | Long-Term Expected Real Rate of Return |
| Public equity | 46% | 4.9% |
| Investment grade bonds | 12% | -0.3% |
| Private equity | 6% | 6.8% |
| Core real estate | 5% | 3.3% |
| Immunized cash flows | 5% | -0.8% |
| Venture / growth capital | 4% | 7.4% |
| Emerging market bonds | 3% | 1.7% |
| Growth real estate | 3% | 6.0% |
| Long-term government bonds | 3% | 0.4% |
| Market neutral strategies | 3% | 2.2% |
| Private debt | 3% | 4.6% |
| Private real assets | 3% | 5.7% |
| High yield bonds | 2% | 2.1% |
| Treasury inflation - protected securities | 2% | -0.3% |

| | FCERS | |
|---|---|---|
| | Target Asset Allocation | Long-Term Expected Real Rate of Return |
| Public equity | 49% | 5.0% |
| Private equity | 8% | 6.8% |
| Investment grade bonds | 8% | -0.3% |
| Core real estate | 5% | 3.3% |
| Immunized cash flows | 5% | -0.8% |
| Venture / growth capital | 4% | 7.4% |
| Growth real estate | 3% | 6.0% |
| Emerging market bonds | 3% | 1.7% |
| Private debt | 3% | 4.6% |
| Market neutral strategies | 3% | 2.2% |
| Private real assets | 3% | 5.7% |
| Long-term government bonds | 2% | 0.4% |
| Treasury inflation-protected securities | 2% | -0.3% |
| High yield bonds | 2% | 2.1% |

The separately issued annual reports of PFDRP and FCERS provide more information about the most recent long-term expected rates of return on plan investments.

### *4. Actuarial Methods and Assumptions*

The significant actuarial methods and assumptions used to compute the total pension liability measured as of June 30, 2021 are from the actuarial valuation report with a valuation date of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures by the actuary for the respective plans.

| | PFDRP | FCERS |
|---|---|---|
| **Description** | **Method/Assumption** | **Method/Assumption** |
| Measurement date | June 30, 2021 | June 30, 2021 |
| Valuation date | June 30, 2020 | June 30, 2020 |
| Inflation rate | 2.25% | 2.25% |
| Discount rate | 6.625% per annum (net of investment expenses)<br>The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year time horizon is 6.11%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate | 6.625% per annum (net of investment expenses)<br>The Board expects a long-term rate of return of 7.1% based on Meketa's 2019 20-year capital market assumptions and the Retirement System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate |
| Post-retirement mortality | | |
| (a) Healthy retirees: | 1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- for 2010(A)) for healthy male and female on a retirees projected using SOA MP-2019 on a generational basis from the base year of 2010 | 0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010) |
| (b) Disabled retirees: | 0.915 times the Public Safety Mortality Table (PubS-2010) for disabled males and female retirees projected using SOA MP-2019 on a generational basis from the base year of 2010 | 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table |
| Rates of service retirement, withdrawal, death, disability retirements | Based upon the June 30, 2019 actuarial experience analysis | Mortality is projected on a generational basis using the MP-2020 scale |
| Salary increases | | |
| Wage Inflation | Bargained increases and 3.00% per annum (0.75% real wage growth). | The base wage inflation assumption of 3.00% |
| Merit Increase | Merit component added based on an individual years of service ranging from 6.50% to 0.50%. | Merit/longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service |
| Cost-of-Living Adjustment | Tier 1 - 3% per year<br>Tier 2 - 2% per year | Tier 1 - 3% per year<br>Tier 2 - 1.25% to 2.0% depending on years of service |

## A. 2. California Public Employees' Retirement System (CalPERS)

Plan Description. The Mayor and members of the City Council are eligible to participate in the State of California's Public Employees' Retirement System ("CalPERS") Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan"). Effective July 26, 2020, any officer or employee, who is first hired on or after November 4, 2014 in the Unit 99 positions of Chief Executive Officer, Chief Investment Officer and certain Investment Professional staff in the Office of Retirement Services is eligible to participate in CalPERS. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Plan provides retirement, disability and death benefits based on the employee's years of service, age and Final Compensation. Benefit provisions and other requirements are established by the California Public Employees' Retirement Law, employer contract with CalPERS and by City resolution. Retiree health benefits are not provided to Mayor/Councilmembers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. Reports can be found on CalPERS' website at http://www.calpers.ca.gov/page/home.

**Benefits Provided.** CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on a final average compensation period of 36 months. Members with five years of total service are eligible to retire at age 50 for Classic members and at age 52 for the Public Employees' Pension Reform Act of 2013 plan ("PEPRA") members with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law, California Government Code Sections 20000-21703.

The CalPERS Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | Classic Rate Plan | PEPRA Rate Plan |
|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1,2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 50-63 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 7.00% | 6.75% |
| Required employer contribution rates | 10.340% + $160,634 for unfunded liability | 7.590% + $15,590 for unfunded liability |

As of June 30, 2022, there were two current San José City Council members enrolled in the Classic rate plan and twelve current members, consisting of five City Council members and seven Office of Retirement Services investment staff, in the PEPRA rate plan.

**Contributions.** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2022, the amount contributed to the CalPERS plan was as follows (in thousands):

| | Classic Rate Plan | PEPRA Rate Plan | Total |
|---|---|---|---|
| Contributions - employer | $ 188 | $ 114 | $ 302 |
| Contributions - employee | 23 | 105 | 128 |
| Total | $ 211 | $ 219 | $ 430 |

***Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions***

Information in this section is derived from the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool at the measurement date of June 30, 2021 prepared by CalPERS. As of June 30, 2022, the City reported a net pension liability of $1,645,252,000 for its proportionate share of the net pension liability of the Plan. The proportion was determined based on the City's shares of actuarial accrued liability and market value of assets as of June 30, 2020.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures by CalPERS' actuary. The City's proportion of the net pension liability was actuarially determined at the valuation date.

The following information is related to the City's proportionate share of the net pension liability and pension expense (in thousands):

| | Plan | |
|---|---|---|
| Proportion of the net pension liability prior measurement date | $ 1,448 | 0.03434% |
| Proportion of the net pension liability current measurement date | 897 | 0.04726% |
| Change - Increase (Decrease) | $ (551) | 0.01292% |
| Pension Expense | $ 28 | |

The City reported deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022 from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 302 | $ - |
| Differences between actual and expected experience | 60 | - |
| Changes in assumptions | - | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 169 | 4 |
| Net differences between projected and actual earnings on plan investments | - | 417 |
| Total | $ 531 | $ 421 |

As of June 30, 2022, $302,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

| Fiscal Year Ending June 30: | Deferred Outflows / (Inflows) of Resources |
|---|---|
| 2023 | $ (11) |
| 2024 | (15) |
| 2025 | (49) |
| 2026 | (117) |
| | $ (192) |

***Actuarial Assumptions*** – The collective total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The collective total pension liability was based on the following assumptions:

Information in this section is derived from the GASB 68 Accounting Valuation Report for miscellaneous risk pool at the measurement date of June 30, 2021 prepared by CalPERS.

| | Plan |
|---|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Method |
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table (1) | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies , 2.5% thereafter |

(1) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

***Long-term Expected Rate of Return*** - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

| Asset Class | Assumed Asset Allocation | Real Return Years 1 - 10 (1) | Real Return Years 11 + (2) |
|---|---|---|---|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Assets | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Assets | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |
| | 100% | | |

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the proportionate share of the net pension liability calculated using a discount rate of 7.15%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (in thousands):

| Sensitivity Analysis | 1% Decrease (6.15%) | Measurement Date Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|---|---|---|
| Net pension liability | $ 2,143 | $ 897 | $ (132) |

***Pension Plan Fiduciary Net Position*** – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports can be found on CalPERS' website at www.calpers.ca.gov.

## A. 3. Defined Contribution Retirement Plans

### *1. 401(a) Plan*

In December 2012, the City adopted Ordinance No. 29184 amending Title 3 of the San José Municipal Code to amend various Sections of Chapter 3.28 and to add a new Chapter 3.49 for the purpose of establishing an option between the Tier 2 defined benefit plan and a defined contribution 401(a) plan that excludes participation in retiree healthcare, for Unclassified Executive Management and Professional Employees (Unit 99) who are hired on or after January 20, 2013. An employee is eligible to participate in the 401(a) plan if the employee is hired directly into Unit 99 on or after January 20, 2013 and must not have previously been a member of either of the City's defined benefit plans. An eligible employee must sign an irrevocable election form on his or her first day of employment with the City electing to participate in the 401(a) plan. If no irrevocable election form is signed, the employee will be automatically placed into the Tier 2 defined benefit plan.

Both eligible employees and the City are required to contribute 3.75% of participants' annual compensation. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon the employee entering the 401(a) plan. The City contracts with an advisor to manage the 401(a) plan with all assets being held in trust by a third-party custodian in the name of each of the plan's participants. Each of the 401(a) plan's participants directs the investments of their separate account. The City must authorize changes to the 401(a) plan.

There were 152 participants in the 401(a) plan as of June 30, 2022. In FY 2022, the City and the participating employees contributed $536,000 to the 401(a) plan. As of June 30, 2022, the balance of the 401(a) plan was $2,865,000.

### *2. PTC Deferred Compensation Plan*

The City's PTC Deferred Compensation Plan ("PTC Plan") is described in Chapter 3.5 of the City's Municipal Code. The PTC Plan is a mandatory in lieu of Social Security for those employees who are not eligible for membership in either the FCERS or PFDRP. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes VRIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

Benefited part-time employees who were hired before October 1, 2006 were given the option to invest PTC contributions in the same investment options as the 457 Plan participants based on their Participation Agreements. After October 1, 2006 when the City transitioned the investment administrator services to VRIAC, those part-time employees' PTC accounts were transferred to the 457 Plan in order for them to continue having the ability to invest in various investment options, instead of only the Stable Value Fund offered in the PTC Plan.

For new part-time employees hired on or after October 1, 2006, their PTC contributions are deposited and invested in the Stable Value Fund in the PTC Plan. There are 154 PTC participants as of June 30, 2022 which is 7.95% of all part-time employees. The participating part-time employees contributed $1,426,000 to their plan. As of June 30, 2022, the balance of the plan was $28,962,000.

## A. 4. Postemployment Benefit Plans Other than Pension Plans

### *1. General Information about the Postemployment Healthcare Plans*

In addition to the Defined Benefit Pension Plans, the City also sponsors and administers two single employer defined benefit postemployment healthcare plans, the PFDRP Healthcare Plans, which includes the Police Department Postemployment Healthcare Plan (Section 115 Trust) and the Fire Department Postemployment Healthcare Plan (Section 115 Trust) and the FCERS Healthcare Plans, which includes a Section 115 Trust, together the Postemployment Healthcare Plans. These Postemployment Healthcare Plans cover eligible full-time and certain part-time employees of the City and are accounted in the Pension Trust Funds.

Generally, the defined benefit Postemployment Healthcare Plans provide medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Frameworks discussed in Note IV A.1, the City established two separate Voluntary Employee Beneficiary Associations ("VEBA") for retiree healthcare for the members of the PFDRP and FCERS in FY 2018. The City does not make contributions into the VEBAs and the VEBAs are not subject to the jurisdiction of the Retirement Boards.

The Internal Revenue Service approved allowing eligible employees who are rehired by the City during calendars years 2018 through 2022 to opt into the applicable VEBA and transfer the retiree healthcare contributions from the applicable Postemployment Healthcare Plan to their individual VEBA accounts.

The current membership in the Postemployment Healthcare Plans as of June 30, 2022, is as follows:

| **PFDRP** | **Police Tier 1** | **Fire Tier 1** | **Totals** |
|---|---|---|---|
| Postemployment Healthcare Plan: | | | |
| Retirees and beneficiaries currently receiving benefits* | 1,465 | 872 | 2,337 |
| Terminated vested members not yet receiving benefits | 6 | 3 | 9 |
| Active members | 469 | 427 | 896 |
| Total | 1,940 | 1,302 | 3,242 |

** Retiree counts do not include combined domestic relations orders*

| **FCERS** | **Tier 1*** | **Tier 2A*** | **Totals** |
|---|---|---|---|
| Postemployment Healthcare Plan: | | | |
| Retirees and beneficiaries currently receiving benefits** | 3,778 | 0 | 3,778 |
| Terminated vested members not yet receiving benefits | 154 | 0 | 154 |
| Active members | 1,157 | 73 | 1,230 |
| Total | 5,089 | 73 | 5,162 |

** Eligible for full retiree medical benefits*

*** Payees that have health and/or dental coverage*

The separately issued annual reports of PFDRP and FCERS, together with the City's Municipal Code, provide more detailed information about the Postemployment Healthcare Plans. As stated in Section IV.A.1 of this note, those reports may be obtained from the City of San José Office of Retirement Services.

### *2. Contributions*

Contribution amounts to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, Actuarially Determined Contributions ("ADC") were calculated beginning with the year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for postemployment healthcare benefits to PFDRP and FCERS.

Subsequently, in October 2014, the Boards of Administration for PFDRP and FCERS approved implementing an incremental reduction approach to determining the "actuarial equivalence" for the City's prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, the Retirement Systems reduce the City's incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction to be applied to the discount rate to the City's prefunding of its contribution is 15% per year, up to a maximum of 45%. In March 2022, the Boards of Administration for PFDRP and FCERS approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

The City elected to prefund its actuarially determined OPEB contributions for the fiscal year ended June 30, 2022, using the reductions in the discount rate mentioned above.

The FCERS Board on February 15, 2018 and the PFDRP Board on March 1, 2018 approved a contribution policy for the respective Postemployment Healthcare Plans that sets the City's contribution as a flat dollar amount.

#### Funding Policy

Historically, member and City contributions to the Postemployment Healthcare Plans were negotiated through collective bargaining and were not actuarially determined. Until the City entered into agreements with various bargaining groups in 2009 and prior to implementation of Measure F, contributions for the health and dental benefits for both the City and the participating employees of both Postemployment Healthcare Plans were 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 PFDRP and the next 15 years for the FCERS. From 2009 until the implementation of Measure F, the City had been in the process of phasing in payment of the Actuarially Required Contribution ("ARC") for the retiree health and dental benefits provided by both Postemployment Healthcare Plans as calculated pursuant to GASB Statement No. 43 and GASB Statement No. 45 then in effect. However, the contribution rates for the City and members of the Postemployment Healthcare Plans were capped before the full ARC was reached.

The annual contribution costs for the Postemployment Healthcare Plans' benefits are allocated to both the City and the active employee members. Contributions to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, member contributions are fixed as a percentage of pay and the City's contribution toward the explicit subsidy (premium subsidy) is an ADC determined by the Postemployment Healthcare Plans. The ADC for the Postemployment Healthcare Plans is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for each Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the respective pension plan. The ADC for each Postemployment Healthcare Plan is calculated beginning with FY 2019.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuations of each Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plans. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for each Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City's ADC to each Postemployment Healthcare Plan.

Effective March 25, 2018, members remaining in the PFDRP Postemployment Healthcare Plan make contributions fixed at 8.0% of pay.

Also, as of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contribution rates/amount in effect in FY 2022 are shown below (in thousands):

| PFDRP | City - Board Adopted | | Member | | | |
|---|---|---|---|---|---|---|
| | Police Tier 1 | Fire Tier 1 | Police Tier 1 | Police Tier 2 | Fire Tier 1 | Fire Tier 2 |
| Actuarial Rate: | | | | | | |
| Postemployment Healthcare Plan*: | | | | | | |
| 07/01/2021 - 06/30/2022 | $16,730 | $10,697 | 8.00% | N/A | 8.00% | N/A |

*Throughout the year, explicit subsidy amount

| FCERS | City - Board Adopted | | Member with Healthcare |
|---|---|---|---|
| | Tier 1 | Tier 2 | Tier 1 and Tier 2 |
| Actuarial Rate: | | | |
| Postemployment Healthcare Plan: | | | |
| 07/01/2021 - 06/30/2022 | $24,787 | | 7.50% |

### *3. Net OPEB Liability*

The City's net OPEB liability for each Postemployment Healthcare Plan is measured as the total OPEB liability, less the plans' fiduciary net position as of the June 30, 2021 measurement date. The City's net OPEB liability as of June 30, 2022 for each of the Postemployment Healthcare Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures by the actuary for the respective plans. In summary, the City's net OPEB asset and liability at June 30, 2022 is as follows (in thousands):

**Summary of OPEB liability and expense**

| | PFDRP | FCERS | Total |
|---|---|---|---|
| Net OPEB Liability | $ 495,506 | $ 282,718 | $ 778,224 |
| Net OPEB Asset | - | (1,878) | (1,878) |
| | $ 495,506 | $ 280,840 | $ 776,346 |
| OPEB Expense | $ 17,985 | $ (813) | $ 17,172 |

The General Fund and Enterprise Funds have historically been used to liquidate the OPEB liabilities.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* states that when a significant change in the net OPEB liability has occurred between the measurement date (i.e., June 30, 2021) and the City's reporting date (i.e., June 30, 2022), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net OPEB liability have occurred after the City's measurement date of June 30, 2021:

**PFDRP**

As of the measurement date June 30, 2022, the plan's fiduciary net position decreased approximately $11.0 million from $276.3 million to $265.3 million due to decreases in fair value of the Plan's investments. Overall, the decrease in the fiduciary net position and increase in the total OPEB liability resulted in an increase in net OPEB liability from approximately $495.5 million to $524.8 million, a change of approximately $29.3 million.

Additionally, the discount rate was changed from 6.25% to 6.00% for the measurement period ended June 30, 2022.

**FCERS**

As of the measurement date June 30, 2022, the plan's fiduciary net position decreased approximately $35.5 million from $384.6 million to $349.1 million due to decreases in fair value of the Plan's investments. Overall, the decrease in the fiduciary net position resulted in an increase in net OPEB liability from approximately $280.8 million to $329.3 million, a change of approximately $48.5 million.

Additionally, the discount rate was changed from 6.25% to 6.00% for the measurement period ended June 30, 2022.

### Actuarial Methods and Assumptions

| | **PFDRP** |
|---|---|
| Measurement Date | June 30, 2021 |
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method: | Entry Age Normal, level of percentage of pay |
| Actuarial Assumptions: | |
| Discount Rate | 6.25% |
| Inflation Rate | 2.25% |
| Merit Increase | Merit component added based on an individual's years of service ranging from 6.50% to 0.50%. |
| Wage Inflation Rate | 3.00% for all years for Police department members and 4.25% through FY 2022 and 3.00% for all other years for the Fire department members |
| Rate of Mortality* | Mortality is projected from 2010 (2009 for beneficiary tables) on a generational basis using the SOA MP-2019 projection scale |
| Pre-Retirement Turnover** | Please see below table |
| Healthcare Trend Rate - Medical | The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.10% to 3.78% per annum for medical post-age 65. |
| Healthcare Trend Rate - Dental | Dental inflation is assumed to be 3.5% |

*Actuarial Methods and Assumptions - PDFRP Mortality Rates

| Category | Male | Female |
|---|---|---|
| Healthy Annuitant | 1.002 times the 2010 Public Safety Above Median Income Mortality Table [Pub(s) - 2010 (A)] for Healthy Retirees | 1.002 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010 (A)] for Healthy Retirees |
| Healthy Non-Annuitant | 0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees | 0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees |
| Beneficiaries | 0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table | 1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table |
| Disabled Annuitant | 0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees | 0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees |

** Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table.

| | Rate of Termination | |
|---|---|---|
| Service | Police | Fire |
| 0 | 13.75% | 8.50% |
| 1 | 11.75 | 4.00 |
| 2 | 10.00 | 2.75 |
| 3 | 8.50 | 1.75 |
| 4 | 7.50 | 1.25 |
| 5 | 6.75 | 1.00 |
| 6 | 6.00 | 0.90 |
| 7 | 5.50 | 0.80 |
| 8 | 5.00 | 0.70 |
| 9 | 4.75 | 0.60 |
| 10 | 4.50 | 0.50 |
| 11 | 4.25 | 0.50 |
| 12 | 3.75 | 0.50 |
| 13 | 3.25 | 0.50 |
| 14 | 2.75 | 0.50 |
| 15 | 2.25 | 0.50 |
| 16 | 1.75 | 0.50 |
| 17 | 1.50 | 0.50 |
| 18 | 1.20 | 0.50 |
| 19+ | 1.00 | 0.50 |

*Termination rates do not apply once a member is eligible for unreduced retirement.*

The assumption for the long-term expected rate of return on Postemployment Healthcare Plan investments of 6.25% for the valuation year ended June 30, 2020 was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the PFDRP Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the PFDRP's target asset allocation as of June 30, 2021 measurement date are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public equity | 59.00% | 5.00% |
| Investment grade bonds | 14.00% | -0.30% |
| Core real estate | 12.00% | 3.30% |
| Short-term investment grade bonds | 5.00% | -0.80% |
| Commodities | 5.00% | 1.60% |
| Long-term government bonds | 5.00% | 0.40% |

### Discount Rate for PFDRP

The discount rate used to measure the total OPEB liability was 6.25% for the measurement year ended June 30, 2021 and is based on the long-term expected rate of return on investments. It is assumed that PFDRP member contributions are 8% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 11% of the total payroll of the employees in PFDRP and that the City also contributes the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the PFDRP's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for PFDRP was applied to all periods of projected benefit payments to determine the total OPEB liability.

| | FCERS |
|---|---|
| Measurement Date | June 30, 2021 |
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method: | Entry Age Normal, level of percentage of pay |
| Actuarial Assumptions: | |
| Discount Rate | 6.25% per year. The Board expects a long-term rate of return of 6.2% based on Meketa's 20-year capital market assumptions and the System's current investment policy. |
| Inflation Rate | 2.25% |
| Merit Increase | Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10% |
| Wage Inflation Rate | 3.00% |
| Rate of Mortality* | Mortality is projected on a generational basis using the MP-2020 scale |
| Pre-Retirement Turnover** | Please see below table |
| Healthcare Trend Rate - Medical | The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.78% per annum graded down over a 55 year period for medical pre-age 65 and 4.10% to 3.78% per annum for medical post-age 65. |
| Healthcare Trend Rate - Dental | Dental inflation is assumed to be 3.5% |

* Actuarial Methods and Assumptions - FCERS Mortality Rates

| Category | Male | Female |
|---|---|---|
| Healthy Annuitant | 0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees | 0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees |
| Healthy Non-Annuitant | 0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees | 1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees |
| Disabled Annuitant | 1.051 times the CalPERS 2009 Ordinary Disability Mortality Table | 0.991 times the CalPERS 2009 Ordinary Disability Mortality Table |

Sample rates of termination are shown in the following table.

| Rate of Termination | |
|---|---|
| 0 | 15.00% |
| 1 | 12.75% |
| 2 | 11.75% |
| 3 | 10.75% |
| 4 | 9.75% |
| 5 | 8.75% |
| 6 | 7.75% |
| 7 | 6.50% |
| 8 | 5.50% |
| 9 | 4.75% |
| 10 | 4.25% |
| 11 | 4.00% |
| 12 | 3.75% |
| 13 | 3.50% |
| 14 | 3.25% |
| 15+ | 3.25% |

*Terminations do not apply once a member is eligible for retirement.*

The assumption for the long-term expected rate of return on OPEB plan investments of 6.25% for the valuation year ended June 30, 2020, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the FCERS Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in FCERS's target asset allocation as of June 30, 2021 measurement date are summarized in the following table. The assets were invested in a 115 trust account as follows:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public equity | 56.00% | 5.00% |
| Short-term investment grade bonds | 29.00% | -0.80% |
| Core real estate | 10.00% | 3.30% |
| Commodities | 5.00% | 1.60% |
| Cash | 0.00% | -1.00% |

### Discount Rate for FCERS

The discount rate used to measure the total OPEB liability was 6.25% for the measurement year ended June 30, 2021 and is based on the long-term expected rate of return on investments. It is assumed that FCERS member contributions remain fixed at 7.5% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% of the total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for FCERS was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Change in the Net OPEB Liability

The changes in the net OPEB liability for the Postemployment Healthcare Plans are as follows (dollar amounts in thousands):

| **PFDRP (Consolidated with Police and Fire)** | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2021 (Measurement Date June 30, 2020) | $ 725,788 | $ 208,532 | $ 517,256 |
| **Changes recognized for the measurement period:** | | | |
| Service cost | 12,991 | - | 12,991 |
| Interest | 45,789 | - | 45,789 |
| Changes of benefits | - | - | - |
| Differences between expected and actual experience | (35,106) | - | (35,106) |
| Changes of assumptions | 48,332 | - | 48,332 |
| Contributions - employer | - | 28,397 | (28,397) |
| Contributions - employee | - | 12,475 | (12,475) |
| Net investment income | - | 52,994 | (52,994) |
| Benefit payments including refunds | (25,975) | (25,975) | - |
| Administrative expense | - | (110) | 110 |
| **Net changes** | 46,031 | 67,781 | (21,750) |
| Balance at June 30, 2022 (Measurement Date June 30, 2021) | $ 771,819 | $ 276,313 | $ 495,506 |

**FCERS**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2021 (Measurement Date June 30, 2020) | $ 649,868 | $ 303,312 | $ 346,556 |
| **Changes recognized for the measurement period:** | | | |
| Service cost | 7,018 | - | 7,018 |
| Interest | 39,886 | - | 39,886 |
| Change of benefits | - | (5) | 5 |
| Differences between expected and actual experience | (33,945) | - | (33,945) |
| Changes of assumptions | 34,496 | - | 34,496 |
| Contributions - employer | - | 26,236 | (26,236) |
| Contributions - employee | - | 10,275 | (10,275) |
| Net investment income | - | 77,362 | (77,362) |
| Benefit payments including refunds | (31,871) | (31,871) | - |
| Administrative expense | - | (697) | 697 |
| **Net changes** | 15,584 | 81,300 | (65,716) |
| Balance at June 30, 2022 (Measurement Date June 30, 2021) | $ 665,452 | $ 384,612 | $ 280,840 |

### Sensitivity of the Net OPEB Liability to Changes in Discount Rates

The following presents the net OPEB liability of the City would be if it were calculated using discount rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

**PFDRP (consolidated with Police and Fire)**

| | **1% Decrease (5.25%)** | **Current Discount Rate (6.25%)** | **1% Increase (7.25%)** |
|---|---|---|---|
| Total OPEB Liability | $ 890,400 | $ 771,819 | $ 676,724 |
| Plan Fiduciary Net Position | 276,313 | 276,313 | 276,313 |
| Net OPEB Liability | $ 614,087 | $ 495,506 | $ 400,411 |
| PFDRP plan fiduciary net position as a percentage of the total OPEB liability | 31.0% | 35.8% | 40.8% |

**FCERS**

| | **1% Decrease (5.25%)** | **Current Discount Rate (6.25%)** | **1% Increase (7.25%)** |
|---|---|---|---|
| Total OPEB Liability | $ 756,796 | $ 665,452 | $ 590,886 |
| Plan Fiduciary Net Position | 384,612 | 384,612 | 384,612 |
| Net OPEB Liability | $ 372,184 | $ 280,840 | $ 206,274 |
| FCERS plan fiduciary net position as a percentage of the total OPEB liability | 50.8% | 57.8% | 65.1% |

### Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City would be if it were calculated using health care cost trend rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

**PFDRP (consolidated with Police and Fire)**

| | 1% Decrease | Health Care Cost Trend Rates | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $666,495 | $771,819 | $903,404 |
| Plan Fiduciary Net Position | 276,313 | 276,313 | 276,313 |
| **Net OPEB Liability** | $390,182 | $495,506 | $627,091 |
| PFDRP plan fiduciary net position as a percentage of the total OPEB liability | 41.5% | 35.8% | 30.6% |

**FCERS**

| | 1% Decrease | Health Care Cost Trend Rates | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $582,392 | $665,452 | $767,509 |
| Plan Fiduciary Net Position | 384,612 | 384,612 | 384,612 |
| **Net OPEB Liability** | $197,780 | $280,840 | $382,897 |
| FCERS plan fiduciary net position as a percentage of the total OPEB liability | 66.0% | 57.8% | 50.1% |

**OPEB Fiduciary Net Position**

The City issues the publicly available financial reports that may be obtained from the Office of Retirement Services, 1737 North First Street, Suite 600, San José, CA 95112-4505.

**Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

| | |
|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | 5 Years |
| All other amounts | Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2021 measurement date) |

**PFDRP**

For the year ended June 30, 2022, the City recognized an OPEB expense of $17,985,000. As of June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

| PFDRP (consolidated with Police and Fire) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| OPEB contributions subsequent to measurement date | $ 30,763 | $ - |
| Difference between expected and actual experience | 78 | 63,867 |
| Changes in assumptions | 40,343 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 26,458 |
| **Total** | $ 71,184 | $ 90,325 |

The $30,763,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2023.

The City's contribution for the Postemployment Healthcare Plan during the year ended June 30, 2022, was $30,763,000. This consisted of City contributions in the amount of $27,502,000, and $3,261,000 in implicit subsidy.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

| Fiscal Year Ending June 30: | Deferred Outflows / (Inflows) of Resources |
|---|---|
| 2023 | $ (25,042) |
| 2024 | (10,030) |
| 2025 | (6,930) |
| 2026 | (7,902) |
| | $ (49,904) |

**FCERS**

For the year ended June 30, 2022, the City recognized a negative OPEB expense of $813,000. As of June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

| FCERS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| OPEB contributions subsequent to measurement date | $ 24,787 | $ - |
| Difference between expected and actual experience | - | 31,177 |
| Changes in assumptions | 22,997 | 4,934 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 31,488 |
| Total | $ 47,784 | $ 67,599 |

The $24,787,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2023.

The City's contributions for the Postemployment Healthcare Plan during the year ended June 30, 2022, was $24,787,000. This consisted of City contributions in the amount of $19,319,000, and $5,468,000 in adjustments and accruals.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

| Fiscal Year Ending June 30: | Deferred Outflows / (Inflows) of Resources |
|---|---|
| 2023 | $ (18,512) |
| 2024 | (6,176) |
| 2025 | (8,258) |
| 2026 | (11,656) |
| | $ (44,602) |

## B. Commitments and Contingencies

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

***Purchase Commitments and Capital Outlay Projections.*** As of June 30, 2022, the Airport was obligated for purchase commitments of approximately $31.6 million primarily for the parking revenue control system upgrade, airfield electrical circuit rehabilitation, parking accessibility upgrades, terminal paging system, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $244.9 million on construction related capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, CP proceeds, and other Airport revenues.

***Master Plan.*** In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and a total of 184,000 annual aircraft operations and includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

Phase I of the Master Plan's Terminal Area Improvement Program (TAIP) was substantially completed in 2010. The Phase I improvements included nine new airline gates and approximately 366,000 square feet of terminal space in a new Terminal B; improvements to existing Terminal A, including new ticketing facilities, in-line baggage system, security checkpoint, and concession space; the demolition of the original Terminal C; design and construction of a Consolidated Rental Car Facility (ConRAC); and realignment and improvement of existing terminal roadways and parking facilities. The Phase I program also included preliminary design of certain TAIP Phase II projects. On the airfield, the build-out of the Airport's two commercial runways (12R/30L and 12L/30R) to 11,000 x 150 feet was completed in 2004, allowing the Airport to regularly serve takeoffs and landings by all domestic and most international commercial airline aircraft. Airfield project construction since 2004 has consisted of improvements to taxiways, aircraft parking aprons, and navigational aids to increase efficiency and compliance with current FAA airfield design standards.

TAIP Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline-Airport Lease and Operating Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

***FAA Audit of Use of Revenue.*** Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. Generally, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its audit findings alleging improper use of Airport revenues by the City in three areas of expenditure. On August 14, 2015, as the result of discussions and correspondence with City staff, the FAA notified the City that it has closed two of the three audit issues. The remaining audit issue is described below.

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for FY 05-10 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest. The City believes the allocation methodology used to allocate costs to the Airport is in compliance with federal cost allocation guidance. In an effort to resolve the issue, the City proposed and implemented a cap on the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of $5.6 million that would be applied equally to the Airport cost allocation plan over a seven-year period beginning in FY 2013 and ending in FY 2019. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 2016, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs.

On May 3, 2018, the City received a letter from the FAA in which the FAA requested a copy of the City's FY 2017 indirect cost allocation plan to substantiate indirect charges to the Airport to finalize the FAA's financial compliance review. The City responded to the FAA on July 20, 2018 with copies of the requested information and clarified actions taken by the City to date to implement the FAA's recommendations.

On May 19, 2022, the City received a letter from the FAA in which the FAA continues to believe that inclusion of capital costs in the indirect cost allocation methodology results in a disproportionate share of indirect costs being charged to the Airport. The FAA notes that the Modified Total Direct Cost (MTDC) is recognized as an equitable allocation base for the distribution of indirect costs and the MTDC allocation method excludes equipment and capital expenditures. See Note IV. D.2 for City's response.

***Potential Claim from FAA Regarding Reuse of Guadalupe Gardens.*** In early 2002, the City Council approved a Master Plan for Guadalupe Gardens, consisting of approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and the FAA grant agreements consequently required FAA approval of any planned City-use of the properties acquired with grant proceeds. By letter dated August 9, 2002, addressed to the City's Director of Aviation, the FAA San Francisco Airport District Office (ADO) approved the City's Master Plan for reuse of

Guadalupe Gardens for runway and approach protection, and the City finalized the Master Plan in reliance upon the FAA approval.

During discussions regarding proposals to develop certain portions of the Guadalupe Gardens, the FAA has taken the position that the City must dispose of any portion of the Guadalupe Gardens that is no longer needed for noise compatibility purposes. Citing provisions of federal law that require recipients of FAA grants for acquisition of land for noise compatibility purposes to dispose of any such acquired land when no longer needed by the airport owner for noise compatibility purposes, the FAA contends that the FAA ADO erred in its 2002 approval of the Guadalupe Gardens Master Plan and that the City is obligated to prepare an inventory of the Guadalupe Gardens to identify those parcels that were acquired by the City with noise compatibility grant proceeds. This inventory would then be used to prepare for FAA review and approval of a disposition plan for those parcels no longer needed by the City for noise compatibility. Proceeds of the sale of the parcels proportionate to the FAA grant share of the original purchase price would be required to be used for other approved noise compatibility projects at the Airport or returned to the FAA.

The City believes that it has viable defenses to any potential claim by the FAA with regard to Guadalupe Gardens. The FAA ADO's 2002 approval of the Guadalupe Gardens Master Plan constituted an official FAA approval of the City's reuse of the parcels acquired with proceeds from FAA noise compatibility grants, and the approval expressly provides that the entire Guadalupe Gardens is necessary for the continuing aeronautical purpose of runway and approach protection. Having received official FAA approval of its reuse of the parcels, the City believes it is under no obligation to take any further action to secure further FAA approval of its continuing use of the Guadalupe Gardens. However, the City cannot predict the final outcome of any such potential claim by the FAA.

***FAA Inquiry Regarding Encampments in Guadalupe Gardens.*** On February 1, 2021, the Director of Aviation received a letter from the FAA Western-Pacific Region Office of Airports regarding encampments of homeless persons in the Guadalupe Gardens. Guadalupe Gardens is approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and these FAA grants include certain restrictions (Grant Assurances) on the City's use of the Guadalupe Gardens properties.

In its letter, the FAA asserts that the presence of encampments of homeless persons in the Guadalupe Gardens is: (a) inconsistent with the Grant Assurances that were a condition of the FAA grants that the City received to acquire the Guadalupe Gardens properties; and (b) contrary to the City's Airport Noise Compatibility Plan (ANCP), both of which prohibit transient and permanent residential uses in the Guadalupe Gardens.

The City does not dispute that encampments of homeless persons in the Guadalupe Gardens is a use of the Guadalupe Gardens properties that is incompatible with the FAA Grant Assurances and with the City's ANCP. The FAA requested and the City provided a Corrective Action Plan to remove and relocate the encampments of homeless persons from the Guadalupe Gardens on March 11, 2021 which was originally scheduled to occur by June 2022. In June 2022, the FAA agreed to extend the time for performance of the actions identified in the Corrective Action Plan. See Note IV. D.2 for update.

**Federal Aviation Administration Inquiry Regarding Chick-fil-A.** The City Council approved a Chick-fil-A subconcession at the Airport on March 6, 2018, as part of its approval of the Fourth Amendment to the Host Food and Beverage Agreement. Chick-fil-A does not have a direct contractual relationship with the City. Rather, Host operates the Chick-fil-A concept at the Airport as a licensee. On April 9, 2019, the City Council approved an amendment to the Host Food and Beverage Agreement that extended the termination date from June 30, 2026 to June 30, 2028. However, the City Council limited the additional two-year extension term only to those Airport concession locations operated by Host that are open 7-days each week. All owned and licensed Chick-fil-A locations, including the Airport location, are closed on Sundays. The City Council approved this limitation after hearing concerns from community members that the owners of Chick-fil-A have made donations to and supported certain organizations that oppose equal rights and protections for the LGBTQ+ communities. The City Council also directed Airport staff to display the Rainbow and Transgender flags at the Airport terminals to show the City's support for those communities.

On January 22, 2020, the Director of Aviation received a Notice of Investigation from the FAA Office of Civil Rights. The FAA is investigating a complaint received by the FAA that alleges discrimination against Chick-fil-A, "because of the expression of religious beliefs by the owner of the company." The complainant, whose identity has been withheld by the FAA, contends that the City has discriminated against Chick-fil-A for its "perceived religious and ideological convictions" and that this "discrimination" is in violation of federal law. The complainant is requesting that the FAA withhold further grant funding to the City pending its investigation.

The City responded to the FAA Notice of Investigation by letter dated May 21, 2020. In addition to responding to specific questions from the FAA regarding this matter, the City requested the FAA to find that there is no basis for the complaint and to close its investigation. On May 17, 2022, the FAA closed the investigation based upon the following corrective actions: Host confirming that the Chick-fil-A concept could not be operated for 7 days a week per the terms of the contract between Host and Chick- fil-A, Airport leadership staff participating in training regarding obligations under Title VI of the Civil Rights Act of 1964, and the dissemination of the training information to the offices of all members of the City Council.

### *2. San José – Santa Clara Wastewater Treatment Facility*

**Plant Master Plan.** In November 2013, the City Council approved the Plant Master Plan ("PMP"), a 30-year planning-level document focused on long-term rehabilitation and modernization of the Plant. The PMP recommends more than 114 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately $2 billion. On September 24, 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the City in developing and implementing this Capital Improvement Program ("CIP"). On June 2, 2015, a funding strategy was recommended to and approved by the City Council. An update to the strategy was approved by the City Council on January 12, 2016. For the next five years, the City's portion of the funding for the San José-Santa Clara Regional Wastewater Facility ("Plant") Adopted CIP is programmed into the City's 2021-2025 CIP budget. The City's FY 2022 approved operating budget did not require a rate increase in the Sewer Service and Use Charge rate for FY 2022.

Revenues for the 2021-2025 Adopted CIP are derived from several sources: utilization of available resources from the City of San José Sewer Service and Use Charge and Sewage Treatment Plant Connection Fee; contributions from the City of Santa Clara and other tributary agencies for the treatment of sewage from their respective jurisdictions by the Plant; interest earnings; Calpine Metcalf Energy Center Facilities repayments; federal grants from the U.S. Bureau of Reclamation; and issuance of notes from credit facility.

Pursuant to an agreement executed between San José and Santa Clara in 1959 (the "1959 Agreement"), San José is co-owner and administering agency of the Plant. The Plant also provides wastewater treatment services to other neighboring agencies through five outside user agreements ("Master Agreements") with City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and CSD 2-3 (the "Tributary Agencies"). Contributions from the City of Santa Clara and the Tributary Agencies are made pursuant to agreements with each agency based on the anticipated operation and maintenance, and capital budget. The Tributary Agencies' proportional contribution for the operation and maintenance cost is based on the amount and characteristics of the sewage discharged into the Plant. Each Tributary Agency's capital contribution is based on each agency's contractual capacity in the Plant. The balance of the Plant budget is shared between the cities of San José and Santa Clara based on the respective City's assessed property value relative to the total assessed property value in both jurisdictions. In the 2021-2025 Adopted CIP, contributions from the City of Santa Clara and other agencies are approximately $241,500,000.

Currently, a short-term financing has been put into place (see Note III.F.10) and staff has developed a long-term bond financing plan for San José's share of the CIP's cost. See Note IV. D.6 for planned issuance of bonds. In addition, the City continues to build the operating reserves needed for issuing long-term bonds.

**Tributary Agency Claims.** On January 22, 2016 and September 7, 2016, the City, as the administering agency, received claims from the Tributary Agencies alleging a breach of contract and inequity under the Master Agreements. The Treatment Plant Advisory Committee ("TPAC") conducted two administrative hearings, on March 24, 2016 and September 7, 2016, regarding such claims and issued reports as required by the Master Agreements. The Tributary Agencies disagreed with the reports and the parties attempted to mediate such claims, but were unable to reach resolution. All parties agreed to waive the hearings before their respective joint legislative bodies.

The Tributary Agencies filed a complaint in Santa Clara County Superior Court against the City and the City of Santa Clara on March 23, 2018. The allegations in the complaint are substantially similar to the claims raised by the Tributary Agencies and heard through the administrative hearing process in 2016. In the complaint, the Tributary Agencies allege the City breached their respective Master Agreements by, among other allegations, the City charging them for capital and operating expenditures that the Tributary Agencies allege are not authorized under the Master Agreements and, the Tributary Agencies assert, are beyond the requirements to operate the Treatment Plant. The Tributary Agencies also allege that the City has improperly concealed how the funds paid by the Tributary Agencies for Treatment Plant capacity are used. They also allege the City breached the implied covenant of good faith and fair dealing and violated certain California Constitutional provisions limiting local agencies' imposition of property related fees, charges, and taxes. The Tributary Agencies further allege their payments resulted in unjust enrichment to the City and the City of Santa Clara, and that the court should provide declaratory relief in support of their allegations.

The City filed and served a cross-complaint against each Tributary Agency seeking declaratory relief from the court as to each of the causes of action alleged by the Tributary Agencies in their complaint. The Tributary Agencies have fully paid their portion of the capital cost for the projects to rehabilitate the Treatment Plant to date. The City cannot predict the outcome or the timeline for resolution of this litigation. Discovery in the case has been extensive, involving millions of documents and dozens of depositions. Discovery is ongoing, and a trial date has been set for January 2023.

***South Bay Water Recycling Program.*** The South Bay Water Recycling ("SBWR") project is 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.

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 $140,000,000 funded by the tributary agencies, grants, and bond proceeds.

In June 1997, the RWQCB and the City approved the Proposed Revision to the South Bay Action Plan, which described the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 million gallons per day 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 was $127,500,000. These costs were funded by the City, Santa Clara, and the Tributary Agencies using the Plant through a combination of State Revolving Fund Loans, Sewage Treatment Plant Connection Fees, federal grants, and cash contributions.

In FY 2016, the City and the Santa Clara Valley Water District ("SCVWD") accepted a report that had been commissioned by both the City and the SCVWD related to SBWR, entitled: "South Bay Water Recycling Strategic and Master Planning ("Strategic Report"). The Strategic Report contemplates near term projects (fiscal years 2017 to 2021) at an estimated cost of $49 million and long-term improvements and expansion of the existing system (fiscal years 2020 to 2035) at an estimated cost of $243.2 million for long-term non-potable reuse projects and an additional $522 million for long-term potable use projects. No specific plan for the development or source of financing of the other near-term improvements, nor the long-term improvements identified in the Strategic Report has been developed to date. Further, the responsibility for the development of the long-term improvements has not been established and may involve the formation of a separate entity responsible for the oversight and funding of these improvements.

**Recycled Water Facilities and Programs Integration Agreement between the City of San José and the Santa Clara Valley Water District ("SCVWD").** The City and the SCVWD entered into an agreement on March 2, 2010 ("Integration Agreement") to collaborate on design, construction and operation of an advanced treated recycled water facility and related facilities now called the Silicon Valley Water Treatment Facility ("SVWTF"). In 2003, the City and SCVWD began collaborating on design, construction and operation of an advanced treated recycled water facility and related facilities, to be located on lands owned by the Plant, in order to demonstrate the treatment capability of a local facility to produce highly purified water that could be blended with existing recycled water to expand irrigation and industrial uses. The City, as the administering agency for the Plant, and the SCVWD desired to financially support the production and use of recycled water in Santa Clara County consistent with each party's separate and distinct interests: for wastewater treatment and disposal for the City, and water quality and supply for the SCVWD, as well as to coordinate and cooperate to achieve the most cost effective, environmentally beneficial utilization of recycled water to meet both agencies' needs. The term of the Integration Agreement is from July 1, 2010 through June 30, 2050, and co-terminus with the Ground Lease and Property Use Agreement between the City and SCVWD for construction and operation of the SVWTF on Plant lands.

SCVWD and the City agreed to capital investment towards the construction of the SVWTF in the amount of $70,000,000 and $11,000,000, respectively, as of the date of the signed agreement on March 2, 2010. SCVWD determines the operational and maintenance budget for the SVWTF and operates the facility. Separate formulas were established to determine each party's respective share of the annual operation and maintenance cost for the SVWTF following the first full fiscal year the SVWTF became operational, which was FY 2015. The formula provides that for each fiscal year when the SBWR is operating at a net loss, the City would pay to the SCVWD an amount to support SCVWD's operational cost up to $2,000,000. In the event that the SBWR operates at net revenue, the City would share its revenue with the SCVWD with the first 50% towards the SCVWD's costs and the second 50% divided between the two agencies based on their respective capital investment in the recycled water infrastructure. As of June 30, 2022, the City's investment in capitalized expenditures for the SBWR system is $248,676,000 with another $11,000,000 in contributions toward the SVWTF for a total investment of $259,676,000; and the SCVWD's estimated investment in SVAWTF as of June 30, 2022 is $65,578,130. During the most recent SBWR operating year ended June 30, 2021, an operating profit of $6,791,145 was realized. This amount was shared with the SCVWD, City of San Jose, City of Santa Clara, and the Tributary Agencies per the terms of the Integration Agreement.

Under the Integration Agreement, commencing in January 2016, the City and SCVWD are to provide the other agency with audited financial statements for the prior fiscal years for the operation of the SBWR and the SVWTF. Since the definition of net operating cost and revenue under the Integration Agreement excludes certain costs and revenues that might otherwise be considered in either party's overall budget, each party must prepare a separate statement following the publication of each party's annual audited financial statements, to establish each party's respective cost share for the operation of the SVWTF. The City and SCVWD have each provided the other with its audited financial statements for the operations of the SBWR and the SVWTF, respectively, for the FY 2016, FY 2017, and FY 2018, FY 2019, and FY 2020 with no adjustment to share cost. In January 2023, the audit report for the sixth year of full operations for the year ended June 30, 2022 will be completed and issued as per the terms of the Integration Agreement.

### *3. Bay Area Water Supply and Conservation Agency*

The City belongs to the Bay Area Water Supply and Conservation Agency ("BAWSCA"), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of $335,800,000 to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies thereby realizing a present value savings of approximately $62,300,000 over all member agencies. For the City, this translates into an annual net savings of purchased water cost of approximately $107,000.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies for the term of the bonds through 2034. BAWSCA's annual debt service amount for FY 2022 is $24,693,000. San Francisco will collect the surcharge and send the amount to BAWSCA for payment to bond holders. The annual surcharge for each agency is based upon the actual wholesale water purchase percentage from the last full year for which date is available with an annual reconciliation based upon the actual water purchased. A true-up adjustment based on the actual year ended June 30, 2019 water use is included in the FY 2022 bond surcharge.

The City's annual bond surcharge for FY 2022 was estimated to be $820,000 based the City's actual wholesale water use in the year ended June 30, 2019. The surcharge is on the San Francisco wholesale water bill and is accounted for by the City as operational costs.

The current best projection on the City's annual surcharge for FY 2023 is $720,000, based upon wholesale water use in the year ended June 30, 2021.

### *4. Clean Water Compliance*

The federal Clean Water Act (the "CWA") establishes the structure for federal regulation of the discharge of pollutants into the waters of the United States. Under the CWA, it is unlawful to discharge any pollutant into these waters unless the discharger has a permit under the National Pollutant Discharge Elimination System (the "NPDES") and the permittee abides by its terms.

The City is a permittee under an NPDES permit (the "Stormwater Permit") issued by the Regional Water Quality Control Board – San Francisco Bay Region (the "Regional Water Board"). This Regional Stormwater

Permit governs 76 entities, including the City. On May 11, 2022, the Regional Water Board adopted a new permit that will be effective as of July 1, 2022.

The regional Stormwater Permit identifies pollutants which contribute to the impairment of water bodies and sets a total maximum daily load ("TMDL") for some of these contaminants. For waters connected to the City (e.g., the San Francisco Bay), the Stormwater Permit identifies two pollutants of concern with TMDL limitations, mercury, and polychlorinated biphenyls ("PCBs"). The City, through its work with the Santa Clara Valley Urban Runoff Pollution Prevention Program ("SCVURPPP"), previously met the TMDL requirements for both mercury and PCBs. For PCBs, the new Stormwater Permit requires implementation of treatment measures for runoff from old industrial areas. The City is unable to determine at this time whether the source of the contaminants will be identifiable and financially solvent.

The Stormwater Permit sets a goal of 100% trash load reduction, or no adverse impact to receiving waters from trash by June 30, 2025. Under prior Permits, the City was able to meet interim targets by implementing a combination of structural trash controls, source controls, trash assessments, and creek cleanups, and direct discharge programming.

For example, fifteen percent of the City's trash load reduction was from an offset allowed under the previous Stormwater Permit for the City's implementation of the Direct Discharge Trash Control Program, approved by the Regional Water Board in 2016. The new Stormwater Permit phases out these credits and offsets by June 30, 2025. As a result, the City will need to implement structural controls "or equivalent" to meet trash load reduction requirements both on land and in waterways. Structural controls can be more expensive and less effective than source control measures, and the City has not yet estimated the increased cost of compliance. The new Permit also contains provisions specific to the homeless population, including mapping and ensuring that emergency, temporary or permanent housing is provided. In addition, the new Permit requires low impact development stormwater treatment for new roads or lane additions that replace or create 5,000 square feet of impervious surface, including areas within the public right of way. This will increase City costs for road, sidewalk, bike lane, and trail construction projects. The need to maintain these LID features within the public right of way will also increase costs, which will vary widely depending on the location, size, and other project conditions.

The Regional Water Board and private parties can enforce the CWA and the terms of the Stormwater Permit. Violations can result in significant civil penalties of up to $55,800 per pollutant per day (as of January 2020), plus criminal fines, and attorney's fees.

### *5. Retirement Systems – Unfunded Commitments*

As of June 30, 2022, PFDRP had unfunded commitments to contribute capital for investments in the amount of $556,369,000. FCERS had unfunded commitments to contribute capital for investments in the amount of $333,259,000.

### *6. Federal Financial Assistance Programs*

The City participates in a number of federally assisted grant programs, primarily with the U.S. Department of Housing and Urban Development ("HUD"), the Federal Aviation Administration ("FAA"), the U.S. Department of Transportation, U.S. Department of Justice, U.S. Department of the Treasury, U.S. Department of Homeland Security, and the U.S. Department of Labor. These programs are subject to program compliance audits by the grantors or their representatives.

Although the City's grant programs are audited in accordance with the provisions of the Single Audit Act of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance, for the year ended June 30, 2022, 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.

### *7. State Tax Revenue*

The City was informed by the State of California in October 2021 that a portion of the City's previous and current tax revenues could be significantly lower. While the City disputes and appealed the State's initial determination, this action could negatively impact the City's General Fund outlook in the short and long-term. Although the appeal process is likely to extend beyond next fiscal year, the City budgeted for the potential loss in the ongoing revenue for 2022-2023 and put resources in place to be in a better position to absorb any loss over the next year.

### *8. Encumbrances*

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2022, total governmental fund encumbrance balances for the City are as follows (in thousands):

| | | |
|---|---|---|
| General Fund | $ | 70,319 |
| Housing Activities | | 25,169 |
| Low and Moderate Income Housing Asset | | 53,627 |
| Special Assessment Districts | | 68 |
| San José Financing Authority Debt Service | | 1 |
| Nonmajor Governmental Funds | | 106,854 |
| Total governmental funds | $ | 256,038 |

### *9. Curb Ramp Consent Decree*

Plaintiffs filed a class action lawsuit in the case of Lashbrook v. City of San José in the United States District Court for the Northern District of California. This lawsuit alleged that the City violated federal and state disability access laws by failing to ensure that its pedestrian right of way contains curb ramps that are necessary to ensure that the pedestrian right of way is accessible to individuals with mobility disabilities. On April 14, 2020, the City Council approved a proposed settlement of this case in the form of a consent decree whereby Mr. Lashbrook will recover a total of $55,000. The City will pay attorney's fees and costs in the amount of $725,000. The City will be required to expend $13 million each year until 2030 to remediate curb ramps, and after 2030 will expend 10% of its pavement maintenance budget to remediate curb ramps, which is accounted for within the City's pavement maintenance budget. The Court preliminarily approved the consent decree on May 27, 2020. At a Fairness Hearing on September 2, 2020, the Court granted final approval of the consent decree. The City is in compliance with the terms of this consent decree.

### *10. Consent Decree with San Francisco Baykeeper*

San Francisco Baykeeper ("Baykeeper") filed a lawsuit in federal district court against the City in February 2015. Baykeeper's complaint alleged violations of the Clean Water Act ("CWA") and the Stormwater Permit. Specifically, the complaint alleged that the City was not in compliance with trash reduction requirements, and that there were CWA violations resulting from the discharge of sewage from the City's Sanitary Sewer System that infiltrated into the City's municipal separate storm sewer systems ("MS4").

To settle the lawsuit, the City and Baykeeper agreed to a consent decree that was approved by the U.S. District Court in August 2016 (the "Consent Decree"). The Consent Decree has a 10-year term expiring in August 2026 and will require the City to:

- Comply with trash provisions of the current Stormwater Permit including installing full trash capture devices, supporting additional creek cleanup efforts, and monitoring of trash in receiving waters;
- Rehabilitate, replace, or repair 65 miles of high-risk sanitary sewer system pipes at an average of 6.5 miles per year, based on the City's existing program with some changes in the priority of segments of this work;
- Monitor and report fecal indicator bacteria ("FIB") in receiving waters for a five-year period;
- Comply with green infrastructure planning as required in the Stormwater Permit, adding FIB as a pollutant for planning purposes;
- Bring forward new revenue measure options for Council consideration by December 31, 2017;
- Appropriate, contingent upon the receipt of sufficient new revenues, $100,000,000 over a ten-year period for acquisition of land, review, design, construction, maintenance, and operation of various green infrastructure projects with the goal of reducing pollutants and/or flows from the City's urban areas into receiving waters, with expenditures anticipated to occur as follows:
    - Identify and design $25,000,000 in total projects by September 2024;
    - Award $25,000,000 in total projects by September 2025;
    - Identify and design an additional $10,000,000 ($35,000,000 in the aggregate) in total projects by September 2025;
    - Award an additional $10,000,000 ($35,000,000 in the aggregate) in total projects by the termination date of the consent decree; and
    - Identify and design an additional $15,000,000 ($50,000,000 aggregate) in total projects by the termination date of the consent decree.

In addition to the expenditures outlined above, the City has incurred or will incur the following expenditures during the Consent Decree's term: (1) lump sum payment of attorney's fees and costs to Baykeeper in the amount of $425,000, which payment has been made; (2) ongoing oversight costs payable to Baykeeper in the amount of $10,000 per year for a total of $100,000; and (3) $200,000 per year for five years (a total of $1,000,000) for supplemental environmental mitigation for trash clean up grants, habitat restoration, or projects that generally improve the water quality in the Guadalupe and Coyote creeks and associated watershed areas. The City is in compliance with these payments under the Consent Decree.

The City and Baykeeper entered into a First Amendment and Second Amendment to the Consent Decree in 2017 and 2019, respectively. Both Amendments were approved by the Court and made technical changes to the terms of the Consent Decree but did not modify the substantive requirements itemized above.

**Identification of Funds.** The Consent Decree requires that by December 31, 2020, the City identify funding sufficient to implement the green infrastructure projects and meet the FIB load reduction standard. If it did not meet this deadline, the parties were required to meet and confer to discuss what measures the City will take to insure funding. In addition, by December 31, 2020, the City was required to obtain funding to implement the green infrastructure projects. The City believes it has identified funds to implement the

Consent Decree, and fulfilled its meet and confer obligations, but is unable to make any representations regarding Baykeeper's interpretation of the Consent Decree. In the event of a dispute between Baykeeper and the City, the Consent Decree provides for a resolution process that includes ongoing judicial oversight. The Consent Decree also specifies limits on the ability to pursue additional litigation against the City during its 10-year term and caps litigation fees for dispute resolution at $200,000.

On December 19, 2017, the City Council considered a report from City staff concerning potential new revenue sources to fund the green infrastructure requirements specified in the Baykeeper Consent Decree described above. The City identified potential revenues of general obligation bonds and a parcel tax, both of which would require voter approval by a two-thirds margin. In November 2018, voters approved Measure T by the appropriate margin, and the City Council subsequently approved $25 million of these funds to be allocated for clean water projects, including green infrastructure improvements. There are Consent Decree obligations that would be ineligible for funding from general obligation bond proceeds and staff continues to assess additional funding mechanisms.

Potential projects identified in the Green Infrastructure Plan (the "GIP") require further review and approval. The total construction and maintenance costs will be dependent on several factors including, among others, future costs of construction, whether the project will be on City-owned property or required as part of a future private development.

**Green Stormwater Infrastructure Projects.** The City's GIP forecasts green stormwater projects and goals through 2050. The City further estimates that complete implementation and maintenance of the potential projects over the course of the thirty-year plan may be on the magnitude of $6.85 billion. The new Stormwater Permit (effective July 1, 2022) includes requirements for green infrastructure sufficient to treat 5 acres, which the City will be able to meet based on the existing projects and the schedule in the Consent Decree. The City will continue to explore funding opportunities and strategies for the implementation of the GIP.

The City is not able to predict the projects that will ultimately be approved or whether they will be funded for the GIP. In addition, the City is unable to predict whether Baykeeper's interpretation of the Consent Decree will align with the City's interpretations or the Regional Water Board's NPDES Permit.

### *11. Workers' Compensation Program*

The City is self-insured for workers' compensation, with all claims administered by third party administrator Intercare Holdings Services, Inc. ("Intercare"). Every year, the City reviews a five-year forecast for workers' compensation expenditures based on the prior year payout. Based on this review, the City's budget for 2021-2022 is $25.8 million and the budget for 2022-2023 is $23.5 million.

The City extended the current agreement with Intercare for an additional three-years beginning July 1, 2022, to provide comprehensive workers' compensation services including claims administration services, bill review, utilization review, medical case management, and other ancillary services at a total compensation not to exceed $32,582,834 based on an estimated caseload of 2,330 to 2,850 claims. As of June 30, 2022, the open claims inventory handled by Intercare was 2,575.

As of June 30, 2022, open claims data for Intercare were at 2,575. The total number of open claims has increased (by approximately 3.5%) since June 30, 2021 when the open claim inventory was 2,489.

The City is required to submit to the CA Department of Industrial Relations (DIR) Office of Self-Insured Plans (OSIP) a State Public Self-Insured Annual Report. The Public Self-Insured Annual Report completed jointly with Intercare describes: (1) claims paid in indemnity and medical, (2) future liability on open claims, and

(3) average number of employees and total wages for each adjusting locations, and (4) a list of all open indemnity claims. The annual report for FY 2022 was submitted by the October 1, 2022 deadline.

### *12. Tax Abatement*

As of June 30, 2022, the City provides three tax abatement programs - the Storefronts Assistance Grant Program, the Downtown High-rise Incentive Program, and the Utility Users Tax Reimbursement Agreement:

**Storefronts Assistance Grant Program** is an incentive program designed to enhance or enliven storefronts in the City. There are two types of grants: Vacant Storefront Grants reimburse businesses for City permit fees and taxes; Existing Storefront Grants reimburse businesses for City fees and permits, plus furnishings, fixtures, equipment and materials related to exterior improvements (no labor is eligible). The City Council approved the implementation of the program in 2013, and through the budget process, City Council allocated up to $215,000 to reimburse eligible businesses for City permit fees and taxes in FY 2022.

#### Downtown High-Rise Residential Incentive Program

The City has had several iterations of a program designed to spur high-rise development in downtown. As of September 30, 2021, the Downtown High-Rise Residential Incentive Program suspends 50% of construction taxes on high-rise developments in the Downtown Area and allows for payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. It also provides a reduction or exemption of affordable housing in-lieu fees. The tax reduction is available for new construction of residential buildings of at least twelve (12) stories in height in the Downtown Planned Growth Area. The affordable housing in-lieu fee reduction or exemption is available for new construction in the Downtown Core to residential buildings at least 150 feet above street-level with ten (10) or more floors or stories in height not including any non-residential uses.

#### Utility Users Tax Reimbursement Agreement

The City has a Utility Users Tax Reimbursement Agreement with Samsung Semiconductor, Inc., that will provide funding in an amount equal to 50% of the City's 5% of net new utility user taxes received from Samsung Semiconductor for 10 consecutive years in an amount not to exceed $500,000. The agreement commenced on July 1, 2021 and expires on June 30, 2031.

| Tax Abatement Program | Amount of Taxes Abated (in thousands) |
|---|---|
| Storefronts Assistance Grant Program | $ - |
| Downtown High-Rise Residential Incentive Program | 2,130 |
| Utility Users Tax Reimbursement Agreement | 66 |

## C. Successor Agency to the Redevelopment Agency of the City of San José

### *1. Cash and Investments Held by SARA*

The SARA's cash and investments consist of the following at June 30, 2022 (in thousands):

| Cash & Investments | Amount |
|---|---|
| Cash and Investments | $ 2,154 |
| Restricted Cash and Investments | 121,843 |
| Total Cash and Investments | $ 123,997 |

A summary of SARA's cash and investments at June 30, 2022 is as follows (in thousands):

| | Moody's Credit Rating | Maturity (in Days) Under 30 | 31-180 | 181-365 | Balance at June 30 |
|---|---|---|---|---|---|
| Investments: | | | | | |
| LAIF | Not rated | $ - | $ - | $ 1,860 | $ 1,860 |
| Money Market Mutual Funds | Aaa | 121,843 | - | - | 121,843 |
| Subtotal Investments | | | | | 123,703 |
| Bank Deposits | | | | | 294 |
| Total Cash and Investments | | | | | $ 123,997 |

The LAIF is part of the State's Pooled Money Investment Account that allows cities, counties and special districts to place money into the fund. LAIF operating accounts allow a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than $5,000 and in increments of a thousand. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal every 30 days.

The SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The SARA's investments in Money Market Mutual Funds and LAIF are not subject to the fair value hierarchy.

### 2. *Capital Assets Held by SARA*

The following is a summary of capital assets activity for the year ended June 30, 2022 (in thousands):

| | July 1, 2021 | Addition | Disposal | Transfer | June 30, 2022 |
|---|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | $ 2,078 | $ - | $ - | $ - | $ 2,078 |
| Total Capital Assets, Not Being Depreciated | 2,078 | - | - | - | 2,078 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | 1,071 | - | - | - | 1,071 |
| Less Accumulated Depreciation: | | | | | |
| Buildings | (402) | (27) | - | - | (429) |
| Total Capital Assets, Being Depreciated, net | 669 | (27) | - | - | 642 |
| Total Capital Assets, net | $ 2,747 | $ (27) | $ - | $ - | $ 2,720 |

On August 27, 2015, the Oversight Board approved a revised Asset Disposition Schedule for the non-governmental purpose properties listed on the Long Range Property Management Plan ("LRPMP"), and approved the Disposition Process For Sale of Properties, which requires the sale of assets either through an open and competitive solicitation process or through a direct sale to the affected taxing entities or a non-profit organization. Additional amendments to the Asset Disposition Schedule were approved by the Oversight Board on January 14, 2016, April 28, 2016, October 27, 2016, and April 13, 2017.

### 3. *Summary of SARA's Long-Term Debt*

The following is a summary of long-term debt of the SARA as of June 30, 2022 (in thousands):

| Type of Indebtedness | Purpose | Original Issue Amount | Issue Date | Maturity Date | Interest Rate Range | Annual Principal Installments | June 30, 2022 Balance |
|---|---|---|---|---|---|---|---|
| **Senior Tax Allocation Bonds:** | | | | | | | |
| 2017 Refunding Bonds Series A | Refunding - merged area projects | $ 79,825 | 12/21/2017 | 8/1/2035 | 5.00% | $0 - 53,810 | $ 79,825 |
| 2017 Refunding Bonds Series A-T | Refunding - merged area projects | 1,333,325 | 12/21/2017 | 8/1/2034 | 1.90-3.38% | $32,910 - 93,735 | 1,031,305 |
| **Total Senior Tax Allocation Bonds** | | | | | | | 1,111,130 |
| **Subordinate Tax Allocation Bonds:** | | | | | | | |
| 2017 Refunding Bonds Series B | Refunding - merged area projects | 264,390 | 12/21/2017 | 8/1/2029 | 2.00-5.00% | $7,820 - 29,835 | 176,500 |
| **Total Subordinate Tax Allocation Bonds** | | | | | | | 176,500 |
| **Total Long-Term Debt** | | | | | | | $ 1,287,630 |

A summary of the changes in long-term debt for the year ended June 30, 2022 follows (in thousands):

| | June 30, 2021 | Additions | Reductions | June 30, 2022 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Senior Tax Allocation Bonds: | | | | | |
| 2017 Refunding Bonds Series A | $ 79,825 | $ - | $ - | $ 79,825 | $ - |
| 2017 Refunding Bonds Series A-T | 1,104,980 | - | (73,675) | 1,031,305 | 75,505 |
| Subtotal Senior Tax Allocation Bonds | 1,184,805 | - | (73,675) | 1,111,130 | 75,505 |
| Subordinate Tax Allocation Bonds: | | | | | |
| 2017 Refunding Bonds Series B | 198,765 | - | (22,265) | 176,500 | 23,375 |
| Subtotal Subordinate Tax Allocation Bonds | 198,765 | - | (22,265) | 176,500 | 23,375 |
| Subtotal Long-Term Debt, Unamortized | 1,383,570 | - | (95,940) | 1,287,630 | 98,880 |
| Issuance Premium (Discount), Net | 36,411 | - | (4,205) | 32,206 | 4,204 |
| Total Long-Term Obligations | $ 1,419,981 | $ - | $ (100,145) | $ 1,319,836 | $ 103,084 |

RPTTF revenue distributed by the County to the SARA in FY 2022 was $141,842,000 which was assigned to pay recognized payment obligations, including debt service and debt related expenses on the Successor Agency Senior and Subordinate Tax Allocation Refunding Bonds, SARA administrative costs, and other enforceable obligations. During FY 2022, total RPTTF revenue collected by the County was $366,014,000. After payment of County Administrative fees totaling $3,254,000, the balance is distributed based on the Health and Safety Code unless such payments have been subordinated to the payment of debt service on the 2017 Senior Tax Allocation Refunding Bonds described in the following section, as is the case with all agencies except for the senior pass-through payments due to San José Unified School District ($11,093,000). After meeting obligations to make debt service payments on the 2017 Bonds, subordinated pass-through payments are made to the County ($47,944,000), Basic Aid ($440,000) and other taxing entities ($37,117,000). With the residual balance ($124,324,000) distributed to taxing entities.

All summaries of documents related to debt contained in this Note are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Note is qualified in its entirety by reference to such document, which is on file with the SARA's Chief Financial Officer.

***2017 Tax Allocation Refunding Bonds***

On December 21, 2017, the SARA issued refunding bonds ("2017 Refunding Bonds") pursuant to an Indenture of Trust dated as of December 1, 2017 ("2017 Indenture"), by and between the SARA and Wilmington Trust, National Association, as trustee ("Trustee"). The 2017 Refunding Bonds were issued in the aggregate original principal amount of $1,677,540,000, in two senior series and one subordinate series. The senior series bonds, collectively referenced herein as 2017 Senior Tax Allocation Refunding Bonds, consist of $79,825,000 original principal amount of the tax-exempt senior lien 2017 Series A Bonds Senior Tax Allocation Refunding Bonds ("2017A Bonds") and $1,333,325,000 original principal amount of taxable senior lien 2017 Series A-T Bonds Senior Taxable Tax Allocation Refunding Bonds ("2017A-T Bonds"). The subordinate series bonds, referred to herein as 2017 Subordinate Tax Allocation Refunding Bonds, consist of $264,390,000 original principal amount of tax-exempt subordinate lien 2017 Series B Bonds Tax Allocation Refunding Bonds.

Proceeds of the 2017 Refunding Bonds were used to (i) redeem, defease, or prepay all of the former Agency's then outstanding tax allocation bonds and reimbursement obligations under an agreement entered into in connection with the Financing Authority's Revenue Bonds, Series 2001A (4th and San Fernando Parking

Facility Project) and Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project)(Refunded Obligations), and (ii) pay the costs of issuing the 2017 Refunding Bonds, including the cost of debt service reserve insurance policies. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction) and the net carrying amount of the Refunded Obligations. This difference was reported as deferred outflows of resources in the statement of fiduciary net position and is being amortized over the next 14 years.

The 2017 Refunding Bonds are secured and payable from Tax Revenues and certain funds and accounts held by the Trustee. Tax Revenues are generally defined in the 2017 Indenture as the portion of property tax revenues collected in the Merged Project Area derived from incremental growth in assessed property values over the initial base year values in each of 17 component areas of the Merged Project Area, less certain County administrative fees, the AB1290 statutory pass-through payment to the San José Unified School District and amounts collected pursuant to the pension override or State Water Project override provisions of the Redevelopment Dissolution Law, if any. All other AB1290 statutory pass-through payments and the negotiated pass-through payments to Santa Clara County are subordinate to the payment of debt service on the 2017 Refunding Bonds and other debt service related obligations under the 2017 Indenture. Under the distribution provisions of the Redevelopment Dissolution Law, AB1290 statutory pass-through payments and negotiated pass-through payments are made from funds on deposit in the RPTTF before funds are transferred to the SARA for the payment of enforceable obligations (including payment of debt service on the 2017 Refunding Bonds) unless there are insufficient funds to pay such debt service and other payment obligations under the 2017 Indenture and certain other conditions are satisfied. Such conditions include the timely filing of a Notice of Insufficiency by the SARA in accordance with the Redevelopment Dissolution Law and the concurrence by the State Controller that there are insufficient funds for such purpose. The SARA has covenanted in the 2017 Indenture to comply with the provisions of the Redevelopment Dissolution Law related to placing its obligations under the 2017 Indenture on the recognized obligations under the 2017 Indenture throughout the term of the 2017 Refunding Bonds and, if applicable, file a Notice of Insufficiency in the event that are insufficient Tax Revenue to make payment of debt service or other payment obligations under the 2017 Indenture.

The SARA has covenanted in the 2017 Indenture to take such actions as required under the Redevelopment Dissolution Law to include in each annual Recognized Obligation Payment Schedule the amount of debt service on the 2017 Refunding Bonds so as to enable the County Auditor-Controller to distribute from the RPTTF to SARA on each January 2 and June 1 the amounts required for the SARA to pay principal of, and interest on, the 2017 Refunding Bonds coming due in the respective six-month period following such distribution dates. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the SARA as a reserve until the next six-month period, as contemplated by the Redevelopment Dissolution Law, that are necessary to comply with the 2017 Indenture.

Separate municipal bond debt service reserve policies issued by Build America Mutual Assurance Company ("BAM") were deposited in the Senior Bonds Reserve Account of the Bond Reserve Fund for the 2017 Senior Tax Allocation Refunding Bonds ("2017 Senior Bonds Reserve Policy") and in the Subordinate Bonds Reserve account of the Bond Reserve Fund for the 2017 Subordinate Tax Allocation Bonds ("2017 Subordinate Bonds Reserve Policy"). The 2017 Senior Bonds Reserve Policy was issued in the original stated amount of $112,102,000, to satisfy the Senior Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Senior Tax Allocation Refunding Bonds were issued. The 2017 Subordinate Bonds Reserve Policy was issued in the original stated amount of $30,978,000, to satisfy the Subordinate Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Subordinate Tax Allocation Refunding Bonds were issued.

The 2017 Senior Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Senior Tax Allocation Refunding Bonds are no longer outstanding under the 2017 Indenture; or (ii) August 1, 2035. The 2017 Subordinate Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Subordinate Tax Allocation Refunding Bonds are no longer outstanding under the Indenture; or (ii) August 1, 2029. Per the terms of the 2017 Indenture, the SARA is not obligated to replace either reserve policy or to fund either reserve account with cash if, at any time that the 2017 Senior Tax Allocation Refunding Bonds or 2017 Subordinate Tax Allocation Refunding Bonds are outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of BAM is downgraded, suspended or withdrawn.

The 2017 Senior Tax Allocation Refunding Bonds are rated "AA" by S&P and Fitch and the 2017 Subordinate Tax Allocation Refunding Bonds were rated "AA-" by S&P and Fitch.

**2017 Senior Tax Allocation Refunding Bonds** - The 2017 Senior Tax Allocation Refunding Bonds were issued in two series – the tax-exempt 2017A Bonds and the taxable 2017A-T Bonds, with a parity senior lien on Tax Revenues. The 2017A Bonds are structured as two serial maturities in 2034 and 2035; both maturities bear interest at 5% per annum. The 2017A-T Bonds are structured as serial maturities in 2018 through and including 2029 and a term bond of $361,845,000 maturing in 2034 (which term bond is subject to mandatory payment of principal beginning on August 1, 2030 through final maturity on August 1, 2034). The 2017A-T Bonds bear interest at rates ranging from 1.898% to 3.375% per annum. The 2017A and the 2017A-T Bonds maturing on and after August 1, 2028 are subject to redemption at the option of the SARA on or after August 1, 2027 at par. The 2017A Bonds have $79,825,000 in principal subject to call and the 2017A-T Bonds have approximately $544,790,000 in principal subject to redemption at the option of the SARA. The total debt service payments on the 2017 Senior Tax Allocation Refunding Bonds was $111,183,000 for the year ended June 30, 2022.The principal and interest remaining on the 2017 Senior Tax Allocation Refunding Bonds as of June 30, 2022 is $1,374,611,000.

**2017 Subordinate Tax Allocation Refunding Bonds** - The 2017 Subordinate Tax Allocation Refunding Bonds are structured as serial tax-exempt bonds with maturities in 2018 through 2029; and bear interest at rates ranging from 2% to 5% per annum. The 2017 Subordinate Tax Allocation Refunding Bonds are subject to redemption at the option of the SARA on or after August 1, 2027 at par. In total, nearly $17,490,000 in principal is subject to this ten-year par call. The 2017 Subordinate Tax Allocation Refunding Bonds are payable from Tax Revenues on a subordinate basis to the 2017 Senior Tax Allocation Refunding Bonds. The debt service payment on the 2017 Subordinate Tax Allocation Refunding Bonds was $31,647,000 for the year ended June 30, 2022. The principal and interest remaining on the 2017 Subordinate Tax Allocation Refunding Bonds as of June 30, 2022 is $207,649,000.

**2017 Refunding Bonds - Events of Default** - The events of default under the 2017 Indenture for the 2017 Refunding Bonds are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the 2017 Indenture or the 2017 Refunding Bonds or any Senior Parity Debt Instrument or Subordinate Parity Debt Instrument (as those terms are defined in the 2017 Indenture) and such default shall have continued for a period of 30 days following SARA's receipt from the Trustee or any bond owner of written notice of the occurrence of such default, provided that if in SARA's reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the SARA within such 30 day period and SARA thereafter diligently and in good faith cures such failure in a reasonable period of time; and (iii) bankruptcy or similar debtor relief proceedings. Upon the occurrence and during the continuance of an event of default under the 2017 Indenture, the Trustee may, or, if requested by the owners of a majority of the principal amount of the outstanding 2017 Senior Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Senior Tax Allocation Refunding Bonds) or the 2017 Subordinate Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Subordinate Tax Allocation Refunding Bonds), as applicable, shall, subject to the provisions of the 2017 Indenture, exercise any remedies available to the Trustee in law or at equity. The 2017 Indenture does not provide for acceleration of payment of the 2017 Refunding Bonds. The 2017 Indenture, however, provides for application of Tax Revenues upon an event of default in the order of priority set forth in the 2017 Indenture.

**Tax Sharing Agreement with the County of Santa Clara** - Prior to 1994, the Redevelopment Law authorized redevelopment agencies to enter into tax sharing agreements with school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. In 1983, the Agency and County entered into a tax sharing agreement ("Original Agreement") under which the Agency would pay a portion of tax increment revenue generated in the Merged Area ("County Pass-Through Payment"). On December 16, 1993, the Agency, the County, and the City entered into a settlement agreement, which continued the County Pass-Through Payment.

On May 22, 2001, the County, the City and the Agency approved an Amended and Restated Agreement ("Amended Agreement"), which amended and restated the Original Agreement in its entirety. In addition to the continued Pass-Through Payment, the Amended Agreement delegated to the County the authority to undertake redevelopment projects in or of benefit to the Merged Area, and required the Agency to transfer funds to the County to pay for such projects ("Delegated Payment"). Until June 30, 2004, the Delegated Payment was equal to the County Pass-Through Payment. After January 1, 2004, 20% of the proceeds of any debt secured by the Agency's Tax Increment Revenues (excluding bonds payable from Housing Set-Aside and refunding bonds) was required to be paid to the County as the Delegated Payment.

Debt Service Requirements - The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds outstanding at June 30, 2022, including mandatory sinking fund payments, are as follows (in thousands):

| Year Ending June 30 | Principal | Interest |
|---|---|---|
| 2023 | $ 98,880 | $ 43,842 |
| 2024 | 102,035 | 40,555 |
| 2025 | 105,455 | 37,023 |
| 2026 | 109,100 | 33,262 |
| 2027 | 112,975 | 29,271 |
| 2027-2031 | 495,780 | 90,768 |
| 2032-2036 | 263,405 | 19,910 |
| Total | $ 1,287,630 | $ 294,631 |

## 4. *Commitments and Contingencies Related to SARA*

### *Risk Management*

The SARA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities for which the SARA carries a property insurance policy, or is self-insured. Claim expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated using actuarial methods or other estimating techniques. The technique to estimate claims is based on many complex factors, such as inflation, changes in legal doctrines, past settlements, and damages awarded. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimated claims liability will include amounts of incremental claims adjustment expense related to specific claims.

The SARA does not have any claims liabilities outstanding at June 30, 2022.

### *Contractual Commitments*

At June 30, 2022, the SARA had $391,000 for contractual obligations and commitments.

## D. Subsequent Events

### *1. 2022 Tax and Revenue Anticipation Notes*

On July 1, 2022, the City issued a $275,000,000 short-term note (the "2022 Note") to facilitate the prefunding of employer retirement contributions for Tier 1 and OPEB in FY 2023. The 2022 Note was sold in a direct placement to Bank of America, N.A. Security for repayment of the 2022 Note is a pledge of the City's FY 2022-2023 secured property tax and other legally available General Fund revenues of the City including sales tax revenues, if required. The interest expense for the 2022 Note is estimated to be $7.4 million, and costs associated with the financing were $94,000, resulting in a total projected cost of borrowing at approximately $7.5 million. The 2022 Note matures and is payable in full on June 30, 2023.

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

On July 7, 2022, the FAA announced that they would award the Airport $10.0 million in Bipartisan Infrastructure Law ("BIL") Airport Terminal Program ("ATP") funding for Airport Accessibility Upgrades. The project will make significant accessibility improvements to the airport terminal buildings to expand access to those with disabilities and maintain compliance with the federal Americans with Disabilities Act ("ADA"), state, and local requirements.

On July 15, 2022, the City responded to the FAA's letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City's overall cost allocation plan ("CAP"). On June 23, 2022, the City posted an RFP to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City's current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments. The City will follow up with the FAA once this evaluation process has been completed. The City cannot predict the final outcome of the audit.

On August 26, 2022, Fitch affirmed its "A" rating to the Airport Revenue Bonds and also affirmed its subordinated CP notes at "A-". The rating outlook on all obligations remained stable.

In August 2022, Air Transport Research Society ("ATRS"), one of the most reputable aviation research societies, awarded Mineta San Josè International Airport the 2022 Airport Efficiency Excellence Award, for being the most efficient airport in the 5-15 million passenger category in North America, based on 2020 financial year data.

On September 9, 2022, the Airport was awarded $10.8 million in federal funding for the New Taxiway V Phase 1A project, which is part of the larger Airfield Configuration Updates project.

On October 5, 2022 the City notified the FAA that actions identified in the Corrective Action Plan including the removal and relocation of the encampments from the Guadalupe Gardens had concluded.

Starting October 6, 2022, American Airlines will resume daily nonstop flights to Charlotte, North Carolina. Starting November 6, 2022, Southwest Airlines will begin daily (six days a week) round trip service to Palm Springs, California. In December 2022, ZIPAIR (a subsidiary of Japan Airlines) will begin nonstop service to Tokyo, Japan.

On October 25, 2022, the City Council adopted a resolution revising the Airport Air Service Support Program to provide additional benefits for New Entrant Carriers, who have not previously served SJC, waiving landing fees for 18 months, waiving ticket counter and gate fees for 12 months, and providing up to an additional $100,000 in marketing funds in addition to the $25,000 to $500,000 depending on the type of new service provided.

### 3. *Insurance Coverage*

#### *Citywide Property Policy*

Effective October 1, 2022, the City obtained a new all-risk property policy. Key changes to insurance coverage for the policy period commencing October 1, 2022 include:

The minimum per occurrence deductible was increased from $100,000 to $500,000.

The base coverage for flood was reduced to $10 million across all locations Citywide. Previously, the City had $100 million in flood coverage for locations considered to be in low hazard flood zones.

The cyber coverage's territory has been updated to exclude property located in Russia, Ukraine, Luhansk People's Republic, and Donetsk People's Republic. Since the change is linked to property damage in the excluded coverage territories, staff does not anticipate any adverse impact.

The Expediting Costs and Extra Expense combined limits have been reduced from $100.0 million to $10.0 million, except for $25.0 million for a loss at the Norman Y. Mineta San José International Airport (Airport).

#### *Fidelity/Crime Coverage*

Effective October 1, 2022, the City obtained a new fidelity/crime policy that increased the per occurrence deductible from $100,000 to $250,000.

#### *Fiduciary Liability Coverage*

Effective June 30, 2022, the City obtained a new fiduciary liability for the Deferred Compensation Plans and the per claim retention for Class Action Claims as defined in the policy was increased from $100,000 to $250,000.

Effective June 30, 2022, the City added fiduciary dishonesty coverage to the fiduciary liability policies that cover the Deferred Compensation Plans, the VEBA Plans, and the Defined Contribution 401(a) Plan. The fiduciary dishonesty coverage provides $500,000 in limits applicable to acts of employee dishonesty and complements the citywide government fidelity/crime coverage.

### 4. *Pension Obligation Bonds*

On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement; authorizing judicial validation proceedings relating to the issuance of such bonds and approving additional actions related thereto. The pension obligations include the unfunded liability for both the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System Plan ("Unfunded Liability"), and the annually required retirement contribution that are due and payable within 12 months of the issuance of the bonds ("Current Obligation"). The proposed final aggregate principal amount of the bonds may not be greater than $3.5 billion or the sum of the City's unfunded liability and current obligation as calculated by the actuary for both Retirement Plans, together with the costs of issuing the Bonds. The Trust Agreement will not constitute an obligation for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged or will levy or pledge any form of taxation. The validation complaint was filed on November 18, 2021. Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility filed an answer challenging the City's authority to issue bonds without voter approval. A hearing before the Santa Clara Superior Court occurred on August 22, 2022, and a final decision has not been issued as of the date of this report. If the City obtains a favorable judgment, the size and timing of the actual bond issuance would require the City Council's approval of offering documents including disclosures and would be contingent on favorable market conditions. Prior to actual issuance of the pension obligation bonds, the City Council will consider adoption of a pension funding policy.

### *5.* Special Tax Bond Redemption

On September 1, 2022, the Special Tax Bonds, Community Facility District 6 (Great Oaks-Route 85), with an outstanding principal balance of $1.7 million, and Community Facility District 10 (Hassler-Silver Creek), with an outstanding principal balance of $1.8 million, were redeemed in full and are no longer outstanding.

### *6.* City of San José Financing Authority Wastewater Revenue Bonds, Series 2022B

On November 15, 2022, the City Council and City of San José Financing Authority Board authorized the issuance and sale of the City of San José Financing Authority Wastewater Revenue Bonds, Series 2022B in the not-to-exceed principal amount of $300,000,000 to refinance the Authority's outstanding Subordinate Wastewater Revenue Notes, Series A. The issuance of the 2022B Bonds will establish a long-term fixed-rate debt structure with level debt service.  As a result, the Credit Facility will become available for the City to draw another $300 million for eligible capital expenditures at the Regional Wastewater Facility, as needed. The 2022B Bonds are expected to close on December 15, 2022.

### E. Restatement of Net Position (in thousands)

| | Business-Type Activities - Statement of Activities | |
|---|---|---|
| | Statement of Revenues, Expenses, and Changes in Fund Net Position - Norman Y. Mineta San Jose International Airport | |
| Net Position as June 30, 2021, as previously reported | $ | 225,030 |
| Restatement: | | |
| Due to implementation of GASB Statement No. 87, Leases | | 271 |
| Net Position at June 30, 2021, as restated | $ | 225,301 |

# City of San José
## General Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
## For the Year Ended June 30, 2022
## ($000's)

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts Budgetary Basis Variance with Final Budget Over (Under) | Actual Amounts Budgetary Basis | Budgetary to GAAP Differences | Actual Amounts GAAP Basis | |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Taxes: | | | | | | | |
| Property | $ 432,400 | 519,000 | 2,185 | 521,185 | - | 521,185 | |
| Utility | 117,060 | 120,060 | 4,846 | 124,906 | - | 124,906 | |
| Franchise | 44,652 | 48,152 | 226 | 48,378 | - | 48,378 | |
| Business tax | 74,500 | 83,500 | 1,875 | 85,375 | - | 85,375 | |
| Other | 10,000 | 9,000 | 1,515 | 10,515 | - | 10,515 | |
| Sales taxes | 280,200 | 323,200 | (56) | 323,144 | - | 323,144 | |
| State of California in-lieu | 500 | 1,100 | 90 | 1,190 | - | 1,190 | |
| Licenses, permits and fines | 30,012 | 34,261 | 2,945 | 37,206 | - | 37,206 | |
| Intergovernmental | 175,586 | 258,510 | (105,015) | 153,495 | - | 153,495 | |
| Charges for current services | 14,537 | 18,827 | 3,003 | 21,830 | - | 21,830 | |
| Other revenues | 44,052 | 65,851 | 4,242 | 70,093 | - | 70,093 | |
| Investment income (loss) | 4,030 | 4,120 | 949 | 5,069 | (20,402) | (15,333) | (1) |
| Total revenues | 1,227,529 | 1,485,581 | (83,195) | 1,402,386 | (20,402) | 1,381,984 | |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| General government | 382,694 | 328,698 | (54,291) | 274,407 | (31,355) | 243,052 | (2) |
| Public safety | 822,176 | 791,811 | (60,829) | 730,982 | (6,073) | 724,909 | (2) |
| Community services | 201,336 | 152,558 | (1,361) | 151,197 | (8,070) | 143,127 | (2) |
| Sanitation | 4,358 | 4,409 | (779) | 3,630 | (340) | 3,290 | (2) |
| Capital maintenance | 161,000 | 141,280 | (29,025) | 112,255 | (24,287) | 87,968 | (2) |
| Capital outlay | 14,304 | 14,304 | - | 14,304 | - | 14,304 | |
| Debt service: | | | | | | | |
| Principal | 1,553 | 1,553 | (55) | 1,498 | (28) | 1,470 | |
| Interest | 788 | 788 | 230 | 1,018 | - | 1,018 | |
| Total expenditures | 1,588,209 | 1,435,401 | (146,110) | 1,289,291 | (70,153) | 1,219,138 | |
| Excess (deficiency) of revenues over expenditures | (360,680) | 50,180 | 62,915 | 113,095 | 49,751 | 162,846 | |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Proceeds from sale of capital assets | 600 | 600 | (165) | 435 | - | 435 | |
| Bonds issued | - | - | 12,654 | 12,654 | - | 12,654 | |
| Bond premium | - | - | 2,346 | 2,346 | - | 2,346 | |
| Transfers in | 434 | 12,458 | 425 | 12,883 | - | 12,883 | |
| Transfers out | (32,894) | (32,894) | 1,445 | (31,449) | - | (31,449) | |
| Total other financing sources (uses) | (31,860) | (19,836) | 16,705 | (3,131) | - | (3,131) | |
| Net change in fund balance | (392,540) | 30,344 | 79,620 | 109,964 | 49,751 | 159,715 | |
| Fund balance - beginning | 351,481 | 351,481 | - | 351,481 | 61,861 | 413,342 | |
| Add beginning encumbrance balance | - | - | - | 57,008 | (57,008) | - | |
| Fund balance - ending | $ (41,059) | 381,825 | 79,620 | 518,453 | 54,604 | 573,057 | |

Explanation of differences:
(1) Gain or loss in fair value of investments are not formally budgeted transactions.
(2) Encumbrances of funds for which formal budgets are prepared.

## City of San José
## Housing Activities Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
## For the Year Ended June 30, 2022
## ($000's)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis Variance with Final Budget | Actual Amounts Budgetary | Budgetary to GAAP | Actual Amounts | |
|---|---|---|---|---|---|---|---|
| | Original | Final | Over (Under) | Basis | Differences | GAAP Basis | |
| **REVENUES** | | | | | | | |
| Taxes: | | | | | | | |
| Intergovernmental | $ 17,214 | 69,569 | (36,206) | 33,363 | - | 33,363 | |
| Investment income (loss) | 1,295 | 1,295 | 1,731 | 3,026 | (3,901) | (875) | (1) |
| Other revenues | 13,597 | 16,876 | 36,471 | 53,347 | 2,894 | 56,241 | (2) |
| Total revenues | 32,106 | 87,740 | 1,996 | 89,736 | (1,007) | 88,729 | |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| Community services | 89,618 | 131,471 | (59,116) | 72,355 | (22,295) | 50,060 | (2) |
| Total expenditures | 89,618 | 131,471 | (59,116) | 72,355 | (22,295) | 50,060 | |
| Excess (deficiency) of revenues over expenditures | (57,512) | (43,731) | 61,112 | 17,381 | 21,288 | 38,669 | |
| **OTHER FINANCING (USES)** | | | | | | | |
| Transfers out | (277) | (277) | - | (277) | - | (277) | |
| Total other financing (uses) | (277) | (277) | - | (277) | - | (277) | |
| Net change in fund balance | (57,789) | (44,008) | 61,112 | 17,104 | 21,288 | 38,392 | |
| Fund balance - beginning | 86,507 | 86,507 | - | 86,507 | 58,184 | 144,691 | |
| Add beginning encumbrance balance | - | - | - | 22,867 | (22,867) | - | |
| Fund balance - ending | $ 28,718 | 42,499 | 61,112 | 126,478 | 56,605 | 183,083 | |

**Explanation of differences:**

(1) Gain or loss in fair value of investments are not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

# City of San José
## Low and Moderate Income Housing Asset Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
## For the Year Ended June 30, 2022
## ($000's)

| | Budgeted Amounts | | Actual Amounts Budgetary Basis Variance with Final Budget | Actual Amounts Budgetary | Budgetary to GAAP | Actual Amounts | |
|---|---|---|---|---|---|---|---|
| | Original | Final | Over (Under) | Basis | Differences | GAAP Basis | |
| **REVENUES** | | | | | | | |
| Taxes | | | | | | | |
| Investment income | $ 3,000 | 3,000 | 14,834 | 17,834 | (4,803) | 13,031 | (1) |
| Other revenues | 14,000 | 33,099 | (5,938) | 27,161 | (25,124) | 2,037 | (2) |
| Total revenues | 17,000 | 36,099 | 8,896 | 44,995 | (29,926) | 15,069 | |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| Community services | 79,741 | 124,964 | (24,438) | 100,526 | (85,621) | 14,905 | (2) |
| Capital outlay | - | 3,100 | - | 3,100 | - | 3,100 | |
| Total expenditures | 79,741 | 128,064 | (24,438) | 103,626 | (85,621) | 18,005 | |
| Excess (deficiency) of revenues over expenditures | (62,741) | (91,965) | 33,334 | (58,631) | 55,695 | (2,936) | |
| **OTHER FINANCING (USES)** | | | | | | | |
| Transfers out | 369 | (369) | - | (369) | - | (369) | |
| Total other financing (uses) | 369 | (369) | - | (369) | - | (369) | |
| Net change in fund balance | (62,373) | (92,334) | 33,334 | (59,000) | 55,695 | (3,305) | |
| Fund balance - beginning | 155,818 | 155,818 | - | 155,818 | 281,983 | 437,801 | |
| Add beginning encumbrance balance | - | - | - | 22,491 | (22,491) | - | |
| Fund balance - ending | $ 93,445 | 63,484 | 33,334 | 119,309 | 315,187 | 434,496 | |

**Explanation of differences:**

(1) Gain or loss in fair value of investments are not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

## Schedule of Employer Contributions – Defined Benefit Pension Plans

**PFDRP Schedule of Employer Contributions**

| (Dollar Amounts in Thousands) | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 212,046 | $ 201,370 | $ 188,481 | $ 176,618 | $ 157,712 |
| Contributions in relation to actuarially determined contribution | 212,046 | 201,370 | 188,481 | 176,618 | 157,712 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 251,023 | $ 237,476 | $ 230,401 | $ 218,619 | $ 203,164 |
| Contributions as a percentage of covered payroll | 84.47% | 84.80% | 81.81% | 80.79% | 77.63% |

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2022

| Fiscal year | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|
| **Valuation date** | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** | **June 30, 2017** | **June 30, 2016** |
| **Actuarial cost method** | Entry age | Entry age | Entry age | Entry age | Entry age |
| **Asset valuation method** | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| **Amortization method** | Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. | Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. | Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll. | Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll. | Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll. |
| **Discount rate** | 6.625% | 6.75% | 6.75% | 6.875% | 6.875% |
| **Salary increases** | 3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service | 3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service | 3.25% per annum (.75% real wage growth) plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service. | 3.25% plus merit component based on length of service ranging from 6.00% for new hires to .50% for members with 10 or more years of service. | 3.25% plus merit component based on length of service ranging from 6.00% for new hires to .50% for members with 10 or more years of service. |
| **Amortization growth rate** | 2.25% | 2.50% | 3.25% | 3.25% | 3.25% |
| **Mortality** | Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis. Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis. | Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis. Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis. Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2019 on a generational basis. Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis. | Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis. | Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis. | Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2015 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis. |

## Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

**PFDRP Schedule of Employer Contributions**

| (Dollar Amounts in Thousands) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 136,957 | $ 132,480 | $ 129,279 | $ 123,583 | $ 105,234 |
| Contributions in relation to actuarially determined contribution | 136,957 | 132,480 | 129,279 | 123,583 | 105,234 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 188,177 | $ 186,874 | $ 180,226 | $ 180,083 | $ 180,333 |
| Contributions as a percentage of covered payroll | 72.78% | 70.89% | 71.73% | 68.63% | 58.36% |

| **Fiscal year** | **June 30, 2017** | **June 30, 2016** | **June 30, 2015** | **June 30, 2014** | **June 30, 2013** |
|---|---|---|---|---|---|
| **Valuation date** | **June 30, 2015** | **June 30, 2014** | **June 30, 2013** | **June 30, 2012** | **June 30, 2011** |
| **Actuarial cost method** | Entry age | Entry age | Entry age | Entry age | Entry age |
| **Asset valuation method** | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| **Amortization method** | Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll. | | | | |
| **Discount rate** | 7.000% | 7.000% | 7.125% | 7.25% | 7.50% |
| **Salary increases** | 3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service. | 3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service. | 2.00% for FY 2015, and 3.5% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service. | 0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service. | 0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service. |
| **Amortization growth rate** | 3.25% | 3.25% | 3.50% | 3.50% | 4.25% |
| **Mortality** | Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2015 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis. | RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years. | | | |

## Schedule of Employer Contributions – Defined Benefit Pension Plans

| **FCERS Schedule of Employer Contributions**<br>(Dollar Amounts in Thousands) | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 207,598 | $ 183,964 | $ 181,327 | $ 173,006 | $ 156,770 |
| Contributions in relation to actuarially determined contribution | 207,598 | 183,964 | 181,327 | 173,006 | 156,770 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 348,307 | $ 335,421 | $ 319,980 | $ 298,824 | $ 290,504 |
| Contributions as a percentage of covered payroll | 59.60% | 54.85% | 56.67% | 57.90% | 53.96% |

| **Fiscal year** | **June 30, 2022** | **June 30, 2021** | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
|---|---|---|---|---|---|
| **Valuation date** | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** | **June 30, 2017** | **June 30, 2016** |
| **Actuarial cost method** | Entry age | Entry age | Entry age | Entry age | Entry age |
| **Asset valuation method** | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| **Discount rate** | 6.625% | 6.75% | 6.75% | 6.875% | 6.875% |
| **Salary increases** | 3.00% plus merit component based on years of service | 3.00% plus merit component based on years of service | 3.25% plus merit component based on years of service | 3.25% plus merit component based on years of service | 2.85% plus merit component based on years of service |
| **Amortization growth rate** | 2.75% | 2.75% | 3.00% | 3.00% | 2.85% |
| **Amortization method** | Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods | Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. | Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. | Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. | As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years. |
| **Mortality** | Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale | Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale |

## Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

| **FCERS Schedule of Employer Contributions** (Dollar Amounts in Thousands) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 138,483 | $ 129,456 | $ 114,751 | $ 102,811 | $ 103,109 |
| Contributions in relation to actuarially determined contribution | 138,483 | 124,723 | 114,751 | 107,544 | 103,109 |
| Contribution deficiency (excess) | $ - | $ 4,733 | $ - | $ (4,733) | $ - |
| Covered payroll | $ 271,153 | $ 257,771 | $ 240,678 | $ 219,434 | $ 217,375 |
| Contributions as a percentage of covered payroll | 51.07% | 48.39% | 47.68% | 49.01% | 47.43% |

| **Fiscal year** | **June 30, 2017** | **June 30, 2016** | **June 30, 2015** | **June 30, 2014** | **June 30, 2013** |
|---|---|---|---|---|---|
| **Valuation date** | **June 30, 2015** | **June 30, 2014** | **June 30, 2013** | **June 30, 2012** | **June 30, 2011** |
| **Actuarial cost method** | Entry age | Entry age | Entry age | Entry age | Entry age |
| **Asset valuation method** | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| **Discount rate** | 7.00% | 7.00% | 7.00% | 7.25% | 7.00% |
| **Salary increases** | 2.85% plus merit component based on years of service | 2.85% plus merit component based on years of service | 2.85% plus merit component based on years of service | 2.00% for five years and 2.85% thereafter plus merit component based on employee classification and years of service | 3.25% plus merit component based on years of service |
| **Amortization growth rate** | 2.85% | 2.85% | 2.85% | 2.43% | 3.00% |
| **Amortization method** | As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years. | As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level of percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20 year periods as a level percentage of pay. | The unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30 year period commencing June 30, 2009 as a level percentage of Tier 1 pay. Actuarial gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of Tier 1 and Tier 2 pay. | The entire unfunded actuarial liability as of June 30, 2009 was amortized as a level percentage of payroll over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes and plan changes since June 30, 2009 are amortized as a level percentage of payroll over a closed 20-year periods beginning with the valuation in which they are first recognized. | Level percent of pay, closed, layered |
| **Mortality** | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale | Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years | Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years | Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years | Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years |

## Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 – Defined Benefit Pension Plans

PFDRP

| (Dollar amounts in thousands): | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | | | |
| Service cost (middle of year) | $ 93,139 | $ 89,470 | $ 87,641 | $ 81,883 | $ 75,481 | $ 72,760 | $ 74,531 | $ 74,895 |
| Interest (includes interest on service cost) | 354,685 | 342,802 | 329,612 | 313,565 | 300,378 | 290,961 | 274,487 | 262,738 |
| Changes of benefit terms | | - | - | - | 178 | 5,752 | - | - |
| Differences between expected and actual experience | 7,457 | (15,131) | 37,127 | (17,011) | 33,081 | 67,558 | (8,672) | 21,457 |
| Changes of assumptions | 12,390 | 73,525 | 80,852 | 76,425 | (100,328) | 72,680 | 90,179 | 56,311 |
| Benefit payments, including refunds of member contributions | (259,877) | (244,310) | (231,007) | (218,008) | (206,630) | (196,032) | (186,939) | (176,253) |
| **Net change in total pension liability** | 207,794 | 246,356 | 304,225 | 236,854 | 102,160 | 313,679 | 243,586 | 239,148 |
| Total pension liability - beginning | 5,423,372 | 5,177,016 | 4,872,791 | 4,635,937 | 4,533,777 | 4,220,098 | 3,976,512 | 3,737,364 |
| Total pension liability - ending | $ 5,631,166 | $ 5,423,372 | $ 5,177,016 | $ 4,872,791 | $ 4,635,937 | $ 4,533,777 | $ 4,220,098 | $ 3,976,512 |
| **Plan fiduciary net position** | | | | | | | | |
| Contributions - employer | $ 212,046 | $ 201,370 | $ 188,481 | $ 176,618 | $ 157,712 | $ 136,957 | $ 132,480 | $ 129,279 |
| Contributions - member | 31,660 | 29,033 | 27,645 | 24,811 | 23,841 | 20,580 | 21,508 | 20,747 |
| Net investment income (loss) | (294,549) | 1,044,290 | 134,085 | 114,179 | 233,475 | 292,734 | (29,206) | (27,690) |
| Benefit payments, including refunds of member contributions | (259,876) | (244,310) | (231,008) | (218,008) | (206,630) | (196,032) | (186,939) | (176,253) |
| Administrative expense | (6,051) | (5,761) | (5,605) | (5,369) | (5,464) | (4,635) | (4,254) | (4,191) |
| **Net change in plan fiduciary net position** | (316,770) | 1,024,622 | 113,598 | 92,231 | 202,934 | 249,604 | (66,411) | (58,108) |
| **Plan fiduciary net position - beginning** | 4,726,642 | 3,702,020 | 3,588,422 | 3,496,191 | 3,293,257 | 3,043,653 | 3,110,064 | 3,168,172 |
| **Plan fiduciary net position - ending** | $ 4,409,872 | $ 4,726,642 | $ 3,702,020 | $ 3,588,422 | $ 3,496,191 | $ 3,293,257 | $ 3,043,653 | $ 3,110,064 |
| **Net pension liability - ending** | $ 1,221,294 | $ 696,730 | $ 1,474,996 | $ 1,284,369 | $ 1,139,746 | $ 1,240,520 | $ 1,176,445 | $ 866,448 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 78.31% | 87.15% | 71.51% | 73.64% | 75.41% | 72.64% | 72.12% | 78.21% |
| **Covered payroll** | $ 237,476 | $ 230,401 | $ 218,619 | $ 203,164 | $ 186,177 | $ 186,874 | $ 180,226 | $ 180,083 |
| **Net pension liability as a percentage of covered payroll** | 514.28% | 302.40% | 674.69% | 632.18% | 612.18% | 663.83% | 652.76% | 481.14% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 – Defined Benefit Pension Plans

| | | | | FCERS | | | | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in thousands): | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Total pension liability** | | | | | | | | |
| Service cost (middle of year) | $ 67,581 | $ 65,712 | $ 61,014 | $ 61,808 | $ 59,628 | $ 51,887 | $ 49,011 | $ 46,795 |
| Interest (includes interest on service cost) | 295,014 | 283,610 | 280,131 | 272,787 | 264,250 | 249,388 | 229,609 | 221,690 |
| Changes of benefit terms | | - | - | - | 1,781 | 12,132 | - | - |
| Differences between expected and actual experience | 27,568 | 44,381 | (27,723) | (11,662) | 17,461 | 40,853 | 39,720 | 13,005 |
| Changes of assumptions | 9,684 | 36,981 | (2,937) | 54,398 | (15,582) | 60,233 | 205,875 | 108,674 |
| Benefit payments, including refunds of member contributions | (237,273) | (227,205) | (216,728) | (205,066) | (193,400) | (183,430) | (173,318) | (164,562) |
| **Net change in total pension liability** | 162,574 | 203,479 | 93,757 | 172,265 | 134,138 | 231,063 | 350,897 | 225,602 |
| Total pension liability - beginning | 4,526,849 | 4,323,370 | 4,229,613 | 4,057,348 | 3,923,210 | 3,692,147 | 3,341,250 | 3,115,648 |
| Total pension liability - ending | $ 4,689,423 | $ 4,526,849 | $ 4,323,370 | $ 4,229,613 | $ 4,057,348 | $ 3,923,210 | $ 3,692,147 | $ 3,341,250 |
| **Plan fiduciary net position** | | | | | | | | |
| Contributions - employer | $ 207,598 | $ 183,964 | $ 181,327 | $ 173,006 | $ 156,770 | $ 138,483 | $ 124,723 | $ 114,751 |
| Contributions - employee | 27,464 | 25,725 | 25,082 | 22,606 | 20,501 | 17,227 | 15,920 | 13,621 |
| Net investment income (loss) | (169,129) | 698,606 | 90,909 | 76,855 | 117,493 | 146,010 | (35,010) | (16,642) |
| Benefit payments, including refunds of member contributions | (237,273) | (227,205) | (216,728) | (205,066) | (193,400) | (183,430) | (173,318) | (164,562) |
| Administrative expense | (4,978) | (4,763) | (4,725) | (4,582) | (4,823) | (4,380) | (3,940) | (3,898) |
| **Net change in plan fiduciary net position** | (176,318) | 676,327 | 75,865 | 62,819 | 96,541 | 113,910 | (71,625) | (56,730) |
| **Plan fiduciary net position - beginning** | 2,884,344 | 2,208,017 | 2,132,152 | 2,069,333 | 1,972,792 | 1,858,882 | 1,930,507 | 1,987,237 |
| **Plan fiduciary net position - ending** | $ 2,708,026 | $ 2,884,344 | $ 2,208,017 | $ 2,132,152 | $ 2,069,333 | $ 1,972,792 | $ 1,858,882 | $ 1,930,507 |
| **Net pension liability - ending** | $ 1,981,397 | $ 1,642,505 | $ 2,115,353 | $ 2,097,461 | $ 1,988,015 | $ 1,950,418 | $ 1,833,265 | $ 1,410,743 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 57.75% | 63.72% | 51.07% | 50.41% | 51.00% | 50.29% | 50.35% | 57.78% |
| **Covered payroll** | $ 335,421 | $ 319,980 | $ 298,824 | $ 290,504 | $ 271,153 | $ 257,771 | $ 240,678 | $ 219,434 |
| **Net pension liability as a percentage of covered payroll** | 590.72% | 513.31% | 707.89% | 722.01% | 733.17% | 756.65% | 761.71% | 642.90% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of Investment Returns – Defined Benefit Pension Plans

**PFDRP**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | -4.81% | 26.43% | 2.98% | 4.00% | 6.89% | 9.68% | -0.85% | 0.85% |

**FCERS**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | -4.19% | 29.43% | 3.79% | 4.17% | 6.03% | 7.53% | -0.79% | -1.07% |

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 sub-trusts.
Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios – CalPERS

| (Dollar amounts in thousands): | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Measurement date: | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Proportion of the net pension liability | 0.04730% | 0.03430% | 0.03490% | 0.03540% | 0.03600% | 0.03630% | 0.03780% |
| Proportionate share of the net pension liability | $ 897 | $ 1,448 | $ 1,395 | $ 1,334 | $ 1,419 | $ 1,262 | $ 1,038 |
| Covered payroll | $ 1,720 | $ 1,006 | $ 797 | $ 822 | $ 776 | $ 756 | $ 589 |
| Proportionate share of the net pension liability as percentage of covered payroll | 52.15% | 143.94% | 175.03% | 162.29% | 182.86% | 166.93% | 176.23% |
| Plan's fiduciary net position as a percentage of the total pension liability | 82.49% | 75.19% | 75.65% | 76.39% | 74.67% | 74.39% | 77.96% |

**Notes to Schedule:**

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five- year average salary.

Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they become available.

## Schedule of Employer Contributions – CalPERS

| (Dollar amounts in thousands) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 325 | $ 305 | $ 222 | $ 188 | $ 184 | $ 162 | $ 148 |
| Contributions in relation to the contractually required contributions | 302 | 293 | 222 | 188 | 184 | 162 | 156 |
| Contribution deficiency (excess) | $ 23 | $ 12 | $ - | $ - | $ - | $ - | $ (8) |
| Covered payroll | $ 1,885 | $ 1,720 | $ 1,006 | $ 797 | $ 822 | $ 776 | $ 756 |
| Contributions as a percentage of covered payroll | 16.02% | 17.03% | 22.07% | 23.59% | 22.38% | 20.88% | 20.63% |

| **Notes to Schedule:** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Valuation Date** | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
| **Actuarial Cost Method** | Entry Age Normal Cost Method | | | | | | |
| **Amortization Method** | Level Percentage of Payroll | | | | | | |
| **Asset Valuation Method** | Market Value | | | | | | |
| **Actuarial Assumptions:** | | | | | | | |
| **Discount Rate** | 7.00% (net of administrative expenses) | 7.00% (net of administrative expenses) | 7.25% (net of administrative expenses) | 7.375% (net of administrative expenses) | 7.5% (net of administrative expenses) | 7.5% (net of administrative expenses) | 7.5% (net of administrative expenses) |
| **Termination Liability Discount Rate** | 2.31% | 2.91% | 2.61% | 1.75% | 2.75% | 2.91% | 3.72% |
| **Salary Growth** | .40% to 8.50% | | | 3.20% to 12.20% | | | 3.30% to 14.20% |
| | Depending on Age, Service and Type of Employment | | | | | | |
| **Inflation** | 2.500% | 2.500% | 2.625% | 2.75% | | | |
| **Payroll Growth** | 2.750% | 2.750% | 2.875% | 3.00% | | | |

Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015.

## Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30 – Postemployment Healthcare Plans

| (Dollar amounts in thousands): | PFDRP | | | | | |
|---|---|---|---|---|---|---|
| **Total OPEB liability** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| Service cost (middle of year) | $ 13,265 | $ 12,991 | $ 12,813 | $ 15,003 | $ 13,001 | $ 16,112 |
| Interest (includes interest on service cost) | 45,103 | 45,789 | 44,676 | 48,208 | 45,314 | 46,774 |
| Changes of benefit terms | - | - | - | - | (69,434) | - |
| Differences between expected and actual experience | (50,193) | (35,106) | (99,319) | (3,401) | 14,877 | - |
| Change of assumptions | 36,583 | 48,332 | 8,567 | 38,843 | 21,243 | - |
| Benefit payments, including refunds of member contributions | (26,458) | (25,975) | (25,031) | (26,403) | (27,686) | (24,799) |
| **Net change in total OPEB liability** | 18,300 | 46,031 | (58,294) | 72,250 | (2,685) | 38,087 |
| Total OPEB liability - beginning | 771,819 | 725,788 | 784,082 | 711,832 | 714,517 | 676,430 |
| Total OPEB liability - ending | $ 790,119 | $ 771,819 | $ 725,788 | $ 784,082 | $ 711,832 | $ 714,517 |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 30,763 | $ 28,397 | $ 27,350 | $ 28,744 | $ 25,382 | $ 20,667 |
| Contributions - employees | 12,109 | 12,475 | 13,135 | 13,315 | 16,127 | 18,116 |
| Net investment income (loss) | (27,301) | 52,994 | 7,243 | 7,907 | 7,070 | 12,453 |
| Benefit payments, including refunds of member contributions | (26,458) | (25,975) | (25,031) | (26,403) | (27,686) | (24,799) |
| Administrative expense | (154) | (110) | (122) | (126) | (158) | (182) |
| VEBA transfer | - | - | - | - | (7,897) | - |
| **Net change in plan fiduciary net position** | (11,041) | 67,781 | 22,575 | 23,437 | 12,838 | 26,255 |
| **Plan fiduciary net position - beginning** | 276,313 | 208,532 | 185,957 | 162,520 | 149,682 | 123,427 |
| **Plan fiduciary net position - ending** | $ 265,272 | $ 276,313 | $ 208,532 | $ 185,957 | 162,520 | 149,682 |
| **Net OPEB liability - ending** | $ 524,847 | $ 495,506 | $ 517,256 | $ 598,125 | $ 549,312 | $ 564,835 |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 33.57% | 35.80% | 28.73% | 23.72% | 22.83% | 20.95% |
| **Covered payroll** | $ 237,475 | $ 230,401 | $ 218,619 | $ 203,164 | $ 186,177 | $ 186,874 |
| **Net OPEB liability as a percentage of covered payroll** | 221.01% | 215.06% | 236.60% | 294.41% | 291.91% | 302.25% |

## Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30 – Postemployment Healthcare Plans

| (Dollar amounts in thousands): | FCERS | | | | | |
|---|---|---|---|---|---|---|
| **Total OPEB liability** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| Service cost (middle of year) | $ 7,539 | $ 7,018 | $ 7,040 | $ 7,723 | $ 7,889 | $ 11,109 |
| Interest (includes interest on service cost) | 39,075 | 39,886 | 41,855 | 43,182 | 42,669 | 49,977 |
| Changes of benefit terms | - | - | - | - | (57,623) | - |
| Differences between expected and actual experience | (24,961) | (33,945) | (25,639) | (10,418) | (994) | - |
| Change of assumptions | 22,369 | 34,496 | (14,804) | 9,310 | (77,795) | - |
| Benefit payments, including refunds of member contributions | (31,088) | (31,871) | (30,779) | (28,824) | (29,724) | (31,007) |
| **Net change in total OPEB liability** | 12,934 | 15,584 | (22,327) | 20,973 | (115,578) | 30,079 |
| Total OPEB liability - beginning | 665,452 | 649,868 | 672,195 | 651,222 | 766,801 | 736,721 |
| Total OPEB liability - ending | $ 678,386 | $ 665,452 | $ 649,868 | $ 672,195 | $ 651,223 | $ 766,800 |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 24,787 | $ 26,236 | $ 26,533 | $ 26,410 | $ 32,397 | $ 31,905 |
| Contributions - employees | 9,865 | 10,275 | 10,692 | 10,578 | 15,545 | 16,827 |
| Net investment income (loss) | (38,286) | 77,362 | 3,077 | 9,472 | 12,336 | 17,041 |
| Benefit payments, including refunds of member contributions | (31,088) | (31,871) | (30,779) | (28,826) | (29,724) | (31,007) |
| Administrative expense | (765) | (697) | (686) | (384) | (170) | (242) |
| VEBA transfer | - | (5) | (13) | (19) | (13,497) | - |
| **Net change in plan fiduciary net position** | (35,487) | 81,300 | 8,824 | 17,231 | 16,887 | 34,524 |
| **Plan fiduciary net position - beginning** | 384,612 | 303,312 | 294,488 | 277,257 | 260,370 | 225,846 |
| **Plan fiduciary net position - ending** | $ 349,125 | $ 384,612 | $ 303,312 | $ 294,488 | $ 277,257 | $ 260,370 |
| **Net OPEB liability - ending** | $ 329,261 | $ 280,840 | $ 346,556 | $ 377,707 | $ 373,965 | $ 506,431 |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 51.46% | 57.80% | 46.67% | 43.81% | 42.57% | 33.96% |
| **Covered payroll** | $ 335,421 | $ 319,980 | $ 298,824 | $ 290,504 | $ 271,153 | $ 257,771 |
| **Net OPEB liability as a percentage of covered payroll** | 98.16% | 87.77% | 115.97% | 130.02% | 137.92% | 196.47% |

Schedule is intended to show information for 10 years commencing with the year ended June 30, 2017. Additional years will be displayed as they become available.

# City of San José
# Required Supplementary Information (Unaudited)
# June 30, 2022

**Changes in assumptions.** The discount rate was changed from 6.25% (net of administrative expense) to 6.00% and from 6.25% (net of administrative expense) to 6.00%, respectively, for PFDRP and FCERS for the measurement period ended June 30, 2022. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The per person cost trends were moved forward one year.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

## Schedule of Employer Contributions – Postemployment Healthcare Plans

**PFDRP Schedule of Employer Contributions**
(Dollar Amounts in Thousands)
Last Ten Fiscal Years

| Measurement Period Ended June 30 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Actuarially Determined Contribution (ADC) | $ 30,763 | $ 28,397 | $ 27,350 | $ 28,744 | $ 25,382 | $ 20,667 |
| Contribution in relation to the ADC | (30,763) | (28,397) | (27,350) | (28,744) | (25,382) | (20,667) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 251,022 | $ 237,475 | $ 230,401 | $ 218,619 | $ 203,164 | $ 186,177 |
| Contribution as a percentage of covered payroll | 12% | 12% | 12% | 13% | 12% | 11% |

## Methods and assumptions used to determine contributions:

| Fiscal Year | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 |
|---|---|---|---|---|---|
| Valuation Date | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 |
| Timing | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year |
| Actuarial Cost Method | Individual entry age | Individual entry age | Individual entry age | Individual entry age | Individual entry age |
| Asset Valuation Method | Market value of assets | Market value of assets | Market value of assets | Market value of assets | Market value of assets |
| Amortization Method | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out |
| Discount rate | 6.250% | 6.500% | 6.500% | 6.875% | 6.875% |
| Amortization growth rate | 3,00% | 3,25% | 3,25% | 3,25% | 3,25% |
| Ultimate rate of medical inflation | 3.78% | 3.94% | 4.25% | 4.25% | 4.25% |
| Salary increases | 4.25% through FYE 2022 and 3.00% thereafter plus merit component based on years of service | 3.25% plus merit component based on years of service | 3.25% plus merit component based on years of service | 3.25% plus merit component based on years of service | 3.25% plus merit component based on years of service |
| Mortality | Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale | Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale |

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2022, can be found in the June 30, 2016, June 30, 2018 to 2020 actuarial valuation report, respectively.

## Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

**FCERS Schedule of Employer Contributions**

(Dollar Amounts in Thousands)
Last Ten Fiscal Years

| Measurement Period Ended June 30 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Actuarially Determined Contribution (ADC) | $ 24,787 | $ 26,236 | $ 26,533 | $ 26,410 | $ 32,397 | $ 31,905 |
| Contribution in relation to the ADC | (24,787) | (26,236) | (26,533) | (26,410) | (32,397) | (31,905) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 348,307 | $ 335,421 | $ 319,980 | $ 298,824 | $ 290,504 | $ 271,153 |
| Contribution as a percentage of covered payroll | 7% | 8% | 8% | 9% | 11% | 12% |

## Methods and assumptions used to determine contributions:

| Fiscal Year | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 |
|---|---|---|---|---|---|
| Valuation Date | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 |
| Timing | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year |
| Actuarial Cost Method | Individual entry age | Individual entry age | Individual entry age | Individual entry age | Individual entry age |
| Amortization Method/ Period | 20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out | 25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out |
| Asset Valuation Method | Fair value of assets | Fair value of assets | Fair value of assets | Fair value of assets | Fair value of assets |
| Amortization growth rate | 0,00% | 0,00% | 0,00% | 0,00% | 3,25% |
| Discount rate | 6.25% | 6.75% | 6.75% | 6.875% | 6.875% |
| Ultimate rate of medical inflation | 3.78% | 3.94% | 4.25% | 4.25% | 4.25% |
| Salary increases | 3.00% plus merit component based on years of service | 3.00% based on years of service | 3.25% based on years of service | 3.25% based on years of service | 2.85% based on years of service |
| Mortality | Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale | Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale | Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale |

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2022, can be found in the June 30, 2016, June 30, 2018 to 2020 actuarial valuation report, respectively.

## Schedule of Investment Returns – Postemployment Healthcare Plans

| | PFDRP | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expense | -9.62% | 23.96% | 1.95% | 4.86% | 3.56% | 7.17% |

| | FCERS | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expense | -9.91% | 24.92% | 0.53% | 4.33% | 4.55% | 7.20% |

The rate shown above is based on the 115 sub-trusts only and does not include the 401(h). Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

# City of San Jose
# Notes to Required Supplementary Information (Unaudited)
# June 30, 2022

## 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.

The annual appropriation ordinance adopts the budget at the appropriation level by expenditure category (personal services, non-personal) 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 Annual Comprehensive Financial Report itself. As a result, the City prepares a separate report to demonstrate compliance with its legal level of budgetary control.

Annual budgets are prepared for the General Fund and all Special Revenue Funds. Capital project budgets are based on a project time frame rather than a fiscal year time frame. Debt Service Funds appropriations were adopted by the Council when the formal bond resolutions were approved. Therefore, Capital Project Funds and Debt Service Funds are not reported on budgetary basis.

## 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 schedules, while encumbered amounts are not recognized as expenditures on 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 on a GAAP basis and as expenditures on a budgetary basis. When loan repayments are received, they are recorded as reductions to receivables on a GAAP basis, but are recognized as revenues on a budgetary basis.
- Net decreases were made to certain GAAP basis loans receivable to reflect carrying amounts at a discounted present value and allowances for bad debts. The discount is treated as an expenditure on a 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 schedules, but is an expenditure on a 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 schedules.
- Certain line of credit transactions are recognized as expenditures in the budgetary basis financial schedules but are recorded as an asset in the GAAP basis financial statements. When the outside agency draws down on the line of credit, the City records an asset, advances to other agencies, in the GAAP basis financial statements and an expenditure on the budgetary basis financial schedules. When the outside agency pays down the line of credit, the City records a reduction to its assets in the GAAP basis financial statements and revenues on the budgetary basis financial schedules.
- Certain grant revenues received in advance are recognized on the budgetary basis financial schedules, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

## III. Budget Revisions

On October 18, 2022 the City Council approved certain fiscal year 2022 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual reflect such budget revisions.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Combining Nonmajor Governmental Funds

# City of San José
# Combining Balance Sheet
# Nonmajor Governmental Funds
# June 30, 2022
# ($000's)

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Equity in pooled cash and investments held in City Treasury | $ 516,694 | - | 126,569 | 643,263 |
| Receivables (net of allowance for uncollectibles) | 45,686 | 308 | 24,648 | 70,642 |
| Due from other funds | 7,791 | - | - | 7,791 |
| Loans receivable (net of allowance for uncollectibles) | 2,426 | - | - | 2,426 |
| Advances and deposits | 177 | - | 38 | 215 |
| Restricted assets: | | | | |
| Equity in pooled cash and investments held in City Treasury | - | 44,250 | 701 | 44,951 |
| Cash and investments held with fiscal agents | - | 8,234 | 308,792 | 317,026 |
| Other cash and investments | 14,909 | - | - | 14,909 |
| Leases receivable | 697 | - | - | 697 |
| Other assets | 1,924 | - | - | 1,924 |
| Total assets | $ 590,304 | 52,792 | 460,748 | 1,103,844 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 20,810 | 2 | 29,438 | 50,250 |
| Accrued salaries, wages, and payroll taxes | 6,238 | - | 1,239 | 7,477 |
| Due to other funds | 11,377 | - | - | 11,377 |
| Unearned revenue | 14,324 | - | - | 14,324 |
| Advances, deposits, and reimbursable credits | 6,171 | - | - | 6,171 |
| Other liabilities | 4,464 | - | - | 4,464 |
| Total liabilities | 63,384 | 2 | 30,677 | 94,063 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue | 4,827 | - | 5,357 | 10,184 |
| Leases | 665 | - | - | 665 |
| Total deferred inflows of resources | 5,492 | - | 5,357 | 10,849 |
| **FUND BALANCES** | | | | |
| Restricted | 412,583 | 52,786 | 337,202 | 802,571 |
| Committed | 102,155 | 4 | - | 102,159 |
| Assigned | 6,710 | - | 87,512 | 94,222 |
| Unassigned | (20) | - | - | (20) |
| Total fund balances | 521,428 | 52,790 | 424,714 | 998,932 |
| Total liabilities, deferred inflows of resources and fund balances | $ 590,304 | 52,792 | 460,748 | 1,103,844 |

# City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Governmental Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes and special assessments | $ 124,806 | 50,617 | 16,220 | 191,643 |
| Intergovernmental | 50,018 | - | 61,502 | 111,520 |
| Charges for current services | 270,805 | - | 51 | 270,856 |
| Rent | 31,508 | - | - | 31,508 |
| Investment income (loss) | (9,507) | (357) | (2,172) | (12,036) |
| Other revenues | 46,056 | - | 4,222 | 50,278 |
| Total revenues | 513,686 | 50,260 | 79,823 | 643,769 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 105 | - | - | 105 |
| Public safety | 2,348 | - | - | 2,348 |
| Community services | 147,305 | - | - | 147,305 |
| Sanitation | 204,498 | - | - | 204,498 |
| Capital maintenance | 104,422 | - | 181,275 | 285,697 |
| Capital outlay | 19,642 | - | 21,442 | 41,084 |
| Debt service: | | | | |
| Principal | - | 64,880 | - | 64,880 |
| Interest and fiscal charges | - | 23,666 | - | 23,666 |
| Total expenditures | 478,320 | 88,546 | 202,717 | 769,583 |
| Excess (deficiency) of revenues over (under) expenditures | 35,366 | (38,286) | (122,894) | (125,814) |
| **OTHER FINANCIAL SOURCES (USES)** | | | | |
| Bonds issued | 6,411 | - | 200,530 | 206,941 |
| Bond premium | 1,189 | 50,124 | - | 51,313 |
| Proceeds from sale of capital assets | 3,817 | - | - | 3,817 |
| Transfers in | 17,121 | 24,103 | 2,331 | 43,555 |
| Transfers out | (21,129) | (25,224) | (2,558) | (48,911) |
| Total other financing sources (uses) | 7,409 | 49,003 | 200,303 | 256,715 |
| Net change in fund balances | 42,775 | 10,717 | 77,409 | 130,901 |
| Fund balances - beginning | 478,653 | 42,073 | 347,305 | 868,031 |
| Fund balances - ending | $ 521,428 | 52,790 | 424,714 | 998,932 |

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Nonmajor Special Revenue Funds

# Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Special Revenue Funds of the City of San José include the following:

Prusch Memorial Park Fund – Established to account for the development, construction, and improvement of the Emma Prusch Memorial Park.

Gift Trust Fund – Established to receive gifts, donations, and bequests.

Building Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Planning Development Fee Program Fund – Established to account for the fees collected from developers for all new development and projects in the City.

Citywide Planning Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Fire Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Small Cell Permitting Fee Program Fund – Established to account for the fees collected from telecommunication companies to install small cells and fiber on city's property, such as streetlights, traffic lights, and rooftops.

Workforce Investment Act Funds – Established to account for federal funds for training and placement of dislocated and economically disadvantaged workers.

Special Assessment Maintenance Districts Funds – Established to account for assessments involving Maintenance District activities.

Ng Shing Gung Capital Maintenance Fund – Established to account for capital maintenance needs of the Ng Shing Gung Exhibit and Museum.

Subdivision Park Trust Fund – Established to account for the payment of fees and/or the dedication of land for parks and recreational purposes in residential subdivisions.

Construction and Property Conveyance Tax Funds – Established to account for the collection of taxes from construction and property transfers for capital maintenance of libraries, parks, recreational, public works, and communication facilities.

1943 and 1964 Gas Tax Maintenance and Construction Funds – Established to account for gas taxes collected for capital maintenance of public streets subject to provisions of the Streets and Highway Code of the State of California under Sections 2105, 2106, and 2107.

Storm Drainage Fee Funds – Established to account for fees collected from developers as a result of connections to the storm drainage sewer system which may be used for capital maintenance of storm drainage systems and for land acquisition for such systems.

Supplemental Local Law Enforcement Fund – Established to account for revenues received from the State of California (AB 3229) to be used for front line municipal police service.

Underground Utility Fund – Established to account for fees collected from developers in lieu of the developers placing certain utility facilities underground to be used for minimizing the piecemeal undergrounding of utility facilities throughout the City.

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

Library Parcel Tax Funds – Established to account for the annual parcel tax used for enhancing the City's library services and facilities.

Federal Drug Forfeiture Funds – Established 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 Code.

Residential Construction Tax Contribution Fund – Established to account for the accumulation of residential construction tax monies for eligible street maintenance and improvements.

Arterial and Major Collectors Fund – Established to account for funds repaid by abutting landowners for the City's capital maintenance costs of existing and proposed arterial and major collector streets.

Community Facility Revenue Funds – Established to account for the rental revenues received from the Hayes Mansion and the Ice Centre 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 – Established to account for activities related to the Integrated Waste Management Program which includes garbage collection, recycling services, and related billing operations.

Building and Structures Construction Tax Fund – Established to account for revenues received from the issuance of building permits and capital maintenance expenditures for existing and proposed City streets.

Development Enhancement Fund – Established to account for loans and loan guarantees to assist small business development.

Community Development Block Grant Funds – Established 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 – Established 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 Funds – Established to account for revenues collected from owners of properties benefited by the storm drainage service which may be used for capital maintenance and operation of the storm drainage system.

Transient Occupancy Tax Fund – Established to account for transient occupancy tax revenues and to provide for the funding of fine arts and cultural grant programs, the San José Convention and Visitors Bureau and the conventions and cultural facilities operation.

Lake Cunningham Fund – Established to account for the parking fees and lease payment revenues used for maintenance and operations at Lake Cunningham Park.

Edward Byrne Memorial Justice Funds – Established to account for federal funding in support of the Edward G. Byrne Memorial Justice Assistance grant.

Municipal Golf Courses Fund – Established in 1969 to manage and operate the public golf courses.

Convention and Cultural Facilities Funds – Established to fund the costs of managing and operating the San José McEnery Convention Center, the Center for the Performing Arts, Civic Auditorium, California Theatre, Montgomery Theater, Parkside Hall, South Hall, and their related facilities and grounds.

# City of San José
## Combining Balance Sheet
## Nonmajor Special Revenue Funds
## June 30, 2022
## ($000's)

| | Prusch Memorial Park (Fund 131) | Gift Trust (Fund 139) | Building Development Fee Program (Fund 237) |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ 507 | 4,624 | 34,961 |
| Receivables (net of allowance for uncollectibles) | 1 | 109 | 94 |
| Due from other funds | - | - | - |
| Loans receivable (net of allowance for uncollectibles) | - | - | - |
| Advances and deposits | - | - | - |
| Restricted assets: | | | |
| Other cash and investments | - | - | - |
| Leases receivable | - | - | - |
| Other assets | - | - | - |
| Total assets | $ 508 | 4,733 | 35,055 |
| **LIABILITIES** | | | |
| Accounts payable | $ 1 | 4 | 10 |
| Accrued salaries, wages and payroll taxes | - | 5 | 1,375 |
| Due to other funds | - | - | - |
| Unearned revenue | - | - | - |
| Advances, deposits, and reimbursable credits | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | 1 | 9 | 1,385 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | - | - | - |
| Leases | - | - | - |
| Total deferred inflows of resources | - | - | - |
| **FUND BALANCES** | | | |
| Restricted | - | - | - |
| Committed | 507 | - | 33,670 |
| Assigned | - | 4,724 | - |
| Unassigned | - | - | - |
| Total fund balances | 507 | 4,724 | 33,670 |
| Total liabilities, deferred inflows of resources and fund balances | $ 508 | 4,733 | 35,055 |

| Planning Development Fee Program (Fund 238) | Citywide Planning Fee Program (Fund 239) | Fire Development Fee Program (Fund 240) | Public Works Development Fee Program (Fund 241) | Public Works Small Cell Permitting Fee Program (Fund 242) | Workforce Investment Act (Funds 290-299) |
|---|---|---|---|---|---|
| 4,477 | 4,973 | 3,560 | 5,844 | - | - |
| 13 | 13 | 9 | 1,258 | 404 | 3,169 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,490 | 4,986 | 3,569 | 7,102 | 404 | 3,169 |
| - | 20 | 6 | 3 | - | 415 |
| 271 | 91 | 354 | 459 | 86 | 139 |
| - | - | - | - | 59 | 1,305 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 271 | 111 | 360 | 462 | 145 | 1,859 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 1,310 |
| 4,219 | 4,875 | 3,209 | 6,640 | 259 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,219 | 4,875 | 3,209 | 6,640 | 259 | 1,310 |
| 4,490 | 4,986 | 3,569 | 7,102 | 404 | 3,169 |

(Continued)

# City of San José
# Combining Balance Sheet
# Nonmajor Special Revenue Funds
# June 30, 2022
# ($000's)

| | Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496) | Ng Shing Gung Capital Maintenance (Fund 303) | Subdivision Park Trust (Fund 375) |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ 15,370 | 96 | 98,115 |
| Receivables (net of allowance for uncollectibles) | 792 | - | 6,384 |
| Due from other funds | - | - | - |
| Loans receivable (net of allowance for uncollectibles) | - | - | - |
| Advances and deposits | - | - | - |
| Restricted assets: | | | |
| Other cash and investments | - | - | - |
| Leases receivable | - | - | - |
| Other assets | - | - | - |
| Total assets | $ 16,162 | 96 | 104,499 |
| **LIABILITIES** | | | |
| Accounts payable | 347 | - | 1,225 |
| Accrued salaries, wages and payroll taxes | 94 | - | 94 |
| Due to other funds | - | - | - |
| Unearned revenue | 77 | - | - |
| Advances, deposits, and reimbursable credits | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | 518 | - | 1,319 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | - | - | 1,000 |
| Leases | - | - | - |
| Total deferred inflows of resources | - | - | 1,000 |
| **FUND BALANCES** | | | |
| Restricted | 15,644 | - | 102,180 |
| Committed | - | - | - |
| Assigned | - | 96 | - |
| Unassigned | - | - | - |
| Total fund balances | 15,644 | 96 | 102,180 |
| Total liabilities, deferred inflows of resources and fund balances | $ 16,162 | 96 | 104,499 |

| Construction and Property Conveyance Tax (Funds 377-378, 380-398) | 1943 Gas Tax Maintenance and Construction (Fund 409) | 1964 Gas Tax Maintenance and Construction (Funds 410-411) | Storm Drainage Fee (Funds 413, 427) | Supplemental Local Law Enforcement (Fund 414) | Underground Utility (Fund 416) |
|---|---|---|---|---|---|
| 124,261 | - | - | 591 | 3,425 | 10,205 |
| 7,782 | 1,315 | 1,500 | 2 | 9 | 348 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,841 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 133,884 | 1,315 | 1,500 | 593 | 3,434 | 10,553 |
| 830 | - | - | 16 | 19 | 80 |
| 699 | - | - | - | - | 11 |
| 566 | 1,315 | 1,500 | - | - | - |
| 1,832 | - | - | - | 3,305 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3,927 | 1,315 | 1,500 | 16 | 3,324 | 91 |
| 792 | - | - | - | - | - |
| - | - | - | - | - | - |
| 792 | - | - | - | - | - |
| 129,165 | - | - | 577 | 110 | 10,462 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 129,165 | - | - | 577 | 110 | 10,462 |
| 133,884 | 1,315 | 1,500 | 593 | 3,434 | 10,553 |

(Continued)

# City of San José
# Combining Balance Sheet
# Nonmajor Special Revenue Funds
# June 30, 2022
# ($000's)

| | State Drug Forfeiture (Fund 417) | Library Parcel Tax (Funds 418, 483) | Federal Drug Forfeiture (Fund 419, 487-488) |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ 2 | 5,809 | - |
| Receivables (net of allowance for uncollectibles) | - | 6 | - |
| Due from other funds | - | - | - |
| Loans receivable (net of allowance for uncollectibles) | - | - | - |
| Advances and deposits | - | - | - |
| Restricted assets: | | | |
| Other cash and investments | 1,193 | - | 8 |
| Leases receivable | - | - | - |
| Other assets | - | - | - |
| Total assets | $ 1,195 | 5,815 | 8 |
| **LIABILITIES** | | | |
| Accounts payable | - | 79 | - |
| Accrued salaries, wages and payroll taxes | - | 397 | - |
| Due to other funds | 146 | - | - |
| Unearned revenue | - | - | - |
| Advances, deposits, and reimbursable credits | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | 146 | 476 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | - | - | - |
| Leases | - | - | - |
| Total deferred inflows of resources | - | - | - |
| **FUND BALANCES** | | | |
| Restricted | 1,049 | 5,339 | 8 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | 1,049 | 5,339 | 8 |
| Total liabilities, deferred inflows of resources and fund balances | $ 1,195 | 5,815 | 8 |

| Residential Construction Tax Contribution (Fund 420) | Arterial and Major Collectors (Fund 421) | Community Facility Revenues (Funds 422,432,438) | Integrated Waste Management (Fund 423) | Building and Structures Construction Tax (Fund 429) | Development Enhancement (Fund 439) |
|---|---|---|---|---|---|
| 2,815 | 1,424 | 1,765 | 44,709 | 94,317 | - |
| 8 | 5 | 105 | 7,093 | 957 | - |
| - | - | - | - | 7,791 | - |
| - | - | - | - | - | - |
| - | - | - | - | 3 | - |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | 697 | - | - |
| - | - | - | - | - | 20 |
| 2,823 | 1,429 | 1,870 | 52,499 | 103,068 | 20 |
| | | | | | |
| - | - | - | 13,466 | 1,645 | - |
| - | - | - | 485 | 665 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 6,171 | - | - |
| - | - | - | 5 | - | - |
| - | - | - | 20,127 | 2,310 | - |
| | | | | | |
| - | - | - | 366 | - | - |
| - | - | - | 665 | - | - |
| - | - | - | 1,031 | - | - |
| | | | | | |
| - | - | - | - | 100,758 | - |
| 2,823 | 1,429 | - | 31,341 | - | - |
| - | - | 1,870 | - | - | 20 |
| - | - | - | - | - | - |
| 2,823 | 1,429 | 1,870 | 31,341 | 100,758 | 20 |
| | | | | | |
| 2,823 | 1,429 | 1,870 | 52,499 | 103,068 | 20 |

(Continued)

# City of San José
# Combining Balance Sheet
# Nonmajor Special Revenue Funds
# June 30, 2022
# ($000's)

| | Community Development Block Grant (Funds 441, 304) | Economic Development Administration Loans (Fund 444) | Storm Drainage Service Use Charge (Funds 446, 469) |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ - | 7 | 45,148 |
| Receivables (net of allowance for uncollectibles) | 8,490 | - | 465 |
| Due from other funds | - | - | - |
| Loans receivable (net of allowance for uncollectibles) | 2,426 | - | - |
| Advances and deposits | - | - | - |
| Restricted assets: | | | |
| Other cash and investments | 5 | - | - |
| Leases receivable | - | - | - |
| Other assets | 1,904 | - | - |
| Total assets | $ 12,825 | 7 | 45,613 |
| **LIABILITIES** | | | |
| Accounts payable | 1,908 | - | 663 |
| Accrued salaries, wages and payroll taxes | 75 | - | 837 |
| Due to other funds | 6,486 | - | - |
| Unearned revenue | - | - | - |
| Advances, deposits, and reimbursable credits | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | 8,469 | - | 1,500 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | 2,669 | - | - |
| Leases | - | - | - |
| Total deferred inflows of resources | 2,669 | - | - |
| **FUND BALANCES** | | | |
| Restricted | 1,687 | 7 | 44,113 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | 1,687 | 7 | 44,113 |
| Total liabilities, deferred inflows of resources and fund balances | $ 12,825 | 7 | 45,613 |

| Transient Occupancy Tax (Fund 461) | Lake Cunningham (Fund 462) | Edward Byrne Memorial Justice (Funds 474, 477) | Municipal Golf Courses (Fund 518) | Convention and Cultural Facilities (Funds 536, 481, 560, 489) | Total |
|---|---|---|---|---|---|
| 3,507 | 1,412 | 45 | 2,535 | 2,190 | 516,694 |
| 2,599 | 93 | 2 | 195 | 2,466 | 45,686 |
| - | - | - | - | - | 7,791 |
| - | - | - | - | - | 2,426 |
| - | - | - | - | 174 | 177 |
| - | - | - | - | 11,862 | 14,909 |
| - | - | - | - | - | 697 |
| - | - | - | - | - | 1,924 |
| 6,106 | 1,505 | 47 | 2,730 | 16,692 | 590,304 |
| 7 | 8 | 16 | 42 | 1 | 20,811 |
| 98 | 1 | 1 | - | - | 6,237 |
| - | - | - | - | - | 11,377 |
| - | - | 50 | - | 9,060 | 14,324 |
| - | - | - | - | - | 6,171 |
| - | - | - | - | 4,459 | 4,464 |
| 105 | 9 | 67 | 42 | 13,520 | 63,384 |
| - | - | - | - | - | 4,827 |
| - | - | - | - | - | 665 |
| - | - | - | - | - | 5,492 |
| - | - | - | - | 174 | 412,583 |
| 6,001 | 1,496 | - | 2,688 | 2,998 | 102,155 |
| - | - | - | - | - | 6,710 |
| - | - | (20) | - | - | (20) |
| 6,001 | 1,496 | (20) | 2,688 | 3,172 | 521,428 |
| 6,106 | 1,505 | 47 | 2,730 | 16,692 | 590,304 |

# City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Special Revenue Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Prusch Memorial Park (Fund 131) | Gift Trust (Fund 139) | Building Development Fee Program (Fund 237) |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ - | - | - |
| Intergovernmental | - | - | - |
| Charges for current services | - | - | - |
| Rent | 98 | - | - |
| Investment income (loss) | (10) | (89) | (751) |
| Other revenues | - | 1,023 | 36,306 |
| Total revenues | 88 | 934 | 35,555 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Community services | 35 | 471 | 33,936 |
| Sanitation | - | - | - |
| Capital maintenance | - | - | - |
| Capital outlay | 35 | - | - |
| Total expenditures | 70 | 471 | 33,936 |
| Excess (deficiency) of revenues over (under) expenditures | 18 | 463 | 1,619 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds issued | - | - | - |
| Bond premium | - | - | - |
| Proceeds from sale of capital assets | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | (1,057) |
| Total other financing sources (uses) | - | - | (1,057) |
| Net change in fund balances | 18 | 463 | 562 |
| Fund balances - beginning | 489 | 4,261 | 33,108 |
| Fund balances - ending | $ 507 | 4,724 | 33,670 |

| Planning Development Fee Program (Fund 238) | Citywide Planning Fee Program (Fund 239) | Fire Development Fee Program (Fund 240) | Public Works Development Fee Program (Fund 241) | Public Works Small Cell Permitting Fee Program (Fund 242) | Workforce Investment Act (Funds 290-299) |
|---|---|---|---|---|---|
| - | - | - | - | - | - |
| 2 | - | - | - | - | 7,355 |
| 8,195 | 3,403 | - | 14,436 | 2,887 | - |
| - | - | - | - | - | - |
| (110) | (99) | (88) | (142) | (10) | - |
| 18 | - | 6,943 | - | - | - |
| 8,105 | 3,304 | 6,855 | 14,294 | 2,877 | 7,355 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 7,074 | 2,614 | 9,500 | 14,657 | 4,047 | 7,330 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 6 | - | - |
| 7,074 | 2,614 | 9,500 | 14,663 | 4,047 | 7,330 |
| 1,031 | 690 | (2,645) | (369) | (1,170) | 25 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (227) | (99) | (25) | (195) | (58) | - |
| (227) | (99) | (25) | (195) | (58) | - |
| 804 | 591 | (2,670) | (564) | (1,228) | 25 |
| 3,415 | 4,284 | 5,879 | 7,204 | 1,487 | 1,285 |
| 4,219 | 4,875 | 3,209 | 6,640 | 259 | 1,310 |

(Continued)

# City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Special Revenue Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496) | Ng Shing Gung Capital Maintenance (Fund 303) | Subdivision Park Trust (Fund 375) |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ 13,075 | - | - |
| Intergovernmental | - | - | 1,114 |
| Charges for current services | - | - | 22,359 |
| Rent | - | - | - |
| Investment income (loss) | (229) | (2) | (1,969) |
| Other revenues | 113 | 2 | 3 |
| Total revenues | 12,959 | - | 21,507 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Community services | - | - | - |
| Sanitation | - | - | - |
| Capital maintenance | 14,725 | - | 4,816 |
| Capital outlay | - | - | 4,825 |
| Total expenditures | 14,725 | - | 9,641 |
| Excess (deficiency) of revenues over (under) expenditures | (1,766) | - | 11,866 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds issued | - | - | - |
| Bond premium | - | - | - |
| Proceeds from sale of capital assets | - | - | - |
| Transfers in | 1,176 | 3 | - |
| Transfers out | (20) | - | (240) |
| Total other financing sources (uses) | 1,156 | 3 | (240) |
| Net change in fund balances | (610) | 3 | 11,626 |
| Fund balances - beginning | 16,254 | 93 | 90,554 |
| Fund balances - ending | $ 15,644 | 96 | 102,180 |

| Construction and Property Conveyance Tax (Funds 377-378, 380-398) | 1943 Gas Tax Maintenance and Construction (Fund 409) | 1964 Gas Tax Maintenance and Construction (Funds 410-411) | Storm Drainage Fee (Funds 413, 427) | Supplemental Local Law Enforcement (Fund 414) | Underground Utility (Fund 416) |
|---|---|---|---|---|---|
| 64,457 | - | - | - | - | - |
| 1,877 | 6,800 | 9,003 | 4 | 2,038 | 1,165 |
| 257 | - | - | 107 | - | - |
| - | - | - | - | - | - |
| (2,455) | - | - | (13) | (69) | (203) |
| 639 | - | - | - | - | - |
| 64,775 | 6,800 | 9,003 | 98 | 1,969 | 962 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | 2,031 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 37,186 | 6,800 | 9,003 | 229 | - | 412 |
| 8,956 | - | - | - | 4 | - |
| 46,142 | 6,800 | 9,003 | 229 | 2,035 | 412 |
| 18,633 | - | - | (131) | (66) | 550 |
| | | | | | |
| 6,411 | - | - | - | - | - |
| 1,189 | - | - | - | - | - |
| - | - | - | - | - | - |
| 6,950 | - | - | - | - | - |
| (10,173) | - | - | (7) | - | (10) |
| 4,377 | - | - | (7) | - | (10) |
| 23,010 | - | - | (138) | (66) | 540 |
| 106,155 | - | - | 715 | 176 | 9,922 |
| 129,165 | - | - | 577 | 110 | 10,462 |

(Continued)

# City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Special Revenue Funds
## For the Year Ended June 30, 2022
## ($000's)

| | State Drug Forfeiture (Fund 417) | Library Parcel Tax (Funds 418, 483) | Federal Drug Forfeiture (Fund 419, 487-488) |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ - | 10,075 | - |
| Intergovernmental | - | - | - |
| Charges for current services | - | - | - |
| Rent | - | - | - |
| Investment income (loss) | 2 | (31) | (1) |
| Other revenues | 641 | - | - |
| Total revenues | 643 | 10,044 | (1) |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | 150 | - | - |
| Community services | - | 9,661 | - |
| Sanitation | - | - | - |
| Capital maintenance | - | 1,747 | - |
| Capital outlay | - | - | - |
| Total expenditures | 150 | 11,408 | - |
| Excess (deficiency) of revenues over (under) expenditures | 493 | (1,364) | (1) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds issued | - | - | - |
| Bond premium | - | - | - |
| Proceeds from sale of capital assets | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | (46) | - |
| Total other financing sources (uses) | - | (46) | - |
| Net change in fund balances | 493 | (1,410) | (1) |
| Fund balances - beginning | 556 | 6,749 | 9 |
| Fund balances - ending | $ 1,049 | 5,339 | 8 |

| Residential Construction Tax Contribution (Fund 420) | Arterial and Major Collectors (Fund 421) | Community Facility Revenue (Funds 422,432,438) | Integrated Waste Management (Fund 423) | Building and Structures Construction Tax (Fund 429) | Development Enhancement (Fund 439) |
|---|---|---|---|---|---|
| 204 | - | - | - | 21,226 | - |
| - | - | - | 1,452 | 4,216 | - |
| - | 7 | - | 181,650 | - | - |
| - | - | 1,819 | 459 | - | - |
| (57) | (40) | (20) | 100 | (2,084) | - |
| - | - | - | 37 | 164 | - |
| 147 | (33) | 1,799 | 183,698 | 23,522 | - |
| | | | | | |
| - | - | 105 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 179,093 | - | - |
| 39 | - | - | - | 21,752 | - |
| - | 350 | - | - | 3,311 | - |
| 39 | 350 | 105 | 179,093 | 25,063 | - |
| 108 | (383) | 1,694 | 4,605 | (1,541) | - |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 3,817 | - | - |
| - | - | - | 102 | - | - |
| (26) | - | (12) | (447) | (429) | - |
| (26) | - | (12) | 3,472 | (429) | - |
| 82 | (383) | 1,682 | 8,077 | (1,970) | - |
| 2,741 | 1,812 | 188 | 23,264 | 102,728 | 20 |
| 2,823 | 1,429 | 1,870 | 31,341 | 100,758 | 20 |

(Continued)

# City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Special Revenue Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Community Development Block Grant (Funds 441, 304) | Economic Development Administration Loans (Fund 444) | Storm Drainage Service Use Charge (Funds 446, 469) |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ - | - | - |
| Intergovernmental | 14,561 | - | 263 |
| Charges for current services | - | - | 33,853 |
| Rent | - | - | - |
| Investment income (loss) | - | - | (598) |
| Other revenues | - | - | 100 |
| Total revenues | 14,561 | - | 33,618 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Community services | 13,485 | - | - |
| Sanitation | - | - | 25,405 |
| Capital maintenance | 1,294 | - | 4,717 |
| Capital outlay | - | - | 2,133 |
| Total expenditures | 14,779 | - | 32,255 |
| Excess (deficiency) of revenues over (under) expenditures | (218) | - | 1,363 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bonds issued | - | - | - |
| Bond premium | - | - | - |
| Proceeds from sale of capital assets | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | (492) |
| Total other financing sources (uses) | - | - | (492) |
| Net change in fund balances | (218) | - | 871 |
| Fund balances - beginning | 1,905 | 7 | 43,242 |
| Fund balances - ending | $ 1,687 | 7 | 44,113 |

| Transient Occupancy Tax (Fund 461) | Lake Cunningham (Fund 462) | Edward Byrne Memorial Justice (Funds 474, 477) | Municipal Golf Courses (Fund 518) | Convention and Cultural Facilities (Funds 536, 481, 560, 489) | Total |
|---|---|---|---|---|---|
| 15,769 | - | - | - | - | 124,806 |
| - | - | 168 | - | - | 50,018 |
| - | 592 | - | 1,022 | 2,037 | 270,805 |
| - | - | - | - | 29,132 | 31,508 |
| (48) | (28) | (1) | (90) | (372) | (9,507) |
| 17 | - | - | - | 50 | 46,056 |
| 15,738 | 564 | 167 | 932 | 30,847 | 513,686 |
| | | | | | |
| - | - | - | - | - | 105 |
| - | - | 167 | - | - | 2,348 |
| 6,327 | - | - | - | 38,168 | 147,305 |
| - | - | - | - | - | 204,498 |
| - | 519 | - | 263 | 920 | 104,422 |
| - | - | - | - | 22 | 19,642 |
| 6,327 | 519 | 167 | 263 | 39,110 | 478,320 |
| | | | | | |
| 9,411 | 45 | - | 669 | (8,263) | 35,366 |
| | | | | | |
| - | - | - | - | - | 6,411 |
| - | - | - | - | - | 1,189 |
| - | - | - | - | - | 3,817 |
| - | - | - | - | 8,890 | 17,121 |
| (6,433) | (226) | - | - | (907) | (21,129) |
| (6,433) | (226) | - | - | 7,983 | 7,409 |
| | | | | | |
| 2,978 | (181) | - | 669 | (280) | 42,775 |
| | | | | | |
| 3,023 | 1,677 | (20) | 2,019 | 3,452 | 478,653 |
| 6,001 | 1,496 | (20) | 2,688 | 3,172 | 521,428 |

# 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, 2022
## ($000's)

| | Prusch Memorial Park (Fund 131) | | | Gift Trust (Fund 139) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for current services | - | - | - | - | - | - |
| Rent | 99 | 99 | - | - | - | - |
| Investment income | 8 | 5 | (3) | 299 | 42 | (257) |
| Other revenues | - | - | - | - | 1,024 | 1,024 |
| Total revenues | 107 | 104 | (3) | 299 | 1,066 | 767 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | 360 | 36 | (324) | 4,897 | 901 | (3,996) |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | - | - | - | - | - | - |
| Capital outlay | 35 | 35 | - | - | - | - |
| Total expenditures | 395 | 71 | (324) | 4,897 | 901 | (3,996) |
| Excess (deficiency) of revenues over (under) expenditures | (288) | 33 | 321 | (4,598) | 165 | 4,763 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | $ (288) | 33 | 321 | (4,598) | 165 | 4,763 |
| Fund balances - beginning | | 487 | | | 4,204 | |
| Fund balance adjustment | | - | | | (66) | |
| Prior year encumbrances | | - | | | 103 | |
| Fund balances - ending | | $ 520 | | | $ 4,406 | |

| Building Development Fee Program (Fund 237) | | | Planning Development Fee Program (Fund 238) | | | Citywide Planning Fee Program (Fund 239) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 1 | 2 | 1 | - | - | - |
| - | - | - | 7,706 | 8,195 | 489 | 3,283 | 3,402 | 119 |
| - | - | - | - | - | - | - | - | - |
| 340 | 269 | (71) | 31 | 33 | 2 | 31 | 38 | 7 |
| 34,178 | 36,306 | 2,128 | 1 | 18 | 17 | - | - | - |
| 34,518 | 36,575 | 2,057 | 7,739 | 8,248 | 509 | 3,314 | 3,440 | 126 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 38,439 | 34,414 | (4,025) | 7,527 | 7,082 | (445) | 4,538 | 2,821 | (1,717) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 38,439 | 34,414 | (4,025) | 7,527 | 7,082 | (445) | 4,538 | 2,821 | (1,717) |
| (3,921) | 2,161 | 6,082 | 212 | 1,166 | 954 | (1,224) | 619 | 1,843 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| (1,057) | (1,057) | - | (227) | (227) | - | (99) | (99) | - |
| (1,057) | (1,057) | - | (227) | (227) | - | (99) | (99) | - |
| (4,978) | 1,104 | 6,082 | (15) | 939 | 954 | (1,323) | 520 | 1,843 |
| | 32,539 | | | 3,373 | | | 4,044 | |
| | - | | | - | | | - | |
| | 384 | | | 24 | | | 218 | |
| | $ 34,027 | | | $ 4,336 | | | $ 4,782 | |

(Continued)

# 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, 2022
# ($000's)

| | Fire Development Fee Program (Fund 240) | | | Public Works Development Fee Program (Fund 241) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for current services | - | - | - | 13,000 | 14,436 | 1,436 |
| Rent | - | - | - | - | - | - |
| Investment income | 144 | 32 | (112) | 125 | 47 | (78) |
| Other revenues | 7,536 | 6,943 | (593) | - | - | - |
| Total revenues | 7,680 | 6,975 | (705) | 13,125 | 14,483 | 1,358 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | 10,207 | 9,903 | (304) | 15,121 | 14,717 | (404) |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | - | - | - | - | - | - |
| Capital outlay | - | - | - | 6 | 6 | - |
| Total expenditures | 10,207 | 9,903 | (304) | 15,127 | 14,723 | (404) |
| Excess (deficiency) of revenues over (under) expenditures | (2,527) | (2,928) | (401) | (2,002) | (240) | 1,762 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (25) | (25) | - | (195) | (195) | - |
| Total other financing sources (uses) | (25) | (25) | - | (195) | (195) | - |
| Net change in fund balances | $ (2,552) | (2,953) | (401) | (2,197) | (435) | 1,762 |
| Fund balances - beginning | | 5,434 | | | 7,093 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | 406 | | | 66 | |
| Fund balances - ending | | $ 2,887 | | | $ 6,724 | |

| Public Works Small Cell Permitting Fee Program (Fund 242) | | | Workforce Investment Act (Funds 290-299) | | | Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| - | - | - | - | - | - | 9,860 | 13,075 | 3,215 |
| - | - | - | 22,666 | 7,355 | (15,311) | - | - | - |
| 4,169 | 2,887 | (1,282) | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 10 | 1 | (9) | - | - | - | 186 | 112 | (74) |
| - | - | - | (77) | - | 77 | 2,644 | 112 | (2,532) |
| 4,179 | 2,888 | (1,291) | 22,589 | 7,355 | (15,234) | 12,690 | 13,299 | 609 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 4,469 | 4,046 | (423) | 12,174 | 7,376 | (4,798) | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 17,183 | 14,919 | (2,264) |
| - | - | - | - | - | - | - | - | - |
| 4,469 | 4,046 | (423) | 12,174 | 7,376 | (4,798) | 17,183 | 14,919 | (2,264) |
| (290) | (1,158) | (868) | 10,415 | (21) | (10,436) | (4,493) | (1,620) | 2,873 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,176 | 1,176 | - |
| (58) | (58) | - | - | - | - | (20) | (20) | - |
| (58) | (58) | - | - | - | - | 1,156 | 1,156 | - |
| (348) | (1,216) | (868) | 10,415 | (21) | (10,436) | (3,337) | (464) | 2,873 |
| | 1,476 | | | 1,072 | | | 15,930 | |
| | - | | | - | | | - | |
| | - | | | 213 | | | 278 | |
| | $ 260 | | | $ 1,264 | | | $ 15,744 | |

(Continued)

**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, 2022**
**($000's)**

| | Ng Shing Gung Capital Maintenance (Fund 303) | | | Subdivision Park Trust (Fund 375) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 1,114 | 1,114 |
| Charges for current services | - | - | - | - | 22,359 | 22,359 |
| Rent | - | - | - | - | - | - |
| Investment income | - | 1 | 1 | - | 837 | 837 |
| Other revenues | - | 2 | 2 | - | 3 | 3 |
| Total revenues | - | 3 | 3 | - | 24,313 | 24,313 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | - | - | - | 35,485 | 10,417 | (25,068) |
| Capital outlay | - | - | - | 4,825 | 4,825 | - |
| Total expenditures | - | - | - | 40,310 | 15,242 | (25,068) |
| Excess (deficiency) of revenues over (under) expenditures | - | 3 | 3 | (40,310) | 9,071 | 49,381 |
| **OTHER FINANCING RESOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | 3 | 3 | - | - | - |
| Transfers out | - | - | - | (240) | (480) | (240) |
| Total other financing sources (uses) | - | 3 | 3 | (240) | (480) | (240) |
| Net change in fund balances | $ - | 6 | 6 | (40,550) | 8,591 | 49,141 |
| Fund balances - beginning | | 93 | | | 85,949 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | - | | | 4,179 | |
| Fund balances - ending | | $ 99 | | | $ 98,719 | |

| Construction and Property Conveyance Tax (Funds 377-378, 380-398) | | | 1943 Gas Tax Maintenance and Construction (Fund 409) | | | 1964 Gas Tax Maintenance and Construction (Funds 410-411) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| 60,000 | 64,458 | 4,458 | - | - | - | - | - | - |
| 6,184 | 1,877 | (4,307) | 7,200 | 6,800 | (400) | 8,800 | 9,003 | 203 |
| 275 | 257 | (18) | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 1,400 | 995 | (405) | - | - | - | - | - | - |
| 1,032 | 639 | (393) | - | - | - | - | - | - |
| 68,891 | 68,226 | (665) | 7,200 | 6,800 | (400) | 8,800 | 9,003 | 203 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 105,338 | 47,054 | (58,284) | 7,200 | 6,800 | (400) | 8,800 | 9,003 | 203 |
| 8,956 | 8,956 | - | - | - | - | - | - | - |
| 114,294 | 56,010 | (58,284) | 7,200 | 6,800 | (400) | 8,800 | 9,003 | 203 |
| (45,403) | 12,216 | 57,619 | - | - | - | - | - | - |
| 14,014 | 6,411 | (7,603) | - | - | - | - | - | - |
| - | 1,189 | 1,189 | - | - | - | - | - | - |
| 4,549 | 6,950 | 2,401 | - | - | - | - | - | - |
| (5,219) | (10,173) | (4,954) | - | - | - | - | - | - |
| 13,344 | 4,377 | (8,967) | - | - | - | - | - | - |
| (32,059) | 16,593 | 48,652 | - | - | - | - | - | - |
| | 97,893 | | | - | | | - | |
| | - | | | - | | | - | |
| | 7,770 | | | - | | | - | |
| | $ 122,256 | | | $ - | | | $ - | |

(Continued)

# 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, 2022
# ($000's)

| | Storm Drainage Fee (Funds 413, 427) | | | Supplemental Local Law Enforcement (Fund 414) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ - | - | - | - | - | - |
| Intergovernmental | 4 | 4 | - | 4,623 | 2,555 | (2,068) |
| Charges for current services | 200 | 107 | (93) | - | - | - |
| Rent | - | - | - | - | - | - |
| Investment income | 21 | 6 | (15) | - | 30 | 30 |
| Other revenues | - | - | - | - | - | - |
| Total revenues | 225 | 117 | (108) | 4,623 | 2,585 | (2,038) |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | 4,637 | 2,903 | (1,734) |
| Community services | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | 433 | 296 | (137) | - | - | - |
| Capital outlay | - | - | - | 4 | 4 | - |
| Total expenditures | 433 | 296 | (137) | 4,641 | 2,907 | (1,734) |
| Excess (deficiency) of revenues over (under) expenditures | (208) | (179) | 29 | (18) | (322) | (304) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (11) | (8) | 3 | - | - | - |
| Total other financing sources (uses) | (11) | (8) | 3 | - | - | - |
| Net change in fund balances | $ (219) | (187) | 32 | $ (18) | (322) | (304) |
| Fund balances - beginning | | 539 | | | 2,747 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | 173 | | | 202 | |
| Fund balances - ending | | $ 525 | | | $ 2,627 | |

| Underground Utility (Fund 416) | | | State Drug Forfeiture (Fund 417) | | | Library Parcel Tax (Fund 418, 483) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| - | - | - | - | - | - | 10,035 | 10,075 | 40 |
| 846 | 1,165 | 319 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 85 | 90 | 5 | - | 2 | 2 | 100 | 36 | (64) |
| - | - | - | - | 641 | 641 | - | - | - |
| 931 | 1,255 | 324 | - | 643 | 643 | 10,135 | 10,111 | (24) |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 150 | 150 | - | - | - | - |
| - | - | - | - | - | - | 10,287 | 9,866 | (421) |
| - | - | - | - | - | - | - | - | - |
| 2,132 | 442 | (1,690) | - | - | - | 2,353 | 1,918 | (435) |
| - | - | - | - | - | - | - | - | - |
| 2,132 | 442 | (1,690) | 150 | 150 | - | 12,640 | 11,784 | (856) |
| | | | | | | | | |
| (1,201) | 813 | 2,014 | (150) | 493 | 643 | (2,505) | (1,673) | 832 |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| (10) | (10) | - | - | - | - | (46) | (46) | - |
| (10) | (10) | - | - | - | - | (46) | (46) | - |
| | | | | | | | | |
| (1,211) | 803 | 2,014 | (150) | 493 | 643 | (2,551) | (1,719) | 832 |
| | 9,744 | | | 556 | | | 6,214 | |
| | - | | | - | | | - | |
| | 131 | | | - | | | 519 | |
| | $ 10,678 | | | $ 1,049 | | | $ 5,014 | |

(Continued)

# 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, 2022
## ($000's)

| | Federal Drug Forfeiture (Fund 419, 487, 488) | | | Residential Construction Tax Contribution (Fund 420) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ - | - | - | 200 | 204 | 4 |
| Intergovernmental | - | - | - | - | - | - |
| Charges for current services | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - |
| Investment income | - | (1) | (1) | 40 | 24 | (16) |
| Other revenues | - | - | - | - | - | - |
| Total revenues | - | (1) | (1) | 240 | 228 | (12) |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | (100) | (100) | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | - | - | - | 391 | 39 | (352) |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | - | (100) | (100) | 391 | 39 | (352) |
| Excess (deficiency) of revenues over (under) expenditures | - | 99 | 99 | (151) | 189 | 340 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | (100) | (100) | (42) | (26) | 16 |
| Total other financing sources (uses) | - | (100) | (100) | (42) | (26) | 16 |
| Net change in fund balances | $ - | (1) | (1) | (193) | 163 | 356 |
| Fund balances - beginning | | 9 | | | 2,728 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | - | | | - | |
| Fund balances - ending | | $ 8 | | | $ 2,891 | |

| Arterial and Major Collectors (Fund 421) | | | Community Facility Revenue (Funds 422, 432, 438) | | | Integrated Waste Management (Fund 423) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 1,452 | 1,452 |
| - | 7 | 7 | - | - | - | 202,222 | 181,650 | (20,572) |
| - | - | - | 865 | 1,818 | 953 | 505 | 459 | (46) |
| 32 | 18 | (14) | 80 | 4 | (76) | 403 | 193 | (210) |
| - | - | - | - | - | - | - | 37 | 37 |
| 32 | 25 | (7) | 945 | 1,822 | 877 | 203,130 | 183,791 | (19,339) |
| - | - | - | 205 | 205 | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 190,370 | 186,248 | (4,122) |
| - | - | - | - | - | - | - | - | - |
| 350 | 350 | - | - | - | - | - | - | - |
| 350 | 350 | - | 205 | 205 | - | 190,370 | 186,248 | (4,122) |
| (318) | (325) | (7) | 740 | 1,617 | 877 | 12,760 | (2,457) | (15,217) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 102 | 102 |
| - | - | - | (12) | (12) | - | (447) | (447) | - |
| - | - | - | (12) | (12) | - | (447) | (345) | 102 |
| (318) | (325) | (7) | 728 | 1,605 | 877 | 12,313 | (2,802) | (15,115) |
| | 1,802 | | | 79 | | | 23,264 | |
| | - | | | - | | | - | |
| | - | | | 100 | | | 2,885 | |
| | $ 1,477 | | | $ 1,784 | | | $ 23,347 | |

(Continued)

# 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, 2022
## ($000's)

| | Building and Structures Construction Tax (Fund 429) | | | Development Enhancement (Fund 439) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ 28,062 | 21,225 | (6,837) | - | - | - |
| Intergovernmental | 46,259 | 4,216 | (42,043) | - | - | - |
| Charges for current services | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - |
| Investment income | 1,236 | 891 | (345) | - | - | - |
| Other revenues | - | 164 | 164 | - | - | - |
| Total revenues | 75,557 | 26,496 | (49,061) | - | - | - |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | 109,275 | 25,626 | (83,649) | - | - | - |
| Capital outlay | 3,311 | 3,311 | - | - | - | - |
| Total expenditures | 112,586 | 28,937 | (83,649) | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | (37,029) | (2,441) | 34,588 | - | - | - |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (429) | (429) | - | - | - | - |
| Total other financing sources (uses) | (429) | (429) | - | - | - | - |
| Net change in fund balances | $ (37,458) | (2,870) | 34,588 | - | - | - |
| Fund balances - beginning | | 97,458 | | | 20 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | 4,757 | | | - | |
| Fund balances - ending | | $ 99,345 | | | $ 20 | |

| Community Development Block Grant (Funds 441, 304) | | | Economic Development Administration Loans (Fund 444) | | | Storm Drainage Service Use Charge (Funds 446, 469) | | |
|---|---|---|---|---|---|---|---|---|
| Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| - | - | - | - | - | - | - | - | - |
| 20,780 | 14,743 | (6,037) | - | - | - | 3,404 | 263 | (3,141) |
| - | - | - | - | - | - | 34,148 | 33,853 | (295) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 553 | 300 | (253) |
| - | - | - | - | - | - | - | 100 | 100 |
| 20,780 | 14,743 | (6,037) | - | - | - | 38,105 | 34,516 | (3,589) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 25,917 | 18,456 | (7,461) | - | - | - | - | - | - |
| - | - | - | - | - | - | 28,454 | 26,513 | (1,941) |
| 1,917 | 1,293 | (624) | - | - | - | 24,351 | 7,528 | (16,823) |
| - | - | - | - | - | - | 2,133 | 2,133 | - |
| 27,834 | 19,749 | (8,085) | - | - | - | 54,938 | 36,174 | (18,764) |
| (7,054) | (5,006) | 2,048 | - | - | - | (16,833) | (1,658) | 15,175 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | (492) | (492) | - |
| - | - | - | - | - | - | (492) | (492) | - |
| (7,054) | (5,006) | 2,048 | - | - | - | (17,325) | (2,150) | 15,175 |
| | 3,911 | | | 7 | | | 40,603 | |
| | - | | | - | | | - | |
| | 4,979 | | | - | | | 2,533 | |
| | $ 3,884 | | | $ 7 | | | $ 40,986 | |

(Continued)

# 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, 2022
## ($000's)

| | Transient Occupancy Tax (Fund 461) | | | Lake Cunningham (Fund 462) | | |
|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| **REVENUES** | | | | | | |
| Taxes and special assessments | $ 13,500 | 15,769 | 2,269 | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for current services | - | - | - | 115 | 591 | 476 |
| Rent | - | - | - | - | - | - |
| Investment income | 25 | 6 | (19) | 33 | (19) | (52) |
| Other revenues | 30 | 18 | (12) | - | - | - |
| Total revenues | 13,555 | 15,793 | 2,238 | 148 | 572 | 424 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Community services | 8,313 | 7,003 | (1,310) | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Capital maintenance | - | - | - | 1,095 | 554 | (541) |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | 8,313 | 7,003 | (1,310) | 1,095 | 554 | (541) |
| Excess (deficiency) of revenues over (under) expenditures | 5,242 | 8,790 | 3,548 | (947) | 18 | 965 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Bonds issued | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (6,390) | (6,433) | (43) | (226) | (226) | - |
| Total other financing sources (uses) | (6,390) | (6,433) | (43) | (226) | (226) | - |
| Net change in fund balances | $ (1,148) | 2,357 | 3,505 | (1,173) | (208) | 965 |
| Fund balances - beginning | | 2,068 | | | 1,447 | |
| Fund balance adjustment | | - | | | - | |
| Prior year encumbrances | | 950 | | | 222 | |
| Fund balances - ending | | $ 5,375 | | | $ 1,461 | |

| | Edward Byrne Memorial Justice (Funds 474, 477) | | | Municipal Golf Courses (Fund 518) | | | Convention and Cultural Facilities (Funds 536, 481, 560, 489) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) | Budget | Budgetary Basis Actual | Variance Over (Under) |
| | - | - | - | - | - | - | - | - | - |
| | 1,251 | 97 | (1,154) | - | - | - | - | - | - |
| | - | - | - | 800 | 1,021 | 221 | - | 2,037 | 2,037 |
| | - | - | - | - | - | - | - | 29,132 | 29,132 |
| | - | - | - | 50 | 20 | (30) | 175 | 184 | 9 |
| | - | - | - | - | - | - | - | 50 | 50 |
| | 1,251 | 97 | (1,154) | 850 | 1,041 | 191 | 175 | 31,403 | 31,228 |
| | - | - | - | - | - | - | - | - | - |
| | 1,351 | 397 | (954) | - | - | - | - | - | - |
| | - | - | - | - | - | - | 44,121 | 38,820 | (5,301) |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | 959 | 262 | (697) | 1,691 | 924 | (767) |
| | - | - | - | - | - | - | 22 | 22 | - |
| | 1,351 | 397 | (954) | 959 | 262 | (697) | 45,834 | 39,766 | (6,068) |
| | (100) | (300) | (200) | (109) | 779 | 888 | (45,659) | (8,363) | 37,296 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | 8,890 | 8,890 | - |
| | - | - | - | - | - | - | (907) | (907) | - |
| | - | - | - | - | - | - | 7,983 | 7,983 | - |
| | (100) | (300) | (200) | (109) | 779 | 888 | (37,676) | (380) | 37,296 |
| | | 50 | | | 1,970 | | | 3,169 | |
| | | - | | | - | | | - | |
| | | 50 | | | - | | | 180 | |
| | | $ (200) | | | $ 2,749 | | | $ 2,969 | |

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Nonmajor Debt Service Funds

# Nonmajor Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

GO Bonds Parks, Libraries & Public Safety Fund – Established to account for debt issued for construction of various libraries, parks and public safety projects. Debt repayments are funded by ad valorem property taxes.

City Hall Fund – Established to account for payments of debt service related to the construction of City Hall.

# City of San José
# Combining Balance Sheet
# Nonmajor Debt Service Funds
# June 30, 2022
# ($000's)

| | GO Bonds Parks, Libraries & Public Safety (Fund 209) | City Hall (Fund 210) | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Receivables (net of allowances for uncollectibles) | $ 307 | 1 | 308 |
| Restricted assets: | | | |
| Equity in pooled cash and investments held in City Treasury | 44,035 | 215 | 44,250 |
| Cash and investments held with fiscal agent | 8,234 | - | 8,234 |
| Total assets | $ 52,576 | 216 | 52,792 |
| **LIABILITIES** | | | |
| Accounts payable | - | 2 | 2 |
| Total liabilities | $ - | 2 | 2 |
| **FUND BALANCES** | | | |
| Restricted for debt service | 52,576 | 210 | 52,786 |
| Committed | - | 4 | 4 |
| Total fund balances | 52,576 | 214 | 52,790 |
| Total liabilities and fund balances | $ 52,576 | 216 | 52,792 |

## City of San José
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Debt Service Funds
## For the Year Ended June 30, 2022
## ($000's)

| | GO Bonds Parks, Libraries & Public Safety (Fund 209) | City Hall (Fund 210) | Total |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes and special assessments | $ 50,617 | - | 50,617 |
| Investment income (loss) | (459) | 102 | (357) |
| Total revenues | 50,158 | 102 | 50,260 |
| **EXPENDITURES** | | | |
| Debt service: | | | |
| Principal | 64,880 | - | 64,880 |
| Interest and fiscal charges | 23,661 | 5 | 23,666 |
| Total expenditures | 88,541 | 5 | 88,546 |
| Excess (deficiency) of revenues over (under) expenditures | (38,383) | 97 | (38,286) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Bond premium | 50,124 | - | 50,124 |
| Transfers in | - | 24,103 | 24,103 |
| Transfers out | (32) | (25,192) | (25,224) |
| Total other financing sources (uses) | 50,092 | (1,089) | 49,003 |
| Net change in fund balances | 11,709 | (992) | 10,717 |
| Fund balances - beginning | 40,867 | 1,206 | 42,073 |
| Fund balances - ending | $ 52,576 | 214 | 52,790 |

# Nonmajor Capital Project Funds

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

## Nonmajor Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Project Funds established by the City of San José are as follows:

Capital Improvements Funds – Established to account for assessment charges for the construction of the Alviso Ring Levee.

Construction Excise Tax Funds – Established to account for revenues and expenditures related to traffic maintenance and improvements.

Parks Bond Projects Fund – Established to account for general obligation bond proceeds for various parks construction projects.

Branch Libraries Bond Projects Fund – Established to account for general obligation bond proceeds for various library construction projects.

Neighborhood Security Bond Projects Fund – Established to account for general obligation bond proceeds to improve various libraries, parks and public safety facilities.

Ice Center Expansion Bond Fund – Established to account for lease revenue bond proceeds to fund costs related to the expansion of the Solar4America Ice Rink.

Public Safety and Infrastructure Bond Fund – Established to account for general obligation bond proceeds to improve infrastructure and public safety facilities.

# City of San José
# Combining Balance Sheet
# Nonmajor Capital Project Funds
# June 30, 2022
# ($000's)

| | | Capital Improvements (Funds 408, 424, 476) | Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486) |
|---|---|---|---|
| **ASSETS** | | | |
| Equity in pooled cash and investments held in City Treasury | $ | 441 | 123,598 |
| Receivables (net of allowance for uncollectibles) | | 1 | 24,638 |
| Advances and deposits | | 4 | 34 |
| Restricted assets: | | | |
| Equity in pooled cash and investments held in City Treasury | | - | 116 |
| Cash and investments held with fiscal agents | | - | - |
| Total assets | $ | 446 | 148,386 |
| **LIABILITIES** | | | |
| Accounts payable | $ | - | 13,009 |
| Accrued salaries, wages and payroll taxes | | - | 1,047 |
| Total liabilities | | - | 14,056 |
| **DEFERRED INFLOWS OF RESOURCES - Unavailable revenue** | | - | 5,357 |
| **FUND BALANCES** | | | |
| Restricted | | 446 | 41,461 |
| Assigned | | - | 87,512 |
| Total fund balances | | 446 | 128,973 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 446 | 148,386 |

| Parks Bond Projects (Fund 471) | Branch Libraries Bond Projects (Fund 472) | Neighborhood Security Bond Projects (Fund 475) | Ice Center Expansion Bond (Fund 490) | Public Safety and Infrastructure Bond (Fund 498) | Total |
|---|---|---|---|---|---|
| 2,530 | - | - | - | - | 126,569 |
| 7 | - | - | - | 2 | 24,648 |
| - | - | - | - | - | 38 |
| | | | | | |
| - | - | - | - | 585 | 701 |
| 14,832 | 6,613 | - | 21,058 | 266,289 | 308,792 |
| 17,369 | 6,613 | - | 21,058 | 266,876 | 460,748 |
| | | | | | |
| - | 254 | - | - | 16,175 | 29,438 |
| 3 | - | - | - | 189 | 1,239 |
| 3 | 254 | - | - | 16,364 | 30,677 |
| - | - | - | - | - | 5,357 |
| | | | | | |
| 17,366 | 6,359 | - | 21,058 | 250,512 | 337,202 |
| - | - | - | - | - | 87,512 |
| 17,366 | 6,359 | - | 21,058 | 250,512 | 424,714 |
| 17,369 | 6,613 | - | 21,058 | 266,876 | 460,748 |

**City of San José**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Nonmajor Capital Project Funds**
**For the Year Ended June 30, 2022**
**($000's)**

| | Capital Improvements (Funds 408, 424, 476) | Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486) |
|---|---|---|
| **REVENUES** | | |
| Taxes | $ - | 16,220 |
| Intergovernmental | - | 61,502 |
| Charges for current services | - | 51 |
| Investment income and other revenues: | | |
| Investment income (loss) | (9) | (2,739) |
| Other revenues | - | 1,422 |
| Total revenues | (9) | 76,456 |
| **EXPENDITURES** | | |
| Current: | | |
| Capital maintenance | - | 72,806 |
| Capital outlay | - | 1,704 |
| Total expenditures | - | 74,510 |
| Excess (deficiency) of revenues over (under) expenditures | (9) | 1,946 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Bonds issued | - | - |
| Transfers in | - | - |
| Transfers out | (4) | (2,292) |
| Total other financing sources (uses) | (4) | (2,292) |
| Net change in fund balances | (13) | (346) |
| Fund balances - beginning | 459 | 129,319 |
| Fund balances - ending | $ 446 | 128,973 |

| Parks Bond Projects (Fund 471) | Branch Libraries Bond Projects (Fund 472) | Neighborhood Security Bond Projects (Fund 475) | Ice Center Expansion Bond (Fund 490) | Public Safety and Infrastructure Bond (Fund 498) | Total |
|---|---|---|---|---|---|
| - | - | - | - | - | 16,220 |
| - | - | - | - | - | 61,502 |
| - | - | - | - | - | 51 |
| (20) | 14 | 4 | 131 | 447 | (2,172) |
| - | - | - | - | 2,800 | 4,222 |
| (20) | 14 | 4 | 131 | 3,247 | 79,823 |
| 335 | 286 | 3,460 | 51,328 | 53,060 | 181,275 |
| - | - | 62 | - | 19,676 | 21,442 |
| 335 | 286 | 3,522 | 51,328 | 72,736 | 202,717 |
| (355) | (272) | (3,518) | (51,197) | (69,489) | (122,894) |
| - | - | - | - | 200,530 | 200,530 |
| - | - | - | - | 2,331 | 2,331 |
| - | - | - | (262) | - | (2,558) |
| - | - | - | (262) | 202,861 | 200,303 |
| (355) | (272) | (3,518) | (51,459) | 133,372 | 77,409 |
| 17,721 | 6,631 | 3,518 | 72,517 | 117,140 | 347,305 |
| 17,366 | 6,359 | - | 21,058 | 250,512 | 424,714 |

# Internal Service Funds

# Internal Service Funds

Internal Service Funds are used to account for the exchange of benefits within the City's funds or departments on a cost reimbursement basis.

Public Works Programs Support Fund – Established to account for Public Works Department administrative services provided to City-wide capital programs and certain other Public Works operating divisions.

Employee Benefits Funds – Established to account for the cost of funding the City's portion of employee fringe benefits.

Vehicle Maintenance and Operations Fund – Established to account for the purchase and maintenance of City vehicles and the cost of operating a maintenance facility for equipment used by other City departments for repairs, demolition, or other abatement of dangerous buildings.

**City of San José**
**Combining Statement of Fund Net Position**
**Internal Service Funds**
**June 30, 2022**
**($000's)**

| | Public Works Programs Support (Fund 150) | Employee Benefits (Funds 155-158, 160-161) | Vehicle Maintenance and Operations (Fund 552) | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments held in City Treasury | $ 5,900 | 8,800 | 5,022 | 19,722 |
| Other cash and investments | - | - | 7 | 7 |
| Receivables (net of allowance for uncollectibles) | 57 | 339 | 14 | 410 |
| Inventories | - | - | 1,682 | 1,682 |
| Total unrestricted current assets | 5,957 | 9,139 | 6,725 | 21,821 |
| Restricted assets: | | | | |
| Other cash and investments | - | 515 | - | 515 |
| Total restricted current assets | - | 515 | - | 515 |
| Total current assets | 5,957 | 9,654 | 6,725 | 22,336 |
| Capital assets (net of accumulated depreciation): | | | | |
| Depreciable | 227 | - | 2,664 | 2,891 |
| Total assets | 6,184 | 9,654 | 9,389 | 25,227 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | - | 248 | 161 | 409 |
| Accrued salaries, wages, and payroll taxes | 937 | 83 | 443 | 1,463 |
| Total current liabilities | 937 | 331 | 604 | 1,872 |
| Noncurrent liabilities: | | | | |
| Accrued vacation, sick leave and compensatory time | 3,549 | 80 | 401 | 4,030 |
| Total liabilities | 4,486 | 411 | 1,005 | 5,902 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 227 | - | 2,664 | 2,891 |
| Unrestricted | 1,471 | 9,243 | 5,720 | 16,434 |
| Total net position | $ 1,698 | 9,243 | 8,384 | 19,325 |

# City of San José
## Combining Statement of Revenues, Expenses and Changes in Fund Net Position
## Internal Service Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Public Works Programs Support (Fund 150) | Employee Benefits (Fund 155-158, 160-161) | Vehicle Maintenance and Operations (Fund 552) | Total |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Charges for services | $ 19,818 | 105,678 | 25,161 | 150,657 |
| Total operating revenues | 19,818 | 105,678 | 25,161 | 150,657 |
| **OPERATING EXPENSES** | | | | |
| Operations and maintenance | 20,635 | 106,650 | 24,338 | 151,623 |
| Depreciation | - | - | 1,354 | 1,354 |
| Total operating expenses | 20,635 | 106,650 | 25,692 | 152,977 |
| Operating loss | (817) | (972) | (531) | (2,320) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| Investment income (loss) | (111) | (28) | (116) | (255) |
| Gain on disposal of capital assets | - | - | 49 | 49 |
| Net nonoperating revenues (expenses) | (111) | (28) | (67) | (206) |
| Loss before transfers | (928) | (1,000) | (598) | (2,526) |
| Transfers in | - | - | 1,000 | 1,000 |
| Transfers out | (229) | (526) | (102) | (857) |
| Changes in net position | (1,157) | (1,526) | 300 | (2,383) |
| Net position - beginning | 2,855 | 10,769 | 8,084 | 21,708 |
| Net position - ending | $ 1,698 | 9,243 | 8,384 | 19,325 |

## City of San José
## Combining Statement of Cash Flows
## Internal Service Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Public Works Programs Support (Fund 150) | Employee Benefits (Funds 155-158, 160-161) | Vehicle Maintenance and Operations (Fund 552) | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Cash received from interfund services provided | $ 19,830 | 106,113 | 25,161 | 151,104 |
| Cash payment to suppliers of goods and services | (2,241) | (105,135) | (15,930) | (123,306) |
| Cash payment to employees for services | (17,992) | (1,193) | (8,745) | (27,930) |
| Net cash provided by (used in) operating activities | (403) | (215) | 486 | (132) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfer from other funds | - | - | 1,000 | 1,000 |
| Transfer to other funds | (229) | (526) | (102) | (857) |
| Net cash provided by (used in) noncapital financing activities | (229) | (526) | 898 | 143 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Acquisition and construction of capital assets | - | - | (676) | (676) |
| Net cash used in capital and related financing activities | - | - | (676) | (676) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment loss on investments | (111) | (28) | (116) | (255) |
| Net change in cash and cash equivalents | (743) | (769) | 592 | (920) |
| Cash and cash equivalents - beginning | 6,643 | 10,084 | 4,437 | 21,164 |
| Cash and cash equivalents - ending | $ 5,900 | 9,315 | 5,029 | 20,244 |
| **Reconciliation of operating loss to net cash provided by (used in) operating activities:** | | | | |
| Operating loss | $ (817) | (972) | (531) | (2,320) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation | - | - | 1,354 | 1,354 |
| (Increase) decrease in: | | | | |
| Accounts receivable | 13 | (3) | - | 10 |
| Inventories | - | - | (192) | (192) |
| Prepaid expenses, advances and deposits | - | 438 | - | 438 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | 309 | 318 | (153) | 474 |
| Accrued vacation, sick leave and compensatory time | 92 | 4 | 8 | 104 |
| Total adjustments | 414 | 757 | 1,017 | 2,188 |
| Net cash provided by (used in) operating activities | $ (403) | (215) | 486 | (132) |
| **Reconciliation of cash and cash equivalents to the statement of net position:** | | | | |
| Equity in pooled cash and investments held in City Treasury | | | | |
| Unrestricted | $ 5,900 | 8,800 | 5,029 | 19,729 |
| Restricted | - | 515 | - | 515 |
| Cash and cash equivalents | $ 5,900 | 9,315 | 5,029 | 20,244 |

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Trust and Custodial Funds

# Trust and Custodial Funds

Trust and Custodial Funds are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include pension trust funds, private purpose trust funds, and custodial funds.

Federated City Employees' Retirement System Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all full-time and some eligible part-time City of San José employees, except members of the Police and Fire Department Retirement Plan.

Police and Fire Plan Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all sworn members of the City of San José's Police and Fire departments.

James Lick Private-Purpose Trust Fund – Established to account for resources legally held in the trust for use towards the support of the Eastfield Ming Quong (EMQ) Families First Agency. All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund – Established to make payments on the former Redevelopment Agency of the City of San José's "enforceable obligations" and to wind down the activities of the former Agency through the sale and disposition of assets and properties.

Arena Capital Reserve Fund – Established to account for Arena Facilities monies that will be used to budget and defray Arena Facilities expenditures relating to capital maintenance repairs and replacement for the San José Arena (SAP Center at San José). Financial statements are presented on pages 44-45.

# City of San José
# Combining Statement of Fiduciary Net Position
# Pension Trust Funds
# June 30, 2022
# ($000's)

| | Federated City Employees' Retirement System | Police and Fire Plan | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Investments | $ 3,009,179 | 4,617,102 | 7,626,281 |
| Receivables: | | | |
| Accrued investment income | 3,691 | 6,324 | 10,015 |
| Employee contributions | 1,947 | 2,257 | 4,204 |
| Employer contributions | 13,317 | 11,257 | 24,574 |
| Brokers and others | 57,712 | 90,006 | 147,718 |
| Other assets, net | 3,362 | 3,362 | 6,724 |
| Total assets | 3,089,208 | 4,730,308 | 7,819,516 |
| **LIABILITIES** | | | |
| Due to brokers | 25,845 | 41,969 | 67,814 |
| Other liabilities | 6,215 | 13,197 | 19,412 |
| Total liabilities | 32,060 | 55,166 | 87,226 |
| **NET POSITION RESTRICTED FOR:** | | | |
| Employees' pension benefits | 2,708,027 | 4,409,869 | 7,117,896 |
| Employees' postemployment healthcare benefits | 349,121 | 265,273 | 614,394 |
| Net position restricted for pension and postemployment healthcare benefits | $ 3,057,148 | 4,675,142 | 7,732,290 |

## City of San José
## Combining Statement of Changes in Fiduciary Net Position
## Pension Trust Funds
## For the Year Ended June 30, 2022
## ($000's)

| | Federated City Employees' Retirement System | Police and Fire Plan | Total |
|---|---|---|---|
| **ADDITIONS** | | | |
| Investment income: | | | |
| Interest | $ 11,714 | 40,517 | 52,231 |
| Dividends | 13,500 | 18,366 | 31,866 |
| Net depreciation in fair value of plan investments | (222,361) | (365,493) | (587,854) |
| Investment expenses | (10,268) | (15,240) | (25,508) |
| Contributions: | | | |
| Employer | 232,385 | 242,809 | 475,194 |
| Employees | 37,329 | 43,769 | 81,098 |
| Total additions | 62,299 | (35,272) | 27,027 |
| **DEDUCTIONS** | | | |
| General and administrative | 5,743 | 6,205 | 11,948 |
| Health insurance premiums | 31,088 | 26,458 | 57,546 |
| Refund of contributions | 1,403 | 1,374 | 2,777 |
| Retirement and other benefits: | | | |
| Death benefits | 16,373 | 16,938 | 33,311 |
| Retirement benefits | 219,497 | 241,564 | 461,061 |
| Total deductions | 274,104 | 292,539 | 566,643 |
| Change in net position | (211,805) | (327,811) | (539,616) |
| Net position restricted for pension and postemployment healthcare benefits | | | |
| Beginning of year | 3,268,953 | 5,002,953 | 8,271,906 |
| End of year | $ 3,057,148 | 4,675,142 | 7,732,290 |

# City of San José
# Combining Statement of Fiduciary Net Position
# Federated City Employees' Retirement System
# June 30, 2022
# ($000's)

| | Defined Benefit Pension Plan | | Postemployment Healthcare Plan | |
|---|---|---|---|---|
| | Retirement | Cost of Living | IRS Code Section 115 Trust | Total |
| **ASSETS** | | | | |
| Investments | $ 1,681,504 | 990,413 | 337,262 | 3,009,179 |
| Receivables: | | | | |
| Accrued investment income | 3,238 | 103 | 350 | 3,691 |
| Employee contributions | 1,154 | 297 | 496 | 1,947 |
| Employer contributions | 6,996 | 5,345 | 976 | 13,317 |
| Brokers and others | 34,390 | 10,406 | 12,916 | 57,712 |
| Other assets, net | 2,221 | 965 | 176 | 3,362 |
| Total assets | 1,729,503 | 1,007,529 | 352,176 | 3,089,208 |
| **LIABILITIES** | | | | |
| Due to brokers | 22,324 | 3,183 | 338 | 25,845 |
| Other liabilities | 2,589 | 909 | 2,717 | 6,215 |
| Total liabilities | 24,913 | 4,092 | 3,055 | 32,060 |
| **NET POSITION RESTRICTED FOR:** | | | | |
| Employees' pension benefits | 1,704,590 | 1,003,437 | - | 2,708,027 |
| Employees' postemployment healthcare benefits | - | - | 349,121 | 349,121 |
| Net position restricted for pension and postemployment healthcare benefits | $ 1,704,590 | 1,003,437 | 349,121 | 3,057,148 |

# City of San José
# Combining Statement of
# Changes in Fiduciary Net Position
# Federated City Employees' Retirement System
# For the Year Ended in June 30, 2022
# ($000's)

| | Defined Benefit Pension Plan | | Postemployment Healthcare Plan | |
|---|---|---|---|---|
| | Retirement | Cost of Living | IRS Code Section 115 Trust | Total |
| **ADDITIONS** | | | | |
| Investment income: | | | | |
| Interest | $ 6,394 | 3,625 | 1,695 | 11,714 |
| Dividends | 5,248 | 2,977 | 5,275 | 13,500 |
| Net depreciation in fair value of plan investments | (112,672) | (65,005) | (44,684) | (222,361) |
| Investment expenses | (6,186) | (3,510) | (572) | (10,268) |
| Contributions: | | | | |
| Employer | 119,079 | 88,519 | 24,787 | 232,385 |
| Employees | 21,761 | 5,703 | 9,865 | 37,329 |
| Total additions | 33,624 | 32,309 | (3,634) | 62,299 |
| **DEDUCTIONS** | | | | |
| General and administrative | 3,182 | 1,796 | 765 | 5,743 |
| Health insurance premiums | - | - | 31,088 | 31,088 |
| Refund of contributions | 1,187 | 216 | - | 1,403 |
| Retirement and other benefits: | | | | |
| Death benefits | 9,232 | 7,141 | - | 16,373 |
| Retirement benefits | 155,989 | 63,508 | - | 219,497 |
| Total deductions | 169,590 | 72,661 | 31,853 | 274,104 |
| Change in net position | (135,966) | (40,352) | (35,487) | (211,805) |
| Net position restricted for pension and postemployment healthcare benefits | | | | |
| Beginning of year | 1,840,556 | 1,043,789 | 384,608 | 3,268,953 |
| End of year | $ 1,704,590 | 1,003,437 | 349,121 | 3,057,148 |

# City of San José
## Combining Statement of Fiduciary Net Position
## Police and Fire Plan
## June 30, 2022
## ($000's)

| | Defined Benefit Pension Plan | | Postemployment Healthcare Plan | | | |
|---|---|---|---|---|---|---|
| | Retirement | Cost of Living | 401(h) Plan | IRS Code Section 115 Trust - Police | IRS Code Section 115 Trust - Fire | Total |
| **ASSETS** | | | | | | |
| Investments | $ 2,516,924 | 1,841,034 | 17,618 | 151,130 | 90,396 | 4,617,102 |
| Receivables: | | | | | | |
| Accrued investment income | 4,189 | 1,808 | 44 | 177 | 106 | 6,324 |
| Employee contributions | 1,202 | 451 | 604 | - | - | 2,257 |
| Employer contributions | 5,948 | 3,871 | - | 858 | 580 | 11,257 |
| Brokers and others | 51,681 | 26,014 | 5,122 | 3,739 | 3,450 | 90,006 |
| Other assets, net | 2,067 | 1,244 | 51 | - | - | 3,362 |
| Total assets | 2,582,011 | 1,874,422 | 23,439 | 155,904 | 94,532 | 4,730,308 |
| **LIABILITIES** | | | | | | |
| Due to brokers | 30,559 | 9,074 | 1,487 | 690 | 159 | 41,969 |
| Other liabilities | 4,157 | 2,774 | 4,499 | 177 | 1,590 | 13,197 |
| Total liabilities | 34,716 | 11,848 | 5,986 | 867 | 1,749 | 55,166 |
| **NET POSITION RESTRICTED FOR:** | | | | | | |
| Employees' pension benefits | 2,547,295 | 1,862,574 | - | - | - | 4,409,869 |
| Employees' postemployment healthcare benefits | - | - | 17,453 | 155,037 | 92,783 | 265,273 |
| Net position restricted for pension and postemployment healthcare benefits | $ 2,547,295 | 1,862,574 | 17,453 | 155,037 | 92,783 | 4,675,142 |

# City of San José
# Combining Statement of
# Changes in Fiduciary Net Position
# Police and Fire Plan
# For the Year Ended June 30, 2022
# ($000's)

| | Defined Benefit Pension Plan | | Postemployment Healthcare Plan | | | |
|---|---|---|---|---|---|---|
| | Retirement | Cost of Living | 401(h) Plan | IRS Code Section 115 Trust - Police | IRS Code Section 115 Trust - Fire | Total |
| **ADDITIONS** | | | | | | |
| Investment income: | | | | | | |
| Interest | $ 22,784 | 16,320 | 213 | 739 | 461 | 40,517 |
| Dividends | 8,173 | 5,854 | 76 | 2,625 | 1,638 | 18,366 |
| Net depreciation in fair value of plan investments | (193,166) | (139,586) | (1,940) | (19,128) | (11,673) | (365,493) |
| Investment expenses | (8,696) | (6,232) | (81) | (142) | (89) | (15,240) |
| Contributions: | | | | | | |
| Employer | 119,814 | 92,232 | 3,261 | 16,735 | 10,767 | 242,809 |
| Employees | 22,938 | 8,722 | 12,109 | - | - | 43,769 |
| Total additions | (28,153) | (22,690) | 13,638 | 829 | 1,104 | (35,272) |
| **DEDUCTIONS** | | | | | | |
| General and administrative | 3,531 | 2,520 | 44 | 68 | 42 | 6,205 |
| Health insurance premiums | - | - | 23,066 | - | 3,392 | 26,458 |
| Refund of contributions | 1,104 | 270 | - | - | - | 1,374 |
| Retirement and other benefits: | | | | | | |
| Death benefits | 8,562 | 8,376 | - | - | - | 16,938 |
| Retirement benefits | 165,300 | 76,264 | - | - | - | 241,564 |
| Total deductions | 178,497 | 87,430 | 23,110 | 68 | 3,434 | 292,539 |
| Change in net position | (206,650) | (110,120) | (9,472) | 761 | (2,330) | (327,811) |
| Net position restricted for pension and postemployment healthcare benefits | | | | | | |
| Beginning of year | 2,753,945 | 1,972,694 | 25,746 | 154,276 | 96,292 | 5,002,953 |
| Transfer | - | - | 1,179 | - | (1,179) | - |
| End of year | $ 2,547,295 | 1,862,574 | 17,453 | 155,037 | 92,783 | 4,675,142 |

# City of San José
## Combining Statement of Fiduciary Net Position
## Private-Purpose Trust Funds
## June 30, 2022
## ($000's)

| | James Lick | Successor Agency to the Redevelopment Agency | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Equity in pooled cash and investments held in City Treasury | $ 201 | - | 201 |
| Cash and investments | 353 | 2,154 | 2,507 |
| Receivables (net of allowance for uncollectibles): | | | |
| Other | 1 | 73 | 74 |
| Restricted cash and investments | - | 121,843 | 121,843 |
| Total current assets | 555 | 124,070 | 124,625 |
| Noncurrent assets: | | | |
| Advances to the City of San José | - | 733 | 733 |
| Accrued interest, net | - | 1,285 | 1,285 |
| Loans receivable, net | - | 3,986 | 3,986 |
| Advances and deposits | - | 5 | 5 |
| Prepaid bond insurance | - | 1,407 | 1,407 |
| Capital assets: | | | |
| Nondepreciable | - | 2,078 | 2,078 |
| Depreciable, net | - | 642 | 642 |
| Total noncurrent assets | - | 10,136 | 10,136 |
| Total assets | 555 | 134,206 | 134,761 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Loss on refundings of debt | - | 26,654 | 26,654 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | - | 154 | 154 |
| Accrued interest payable | - | 18,925 | 18,925 |
| Total current liabilities | - | 19,079 | 19,079 |
| Long-term liabilities: | | | |
| Due within one year | - | 103,084 | 103,084 |
| Due in more than one year | - | 1,216,752 | 1,216,752 |
| Total noncurrent liabilities | - | 1,319,836 | 1,319,836 |
| Total liabilities | - | 1,338,915 | 1,338,915 |
| **NET POSITION (DEFICIT)** | | | |
| Held in trust for: | | | |
| Redevelopment dissolution and other purposes | 555 | (1,178,055) | (1,177,500) |
| Total net position (deficit) | $ 555 | (1,178,055) | (1,177,500) |

# City of San José
## Combining Statement of Changes in Fiduciary Net Position
## Private-Purpose Trust Funds
## For the Year Ended June 30, 2022
## ($000's)

| | James Lick | Successor Agency to the Redevelopment Agency | Total |
|---|---|---|---|
| **ADDITIONS** | | | |
| Redevelopment property tax revenues | $ - | 189,786 | 189,786 |
| Investment income (loss) | (83) | 230 | 147 |
| Development fees and other | - | 44 | 44 |
| Gain on sale of revenue participation | - | 136 | 136 |
| Total additions | (83) | 190,196 | 190,113 |
| **DEDUCTIONS** | | | |
| General and administrative | - | 229 | 229 |
| Project expenses | - | 72 | 72 |
| Pass through amounts to the County of Santa Clara | - | 47,944 | 47,944 |
| Depreciation | - | 27 | 27 |
| Allowance for loan losses | - | 56 | 56 |
| Interest on debt | - | 45,237 | 45,237 |
| Total deductions | - | 93,565 | 93,565 |
| Change in net position | (83) | 96,631 | 96,548 |
| **NET POSITION HELD IN TRUST** | | | |
| Beginning of year | 638 | (1,274,686) | (1,274,048) |
| End of year | $ 555 | (1,178,055) | (1,177,500) |


# STATISTICAL SECTION (UNAUDITED)

TABLE OF CONTENTS

# Statistical Section

This section of the annual comprehensive financial report for the City of San José presents detailed information as a context to the information presented in the financial statements, note disclosures, and required supplementary information and to provide a framework to assess the economic condition affecting the City of San José.

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 affecting a government.

**Contents** **Schedule**


## Financial Trends I - IV

These schedules present trend information to help the reader understand the City's financial performance and condition.

## Revenue Capacity V - VIII

These schedules contain information regarding property tax, the City's most significant local revenue source.

## Debt Capacity IX - XIII

These schedules present information regarding the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

## Demographic and Economic Information XIV - XVI

These schedules illustrate demographic and economic indicators to provide a context for understanding and assessing the City's financial activities.

## Operating Information XVII - XIX

These schedules contain service and infrastructure data related to services the City provides and the activities it performs.


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

SCHEDULE I

## City of San José
## Net Position By Component
## Last Ten Fiscal Years
## (Accrual Basis Of Accounting)
## ($000'S)

| | 2013 [1] | 2014 | 2015 [2] | 2016 | 2017 |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Net investment in capital assets | $ 5,012,359 | $ 4,769,632 | $ 4,566,716 | $ 4,478,760 | $ 4,391,069 |
| Restricted | 864,808 | 889,631 | 927,190 | 930,553 | 982,168 |
| Unrestricted | (217,340) | (206,396) | (1,734,224) | (1,723,260) | (1,935,456) |
| Total governmental activities net position | $ 5,659,827 | $ 5,452,867 | $ 3,759,682 | $ 3,686,053 | $ 3,437,781 |
| **Business-type activities** | | | | | |
| Net investment in capital assets | $ 817,594 | $ 779,015 | $ 769,516 | $ 766,107 | $ 814,473 |
| Restricted | 124,753 | 125,345 | 113,459 | 76,709 | 75,945 |
| Unrestricted | 359,035 | 406,663 | 247,428 | 339,422 | 351,101 |
| Total business-type activities net position | $ 1,301,382 | $ 1,311,023 | $ 1,130,403 | $ 1,182,238 | $ 1,241,519 |
| **Primary government** | | | | | |
| Net investment in capital assets | $ 5,829,953 | $ 5,548,647 | $ 5,336,232 | $ 5,244,867 | $ 5,205,542 |
| Restricted | 989,561 | 1,014,976 | 1,040,649 | 1,007,262 | 1,058,113 |
| Unrestricted | 141,695 | 200,267 | (1,486,796) | (1,383,838) | (1,584,355) |
| Total primary government net position | $ 6,961,209 | $ 6,763,890 | $ 4,890,085 | $ 4,868,291 | $ 4,679,300 |

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Net investment in capital assets | $ 4,349,559 | $ 4,330,279 | $ 4,262,597 | $ 4,089,937 | $ 3,777,037 |
| Restricted | 1,000,459 | 1,036,765 | 1,088,593 [4] | 1,116,441 | 1,178,965 |
| Unrestricted | (2,667,125) | (2,657,523) | (2,860,084) | (2,978,383) | (2,586,680) |
| Total governmental activities net position | $ 2,682,893 | $ 2,709,521 | $ 2,491,106 | $ 2,227,995 | $ 2,369,322 |
| **Business-type activities** | | | | | |
| Net investment in capital assets | $ 930,631 | $ 982,045 | $ 1,090,408 | $ 1,209,961 | $ 1,232,173 |
| Restricted | 72,750 | 72,890 | 76,104 | 49,785 | 71,173 |
| Unrestricted | 252,928 | 290,071 | 290,590 | 222,411 | 307,825 |
| Total business-type activities net position | $ 1,256,309 | $ 1,345,006 | $ 1,457,102 | $ 1,482,157 | $ 1,611,171 |
| **Primary government** | | | | | |
| Net investment in capital assets | $ 5,280,190 | $ 5,312,324 | $ 5,353,005 | $ 5,299,898 | $ 5,009,210 |
| Restricted | 1,073,209 | 1,109,655 | 1,164,697 | 1,166,226 | 1,250,138 |
| Unrestricted | (2,414,197) | (2,367,452) | (2,569,494) | (2,755,972) | (2,278,855) |
| Total primary government net position | $ 3,939,202 [3] | $ 4,054,527 | $ 3,948,208 | $ 3,710,152 | $ 3,980,493 |

(1) Due to the GASB Statement No. 65 implementation during the year ended June 30, 2013, net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as of June 30, 2013. Prior to July 1, 2012, net position represents the difference between assets and liabilities. The City did not retroactively restate the net position related to the implementation of GASB Statement No. 65.

(2) The decrease in net position as of June 30, 2015, was primarily due to the recording of the City's net pension liability in accordance with the GASB Statement Nos. 68 and 71.

(3) The decrease in net position as of June 30, 2018, was primarily due to the recording of the City's net OPEB liability in accordance with the GASB Statement Nos. 74 and 75.

(4) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing net position by $12,408,000.

**SCHEDULE II**

## City of San José
## Change in Net Position
## Last Ten Fiscal Years
## (Accrual Basis of Accounting)
## ($000'S)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| General government | $ 133,330 | $ 119,299 | $ 127,480 | $ 122,363 | $ 127,090 |
| Public safety | 489,572 | 493,544 | 466,519 | 555,072 | 694,557 |
| Community services | 214,770 | 207,967 | 236,840 | 274,838 | 310,470 |
| Sanitation | 160,860 | 146,058 | 141,244 | 145,516 | 156,299 |
| Capital maintenance | 475,995 | 484,260 | 507,523 | 395,393 | 444,867 |
| Interest and fiscal charges | 64,467 | 60,852 | 60,266 | 56,768 | 54,844 |
| Total governmental activities expenses | 1,538,994 | 1,511,980 | 1,539,872 | 1,549,950 | 1,788,126 |
| Business-type activities: | | | | | |
| Norman Y. Mineta San José International Airport | 199,681 | 199,987 | 197,786 | 201,017 | 204,774 |
| Wastewater Treatment System | 147,994 | 169,622 | 158,385 | 163,985 | 192,302 |
| Municipal Water System | 31,523 | 33,187 | 33,885 | 36,246 | 42,647 |
| Parking System | 10,231 | 10,751 | 12,714 | 13,607 | 14,269 |
| San José Clean Energy | - | - | - | - | - |
| Total business-type activities expenses | 389,429 | 413,547 | 402,770 | 414,855 | 453,992 |
| Total primary government expenses | $ 1,928,423 | $ 1,925,527 | $ 1,942,642 | $ 1,964,805 | $ 2,242,118 |
| **Program Revenues** | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 49,213 | 41,168 | 44,044 | 46,952 | 48,358 |
| Public safety | 21,868 | 19,228 | 20,300 | 23,046 | 23,164 |
| Community services | 109,291 | 116,522 | 117,006 | 129,905 | 177,436 |
| Sanitation | 148,270 | 151,056 | 150,546 | 157,477 | 143,062 |
| Capital maintenance | 70,519 | 40,024 | 67,098 | 66,440 | 70,842 |
| Operating grants and contributions | 108,858 | 103,844 | 97,467 | 107,583 | 86,779 |
| Capital grants and contributions | 36,365 | 29,873 | 129,901 | 69,848 | 63,647 |
| Total governmental program revenues | 544,384 | 501,715 | 626,362 | 601,251 | 613,288 |
| Business-type activities: | | | | | |
| Charges for services | | | | | |
| Norman Y. Mineta San José International Airport | 154,246 | 159,978 | 163,962 | 182,445 | 194,057 |
| Wastewater Treatment System | 171,689 | 195,891 | 192,715 | 209,056 | 222,654 |
| Municipal Water System | 32,371 | 35,427 | 37,295 | 37,368 | 44,680 |
| Parking System | 12,093 | 13,621 | 15,614 | 16,503 | 17,612 |
| San José Clean Energy | - | - | - | - | - |
| Operating grants and contributions | 565 | 1,651 | 1,266 | 864 | 1,233 |
| Capital grants and contributions | 16,246 | 14,507 | 6,225 | 15,437 | 13,258 |
| Total business-type activities program revenues | 387,210 | 421,075 | 417,077 | 461,673 | 493,494 |
| Total primary government revenues | $ 931,594 | $ 922,790 | $ 1,043,439 | $ 1,062,924 | $ 1,106,782 |

**SCHEDULE II**
**(Continued)**

## City of San José
## Change in Net Position
## Last Ten Fiscal Years
## (Accrual Basis of Accounting)
## ($000'S)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| General government | $ 132,157 | $ 142,531 | $ 296,294 | $ 351,491 | $ 230,695 |
| Public safety | 769,305 | 709,532 | 813,126 | 783,928 | 614,802 |
| Community services | 329,222 | 308,345 | 301,697 | 345,762 | 375,192 |
| Sanitation | 164,890 | 164,677 | 183,197 | 184,816 | 202,142 |
| Capital maintenance | 494,007 | 422,170 | 476,251 | 487,239 | 531,355 |
| Interest and fiscal charges | 57,002 | 46,720 | 44,771 | 38,021 | 43,808 |
| Total governmental activities expenses | 1,946,583 | 1,793,975 | 2,115,336 | 2,191,257 | 1,997,994 |
| Business-type activities: | | | | | |
| Norman Y. Mineta San José International Airport | 207,675 | 224,387 | 232,002 | 205,378 | 221,613 |
| Wastewater Treatment System | 203,272 | 199,350 | 252,033 | 211,098 | 197,430 |
| Municipal Water System | 49,156 | 47,917 | 51,574 | 51,936 | 53,627 |
| Parking System | 14,503 | 16,151 | 22,559 | 12,581 | 13,143 |
| San José Clean Energy | 1,116 | 98,909 | 301,115 | 292,670 | 332,925 |
| Total business-type activities expenses | 475,722 | 586,714 | 859,283 | 773,663 | 818,738 |
| Total primary government expenses | $ 2,422,305 | $ 2,380,689 | $ 2,974,619 | $ 2,964,920 | $ 2,816,732 |
| **Program Revenues** | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 29,565 | 26,656 | 19,151 | 5,534 | 8,168 |
| Public safety | 78,700 | 88,391 | 80,077 | 22,931 | 38,900 |
| Community services | 88,895 | 106,836 | 94,080 | 120,506 | 166,966 |
| Sanitation | 155,772 | 154,094 | 171,280 | 187,319 | 208,824 |
| Capital maintenance | 66,257 | 59,441 | 33,924 | 30,098 | 36,426 |
| Operating grants and contributions | 113,938 | 108,361 | 176,843[(1)] | 250,875 | 263,444 |
| Capital grants and contributions | 97,441 | 111,278 | 149,459 | 99,684 | 79,426 |
| Total governmental program revenues | 630,568 | 655,057 | 724,814 | 716,947 | 802,154 |
| Business-type activities: | | | | | |
| Charges for services | | | | | |
| Norman Y. Mineta San José International Airport | 213,993 | 223,267 | 211,141 | 147,078 | 205,381 |
| Wastewater Treatment System | 252,722 | 248,830 | 322,391 | 237,593 | 295,728 |
| Municipal Water System | 48,615 | 51,181 | 52,020 | 56,123 | 55,531 |
| Parking System | 17,645 | 19,185 | 14,763 | 7,062 | 12,993 |
| San José Clean Energy | - | 102,855 | 336,951 | 280,388 | 351,099 |
| Operating grants and contributions | 894 | 720 | 486 | 55,804 | 37,956 |
| Capital grants and contributions | 16,362 | 24,655 | 6,334 | 14,412 | 7,115 |
| Total business-type activities program revenues | 550,231 | 670,693 | 944,086 | 798,460 | 965,803 |
| Total primary government revenues | $ 1,180,799 | $ 1,325,750 | $ 1,668,900 | $ 1,515,407 | $ 1,767,957 |

**SCHEDULE II**
**(Continued)**

## City of San José
## Change In Net Position
## Last Ten Fiscal Years
## (Accrual Basis Of Accounting)
## ($000'S)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Net (Expenses) Revenues** | | | | | |
| Governmental activities | $ (994,610) | $ (1,010,265) | $ (913,510) | $ (948,699) | $ (1,174,838) |
| Business-type activities | (2,219) | 7,528 | 14,307 | 46,818 | 39,502 |
| Total primary government | (996,829) | (1,002,737) | (899,203) | (901,881) | (1,135,336) |
| **General Revenues and Other Changes in Net Position** | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property and other taxes | 329,591 | 368,233 | 384,523 | 404,878 | 431,138 |
| Utility | 111,750 | 114,486 | 112,645 | 113,474 | 121,046 |
| Franchise | 43,741 | 45,749 | 46,909 | 48,949 | 49,642 |
| Transient occupancy | 25,258 | 29,685 | 36,980 | 41,125 | 45,511 |
| Business license | 45,140 | 45,500 | 47,431 | 50,864 | 54,159 |
| Sales taxes | 163,751 | 173,412 | 180,407 | 201,797 | 207,695 |
| State of California in-lieu | 524 | 434 | 419 | 410 | 467 |
| Unrestricted interest and investment income (loss) | 2,019 | 5,060 | 4,125 | 7,790 | 9,062 |
| Other revenue | 20,678 | 18,278 | 17,753 | 2,103 | 4,459 |
| Gain on sale of capital assets | - | - | - | - | - |
| Transfers | 829 | 2,468 | 3,501 | 3,680 | 3,387 |
| Extraordinary gain/(loss) on dissolution of RDA | (167,244) | - | - | - | - |
| Total governmental activities | 576,037 | 803,305 | 834,693 | 875,070 | 926,566 |
| Business-type activities: | | | | | |
| Unrestricted interest and investment income (loss) | (1,612) | 4,581 | 3,252 | 6,383 | 3,955 |
| Other revenue | - | - | 1,747 | 2,314 | 19,211 |
| Transfers | (829) | (2,468) | (3,501) | (3,680) | (3,387) |
| Special item - rate stabilization fund and ten-year lookback distribution | - | - | - | - | - |
| Total business-type activities | (2,441) | 2,113 | 1,498 | 5,017 | 19,779 |
| Total primary government | $ 573,596 | $ 805,418 | $ 836,191 | $ 880,087 | $ 946,345 |
| **Change In Net Position** | | | | | |
| Governmental activities | $ (418,573) | $ (206,960) | $ (78,817) | $ (73,629) | $ (248,272) |
| Business-type activities | (4,660) | 9,641 | 15,805 | 51,835 | 59,281 |
| Total primary government | $ (423,233) | $ (197,319) | $ (63,012) | $ (21,794) | $ (188,991) |

**SCHEDULE II**
**(Concluded)**

## City of San José
## Change In Net Position
## Last Ten Fiscal Years
## (Accrual Basis Of Accounting)
## ($000'S)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Net (Expenses) Revenues** | | | | | |
| Governmental activities | $ (1,316,015) | $ (1,138,918) | $ (1,390,522) | $ (1,474,310) | $ (1,195,840) |
| Business-type activities | 74,509 | 83,979 | 84,803 | 24,797 | 147,065 |
| Total primary government | (1,241,506) | (1,054,939) | (1,305,719) | (1,449,513) | (1,048,775) |
| **General Revenues and Other Changes in Net Position** | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property and other taxes | 461,964 | 497,317 | 531,075 | 593,878 | 697,059 |
| Utility | 120,234 | 120,846 | 120,213 | 127,844 | 124,906 |
| Franchise | 51,180 | 48,397 | 44,436 | 45,628 | 48,378 |
| Transient occupancy | 48,854 | 51,399 | 35,329 | 13,479 | 26,284 |
| Business license | 70,673 | 77,011 | 71,978 | 71,169 | 85,375 |
| Sales taxes | 226,337 | 263,530 | 260,558 | 284,020 | 323,144 |
| State of California in-lieu | 551 | 505 | 826 | 770 | 1,190 |
| Unrestricted interest and investment income (loss) | 6,688 | 24,165 | 39,635 | 14,438 | (27,844) |
| Other revenue | 36,485 | 34,707 | 56,435 | 49,798 | 52,649 |
| Gain on sale of capital assets | - | 44,528 | 5,231 | 6,913 | 1,766 |
| Transfers | 5,769 | 3,141 | 6,391 | 3,262 | 4,260 |
| Total governmental activities | 1,028,735 | 1,165,546 | 1,172,107 | 1,211,199 | 1,337,167 |
| Business-type activities: | | | | | |
| Unrestricted interest and investment income (loss) | 6,322 | 23,498 | 33,030 | 1,808 | (15,369) |
| Other revenue | 4,961 | 627 | 654 | 1,712 | 1,307 |
| Transfers | (5,769) | (3,141) | (6,391) | (3,262) | (4,260) |
| Special item - rate stabilization fund and ten-year lookback distribution | - | (16,266) | - | - | - |
| Total business-type activities | 5,514 | 4,718 | 27,293 | 258 | (18,322) |
| Total primary government | $ 1,034,249 | $ 1,170,264 | $ 1,199,400 | $ 1,211,457 | $ 1,318,845 |
| **Change In Net Position** | | | | | |
| Governmental activities | $ (287,280) | $ 26,628 | $ (218,415) | $ (263,111) | $ 141,327 |
| Business-type activities | 80,023 | 88,697 | 112,096 | 25,055 | 128,743 |
| Total primary government | $ (207,257) | $ 115,325 | $ (106,319) | $ (238,056) | $ 270,070 |

(1) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing revenue by $12,408,000

**SCHEDULE III**

## City of San José
## Fund Balances, Governmental Funds
## Last Ten Fiscal Years
## (Modified Accrual Basis of Accounting)
## ($000'S)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Nonspendable | $ 13 | $ 219 | $ 203 | $ 186 | $ 170 |
| Restricted | 330 | 19,629 | 10,599 | 1,265 | 690 |
| Committed | 89,114 | 121,991 | 94,748 | 84,998 | 96,026 |
| Assigned | 73,237 | 111,587 | 143,398 | 167,239 | 136,093 |
| Unassigned | 64,200 | 50,638 | 67,006 | 65,351 | 79,853 |
| **Total General Fund** | $ 226,894 | $ 304,064 | $ 315,954 | $ 319,039 | $ 312,832 |
| | | | | | |
| **Other Governmental Funds** | | | | | |
| Nonspendable | $ 898 | $ 77 | $ 144 | $ 243 | $ 340 |
| Restricted | 851,869 | 876,041 | 897,253 | 909,733 | 960,159 |
| Committed | 29,110 | 31,779 | 39,425 | 55,435 | 59,319 |
| Assigned | 48,229 | 59,243 | 70,715 | 82,785 | 82,584 |
| Unassigned | - | - | - | - | - |
| **Total Other Governmental Funds** | $ 930,106 | $ 967,140 | $ 1,007,537 | $ 1,048,196 | $ 1,102,402 |

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Nonspendable | $ 153 | $ 153 | $ 121 | $ 104 | $ 88 |
| Restricted | 1,057 | 1,370 | 2,007 | 307 | 303 |
| Committed | 97,809 | 100,147 | 95,414 | 73,580 | 67,343 |
| Assigned | 111,509 | 168,961 | 283,322 | 331,310 | 279,356 |
| Unassigned | 82,494 | 143,868 | 79,368 | 8,041 | 225,967 |
| **Total General Fund** | $ 293,022 | $ 414,499 | $ 460,232 | $ 413,342 | $ 573,057 |
| | | | | | |
| **Other Governmental Funds** | | | | | |
| Nonspendable | $ - | $ - | $ - | $ 4 | $ - |
| Restricted | 978,565 | 1,014,467 | 1,276,750 (1) | 1,298,955 | 1,452,020 |
| Committed | 57,892 | 69,451 | 51,460 | 93,721 | 102,159 |
| Assigned | 94,797 | 93,500 | 96,038 | 99,068 | 94,222 |
| Unassigned | - | (32,668) | (27,705) | (44,395) | (20) |
| **Total Other Governmental Funds** | $ 1,131,254 | $ 1,144,750 | $ 1,396,543 | $ 1,447,353 | $ 1,648,381 |

(1) FY 2021 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing fund balance by $12,408,000

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

**SCHEDULE IV**

## City of San José
## Changes in Fund Balances, Governmental Funds
## Last Ten Fiscal Years
## (Modified Accrual Basis of Accounting)
## ($000'S)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes and special assessments | $ 572,715 | $ 622,138 | $ 648,907 | $ 653,663 | $ 721,419 |
| Sales taxes | 163,751 | 173,412 | 180,407 | 228,317 | 207,695 |
| Licenses, permits, and fines | 61,137 | 66,826 | 62,000 | 69,856 | 75,173 |
| Intergovernmental | 106,091 | 96,396 | 90,119 | 81,133 | 87,622 |
| Charges for current services | 248,636 | 236,865 | 249,659 | 257,212 | 251,447 |
| Rent | 24,020 | 28,683 | 36,997 | 43,284 | 50,838 |
| Investment income and other revenues | 110,720 | 99,216 | 104,171 | 118,903 | 131,895 |
| Total revenues | 1,287,070 | 1,323,536 | 1,372,260 | 1,452,368 | 1,526,089 |
| **EXPENDITURES** | | | | | |
| General government | 100,483 | 90,395 | 90,031 | 108,505 | 110,853 |
| Public safety | 440,231 | 464,672 | 486,770 | 516,614 | 537,287 |
| Community services | 183,193 | 178,189 | 214,788 | 241,644 | 258,167 |
| Sanitation | 160,881 | 142,766 | 143,406 | 145,008 | 151,310 |
| Capital maintenance | 165,377 | 169,689 | 200,523 | 231,467 | 259,199 |
| Capital outlay | 106,387 | 73,037 | 75,903 | 60,049 | 68,197 |
| Debt service: | | | | | |
| Principal | 51,042 | 51,085 | 86,370 | 53,405 | 56,139 |
| Interest and fiscal charges | 64,287 | 62,954 | 62,464 | 59,007 | 57,103 |
| Bond issuance costs | 1,762 | - | - | - | - |
| Payment to refunded bond escrow agent | 31,985 | - | - | - | - |
| Total expenditures | 1,305,628 | 1,232,787 | 1,360,255 | 1,415,699 | 1,498,255 |
| Excess (deficiency) of revenues over (under) expenditures | (18,558) | 90,749 | 12,005 | 36,669 | 27,834 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Proceeds from SARA refunding | - | - | - | - | - |
| Bonds issued | - | - | - | - | - |
| Bond premium | - | - | - | - | - |
| Proceeds from capital lease financing | - | 19,286 | - | - | - |
| Refunding bonds issued | 335,980 | - | - | - | - |
| Premium / (discount) on bonds | 45,506 | - | - | - | - |
| Payment to refunded bond escrow agent | (348,750) | - | - | - | - |
| Proceeds from sale of capital assets | 6,198 | 2,221 | 37,482 | 3,848 | 17,602 |
| Transfers in | 83,670 | 104,097 | 114,998 | 96,561 | 128,089 |
| Transfers out | (83,036) | (102,149) | (112,198) | (93,334) | (125,526) |
| Escrow payment to the County of Santa Clara | - | - | - | - | - |
| Total other financing sources (uses) | 39,568 | 23,455 | 40,282 | 7,075 | 20,165 |
| Extraordinary gain (loss) from dissolution of RDA | (50,139) | - | - | - | - |
| Net change in fund balances | $ (29,129) | $ 114,204 | $ 52,287 | $ 43,744 | $ 47,999 |
| Debt service as a percentage of noncapital expenditures[(1)] | 9.62% | 9.83% | 11.59% | 8.29% | 7.92% |

**SCHEDULE IV**
**(Concluded)**

## City of San José
## Changes in Fund Balances, Governmental Funds
## Last Ten Fiscal Years
## (Modified Accrual Basis of Accounting)
## ($000'S)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes and special assessments | $ 778,815 | $ 819,139 | $ 820,215 | $ 866,088 | $ 993,637 |
| Sales taxes | 226,337 | 263,530 | 260,558 | 284,020 | 323,144 |
| Licenses, permits, and fines | 74,859 | 80,725 | 77,747 | 28,344 | 37,206 |
| Intergovernmental | 94,202 | 102,328 | 217,546 (2) | 261,451 | 298,378 |
| Charges for current services | 279,045 | 269,807 | 243,745 | 252,441 | 292,686 |
| Rent | 53,415 | 60,974 | 49,387 | 13,331 | 31,508 |
| Investment income and other revenues | 122,980 | 135,047 | 187,121 | 188,433 | 164,493 |
| Total revenues | 1,629,653 | 1,731,550 | 1,856,319 | 1,894,108 | 2,141,052 |
| **EXPENDITURES** | | | | | |
| General government | 115,276 | 151,295 | 229,369 | 294,300 | 243,157 |
| Public safety | 594,768 | 623,853 | 642,840 | 678,689 | 727,257 |
| Community services | 266,818 | 255,471 | 262,653 | 330,076 | 355,397 |
| Sanitation | 158,025 | 163,271 | 182,625 | 190,402 | 207,788 |
| Capital maintenance | 293,096 | 235,456 | 298,232 | 321,876 | 374,102 |
| Capital outlay | 81,311 | 138,176 | 90,167 | 104,823 | 58,488 |
| Debt service: | | | | | |
| Principal | 185,982 | 73,022 | 99,034 | 63,236 | 93,245 |
| Interest and fiscal charges | 57,557 | 49,129 | 49,852 | 42,762 | 45,313 |
| Bond issuance costs | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | 31,750 | 12,194 |
| Total expenditures | 1,752,833 | 1,689,673 | 1,854,772 | 2,057,914 | 2,116,941 |
| Excess (deficiency) of revenues over (under) expenditures | (123,180) | 41,877 | 1,547 | (163,806) | 24,111 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Proceeds from SARA refunding | 92,620 | - | - | - | - |
| Bonds issued | - | - | 502,020 | 155,012 | 273,980 |
| Bond premium | - | - | - | - | 54,331 |
| Proceeds from capital lease financing | - | - | - | - | - |
| Refunding bonds issued | - | - | - | 347,143 | 115,190 |
| Premium / (discount) on bonds | - | - | 80,821 | - | - |
| Payment to refunded bond escrow agent | (1,705) | - | (297,366) | (344,516) | (115,238) |
| Proceeds from sale of capital assets | 38,187 | 160,943 | 5,352 | 7,020 | 4,252 |
| Transfers in | 129,801 | 196,800 | 135,966 | 138,958 | 86,318 |
| Transfers out | (126,681) | (197,647) | (130,814) | (135,891) | (82,201) |
| Escrow payment to the County of Santa Clara | - | (67,000) | - | - | - |
| Total other financing sources (uses) | 132,222 | 93,096 | 295,979 | 167,726 | 336,632 |
| Extraordinary gain (loss) from dissolution of RDA | - | - | - | - | - |
| Net change in fund balances | $ 9,042 | $ 134,973 | $ 297,526 | $ 3,920 | $ 360,743 |
| Debt service as a percentage of noncapital expenditures(1)(3) | 14.57% | 7.87% | 8.44% | 5.43% | 6.73% |

(1) Debt ratio was calculated by dividing principal and interest components by total government expenditures excluding capital outlay. Accordingly, the prior years' debt ratio is recalculated.

(2) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by $12,408,000, and therefore reducing revenue by $12,408,000.

(3) FY 2022 and the prior years' debt ratio was recalculated to exclude payments to refunded bond escrow agent.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

SCHEDULE V

## City of San José
## Assessed Value and Estimated Actual Value of Taxable Property
## Last Ten Fiscal Years
## ($000'S)

| | City | | | | Former Agency / SARA | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Secured | Unsecured | Less: Exemptions | Net Taxable Assessed Value | Secured | Unsecured | Less: Exemptions | Net Taxable Assessed Value | Total Direct Rate |
| 2013 | $ 102,910,953 | $ 4,740,429 | $ 4,452,573 | $ 103,198,809 | $ 14,920,273 | $ 3,674,268 | $ - | $ 18,594,541 | 0.184 |
| 2014 | 111,660,402 | 4,584,810 | 4,561,937 | 111,683,275 | 16,739,547 | 4,027,543 | - | 20,767,090 | 0.184 |
| 2015 | 119,264,034 | 4,282,669 | 4,761,308 | 118,785,395 | 18,904,511 | 3,788,295 | - | 22,692,806 | 0.181 |
| 2016 | 127,846,046 | 4,240,467 | 5,067,884 | 127,018,629 | 19,976,466 | 3,879,443 | - | 23,855,909 | 0.178 |
| 2017 | 135,539,046 | 4,363,681 | 5,113,275 | 134,789,452 | 22,520,225 | 4,097,930 | - | 26,618,155 | 0.177 |
| 2018 | 143,343,719 | 4,654,231 | 5,768,938 | 142,229,012 | 24,820,811 | 4,223,132 | - | 29,043,943 | 0.175 |
| 2019 | 147,901,467 | 3,386,453 | 5,943,435 | 145,244,486 | 31,666,615 | 5,662,780 | - | 37,329,394 | 0.173 |
| 2020 | 159,210,811 | 3,861,480 | 6,073,328 | 156,998,964 | 33,114,555 | 5,956,381 | - | 39,070,936 | 0.178 |
| 2021 | 172,319,398 | 5,197,726 | 6,511,229 | 171,005,896 | 31,724,871 | 4,683,814 | - | 36,408,685 | 0.173 |
| 2022 | 179,688,813 | 5,058,233 | 6,483,972 | 178,263,074 | 33,236,762 | 4,732,371 | - | 37,969,133 | 0.177 |

Note:

Proposition 13 limits 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 value of the property is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the 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*

SCHEDULE VI

## City of San José
## Property Tax Rates - All Overlapping Governments
## Last Ten Fiscal Years

| **Fiscal Year** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|---|---|---|---|---|
| City of San José: | | | | | | | | | | |
| General purpose | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 | 0.156 |
| Debt service | 0.028 | 0.028 | 0.025 | 0.022 | 0.021 | 0.019 | 0.017 | 0.022 | 0.017 | 0.021 |
| Total Direct Rate | 0.184 | 0.184 | 0.181 | 0.178 | 0.177 | 0.175 | 0.173 | 0.178 | 0.173 | 0.177 |
| Santa Clara County | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 | 0.292 |
| School districts | 0.726 | 0.726 | 0.731 | 0.717 | 0.703 | 0.679 | 0.670 | 0.650 | 0.664 | 0.657 |
| Special districts | 0.031 | 0.031 | 0.030 | 0.029 | 0.032 | 0.030 | 0.028 | 0.028 | 0.028 | 0.029 |
| Total direct and overlapping rates | 1.233 | 1.233 | 1.234 | 1.216 | 1.204 | 1.176 | 1.162 | 1.148 | 1.157 | 1.155 |

*Note: The above tax rates are applied per $100 of assessed valuation.*

*Source:  Department of Finance, County of Santa Clara*

SCHEDULE VII

# City of San José
## Principal Property Taxpayers
## Current Year and Nine Years Ago
## ($000'S)

| 2022 | | | 2013 | | |
|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Percent of Total City Taxable Assessed Value** | **Taxpayer** | **Taxable Assessed Value** | **Percent of Total City Taxable Assessed Value** |
| Essex Portfolio LP | $ 1,150,231 | 0.53% | Cisco Technology Inc. | $ 1,094,613 | 0.90% |
| Cisco Technology Inc. | 1,033,463 | 0.48% | Blackhawk Parent LLC | 760,661 | 0.62% |
| Google LLC | 965,655 | 0.45% | The Irvine Company LLC | 683,410 | 0.56% |
| FRIT San José Town & Country Village LLC | 936,797 | 0.43% | VF Mall LLC | 500,885 | 0.41% |
| VF Mall LLC | 891,697 | 0.41% | FRIT San Jose Town & Country Village LLC | 419,025 | 0.34% |
| Sobrato Interests | 739,751 | 0.34% | Hitachi Global Storage Techs, Inc. | 406,839 | 0.33% |
| San José Water Works | 728,626 | 0.34% | Legacy Partners | 397,159 | 0.33% |
| River View Apartments | 685,420 | 0.32% | Carr NP Properties LLC | 369,440 | 0.30% |
| Adobe Systems Inc. | 630,714 | 0.29% | Brocade Communications Systems Inc. | 332,255 | 0.27% |
| Apple Inc. | 518,164 | 0.24% | Sobrato Interests | 327,093 | 0.27% |
| **Total assessed property valuation, local secured net** | $ 8,280,518 | 3.83% | | $ 5,291,380 | 4.33% |

Total City of San José net assessed property valuation (including the former Redevelopment Agency):

| | 2022 | 2013 |
|---|---|---|
| FY 2012-2013 | | $121,793,350 |
| FY 2021-2022 | $216,232,207 | |

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

SCHEDULE VIII

# City of San José
# 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 |
| 2013 | $ 133,522 | $ 133,522 | 100.0 | 0 | $ 133,522 | 100.0 |
| 2014 | 146,783 | 146,783 | 100.0 | 0 | 146,783 | 100.0 |
| 2015 | 159,047 | 159,047 | 100.0 | 0 | 159,047 | 100.0 |
| 2016 | 168,813 | 168,813 | 100.0 | 0 | 168,813 | 100.0 |
| 2017 | 178,527 | 178,527 | 100.0 | 0 | 178,527 | 100.0 |
| 2018 | 187,179 | 187,029 | 99.9 | 0 | 187,029 | 99.9 |
| 2019 | 200,994 | 200,978 | 100.0 | 0 | 200,978 | 100.0 |
| 2020 | 211,117 | 212,087 | 100.5 | 0 | 212,087 | 100.5 |
| 2021 | 223,549 | 224,449 | 100.4 | 0 | 224,449 | 100.4 |
| 2022 | 231,874 | 232,521 | 100.3 | 0 | 232,521 | 100.3 |

*Note:* The tax levied for the current year is based on estimates provided by the County of Santa Clara. The tax levied for prior years are adjusted to reflect actual tax collections.

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

SCHEDULE IX

## City of San José
## Ratios of Outstanding Debt by Type
## Last Ten Fiscal Years
## ($000'S)

**Governmental Activities**

| Fiscal Year | General Obligation Bonds [1] | Notes & Loans | Lease Revenue Bonds | Direct Placements | Special Assessment Bonds | Revenue Bonds | Leases | Total Governmental Activities |
|---|---|---|---|---|---|---|---|---|
| 2013 | $ 447,180 | $ 15,906 | $ 649,577 | $ - | $ 154,676 | $ 153,305 | $ 18,069 | $ 1,438,713 |
| 2014 | 427,256 | 15,906 | 631,899 | - | 150,533 | 141,995 | 39,370 | 1,406,959 |
| 2015 | 407,332 | 2,396 | 595,742 | - | 144,159 | 130,140 | 38,850 | 1,318,619 |
| 2016 | 387,403 | 2,157 | 579,326 | - | 139,434 | 117,715 | 37,209 | 1,263,244 |
| 2017 | 367,469 | 1,917 | 561,102 | - | 134,467 | 104,685 | 35,495 | 1,205,135 |
| 2018 | 347,530 | 1,200 | 505,519 | - | 129,228 | - | 33,704 | 1,017,181 |
| 2019 | 327,591 | - | 445,731 | 13,090 | 123,714 | - | 13,891 | 924,017 |
| 2020 | 545,984 | - | 421,585 | 11,175 | 109,332 | - | 12,431 | 1,100,507 |
| 2021 | 519,304 | - | 540,773 | - | 103,631 | - | - | 1,163,708 |
| 2022 | 699,184 | - | 684,411 | - | 3,524 | - | 4,893 | 1,392,012 |

**Business-type Activities**

| Fiscal Year | Airport Revenue Bonds | Clean Water Revenue Bonds | Wastewater Revolving Fund Loans | Wastewater Notes Payable (Direct Borrowings) | Leases | Total Business-type Activities | Total Primary Government | Percentage of Property Value | Debt Per Capita (not in 000's) |
|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 1,398,333 | $ 44,481 | $ 22,769 | $ - | $ - | $ 1,465,583 | $ 2,904,296 | 2.38% | $ 2,950.62 |
| 2014 | 1,376,038 | 38,925 | 18,720 | - | - | 1,433,683 | 2,840,642 | 2.14% | 2,837.80 |
| 2015 | 1,349,266 | 33,169 | 14,597 | - | - | 1,397,032 | 2,715,651 | 1.92% | 2,671.63 |
| 2016 | 1,325,579 | 27,138 | 10,399 | - | - | 1,363,116 | 2,626,360 | 1.74% | 2,520.27 |
| 2017 | 1,310,332 | 21,116 | 6,125 | - | - | 1,337,573 | 2,542,708 | 1.58% | 2,430.70 |
| 2018 | 1,261,909 | 15,846 | 1,772 | 18,490 | - | 1,298,017 | 2,315,198 | 1.34% | 2,202.19 |
| 2019 | 1,229,409 | 10,756 | - | 89,076 | - | 1,329,241 | 2,253,258 | 1.23% | 2,160.24 |
| 2020 | 1,194,784 | 5,456 | - | 106,920 | - | 1,307,160 | 2,407,667 | 1.23% | 2,294.79 |
| 2021 | 1,146,872 | - | - | 150,368 | - | 1,297,240 | 2,460,948 | 1.19% | 2,389.31 |
| 2022 | 1,138,859 | - | - | 236,870 | 363 | 1,376,092 | 2,768,104 | 1.28% | 2,834.77 |

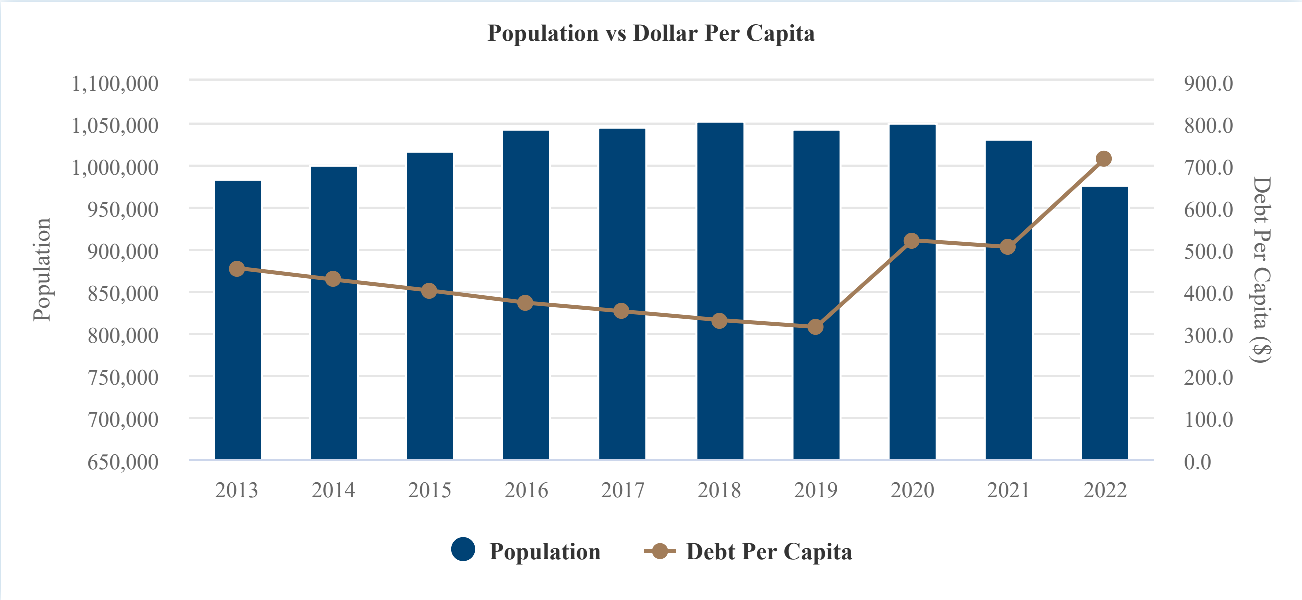
Note: Prior to FY 2016, "Total Governmental Activities Debt" was restated to include "Leases". Accordingly, the percentage of property value and debt per capita are recalculated.

(1) Total general obligation bonds includes the net premium/(discount)

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

**SCHEDULE X**

## City of San José
## Ratio of Net General Bonded Debt Outstanding
## Last Ten Fiscal Years
## ($000'S)




| Fiscal Year | Outstanding General Debt [1] General Obligation Bonds | Outstanding General Debt [1] Premium/ (Discount) Net | [2] Total Net General Bonded Debt | Net Assessed Value | Population | [2] Ratio of Net General Bonded Debt to Net Assessed Value | [2] Net General Bonded Debt Per Capita (not in 000's) |
|---|---|---|---|---|---|---|---|
| 2013 | $ 441,025 | $ 6,155 | $ 447,180 | $ 121,793,350 | 984,299 | 0.003672 | $ 454.31 |
| 2014 | 421,380 | 5,876 | 427,256 | 132,450,365 | 1,001,000 | 0.003226 | 426.83 |
| 2015 | 401,735 | 5,597 | 407,332 | 141,478,201 | 1,016,479 | 0.002879 | 400.73 |
| 2016 | 382,085 | 5,318 | 387,403 | 150,874,538 | 1,042,094 | 0.002568 | 371.75 |
| 2017 | 362,430 | 5,039 | 367,469 | 161,407,607 | 1,046,079 | 0.002277 | 351.28 |
| 2018 | 342,770 | 4,760 | 347,530 | 171,272,955 | 1,051,316 | 0.002029 | 330.57 |
| 2019 | 323,110 | 4,481 | 327,591 | 182,673,880 | 1,043,058 | 0.001793 | 314.07 |
| 2020 | 468,980 | 77,004 | 545,984 | 196,069,900 | 1,049,187 | 0.002785 | 520.38 |
| 2021 | 446,460 | 72,844 | 519,304 | 207,414,581 | 1,029,782 | 0.002504 | 504.29 |
| 2022 | 582,110 | 117,074 | 699,184 | 216,232,207 | 976,482 | 0.003233 | 716.02 |

Note: Total Outstanding General Debt excludes special assessment, special tax bonds, capital leases, and notes and loans payable.

(1) Prior to FY 2016, the Total Outstanding General Debt was restated to exclude "Lease Revenue bonds" and "Revenue bonds". "Revenue bonds" were excluded because they were not secured by property taxes.

(2) Effective 2017, Net General Bonded Debt is used to calculate ratio. Prior to FY 2016, the ratio of Net General Bonded Debt to Net Assessed Value and Net General Bonded Debt per Capita were restated.

*Source: Finance Department, City of San José*
*State of California, Department of Finance, Population Estimates for California Cities*

SCHEDULE XI

## City of San José
## Schedule of Direct and Overlapping Bonded Debt
## June 30, 2022

| | % Applicable | Outstanding Debt as of 06/30/22 | Estimated Share of Overlapping Debt |
|---|---|---|---|
| City Net Taxable Assessed Valuation (in thousands) | | $ 216,232,207 | |
| ***City Direct Debt*** | 100.00% | $ 1,392,012 | $ 1,392,012 |
| ***Direct Tax and Assessment Debt:*** | | | |
| City of San José Community Facilities Districts | 100.00% | $ 3,525 | $ 3,525 |
| City of San José Special Assessment Bonds | 100.00% | 0 | |
| | | 3,525 | 3,525 |
| ***Overlapping Tax and Assessment Debt:*** | | | |
| Alum Rock Union School District | 77.28% | 90,225 | 69,725 |
| Berryessa Union School District | 93.83% | 117,645 | 110,392 |
| Cambrian School District | 64.11% | 60,970 | 39,086 |
| Campbell Union High School District | 59.54% | 371,390 | 221,129 |
| Campbell Union School District | 47.30% | 223,499 | 105,711 |
| Cupertino Union School District | 15.56% | 271,768 | 42,279 |
| East Side Union High School District | 95.87% | 907,686 | 870,162 |
| Evergreen School District | 99.42% | 159,420 | 158,499 |
| Foothill-DeAnza Community College District | 3.81% | 657,878 | 25,092 |
| Franklin-McKinley School District | 99.43% | 151,997 | 151,135 |
| Fremont Union High School District | 8.53% | 582,770 | 49,687 |
| Gavilan Joint Community College District | 4.95% | 206,905 | 10,234 |
| Los Gatos Union School District | 1.71% | 67,035 | 1,146 |
| Los Gatos-Saratoga Joint Union High School District | 0.84% | 84,030 | 704 |
| Luther Burbank School District | 17.75% | 17,507 | 3,108 |
| Midpeninsula Regional Open Space District | 0.01% | 84,575 | 9 |
| Moreland School District | 74.62% | 118,647 | 88,535 |
| Morgan Hill Unified School District | 11.51% | 109,290 | 12,575 |
| Mount Pleasant School District | 88.55% | 31,785 | 28,146 |
| Oak Grove School District | 99.92% | 225,160 | 224,987 |
| Orchard School District | 100.00% | 32,700 | 32,700 |
| San José Unified School District | 98.49% | 504,234 | 496,630 |
| San José-Evergreen Community College District | 85.17% | 834,060 | 710,394 |
| Santa Clara County | 37.36% | 1,130,850 | 422,474 |
| Santa Clara Unified School District | 21.83% | 956,350 | 208,809 |
| Santa Clara Valley Water District Benefit Assessment District | 37.36% | 48,150 | 17,988 |
| Union School District | 72.77% | 105,359 | 76,673 |
| West Valley Community College District | 31.75% | 732,500 | 232,569 |
| **Subtotal Overlapping Tax and Assessment Debt** | | 8,884,385 | 4,410,578 |
| **Total Direct and Overlapping Tax and Assessment Debt** | | 8,887,910 | 4,414,103 |
| ***Overlapping Other Debt:*** | | | |
| Alum Rock Union School District Certificates of Participation | 77.29% | 11,375 | 8,791 |
| Berryessa Union School District Certificates of Participation | 93.84% | 2,948 | 2,766 |
| Campbell Union High School District General Fund Obligations | 59.54% | 15,500 | 9,229 |
| Campbell Union School District General Fund Obligations | 47.30% | 1,890 | 894 |
| East Side Union High School District Post Employment Obligations | 95.87% | 25,760 | 24,695 |
| Foothill-DeAnza Community College District General Fund Obligations | 3.81% | 21,380 | 815 |
| Franklin-McKinley School District Certificates of Participation | 0.00% | 0 | 0 |
| Gavilan Joint Community College District General Fund Obligations | 4.95% | 6,405 | 317 |
| Los Gatos-Saratoga Joint Union High School District Certificates of Participation | 0.84% | 755 | 6 |
| Midpeninsula Regional Open Space Park District General Fund Obligations | 0.01% | 99,706 | 11 |
| Morgan Hill Unified School District Certificates of Participation | 11.51% | 13,505 | 1,554 |
| San José Unified School District Certificates of Participation | 98.49% | 6,450 | 6,353 |
| San José-Evergreen Community College District Benefit Obligations | 85.17% | 47,450 | 40,415 |
| Santa Clara County Board of Education Certificates of Participation | 37.36% | 1,820 | 680 |
| Santa Clara County General Fund Obligations | 37.36% | 1,210,694 | 452,303 |
| Santa Clara County Pension Obligation Bonds | 37.36% | 335,638 | 125,391 |
| Santa Clara County Vector Control District Certificates of Participation | 37.36% | 1,505 | 562 |
| Santa Clara Unified School District Certificates of Participation | 21.83% | 13,325 | 2,909 |
| West Valley-Mission Community College District General Fund Obligations | 31.75% | 12,000 | 3,810 |
| **Total Gross Direct and Overlapping General Fund Debt** | | 1,828,106 | 681,501 |
| **Total Overlapping Debt** | | $ 10,716,016 | |
| **Total Direct and Overlapping Debt** | | | $ 5,095,604 |

Note:
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 businesses in 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. The City direct debt in this schedule includes bonds, notes, certificate of participation, loans, and capital leases.

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

**SCHEDULE XII**

# City of San José
## Legal Debt Margin Information
## Last Ten Fiscal Years
## ($000'S)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Calculation of Debt Limit** | | | | | |
| Gross assessed value for fiscal year | $ 126,245,923 | $ 137,012,302 | $ 146,239,509 | $ 155,942,422 | $ 166,520,882 |
| Debt limit at 15% of assessed value [(1)] | x .15 | x .15 | x .15 | x .15 | x .15 |
| Debt limit applicable to fiscal year | $ 18,936,888 | $ 20,551,845 | $ 21,935,926 | $ 23,391,363 | $ 24,978,132 |
| **Calculation of Legal Debt Margin** | | | | | |
| Debt limit applicable to fiscal year | $ 18,936,888 | $ 20,551,845 | $ 21,935,926 | $ 23,391,363 | $ 24,978,132 |
| Total general obligation bonds [(2)] | 447,180 | 427,256 | 407,332 | 387,403 | 367,469 |
| Legal debt margin | $ 18,489,708 | $ 20,124,589 | $ 21,528,594 | $ 23,003,960 | $ 24,610,663 |
| Percentage of outstanding debt subject to legal debt limit | 2.4% | 2.1% | 1.9% | 1.7% | 1.5% |

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Calculation of Debt Limit** | | | | | |
| Gross assessed value for fiscal year | $177,041,893 | $188,617,315 | $202,143,227 | $213,925,810 | $222,716,179 |
| Debt limit at 15% of assessed value (1) | x .15 | x .15 | x .15 | x .15 | x .15 |
| Debt limit applicable to fiscal year | $ 26,556,284 | $ 28,292,597 | $ 30,321,484 | $ 32,088,872 | $ 33,407,427 |
| **Calculation of Legal Debt Margin** | | | | | |
| Debt limit applicable to fiscal year | $ 26,556,284 | $ 28,292,597 | $ 30,321,484 | $ 32,088,872 | $ 33,407,427 |
| Total general obligation bonds (2) | 347,530 | 327,591 | 545,984 | 519,304 | 699,184 |
| Legal debt margin | $ 26,208,754 | $ 27,965,006 | $ 29,775,500 | $ 31,569,568 | $ 32,708,243 |
| Percentage of outstanding debt subject to legal debt limit | 1.3% | 1.2% | 1.8% | 1.6% | 2.1% |

Note: The prior years' debts applicable to the limit were restated to be offset by the amounts that the applicable law expressly allows. Accordingly, the legal debt margin is recalculated.

(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.

(2) Total general obligation bonds includes the net premium/(discount)

*Source: Finance Department, County of Santa Clara*

*Finance Department, City of San José*

SCHEDULE XIII

# City of San José
# Revenue Bond Coverage
# Last Ten Fiscal Years
# ($000'S)

| | | | Norman Y. Mineta San José International Airport | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Debt Service Requirements | | | | | |
| Year | Gross Revenues and Other Available Funds (1), (7) | Operating Expenses (2) | Net Revenue Available for Debt Service | Principal | Interest | Total | Available Passenger Facility Charges (4) | Net Bond Debt Service Payable from Revenues | Coverage (3)(4)(5) |
| 2013 | $ 190,857 | $ 64,974 | $ 125,883 | $ 13,440 | $ 72,885 | $ 86,325 | $ 22,100 | $ 64,225 | 1.96 |
| 2014 | 202,874 | 66,319 | 136,555 | 22,275 | 72,793 | 95,068 | 25,747 | 69,321 | 1.97 |
| 2015 | 206,064 (8) | 70,054 | 136,010 | 23,475 | 72,608 | 96,083 | 25,202 | 70,881 | 1.92 |
| 2016 | 217,275 (8) | 73,118 (6) | 144,157 | 23,660 | 71,792 | 95,452 | 24,829 | 70,623 | 2.04 |
| 2017 | 234,154 | 77,577 | 156,577 | 24,700 | 70,960 | 95,660 | 24,789 | 70,871 | 2.21 |
| 2018 | 252,019 | 85,584 | 166,435 | 41,900 | 61,866 | 103,766 | 24,792 | 78,974 | 2.11 |
| 2019 | 243,941 | 92,572 | 151,369 | 28,915 | 63,586 | 92,501 | 27,026 | 65,475 | 2.31 |
| 2020 | 234,289 | 97,122 | 137,167 | 31,040 | 62,218 | 93,258 | 27,479 | 65,779 | 2.09 |
| 2021 | 232,737 (9) | 89,924 (9) | 142,812 | 33,205 | 59,513 | 92,718 | 14,339 | 78,379 | 1.82 |
| 2022 | 245,556 | 96,936 | 148,620 | 1,900 | 43,805 | 45,705 | 12,420 | 33,285 | 4.47 |

(1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges and other items as defined in the Master Trust Agreement.

(2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.

(3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.

(4) Under the Master Trust Agreement, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt services. The amount of Debt Service is reduced by the amount Available Passenger Facility Charges designated by the City and deposited with Trustee to pay Debt Service. Beginning 2009 - 2010, debt service requirements calculation excludes Passenger Facility Charges.

(5) The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service will be at least 125% of annual debt service for each fiscal year.

(6) Fiscal year 2015 Operating Expenses were revised to exclude expenses related to GASB Statement No. 68.

(7) Other Available Funds includes Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior fiscal year, unspent bond proceeds in FY12 through FY17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

(8) Other Available Funds was restated to include CFC revenues available for debt service not to exceed the amount of CFC eligible debt service and transportation costs.

(9) FY2021 revised amounts to reflect restated revenues and expenses related to GASB Statement No. 87.

SCHEDULE XIII
(Concluded)

# City of San José
## Revenue Bond Coverage
## Last Ten Fiscal Years
## ($000'S)

| | Wastewater Treatment System | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Net Revenue | Debt Service Requirements | | | |
| Year | Gross Revenues [1] | Operating Expenses [2] | Available for Debt Service | Principal | Interest | Total | Coverage [3][4] |
| 2013 | $ 151,025 | $ 84,818 | $ 66,207 | $ 5,125 | $ 1,799 | $ 6,924 | $ 9.56 |
| 2014 | 159,084 | 93,797 | 65,287 | 5,320 | 1,608 | 6,928 | 9.42 |
| 2015 | 159,187 | 88,168 | 71,019 | 5,520 | 1,360 | 6,880 | 10.32 |
| 2016 | 168,436 | 95,200 | 73,236 | 5,795 | 1,121 | 6,916 | 10.59 |
| 2017 | 173,796 | 108,657 | 65,139 | 5,855 | 906 | 6,761 | 9.63 |
| 2018 | 185,816 | 125,384 | 60,432 | 5,145 | 713 | 5,858 | 10.32 |
| 2019 | 186,185 | 104,159 | 82,026 | 4,965 | 537 | 5,502 | 14.91 |
| 2020 | 191,816 | 136,437 | 55,379 | 5,175 | 322 | 5,497 | 10.07 |
| 2021 | 191,906 | 105,547 | 86,359 | 5,410 | 87 | 5,497 | 15.71 |
| 2022 [5] | NA | NA | NA | NA | NA | NA | NA |

(1) Includes operating revenues, operating grants/contributions, and other revenues.
(2) Includes operating expenses less depreciation and amortization.
(3) The City has covenanted in the Improvement Agreement that net system revenues will be at least 115% of its allocable percentage of annual debt service.
(4) Debt Coverage Ratio is calculated based on San José revenues only.
(5) Data currently unavailable since 2009A bond matured in November 2021.

Note:

(a) The methodology used in previous years was changed and reflected in FY 2019. Prior to FY 2019, revenues from San José and other Agencies were included in the calculation.

(b) Effective FY 2019, the calculation was based on San José revenues only

Source: Environmental Services Department, City of San José

**SCHEDULE XIV**

## City of San José
## Demographic and Economic Statistics
## Last Ten Fiscal Years

| Fiscal Year | Population[1] | Net Taxable Assessed Values[2] ($000's) | Per Capita Taxable Property Values | Unemployment Rate[3] (%) |
|---|---|---|---|---|
| 2013 | 984,299 | $ 121,793,350 | $ 123,736 | 6.9 |
| 2014 | 1,001,000 | 132,450,365 | 132,318 | 5.5 |
| 2015 | 1,016,479 | 141,487,201 | 139,193 | 4.3 |
| 2016 | 1,042,094 | 150,874,538 | 144,780 | 4.1 |
| 2017 | 1,046,079 | 161,407,607 | 154,298 | 3.6 |
| 2018 | 1,051,316 | 171,272,955 | 162,913 | 3.0 |
| 2019 | 1,043,058 | 182,673,880 | 175,133 | 2.9 |
| 2020 | 1,049,187 | 196,069,900 | 186,878 | 10.8 |
| 2021 | 1,029,782 | 207,414,581 | 201,416 | 5.0 |
| 2022 | 976,482 | 216,232,207 | 221,440 | 2.3 |

Note:

(a) Data pertaining to personal income is not readily available, thus the City used taxable assessed values to calculate per capita taxable property values.

(b) Population count only reflects preliminary numbers per the State's press release

*Sources:*

*(1) State of California, Department of Finance, Population Estimates for California Cities*

*(2) Finance Department, County of Santa Clara*

*(3) State of California, Employment Development Department, Labor Market Information Division; Unemployment in San José MSA*

SCHEDULE XV

## City of San José
## Principal Employers
## Current Year and Nine Years Ago

| Company or Organization | 2022 Number of Employees | 2022 Rank | 2022 Percent of Total Employment | 2013 Number of Employees | 2013 Rank | 2013 Percent of Total Employment |
|---|---|---|---|---|---|---|
| County of Santa Clara | 19,900 | 1 | 3.79% | 15,360 | 1 | 3.25% |
| Cisco Systems | 7,500 | 2 | 1.43% | 13,600 | 2 | 2.88% |
| City of San José | 7,413 (1) | 3 | 1.41% | 6,869 (1) | 3 | 1.45% |
| San José State University | 4,512 | 4 | 0.86% | 3,119 | 7 | 0.66% |
| Paypal Inc. | 4,250 | 5 | 0.81% | n/a | n/a | n/a |
| Adobe Systems Inc. | 3,825 | 6 | 0.73% | 2,000 | 10 | 0.42% |
| Kaiser Permanente | 3,673 | 7 | 0.70% | 1,940 | 12 | 0.41% |
| Western Digital | 2,892 | 8 | 0.55% | n/a | n/a | n/a |
| Broadcom | 2,753 | 9 | 0.52% | n/a | n/a | n/a |
| eBay Inc. | 2,700 | 10 | 0.51% | 4,700 | 4 | 0.99% |
| Target Stores | 2,437 | 11 | 0.46% | n/a | n/a | n/a |
| Super Micro Computer | 2,180 | 12 | 0.42% | n/a | n/a | n/a |
| IBM | 2,070 | 13 | 0.39% | 4,200 | 5 | 0.89% |
| Cadence Design Systems | 1,956 | 14 | 0.37% | 1,800 | 13 | 0.38% |
| Good Samaritan Health System | 1,850 | 15 | 0.35% | 1,950 | 11 | 0.41% |

(1) Full-time and Part-time employees.
(n/a) Company or Organization not included in top 15 principal employers in 2013.

*Source:* California Employment Development Department, Labor Market Information Division
*City of San José FY 2022-2023 Proposed Operating Budget*
*FY 2012-2013 ACFR*

**SCHEDULE XVI**

## City of San José
## Full-Time and Part-Time City Employees
## Last Ten Fiscal Years

| | Full-Time and Part-Time Employees as of June 30th [1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Airport | 169 | 165 | 172 | 164 | 180 | 204 | 206 | 209 | 199 | 190 |
| City Attorney's Office | 73 | 72 | 72 | 79 | 76 | 79 | 86 | 82 | 83 | 82 |
| City Auditor's Office | 15 | 14 | 14 | 14 | 15 | 14 | 11 | 15 | 13 | 13 |
| City Clerk's Office | 11 | 16 | 14 | 14 | 13 | 14 | 12 | 14 | 14 | 14 |
| City Council & Mayor | 85 | 78 | 89 | 90 | 95 | 104 | 102 | 120 | 113 | 109 |
| City Manager's Office | 61 | 59 | 60 | 65 | 65 | 70 | 81 | 87 | 83 | 91 |
| Community Energy | 0 | 0 | 0 | 0 | 0 | 5 | 21 | 25 | 30 | 32 |
| Environmental Services | 427 | 452 | 466 | 460 | 489 | 492 | 485 | 488 | 492 | 487 |
| Finance | 112 | 112 | 125 | 124 | 111 | 113 | 123 | 120 | 119 | 128 |
| Fire | 783 | 762 | 758 | 779 | 781 | 771 | 798 | 794 | 795 | 794 |
| Housing | 50 | 49 | 54 | 51 | 55 | 61 | 64 | 70 | 83 | 99 |
| Human Resources | 60 | 39 | 46 | 46 | 46 | 48 | 44 | 50 | 190 [2] | 48 |
| Independent Police Auditor | 6 | 6 | 6 | 6 | 5 | 6 | 5 | 6 | 6 | 6 |
| Information Technology | 76 | 70 | 63 | 68 | 76 | 66 | 82 | 85 | 86 | 96 |
| Library | 575 | 525 | 576 | 643 | 574 | 554 | 557 | 552 | 511 | 545 |
| Office of Economic Development | 112 | 54 | 58 | 59 | 66 | 60 | 58 | 70 | 64 | 66 |
| Parks, Recreation & Neighborhood Services | 1,425 | 1,018 | 1,104 | 1,160 | 1,178 | 1,698 | 1,783 | 1,539 | 1,481 | 1,434 |
| Planning, Building & Code Enforcement | 324 | 294 | 317 | 289 | 284 | 299 | 292 | 289 | 273 | 247 |
| Police | 1,580 | 1,524 | 1,422 | 1,569 | 1,682 | 1,807 | 1,836 | 1,872 | 1,877 | 1,831 |
| Public Works | 503 | 516 | 519 | 535 | 557 | 575 | 592 | 598 | 602 | 596 |
| Retirement Services | 26 | 32 | 35 | 36 | 35 | 34 | 38 | 39 | 38 | 42 |
| Transportation | 396 | 406 | 418 | 428 | 422 | 453 | 452 | 451 | 475 | 463 |
| **Total** | 6,869 | 6,263 | 6,388 | 6,679 | 6,805 | 7,527 | 7,728 | 7,575 | 7,627 | 7,413 |

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time-Equivalents (FTEs) employees presented in the Proposed Budget Document.

(2) City hired a large number of temporary unbenefited employees to support COVID-19 vaccination sites in 2021 through a program managed by the Human Resources Department.

*Source: Finance Department, Payroll Division, City of San José*

Schedule XVII

## City of San José
## Operating Indicators
## Last Ten Fiscal Years

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **AIRPORT:** | | | | | |
| Takeoffs Per Year: | | | | | |
| Commercial Airline Operations | 71,000 | 74,088 | 73,835 | 76,050 | 104,377 (3) |
| Cargo Commercial Airlines Operations | 1,500 | 1,504 | 1,497 | 1,570 | 1,654 |
| Taxi / Commuter Commercial | 16,000 | 16,843 | 18,326 | 19,055 | NA (3) |
| General Aviation | 31,000 | 31,246 | 31,950 | 34,670 | 34,105 |
| Military Flights | 230 | 228 | 200 | 241 | 279 |
| Landings Per Day: | | | | | |
| Commercial | 120 | 125 | 128 | 132 | 143 |
| General Aviation | 40 | 43 | 44 | 47 | 47 |
| Number of Passengers Per Year | 8,489,000 | 9,063,000 | 9,555,000 | 10,000,000 | 11,200,000 |
| **ENVIRONMENT AND UTILITIES:** | | | | | |
| Water: | | | | | |
| Wastewater Treated Per Day (in mil. gal.) | 111 | 109 | 101 | 92 | 101 |
| Muni Water Consumption Per Year (in bil. gal.) | 8.1 | 8.1 | 8.2 | 6.4 | 6.5 |
| Recycled Materials: | | | | | |
| Tons of Recyclables | 101,102 | 103,000 | 82,000 | 85,239 | 96,363 |
| Tons of Yard Trimmings | 132,979 | 129,000 | 125,000 | 115,682 | 129,136 |
| Gallons of Used Motor Oil | 81,127 | 77,999 | 84,000 | 65,428 | 64,571 |
| **FIRE:** | | | | | |
| Fires Per Year | 1,988 | 2,000 | 2,000 | 1,950 | 2,300 |
| Hazardous Materials Incidents Per Year | 880 | NA (2) | NA (2) | NA (2) | NA (2) |
| Fire Safety Code Inspections Per Year | 13,615 | 13,000 | 13,700 | 15,000 | 17,000 |
| Emergency Medical Calls Per Year | 52,210 | 48,000 | 51,000 | 54,000 | 55,000 |
| **LIBRARIES:** | | | | | |
| Circulation | 10,702,251 | 10,700,000 | 9,840,912 | 9,705,777 | 9,228,155 |
| Reference Questions | 563,753 | 550,000 | 438,450 | 550,000 | 450,000 |
| **PARKS, RECREATION AND NEIGHBORHOOD SERVICES:** | | | | | |
| Total Participation in Recreation Programs | 278,481 | 575,000 | 611,316 | 683,913 | 779,077 |
| **POLICE:** | | | | | |
| 911 Calls Per Year | 454,919 | 549,000 | 578,000 | 563,000 | 565,000 |
| 311 Calls Per Year | 385,189 | 368,000 | 370,000 | 385,000 | 382,000 |
| Cases Investigated Per Year | NA (1) | 22,300 | 27,000 | 22,000 | 23,000 |
| **BUILDING PERMITS:** | | | | | |
| Number issued: | | | | | |
| New Buildings | 947 | 1,191 | 901 | 742 | 885 |
| Building Alterations | 4,812 | 6,085 | 6,116 | 4,998 | 6,474 |
| Value: | | | | | |
| New Buildings (in $) | 547,633,219 | 1,398,057,690 | 852,554,975 | 866,643,670 | 1,002,500,194 |
| Building Alterations (in $) | 468,400,699 | 746,751,604 | 1,384,326,525 | 770,315,772 | 967,071,695 |

**Schedule XVII**
**(Concluded)**

## City of San José
## Operating Indicators
## Last Ten Fiscal Years

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **AIRPORT:** | | | | | |
| Takeoffs Per Year: | | | | | |
| Commercial Airline Operations | 128,242 | 141,454 | 119,018 | 54,558 (4) | 87,824 |
| Cargo Commercial Airlines Operations | 1,596 | 1,562 | 1,494 | 1,534 | 1,147 |
| Taxi / Commuter Commercial | NA (3) | NA (3) | NA (3) | NA (3) | NA (3) |
| General Aviation | 35,664 | 48,762 | 47,724 | 36,389 | 49,653 |
| Military Flights | 249 | 230 | 148 | 118 | 293 |
| Landings Per Day: | | | | | |
| Commercial | 176 | 194 | 165 | 77 | 120 |
| General Aviation | 49 | 67 | 65 | 50 | 68 |
| Number of Passengers Per Year | 13,500,000 | 14,900,000 | 11,300,000 | 4,000,000 (4) | 9,000,000 |
| **ENVIRONMENT AND UTILITIES:** | | | | | |
| Water: | | | | | |
| Wastewater Treated Per Day (in mil. gal.) | 105 | 109 | 104 | 109 | 91 |
| Muni Water Consumption Per Year (in bil. gal.) | 6.6 | 6.5 | 6.6 | 8.2 | 6.5 |
| Recycled Materials: | | | | | |
| Tons of Recyclables | 78,606 | 84,344 | 87,084 | 104,627 | 95,371 |
| Tons of Yard Trimmings | 122,375 | 126,491 | 127,899 | 134,194 | 125,177 |
| Gallons of Used Motor Oil | 49,714 | 56,857 | 46,571 | 59,429 | 56,286 |
| **FIRE:** | | | | | |
| Fires Per Year | 3,284 | 3,076 | 3,675 | 4,000 | 4,271 |
| Hazardous Materials Incidents Per Year | NA (2) | NA (2) | NA (2) | NA (2) | NA (2) |
| Fire Safety Code Inspections Per Year | 19,585 | 19,573 | 18,672 | 18,304 | 15,828 |
| Emergency Medical Calls Per Year | 57,715 | 57,509 | 56,454 | 57,000 | 54,945 |
| **LIBRARIES:** | | | | | |
| Circulation | 8,372,753 | 8,613,193 | 6,992,895 | 3,613,471 (4) | 6,799,400 |
| Reference Questions | 500,000 | 600,000 | 360,000 | 160,000 (4) | 200,000 |
| **PARKS, RECREATION AND NEIGHBORHOOD SERVICES:** | | | | | |
| Total Participation in Recreation Programs | 785,581 | 828,233 | 709,764 | 100,811 (4) | 516,597 |
| **POLICE:** | | | | | |
| 911 Calls Per Year | 610,000 | 608,000 | 639,000 | 640,000 | 660,552 |
| 311 Calls Per Year | 426,800 | 441,000 | 523,000 | 525,000 | 488,298 |
| Cases Investigated Per Year | 30,200 | 34,000 | 35,500 | 30,000 | 30,000 |
| **BUILDING PERMITS:** | | | | | |
| Number issued: | | | | | |
| New Buildings | 858 | 1,325 | 1,240 | 1,310 | 1,363 |
| Building Alterations | 6,049 | 5,626 | 4,665 | 5,011 | 5,513 |
| Value: | | | | | |
| New Buildings (in $) | 1,131,512,740 | 938,617,645 | 1,160,972,661 | 1,282,313,750 | 499,255,860 |
| Building Alterations (in $) | 630,571,262 | 896,629,696 | 725,204,828 | 759,736,823 | 1,165,845,019 |

(1) Data currently unavailable due to the Police Department's transition to a new Records Management System.
(2) Data currently unavailable due to staffing resources. Efforts are underway to enhance and automate the process.
(3) Effective FY 2017, Airport Department no longer tracks the Taxi/Commuter Commerical separately. It is now included in Commercial Airline Operations.
(4) FY 2021, significant reductions in certain operating indicators due to COVID-19

*Source: FY 2022-2023 Proposed Operating Budget City Manager's Office, City of San José*

**SCHEDULE XVIII**

## City of San José
## Capital Asset Statistics
## By Function
## Last Ten Fiscal Years

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airport:** | | | | | | | | | | |
| Terminals | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Runways | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Public Parking Spaces: | | | | | | | | | | |
| Short-Term Parking | 2,500 | 2,500 | 2,500 | 2,500 | 2,130 | 1,980 | 1,620 | 1,620 | 1,443 | 3,023 (2) |
| Long-Term Parking | 3,100 | 3,030 | 3,030 | 3,030 | 3,030 | 3,030 | 2,920 | 2,920 | 3,720 | 2,509 (2) |
| **Environment And Utilities:** | | | | | | | | | | |
| Wastewater: | | | | | | | | | | |
| Miles of Municipal Sewer Mains | 2,271 | 2,294 | 2,302 | 2,308 | 2,030 | 2,315 | 2,320 | 2,322 | 2,327 | 2,030 |
| Maximum Daily Capacity (millions of gallons) | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 |
| Water: | | | | | | | | | | |
| Meters in Municipal Service Water Area | 26,700 | 26,700 | 26,700 | 26,700 | 26,700 | 26,894 | 26,671 | 27,356 | 26,839 | 26,980 |
| Miles of Water Mains | 345 | 345 | 345 | 345 | 345 | 345 | 345 | 345 | 345 | 344 |
| **Fire:** | | | | | | | | | | |
| Stations | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 34 |
| **Libraries:** | | | | | | | | | | |
| Main Library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Branches | 22 | 22 | 22 | 23 | 23 | 23 | 24 | 24 | 24 | 24 |
| **Parks, Recreation And Neighborhood Services:** | | | | | | | | | | |
| Park Sites | 193 | 194 | 199 | 200 | 200 | 203 | 206 | 209 | 209 | 212 |
| Community Centers | 12 | 12 | 12 | 12 | 12 | 11 | 11 | 16 | 16 | 12 |
| **Police:** | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles and Motorcycles | 430 | 369 | 369 | 380 | 352 | 303 | 316 | 367 | 367 | 367 |
| Horses and K-9's | 18 | 18 | 16 | 15 | 15 | 15 | 13 (1) | 15 | 15 | 15 |
| Aircraft | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |

(1) Decrease due to the disbanding of the SJPD Mounted Unit

(2) Effective FY 2022, the hourly/daily parking spaces are no longer tracked separately. They are now included in short-term parking.

*Source: FY 2022-2023 Proposed Capital Budget*

City Manager's Office, City of San José

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

**SCHEDULE XIX**

## City of San José
## Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding (1)
## As of June 30, 2022

| Project Name | Series | Date Issued | Issue Amount | 6/30/2022 Balance | Maturity / Redemption | Annual Fees(2) |
|---|---|---|---|---|---|---|
| Helzer Court Apartments | 1999A | 06/02/99 | $ 16,948,000 | $ 13,413,000 | 12/01/41 | $ 26,123 |
| Almaden Lake Village Apartments | 2000A | 03/29/00 | 2,000,000 | 2,000,000 | 03/01/32 | n/a (3) |
| El Parador Apartments | 2000A | 12/07/00 | 6,130,000 | 4,865,000 | 01/01/41 | 14,413 |
| San Jose Lutheran Seniors Apartments | 2001A-1 | 07/11/01 | 3,850,000 | 2,322,560 | 02/15/34 | 6,250 |
| Pollard Plaza Apartments | 2002D | 08/06/02 | 14,000,000 | 5,195,000 | 08/01/35 | 17,500 |
| Hacienda Villa Creek Senior Apartments | 2002G-1 | 10/10/02 | 4,453,000 | 2,562,000 | 12/01/34 | 8,750 |
| Kennedy Apartment Homes | 2002K | 12/11/02 | 14,000,000 | 6,675,000 | 12/15/35 | 17,500 |
| Fallen Leaves Apartments | 2002J-1 | 12/18/02 | 13,360,000 | 8,490,000 | 06/01/36 | 23,500 |
| Fallen Leaves Apartments | 2002J-2 (Sub.) | 12/18/02 | 3,340,000 | 2,190,000 | 05/01/36 | n/a (3) |
| The Oaks of Almaden Apartments | 2003B-1 | 07/29/03 | 4,365,000 | 2,765,385 | 02/15/36 | 10,438 |
| Cinnabar Commons | 2003C | 08/07/03 | 25,900,000 | 21,100,000 | 02/01/37 | 32,375 |
| Delmas Park | 2004C-1 | 10/15/04 | 13,780,000 | 11,417,437 | 01/01/47 | 24,224 |
| Paseo Senter I | 2005B-1 | 12/21/05 | 6,142,200 | 3,831,614 | 12/01/38 | 7,500 |
| Paseo Senter II | 2005C-1 | 12/21/05 | 4,903,000 | 2,929,382 | 06/01/38 | 7,500 |
| Curtner Studios | 2007C-1 | 12/19/07 | 5,520,000 | 4,165,972 | 07/31/07 | 7,500 |
| Fairgrounds Senior Housing Apartments | 2008B | 05/08/08 | 26,000,000 | 10,030,000 | 02/15/36 | 32,500 |
| Las Ventanas Apartments | 2008B | 07/15/08 | 25,900,000 | 25,900,000 | 10/04/05 | 38,750 |
| Brookwood Terrace Family Apts | 2009B-1 | 12/23/09 | 7,780,000 | 6,620,000 | 02/01/37 | 17,000 |
| Fourth Street Apts | 2010A-1 | 06/04/10 | 5,620,000 | 4,577,022 | 05/01/43 | 7,500 |
| Orvieto Family Apartments | 2010B-1 | 07/20/10 | 7,760,000 | 7,010,000 | 08/01/29 | 17,750 |
| Kings Crossing Apartments | 2010C | 09/17/10 | 24,125,000 | 2,054,291 | 09/01/45 | 7,500 |
| Taylor Oaks Apartments | 2011A-1 | 10/21/11 | 3,950,000 | 3,585,000 | 10/01/28 | 7,875 |
| 1st and Rosemary Family Apartments | 2012C | 04/19/12 | 35,500,000 | 24,404,466 | 10/01/44 | 33,900 |
| 1st and Rosemary Senior Apartments | 2012D | 04/19/12 | 15,500,000 | 8,868,216 | 10/01/44 | 12,319 |
| Mayfair Court Apartments | 2012B-1 | 04/20/12 | 5,220,000 | 4,347,894 | 10/01/44 | 27,500 |
| La Moraga Apartments | 2012E | 09/07/12 | 52,440,000 | 47,662,163 | 03/01/26 | 65,550 |
| 3rd Street Residential Apartments | 2013A | 06/27/13 | 6,630,000 | 3,638,802 | 07/01/33 | 8,288 |
| Cambrian Center | 2014A-1 | 10/17/14 | 19,034,500 | 11,913,037 | 05/01/47 | 32,048 |
| Cambrian Center | 2014A-2 | 10/17/14 | 19,034,500 | 11,913,037 | 05/01/47 | n/a (3) |
| Poco Way Apartments | 2015A-1 | 02/01/15 | 21,833,000 | 10,312,933 | 09/01/47 | 14,406 |
| Canoas Terrace Apartments | 2015B | 10/30/15 | 22,700,000 | 20,501,316 | 05/01/48 | 28,375 |
| Town Park Towers Apartments | 2015C | 10/14/15 | 45,250,000 | 21,569,952 | 04/01/48 | 28,281 |
| Don de Dios Apartments | 2016A | 12/22/16 | 17,376,102 | 6,371,202 | 06/01/34 | 8,353 |
| Villa De Guadalupe | 2017A1 & A2 | 05/23/17 | 37,700,000 | 28,980,000 | 03/01/52 | 41,995 |
| Villa De Guadalupe Junior | 2017B | 05/23/17 | 4,615,712 | 4,615,712 | 03/01/52 | n/a (3) |
| Catalonia Apartments | 2017C | 10/17/17 | 16,264,154 | 6,062,569 | 04/01/39 | 7,905 |
| El Rancho Verde | 2018A | 08/28/18 | 277,700,000 | 271,904,325 | 09/01/48 | 52,500 |
| El Rancho Verde | 2018B | 08/28/18 | 40,300,000 | 40,300,000 | 09/01/20 | n/a (3) |
| Lenzen Square | 2019A-1 | 08/22/19 | 18,500,000 | 16,250,000 | 08/01/59 | 28,750 |
| Lenzen Square | 2019A-2 | 08/22/19 | 3,000,000 | 3,000,000 | 08/01/59 | n/a (3) |
| Vista Park I | 2019C | 10/11/19 | 13,245,397 | 5,578,293 | 06/01/38 | 16,557 |
| Palm Court Sr | 2019D | 10/11/19 | 12,247,056 | 4,393,953 | 06/01/38 | 15,309 |
| Quetzal Gardens | 2019E | 12/20/19 | 32,207,500 | 28,829,195 | 07/01/37 | 40,259 |
| Page Street | 2020B-1 | 10/01/20 | 6,000,000 | 5,925,616 | 05/05/53 | 33,437 |

**SCHEDULE XIX**

## City of San José
## Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding (1)
## As of June 30, 2022

| Project Name | Series | Date Issued | Issue Amount | 6/30/2022 Balance | Maturity / Redemption | Annual Fees(2) |
|---|---|---|---|---|---|---|
| Alum Rock | 2020 | 11/01/20 | $ 32,895,768 | $ 23,479,529 | 12/01/39 | $ 9,503 |
| Arya | 2021 | 03/01/21 | 34,314,000 | 4,595,629 | 03/01/46 | 42,893 |
| Markham Plaza II C-1 | 2021 | 05/01/21 | 19,000,000 | 15,176,990 | 05/01/66 | 31,250 |
| Immanual Sobrato | 2021D | 06/01/21 | 34,980,000 | 56,697 | 05/01/41 | 43,725 |
| Blossom Hill | 2021 | 06/01/21 | 39,362,559 | 4,728,034 | 08/01/45 | 49,203 |
| Mariposa Place | 2021E-1 | 01/28/22 | 31,341,010 | 55,666 | 01/01/40 | 39,176 |
| Vitalia | 2021F-1 | 01/28/22 | 25,172,716 | 1,678,834 | 01/01/41 | 44,591 |
| **Grand Total** | | | **$ 1,179,190,174** | **$ 790,812,723** | | **$ 1,088,521** |

(1) California Government Code Chapter 10.7 'Conduit Financing Transparency and Accountability' requires additional reporting and public disclosures by public agencies that issue certain revenue bonds, including conduit revenue bonds. This table provides the information required by section 5872 of Chapter 10.7 which includes disclosure of fees imposed on borrowers by conduit financing provider, expenditures related to fees, dollar amount and nature of fees and expenses, amount of any authorized, but unsold bonds at end of June 30, 2022, and amount of debt issued and outstanding at end of reporting period. As of June 30, 2022, the City has served as a conduit issuer for only multifamily housing revenue bonds.

(2) Annual monitoring fees and upfront fees are collected pursuant to City Council Policy No. 1-16, Policy for the Issuance of Multifamily Housing Revenue Bonds. The annual monitoring fee is charged to reimburse the City for monitoring the restricted units and the reimbursement agreement and to ensure compliance with tax law. The annual monitoring fees are deposited in the Housing Activities Fund.

(3) Bonds are connected to the senior bonds. Those with second tranche are simply connected the senior since the regulatory agreements do not split fees.

(4) Bonds were issued in the reporting period. The fees will be due in the next reporting period.

*Source: Housing Department, City of San José*

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