COUNCIL AGENDA: 12-08-09
ITEM: 3.10

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

SUBJECT: **SEE BELOW**

DATE: 12-04-09

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT

RECOMMENDATION

As recommended by the Public Safety, Finance and Strategic Support Committee on November 19, 2009 and outlined in the attached memos previously submitted to the Public Safety, Finance and Strategic Support Committee, accept the Comprehensive Annual Financial Report.

Fiscal Year 2008-09 Comprehensive Annual Financial Report

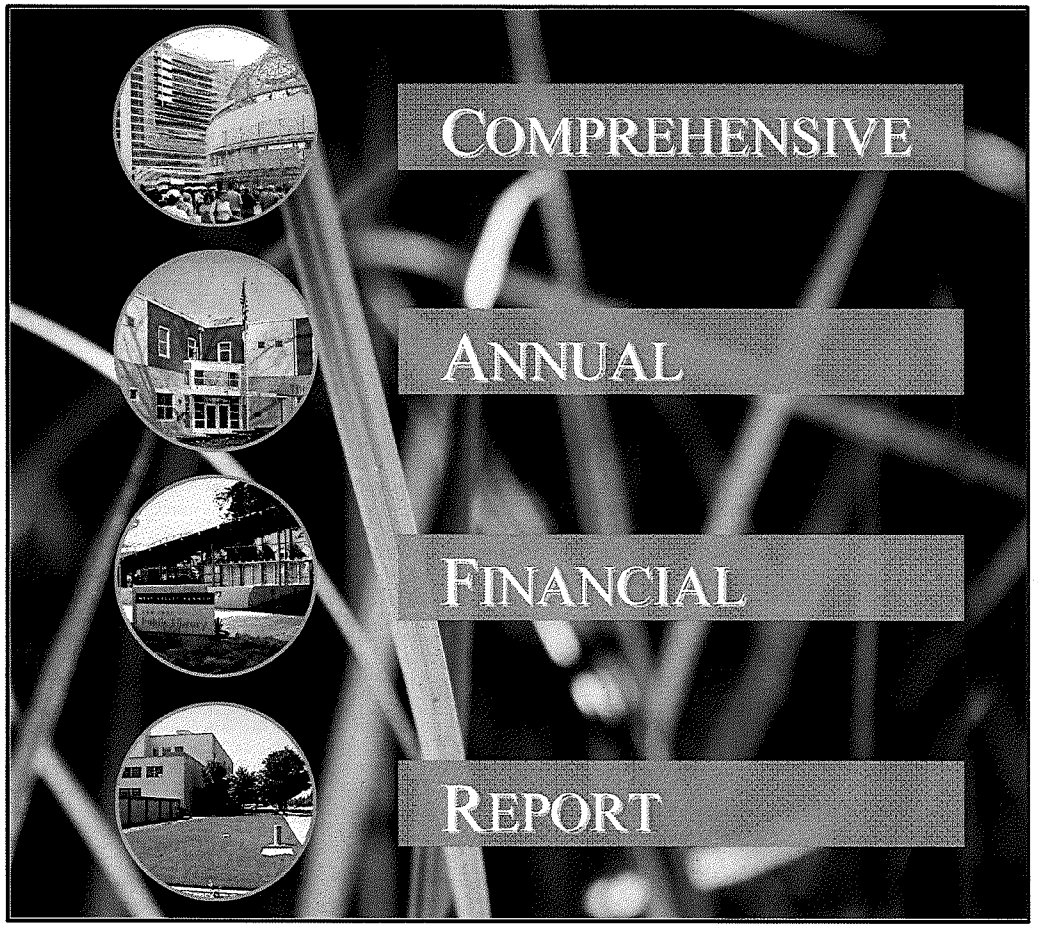
Public Safety, Finance and Strategic Support Committee

Finance Department
November 19, 2009

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

2009



Fiscal Year Ended June 30, 2009

San José, California

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Independent Auditor's Report

- The financial statements are the responsibility of the City's management
- Auditor's responsibility is to express an opinion on the financial statements
- Auditors conduct audit in accordance with auditing standards generally accepted in the United States of America
- In Auditor's opinion, the financial statements present fairly, the financial position as of June 30, 2009, and changes in financial position in conformity with accounting principles generally accepted in the United States of America
- Emphasis of a Matter

Statement of Net Assets

June 30, 2009

(dollars in thousands)

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
ASSETS	9,475,960	2,932,068	3,860,769	16,268,797
LIABILITIES	4,388,370	1,603,376	374,233	6,365,979
NET ASSETS	5,087,590	1,328,692	3,486,536	9,902,818

General Fund Current Year vs Prior Year

(dollars in thousands)

	2008-2009	2007-2008	Change
Fund balances - beginning	277,133	280,597	(3,464)
Total revenues	663,096	694,408	(31,312)
Total expenditures	729,036	697,872	(31,164)
Fund balances - ending	211,193	277,133	(65,940)

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

General Fund Expenditures

(dollars in thousands)

	2008-2009 General Fund	2007-2008 General Fund	Change
General government	98,536	86,907	(11,629)
Public safety	419,043	416,255	(2,788)
Capital maintenance	53,440	50,678	(2,762)
Community services	138,992	141,878	2,886
Sanitation	2,621	1,896	(725)
Capital outlay	5,233	1,469	(3,764)
Debt service payments	1,583	-	(1,583)
Net transfers	9,588	(1,211)	(10,799)
Total expenditures	729,036	697,872	(31,164)

Subsequent Events

Fiscal Year 2010 State Budget Impact

1. **State Borrows City Property Taxes**

   - City's share is $20.5 million
   - On October 20, 2009, The City Council adopted a resolution approving the sale of property tax receivable (Prop 1A Securitization)
   - Two equal payments to be received January 15, 2010 and May 3, 2010

Subsequent Events (Continued)

2. SERAF Taxes

- The Agency's share is $75 million
- Two payments - 62.2 million, May 5, 2010 and 12.8 million, May 5, 2011
- In response, Agency will attempt to renegotiate deferring payment to County and negotiate borrowing from Housing 20% Set-aside funds

3. Letters of Credit

- Recognition of short term liability $5.3 million for variable rate demand bonds
- Higher commitment fees charged by the credit facility
- Expire on November 26, 2010

Questions

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: PUBLIC SAFETY, FINANCE & STRATEGIC SUPPORT COMMITTEE

FROM: Scott P. Johnson

SUBJECT: **COMPREHENSIVE ANNUAL FINANCIAL REPORT – FISCAL YEAR ENDED JUNE 30, 2009**

DATE: November 6, 2009

Approved Delma Jitna Date 11/12/09

COUNCIL DISTRICT: City-wide

We are pleased to present the City of San José's Comprehensive Annual Financial Report (CAFR) which contains the audited financial statements for the fiscal year ended June 30, 2009. Both staff and the independent auditor, Macias Gini & O'Connell, LLP, should be commended for this effort.

Staff from the Finance Department will make a formal presentation to the Public Safety, Finance & Strategic Support Committee during the November 19, 2009 meeting. The CAFR will also be available for viewing on the City's internet site.

Scott P. Johnson
SCOTT P. JOHNSON
Director, Finance Department

Attachment

City of San José
California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

Prepared by Finance Department

Scott P. Johnson
Director of Finance

City of San José
Comprehensive Annual Financial Report
Project Team

Scott P. Johnson
Director of Finance

Julia Cooper
Assistant Director

Walter Rossmann
Deputy Director

Mike Ryder
Division Manager

Financial Statement Coordination

Patrick Sawicki
Principal Accountant

Inderdeep Dhillon
Principal Accountant

Evelyn Slotnick
Principal Accountant

Damian Beatty
Senior Accountant

Stephen Gaffaney
Senior Accountant

Graciela Martinez
Senior Accountant

Julia Weng
Senior Accountant

Financial Statement Preparation

Alex Guiang
Principal Accountant

Lillian Nguyen
Senior Accountant

Gil Ong
Senior Accountant

Corsina Trevias
Senior Accountant

Accountants

Suzanne Adaysh
Grace Chan
Weiping Ding
Maria Cecilia Endozo
Adora Gailo
Jose Gonzalez
Gladys Ho
Joemaiyra Marinez
Bhavana Menghrajani

Accountants

Han Nguyen
Justine Nguyen
Anita Pennington
Susan Perreira
Winnie Roosenboom
Yen Tiet
Helen Ting
Phuong Vu

Accounting Technicians

Chato Apor
Yolanda Ayala
Gurinder Chhina
Lorie Deisenroth
Mala Song
Kathy Stagi
Jim Wong

Special Assistance

Jennifer Maguire, Budget Office
David McPherson, Finance
David Persselin, Finance
Tim Tung, Finance

George Rios, City Attorney's Office
Danielle Kenealey, City Attorney's Office
Abe Andrade, Redevelopment Agency
Jones George, Housing
David Wong, Human Resources

Sharon Winslow Erickson, City Auditor's Office
Russell Crosby, Retirement
Veronica Niebla, Retirement

Special Assistance – Departments and Offices

Airport Department
Budget Office
City Attorney
City Auditor
City Clerk
City Manager

Department of Transportation
Environmental Services
General Services
Housing Department
Human Resources
Information Technology

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

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CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Manager

November 4, 2009

HONORABLE MAYOR and CITY COUNCIL

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SAN JOSE

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of San José for the fiscal year July 1, 2008 through June 30, 2009 as required by Sections 805(a) and 1215 of the City Charter. Although submitted to the Mayor and City Council for consideration, the CAFR is also intended to provide relevant financial information to the residents of San José, creditors, investors, and other interested parties.

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

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

Ensuring the financial integrity of our public institutions is crucial to maintaining the public's trust. Federal legislation and the Securities and Exchange Commission require top executives of publicly-traded companies to attest personally to the accuracy of their companies' financial results. Although this regulation does not apply to governmental agencies, the Introductory Section includes voluntary oaths from the City Manager and Director of Finance attesting to the accuracy, reliability, and completeness of the CAFR as a means of conveying the importance of the City's commitment to excellence in financial reporting and maintaining the public's trust.

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for fiscal year 2008-2009 are fairly stated and in compliance with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

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

200 East Santa Clara Street San José, CA 95113 *tel* (408) 535-8100 *fax* (408) 920-7007 www.sanjoseca.gov

This Comprehensive Annual Financial Report is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, and specifics of the City's legal operating environment.
- The Financial Section contains the City's audited financial statements including the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds, as well as nonmajor governmental funds, proprietary funds, and fiduciary funds.
- The Statistical Section contains comprehensive statistical data on the City's financial, physical, economic, social, and political condition.

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 City Council form the legislative body that represents the community and is empowered to formulate citywide policy. The City Council consists of a Mayor and ten Council members. The Mayor is elected at large for a four-year term, and Council members are elected by district for staggered four-year terms. The Mayor and Council members are limited to two consecutive four-year terms. Under the Charter, the Mayor recommends policy, program and budget priorities to the City Council, which in turn approves policy direction for the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization 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 City Council. The City Council also acts as the Redevelopment Agency Board and appoints the Executive Director of the Redevelopment Agency to administer redevelopment projects and programs.

The City provides a full range of municipal services, including police and fire protection, sanitation services, environmental management, maintenance of streets and infrastructure and the administration of library, recreational activities, and cultural facilities. The City operates a parking program, a municipal water system, a wastewater treatment facility, the Norman Y. Mineta San José International Airport and three municipal golf courses. In addition, it oversees convention, cultural event and hospitality facilities that include History San José, the California Theatre, Center for the Performing Arts, San José McEnery Convention Center, Dolce Hayes Mansion Conference Center, and the HP Pavilion at San José - home of the San José Sharks of the National Hockey League.

San José covers approximately 178 square miles at the south end of the San Francisco Bay and is the county seat of Santa Clara County. With a 2009 estimated population of 1,007,000[1], it is the tenth largest city in the United States and the third largest city in California. In addition, San José is the oldest city in California, developing from a Spanish pueblo established on November 29, 1777. The City has transformed dramatically from the rich agricultural setting of its early years into the world's leading center of technology innovation, known as the "Capital of Silicon Valley." Service providers account for approximately 77 percent of the City's employment, with the majority of employment related to professional and business services, education and health services, government, and retail. In addition,

[1] State of California, Department of Finance, Population Estimates for Cities and Counties, May 2009.

durable goods manufacturing, primarily computer equipment, semiconductor components, and electronic instruments account for approximately 17 percent of the City's employment.

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

ECONOMIC CONDITION and FISCAL OUTLOOK

In October 2007, the City embarked on an assessment and study to begin strategizing on ways to eliminate the structural budget deficit, one of the City's top priorities. As part of this effort, the City completed and released the General Fund Structural Deficit Elimination Plan (the "Plan") in November 2008, and updated the Plan in February 2009. The Plan is a policy guide and an operational blueprint for actions that, if taken, can assist in achieving fiscal stability and organizational sustainability. The Plan outlines specific strategies and timelines to eliminate the General Fund structural budget deficit over a five year timeframe ending in fiscal year 2013-2014. The strategies fall into three separate categories: (1) Cost Savings Strategies; (2) Revenue Strategies; and, (3) Service Reductions/Eliminations Strategies. Based on the revenue and expenditure projections contained in the Plan, the General Fund structural deficit was expected to total approximately $116 million over the five year period.

During fiscal year 2008-2009, the City conducted a comprehensive community outreach process which included a day-long Neighborhood Budget Priority Session and a Community Budget Survey to determine neighborhood leaders' and community members' revenue and expenditure priorities. At a full day Council Priority Setting Study Session, the City Council, Council Appointees, and Senior Staff met to hear preliminary budget concepts, key themes and trends resulting from the information collected through the Neighborhood Budget Priority Session and Community Budget Survey, staff assumptions in working to solve the structural deficit, as well as impacts to services and or tradeoffs being considered. In June 2009, based in part on the input received, the City Council approved a balanced General Fund budget for fiscal year 2009-2010, closing a funding gap of approximately $84.2 million through a combination of: (1) service reductions and eliminations; (2) revenue increases, use of reserves, and funding shifts; (3) costs savings, and new service delivery models, including initial steps to flatten the management structure of the organization; and, (4) agreements reached with several employee groups to contain payroll costs and to restore specific City services which would otherwise have been eliminated.

In July 2009, Governor Schwarzenegger signed a State budget that closed California's $24 billion deficit, with a cumulative impact of approximately $95 million to the City. Under the State budget, the State will borrow approximately $1.9 billion in property taxes from local governments, resulting in a General Fund loss of about $20 million to the City in fiscal year 2009-2010. In addition, the State will take approximately $2 billion from Redevelopment Agencies statewide, of which the San José Redevelopment Agency's share is approximately $62 million in fiscal year 2009-2010, and another $13 million in fiscal year 2010-2011. The City is evaluating several alternatives to manage the impacts of the State budget.

Fiscal year 2008-2009 was an extraordinary period of economic turmoil for the country, including the City. Most economists expect the severe economic recession to linger well into calendar year 2010, marked by high unemployment, declines in gross domestic product (GDP), and low consumer confidence levels. Until the last quarter of calendar year 2008, the City was somewhat less impacted than other areas in the State and the nation. However, the deep global recession has now enveloped the City as well, as evidenced by increasing job losses, rising unemployment, steep declines in home prices, rising foreclosures, rising commercial property vacancies, a large drop in development activities, and significant declines in passenger activity at the San José Airport. The economic condition is reflected in significant reductions in Sales Tax, Property Tax, Transient Occupancy Tax, and development related fees and

taxes. San José's June 2009 unemployment rate of 13.1 percent represents a significant increase over the June 2008 unemployment rate of 6.6 percent. In addition, the City's June 2009 unemployment rate was higher than the June 2009 statewide rate of 11.6 percent[2].

Even in these challenging economic times, the City's excellent general obligation credit ratings of Aa1/AAA/AA+, from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively, place San José in an elite group in the California municipal credit market. San José remains the highest rated large city (with populations over 250,000) within the State. The City is able to maintain these ratings in the face of the challenges to the local economy and the City's budget due to the City's past proven track record of sound fiscal management.

SIGNIFICANT EVENTS and ACCOMPLISHMENTS

Highlights of activities and accomplishments for the fiscal year ended June 30, 2009 include the following:

- In August 2008, the Dr. Martin Luther King, Jr. Library, the first library in the United States to be jointly owned and operated by a major city and university, marked its fifth anniversary. The successful collaboration between the City and San José State University has provided a collection of more than a million books, periodicals, CDs, DVDs, computers and other resources in a visually stunning, eight-story facility designed for the joint use of public and academic customers.

- In August 2008, with the opening of the reconstructed Pearl Avenue Branch Library, the City became the first municipality in the United States to install permanent public art that combines photovoltaic (PV) cells and art glass in an architectural application. The artwork incorporates glass-embedded PV cell technology that in turn powers a suspended glass light-emitting diodes (LED)-illuminated lamp, and further heightens awareness of San José's Green Vision.

- In September 2008, the City celebrated the groundbreaking of San José's first LEED (Leadership in Energy and Environmental Design) Gold Standard community center. LEED Gold is the second highest level of LEED certification. The new Edenvale Community Center, a planned 20,204 square-foot facility, will achieve reduced water consumption by 40 percent and save energy through its extensive use of windows that provide natural daylight. The scheduled completion date is Spring 2010.

- October 2008 marked the one-year anniversary of San José's Green Vision, an ambitious and comprehensive 15-year plan to address environmental goals and grow the local economy. San José's Green Vision outlines 10 far-reaching goals that address energy consumption, water use, greenhouse gas emissions, and other environmental impacts. On the one-year anniversary, the City Council adopted a policy to allow the City to measure progress on its goals of achieving 50 million square feet of green buildings in San José over the next 14 years. The Private Sector Green Building Policy calls for new commercial, industrial, and residential construction to implement measures to increase energy efficiency, use less water, incorporate recycled water, divert waste from landfills, and encourage walking, bicycling, and using public transportation.

- In November 2008, the Strong Neighborhoods Initiative, San Jose's successful community-driven neighborhood improvement program, won the 2008 National League of Cities Gold Award for Municipal Excellence. This award recognizes outstanding programs that have improved the quality of life in cities and towns across the United States.

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

- In November 2008, San José voters approved Measure J, a ballot measure that replaced the existing Emergency Communications System Support (ECSS) Fee with a Telephone Line Tax. The Telephone Line Tax is imposed at the rate of $1.57 per telephone line and $11.82 per commercial trunk line. These rates are lower than the comparable ECSS Fee rates of $1.75 per telephone line and $13.13 per commercial trunk line. The Telephone Line Tax revenue budgeted for fiscal year 2009-2010 totals $21.6 million, which is $2.2 million less than the ECSS Fee revenue earned in the last full year the ECSS Fee was in effect (2007-2008).

- In November 2008, San José voters approved Measure K, a ballot measure that replaced the existing tax on telephone service with an updated telecommunications user's tax. The updated telecommunication user's tax took effect on April 1, 2009 and reduces the 5.0 percent tax rate to 4.5 percent, and applies the tax to all intrastate, interstate, and international communications services regardless of technology used to provide such services, such as private communication services, voice mail, paging, and text messaging, and continues to tax existing communication services including landline, wireless, Voice over Internet Protocol (VoIP), and bundled services, where taxable and non-taxable services are bundled together. Total Utility Tax revenue budgeted for fiscal year 2009-2010 totals $85.0 million, compared to $82.3 million in 2007-2008, the last full year the telephone service tax was in effect.

- In February 2009, the City entered into an agreement with the Harvard University Graduate School of Design for an Urban Design Studio Project to begin identifying possibilities for the future of San José's Diridon Station and its adjacent surroundings. The development of the Diridon Station area into a 21st century transportation center including high speed rail, Bay Area Rapid Transit, Caltrain and Valley Transportation Authority light rail is a huge opportunity for San José that connects the City's technology and knowledge job centers in North San José and Edenvale with the rest of the State.

- In March 2009, it was announced that the City will receive approximately $4.1 million in Federal stimulus funding to support local homelessness prevention services. The majority of funding will be dedicated to providing permanent housing for homeless families and continuing services that assist them in maintaining their current housing. Funds will also be used to provide support services to homeless individuals, mentally ill clients, and veterans who are homeless or need assistance in being re-trained for permanent jobs.

- In March 2009, San José's City Hall achieved the top certification of LEED Platinum from the U.S. Green Building Council for existing buildings. According to the U.S. Green Building Council, no other City Hall in the United States has achieved LEED Platinum for existing buildings to date. By reaching the Platinum level, the City not only helps conserve resources while creating a healthier environment for employees and visitors, but also saves substantially on operating (or maintain) costs through green building maintenance practices.

- In April 2009, the City launched the Foreclosure Help Initiative, a comprehensive initiative to help families and neighborhoods impacted by the housing foreclosure crisis. Through the Foreclosure Help Initiative, the City opened a one-stop center to assist residents who are in foreclosure or at-risk of foreclosure. The Foreclosure Help Initiative takes a four-pronged approach to the issues surrounding the current foreclosure crisis, including: (1) Prevention; (2) Intervention; (3) Family Stabilization, and; (4) Neighborhood Stabilization.

- In April 2009, the California State Department of Finance announced that, as of January 1, 2009, San José exceeded 1 million in population, making it the tenth city in the United States to exceed 1 million persons. The City's growth during calendar year 2008 was driven by the addition of 3,839 new housing units, almost equally split between the annexing of 1,902 existing housing units and the construction of 1,937 new residences.

- In May 2009, BusinessWeek reported San José to be the best city in the country for a cleantech startup company. San José was chosen because of its strategies that bring sustainability initiatives into the Office of Economic Development and being early adopters of green products and services. In addition, San José benefits from being close to big cleantech venture capitalists and neighboring universities.

- In June 2009, the City sold $9.0 million of General Obligation Bonds, Series 2009 by competitive bid at an effective interest cost of 4.54%. The Bonds represent the fifth series of general obligation bonds that the City has issued pursuant to the voter approved Measure O (2002) Bonds – 911, Fire, Police, Paramedic and Neighborhood Security Act. The 2009 Bonds mature over 30 years with a final maturity in 2039.

- In June 2009, the City, AFSCME Local 101, and the Municipal Employees' Federation and the Confidential Employees' Organization bargaining units, representing 2,700 City employees, reached agreement on a "true zero" wage freeze for fiscal year 2009-2010. Under the agreements, the bargaining units forego previously scheduled 1.5 percent general wage increases and any automatic 5 percent step increases, saving the City a total of $6 million.

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

San José is committed to providing excellent municipal services to its diverse residents and visitors. The City organization is structured into six City Service Areas (CSAs) that integrate services provided in individual departments and offices into the City's key lines of business as viewed from the community's perspective. The CSAs are: Community & Economic Development; Environmental & Utility Services; Neighborhood Services; Public Safety; Strategic Support; and Transportation & Aviation Services. The City publishes a five-year Capital Improvement Program (CIP) that guides the City in the planning, scheduling, and budgeting of capital improvement projects during the next five-fiscal year period. The CIP is updated annually and approved by the City Council. Significant issues and projects included in the 2010-2014 CIP, presented within the CSA structure, are as follows:

Community & Economic Development

- A highlight of the Community and Economic Development CSA is the Developer Assisted Projects Capital Program, which includes the Underground Utility Fund that is used to collect developer fees when a developer opts out of placing facilities underground at the time of development. The Fund is used to establish Underground Utility Districts which combine several smaller undergrounding projects into one large project to achieve economies of scale and minimize the undesirable result of piecemeal undergrounding of utility facilities throughout the City. The Developer Assisted Projects fiscal years 2010-2014 CIP programs funding for Underground Utility District projects within the City, nine of which are scheduled to be under construction or completed during fiscal year 2009-2010.

- The Developer Assisted Projects Capital Program also includes the Residential Construction Tax Contribution Fund (RCTCF). Developers who construct residential dwelling units pay contributions to the RCTCF, and payments from the fund are made to developers who construct eligible improvements on major City streets in connection with new residential developments. The Developer Assisted Projects fiscal years 2010-2014 CIP programs funding for reimbursements to home builders for median island construction and center strip paving.

Environmental & Utility Services

- The fiscal years 2010-2014 CIP for the Sanitary Sewer system programs funding of $119.9 million and includes projects related to capacity improvement to support future economic development such as the Edenvale Sanitary Sewer Supplement Phase VA & VB Project to provide increased sewer capacity for the southern portions of San José, including the Edenvale Redevelopment Area, North

Coyote Valley, and existing South San José neighborhoods. In addition to Capacity Improvement Projects, projects in this CIP include construction and/or rehabilitation of the North San José Interceptor System, including the construction of a new Fourth Major Interceptor, the Flow Monitoring and Master Planning Program, the Inflow and Infiltration Reduction Program, and Miscellaneous Rehabilitation Projects.

- The Storm Sewer System Capital Program for fiscal years 2010-2014 programs funding of $20.5 million for a variety of projects. A rate increase of 30 percent in fiscal year 2009-2010 was approved by the City Council to allow appropriate investments in capacity and neighborhood storm system improvements in this CIP. The program will fund the Storm Drainage Improvement – Special Corridors Project ($3.5 million), Storm Pump Station Rehabilitation and Replacement Project ($2.8 million), Albany-Kiely Storm Drainage Improvements Phases III/IV and V/VI Project ($1.5 million), Alviso Storm Rehabilitation Project ($1.0 million), and a series of smaller neighborhood storm drain improvement projects ($2.4 million).

- The major areas of investment for the Water Pollution Control Plant Capital Program totaling $355.1 million over the five-year CIP are Plant Infrastructure Needs Improvements Projects, including the Digester Rehabilitation Project to restore digester performance and facilitate the addition of a fats, oils, and grease receiving station for digesting grease, and the Plant Electrical Reliability Project to enhance the overall safety and reliability of the Plant electrical systems. These projects will be closely coordinated with the Plant Master Plan Project to ensure that they are integrated with other high-priority and long term facility needs.

- The Water Utility System CIP programs funding of $25.6 million for fiscal years 2010-2014 and includes the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. The Water Utility System provides water service to approximately 26,000 customers in five Service Areas within the City: Evergreen, North San José, Alviso, Edenvale, and Coyote Valley. Service Area projects include water main replacements, meter installations, service installations, and infrastructure improvements.

Neighborhood Services

- In November 2000, voters in San José approved Measure O, a $212.0 million general obligation bond measure to improve the branch library system over a ten-year period. The Library's fiscal years 2010-2014 CIP programs funding for bond funded projects including the opening of two new branches (Bascom Branch and Southeast Branch) and five expanded/relocated projects (Calabazas Branch, East San José Carnegie Branch, Educational Park Branch, Santa Teresa Branch, and Seven Trees Branch). All projects funded by Measure O are scheduled for completion during the fiscal years 2010-2014 CIP. In addition, this CIP provides funding for non-bond fund related projects including: (1) the acquisition of new library materials; (2) automation projects and system maintenance to provide customer service enhancements, increase staff productivity and effectiveness, and increase the Library's ability to provide faster, better electronic access; and, (3) the improvement and maintenance of library facilities.

- In November 2000, voters in San José approved Measure P, a $228.0 million general obligation bond measure to improve parks and recreational facilities over a ten-year period. The Parks and Community Facilities Development's fiscal years 2010-2014 CIP programs funding for bond funded projects including the completion of two new sports parks, the construction of two community centers (Bascom and Seven Trees Community Centers), and the renovation and expansion of Happy Hollow Park and Zoo. All projects funded by Measure P are scheduled for completion during the fiscal years 2010-2014 CIP. In addition, this CIP provides funding (or partial funding) for non-bond funded projects programmed in the Park Trust Fund, including two new parks (Commodore Children's Park and Nisich Park), renovations of existing park amenities such as playgrounds and play lots at various neighborhood parks, the renovation of Santana Park, and upgrades to the ball fields at Solari Park.

Public Safety

- In March 2002, voters in San José approved the Neighborhood Security Act Bond Measure to provide the funding for Police and Fire capital improvements through the issuance of General Obligation Bonds in an amount not to exceed $159.0 million. The majority of the projects funded by the Neighborhood Security Act Bond Measure are scheduled for completion during the fiscal years 2010-2014 CIP. The Public Safety CIP for fiscal years 2010-2014 allocates $43.3 million for public safety projects to provide and improve facilities and equipment that support the delivery of effective emergency services to City residents and visitors.

- Police Department Bond Projects scheduled during the fiscal years 2010-2014 CIP include the South San José Police Substation, and the completion of a Driver Safety Training Center; however, at this time, the Driver Safety Training Center Project is not fully funded due to funds being transferred out of the Project to complete the South San José Police Substation.

- Fire Department Bond Projects scheduled during the fiscal years 2010-2014 CIP include constructing three new/rebuilt fire stations, and relocating two fire stations. In addition, non-bond funded projects programmed into this CIP include fire apparatus replacement to maintain the response readiness of the Fire Department.

Strategic Support

- The Strategic Support CSA is comprised of internal functions that enable the five other CSAs to deliver services to the community and to customers. The Strategic Support Capital Improvement Program for fiscal years 2010-2014 programs funding for two large projects. The first is the City-wide Trunking Radio System Project which will allow the City to maximize available radio capacity in a two-way radio system and prioritize communications to ensure that Police and Fire transmissions take precedence.
- The second major project involves the expansion of the Emergency Communications (ECOMM) microwave system compatible equipment to both the Public Works Department and Police Department radio frequencies. This equipment, which is already in use by the Fire Department, will allow the City to meet the coverage requirements established by the Federal Communications Commission.

Transportation & Aviation Services

- The Traffic CIP for fiscal years 2010-2014 programs funding of $226.3 million planned for projects and programs that improve the operational efficiency and safety of the City's transportation network; develop local transportation enhancements throughout the City including the Jackson Street Light Rail Transit to Japantown Pedestrian Corridor and San José State University to Japantown Pedestrian Corridor; improve transportation in North San José including the design of Montague Expressway Improvements and the Route 101/Trimble Interchange Upgrade; plan, design, and construct regional projects consistent with the City's interests including the Bay Area Rapid Transit (BART) Extension to San José, and California High Speed Rail; provide maintenance activities including bridge and pavement maintenance; traffic signals rehabilitation; and City-wide emergency repairs.

- The Parking CIP for fiscal years 2010-2014 programs funding of $7.4 million for several improvement projects that will enhance and prolong the service life of parking facilities including concrete deck sealing, traffic coating, and waterproofing membrane replacement; the purchase of electronic equipment to ensure an efficient operation in various parking facilities including the installation of LED signs at reversible lanes and dynamic floor count systems; system-wide upgrades to the credit card processing equipment at all garages and at the central server to meet the credit card industry's Payment Card Industry Data Security Standard requirements; and security improvements such as

lighting improvements, security fencing, video cameras, and surveillance equipment located at entry/exit lanes, lobby areas, and stairwells.

- The Norman Y. Mineta San José International Airport (Airport) CIP for fiscal years 2010-2014 totals $465.0 million and consists of over thirty capital projects. This CIP represents capital projects included in the rescoped Airport Master Plan that was approved by City Council in June 2006. Three of the major projects include the Terminal Area Improvement Program (TAIP), Phase I, Taxiway W Improvements, and the South Apron Replacement Project.

- The TAIP, Phase I Project consists of several projects including: Terminal A improvements, Terminal B – Phase I, roadways and off-airport traffic mitigation, as well as utility projects. Due to sustained decreases in passenger levels, the TAIP, Phase II Project has been excluded from the 2010-2014 CIP, and is contingent upon reaching established growth triggers and the availability of future funding resources.

- The Taxiway W Improvements Project addresses safety concerns identified by the Federal Aviation Administration's Runway Safety Action Team and provides for the design and construction to extend Taxiway W from Taxiway C to the end of Runway 29. Subsequent phases of this Project are included in this CIP; however, they are contingent upon amending the Airport Master plan for certain components and the receipt of grant funding.

- The South Apron Replacement Project funds reconstruction of the five-gate area directly in front of the new Terminal B building that is under construction. Subsequent phases of this Project will provide for improvements in the gate areas associated with future construction; however, due to sustained decreases in passenger levels, the subsequent phases have been excluded from this CIP, and will be contingent upon reaching established growth triggers and the availability of future funding resources.

FINANCIAL INFORMATION

The City's management staff is responsible for establishing and maintaining internal controls that safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and that the evaluation of costs and benefits is subject to management estimates and judgments.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Office of the City Auditor, and the City's outside independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over 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 the adoption of the annual appropriation ordinance by the City Council and encumbrance accounting. Expenditures for the City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse and are available to be appropriated through the following fiscal year's budget process.

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

Debt Management Policy

The Debt Management Policy for the City was adopted by the City Council on May 21, 2002, and is reviewed annually. The first set of program-specific policies, related to the City's multifamily housing program, was adopted by the City Council on June 11, 2002 and subsequently amended on December 6, 2005. The Debt Management Policy establishes the following equally important objectives:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the twenty-first consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year only. The City believes this CAFR 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 nineteenth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2008. 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.

ACKNOWLEDGMENTS

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. Many members of the Department demonstrated exemplary personal determination and dedicated many long days of focused attention to produce this document.

In addition, staff in all City departments and the Redevelopment Agency 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 the community.

Respectfully submitted,

Debra Figone
City Manager

Scott P. Johnson
Director, Finance

Statement Under Oath of City Manager Regarding Facts and Circumstances Relating to the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2009

I, Debra Figone, City Manager, state and attest that:

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

- The covered report is accurate in all material respects; and
- Is reported in a manner designed to present fairly the financial position and results of operations of the City; and
- No covered report contains an untrue statement of a material fact as of the end of the period covered by such report; and
- No covered report omitted a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.

(2) Each year, upon completion of the City's annual audit of its Financial Statements, City staff, along with the City's external Certified Public Accountant (CPA) auditing firm, present the City's Financial Statements and related independent auditor's report thereon to the Public Safety, Finance & Strategic Support, (PSFSS) Committee which then reports out to the full City Council. The contents of these statements will be presented to the City Council's PSFSS Committee, which functions as the Council's audit committee, at a regularly noticed meeting of the Committee in November 2009.

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

- The Comprehensive Annual Financial Report of the City of San José for fiscal year ended June 30, 2009; and
- Any amendments to the foregoing.

Debra Figone
City Manager

State of California, County of Santa Clara

On November 4, 2009 before me, Sandra Cranford, Notary Public, personally appeared Debra Figone, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Sandra Cranford, Notary Public

SANDRA ONITA CRANFORD
COMM. #1731953
NOTARY PUBLIC - CALIFORNIA
SANTA CLARA COUNTY
COMM. EXPIRES MARCH 17, 2011

Statement Under Oath of Principal Financial Officer Regarding Facts and Circumstances Relating to the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2009

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

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

- The covered report is accurate in all material respects; and
- Is reported in a manner designed to present fairly the financial position and results of operations of the City: and
- No covered report contains an untrue statement of a material fact as of the end of the period covered by such report; and
- No covered report omitted a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.

(2) Each year, upon completion of the City's annual audit of its Financial Statements, City staff, along with the City's external Certified Public Accountant (CPA) auditing firm, present the City's Financial Statements and related independent auditor's report thereon to the Public Safety, Finance & Strategic Support, (PSFSS) Committee which then reports out to the full City Council. I will present the contents of these statements to the City Council's PSFSS Committee, which functions as the Council's audit committee, at a regularly noticed meeting of the Committee in November 2009.

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

- The Comprehensive Annual Financial Report of the City of San José for the fiscal year ended June 30, 2009; and
- Any amendments to the foregoing.

Scott P. Johnson
Director of Finance

State of California, County of Santa Clara

On November 4, 2009 before me, Sandra Cranford, Notary Public, personally appeared Scott P. Johnson, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Sandra Cranford, Notary Public

SANDRA ONITA CRANFORD
COMM. #1731953
NOTARY PUBLIC - CALIFORNIA
SANTA CLARA COUNTY
COMM. EXPIRES MARCH 17, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Jose
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of San Jose

California

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

San José Mayor & City Council

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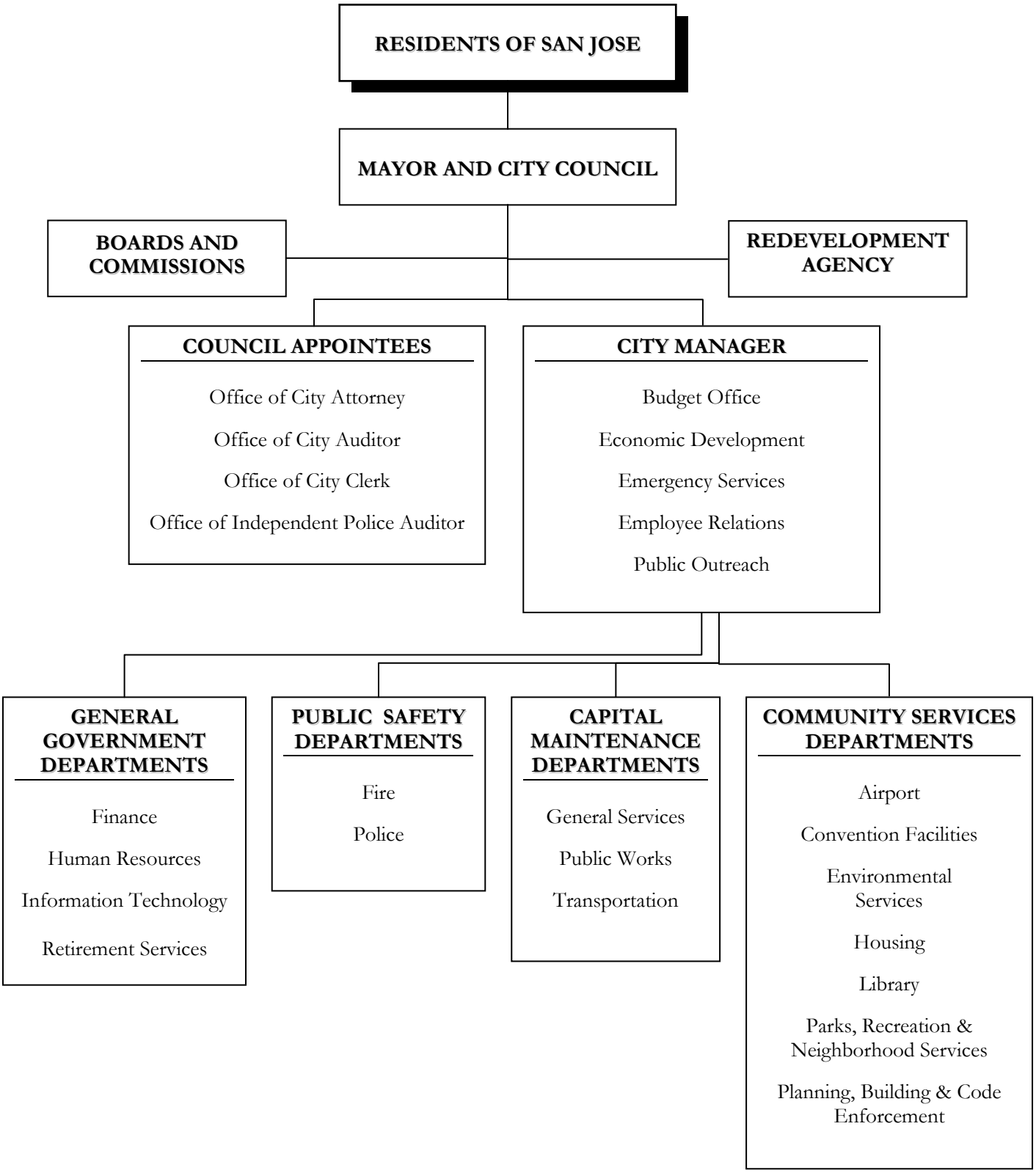
CITY ORGANIZATION BY FUNCTION



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SACRAMENTO
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NEWPORT BEACH
SAN DIEGO

City Council
City of San José, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, California (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, California, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I.E. to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

As discussed in Note IV.D. to the financial statements, on July 24, 2009, the State of California passed legislation that will require payments totaling $75.0 million in property tax increment revenues to the Supplemental Educational Revenue Augmentation Fund on May 10, 2010 and May 20, 2011. A class-action lawsuit has been filed that includes a challenge to the constitutionality of the State's revenue shift. While the ultimate outcome of the lawsuit cannot presently be determined, if unsuccessful, the payments required under the State legislation are material and will require significant modifications to the San Jose Redevelopment Agency's operations and initiatives.

The management's discussion and analysis; the schedules of revenues, expenditures, and changes in fund balances – budget and actual for the General Fund and the Housing Activities Fund; and the schedules of funding progress listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP
Certified Public Accountants

Walnut Creek, California
November 4, 2009

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the City of San José's activities and financial performance for the fiscal year ended June 30, 2009. We encourage readers to read the MD&A in conjunction with the basic financial statements that immediately follow it, with the letter of transmittal at the beginning of the Introductory Section, and with other portions of this Comprehensive Annual Financial Report. All amounts have been rounded to the nearest one hundred thousand dollars and one tenth of a percent.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities at June 30, 2009 by $6.416 billion (net assets). Of this amount, unrestricted net assets of $372.2 million may be used to meet the City's ongoing obligations to citizens and creditors. In addition, restricted net assets of $757.8 million are dedicated to specific purposes and $5.286 billion is invested in capital assets, net of related debt.

- Total net assets decreased by $376.5 million or 5.5 percent during 2008-2009 from $6.793 billion to $6.416 billion. Depreciation expense of $396.4 million accounts for this decrease. Excluding depreciation, net assets increased by $19.9 million.

- Governmental funds reported combined ending fund balances of $1.416 billion at June 30, 2009, which are $88.0 million or 5.9 percent less than the June 30, 2008 balances. Decreases in fund balances for the General Fund ($65.9 million), Special Assessment Districts ($5.5 million), and other nonmajor funds ($100.9 million) were offset by the fund balance increases of the Redevelopment Agency ($6.7 million), Housing Activities ($38.4 million) and San José Financing Authority Debt Service ($39.3 million). Unreserved fund balance comprises $678.5 million or 47.9 percent of combined governmental fund balances at June 30, 2009 and is available to meet the City's current and future spending needs at its discretion.

- Unreserved fund balance for the General Fund is $178.8 million at June 30, 2009 and represents 24.9 percent of total General Fund expenditures during 2008-2009.

- Total long-term obligations increased by $142.9 million during 2008-2009 to $5.272 billion at June 30, 2009, an increase of 2.8 percent over the amount at June 30, 2008. Primary factors leading to this increase during the year include the issuance of $117.3 million of Redevelopment Agency tax allocation bonds to finance multiple redevelopment projects within the San José Redevelopment Agency's Merged Area Redevelopment Project, an addition of a $50.0 million Bank of New York Housing Set-Aside Term Loan to finance affordable housing programs, and the issuance of $125.0 million of City of San José Financing Authority lease revenue bonds to refund prior bonds and commercial paper related to the Civic Center, Civic Center Garage, and the Ice Center Expansion projects. These additions to long-term debt were offset by $88.1 million of refunded City of San José Financing Authority lease revenue bonds and $88.8 million in principal reductions for governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

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

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

Both of these government-wide financial statements address functions that principally are supported by taxes and intergovernmental revenues (*governmental activities)* 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 of San José include general government, public safety, capital maintenance, community services, and sanitation. Its business-type activities include airport, wastewater treatment, water supply, and various parking management operations.

The government-wide financial statements include not only the primary government of the City of San José, but also a legally separate redevelopment agency and three legally separate financing authorities for which the City is financially accountable.

Fund Financial Statements

Fund Financial Statements report information about groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. As do other state and local governments, the City of San José uses fund accounting to ensure and demonstrate finance-related legal compliance. Each City fund falls into one of three categories: *governmental funds, proprietary funds,* 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 fund financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City of San José's capacity to finance its programs in the near future.

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

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, Redevelopment Agency, Housing Activities, Special Assessment Districts, and the San José Financing Authority Debt Service, 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 projects 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 report.

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds and fiduciary funds and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of net assets: As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City of San José, assets exceeded liabilities by $6.416 billion at the June 30, 2009 close of the current fiscal year.

The following table is a condensed summary of the City's net assets for governmental and business-type activities:

Statement of Net Assets
June 30, 2009 and 2008
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Assets:						
Current and other assets…….. $	1,844,380	1,951,906	990,886	1,112,121	2,835,266	3,064,027
Capital assets……	7,631,580	7,806,763	1,941,182	1,621,811	9,572,762	9,428,574
Total assets…….	9,475,960	9,758,669	2,932,068	2,733,932	12,408,028	12,492,601
Liabilities:						
Current and other liabilities…..	293,019	301,689	426,657	268,948	719,676	570,637
Long-term liabilities…….	4,095,351	3,929,063	1,176,719	1,200,114	5,272,070	5,129,177
Total liabilities…….	4,388,370	4,230,752	1,603,376	1,469,062	5,991,746	5,699,814
Net assets:						
Invested in capital assets, net of related debt……	4,400,552	4,769,191	885,744	823,223	5,286,296	5,592,414
Restricted net assets……	654,124	662,863	103,694	160,153	757,818	823,016
Unrestricted net assets…….	32,914	95,863	339,254	281,494	372,168	377,357
Total net assets…….. $	5,087,590	5,527,917	1,328,692	1,264,870	6,416,282	6,792,787

At June 30, 2009, the City of San José reported positive balances in all three categories of net assets.

At $5.286 billion, investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, and equipment, less outstanding debt used to acquire them) comprise 82.4 percent of the City of San José's total net assets. Since these assets are not liquid and they provide services to citizens, they are not available for future spending.

Of the total net assets, $372.2 million or 5.8 percent represents unrestricted net assets available for meeting the City's ongoing obligations to citizens and creditors. Governmental activities show a balance of $32.9 million in unrestricted net assets and business-type activities show a balance of $339.3 million. An additional portion of the City's net assets representing $757.8 million or 11.8 percent of the total are subject to legal restrictions on their use.

During 2008-2009, the City of San José's total net assets decreased by $376.5 million or 5.5 percent. Although the increase in City expenses is only 4.5% this year, compared to 8.3% in the prior year, the unprecedented downturn in the economy has resulted in declining revenues that were not able to keep pace with the increase in expenses.

Notable changes in the statement of net assets between June 30, 2009 and June 30, 2008 include:

- Capital assets increased by $144.2 million or 1.5 percent compared to the prior fiscal year. Governmental capital assets decreased by $175.2 million, but were offset by an increase in business-type capital assets of $319.4 million. The decrease in governmental capital assets resulted from asset additions of $186.0 million less $350.2 million in depreciation expense for major infrastructure and other assets and asset deletions of $10.9 million. The increase in business-type capital assets was due primarily to the continued Norman Y. Mineta San José International Airport (Airport) expansion construction projects in the amount of $344.2 million which was partially offset by business-type activities depreciation expense of $46.2 million.

- Current and other assets decreased by $228.8 million or 7.5 percent due to a $107.5 million decrease for governmental activities and a $121.2 million decrease for business-type activities. The decreases primarily resulted from reduced cash balances as governmental activities bond proceeds were spent on parks, libraries, and public safety bond projects, and business-type activities bond proceeds were spent on the Airport's expansion construction projects.

- Long-term liabilities increased by a net amount of $142.9 million or 2.8 percent principally due to the issuance of Redevelopment Agency tax allocation bonds to finance redevelopment projects, City of San José General Obligation Bonds to improve public safety, and San José Financing Authority Lease Revenue Bonds to refund prior bonds and commercial paper related to the Civic Center, Civic Center Garage and Ice Center Expansion project. In addition, the Redevelopment Agency had an addition of $50.0 million Housing Set-Aside Term Loan to finance affordable housing programs.

- Current and other liabilities for the City increased by $149.0 million or 26.1 percent. This increase was primarily due to $137.3 million increase in business type short term commercial paper, and accounts payable of $16.0 million mainly in connection with the Airport expansion project. In addition, other increases include accrued liabilities for year-end accrual of salaries and wages payable of $12.2 million, unearned revenue of $9.8 million mainly related to receipt of unearned sales taxes, interest payable of $7.8 million related to increases in outstanding debt, and due to outside agencies of $7.7 million representing an increase in tax increments due from the Redevelopment Agency to the County of Santa Clara. Total increases were offset by a $36.2 million reduction in governmental short-term commercial paper which was refinanced by the issuance of City of San José Financing Authority Series 2008B Bonds and miscellaneous decreases in advances, deposits, and reimbursable credits and other liabilities of $5.8 million.

- Unrestricted net assets for governmental activities decreased by $62.9 million or 65.7 percent resulting in a $32.9 million unrestricted net assets balance at year-end. A significant part of this reduction in unrestricted net assets is the result of the continued recognition of the City's net other postemployment benefit obligation (NOPEBO) that reduced net assets by an additional $52.6 million in 2009 after recording an initial NOPEBO of $66.7 million in the prior year.

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

Statement of Activities
For the Years Ended June 30, 2009 and 2008
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Revenues:						
Program revenues:						
Fees, fines, and charges for services..... $	297,788	325,853	327,374	303,480	625,162	629,333
Operating grants and contributions.....	115,965	94,357	9,326	8,444	125,291	102,801
Capital grants and contributions.....	26,306	48,075	18,618	9,162	44,924	57,237
General revenues:						
Property taxes.....	507,273	495,731	-	-	507,273	495,731
Utility taxes.....	93,619	82,255	-	-	93,619	82,255
Franchise fees.....	41,067	41,064	-	-	41,067	41,064
Transient occupancy taxes.....	19,261	23,900	-	-	19,261	23,900
Sales taxes shared revenue.....	127,802	149,500	-	-	127,802	149,500
State of California in-lieu.....	8,839	9,244	-	-	8,839	9,244
Business license tax.....	38,597	39,901	-	-	38,597	39,901
Unrestricted interest and investment earnings.	34,092	65,721	18,434	29,232	52,526	94,953
Other revenue.....	40,372	53,420	-	-	40,372	53,420
Total revenues.....	1,350,981	1,429,021	373,752	350,318	1,724,733	1,779,339
Expenses:						
General government.....	172,077	142,886	-	-	172,077	142,886
Public safety.....	463,196	476,570	-	-	463,196	476,570
Capital maintenance.....	595,547	569,636	-	-	595,547	569,636
Community services.....	276,396	211,511	-	-	276,396	211,511
Sanitation.....	122,705	113,525	-	-	122,705	113,525
Interest and fiscal charges.....	166,672	170,852	-	-	166,672	170,852
Norman Y. Mineta San José International Airport.....	-	-	140,641	153,927	140,641	153,927
Wastewater Treatment System.....	-	-	126,788	134,882	126,788	134,882
Municipal Water System.....	-	-	25,416	26,017	25,416	26,017
Parking System.....	-	-	11,800	10,127	11,800	10,127
Total expenses.....	1,796,593	1,684,980	304,645	324,953	2,101,238	2,009,933
Excess (deficiency) before transfers	(445,612)	(255,959)	69,107	25,365	(376,505)	(230,594)
Transfers.....	5,285	9,383	(5,285)	(9,383)	-	-
Change in net assets.....	(440,327)	(246,576)	63,822	15,982	(376,505)	(230,594)
Net assets at beginning of year	5,527,917	5,774,493	1,264,870	1,248,888	6,792,787	7,023,381
Net assets at end of year..... $	5,087,590	5,527,917	1,328,692	1,264,870	6,416,282	6,792,787

Governmental activities: Net assets for governmental activities decreased by $440.3 million or 8.0 percent during 2008-2009 from $5.528 billion to $5.088 billion. Total revenues decreased at a rate of 5.5 percent compared to expenses increasing at a rate of 6.6 percent. During 2007-2008, revenues and expenses increased at rates of 9.1 percent and 7.1 percent, respectively.

Significant elements of the decrease in net assets for governmental activities from June 30, 2008 to June 30, 2009 are as follows:

- Contributing to the decrease in total revenues, Capital grants and contributions decreased by $21.8 million or 45.3 percent principally due to a reduction of capital donations from developers. Operating Grants and Contributions, on the other hand, increased by $21.6 million or 22.9 percent primarily due to increases in State and Federal grants for street maintenance, recognition of developer parkland in-lieu fees, and developer revenue from low-income housing projects. Fees, fines and charges for services also decreased by $28.1 million or 8.6 percent due principally to reduced interest income on developer loans and lower developer in-lieu fees, plus the passage of Measure J, which ended the Emergency Communications System Support Fee (ECSS) and replaced it with a telephone line tax that is now classified as a general revenue.

- The overall decrease in interest and investment earnings of $31.6 million or 48.1 percent was due to lower cash balances combined with a lower interest yield. The pre-payment of the City's contribution to its two retirement plans in August 2008 along with a drop in revenues and an increase in expenditures during 2008-2009 resulted in a significantly lower cash balance. The City's annualized investment interest yield for the General Fund also dropped from 4.1 percent as of June 30, 2008 to 2.7 percent as of June 30, 2009, reflecting the lower interest rate environment experienced during the year.

- Due to lower consumer spending habits, sales taxes decreased significantly by $21.7 million or 14.5 percent from the previous year and a loss of businesses due to the economic downturn resulted in a decrease of $1.3 million or 3.3 percent in business license tax revenues. In addition, transient occupancy tax decreased $4.6 million or 19.4 percent. The 2008-2009 Adopted Budget assumed a $14.9 million or 4% increase in transient occupancy tax, however actual revenues ended the year approximately 20% below the 2007-2008 collection level. For the fourteen largest hotels, the average room rate fell from $142 to $130, and the occupancy rate fell from 62.1% to 53.8%. Other revenue experienced a decrease of $13.0 million or 24.4 percent primarily due to a reduction of housing development in the City and the resultant decrease in developer in-lieu fees and one-time revenue received in the prior year for the Redevelopment Agency's share in refinancing of a hotel development loan.

- General government expenses increased by $29.2 million or 20.4 percent between years primarily due to a $12.2 million increase in the City's underfunding of the current year other postemployment benefits annual required contribution ($19.3 million) compared to the prior year unfunded liability contribution ($7.1 million), and increases in General Fund expenditures as explained in more detail in the governmental section later in this document ($17.0 million).

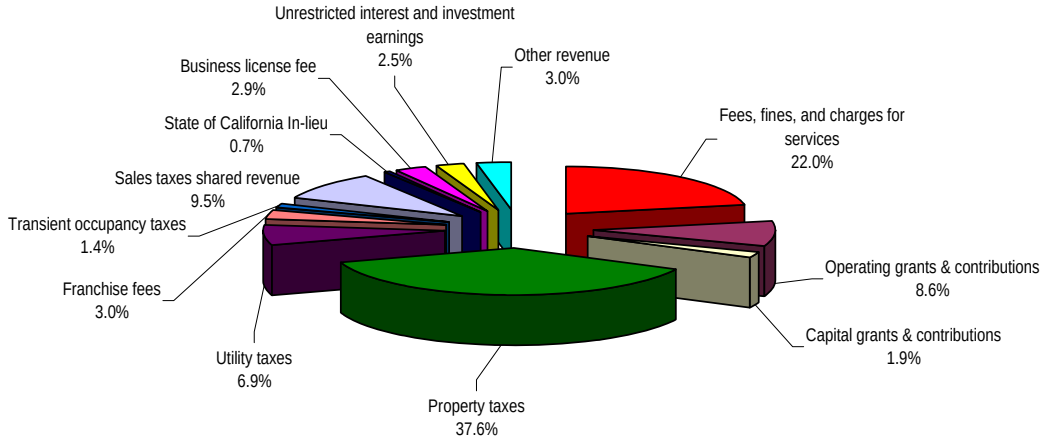
- Public Safety expenses decreased by $13.4 million or 2.8 percent between years primarily due to a $33.8 million current year expense for other postemployment benefits annual required contributions compared to the prior year expense of $50.7 million. This $16.9 million decrease in expense for other postemployment benefits annual required contributions was somewhat offset by a $3.5 million increase in Public Safety expenditures primarily reflecting higher wage and benefits costs.

- Community services expenses increased by $64.9 million or 30.7 percent due mainly to a $46.1 million increase in the loan loss reserve for receivables from developers of various housing projects in the current year compared to a prior year decrease in the loan loss reserve of $16.7 million.

- Depreciation expense for infrastructure and other capital assets was $350.2 million, an increase of 1.3 percent.

- Somewhat offsetting these decreases was an increase in Property tax revenue of $11.5 million or 2.3 percent due to modest growth in secured property tax assessments related to both the residential and commercial sectors, and an increase in utility taxes of $11.4 million primarily due to the recharacterization of the ECSS fee to a telephone line tax as mentioned above.

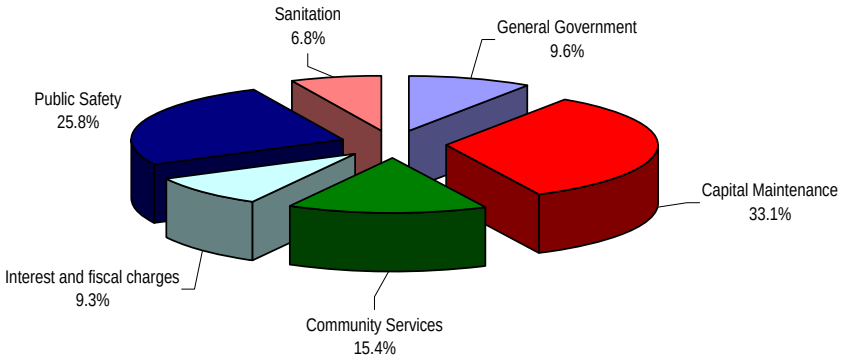
Revenues 2009



The chart above shows the principal components of 2008-2009 revenue sources for governmental activities. Of the $1.351 billion in total revenues generated by governmental activities, 69.1 percent is attributable to three categories: property taxes (37.6 percent); fees, fines, and charges for services (22.0 percent); and sales taxes (9.5 percent). Although the overall percentage of revenues to total revenues for these categories is somewhat consistent with 2007-2008 (68.0 percent), the individual categories experienced mixed results in 2009. While fees, fines, and charges for services remained relatively stable as a percent of total revenues, Property taxes increased 2.9 percent, from 34.7 percent in 2007-2008 to 37.6 percent in 2008-2009, and sales taxes decreased 1.0 percent, from 10.5 percent in 2007-2008 to 9.5 percent in 2008-2009.

The chart on the following page shows the principal categories of 2008-2009 expenses for governmental activities. Of the $1.796 billion in total expenses generated by governmental activities, the categories accounting for 74.3 percent of the total are: capital maintenance (33.1 percent); public safety (25.8 percent); and community services (15.4 percent). Public safety's percentage of overall expenses declined from 28.3 percent in 2007-2008 to 25.8 percent in 2008-2009 due mainly to the lower expense for net other Postemployment benefits contributions of $33.8 million as compared to the $50.7 million expense for the contributions in 2007-2008. Expenses for community services increased by 2.8 percent from the prior year mainly due to a $46.1 million increase in the loan loss reserve for receivables from developers of various housing projects in the current year compared to a prior year decrease in the loan loss reserve of $16.7 million.

Expenses 2009



Business-type activities: Business-type activities net assets increased by $63.8 million or 5.0 percent to $1.329 billion during 2008-2009.

The notable components of the increase in net assets for business-type activities during 2008-2009 are:

- The Norman Y. Mineta San José International Airport (Airport) net assets increased by $24.2 million or 5.6 percent. The Airport incurred an operating loss of $9.8 million in 2008-2009, a decrease of $17.6 million or 64.3 percent compared to the 2007-2008 loss of $27.3 million. Despite the decline in passenger traffic, operating revenues increased by $1.1 million or .9 percent reflecting higher rental and concessions revenue as a result of rate increases. Overall operating expenses of $125.7 million in 2008-2009 were 11.6 percent lower compared to 2007-2008, highlighted by a $9.8 million decrease in operating and maintenance costs due to a lower allocation of other postemployment benefits (OPEB) expenses and a decrease in expenses pertaining to the noise attenuation program. Although there was a slight increase in personnel expenses, it was mitigated by the elimination of 51 positions at mid year. Nonoperating revenues exceeded nonoperating expenses in 2008-2009 by $20.9 million, a decrease of $14.9 million or 41.7 percent from 2007-2008. The net decrease is mainly due to a decrease in investment income of $7.3 million, which is due to the decrease in market interest rate in the current year. The results of operations reflects the combined effect of three years of continued enplanement decreases and potential for further erosion of air service and weakness in concession revenue that could further pressure the Airport's cost profile going forward.

- Wastewater Treatment System net assets increased by $40.5 million or 6.1 percent from $662.1 million to $702.6 million. Operating revenues increased $26.3 million or 21.0 percent from $125.1 million in 2007-2008 to $151.4 million in 2008-2009 primarily due to a 15% sewer rate increase, effective July1, 2008, and increased contributions from the City of Santa Clara and participating agencies to the Treatment Plant's costs. Total operating expenses decreased by $8.2 million or 6.2 percent primarily due to recording lower OPEB expense in the current year than was recorded in the prior year. Net nonoperating revenues decreased by $2.7 million attributable primarily to a decrease in interest and investment earnings. Capital contributions increased by $1.3 million mainly due to an increase in the U.S. Bureau of Reclamation grants for construction of wastewater recycling activities. Transfers-out of $4.2 million in 2008-2009 consisted primarily of transfers to the General Fund for in-lieu taxes and City Hall debt service payments.

- Municipal Water System net assets increased by $0.3 million or 0.4 percent from $82.4 million to $82.7 million. Operating revenues of $25.8 million increased by $1.7 million or 7.2 percent from $24.0 million due mainly to a nearly 9% potable and recycled water sales revenue index rate increase effective July 1, 2008. In addition, operating expenses of $25.3 million decreased $.6 million or 2.1 percent from $25.8 million primarily due to lower operations and maintenance costs as a result of a reduction in program expenditures attributed to economic factors.

- Parking System net assets decreased by $1.2 million or 1.3 percent from $91.7 million to $90.5 million. Operating revenues decreased slightly by $.076 million or .7 percent due primarily to lower activity at parking facilities as a result of the economic downturn. Operating expenses increased by $1.7 million or 16.5 percent reflecting higher operations and maintenance costs and increased staffing costs due to the filling of vacant positions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of June 30, 2009, the City's governmental funds reported combined fund balances of $1.416 billion, a decrease of $88.0 million or 5.9 percent compared to the balance at June 30, 2008. Unreserved *fund balance* at $678.5 million constitutes 47.9 percent of the combined balances and is available for spending at the City's discretion. The $737.3 million remainder of the governmental fund balances is *reserved* to indicate that it is *not* available for new spending because the following portions have been committed to particular purposes:

- $321.3 million for advances, loans, and other assets that are long-term in nature and thus do not represent currently available resources;
- $213.0 million for contractual commitments of 2008-2009 carried into fiscal year 2009-2010;
- $202.4 million for debt service payable in fiscal year 2009-2010;
- $0.6 million for restricted cash commitments.

Revenues and other financing sources for governmental functions totaled approximately $2.030 billion in 2008-2009, a decrease of $76.5 million or 3.8 percent from 2007-2008 primarily due to lower proceeds from long-term debt, a significant reduction in investment income due to reduced interest rates, and lower sales tax collections.

General Fund: The General Fund is the chief operating fund of the City of San José. At June 30, 2009, its unreserved fund balance is $178.8 million or 84.7 percent of the $211.2 million total General Fund balance. Comparing both unreserved fund balance and total fund balance to total fund expenditures may be useful as a measure of the General Fund's capacity to liquidate future obligations. At June 30, 2009, unreserved fund balance represents 24.9 percent of total General Fund expenditures of $719.4 million, while total fund balance represents 29.4 percent. This measure of financial health shows a decline from the prior fiscal year. At June 30, 2008, the same measures were 32.7 percent and 39.6 percent respectively of $699.1 million in 2007-2008 expenditures.

As anticipated at the beginning of the year, key revenue sources in 2008-09 were not sufficient to meet all expenditure obligations. However, the use of reserves and one-time revenues offset by net transfers into the General Fund resulted in a $65.9 million or 23.8 percent decrease to the General Fund ending fund balance during 2008-2009.

In 2008-2009, General Fund revenues of $663.1 million were $31.3 million or 4.5 percent lower than 2007-2008 revenues of $694.4 million. General Fund revenue declined across all categories with the exception of a $3.6 million increase in intergovernmental revenue, which increased due to a slight increase in grants and reimbursement revenues principally related to a State grant for the Literacy, Enrichment, Art, Recreation, Nurture and Students (LEARNS) after school programs, State reimbursements for fire strike teams expenditures, and federal super urban area security initiative funding for the Interoperable communications system project set to replace the City's existing emergency dispatch analog communication system with a new digital microwave system. The largest decrease was in the interest and other income categories ($21.5 million) due primarily to a significant decrease in investment income ($18.6 million) from decreasing interest rates and lower cash balances combined with various miscellaneous decreases ($2.9 million). Taxes and Special Assessments revenue decreased by $5.7 million primarily due to an on-going decline in General and Proposition 172 sales tax collections ($21.7 million) that were particular impacted during the second half of the year, transient occupancy tax collections ($1.8 million), and motor vehicle in-lieu fees ($0.4 million) due the continuing economic downturn, somewhat offset by an increase in property taxes ($7.1 million), utility taxes ($3.5 million), and receipts from the recently approved Measure J telephone line tax ($7.9 million). Licenses and permits declined $5.4 million primarily due to lower collections of building permits ($2.2 million) due to the economic downturn, a decrease in Disposal Facility taxes ($1.7 million) and decreases in other miscellaneous fines ($1.5 million). In addition, charges for services decreased $2.4 million primarily due to lower fees and charges for planning and building, transportation and public works developer fees ($3.6 million) offset by a $1.3 million increase from the newly implemented business tax administrative fees.

General Fund expenditures of $719.4 million in 2008-2009 were $20.4 million or 2.9 percent higher than 2007-2008 expenditures of $699.1 million. The increase in expenditures was mainly due to increases in general government expenditures of $11.6 million primarily from increased workers' compensation claims ($2.4 million) and retirement payouts ($4.8 million) as well as increased costs in the City Clerk's Office for the November elections ($1.3 million) and miscellaneous other expenditures ($3.1 million) consisting principally of increases in expenditures for public and educational access cable programming services, and the City's comprehensive General Plan update. Public safety expenditures increased $2.8 million because of higher wage, pension, healthcare and benefit costs. Capital maintenance expenditures increased by $2.8 million primarily due to increases in the COPS Interoperable Communications grant expenditures. Infrastructure and fixed asset capital outlay expenditures increased $3.8 million primarily for fire apparatus replacement. Slightly offsetting these increases was a $2.9 million decrease in community services expenditures primarily related to a reduction in planning and building department staffing due to the downturn in the housing market.

Redevelopment fund: The Redevelopment Agency (Agency) fund accounts for the activities of the Redevelopment Agency of the City of San José that redevelops and upgrades blighted areas. Fund balance for the Agency's governmental funds increased $6.7 million or 3.2 percent to $213.8 million at June 30, 2009. A deficit of expenditures over revenues of $81.3 million was offset by other financing sources (net) of $88.0 million.

The following are some of the highlights for the Agency:

- Revenues increased by $2.6 million or 1.2 percent to $212.8 million from $210.2 million in the prior fiscal year. This increase is due to a $17.4 million increase in tax increment revenue, attributable mainly to increased commercial and industrial property values netted by a decrease in intergovernmental revenue ($1.5 million), rental income ($.5 million), investment income ($4.4 million) and other revenue ($8.4 million).

- Expenditures decreased $3.4 million, or 1.1 percent from the prior fiscal year primarily due to lower capital outlay costs incurred for the City's parking garages in downtown San José.

- Other financing sources decreased $84.2 million over other financing sources of $172.2 million in 2007-2008. The primary decrease is a result of lower bond proceeds of $117.3 million in 2008-2009 compared to $213.0 million in 2007-2008.

Additional information about the Agency's finances appears in their separately issued financial statements.

Housing fund: The Housing Activities fund accounts for the City of San José's commitment to providing low and moderate income residents with a diverse range of safe, decent, and affordable housing opportunities. Objectives include preserving the existing affordable housing stock, increasing the supply of affordable housing, and providing services to homeless and at-risk populations. Redevelopment Agency tax allocation bonds and 20 percent of the gross property tax increment provide the fund's primary resources. As required by California State law, the tax increment revenue is used solely for affordable housing. In addition, Housing funds receive resources from U.S. Department of Housing and Urban Development and California Department of Housing and Community Development. The fund's loans receivable balance (net) which represents loans to developers of various affordable housing projects and First Time Home Buyers increased during the current year by $22.7 million or 8.4 percent to $290.9 million at June 30, 2009 due to an increase in loans to developers for various projects including the First Rosemary Sr., First Rosemary Family, Brookwood, Cornerstone at Japan town, McCreery Courtyards, North Fourth Street, Orvieto, and King Crossing housing projects, and a increase in the valuation allowance in the Housing Activities Fund based on the City's review of the valuation accounts.

Total expenditures increased by $55.9 million to $57.6 million from $1.7 million in the prior fiscal year, which is primarily due to an adjustment in the prior year that reduced the Housing loan loss reserve as compared to an increase in the loan loss reserve in the current year.

Special Assessment Districts fund: The Special Assessment Districts fund accounts for debt issuance and capital improvements related to the specific purposes of seven special assessment and community facilities districts located in different parts of the City of San José. A total of $64.9 million in special assessment debt outstanding at June 30, 2009 is secured by special assessments or taxes charged to owners' real property in the district issuing the debt. The City of San José is not obligated to cure any deficiency or redeem any debt of special assessment districts. However, the City may voluntarily choose to cure a deficiency at its sole discretion. There was no new special assessment debt issued during 2008-2009.

Total expenditures increased by $4.7 million or 58.9 percent to $12.7 million from $8.0 million in the prior fiscal year. This increase is primarily due to $2.1 million reimbursement of development costs to the developers of the Evergreen Specific Plan Property Ownership Partnership.

Financing Authority fund: The City of San José Financing Authority Debt Service fund accounts for the issuance of commercial paper notes secured by lease revenues as a mechanism for financing City of San José public improvements such as the offsite parking garage for City Hall, Phase II improvements of the City's Central Service Yard, non-construction costs for technology, furniture, equipment and relocation services at City Hall, capital improvements at the City's HP Pavilion, and procuring the consolidated utility billing system. The amount of commercial paper notes outstanding decreased from $83.8 million on June 30, 2008 to $47.6 million on June 30, 2009, a net decrease of $36.2 million or 43.2 percent primarily due to the issuance of the City of San José Financing Authority Lease Revenue Bonds, Series 2008B, to redeem $36.6 million of commercial paper notes.

Other financing sources increased by a net $27.4 million or 47.9 percent to $84.5 million. This net difference is the result of a $10.5 million decrease in transfers-in and refunding bonds issued, more than offset by a $37.9 million decrease in transfers-out and payments to refunding bond escrow agents.

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, 2009, the unrestricted net assets were $120.6 million for the Norman Y. Mineta San José International Airport, $188.4 million for the

Wastewater Treatment System, $9.1 million for the Municipal Water System and $21.2 million for the Parking System. Net assets for proprietary funds grew from $1.265 billion at June 30, 2008 to $1.329 billion at June 30, 2009, an increase of $63.8 million or 5.0 percent.

In an updated report released September 14, 2009, Fitch Ratings downgraded the rating on $1.04 billion of the City of San José' Airport Revenue Bonds from 'A+' to 'A-' (two rating notches). The rating outlook on the bonds remains negative. The downgrade reflects the combined effect of three years of continued enplanement losses that were beyond Fitch's prior expectation and a doubling of the airport's overall debt for the Terminal Area Improvement Plan (TAIP). According to the Fitch Ratings, the negative outlook reflects the potential for further erosion of air service and weakness in concession revenue that could further pressure the airport's cost profile going forward.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of San José charter requires staff to submit operating and capital budgets to the City Council prior to the beginning of a new fiscal year that begins each July 1 and ends on the following June 30. Council approved the 2009-2010 budgets in June 2009. The City is at the end of its *Decade of Investment*, which is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities and as a result, the City is continuing to dedicate significant resources towards addressing critical service and infrastructure needs in the 2009-2010 budgets.

During the fiscal year ended June 30, 2009, there was a $0.1 million decrease in budgeted revenues between the original and final amended operating budget for the General Fund. The decrease reflected the lower expectations in economically sensitive revenues, such as sales taxes and interest income, due to the downturn in the economy.

In addition, there was a $3.4 million decrease in appropriations between the original and final amended operating budget for the General Fund. Following are the main components of the net decrease:

- A supplemental appropriation of $12.1 million to Public Safety that included increases related to the establishment of a new agreement with the San José Police Officers' Association.
- A supplemental appropriation of $1.6 million increase for Sanitation to provide funding to public school districts that have waste reduction and recycling cooperation agreements with the City.
- A supplemental appropriation of $13.4 million for Capital Maintenance that included decreases related to street maintenance repairs and resurfacing, and traffic calming.
- A supplemental appropriation of $3.1 million decrease for General Government primarily reflecting a decrease in the FMC Debt Service appropriation due to a reduction in debt service payments as a result of the refunding of the related City of San José Financing Authority Lease Revenue Bonds.
- A supplemental appropriation of $0.6 million decrease for Community Services due to recognition of departmental staffing savings.

Actual budgetary basis expenditures of $746.1 million were $68.2 million less than the amended budget and $71.6 million less than the original budget. Savings were experienced over all expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of San José's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to $9.573 billion at June 30, 2009. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction-in-progress. The City of San José's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. The result of the new additions less depreciation expense during 2008-2009 yielded a $175.2. million decrease in governmental activities net capital assets offset by a $319.4 million increase in business-type activities net capital assets resulting in an overall increase of $144.2 million or 1.5 percent in net capital asset balances between June 30, 2008 and June 30, 2009.

Total construction-in-progress increased $364.1 million or 48.1 percent from $756.7 million at June 30, 2008 to $1.121 billion at June 30, 2009. The governmental activities' portion of construction-in-progress increased $112.2 million mainly related to continued work on Parks, Libraries, and Public Safety projects. Business-type activities contributed a net increase of $252.0 million to construction-in–progress due to the on-going Airport expansion ($324.2 million), offset by decreases to the Municipal Water System ($1.0 million) and the Wastewater Systems ($71.3 million) capital projects. Outstanding commitments related to construction-in-progress at June 30, 2009 totaled $67.6 million and $359.0 million for governmental and business-type activities, respectively.

The City of San José 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, 2008 and June 30, 2009 (in thousands):

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2009	2008	2009	2008	2009	2008	Percent of Change
Land	$ 561,258	559,825	134,926	134,926	696,184	694,751	0.2%
Construction in progress	252,661	140,489	868,141	616,188	1,120,802	756,677	48.1%
Buildings	989,452	997,119	371,470	328,641	1,360,922	1,325,760	2.7%
Improvements, other than buildings	120,828	121,308	491,960	490,012	612,788	611,320	0.2%
Infrastructure	5,667,443	5,949,391	-	-	5,667,443	5,949,391	(4.7)%
Furniture and fixtures, vehicles, equipment	38,864	37,364	64,633	41,214	103,497	78,578	31.7%
Intangible assets	-	-	7,253	7,577	7,253	7,577	(4.3)%
Property under capital leases	1,074	1,267	2,799	3,253	3,873	4,520	(14.3)%
Total capital assets	$ 7,631,580	7,806,763	1,941,182	1,621,811	9,572,762	9,428,574	1.5%

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

General Fund Bonded Debt Limit

The City of San José Charter limits bonded indebtedness for General Obligation bonds to 15 percent of the total assessed valuation of all real and personal property within the City. The total assessed value on the City's 2008-2009 tax roll was $129.020 billion, which results in a net total debt capacity of $18.834 billion. As of June 30, 2009, the City had $519.3 million of General Obligation bonds outstanding.

General Obligation Bond Rating

During May 2009, the City received confirmation of its general obligation bond ratings from the three major rating agencies: Aa1 from Moody's Investors Service; AAA from Standard & Poor's; and AA+ from Fitch Ratings. San José remains the highest rated large city (with populations over 250,000) within the State of California.

Outstanding Debt

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

At June 30, 2009, the City had $3.728 billion of gross outstanding long-term debt related to governmental activities and $1.151 billion related to business-type activities, for a total of $4.879 billion. These amounts for the fiscal year ended June 30, 2008 were $3.603 billion for governmental activities and $1.176 billion for business-type activities, for a total of $4.779 billion.

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

		As of June 30, 2009	As of June 30, 2008	Net Change
Governmental Activities				
General obligation bonds	$	519,320	528,565	(9,245)
HUD Section 108 loan		23,923	24,876	(953)
Lease revenue and revenue bonds		655,137	629,324	25,813
Special assessments		64,886	68,151	(3,265)
Redevelopment Agency		2,464,690	2,352,465	112,225
Sub-total		3,727,956	3,603,381	124,575
Business-Type Activities				
Revenue bonds		1,112,320	1,133,690	(21,370)
State of CA-Revolving Fund Loan		38,254	41,952	(3,698)
Sub-total		1,150,574	1,175,642	(25,068)
Total:	$	4,878,530	4,779,023	99,507

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The severity of the current economic downturn is expected to continue to deeply impact some of the City's largest revenue sources. Property Tax, the largest source of General Fund revenue, is expected to decline approximately 7.0 percent in 2009-2010 driven by the drop in property assessments, and Sales Tax receipts are expected to decline by approximately 5.0 percent. Other General Fund categories that are expected to be significantly impacted include Transient Occupancy Tax, development fees, and interest earnings. The deep economic downturn is also expected to negatively impact performance of a number of special funds and capital funds, including the Airport Funds, the Convention and Cultural Affairs Fund, the Transit Occupancy Tax Fund, the Traffic Capital Funds, and the Construction and Conveyance Tax Funds.

- The 2008-2009 fiscal year was extremely challenging and required active budget management to ensure the financial stability of the various City funds. As the City experienced the worst recession in seven decades, many of the City's economically sensitive revenues sustained significant declines, including Sales Tax, Transient Occupancy Tax, development-related fees and taxes, interest earnings, and Construction and Conveyance Taxes. Passenger activity at the

Airport also fell 15% in 2008-2009. The fiscal challenges faced in 2008-2009 are expected to continue in 2009-2010 and until the local economy significantly recovers from this severe recession. A set of 2009-2010 budget balancing recommendations was developed through a comprehensive community outreach process, and a Council Priority Setting Study Session. In June 2009, the City Council approved a balanced General Fund budget for fiscal year 2009-2010, closing a funding gap of approximately $84.2 million through a combination of service reductions and eliminations, revenue increases, use of reserves, and funding shifts.

- The City has begun a five-year phase-in to fully pre-fund retiree healthcare benefits for the majority of its employee units, with the exception of the San José Firefighters union (International Association of Firefighters, Local 230). This will result in an incremental increase in retiree healthcare contributions for both the City and its employees over the next five years. It is important to note that phasing-in to fully pre-fund retiree healthcare benefits does not mean that the existing obligation is paid off immediately. It is projected that it will take approximately 30 years to pay off the existing unfunded retiree healthcare liability.

- As of June 30, 2007, the most recent actuarial date, the Police and Fire Department Retirement Plan (Plan) was 99.7% funded. The actuarial accrued liability for benefits was $2,372,386,000, and the actuarial value of assets was $2,365,790,000, resulting in an unfunded actuarial accrued liability (UAAL) of $6,596,000. However, as noted in the Trust and Agency Funds section of this document, the Plan's net assets experienced a decrease of $516.0 million in 2008-2009 following a $175.4 million decline in net assets in the prior year. Due to this significant decrease in fund assets, the Plan's next actuarial study is expected to substantially increase the annual required contribution amounts for 2009-2010.

- As of June 30, 2007, the most recent actuarial date, the Federated City Employee's Retirement System (System) was 82.8% funded. The actuarial accrued liability for benefits was $1,960,943,000 and the actuarial value of assets was $1,622,851,000, resulting in an unfunded actuarial accrued liability (UAAL) of $338,092,000. However, as noted in the Trust and Agency Funds section of this document, the System's net assets experienced a decrease of $334.1 million in 2008-2009 following an $86.7 million decline in net assets in the prior year. Due to this significant decrease in fund assets, the System's next actuarial study is expected to substantially increase the annual required contribution amounts for 2009-2010.

- The 2009-2010 budget reflects rate increases of 30.0 percent for the Storm Sewer rate, 2.0 percent for Recycle Plus single family dwellings, and 11.5 percent for the Municipal Water System in order to improve operational efficiencies and maintain a reliable utility infrastructure.

- San José's average unemployment rate for calendar year 2008 increased over the prior year average of 5.3 percent, but the City's rate was lower than the average unemployment rate for the State. The City's average unemployment rate for calendar year 2008 was 6.7 percent, which is lower than the statewide average of 7.2 percent.

All of these factors were considered in preparing the City's budget for 2009-2010.

REQUEST 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 E. Santa Clara Street, San José, CA 95113.

Basic Financial Statements

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José
Statement of Net Assets
June 30, 2009
($000's)

		Governmental Activities	Business-Type Activities	Total
ASSETS				
Equity in pooled cash and investments	$	751,473	356,710	1,108,183
Other cash and investments		6	-	6
Receivables (net of allowances for uncollectibles)		160,994	24,701	185,695
Due from outside agencies		3,700	337	4,037
Internal balances		(7,165)	7,165	-
Inventories		1,040	1,046	2,086
Loans receivable (net)		336,271	250	336,521
Advances and deposits		535	9,948	10,483
Other assets		21,970	3,289	25,259
Restricted assets:				
Equity in pooled cash and investments		76,036	99,084	175,120
Other cash and investments		447,180	469,123	916,303
Receivables (net of allowances for uncollectibles)		-	6,032	6,032
Deferred bond issuance costs (net of accumulated amortization)		52,340	13,201	65,541
Capital assets (net of accumulated depreciation):				
Nondepreciable		813,919	1,003,067	1,816,986
Depreciable		6,817,661	938,115	7,755,776
Total assets		9,475,960	2,932,068	12,408,028
LIABILITIES				
Accounts payable		64,174	70,778	134,952
Accrued liabilities		40,925	4,823	45,748
Interest payable		54,942	18,701	73,643
Due to outside agencies		24,727	-	24,727
Short term notes payable		47,581	323,561	371,142
Unearned revenue		31,219	3,897	35,116
Advances, deposits, and reimbursable credits		18,430	4,897	23,327
Other liabilities		11,021	-	11,021
Noncurrent obligations:				
Due within one year		170,938	28,426	199,364
Due in more than one year		3,924,413	1,148,293	5,072,706
Total liabilities		4,388,370	1,603,376	5,991,746
NET ASSETS				
Invested in capital assets, net of related debt		4,400,552	885,744	5,286,296
Restricted for:				
Debt service		123,160	13,648	136,808
Capital projects		251,485	90,046	341,531
Community services		276,040	-	276,040
Public safety		3,439	-	3,439
Unrestricted		32,914	339,254	372,168
Total net assets	$	5,087,590	1,328,692	6,416,282

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

City of San José
Statement of Activities
For the Year Ended June 30, 2009
($000's)

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business -Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
General government	$ 172,077	30,906	84	-	(141,087)	-	(141,087)
Public safety	463,196	39,254	15,908	-	(408,034)	-	(408,034)
Capital maintenance	595,547	36,340	58,737	26,306	(474,164)	-	(474,164)
Community services	276,396	66,090	41,236	-	(169,070)	-	(169,070)
Sanitation	122,705	125,198	-	-	2,493	-	2,493
Interest and fiscal charges	166,672	-	-	-	(166,672)	-	(166,672)
Total governmental activities	**1,796,593**	**297,788**	**115,965**	**26,306**	**(1,356,534)**	**-**	**(1,356,534)**
Business -Type activities:							
Norman Y. Mineta San José International Airport	140,641	138,999	4,625	12,869	-	15,852	15,852
Wastewater Treatment System	126,788	151,516	4,701	5,305	-	34,734	34,734
Municipal Water System	25,416	25,807	-	444	-	835	835
Parking System	11,800	11,052	-	-	-	(748)	(748)
Total business-type activities	**304,645**	**327,374**	**9,326**	**18,618**	**-**	**50,673**	**50,673**
Total	**$ 2,101,238**	**625,162**	**125,291**	**44,924**	**(1,356,534)**	**50,673**	**(1,305,861)**
General revenues:							
Taxes:							
Property and other taxes					507,273	-	507,273
Utility					93,619	-	93,619
Franchise					41,067	-	41,067
Transient occupancy					19,261	-	19,261
Sales taxes shared revenue (unrestricted)					127,802	-	127,802
State of California in-lieu (unrestricted)					8,839	-	8,839
Business license tax					38,597	-	38,597
Unrestricted interest and investment earnings					34,092	18,434	52,526
Other revenue					40,372	-	40,372
Transfers					5,285	(5,285)	-
Total general revenues and transfers					**916,207**	**13,149**	**929,356**
Change in net assets					**(440,327)**	**63,822**	**(376,505)**
Net assets - beginning					**5,527,917**	**1,264,870**	**6,792,787**
Net assets - ending					**$ 5,087,590**	**1,328,692**	**6,416,282**

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

City of San José
Balance Sheet
Governmental Funds
June 30, 2009
($000's)

		General Fund	Redevelopment Agency	Housing Activities
ASSETS				
Equity in pooled cash and investments held in City Treasury	$	218,536	119,942	59,086
Other cash and investments		-	-	-
Receivables (net of allowance for uncollectibles)		48,054	1,534	6,983
Due from outside agencies		3,336	-	51
Due from other funds		5,688	4,225	54
Inventories		-	-	-
Loans receivable (net)		2,391	36,858	290,925
Advances and deposits		13	65	-
Restricted assets:				
Equity in pooled cash and investments held in City Treasury		722	-	8,115
Other cash and investments		-	157,750	-
Advances to other funds		3,333	1,080	-
Other assets		-	-	21,118
Total assets	$	282,073	321,454	386,332
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$	12,139	8,723	1,309
Accrued salaries, wages, and payroll taxes		34,181	470	495
Due to other funds		278	6,447	-
Due to other agencies		697	31,530	-
Short term notes and bonds payable		-	5,300	-
Deferred revenue		12,096	40,642	22,692
Advances, deposits, and reimbursable credits		7	1,900	-
Advances from other funds		500	12,612	580
Other liabilities		10,982	-	-
Total liabilities		70,880	107,624	25,076
Fund balances:				
Reserved for:				
Encumbrances		25,824	44,975	37,962
Noncurrent advances, loans and other assets		6,576	4,795	296,059
Debt service		-	130,594	-
Restricted cash commitments		-	-	3
Unreserved reported in:				
General fund		178,793	-	-
Special revenue funds		-	-	27,232
Capital projects funds		-	33,466	-
Total fund balances		211,193	213,830	361,256
Total liabilities and fund balances	$	282,073	321,454	386,332

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

Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	-	353,909	751,473
-	-	6	6
65,027	6	39,390	160,994
22	-	291	3,700
-	-	39,713	49,680
-	-	1,040	1,040
-	-	6,097	336,271
293	-	164	535
25,862	1,244	40,093	76,036
10,810	58,093	220,527	447,180
-	-	5,812	10,225
-	-	852	21,970
102,014	59,343	707,894	1,859,110
2,330	145	39,528	64,174
8	-	5,771	40,925
-	-	43,019	49,744
-	-	-	32,227
-	47,581	-	52,881
65,174	-	16,042	156,646
4,009	-	12,514	18,430
-	3,333	301	17,326
-	-	39	11,021
71,521	51,059	117,214	443,374
228	-	104,030	213,019
5	-	13,853	321,288
22,000	8,284	41,490	202,368
-	-	588	591
-	-	-	178,793
-	-	286,896	314,128
8,260	-	143,823	185,549
30,493	8,284	590,680	1,415,736
102,014	59,343	707,894	1,859,110

City of San José
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009
($000's)

Total fund balances-governmental funds (Page 22)		$ 1,415,736
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	561,258	
Infrastructure assets	11,301,028	
Other capital assets	1,826,192	
Accumulated depreciation	(6,056,898)	
Total capital assets		7,631,580
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis.		60,541
Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. Deferred charges, net of amortization		52,340
Special Assessments are reported as revenue when levied in government-wide financial statements. In governmental funds, these assessments are reported as deferred revenue (a liability) since they are not available.		64,886
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.		(54,942)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and notes payable	(3,726,614)	
Accreted interest on capital appreciation bonds	(1,786)	
Compensated absences	(96,921)	
Claims and judgments	(123,442)	
Other postemployment obligation	(119,321)	
Other	(14,467)	
Total long-term liabilities		(4,082,551)
Net assets of governmental activities (Page 20)		$ 5,087,590

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

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City of San José
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
($000's)

		General Fund	Redevelopment Agency	Housing Activities
REVENUES				
Taxes and special assessments	$	494,169	202,346	-
Licenses, permits, and fines		84,274	-	-
Intergovernmental		16,366	70	12,010
Charges for current services		28,140	-	-
Rent		-	1,317	-
Investment income		7,541	5,134	10,994
Other revenue		32,606	3,883	1,486
Total revenues		663,096	212,750	24,490
EXPENDITURES				
Current:				
General government		98,536	15,137	-
Public safety		419,043	-	-
Capital maintenance		53,440	90,337	65
Community services		138,992	-	57,530
Sanitation		2,621	-	-
Capital outlay		5,233	26,873	-
Debt service:				
Principal		953	53,640	-
Interest and fiscal charges		630	106,625	-
Bond issuance costs		-	1,453	-
Current refunding escrow		-	-	-
Total expenditures		719,448	294,065	57,595
Excess (deficiency) of revenues over (under) expenditures		(56,352)	(81,315)	(33,105)
OTHER FINANCING SOURCES (USES)				
Bonds issued		-	117,295	-
Refunding bonds issued		-	-	-
Premiums (discount) on bonds		-	(1,348)	-
Payment to refunded bond escrow agent		-	-	-
Reclassification of variable rate demand bonds		-	(5,300)	-
Proceeds from sale of capital assets		-	8,365	-
Loan proceeds		-	50,000	-
Transfers in		32,809	24,827	90,469
Transfers out		(42,397)	(105,854)	(19,001)
Total other financing sources (uses)		(9,588)	87,985	71,468
Net change in fund balances		(65,940)	6,670	38,363
Fund balances - beginning		277,133	207,160	322,893
Fund balances - ending	$	211,193	213,830	361,256

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

Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
6,087	-	105,550	808,152
-	-	-	84,274
-	-	92,014	120,460
-	-	293,862	322,002
-	-	11,423	12,740
849	746	20,839	46,103
250	15	22,636	60,876
7,186	761	546,324	1,454,607
-	-	146,026	259,699
-	-	1,440	420,483
5,631	-	132,757	282,230
-	-	53,102	249,624
-	-	120,856	123,477
-	-	141,328	173,434
3,265	12,635	18,245	88,738
3,797	28,987	24,746	164,785
-	1,229	244	2,926
-	3,143	-	3,143
12,693	45,994	638,744	1,768,539
(5,507)	(45,233)	(92,420)	(313,932)
-	36,580	9,000	162,875
-	88,380	-	88,380
-	-	276	(1,072)
-	(84,982)	-	(84,982)
-	-	-	(5,300)
-	-	-	8,365
-	-	-	50,000
-	47,960	69,616	265,681
(6)	(3,448)	(87,332)	(258,038)
(6)	84,490	(8,440)	225,909
(5,513)	39,257	(100,860)	(88,023)
36,006	(30,973)	691,540	1,503,759
30,493	8,284	590,680	1,415,736

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, 2009
($000's)

Net change in fund balances--total governmental funds (Page 26)		$ (88,023)
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	173,434	
Depreciation expense	(350,228)	
Excess of depreciation expense over capital outlay		(176,794)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations)		
Donated assets	12,542	
Disposal of assets	(10,931)	
		1,611
Bond issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding bonds for the purposes of the statement of activities.		
Bond issuance costs	2,926	
Amortization and refunding of bond issuance costs	(4,227)	
Total bond issuance costs, net of amortization		(1,301)
Repayment of long-term obligation principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's long-term obligations were reduced because principal payments were made to bondholders and HUD.		176,863
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. Amortization of bond premiums, discounts and deferred amounts on refunding should be expensed as a component of interest expense on the statement of activities. This amount represents the net accrued interest expense and the amortization of bond premiums, discounts and deferred amounts on refunding not reported in governmental funds.		
Accrued interest on capital appreciation bonds	(183)	
Net discount/premium on bonds issued	1,072	
Increase in accrued interest expense	(2,070)	
Amortization and refunding of deferred amounts, premiums and discounts	4,666	
Deferred amounts on bonds issued	(3,279)	
Total net interest expense and amortization of discount/premium		206
Bond and loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets.		(301,255)
Reclassifcation of long term liabilities to a governmental fund liability is reported as a financing use in a governmental fund and thus contributes to the change in fund balance. However, it does not affect the statement of activities.		5,300
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenue and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		(8,045)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Net decrease in accrued landfill postclosure costs	465	
Net increase in pollution remediation obligation	(4,946)	
Net increase in OPEB obligation	(52,637)	
Net increase in vacation, sick leave, and compensatory time	(5,156)	
Net decrease in estimated liability for self-insurance	15,396	
Net decrease in arbitrage liability	347	
Total additional expenditures		(46,531)
The net expenses of the Public Works Program Support Internal Service fund reported with nonmajor governmental funds		(2,358)
Change in net assets of governmental activities (Page 21)		$ (440,327)

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

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City of San José
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
ASSETS						
Current assets:						
Equity in pooled cash and investments held in City Treasury	$ 85,812	242,131	13,153	15,614	356,710	-
Receivables (net of allowance for uncollectibles)	14,649	7,069	2,778	205	24,701	-
Due from outside agencies	-	337	-	-	337	-
Due from other funds	14	750	-	-	764	-
Prepaid expenses, advances and deposits	137	-	-	-	137	-
Inventories	-	1,046	-	-	1,046	-
Total unrestricted current assets	100,612	251,333	15,931	15,819	383,695	-
Restricted assets:						
Equity in pooled cash and investments held in City Treasury	75,336	22,113	-	1,635	99,084	-
Other cash and investments	462,809	6,314	-	-	469,123	-
Receivables (net of allowances for uncollectibles)	6,032	-	-	-	6,032	-
Prepaid expenses, advances and deposits	3,152	-	-	-	3,152	-
Total restricted current assets	547,329	28,427	-	1,635	577,391	-
Total current assets	647,941	279,760	15,931	17,454	961,086	-
Noncurrent assets:						
Deferred bond issuance costs (net of accumulated amortization)	12,398	803	-	-	13,201	-
Loan receivable	250	-	-	-	250	-
Advances and deposits	9,948	-	-	-	9,948	-
Advances to other funds	-	2,418	-	6,800	9,218	-
Capital assets (net of accumulated depreciation):						
Nondepreciable	909,346	74,179	605	18,937	1,003,067	-
Depreciable	340,098	476,230	73,027	48,760	938,115	-
Total noncurrent assets	1,272,040	553,630	73,632	74,497	1,973,799	-
Total assets	1,919,981	833,390	89,563	91,951	2,934,885	-

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

City of San José
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
LIABILITIES						
Current liabilities:						
Accounts payable	$ 8,873	7,756	1,910	975	19,514	-
Accrued liabilities	1,760	2,723	218	122	4,823	-
Interest payable	39	394	-	-	433	-
Due to other funds	-	-	700	-	700	-
Accrued vacation, sick leave and compensatory time	2,409	3,158	168	193	5,928	-
Estimated liability for self-insurance	560	1,296	165	1	2,022	-
Advances and deposits payable	941	-	-	-	941	-
Unearned revenue	3,897	-	-	-	3,897	-
Loans payable	-	3,767	-	-	3,767	-
Pollution remediation obligation	330	-	-	-	330	-
Total current liabilities unrestricted	18,809	19,094	3,161	1,291	42,355	-
Current liabilities payable from restricted assets:						
Accounts payable and accrued liabilities	51,264	-	-	-	51,264	-
Interest payable	17,966	302	-	-	18,268	-
Accrued vacation, sick leave and compensatory time	158	-	-	-	158	-
Short term notes payable	323,561	-	-	-	323,561	-
Current portion of bonds payable	11,341	4,496	-	-	15,837	-
Pollution remediation obligation	384	-	-	-	384	-
Total current liabilities payable from restricted assets	404,674	4,798	-	-	409,472	-
Total current liabilities	423,483	23,892	3,161	1,291	451,827	-
Noncurrent liabilities:						
Accrued vacation, sick leave and compensatory time	1,429	1,879	-	-	3,308	-
Estimated liability for self-insurance	2,736	4,253	-	-	6,989	-
Advances from other funds	-	-	2,117	-	2,117	-
Advance contributions from participating agencies	-	2,782	-	-	2,782	-
Advances, deposits and reimbursable credits	-	-	1,174	-	1,174	-
Loans payable	-	34,487	-	-	34,487	-
Bonds payable (net of discount and deferred loss on premium/refunding)	1,035,266	58,292	-	-	1,093,558	-
Net other postemployment benefit obligation	4,167	5,205	408	171	9,951	-
Total noncurrent liabilities	1,043,598	106,898	3,699	171	1,154,366	-
Total liabilities	1,467,081	130,790	6,860	1,462	1,606,193	-
NET ASSETS						
Invested in capital assets, net of related debt	287,028	457,387	73,632	67,697	885,744	-
Restricted for debt service	5,764	6,249	-	1,635	13,648	-
Restricted for capital projects and other agreements	39,496	50,550	-	-	90,046	-
Unrestricted	120,612	188,414	9,071	21,157	339,254	-
Total net assets	$ 452,900	702,600	82,703	90,489	1,328,692	-

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
OPERATING REVENUES						
Charges for services	$ 45,917	116,196	25,770	11,052	198,935	-
Rentals and concessions	62,617	2,703	-	-	65,320	-
Customer transportation fees	6,713	-	-	-	6,713	-
Service connection, engineering and inspection	-	3,019	-	-	3,019	-
Contributions	-	17,894	-	-	17,894	-
Other	700	11,628	-	-	12,328	-
Total operating revenues	115,947	151,440	25,770	11,052	304,209	-
OPERATING EXPENSES						
Operations and maintenance	76,405	80,085	21,738	4,838	183,066	-
General and administrative	28,328	21,172	1,068	4,347	54,915	-
Depreciation and amortization	20,967	21,025	2,489	2,243	46,724	-
Materials and supplies	-	576	-	372	948	-
Total operating expenses	125,700	122,858	25,295	11,800	285,653	-
Operating income (loss)	(9,753)	28,582	475	(748)	18,556	-
NONOPERATING REVENUES (EXPENSES)						
Passenger facility charges	17,416	-	-	-	17,416	-
Operating grants	4,625	-	-	-	4,625	-
Investment income	8,138	9,267	461	568	18,434	-
Land and building rental		8	-	-	8	-
Interest expense	(11,404)	(3,534)	(121)	-	(15,059)	-
Contributions refunded to participating agencies	-	(384)	-	-	(384)	-
Loss on disposal of capital assets	(3,537)	(12)	-	-	(3,549)	-
Other revenues	5,636	4,769	37	-	10,442	-
Net nonoperating revenues (expenses)	20,874	10,114	377	568	31,933	-
Income (loss) before capital contributions and transfers	11,121	38,696	852	(180)	50,489	-
Capital contributions	12,869	5,305	444	-	18,618	-
Transfers in	325	670	35	135	1,165	-
Transfers out	(104)	(4,161)	(1,018)	(1,167)	(6,450)	(2,358)
Changes in net assets	24,211	40,510	313	(1,212)	63,822	(2,358)
Net assets - beginning	428,689	662,090	82,390	91,701	1,264,870	2,358
Net assets - ending	$ 452,900	702,600	82,703	90,489	1,328,692	-

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

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City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
($000's)

		Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	$	115,474	134,576	26,090	11,045	287,185	-
Payments to suppliers		(65,722)	(41,219)	(18,406)	(7,078)	(132,425)	-
Payments to employees		(37,054)	(59,501)	(4,404)	(2,290)	(103,249)	-
Other receipts		7,119	17,961	-	-	25,080	-
Net cash provided by operating activities		19,817	51,817	3,280	1,677	76,591	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer from other funds		325	670	35	135	1,165	-
Transfer to other funds		(104)	(4,161)	(1,018)	(1,167)	(6,450)	(5,124)
Advances (to) from other funds		-	3,090	(1,000)	-	2,090	-
Subsidies from operating grants		4,557	-	-	-	4,557	-
Advances, deposits and credits received		19	-	70	-	89	-
Net cash provided by (used in) by noncapital and related financing activities		4,797	(401)	(1,913)	(1,032)	1,451	(5,124)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Passenger facility charges received		16,789	-	-	-	16,789	-
Proceeds from commercial paper		143,171	-	-	-	143,171	-
Principal payment on commercial paper		(5,800)	-	-	-	(5,800)	-
Subsidies from capital grants		6,319	1,480	-	-	7,799	-
Acquisition and construction of capital assets		(298,156)	(20,911)	(1,345)	(553)	(320,965)	-
Principal paid on debt		(11,180)	(8,179)	-	-	(19,359)	-
Cash paid for the refunding of Series 2005B		-	(4)	-	-	(4)	-
Bond issuance cost (payment) refund		(19)	27	-	-	8	-
Interest paid on debt		(60,210)	(3,276)	-	-	(63,486)	-
Advances, deposits and credits paid		(1,866)	-	-	-	(1,866)	-
Net cash used in capital and related financing activities		(210,952)	(30,863)	(1,345)	(553)	(243,713)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments		288,269	-	-	-	288,269	-
Purchase of investments		(155,025)	(6,117)	-	-	(161,142)	-
Interest and dividends received		29,819	9,715	497	568	40,599	-
Land and building rentals		-	7	-	-	7	-
Net cash provided by investing activities		163,063	3,605	497	568	167,733	-
Net change in cash and cash equivalents		(23,275)	24,158	519	660	2,062	(5,124)
Cash and cash equivalents - beginning		194,931	240,329	12,634	16,589	464,483	5,124
Cash and cash equivalents - ending	$	171,656	264,487	13,153	17,249	466,545	-

(Continued)

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

City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
($000's)

		Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Totals	Public Works Program Support Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	$	(9,753)	28,582	475	(748)	18,556	-
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization		20,967	21,025	2,489	2,243	46,724	-
Other nonoperating revenues		5,636	68	37	-	5,741	-
Decrease (increase) in:							
Accounts receivable		767	1,009	283	(8)	2,051	-
Due from outside agencies		-	20	-	-	20	-
Inventories		-	227	-	-	227	-
Prepaid expenses		1,541	-	-	38	1,579	-
Increase (decrease) in:							
Accounts payable and accrued liabilities		(282)	515	25	68	326	-
Accrued salaries, wages, and payroll		447	579	51	49	1,126	-
Accrued vacation, sick leave and compensatory time		60	(7)	(70)	16	(1)	-
Estimated liability for self-insurance		(65)	365	(14)	-	286	-
Unearned revenues		546	-	-	-	546	-
Advances and deposits payable		69	-	-	-	69	-
Other liabilities		(116)	(566)	4	19	(659)	-
Total adjustments		29,570	23,235	2,805	2,425	58,035	-
Net cash provided by operating activities	$	19,817	51,817	3,280	1,677	76,591	-
Reconciliation of cash and cash equivalents to the statement of net assets:							
Equity in pooled cash and investments held in City Treasury							
Unrestricted	$	85,812	242,131	13,153	15,614	356,710	-
Restricted		75,336	22,113	-	1,635	99,084	-
Other investments		462,809	6,314	-	-	469,123	-
Less investments not meeting the definition of cash equivalents		(452,301)	(6,071)	-	-	(458,372)	-
Cash and cash equivalents	$	171,656	264,487	13,153	17,249	466,545	-
Noncash noncapital, capital and related financing activities:							
Loss on disposal of capital assets	$	3,537	12	-	-	3,549	-
Acquisition of capital assets on accounts payable and accrued liabilities		53,090	-	-	-	53,090	-
Capitalized interest		33,991	-	-	-	33,991	-
Contributions from developers		-	1,214	444	-	1,658	-
Amortization of deferred charges and other charges		571	235			806	-
Retirement of deferred charges and other charges		-	370	-	-	370	-
Participating agencies' payments to refunded escrow		-	4,701	-	-	4,701	-
Bond proceeds paid to refunded bond escrow		-	22,891	-	-	22,891	-
Change in fair value of investments		684	46	-	-	730	-
Transfer out assets and liabilities to other funds		-	-	-	-	-	2,766

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

City of San José
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
($000's)

		Pension Trust Funds	James Lick Private Purpose Trust Fund	Agency Funds
ASSETS				
Equity in pooled cash and investments held in City Treasury	$	-	58	1,858
Investments of retirement plans:				
Investments, excluding securities lending collateral:				
Domestic fixed maturities		1,105,209	-	-
International fixed maturities		162,104	-	-
Domestic equities		1,085,430	-	-
International equities		768,395	-	-
Private equities		134,039	-	-
Derivatives		(175)	-	-
Real estate		270,760	-	-
Cash equivalents and short term investments		(10)	-	-
Securities lending cash collateral investment pool		230,267	-	-
Total investments		3,756,019	-	-
Other cash and investments		-	33	-
Receivables (net of allowances for uncollectibles):				
Accrued investment income		15,366	-	11
Employee contributions		2,692	-	-
Employer contributions		11,826	-	-
Other		72,906	-	-
Total assets		3,858,809	91	1,869
LIABILITIES				
Due to brokers		123,013	-	-
Securities lending collateral, due to borrowers		242,950	-	-
Other liabilities		6,401	-	1,869
Total liabilities		372,364	-	1,869
NET ASSETS				
Held in trust for:				
Employees' pension benefits		3,358,098	-	-
Employees' postemployment healthcare benefits		128,347	-	-
Other purpose		-	91	-
	$	3,486,445	91	-

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

City of San José
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
($000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund
ADDITIONS		
Investment income:		
Interest	$ 67,934	6
Dividends	34,141	-
Net rental income	11,077	-
Net change in fair value of plan investments	(881,668)	-
Investment expenses	(16,454)	-
Total investment income (loss)	(784,970)	6
Securities lending activities:		
Securities lending expenses	(8,380)	-
Total securities lending activities	(8,380)	-
Contributions:		
Employer	136,379	-
Employees	58,465	-
Total contributions	194,844	-
Total additions	(598,506)	6
DEDUCTIONS		
General and administrative	4,969	-
Health insurance	39,763	-
Refunds to terminated employees	1,758	-
Retirement and other benefits paid:		
Death benefits paid	12,903	-
Retirement benefits paid	192,132	-
Total deductions	251,525	-
Change in net assets	(850,031)	6
Net assets - beginning	4,336,476	85
Net assets - ending	$ 3,486,445	91

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

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I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of San José, California (the "City"), was chartered on March 25, 1850, and 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 criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary government is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary government regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Based upon the application of these criteria, the following is a brief description of each component unit included within the City's reporting entity. All such component units have been "blended" as though they are part of the primary government because the component unit's governing body is substantively the same as the City's primary government, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

- **Redevelopment Agency of the City of San José** – The Redevelopment Agency of the City of San José (the "Redevelopment Agency") was created by the City Council with the authority and responsibility for redeveloping and upgrading blighted areas of the City. The members of the City Council are also members of the Redevelopment Agency's Board of Directors and, as such, are authorized to transact business and exercise their power to plan, engineer, and carry out projects of the Redevelopment Agency.

- **Parking Authority of the City of San José** – The Parking Authority of the City of San José (the "Parking Authority") was created by the City Council to provide funding through debt issuance for parking facilities constructed on City-owned land. Such parking facilities are leased to the City. Members of the City Council are also members of the Parking Authority's Board of Directors.

- **San José – Santa Clara Clean Water Financing Authority** – The San José – Santa Clara Clean Water Financing Authority (the "Clean Water Financing Authority") was created pursuant to a Joint Exercise of Powers Agreement between the City of San José and the City of Santa Clara. 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). The Clean Water Financing Authority is governed by a five-member Board of Directors, three are members of the City Council of the City of San José and two are members of the City Council of the City of Santa Clara. The Clean Water Financing Authority and the cities of San José and Santa Clara subsequently entered into an Improvement Agreement, which requires each city to make base payments that are at least equal to each city's allocable share of debt service requirements of the Clean Water Financing Authority's outstanding revenue bonds.

- **City of San José Financing Authority** – The City of San José Financing Authority (the "Authority") was created by a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency. The Authority was created for the purpose of facilitating the financing of public improvements and facilities within the City and is authorized to issue bonds for this purpose. The Authority is governed by an 11 member Governing Board, which consists of the members of the City Council.

Separate financial reports for the fiscal year ended June 30, 2009, containing additional information and more detailed information regarding financial condition and change in financial position, are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

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

B. Financial Statement Presentation

***Government-wide Financial Statements*.** The government-wide financial statements (i.e. the statement of net assets and the statement of activities) display information about the primary government (the "City") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. For example, the direct expenses 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, which is included in the government-wide financial statements, presents a comparison between direct expenses and program revenues for each business-type activity of the City and each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are instead presented as general revenues.

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

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

The City reports the following major governmental funds:

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

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

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

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

The **City of San José Financing Authority Fund** is a debt service fund that accounts for the debt activities related to capital projects funded with 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 City's sewer system, the San José – Santa Clara Water Pollution Control Plant (the Plant) and the regional water reclamation program.

The ***Municipal Water System Fund*** accounts for the operations of the five water system operating districts: North San José, Evergreen, Coyote, Edenvale and Alviso.

The ***Parking System Fund*** accounts for the operations of the parking garage facilities, parking lots and parking meters located within the City.

The City reports the following fiduciary fund types:

The ***Pension Trust Funds*** account for the accumulated resources to be used for retirement annuity and postemployment healthcare payments to members of the Federated City Employees' Retirement System (the "System") and the Police and Fire Department Retirement Plan (the "Plan" and collectively, the "Retirement System").

The ***James Lick Private Purpose Trust Fund*** is used to account for resources legally held in trust for use towards the support of the Eastfield Home of Benevolence (orphanage). All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

The ***Agency Funds*** account for assets held by the City in a custodial capacity on behalf of the San José Arena and the Health Care Financing Administration.

(Continued)

C. Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide, proprietary and fiduciary funds (excluding agency funds) financial statements are reported using the economic resources measurement focus. The government-wide, proprietary funds and trust funds financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales and use, transient occupancy and utility user tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences and self-insurance claims, are recorded only when payment is due.

In governmental funds, revenues from taxes, licenses, franchise taxes, interest, certain state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. All other revenue items are considered measurable and available only when cash is received by the City.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. Also included as operating revenues are the Wastewater Treatment System Fund's contributions from other participating agencies for their allocation of the plant's operating and maintenance expense. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply restricted cost-reimbursement grant resources to such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-

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sector guidance for business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Use of Estimates

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

E. New Pronouncements

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care. Application of this statement is effective for the City's fiscal year ended June 30, 2009. The additional disclosure concerning the implementation of GASB 49 is available in Note III.

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The Statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this Statement is effective for the City's fiscal year ending June 30, 2010.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective to this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund

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balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this Statement is effective for the City's fiscal year ending June 30, 2011.

F. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

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

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer unless otherwise dictated by legal or contractual requirements. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds and component units on a monthly basis, based on their proportionate shares of the average weekly cash balance.

3. Deposits and Investments

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

This Statement requires governmental entities to report investments at fair value in the statement of net assets or balance sheet and to recognize the corresponding change in fair value of investments in the year in which the change occurred.

Pooled Cash and Investments held in City Treasury. The City reports its investments held in City Treasury at fair value. The fair value is based on quoted market information obtained from fiscal agents or other sources. Income from some investments is transferred 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 fiscal year ended June 30, 2009, the total investment income from these funds transferred to the General Fund was approximately $3,717,000.

Retirement Systems. The Retirement Systems investment policies authorize various types of investments, including securities lending transactions. 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 are reported at estimated fair value. The fair value of the private equities are based on actual cash flows to/from the Retirement Systems and the transactions and unrealized gain/loss as ascertained from the most recently available investor reports or financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the financial statements and other portfolio information received from their underlying portfolio partnerships. The fair value of real estate investments is based on independent appraisals. Purchases and sales of securities are reflected on the date of

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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 interest income is recorded in the fund that earned the interest.

4. Inventories

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out) or market. In the governmental funds, inventory items are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Special Assessment Districts

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by deferred revenues in the governmental fund financial statements. The special assessment bonds are fully secured by liens against the privately owned properties benefited by the improvements for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and hence the City's management believes value will ultimately be received by the City. Surplus funds remaining at the completion of a special assessment district project are disposed of in accordance with the City Council's resolutions and with the applicable assessment bond laws of the State of California. A liability is recorded for the balance remaining until a final legal determination has been made.

6. Advances and Deposits

Amounts deposited in connection with eminent domain proceedings and special assessment surpluses are reported as advances and deposits. In the governmental fund statements, non-current portions of these are offset equally by either a deferred credit or a fund-balance reserve account indicate they do not constitute expendable financial resources available for appropriation.

7. Other Assets

Other assets primarily consist of real properties acquired outright and/or through foreclosure in connection with the housing rehabilitation program. These assets are recorded at the lower of cost or estimated net realizable value.

8. Bond Issuance Costs; Original Issue Discounts and Premiums and Deferred Amounts on Refundings

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and are amortized over the term of the related debt. Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Restricted Assets

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

10. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and the proprietary funds' statement of net assets. Capital assets are defined as assets with an initial individual cost of more than $5,000 for general capital assets and $100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

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

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

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

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11. Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreement between the City and the employees' 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 enterprise funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate enterprise funds.

Vacation pay may be accumulated up to two times the annual accrual rate, not to exceed a maximum of 400 hours for non-sworn employees.

Employees represented by the San José Police Officer's Association (SJPOA) may carry over to the next payroll calendar year not more than 200 hours of unused vacation leave. Employees represented by the International Association of Firefighters, Local 230 may carryover to the next payroll calendar year not more than 200 hours of unused vacation leave for employees on a 40 hour workweek and 240 hours for those employees on a 56 hour workweek. All employees under this bargaining unit shall not be allowed to accrue vacation in excess of two times their annual vacation accrual rate.

Employees in the Federated City Employees Retirement System who retire with at least 15 years of service (20 years for police officers and firefighters in the Police & Fire Department Retirement Plan) are eligible to receive, upon retirement, sick leave payouts based on percentages of accumulated sick hours as determined by the respective Agreements.

The following table outlines sick leave payout percentages for full-time and deferred vested employees.

Employee Type	Retirement Plan	800 to 1,200 Hours (1,120 - 1,680 for Firefighters)	Greater than 1,200 Hours (1,680 for Firefighters)
Management	Federated	75%	75% up to 1,392 hrs
Non-Management	Federated	75%	No payout beyond 1,200 hrs
All Employee Types	Police and Fire	80%	100%

12. Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans and unsettled service transactions) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances to other funds, as reported in the fund financial statements, are offset by a fund-balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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

13. Self-Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks. The City's workers' compensation activities are funded and accounted for separately in the fund financial statements based upon the activities of each fund. The current portion of claims liability 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.

14. Net Assets/Fund Equity

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* – This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2009, the government-wide statement of net assets reported restricted assets of $654.1 million in governmental activities and $103.7 million in business type activities. Of these amounts $320.8 million and $35.9 million, respectively are restricted by enabling legislation. Certain prior year net assets within the business type activities have been reclassified from restricted to unrestricted to conform with the provisions of the new Airline Lease Agreement and the Master Trust Agreement. Accordingly, restricted amounts pertained only to the targeted revenue sharing of the airlines, the rolling debt service coverage and the amount held by the fiscal agent.

- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

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Reservations of fund balance are described as follows:

- *Encumbrances* - to reflect the outstanding contractual obligations for which goods and services have not been received.
- *Non-current advances, loans, other assets, and cash commitments* - to reflect the portion of assets that are not currently available as a spendable resource.
- *Debt service* - to reflect the funds held by trustees or other fiscal agents for future payment of principal and interest related to bond issue. These funds are not available for general operations.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations include:

- *Contingencies* - to reflect management's intent to expend certain funds for future unanticipated needs.
- *Future projects* - to reflect management's intent to expend certain funds approved for capital projects in prior years but not yet completed.

The unreserved governmental fund balance designations at June 30, 2009 are composed of the following (dollars in thousands):

	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	Nonmajor Funds	Total
Unreserved, designated for:						
Future projects	$ 50,454	-	460	8,260	430,719	$ 489,893
Contingencies	47,296	-	-	-	-	47,296
Undesignated	81,043	33,466	26,772	-	-	141,281
Total unreserved fund balances	$ 178,793	33,466	27,232	8,260	430,719	$ 678,470

15. Property Taxes

Property taxes are collected on behalf of and remitted to the City by Santa Clara County (the County). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13).

The County assesses property values, levies, bills, and collects the related property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	October 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

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

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

The City's net assessed valuation for the fiscal year ended June 30, 2009, was approximately $125.3 billion, an increase of approximately 5% over the previous year. The tax rate was approximately $0.189 per $100 of assessed valuation, which included the 1% basic levy and additional levies for general obligation bonds Measures "O" and "P" (2000) and Measure "O" (2002).

16. Wastewater Treatment System

The Wastewater Treatment System is an enterprise of the City and is comprised of the San José – Santa Clara Water Pollution Control Plant (the Plant), including South Bay Water Recycling and the San José Sewage Collection System.

The Plant provides wastewater treatment services to the City of San José and to seven other sewage collection agencies. The Clean Water Financing Authority was established to provide financing for the capital programs of the Plant including the regional water reclamation program. The City's sewer service rates pay for the City's share of the Plant operations, maintenance, and administration and capital costs.

In 1959, the City and the City of Santa Clara entered into an agreement to jointly own and operate the Plant. Under the agreement, the City of San José serves as the administering agency and is responsible for operating and maintaining the Plant. The cities share in the capital and operating costs on a pro rata basis determined by the ratio of each city's assessed valuation to the sum of both cities' assessed valuations. Annually, these percentages are determined and applied to the capital and operating costs on an accrual basis For the fiscal year ended June 30, 2009, the City's portion of the capital and operating costs was approximately 81.0% and, based on operations through the fiscal year ended June 30, 2009, the City's interest in the net assets of the Plant was approximately 83.2%.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

Deficit fund balances of $323,000, $24,000 and $438,000 were reported in non-major capital projects Fiber Optics Development Fund, the Interim City Facilities Improvement Fund and the Civic Center Improvement Fund, respectively. The deficit fund balance for the Fiber Optics Development Fund will be eliminated with future transfers from the General Fund. The Interim City Facilities Improvement Fund and the Civic Center Improvement Fund deficits will be eliminated with transfers made from future commercial paper proceeds.

III. Detailed Notes on All Funds

A. Cash, Deposits and Investments

As of June 30, 2009, total City cash, deposits and investments, at fair value, are as follows (dollars in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds: Pension Trust	Fiduciary Funds: Private-Purpose Trust	Fiduciary Funds: Agency	Carrying Value
Equity in pooled cash and investments	$ 751,473	356,710	-	58	1,858	$ 1,110,099
Other cash and investments	6	-	-	-	-	6
Restricted investments:						
Equity in pooled cash and investments	76,036	99,084	-	-	-	175,120
Other cash and investments	447,180	469,123	-	33	-	916,336
Investments of retirement plans	-	-	3,756,019	-	-	3,756,019
Total deposits and investments	$ 1,274,695	924,917	3,756,019	91	1,858	5,957,580
Deposits						52,121
Investments						5,905,459
Total deposits and investments						$ 5,957,580

Pooled Cash and Investments Held in City Treasury. The City maintains a cash and investment pool that is available for use by all funds and certain component units. Each fund's portion of this pool is displayed on the accompanying governmental fund balance sheets and proprietary fund statement of net assets as "Equity in pooled cash and investments held in City Treasury."

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

Other investments consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These investments are made either in accordance with bond covenants, and are pledged for payment of principal, interest, and specified capital improvements or in accordance with trust and grant agreements.

Investments 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 quality risk, concentration of credit risk, custodial credit risk and foreign currency risk. These risks are addressed separately for the investments related to governmental and business-type activities and those related to the Retirement Systems, as follows:

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1. Governmental and Business-Type Activities

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the time of maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing the cash flows from the maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations.

The City has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the City's pooled cash and investments as of June 30, 2009, was approximately 259 days. The Investment Policy does not prohibit the sale of securities prior to maturity. However any portfolio restructuring requires prior conceptual approval in writing from the City Manager and the Director of Finance. Section 14.2 of the Investment Policy further defines the parameters with respect to restructuring the portfolio.

Credit Quality Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy has mitigated credit risk by limiting investments to the safest type of securities, by prequalifying financial institutions, by diversifying the portfolio and by 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.

As of June 30, 2009, the City's investment in LAIF was approximately $465,000,000.The total amount recorded by all public agencies in LAIF at that date was approximately $25.2 billion. Of that amount, 85.29% was invested in non-derivative financial products and 14.71% in structured notes and asset backed securities.

Concentration of Credit Risk. The City Council adopted an investment policy (the "Policy") on April 2, 1985, as amended on June 9, 2009, related to the City's cash and investment pool, which is subject to annual review. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an unhedged position on the future direction of interest rates. Per the Policy the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Policy.

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of 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
Bankers' Acceptances	180 days	25%	5%
Insured Time Deposits	3 years	$10 million	5%
Uninsured Time Deposits	18 months	$10 million	5%
Commercial Paper	270 days	20%	5%
Negotiable Certificates of Deposit	180 days	25%	5%
Repurchase Agreements	10 days	None	None
Reverse Repurchase Agreements	30 days	$25 million or 20% (Which ever is less)	None
Corporate Notes	3 years	15%	5%
Local Agency California Investment Fund	None	None	None
Money Market Mutual Funds	None	15%	5%
California Municipal Bonds - Category 1	5 years	15%	5%
California Municipal Bonds - Category 2	5 years	5%	5%
California Municipal Bonds - Category 3	5 years	10%	5%
Investment Agreements	None	None	None

Other restrictions on investments are summarized as follows:

- Purchases of United States government agency securities are limited to issues of Federal Farm Credit Banks (FFCB), the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and Student Loan Marketing Association (SLMA).

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

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

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

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

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- Repurchase agreements are to be executed only with primary dealers of the Federal Reserve Bank of New York and financial institutions, which have entered into the City's Master Repurchase Agreement 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 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 repurchase agreement's face value.

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

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

- Investments in money market mutual funds are limited to those funds registered with the Securities and Exchange Commission and for which 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 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 be maintained at no less than $1.00 per share.

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

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

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

(Continued)

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 and the City Council within one business day.

The following schedule indicates the interest rate risk, credit quality risk and concentration credit risk of the City's investments, as of June 30, 2009. The credit ratings listed are for Moody's Investors Services and Standard and Poor's, respectively. Certain investments, such as obligations, which are backed by the full faith and credit of the United States Government, are exempt from credit rating disclosures (dollars in thousands):

		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:						
U.S. Treasury notes	Exempt	-	8,989	-	-	8,989
Federal Farm Credit Banks *	Aaa / AAA	-	44,435	19,722	63,935	128,092
Federal Farm Credit Banks - Callable	Aaa / AAA	-	-	-	30,494	30,494
Federal Home Loan Banks *	Aaa / AAA	-	106,086	20,624	119,036	245,746
Federal Home Loan Banks - Callable *	Aaa / AAA	-	-	-	78,134	78,134
Federal Home Loan Banks - Discount *	P-1 / A-1+	75,000	39,981	-	-	114,981
Federal Home Loan Mortgage Corporation *	Aaa / AAA	-	4,748	-	66,593	71,341
Federal Home Loan Mortgage Corporation - Callable	Aaa / AAA	-	-	-	5,152	5,152
Federal Home Loan Mortgage Corporation - Discount	P-1 / A-1+	15,000	29,967	-	-	44,967
Federal National Mortgage Association - Discount *	P-1 / A-1+	-	141,419	-	-	141,419
Commercial paper - Discounted *	P-1 / A-1+	128,272	19,985	-	-	148,257
Medium-term notes	AAA	-	-	-	5,036	5,036
Medium-term notes	AA	-	-	-	25,791	25,791
Negotiable certificate of deposit	P-1 / A-1	10,006	-	-	-	10,006
Local agency investment fund *	Not Rated	-	-	180,008	-	180,008
Total pooled investments in the City Treasury		228,278	395,610	220,354	394,171	1,238,413
Other funds:						
Federal Farm Credit Banks	Aaa / AAA	-	-	-	5,373	5,373
Federal Home Loan Banks**	Aaa / AAA	9,930	4,563	50,326	38,350	103,169
Federal Home Loan Banks - Discount	P-1 / A-1+	-	-	4,586	-	4,586
Federal Home Loan Mortgage Corporation	Aaa / AAA	-	-	3,542	-	3,542
Federal Home Loan Mortgage Corporation - Discount	P-1 / A-1+	3	182	-	-	185
Federal National Mortgage Association	Aaa / AAA	-	-	315	-	315
Federal National Mortgage Association - Discount	P-1 / A-1+	-	905	-	-	905
Citigroup investment agreements**	Not rated	-	-	-	379,143	379,143
Commercial paper***	P-1 / A-1+	32,251	45,166	-	-	77,417
Money market mutual funds	AAAm	14,032	37,840	-	-	51,872
Local agency investment fund	Not Rated	-	-	284,520	-	284,520
Total other funds		56,216	88,656	343,289	422,866	911,027
Total citywide investments (excluding Retirement Systems)		$ 284,494	484,266	563,643	817,037	2,149,440
Retirement Systems:						
Total investments in Retirement Systems (See page 61 and 62)						3,756,019
Total investments						$ 5,905,459

* Investments with these issuers represent more than 5% of the City's pooled investments held in the City's Treasury.

** Investments represent more than 5% of the City's investments held by Fiscal Agents.

*** As of June 30, 2009, the Agency's commercial paper investments with Union Bank in the amount of $77,417,000 represents more than 5% of the City's investments held outside the City's Treasury pool.

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, 2009, the carrying amount of the City's deposits with financial institutions was approximately $52,121,000 and the bank balance was $69,498,000. The difference between the carrying amount and bank balance relates to outstanding checks and wire transfers issued against the general operating account. Of the bank balance, $65,354,000 was covered by Federal depository insurance and $4,144,000 was collateralized.

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2009, the investments in the City's investment pool were not subject to foreign currency risk.

2. Retirement Systems

Interest Rate Risk. The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. The Retirement Systems do not have policies for managing interest rate risk although the Retirement Systems do hold certain investments that could be affected by changes in interest rates. The Retirement Systems have investments in U.S. Government National Mortgage Association (GNMA) in the amount of $22,711,000 and U.S. government agency securities in the amount of $251,466,000 backed by mortgage pass-throughs which are sensitive to interest rate changes of which $3,284,000 are floating rate securities tied to the six and twelve-month LIBOR and $899,000 are tied to the twelve-month MTA. Therefore, if interest rates decline, the mortgages are subject to prepayments by borrowers. However the Retirement Systems' intent is to hold all fixed maturity investments until maturity, and accordingly, fixed maturity investments are classified in the following tables as if they were held to maturity. International government bonds include $2,376,000 of a floating rate bond linked to the 10 year Japanese Government Bond that is reset semi-annually. In addition, as of June 30, 2009, $2,671,000 of the collateralized mortgage obligation (CMO) are floating rate securities tied to the one to twelve-month LIBOR and $3,070,000 are tied to a combination of LIBOR and CMT. Also, $19,411,000 of the other asset backed securities are floating rate bonds tied to one to twelve-month LIBOR; $9,433,000 of the corporate bonds are floating rate bonds tied to the one to twelve-month LIBOR; and $146,000 of the corporate bonds are floating rate but not tied to an index.

(Continued)

Custodial Credit Risk. Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The Retirement Systems do not have a policy regarding custodial credit risk. The Retirement Systems' custodians hold all investments of the Retirement Systems in either the System's or the Plan's nominee name, which ever is applicable, except for the assets held in pooled funds, which are under custody of the investment managers' custodian bank. The Retirement Systems' investments in pooled holdings have the underlying securities valued by the fund managers in accordance with the Retirement Systems' fair value standards. At June 30, 2009, the Retirement Systems had the following pooled holdings: $66,406,000 in fixed income, $293,184,000 in international equities, $261,446,000 in domestic equities, $122,849,000 in real estate, and $134,039,000 in private equities.

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

All domestic and international bonds and notes in which the Plan's assets are invested, and which mature one year or more from the date of original issues, are required to carry a rating of "BBB" or better by two of the following three services: S&P, Moody's or Fitch's. In the event that ratings are provided by only two agencies and the third is non-rated, the most conservative (lowest) rating will be assigned. If only one agency assigns a rating, that rating will be used; or, if unrated, shall be of equivalent quality in the judgment of the Investment Manager to a similar domestic issue. Investment managers may, with prior written authorization of the Board, invest a maximum of 20% of their fixed income portfolio in bonds or notes that are rated B or BB. If bonds are downgraded below the minimum credit quality allowable in the guidelines at the time of purchase, the Investment Manager is permitted to hold up to 2% of the Plan's portfolio managed by the individual manager, using the lower of S&P, Moody's, and Fitch's rating in the event of a split-rated security.

The Retirement Systems may hedge against the possible adverse effects of currency fluctuations on the Retirement Systems' portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-1 or P-1, repurchase agreements, short-term U.S. securities, and other money market investments.

(Continued)

The credit ratings listed below are for Moody's Investors Services and/or Standard and Poor's. Certain investments, such as obligations backed by the full faith and credit of the United States Government, are exempt from credit rating disclosure.

The following schedule indicates the credit quality rate risk of the Retirement Systems' investments, by category, as of June 30, 2009. (dollars in thousands):

Ratings		Total	Percentage
AAA	$	261,567	20.64%
AA		68,749	5.43%
A		161,752	12.77%
BBB		134,903	10.65%
BB		90,605	7.15%
B		60,756	4.79%
CCC & below		16,778	1.32%
Not rated*		472,028	37.25%
	$	1,267,138	100.00%

* Includes Collective Short-term Investment Funds and derivatives, GNMA, FHMLC and FNMA TBA mortgages and other cash equivalents.

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

	Type of Investment	Policy Limits and Descriptions
The Plan	Equity	Minimum of 41% and maximum of 57% of the fair value of the aggregate portfolio.
	Fixed Income	Minimum of 15% and maximum of 31% of the fair value of the aggregate portfolio.
	Long Duration Fixed Income	Limited to 7% of the fair value of the aggregate portfolio.
	Alternatives	Limited to 28% of the fair value of the aggregate portfolio. (Funds allotted to the alternatives asset class are temporarily invested in other assets)
	Real Estate	Limited to 15% of the market value of the aggregate portfolio. Real estate investments include: - Apartment complexes located in Houston, TX and Colorado Springs, CO. - Office buildings located in Denver, CO; San Jose, CA; Anchorage, AK, near Chicago, IL, Anchorage, AK and an office building under construction in O'Fallon, MO. - Warehouse located near Minneapolis, MN. (The properties have leases with various terms)
The System	Domestic Equity	Minimum of 28% and maximum of 38% of the fair value of the aggregate portfolio.
	International Equity	Minimum of 15% and maximum of 25% of the fair value of the aggregate portfolio.
	Fixed Income	Minimum of 31% and maximum of 41% of the fair value of the aggregate portfolio.
	Private Equiy	Minimum of 2% and maximum of 8% of the fair value of the aggregate portfolio.
	Real Estate	Minimum of 3% and maximum 9% of the fair value of the aggregate portfolio. Real estate investments include: - Warehouse located in Northern California. - Interest in eight separate real estate funds managed by third parties.

The collective short-term investment fund is used for overnight investment of all excess cash in the Retirement Systems' funds. It is invested by the Retirement Systems' custodians, and held in the Retirement Systems' custodians' names. This fund consists of:

- Short-term fixed corporate and U.S. government obligations or those of any federal agency, or of other issuers that are fully guaranteed by the U.S. government or a federal agency as to repayment of principal and the payment of interest;

(Continued)

- Commercial paper;
- Certificates of deposit;
- Repurchase agreements with major banks and U.S. government securities dealers that are collateralized by obligations of the U.S. government or a federal agency, or obligations fully guaranteed by the U.S. government or a federal agency; and
- Fully insured bank deposits.

As of June 30, 2009, the System held $79,559,000 of investments issued by the Federal National Mortgage Association (including non-USD) which represents 5.4% of the System's total investments.

Foreign Currency Risk. The risk that changes in foreign exchange rates will adversely affect the fair value of an investment. As of June 30, 2009, the Retirement Systems were subject to foreign currency risk. To mitigate this risk, the Retirement System's investment policy permits individual investment managers to defensively hedge currency to mitigate the impact on currency fluctuation on the underlying asset value.

Forward International Currency Contracts. The Retirement Systems made investments in forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Retirement Systems utilize these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2009, the Retirement Systems' net position in these contracts is recorded at fair value as forward international currency contracts. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' investments in forward currency contracts bear credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2009, total commitments in forward currency contracts to purchase and sell foreign currencies for the System were $10,632,000 and $10,632,000, respectively, with market values of $10,622,000 and $10,628,000, respectively. As of June 30, 2009, total commitments in forward currency contracts to purchase and sell foreign currencies for the Plan were $2,012,000 and $2,012,000 respectively, with fair values of $2,007,000 and $2,011,000, respectively. The Retirement Systems' commitments relating to forward currency contracts are settled on a net basis.

Derivatives. The Retirement Systems' investment policies generally allow for investments in futures and options that comply with the Retirement System's basic objective of achieving the highest return on investment funds, consistent with safety, and in accordance with accepted investment practices. At June 30, 2009 the Plan and the System held futures and options with fair market values of approximately negative $166,000 and $108,000, respectively. Gains and losses on futures and options are determined based on quoted market values and recorded in the Statement of Changes in Plan Net Assets.

Due to the level of volatility associated with certain derivative investments it is reasonable to expect significant fluctuations in the fair market value of these securities from the amounts presented in the financial statements as of June 30, 2009. The Plan specifically prohibits investment managers from using derivative or synthetic securities that expose the Plan to potentially high price volatility or are either speculative or leveraged, or whose market-ability may become severely limited.

(Continued)

The following tables provide information related to the various investment risks that may affect the investments of the Retirement Systems:

Investment Maturities at Fair Value
As of June 30, 2009
(Dollars in Thousands)

Type of Investment	Maturity: 3 Months or Less	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	Total Fair Value
Fixed Maturity:							
Domestic:							
U.S. Treasury Securities	$ 6,768	10,859	724	10,172	10,590	15,535	$ 54,648
U.S. Treasury Strips	-	-	-	-	-	29	29
GNMA	-	-	-	-	-	22,657	22,657
FHLMC	-	-	-	1,396	7,232	66,098	74,726
FNMA	-	-	-	7,742	16,297	152,065	176,104
Other U.S. Gov't Agency Securities	-	-	-	586	974	7,334	8,894
Asset Backed Securities	-	-	234	6,105	6,371	17,983	30,693
Bank Loans	-	-	-	51,405	23,233	-	74,638
Collateralized Mortgage Obligations	-	-	144	-	2,464	60,258	62,866
Corporate Bonds	200	-	4,373	109,692	145,655	151,723	411,643
State and Local Obligations	-	-	-	-	361	4,092	4,453
Collective Short Term Investments	118,969	-	-	-	-	-	118,969
Pooled Domestic Bonds	-	-	-	-	64,889	-	64,889
Total domestic maturities	125,937	10,859	5,475	187,098	278,066	497,774	1,105,209
International:							
Government bonds:							
Australian Dollar	-	-	-	376	-	-	376
Brazilian Real	-	-	-	-	601	-	601
British Pound	-	-	-	-	-	4,395	4,395
Canadian Dollar	143	-	-	-	2,135	-	2,278
Euro Currency	-	4,214	-	6,051	6,255	7,167	23,687
Indonesian Rupiah	-	-	-	507	-	-	507
Japanese Yen	-	-	693	12,605	6,619	6,697	26,614
Norwegian Krone	-	-	-	3,045	1,054	-	4,099
USD Denominated	-	-	-	3,016	665	2,352	6,033
Total international government bonds	143	4,214	693	25,600	17,329	20,611	68,590
Corporate Bonds:							
British Pound	-	-	-	1,326	1,066	657	3,049
Canadian Dollar	-	-	-	-	427	369	796
Euro Currency	823	-	-	3,774	7,845	2,758	15,200
Japanese Yen	-	-	-	962	2,099	-	3,061
USD Denominated	-	-	47	19,501	29,668	20,675	69,891
Total international corporate bonds	823	-	47	25,563	41,105	24,459	91,997
Pooled International Fixed Maturity	-	-	-	-	-	1,517	1,517
Total international fixed maturities	966	4,214	740	51,163	58,434	46,587	162,104
Derivatives	(110)	(65)	-	-	-	-	(175)
Total fixed maturity	$ 126,793	15,008	6,215	238,261	336,500	544,361	$ 1,267,138

Investment Maturities at Fair Value
As of June 30, 2009
(Dollars in Thousands)
(Continued)

Type of Investment	3 Months or Less	3 - 6 Months	6 Months - 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	Total Fair Value
Equities*:							
Domestic							$ 823,984
Pooled domestic equity							261,446
Total domestic equities							1,085,430
International:							
International currency*:							
Australian Dollar							9,041
Brazilian Real							12,650
British Pound							80,750
Canadian Dollar							6,416
Danish Krone							6,523
Euro Currency							109,400
Hong Kong Dollar							29,695
Indian Rupee							9,908
Indonesian Rupiah							3,773
Japanese Yen							75,887
Malaysian Ringgit							1,569
Mexican Peso							1,402
New Taiwan Dollar							2,487
New Zealand Dollar							1,153
Norwegian Krone							930
Polish Zloty							317
Singapore Dollar							6,441
South African Rand							5,660
South Korean Won							6,488
Swedish Krona							7,355
Swiss Franc							27,312
Turkish Lira							480
USD Denominated							69,574
Total international currency							475,211
Pooled International Equities*							293,184
Total international equities							768,395
Total equities							1,853,825
Private equity*							134,039
Real Estate*							270,760
Forward international currency contracts*							(10)
Securities Lending Collateral*							230,267
Total investments of retirement plans							$ 3,756,019

* Investment(s) not subject to fixed maturity date

Securities Lending. The municipal code and the investment policies, adopted by the Boards of the Retirement Systems, permit the use of a securities lending program with its principal custodian banks (Custodians). The Retirement Systems do not have a threshold for securities lending. The investment policy of the System requires that loan maturities cannot stretch beyond one year, and no more than 15% of the portfolio can be lent longer than six months. The custodial agreements with the Retirement Systems' custodians authorize such custodian to loan securities in the Retirement Systems' investment portfolio under such terms and conditions, as the custodians deem advisable and to permit the loaned securities to be transferred into the name of the borrowers. The Retirement Systems receive a fee from the borrower for the use of the loaned securities. As of June 30, 2009, the Retirement System's had no exposure to borrower credit risk related to the securities lending transactions as the custodians are responsible for the replacement of the loaned securities with other securities of the same issuer, class and denomination, or if such securities are not available on the open market, the custodian is required to credit the Retirement Systems' account with the market value of such unreturned loaned securities it the loaned securities are not returned by the borrower. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the Retirement Systems or borrowers.

Securities lending collateral represents investments in an investment pool purchased with cash collateral, as well as securities collateral that may be pledged or sold without a default by the borrower. Securities lending transactions collateralized with securities that cannot be pledged or sold without borrower default are not reported as assets and liabilities in the fiduciary statement of net assets. The Retirement Systems do not match the maturities of investments made with cash collateral with the securities on loan.

The Plan authorized State Street Bank and Trust to invest and reinvest cash collateral in State Street's pooled investment vehicle which must have an effective duration of 90 days or less. Securities with maturities of 13 months or more must have a rating of A or better by at least two nationally recognized statistical rating organizations, or if unrated, be of comparable quality Securities with maturities of less than 13 months are rated at least A-1/P-1. As of June 30, 2009, the size of the cash collateral pooled vehicle was $44.6 billion and the weighted average maturity of 42.64 days. The cash collateral investments included asset backed securities (47% of the pool), certificates of deposit (20%), corporate securities (6%), bank notes (13%), and other securities (14%). All of the underlying investments of the Plan's securities lending cash collateral are held by the counterparty, not in the name of the Plan.

The System authorized The Northern Trust Company to invest and reinvest cash collateral in Northern Trust's pooled investment vehicle which must have weighted average life of 60 days or less. Securities with maturities of 13 months or more must have a rating of A or better. Securities with maturities of less than 13 months are rated at least P-3. As of June 30, 2009, the size of the cash collateral pooled vehicle was $28.6 billion and the weighted average life of 47 days. The cash collateral investments included time deposits (28% of the pool), repurchase agreements (18%), asset backed securities (25%), certificates of deposit (16%), variable rate securities (11%) and commercial paper and other bank notes (2%). All of the underlying investments of the System's securities lending cash collateral are held by the counterparty, not in the name of the System.

The loaned securities as of June 30, 2009 consisted of U.S. Treasury securities, U.S. government agency securities, domestic corporate bonds, international corporate bonds, international government bonds, domestic equity securities, and international equity securities. In return, the Retirement Systems receive collateral in the form of cash or securities equal to at least 102% for domestic and 105% for international of the transferred securities plus accrued interest for reinvestment.

(Continued)

As of June 30, 2009, the underlying securities loaned by the Retirement Systems as a whole amounted to approximately $235,848,000.The net asset value (NAV) of the cash collateral pools as of June 30, 2009 for the Plan and the System were $209,103,000 and $21,164,000, respectively, on a mark to market basis. The NAV was less than 100% is due to the decline in fair value of the assets held by the cash collateral pool. The Retirement Systems is exposed to investment risk including the possible loss of principal values in the cash collateral pool due to the fluctuation in the market value of the assets held by the cash collateral pool.

The following table provides information concerning securities lent and collateral received as of June 30, 2009 (dollars in thousands):

	The Plan	The System	Total Fair Value
Type of Investment Lent			
For Cash Collateral:			
U.S. treasury notes and bonds	$ 18,511	799	$ 19,310
U.S. government agency securities	12,340	144	12,484
Domestic corporate bonds	20,762	3,157	23,919
Domestic equity securities	126,965	16,696	143,661
International equity securities	33,769	1,662	35,431
Total Lent for Cash Collateral	212,347	22,458	234,805
For Non-Cash Collateral:			
U.S. treasury notes and bonds	882	-	882
Domestic equity securities	111	50	161
Total Lent for Non-Cash Collateral	993	50	1,043
Total Securities Lent	$ 213,340	22,508	$ 235,848
Type of Collateral Received			
Cash Collateral	$ 209,103	21,164	$ 230,267
Non-Cash Collateral:			
For lent U.S. treasury notes and bonds	902	-	902
For lent domestic equity securites	114	50	164
Total Non-Cash Collateral	1,016	50	1,066
Total Collateral Received	$ 210,119	21,214	$ 231,333

(Continued)

B. Receivables, Net of Allowances

Receivables at year-end of the City's major individual funds and non-major funds taken in aggregate, including the applicable allowances for uncollectible accounts are as follows (dollars in thousands):

Receivables – Governmental Activities:	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	Financing Authority	Total Nonmajor Funds	Governmental Activities
Taxes	$ 27,596	272	-	-	-	4,331	$ 32,199
Accrued interest	1,295	674	1,646	141	6	3,648	7,410
Grants	3,667	-	5,278	-	-	11,597	20,542
Special assessments	-	-	-	64,886	-	-	64,886
Other	22,237	588	62	-	-	23,081	45,968
Less: allowance for uncollectibles	(6,741)	-	(3)	-	-	(3,267)	(10,011)
Total receivables, net	$ 48,054	1,534	6,983	65,027	6	39,390	$ 160,994

Business-Type Activities:	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total Business-Type Activities
Accounts	$ 9,150	2,703	3,061	117	$ 15,031
Accrued interest	2,833	1,391	78	98	4,400
Grants	9,082	3,580	-	-	12,662
Less: allowance for uncollectibles	(384)	(605)	(361)	(10)	(1,360)
Total receivables, net	$ 20,681	7,069	2,778	205	$ 30,733

Special assessment receivables in the amount of $64,886,000 are not expected to be collected within the subsequent year.

C. Loans Receivable

The composition of the City's loans receivable as of June 30, 2009 is as follows (dollars in thousands:

Type of Loan	General Fund	Redevelopment Agency	Housing Activities	Nonmajor Funds	Total Governmental Activities
20% Housing Program Developer, rehabilitation, second mortgage and relocation loans	$ -	-	545,319	-	$ 545,319
Loans funded by federal grants	-	-	44,219	7,643	51,862
Economic development, real estate developer and other loans	2,391	49,996	42,629	776	95,792
Less: allowance for uncollectables	-	(13,138)	(341,242)	(2,322)	(356,702)
Total loans, net	$ 2,391	36,858	290,925	6,097	$ 336,271

California Community Redevelopment Law requires that at least 20% of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this requirement, the City established its 20% Housing Program to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates.

Typical loans and related terms are summarized as follows:

Loan Type	Interest Rate	Due
New construction and permanent	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
Take-out (first time homeowners)	4%	7 to 40 years
Home improvement	3 - 6%	1 to 30 years

(Continued)

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

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 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, earnings and repayments are not as definite as with other loans receivable. There is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these 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 through charges to the allowance and any subsequent recoveries are added to the allowance.

The City's management believes the combined amount of the aforementioned risk and present value discount allowances is adequate to reflect the net realizable value of the Community Development Block Grant ("CDBG") loans, Home Investment Partnership Program ("HOME") loans, and 20% Housing Program loans receivable as of June 30, 2009.

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, 2009. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2009, amounts committed to extend credit under normal lending agreements totaled approximately $40,000,000.

(Continued)

D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the fiscal year ended June 30, 2009 (dollars in thousands):

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 559,825	11,757	10,324	-	561,258
Construction in progress	140,489	128,381	37	(16,172)	252,661
Total capital assets, not being depreciated	700,314	140,138	10,361	(16,172)	813,919
Capital assets, being depreciated:					
Buildings	1,261,805	13,595	-	12,736	1,288,136
Improvements, other than buildings	126,671	1,709	-	-	128,380
Infrastructure	11,278,414	19,242	64	3,436	11,301,028
Vehicles and equipment	108,513	11,292	2,676	-	117,129
Furnitures & fixtures	26,507	-	-	-	26,507
Property under capital leases	13,379	-	-	-	13,379
Total capital assets, being depreciated	12,815,289	45,838	2,740	16,172	12,874,559
Less accumulated depreciation for:					
Buildings	264,686	33,998	-	-	298,684
Improvements, other than buildings	5,363	2,189	-	-	7,552
Infrastructure	5,329,023	304,600	38	-	5,633,585
Vehicles and equipment	89,734	6,593	2,132	-	94,195
Furnitures & fixtures	7,922	2,655	-	-	10,577
Property under capital leases	12,112	193	-	-	12,305
Total accumulated depreciation	5,708,840	350,228	2,170	-	6,056,898
Total capital assets, being depreciated, net	7,106,449	(304,390)	570	16,172	6,817,661
Governmental activities capital assets, net	$ 7,806,763	(164,252)	10,931	-	7,631,580
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 134,926	-	-	-	134,926
Construction in progress	616,188	360,623	3,536	(105,134)	868,141
Total capital assets, not being depreciated	751,114	360,623	3,536	(105,134)	1,003,067
Capital assets, being depreciated:					
Buildings	573,168	61	-	59,709	632,938
Improvements, other than buildings	852,896	4,470	-	20,399	877,765
Vehicles and equipment	150,088	3,918	234	25,026	178,798
Intangible assets	15,188	-	-	-	15,188
Property under capital leases	13,406	-	-	-	13,406
Total capital assets, being depreciated	1,604,746	8,449	234	105,134	1,718,095
Less accumulated depreciation for:					
Buildings	244,527	16,941	-	-	261,468
Improvements, other than buildings	362,884	22,921	-	-	385,805
Vehicles and equipment	108,874	5,513	222	-	114,165
Intangible assets	7,611	324	-	-	7,935
Property under capital leases	10,153	454	-	-	10,607
Total accumulated depreciation	734,049	46,153	222	-	779,980
Total capital assets, being depreciated, net	870,697	(37,704)	12	105,134	938,115
Business-type activities capital assets, net	$ 1,621,811	322,919	3,548	-	1,941,182

(Continued)

2. Depreciation

Depreciation expense charged to various governmental and business type activities of the City for the fiscal year ended June 30, 2009 is as follows (dollars in thousands):

Governmental activities:		
General government	$	13,182
Public safety		5,512
Capital maintenance		305,260
Community services		26,274
Total depreciation expense governmental activities	$	350,228
Business-type activities:		
Norman Y. Mineta San José International Airport	$	20,396
Wastewater Treatment System		21,025
Municipal Water System		2,489
Parking System		2,243
Total depreciation expense business-type activities	$	46,153

3. Intangible Assets

Intangible assets consist primarily of the Airport's acquisition of certain habitational rights and navigation/relocation easements made in accordance with its land acquisition program under the California Noise Reduction Act. All costs associated with such acquisitions have been capitalized as intangible assets. Amortization of such intangible assets is calculated using the straight-line method over a 40 year estimated useful life. Amortization expense that was reported for the year ended June 30, 2009 related to these acquisitions was approximately $320,000.

4. Capitalized Interest

Interest costs that related to the acquisition of buildings and improvements and equipment acquired with tax-exempt and taxable debt are capitalized for business-type activities. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. For the year ended June 30, 2009, the total amount of interest capitalized in the Airport Enterprise Fund, net of allowable interest earned of temporary investment proceeds, was approximately $33,991,000.

5. Construction Commitments

Commitments outstanding as of June 30, 2009, related to governmental and business-type activities construction in progress totaled approximately $67,644,000 and $358,999,000, respectively.

(Continued)

E. Leases

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

Governmental Activities

The City has ongoing commitments under operating lease agreements for business equipment, office facilities and land necessary for City operations, which expire at various dates through 2021. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund, Non-major Governmental Funds and the Redevelopment Agency Fund under these operating lease agreements for the fiscal year ended June 30, 2009 amounted to approximately $2,040,000, $1,074,000 and $4,065,000, respectively. The future minimum lease payments anticipated under the existing lease commitments, as of June 30, 2009, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	General Fund	Nonmajor Governmental Funds	Redevelopment Agency	Total Govermental Activities
2010	$ 1,883	$ 1,112	$ 3,188	$ 6,183
2011	1,725	1,185	2,783	5,693
2012	1,521	1,228	2,671	5,420
2013	1,302	977	2,316	4,595
2014	656	97	2,238	2,991
2015-2019	-	-	3,215	3,215
2020-2021	-	-	183	183
Totals	$ 7,087	$ 4,599	$ 16,594	$ 28,280

Business-Type Activities

The Airport leases its office space under a lease agreement which, as amended, expires in December 2014. Rental expense for the Airport's office space was approximately $3,062,000 for the year ended June 30, 2009. In June 2001, the Airport entered into an operating lease and maintenance agreement of 20 compressed natural gas powered buses. The term of the agreement is from March 1, 2003 to February 28, 2010. In December 2007, the Airport entered into an additional operating lease and maintenance agreement of 14 compressed natural gas powered buses. The term of the agreement is from August 1, 2008 to July 31, 2015. Rental expenses for the Airport buses for the year ended June 30, 2009 was approximately $3,502,000.

(Continued)

The future minimum payments anticipated under these commitments, as of June 30, 2009, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Operating Leases
2010	$ 5,349
2011	4,197
2012	3,176
2013	3,293
2014	2,305
Thereafter	1,289
Total	$ 19,609

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

Governmental Activities

In October 1991, the City entered into a 15-year agreement (the initial term) with the San José Arena Management Corporation (the Manager), an unrelated entity, regarding the management, operations, and maintenance of the San José Arena, and use of the San José Arena by the San José Sharks, a franchise of the National Hockey League. The agreement was subsequently amended on December 9, 2000 extending the agreement for an additional 10 years (the extended term). The initial term commenced on October 24, 1991 and terminated on July 31, 2008. The extended term commenced on August 1, 2008 and terminates on July 31, 2018. Under the initial term of the agreement, the Manager is required to pay the City an annual payment amounting to the greater of $1,000,000 or 5% of the Average Annual Hockey Revenue, as defined by the agreement. Additionally, the City received a portion of the luxury-box suite revenue. During the extended term of the agreement, the Manager is required to pay the City annual, minimum rental and hockey rental payments of $1,642,000 and $1,460,000, respectively, as defined by the agreement. The fiscal year ended June 30, 2009 was year 16 of the lease for which the City received approximately $4,875,000. As of June 30, 2009, leased assets had total historic cost of approximately $118,114,000 and accumulated depreciation of approximately $41,633,000.

Business-Type Activities

The City entered into an Airline-Airport lease and operating agreement with various passenger and cargo airlines serving the Airport. The airline lease agreement, which took effect on December 1, 2007, is scheduled to expire on June 30, 2012 and may be extended for one additional five-year term by mutual agreement of the City and the Signatory Airlines. The key provisions in the new airline lease agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The new airline lease agreement also includes a revenue sharing provision to evenly divide net unobligated Airport revenues between the Airport and the airlines currently operating at the Airport after each fiscal year. In any fiscal year in which there are net unobligated Airport revenues and all requirements of the City's Airport financing documents have been satisfied, the remaining net unobligated Airport revenues are to be evenly divided between the City and the airlines. If net revenues exceed the projected levels outlined in the Airport Forecast identified in the new airline lease agreement, then the airlines share of the difference will

(Continued)

be deposited into the Rate Stabilization Fund up to a cap of $9,000,000. Once the Rate Stabilization Fund has been fully funded or in the event that the actual net revenues do not exceed the projected net revenues, the airlines share of net revenues shall be applied as a credit to the airline terminal revenue requirement for the following fiscal year, thus reducing terminal rental rates for the following fiscal year. The first $1,000,000 of City's share of any net revenues shall be retained by the Airport in a discretionary fund to be used for any lawful Airport purpose. The remaining balance of City's share shall be applied to the capital costs of the Airport's Master Plan Program. For the fiscal year ended June 30, 2009, the Airport's actual revenues exceeded its expenses and reserve requirements by approximately $29,336,000. The surplus received during the fiscal year ended June 30, 2009 will be distributed in accordance of the revenue sharing provisions of the new airline lease agreement.

The Airport also enters into leases with concessionaires, airline carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. The terms of these operating leases range from 1 month to 29 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount.

The future minimum rentals to be received from the aforementioned operating leases, as of June 30, 2009, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Amount
2010	$ 57,568
2011	74,424
2012	79,436
2013	16,880
2014	16,620
2015-2019	57,910
2020-2024	22,754
2025-2029	13,237
2030-2034	10,760
2035-2039	7,614
Total	$ 357,203

These future minimum rentals are based upon annual rates and charges agreed to by the airlines and other tenants. In addition to the future minimum rentals disclosed above, the Airport expects to receive approximately $1,072,000 from month-to-month rentals in fiscal year ending June 30, 2010. As of June 30, 2009, leased assets had historic costs of approximately $94,235,000 and accumulated depreciation of approximately $45,455,000.

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F. Long-Term Debt and Other Obligations

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the City as of June 30, 2009 (dollars in thousands):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2009
Governmental Activities:							
City of San Jose:							
General Obligation Bonds:							
Series 2001 (Libraries and Parks)	Community Facilities	$ 71,000	06/06/2001	09/01/2031	4.75-5.125%	2.37	$ 54,410
Series 2002 (Libraries, Parks, Public Safety)	Community Facilities	116,090	07/18/2002	09/01/2032	4.00-5.00%	3.87	92,870
Series 2004 (Libraries, Parks, Public Safety)	Community Facilities	118,700	07/14/2004	09/01/2034	4.00-5.00%	3.96	102,880
Series 2005 (Libraries and Public Safety)	Community Facilities	46,300	06/23/2005	09/01/2035	3.00-7.50%	1.54-1.55	41,680
Series 2006 (Libraries and Parks)	Community Facilities	105,400	06/29/2006	09/01/2036	4.00-5.00%	3.51-3.52	98,380
Series 2007 (Parks and Public Safety)	Community Facilities	90,000	06/20/2007	09/01/2037	4.00-8.00%	3.00	87,000
Series 2008 (Libraries and Parks)	Community Facilities	33,100	06/25/2008	09/01/2038	4.00-5.00%	1.10-1.11	33,100
Series 2009 (Public Safety)	Community Facilities	9,000	06/25/2009	09/01/2039	4.00-6.00%	0.00-0.30	9,000
							519,320
HUD Section 108 Note	Economic Development	25,810	02/10/2005	08/01/2024	Variable	1.01-2.22	23,923
City of San Jose Financing Authority:							
Lease Revenue Bonds:							
Series 1993B (Community Facilities)	Community Facilities	18,045	04/13/1993	11/15/2012	5.90-6.00%	0.25-0.31	2,907
Series 1997B (Fire, Childcare, Library Land)	Community Facilities	9,805	07/29/1997	08/01/2012	4.75-4.875%	0.37-0.41	1,560
Series 2001E (Communication Center)	Refunding	18,610	03/29/2001	05/01/2010	5.00%	4.04	4,040
Series 2002B (Civic Center Project)	Civic Center	292,425	11/14/2002	06/01/2037	3.75-5.25%	0.16-33.45	291,980
Series 2003A (Central Service Yard)	Refunding	22,625	09/18/2003	10/15/2023	3.10-4.70%	0.94-1.61	18,400
Series 2006A (Civic Center Project)	Refunding	57,440	06/01/2006	06/01/2039	4.00-5.00%	0.00-17.44	57,440
Series 2007A (Recreational Facilities)	Refunding	36,555	06/28/2007	08/15/2030	4.125-4.75%	0.91-2.22	34,340
Series 2008A (Civic Center)	Refunding	60,310	08/14/2008	06/01/2039	Variable	0.00-21.89	56,920
Series 2008B (Civic Center Garage)	Refinancing	36,580	07/10/2008	06/01/2039	Variable	0.70-1.89	35,975
Series 2008C (Hayes Mansion)	Refunding	10,915	06/26/2008	06/01/2027	Variable	0.00-4.57	10,915
Series 2008D (Taxable) (Hayes Mansion)	Refunding	47,390	06/26/2008	06/01/2025	Variable	1.30-4.20	46,380
Series 2008E (Taxable) (Ice Centre)	Refunding	28,070	07/03/2008	06/01/2025	Variable	1.06-2.52	27,085
Series 2008F (Taxable) (Land Acquisition)	Refunding	67,195	06/11/2008	06/01/2034	Variable	0.00-4.81	67,195
							655,137
Special Assessment Bonds with Limited Governmental Commitment:							
Special Assessment Bonds:							
Series 24K (Seismic Retrofit)	Seismic Retrofit	823	06/29/1993	09/02/2013	8.50%	0.01	36
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	06/26/2001	09/02/2023	4.90-5.875%	0.98-2.05	21,525
Series 24R (2002 Consolidated Refunding)	Consolidated Refunding	13,940	07/03/2002	09/02/2015	3.50-4.375%	1.01-1.21	7,790
Special Tax Bonds:							
CFD No. 1 (Capitol Expressway Auto Mall)	Public Infrastructure	4,100	11/18/1997	11/01/2022	5.30-5.70%	0.15-0.30	2,965
CFD No. 6 (Great Oaks-Route 85)	Public Infrastructure	12,200	12/18/2001	09/01/2023	4.50-6.00%	0.47-0.97	10,160
CFD No. 9 (Bailey/Highway 101)	Public Infrastructure	13,560	02/13/2003	09/01/2032	4.70-6.65%	0.25-0.95	12,105
CFD No. 10 (Hassler-Silver Creek)	Public Infrastructure	12,500	07/23/2003	09/01/2023	3.80-5.25%	0.50-0.94	10,305
							64,886
Redevelopment Agency:							
Tax Allocation Bonds:							
Series 1993 (Merged Area Refunding)	Advance Refundings	692,075	12/15/1993	08/01/2015	6.00%	0.00-18.20	59,680
Series 1997 (Merged Area)	Redevelopment Projects	106,000	03/27/1997	08/01/2028	5.375-5.625%	0.01-0.72	6,680
Series 1998 (Merged Area)	Redevelopment Projects	175,000	03/19/1998	08/01/2009	5.00%	1.51	1,505
Series 1999 (Merged Area)	Redevelopment Projects	240,000	01/06/1999	08/01/2019	4.75%	0.00-7.17	12,920
Series 2002 (Merged Area)	Redevelopment Projects	350,000	01/24/2002	08/01/2015	4.00-4.50%	0.00-11.29	22,565
Series 2003 (Merged Area)	Redevelopment Projects	135,000	12/22/2003	08/01/2033	4.00-5.00%	0.00-34.10	127,545
Series 2004A (Merged Area)	Refunding	281,985	05/27/2004	08/01/2019	2.80-5.25%	8.78-31.90	242,105
Series 2005A (Merged Area)	Refunding	152,950	07/25/2005	08/01/2028	4.30-5.00%	0.30-26.21	152,725
Series 2005B (Merged Area)	Refunding	67,130	07/25/2005	08/01/2015	4.40-5.00%	4.23-21.56	67,130
Series 2006A (Taxable) (Merged Area)	Redevelopment Projects	14,300	11/14/2006	08/01/2022	5.65%	1.80-6.00	13,300
Series 2006B (Merged Area)	Redevelopment Projects	67,000	11/14/2006	08/01/2035	4.50-5.00%	1.00-21.00	67,000
Series 2006C (Merged Area)	Refunding	423,430	12/15/2006	08/01/2032	3.75-5.00%	12.00-74.28	423,430
Series 2006D (Merged Area)	Refunding	277,755	12/15/2006	08/01/2023	4.00-5.00%	0.56-67.33	277,305
Series 2007A (Taxable) (Merged Area)	Redevelopment Projects	21,330	11/07/2007	08/01/2017	5.10%	1.66-2.67	19,450
Series 2007B (Merged Area)	Redevelopment Projects	191,600	11/07/2007	08/01/2036	4.25-5.00%	1.53-23.97	191,600
Series 2008A (Merged Area)	Redevelopment Projects	37,150	12/17/2008	08/01/2018	5.25-6.50%	3.03-4.60	37,150
Series 2008B (Merged Area)	Redevelopment Projects	80,145	11/13/2008	08/01/2035	6.25-7.00%	2.60-6.70	80,145
							1,802,235
Revenue Bonds (Subordinate):							
Series 1996A (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.80-2.00	25,800
Series 1996B (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.80-2.00	25,800
Series 2003A (Taxable) (Merged Area)	Redevelopment Projects	45,000	08/27/2003	08/01/2028	Variable	1.30-3.10	41,600
Series 2003B (Merged Area)	Redevelopment Projects	15,000	08/27/2003	08/01/2032	Variable	0.00-3.90	15,000
							108,200

(Continued)

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2009
Governmental Activities (continued):							
Redevelopment Agency (continued):							
City of San Jose Financing Authority Revenue Bonds (Subordinate):							
Series 2001A (4th & San Fernando)	Parking Facility	$ 48,675	04/10/2001	09/01/2026	3.90-5.25%	1.49-3.21	$ 39,740
Series 2001F (Convention Center)	Refunding	186,150	07/26/2001	09/01/2022	4.00-5.00%	7.42-14.73	153,310
							193,050
HUD Section 108 Note (Masson/Dr. Eu/Security)	Redevelopment Projects	5,200	02/11/1997	08/01/2016	Variable	0.29-0.47	2,955
HUD Section 108 Note (CIM Block 3/Central Place)	Redevelopment Projects	13,000	02/08/2006	08/01/2025	Variable	0.00-1.14	13,000
HUD Section 108 Note (Story/King Retail)	Redevelopment Projects	18,000	06/30/2006	08/01/2025	Variable	0.67-1.57	18,000
							33,955
CSCDA - 2005 ERAF Loan	Redevelopment Projects	19,085	04/27/2005	08/01/2015	4.59-5.01%	1.87-2.36	12,590
CSCDA - 2006 ERAF Loan	Redevelopment Projects	14,920	05/03/2006	08/01/2016	5.44-5.67%	1.38-1.91	11,390
							23,980
Housing Set-Aside Tax Allocation Bonds:							
Series 1997E (AMT) (Merged Area)	Affordable Housing	17,045	06/23/1997	08/01/2027	5.75-5.85%	0.34-3.67	17,045
Series 2003J (Taxable) (Merged Area)	Afford. Housing/Refunding	55,265	07/10/2003	08/01/2024	4.125-5.25%	2.02-3.51	43,095
Series 2003K (Merged Area)	Afford. Housing/Refunding	13,735	07/10/2003	08/01/2029	3.00-4.40%	0.23-1.07	9,025
Series 2005A (Merged Area)	Refunding	10,445	06/30/2005	08/01/2024	3.75-5.00%	0.97-2.27	10,445
Series 2005B (Taxable) (Merged Area)	Refunding	119,275	06/30/2005	08/01/2035	4.37-5.46%	0.70-8.30	115,145
							194,755
Housing Set-Aside Tax Allocation Bonds (Subordinate):							
Series 2005C (AMT) (Merged Area)	Afford. Housing/Refunding	33,075	06/30/2005	08/01/2035	Variable	0.10-1.57	29,255
Series 2005D (AMT) (Merged Area)	Afford. Housing/Refunding	33,075	06/30/2005	08/01/2035	Variable	0.10-1.57	29,260
							58,515
Bank of New York - Housing Set-Aside Term Loan	Affordable Housing	50,000	04/01/2009	04/01/2014	Variable	10.00	50,000
Total Governmental Activities - Bonds, Certificates of Participation and Notes Payable							$ 3,727,956
Business-type Activities:							
Norman Y. Mineta San Jose International Airport:							
Revenue Bonds:							
Series 1998A (AMT)	Refunding	14,015	01/27/1998	03/01/2018	4.50-4.75%	0.73-1.09	8,015
Series 2001A	Runway Construction	158,455	08/14/2001	03/01/2031	4.00-5.25%	3.68-10.06	138,840
Series 2002A	Refunding	53,600	01/09/2003	03/01/2018	4.00-5.375%	0.00-9.29	53,600
Series 2002B (AMT)	Refunding	37,945	01/09/2003	03/01/2012	4.00-5.00%	2.38-6.55	15,165
Series 2004C (AMT)	Airport Facilities	75,730	06/24/2004	03/01/2026	4.625-5.25%	1.00-10.59	74,730
Series 2004D	Airport Facilities	34,270	06/24/2004	03/01/2028	5.00%	0.00-12.56	34,270
Series 2007A (AMT)	Airport Facilities	545,755	09/13/2007	03/01/2047	5.00-6.00%	0.00-73.50	545,755
Series 2007B	Airport Facilities	179,260	09/13/2007	03/01/2037	4.25-5.00%	0.00-28.80	179,260
							1,049,635
Clean Water Financing Authority:							
Revenue Bonds:							
Series 2005A	Refunding	54,020	10/05/2005	11/15/2016	3.25-5.00%	4.64-5.80	41,265
Series 2009A	Refunding	21,420	01/29/2009	11/15/2020	3.00-5.00%	0.00-5.41	21,420
							62,685
State of California - Revolving Fund Loan	Wastewater Facilities	73,566	Various	05/01/2019	Various	1.77-3.77	38,254
Total Business-type Activities - Bonds and Loan Payable							$ 1,150,574
Grand Total							$ 4,878,530

2. Debt Compliance

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

3. Legal Debt Limit and Margin

The City's legal debt limit (as defined by Section 1216 of the City Charter) and debt margin as of June 30, 2009, are approximately $19,352,982,000 and $18,833,662,000, respectively. In accordance with the California Community Redevelopment Law, the Redevelopment Agency establishes its own legal debt limit, based primarily on the aggregate of all future projected tax increment revenues from existing redevelopment areas.

(Continued)

On April 7, 2009, the City Council/Agency Board approved the amendment to the Agency's Redevelopment Plans for the Merged Project Area by increasing the tax increment limit from $7.6 billion to $15.0 billion and to establish a single limit of $7.6 billion for the bonded indebtedness that may be outstanding at any one time. The additional tax increment revenues will provide additional capital to the Agency to continue to implement blight-eliminating projects in the City's redevelopment project areas.

On May 5, 2009, the City Council/Agency Board approved the amendment to the Agency's Redevelopment Plan for the Strong Neighborhoods Initiative (SNI) Redevelopment Project by authorizing the collection of tax increment from portion of the SNI project called Diridon Area.

4. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable 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 tax-exempt bond issues listed above. However, as no bond issue with a positive rebate liability was due for a fifth-year payment, the amount calculated has been recorded as a liability to the IRS. The rebate liability amount is recorded as a liability in the Governmental Activities column of the government-wide statements in the amount of $686,000.

5. Special Assessment Bonds with Limited City Commitment

All obligations of the City under the Special Assessment Bonds are not considered general obligations of the City, but are considered limited obligations, payable solely from the assessments and from the funds pledged therefore under the Paying Agent Agreement or Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City, or any political subdivision thereof, is pledged to the payment of the bonds. Notwithstanding any other provision of the Paying Agent Agreement, the City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund; provided, however, the City is not prevented, in its sole discretion, from so advancing funds. As of June 30, 2009, the City has recorded approximately $64,886,000 of deferred revenue and related special assessments receivables in the Special Assessment Districts Fund. These balances consist primarily of property tax assessments to be collected in the future by the County for the City for debt service.

As of June 30, 2009, there are assessment surpluses of approximately $2,341,000 (excluding interest) that have been declared by the City Council. These are included in advances and deposits on the accompanying statement of net assets and governmental funds balance sheet. Such surpluses are being reviewed in order to make recommendations regarding their use.

6. Conduit Debt

The City has issued multifamily housing revenue bonds to provide funds for secured loans to builders of multifamily housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with Internal Revenue Service requirements in order to meet the tax-exempt status, the owner is required to set aside certain percentage of all units built for very low and low income households. The bonds are payable solely from payments made on the related secured loans. These tax-exempt housing bonds have maturity

(Continued)

dates that are due at various dates through January 1, 2047. As of June 30, 2009, the outstanding conduit multifamily housing revenue bonds issued by the City aggregated to approximately $517,717,000. The outstanding conduit multi family housing revenue bonds issued by the Agency is $47,688,000.

In the opinion of the City's officials, these bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

7. Variable-Rate Demand Bonds

Included in long-term debt is $411,185,000 of variable-rate demand bonds. The scheduled redemption of these bonds is incorporated in the Annual Requirements to Maturity schedules. The City issued these bonds to provide variable-rate exposure to the debt portfolio and to provide additional flexibility with respect to restructuring or redeeming the debt issued for certain projects. Under the reimbursement agreements related to these credit facilities, the trustee is authorized to draw an amount sufficient to pay the purchase price of bonds that have been tendered and have not otherwise been remarketed.

The credit facilities that support the City's variable-rate demand bonds are as follows (dollars in thousands):

	Balance June 30, 2009	Credit Facility Description	
		Provider	Expiration Date
City of San José Financing Authority:			
Lease Revenue Bonds:			
Series 2008A (Civic Center)	$ 56,920	Scotiabank/CalSTRS	08/14/2010
Series 2008B (Civic Center Garage)	35,975	Bank of America, N.A./CalSTRS	07/09/2010
Series 2008C (Hayes Mansion)	10,915	Scotiabank/CalSTRS	06/25/2010
Series 2008D (Taxable) (Hayes Mansion)	46,380	Scotiabank/CalSTRS	06/25/2010
Series 2008E (Taxable) (Ice Centre)	27,085	Bank of America, N.A./CalSTRS	07/02/2010
Series 2008F (Taxable) (Land Acquisition)	67,195	Bank of America, N.A.	06/11/2011
Total variable rate lease revenue bonds	244,470		
Redevelopment Agency:			
Revenue Bonds:			
Series 1996A (Merged Area)	25,800	JPMorgan Chase Bank, N.A.	10/27/2010*
Series 1996B (Merged Area)	25,800	JPMorgan Chase Bank, N.A.	10/27/2010*
Series 2003A (Taxable) (Merged Area)	41,600	JPMorgan Chase Bank, N.A.	8/27/2009*
Series 2003B (Merged Area)	15,000	JPMorgan Chase Bank, N.A.	8/27/2009*
Total variable rate revenue bonds	108,200		
Housing Set-Aside Tax Allocation Bonds:			
Series 2005C (AMT) (Merged Area)	29,255	Bank of New York Mellon	6/29/2010
Series 2005D (AMT) (Merged Area)	29,260	Bank of New York Mellon	6/29/2010
Total variable rate tax allocation bonds	58,515		
Total variable rate bonds	$ 411,185		

* The Agency extended the expiration date of these bonds subsequent to year end. (See Note IV D; Subsequent Events.

City of San José Financing Authority Variable-Rate Lease Revenue Bonds

The Authority's $244,470,000 variable-rate lease revenue bonds are payable upon demand of the bondholder at a purchase price equal to principal plus accrued interest. The Authority's remarketing agents are required to use their best efforts to remarket the bonds and, to the extent that bonds are not remarketed, the Authority's trustees are authorized to draw on the credit facilities in the amounts required to pay the purchase price of bonds tendered.

(Continued)

The Authority's repayment of unreimbursed draws made on the credit facilities bear interest at varying rates with the principal amortization amounts and periods ranging from 3 of 5 years. The interest rate on and principal amortization schedule of an unreimbursed draw are determined by the take-out provisions of the applicable reimbursement agreement, which will remain in effect until all principal of an unreimbursed draw is amortized. For example, if a draw occurs on June 30, 2010, then the take-out provision will remain in effect until June 30, 2013 or June 30, 2015, depending on the agreement. If the unreimbursed draws represent a significant portion of the outstanding debt, the principal will generally be amortized over multiple years because, under State law, lease payments may not exceed the fair rental value for the leased property. Per the terms of the reimbursement agreements, the providers of the credit facilities have the right to require an appraisal of the applicable leased property to increase the amount of the rent payable.

The Authority is required to pay the credit facility providers an annual commitment fee for each credit facility ranging from 0.60% to 0.65%, based on the terms of the applicable reimbursement agreement and the outstanding principal amount of the bonds supported by the credit facility.

Redevelopment Agency Variable-Rate Revenue Bonds

The Agency's $108,200,000 variable-rate revenue bonds (1996 and 2003 Bonds) are payable upon demand of the bondholder at a purchase price equal to principal plus accrued interest. The Agency's remarketing agents are required to use their best efforts to remarket the bonds and, to the extent that bonds are not remarketed, the Agency's trustees are authorized to draw on the credit facilities in the amounts required to pay the purchase price of bonds tendered.

In connection with the issuance of the 1996 and 2003 Bonds, the Agency obtained four letters of credit as credit facilities for the bonds. At June 30, 2009, the letters of credit were set to expire on October 27, 2010 and August 27, 2009, respectively. The Agency's repayment of unreimbursed draws made on the credit facilities bear interest at varying rates with the principal amortized from the date of the draw to the expiration of the credit facility.

The Agency is required to pay the credit facility providers an annual commitment fee for each credit facility ranging from 0.45% to 0.60%, based on the terms of the applicable reimbursement agreement and the outstanding principal amount of the bonds supported by the credit facility.

As of June 30, 2009, the City reclassified $5,300,000 of the Agency's 1996 and 2003 Bonds to demand bonds payable in the Redevelopment Agency Major Fund based on an extension of the Letter of Credit (LOC) with JP Morgan Chase Bank, N.A. at a reduced maximum aggregate amount. As a condition of the LOC extension, the Agency is required to redeem $5,300,000 of outstanding demand bonds within less than one year from June 30, 2009 at a price equal to principal plus accrued interest. As an additional condition of the extension, the Agency is required to pay the credit facility providers higher annual commitment fees for each credit facility ranging from 2.10% to 2.30%, based on the terms of the applicable reimbursement agreement and the outstanding principal amount of the bonds supported by the credit facility, as discussed in Note IV D; Subsequent Events.

Redevelopment Agency Variable-Rate Housing Set-Aside Tax Allocation Bonds

The Agency's $58,515,000 variable-rate housing set-aside tax allocation bonds (2005 Bonds) are payable upon demand of the bondholder at a purchase price equal to principal plus accrued interest. The Agency's remarketing agents are required to use their best efforts to remarket the bonds and, to the extent that bonds are not remarketed, the Agency's trustees are authorized to draw on the credit facilities in the amounts required to pay the purchase price of bonds tendered.

(Continued)

In connection with the issuance of the 2005 Bonds, the Agency obtained two letters of credit as credit facilities for the bonds. The letters of credit are set to expire on June 29, 2010. The Agency's repayment of unreimbursed draws made on the credit facilities bear interest at varying rates with the principal amortized over a period of five years from the date of the drawing. The interest rate on and principal amortization schedule of an unreimbursed draw are determined by the take-out provisions of the applicable reimbursement agreement, which will remain in effect until all principal of an unreimbursed draw is amortized.

The Agency is required to pay the credit facility providers an annual commitment fee for each credit facility of 0.45%, based on the terms of the applicable reimbursement agreement and the outstanding principal amount of the bonds supported by the credit facility.

8. Summary of Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2009, are as follows (dollars in thousands):

	June 30, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	$ 528,565	9,000	(18,245)	519,320	$ 19,350
HUD Section 108 loan	24,876	-	(953)	23,923	1,008
San Jose Financing Authority					
Lease revenue bonds	627,241	124,960	(98,850)	653,351	9,799
Accreted interest on capital appreciation bonds	2,083	183	(480)	1,786	501
Special Assessment bonds with limited governmental commitment	68,151	-	(3,265)	64,886	3,396
Redevelopment Agency					
Revenue bonds	312,240	-	(10,990)	301,250	17,100
HUD Section 108 notes payable	34,220	-	(265)	33,955	955
Tax allocation bonds	1,978,935	117,295	(40,725)	2,055,505	51,600
California Statewide Communities Development Authority - ERAF loan	27,070	-	(3,090)	23,980	3,245
Housing Set-Aside Term Loan	-	50,000	-	50,000	10,000
Total long-term debt payable	3,603,381	301,438	(176,863)	3,727,956	116,954
Less deferred amounts:					
For refunding gain (loss)	(57,585)	3,279	4,150	(50,156)	(4,150)
For issuance premiums	67,765	276	(8,952)	59,089	4,305
For issuance discounts	(3,177)	(1,348)	136	(4,389)	(136)
Total deferred amounts	7,003	2,207	(4,666)	4,544	19
Total long-term debt payable and deferred amounts	3,610,384	303,645	(181,529)	3,732,500	116,973
Other Long-term obligations:					
Hayes Mansion construction loan	1,200	-	-	1,200	-
Arbitrage liability	1,033	-	(347)	686	-
Accrued vacation, sick leave and compensatory time	94,124	48,931	(46,134)	96,921	46,000
Accrued landfill postclosure costs	9,300	-	(465)	8,835	465
Estimated liability for self-insurance	146,338	15,736	(31,132)	130,942	7,500
Net other postemployment benefits (OPEB) obligation	66,684	52,637	-	119,321	-
Pollution remediation obligation	-	4,946	-	4,946	-
Total other long-term obligations	318,679	122,250	(78,078)	362,851	53,965
Governmental activities long-term obligations	$ 3,929,063	425,895	(259,607)	4,095,351	$ 170,938

(Continued)

General Obligation Bonds are issued primarily to finance the construction of and improvements to libraries, parks and public safety facilities throughout the City and are secured by a pledge of the City to levy ad valorem property taxes without limitation of rate or amount. 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. Total principal and interest remaining on the bonds is $851,565,000, with the final payment due on September 1, 2039.

Lease Revenue Bonds are issued primarily to finance various capital improvements to be leased to the City and are secured by lease rental revenue from "lessee" departments in the General Fund and Nonmajor Funds. The lease rental revenue for each fiscal year is generally equal to 100% of annual debt service net of other available funding sources. Total principal, interest, and accreted value remaining on the bonds are estimated to be $1,060,928,000, with the final payment due on June 1, 2039.

Assessment Bonds are issued by the City to finance public improvements in special assessment or tax districts established by the City and are secured by assessments or special taxes levied on properties located within the special districts. The assessments 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 is $98,670,000, with the final payment due on September 1, 2032.

The Redevelopment Agency's Merged Area Tax Allocation Bonds are issued primarily to finance redevelopment projects and are secured primarily by a pledge of tax increment revenues consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas constituting the Merged Area Redevelopment Project. The total projected tax increment revenue through the period of the bonds is approximately $3,572,452,000. These revenues have been pledged until the year 2036, the final maturity date of the bonds. The total principal and interest remaining on these Tax Allocation Bonds is $3,026,600,000 which is 85 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was $161,877,000 as compared to total debt service of $114,579,000.

The Redevelopment Agency's Revenue Bonds are issued primarily to finance redevelopment projects within the Merged Area Redevelopment Project. The bonds are ratably and equally secured by a pledge of the subordinated revenues and are subordinate to the Senior Obligations of the Agency.

Redevelopment Agency Housing Set-Aside Tax Allocation Bonds are issued primarily to finance affordable housing projects and are secured by a pledge of and lien upon the 20% tax increment revenue set-aside for the low and moderate income housing fund. The total projected 20% tax increment revenue through the period of the bonds is approximately $712,988,000. These revenues have been pledged until the year 2035, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Tax Allocation Bonds is $393,103,000, which is 55 percent of the total projected 20% tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was $40,469,000 as compared to total debt service of $20,501,000.

Other Long-Term Obligations payments are primarily made from general revenue recorded in the General Fund.

(Continued)

	June 30, 2008	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Business-Type Activities:					
Norman Y. Mineta San Jose International Airport:					
Revenue bonds	$ 1,060,815	-	(11,180)	1,049,635	$ 11,645
Deferred amounts:					
For refunding	(3,272)	-	645	(2,627)	(563)
For issuance premiums	5,676	-	(284)	5,392	300
For issuance discounts	(5,833)	-	40	(5,793)	(41)
Clean Water Financing Authority:					
Revenue bonds	72,875	21,420	(31,610)	62,685	4,640
Deferred amounts:					
For refunding	(2,147)	(370)	380	(2,137)	(380)
For issuance premiums	933	1,470	(163)	2,240	236
State of California - Revolving Fund Loan	41,952	-	(3,698)	38,254	3,767
Accrued vacation, sick leave and compensatory time	9,395	5,514	(5,515)	9,394	6,086
Estimated liability for self-insurance	8,725	1,531	(1,245)	9,011	2,022
Net other postemployment benefits (OPEB) obligation	10,995	-	(1,044)	9,951	-
Pollution remediation obligation	330	384	-	714	714
Business-type long-term obligations	$ 1,200,444	29,949	(53,674)	1,176,719	$ 28,426

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 of and premium, if any, and interest on the bonds. General airport revenues generally include all revenues, income, receipts and moneys derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues. The net revenues available to pay debt service in the current fiscal year totaled $73,159,000, which is composed of $24,106,000 of net general airport revenues and $49,053,000 of other available funds. Bond debt service payable from general airport revenues in the current fiscal year totaled $23,037,000, which is net of $42,539,000 of bond debt service paid from the capitalized interest accounts established in conjunction with the issuance of the 2007 Airport Revenue Bonds. The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service for each fiscal year will be at least 125% of annual debt service for such fiscal year. Total principal and interest remaining on the bonds is $2.13 billion, with the final payment due on March 1, 2047.

San José-Santa Clara Clean Water Financing Authority Sewer Revenue Bonds are issued primarily to finance the construction of capital improvements at the San José-Santa Clara Water Pollution Control Plant and the City has pledged its net systems revenues as security for its obligations under the improvement agreement to make base payments and additional payments with respect to the outside revenue bonds. The net system revenues available to pay debt service in the current fiscal year totaled $50,238,000. Bond debt service payable from net system revenues in the current fiscal year totaled $7,065,000. 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. The City's allocable percentage of annual debt service is currently 100%. Total principal and interest remaining on the bonds is $77.9 million, with the final payment due on November 15, 2020.

(Continued)

9. Annual Requirements to Maturity

The annual requirements to amortize all bonds, notes, and certificates of participation outstanding as of June 30, 2009, are as follows (dollars in thousands):

	Governmental Activities				
	City of San Jose General Obligation Bonds and HUD Loan [1]		City of San Jose Financing Authority Lease Revenue Bonds [1,2,3,4]		
Fiscal Year Ending June 30,	Principal	Interest	Principal	Accreted Interest	Interest
2010	$ 20,358	$ 24,070	$ 9,799	$ 501	$ 20,859
2011	20,688	23,279	6,309	521	20,549
2012	20,724	22,435	9,160	540	20,434
2013	20,770	21,562	10,374	556	20,271
2014	20,826	20,664	11,275	-	20,074
2015 - 2019	105,233	89,908	75,460	-	95,693
2020 - 2024	107,612	66,913	106,760	-	83,755
2025 - 2029	100,502	42,984	115,900	-	66,548
2030 - 2034	89,640	19,195	138,760	-	44,319
2035 - 2039	36,590	3,084	169,554	-	12,955
2040 - 2044	300	8	-	-	-
Total	$ 543,243	$ 334,102	$ 653,351	$ 2,118	$ 405,457

	Governmental Activities					
	Special Assessment Bonds with Limited Governmental Commitment		Redevelopment Agency Redevelopment Project Bonds and HUD Loans [1,3]		Redevelopment Agency Housing Set-Aside Bonds and Bank of New York Term Loan [1, 5]	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 3,396	$ 3,416	$ 60,505	$ 98,300	$ 17,095	$ 10,747
2011	3,521	3,266	64,650	95,386	17,370	10,349
2012	3,677	3,103	68,235	92,360	17,665	9,940
2013	3,823	2,929	71,405	89,165	17,975	9,508
2014	3,989	2,743	75,195	85,718	18,310	9,056
2015 - 2019	18,610	10,761	417,925	371,908	47,445	39,780
2020 - 2024	21,210	5,387	493,785	265,278	57,040	29,579
2025 - 2029	3,220	1,704	467,150	152,144	60,905	17,106
2030 - 2034	3,440	476	344,960	59,456	42,455	5,800
2035 - 2039	-	-	97,610	4,649	7,010	190
2040 - 2044	-	-	-	-	-	-
Total	$ 64,886	$ 33,785	$ 2,161,420	$ 1,314,364	$ 303,270	$ 142,055

(Continued)

	Business-Type Activities			
	Airport		Wastewater Treatment System	
	Revenue Bonds [4]		Revenue Bonds and Loans	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest
2010	$ 11,645	$ 53,878	$ 8,407	$ 3,038
2011	12,120	53,356	8,625	2,816
2012	12,620	52,801	8,850	2,569
2013	13,165	52,211	9,102	2,310
2014	21,795	51,550	9,369	2,048
2015 - 2019	121,965	240,008	46,000	5,710
2020 - 2024	137,805	207,487	10,586	468
2025 - 2029	164,470	168,332	-	-
2030 - 2034	186,535	128,186	-	-
2035 - 2039	304,235	51,886	-	-
2040 - 2044	36,040	14,911	-	-
2045 - 2049	27,240	3,332	-	-
Total	$ 1,049,635	$ 1,077,938	$ 100,939	$ 18,959

[1] Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2009. Lease Revenue Bonds: Series 2008A (0.20%), Series 2008B (0.25%), Series 2008C (0.11%), Series 2008D (0.55%), Series 2008E (0.45%), Series 2008F (0.50%). Redevelopment Agency Revenue Bonds: Series 1996A (0.11%), Series 1996B (0.15%), Series 2003A (0.42%), Series 2003B (0.17%). Redevelopment Agency Housing Set-Aside Tax Allocation Bonds: Series 2005C (0.24%), Series 2005D (0.30%). HUD Section 108 Notes: City of San Jose and Redevelopment Agency Loans (0.87%). Bank of New York Loans: Housing Set-Aside Term Loan (1.73%). Each series may be set at different interest rate calculation modes, including daily, weekly, monthly, and long rates.

[2] Amount shown is accreted value payable in each period. As of June 30, 2009, $1,786,000 of value had accreted on the outstanding capital appreciation bonds, which combined with the $653,351,000 principal amount of outstanding lease revenue bonds totals $655,137,000 of outstanding lease revenue debt.

[3] Projected debt service payments for the City of San Jose Financing Authority Series 2001A Parking Revenue Bonds and Series 2001F Lease Revenue Bonds are included in the Redevelopment Agency Redevelopment Project category, reflecting that the Redevelopment Agency is the primary source of payment for those bonds.

[4] Does not include notional amortization of outstanding commercial paper notes.

[5] Excludes the impact of the reclassification of $5,300,000 to short-term liability. (See Note III F.7.; Variable-rate Demand Bonds)

For governmental and business-type activities, the specific year for payment of estimated liabilities for Hayes Mansion construction loan, arbitrage liability, accrued vacation, sick leave and compensatory time, accrued landfill post-closure costs, estimated liability for self-insurance, the net OPEB obligation and the pollution remediation obligation are not practicable to determine.

10. New Debt Issuances and Unused Authorizations

Governmental Activities

City of San José Financing Authority Lease Revenue Bonds, Series 2008E (Taxable) (Ice Centre Refunding Project). On July 3, 2008, the Authority issued $28,070,000 of Series 2008E Taxable Lease Revenue Bonds. The proceeds of the Series 2008E Bonds were used to current refund the Authority's Series 2000C (taxable) and Series 2004A (taxable) Lease Revenue Bonds (together, the "2000/2004 Bonds") issued to finance and refinance real property and improvements to the City's Ice Centre of San José. Debt service on the bonds will be paid from base rental payments received by the City from the Ice Centre operator, Silicon Valley Sports and Entertainment. However, such payments are not pledged to the Series 2008E Bonds, and thus the City's obligation to make the Series 2008E lease payments are not conditional on the receipt of such payments.

This refunding of variable-rate bonds with another series of variable-rate bonds constitutes a restructuring of the 2000/2004 Bonds, which had been negatively impacted by disruptions in the financial markets related to auction rate securities and rating agency downgrades of bond insurers. The Series 2008E Bonds financing structure eliminated the bond insurance which provided credit enhancement to the 2000/2004 Bonds and replaced it with a direct-pay letter of credit. The 2000/2004 Bonds were redeemed on July 3, 2008, and have been removed from the City's basic financial statements.

The Series 2008E Bonds, which are supported by an irrevocable direct-pay letter of credit provided by Bank of America and the California State Teachers' Retirement System (CalSTRS), bear interest at a weekly variable rate, which on June 30, 2009, was 0.45%, and have a final maturity date of June 1, 2025.

City of San José Financing Authority Lease Revenue Bonds, Series 2008B (Civic Center Garage Refunding Project). On July 10, 2008, the Authority issued $36,580,000 of Series 2008B Lease Revenue Bonds. The proceeds of the Series 2008B Bonds were used to refinance the portion of the Authority's Tax-Exempt Lease Revenue Commercial Paper Notes issued as an interim financing mechanism to finance land acquisition and construction of the Civic Center Employee Parking Garage and certain improvements to the Civic Center. Debt service on the Series 2008B Bonds will be paid by lease payments from the General Fund, the special funds and the capital funds.

This refinancing of variable-rate commercial paper notes with a series of variable-rate bonds provides long-term financing for the Civic Center Garage. Commercial paper notes, in the amount of $32,528,000, were redeemed on July 11, 2008, and have been removed from the City's basic financial statements.

The Series 2008B Bonds, which are supported by an irrevocable direct-pay letter of credit provided by Bank of America and the CalSTRS bear interest at a weekly variable rate, which on June 30, 2009, was 0.25%, and have a final maturity date of June 1, 2039.

City of San José Financing Authority Lease Revenue Bonds, Series 2008A (Civic Center Refunding Project). On August 14, 2008, the Authority issued $60,310,000 of Series 2008A Lease Revenue Bonds. The proceeds of the Series 2008A Bonds were used to current refund the Authority's Series 2002C Lease Revenue Bonds issued to finance a portion of the costs of the City Hall project. Debt service on the Series 2008A bonds will be paid by lease payments from the General Fund, the special funds and the capital funds.

This refunding of variable-rate bonds with another series of variable-rate bonds constitutes a restructuring of the Series 2002C Bonds, which had been negatively impacted by disruptions in the financial markets related to rating agency downgrades of bond insurers. The Series 2008A Bonds financing structure eliminated the bond insurance which provided credit enhancement to the Series 2002C Bonds and replaced it with a direct-pay letter of credit. The Series 2002C Bonds were redeemed on August 14, 2008, and have been removed from the City's basic financial statements.

The Series 2008A Bonds, which are supported by an irrevocable direct-pay letter of credit provided by The Bank of Nova Scotia (Scotiabank) and the CalSTRS, bear interest at a weekly variable rate, which on June 30, 2009, was 0.20%, and have a final maturity date of June 1, 2039.

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Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2008B. On November 13, 2008, the San José Redevelopment Agency (SJRA) issued $80,145,000 of Series 2008B tax allocation bonds. The proceeds of the Series 2008B bonds will be used to finance multiple redevelopment projects within the SJRA's Merged Area Redevelopment Project. The 2008B tax allocation bonds were issued at parity with the outstanding tax allocation bonds by SJRA and are secured primarily by a pledge of tax revenues, consisting of a portion of all taxes levied upon all taxable properties within the Merged Area Redevelopment Project.

The Series 2008B bonds bear interest at fixed rates ranging from 6.25% to 7.00%, and have a final maturity date of August 1, 2035.

Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2008A. On December 17, 2008, the San José Redevelopment Agency (SJRA) issued $37,150,000 of Series 2008A tax allocation bonds. The proceeds of the Series 2008B bonds will be used to finance multiple redevelopment projects within the SJRA's Merged Area Redevelopment Project. The 2008A tax allocation bonds were issued at parity with the outstanding tax allocation bonds by SJRA and are secured primarily by a pledge of tax revenues, consisting of a portion of all taxes levied upon all taxable properties within the Merged Area Redevelopment Project.

The Series 2008A bonds bear interest at fixed rates ranging from 5.25% to 6.50%, and have a final maturity date of August 1, 2018.

Bank of New York Housing Set-Aside Term Loan. On April 1, 2009, the City converted a $50,000,000 line of credit with the Bank of New York into a five-year term loan that is payable in twenty (20) equal, quarterly installments. The proceeds of the loan will be used to finance affordable housing projects. Debt service is secured from the 20% portion of Agency tax increment revenues set aside for affordable housing.

The loan bears interest at an annual rate of LIBOR plus spread of 1.35% to LIBOR plus 3.35%, which on June 30, 2009 was 1.73%, and has a final maturity date of April 1, 2014.

City of San José General Obligation Bonds, Series 2009 (Public Safety Projects). On June 25, 2009, the City issued $9,000,000 of Series 2009 General Obligation Bonds. The proceeds will be used to fund $9,000,000 of public safety projects. Debt service on the Series 2009 Bonds is payable from ad valorem taxes levied upon all property subject to taxation by the City. The Series 2009 Bonds bear interest at fixed rates ranging from 4.00% to 6.00%, and have a final maturity date of September 1, 2039.

At June 30, 2009, the City has issued $589,590,000 in general obligation bonds to provide funds for the acquisition and construction of major capital facilities and parks. Of this amount, as of June 30, 2009, $519,320,000 is outstanding. Of the total amount of $598,820,000 authorized to be issued, there remains an unused balance of $9,230,000.

City of San José Financing Authority Lease Revenue Commercial Paper Notes Payable. On January 13, 2004, the City Council and the City of San José Financing Authority each adopted a resolution authorizing the issuance of City of San José Financing Authority tax-exempt lease revenue commercial paper notes in an amount not to exceed $98,000,000. This commercial paper program was established as a mechanism for financing public improvements of the City including the offsite parking garage for the new Civic Center and non-construction costs for technology, furniture, equipment and relocation services for the new Civic Center. On November 9, 2005, the

(Continued)

City Council and the Authority authorized use of the commercial paper program to finance procurement costs of the City's consolidated utility billing system.

Subsequently, on June 21, 2005, the City Council and the City of San José Financing Authority each adopted a resolution authorizing the issuance of taxable lease revenue commercial paper notes, under the same $98,000,000 not to exceed limitation as the tax-exempt notes. This subsequent authorization permits the Authority to issue taxable commercial paper notes to pay for expenses otherwise authorized under the commercial paper program, but ineligible to be paid from tax-exempt commercial paper proceeds.

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

On May 22, 2007, the City Council and the City of San José Financing Authority each adopted a resolution authorizing the issuance of lease revenue commercial paper notes to pay for capital improvements at the City's HP Pavilion.

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

During fiscal year 2009, the Authority issued $3,357,000 of commercial paper notes for technology, furniture and relocation services for the New City Hall, $85,000 for municipal facility improvements, $280,000 for the consolidated utility billing system, $508,000 for the Central Service Yard Phase II project, and $175,000 for capital improvements at the City's HP Pavilion.

Also during fiscal year 2009, the Authority refinanced $32,528,000 of commercial paper notes for the new City Hall and offsite parking garage with a portion of the proceeds from the Authority's Lease Revenue Bonds, Series 2008B and redeemed $6,215,000 for technology, furniture and relocation services for the new City Hall, $1,306,000 for the consolidated utility billing system, and $604,000 for the Central Service Yard Phase II project.

On June 30, 2009, $39,643,000 of Authority tax-exempt commercial paper notes were outstanding at interest rates ranging from 0.40% to 0.47%. On June 30, 2009, $7,938,000 of Authority taxable commercial paper notes were outstanding at an interest rate of 1.50%.

The changes in commercial paper payables during the fiscal year ended June 30, 2009 are as follows (dollars in thousands):

June 30, 2008	Additions	Deletions	June 30, 2009
$83,829	4,405	40,653	$47,581

(Continued)

Business-Type Activities

San José-Santa Clara Clean Water Financing Authority Sewer Revenue Refunding Bonds, Series 2009A. On January 29, 2009, the Clean Water Financing Authority issued $21,420,000 of Series 2009A sewer revenue refunding bonds. The proceeds of the Series 2009A bonds were used to current refund the Authority's Series 2005B variable-rate sewer revenue refunding bonds. Debt service is payable from the Authority's revenues which consist primarily of payments from the City of San José's sewer revenues.

This refunding of variable-rate bonds with a series of fixed-rate bonds constitutes a restructuring of the Series 2005B Bonds, which had been negatively impacted by disruptions in the financial markets related to rating agency downgrades of bond insurers and liquidity providers. The Series 2009A Bonds financing structure eliminated the bond insurance which provided credit enhancement to the Series 2005B Bonds and the liquidity facility which provided liquidity support to the Series 2005B Bonds. The Series 2005B Bonds were redeemed on January 29, 2009, and have been removed from the City's basic financial statements.

The Series 2009A bonds bear interest at fixed rates ranging from 3.00% to 5.00%, and have a final maturity date of November 15, 2020.

Airport Commercial Paper Notes Payable. On November 2, 1999, the City Council adopted a resolution authorizing the issuance of City of San José; San José International Airport subordinated commercial paper notes in three series (Series A - Tax-Exempt, Series B - Subject to the AMT, Series C - Taxable) in an amount not to exceed $100,000,000. The commercial paper program was established to provide an interim source of financing for the initial capital projects in the Airport Master Plan until a permanent financing plan was finalized and implemented. Subsequently, on April 1, 2003, the City Council authorized use of the commercial paper program to fund costs associated with implementation of the requirements under the federal Aviation and Transportation Security Act (ATSA).

On June 20, 2006, the City Council approved an expansion of the Airport commercial paper program from $100,000,000 to $200,000,000 to ensure that funding would be available for the award of the design and construction contracts related to the re-phased Airport Master Plan projects. On January 9, 2007, the City Council approved an additional expansion of the Airport commercial paper program from $200,000,000 to $450,000,000 to ensure that funding would be available for the award of the design and construction contracts related to the rephrased Airport Master Plan projects. Various Airport Master Plan projects over the next several years are focused on completion of the North Concourse Projects as well as the implementation of a Terminal Area Improvement Program (the "TAIP"). Additionally, the Airport CP Program may be used to pay costs related to the Airport's lease of the former FMC property and to pay debt service costs on other debt obligations as permitted.

On March 25, 2008, the City Council approved an expansion of the Airport commercial paper program from $450,000,000 to $600,000,000 to provide sufficient capacity to refund the City's outstanding Airport Revenue Bonds, Series 2004A and Series 2004B (the "2004AB Bonds"). This expansion was accomplished through a combination of three additional series of commercial paper notes (Series D – Tax-Exempt, Series E – Subject to AMT, Series F – Taxable) in an amount not to exceed $150,000,000.

Under this program, the City is able to issue commercial paper notes at prevailing interest rates for 0periods of maturity not to exceed 270 days. The portion of the commercial paper program approved by the City Council prior to March 25, 2008, is secured by a subordinate pledge of the

(Continued)

Airport's revenues and additionally secured by letters of credit issued on a several and not joint basis by JPMorgan Chase Bank, Bank of America, and Dexia Credit Local. The portion of the commercial paper program approved by the City Council on March 25, 2008, is secured by a subordinate pledge of the Airport's revenues and separately secured by a direct-pay letter of credit with Lloyds TSB Bank plc.

During fiscal year 2009, no Series A, Series D or Series E commercial paper notes were issued or outstanding. During fiscal year 2009, the City issued $12,464,000 of Series B commercial paper notes, $50,777,000 of Series C commercial paper notes, and $79,930,000 of Series F commercial paper notes.

Also during year 2009, the Authority redeemed $5,800,000 of Series B commercial paper notes.

On June 30, 2009, $150,331,000 of Airport Series B commercial paper notes was outstanding at interest rates ranging from 1.80% to 1.90%. On June 30, 2009, $93,300,000 of Airport Series C commercial paper notes was outstanding at an interest rate of 1.80%. On June 30, 2009, $79,930,000 of Airport Series F commercial paper notes was outstanding at an interest rate of 0.60%.

The change in commercial paper payables during the fiscal year 2009 are as follows (dollars in thousands):

June 30, 2008	Additions	Deletions	June 30, 2009
$186,190	143,171	5,800	$323,561

11. Landfill Post-closure Costs

The City has five closed landfills for which post-closure and monitoring services may be required for approximately a 30 year period which began in fiscal year 1996, coinciding with the closure of the last landfill. An estimated liability of $8,835,000 related to the closed landfills is recorded in the government-wide financial statements as of June 30, 2009. The City's Environmental Compliance Officer performs an annual evaluation of the aforementioned liability. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City does not own or operate any open landfills at this time.

12. Estimated Liability for Self-Insurance

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees, unemployment claims, and employee health and dental insurance. During fiscal year 2009, 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 reasonably available. A summary of coverage is as follows:

Coverages	Coverage per Occurence	Deductible Per Occurrence
Property, including Business Interruption (1)	$ 1 billion	$100,000
Flood Zone A and V	$ 25 million	$500,000 (2)
Flood Zone B	$ 50 million	$100,000 (2)
All Other Flood Zones	$100 million	$100,000 (2)

(1) The policy limit for property damage caused by terrorism is $5 million per occurence and in aggregate.

(2) Deductable applies per location afflected.

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The City has an airport liability policy covering the Airport, which provides a limit of $200,000,000 combined single limit for bodily injury and property damage with a $25,000,000 each occurrence limit for personal injury subject to a per occurrence deductible of $100,000 and an aggregate deductible of $100,000. The Airport's $200,000,000 liability policy specifically excludes war and terrorism from its coverage. During the past three years, there have been not been any instances that the amount of claim settlements exceeding the insurance coverage.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, new 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.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2009. The City Attorney and, with respect to workers' compensation claims, the City's Risk Manager have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or range of potential loss to the City. The City has included a provision for losses in its claims liability for loss contingencies that are both probable and can be reasonably estimated.

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

Liability as of July 1, 2007	$ 159,269
Claims and changes in estimates during 2008	22,629
Claims payments	(26,835)
Liability as of June 30, 2008	155,063
Claims and changes in estimates during 2009	13,723
Claims payments	(28,833)
Liability as of June 30, 2009	$ 139,953

Owner Controlled Insurance Programs - On March 31, 2004, the City bound certain liability insurance coverage for the major components of the North Concourse Project through an owner-controlled insurance program from American International Group, now AIU Holdings, Inc. and AIU LLC (AIU). An owner-controlled insurance program ("OCIP") is a single insurance program that provides insurance coverage for construction jobsite risk of the project owner, general contractors and all subcontractors associated with construction at the designated project site. The North Concourse Project has been completed and the policies expired December 31, 2008. Closeout procedures on the North Concourse have begun. All remaining work associated with opening of the facility is covered by Terminal Area Improvement Project ("TAIP"), Owner Controlled Insurance Program ("OCIP"), as described below or is addressed in the contracts for work not covered by the TAIP OCIP by requiring the contractors performing such work to provide insurance coverage naming the City as an additional insured.

The City was also required to establish a claims loss reserve for the North Concourse Project in the aggregate amount of $3,900,000 available in a cash working fund. The full amount of the claims loss reserve had been deposited with the insurance carrier and was recorded as advances and deposits in the accompanying statement of net assets. The claims loss reserve funds the deductable of up to $250,000 per occurrence to a maximum loss exposure to the City of $3,900,000. Cumulative amounts of claims paid for during the fiscal year ended June 30, 2009 was

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$187,000. At the end of the OCIP program period, an actuarial review is to be conducted based on the claims outstanding and a portion of the unused amount is to be returned to the City, until all claims are closed and the coverage term ends.

On March 15, 2007, the City bound additional liability insurance through another OCIP for major components of the Airport's TAIP OCIP through AIU. 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 57 months, commencing on March 15, 2007 through December 13, 2010. In the event that the actual payroll for the covered TAIP projects exceeds the estimated $92,500,000 payroll or in the event the construction period extends beyond 57 months, the City will be obligated to pay increased premiums for the TAIP OCIP and, in addition, may be required to augment the claims loss reserve fund. The terms of the TAIP OCIP require the City to fund a claims loss reserve fund with AIU in the amount of $8,900,000. The claims loss reserve fund is available to AIU 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. As of June 30, 2009, an amount of $4,355,000 has been deposited with AIU and was recorded as advances and deposits in the accompanying statement of net assets. The remaining balance of $2,177,000 was paid in March 2009. Cumulative claims for the covered projects paid as of June 30, 2009 amounted to $718,000.

13. Net Other Postemployment Benefits (OPEB) Obligation

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively and as such, the City did not have a net OPEB obligation at transition (i.e., July 1, 2007). The Police and Fire Department Retirement Plan (the Plan) and the Federated Employees' Retirement System (the System) calculated a net OPEB obligation in accordance with GASB Statement No. 45 as discussed in Note IV A.2. At June 30, 2009, the City recorded a net OPEB obligation in the amount of $129,271,000 in the government-wide financial statements.

14. Pollution Remediation Obligations

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including two recreational park sites – one ground contamination site at Watson Park and one migrating landfill gas site at Martin Park; five active leaking petroleum storage tank sites: Fire Stations #5 and #16, Las Plumas Warehouse, the Main Yard and the Airport, as discussed in Note IV C.1. The Agency is obligated for the management and cleanup of one ground water accumulation and contamination site at the Adobe office building site. Although the City and Agency have 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 and engineers hired by the City and the Agency. 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, 2009, the City recorded a net pollution remediation obligation in the amount of $5,660,000 in the government-wide financial statements.

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G. Inter-fund Transactions

The composition of inter-fund balances as of June 30, 2009, with explanations of significant transactions, is as follows (dollars in thousands):

1. Due from/Due to other funds

Receivable Fund	Payable Fund	Amount	
General Fund	Redevelopment Agency	4,093	(1)
	Nonmajor Governmental Funds	1,595	(2)
Redevelopment Agency	General Fund	278	(3)
	Nonmajor Governmental Funds	3,947	(4)
Housing Activities	Redevelopment Agency	54	(5)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	37,413	(6)
	Redevelopment Agency	2,300	(7)
Wastewater Treatment System	Nonmajor Governmental Funds	50	(8)
	Municipal Water System	700	(9)
Airport Fund	Nonmajor Governmental Funds	14	(10)
		$ 50,444	

(1) $1,731 represents reimbursement for services performed for the Redevelopment Agency and $2,362 represents short-term borrowing for working capital.
(2) $1,310 represents accrual of gas tax transfer and $285 represents short-term borrowing for working capital.
(3) $9 represents accrual of pooled cash funds interest receivable of and $269 represents accrual for staff services performed by the Redevelopment Agency.
(4) $3,297 represents parkland in-lieu fees for the Watson Park Restoration project and $650 represents Project Service Memorandum refunds to the Redevelopment Agency.
(5) Represents year-end tax increment and SB 813 accrual.
(6) Represents short-term borrowing for working capital.
(7) Represents short-term portion of parkland voucher fees loan to the Redevelopment Agency.
(8) Represents short-term portion of loan for Fiber Optics Conduit project
(9) Represents short-term portion of loan for the North Coyote Valley Water Project.
(10) Represents reimbursable expenses related to the Airport West project.

(Continued)

2. Advances to/Advances from other funds

Receivable Fund	Payable Fund		Amount	
General Fund	San José Financing Authority	$	3,333	(1)
Redevelopment Agency	Housing Activities		580	(2)
	General Fund		500	(3)
Nonmajor Governmental Funds	Redevelopment Agency		5,812	(4)
Parking System	Redevelopment Agency		6,800	(5)
Wastewater Treatment System	Nonmajor Governmental Funds		301	(6)
	Municipal Water System		2,117	(7)
		$	19,443	

(1) $36 represents a loan for Seismic District bond purchase and $3,297 represents a loan to support the City-owned golf course.
(2) Represents discounted loan to the YMCA Villa Nueva Housing project.
(3) Represents executive staff home loans.
(4) Represents parkland vouchers fees loans for low income housing projects. Agreement was amended in 2009 for the advance to be repaid by October 2, 2011.
(5) On June 12, 2007 the City Council/Redevelopment Agency Board extended the maturity of the RDA loan from the Parking System Fund to July 31, 2012, and removed the provisions of any future interest beyond June 30, 2007.
(6) Represents a long-term loan for the Fiber Optics Conduit project and is scheduled to be paid within 15 years from 1996.
(7) Represents a loan for the North Coyote Valley Water Project.

(Continued)

3. Transfers in/Transfers out

Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations. The following schedules summarize the City's transfer activity with explanations of significant transactions (dollars in thousands):

Between Governmental and Business-type Activities:

Transfers from	Transfers to	Amount	
General Fund	Airport Fund	$ 282	(1)
	Municipal Water System	35	(2)
San Jose Financing Authority	Parking System	135	(3)
Parking System	General Fund	51	(4)
	Redevelopment Agency	135	(5)
	Nonmajor Governmental Funds	981	(6)
Municipal Water System	General Fund	725	(7)
	Nonmajor Governmental Funds	134	(8)
	San Jose Financing Authority	159	(9)
Wastewater Treatment System	General Fund	2,559	(10)
	Nonmajor Governmental Funds	1,316	(11)
	San Jose Financing Authority	286	(12)
Airport Fund	General Fund	104	(13)
Nonmajor Governmental Funds	Airport Fund	43	(14)
	Wastewater Treatment System	670	(15)
		$ 7,615	

(1) Transfer for interest expense on commercial paper.
(2) Transfer for operating expenses.
(3) Transfer for joint parking project.
(4) Transfer to the General Fund for miscellaneous non-downtown parking receipts and other postemployment benefits.
(5) Transfer for refund of interest earned on surplus funds held by the fiscal agent.
(6) Transfer of convention center parking receipts and City Hall debt service payment.
(7) Transfer for in-lieu taxes payment of $270, other postemployment benefits of $10, and return on assets of $445.
(8) Transfer for City Hall debt service payments.
(9) Transfer for commercial paper redemption expense.
(10) Transfers for in-lieu taxes payment of $2,083, other postemployment benefits of $129, rent of $67 and interest of $280.
(11) Transfer for City Hall debt service payments.
(12) Transfer for commercial paper redemption expense.
(13) Transfer for other postemployment benefits.
(14) Represents various debt service, operations and capital transfers.
(15) Transfers for reimbursement of expenditures received from Federal and State agencies for past public emergencies.

(Continued)

Between Funds within the Governmental Activities:

Transfers from	Transfers to	Amount	
General Fund	Redevelopment Agency	$ 1,435	(1)
	San Jose Financing Authority	2,242	(2)
	Nonmajor Governmental Funds	38,403	(3)
Redevelopment Agency	General Fund	2,004	(4)
	Housing Activities	90,469	(5)
	San Jose Financing Authority	3,364	(6)
	Nonmajor Governmental Funds	10,017	(7)
Housing Activities	Redevelopment Agency	18,047	(8)
	Nonmajor Governmental Funds	933	(9)
	General Fund	21	(10)
Nonmajor Governmental Funds	Redevelopment Agency	5,210	(11)
	General Fund	27,339	(12)
	Nonmajor Governmental Funds	12,161	(13)
	San Jose Financing Authority	41,909	(14)
San Jose Financing Authority	Nonmajor Governmental Funds	3,313	(15)
Special Assessment Districts	General Fund	6	(16)
Public Works Program Support Internal Service Fund	Nonmajor Governmental Fund	2,358	(17)
		$ 259,231	

(1) Transfer to Redevelopment Agency for the Edenvale Community Center construction expenses.
(2) Debt service payments of $369 for the 1997B bond series and $1,873 for the 2008F bond series.
(3) Various debt service payments, loan repayments, operations and subsidies.
(4) $348 for San Jose arena pass through payment, $1,585 for the acquisition of property and $71 for rent and tenant improvements received for the property at Keyes Street.
(5) $40,469 for 20% increment tax transfers as required under California Community Redevelopment Law. $50,000 is transfer proceeds from line of credit.
(6) Debt service payment for 4th & San Fernando parking garage.
(7) Transfers for capital projects.
(8) Transfer for debt service payments.
(9) Transfer for City Hall lease payments.
(10) Transfer for other postemployment benefits.
(11) $3,872 is for the Edenvale Community Center project and $1,338 is for various Project Service Memorandum refunds.
(12) Various transfers for operations, capital projects and other postemployment benefits.
(13) Various transfers for debt service, operations and capital projects.
(14) Various transfers for debt service payments.
(15) Various transfers for debt service, operations and capital projects.
(16) Transfer of interest earnings to General Fund.
(17) Transfer to establish the Public Works Program Support Special Revenue Fund.

(Continued)

IV. Other Information

A. Employee Defined Benefit Retirement Systems

A. 1 Defined Benefit Pension Plans

1. Plan Description

The City sponsors and administers two single employer defined benefit retirement systems, the Police and Fire Department Retirement Plan (the "Plan") and the Federated City Employees' Retirement System (the "System" and collectively, "the Retirement Systems"), which together cover all full-time and certain part-time employees of the City. The Retirement Systems provide general retirement benefits under single employer Defined Benefit Pension Plans, as well as the Postemployment Healthcare Plans. The pension plans are accounted for in the Pension Trust Funds. The estimated payrolls for employees covered under both the Plan and the System for the fiscal year ended June 30, 2009, were approximately $243,196,000 and $320,912,000, respectively. The City's total actual payroll for the fiscal year ended June 30, 2009, was approximately $608,628,000.

The separately issued annual reports of the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System, together with the City's municipal code provide more detailed information about the pension plans. Those reports may be obtained by writing to the City of San José Department of Retirement Services, 1737 North First Street, Suite 580, San José, California 95112.

The Defined Benefit Pension Plans provide general retirement benefits including pension, death, and disability benefits to members. Benefits are based on average final compensation, years of service, and limited required cost-of-living increases. The Defined Benefit Pension Plans are administered by the Director of Retirement, an employee of the City, under the direction of the Boards of Administration for the Retirement Systems. The contribution and benefit provisions and all other requirements are established by City ordinances.

The current membership in the Defined Benefit Pension Plans as of June 30, 2009, is as follows:

	The Plan	The System
Defined Benefit Pension Plans:		
Retirees and beneficiaries currently receiving benefits	1,661	2,997
Terminated vested members not yet receiving benefits	75	603
Active members	2,087	4,196
Total	3,823	7,796

The Retirement Systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

2. Funding Policy

It is the City's policy to obtain actuarial valuations for the Retirement Systems every two years. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. For pension plans, the assumptions include those about future employment, mortality, salary increases, and investment rate of return. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

(Continued)

The contributions to the Defined Benefit Pension Plan for each retirement system for both the City and the participating employees are based upon an actuarially determined percentage of each employee's base salary sufficient to provide adequate assets to pay benefits when due.

On June 24, 2008 the City Council adopted ordinance No. 28332 amending Chapter 3.36 and 3.28 of 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 pension benefits to the Police and Fire Department Retirement Plan and Federated City Employees' Retirement System. The lump sum prepayment for fiscal year 2009 was calculated to be actuarially equivalent to the biweekly payments that would otherwise have been the City's required contributions to the pension plans. The Boards of Administration for the San José Police and Fire Department Retirement Plan and Federated Employees' Retirement System approved the actuarially determined prepayment amount to be paid by the City on August 1, 2008, for the remaining 24 pay dates from August 1, 2008 through June 19, 2009 on June 5 and June 12, 2008, respectively.

Contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for fiscal year 2009 were established in accordance with actuarially determined requirements computed through actuarial valuations dated June 30, 2007. The contribution rates in effect and the amounts contributed to the pension plans for the fiscal year ended June 30, 2009 are as follows (dollars in thousands):

	The Plan			The System		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Defined Benefit Pension Plan:						
7/01/08 - 6/30/09 (police members)	21.61% *	8.18%				
7/01/08 - 6/30/09 (fire members)	24.12% *	8.62%				
7/01/08 - 6/30/09				18.31% **	4.28%	
Annual Pension Contribution (in thousands):						
Defined Benefit Pension Plan	$ 53,103	$ 20,324	$ 73,427	$ 57,020	$ 13,848	$ 70,868

* *The actual contribution rate paid by the City was 20.89% and 23.32% for the Police and Fire members, respectively, as a result of the City exercising their option to make a lump sum prepayment for 24 pay periods of fiscal year 2009.*

** *The actual contribution rate paid by the City was 17.63% for the Federated members as a result of the City exercising its option to make a lump sum prepayment for 24 pay periods of fiscal year 2009.*

3. Annual Pension Cost and Net Pension Obligation

The following is three-year trend information for the City's Defined Benefit Pension Plans (dollars in thousands):

	Fiscal year ended	Annual Pension Cost (APC)	Percent APC Contributed	Net Pension Obligation
The Plan	6/30/07	$ 46,625	100%	$ -
	6/30/08	56,372	100%	-
	6/30/09 ***	53,103	100%	-
The System	6/30/07	51,004	100%	3,239
	6/30/08	51,718	106%	-
	6/30/09 ***	57,020	100%	-

*** *These amounts represent the annual pension cost factoring in the City's elected lump-sum prepayment. In the absence of the City's elected lump-sum prepayment, the annual required employer contributions based on the Boards of Administration of the Retirement Systems' adopted contribution rates for the Plan and the System would be $54,780,000 and 58,759,000, respectively.*

(Continued)

4. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the Plan was 100% funded. The actuarial accrued liability for benefits was $2,372,386,000, and the actuarial value of assets was $2,365,790,000, resulting in an unfunded actuarial accrued liability (UAAL) of $6,596,000. The covered payroll (annual payroll of active employees covered by the plan) was $227,734,000, and the ratio of the UAAL to the covered payroll was 3%. As of the June 30, 2007 valuation date, the System was 83% funded. The actuarial accrued liability for benefits was $1,960,943,000 and the actuarial value of assets was $1,622,851,000, resulting in an unfunded actuarial accrued liability (UAAL) of $338,092,000. The covered payroll was $291,405,000, and the ratio of the UAAL to the covered payroll was 116%.

As noted in the Statement of Changes in Fiduciary Net Assets, the City's pension trust funds experienced a net decrease in net assets of $850,000,000 in fiscal year 2009 following a $262,200,000 decline in net assets in the prior year. Due to this significant decrease in net assets, the Retirement Systems' next actuarial studies are expected to substantially increase the annual required contribution amounts for fiscal year 2010.

The Schedule of Funding Progress, presented as RSI following the Notes to Basic Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Continued)

5. Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of employee and employer contributions to the Retirement Systems for the pension plans for the fiscal year ended June 30, 2009 are as follows:

Method/Assumption	The Plan	The System
Valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	10 years, closed for unfunded pension liabilities; 16 years, closed for gains and losses between valuations, and changes in assumptions	30 years, open
Actuarial asset valuation method	5 year smoothed market	5 year smoothed market
Investment rate of return	8.00% per annum	8.25% per annum
Postretirement mortality	RP-2000 combined healthy mortality table, with a three-year set back, is used for male members. RP-2000 combined healthy mortality table, with a one year set forward, is used for female members.	The 1994 Group Annuity Mortality Table used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 Disability Mortality Table.
Active service, withdrawal, death, disability service retirement	Based upon the June 30, 2007 experience study	Based upon current experience
Salary increases	9% for employees for the first five years of service, 6% for six and seven years of service, and 5% for eight or more years of service. The total salary increase of 4% is for combined inflation and real across-the-board salary increase.	The rate of annual salary increase for all members with at least five years of service is equal to 4.25% plus an added merit component for those with zero to four years of service.
Cost-of-living adjustments	3.00% per year	3.00% per year

(Continued)

A. 2 Postemployment Healthcare Plans

1. Plan Description

In addition to the Defined Benefit Pension Plans, the City also sponsors and administers two single employer postemployment healthcare plans, the Police and Fire Department Postemployment Healthcare Plan and the Federated City Employees' Postemployment Healthcare Plan, which together cover eligible full-time and certain part-time employees of the City. The postemployment healthcare plans are accounted for in the Pension Trust Funds.

The separately issued annual reports of the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System, together with the City's municipal code provide more detailed information about the Postemployment Healthcare Plans. As stated in Section A.1 of this note, those reports may be obtained from the City of San José Department of Retirement Services.

The Postemployment Healthcare Plans provide medical and dental benefits to eligible retirees. Benefits are 100% of the premium cost for the lowest priced medical insurance plan and 100% of the premium cost for dental insurance plan available to an active City employee. The Postemployment Healthcare Plans are administered by the Director of Retirement, an employee of the City, under the direction of the Boards of Administration for the Retirement Systems. The contribution and benefit provisions and all other requirements are established by City ordinances.

The current membership in the Postemployment Healthcare Plans as of June 30, 2009, is as follows:

	The Plan	The System
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,571	2,641
Terminated vested members not yet receiving benefits	5	80
Active members	2,087	4,196
Total	3,663	6,917

2. Funding Policy

As stated above in the Defined Benefit Pension Plan section of this note, it is the City's policy to obtain actuarial valuations for the Retirement Systems every two years. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. For postemployment healthcare plans, the assumptions include those about future employment, mortality, salary increases, healthcare cost trend, and investment rate of return. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of postemployment healthcare benefit costs for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point.

(Continued)

On June 24, 2008, the City Council adopted ordinance No. 28332 amending Chapter 3.36 and 3.28 of 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 the Police and Fire Department Retirement Plan and Federated City Employees' Retirement System. The lump sum prepayment for fiscal year 2009 was calculated to be actuarially equivalent to the biweekly payments that would otherwise have been the City's required contributions to the postemployment healthcare plans. The Boards of Administration for the San José Police and Fire Department Retirement Plan and Federated Employees' Retirement System approved the actuarially determined prepayment amount to be paid by the City on August 1, 2008, for the remaining 24 pay dates from August 1, 2008 through June 19, 2009 on June 5 and June 12, 2008, respectively.

Contribution rates for the Postemployment Healthcare Plans for the City and the participating employees for fiscal year 2009 were established in accordance with actuarially determined requirements computed through actuarial valuations dated June 30, 2007. The postemployment healthcare contribution rates were based upon an actuarially determined percentage of each employee's base salary prior to the requirements of GASB Statement Numbers 43 and 45. The contributions are not currently sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement Numbers 43 and 45. The contribution rates in effect and the amounts contributed to the Police and Fire Plan and the Federated Plan for the fiscal year ended June 30, 2009, are as follows (dollars in thousands):

	The Plan			The System		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Postemployment Healthcare Plan:						
7/01/08 - 6/27/09 (police and fire members)	4.19% *	3.78%				
7/01/08 - 6/27/09				5.25% **	4.65%	
6/28/09 - 6/30/09 (police members)	5.28% *	4.78%				
6/28/09 - 6/30/09 (fire members)	4.19% *	3.78%				
6/28/09 - 6/30/09				5.70% **	5.07%	
Annual OPEB Contribution (in thousands):						
Postemployment Healthcare Plan	$ 9,888	$ 9,218	$ 19,105	$ 16,368	$ 15,076	$ 31,444

* *The actual contribution rate paid by the City was 4.05% for both the Police and Fire members as a result of the City exercising their option to make a lump sum prepayment for 24 pay periods of fiscal year 2009.*

** *The actual contribution rate paid by the City was 5.05% for the Federated members as a result of the City exercising its option to make a lump sum prepayment for 24 pay periods of fiscal year 2009.*

The City has begun a five-year phase-in to fully pre-fund retiree healthcare benefits for the majority of its employee units, with the exception of the San José Firefighters union (International Association of Firefighters, Local 230). This will result in an incremental increase in retiree healthcare contributions for both the City and its employees over the next five years.

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3. Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation

The City implemented GASB 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The City's annual other postemployment benefit cost and net OPEB obligation for the Plan and the System as of and for the fiscal year ended June 30, 2009, were as follows (dollars in thousands):

	The Plan	The System
Annual required contribution	$ 46,720	$ 33,381
Interest on net OPEB obligation	3,155	1,746
Adjustment to annual required contribution	(3,541)	(1,402)
Annual OPEB cost	46,334	33,725
Contributions made	(12,548)	(15,919)
Increase in net OPEB obligation	33,786	17,806
Net OPEB obligation – beginning of year	50,726	26,953
Net OPEB obligation – end of year	$ 84,512	$ 44,759

The following is two-year trend information for the City's single employer Postemployment Healthcare Plans (dollars in thousands):

	Fiscal year ended	Annual OPEB Cost	Percent Annual OPEB Cost Contributed	Net OPEB Obligation
The Plan	6/30/08	$ 61,344	17%	$ 50,726
	6/30/09	46,334	27%	84,512
The System	6/30/08	$ 38,513	30%	$ 26,953
	6/30/09	33,725	47%	44,759

4. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the Plan was 7% funded. The actuarial accrued liability for benefits was $666,228,000, and the actuarial value of assets was $45,393,000 resulting in an unfunded actuarial accrued liability (UAAL) of $620,835,000. The covered payroll (annual payroll of active employees covered by the plan) was $227,734,000, and the ratio of the UAAL to the covered payroll was 273%. As of the June 30, 2007 valuation date, the System was 16% funded. The actuarial accrued liability for benefits was $616,749,000, and the actuarial value of assets was $96,601,000, resulting in an unfunded actuarial accrued liability (UAAL) of $520,148,000. The covered payroll was $271,833,000, and the ratio of the UAAL to the covered payroll was 191%.

The Schedule of Funding Progress, presented as RSI following the Notes to Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in fiscal year 2009 over the transition year in relation to the actuarial accrued liability for benefits.

(Continued)

5. Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculation of the annual OPEB cost, the annual required contribution, and the funded status and funding progress for the fiscal year ended June 30, 2009 are as follows:

Method/Assumption	The Plan	The System
Valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years as of June 30, 2007, open	30 years as of June 30, 2007, closed
Actuarial asset valuation method	5 year smoothed market	5 year smoothed market
Discount rate*	6.4%	6.6%
Salary increases	The total salary increase of 4% is for combined inflation and real across-the-board salary increase.	The rate of projected payroll increase is 4%
Healthcare cost trend rate:		
Medical	10% for fiscal year 2009, 8.25% for fiscal year 2010, decreasing by 0.50% for each year for seven years until it reaches an ultimate rate of 5%	The valuation assumes that future medical inflation will be at a rate of 8% per annum graded down each year in 0.5% increments to an ultimate rate of 4.5%.
Dental	5%	Dental inflation is assumed to be 6% graded down to 4% over a nine year period.
Inflation rate	3.5%	4%

* Determined as a blended rate of the expected long-term investment returns on plan assets and on the City's investments, based on the funded level of the plan at the valuation date.

(Continued)

B. Defined Contribution Retirement Plan

In January 1995, the Agency Board adopted a single employer defined contribution retirement plan, the Redevelopment Agency of the City of San José Retirement Plan (the Retirement Plan), which provides pension benefits for its non-civil service employees. For eligible employees who contribute 3.5% of their annual base salary, the Agency contributes approximately 9.0%. The Agency's contributions are based on a formula taking into account employee annual base salary and length of service. The Agency's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service from the original date of employment. The Agency's contributions and interest forfeited by employees who leave employment before vesting occurs may be used to reduce the Agency's contribution requirement or to offset plan-operating expenses. The Agency contracts with an advisor to manage the Retirement Plan with all assets being held in trust by a third party custodian in the name of each of the Retirement Plan's participants. Each of the Retirement Plan's participants directs the investments of his/her separate account. The Agency's Board of Directors may authorize changes to the Retirement Plan.

The Agency's total payroll in fiscal year ended June 30, 2009 for all non-civil service employees was approximately $9,451,000. Contributions to the Retirement Plan during the year ended June 30, 2009, made by both the Agency and the participating employees, amounted to approximately $847,000 and $323,000, respectively.

C. Commitments and Contingencies

1. Norman Y. Mineta San José International Airport

Purchase Commitments. As of June 30, 2009, the Airport was obligated for purchase commitments of approximately $332,000,000, primarily for the terminal area development projects, noise attenuation, as well as design and construction of the rental car facility and the North Concourse building. Additionally, the Airport has projected that it will expend or encumber approximately $326,935,000, including approximately $13,116,000 pertaining to Phase 2 of the Airport Master Plan, on proposed capital projects during the next five fiscal years. Construction on Phase 2 projects is contingent upon satisfying activity-based triggers. It is anticipated that funding for such capital projects will be provided primarily by proceeds from passenger facility charges (PFC), Federal grant monies, bond proceeds and other Airport revenues.

Fuel Storage Facility. In 1985, the Airport and a fuel supplier with a fuel storage facility adjacent to the City owned fuel tank farm facility discovered a fuel leak whereby petroleum products had been released into the soil and ground water from either or both of the City owned facility and/or the other fuel supplier facility. The Airport and a fuel supplier with a fuel storage facility adjacent to the City owned facility agreed to share the costs of a study to develop an acceptable cleanup program for the contaminated site. The cleanup program submitted to the Santa Clara Valley Water District, the responsible regulatory authority, was approved and the cleanup program commenced during the fiscal year ended June 30, 1991. Under an operating agreement, the Airport implemented a groundwater extraction system to control the migration of the contamination and begin efforts to remediate the contamination. Under the agreement and until 1998 when the agreement expired, the Airport was required to pay 60% of the costs and the fuel supplier to pay the balance of 40% of the costs. The fuel supplier also receives a 10% management fee for overseeing the cleanup operation. Since there is currently no agreement in place, approximately $660,000 of unpaid invoices exist relating to the remediation and managements fees for the period of December 1998 through December 2008.

(Continued)

The City has budgeted approximately $7,400,000 for the site characterization and remediation costs, which is being financed as a component of Phase 1 of the Airport Development Program. However, the actual costs of the site characterization and remediation may exceed the budgeted amount. The Airport and a fuel supplier are currently negotiating an agreement for corrective actions at the existing fuel tank farms at a cost to the City not to exceed $1,800,000 and additional expenditures not to exceed $1,800,000. The proposed agreement will provide for a 50% - 50% cost sharing responsibility for the actual future costs until the successful closure of the site and will provide the mechanism for the City to pay its 50% share of the past costs that the fuel supplied had incurred since the expiration of the original agreement. The fuel supplier will be responsible for administering the agreement including retaining a corrective action contractor. The proposed agreement will also be structured to facilitate potential reimbursement from the State Water Resource Control Board Underground Storage Tank Commingled Plume Fund. Reimbursement from the Fund is potentially available up to $1,500,000 for each party. The new agreement is expected to be executed during the fiscal year 2009-10.

On December 22, 1998, due to minimal fuel activities, the Airport temporarily closed its facility and ceased operation at that time. Construction of a new fuel storage facility started in July 2008 and it is anticipated that it will become operational in approximately March 2010. The current facility will then be closed and site remediation activities will commence. As of June 30, 2009, the Airport has accrued approximately $714,000 to cover the estimated remaining costs of its portion of the interim remediation costs. In the absence of a site characterization study by a corrective action contractor, the Airport has insufficient information to reasonably estimate the future remediation costs. Based on presently available information, the City's management does not anticipate that the full cost of remediation of the fuel storage facility will have a significant impact on the City's financial position or change in financial position.

Acoustical Treatment Program. The Airport has an Acoustical Treatment Program (ACT) to comply with the requirements of Title 21 of the California Noise Standard. The program provides acoustical treatment to residences in the noise impact areas surrounding the Airport, at no cost to the property owners. The program is primarily funded by grants from the Federal Aviation Administration (FAA) and by PFC revenues. The Airport expended approximately $5,433,000 on noise attenuation projects during the fiscal year ended June 30, 2009 and expects to spend approximately $7,295,000 during fiscal year ending June 30, 2010.

Master Plan. The Airport Master Plan consists of a program of facility improvements designed to fully accommodate commercial aviation demand (passengers and cargo) projected for the year 2017, with development phased as demand warrants and is determined to be financially feasible. The Master Plan was originally adopted by the City of San José in June 1997 and approved by the Federal Aviation Administration (FAA) in December 1999. In June 2006, the City Council approved revisions to the Airport Master Plan regarding implementation of the Terminal Area Improvement Program (TAIP). The current Program consists of two phases that total approximately $1.6 billion. Phase 1 of the Program has a total budget of approximately $1.3 billion and construction of most of the projects is scheduled to be completed near the end of 2009-2010, with some projects to be completed in 2010-2011. Construction of the Phase 2 projects is contingent upon satisfying specified activity-based triggers. Funding for Master Plan projects is from several sources, including grants, PFCs, airline rates and charges, airport revenue bonds, and subordinated commercial paper proceeds.

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2. Redevelopment Agency

Tax Sharing Agreement with the County of Santa Clara. On May 22, 2001, the County of Santa Clara, City of San José and the Agency amended and restated the 1993 Tax Revenue Sharing Agreement (the 2001 Agreement). The 2001 Agreement requires the Agency to provide the County a portion of the Agency's bond proceeds in addition to the 1993 revenue sharing amounts. The money will be used by the County to undertake redevelopment projects in or of benefit to the merged area, and requires the Agency to transfer funds to the County to pay for such projects. Such payments are considered Delegated Payments. Until June 30, 2004, the Delegated Payment was equal to the County's pass-through payment. However, after January 1, 2004, the Delegated Payment was re-defined as 20% of the proceeds of any debt secured by the Agency's non-housing tax increment revenues (excluding refunding bonds). For the fiscal year ended June 30, 2009, the pass-through payment totaled approximately $21,347,000 and Delegated Payments totaled in the amount of $16,832,000.

3. City of San José and the Redevelopment Agency of the City of San José

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

In April 2005, the County filed a cross complaint against the City and the Agency alleging, among other things, breach of the 2001 Agreement, breach of the 2001 Agreement's implied covenant of good faith and fair dealing, and intentional interference with prospective economic relations. The County's cross complaint alleged no specific amount of damages and sought damages and restitution according to proof. In addition a second lawsuit was filed by the County challenging the Council's approval of the North San José Development Policies Update. These lawsuits resulted in a settlement in November 2006.

The settlement among the City, Agency and County is that each agreed to dismiss their respective lawsuits and the Agency and/or City would pay the County a sum of $22,500,000, to be used by County on specified facilities that benefit the citizens of the City of San José. The Agency and/or City will pay the $22,500,000 in three installments of $7,500,000 over a three-year period, commencing on July 1, 2007. At June 30, 2009, the final installment liability in the amount of $7,500,000 was recorded as part of the current obligations; estimated liability for self-insurance in the government wide financial statements. In addition, as part of the agreement, the City is required to fund up to $11,000,000 toward certain improvements on Montague Expressway no later than June 30, 2010.

4. San José - Santa Clara Water Pollution Control Plant

The City's 2010-2014 Five-Year Capital Improvement Program includes approximately $20,000,000 for the South Bay Water Recycling (SBWR) project, a regional water reclamation program to recycle highly treated wastewater for irrigation and industrial uses in the cities of San José, Santa Clara, and Milpitas, California. This program is part of an action plan, developed by the City and other agencies tributary to the Plant and adopted by the Regional Water Quality Control Board (RWQCB), to control the amount of effluent discharged by the Plant into San Francisco Bay.

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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.

Proceeds from prior bonds that were refunded by the Series 2005 A and Series 2009 A San José-Santa Clara Clean Water Financing Authority Sewer Revenue Bonds, were used to pay for the City's share of Phase I costs. The City of Santa Clara's share of Phase I costs was approximately $20,067,000. Sources of funding included credit for the City of Santa Clara's existing non-potable water reclamation distribution system, in-kind services, additional construction, and City of Santa Clara sewer utility cash reserves. Other sources of funding for Phase I included U.S. Bureau of Reclamation grants, $6,449,000 transferred in fiscal year 1995 from the Authority to the City's Wastewater Treatment Plant Capital Fund, and cash contributions from the other participating agencies.

In June 1997, the RWQCB and the City approved the Proposed Revision to the South Bay Action Plan, which described the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 million gallons per day (mgd) and protect salt marsh habitat for endangered species in the South Bay as required by RWQCB Order 94-117. These projects include expanding the Phase I non-potable reuse system by extending additional piping, placing greater emphasis on water conservation programs, reducing infiltration inflow, augmenting stream flow, and creating wetlands. The estimated cost for implementing these projects was $127,500,000, of which $101,269,000 has been expended or encumbered. These estimated costs are to be funded by the City and other tributary agencies through a combination of State Revolving Fund Loans, Sewage Treatment Plant Connection Fees, federal grants, and cash contributions.

5. Retirement Systems - Unfunded Commitments

As of June 30, 2009, the Retirement System and Plan had unfunded commitments to contribute capital for private fund investments in the amount of $59,403,000 and $69,950,000, respectively.

6. Federal Financial Assistance Programs

The City participates in a number of federally assisted grant programs, primarily with the Department of Housing and Urban Development, Federal Aviation Administration, the Department of Transportation, the Department of Homeland Security, the Department of Labor, and the Department of Justice. These programs are subject to program compliance audits by the grantors or their representatives.

Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 for the fiscal year ended June 30, 2009, 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.

(Continued)

D. Subsequent Events

1. Fiscal Year 2010 State Budget Impacts

On July 28, 2009, Governor Schwarzenegger signed a package of bills to close the State's fiscal year 2010 $23.0 billion budget shortfall. The following are the significant impacts to the City and the Redevelopment Agency as a result of the State's actions:

Borrows City Property Taxes – The State's suspension of Proposition 1A would divert $1.9 billion of local government property tax revenues in fiscal year 2010. The suspension diverts 8% of the total property tax revenues received by cities, counties and special districts in 2009 (excluding debt levies). The county auditors are instructed to shift 8% of each local government's share of property taxes to the county-level Supplemental Revenue Augmentation Fund to fund K-12 schools and other State programs that would otherwise be funded from the State General Fund. The State must repay the amount shifted, with interest, no later than June 30, 2013. The City's Proposition 1A property tax shift is $20,467,000.

In addition to suspending Proposition 1A, the 2009 State Budget package also authorized the securitization of Proposition 1A Receivables. California Communities has been authorized to implement the Proposition 1A Securitization Program to enable local agencies to sell their respective Proposition 1A Receivable to California Communities. Under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivable from participating local agencies, issue bonds, and provide each participating local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010, to coincide with the dates that the State will be shifting property tax from local agencies thereby not impacting the City's expected cash flow. The purchase price of Proposition 1A Receivable paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies will have no obligation on the bonds and no credit exposure to the State.

On October 20, 2009, City Council adopted a resolution approving the sale of the City's Proposition 1A Receivable from the State of California. The proceeds of the sale are expected to be received in two equal installments, on January 15, 2010 and May 3, 2010 to offset the City's reduced property tax allocation in fiscal year 2010 due to the State's suspension of Proposition 1A.

Supplemental Educational Revenue Augmentation Fund (SERAF) Taxes – On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of $2.1 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.1 billion will be made over two years, $1.7 billion in fiscal year 2010 and $350,000,000 in fiscal year 2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately $62,200,000 in fiscal year 2010 and $12,800,000 in fiscal year 2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26x 4, the Agency will attempt to renegotiate the tax sharing and other payment agreements with the County of Santa Clara by deferring payments forthe next three years and negotiate with the City in obtaining a loan from the Housing 20% Set-aside Funds.

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On October 20, 2009, the California Redevelopment Association (CRA) together with two redevelopment agencies have filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB 26x 4. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments.

2. Letters of Credit

The principal and interest payment of the 1996 Merged Area Revenue Bonds and 2003 Merged Area Revenue Bonds are supported by the Letters of Credit under a Reimbursement Agreement with JPMorgan Chase Bank. The Letters of Credit were set to expire on October 31, 2010, and August 27, 2009, for the 1996 Bonds and 2003 Bonds, respectively. Failure to extend or replace the Letters of Credit would require the Agency to redeem the bonds upon the expiration date of the Letters of Credit.

To avoid the need to redeem the 2003 Bonds on November 27, 2009, the Bank has agreed to extend the 2003 Letters of Credit to November 26, 2010, and to extend the 1996 Letters of Credit to the same date, under the terms of an Amendment to Reimbursement Agreements that amend both the 2003 and 1996 Reimbursement Agreements. The Amendment to Reimbursement Agreements includes the following basic terms:

1. The annual fee for the 2003 Letters of Credit will increase from 1.50% times the outstanding Letters of Credit amount to 2.30% subject to an increase of 0.15% for each downgrade of the Agency' senior tax allocation bond rating by either Moody's or Standard and Poor's.

2. The annual fee with respect to the 1996 Letters of Credit will increase from 0.45% to 2.10% times the outstanding Letters of Credit subject to an increase of 0.15% for each Rating Downgrade Event.

3. The Agency must reduce, by November 27, 2009, the aggregate amount of the 2003 Bonds and 1996 Bonds to no more than $100,000,000. The Agency will direct the Bond Trustee of the bonds to redeem $5,300,000 of the 1996 Bonds (the $5,300,000 has been recognized by the Agency as short-term obligation in the governmental funds in the current fiscal year as Variable-Rate Demand Bonds).

(Continued)

Required Supplementary Information

City of San José
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2009
($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	$ 208,267	210,356	488	210,844	-	210,844	
Sales	152,536	135,920	(3,915)	132,005	-	132,005	
Utility	83,690	90,904	2,715	93,619	-	93,619	
State of California in-lieu	7,946	7,860	978	8,838	-	8,838	
Franchise	41,621	41,190	(122)	41,068	-	41,068	
Other	9,972	7,818	(23)	7,795	-	7,795	
Licenses, permits and fines	78,884	85,473	(1,199)	84,274	-	84,274	
Intergovernmental	8,104	16,164	202	16,366	-	16,366	
Charges for current services	30,853	27,244	896	28,140	-	28,140	
Investment income	14,768	7,860	(6)	7,854	(313)	7,541	(1)
Other revenues	28,159	33,905	(1,049)	32,856	(250)	32,606	(4)
Total revenues	664,800	664,694	(1,035)	663,659	(563)	663,096	
EXPENDITURES							
Current:							
General government	136,406	133,300	(26,362)	106,938	(8,402)	98,536	(2), (3)
Public safety	419,739	431,825	(10,015)	421,810	(2,767)	419,043	(2)
Capital maintenance	98,121	84,742	(19,682)	65,060	(11,620)	53,440	(2)
Community services	153,612	153,019	(10,692)	142,327	(3,335)	138,992	(2)
Sanitation	1,951	3,592	(684)	2,908	(287)	2,621	(2)
Capital outlay	6,275	6,275	(785)	5,490	(257)	5,233	(2)
Debt service:							
Principal	953	953	-	953	-	953	
Interest	630	630	-	630	-	630	
Total expenditures	817,687	814,336	(68,220)	746,116	(26,668)	719,448	
Excess (deficiency) of revenues over expenditures	(152,887)	(149,642)	67,185	(82,457)	26,105	(56,352)	
OTHER FINANCING SOURCES (USES)							
Transfers in	38,112	34,711	(1,902)	32,809	-	32,809	
Transfers out	(35,067)	(44,779)	2,382	(42,397)	-	(42,397)	
Total other financing sources (uses)	3,045	(10,068)	480	(9,588)	-	(9,588)	
Net change in fund balances	(149,842)	(159,710)	67,665	(92,045)	26,105	(65,940)	
Fund balances - beginning	223,651	223,651	-	223,651	53,482	277,133	
Beginning encumbrance	-	-	-	41,648	(41,648)	-	
Fund balances - ending	$ 73,809	63,941	67,665	173,254	37,939	211,193	

Explanation of differences:
(1) Gain or loss in fair value of investments are not formally budgeted transactions.
(2) Encumbrances of funds for which formal budget are prepared.
(3) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.
(4) Loan advance is budgetary reclassed as other revenue.

See accompanying notes to the required supplementary information.

(Continued)

Required Supplementary Information

June 30, 2009

City of San José
Housing Activities
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2009
($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							
Intergovernmental	$ 17,659	39,145	(27,135)	12,010	-	12,010	
Investment income	6,150	6,150	4,369	10,519	475	10,994	(1)
Other revenues	38,276	11,376	(4,012)	7,364	(5,878)	1,486	(3)
Total revenues	62,085	56,671	(26,778)	29,893	(5,403)	24,490	
EXPENDITURES							
Current:							
Capital maintenance	125	86	(21)	65	-	65	
Community services	266,409	175,735	(50,387)	125,348	(67,818)	57,530	(2), (3)
Total expenditures	266,534	175,821	(50,408)	125,413	(67,818)	57,595	
Excess (deficiency) of revenues over expenditures	(204,449)	(119,150)	23,630	(95,520)	62,415	(33,105)	
OTHER FINANCING SOURCES (USES)							
Transfers in	174,873	90,469	-	90,469	-	90,469	
Transfers out	(19,077)	(19,001)	-	(19,001)	-	(19,001)	
Total other financing sources (uses)	155,796	71,468		71,468	-	71,468	
Net change in fund balances	(48,653)	(47,682)	23,630	(24,052)	62,415	38,363	
Fund balance - beginning	13,677	13,677	-	13,677	309,216	322,893	
Add beginning encumbrance balance	-	-	-	36,587	(36,587)	-	
Fund balances - ending	$ (34,976)	(34,005)	23,630	26,212	335,044	361,256	

Explanation of differences:
(1) Gain or loss in fair value of investments are not formally budgeted transactions.
(2) Encumbrances of funds for which formal budget are prepared.
(3) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

See accompanying notes to the required supplementary information.

(Continued)

Required Supplementary Information

June 30, 2009

Schedules of Funding Progress
($000's)

Police and Fire Department Retirement Plan - Defined Benefit Pension Plan

Actuarial Valuation Date (4)		Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded (Overfunded) AAL	Funded Ratio	Annual Covered Payroll (3)	(Overfunded) Unfunded AAL as a Percentage of Covered Payroll
6/30/03	$	1,826,287	1,823,200	(3,087)	100%	202,222	(2)%
6/30/05		1,983,090	2,027,432	44,342	98%	210,018	21%
6/30/07	(5)	2,365,790	2,372,386	6,596	100%	227,734	3%

Federated City Employees' Retirement System - Defined Benefit Pension Plan

Actuarial Valuation Date (4)		Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL	Funded Ratio	Annual Covered Payroll (3)	Unfunded AAL as a Percentage of Covered Payroll
6/30/03	$	1,280,719	1,311,691	30,972	98%	292,961	11%
6/30/05		1,384,454	1,711,370	326,916	81%	286,446	114%
6/30/07		1,622,851	1,960,943	338,092	83%	291,405	116%

(1) Excludes accounts payable and postemployment healthcare plan assets.
(2) Excludes postemployment healthcare liability.
(3) Annual covered payroll represents the actuarial estimate of annual covered payroll for the subsequent year.
(4) Actuarial valuations have been performed biennially through June 30, 2007.
(5) After reflection of benefit improvements effective July 1, 2008 for Police members.

Police and Fire Department Retirement Plan - Postemployment Healthcare Benefit Plan

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (6)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/06	$	38,381	851,217	812,836	5%	218,521	372%
6/30/07		45,393	666,228	620,835	7%	227,734	273%

Federated City Employees' Retirement System - Postemployment Healthcare Benefit Plan

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (6)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/06	$	81,288	702,939	621,651	12%	275,559	226%
6/30/07		96,601	616,749	520,148	16%	271,833	191%

(6) The decrease in the actuarial accrued liability from 6/30/06 valuation to 6/30/07 valuation for both the Plan and the System is largely due to an increase in the sharing of benefit costs for the members as a result of the negotiations between the City and the members' unions.

(Continued)

Notes to Required Supplementary Information

June 30, 2009

I. Budgetary Information

The adopted budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City Charter requires that the City establish a budgetary system for general operations and prohibits expending funds for which there is no legal appropriation.

Annual budgets are prepared for the General Fund and all special revenue funds except for the following:

- Developer Fees
- William F. Prusch, Jr.
- Special Assessment Special Services
- Emergency Reserve

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

Capital project budgets are based on a project time frame rather than a fiscal year time frame and therefore are not included. Debt Service Funds appropriations were implicitly adopted by the Council when the formal bond resolutions were approved.

II. Budgetary Results Reconciled to GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

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

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.

- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.

(Continued)

- Net decreases were made to certain GAAP basis loans receivable to reflect carrying amounts at a discounted present value and allowances for bad debts. The discount is treated as an expenditure for the GAAP basis and is not included in the budgetary basis financial statements. In addition, the allowance for bad debts is not included in the budgetary basis financial statements, but is an expenditure for the GAAP basis.

- Certain accounts such as the change in fair value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.

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

- 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 drawdown 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 statements, 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 September 30, 2009, the City Council approved certain fiscal 2009 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying schedule of revenues, expenditures, and changes in fund balances - budget and actual (budgetary basis) reflect such budget revisions.

(Concluded)

Combining Nonmajor Governmental Funds

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

		Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	347,611,615	-	6,297,295	353,908,910
Other cash and investments		6,377	-	-	6,377
Receivables (net of allowance for uncollectibles)		36,050,766	231,332	3,107,998	39,390,096
Due from outside agencies		118,002	172,674	-	290,676
Due from other funds		4,269,573	-	35,443,614	39,713,187
Inventories		1,039,790	-	-	1,039,790
Loans receivable (net)		6,096,955	-	-	6,096,955
Advances to other funds		5,811,800	-	-	5,811,800
Advances and deposits		122,300	-	42,142	164,442
Restricted assets:					
Equity in pooled cash and investments held in City Treasury		-	39,982,053	111,446	40,093,499
Other investments		588,083	1,254,785	218,683,905	220,526,773
Other assets		852,000	-	-	852,000
Total assets	$	402,567,261	41,640,844	263,686,400	707,894,505
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$	27,935,932	150,978	11,440,762	39,527,672
Accrued salaries, wages, and payroll taxes		5,065,614	-	705,079	5,770,693
Due to other funds		6,797,361	-	36,221,997	43,019,358
Deferred revenue		16,042,183	-	-	16,042,183
Advances, deposits, and reimbursable credits		12,513,867	-	-	12,513,867
Advances from other funds		-	-	301,223	301,223
Other liabilities		39,181	-	-	39,181
Total liabilities		68,394,138	150,978	48,669,061	117,214,177
Fund balances:					
Reserved for:					
Encumbrances		32,878,155	-	71,151,548	104,029,703
Noncurrent advances, loans and other assets		13,810,845	-	42,142	13,852,987
Debt service		-	41,489,866	-	41,489,866
Restricted cash commitments		588,083	-	-	588,083
Unreserved:					
Special revenue funds		286,896,040	-	-	286,896,040
Capital projects funds		-	-	143,823,649	143,823,649
Total fund balances		334,173,123	41,489,866	215,017,339	590,680,328
Total liabilities and fund balances	$	402,567,261	41,640,844	263,686,400	707,894,505

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

		Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes and special assessments	$	54,250,181	43,180,560	8,118,842	105,549,583
Intergovernmental		54,280,570	-	37,733,760	92,014,330
Charges for current services		293,851,310	-	10,509	293,861,819
Rent		11,423,488	-	-	11,423,488
Investment income		12,060,386	1,626,758	7,151,440	20,838,584
Other revenues		20,448,115	-	2,188,184	22,636,299
Total revenues		446,314,050	44,807,318	55,202,735	546,324,103
EXPENDITURES					
Current:					
General government		146,025,528	-	-	146,025,528
Public safety		1,439,757	-	-	1,439,757
Community services		53,101,841	-	-	53,101,841
Sanitation		120,856,436	-	-	120,856,436
Capital maintenance		85,567,377	-	47,189,225	132,756,602
Capital outlay		20,343,324	-	120,984,829	141,328,153
Debt service:					
Principal		-	18,245,000	-	18,245,000
Interest and fiscal charges		-	24,746,347	-	24,746,347
Bond issuance costs		-	243,715	-	243,715
Total expenditures		427,334,263	43,235,062	168,174,054	638,743,379
Excess (deficiency) of revenues under (over) expenditures		18,979,787	1,572,256	(112,971,319)	(92,419,276)
OTHER FINANCING SOURCES (USES)					
Bond issued		-	-	9,000,000	9,000,000
Bond premium		-	276,396	-	276,396
Transfers in		24,632,832	29,673,979	15,308,879	69,615,690
Transfers out		(52,761,749)	(28,891,384)	(5,679,286)	(87,332,419)
Total other financing sources (uses)		(28,128,917)	1,058,991	18,629,593	(8,440,333)
Net change in fund balances		(9,149,130)	2,631,247	(94,341,726)	(100,859,609)
Fund balances - beginning		343,322,253	38,858,619	309,359,065	691,539,937
Fund balances - ending	$	334,173,123	41,489,866	215,017,339	590,680,328

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Nonmajor Special Revenue Funds

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 Jose Convention and Visitors Bureau and the conventions and cultural facilities operation.

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

Edward Brown Memorial Justice Fund – Established to account for the Federal funding in support of the Edward G. Brown Memorial Justice Assistance grant.

Municipal Golf Courses – Established in 1969 to manage and operate the public golf courses.

Convention and Cultural Facilities – Established to fund the costs of managing and operating the San José McEnery Convention Center, the Center of the Performing Arts, Civic Auditorium, Montgomery Theater, Exhibit Hall, and their related facilities and grounds.

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

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

		Emma Prusch Memorial Park (Fund 131)	Developer Fees (Fund 138)	Gift Trust (Fund 139)	Public Works Program Support (Fund 150)	William F. Prusch, Jr. (Fund 151)
ASSETS						
Equity in pooled cash and investments held in City Treasury	$	307,642	7,225,705	2,042,403	6,130,936	16,580
Other investments		-	-	-	-	-
Receivables (net of allowance for uncollectibles)		7,776	42,396	19,710	34,322	97
Due from outside agencies		-	-	-	-	-
Due from other funds		-	-	-	-	-
Inventories		-	-	-	-	-
Loans receivable (net)		-	-	-	-	-
Advances to other funds		-	-	-	-	-
Advances and deposits		-	-	-	-	-
Restricted assets:		-	-	-	-	-
Other investments		-	-	-	-	-
Other assets		-	-	-	-	-
Total assets	$	315,418	7,268,101	2,062,113	6,165,258	16,677
LIABILITIES						
Accounts payable	$	7,798	-	56,384	74,402	-
Accrued salaries, wages and payroll taxes		-	-	4,895	552,660	-
Due to other funds		-	-	-	-	-
Deferred revenue		-	-	-	-	-
Advances, deposits and reimbursable credits		-	7,268,101	-	-	-
Other liabilities		-	-	-	-	-
Total liabilities		7,798	7,268,101	61,279	627,062	-
FUND BALANCES						
Reserved for:						
Encumbrances		-	-	4,272	90,222	-
Noncurrent advances, loans, and other assets		-	-	-	-	-
Restricted cash commitments		-	-	-	-	-
Unreserved:						
Designated for future expenditures		-	-	-	-	-
Undesignated		307,620	-	1,996,562	5,447,974	16,677
Total fund balances		307,620	-	2,000,834	5,538,196	16,677
Total liabilities and fund balances	$	315,418	7,268,101	2,062,113	6,165,258	16,677

Emergency Communication System Support Fee (Fund 154)	Employee Benefits (Funds 155-161)	Workforce Investment Act (Funds 290-294, 299)	San José Arena Enhancement (Fund 301)	Special Assessment Maintenance Districts (Funds 302, 351-369 371-374, 376)	North San José Traffic Impact Fee (Fund 349)	Special Assessment Special Services (Fund 350)
2,672,596	5,546,301	-	589,811	15,902,318	1,911,411	85,864
-	-	-	-	-	-	-
16,334	530,474	4,694,397	3,455	238,747	11,287	70,616
-	-	-	-	13,998	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,688,930	6,076,775	4,694,397	593,266	16,155,063	1,922,698	156,480
-	549,046	2,791,926	-	457,377	-	-
-	461,565	449,707	-	37,643	5,529	-
-	-	538,788	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	39,181	-	-	-	-	-
-	1,049,792	3,780,421	-	495,020	5,529	-
-	124,747	706,046	-	1,315,186	100	50,803
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,863	-	-
2,688,930	4,902,236	207,930	593,266	14,340,994	1,917,069	105,677
2,688,930	5,026,983	913,976	593,266	15,660,043	1,917,169	156,480
2,688,930	6,076,775	4,694,397	593,266	16,155,063	1,922,698	156,480

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

		Subdivision Park Trust (Fund 375)	Construction and Property Conveyance (Funds 377-398)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)
ASSETS						
Equity in pooled cash and investments held in City Treasury	$	82,912,089	86,777,742	3,424,397	-	-
Other investments		-	-	-	-	-
Receivables (net of allowance for uncollectibles)		499,709	7,653,084	27,184	590,000	720,000
Due from outside agencies		-	-	-	-	-
Due from other funds		2,300,000	-	-	-	-
Inventories		-	-	-	-	-
Loans receivable (net)		-	-	-	-	-
Advances to other funds		5,811,800	-	-	-	-
Advances and deposits		-	119,700	-	-	-
Restricted assets:						
Other investments		-	-	-	-	-
Other assets		-	-	-	-	-
Total assets	$	91,523,598	94,550,526	3,451,581	590,000	720,000
LIABILITIES						
Accounts payable	$	560,809	1,152,640	-	-	-
Accrued salaries, wages and payroll taxes		94,841	316,762	-	-	-
Due to other funds		-	3,517,788	-	590,000	720,000
Deferred revenue		-	3,297,000	-	-	-
Advances, deposits and reimbursable credits		-	-	-	-	-
Other liabilities		-	-	-	-	-
Total liabilities		655,650	8,284,190	-	590,000	720,000
Reserved for:						
Encumbrances		4,244,595	7,974,728	-	-	-
Noncurrent advances, loans, and other assets		5,811,800	119,700	-	-	-
Restricted cash commitments		-	-	-	-	-
Unreserved:						
Designated for future expenditures		53,565,061	12,662,000	-	-	-
Undesignated		27,246,492	65,509,908	3,451,581	-	-
Total fund balances		90,867,948	86,266,336	3,451,581	-	-
Total liabilities and fund balances	$	91,523,598	94,550,526	3,451,581	590,000	720,000

Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Federal LLEBG Program (Fund 415)	Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)	Federal Drug Forfeiture (Fund 419)
73,013	1,999,765	5,515	1,733,203	1,416,854	5,934,336	1,935,702
-	-	-	-	-	-	-
5,432	12,032	32	300,486	8,429	22,528	11,155
-	-	-	-	-	27,134	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
78,445	2,011,797	5,547	2,033,689	1,425,283	5,983,998	1,946,857
-	121,000	-	-	-	83,377	94,674
44	-	-	16,134	-	203,996	-
-	-	-	-	-	-	-
-	1,735,068	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
44	1,856,068	-	16,134	-	287,373	94,674
-	1,028,648	-	-	81,502	23,486	108,342
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,547	-	500,000	663,507	-
78,401	(872,919)	-	2,017,555	843,781	5,009,632	1,743,841
78,401	155,729	5,547	2,017,555	1,425,283	5,696,625	1,852,183
78,445	2,011,797	5,547	2,033,689	1,425,283	5,983,998	1,946,857

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

		Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432,438)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
ASSETS						
Equity in pooled cash and investments held in City Treasury	$	1,324,896	1,347,152	7,145,721	45,761,616	9,402,642
Other investments		-	-	-	-	-
Receivables (net of allowance for uncollectibles)		7,789	7,882	1,047,323	9,886,557	55,854
Due from outside agencies		-	-	-	5,674	-
Due from other funds		-	-	-	-	-
Inventories		-	-	-	-	-
Loans receivable (net)		-	-	-	-	600,000
Advances to other funds		-	-	-	-	-
Advances and deposits		-	-	-	-	-
Restricted assets:						
Other investments		-	-	-	-	-
Other assets		-	-	-	-	-
Total assets	$	1,332,685	1,355,034	8,193,044	55,653,847	10,058,496
LIABILITIES						
Accounts payable	$	2,160	-	433,746	16,275,052	1,529,231
Accrued salaries, wages and payroll taxes		211	-	490,430	544,346	100,938
Due to other funds		-	-	-	-	-
Deferred revenue		-	-	89,032	6,879,665	-
Advances, deposits and reimbursable credits		-	-	647,497	4,598,269	-
Other liabilities		-	-	-	-	-
Total liabilities		2,371	-	1,660,705	28,297,332	1,630,169
FUND BALANCE						
Reserved for:						
Encumbrances		-	-	893	4,304,548	35,085
Noncurrent advances, loans, and other assets		-	-	-	-	600,000
Restricted cash commitments		-	-	-	-	-
Unreserved:						
Designated for future expenditures		-	-	-	-	1,103,789
Undesignated		1,330,314	1,355,034	6,531,446	23,051,967	6,689,453
Total fund balance		1,330,314	1,355,034	6,532,339	27,356,515	8,428,327
Total liabilities and fund balances	$	1,332,685	1,355,034	8,193,044	55,653,847	10,058,496

Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Fund 441)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)
17,602,030	1,624,888	-	88,443	16,058,025	1,130,662	1,012,993
-	-	-	-	-	-	-
1,728,135	9,377	4,088,407	513	129,937	660,938	5,682
-	-	-	-	71,196	-	-
1,969,573	-	-	-	-	-	-
-	-	-	-	-	-	-
-	31,222	5,389,552	76,181	-	-	-
-	-	-	-	-	-	-
2,600	-	-	-	-	-	-
-	-	4,868	-	-	-	-
-	852,000	-	-	-	-	-
21,302,338	2,517,487	9,482,827	165,137	16,259,158	1,791,600	1,018,675
761,686	-	1,770,229	-	329,832	14,821	34,086
383,341	-	233,671	-	438,250	22,571	-
-	-	1,430,785	-	-	-	-
-	-	1,474,573	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,145,027	-	4,909,258	-	768,082	37,392	34,086
4,265,033	22,500	1,958,509	-	3,162,075	313,550	95,568
2,600	883,222	5,277,552	76,181	-	-	-
-	-	4,868	-	-	-	-
-	-	-	-	1,605,306	90,000	234,000
15,889,678	1,611,765	(2,667,360)	88,956	10,723,695	1,350,658	655,021
20,157,311	2,517,487	4,573,569	165,137	15,491,076	1,754,208	984,589
21,302,338	2,517,487	9,482,827	165,137	16,259,158	1,791,600	1,018,675

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

		Edward Brown Memorial Justice (Fund 474)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
ASSETS						
Equity in pooled cash and investments held in City Treasury	$	314,716	1,218,558	9,556,683	5,378,407	347,611,615
Other investments		-	-	-	6,377	6,377
Receivables (net of allowance for uncollectibles)		1,843	21,815	2,800,269	78,763	36,050,766
Due from outside agencies		-	-	-	-	118,002
Due from other funds		-	-	-	-	4,269,573
Inventories		-	-	-	1,039,790	1,039,790
Loans receivable (net)		-	-	-	-	6,096,955
Advances to other funds		-	-	-	-	5,811,800
Advances and deposits		-	-	-	-	122,300
Restricted assets:						
Other investments		-	-	583,215	-	588,083
Other assets		-	-	-	-	852,000
Total assets	$	316,559	1,240,373	12,940,167	6,503,337	402,567,261
LIABILITIES						
Accounts payable	$	-	28,103	12,500	795,053	27,935,932
Accrued salaries, wages and payroll taxes		-	-	315,278	392,802	5,065,614
Due to other funds		-	-	-	-	6,797,361
Deferred revenue		292,519	-	2,274,326	-	16,042,183
Advances, deposits and reimbursable credits		-	-	-	-	12,513,867
Other liabilities		-	-	-	-	39,181
Total liabilities		292,519	28,103	2,602,104	1,187,855	68,394,138
FUND BALANCE						
Reserved for:						
Encumbrances		3,315	6,749	447,232	2,510,421	32,878,155
Noncurrent advances, loans, and other assets		-	-	-	1,039,790	13,810,845
Restricted cash commitments		-	-	583,215	-	588,083
Unreserved:						
Designated for future expenditures		-	-	-	-	70,433,073
Undesignated		20,725	1,205,521	9,307,616	1,765,271	216,462,967
Total fund balance		24,040	1,212,270	10,338,063	5,315,482	334,173,123
Total liabilities and fund balance	$	316,559	1,240,373	12,940,167	6,503,337	402,567,261

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City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

		Emma Prusch Memorial Park (Fund 131)	Developer Fees (Fund 138)	Gift Trust (Fund 139)	Public Works Program Support (Fund 150)	William F. Prusch, Jr. (Fund 151)
REVENUES						
Taxes and special assessments	$	-	-	-	-	-
Intergovernmental		-	-	-	-	-
Charges for current services		-	-	-	14,503,515	-
Rent		66,000	-	-	-	-
Investment income		10,270	-	71,172	177,747	568
Other revenues		-	-	733,523	-	-
Total revenues		76,270	-	804,695	14,681,262	568
EXPENDITURES						
Current:						
General government		-	-	-	11,413,166	-
Public safety		-	-	-	-	-
Community services		26,116	-	950,853	-	-
Sanitation		-	-	-	-	-
Capital maintenance		-	-	-	-	-
Capital outlay		-	-	-	-	-
Total expenditures		26,116	-	950,853	11,413,166	-
Excess (deficiency) of revenue over (under) expenditures		50,154	-	(146,158)	3,268,096	568
OTHER FINANCING SOURCES (USES)						
Transfers in		-	-	-	2,358,000	-
Transfers out		-	-	-	(87,900)	-
Total other financing sources (uses)		-	-	-	2,270,100	-
Net change in fund balances		50,154	-	(146,158)	5,538,196	568
Fund balances - beginning		257,466	-	2,146,992	-	16,109
Fund balances - ending	$	307,620	-	2,000,834	5,538,196	16,677

Emergency Communication System Support Fee (Fund 154)	Employee Benefits (Funds 155-161)	Workforce Investment Act (Funds 290-294, 299)	San José Arena Enhancement (Fund 301)	Special Assessment Maintenance Districts (Funds 302, 351-369 371-374, 376)	North San José Traffic Impact Fee (Fund 349)	Special Assessment Special Services (Fund 350)
-	-	-	-	8,216,353	-	-
-	-	12,376,268	-	-	-	-
16,988,160	81,735,701	-	-	-	195,095	-
-	-	-	-	-	-	-
-	279,307	-	35,484	517,384	81,159	5,099
-	-	-	87,500	119,416	-	-
16,988,160	82,015,008	12,376,268	122,984	8,853,153	276,254	5,099
-	83,475,478	-	-	-	306,051	-
-	-	-	-	-	-	-
-	-	12,347,947	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,401,531	168,188	73,945
-	-	-	668,915	-	-	-
-	83,475,478	12,347,947	668,915	8,401,531	474,239	73,945
16,988,160	(1,460,470)	28,321	(545,931)	451,622	(197,985)	(68,846)
200,000	-	-	957,853	784,106	-	-
(18,938,800)	(120,337)	(12,568)	-	(16,586)	-	(3,794)
(18,738,800)	(120,337)	(12,568)	957,853	767,520	-	(3,794)
(1,750,640)	(1,580,807)	15,753	411,922	1,219,142	(197,985)	(72,640)
4,439,570	6,607,790	898,223	181,344	14,440,901	2,115,154	229,120
2,688,930	5,026,983	913,976	593,266	15,660,043	1,917,169	156,480

(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, 2009

		Subdivision Park Trust (Fund 375)	Construction and Property Conveyance Tax (Funds 377-398)	Emergency Reserve (Funds 405-407)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)
REVENUES						
Taxes and special assessments	$	-	20,465,577	-	-	-
Intergovernmental		-	3,993,239	-	7,308,275	8,784,239
Charges for current services		10,272,786	-	-	-	-
Rent		-	-	-	-	-
Investment income		2,852,557	4,029,544	208,584	-	-
Other revenues		-	512,945	-	-	-
Total revenues		13,125,343	29,001,305	208,584	7,308,275	8,784,239
EXPENDITURES						
Current:						
General government		-	-	7,696	-	-
Public safety		-	-	-	-	-
Community services		-	-	-	-	-
Sanitation		-	-	-	-	-
Capital maintenance		7,521,272	25,795,127	-	7,308,275	8,784,239
Capital outlay		1,650,643	4,376,008	-	-	-
Total expenditures		9,171,915	30,171,135	7,696	7,308,275	8,784,239
Excess (deficiency) of revenue over (under) expenditures		3,953,428	(1,169,830)	200,888	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in		318	71,409	-	-	-
Transfers out		(1,382,464)	(11,060,185)	(1,339,970)	-	-
Total other financing sources (uses)		(1,382,146)	(10,988,776)	(1,339,970)	-	-
Net change in fund balances		2,571,282	(12,158,606)	(1,139,082)	-	-
Fund balances - beginning		88,296,666	98,424,942	4,590,663	-	-
Fund balances - ending	$	90,867,948	86,266,336	3,451,581	-	-

Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Federal LLEBG Program (Fund 415)	Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)	Federal Drug Forfeiture (Fund 419)
-	-	-	-	-	6,964,147	-
4,000	1,297,404	-	366,156	-	-	-
103,809	-	-	6,000	-	-	-
-	-	-	-	-	-	-
39,723	67,396	183	114,732	48,919	173,922	62,344
-	-	-	-	74,789	-	335,887
147,532	1,364,800	183	486,888	123,708	7,138,069	398,231
-	-	-	-	-	-	-
-	1,244,454	-	-	80,107	-	94,673
-	-	-	-	-	5,422,341	-
-	-	-	-	-	-	-
115,186	-	-	2,005,553	-	2,252,106	-
75,000	227,504	-	-	193,885	279,518	-
190,186	1,471,958	-	2,005,553	273,992	7,953,965	94,673
(42,654)	(107,158)	183	(1,518,665)	(150,284)	(815,896)	303,558
-	-	-	-	-	-	-
(50,508)	-	-	(24,277)	-	(55,608)	-
(50,508)	-	-	(24,277)	-	(55,608)	-
(93,162)	(107,158)	183	(1,542,942)	(150,284)	(871,504)	303,558
171,563	262,887	5,364	3,560,497	1,575,567	6,568,129	1,548,625
78,401	155,729	5,547	2,017,555	1,425,283	5,696,625	1,852,183

(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, 2009

		Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432,438)	Integrated Waste Management (Fund 423)	Tobacco Settlement (Fund 426)
REVENUES						
Taxes and special assessments	$	91,649	-	-	-	-
Intergovernmental		-	-	-	-	-
Charges for current services		-	89,276	12,635,378	105,468,243	-
Rent		-	-	2,429,528	-	-
Investment income		60,225	46,437	265,712	1,334,013	218,877
Other revenues		-	-	4,290,508	145,692	11,472,100
Total revenues		151,874	135,713	19,621,126	106,947,948	11,690,977
EXPENDITURES						
Current:						
General government		-	-	18,112,029	-	10,556,535
Public safety		-	-	-	-	-
Community services		-	-	-	-	-
Sanitation		-	-	-	104,912,623	-
Capital maintenance		116,237	14,648	570,907	-	-
Capital outlay		-	13,908	-	25,694	-
Total expenditures		116,237	28,556	18,682,936	104,938,317	10,556,535
Excess (deficiency) of revenue over (under) expenditures		35,637	107,157	938,190	2,009,631	1,134,442
OTHER FINANCING SOURCES (USES)						
Transfers in		-	-	9,352,815	24,054	-
Transfers out		(44,904)	(11,688)	(5,612,283)	(2,230,339)	(83,709)
Total other financing sources (uses)		(44,904)	(11,688)	3,740,532	(2,206,285)	(83,709)
Net change in fund balances		(9,267)	95,469	4,678,722	(196,654)	1,050,733
Fund balances - beginning		1,339,581	1,259,565	1,853,617	27,553,169	7,377,594
Fund balances - ending	$	1,330,314	1,355,034	6,532,339	27,356,515	8,428,327

Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Fund 441)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)
7,046,334	-	-	-	-	11,466,121	-
6,187,615	-	13,939,405	9,359	-	-	-
-	-	-	-	23,275,666	-	756,502
-	-	-	-	-	-	-
698,642	64,077	-	-	351,697	61,498	34,409
2,622,660	-	-	-	19,618	3,000	-
16,555,251	64,077	13,939,405	9,359	23,646,981	11,530,619	790,911
-	228,987	-	171,680	-	-	-
-	-	-	-	-	-	-
-	-	10,122,788	-	-	7,609,357	-
-	-	-	-	15,943,813	-	-
17,439,632	-	2,765,285	-	1,291,773	-	203,214
4,202,754	-	1,748,718	-	2,278,269	-	46,599
21,642,386	228,987	14,636,791	171,680	19,513,855	7,609,357	249,813
(5,087,135)	(164,910)	(697,386)	(162,321)	4,133,126	3,921,262	541,098
-	-	-	-	475,839	-	-
(534,735)	(741,235)	-	-	(514,631)	(6,732,627)	(231,551)
(534,735)	(741,235)	-	-	(38,792)	(6,732,627)	(231,551)
(5,621,870)	(906,145)	(697,386)	(162,321)	4,094,334	(2,811,365)	309,547
25,779,181	3,423,632	5,270,955	327,458	11,396,742	4,565,573	675,042
20,157,311	2,517,487	4,573,569	165,137	15,491,076	1,754,208	984,589

(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, 2009

		Edward Brown Memorial Justice (Fund 474)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)	Stores Vehicle Maintenance and Operations (Funds 551-553)	Totals
REVENUES						
Taxes and special assessments	$	-	-	-	-	54,250,181
Intergovernmental		14,610	-	-	-	54,280,570
Charges for current services		-	1,357,670	2,684,708	23,778,801	293,851,310
Rent		-	-	8,927,960	-	11,423,488
Investment income		9,815	40,848	-	98,042	12,060,386
Other revenues		-	30,477	-	-	20,448,115
Total revenues		24,425	1,428,995	11,612,668	23,876,843	446,314,050
EXPENDITURES						
Current:						
General government		-	-	-	21,753,906	146,025,528
Public safety		20,523	-	-	-	1,439,757
Community services		-	28,200	16,594,239	-	53,101,841
Sanitation		-	-	-	-	120,856,436
Capital maintenance		-	178,212	297,181	264,866	85,567,377
Capital outlay		-	96,681	-	4,459,228	20,343,324
Total expenditures		20,523	303,093	16,891,420	26,478,000	427,334,263
Excess (deficiency) of revenue over (under) expenditures		3,902	1,125,902	(5,278,752)	(2,601,157)	18,979,787
OTHER FINANCING SOURCES (USES)						
Transfers in		-	1,000,000	7,565,085	1,843,353	24,632,832
Transfers out		-	(1,858,726)	(243,868)	(828,456)	(52,761,749)
Total other financing sources (uses)		-	(858,726)	7,321,217	1,014,897	(28,128,917)
Net change in fund balances		3,902	267,176	2,042,465	(1,586,260)	(9,149,130)
Fund balances - beginning		20,138	945,094	8,295,598	6,901,742	343,322,253
Fund balances - ending	$	24,040	1,212,270	10,338,063	5,315,482	334,173,123

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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, 2009

	Emma 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	-	-	-	-	733,523	733,523
Charges for current services	-	-	-	-	-	-
Rent	66,000	66,000	-	-	-	-
Investment income	14,000	8,244	(5,756)	461,749	63,000	(398,749)
Other revenues	-	-	-	-	-	-
Total revenues	80,000	74,244	(5,756)	461,749	796,523	334,774
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	183,000	26,116	(156,884)	2,573,927	955,125	(1,618,802)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	183,000	26,116	(156,884)	2,573,927	955,125	(1,618,802)
Excess (deficiency) of revenues over (under) expenditures	(103,000)	48,128	151,128	(2,112,178)	(158,602)	1,953,576
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ (103,000)	48,128	151,128	(2,112,178)	(158,602)	1,953,576
Fund balances - beginning		254,917			2,006,184	
Prior year encumbrances		-			32,726	
Fund balances - ending		$ 303,045			$ 1,880,308	

Public Works Program Support Fund (Fund 150)			Emergency Communication System Support Fee (Fund 154)			Employee Benefits (Funds 155-161)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
14,503,515	14,503,515	-	17,152,000	16,988,160	(163,840)	86,604,307	81,735,701	(4,868,606)
-	-	-	-	-	-	-	-	-
558,950	132,036	(426,914)	-	-	-	168,000	272,804	104,804
-	-	-	-	-	-	-	-	-
15,062,465	14,635,551	(426,914)	17,152,000	16,988,160	(163,840)	86,772,307	82,008,505	(4,763,802)
19,712,543	11,503,388	(8,209,155)	-	-	-	88,708,209	83,600,225	(5,107,984)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
19,712,543	11,503,388	(8,209,155)	-	-	-	88,708,209	83,600,225	(5,107,984)
(4,650,078)	3,132,163	7,782,241	17,152,000	16,988,160	(163,840)	(1,935,902)	(1,591,720)	344,182
2,358,000	2,358,000	-	200,000	200,000	-	-	-	-
(87,900)	(87,900)	-	(19,143,000)	(18,938,800)	204,200	(120,337)	(120,337)	-
2,270,100	2,270,100	-	(18,943,000)	(18,738,800)	204,200	(120,337)	(120,337)	-
(2,379,978)	5,402,263	7,782,241	(1,791,000)	(1,750,640)	40,360	(2,056,239)	(1,712,057)	344,182
	-			4,439,570			4,034,956	
	85,644			-			37,111	
	$ 5,487,907			$ 2,688,930			$ 2,360,010	

(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, 2009

	Workforce Investment Act (Funds 290-294, 299)			San José Arena Enhancement (Fund 301)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	15,820,016	12,376,268	(3,443,748)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	-	-	-	28,489	28,489
Other revenues	-	-	-	89,500	87,500	(2,000)
Total revenues	15,820,016	12,376,268	(3,443,748)	89,500	115,989	26,489
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	14,523,834	13,053,993	(1,469,841)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	669,855	668,915	(940)
Total expenditures	14,523,834	13,053,993	(1,469,841)	669,855	668,915	(940)
Excess (deficiency) of revenues over (under) expenditures	1,296,182	(677,725)	(1,973,907)	(580,355)	(552,926)	27,429
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	957,853	957,853	-
Transfers out	(12,568)	(12,568)	-	-	-	-
Total other financing sources (uses)	(12,568)	(12,568)	-	957,853	957,853	-
Net change in fund balances	$ 1,283,614	(690,293)	(1,973,907)	377,498	404,927	27,429
Fund balances - beginning		(294,405)			179,437	
Prior year encumbrances		1,192,628			-	
Fund balances - ending		$ 207,930			$ 584,364	

Special Assessment Maintenance Districts (Funds 302, 351-369, 371-374, 376)			North San José Traffic Impact Fee (Fund 349)			Subdivision Park Trust (Fund 375)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
8,513,064	8,216,353	(296,711)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	390,000	195,095	(194,905)	2,662,000	4,460,668	1,798,668
-	-	-	-	-	-	-	-	-
228,194	417,192	188,998	50,000	61,949	11,949	-	2,458,086	2,458,086
-	119,416	119,416	-	-	-	-	-	-
8,741,258	8,752,961	11,703	440,000	257,044	(182,956)	2,662,000	6,918,754	4,256,754
-	-	-	1,330,000	306,051	(1,023,949)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
11,147,379	9,687,219	(1,460,160)	825,000	168,288	(656,712)	33,477,449	11,765,867	(21,711,582)
-	-	-	-	-	-	1,650,643	1,650,643	-
11,147,379	9,687,219	(1,460,160)	2,155,000	474,339	(1,680,661)	35,128,092	13,416,510	(21,711,582)
(2,406,121)	(934,258)	1,471,863	(1,715,000)	(217,295)	1,497,705	(32,466,092)	(6,497,756)	25,968,336
784,106	784,106	-	-	-	-	3,730,318	3,730,318	-
(22,492)	(16,586)	5,906	-	-	-	(5,113,000)	(5,112,464)	536
761,614	767,520	5,906	-	-	-	(1,382,682)	(1,382,146)	536
(1,644,507)	(166,738)	1,477,769	(1,715,000)	(217,295)	1,497,705	(33,848,774)	(7,879,902)	25,968,872
	13,422,407			2,105,279			83,627,894	
	895,970			-			3,807,191	
	$ 14,151,639			$ 1,887,984			$ 79,555,183	

(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, 2009

	Construction and Property Conveyance (Funds 377-398)			1943 Gas Tax Maintenance and Construction (Fund 409)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ 21,861,000	20,465,577	(1,395,423)	-	-	-
Intergovernmental	9,986,712	3,993,239	(5,993,473)	7,700,000	7,308,275	(391,725)
Charges for current services	-		-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	2,742,050	2,742,050	-	-	-
Other revenues	-	512,945	512,945	-	-	-
Total revenues	31,847,712	27,713,811	(4,133,901)	7,700,000	7,308,275	(391,725)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	74,916,128	33,889,554	(41,026,574)	7,700,000	7,308,275	(391,725)
Capital outlay	4,376,008	4,376,008	-	-	-	-
Total expenditures	79,292,136	38,265,562	(41,026,574)	7,700,000	7,308,275	(391,725)
Excess (deficiency) of revenues over (under) expenditures	(47,444,424)	(10,551,751)	36,892,673	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	7,056,476	7,791,409	734,933	-	-	-
Transfers out	(18,840,507)	(18,780,185)	60,322	-	-	-
Total other financing sources (uses)	(11,784,031)	(10,988,776)	795,255	-	-	-
Net change in fund balances	$ (59,228,455)	(21,540,527)	37,687,928	-	-	-
Fund balances - beginning		86,331,467			-	
Prior year encumbrances		11,752,920			-	
Fund balances - ending		$ 76,543,860			$ -	

1964 Gas Tax Maintenance and Construction (Funds 410-411)			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)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
9,500,000	8,784,239	(715,761)	-	4,000	4,000	788,876	564,377	(224,499)
-	-	-	157,000	103,809	(53,191)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	26,377	26,377	60,000	64,876	4,876
-	-	-	-	-	-	-	-	-
9,500,000	8,784,239	(715,761)	157,000	134,186	(22,814)	848,876	629,253	(219,623)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,915,593	2,273,102	(642,491)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
9,500,000	8,784,239	(715,761)	147,304	115,186	(32,118)	-	-	-
-	-	-	75,000	75,000	-	227,504	227,504	-
9,500,000	8,784,239	(715,761)	222,304	190,186	(32,118)	3,143,097	2,500,606	(642,491)
-	-	-	(65,304)	(56,000)	9,304	(2,294,221)	(1,871,353)	422,868
-	-	-	-	-	-	-	-	-
-	-	-	(53,000)	(50,508)	2,492	-	-	-
-	-	-	(53,000)	(50,508)	2,492	-	-	-
-	-	-	(118,304)	(106,508)	11,796	(2,294,221)	(1,871,353)	422,868
	-			141,950			1,885,594	
	-			29,613			409,948	
	$ -			$ 65,055			$ 424,189	

(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, 2009

	Federal LLEBG Program (Fund 415)			Underground Utility (Fund 416)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	-	-	-	1,020,000	366,156	(653,844)
Charges for current services	-	-	-	-	6,000	6,000
Rent	-	-	-	-	-	-
Investment income	-	156	156	-	89,133	89,133
Other revenues	-	-	-	-	-	-
Total revenues	-	156	156	1,020,000	461,289	(558,711)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	5,323	-	(5,323)	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	2,273,000	2,005,553	(267,447)
Capital outlay	-	-	-	-	-	-
Total expenditures	5,323	-	(5,323)	2,273,000	2,005,553	(267,447)
Excess (deficiency) of revenues over (under) expenditures	(5,323)	156	5,479	(1,253,000)	(1,544,264)	(291,264)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(25,000)	(24,277)	723
Total other financing sources (uses)	-	-	-	(25,000)	(24,277)	723
Net change in fund balances	$ (5,323)	156	5,479	(1,278,000)	(1,568,541)	(290,541)
Fund balances - beginning		5,306			3,560,497	
Prior year encumbrances		-			-	
Fund balances - ending		$ 5,462			$ 1,991,956	

State Drug Forfeiture (Fund 417)			Library Parcel Tax (Fund 418)			Federal Drug Forfeiture (Fund 419)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	6,600,000	6,964,147	364,147	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
40,000	44,296	4,296	-	159,500	159,500	50,000	49,816	(184)
-	74,789	74,789	-	-	-	-	335,887	335,887
40,000	119,085	79,085	6,600,000	7,123,647	523,647	50,000	385,703	335,703
-	-	-	-	-	-	-	-	-
479,230	161,609	(317,621)	-	-	-	229,993	203,015	(26,978)
-	-	-	5,770,225	5,422,957	(347,268)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	3,045,695	2,274,976	(770,719)	-	-	-
193,885	193,885	-	279,518	279,518	-	-	-	-
673,115	355,494	(317,621)	9,095,438	7,977,451	(1,117,987)	229,993	203,015	(26,978)
(633,115)	(236,409)	396,706	(2,495,438)	(853,804)	1,641,634	(179,993)	182,688	362,681
-	-	-	-	-	-	-	-	-
-	-	-	(55,608)	(55,608)	-	-	-	-
-	-	-	(55,608)	(55,608)	-	-	-	-
(633,115)	(236,409)	396,706	(2,551,046)	(909,412)	1,641,634	(179,993)	182,688	362,681
	1,330,198			6,335,689			1,532,408	
	228,271			188,809			-	
	$ 1,322,060			$ 5,615,086			$ 1,715,096	

(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, 2009

	Residential Construction Tax Contribution (Fund 420)			Arterial and Major Collectors (Fund 421)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ 192,000	91,649	(100,351)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	130,000	89,276	(40,724)
Rent	-	-	-	-	-	-
Investment income	-	40,153	40,153	50,000	39,361	(10,639)
Other revenues	-	-	-	-	-	-
Total revenues	192,000	131,802	(60,198)	180,000	128,637	(51,363)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	1,144,000	116,237	(1,027,763)	246,092	14,648	(231,444)
Capital outlay	-	-	-	13,908	13,908	-
Total expenditures	1,144,000	116,237	(1,027,763)	260,000	28,556	(231,444)
Excess (deficiency) of revenues over (under) expenditures	(952,000)	15,565	967,565	(80,000)	100,081	180,081
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(47,000)	(44,904)	2,096	(12,000)	(11,688)	312
Total other financing sources (uses)	(47,000)	(44,904)	2,096	(12,000)	(11,688)	312
Net change in fund balances	$ (999,000)	(29,339)	969,661	(92,000)	88,393	180,393
Fund balances - beginning		1,339,231			1,244,374	
Prior year encumbrances		350			1,953	
Fund balances - ending		$ 1,310,242			$ 1,334,720	

Community Facility Revenue (Funds 422,432,438)			Integrated Waste Management (Fund 423)			Tobacco Settlement (Fund 426)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	250,000	-	(250,000)	-		-
-	-	-	109,456,540	105,468,243	(3,988,297)	-	-	-
2,552,800	2,429,528	(123,272)	-		-	-	-	-
-	240,107	240,107	820,303	1,123,071	302,768	-	163,098	163,098
4,832,702	4,161,266	(671,436)	-	145,692	145,692	10,502,201	11,472,100	969,899
7,385,502	6,830,901	(554,601)	110,526,843	106,737,006	(3,789,837)	10,502,201	11,635,198	1,132,997
1,527,543	1,138,051	(389,492)	-	-	-	11,907,803	10,591,620	(1,316,183)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	116,534,149	109,217,171	(7,316,978)	-	-	-
1,064,629	570,907	(493,722)	-	-	-	-	-	-
-	-	-	25,694	25,694	-	-	-	-
2,592,172	1,708,958	(883,214)	116,559,843	109,242,865	(7,316,978)	11,907,803	10,591,620	(1,316,183)
4,793,330	5,121,943	328,613	(6,033,000)	(2,505,859)	3,527,141	(1,405,602)	1,043,578	2,449,180
276,353	252,815	(23,538)	-	24,054	24,054	1,200,000	-	(1,200,000)
(6,306,341)	(5,612,283)	694,058	(2,230,339)	(2,230,339)	-	(83,709)	(83,709)	-
(6,029,988)	(5,359,468)	670,520	(2,230,339)	(2,206,285)	24,054	1,116,291	(83,709)	(1,200,000)
(1,236,658)	(237,525)	999,133	(8,263,339)	(4,712,144)	3,551,195	(289,311)	959,869	1,249,180
	5,326,327			22,247,943			6,314,478	
	2,655			4,549,050			374,967	
	$ 5,091,457			$ 22,084,849			$ 7,649,314	

(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, 2009

	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	$ 6,500,000	7,046,334	546,334	-	-	-
Intergovernmental	8,021,000	6,187,615	(1,833,385)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	600,000	655,168	55,168	73,900	64,664	(9,236)
Other revenues	2,536,000	2,622,660	86,660	108,350	95,511	(12,839)
Total revenues	17,657,000	16,511,777	(1,145,223)	182,250	160,175	(22,075)
EXPENDITURES						
Current:						
General government	-	-	-	998,611	89,999	(908,612)
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	36,721,930	21,707,265	(15,014,665)	-	-	-
Capital outlay	4,202,754	4,202,754	-	-	-	-
Total expenditures	40,924,684	25,910,019	(15,014,665)	998,611	89,999	(908,612)
Excess (deficiency) of revenues over (under) expenditures	(23,267,684)	(9,398,242)	13,869,442	(816,361)	70,176	886,537
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(535,000)	(534,735)	265	(741,235)	(741,235)	-
Total other financing sources (uses)	(535,000)	(534,735)	265	(741,235)	(741,235)	-
Net change in fund balances	$ (23,802,684)	(9,932,977)	13,869,707	(1,557,596)	(671,059)	886,537
Fund balances - beginning		18,236,340			2,168,662	
Prior year encumbrances		7,285,430			90,000	
Fund balances - ending		$ 15,588,793			$ 1,587,603	

Community Development Block Grant (Fund 441)			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)
-	-	-	-	-	-	-	-	-
11,125,402	13,403,614	2,278,212	59,000	29,393	(29,607)	-	-	-
-	-	-	-	-	-	22,616,058	23,275,666	659,608
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	268,206	275,974	7,768
-	-	-	-	-	-	-	19,618	19,618
11,125,402	13,403,614	2,278,212	59,000	29,393	(29,607)	22,884,264	23,571,258	686,994
-	-	-	85,000	-	(85,000)	-	-	-
-	-	-	-	-	-	-	-	-
12,510,336	10,569,043	(1,941,293)	-	-	-	-	-	-
-	-	-	-	-	-	20,218,670	17,870,052	(2,348,618)
6,199,865	4,635,774	(1,564,091)	-	-	-	4,400,795	2,527,609	(1,873,186)
1,748,718	1,748,718	-	-	-	-	2,278,269	2,278,269	-
20,458,919	16,953,535	(3,505,384)	85,000	-	(85,000)	26,897,734	22,675,930	(4,221,804)
(9,333,517)	(3,549,921)	5,783,596	(26,000)	29,393	55,393	(4,013,470)	895,328	4,908,798
-	-	-	-	-	-	475,839	475,839	-
-	-	-	-	-	-	(514,650)	(514,631)	19
-	-	-	-	-	-	(38,811)	(38,792)	19
(9,333,517)	(3,549,921)	5,783,596	(26,000)	29,393	55,393	(4,052,281)	856,536	4,908,817
	8,349,660			58,240			8,686,536	
	2,402,559			-			2,662,152	
	$ 7,202,298			$ 87,633			$ 12,205,224	

(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, 2009

	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	$ 11,892,000	11,466,121	(425,879)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	745,000	756,502	11,502
Rent	-	-	-	-	-	-
Investment income	-	85,334	85,334	-	26,613	26,613
Other revenues	-	3,000	3,000	-	-	-
Total revenues	11,892,000	11,554,455	(337,545)	745,000	783,115	38,115
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	9,383,115	7,922,907	(1,460,208)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	706,951	298,782	(408,169)
Capital outlay	-	-	-	46,599	46,599	-
Total expenditures	9,383,115	7,922,907	(1,460,208)	753,550	345,381	(408,169)
Excess (deficiency) of revenues over (under) expenditures	2,508,885	3,631,548	1,122,663	(8,550)	437,734	446,284
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(6,732,627)	(6,732,627)	-	(232,000)	(231,551)	449
Total other financing sources (uses)	(6,732,627)	(6,732,627)	-	(232,000)	(231,551)	449
Net change in fund balances	$ (4,223,742)	(3,101,079)	1,122,663	(240,550)	206,183	446,733
Fund balances - beginning		4,116,954			570,337	
Prior year encumbrances		401,378			97,859	
Fund balances - ending		$ 1,417,253			$ 874,379	

Edward Brown Memorial Justice (Fund 474)			Municipal Golf Courses (Fund 518)			Convention and Cultural Facilities (Fund 536)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
98,166	98,166	-	-	-	-	-	-	-
-	-	-	886,431	1,357,670	471,239	2,806,119	2,684,708	(121,411)
-	-	-	-	-	-	9,331,710	8,927,960	(403,750)
10,000	8,193	(1,807)	26,670	32,709	6,039	-	-	-
-	-	-	19,899	30,477	10,578	-	-	-
108,166	106,359	(1,807)	933,000	1,420,856	487,856	12,137,829	11,612,668	(525,161)
-	-	-	-	-	-	-	-	-
327,388	23,838	(303,550)	-	-	-	-	-	-
-	-	-	60,275	34,949	(25,326)	18,418,824	16,747,104	(1,671,720)
-	-	-	-	-	-	-	-	-
-	-	-	234,047	178,212	(55,835)	719,120	591,548	(127,572)
-	-	-	96,681	96,681	-	-	-	-
327,388	23,838	(303,550)	391,003	309,842	(81,161)	19,137,944	17,338,652	(1,799,292)
(219,222)	82,521	301,743	541,997	1,111,014	569,017	(7,000,115)	(5,725,984)	1,274,131
-	-	-	1,000,000	1,000,000	-	7,607,085	7,565,085	(42,000)
-	-	-	(1,898,410)	(1,858,726)	39,684	(243,868)	(243,868)	-
-	-	-	(898,410)	(858,726)	39,684	7,363,217	7,321,217	(42,000)
(219,222)	82,521	301,743	(356,413)	252,288	608,701	363,102	1,595,233	1,232,131
	120,971			924,644			7,900,633	
	105,000			10,793			689,484	
	$ 308,492			$ 1,187,725			$ 10,185,350	

(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, 2009

	Stores Vehicle Maintenance and Operations (Funds 551-553)		
	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES			
Taxes and special assessments	$ -	-	-
Intergovernmental	406,000	-	(406,000)
Charges for current services	25,985,282	23,778,801	(2,206,481)
Rent	-	-	-
Investment income	186,000	121,292	(64,708)
Other revenues	-	-	-
Total revenues	26,577,282	23,900,093	(2,677,189)
EXPENDITURES			
Current:			
General government	23,483,715	21,333,671	(2,150,044)
Public safety	-	-	-
Community services	-	-	-
Sanitation	-	-	-
Capital maintenance	3,138,203	2,658,632	(479,571)
Capital outlay	4,459,228	4,459,228	-
Total expenditures	31,081,146	28,451,531	(2,629,615)
Excess (deficiency) of revenues over (under) expenditures	(4,503,864)	(4,551,438)	(47,574)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,843,353	1,843,353	-
Transfers out	(856,800)	(828,456)	28,344
Total other financing sources (uses)	986,553	1,014,897	28,344
Net change in fund balances	$ (3,517,311)	(3,536,541)	(19,230)
Fund balances - beginning		672,834	
Prior year encumbrances		3,320,215	
Fund balances - ending		$ 456,508	

Nonmajor Debt Service Funds

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2009

		2001 Series E Communications Center Refunding (Fund 201)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)	2000 Series C Ice Centre Refunding (Fund 206)
ASSETS					
Receivables (net of allowances for uncollectibles)	$	-	3,214	7,119	1,621
Due from outside agencies		-	-	-	-
Restricted assets:					
Equity in pooled cash and investments held in City Treasury		378,522	548,633	1,284,770	276,730
Other investments		-	-	-	-
Total assets	$	378,522	551,847	1,291,889	278,351
LIABILITIES					
Accounts payable	$	-	-	-	-
FUND BALANCES					
Reserved for debt service		378,522	551,847	1,291,889	278,351
Total liabilities and fund balances	$	378,522	551,847	1,291,889	278,351

GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Recreational Facilities (Fund 212)	Totals
199,845	19,533	-	231,332
172,674	-	-	172,674
35,305,151	2,188,247	-	39,982,053
1,254,785	-	-	1,254,785
36,932,455	2,207,780	-	41,640,844
-	150,978	-	150,978
36,932,455	2,056,802	-	41,489,866
36,932,455	2,207,780	-	41,640,844

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2009

		2001 Series E Communications Center Refunding (Fund 201)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)	2000 Series C Ice Centre Refunding (Fund 206)
REVENUES					
Property taxes	$	-	-	-	-
Investment income		5,450	24,532	40,648	9,484
Total revenues		5,450	24,532	40,648	9,484
EXPENDITURES					
Debt service:					
Principal		-	-	-	-
Interest and fiscal charges		2,362	-	3,057	-
Bond issuance costs		-	-	-	-
Total expenditures		2,362	-	3,057	-
Excess (deficiency) of revenues over(under) expenditures		3,088	24,532	37,591	9,484
OTHER FINANCING SOURCES (USES)					
Bond premium		-	-	-	-
Transfers in		2,381,000	200,000	1,096,043	-
Transfers out		(2,332,872)	(198,378)	(1,050,517)	-
Total other financing sources (uses)		48,128	1,622	45,526	-
Net change in fund balances		51,216	26,154	83,117	9,484
Fund balances - beginning		327,306	525,693	1,208,772	268,867
Fund balances - ending	$	378,522	551,847	1,291,889	278,351

GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Recreational Facilities (Fund 212)	Totals
43,180,560	-	-	43,180,560
817,165	729,479	-	1,626,758
43,997,725	729,479	-	44,807,318
18,245,000	-	-	18,245,000
24,066,559	673,819	550	24,746,347
243,715	-	-	243,715
42,555,274	673,819	550	43,235,062
1,442,451	55,660	(550)	1,572,256
276,396	-	-	276,396
-	25,996,490	446	29,673,979
(25,943)	(25,283,674)	-	(28,891,384)
250,453	712,816	446	1,058,991
1,692,904	768,476	(104)	2,631,247
35,239,551	1,288,326	104	38,858,619
36,932,455	2,056,802	-	41,489,866

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Nonmajor Capital Project Funds

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009

		Fiber Optics Development (Fund 007)	San Antonio (Fund 403)	Capital Improvements (Funds 408, 424)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$	28,427	113,479	453,718
Receivables (net of allowance for uncollectibles)		166	664	2,666
Due from other funds		-	-	-
Advances and deposits		-	-	4,472
Restricted assets:				
Equity in pooled cash and investments held in City Treasury		-	-	-
Other investments		-	-	-
Total assets	$	28,593	114,143	460,856
LIABILITIES				
Accounts payable	$	-	-	-
Accrued salaries, wages and payroll taxes		-	-	-
Due to other funds		50,000	-	-
Advances from other funds		301,223	-	-
Total liabilities		351,223	-	-
FUND BALANCE				
Reserved for:				
Encumbrances		-	-	-
Noncurrent advances and loans		-	-	4,472
Unreserved:				
Undesignated		(322,630)	114,143	456,384
Total fund balance		(322,630)	114,143	460,856
Total liabilities and fund balance	$	28,593	114,143	460,856

Civic Center (Fund 425)	Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	786	3,674,976	37,804
-	-	4	83,004	222
-	-	-	11,274,122	-
-	-	-	-	-
-	-	9,596	-	-
6,508,653	357,972	161,177	-	-
6,508,653	357,972	171,563	15,032,102	38,026
431,519	932	-	207,922	-
12,254	1,158	-	85,147	-
4,421,500	354,792	-	650,083	-
-	-	-	-	-
4,865,273	356,882	-	943,152	-
806,652	-	5,111	5,081,187	-
-	-	-	-	-
836,728	1,090	166,452	9,007,763	38,026
1,643,380	1,090	171,563	14,088,950	38,026
6,508,653	357,972	171,563	15,032,102	38,026

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009

		Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 464,465,470)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$	108,707	-	1,706,595
Receivables (net of allowance for uncollectibles)		637	-	3,019,628
Due from other funds		-	-	24,169,492
Advances and deposits		-	-	34,200
Restricted assets:				
Equity in pooled cash and investments held in City Treasury		-	-	101,842
Other investments		-		-
Total assets	$	109,344	-	29,031,757
LIABILITIES				
Accounts payable	$	-	1,531	270,816
Accrued salaries, wages and payroll taxes		-	-	315,398
Due to other funds		-	22,123	64,015
Advances from other funds		-	-	-
Total liabilities		-	23,654	650,229
FUND BALANCE				
Reserved for:				
Encumbrances		-	-	5,812,678
Noncurrent advances and loans		-	-	34,200
Unreserved:				
Undesignated		109,344	(23,654)	22,534,650
Total fund balance		109,344	(23,654)	28,381,528
Total liabilities and fund balance	$	109,344	-	29,031,757

Park Center Project Contingency (Fund 466)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Civic Center Improvement (Fund 473)	Neighborhood Security Bond Projects (Fund 475)
171,941	-	-	-	862
1,007	-	-	-	-
-	-	-	-	-
-	-	-	-	3,470
-	2	-	-	6
-	87,220,980	58,828,519	-	60,444,415
172,948	87,220,982	58,828,519	-	60,448,753
-	5,724,090	2,725,294	137,481	1,941,177
-	84,590	102,899	1,859	101,216
-	10,580,273	6,797,764	298,722	12,950,228
-	-	-	-	-
-	16,388,953	9,625,957	438,062	14,992,621
-	24,354,938	14,152,057	1,043,139	19,895,786
-	-	-	-	3,470
172,948	46,477,091	35,050,505	(1,481,201)	25,556,876
172,948	70,832,029	49,202,562	(438,062)	45,456,132
172,948	87,220,982	58,828,519	-	60,448,753

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009

		San José Financing Authority (Funds 858-859)	Totals
ASSETS			
Equity in pooled cash and investments held in City Treasury	$	-	6,297,295
Receivables (net of allowance for uncollectibles)		-	3,107,998
Due from other funds		-	35,443,614
Advances and deposits		-	42,142
Restricted assets:			
Equity in pooled cash and investments held in City Treasury		-	111,446
Other investments		5,162,189	218,683,905
Total assets	$	5,162,189	263,686,400
LIABILITIES			
Accounts payable	$	-	11,440,762
Accrued salaries, wages and payroll taxes		558	705,079
Due to other funds		32,497	36,221,997
Advances from other funds		-	301,223
Total liabilities		33,055	48,669,061
FUND BALANCE			
Reserved for:			
Encumbrances		-	71,151,548
Noncurrent advances and loans		-	42,142
Unreserved:			
Undesignated		5,129,134	143,823,649
Total fund balance		5,129,134	215,017,339
Total liabilities and fund balance	$	5,162,189	263,686,400

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City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For The Year Ended June 30, 2009

		Fiber Optics Development (Fund 007)	San Antonio (Fund 403)	Capital Improvements (Funds 408, 424)
REVENUES				
Taxes	$	-	-	-
Intergovernmental		-	-	-
Charges for current services		-	-	-
Investment income		7,539	3,889	20,400
Other revenues		-	-	-
Total revenues		7,539	3,889	20,400
EXPENDITURES				
Current:				
Capital maintenance		-	-	-
Capital outlay		-	-	-
Total expenditures		-	-	-
Excess (deficiency) of revenues over (under) expenditures		7,539	3,889	20,400
OTHER FINANCING SOURCES (USES)				
Bonds issued		-	-	-
Transfers in		1,852,695	-	-
Transfers out		-	-	(13,439)
Total other financing sources (uses)		1,852,695	-	(13,439)
Net change in fund balances		1,860,234	3,889	6,961
Fund balances - beginning		(2,182,864)	110,254	453,895
Fund balances - ending	$	(322,630)	114,143	460,856

Civic Center (Fund 425)	Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
269,805	688	4,633	520,597	1,296
-	1,090	-	-	-
269,805	1,778	4,633	520,597	1,296
2,471,582	-	6,177	5,001,822	-
69,698	-	-	3,678,069	-
2,541,280	-	6,177	8,679,891	-
(2,271,475)	1,778	(1,544)	(8,159,294)	1,296
-	-	-	-	-
100,688	-	-	10,016,459	-
(1,748,272)	(1,745,652)	(156)	(905,134)	-
(1,647,584)	(1,745,652)	(156)	9,111,325	-
(3,919,059)	(1,743,874)	(1,700)	952,031	1,296
5,562,439	1,744,964	173,263	13,136,919	36,730
1,643,380	1,090	171,563	14,088,950	38,026

(Continued)

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For The Year Ended June 30, 2009

		Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 464,465,470)
REVENUES				
Taxes	$	-	-	8,118,842
Intergovernmental		-	-	37,733,760
Charges for current services		-	-	10,509
Investment income		3,726	-	617,903
Other revenues		-	-	2,187,094
Total revenues		3,726	-	48,668,108
EXPENDITURES				
Current:				
Capital maintenance		-	31,157	36,723,214
Capital outlay		-	-	611,773
Total expenditures		-	31,157	37,334,987
Excess (deficiency) of revenues over (under) expenditures		3,726	(31,157)	11,333,121
OTHER FINANCING SOURCES (USES)				
Bonds issued		-	-	-
Transfers in		-	85,113	-
Transfers out		-	-	(1,253,370)
Total other financing sources (uses)		-	85,113	(1,253,370)
Net change in fund balances		3,726	53,956	10,079,751
Fund balances - beginning		105,618	(77,610)	18,301,777
Fund balances - ending	$	109,344	(23,654)	28,381,528

Park Center Project Contingency (Fund 466)	Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Civic Center Improvement (Fund 473)	Neighborhood Security Bond Projects (Fund 475)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,892	2,449,454	1,486,568	-	1,575,558
-	-	-	-	-
5,892	2,449,454	1,486,568	-	1,575,558
-	-	-	2,399,740	506,787
-	48,149,930	24,558,645	-	43,916,714
-	48,149,930	24,558,645	2,399,740	44,423,501
5,892	(45,700,476)	(23,072,077)	(2,399,740)	(42,847,943)
-	-	-	-	9,000,000
-	21,792	4,151	3,227,981	-
-	-	-	-	-
-	21,792	4,151	3,227,981	9,000,000
5,892	(45,678,684)	(23,067,926)	828,241	(33,847,943)
167,056	116,510,713	72,270,488	(1,266,303)	79,304,075
172,948	70,832,029	49,202,562	(438,062)	45,456,132

(Continued)

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For The Year Ended June 30, 2009

		San José Financing Authority (Funds 858-859)	Totals
REVENUES			
Taxes	$	-	8,118,842
Intergovernmental		-	37,733,760
Charges for current services		-	10,509
Investment income		183,492	7,151,440
Other revenues		-	2,188,184
Total revenues		183,492	55,202,735
EXPENDITURES			
Current:			
Capital maintenance		48,746	47,189,225
Capital outlay		-	120,984,829
Total expenditures		48,746	168,174,054
Excess (deficiency) of revenues over (under) expenditures		134,746	(112,971,319)
OTHER FINANCING SOURCES (USES)			
Bonds issued		-	9,000,000
Transfers in		-	15,308,879
Transfers out		(13,263)	(5,679,286)
Total other financing sources (uses)		(13,263)	18,629,593
Net change in fund balances		121,483	(94,341,726)
Fund balances - beginning		5,007,651	309,359,065
Fund balances - ending	$	5,129,134	215,017,339

Trust and Agency Funds

City of San José
Combining Statement of Pension Net Assets
Pension Trust Funds
June 30, 2009

	Federated City Employees' Retirement System (Fund 134 and 140)	Police and Fire Plan (Fund 135 and 141)	Totals
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	$ 1,441,952,927	2,083,799,369	3,525,752,296
Securities lending cash collateral investment pool	21,164,372	209,103,032	230,267,404
Receivables (net of allowance for uncollectables):			
Accrued investment income	7,355,525	8,010,767	15,366,292
Employee contributions	1,325,211	1,367,012	2,692,223
Employer contributions	7,412,981	4,412,621	11,825,602
Brokers and others	29,233,029	43,672,461	72,905,490
Total assets	1,508,444,045	2,350,365,262	3,858,809,307
LIABILITIES			
Due to brokers	41,663,643	81,349,107	123,012,750
Securities lending collateral, due to borrowers	23,141,964	219,807,665	242,949,629
Other liabilities	1,435,723	4,965,940	6,401,663
Total liabilities	66,241,330	306,122,712	372,364,042
NET ASSETS HELD IN TRUST FUND FOR PENSION BENEFIT			
Reserved for retirement plans:			
Employees' pension benefits	1,356,638,781	2,001,459,256	3,358,098,037
Employees' postemployment healthcare benefits	85,563,934	42,783,294	128,347,228
Net assets held in trust for pension and postemployment healthcare benefits	$ 1,442,202,715	2,044,242,550	3,486,445,265

City of San José
Combining Statement of Changes in Pension Net Assets
Pension Trust Funds
For the Year Ended June 30, 2009

	Federated City Employees' Retirement System (Fund 134 and 140)	Police and Fire Plan (Fund 135 and 141)	Totals
ADDITIONS			
Investment income:			
Interest	$ 32,697,311	35,237,183	67,934,494
Dividends	7,699,699	26,441,204	34,140,903
Net rental income	4,386,453	6,690,232	11,076,685
Net depreciation in fair value of plan investments	(350,884,350)	(530,783,621)	(881,667,971)
Investment expenses	(7,228,007)	(9,225,759)	(16,453,766)
Securities lending activities:			
Securities lending income	302,377	(2,927,308)	(2,624,931)
Securities lending expenses	(1,289,475)	(4,465,906)	(5,755,381)
Contributions:			
Employer	73,388,100	62,990,809	136,378,909
Employees	28,924,119	29,541,034	58,465,153
Total additions	(212,003,773)	(386,502,132)	(598,505,905)
DEDUCTIONS			
General and administrative	2,240,005	2,729,163	4,969,168
Health insurance	21,723,627	18,039,154	39,762,781
Refund of contributions	1,395,333	362,754	1,758,087
Retirement and other benefits paid:			
Death benefits	6,922,461	5,981,045	12,903,506
Retirement benefits	89,767,849	102,363,733	192,131,582
Total deductions	122,049,275	129,475,849	251,525,124
Net decrease	(334,053,048)	(515,977,981)	(850,031,029)
Net assets held in trust for pension and postemployment healthcare benefits			
Beginning of year	1,776,255,763	2,560,220,531	4,336,476,294
End of year	$ 1,442,202,715	2,044,242,550	3,486,445,265

City of San José
Combining Statement of Defined Benefit
and Postemployment Healthcare Plan Net Assets
Federated City Employees Retirement System
June 30, 2009

		Federated Retirement (Fund 134)		
		Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
ASSETS				
Investments at fair value:				
Investments, excluding securities lending collateral	$	991,819,763	83,719,004	1,075,538,767
Securities lending cash collateral investment pool		14,873,742	1,255,484	16,129,226
Receivables (net of allowance for uncollectables):				
Accrued investment income		5,169,261	436,336	5,605,597
Employee contributions		490,217	690,759	1,180,976
Employer contributions		4,441,213	1,652,471	6,093,684
Brokers and Others		20,554,237	1,734,975	22,289,212
Total assets		1,037,348,433	89,489,029	1,126,837,462
LIABILITIES				
Due to brokers		29,280,066	2,471,517	31,751,583
Securities lending collateral, due to borrowers		16,263,539	1,372,797	17,636,336
Other liabilities		993,860	80,781	1,074,641
Total liabilities		46,537,465	3,925,095	50,462,560
NET ASSETS HELD IN TRUST FOR PENSION BENEFIT				
Reserved for retirement plans:				
Employees' pension benefits		990,810,968	-	990,810,968
Employees' postemployment healthcare benefits		-	85,563,934	85,563,934
Net assets held in trust for pension and postemployment healthcare benefits	$	990,810,968	85,563,934	1,076,374,902

Federated Cost of Living (Fund 140)			
Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
366,414,160	-	366,414,160	1,441,952,927
5,035,146	-	5,035,146	21,164,372
1,749,928	-	1,749,928	7,355,525
144,235	-	144,235	1,325,211
1,319,297	-	1,319,297	7,412,981
6,943,817	-	6,943,817	29,233,029
381,606,583	-	381,606,583	1,508,444,045
9,912,060	-	9,912,060	41,663,643
5,505,628	-	5,505,628	23,141,964
361,082	-	361,082	1,435,723
15,778,770	-	15,778,770	66,241,330
365,827,813	-	365,827,813	1,356,638,781
-	-	-	85,563,934
365,827,813	-	365,827,813	1,442,202,715

City of San José
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Plan Net Assets
Federated City Employees Retirement System
For the Year Ended June 30, 2009

		Federated Retirement (Fund 134)		
		Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134
ADDITIONS				
Investment income:				
Interest	$	23,024,168	1,931,122	24,955,290
Dividends		5,421,003	454,679	5,875,682
Net rental income		3,084,871	258,740	3,343,611
Net depreciation in fair value of plan investments		(246,863,414)	(20,705,346)	(267,568,760)
Investment expenses		(5,069,547)	(425,202)	(5,494,749)
Securities lending activities:				
Securities lending income		215,817	18,101	233,918
Securities lending expenses		(908,574)	(76,206)	(984,780)
Contributions:				
Employer		43,951,285	16,368,064	60,319,349
Employees		10,683,690	15,076,329	25,760,019
Total additions		(166,460,701)	12,900,281	(153,560,420)
DEDUCTIONS				
General and administrative		1,579,919	132,514	1,712,433
Health insurance		-	21,723,627	21,723,627
Refund of contributions		1,182,467	-	1,182,467
Retirement and other benefits paid:				
Death benefits		4,320,670	-	4,320,670
Retirement benefits		71,059,434	-	71,059,434
Total deductions		78,142,490	21,856,141	99,998,631
Net decrease		(244,603,191)	(8,955,860)	(253,559,051)
Net assets held in trust for pension and postemployment healthcare benefits				
Beginning of year		1,235,414,159	94,519,794	1,329,933,953
End of year	$	990,810,968	85,563,934	1,076,374,902

Federated Cost of Living (Fund 140)			
Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 140	Totals
7,742,021	-	7,742,021	32,697,311
1,824,017	-	1,824,017	7,699,699
1,042,842	-	1,042,842	4,386,453
(83,315,590)	-	(83,315,590)	(350,884,350)
(1,733,258)	-	(1,733,258)	(7,228,007)
68,459	-	68,459	302,377
(304,695)	-	(304,695)	(1,289,475)
13,068,751	-	13,068,751	73,388,100
3,164,100	-	3,164,100	28,924,119
(58,443,353)	-	(58,443,353)	(212,003,773)
527,572	-	527,572	2,240,005
-	-	-	21,723,627
212,866	-	212,866	1,395,333
2,601,791	-	2,601,791	6,922,461
18,708,415	-	18,708,415	89,767,849
22,050,644	-	22,050,644	122,049,275
(80,493,997)	-	(80,493,997)	(334,053,048)
446,321,810	-	446,321,810	1,776,255,763
365,827,813	-	365,827,813	1,442,202,715

City of San José
Combining Statement of
Defined Benefit and Postemployment Healthcare Plan Net Assets
Police and Fire Department Retirement Plan
June 30, 2009

		Police and Fire Retirement (Fund 135)		
		Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135
ASSETS				
Investments at fair value:				
Investments, excluding securities lending collateral	$	1,406,291,874	42,614,854	1,448,906,728
Securities lending cash collateral investment pool		140,963,450	4,271,615	145,235,065
Receivables (net of allowance for uncollectables):				
Accrued investment income		5,400,544	163,652	5,564,196
Employee contributions		656,295	427,452	1,083,747
Employer contributions		1,864,062	673,685	2,537,747
Brokers and others		29,443,545	892,228	30,335,773
Total assets		1,584,619,770	49,043,486	1,633,663,256
LIABILITIES				
Due to brokers		54,840,194	1,661,822	56,502,016
Securities lending collateral, due to borrowers		148,179,807	4,490,292	152,670,099
Other liabilities		3,567,581	108,078	3,675,659
Total liabilities		206,587,582	6,260,192	212,847,774
NET ASSETS HELD IN TRUST FOR PENSION BENEFIT				
Reserved for retirement plans:				
Employees' pension benefits		1,378,032,188	-	1,378,032,188
Employees' postemployment healthcare benefits		-	42,783,294	42,783,294
Net assets held in trust for pension and postemployment healthcare benefits	$	1,378,032,188	42,783,294	1,420,815,482

Police and Fire Cost of Living (Fund 141)			
Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 141	Totals
634,892,641	-	634,892,641	2,083,799,369
63,867,967	-	63,867,967	209,103,032
2,446,571	-	2,446,571	8,010,767
283,265	-	283,265	1,367,012
1,874,874	-	1,874,874	4,412,621
13,336,688	-	13,336,688	43,672,461
716,702,006	-	716,702,006	2,350,365,262
24,847,091	-	24,847,091	81,349,107
67,137,566	-	67,137,566	219,807,665
1,290,281	-	1,290,281	4,965,940
93,274,938	-	93,274,938	306,122,712
623,427,068	-	623,427,068	2,001,459,256
-	-	-	42,783,294
623,427,068	-	623,427,068	2,044,242,550

City of San José
Combining Statement of Defined Benefit and Postemployment Healthcare
Changes in Plan Net Assets
Police and Fire Department Retirement Plan
For the Year Ended June 30, 2009

		Police and Fire Retirement (Fund 135)		
		Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135
ADDITIONS				
Investment income:				
Interest	$	23,818,107	719,273	24,537,380
Dividends		17,874,492	539,785	18,414,277
Net rental income		4,563,743	137,819	4,701,562
Net depreciation in fair value of plan investments		(359,525,308)	(10,857,157)	(370,382,465)
Investment expenses		(6,259,608)	(189,032)	(6,448,640)
Securities lending activities:				
Securities lending income		(1,943,384)	(58,687)	(2,002,071)
Securities lending expenses		(3,030,529)	(91,518)	(3,122,047)
Contributions:				
Employer		27,677,473	9,887,541	37,565,014
Employees		14,167,891	9,217,744	23,385,635
Total additions		(282,657,123)	9,305,768	(273,351,355)
DEDUCTIONS				
General and administrative		1,970,793	59,515	2,030,308
Health insurance		-	18,039,154	18,039,154
Refund of contributions		284,793	-	284,793
Retirement and other benefits paid:				
Death benefits paid		3,515,864	-	3,515,864
Retirement benefits paid		80,139,278	-	80,139,278
Total deductions		85,910,728	18,098,669	104,009,397
Net decrease		(368,567,851)	(8,792,901)	(377,360,752)
Net assets held in trust for pension and postemployment healthcare benefits				
Beginning of year		1,746,600,039	51,576,195	1,798,176,234
End of year	$	1,378,032,188	42,783,294	1,420,815,482

Police and Fire Cost of Living (Fund 141)			
Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 141	Total
10,699,803	-	10,699,803	35,237,183
8,026,927	-	8,026,927	26,441,204
1,988,670	-	1,988,670	6,690,232
(160,401,156)	-	(160,401,156)	(530,783,621)
(2,777,119)	-	(2,777,119)	(9,225,759)
(925,237)	-	(925,237)	(2,927,308)
(1,343,859)	-	(1,343,859)	(4,465,906)
25,425,795	-	25,425,795	62,990,809
6,155,399	-	6,155,399	29,541,034
(113,150,777)	-	(113,150,777)	(386,502,132)
698,855	-	698,855	2,729,163
-	-	-	18,039,154
77,961	-	77,961	362,754
2,465,181	-	2,465,181	5,981,045
22,224,455	-	22,224,455	102,363,733
25,466,452	-	25,466,452	129,475,849
(138,617,229)	-	(138,617,229)	(515,977,981)
762,044,297	-	762,044,297	2,560,220,531
623,427,068	-	623,427,068	2,044,242,550

City of San José
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2009

		Municipal Health Services (Fund 132)	Arena Capital Reserve (Fund 459)	Total
ASSETS				
Equity in pooled cash and investments held in City Treasury	$	33,082	1,824,866	1,857,948
Receivables (net of allowances for uncollectibles):				
Accrued interest		156	10,689	10,845
Total assets		33,238	1,835,555	1,868,793
LIABILITIES				
Other liabilities	$	33,238	1,835,555	1,868,793

City of San José
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended June 30, 2009

Municipal Health Services (Fund 132)		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	32,154	10,117	9,189	33,082
Receivables (net of allowances for uncollectibles):					
Accrued interest		274	156	274	156
Total assets		32,428	10,273	9,463	33,238
LIABILITIES					
Other liabilities		32,428	810	-	33,238
Total liabilities	$	32,428	810	-	33,238

Arena Capital Reserve (Fund 459)		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	1,927,671	1,179,772	1,282,577	1,824,866
Receivables (net of allowances for uncollectibles):					
Accrued interest		16,418	10,689	16,418	10,689
Total assets		1,944,089	1,190,461	1,298,995	1,835,555
LIABILITIES					
Accounts payable		-	1,243,700	1,243,700	-
Other liabilities		1,944,089	585,165	693,699	1,835,555
Total liabilities	$	1,944,089	1,828,865	1,937,399	1,835,555

Total Agency Funds		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	1,959,825	1,189,889	1,291,766	1,857,948
Receivables (net of allowances for uncollectibles):					
Accrued interest		16,692	10,845	16,692	10,845
Total assets		1,976,517	1,200,734	1,308,458	1,868,793
LIABILITIES					
Accounts payable		-	1,243,700	1,243,700	-
Other liabilities		1,976,517	585,975	693,699	1,868,793
	$	1,976,517	1,829,675	1,937,399	1,868,793

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Statistical Section

Statistical Section

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

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-XVIII
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 comprehensive annual financial reports for the relevant year.

SCHEDULE I

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	$ 6,629,815	$ 6,252,648	$ 6,118,214	$ 5,755,755	$ 5,402,375	$ 5,193,578	$ 4,769,191	$ 4,400,552
Restricted	376,155	551,968	229,871	380,102	735,931	501,391	662,863	654,124
Unrestricted	508,517	266,281	217,204	181,646	(107,947)	79,524	95,863	32,914
Total governmental activities net assets	$ 7,514,487	$ 7,070,897	$ 6,565,289	$ 6,317,503	6,030,359	5,774,493	5,527,917	5,087,590
Business-type activities								
Invested in capital assets, net of related debt	$ 462,193	$ 513,697	$ 651,130	$ 672,893	$ 689,045	$ 750,334	$ 823,223	$ 885,744
Restricted	212,912	178,166	178,620	178,548	187,370	158,992	160,153	103,694
Unrestricted	369,044	391,585	330,904	335,016	350,079	339,562	281,494	339,254
Total business-type activities net assets	$ 1,044,149	$ 1,083,448	$ 1,160,654	$ 1,186,457	1,226,494	1,248,888	1,264,870	1,328,692
Primary government								
Invested in capital assets, net of related debt	$ 7,092,008	$ 6,766,345	$ 6,769,344	$ 6,428,648	$ 6,091,420	$ 5,943,912	$ 5,592,414	$ 5,286,296
Restricted	589,067	730,134	408,491	558,650	923,301	660,383	823,016	757,818
Unrestricted	877,561	657,866	548,108	516,662	242,132	419,086	377,357	372,168
Total primary government net assets	$ 8,558,636	$ 8,154,345	$ 7,725,943	$ 7,503,960	$ 7,256,853	$ 7,023,381	$ 6,792,787	$ 6,416,282

Note:
1. The City of San José implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.
2. For fiscal year ended June 30, 2009, the Airport reclassified certain components of net assets from restricted to unrestricted to conform with the provisions of its new Airline Lease Agreement and new Master Trust Agreement. The reclassifications have no effect on the financial position or changes in financial position. As a result, this schedule was not adjusted to reflect these reclassifications for prior fiscal years.

CITY OF SAN JOSE

CHANGE IN NET ASSETS

LAST EIGHT FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

($ 000's)

SCHEDULE II

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	$ 130,963	$ 125,482	$ 143,335	$ 108,070	$ 180,633	$ 120,362	$ 142,886	$ 172,077
Public safety	305,906	323,461	353,009	326,029	351,331	393,449	476,570	463,196
Capital maintenance	586,231	652,748	502,819	502,586	514,025	528,727	569,636	595,547
Community services	268,633	222,250	277,404	210,936	220,719	276,343	211,511	276,396
Sanitation	82,562	77,001	76,889	89,159	91,353	99,720	113,525	122,705
Unallocated interest and fiscal charges	105,077	121,647	127,052	136,955	144,444	154,135	170,852	166,672
Total governmental activities expenses	1,479,372	1,522,589	1,480,508	1,373,735	1,502,505	1,572,736	1,684,980	1,796,593
Business-type activities:								
Norman Y. Mineta San José International Airport	109,814	112,723	117,122	122,882	125,770	139,623	153,927	140,641
Wastewater Treatment System	108,491	102,148	101,627	111,026	108,510	111,435	134,882	126,788
Municipal Water System	16,295	15,577	19,089	18,328	19,896	22,618	26,017	25,416
Parking System	6,931	7,479	9,952	8,652	10,058	9,787	10,127	11,800
Total business-type activities expenses	241,531	237,927	247,790	260,888	264,234	283,463	324,953	304,645
Total primary government expenses	1,720,903	1,760,516	1,728,298	1,634,623	1,766,739	1,856,199	2,009,933	2,101,238
Program Revenues								
Governmental activities:								
Charges for services:								
General government	18,570	10,533	18,646	34,550	51,449	56,125	32,585	30,906
Public safety	17,306	19,569	18,856	21,411	18,377	21,776	45,845	39,254
Capital maintenance	28,029	32,871	28,359	27,365	28,998	26,559	37,580	36,340
Community services	54,381	55,361	53,635	67,276	78,736	73,671	88,050	66,090
Sanitation	74,440	71,794	80,265	86,166	86,957	95,548	121,793	125,198
Operating grants and contributions	54,319	51,691	46,034	63,909	76,004	93,090	94,357	115,965
Capital grants and contributions	110,551	70,726	81,229	48,715	60,337	68,835	48,075	26,306
Total governmental program revenues	357,596	312,545	327,024	349,392	400,858	435,604	468,285	440,059
Business-type activities:								
Charges for services								
Norman Y. Mineta San José International Airport	114,952	113,047	113,758	112,273	117,983	118,978	138,532	138,999
Wastewater Treatment System	102,446	103,041	99,511	113,850	109,587	113,772	129,568	151,516
Municipal Water System	17,298	17,538	20,013	19,149	20,284	22,399	24,154	25,807
Parking System	8,284	10,144	9,583	9,473	9,756	9,777	11,226	11,052
Operating grants and contributions	2,404	5,685	5,724	5,570	8,398	8,284	8,444	9,326
Capital grants and contributions	21,499	16,821	80,651	21,584	32,956	17,927	9,162	18,618
Total business-type activities program revenues	266,883	266,276	329,240	281,899	298,964	291,137	321,086	355,318
Total primary government revenues	$ 624,479	$ 578,821	$ 656,264	$ 631,291	$ 699,822	$ 726,741	$ 789,371	$ 795,377

CITY OF SAN JOSE

CHANGE IN NET ASSETS

LAST EIGHT FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

($ 000's)

SCHEDULE II

(Concluded)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Net (Expenses) Revenues								
Governmental activities	$ (1,121,776)	$ (1,210,044)	$ (1,153,484)	$ (1,024,343)	$ (1,101,647)	$ (1,137,132)	$ (1,216,695)	$ (1,356,534)
Business-type activities	25,352	28,349	81,450	21,011	34,730	7,674	$ (3,867)	50,673
Total primary government	(1,096,424)	(1,181,695)	(1,072,034)	(1,003,332)	(1,066,917)	(1,129,458)	(1,220,562)	(1,305,861)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property	356,136	351,902	338,210	398,541	430,426	467,917	495,731	507,273
Utility	66,889	65,785	68,455	73,081	75,489	79,129	82,255	93,619
Franchise	34,432	32,093	31,712	33,722	36,760	40,415	41,064	41,067
Transit and Occupancy	6,820	14,600	14,166	15,957	19,214	21,400	23,900	19,261
Sales taxes shared revenues	133,241	122,757	126,426	128,822	136,031	145,340	149,500	127,802
State of California in-lieu	51,306	53,787	41,455	20,850	5,817	5,911	9,244	8,839
Business license fee	35,401	35,594	36,201	36,936	37,236	39,502	39,901	38,597
Unrestricted interest and investment earnings	70,124	59,287	17,040	17,594	23,682	39,359	65,721	34,092
Other revenue	21,262	22,994	26,368	44,343	42,076	35,875	53,420	40,372
Gain on sale of capital assets	706	317	4,487	-	-	-	-	-
Transfers	5,842	7,338	(48,782)	6,711	7,772	6,418	9,383	5,285
Special items	-	-	(7,862)	-	-	-	-	-
Total governmental activities	782,159	766,454	647,876	776,557	814,503	881,266	970,119	916,207
Business-type activities								
Unrestricted interest and investment earnings	26,619	15,861	3,024	11,503	13,079	21,138	29,232	18,434
Transfers	(5,842)	(7,338)	(7,268)	(6,711)	(7,772)	(6,418)	(9,383)	(5,285)
Total business-type activities	20,777	8,523	(4,244)	4,792	5,307	14,720	19,849	13,149
Total primary government	$ 802,936	$ 774,977	$ 643,632	$ 781,349	$ 819,810	$ 895,986	$ 989,968	$ 929,356
Change In Net Assets								
Governmental activities	$ (339,617)	$ (443,590)	$ (505,608)	$ (247,786)	$ (287,144)	$ (255,866)	$ (246,576)	$ (440,327)
Business-type activities	46,129	36,872	77,206	25,803	40,037	22,394	15,982	63,822
Total Primary government	$ (293,488)	$ (406,718)	$ (428,402)	$ (221,983)	$ (247,107)	$ (233,472)	$ (230,594)	$ (376,505)

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

SCHEDULE III

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved	$ 52,218	$ 33,918	$ 29,582	$ 29,514	$ 33,267	$ 35,708	$ 48,511	$ 32,400
Unreserved	197,311	163,735	153,757	162,517	203,703	244,889	228,622	178,793
Total General Fund	$ 249,529	$ 197,653	$ 183,339	$ 192,031	$ 236,970	$ 280,597	$ 277,133	$ 211,193
Other Governmental Funds								
Reserved	$ 557,551	$ 894,117	$ 666,185	$ 633,171	$ 573,567	$ 539,761	$ 695,408	$ 704,866
Unreserved, reported in:								
Special revenue funds	207,677	202,580	191,129	248,863	268,344	285,532	299,078	314,128
Debt service funds	-	-	-	-	(15,109)	(31,493)	(31,067)	-
Capital project funds	323,377	202,475	284,743	301,019	293,622	307,713	263,207	185,549
Total Other Governmental Funds	$ 1,088,605	$ 1,299,172	$ 1,142,057	$ 1,183,053	$ 1,120,424	$ 1,101,513	$ 1,226,626	$ 1,204,543

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

SCHEDULE IV

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES								
Taxes and special assessments	$ 663,580	$ 676,229	$ 646,732	$ 686,088	$ 730,905	$ 788,690	$ 827,531	$ 808,152
Licenses, permits, and fines	70,803	73,687	83,631	86,518	90,351	88,611	89,656	84,274
Intergovernmental	79,756	78,946	67,254	81,352	80,003	92,051	96,930	120,460
Charges for current services	173,942	177,567	202,564	225,397	250,975	265,381	296,281	322,002
Rent	10,705	9,142	7,856	8,211	9,836	10,326	13,789	12,740
Interest and other revenues	185,944	133,246	68,082	97,499	106,571	140,631	169,506	106,979
Total revenues	1,184,730	1,148,817	1,076,119	1,185,065	1,268,641	1,385,690	1,493,693	1,454,607
EXPENDITURES								
General government	176,880	185,256	190,132	198,319	212,964	227,255	238,747	259,699
Public safety	284,259	307,991	325,301	334,169	343,576	370,575	418,869	420,483
Capital maintenance	288,203	338,504	177,688	178,262	210,032	233,910	248,203	282,230
Community services	249,222	194,959	249,079	194,509	203,273	254,525	191,541	249,624
Sanitation	82,760	76,799	77,507	89,368	91,908	99,746	111,965	123,477
Capital outlay	228,996	201,059	278,536	289,985	203,573	130,669	171,575	173,434
Debt service:								
Principal	41,897	45,056	54,966	50,752	63,567	67,487	71,621	88,738
Interest and fiscal charges	91,800	126,531	129,641	138,253	145,698	150,600	167,837	164,785
Bond issuance costs	11,025	10,443	11,175	6,822	6,676	20,664	4,718	2,926
Payment to refunded bond escrow agent	6,429	17,331	14,916	2,022	9,282	14,974	12,992	3,143
Total expenditures	1,461,471	1,503,929	1,508,941	1,482,461	1,490,549	1,570,405	1,638,068	1,768,539
Deficiency of revenues under expenditures	(276,741)	(355,112)	(432,822)	(297,396)	(221,908)	(184,715)	(144,375)	(313,932)
OTHER FINANCING SOURCES (USES)								
Bonds issued	434,858	541,493	216,725	245,025	151,320	171,300	246,030	162,875
Refunding bonds issued	191,725	21,555	373,610	195,870	277,520	737,740	125,500	88,380
Premium / (Discount) on bonds	(189)	(3,778)	16,795	3,127	20,477	30,124	1,645	(1,072)
Payment to refunded bond escrow agent	(189,650)	(53,122)	(352,829)	(126,899)	(289,673)	(745,137)	(116,908)	(84,982)
Reclassification of variable rate demand bonds			-	-	-	-	-	(5,300)
Proceeds from sale of capital assets	2,277	317	4,487	4,482	11,449	8,491	-	8,365
Loan proceeds	-	-	3,200	19,427	25,094	-	374	50,000
Transfers in	182,943	569,750	187,128	192,968	231,092	221,671	239,207	265,681
Transfers out	(177,101)	(562,412)	(179,860)	(186,916)	(223,061)	(214,758)	(229,824)	(258,038)
Total other financing sources (uses)	444,863	513,803	269,256	347,084	204,218	209,431	266,024	225,909
Special Item	-	-	(7,862)	-	-	-	-	-
Net change in fund balance	$ 168,122	$ 158,691	$ (171,428)	$ 49,688	$ (17,690)	$ 24,716	$ 121,649	$ (88,023)
Debt service as a percentage of noncapital expenditures	12.26%	15.30%	17.12%	16.59%	17.50%	17.62%	17.54%	16.27%

Note: 1. As certain data required by GASB 44 was not readily available for years prior to 2002, the City of San José has elected to show only eight years of data for this schedule.

2. Debt ratio was calculated by dividing debt service by total government expenditures excluding capital outlay.

SCHEDULE V

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

	City					Redevelopment Agency [1]					
Fiscal Year	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	Direct Rate	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	Direct rate	Total Direct Tax Rate
2000	$58,813,662	$6,503,332	$1,369,113	$63,947,881	0.112%						0.112%
2001	54,647,708	4,008,056	1,480,468	57,175,296	0.141%	$10,355,892	$3,420,451	$0	$13,776,343	1.032%	0.314%
2002	61,143,626	4,676,212	1,844,586	63,975,252	0.138%	12,296,146	5,583,448	0	17,879,594	1.054%	0.338%
2003	65,530,209	4,371,115	1,985,708	67,915,616	0.137%	13,266,320	5,466,624	0	18,732,944	1.057%	0.336%
2004	71,389,828	4,062,051	2,373,902	73,077,977	0.134%	11,685,532	5,277,110	0	16,962,642	1.003%	0.298%
2005	76,286,940	3,979,113	2,733,404	77,532,649	0.133%	11,197,792	3,843,039	0	15,040,831	0.997%	0.274%
2006	84,455,121	3,800,649	3,020,934	85,234,836	0.139%	11,211,222	3,822,707	0	15,033,929	0.997%	0.268%
2007	92,922,334	3,908,432	3,214,283	93,616,483	0.136%	12,116,350	3,975,452	0	16,091,802	1.006%	0.264%
2008	100,183,489	4,397,235	3,487,434	101,093,290	0.136%	13,948,249	4,104,730	0	18,052,979	1.024%	0.270%
2009	104,823,540	4,686,153	3,682,139	105,827,554	0.132%	15,256,509	4,253,680	0	19,510,189	1.037%	0.273%

1. The Redevelopment Agency (RDA) became a separate entity in 2001. Prior to 2001, the RDA data was combined with the City.

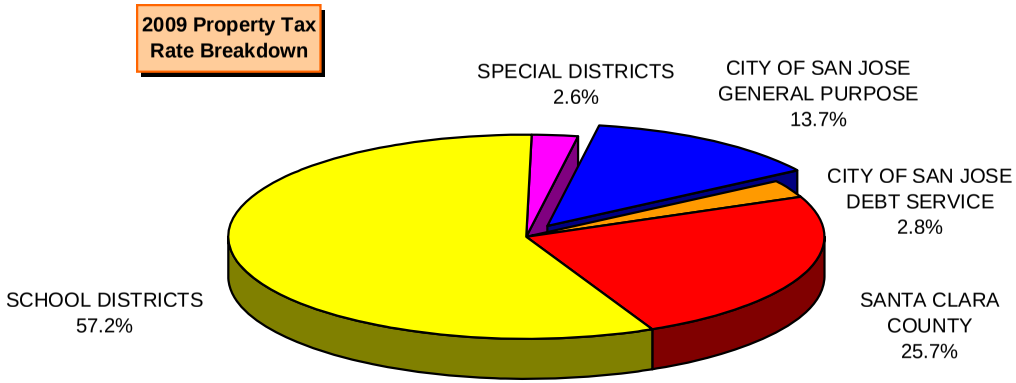
Note:

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

Source: Department of Finance, County of Santa Clara

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

SCHEDULE VI



Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City of San José:										
General purpose	0.155	0.155	0.155	0.155	0.156	0.156	0.156	0.156	0.156	0.156
Debt service	0.000	0.000	0.009	0.019	0.026	0.026	0.029	0.033	0.032	0.033
	0.155	0.155	0.164	0.174	0.182	0.182	0.185	0.189	0.188	0.189
Santa Clara County	0.285	0.289	0.290	0.292	0.292	0.292	0.292	0.292	0.292	0.292
School districts	0.605	0.608	0.622	0.667	0.656	0.656	0.669	0.670	0.628	0.684
Special districts	0.032	0.031	0.030	0.032	0.039	0.039	0.031	0.031	0.030	0.031
	1.077	1.083	1.105	1.166	1.169	1.169	1.177	1.182	1.137	1.195

Note:

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

Source: Department of Finance, County of Santa Clara

CITY OF SAN JOSE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
($ 000's)

SCHEDULE VII

Taxpayer	2009 Taxable Assessed Value	2009 Percent of Total City Taxable Assessed Value	2000 Taxable Assessed Value	2000 Percent of Total City Taxable Assessed Value
Cisco Technology, Inc.	$ 1,186,167	0.95%	$ -	-
Blackhawk Parent LLC	979,669	0.78%	-	-
The Irvine Company	749,807	0.60%	-	-
Hitachi, Ltd.	619,013	0.49%	-	-
Legacy Partners	522,359	0.42%	-	-
VF Mall LLC	482,459	0.38%	216,632	0.34%
Carramerica Realty Operating Partnership LP	400,777	0.32%	323,206	0.51%
eBay Inc.	379,997	0.30%	-	-
FRIT San Jose Town & Country Village LLC	324,965	0.26%	-	-
Essex Portfolio LP	302,232	0.24%	-	-
Adobe Systems, Inc.	251,656	0.20%	-	-
Xilinx, Inc.	242,639	0.19%	-	-
Oakridge Mall LP	240,156	0.19%	-	-
Mission West Properties LP	237,286	0.19%	-	-
Sobrato Companies	234,093	0.19%	217,785	0.34%
Hercules Holding II LLC	230,148	0.18%	-	-
International Business Machines Corporation	223,578	0.18%	1,371,549	2.14%
Bay Apartment Communities Inc.	221,350	0.18%	-	-
Barbaccia Properties	207,384	0.17%	-	-
AMB Property LP	201,964	0.16%	-	-
Total assessed property valuation, local secured net	$ 8,237,698	6.57%	$ 2,129,172	3.33%
Total City of San José net assessed property valuation (including RDA):				
FY 1999-2000			$ 63,947,881	
FY 2008-2009	$ 125,337,743			

Note: As some information required by GASB 44 is not readily available, certain data for 2000 is not shown in the schedule.

Source: California Municipal Statistics, Inc.

SCHEDULE VIII

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

Fiscal Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	$ 71,971	$ 71,971	100.0	0	$ 71,971	100.0
2001	80,694	80,694	100.0	0	80,694	100.0
2002	88,526	88,286	99.7	0	88,286	99.7
2003	93,592	93,592	100.0	0	93,592	100.0
2004	97,748	95,407	97.6	0	95,649	97.9
2005	105,486	105,486	100.0	0	105,486	100.0
2006	118,803	117,360	98.8	209	117,570	99.0
2007	127,693	127,141	99.6	213	127,354	99.7
2008	137,290	135,866	99.0	223	136,088	99.1
2009	139,735	139,501	99.8	234	139,735	100.0

Note: The tax levied for the current year is based on estimates provided by the Santa Clara County. The tax levied for prior years are adjusted to reflect actual tax collections.

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

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

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Notes & Loans	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Total Governmental Activities
2000	$ 0	$ 1,207,000	$ 4,805	$ 154,036	$ 70,420	$ 247,805	$ 1,684,066
2001	71,000	1,230,560	4,655	260,741	90,827	246,150	1,903,933
2002	71,000	1,628,780	4,490	204,839	96,096	295,905	2,301,110
2003	184,720	1,605,925	4,315	578,100	80,708	291,985	2,745,753
2004	178,480	1,735,480	4,125	581,978	85,142	346,760	2,931,965
2005	337,240	1,782,775	23,347	655,235	79,434	339,595	3,217,626
2006	432,445	1,745,275	92,786	646,070	75,007	331,870	3,323,453
2007	510,710	1,796,345	89,926	641,551	71,580	322,460	3,432,572
2008	528,565	1,978,935	86,166	629,324	68,151	312,240	3,603,381
2009	519,320	2,055,505	131,858	655,137	64,886	301,250	3,727,956

	Business-type Activities						
Fiscal Year	Airport Revenue Bonds	Clean Water Revenue Bonds	Wastewater Revolving Fund Loans	Total Business-type Activities	Total Primary Government	Percentage of Property Value	Debt Per Capita
2000	$ 136,515	$ 124,665	$ 69,260	$ 330,440	$ 2,014,506	$ 1.44%	$ 2.18
2001	130,470	115,085	66,058	311,613	2,215,546	1.26%	2.48
2002	282,485	104,960	62,798	450,243	2,751,353	1.12%	3.00
2003	268,770	99,285	59,479	427,534	3,173,287	1.07%	3.43
2004	512,500	95,745	56,099	664,344	3,596,309	1.03%	3.88
2005	503,885	92,035	52,658	648,578	3,866,204	1.02%	4.09
2006	494,910	81,150	49,153	625,213	3,948,666	0.95%	4.14
2007	485,545	77,185	45,585	608,315	4,040,887	0.89%	4.15
2008	1,060,815	72,875	41,953	1,175,643	4,779,024	0.83%	4.83
2009	1,049,635	62,685	38,254	1,150,574	4,878,530	0.80%	4.79

Note: Data pertaining to personal income specific to the City of San Jose is not readily available, thus the total debt outstanding is expressed as a percentage of property value.

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

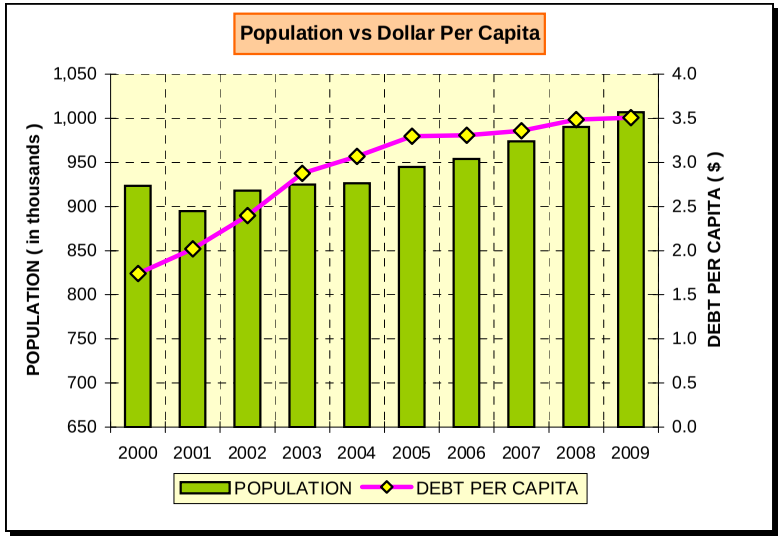
CITY OF SAN JOSE

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

($ 000'S)

SCHEDULE X



	Outstanding General Debt								
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Lease Revenue Bonds	Revenue Bonds	Total	Assessed Value	Population	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt Per Capita
2000	$ 0	$ 1,207,000	$ 154,036	$ 247,805	$ 1,608,841	$ 63,947,881	923,591	0.025159	$ 1.74
2001	71,000	1,230,560	260,741	246,150	1,808,451	70,951,639	894,943	0.025489	2.02
2002	71,000	1,628,780	204,839	295,905	2,200,524	81,854,846	917,971	0.026883	2.40
2003	184,720	1,605,925	578,100	291,985	2,660,730	86,648,560	925,000	0.030707	2.88
2004	178,480	1,735,480	581,978	346,760	2,842,698	90,040,619	926,200	0.031571	3.07
2005	337,240	1,782,775	655,235	339,595	3,114,845	92,573,480	945,000	0.033647	3.30
2006	432,445	1,745,275	646,070	331,870	3,155,660	100,268,765	954,000	0.031472	3.31
2007	510,710	1,796,345	641,551	322,460	3,271,066	109,708,285	974,000	0.029816	3.36
2008	528,565	1,978,935	629,324	312,240	3,449,064	119,146,269	990,000	0.028948	3.48
2009	519,320	2,055,505	655,137	301,250	3,531,212	125,337,743	1,007,000	0.028174	3.51

Source: Finance Department, City of San José

CITY OF SAN JOSE
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2009

City Net Assessed Valuation	$ 105,827,554,000
Redevelopment Agency Incremental Valuation	19,510,189,000
Total Assessed Valuation	$ 125,337,743,000

	% Applicable	Outstanding Debt as of 06/30/09	Estimated Share of Overlapping Debt
Direct and Overlapping Tax and Assessment Debt:			
City of San Jose Community Facilities Districts	100.00%	$ 35,535,000	$ 35,535,000
City of San Jose Special Assessment Bonds	100.00%	29,350,815	29,350,815
West Valley Community College District	27.17%	215,334,692	58,499,976
Santa Clara Unified School District	4.00%	282,105,000	11,292,663
Gavilan Joint Community College District	7.49%	74,835,000	5,607,387
San José - Evergreen Community College District	87.11%	246,472,123	214,711,725
Foothill Community College District	4.48%	482,349,288	21,614,072
San José Unified School District and Certificates of Participation	97.69%	534,672,986	522,300,653
Morgan Hill Unified School District	18.97%	69,509,040	13,184,475
Campbell Union High School District	59.37%	139,915,000	83,061,939
East Side Union High School District	94.53%	478,947,216	452,724,856
Fremont Union High School District	9.59%	208,080,000	19,948,630
Los Gatos Union School District	1.47%	86,400,000	1,270,080
Alum Rock Union School District	74.13%	80,537,892	59,704,350
Berryessa Union School District	94.20%	43,668,031	41,133,102
Burbank School District	16.00%	9,001,481	1,440,507
Cambrian School District	67.29%	19,549,944	13,154,571
Campbell Union School District	45.11%	101,399,546	45,740,321
Cupertino Union School District	15.99%	124,159,021	19,853,027
Evergreen School District	99.49%	126,523,413	125,876,878
Evergreen School District Community Facilities District #92-1	100.00%	4,345,000	4,345,000
Franklin-McKinley School District	98.23%	61,842,329	60,747,101
Milpitas Unified School District	0.00%	50,930,000	102
Moreland School District	76.11%	71,029,468	54,061,949
Mount Pleasant School District	86.94%	9,214,992	8,011,145
Oak Grove School District	99.82%	95,577,232	95,405,193
Orchard School District	100.00%	25,901,846	25,901,846
Union School District	72.06%	77,459,780	55,814,419
Santa Clara Valley Water District Benefit Assessment District	39.05%	161,485,000	63,053,433
Santa Clara County	39.05%	350,000,000	136,661,000
Los Gatos-Saratoga Joint Union High School District	0.65%	62,200,000	405,544
Santa Clara Valley Water District Zone W-1	47.08%	1,390,000	654,384
Total Direct and Overlapping Tax and Assessment Debt		4,359,721,135	2,281,066,143
Overlapping Other Debt:			
Santa Clara County General Fund Obligations	39.05%	862,655,000	336,832,271
Santa Clara County Pension Obligations	39.05%	389,174,822	151,957,201
Santa Clara County Board of Education Certificates of Participation	39.05%	14,530,000	5,673,384
San Jose Unified School District Certificates of Participation	97.69%	116,910,052	114,204,753
Santa Clara Unified School District Certificates of Participation	4.00%	12,980,000	519,589
Los Gatos - Saratoga Joint Union High School District Certificates of Participation	0.65%	10,665,000	69,536
Cupertino Union School District Certificates of Participation	15.99%	1,215,000	194,279
East Side Union High School District Post Employment Obligation Bonds	94.53%	31,955,000	30,205,464
Franklin-McKinley School District Certificates of Participation	98.23%	5,780,000	5,677,636
Santa Clara County Vector Control District Certificates of Participation	39.05%	4,125,000	1,610,648
Midpeninsula Regional Open Space Park District General Fund Obligations	0.02%	116,673,031	18,668
Foothill-DeAnza Community College District General Fund Obligations	4.48%	25,605,000	1,147,360
Luther Burbank School District Certificates of Participation	16.00%	6,307,408	1,009,375
Total Gross Direct and Overlapping General Fund Debt		1,598,575,313	649,120,164
Total Overlapping Debt		$ 5,958,296,448	
City Direct Debt			519,320,000
Total Direct and Overlapping Debt			$ 1,168,440,164

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

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

CITY OF SAN JOSE

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

($ 000's)

SCHEDULE XII

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Calculation of Debt Limit											
Gross assessed value for fiscal year	$	65,316,993	72,432,107	83,699,432	88,634,267	92,414,521	95,306,884	103,289,698	112,922,568	122,633,703	129,019,882
Debt limit at 15% of assessed value (1)		x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15	x .15
Debt limit applicable to fiscal year	$	9,797,549	10,864,816	12,554,915	13,295,140	13,862,178	14,296,033	15,493,455	16,938,385	18,395,055	19,352,982
Calculation of Legal Debt Margin											
Debt limit applicable to fiscal year	$	9,797,549	10,864,816	12,554,915	13,295,140	13,862,178	14,296,033	15,493,455	16,938,385	18,395,055	19,352,982
Less: total general obligation bonds		0	71,000	71,000	184,720	178,480	337,240	432,445	510,710	528,565	519,320
Legal debt margin	$	9,797,549	10,793,816	12,483,915	13,110,420	13,683,698	13,958,793	15,061,010	16,427,675	17,866,490	18,833,662
Total debt applicable to the limit as a percentage of debt limit		0.0%	0.7%	0.6%	1.4%	1.3%	2.4%	2.8%	3.0%	2.9%	2.7%

Note: (1) Section 1216 of the San José City Charter limits the general obligation bonds of the City to 15% of the total assessed value of all real and personal property within the City limits.

CITY OF SAN JOSE
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
($ 000's)

SCHEDULE XIII

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2000	$ 91,389	$ 50,932	$ 40,457	$ 5,801	$ 7,710	$ 13,511	3.03
2001	124,537	61,248	63,289	6,041	7,382	13,423	4.75
2002	115,856	71,564	44,292	6,124	7,884	14,008	3.13
2003	127,816	73,300	54,516	6,610	11,036	17,646	3.09
2004	125,664	71,313	54,351	5,993	11,460	17,453	3.11
2005	127,425	73,654	53,771	7,608	10,324	17,932	3.00
2006	137,412	78,320	59,092	8,975	12,448	21,423	2.76
2007	140,901	86,509	54,392	8,776	12,061	20,837	2.61
2008	159,318	96,126	63,192	9,753	11,814	21,567	2.93
2009	164,086	90,927	73,159	11,195	11,842	23,037	3.18

1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges.
2) Includes operating expenses less depreciation and expenses paid from sources other than revenues.
3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.

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

WASTEWATER TREATMENT SYSTEM

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2000	$ 124,017	$ 93,073	$ 30,944	$ 12,269	$ 7,683	$ 19,952	1.55
2001	121,070	80,220	40,850	12,781	7,269	20,050	2.04
2002	118,409	84,059	34,350	13,385	5,881	19,266	1.78
2003	112,333	78,798	33,535	8,994	5,385	14,379	2.33
2004	101,281	78,393	22,888	6,920	5,057	11,977	1.91
2005	119,995	87,749	32,246	7,151	5,037	12,188	2.65
2006	116,453	85,936	30,517	14,389	4,775	19,164	1.59
2007	124,754	89,313	35,441	7,533	3,786	11,319	3.13
2008	141,777	105,779	35,998	7,943	3,405	11,348	3.17
2009	165,484 *	101,833	63,651	8,179	3,276	11,455	5.56

1) Includes operating and other revenues.
2) Includes operating expenses less depreciation and amortization.
** Rate increase effective July 1, 2008.*

Source: Environmental Services Department, City of San José

SCHEDULE XIV

CITY OF SAN JOSE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Calendar Year	Population (1), (2)	Net Taxable Assessed Values (3) ($000's)	Per Capita Taxable Property Values (3)	Average Unemployment Rate % (4)
2000	923,591	$ 63,947,881	$ 69,238	3.0
2001 (*)	894,943	70,951,639	79,281	2.3
2002 (**)	917,971	81,854,846	89,169	4.2
2003 (**)	925,000	86,648,560	93,674	9.8
2004 (**)	926,200	90,040,619	97,215	9.6
2005 (**)	945,000	92,573,480	97,961	7.2
2006 (**)	954,000	100,268,765	105,104	6.0
2007 (**)	974,000	109,708,285	112,637	5.0
2008 (**)	990,000	119,146,269	120,350	5.3
2009 (**)	1,007,000	125,337,743	124,466	6.6

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

Sources:

1. City of San José Planning Department, Census 2000(*)

2. State of California, Department of Finance (**)

3. Department of Finance, County of Santa Clara

4. State of California, Employment Development Department, Labor Market Information Division

SCHEDULE XV

CITY OF SAN JOSE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND THREE YEARS AGO

	2009			2006		
Company or Organization	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	15,360	1	1.73%	14,860	2	1.70%
Cisco Systems	11,600	2	1.31%	16,500	1	1.89%
IBM	7,460	3	0.84%	5,800	4	0.66%
City of San Jose*	6,990	4	0.79%	6,670	3	0.76%
San Jose State University	3,100	5	0.35%	3,100	5	0.35%
eBay Inc.	3,000	6	0.34%	2,200	8	0.25%
Hitatchi	2,900	7	0.33%	2,880	6	0.33%
San Jose Unified School District	2,690	8	0.30%	1,820	13	0.21%
Xilinx, Inc.	2,340	9	0.26%	2,300	7	0.26%
Sanmina-SCI	2,170	10	0.24%	2,100	9	0.24%
Kaiser Permanente **	2,120	11	0.24%	na	na	na
Adobe Systems, Inc.	2,000	12	0.23%	2,000	10	0.23%
Good Samaritan Hospital	1,850	13	0.21%	1,850	12	0.21%
KLA-Tencor	1,770	14	0.20%	1,850	11	0.21%
Cadence Design Systems	1,560	15	0.18%	1,750	14	0.20%

Note: Data pertaining to principal employers for nine years ago is not readily available. As such, we used 2006 information which was the earliest available.

(*) Full-time employees.

(**) 2006 number of employees is not available.

Source: City of San Jose, Planning, Building & Code Enforcement Department, Finance Department

CITY OF SAN JOSE

SCHEDULE XVI

FULL-TIME AND PART-TIME CITY EMPLOYEES

LAST TEN FISCAL YEARS

	Full-Time and Part-Time Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Council Staff	88	85	100	99	97	97	94	85	93	80
City Manager's Office	84	101	115	97	95	108	109	126	117	118
City Auditor's Office	28	26	28	28	23	21	20	17	17	19
City Attorney's Office	93	98	98	93	91	88	82	87	85	87
City Clerk's Office	18	17	18	20	13	14	15	19	21	21
Information Technology	104	120	129	113	109	117	100	102	143	141
Planning, Building & Code Enforcement	315	336	349	335	336	320	309	351	367	328
Police Department	1,960	1,993	2,018	1,990	1,962	1,898	1,881	1,934	1,927	1,953
Independent Police Auditor	4	6	8	6	6	5	6	6	6	5
Fire Department	765	802	831	796	775	766	801	859	867	828
Library Department	540	566	577	528	543	589	621	733 (2)	712	701
Finance Department	129	130	137	107	106	106	133 (1)	127	142	139
Human Resources	108	130	175	189	146	123	139	164	179	148
Airport	311	332	348	361	362	360	347	360	367	343
Convention & Cultural Facities	604	142	155	129	118	93	71	78	72	69
General Services Department	352	347	351	338	325	298	178 (1)	189	208	304 (3)
Transportation	444	500	519	500	480	452	447	431	478	462
Public Works Department	430	433	464	455	440	383	365	347	361	332
Office of Economic Development	16	42	44	46	54	60	85	75	76	90
Environmental Services Department	438	434	414	408	401	424	418	460	477	498
Parks, Recreation & Neighborhood Svs	2,364	3,581	3,159	2,323	1,944	1,960	2,214	1,956	1,909	1,709 (3)
Housing Department	64	66	64	67	70	66	67	80	85	86
Retirement Services	15	20	21	23	23	21	26	29	29	30
	9,274	10,307	10,122	9,051	8,519	8,369	8,528	8,615	8,738	8,491

Note:

1. Effective FY 2005-2006, the Purchasing Group and the Parks Maintenance Group were transferred from the General Services to the Finance Department and the Parks, Recreation & Neighborhood Services Department.
2. Effective FY 2006-2007, the City opened the Evergreen and Cambian Libraries.
3. Effective FY 2008-2009, the Animal Care Services Division was transferred from the Parks, Recreation & Neighborhood Services Department to the General Services Department.

Source: Finance Department, City of San José

CITY OF SAN JOSE
OPERATING INDICATORS
LAST EIGHT FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009
AIRPORT:								
Takeoffs Per Year:								
Commercial Airline Operations	145,271	129,317	113,972	98,892	97,198	97,600	97,853	84,548
Cargo Commercial Airlines Operations	6,582	5,815	4,636	3,594	3,464	3,384	3,245	2,578
Taxi / Commuter Commercial	5,690	10,385	19,032	29,672	30,756	28,806	30,724	22,454
General Aviation	97,661	78,618	62,510	63,708	61,907	55,021	55,975	46,204
Military Flights	295	211	125	99	83	103	59	100
Landings Per Day:								
Commercial	432	199	189	181	180	178	180	150
General Aviation	266	108	86	87	85	75	77	63
Number of Passengers Per Year:								
Business	6,394,000	4,320,000	5,136,000	5,148,960	5,208,960	5,113,920	5,116,800	4,200,000
Non-Business	7,367,000	6,480,000	5,564,000	5,578,040	5,643,040	5,540,080	5,543,200	4,550,000
ENVIRONMENT AND UTILITIES:								
Water:								
Gallons of Wastewater Treated Per Day (in millions)	122	118	118	116	116	116	116	107
Gallons of Municipal Water Consumption Per Year (in billions)	7.2	7.0	7.0	7.4	7.7	7.7	8.3	8.7
Recycled Materials:								
Tons of Recyclables	100,637	95,217	69,615	100,703	104,631	105,648	132,821	129,462
Tons of Yard Trimmings	123,066	127,401	135,733	141,061	146,706	161,142	123,473	125,676
Gallons of Used Motor Oil	210,135	212,276	194,645	244,647	249,477	165,357	120,098	116,864
FIRE:								
Fires Per Year	2,250	2,245	2,200	1,700	2,794	3,270	3,172	3,018
Hazardous Materials Incidents Per Year	600	500	500	350	221	330	546	841
Fire Safety Code Inspections Per Year	13,000	16,000	16,000	16,000	16,050	14,123	16,989	12,056
Emergency Medical Calls Per Year	NA	40,000	40,000	40,650	41,322	41,616	40,534	46,533
LIBRARIES:								
Circulation	9,368,248	11,635,848	13,491,212	14,170,776	14,449,984	14,200,000	14,250,000	14,399,685
Reference Questions	413,080	500,345	536,073	529,641	489,282	550,000	600,000	648,721
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:								
Annual Participant Hours / Attendance in Recreation Programs *	11,500,000	11,160,164	4,226,800	3,592,800	3,679,836	2,610,890	2,740,500	2,200,000
POLICE:								
911 Calls Per Year	220,612	212,152	202,891	235,100	317,884	368,855	400,155	457,360
311 Calls Per Year	292,922	285,214	301,144	300,700	265,548	259,834	257,100	256,648
Cases Investigated Per Year	25,000	32,472	33,202	24,262	37,399	42,000	46,096	45,000
BUILDING PERMITS:								
Number issued:								
New Buildings	789	1,023	1,166	1,206	1,201	1,534	916	593
Building Alterations	7,968	8,976	8,924	8,547	8,025	7,718	7,272	6,165
Value:								
New Buildings	673,270,409	552,699,198	473,149,068	532,785,367	466,877,910	535,783,080	455,272,352	332,315,767
Building Alterations	322,390,480	371,974,285	331,486,068	273,798,097	358,482,282	412,444,929	439,999,543	342,053,067

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

(*) For fiscal years 2002 and 2003, participation was measured using hours. Effective FY 2003-2004, participation was changed from hours to attendance.

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

CITY OF SAN JOSE
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST EIGHT FISCAL YEAR

SCHEDULE XVIII

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
AIRPORT:								
Terminals	2	2	2	2	2	2	2	2
Runways	3	3	3	3	3	3	3	3
Public Parking Spaces:								
Short-Term Parking	3,100	2,878	2,888	2,888	2,888	2,856	2,383	2,383
Long-Term Parking	4,100	4,100	4,000	4,050	4,050	3,646	3,991	3,991
ENVIRONMENT AND UTILITIES:								
Wastewater:								
Miles of Municipal Sewer Mains	2,169	2,169	2,181	2,190	2,195	2,200	2,200	2,200
Maximum Daily Capacity (millions of gallons)	167.0	167.0	167.0	167.0	167.0	167.0	167.0	167.0
Water:								
Meters in Municipal Service Water Area	25,161	25,500	26,025	26,416	26,954	26,954	26,230	26,500
Miles of Water Mains	360	311	325	330	340	340	343	344
FIRE:								
Station	31	31	31	31	31	31	34	34
LIBRARIES:								
Main Library	1	1	1	1	1	1	1	1
Branches	17	17	17	17	20	20	21	21
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:								
Park Sites	149	149	170	194	159	163	174	183
Community Centers	19	19	19	27	28	30	38	42
POLICE:								
Stations	1	1	1	1	1	1	1	1
Vehicles and Motorcycles	451	418	412	399	384	384	387	390
Horses and Dogs	32	34	33	23	26	29	27	27
Aircraft	2	2	2	2	2	2	2	2

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

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