

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Vilcia Rodriguez

SUBJECT: SEE BELOW

DATE: October 23, 2008

Approved

Deanna Ardu

Date

10/23/08

SUBJECT: Comprehensive Annual Financial Report and Comprehensive Annual Debt Report [Public Safety Finance Strategic Support Committee – Items d & f]

On October 16, 2008, staff presented the Comprehensive Annual Financial Report and Comprehensive Annual Debt Report to the Public Safety, Finance and Strategic Support Committee. To review these lengthy reports, please refer to the following link:

<http://www.sanjoseca.gov/clerk/CommitteeAgenda/PSFSS/20081016/PS2001016a.pdf>

On October 28, 2008, staff will be providing a presentation on these two financial reports and a copy of the extended presentation provided to the Committee is attached for your reference. A shortened version of this report will be provided on October 28, 2008.

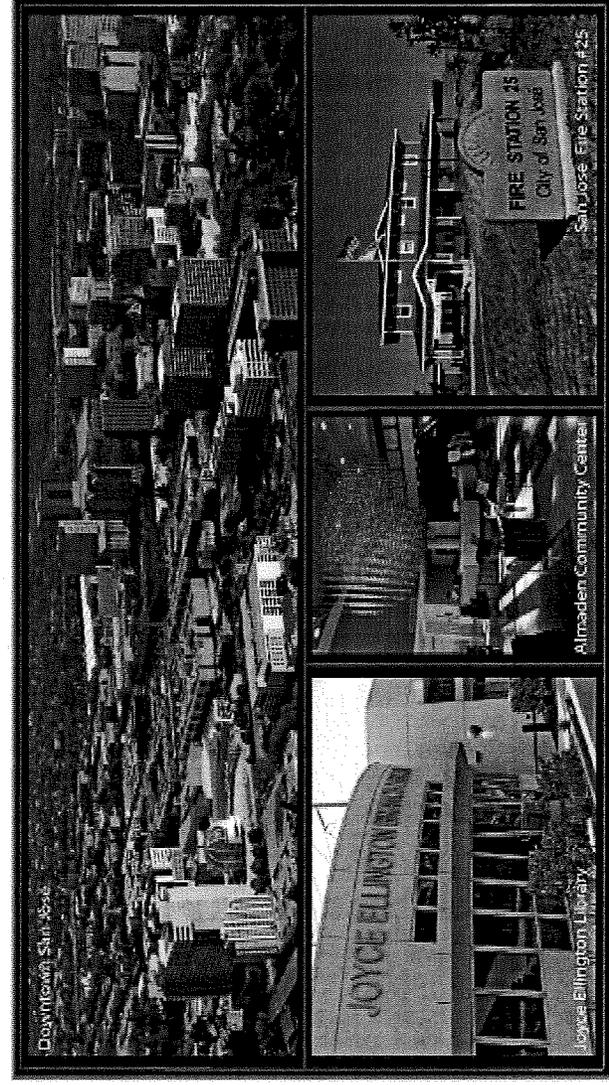
Vilcia Rodriguez
VILCIA RODRIGUEZ
Senior Executive Analyst

Attachment



2008

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008

San José City Charter

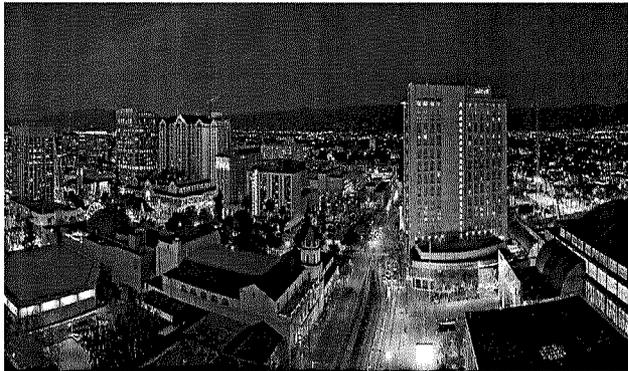
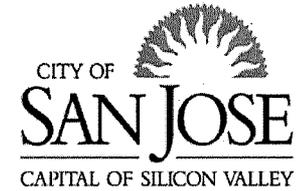
SECTION 805. Office of the City Auditor

Sharon Winslow-Erickson

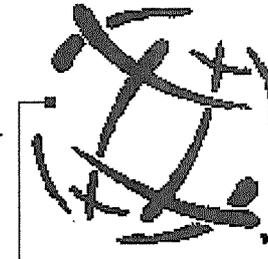
Section 805 a:

**Conduct or cause to be conducted
annual post audits of all the fiscal
transactions and accounts kept by
or for the City.**

CAFR Information Flow



Redevelopment Agency



Norman Y. Mineta San José International Airport



ESD/Water Pollution Control Plant



General Government

Goals and Accomplishments

- ***Fiscal year 2006-2007, 20th consecutive year for Government Finance Officers Association (GFOA) award***
- ***CAFR on the Internet (www.csjfinance.org)***
- ***Statement under Oath***

CAFR Table of Contents

Introductory Section

Letter of Transmittal

Statement of Oaths

Awards

Mayor and Council

Organization Chart

Management's Discussion and Analysis

Basic Financial Statements

- Government-wide
- Governmental funds
- Proprietary Funds
- Fiduciary Funds
- Notes to the statements

Auditor's Opinion

Required Supplementary Information

Supplemental Information

- Nonmajor Funds
- Trust and Agency Funds

Statistics

City of San José
Statement of Net Assets
For the Year Ended June 30, 2008
(in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
ASSETS	\$ <u>9,758,669</u>	\$ <u>2,733,932</u>	\$ <u>5,242,325</u>	\$ <u>17,734,926</u>
LIABILITIES	<u>4,230,752</u>	<u>1,469,062</u>	<u>905,764</u>	<u>6,605,578</u>
NET ASSETS	<u>5,527,917</u>	<u>1,264,870</u>	<u>4,336,561</u>	<u>11,129,348</u>

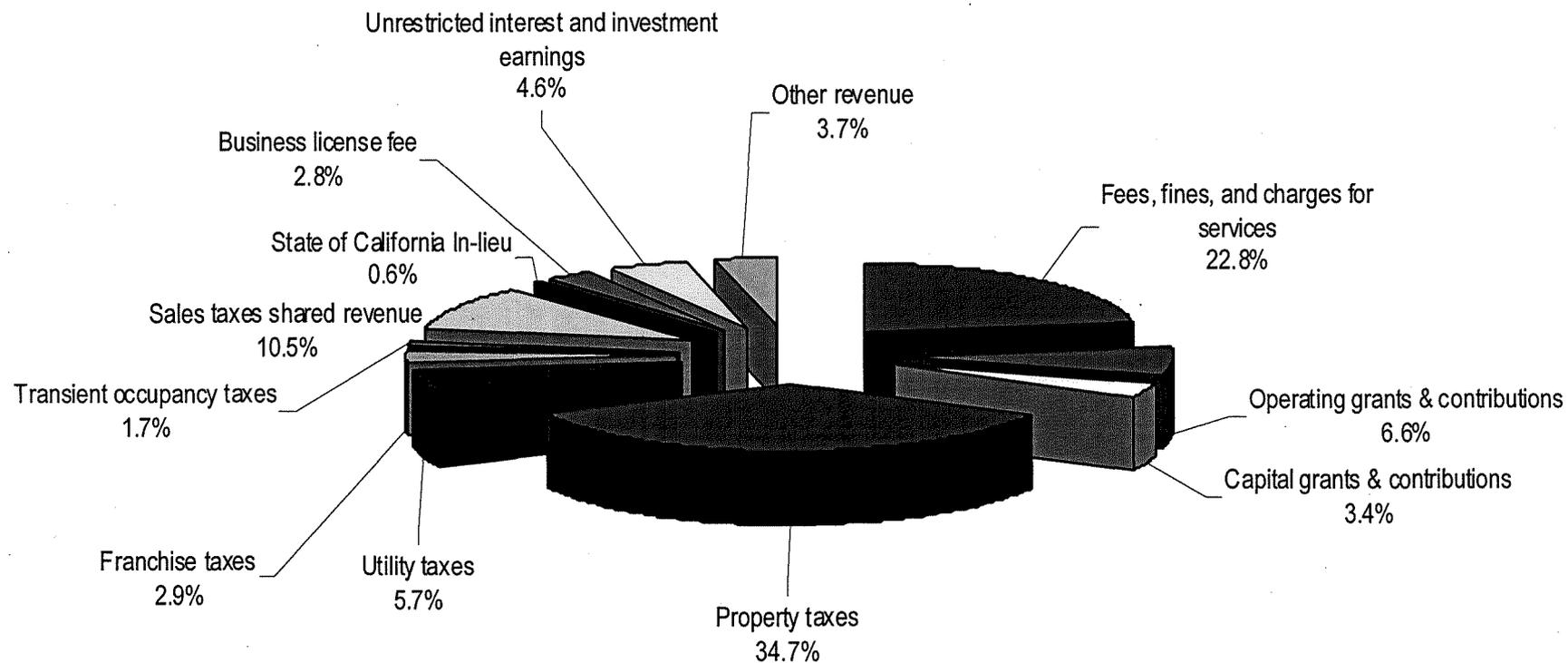
City of San José
Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Beginning net assets	\$ 5,774,493	\$ 1,248,888	\$ 4,598,715	\$ 11,622,096
Revenues	1,438,404	350,318	(34,901)	1,753,821
Expenses	(1,684,980)	(334,336)	(227,253)	(2,246,569)
Ending net assets	<u>\$ 5,527,917</u>	<u>\$ 1,264,870</u>	<u>\$ 4,336,561</u>	<u>\$ 11,129,348</u>
Changes in net assets	<u>\$ (246,576)</u>	<u>\$ 15,982</u>	<u>\$ (262,154)</u>	<u>\$ (492,748)</u>

Governmental Activities

Revenue 2008

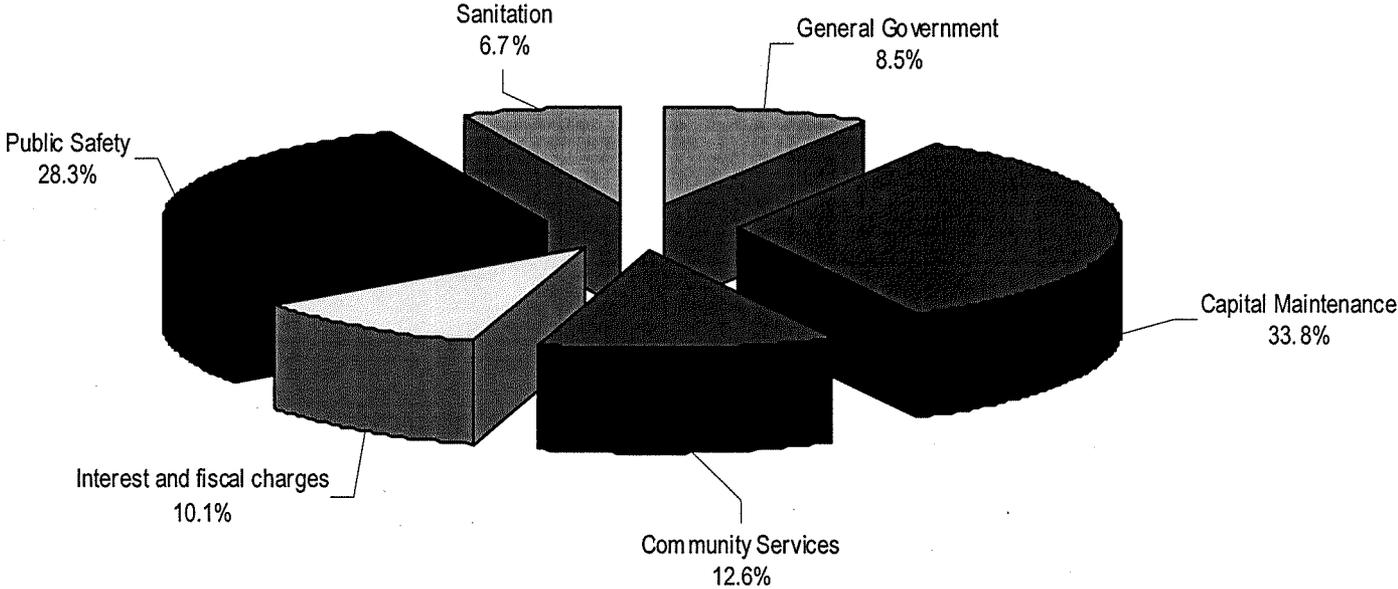
\$1.4 Billion



Governmental Activities

Expenses 2008

\$1.7 Billion



General Fund - Current Year vs. Prior Year (in thousands)

	<u>2007-2008</u>	<u>2006-2007</u>	<u>Change</u>
Fund balances - beginning	\$ 280,597	\$ 236,970	\$ 43,627
Total revenues	<u>733,974</u>	<u>712,358</u>	<u>21,616</u>
Total expenditures	<u>737,438</u>	<u>668,731</u>	<u>68,707</u>
Fund balances - ending	<u>\$ 277,133</u>	<u>\$ 280,597</u>	<u>\$ (3,464)</u>

General Fund – Expenditures

(in thousands)

	<u>2007-2008</u>	<u>2006-2007</u>	<u>Change</u>
EXPENDITURES			
General government	\$ 86,907	\$ 86,048	\$ 859
Public safety	416,255	368,840	47,415
Capital maintenance	50,678	43,303	7,375
Community services	141,878	129,064	12,814
Sanitation	1,896	1,833	63
Capital outlay	1,469	3,922	(2,453)
Transfers	38,355	35,721	2,634
Total expenditures	<u>\$ 737,438</u>	<u>\$ 668,731</u>	<u>\$ 68,707</u>

Subsequent Event

Recent Changes in the Economic Environment and its Impact to the City

(see footnote on page102)

- City's Pooled Investments – No Impact
- Retirement Systems' Portfolio:
 - As of 9/30/08, there is less than half of one percent exposure in the portfolio
 - Fair value of the portfolio decreased by 7% during the quarter ended 9/30/08

GASB 45 - Other Postemployment Benefits (OPEB)

(in thousands)

	Police & Fire Retirement Plan	Federated Retirement System	Total
Annual Required Contribution	\$ 61,344	\$ 38,513	\$ 99,857
Contributions Paid	(10,618)	(11,560)	(22,178)
Net OPEB Obligation	<u>\$ 50,726</u>	<u>\$ 26,953</u>	<u>\$ 77,679</u>

Unfunded Actuarial Accrued Liability

Actuarial Accrued Liability	\$ 851,217	\$ 812,836	\$ 1,664,053
Actuarial Value of Assets	\$ 38,381	\$ 218,521	\$ 256,902
Unfunded Liability	\$ 812,836	\$ 594,315	\$ 1,407,151

Results of Audit

- Unqualified opinion - BFS
- Other deliverables are in process
- Report back to Committee in November
- GASB pronouncements

Questions



Fiscal Year 2007-08 Comprehensive Annual Debt Report

Public Safety, Finance and Strategic Support
Committee

Finance Department
Debt Management Program
October 16, 2008

Debt Management Program

Debt Issuance

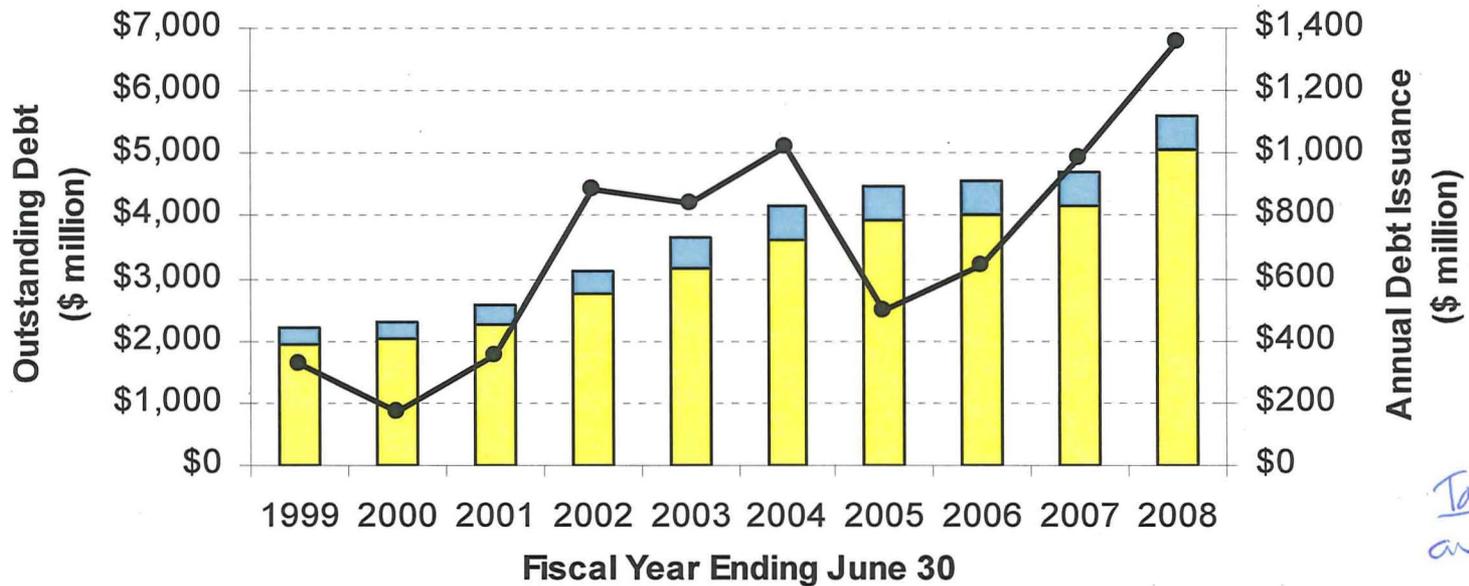
Debt Administration

Policy Objectives

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

Outstanding Debt Issued by All Agencies

Outstanding Debt as of June 30, 2008: \$5.62 Billion*
FY 2007-08 Debt Issuance: \$1.36 Billion



City and Related Entity Debt Outstanding
 Conduit Debt Outstanding
 Annual Debt Issuance

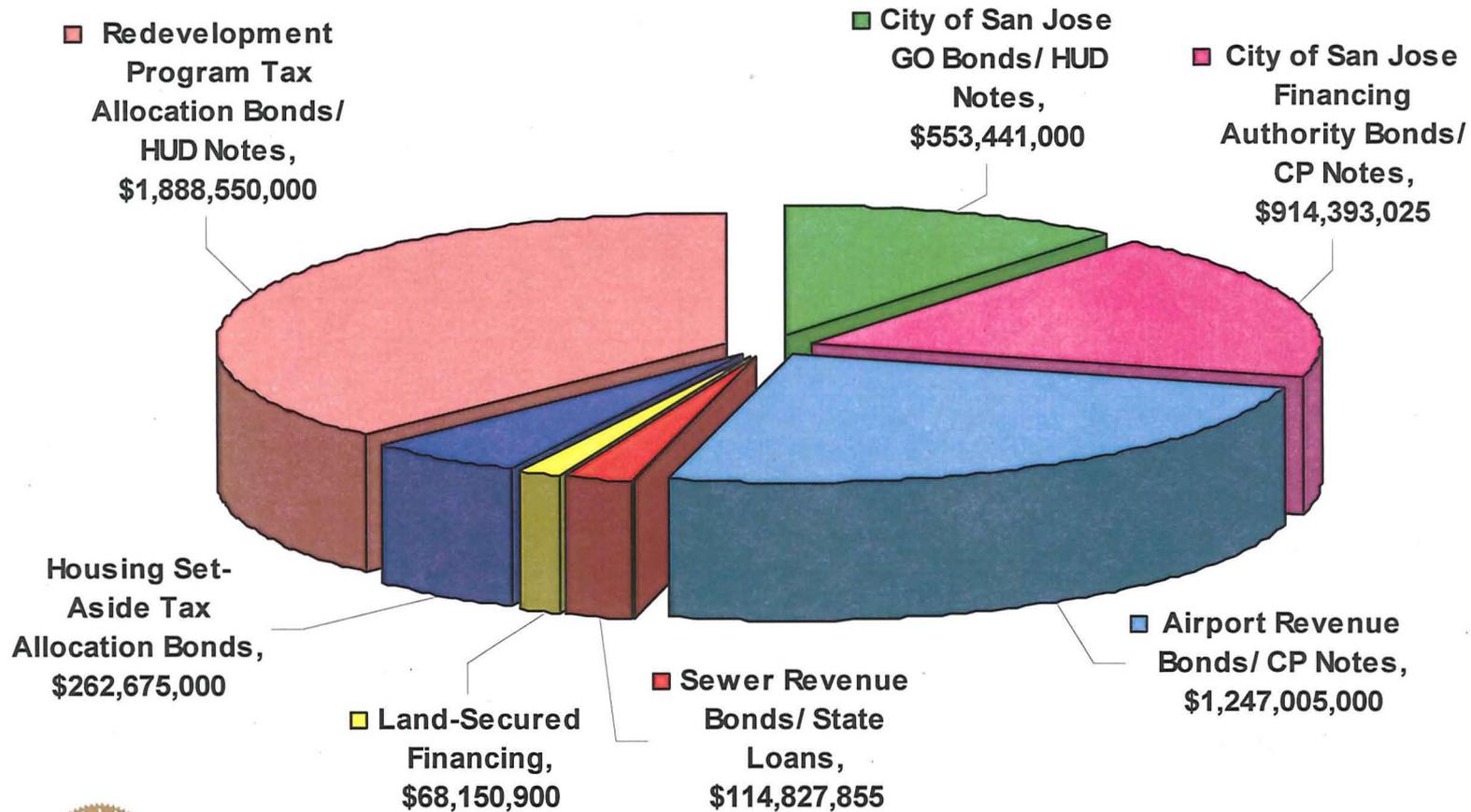
Tax Exempt
avg rate
3.3%
5.5%
1-8%
2.6%
5.5% ago



*Includes \$572 million of conduit debt issued by the City on behalf of developers of affordable multifamily housing.

Outstanding Debt Issued by All Agencies

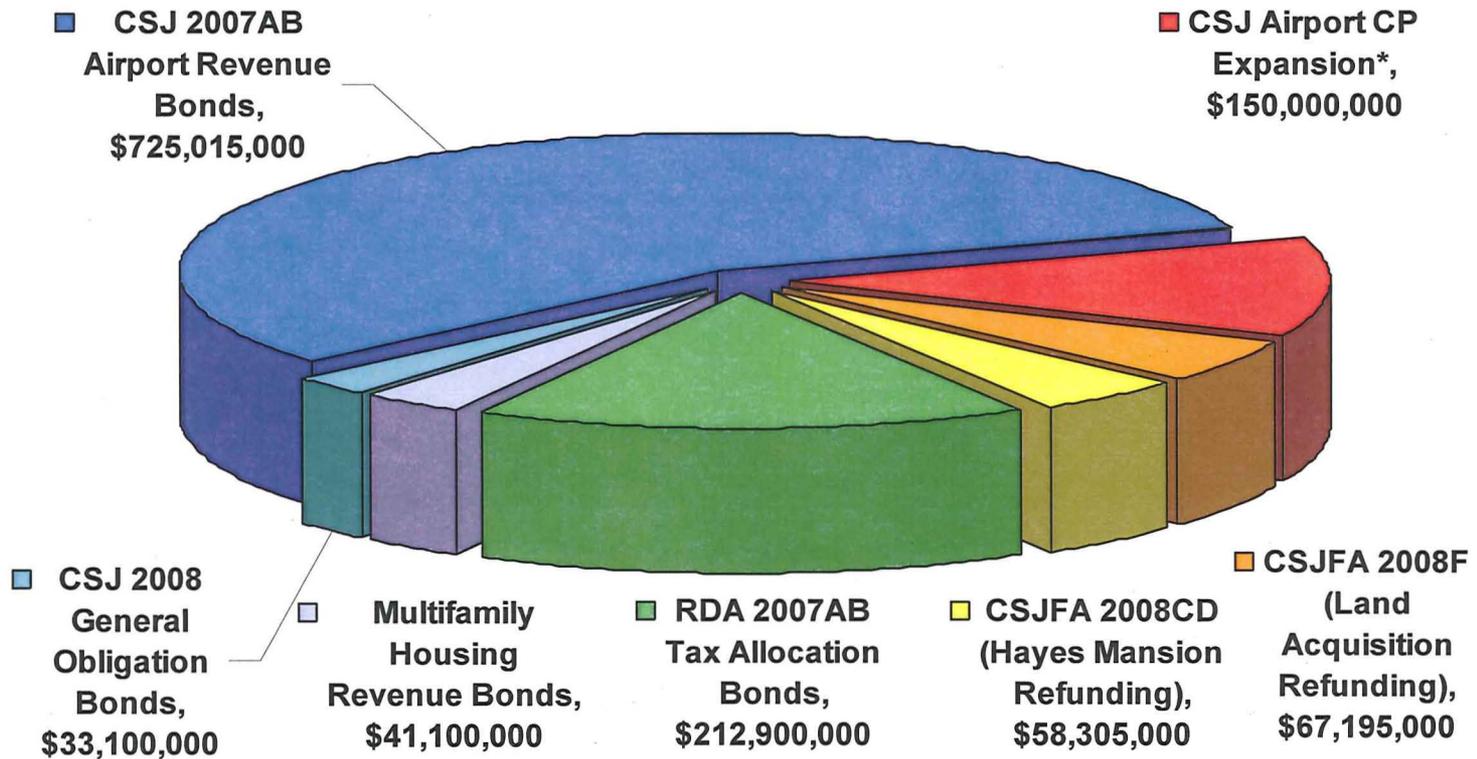
*Outstanding Debt as of June 30, 2008: \$5,049,042,780**



*Excluding conduit debt issued by the City on behalf of developers of affordable multifamily housing.

FY 2007-08 Debt Issues

11 Bond Series and Capacity Expansion of Airport Commercial Paper Program: \$1,287,615,000 Par Amount



*Amount shown for Airport commercial paper program is additional authorization, not issuance.

Debt Administration Activities

- Investment of Bond Proceeds
- Disbursement of Bond Proceeds
- Arbitrage Rebate
- Compliance and Monitoring
- Continuing Disclosure
- Refunding Opportunities
- Special Projects

Summary

- FY 2007-08 active year of debt issuance with 11 series of bonds and expansion of the Airport commercial paper program totaling over \$1.3 billion
- FY 2008-09 anticipates continued activity with an estimated 8 series of bonds totaling \$369 million
- Standard & Poor's upgraded City to AAA; Moody's and Fitch confirmed Aa1/AA+
- Debt Management Program administered in compliance with the Council's adopted Debt Management Policies

Recommendation

Accept and approve the FY 2007-08 Comprehensive Annual Debt Report and refer to the City Council for their review and approval in accordance with the City's Debt Management Policy.