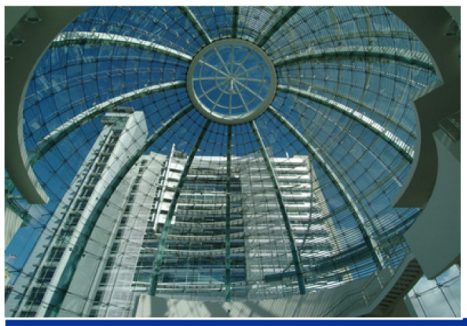


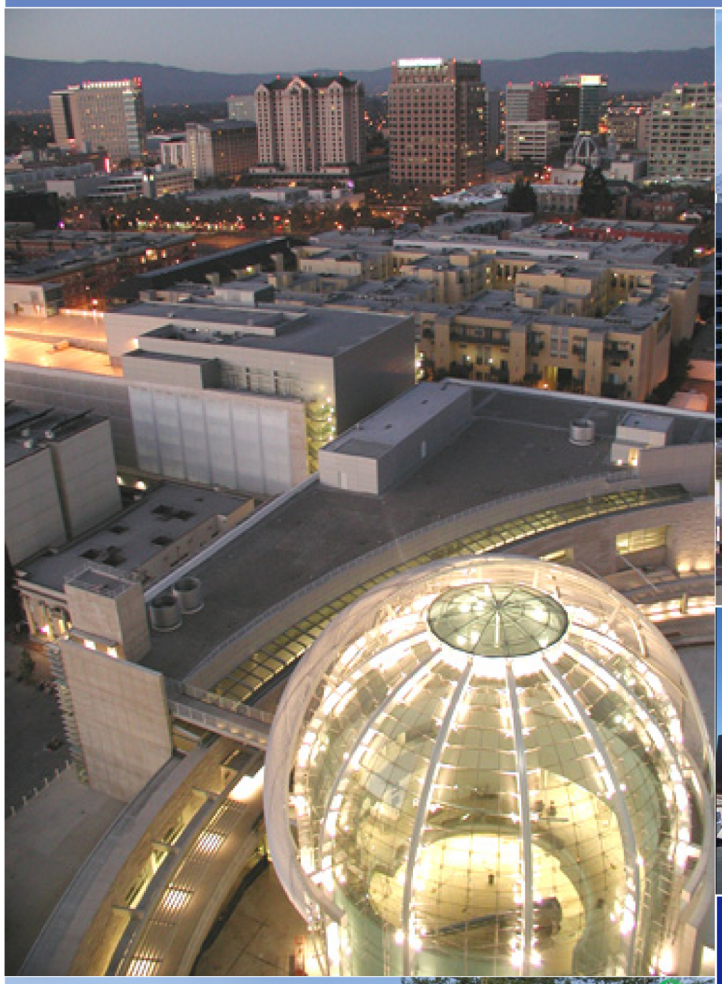
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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

2010 Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

San José, California













City of San José
California

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2010

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Information Technology

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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 22, 2010

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, 2009 through June 30, 2010 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 administration is responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. We believe this 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 2009-2010 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "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.

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 Mineta San José International Airport and three municipal golf courses. In addition, it oversees convention, cultural event and hospitality facilities that include the Mexican Heritage Plaza, California Theatre, Center for the Performing Arts, San José McEnery Convention Center, Dolce Hayes Mansion and Conference Center, and the HP Pavilion at San José - home of the San José Sharks of the National Hockey League.

San José covers approximately 179 square miles at the south end of the San Francisco Bay and is the county seat of Santa Clara County. With a 2010 estimated population of 1,023,083[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 78 percent[2] of the Santa Clara County Metropolitan Statistical Areas (MSA) employment, which includes San Jose, with the majority of employment related to professional and business services, education and health services, government, and retail. In addition, durable goods manufacturing,

[1] State of California, Department of Finance, Population Estimates for Cities and Counties, January 2010.

[2] State of California, Employment Development Department, Labor Market Information Division, October 2010

primarily computer equipment, semiconductor components, and electronic instruments account for approximately 17 percent[3] of the Santa Clara County MSA 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

Fiscal year 2009-2010 continued to be a period of addressing local economic challenges due to the severity of the national recession. The headwinds of the recession in conjunction with the City's existing General Fund structural deficit charted the course for the City's fiscal condition in 2009-2010. As in previous years the City utilized principles outlined in the General Fund Structural Deficit Elimination Plan (the "Plan") of 2008 as a policy guide and operational blueprint for assisting in the development of a budget that achieves fiscal stability and organizational sustainability. The Plan outlines specific strategies for elimination of the General Fund structural budget deficit through the implementation of: Cost Savings Strategies, Revenue Strategies; and, Service Reductions/Eliminations Strategies.

During fiscal year 2009-2010, the City maintained its commitment of engaging neighborhoods and residents in the budget formulation process to ensure that the ultimate budget was reflective of community priorities. To evaluate how well current City services reflect the public's stated priorities, a pilot *Program Prioritization* effort was launched to create a comprehensive listing of program level information for all City services. All listed programs that provided direct service to the Community were scored based on their alignment to five identified public priorities: A Safe City, A Prosperous Economy, A Green Sustainable City, An Attractive Vibrant Community, and a Reliable Well Maintained Infrastructure. In addition, the City Council continued the tradition of conducting a day-long Neighborhood Budget Priority Session, establishing budget meetings in each of the City Council Districts, and conducting a Community Budget Survey to determine neighborhood leaders' and community members' revenue and expenditure priorities. In June 2010, based in part on this community input , the City Council approved a balanced General Fund budget for fiscal year 2010-2011, closing a funding gap of approximately $118.5 million. To address the funding gap a combination of strategies were utilized including: (1) service reductions and eliminations; (2) revenue increases, use of reserves, and funding shifts; (3) costs savings, and new service delivery models; and, (4) agreements reached with several employee groups for total compensation reductions which in some situations restored specific City services which would otherwise have been eliminated. These strategies resulted in 83% of the funding gap being closed utilizing ongoing budgetary solutions.

As the City continues to emerge from the lingering effects of the economic recession, growth projections for the national and global economies are expected to produce only moderate growth in the local economy. This economic backdrop is reflected in the deployment of conservative budgetary revenue projections which anticipate only slight growth in Sales Tax and a modest decline in Property Tax for the coming fiscal year. San José's June 2010 unemployment rate of 12.5 percent represents an improvement over the June 2009 unemployment rate of 13.1 percent, however these rates are still elevated compared to historic local norms and the statewide rate of 12.2 percent[4]. While the future economic climate may remain uncertain, the City will continue to maintain a course of fiscal prudence and community engagement.

[3] State of California, Employment Development Department, Labor Market Information Division, October 2010

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

The City's fiscal prudence is also evidenced by the City's general obligation credit ratings of Aaa/AAA/AAA, from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. These ratings place San José in an elite group in the California and national municipal credit markets. San José remains one of the highest rated large cities (with populations over 250,000) within the State. In addition to the City's fiscal discipline the "pure AAA" status enjoyed by the City continues to reflect the diversity of the local economy and the prominence of the area for technological innovation. The rating agencies continue to cite management's demonstrated commitment to strong fiscal management as the basis of their rationale for bestowing the City with "AAA" ratings. These ratings translate to significant interest cost savings in the City's debt program to the taxpayers of the San José community.

SIGNIFICANT EVENTS and ACCOMPLISHMENTS

Highlights of activities and accomplishments for the fiscal year ended June 30, 2010 include the following:

- In August 2009, the San José/Santa Clara Water Pollution Control Plant was recognized by the Environmental Protection Agency's Green Power Partnership in its list of Top 20 organizations that produce green electricity on site. This marked another achievement for San Jose in terms of green-friendly technology and practices. In 2007, the San José City Council adopted a *Green Vision* plan which aims at utilizing clean technology and sustainable practices to solve environmental problems and boost the local economy.

- In August 2009, Airline pilots named Mineta San José International "Airport of the Year". The Air Line Pilots Association, International (ALPA), selected Mineta San José International Airport (SJC) as its "Airport of the Year" for 2008. Pilots praised SJC's efforts to address pilots concerns throughout its ongoing multiyear, $1.3 billion airport modernization program.

- In September 2009, the City unveiled a new 3.36 kilowatt (KW) solar panel system at the Alviso Library. Alviso Library is one of six City buildings installed with new solar panels. The Alviso Library's energy use from traditional sources will be reduced by 10 percent per year, which is the equivalent of planting 198 mature trees. The solar panel installation was made possible by a Community Development Block Grant administered by the City's Housing Department through the United States Department of Housing and Urban Development.

- In October 2009, Governor Schwarzeneggar announced the City's receipt of the 2009 Governor's Environmental and Economic Leadership Award (GEELA) for its Zero Waste Events Program. GEELA is California's highest and most prestigious environmental honor. This award program recognizes individuals, organizations and businesses that have demonstrated exceptional leadership for voluntary achievements in conserving California's resources, protecting and enhancing the environment, and building public-private partnerships.

- In October 2009, San José's *Green Vision* was named best Sustainable Development Program in the United States for a big city by the International Economic Development Council. The award acknowledged San José's Office of Economic Development (OED) for its leadership role in the City's Green Vision. San Jose competed in the category of Sustainable and Green Development for organizations serving areas with populations exceeding 200,000.

- In November 2009, *City Crime Rankings 2009-2010: Crime in Metropolitan America,* rated San José as having the fourth lowest crime rate in the nation and the lowest in California among cities with more than 500,000 in population.

- In November 2009, San José was selected to host the 2012 U.S. Figure Skating Championships. The event, held annually since 1914, is the nation's most prestigious figure skating event. The U.S. Championships annually attract more than 1,500 figure skating athletes, coaches and officials to the

host city. The event has generated $20-25 million in economic impact for recent host cities. This marks the second time San José has played host to the event.

- In December 2009, the San José Public Library (SJPL) announced that it retained its 4-star rating in the Library Journal (LJ) Index rankings. The LJ Index is a national public library rating system instituted by Library Journal. The top libraries in each group receive a five, four, or three star rating with each library's performance being compared to peers of comparable size. The peer groups are scored based on four per-capita service indicators: Library Visits, Circulation, Program Attendance and Public Internet Computer Uses.

- In January 2010, the City received notification from the United States Green Building Council (USGBC) that the City's newly constructed Roosevelt Community Center attained, and exceeded the points necessary to be certified as a GOLD LEED building. This represented a milestone for the City as our first Gold Certification for new building construction.

- In January 2010, the City's Coyote Creek Trail won the prestigious Achievement Award from the California Parks and Recreation Society (CPRS) in the *Park Planning – Specialty Park* category. The Coyote Creek Trail planning process was singled-out for identifying clear, measurable outcomes and playing a lead role in bringing together multiple community resources.

- In January 2010, for the fifth consecutive year, SJC achieved a nearly perfect score from the Federal Aviation Administration (FAA) on its annual airport certification and safety inspection. Every year the FAA reviews all commercial airports to ensure they meet federal standards for safety as part of the process for annual renewal of an airport's license to operate.

- In March 2010, the City hosted the Opening and Closing Bell ceremonies for the NASDAQ stock market to celebrate the 20 year anniversary of NASDAQ's presence in California's Silicon Valley. Seen by millions around the globe, both the Opening and Closing Bell ceremonies were broadcast worldwide from San José City Hall Rotunda and simulcast on the NASDAQ monitor in New York City's Times Square.

- In March 2010, the newly renovated Happy Hollow Park & Zoo opened to record crowds. Renovations were funded in large part from proceeds of the November 7, 2000 voter approved Measure P totaling $228 million for Parks and Recreation General Obligation bonds. Renovations included an array of new rides, expansion of play areas for animals, additional animal exhibits, as well as restaurant and gift shop expansions. Approximately 9,000 guests attended opening day at the park.

- In March 2010, the City won its second Green California Leadership Award. The award reflects San José's leadership and innovations in implementing energy efficient practices at the Water Pollution Control Plant. The facility has an 11-megawatt energy demand per year and the ability to meet roughly two-thirds of the energy demand with clean biogas generated on site.

- In April 2010, the City completed installation of a 1 megawatt solar array at SJC's new Rental Car Center. The 4,500 solar panels covering 3.4 acres on the roof of the airports new Rental Car Center will provide at least 20 percent of the power required by the new parking structure.

- In May 2010, the City's Finance Department was notified that two of the three national credit rating agencies (Moody's Investor Service and Fitch Ratings) had recalibrated the City's general fund credit rating to Aaa/AAA, respectively. The result of the recalibration placed the City in the envied position of Aaa/AAA/AAA or "pure AAA" status by all three national rating agencies (Moody's, Standard & Poor's, and Fitch Ratings).

- In May 2010, San José received $6.3 million of American Recovery and Reinvestment Act (ARRA) funds for recycled water expansion following a nationwide competition. The U.S. Bureau of

Reclamation signed a Cooperative Agreement with the City to provide the stimulus funds towards the South Bay Water Recycling (SBWR) pipeline expansion project. The ARRA project will add approximately nine miles of pipe to the SBWR system and provide up to 2 million gallons per day of additional recycled water to irrigation and industrial customers.

- In June 2010, the City received notification from the United States Green Building Council (USGBC) that Happy Hollow Park and Zoo attained a GOLD LEED Certification. The certification demonstrates the City's ability and commitment to achieve long-planned improvements that are built with the future in mind. This is the second Gold Certification for the City.

- In June 2010, the City was notified by the U.S. Department of Transportation that San José's Trail Network would be awarded the Federal Highway Administration Exemplary Human Environment Initiatives Award. The Federal Government's award program acknowledges infrastructure that benefits human transportation.

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 2011-2015 CIP, presented within the CSA structure, are as follows:

Community & Economic Development

- The Community and Economic Development CSA seeks to achieve safe, healthy, vital and attractive communities within San Jose. One of the primary capital improvement programs (CIP) within this CSA is the Developer Assisted Projects Capital Program whose funding works to ensure that residential developments include the construction of public improvements necessary to maintain or improve the infrastructure of the City. The Developer Assisted Projects Capital Program includes the Underground Utility Fund and the Residential Construction Tax Contribution Fund. This capital program is used to facilitate the undergrounding of existing overhead facilities and to reimburse developers for the construction of certain street improvements throughout the City. Funding for the capital program is derived from fees associated with residential development and as such has been impacted by the current slowdown in the local housing market. Program funding of $6.8 million has been proposed for the 2011-2015 CIP.

- The Underground Utility Fund is used to collect developer fees when a developer opts out of placing facilities underground at the time of development. The Fund helps 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. In addition the fund administers undergrounding projects financed by Pacific Gas and Electric (PG&E), known as Rule 20A projects, as mandated by the California Public Utilities Commission. It is anticipated that Rule 20A program activity will facilitate an approximate investment of $10.0 to $20.0 million per year for undergrounding activities during the 2011-2015 CIP.

- The Residential Construction Tax Contribution Fund (RCTCF) was established to collect a tax from developers who construct residential dwelling units and, in turn, reimburse developers who construct qualified improvements on City streets in connection with new residential developments. The

principal objective of the program is to achieve the City's General Plan goal of assigning priority to the installation and maintenance of median island construction and center strip paving.

Environmental & Utility Services

- The Environmental and Utility Services CSA utilizes four capital improvement programs to achieve the outcomes of a reliable utility infrastructure, healthy streams, rivers, marsh, and bay, and a safe, reliable and sufficient water supply. In order to help achieve the CSA objectives the capital improvement programs are structured under the Sanitary Sewer System CIP, Storm Sewer System CIP, Water Pollution Control Plant CIP, and the Water Utility System CIP. The fiscal years 2011-2015 combined funding for the four CIP's programs funding of $629.1 million.

- The Sanitary Sewer System Capital Program for fiscal years 2011-2015 programs funding of $152.4 million to enhance sewer capacity for economic development and to rehabilitate existing sewers. This level of funding assumes a 6% rate increase in Sewer Service and Use Charge fees in 2010-2011 for fees collected in 2011. The Sanitary Sewer System consists of approximately 2,200 miles of sewer mains with a replacement value estimated at $3.5 billion. Projects of note in this CIP include the construction of a new Fourth Major Interceptor. The Interceptor System is the primary arterial sewage collection point for all local sewer systems of the City and the ultimate conveyance of sewage to the Water Pollution Control Plant (WPCP). When completed the Fourth Major Interceptor will allow for the three older interceptors to be removed from service for routine maintenance or rehabilitation.

- The Storm Sewer System Capital Program for fiscal years 2011-2015 provides funding of $27.5 million, of which $13.6 million is allocated in 2010-2011. The existing storm sewer main system is approximately 1,000 miles long. The program's 2011-2015 funding objectives include the installation of technology and/or infrastructure to improve the capacity of the storm drain collection system, increase the reliability of storm pump stations, improve the quality of storm water runoff, and to minimize water from pooling in residential areas. Projects of note in 2011-2015 include: mitigation of storm runoff impacts in the Alviso area ($1.6 million), development of a Storm Sewer Master Plan ($3.9 million), and continuation of the Storm Drainage Improvement – Special Corridors Project ($4.1 million).

- The San José/Santa Clara Water Pollution Control Plant (Plant) is a regional wastewater treatment facility serving eight sewage collection agencies including municipalities and sanitary sewer districts. The Water Pollution Control Plant Capital Program for 2011-2015 provides funding totaling $425.4 million, of which $129.3 million is budgeted in 2010-2011. Commencing in 2005 the Plant initiated a Plant Master Planning project to guide the Plant's development over the next 30 years. The Plant's five-year CIP was adapted to incorporate preliminary findings of the Plant Master Plan ($13.4 million) to ensure that current infrastructure rehabilitation and replacement needs ($46.5 million) address future expectations for liquid and solid treatment processes and potential energy generation. In addition, specific Plant infrastructure projects for 2011-2015 include: the Digester Rehabilitation Project ($64.0 million) to restore digester performance, and the Plant Electrical Reliability Project ($64.9 million) to enhance the overall safety and reliability of the Plant electrical systems.

- The Water Utility System CIP is developed to ensure reliable utility infrastructure for the San José Municipal Water System. 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. The Evergreen Service Area contains approximately 92 percent of the total customers served and accounts for 72% of the total water usage in the system. The Water Utility System CIP programs funding of $23.8 million for fiscal years 2011-2015 and includes the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities.

Neighborhood Services

- The goal of the Neighborhood Services CSA is to provide City services to residents and neighborhoods in ways that promote safe and clean parks, facilities and attractions, and support vibrant cultural, learning and leisure opportunities. In November 2000, voters in San Jose approved a $228.0 million bond measure for park and recreational facility improvements and a $212.0 million bond measure for library facility improvements. As a result of these bond measures, major investments in the City's libraries, parks, and community centers have been made with completion of all bond-funded projects anticipated within this five year CIP. Funding for the Neighborhood Services 2011-2015 CIP is programmed at $336.5 million.

- The objective of the Library CIP is to provide readily accessible, quality library services to San José residents. The Library Capital Program provides funding to construct new library facilities, renovate existing facilities, acquire materials, install automation equipment, and support general facility improvements. The 2011-2015 Library CIP programs funding of $67.6 million, of which $41.2 million is allocated in 2010-2011. A total of $25.3 million is allocated in the 2011-2015 CIP for the completion of branch library bond projects including the opening of two new branches (Bascom Branch and Southeast Branch) and three expanded/relocated branches (Calabazas Branch, Educational Park Branch, and Seven Trees Branch). In addition to bond funded projects, this CIP provides funding for the acquisition of new library materials ($20.7 million) and automation projects and system maintenance projects ($5.9 million).

- The mission of the Parks, Recreation, and Neighborhood Services Department (PRNS) is "*To build healthy communities through people, parks, and programs".* The stated mission is the basis for the Parks and Community Facilities Development (P&CFD) CIP's long-term acquisition, development, and maintenance of parks, recreational facilities, trails, and open space. The 2011-2015 CIP provides funding of $268.9 million, of which $179.1 million is allocated in 2010-2011. The 2011-2015 CIP focuses on delivering projects that will help the parks system become financially and environmentally sustainable by building out the trail network, land banking for future park construction, constructing artificial turf sports fields, and replacing aging infrastructure. The Parks and Recreation Bond Projects Fund programs funding of $35.1 million for the completion of new softball and soccer sports complexes. In addition to bond-funded projects, this CIP provides funding for trail development ($6.5 million) and the renovation of softball fields at Mise and Solari Parks by installing artificial turf.

Public Safety

- The Public Safety CSA's core objective is to ensure that the public feels safe anywhere and at anytime in San José. To help effectuate that goal in March 2002, voters in San José approved the $159.0 million Neighborhood Security Act Bond Measure to provide the funding for Police and Fire capital improvements. The infrastructure improvements implemented as a result of this funding are intended to result in improved response times to emergency incidents, improved public access to public safety services, and improved working conditions for public safety personnel. The 2011-2015 Public Safety Capital Program allocates funding of $44.8 million, of which $25.1 million is funded in 2010-2011. The objective of the Public Safety CIP is to provide, maintain, and improve facilities and equipment that support the effective delivery of emergency services. The remaining projects funded by the Neighborhood Security Act Bond Measure are scheduled for completion during the 2011-2015 CIP.

- Police Department bond projects include the construction of a South San José Police Substation, community policing centers, and renovation of the 9-1-1 Communications Dispatch Center. A Driver Safety Training Center was also included in the Public Safety Bond Program; however, at this time the project is not funded due to funds being reallocated to the South San José Police Substation.

- Projects scheduled during the 2011-2015 CIP include the completion of the South San José Police Substation. The Police Substation is scheduled for completion in 2010-2011 however, due to maintenance and operating funding constraints the opening of the substation has been delayed to September 2011. The current CIP also includes funding for three Community Policing Centers (CPCs).

- Fire Department Bond Projects initially included the construction of three new fire stations, relocating five fire stations, consolidating one fire station, rebuilding one fire station, remodeling 16 fire stations, and enhancing Fire Training facilities. In 2010-2011, the focus will be on completing design work and construction for new and relocated fire stations. In addition, the 2011-2015 CIP includes $13.4 million of funding for fire apparatus replacement. The City's investment in fire apparatus has significantly improved the quality of the Fire Departments fleet and their ability to respond to emergencies in accordance with established response time performance measures.

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 City departments which comprise the Strategic Support CSA endeavor to design, build, and maintain City facilities while managing the City's financial and technology systems. The Strategic Support CSA includes the Communications, Municipal Improvements, and Service Yards Capital Improvement Programs. The Strategic Support Capital Improvement Program for fiscal years 2011-2015 programs funding of $50.6 million.
- The Communications CIP program's funding of $7.8 million with emphasis on two projects. The first is the City-wide Trunking Radio System Project which will allow the City to maximize available radio capacity. The second project involves expanding the Emergency Communications Microwave (ECOMM) system with 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.
- The Municipal Improvements CIP provides capital improvements and maintenance for City facilities and their operating systems not funded in other capital programs. The Municipal Improvements CIP has four ongoing projects which include: Arena repairs, unanticipated/emergency maintenance, fuel tank monitoring, and closed landfill compliance. The 2011-2015 Municipal Improvement CIP provides funding of $11.2 million, of which $8.2 million is allocated in 2010-2011.
- The Service Yard's CIP funds the construction and capital improvements of support shops that maintain City vehicles, buildings, sewer systems, pavement, and related public infrastructure facilities. In 2009-2010, the General Services Department in conjunction with the Environmental Services Department contracted for a solar cell system at the Central Service Yard for a period of 20 years. The system is expected to generate more than 75% of the current annual energy use at the facility when completed in February 2011. The 2011-2015 Service Yard CIP provides funding of $31.6 million, of which $5.0 million is allocated in 2010-2011.

Transportation & Aviation Services

- The Transportation and Aviation Services CSA facilitates the provision of a safe and efficient transportation system that is dedicated to improving freeways, transit, streets, bicycle and parking facilities, sidewalks, and the Airport and its support facilities. Transportation and Aviation infrastructure and services provide an important resource to support the community's livability and economy. The Transportation and Aviation Services CSA includes the Traffic, Parking, and Airport Capital Improvement Programs. The Transportation and Aviation CIP for fiscal years 2011-2015 programs funding of $665.7 million.

- The mission of the Traffic CIP is to implement a safe, efficient, and environmentally sensitive surface transportation system. The 2011-2015 CIP programs funding of $177.3 million, of which $79.7 million is allocated in 2010-2011. A significant portion of Traffic CIP funding ($91.7 million) comes from grants and other agency payments. To improve and enhance the City's traffic signal system, a total of $16.1 million in grants is anticipated for Silicon Valley Intelligent Transportation System (ITS) projects. In addition, the Traffic CIP includes grant funding totaling $9.1 million for the City's Traffic Signal Communications and Synchronization project. This project will allow the City to rehabilitate aging traffic signal equipment and deploy state-of-the-art signal timing traffic management systems. The maintenance activities in the Traffic CIP include pavement maintenance, traffic signal rehabilitation, and city-wide emergency repairs. On a single year basis, in 2010-2011, a total of $34.9 million is programmed for maintenance of the City's pavement network.

- The Parking Capital Program's primary responsibilities include developing new parking facilities, maintaining existing facilities, and upgrading and replacing both on-street and off-street parking equipment. The off-street component of the program currently operates seven garages and ten surface lots with approximately 7,500 parking spaces, mostly in the downtown core. The Parking CIP for fiscal years 2011-2015 programs funding of $9.6 million, of which $6.0 million is allocated in 2010-2011. Projects of note for the Parking 2011-2015 CIP include upgrades and replacement of railings at the Market Street garage to enhance safety and comply with current California building codes. In addition, $1.0 million has been allocated to upgrade and modernize elevators at both the Market Street and Third Street garages. Funding related to the expansion of parking facilities was not programmed for the 2011-2015 CIP given supply is deemed adequate for current economic conditions.

- The Norman Y. Mineta San José International Airport's (Airport) implementation of the $1.3 billion Airport Master Plan will transform the Airport into a state of the art aviation facility. The Airport CIP for fiscal years 2011-2015 totals $478.8 million and consists of over thirty capital projects. The 2011-2015 CIP reflects the completion of several major projects encompassed in the Airport's modernization program and a continuation of improvements to non-terminal areas. Three of the major Airport CIP projects include improvements to Taxiway W, public parking improvements, and non-terminal area projects.

- The Airport's Taxiway W Improvements Project addresses safety concerns identified by the FAA Runway Safety Action Team, and will add taxiway capacity on the Airport's west side to support future general aviation demand. The Airport CIP allocates $51.2 million towards the Taxiway W Improvements project. Taxiway W construction funding includes pavement, grading, drainage improvement, shoulder paving, and edge line lighting. The Airport CIP also includes funding of $37.3 million to support the ongoing construction of new parking facilities. This includes $18.8 million for the design and construction of public parking areas on the east side of the airport and $17.5 million to complete the Consolidated Rental Car Facility which includes 350 public parking spaces. Non-Terminal Area project funding of $13.2 million includes future improvements to the southeast area of the Airport to support development of aviation support facilities such as hangars, cargo operations, and other aviation support services provided by third parties.

FINANCIAL INFORMATION

The City's administration 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 City Council's adoption of an annual appropriation ordinance and by maintaining an encumbrance accounting system. 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. .

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

Debt Management Policy

The City's Debt Management Policy was adopted by the City Council on May 21, 2002, and is reviewed annually. The Debt Management Policy establishes the following equally important objectives:

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

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.

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, 2009. This was the twenty-second 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 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 twentieth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2009. 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 of Finance

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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, 2010

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 Mayor and City Council. The contents of these statements will be presented to the Mayor and City Council at a regularly noticed meeting of the City Council in December 2010.

(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, 2010; and
- Any amendments to the foregoing.

Debra Figone
City Manager

State of California, County of Santa Clara

On November 22, 2010 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, 2010

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 Mayor and City Council. I will present the contents of these statements to the Mayor and City Council at a regularly noticed meeting of the City Council in December 2010.

(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, 2010; and
- Any amendments to the foregoing.

Scott P. Johnson
Director of Finance

State of California, County of Santa Clara

On November 22, 2010 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

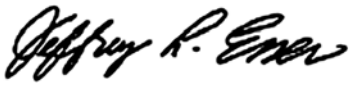
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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, 2009

President

Executive Director

San José Mayor & City Council

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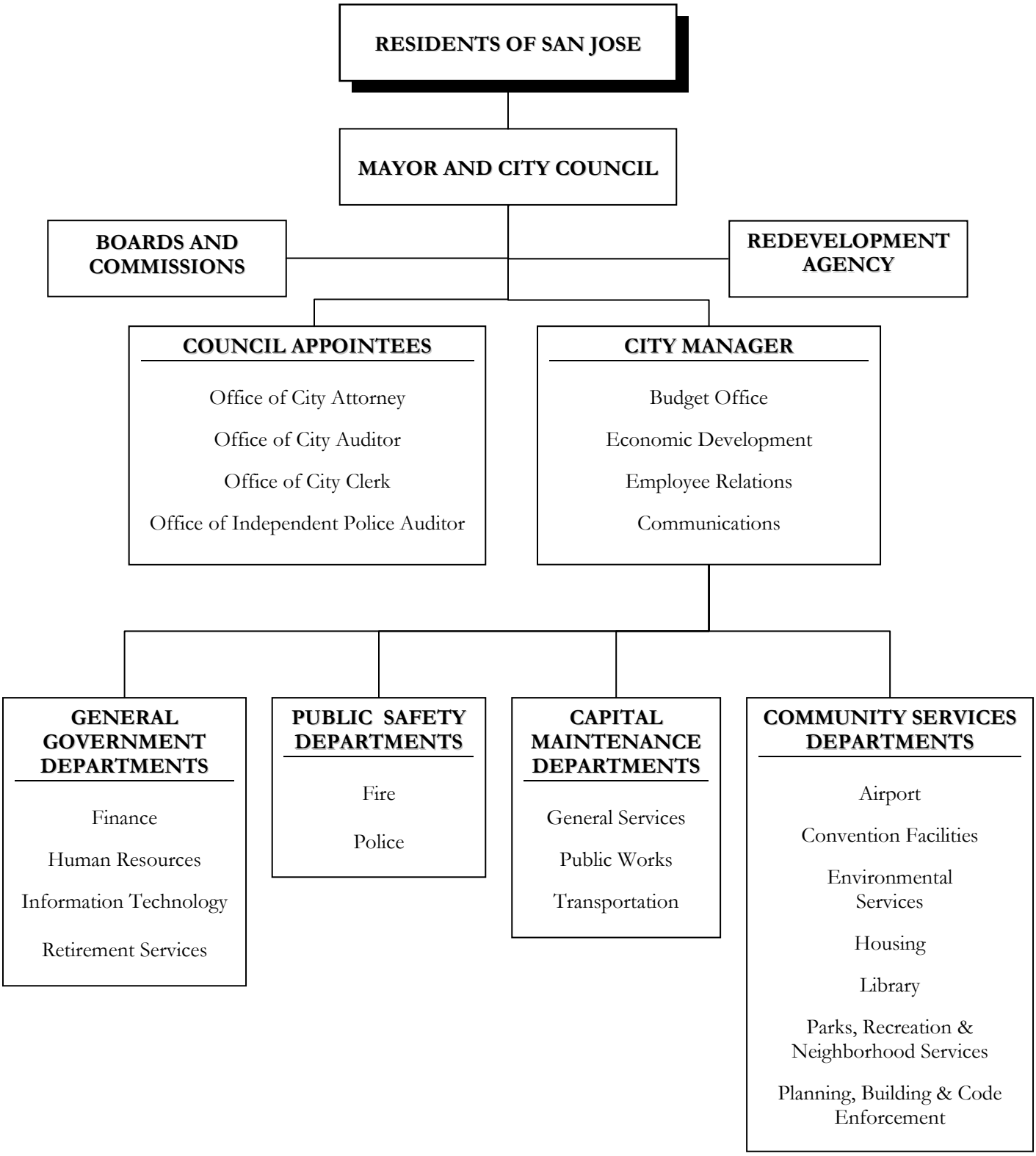


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CITY ORGANIZATION BY FUNCTION



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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, 2010, 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, 2010, 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, as of July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

As described in Note IV.A., based on the most recent actuarial valuation as of June 30, 2009, the Police and Fire Department Retirement Plan's and the Federated City Employees' Retirement System's independent actuaries determined that, at June 30, 2009, the value of the defined benefit pension plans' actuarial accrued liability exceeded the actuarial value of their assets by $393.9 million and $729.6 million, respectively. The most recent actuarial value of assets as of June 30, 2009 does not reflect the impact of the Police and Fire Department Retirement Plan's $600.0 million and the Federated City Employees' Retirement System's $420.0 million of deferred investment losses for the defined benefit pension plans that will be recognized in future valuations. Also, as described in Note IV.A, based on the most recent actuarial valuation as of June 30, 2009, the independent actuaries determined that, at June 30, 2009, the value of the postemployment healthcare plans' actuarial accrued liability exceeded the actuarial value of its assets by $706.0 million for the Police and Fire Department Retirement Plan and $710.9 million for the Federated City Employees' Retirement System.

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 express no 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 governmental, trust and agency funds 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 governmental, trust and agency funds 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 22, 2010

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, 2010. We encourage readers to read the MD&A in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal at the beginning of the Introductory Section, and 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

- The government-wide Statement of Net Assets for the City's governmental and business-type activities indicate that as of June 30, 2010, total assets exceed total liabilities by $6.030 billion. Of this amount, $253.7 million are unrestricted net assets, which comprise $307.2 million for business-type activities and a deficit unrestricted balance of $53.5 million for governmental activities. In addition, the City's restricted net assets total $648.4 million dedicated to specific purposes and the remaining net assets of $5.128 billion is invested in capital assets, net of related debt.

- Total net assets decreased by $391.5 million or 6.1 percent during 2009-2010 from $6.422 billion to $6.030 billion. Depreciation expense of $437.9 million accounts for this decrease. Excluding depreciation, net assets increased by $46.4 million.

- Governmental funds reported combined ending fund balances of $1.199 billion at June 30, 2010, which are $216.6 million or 15.3 percent less than the June 30, 2009 balances. The governmental funds that experienced decreases in fund balances for the year include the General Fund ($40.3 million), Redevelopment Agency ($114.3 million), Special Assessment Districts ($7.5 million), and other nonmajor funds ($107.0 million). Governmental funds that experienced increases in fund balance include Housing Activities ($49.2 million) and the San José Financing Authority Debt Service Fund ($3.2 million). Unreserved fund balance comprises $460.7 million or 38.4 percent of combined governmental fund balances at June 30, 2010 and is available to meet the City's current and future spending needs pursuant to the legal restrictions regarding the use of the funds.

- Unreserved fund balance for the General Fund is $143.6 million at June 30, 2010, which represents 21.0 percent of total General Fund expenditures during 2009-2010.

- Total noncurrent obligations decreased by $52.0 million during 2009-2010 to $5.220 billion at June 30, 2010, which represented a decrease of 1.0 percent compared to $5.272 billion outstanding as of June 30, 2009. Primary factors leading to this decrease include a principal payment of $50.0 million to the Bank of New York for the Housing Set-aside Term Loan, a reduction of $14.5 million in accrued vacation, sick leave and compensatory leave and principal payments representing $184.3 million on outstanding bonds and loans related to governmental and business-type activities. These decreases were offset by the issuance of $160.4 million of Redevelopment Agency tax allocation bonds to finance low and moderate-income housing projects under the 20 percent housing program, and an increase of $40.4 million in the City's net other postemployment benefits (NOPEBO) obligation.

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, sanitation, and interest and fiscal charges. 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 funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City 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.

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 Fund. In addition, pension and other postemployment healthcare schedules present the City of San José's progress towards funding its obligations to provide future pension and other postemployment healthcare benefits for its active and retired employees.

Combining and individual fund statements and schedules 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 $6.030 billion as of June 30, 2010.

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, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Assets:						
Current and other assets…….. $	1,642,082	1,844,380	806,956	990,886	2,449,038	2,835,266
Capital assets…….	7,412,751	7,631,580	2,194,124	1,946,824	9,606,875	9,578,404
Total assets…….	9,054,833	9,475,960	3,001,080	2,937,710	12,055,913	12,413,670
Liabilities:						
Current and other liabilities…..	317,602	293,019	487,756	426,656	805,358	719,675
Long-term liabilities……	4,061,122	4,095,351	1,158,967	1,176,719	5,220,089	5,272,070
Total liabilities…….	4,378,724	4,388,370	1,646,723	1,603,375	6,025,447	5,991,745
Net assets:						
Invested in capital assets, net of related debt……	4,201,672	4,400,552	926,638	891,387	5,128,310	5,291,939
Restricted net assets…….	527,931	654,124	120,510	103,694	648,441	757,818
Unrestricted net assets…….	(53,494)	32,914	307,209	339,254	253,715	372,168
Total net assets…….. $	4,676,109	5,087,590	1,354,357	1,334,335	6,030,466	6,421,925

At June 30, 2010, the City of San José reported positive balances in all three categories of net assets on a total basis.

At $5.128 billion, investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, and equipment, less outstanding debt used to acquire them) comprise 85.0 percent of the City of San José's total net assets. These capital assets facilitate providing services to the San José community, they are not liquid, and therefore they are not available for future spending.

Of the total net assets, $253.7 million or 4.2 percent represents unrestricted net assets, which comprises a positive balance of $307.2 million for business-type activities and a deficit balance of $53.5 million for governmental activities. However, a deficit balance of unrestricted net assets for governmental activities would not impair the City's near-term ability to carry out its functions. A large portion of the City's net assets, $648.4 million or 10.8 percent, are subject to legal restrictions on their use.

During 2009-2010, the City of San José's total net assets decreased by $391.5 million or 6.1 percent. The decrease in City expenses is 0.8% this year, compared to an increase of 4.5% in the prior year, which demonstrates the City's efforts to contain expenses. However, the unprecedented downturn in the economy is evident through continuous declines in revenues over the past three fiscal years.

Notable changes in the statement of net assets between June 30, 2010 and June 30, 2009 include:

- Capital assets increased by $28.5 million or 0.3 percent compared to the prior fiscal year. Governmental capital assets decreased by $218.8 million, but were offset by an increase in business-type capital assets of $247.3 million. The decrease in governmental capital assets resulted from asset additions of $162.0 million less $354.4 million in depreciation expense for major infrastructure and other assets and $26.4 million from the sale of eight parcels of land for real estate development by the Redevelopment Agency (Agency). The increase in business-type capital assets was due primarily to the completion of the Norman Y. Mineta San José International Airport (Airport) Terminal B, which replaced the out of date and inadequately sized Terminal C. In addition, a Consolidated Rental Car Facility was put into service which provides Airport passengers improved access to rental car facilities and ground floor access to the Terminal B Concourse. In addition, significant Airport roadway system improvements were completed to reduce traffic conflicts and to provide direct access to each terminal.

- Current and other assets decreased by $386.2 million or 13.6 percent due to decreases of $202.3 million for governmental activities and $183.9 million decreases for business-type activities. The decreases were primarily the result of reduced cash balances as governmental activities' bond proceeds were expended on parks, libraries, and public safety bond projects, and business-type activities bond proceeds were spent on the Airport's construction projects. The overall decreases have been partially offset by an increase in loan receivable balance by $14.6 million resulting from issuance of low-income housing loans.

- Long-term liabilities decreased by a net amount of $52.0 million or 1.0 percent. Reductions were the result of decreases in accrued liabilities such as accrued vacation, sick leave and compensatory leave ($14.5 million) and pollution remediation obligation ($2.8 million), and the reduction of the principal payments on the debt and loans ($184.3 million). These decreases were offset by the issuance of the Redevelopment Agency's Housing Set-Aside Tax allocation bonds of $160.4 million and the proceeds were used to refund its 2005 Series C&D bonds and pay off the $50.0 million Bank of New York Housing Set-aside Term Loan. These net debt decreases were partially offset by an increase of $40.4 million for net other postemployment benefits (NOPEBO) obligation and an increase of $0.7 million for self-insurance obligations due to higher workers' compensation claims.

- Current and other liabilities for the City increased by $85.7 million or 11.9 percent. This increase was primarily due to $93.8 million increase in business activities short-term liabilities for commercial paper issued in connection with the Airport capital projects, and an increase of $5.9 million in governmental activities short-term liabilities for commercial paper issued to support the City's various public improvements. The increase in short-term liabilities was also partially due to an increase of $26.0 million for pass–through payments due from the Agency to the County of Santa Clara. The remaining increases represent advances, deposits, and reimbursable credits of $3.6 million mainly due to the refunds owed to property owners as a result of over assessments of Special Districts, and other liabilities of $3.2 million due to increases in accounts payable to vendors and payments for the operations of the Convention Center. Total increases were offset by a reduction of $33.6 million in accounts payable and accrued liabilities mainly due to lower capital outlay costs related to the Airport expansion as compared to prior year and a decrease of $0.8 million in interest payable as a result of lower interest rates. In addition, the City recognized $13.5 million of previously unrecognized unearned revenue.

- Unrestricted net assets for governmental activities decreased by $86.4 million or 262.5 percent resulting in a deficit of $53.5 million in unrestricted net assets at year-end. A significant part of this reduction in unrestricted net assets is the result of continued under funding of the annual required contribution of the City's other postemployment benefits thereby increasing its net post employment benefit obligation (NOPEBO) and reducing net assets by an additional $36.2 million in 2009-2010. At June 30, 2010, the City's NOPEBO balance is $155.6 million. In addition, the Agency paid $62.0 million to the County of Santa Clara for the Supplemental Education Revenue Augmentation Fund (SERAF) obligation as the result of State budgetary actions.

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

* With the adoption of GASB Statement No. 51, the beginning balance of the net assets of the business- type activities has been restated.

Statement of Activities
For the Years Ended June 30, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues:						
Program revenues:						
Fees, fines, and charges for services	$ 291,708	297,788	323,476	327,374	615,184	625,162
Operating grants and contributions	110,926	115,965	1,149	9,326	112,075	125,291
Capital grants and contributions	49,926	26,306	46,237	18,618	96,163	44,924
General revenues:						
Property taxes	498,973	507,273	-	-	498,973	507,273
Utility taxes	108,151	93,619	-	-	108,151	93,619
Franchise fees	38,410	41,067	-	-	38,410	41,067
Transient occupancy taxes	17,250	19,261	-	-	17,250	19,261
Business license tax	34,952	38,597	-	-	34,952	38,597
Sales taxes shared revenue	123,312	127,802	-	-	123,312	127,802
State of California in-lieu	7,169	8,839	-	-	7,169	8,839
Unrestricted interest and investment earnings	5,010	34,092	1,192	18,434	6,202	52,526
Other revenue	35,786	40,372	-	-	35,786	40,372
Total revenues	1,321,573	1,350,981	372,054	373,752	1,693,627	1,724,733
Expenses:						
General government	137,159	172,077	-	-	137,159	172,077
Public safety	457,892	463,196	-	-	457,892	463,196
Community services	260,835	276,396	-	-	260,835	276,396
Sanitation	130,343	122,705	-	-	130,343	122,705
Capital maintenance	588,382	595,547	-	-	588,382	595,547
Interest and fiscal charges	161,734	166,672	-	-	161,734	166,672
Norman Y. Mineta San José International Airport	-	-	171,976	140,321	171,976	140,321
Wastewater Treatment System	-	-	140,831	126,788	140,831	126,788
Municipal Water System	-	-	24,355	25,416	24,355	25,416
Parking System	-	-	11,579	11,800	11,579	11,800
Total expenses	1,736,345	1,796,593	348,741	304,325	2,085,086	2,100,918
Excess (deficiency) before transfers	(414,772)	(445,612)	23,313	69,427	(391,459)	(376,185)
Transfers	3,291	5,285	(3,291)	(5,285)	-	-
Change in net assets	(411,481)	(440,327)	20,022	64,142	(391,459)	(376,185)
Net assets at beginning of year, as restated *	5,087,590	5,527,917	1,334,335	1,270,193	6,421,925	6,798,110
Net assets at end of year	$ 4,676,109	5,087,590	1,354,357	1,334,335	6,030,466	6,421,925

Governmental activities: Net assets for governmental activities decreased by $411.5 million or 8.1 percent during 2009-2010 from $5.088 billion to $4.676 billion. Total revenues decreased by 2.2 percent compared to expenses that decreased by 3.4 percent. During 2008-2009, revenues and expenses increased by 5.5 percent and 6.6 percent, respectively.

Significant elements of the decrease in net assets for governmental activities from June 30, 2009 to June 30, 2010 are as follows:

- Contributing factors resulting in the net decrease in total revenues are as follows; fees, fines, and charges for services decreased by $6.1 million or 2.0 percent primarily due to lower developer revenues for in-lieu fees and associated revenue from low-income housing projects as well as reduced interest income on developer loans. Operating grants and contributions decreased by $5.0 million or 4.3 percent principally due to a reduction in State grants received for street maintenance such as Proposition 1B revenues and Pedestrian Bicycle Facility revenues. Capital Grants and Contributions on the other hand increased by $23.6 million or 89.8 percent, primarily due to increased donations of infrastructure assets (storm sewer, roadway and traffic systems) from private developers.

- The overall decrease in interest and investment income of $29.1 million or 85.3 percent was due to lower cash balances combined with lower interest yields. The pre-payment of the City's contribution to its two retirement plans in July 2009 along with continuous declines in revenues during 2009-2010 resulted in significantly lower cash balances. In addition, the City's annualized investment interest yield for the City's investment pool declined from 2.7 percent as of June 30, 2009 to 1.5 percent as of June 30, 2010, reflecting the lower interest rate environment experienced in the capital markets during the year.

- Other revenue declines the City experienced due to persistent sluggish economy included sales tax revenue, which decreased by $4.5 million or 3.5 percent compared to the previous year. Companies conducting business in the City also showed signs of stress as demonstrated by the closure of a number of business entities due to the economic downturn, which resulted in a decrease of $3.6 million or 9.4 percent in the City's business license tax revenues. In addition, transient occupancy tax (TOT) receipts from transients staying in our local hotels decreased by $2.0 million or 10.4 percent. For the fourteen largest hotels in the City, the average room rate decreased from $130 to $117. Although, the occupancy rate rose slightly from 53.8% to 55.9% during the year, this increase in occupancy was not sufficient to fully offset the negative impact TOT revenues experienced due to the decline in the hotels average room rate. Other revenue experienced a decrease of $4.6 million or 11.4 percent primarily due to a reduction of housing development in the City as well as lower receipts from tobacco settlement revenue and lower City community facility revenues.

- Somewhat offsetting these decreases was an increase of $14.5 million from utility tax primarily due to the first full year collection of the Telephone Line Tax ($20.5 million) in 2009-2010, compared to the partial year collection in the prior year ($7.9 million). In November 2008, voters approved the Telephone Line Tax (Measure J) to be effective April 1, 2009.

- General government expenses decreased by $34.9 million or 20.3 percent between 2008-2009 and 2009-2010 primarily due to reclassifying workers' compensation claims of $21.8 million for police and fire personnel to the public safety expenditure category. The remaining decreases in general governmental expenses attributable to the General Fund are explained in more detail in the governmental fund section later in this document.

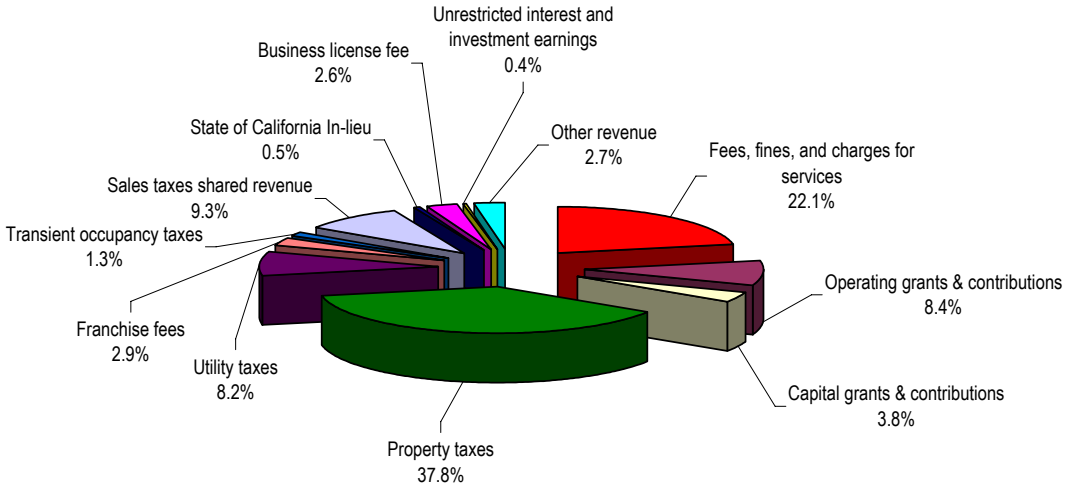
- Public safety expenses experienced a net decrease of $5.3 million or 1.1 percent. The decreases are primarily attributable to the General Fund and are explained in more detail in the governmental fund section later in this document.

- Community services expenses decreased by $15.6 million or 5.6 percent primarily due to lower labor costs which resulted from staff reductions in Planning & Building Development Fee Programs and reduced funding available to administer community services oriented programs.

- Sanitation expenses increased by $7.6 million or 6.2 percent mainly due to higher garbage disposal contract costs that resulted from the amended agreement to pay for additional regulatory costs associated with disposal of residential and commercial solid waste.

- Depreciation expense for infrastructure and other capital assets was $354.4 million, an increase of 1.2 percent from prior year.

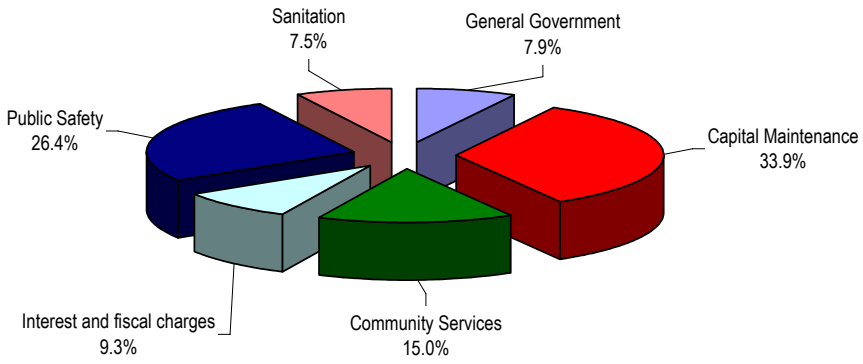
Governmental Activities Revenues 2010



The chart above shows the primary components of governmental activities revenue sources for 2009-2010. Of the $1.322 billion in total revenues generated by governmental activities, 69.2 percent is attributable to three categories: property taxes (37.8 percent); fees, fines, and charges for services (22.1 percent); and sales taxes (9.3 percent). The overall percentage of revenues to total revenues for these three main categories is consistent with 2008-2009 (69.1 percent). The experience in the other revenue categories had mixed results in 2009-2010; capital grants and contributions increased in relation to total revenues by 1.9 percent, from 1.9 percent in 2008-2009 to 3.8 percent in 2009-2010 and utility taxes increased by 1.3 percent from 6.9 percent in 2008-2009 to 8.2 percent of total revenue in 2009-2010. Unrestricted interest and investment earnings decreased from 2.5 percent of total revenue in 2008-2009 to 0.4 percent of total revenue in 2009-2010 due to carrying lower cash balances and lower investment interest yields due to declining market interest rates.

The chart below shows the principal categories of 2009-2010 expenses for governmental activities. Of the $1.736 billion in total expenses generated by governmental activities, the categories accounting for 75.3 percent of the total are: capital maintenance (33.9 percent); public safety (26.4 percent); and community services (15.0 percent).

Governmental Activities Expenses 2010



Business-type activities: Business-type activities net assets increased by $20.0 million or 1.5 percent to $1.354 billion during 2009-2010.

The notable components of the increase/decrease in net assets for business-type activities during 2009-2010 are:

- The Norman Y. Mineta San José International Airport (Airport) net assets decreased by $5.8 million or 1.3 percent. The Airport incurred an operating loss of $38.3 million in 2009-2010, an increase in loss of $28.5 million or 292.6 percent compared to the 2008-2009 loss of $9.8 million. Operating revenues decreased by $4.7 million or 4.1 percent reflecting the ongoing decline in passenger and flight activities at the Airport. Despite an increase in the Airport landing fee rate, the Airport's operating revenue decreased due to the reduction in the number of flights, a decline in passenger traffic and reduced non-airline revenues such as public parking fee, rental car lots fee and terminal buildings/concessions including food and beverage, news and gift shops and advertising. Total Airport 2009-10 operating expenses of $149.5 million were $23.8 million or 18.9 percent higher compared to 2008-2009, highlighted by the increase in depreciation and amortization of $34.3 million, which were partially offset by a $5.8 million or 7.6 percent decrease in operations and maintenance costs and $4.7 million or 16.6 percent decrease in general and administrative costs. The Airport permanently ended airline and concession operations in Terminal C on June 29, 2010 and the final stage of demolition of this facility began in late July 2010 and will be completed in January 2011. As a result, Airport expenses for 2009-2010 include accelerated amortization of capital depreciation costs of $25.9 million related to writing off the remaining unamortized depreciation for Terminal C capital facility costs. The Airport's 2009-2010 nonoperating expenses exceeded nonoperating revenues by $2.2 million, which represented a decrease of $23.1 million or 110.5 percent from 2008-2009. This net decrease was mainly due to a reduction of $7.8 million in investment income, due to declining market interest rates in 2009-2010. The results of operations reflect the combined effect of declines in enplanements, potential for further erosion of air service, and weakness in concession revenue that could continue to place pressure on the Airport's cost profile.

- Wastewater Treatment System net assets increased by $27.9 million or 4.0 percent from $702.6 million to $730.5 million. Operating revenues increased $6.9 million or 4.5 percent from $151.4 million in 2008-2009 to $158.3 million in 2009-2010 primarily due to a 15% sewer rate increase effective July 1, 2009, offset by a $5.7 million decrease in contributions from the City of Santa Clara and participating agencies to the Treatment Plant's costs, a $1.4 million decrease in sewer connection fees, and a $1.2 million decrease in reimbursements from tributary agencies for the joint sewer collection system. Total operating expenses increased by $14.5 million or 11.8 percent primarily due to a $6.1 million increase in various project costs to repair the aging Treatment Plant and sewer collection system, a $2.7 million depreciation expense due to addition of depreciable assets (headwork) in the last month of 2008-2009 and depreciation period started from the beginning of 2009-2010. Net nonoperating revenues decreased by $12.7 million primarily attributable to an $8.4 million decrease in investment income. Capital contributions increased by $6.1 million mainly due to a $4.4 million increase in capital donations from developers and a $4.2 million project costs reimbursement from the State Department of Transportation offset by the $2.5 million decrease in the U.S. Bureau of Reclamation grants for construction of wastewater recycling activities.

- Municipal Water System net assets increased by $0.2 million or 0.3 percent from $82.7 million to $82.9 million. Operating revenues of $24.7 million decreased by $1.1 million or 4.1 percent from $25.8 million mainly due to reduced development activity in the service area, lower consumption of water due to below normal temperatures in summer and conservation efforts made by customers. In addition, operating expenses of $24.3 million decreased $1.0 million or 3.9 percent from $25.3 million primarily due to lower operations and maintenance costs as a result of a reduction in program expenses attributed to economic factors.

- Parking System net assets decreased by $2.3 million or 2.6 percent from $90.5 million to $88.2 million. Operating revenues decreased by $0.6 million or 5.4 percent due primarily to lower activity at parking facilities as a result of the economic downturn. Operating expenses decreased by $0.2 million or 1.9 percent reflecting reductions to operations and maintenance costs to offset revenue declines. Net nonoperating revenues decreased by $0.6 million or 100.5 percent due to decline in investment income.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of June 30, 2010, the City's governmental funds reported combined fund balances of $1.199 billion, a decrease of $216.6 million or 15.3 percent compared to the balance at June 30, 2009. Unreserved *fund balance* at $460.7 million constitutes 38.4 percent of the combined balances and is available for spending at the City's discretion. The $738.5 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:

- $401.0 million for advances, loans, and other assets that are long-term in nature and thus do not represent currently available resources;
- $147.7 million for contractual commitments of 2009-2010 carried into fiscal year 2010-2011;
- $188.1 million for debt service payable in fiscal year 2009-2010; and
- $1.7 million for restricted cash commitments.

Revenues and other financing sources for governmental functions totaled approximately $1.896 billion in 2009-2010, a decrease of $133.5 million or 6.6 percent from 2008-2009 primarily due to lower proceeds from long-term debt and long-term loans, a significant reduction in investment income due to reduced interest rates, lower collections of franchise fees, business license tax, and State revenues.

General Fund: The General Fund is the chief operating fund of the City of San José. At June 30, 2010, its unreserved fund balance is $143.6 million or 84.0 percent of the $170.9 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, 2010, unreserved fund balance represents 21.0 percent of total General Fund expenditures of $683.5 million, while total fund balance represents 25.0 percent of total General Fund expenditures. This measure of financial health shows a decline from the prior fiscal year. At June 30, 2009, the same measures were 24.9 percent and 29.4 percent respectively of $719.4 million in 2008-2009 expenditures and at June 30, 2008, the same measures were 32.7 percent and 39.6 percent respectively of $699.1 million in 2007-2008 expenditures.

Consistent with prior year's performance, the revenue sources in 2009-10 were not sufficient to cover all expenditures. In order to meet the current expenditures, a combination of one-time revenues, use of reserves, and reduction in City services coupled with an offset of net transfers from the General Fund resulted in a $40.3 million or 19.1 percent decrease to the General Fund ending fund balance during 2009-2010.

In 2009-2010, General Fund revenues of $649.3 million were $13.8 million or 2.1 percent lower than 2008-2009 revenues of $663.1 million. General Fund revenue declined across all categories with the exception of a $2.2 million increase in other revenue, which included net proceeds received from various litigation settlements. The Investment income category experienced the largest decrease from $7.5 million in 2008-2009 to $1.5 million in 2009-2010, a decrease of $6 million or 79.9 percent. The decrease was primarily the result of lower interest yields due to the general decline in interest rates in the capital market and lower cash balances as a result of three primary factors; (1) the City's decision to prepay its annual employer contributions to the two retirement plans which resulted in net savings to the City due to a discount in contribution rates by prefunding at the beginning of the fiscal year 2009-2010; (2) the reduction of General Fund reserves as a means to partially offset the City's 2009-2010 General Fund budgetary funding gap; and (3) lower revenues to support operating costs.

Other variances in revenues included taxes and special assessments revenues which decreased by $4.1 million, primarily due to a decrease in property taxes ($8.7 million) from lower property assessment valuations, lower general and Proposition 172 sales tax collections ($4.8 million) as a result of the economic downturn, reduction in franchise fees ($2.7 million) due to a decrease in electric and gas fees as the result of a substantial drop in gas usage during the 2009 calendar year. The General Fund also experienced decreases in transient occupancy tax collections ($0.9 million) and motor vehicle in-lieu fees ($1.7 million) due to the prolonged recession and continuing economic downturn. These decreases were partially offset by an increase in utility taxes ($14.5 million) due to the first full year collection of the Telephone Line Tax in 2009-2010, compared to the partial year collection in the prior year. Licenses and permits ($2.3 million) declined primarily due to lower collections of building permits ($1.2 million) and due to the economic slowdown and the elimination of the City's business tax administration fee ($1.0 million). In addition, intergovernmental revenue decreased by $3.5 million due to a reduction in the Federal interoperable grant ($2.6 million) which ended in 2009 and the Federal Super Urban Area Security grant ($1.2 million) being offset by slight increases in other grants and reimbursement revenue ($0.3 million).

General Fund 2009-2010 expenditures of $683.5 million were $36.0 million or 5.0 percent lower than 2008-2009 expenditures of $719.4 million. The decrease in total expenditures was primarily attributable to overall lower labor expenditures experienced in the following areas: staff reductions associated with planning and building activities and parks operations and recreation services, and rebalancing the development fee programs expenditures due to a significant decline of private development activity and decreases in street maintenance services. The decrease in general government expenditures of $21.8 million resulted from reclassifying workers' compensation claims for police and fire personnel to the public safety expenditure category. Capital maintenance expenditures decreased by $7.3 million primarily due to decreases in street maintenance repair ($5.6 million) and decrease in development fee expenditures by $1.7 million. Infrastructure and fixed asset capital outlay expenditures decreased by $1.3 million due to deferrals of capital projects as a result of budgetary constraints. Offsetting these decreases was a $8.0 million increase in public safety expenditures due to the recognition of expenditures for workers' compensation claims for Police ($5.7 million) and a settlement ($3.5 million) of two federal Fair Labor

Standards Act ("FLSA") lawsuits brought by San José Fire Department employees and offset by the decrease in the Super Urban Area Security grant expenditures ($1.2 million).

Redevelopment fund: The Redevelopment Agency (Agency) fund accounts for the activities of the Redevelopment Agency of the City of San José responsible for redeveloping and upgrading blighted areas. Fund balance for the Agency's governmental funds decreased $114.3 million or 53.4 percent to $99.5 million at June 30, 2010. A deficiency of revenues under expenditures of $182.5 million was offset by other financing sources (net) of $68.2 million, including housing set-aside tax allocation bond proceeds of $160.4 million.

The following are some of the highlights for the Agency:

- Revenues decreased by $2.2 million or 1.1 percent from $212.8 million in the prior fiscal year to $210.5 million. This decrease is due mainly to reduced investment income ($3.2 million) due to lower cash balances and lower market yield on investments which is offset by slight increases in Taxes and Special Assessments, Intergovernmental ($0.4 million) and Other Revenues ($0.6 million).

- Expenditures increased $99.0 million, or 33.7 percent from the prior fiscal year mainly due to increased debt service payments ($65.3 million) primarily due to larger debt scheduled payments made for Housing Set-aside Tax Allocation Bonds and higher interest costs compared to prior fiscal year. Capital Maintenance costs ($32.4 million) rose mainly due to the SERAF payment to the County of Santa Clara which was partially offset by a reduction to capital project activity due to deferral and elimination of several capital maintenance projects.

- Other financing sources (uses) decreased by $19.7 million over other financing sources (uses) of $88.0 million in 2008-2009. Comparing with prior fiscal year, net proceeds from bond issuance increased by ($43.1 million), proceeds from the sale of capital assets increased by ($25.3 million) and net increases of $11.9 million in transfers in(out). This year's transfers-in includes $62.7 million the Agency received from the City for a SERAF loan. These increases were offset primarily with the Agency's payment of $56.7 million to bond escrow agent to refund the Housing Set-aside Tax Allocation Bonds Series 2005 C&D bonds.

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 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. Twenty percent (20%) of the Redevelopment Agency's gross property tax increment and tax allocation bonds secured by the 20% gross tax increment revenues provide the housing fund's primary resources. As required by California State law, the 20% gross tax increment revenue is used solely for affordable housing. In addition, the City's Housing Activities Fund receives resources from the U.S. Department of Housing and Urban Development and the California Department of Housing and Community Development. 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 year by $19.4 million or 6.7 percent to $310.3 million as of June 30, 2010 due to an increase in loans to developers for various projects, including the Belovida, Markham Terrace, North Fourth Street, Cornerstone, and Brookwood housing projects. These additions to the loan receivable balance were offset by an increase in the valuation allowance in the Housing Activities Fund based on the City's annual review of the valuations and adjustments reflecting the terms of the loans. The Housing Activities fund also received an advance in the amount of $12.9 million from the City of San José Financing Authority (derived from the Authority's issuance of its lease revenue commercial paper notes) to fund low and moderate income housing activities and programs.

Total expenditures decreased by $16.6 million to $41.0 million from $57.6 million in the prior fiscal year, which is primarily due to downward adjustment of the loan loss reserve based on reduction in the aggregate value of Housing loan portfolio.

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. A total of $61.0 million in special assessment and special tax debt outstanding at June 30, 2010 is secured by special assessments or special taxes charged to the 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. There was no new special assessment debt issued during 2009-2010.

There was no significant change noted in total expenditures for 2009-2010 compared to the prior fiscal year and the expenditures remained at $12.7 million for both fiscal years.

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, Phase II improvements of the City's Central Service Yard, non-construction costs for technology, furniture, equipment at City Hall, capital improvements at the City's HP Pavilion, procuring the consolidated utility billing system, and the loan to the Housing Activities Fund to fund low and moderate income housing activities and programs. The amount of commercial paper notes outstanding increased from $47.6 million on June 30, 2009 to $53.5 million on June 30, 2010, a net increase of $5.9 million which represented payment of principal payments and the issuance of commercial paper notes to fund the loan to the Housing Activities Fund as described above.

Other financing sources and uses decreased by a net $45.3 million or 53.6 percent to $39.2 million. This net difference is the result of no new long-term debt financing sources and uses transactions during 2009-2010 as compared to a net $40.0 million of new long-term debt financing sources and uses in 2008-2009. In addition, there was a $7.6 million decrease in transfers-in partially offset by a $2.4 million decrease in transfers-out.

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, 2010, the unrestricted net assets were $76.8 million for the Norman Y. Mineta San José International Airport, $199.0 million for the Wastewater Treatment System, $11.3 million for the Municipal Water System and $20.2 million for the Parking System. Net assets for proprietary funds grew from $1.334 billion at June 30, 2009 to $1.354 billion at June 30, 2010 and resulted in an increase of $20.0 million or 1.5 percent.

In an updated report released September 14, 2009, Fitch Ratings downgraded the rating on $1.035 billion of the City of San José's Airport Revenue Bonds from 'A+' to 'A-' (two rating notches). The rating outlook on the bonds remains negative. On July 16, 2009, Moody's Investors Service reaffirmed the A2 rating on the Airport Revenue Bonds, but revised the outlook from stable to negative. Standard and Poor's has not taken any action with respect its rating of 'A' which was assigned on July 16, 2007.

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 the City Manager 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 2010-2011 budgets in June 2010.

During the fiscal year ended June 30, 2010, there was a $14.1 million decrease in budgeted revenues between the original and final amended operating budget for the General Fund. The decrease reflected lower actual receipts in sales tax, franchise fees, licenses, permits and fines, charges for current services, and investment revenues, partially offset by improved actual receipts in property tax revenue, utility tax revenue and the other revenues category (primarily litigation settlements). In addition, there was a $1.2 million increase in appropriations between the original and final amended operating budget for the General Fund primarily from grant funding received during the course of the fiscal year.

Actual budgetary basis expenditures of $704.3 million were $62.9 million less than the amended budget and $61.7 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 $9.607 billion at June 30, 2010. 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 2009-2010 yielded a $218.8 million decrease in governmental activities net capital assets offset by a $247.3 million increase in business-type activities net capital assets resulting in an overall increase of $28.5 million or 0.3 percent in net capital asset balances between June 30, 2009 and June 30, 2010. In addition, certain intangible assets have been determined to have indefinite useful lives. Therefore, as of July 1, 2009 the beginning balances of the capital assets of business-type activities have been restated and reclassified as of July 1, 2009 due to the adoption of GASB Statement No. 51.

Total construction-in-progress decreased by $648.7 million or 57.9 percent from $1.121 billion at June 30, 2009 to $472.1 million at June 30, 2010. The construction-in-progress for the governmental activities increased by $9.0 million mainly due to continued work on Parks, Libraries, and Public Safety projects. Business-type activities contributed a decrease of $657.7 million to the total construction-in-progress primarily due to the completion of Airport projects that totaled $927.1 million. The completed Airport projects include the following: the renovation and expansion of Terminal A which resulted in adequate number of aircraft gates, improved check-in positioning/queuing area and security checkpoints; the construction and completion of Terminal B replaced the outdated and inadequately sized Terminal C with the 380,000- square feet, three level concourse building which opened in June 2010; the Consolidation Rental Car Garage which provided an improved access to rental car facilities and reduced traffic on airport roadways; and the redesigned roadway system which improved the ground transportation system by enhancing the motorist way-finding by straightening the roadway alignment and displaying better road signage. The cancellation of Airport projects associated with Terminal C totaled approximately $37.1 million. The reduction in the Airport construction-in-progress was mainly offset by the ongoing construction of capital projects of approximately $301.2 million related to the Terminal Area Improvement Program, the public parking improvement project, the remainder of the rental car facility and the North Concourse building projects. Net increase to construction-in-progress for Wastewater Treatment Systems was $5.3 million.

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, 2009 and June 30, 2010 (in thousands):

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009, as restated	2010	2009, as restated
Land	$ 541,457	561,258	134,926	134,926	676,383	696,184
Intangible assets	-	-	12,882	12,882	12,882	12,882
Construction in progress	261,698	252,661	210,415	868,141	472,113	1,120,802
Buildings	1,049,521	989,452	1,294,630	371,470	2,344,151	1,360,922
Improvements, other than buildings	123,108	120,828	477,962	491,973	601,070	612,801
Infrastructure	5,401,177	5,667,443	-	-	5,401,177	5,667,443
Furniture and fixtures, vehicles, equipment	34,909	38,864	60,965	64,633	95,874	103,497
Property under capital leases	881	1,074	2,344	2,799	3,225	3,873
Total capital assets	$ 7,412,751	7,631,580	2,194,124	1,946,824	9,606,875	9,578,404

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 2009-2010 tax roll was $127.103 billion, which results in a net total debt capacity of $19.065 billion. As of June 30, 2010, the City had $500.0 million of General Obligation bonds outstanding.

General Obligation Bond Rating

During May 2010, the City received confirmation of its general obligation bond ratings from the three major rating agencies: Aaa from Moody's Investors Service; AAA from Standard & Poor's; and AAA 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 and special tax bonds, and Redevelopment Agency tax allocation bonds.

At June 30, 2010, the City had $3.674 billion of gross outstanding long-term debt related to governmental activities and $1.131 billion related to business-type activities, for a total of $4.805 billion. These amounts for the fiscal year ended June 30, 2009 were $3.728 billion for governmental activities and $1.151 billion for business-type activities, for a total of $4.879 billion.

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

	As of June 30, 2010	As of June 30, 2009	Net Change
Governmental Activities:			
General obligation bonds	$ 499,970	519,320	(19,350)
HUD Section 108 loan	22,915	23,923	(1,008)
Lease revenue and revenue bonds	644,983	655,137	(10,154)
Special assessments	60,905	64,886	(3,981)
Redevelopment Agency	2,445,460	2,464,690	(19,230)
Sub-total	3,674,233	3,727,956	(53,723)
Business-Type Activities:			
Revenue bonds	1,096,035	1,112,320	(16,285)
State of CA-Revolving Fund Loan	34,487	38,254	(3,767)
Sub-total	1,130,522	1,150,574	(20,052)
Total:	$ 4,804,755	4,878,530	(73,775)

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 fiscal challenges faced in 2009-2010 are expected to continue in 2010-2011 and beyond until the local economy improves, primarily through healthy job growth. A set of 2010-2011 budget balancing strategies were developed through a comprehensive community outreach process and City Council Study Sessions including Council Priority Setting Study Session. In June 2010, the City Council approved a balanced General Fund budget for fiscal year 2010-2011, closing a funding gap of approximately $118.5 million through a combination of service reductions and eliminations, reductions in employee total compensation, revenue increases, service delivery changes, use of reserves, and funding shifts.

- As part of the adoption of 2010-2011 budget, the adopted budget resulted in a new reduction of 783 positions from the 2009-2010 adopted budget. A total of 185 full-time employees either involuntarily separated from City services (170) or retired in lieu of termination (15) and an additional 21 part-time employees were laid off. The total number of City positions has decreased to 1994-1995 levels when San José population was 825,000.

- To preserve City services and prevent additional layoffs, six of the City's nine non public safety employee groups, along with unrepresented employees, the Mayor and the City Council agreed to a 10.0% reduction in total compensation (wages and benefits) with 5% considered to be on-going. For those agreements subject to negotiation, as each of these agreements expire, the ongoing concessions will be subject to negotiation in future agreements. Police officers also agreed to a reduction of 3.82% in total compensation of which 0.67% was ongoing to prevent police layoffs of approximately 70 police positions in 2010-2011.

- As of June 30, 2009, the most recent actuarial valuation date, the Police and Fire Department Retirement Plan (PFDRP) was 86.7% funded for pension benefits. The actuarial accrued liability for pension benefits was $2.963 billion, and the actuarial value of assets was $2.570 billion resulting in an unfunded actuarial accrued liability (UAAL) of $393.9 million. As of June 30, 2009, the most recent actuarial valuation date, the Federated City Employee's Retirement System (FCERS) was 70.7% funded for pension benefits. The actuarial accrued liability for benefits was $2.486 billion and the actuarial value of assets was $1.757 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $729.6 million.

- As noted in the Trust and Agency Funds section of this document, the PFDRP's net assets experienced an increase of $270.6 million in 2009-2010 following a $516.0 million decline in net assets in the prior year primarily as a result of the appreciation of the fair value of investments caused by the partial recovery of the equity investment market. The FCERS' net assets experienced an increase of $178.6 million in 2009-2010 following a $334.1 million decline in net assets in the prior year primarily as a result of the appreciation of the fair value of investments caused by the partial recovery in the investment market.

- The Boards of Administration for PFDRP and FCERS have each decided to transition from biennial to annual valuations beginning June 30, 2010. The contribution rates effective June 27, 2010, for fiscal year 2010-2011, were based on the June 30, 2009 actuarial valuations for PFDRP and FCERS. It is anticipated that the annual required contribution rates calculated in the June 30, 2010, valuation reports for both the PFDRP and FCERS will become effective in 2011-2012 after the respective Boards' approval of the actuarial valuation reports.

- For 2010-2011, the City's contribution rates for both pension benefits and health and dental benefits, as a percentage of payroll, are as follows: for the Police members and Fire members of the PFDRP, 44.58% and 44.16%, respectively, and 29.59% for members of FCERS. These rates represent a significant increase in the City's contribution rates compared to the rates in effect in 2009-2010.

- 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 and postemployment healthcare benefits to PFDRP and FCERS. The lump sum prepayment for 2010-2011 was calculated to be actuarially equivalent to the biweekly payments that would otherwise have been the City's required contributions to the benefit pension plans and the postemployment healthcare plans. The Boards of Administration for PFDRP and FCERS approved the actuarially determined prepayment amount of $86.0 million and $67.0 million to be paid by the City on July, 2, 2010, respectively.

- Contributions to the Postemployment Healthcare Plans are made by both the City and the participating members. Contributions to PFDRP for fiscal year ended June 30, 2010 for Fire members of PFDRP were based on the Board's 10-year cash flow funding policy. Effective June 28, 2009, the Police members of PFDRP and the bargaining units representing the FCERS's members entered into Memorandums of Agreement (MOAs) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding of the GASB Statement No. 45 annual required contribution over the next 5 years; fiscal year 2009-2010 was the first year of the phase-in. The MOA between the City and Police members of the PFDRP further provided that PFDRP member contribution rate shall not have an incremental increase of more than 1.25% and 1.35% of pensionable pay in each year for the Police members and City, respectively. Additionally, the MOA with PFDRP members provided that if the retiree healthcare contributions exceed 10% of Police member and 11% of City contributions, respectively, (excluding the implicit rate subsidy) the parties shall meet and confer on how to address the contributions above 10% and 11%. The MOA between the City and the bargaining units representing the members of FCERS provided that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the FCERS members or the City. Notwithstanding these limitations on incremental increases, the agreements with members of FCERS further provide that by the end of the five year phase-in the City and the members "shall be contributing the full Annual Required Contribution in the ratio currently provided" in the relevant sections of the San José Municipal Code. The contributions are not currently sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement No. 45. The contribution rates for the Postemployment Healthcare Plans for the City and the participating employees for fiscal year 2010 were based on actuarial valuations dated June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation.

- As of June 30, 2009, the most recent actuarial valuation date, the Police and Fire Department Retirement Plan (PFDRP) was 7.3% funded for other postemployment benefits. The actuarial accrued liability for benefits was $761.6 million, and the actuarial value of assets was $55.6 million resulting in an unfunded actuarial accrued liability (UAAL) of $706.0 million. As of June 30, 2009, the most recent actuarial valuation date, the Federated City Employee's Retirement System (FCERS) was 10.7% funded for other postemployment benefits. The actuarial accrued liability for benefits was $796.4 million and the actuarial value of assets was $85.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $710.9 million.

- The City Council placed three ballot measures on the November 2010 ballot which were approved by the voters. Measure U allows the City of San José to adopt an ordinance to add a new chapter 4.66 to Title 4 of the San José Municipal Code to impose a tax on marijuana businesses in the City up to a rate of 10% of gross receipts. Measure V amends the City Charter's arbitration procedure for public safety bargaining groups requires the Arbitration Board to prioritize factors such as the City's ability to pay for compensation without reducing other services and prescribes other changes in the arbitration process. Measure W amends the City's Charter to allow the City Council by an ordinance to exclude officers and employees hired after the ordinance's effective date from existing retirement plans and to create new retirement plans that would not be required to meet the minimum benefits established in the City Charter. In addition, the Charter currently only requires that the Police and Fire Department Retirement Plan be actuarially sound. Measure W would require that any new or different retirement plan established by the City Council also be actuarially sound.

- In June 2010, San José resident voters approved Measure K which increased the Cardroom Tax rate on gross revenues from 13% to 15%, allowed each cardroom to seek City approval to increase the number of tables from 40 to 49, removed the limit on the number of permissible card games to allow any card game permissible under State law consistent with City regulations, and increased the betting limit from $200 to that allowed under State law.

- A 6.0% rate increase to the Sewer Service and Use Charge was approved, increasing the average residential payment by $1.86 per month, from $31.00 to $32.86 effective as of July 2010. This increase will support the continued rehabilitation and replacement of infrastructure at the Wastewater treatment Plant and in the sanitary sewer collection systems. Municipal Water rate increase of 3.75% was also approved effective as of July 2010.

- San José's average unemployment rate for calendar year 2009 increased from 6.7 percent to 12.2 percent over the prior year, but the City's rate was slightly lower than the average unemployment rate for the State. The City's average unemployment rate for calendar year 2009 was 12.2 percent, which is lower than the statewide average of 12.3 percent.

All of these factors were considered in preparing the City's budget for 2010-2011.

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 José
Statement of Net Assets
June 30, 2010
($000's)

		Governmental Activities	Business-Type Activities	Total
ASSETS				
Equity in pooled cash and investments	$	628,384	321,742	950,126
Other cash and investments		7	-	7
Receivables (net of allowances for uncollectibles)		157,916	18,436	176,352
Due from outside agencies		3,311	128	3,439
Internal balances		(13,805)	13,805	-
Inventories		739	1,087	1,826
Loans receivable (net of allowances for uncollectibles)		350,917	250	351,167
Advances and deposits		722	6,871	7,593
Other assets		21,970	160	22,130
Restricted assets:				
Equity in pooled cash and investments		66,789	102,718	169,507
Cash and investments held with fiscal agent		325,056	324,002	649,058
Other cash and investments		49,981	-	49,981
Receivables (net of allowances for uncollectibles)		-	4,822	4,822
Deferred bond issuance costs (net of accumulated amortization)		50,095	12,935	63,030
Capital assets (net of accumulated depreciation):				
Nondepreciable		803,155	358,223	1,161,378
Depreciable		6,609,596	1,835,901	8,445,497
Total assets		9,054,833	3,001,080	12,055,913
LIABILITIES				
Accounts payable		61,382	38,766	100,148
Accrued liabilities		42,319	4,673	46,992
Interest payable		54,313	18,517	72,830
Due to outside agencies		51,735	-	51,735
Short-term notes payable		53,530	417,348	470,878
Unearned revenue		18,245	3,365	21,610
Advances, deposits, and reimbursable credits		21,836	5,087	26,923
Other liabilities		14,242	-	14,242
Noncurrent obligations:				
Due within one year		172,104	28,735	200,839
Due in more than one year		3,889,018	1,130,232	5,019,250
Total liabilities		4,378,724	1,646,723	6,025,447
NET ASSETS				
Invested in capital assets, net of related debt		4,201,672	926,638	5,128,310
Restricted for:				
Debt service		113,833	15,046	128,879
Capital projects		217,590	105,464	323,054
Community services		192,702	-	192,702
Public safety		3,806	-	3,806
Unrestricted		(53,494)	307,209	253,715
Total net assets	$	4,676,109	1,354,357	6,030,466

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, 2010
($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	$ 137,159	29,986	20	-	(107,153)	-	(107,153)
Public safety	457,892	20,343	8,005	-	(429,544)	-	(429,544)
Community services	260,835	75,208	56,548	-	(129,079)	-	(129,079)
Sanitation	130,343	135,099	95	-	4,851	-	4,851
Capital maintenance	588,382	31,072	46,258	49,926	(461,126)	-	(461,126)
Interest and fiscal charges	161,734	-	-	-	(161,734)	-	(161,734)
Total governmental activities	**1,736,345**	**291,708**	**110,926**	**49,926**	**(1,283,785)**	**-**	**(1,283,785)**
Business -Type activities:							
Norman Y. Mineta San José International Airport	171,976	130,030	1,149	34,722	-	(6,075)	(6,075)
Wastewater Treatment System	140,831	158,256	-	11,381	-	28,806	28,806
Municipal Water System	24,355	24,732	-	134	-	511	511
Parking System	11,579	10,458	-	-	-	(1,121)	(1,121)
Total business-type activities	**348,741**	**323,476**	**1,149**	**46,237**	**-**	**22,121**	**22,121**
Total	**$ 2,085,086**	**615,184**	**112,075**	**96,163**	**(1,283,785)**	**22,121**	**(1,261,664)**
General revenues:							
Taxes:							
Property and other taxes					498,973	-	498,973
Utility					108,151	-	108,151
Franchise					38,410	-	38,410
Transient occupancy					17,250	-	17,250
Business license					34,952	-	34,952
Sales taxes shared revenue					123,312	-	123,312
State of California in-lieu					7,169	-	7,169
Unrestricted interest and investment earnings					5,010	1,192	6,202
Other revenue					35,786	-	35,786
Transfers					3,291	(3,291)	-
Total general revenues and transfers					**872,304**	**(2,099)**	**870,205**
Change in net assets					**(411,481)**	**20,022**	**(391,459)**
Net assets - beginning, as restated					**5,087,590**	**1,334,335**	**6,421,925**
Net assets - ending					**$ 4,676,109**	**1,354,357**	**6,030,466**

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

City of San José
Balance Sheet
Governmental Funds
June 30, 2010
($000's)

	General Fund	Redevelopment Agency	Housing Activities
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 173,830	55,671	56,180
Other cash and investments	-	-	-
Receivables (net of allowance for uncollectibles)	47,409	1,931	4,066
Due from outside agencies	3,168	-	51
Due from other funds	3,026	22	10,001
Inventories	-	-	-
Loans receivables (net of allowance for uncollectibles)	2,392	32,836	310,306
Advances and deposits	285	267	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	758	-	6,575
Cash and investments held with fiscal agent	-	143,820	-
Other cash and investments	11	48,211	-
Advances to other funds	3,957	1,080	52,721
Other assets	-	-	21,118
Total assets	$ 234,836	283,838	461,018
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 9,923	7,448	1,971
Accrued salaries, wages, and payroll taxes	35,983	364	514
Due to other funds	1	11,361	91
Due to other agencies	876	50,859	-
Short-term notes payable	-	-	-
Deferred revenue	4,432	32,608	34,480
Advances, deposits, and reimbursable credits	7	1,699	-
Advances from other funds	500	79,960	13,471
Other liabilities	12,227	-	-
Total liabilities	63,949	184,299	50,527
Fund balances:			
Reserved for:			
Encumbrances	20,635	18,169	45,300
Noncurrent advances, loans and other assets	6,634	4,930	356,358
Debt service	-	133,869	-
Restricted cash commitments	-	-	-
Unreserved reported in:			
General fund	143,618	-	-
Special revenue funds	-	-	8,833
Debt service funds	-	-	-
Capital projects funds	-	(57,429)	-
Total fund balances	170,887	99,539	410,491
Total liabilities and fund balances	$ 234,836	283,838	461,018

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
-	-	342,703	628,384
-	-	7	7
60,975	-	43,535	157,916
-	-	92	3,311
-	70	19,942	33,061
-	-	739	739
-	-	5,383	350,917
5	-	165	722
20,872	23	38,561	66,789
10,723	55,845	114,668	325,056
-	-	1,759	49,981
-	12,891	13,119	83,768
-	-	852	21,970
92,575	68,829	581,525	1,722,621
-	454	41,586	61,382
1	-	5,457	42,319
-	-	21,672	33,125
-	-	-	51,735
-	53,530	-	53,530
60,905	-	15,358	147,783
8,643	-	11,487	21,836
-	3,327	251	97,509
-	-	2,015	14,242
69,549	57,311	97,826	523,461
111	-	63,462	147,677
5	12,891	20,152	400,970
18,016	-	36,209	188,094
-	-	1,759	1,759
-	-	-	143,618
-	-	271,198	280,031
-	(1,373)	-	(1,373)
4,894	-	90,919	38,384
23,026	11,518	483,699	1,199,160
92,575	68,829	581,525	1,722,621

City of San José
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010
($000's)

Total fund balances-governmental funds (Page 24)		$ 1,199,160
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	541,457	
Construction in progress	261,698	
Infrastructure assets	11,340,293	
Other capital assets	1,664,624	
Accumulated depreciation	(6,395,321)	
Total capital assets		7,412,751
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis.		68,633
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		50,095
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.		60,905
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.		(54,313)
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	(3,678,406)	
Accreted interest on capital appreciation bonds	(1,431)	
Accrued vacation, sick leave and compensatory time	(83,120)	
Estimated liability for self insurance	(131,785)	
Net other postemployment obligation	(155,570)	
Other	(10,810)	
Total long-term liabilities		(4,061,122)
Net assets of governmental activities (Page 22)		$ 4,676,109

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, 2010
($000's)

	General Fund	Redevelopment Agency	Housing Activities
REVENUES			
Taxes and special assessments	$ 490,054	202,409	-
Licenses, permits, and fines	81,983	-	-
Intergovernmental	12,823	475	14,635
Charges for current services	28,055	-	-
Rent	-	1,176	-
Investment income	1,514	1,899	10,405
Other revenue	34,853	4,559	3,314
Total revenues	649,282	210,518	28,354
EXPENDITURES			
Current:			
General government	76,718	15,608	-
Public safety	427,021	-	-
Community services	126,815	-	40,937
Sanitation	1,672	-	-
Capital maintenance	46,161	122,718	29
Capital outlay	3,940	27,714	-
Debt service:			
Principal	1,008	116,115	-
Interest and fiscal charges	146	109,835	-
Bond issuance costs	-	1,068	-
Total expenditures	683,481	393,058	40,966
Deficiency of revenues under expenditures	(34,199)	(182,540)	(12,612)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	160,405	-
Premiums on bonds	-	22	-
Payment to refunded bond escrow agent	-	(56,735)	-
Proceeds from sale of capital assets	-	33,647	-
Transfers in	22,662	70,654	133,008
Transfers out	(28,769)	(139,744)	(71,161)
Total other financing sources (uses)	(6,107)	68,249	61,847
Net change in fund balances	(40,306)	(114,291)	49,235
Fund balances - beginning	211,193	213,830	361,256
Fund balances - ending	$ 170,887	99,539	410,491

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
9,788	-	104,728	806,979
-	-	-	81,983
-	-	73,594	101,527
-	-	280,109	308,164
-	-	18,500	19,676
9	196	1,618	15,641
326	-	15,036	58,088
10,123	196	493,585	1,392,058
-	-	143,245	235,571
-	-	1,573	428,594
-	-	65,603	233,355
-	-	128,442	130,114
5,103	-	105,385	279,396
-	-	94,483	126,137
3,981	11,785	19,350	152,239
3,665	24,415	24,729	162,790
-	-	-	1,068
12,749	36,200	582,810	1,749,264
(2,626)	(36,004)	(89,225)	(357,206)
-	-	-	160,405
-	-	-	22
-	-	-	(56,735)
-	-	-	33,647
545	40,335	43,073	310,277
(5,386)	(1,097)	(60,829)	(306,986)
(4,841)	39,238	(17,756)	140,630
(7,467)	3,234	(106,981)	(216,576)
30,493	8,284	590,680	1,415,736
23,026	11,518	483,699	1,199,160

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, 2010
($000's)

Net change in fund balances—total governmental funds (Page 28)		$ (216,576)
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	126,137	
Depreciation expense	(354,414)	
Excess of depreciation expense over capital outlay		(228,277)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations)		
Donated assets	35,854	
Proceeds from sale of capital assets	(33,647)	
Disposal of assets	7,241	
		9,448
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	1,068	
Amortization and refunding of bond issuance costs	(3,313)	
Total bond issuance costs, net of amortization		(2,245)
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.		208,974
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	(146)	
Net premium on bonds issued	(22)	
Decrease in accrued interest expense	629	
Amortization of deferred amounts, premiums and discounts	162	
Total net interest expense and amortization of discount/premium		623
Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets.		(160,405)
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 increased by this amount this year.		4,111
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 decrease in pollution remediation obligation	2,781	
Net increase in net OPEB obligation	(36,249)	
Net decrease in vacation, sick leave, and compensatory time	13,801	
Net increase in estimated liability for self-insurance	(8,343)	
Net decrease in arbitrage liability	411	
Total additional expenditures		(27,134)
Change in net assets of governmental activities (Page 23)		$ (411,481)

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, 2010
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total
ASSETS					
Current assets:					
Equity in pooled cash and investments held in City Treasury	$ 65,928	227,652	15,237	12,925	321,742
Receivables (net of allowance for uncollectibles)	12,913	3,339	2,044	140	18,436
Due from outside agencies	-	128	-	-	128
Due from other funds	14	1,050	-	-	1,064
Prepaid expenses, advances and deposits	149	-	-	-	149
Inventories	-	1,087	-	-	1,087
Total unrestricted current assets	79,004	233,256	17,281	13,065	342,606
Restricted assets:					
Equity in pooled cash and investments held in City Treasury	47,597	53,090	-	2,031	102,718
Cash and investments held with fiscal agent	317,509	6,493	-	-	324,002
Receivables (net of allowances for uncollectibles)	4,822	-	-	-	4,822
Prepaid expenses, advances and deposits	11	-	-	-	11
Total restricted current assets	369,939	59,583	-	2,031	431,553
Total current assets	448,943	292,839	17,281	15,096	774,159
Noncurrent assets:					
Deferred bond issuance costs (net of accumulated amortization)	12,220	715	-	-	12,935
Loan receivable	250	-	-	-	250
Advances and deposits	6,871	-	-	-	6,871
Advances to other funds	-	6,425	-	8,483	14,908
Capital assets (net of accumulated depreciation):					
Nondepreciable	250,277	88,269	605	19,072	358,223
Depreciable	1,250,753	467,254	71,063	46,831	1,835,901
Total noncurrent assets	1,520,371	562,663	71,668	74,386	2,229,088
Total assets	1,969,314	855,502	88,949	89,482	3,003,247

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, 2010
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 5,010	9,143	1,667	778	16,598
Accrued liabilities	1,628	2,748	174	123	4,673
Interest payable	7	356	-	-	363
Due to other funds	-	-	1,000	-	1,000
Short-term notes payable	417,348	-	-	-	417,348
Accrued vacation, sick leave and compensatory time	2,189	3,016	142	175	5,522
Estimated liability for self-insurance	560	1,300	156	-	2,016
Advances and deposits payable	951	-	-	2	953
Unearned revenue	3,365	-	-	-	3,365
Loans payable	-	3,836	-	-	3,836
Pollution remediation obligation	330	-	-	-	330
Total current liabilities unrestricted	431,388	20,399	3,139	1,078	456,004
Current liabilities payable from restricted assets:					
Accounts payable and accrued liabilities	22,168	-	-	-	22,168
Interest payable	17,871	283	-	-	18,154
Accrued vacation, sick leave and compensatory time	39	-	-	-	39
Current portion of bonds payable	11,961	4,647	-	-	16,608
Pollution remediation obligation	384	-	-	-	384
Total current liabilities payable from restricted assets	52,423	4,930	-	-	57,353
Total current liabilities	483,811	25,329	3,139	1,078	513,357
Noncurrent liabilities:					
Accrued vacation, sick leave and compensatory time	1,292	1,834	-	-	3,126
Estimated liability for self-insurance	2,403	3,030	-	-	5,433
Advances from other funds	-	-	1,167	-	1,167
Advance contributions from participating agencies	-	3,001	-	-	3,001
Advances, deposits and reimbursable credits	-	-	1,133	-	1,133
Loans payable	-	30,651	-	-	30,651
Bonds payable (net of premium/discount and deferred loss on refunding)	1,023,304	53,645	-	-	1,076,949
Net other postemployment benefit obligation	5,740	7,514	570	249	14,073
Total noncurrent liabilities	1,032,739	99,675	2,870	249	1,135,533
Total liabilities	1,516,550	125,004	6,009	1,327	1,648,890
NET ASSETS					
Invested in capital assets, net of related debt	314,664	474,403	71,668	65,903	926,638
Restricted for debt service	6,766	6,249	-	2,031	15,046
Restricted for capital projects and other agreements	54,583	50,881	-	-	105,464
Unrestricted	76,751	198,965	11,272	20,221	307,209
Total net assets	$ 452,764	730,498	82,940	88,155	1,354,357

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total
OPERATING REVENUES					
Charges for services	$ 41,902	130,662	24,723	10,458	207,745
Rentals and concessions	62,371	2,921	-	-	65,292
Customer transportation fees	6,021	-	-	-	6,021
Service connection, engineering and inspection	-	1,649	-	-	1,649
Contributions	-	15,202	-	-	15,202
Other	914	7,819	-	-	8,733
Total operating revenues	111,208	158,253	24,723	10,458	304,642
OPERATING EXPENSES					
Operations and maintenance	70,582	88,157	20,883	4,831	184,453
General and administrative	23,624	25,216	940	4,080	53,860
Depreciation and amortization	55,288	23,744	2,483	2,464	83,979
Materials and supplies	-	275	-	204	479
Total operating expenses	149,494	137,392	24,306	11,579	322,771
Operating income (loss)	(38,286)	20,861	417	(1,121)	(18,129)
NONOPERATING REVENUES (EXPENSES)					
Passenger facility charges	17,043	-	-	-	17,043
Operating grants	1,149	-	-	-	1,149
Investment income	311	868	16	(3)	1,192
Land and building rental	-	3	-	-	3
Interest expense	(10,749)	(3,213)	(49)	-	(14,011)
Contributions refunded to participating agencies	-	(220)	-	-	(220)
Loss on disposal of capital assets	(11,733)	(6)	-	-	(11,739)
Other revenues, net	1,779	-	9	-	1,788
Net nonoperating revenues (expenses)	(2,200)	(2,568)	(24)	(3)	(4,795)
Income (loss) before capital contributions and transfers	(40,486)	18,293	393	(1,124)	(22,924)
Capital contributions	34,722	11,381	134	-	46,237
Transfers in	-	-	-	11	11
Transfers out	(15)	(1,776)	(290)	(1,221)	(3,302)
Changes in net assets	(5,779)	27,898	237	(2,334)	20,022
Net assets - beginning, as restated	458,543	702,600	82,703	90,489	1,334,335
Net assets - ending	$ 452,764	730,498	82,940	88,155	1,354,357

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, 2010
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 110,467	143,776	25,435	10,524	290,202
Payments to suppliers	(60,781)	(50,450)	(17,744)	(6,915)	(135,890)
Payments to employees	(33,379)	(60,924)	(4,239)	(2,335)	(100,877)
Other receipts	2,157	15,201	-	-	17,358
Net cash provided by operating activities	18,464	47,603	3,452	1,274	70,793
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer from other funds	-	-	-	11	11
Transfer to other funds	(15)	(1,776)	(290)	(1,221)	(3,302)
Advances to other funds	-	(4,307)	(700)	(1,683)	(6,690)
Subsidies from operating grants	1,276	-	-	-	1,276
Advances, deposits and credits paid	-	-	(41)	-	(41)
Net cash provided by (used in) by noncapital and related financing activities	1,261	(6,083)	(1,031)	(2,893)	(8,746)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Passenger facility charges received	17,037	-	-	-	17,037
Proceeds from commercial paper	98,887	-	-	-	98,887
Principal payment on commercial paper	(5,100)	-	-	-	(5,100)
Subsidies from capital grants	35,785	8,273	-	-	44,058
Acquisition and construction of capital assets	(311,097)	(23,233)	(383)	(670)	(335,383)
Proceeds from capital assets	-	72	-	-	72
Principal paid on debt	(11,645)	(8,407)	-	-	(20,052)
Interest paid on debt	(56,258)	(3,038)	-	-	(59,296)
Advances, deposits and credits received	3,078	-	-	-	3,078
Net cash used in capital and related financing activities	(229,313)	(26,333)	(383)	(670)	(256,699)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	188,524	-	-	-	188,524
Purchase of investments	(46,124)	-	-	-	(46,124)
Interest and dividends received (paid)	16,933	1,587	46	(4)	18,562
Land and building rentals	-	4	-	-	4
Net cash provided by (used in) investing activities	159,333	1,591	46	(4)	160,966
Net change in cash and cash equivalents	(50,255)	16,778	2,084	(2,293)	(33,686)
Cash and cash equivalents - beginning	171,656	264,487	13,153	17,249	466,545
Cash and cash equivalents - ending	$ 121,401	281,265	15,237	14,956	432,859

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, 2010
($000's)

	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	**$** (38,286)	20,861	417	(1,121)	(18,129)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	55,288	23,744	2,483	2,464	83,979
Other nonoperating revenues	1,779	-	9	-	1,788
Decrease (increase) in:					
Accounts receivable	139	517	703	66	1,425
Due from outside agencies	-	208	-	-	208
Inventories	-	(42)	-	-	(42)
Prepaid expenses, advances and deposits	3,130	-	-	-	3,130
Increase (decrease) in:					
Accounts payable and accrued liabilities	(3,828)	1,412	(286)	(197)	(2,899)
Accrued vacation, sick leave and compensatory time	(476)	(187)	(26)	(17)	(706)
Estimated liability for self-insurance	(334)	(1,219)	(9)	-	(1,562)
Unearned revenue	(532)	-	-	-	(532)
Advances and deposits payable	10	-	-	1	11
Other liabilities	1,574	2,309	161	78	4,122
Total adjustments	56,750	26,742	3,035	2,395	88,922
Net cash provided by operating activities	$ 18,464	47,603	3,452	1,274	70,793
Reconciliation of cash and cash equivalents to the statement of net assets:					
Equity in pooled cash and investments held in City Treasury					
Unrestricted	$ 65,928	227,652	15,237	12,925	321,742
Restricted	47,597	53,090	-	2,031	102,718
Cash and investments held with fiscal agent	317,509	6,493	-	-	324,002
Less investments not meeting the definition of cash equivalents	(309,633)	(5,970)	-	-	(315,603)
Cash and cash equivalents	$ 121,401	281,265	15,237	14,956	432,859
Noncash noncapital, capital and related financing, and investing activities:					
Loss on disposal of capital assets	$ 11,733	6	-	-	11,739
Acquisition of capital assets on accounts payable and accrued liabilities	23,826	-	-	-	23,826
Capitalized interest	30,649	-	-	-	30,649
Contributions from developers	-	5,703	134	-	5,837
Amortization of deferred charges and other charges	483	232	-	-	715
Change in fair value of investments	268	101	-	-	369

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, 2010
($000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund	Agency Funds
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ -	94	2,149
Investments of retirement plans:			
Investments, excluding securities lending collateral:			
Fixed income	1,968,960	-	-
Domestic equity	582,976	-	-
International equity	466,589	-	-
Pooled international equity	530,753	-	-
Private equity	176,329	-	-
International currency contracts, net	984	-	-
Commodities	(5,699)	-	-
Real estate	259,186	-	-
Securities lending cash collateral investment pool	557,801	-	-
Total investments	4,537,879	-	-
Receivables (net of allowances for uncollectibles):			
Accrued investment income	14,696	-	7
Employee contributions	2,997	-	-
Employer contributions	7,151	-	-
Other	29,974	-	-
Total assets	4,592,697	94	$ 2,156
LIABILITIES			
Due to brokers	83,561	-	-
Securities lending collateral, due to borrowers	562,117	-	-
Other liabilities	11,335	-	2,156
Total liabilities	657,013	-	$ 2,156
NET ASSETS			
Held in trust for:			
Employees' pension benefits	3,776,853	-	
Employees' postemployment healthcare benefits	158,831	-	
Other purpose	-	94	
	$ 3,935,684	94	

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, 2010
($000's)

	Pension Trust Funds	James Lick Private Purpose Trust Fund
ADDITIONS		
Investment income:		
Interest	$ 64,510	3
Dividends	30,851	-
Net rental income	8,970	-
Net change in fair value of plan investments	433,166	-
Investment expenses	(14,628)	-
Total investment income	522,869	3
Securities lending income:		
Securities lending income	10,969	-
Securities lending rebates and expenses	(908)	-
Total securities lending income	10,061	-
Contributions:		
Employer	135,192	-
Employees	59,957	-
Total contributions	195,149	-
Total additions	728,079	3
DEDUCTIONS		
General and administrative	5,842	-
Health insurance premiums	44,767	-
Refunds of contributions	1,415	-
Retirement and other benefits:		
Death benefits	14,101	-
Retirement benefits	212,715	-
Total deductions	278,840	-
Change in net assets	449,239	3
Net assets held in trust for pension and postemployment healthcare benefits:		
Beginning of year	3,486,445	91
End of year	$ 3,935,684	94

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

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Notes to Basic Financial Statements

June 30, 2010

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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 "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 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 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.

(Continued)

- **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 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, 2010, 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 "FCERS")
- Police and Fire Department Retirement Plan (the "PFDRP")
- Redevelopment Agency of the City of San José
- Norman Y. Mineta San José International Airport (the "Airport")
- San José – Santa Clara Clean Water Financing Authority

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 meet 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.

(Continued)

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 ("FCERS") and the Police and Fire Department Retirement Plan ("PFDRP" 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 fiduciary 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, investment income, 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. In addition, Wastewater Treatment System Fund's contributions from other participating agencies for their allocation of the plant's operating and maintenance expense are also included as operating revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

(Continued)

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 (GASB). Governments also have the option of following subsequent private-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

During the year ended June 30, 2010, the City implemented the following 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. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

In prior years, the Airport recorded amortization of its intangible assets following the guidance of Accounting Principles Board (APB) Opinion No. 17, *Intangible Assets,* and computed annual amortization on its intangible assets over a 50-year estimated useful life. Upon adoption of GASB 51, the Airport identified its intangible assets as having indefinite useful lives. As a result, beginning net assets and capital assets of the City's Business-Type Activities and the Airport major enterprise fund have been restated by $5,643,000.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments. GASB 53, requires derivative instruments be reported at fair value, with a few specific exceptions, on the statement of net assets. The classification depends on whether they represent assets or liabilities. Changes in fair values of investment derivatives should be reported within the investment revenue classification on the changes in fund net assets. The Statement also provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The statement describes the general circumstances under which a derivative instrument is classified as an investment derivative or a hedging derivative instrument. Pursuant to the requirements of this statement, the City has provided a summary of derivative instrument activities during the reporting period and the related risks as discussed in Note III.A.2.

(Continued)

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

In March 2010, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of 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 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.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. 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 assigned to the General Fund. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. For the fiscal year ended June 30, 2010, the total investment income from these funds assigned and transferred to the General Fund was approximately $2,844,000.

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Retirement Systems. The Retirement Systems investment policies authorize various types of investments. These investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently audited financial statements and other fund information. The fair value of separate real estate properties is based on annual independent appraisals. In addition, per the Retirement Systems' Real Estate Investment Guidelines, mortgage loans at fair value on the separate real estate properties are not allowed to exceed 50% of the property's fair value. Purchases and sales of securities are reflected on the date of trade. Investment income is recognized as earned. Rental income from real estate activity is recognized as earned, net of expenses.

Other Investments. Non-pooled investments are generally carried at fair value. However, investments in investment agreements are carried at cost. Income from non-pooled investments is recorded based on the specific investments held by the fund. The investment income is recorded in the fund that earned the income.

4. Inventories

Inventories of proprietary funds are 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 and special tax bonds are fully secured by liens against the privately owned properties benefited by the improvements for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and 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 to 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.

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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 and deferred amounts on refundings. 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.

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 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 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

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 respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For 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.

Employees in the Federated City Employees' Retirement System who retire with at least 15 years of service or 20 years for police officers and firefighters in the Police and 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 collective bargaining agreements.

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.

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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, 2010, the government-wide statement of net assets reported restricted assets of $527,931,000 in governmental activities and $120,510,000 in business-type activities. Of these amounts $297,563,000 and $74,857,000, respectively are restricted by enabling legislation.

- *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 are based on third-party restrictions and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

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:

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- *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 funds balance designations at June 30, 2010 are composed of the following (dollars in thousands):

	General Fund	Redevelopment Agency	Housing Activities	Special Assessment Districts	San Jose Financing Authority	Nonmajor Funds	Total
Unreserved, designated for:							
Future projects	$ 34,292	-	3,186	-	-	76,023	$ 113,501
Contingencies	53,316	-	-	-	-	-	53,316
Undesignated	56,010	(57,429)	5,647	4,894	(1,373)	286,094	293,843
Total unreserved fund balances	$ 143,618	(57,429)	8,833	4,894	(1,373)	362,117	$ 460,660

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.

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, 2010, was approximately $123.0 billion, a decrease of approximately 2% from the previous year. The City's tax rate was approximately $0.191 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).

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Proposition 1A Borrowing By The State of California. Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California State legislature on July 29, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax and supplemental property tax apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten year period.

Authorized with the 2009-2010 State budget package, the Proposition 1A securitization program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint power authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities, acting solely as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State.

The City participated in the Securitization Program and accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded. The amount of this borrowing pertaining to the City was $20,467,000.

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 six 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, 2010, 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, 2010, the City's interest in the net assets of the Plant was approximately 82.8%.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

Deficit fund balances of $272,000 and $369,000 were reported in non-major capital projects Fiber Optics Development Fund and the Civic Center Improvement Fund, respectively. The deficit fund

(Continued)

balance for the Fiber Optics Development Fund will be eliminated with future transfers from the General Fund. The Civic Center Improvement Fund deficits will be eliminated with transfers made from future commercial paper proceeds.

B. Deficit Unrestricted Net Assets – Governmental Activities

At June 30, 2010, the City reports a deficit unrestricted net assets in its Statement of Net Assets – governmental activities in the amount of $53,494,000. This deficit is due to a number of factors. A primary factor for this net deficit is due to debt issued by the Agency due to the nature of tax increment financing method allowed under California law whereby a redevelopment agency issues bonds or incurs long-term debt to finance its redevelopment and housing projects by pledging future tax increment revenues. In addition, the City's accrual of certain long-term liabilities, such as compensated absences and estimated claims, that are recognized as expenses under the accrual basis of accounting as the liabilities are incurred; however, these expenses are not budgeted (funded) until the liabilities are anticipated to come due; and the City's recognition of other postemployment benefit (OPEB) obligations for OPEB costs in which the actuarial annual required contributions are greater than the amount funded into the OPEB plans to date. Pursuant to the City's latest agreements with most of its bargaining units, the funding to fully fund the OPEB's annual required contributions will be phased in over a five year period (see Note IV.A.).

III. Detailed Notes on All Funds

A. Cash, Deposits and Investments

As of June 30, 2010, total City cash, deposits and investments, at fair value, are as follows (dollars in thousands):

			Fiduciary Funds			
	Governmental Activities	Business-type Activities	Pension Trust	Private-Purpose Trust	Agency	Carrying Value
Equity in pooled cash and investments	$ 628,384	321,742	-	94	2,149	$ 952,369
Other cash and investments	7	-	-	-	-	7
Restricted investments:						
Equity in pooled cash and investments	66,789	102,718	-	-	-	169,507
Cash and investments with fiscal agents	325,056	324,002	-	-	-	649,058
Other cash and investments	49,981	-	-	-	-	49,981
Investments of retirement plans	-	-	4,537,879	-	-	4,537,879
Total deposits and investments	$ 1,070,217	748,462	4,537,879	94	2,149	6,358,801
Deposits *						21,189
Investments						6,337,612
Total deposits and investments						$ 6,358,801

* The deposits primarily consist of restricted Agency deposits in the amount of $23,207,000 held in Bank of the West.

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

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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:

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 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, 2010, was approximately 122 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, 2010, the City's investment in LAIF was approximately $301,935,000. The weighted average maturity of LAIF was 203 days. The total amount recorded by all public agencies in LAIF pool at that date was approximately $23.3 billion. Of that amount, 94.58% was invested in non-derivative financial products and 5.42% in structured notes and asset backed securities.

(Continued)

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

The City Council adopted an investment policy (the "Policy") on April 2, 1985, as amended on December 8, 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 un-hedged 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.

The following table identifies the investment types that are authorized for the City's Investment Policy as of June 30, 2010:

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% (Whichever 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 bankers' acceptances (BAs) are limited to issues by domestic U.S. or foreign banks, which must be rated by Fitch Ratings as follows: an issuer rating of "B" or better for domestic U.S. banks, "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.

(Continued)

- 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 the issuing institution.
- 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.
- Reverse repurchase agreements under the Policy are limited to the lesser of $25,000,000 or 20% of the portfolio value and to those occasions where unanticipated short-term cash requirements can be met more advantageously by initiating a reverse repurchase agreement than by selling a security into the secondary market prior to maturity. Corporate 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 of $50,000,000 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 (SEC) and for which either one of the credit criteria are met: (1) obtained the highest ranking or highest letter and numerical rating provided by no less than two nationally recognized rating services or (2) retained an investment advisor registered with the SEC or exempt from the SEC registration requirements with no less than five years 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.
- 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.
- 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.

(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 of credit risk of the City's investments, as of June 30, 2010. 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 bills	Exempt	$ 114,900	-	-	-	114,900
Federal Farm Credit Banks *	Aaa / AAA	-	31,547	10,175	20,759	62,481
Federal Farm Credit Banks - Callable *	Aaa / AAA	-	-	-	10,106	10,106
Federal Home Loan Banks *	Aaa / AAA	-	105,489	29,320	-	134,809
Federal Home Loan Banks - Callable *	Aaa / AAA	-	-	-	21,750	21,750
Federal Home Loan Banks - Discount *	P-1 / A-1+	44,750	45,572	21,810	-	112,132
Federal Home Loan Mortgage Corporation *	Aaa / AAA	10,013	64,313	-	-	74,326
Federal Home Loan Mortgage Corporation - Discount *	P-1 / A-1+	-	49,994	14,967	-	64,961
Federal National Mortgage Association - Discount *	P-1 / A-1+	40,000	94,955	118,433	-	253,388
Commercial paper - Discount	P-1 / A-1+	75,991	18,961	-	-	94,952
Medium-term notes	Aaa / AAA	-	-	5,054	25,753	30,807
Negotiable certificate of deposit	P-1 / A-1	54,999	-	-	-	54,999
California local agency investment fund	Not Rated	-	-	100,000	-	100,000
Total pooled investments in the City Treasury		340,653	410,831	299,759	78,368	1,129,611
Investments with fiscal agents:						
U.S. Treasury bills	Exempt	57,244	-	11,565	-	68,809
Federal Home Loan Banks **	Aaa / AAA	-	-	2,662	29,938	32,600
Federal Home Loan Banks - Discount **	P-1 / A-1+	-	4,540	-	-	4,540
Federal Home Loan Mortgage Corporation - Discount	P-1 / A-1+	-	90	810	-	900
Federal National Mortgage Association **	Aaa / AAA	23,383	-	23,519	-	46,902
Federal National Mortgage Association - Discount **	P-1 / A-1+	-	182	-	-	182
Commercial paper	P-1 / A-1+	31,573	-	-	-	31,573
Investment agreements ***	Not rated	6,144	233,565	-	-	239,709
Money market mutual funds	AAAm	29,631	13,341	-	-	42,972
California local agency investment fund	Not Rated	-	-	180,856	-	180,856
Total investments with fiscal agents		147,975	251,718	219,412	29,938	649,043
Other Investments:						
California local agency investment fund	Not Rated	-	-	21,079	-	21,079
Total other investments		-	-	21,079	-	21,079
Total City-wide investments (excluding Retirement Systems)		$ 488,628	662,549	540,250	108,306	1,799,733
Retirement Systems:						
Total investments in Retirement Systems						4,537,879
Total investments						$ 6,337,612

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

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

*** The City holds investment agreements in the amount of $239,709,000 issued by Citigroup which represents more than 5% of the City's investments held outside of the City's Treasury pool.

(Continued)

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. The investments held by the City were not subject to custodial credit risk at June 30, 2010.

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2010, the investments in the City's investment pool were not subject to foreign currency risk.

2. Retirement Systems

Investment Policies – The City's Municipal Code delegates authority to the Retirement Systems Boards of Administration to reinvestment moneys of the Retirement Systems as provided in the Municipal Code. The Boards have adopted detailed investment guidelines consistent with the limitations set forth in the Municipal Code. Following the market crash of 2008, the Boards approved a new asset allocation that improved the diversification of the Retirement Systems' portfolio structure from the prior one. The Retirement Systems' investment asset allocations are as follows:

	Type of Investment	Policy Limits and Descriptions
PFDRP	Equity - Target of 40%	Minimum of 30% and maximum of 50% of the fair value of the aggregate portfolio. U.S. Large Cap - Target 18% U.S. Small Cap - Target 5% Non U.S. Developed Markets - Target 12% Non U.S. Emerging Markets - Target 5%
	Fixed Income - Target of 25%	Minimum of 15% and maximum of 35% of the fair value of the aggregate portfolio. Core Fixed Income - Target 5% U.S. Treasury Inflation Protected Securities (TIPS) - Target 10% Long Duration Fixed Income - Target 5% Opportunistic Credit - Target 5%
	Alternative Assets - Target of 35%	Minimum of 10% and maximum of 60% of the fair value of the aggregate portfolio. Funds allotted to the alternatives asset class are temporarily invested in other asset classes.
		Private Equity - Target 5% Real Estate - Target 10% Inflation-Linked Assets - Target 10% Absolute Return - Target 5% Opportunistic - Target 5%
FCERS	Global Equity - Target 49%	Minimum of 43% and maximum of 55% of the fair value of the aggregate portfolio.
	Fixed Income - Target 20%	Minimum of 15% and maximum of 25% of the fair value of the aggregate portfolio.
	Alternatives - Target of 31%	Minimum of 26% and maximum of 36% of the fair value of the aggregate portfolio.
		Real Estate - Target 5% Real Assets - Target 10% Hedge Funds - Target 5% Private Equity - Target 6% Opportunistic - Target 5%

(Continued)

PFDRP's investment policy authorizes PFDRP to invest in domestic equity, international equity, emerging market equity, domestic fixed income, global (international) fixed income, long duration fixed income U.S. Treasury Inflation Protected Securities (TIPS), high yield/credit opportunities, international currency contracts, private equity, real estate, derivatives, securities lending, and short-term investments. FCERS's investment policy authorizes FCERS to invest in global equity; global fixed income; alternatives including real estate, real assets, hedge funds, private equity, and opportunistic assets; short-term investments; and securities lending.

As of June 30, 2010, PFDRP's separate real estate properties include: apartment complexes in Houston, TX and Colorado Springs, CO; office buildings in Denver, CO, O'Fallon, MO, San Jose, CA, near Chicago, IL, and in Anchorage, AK; and warehouses near Minneapolis, MN. As of June 30, 2010, the office buildings in O'Fallon, MO and Anchorage, AK had mortgage loans payable of approximately $20,400,000 which do not exceed 50% of the assets as allowed in PFDRP's Real Estate Investment Guidelines. As of June 30, 2010, FCERS held a warehouse located in Northern California with no outstanding mortgage loans.

At June 30, 2010, the Retirement Systems held the following investments (dollars in thousands):

	PFDRP	FCERS	Total
Securities and other:			
Fixed income:			
Domestic fixed income	$ 863,001	$ 642,269	$ 1,505,270
Collective short-term investments	204,362	63,202	267,564
International fixed income	32,005	6,890	38,895
Corporate convertible bonds	-	45,540	45,540
Pooled fixed income bond funds	91,501	20,190	111,691
Total fixed income	1,190,869	778,091	1,968,960
Domestic equity	468,971	114,005	582,976
International equity	278,087	188,502	466,589
Pooled international equity	137,759	392,994	530,753
Private equity	106,298	70,031	176,329
International currency contracts, net	499	485	984
Commodities	(5,699)	-	(5,699)
Real estate	189,070	70,116	259,186
Securities lending cash collateral investment pool	384,569	173,232	557,801
Total investments	$ 2,750,423	$ 1,787,456	$ 4,537,879

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

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

(Continued)

As of June 30, 2010, PFDRP's investments include $442,000 of asset backed securities, $30,733,000 of bank loan securities, and $400,000 of U.S. denominated convertible bonds that were floating rate securities tied to the London Interbank Offered Rate (LIBOR) or the 3-month Prime rate. PFDRP also has exposure of approximately $242,348,000 in commodity swaps that are tied to 3-month Treasury bill rates as described in the Derivatives discussion.

As of June 30, 2010, FCERS's investments include $32,453,000 of bank loan securities that were floating rate securities tied to LIBOR or the 3-month Prime rate. FCERS also has exposure on its fully collateralized commodity and infrastructure swaps with a notional amount of approximately $68,000,000 that are tied to various indices as described in the Derivatives discussion.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity as of June 30, 2010, concerning the fair value of investments and interest rate risk (dollars in thousands):

	Police and Fire Department Retirement Plan							
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	**Total Fair Value**	**Total Cost**
Domestic fixed income:								
Asset backed securities	$ -	$ -	$ -	$ 238	$ 581	$ 841	$ 1,660	$ 1,383
Bank loans	-	138	1,709	28,180	1,726	-	31,753	29,752
Collateralized mortgage obligations	-	-	-	1,328	3,005	27,254	31,587	30,145
Corporate bonds	-	-	1,156	48,177	37,195	97,984	184,512	166,898
FHLMC	-	-	-	-	2,940	11,019	13,959	13,414
FNMA	-	-	-	-	4,929	36,850	41,779	40,978
State and local obligations	-	-	-	-	-	7,596	7,596	7,321
U.S. TIPS	-	-	-	124,935	127,106	81,765	333,806	324,654
U.S. Treasury securities	-	11,150	19,968	131,737	30,516	22,978	216,349	212,911
Collective short-term investments	204,362	-	-	-	-	-	204,362	204,366
Total domestic fixed income	204,362	11,288	22,833	334,595	207,998	286,287	1,067,363	1,031,822
International fixed income:								
International corporate bonds	-	-	-	316	393	-	709	721
USD denominated convertible bonds	-	-	-	-	5,760	1,102	6,862	7,092
USD denominated corporate bonds	-	-	732	9,102	6,334	8,266	24,434	23,902
Total international fixed income	-	-	732	9,418	12,487	9,368	32,005	31,715
Pooled fixed income bond funds	-	-	-	-	-	91,501	91,501	82,212
Total fixed income	$ 204,362	$ 11,288	$ 23,565	$ 344,013	$ 220,485	$ 387,156	$ 1,190,869	$ 1,145,749

	Federated City Employees' Retirement System							
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	**Total Fair Value**	**Total Cost**
Domestic fixed income:								
Asset backed securities	$ -	$ -	$ -	$ 941	$ -	$ -	$ 941	$ 783
Bank loans	-	207	1,847	30,280	2,058	-	34,392	32,213
Corporate bonds	-	-	1,161	31,768	19,479	4,394	56,802	51,187
FHLMC	-	-	-	15,126	4,581	-	19,707	19,404
FNMA	-	-	-	6,797	4,287	-	11,084	10,838
Other U.S. Government agency	-	-	-	13,638	-	-	13,638	13,659
U.S. TIPS	-	-	-	94,203	98,065	65,255	257,523	249,660
U.S. Treasury securities	-	-	9,322	172,802	66,058	-	248,182	242,688
Collective short-term investments	63,202	-	-	-	-	-	63,202	63,223
Total domestic fixed income	63,202	207	12,330	365,555	194,528	69,649	705,471	683,655
International fixed income:								
USD denominated corporate bonds	-	-	-	4,505	1,889	496	6,890	5,572
Corporate convertible bonds	1,260	-	461	30,255	1,981	11,583	45,540	46,065
Pooled fixed income bond funds	-	-	-	-	20,190	-	20,190	19,500
Total fixed income	$ 64,462	$ 207	$ 12,791	$ 400,315	$ 218,588	$ 81,728	$ 778,091	$ 754,792

Custodial Credit Risk – The Retirement Systems do not have a policy regarding custodial credit risk. As of June 30, 2010 all of the Retirement Systems' investments, excluding invested securities lending collateral, are held in the Retirement Systems' names, and/or are not exposed to custodial credit risk. Securities lending collateral are invested in the lending agent's investment fund (see discussion on securities lending below).

(Continued)

Credit Quality Risk – PFDRP's investment policy dictates that all domestic and international bonds and notes in which PFDRP'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: Standard & Poor's (S&P), Moody's Investors' Service (Moody's), or Fitch Ratings (Fitch). In the event that ratings are provided by only two agencies and the third is non-rated, the more conservative (lowest) rating will be assigned. If only one agency assigns a rating, that rating will be used; or, if unrated, the security shall be of equivalent quality in the judgment of the investment manager to a similar domestic issue. Investment managers may, with prior written authorization from PFDRP, 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 PFDRP's investment policy at the time of purchase, the investment manager is permitted to hold up to 2% of the PFDRP's portfolio managed by the individual manager, using the lowest of S&P, Moody's, and Fitch's rating in the event of a split-rated security.

FCERS's investment policy dictates that assets shall generally be invested in investment grade, marketable, fixed-income securities. Domestic fixed income investment grade shall be defined as being rated Baa/BBB or better by Moody's or S&P. "Yankee" bonds issued by foreign countries and denominated in U.S. dollars are allowed so long as they are rated Baa/BBB or better by Moody's or S&P. If a security is not rated by Moody's or S&P, the equivalent rating determined by the investment manager's research department will be used. Should a current holding fall below this standard, the manager shall notify FCERS of the downgrade and confer with FCERS staff as to whether the security will continue to be held or disposed. Up to 10% investment in BB or B securities will be permitted with written authorization of FCERS's Board. The investment managers employed to manage fixed-income securities will have discretion in the day-to-day management of the funds under their control.

The Retirement Systems may hedge against the possible adverse effects of currency fluctuations on the Retirement Systems' portfolios of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments.

The following table provides information as of June 30, 2010 concerning credit risk (dollars in thousands):

	PFDRP		FCERS	
S&P quality Rating	Fair Value	Fair value as a % of fixed income investments	Fair Value	Fair value as a % of fixed income investments
AAA	$ 46,246	7.2%	$ 48,920	18.0%
AAA	41,913	6.5%	1,004	0.4%
A	76,578	12.0%	9,449	3.5%
BBB	45,351	7.1%	15,744	5.8%
BB	29,462	4.6%	47,007	17.3%
B	21,456	3.3%	35,986	13.2%
CCC & below	3,375	0.5%	3,929	1.4%
Not rated	376,333	58.7%	110,348	40.5%
Total investments exposed to credit risk	640,714	100.0%	272,387	100.0%
Exempt *	550,155		505,704	
Total fixed income investments	$ 1,190,869		$ 778,091	

* Investments issued or explicitly guaranteed by the U.S. government are not considered to have credit risk and are considered exempt.

(Continued)

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of an investment. To mitigate this risk, the Retirement Systems' investment policies permit individual investment managers to defensively hedge currency to mitigate the impact of currency fluctuation on the underlying asset value.

The following tables provide information as of June 30, 2010, concerning the fair value of investments and foreign currency risk (dollars in thousands):

	Police and Fire Department Retirement Plan					
Currency Name	Cash	Private Equity	Equity	Fixed Income	Pending Foreign Currency Exchanges	Total Exposure
Australian Dollar	$ 1	$ -	$ 1,405	$ -	$ 27	$ 1,433
Brazilian Real	4	-	7,156	70	226	7,456
British Pound Sterling	-	-	46,173	-	27	46,200
Canadian Dollar	-	-	6,114	-	132	6,246
Chilean Peso	-	-	605	-	-	605
Danish Krone	-	-	2,715	-	18	2,733
Egyptian Pound	-	-	509	-	-	509
Euro Currency	1,017	-	68,024	639	(1)	69,679
Hong Kong Dollar	41	-	8,509	-	2	8,552
Indian Rupee	-	-	5,032	-	-	5,032
Indonesian Rupiah	-	-	3,831	-	-	3,831
Israeli Shekel	38	-	1,501	-	-	1,539
Japanese Yen	398	-	61,745	-	33	62,176
Malaysian Ringgit	-	-	220	-	-	220
Mexican Peso	4	-	1,320	-	-	1,324
New Taiwan Dollar	870	-	1,810	-	-	2,680
New Zealand Dollar	-	-	674	-	-	674
Norwegian Krone	-	-	1,801	-	18	1,819
Singapore Dollar	-	-	1,682	-	26	1,708
South African Rand	-	-	2,712	-	-	2,712
South Korean Won	-	-	2,214	-	-	2,214
Swedish Krona	-	-	2,501	-	(7)	2,494
Swiss Franc	-	-	17,339	-	(2)	17,337
Thailand Baht	-	-	338	-	-	338
Turkish Lira	-	-	1,475	-	-	1,475
Total	$ 2,373	$ -	$ 247,405	$ 709	$ 499	$ 250,986

	Federated City Employees' Retirement System					
Currency Name	Cash	Private Equity	Equity	Fixed Income	Pending Foreign Currency Exchanges	Total Exposure
Australian Dollar	$ 2	$ -	$ 12,512	$ -	$ -	$ 12,514
Brazilian Real	-	-	1,599	-	-	1,599
British Pound Sterling	86	-	33,283	2,247	(4,548)	31,068
Canadian Dollar	165	-	-	-	(329)	(164)
Danish Krone	-	-	3,055	-	-	3,055
Euro Currency	969	3,363	46,744	3,241	(2,051)	52,266
Hong Kong Dollar	74	-	6,762	738	(732)	6,842
Indian Rupee	-	-	-	-	(501)	(501)
Indonesian Rupiah	-	-	749	-	-	749
Japanese Yen	-	-	41,932	2,286	(2,171)	42,047
Malaysian Ringgit	2	-	974	-	-	976
Mexican Peso	-	-	412	-	-	412
Norwegian Krone	26	-	3,070	-	(1,448)	1,648
Polish Zloty	5	-	334	-	-	339
Singapore Dollar	13	-	3,423	-	-	3,436
South African Rand	2	-	1,154	-	-	1,156
South Korean Won	7	-	2,015	-	-	2,022
Swedish Krona	42	-	4,835	-	(316)	4,561
Swiss Franc	24	-	11,675	1,260	(1,201)	11,758
Thailand Baht	15	-	541	-	-	556
Turkish Lira	-	-	385	-	-	385
Total	$ 1,432	$ 3,363	$ 175,454	$ 9,772	$ (13,297)	$ 176,724

(Continued)

Concentration of Credit Risk – PFDRP's investment policy does not limit the amount that can be invested in a single issuer. However, it limits the aggregate amount that can be invested in each class of investments, limits the portion of the total PFDRP assets that a manager can hold in a single security with the exception of government backed securities to 5%, and limits the PFDRP assets placed with an investment manager to represent no more than 10% of that manager's total assets. FCERS's investment policy limits investment managers to no more than 10% of FCERS's assets under their management to be invested in securities of any single issuer with the exception of U.S. Government and its agencies. As of June 30, 2010, PFDRP held Wisconsin Treasury notes of $130,853,000, which represented 5.7% of total PFDRP's net assets.

Derivatives – The Retirement Systems' investment policies allow for investments in derivative instruments that comply with the Retirement Systems' basic objective of achieving the highest return on investment funds, consistent with safety, and in accordance with accepted investment practices. Due to the level of volatility associated with certain derivative investments in general, The Retirement Systems specifically prohibit investment managers from using derivative or synthetic securities that expose the Retirement Systems to potentially high price volatility or are leveraged, or whose marketability may become severely limited. Derivative 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 based the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. The fair value of derivative investments that are not exchange traded, such as swaps, rights and to-be-announced (TBA) securities is determined by the Retirement Systems' custodians based on the base market value of similar instruments. To-be-announced (TBA) securities derivative investment fair value is reported net of trade payable and represents the unrealized gain or loss on the related contracts. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2010. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notational amounts of derivative instruments outstanding as of June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the financial statements are as follows (amounts in thousands):

Police and Fire Department Retirement Plan

	Net Appreciation (Depreciation) in Fair Value of Investments through June 30, 2010		Fair Value at June 30, 2010		Notional
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Amount
Commodity swaps	Investment income/ (loss)	$ (3,096)	Commodities	$ (5,699)	$ 242,348
Futures long/short (domestic and foreign)	Investment income/ (loss)	225	Fixed income (domestic and foreign)	-	-
Futures options bought/written	Investment income/ (loss)	107	Fixed income (domestic and foreign)	-	-
International currency forwards	Investment income/ (loss)	2,604	International currency contracts, net	494	-
Rights	Investment income/ (loss)	24	International equity	8	241
To Be Announced (TBA) Securities *	Investment income/ (loss)	2,442	Domestic fixed income	192	28,708
Total derivative instruments		$ 2,306		$ (5,005)	

Federated City Employees' Retirement System

	Net Appreciation (Depreciation) in Fair Value of Investments through June 30, 2010		Fair Value at June 30, 2010		Notional
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Amount
Commodity swaps	Investment income/ (loss)	$ 1,606	Commodity swaps	$ -	$ 34,000
Infrastructure swaps	Investment income/ (loss)	-	Infrastructure swaps	-	33,902
Foreign currency forwards	Investment income/ (loss)	1,301	Foreign currency contracts, net	485	-
Future options bought/written	Investment income/ (loss)	222	Fixed income - collective short-term investments	-	-
Rights	Investment income/ (loss)	184	Equity (domestic and foreign)	67	-
Total derivative instruments		$ 3,313		$ 552	

* TBA securities fair value reported net of trade payable.

(Continued)

Derivative investments are subject to certain types of risks, including counterparty credit risk (non-exchange traded), interest rate risk, and foreign currency risk. The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2010:

Counterparty Credit Risk – The Retirement Systems are exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded.

As of June 30, 2010, PFDRP held rights with a fair value of $8,000 and a notional value of $241,000 held by unrated counterparties. PFDRP also held To-Be-Announced (TBA) securities with a fair value of $192,000 and a notional value of $28,708,000 all purchased in the over the counter market from broker-dealers with credit ratings of A or better. Additionally, PFDRP had outstanding commodity swaps with a fair value of negative $5,698,000 and notional value of $242,348,000 held by three counterparties with AAA ratings. PFDRP's 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, 2010, total commitments in forward currency contracts to purchase and sell international currencies were $18,077,000 and $18,077,000 respectively, with fair values of $17,607,000 and $18,101,000, respectively, held by counterparties with an S&P rating of at least AA-.

FCERS entered into commodity and infrastructure swaps with individual notional values of $34,000,000 held by counterparties with A+ ratings. FCERS's 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, 2010, total commitments in forward currency contracts to purchase and sell international currencies were $17,748,000 and $17,263,000 respectively, with fair values of $17,748,000 and $17,263,000, respectively, held by counterparties with an S&P rating of at least AA-.

Interest Rate Risk – The Retirement Systems had exposure to interest rate risk on its fully collateralized commodity and infrastructure swaps. The fair values of the commodity swaps were marked-to-market daily based on their applicable indices, with unrealized gains and losses collateralized to minimize counterparty risk. As of June 30, 2010, FCERS invested in commodity swaps with a notional amount of $34,000,000 and receives total return Dow Jones UBS Commodity Index and pays the 3-month Treasury bill rate plus a pay spread of 12.75 bps. The commodity swap was executed in April 2010 and matures in May 2011 with a monthly reset frequency. FCERS also invested in infrastructure swaps with a notional amount of approximately $34,000,000 in which it receives the total return S&P Global Infrastructure Index, net of the 3-month US London Interbank Offered Rate plus 25 bps. The infrastructure swap was executed in April 2010 and matures in May 2011 with a quarterly reset frequency. As of June 30, 2010, PFDRP had outstanding commodity swaps with a notional value of $242,348,000 that are tied to 3-month Treasury bill rates. The Retirement Systems do not have a policy regarding interest rate risk, however, the Retirement Systems do settle on a transaction plus one day basis (T+1), therefore limiting Retirement Systems' exposure to counterparty risk.

(Continued)

As of June 30, 2010, FCERS derivative instruments had maturity dates of less than one year. The following table provides the segmented time distribution for PFDRP's derivative instruments based on expected maturity (in years) as of June 30, 2010, concerning the fair value of derivative investments and interest rate risk (dollars in thousands):

	PFDRP		
	0 - 1 Year	More than 10 years	**Total Fair Value**
Investment Derivative Instruments:			
To Be Announced (TBA) securities	$ -	$ 192	**$ 192**
Commodity swaps	(5,699)	-	**(5,699)**
Total investment derivative instruments	$ (5,699)	$ 192	**$ (5,507)**

TBAs and commodity swaps are highly sensitive to changes in interest rates. The table below details the reference rate, fair value and notational amount of these derivative instruments as of June 30, 2010 (dollars in thousands):

	PFDRP	
Reference Rate	Total Fair Value	Notional Amount
To Be Announced (TBA) securities:		
5.5% fixed	$ -	$ 5,605
6.5% fixed	192	23,103
Total TBA securities	192	28,708
Commodity swaps:		
Receive Dow Jones UBS Commodity Index, Pay 3-month Treasury Bill rate plus a pay spread between 4-6 bps	(5,699)	242,348
Total investment derivative instruments	$ (5,507)	$ 271,056

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Retirement Systems' investment policies permit individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Retirement Systems' investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Retirement Systems utilize these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2010, the Retirement Systems' net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' commitments relating to forward currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2010, concerning the fair value of forward currency contracts and foreign currency risk (dollar in thousands):

	Pending Foreign Currency Exchanges			Rights
Currency Name	PFDRP	FCERS	Total	FCERS
Australian Dollar	$ 27	$ -	$ 27	$ -
Brazilian Real	225	-	225	-
British Pound Sterling	25	105	130	-
Canadian Dollar	132	13	145	-
Danish Krone	18	-	18	-
Euro Currency	-	223	223	61
Hong Kong Dollar	2	3	5	-
Indian Rupee	-	18	18	-
Japanese Yen	33	(108)	(75)	-
Norwegian Krone	15	144	159	6
Singapore Dollar	26	-	26	-
Swedish Krona	(6)	31	25	-
Swiss Franc	(3)	56	53	-
Total	$ 494	$ 485	$ 979	$ 67

(Continued)

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 FCERS requires that loan maturities cannot exceed 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, 2010, the Retirement Systems' 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 if 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 not 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.

PFDRP authorized State Street Bank and Trust to invest and reinvest cash collateral in State Street's Quality D Short-term Investment Fund which seeks to maintain an average effective duration of 90 days or a maximum option-adjusted duration for variable rate securities of 2.5 years or less at the time of purchase, and all fixed rates instruments must have an option-adjusted duration not to exceed 18 months at the time of purchase. At the time of purchase, all securities with maturities of 13 months or more must qualify as first-tier securities and all securities with maturities in excess of 13 months will (a) be rated A or better by at least two NRSROs, or (b) if rated only one NRSRO, be rated "A" or better by such NRSRO, or (c) if unrated, be determined by State Street to be of comparable quality. As of June 30, 2010, the cash collateral pool totaled $39.8 billion and the weighted average maturity was 29.64 days. The cash collateral pool included asset backed securities (22% of the pool), certificates of deposit (42%), corporate securities (2%), bank notes (9%), asset backed commercial paper (9%), and other securities (16%). As of June 30, 2010, the underlying securities loaned by PFDRP as a whole amounted to approximately $379,912,000. The cash collateral and the non-cash collateral totaled $388,885,000 and $1,361,000, respectively, at carrying cost. The net asset value (NAV) of the cash collateral pool as of June 30, 2010 for PFDRP was at $0.9889 or $384,569,000 on a mark to market basis. The NAV of less than $1.00 is due to the decline in the fair value of assets held by the cash collateral pool. The NAV of $0.9889 of the cash collateral pool results in an unrealized loss of approximately $4,316,000 for PFDRP. The unrealized loss of $4,316,000 is reflected in the securities lending income earnings in the statement of changes in plan net assets. PFDRP is exposed to market risk including the possible loss of principal value in the cash collateral pool due to the fluctuation in the market value of the assets held by the cash collateral pool.

FCERS 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, 2010, the size of the cash collateral pooled vehicle was $34.5 billion and the weighted average life of 24 days. The cash collateral investments included time deposits (13% of the pool), repurchase agreements (22%),

(Continued)

asset backed securities (12%), certificates of deposit (23%), variable rate securities (4%) and commercial paper and other bank notes (26%). As of June 30, 2010, the underlying securities loaned by FCERS as a whole amounted to approximately $168,822,000. The cash collateral and the non-cash collateral totaled $173,232,000 and $96,000, respectively. As of June 30, 2010, FCERS settled and remitted realized losses of $278,000 to the Northern Trust Core USA Fund.

The Retirement Systems are exposed to investment risk including the possible loss of principal values in the cash collateral pools due to the fluctuation in the market value of the assets held by the cash collateral pools.

The loaned securities as of June 30, 2010 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 market value of transferred securities plus accrued interest for reinvestment.

The following table provides information concerning securities lent and collateral received as of June 30, 2010 (dollars in thousands):

	PFDRP	FCERS	Total Fair Value
Type of Investment Lent			
For Cash Collateral:			
U.S. treasury notes and bonds	$ 218,540	98,047	$ 316,587
U.S. government agency securities	-	9,862	9,862
Domestic corporate bonds	44,856	19,945	64,801
Domestic equity securities	94,589	33,759	128,348
International equity securities	20,605	7,113	27,718
Total Lent for Cash Collateral	378,590	168,726	547,316
For Non-Cash Collateral:			
International equity securities	-	96	96
Domestic equity securities	1,322	-	1,322
Total Lent for Non-Cash Collateral	1,322	96	1,418
Total Securities Lent	$ 379,912	168,822	$ 548,734
Type of Collateral Received			
Cash Collateral	$ 384,569	173,232	$ 557,801
Non-Cash Collateral:			
For lent international equity securities	-	95	95
For lent domestic equity securites	1,361	-	1,361
Total Non-Cash Collateral	1,361	95	1,456
Total Collateral Received	$ 385,930	173,327	$ 559,257

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B. Receivables, Net of Allowances

Receivables at year-end of the City's major individual funds and nonmajor 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	Total Nonmajor Funds	Governmental Activities
Taxes	$ 29,403	-	-	-	4,496	$ 33,899
Accrued interest	578	240	1,434	70	2,404	4,726
Grants	2,679	81	2,401	-	16,251	21,412
Special assessments	-	-	-	60,905	-	60,905
Other	23,703	1,610	234	-	23,939	49,486
Less: allowance for uncollectibles	(8,954)	-	(3)	-	(3,555)	(12,512)
Total receivables, net	$ 47,409	1,931	4,066	60,975	43,535	$ 157,916

Business-Type Activities:	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	Total Business-Type Activities
Accounts	$ 9,174	1,986	2,571	103	$ 13,834
Accrued interest	1,211	773	48	47	2,079
Grants	7,892	985	-	-	8,877
Less: allowance for uncollectibles	(542)	(405)	(575)	(10)	(1,532)
Total receivables, net	$ 17,735	3,339	2,044	140	$ 23,258

Special assessment receivables in the amount of $60,975,000 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, 2010 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	$ -	-	554,753	-	$ 554,753
Loans funded by federal grants	-	-	47,257	7,620	54,877
Economic development, real estate developer and other loans	2,392	45,688	45,551	765	94,396
Less: allowance for uncollectables	-	(12,852)	(337,255)	(3,002)	(353,109)
Total loans, net	$ 2,392	32,836	310,306	5,383	$ 350,917

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.

(Continued)

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 homebuyer)	4%	7 to 40 years
Home improvement	3 - 6%	1 to 30 years

Loans are secured by first, second, third or lower in lien-property deeds of trust except for 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, 2010.

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, 2010. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2010, amounts committed to extend credit under normal lending agreements totaled approximately $43,254,000.

(Continued)

D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the fiscal year ended June 30, 2010 (dollars in thousands):

	Balance July 1, 2009, as restated	Additions	Deletions	Transfers	Balance June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 561,258	6,567	26,368	-	$ 541,457
Construction in progress	252,661	100,465	-	(91,428)	261,698
Total capital assets, not being depreciated	813,919	107,032	26,368	(91,428)	803,155
Capital assets, being depreciated:					
Buildings	1,288,136	11,720	-	84,389	1,384,245
Improvements, other than buildings	128,380	1,536	-	3,023	132,939
Infrastructure	11,301,028	35,249	-	4,016	11,340,293
Vehicles and equipment	117,129	6,454	16,029	-	107,554
Furnitures and fixtures	26,507	-	-	-	26,507
Property under capital leases	13,379	-	-	-	13,379
Total capital assets, being depreciated	12,874,559	54,959	16,029	91,428	13,004,917
Less accumulated depreciation for:					
Buildings	298,684	36,040	-	-	334,724
Improvements, other than buildings	7,552	2,279	-	-	9,831
Infrastructure	5,633,585	305,531	-	-	5,939,116
Vehicles and equipment	94,195	7,716	15,991	-	85,920
Furnitures and fixtures	10,577	2,655	-	-	13,232
Property under capital leases	12,305	193	-	-	12,498
Total accumulated depreciation	6,056,898	354,414	15,991	-	6,395,321
Total capital assets, being depreciated, net	6,817,661	(299,455)	38	91,428	6,609,596
Governmental activities capital assets, net	$ 7,631,580	(192,423)	26,406	-	$ 7,412,751
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 134,926	-	-	-	$ 134,926
Intangible assets	12,882	-	-	-	12,882
Construction in progress	868,141	320,902	37,051	(941,577)	210,415
Total capital assets, not being depreciated	1,015,949	320,902	37,051	(941,577)	358,223
Capital assets, being depreciated:					
Buildings	632,938	11,150	10,673	940,105	1,573,520
Improvements, other than buildings	880,071	7,664	896	1,274	888,113
Vehicles and equipment	178,798	2,891	1,014	128	180,803
Property under capital leases	13,406	-	-	-	13,406
Total capital assets, being depreciated	1,705,213	21,705	12,583	941,507	2,655,842
Less accumulated depreciation for:					
Buildings	261,468	53,413	35,991	-	278,890
Improvements, other than buildings	388,098	22,948	895	-	410,151
Vehicles and equipment	114,165	6,680	937	(70)	119,838
Property under capital leases	10,607	455	-	-	11,062
Total accumulated depreciation	774,338	83,496	37,823	(70)	819,941
Total capital assets, being depreciated, net	930,875	(61,791)	(25,240)	941,577	1,835,901
Business-type activities capital assets, net*	$ 1,946,824	259,111	11,811	-	$ 2,194,124

* With the adoption of GASB Statement No. 51, the intangible assets have been determined to have indefinite useful life and the beginning balance of the capital assets of Business-type Activities has been restated and reclassified.

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2. Depreciation

Depreciation expense charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2010 is as follows (dollars in thousands):

Governmental activities:		
General government	$	14,032
Public safety		6,569
Capital maintenance		306,267
Community services		27,546
Total depreciation expense governmental activities	$	354,414
Business-type activities:		
Norman Y. Mineta San José International Airport	$	54,805
Wastewater Treatment System		23,744
Municipal Water System		2,483
Parking System		2,464
Total depreciation expense business-type activities	$	83,496

3. Intangible Assets

As discussed in Note I.E., on July 1, 2009, the City implemented GASB Statement No. 51. In addition, to the Airport's habitation rights and navigation/relocation easements amortization restatement, the City performed an analysis of its intangible assets with the following results:

- Internally generated intangible assets – Various computer software used by the City have been purchased and customized to meet specifications required by the City's operational needs. The City's various software was modified using more than minimal incremental effort before they were put in operation and therefore considered internally generated for purposes of this statement. As permitted by GASB Statement No. 51, the City did not elect retroactive reporting for its internally generated intangible assets and as a result, there was no amortization expense recorded during the fiscal year ended June 30, 2010, related to these acquisitions.

- Trademarks and patents – The City owns service marks filed with the California Secretary of State for San Jose Smart Start and the US Patent & Trademark Office (USPTO) in connection with Airport and Work2Future. Due to the insignificant amount of costs associated with the service marks, the City elected to not capitalize them.

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 tax-exempt 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, 2010, the total amount of interest capitalized in the Airport Enterprise Fund, net of allowable interest earned of temporary investment proceeds, was approximately $30,649,000.

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5. Construction Commitments

Commitments outstanding as of June 30, 2010, related to governmental and business-type activities construction in progress totaled approximately $26,507,000 and $93,032,000, respectively.

E. Leases

1. Operating Leases as Lessee

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 2022. 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, Nonmajor Governmental Funds and the Redevelopment Agency Fund under these operating lease agreements for the fiscal year ended June 30, 2010 amounted to approximately $1,883,000, $1,277,000 and $3,740,000 respectively.

The future minimum lease payments anticipated under the existing lease commitments, as of June 30, 2010, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	General Fund	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Activities
2011	$ 2,035	$ 3,082	$ 1,205	$ 6,322
2012	1,630	3,030	1,197	5,857
2013	1,377	2,689	947	5,013
2014	728	2,625	96	3,449
2015	57	2,265	-	2,322
2016-2020	114	3,335	-	3,449
2021-2022	-	188	-	-
Totals	$ 5,941	$ 17,214	$ 3,445	$ 26,412

Business-Type Activities

Airport Office Lease. The City leases the Airport's office space under a lease agreement which, as amended, expires in December 2014. The City decided to terminate the lease agreements effective November 30, 2010. In accordance with the provisions of the lease agreement, a termination payment in the amount of $905,000, equal to six months of rent is required and is scheduled to be paid in July 2010. Rental expense for the Airport's office space was approximately $2,498,000 for the year ended June 30, 2010.

(Continued)

Airport Gas-Powered Buses. In December 2007, the City entered into an operating lease and maintenance agreement of fourteen compressed natural gas powered buses for the Airport. The term of the agreement is from August 1, 2008 to July 31, 2015. In September 2009, the agreement was amended to add ten buses for the period of June 30, 2010 to May 31, 2017. Rental expenses for the Airport buses for the year ended June 30, 2010 was approximately $3,089,000.

Future Minimum Payments. The future minimum payments anticipated under these commitments, as of June 30, 2010, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Operating Leases
2011	$ 2,224
2012	2,227
2013	2,230
2014	2,233
2015	2,236
2016-2017	1,832
Total	$ 12,982

2. Operating Leases as Lessor

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 19, 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. As part of the amended 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. In the fiscal year ended June 30, 2010, the City received approximately $5,353,000 from the Manager. As of June 30, 2010, leased assets had total historic cost of approximately $118,114,000 and accumulated depreciation of approximately $44,604,000.

Business-Type Activities

Airline-Airport Lease and Operating Agreements. The City entered into an Airline-Airport lease and operating agreement with various passenger and cargo airlines (Signatory 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 airline lease agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The 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

(Continued)

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 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, 2010, the Airport's revenues as defined in its lease agreement exceeded its expenditures and reserve requirements by approximately $35,486,000. The surplus received during the fiscal year ended June 30, 2010 will be distributed in accordance of the revenue sharing provisions of the airline lease agreement.

Other Leases. 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 one month to twenty-nine years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount. Rental revenues from the aforementioned operating leases were $60,964,000 for the fiscal year ended June 30, 2010.

The future minimum rentals to be received from the aforementioned operating leases, as of June 30, 2010, are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Amount
2011	$ 77,988
2012	104,829
2013	42,159
2014	41,961
2015	37,695
2016-2020	185,893
2021-2025	16,534
2026-2030	15,544
2031-2035	12,698
2036-2040	7,041
Total	$ 542,342

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 $1,202,000 from month-to-month rentals in fiscal year ending June 30, 2011. As of June 30, 2010, leased assets had historic costs of approximately $1,001,525,000 and accumulated depreciation of approximately $48,747,000.

(Continued)

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, 2010 (dollars in thousands):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2010
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	$ 52,040
Series 2002 (Libraries, Parks, Public Safety)	Community Facilities	116,090	07/18/2002	09/01/2032	4.00-5.00%	3.87	89,000
Series 2004 (Libraries, Parks, Public Safety)	Community Facilities	118,700	07/14/2004	09/01/2034	4.00-5.00%	3.96	98,925
Series 2005 (Libraries and Public Safety)	Community Facilities	46,300	06/23/2005	09/01/2035	3.00-7.50%	1.54-1.55	40,140
Series 2006 (Libraries and Parks)	Community Facilities	105,400	06/29/2006	09/01/2036	4.00-5.00%	3.51-3.52	94,870
Series 2007 (Parks and Public Safety)	Community Facilities	90,000	06/20/2007	09/01/2037	4.00-8.00%	3.00	84,000
Series 2008 (Libraries and Parks)	Community Facilities	33,100	06/25/2008	09/01/2038	4.00-5.00%	1.10-1.11	31,995
Series 2009 (Public Safety)	Community Facilities	9,000	06/25/2009	09/01/2039	4.00-6.00%	0.00-0.30	9,000
							499,970
HUD Section 108 Note	Economic Development	25,810	02/10/2005	08/01/2024	Variable	1.01-2.22	22,915
City of San Jose Financing Authority:							
Lease Revenue Bonds:							
Series 1993B (Community Facilities)	Community Facilities	18,045	04/13/1993	11/15/2013	5.90-6.00%	0.25-0.31	2,243
Series 1997B (Fire, Childcare, Library Land)	Community Facilities	9,805	07/29/1997	08/01/2012	4.75-4.875%	0.37-0.41	1,165
Series 2002B (Civic Center Project)	Civic Center	292,425	11/14/2002	06/01/2037	3.75-5.25%	0.16-33.45	291,820
Series 2003A (Central Service Yard)	Refunding	22,625	09/18/2003	10/15/2023	3.10-4.70%	0.94-1.61	17,465
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	33,435
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	35,280
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	45,080
Series 2008E (Taxable) (Ice Centre)	Refunding	28,070	07/03/2008	06/01/2025	Variable	1.06-2.52	26,025
Series 2008F (Taxable) (Land Acquisition)	Refunding	67,195	06/11/2008	06/01/2034	Variable	0.00-4.81	67,195
							644,983
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	30
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	06/26/2001	09/02/2023	4.90-5.875%	0.98-2.05	20,550
Series 24R (2002 Consolidated Refunding)	Consolidated Refunding	13,940	07/03/2002	09/02/2015	3.50-4.375%	1.01-1.21	6,145
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	2,820
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	9,695
CFD No. 9 (Bailey/Highway 101)	Public Infrastructure	13,560	02/13/2003	09/01/2032	4.70-6.65%	0.25-0.95	11,860
CFD No. 10 (Hassler-Silver Creek)	Public Infrastructure	12,500	07/23/2003	09/01/2023	3.80-5.25%	0.50-0.94	9,805
							60,905
Redevelopment Agency:							
Tax Allocation Bonds:							
Series 1993 (Merged Area Refunding)	Advance Refundings	692,075	12/15/1993	02/01/2024	6.00%	0.00-18.20	46,650
Series 1997 (Merged Area)	Redevelopment Projects	106,000	03/27/1997	08/01/2028	5.375-5.625%	0.01-0.72	6,400
Series 1999 (Merged Area)	Redevelopment Projects	240,000	01/06/1999	08/01/2031	4.75%	0.00-7.17	12,920
Series 2002 (Merged Area)	Redevelopment Projects	350,000	01/24/2002	08/01/2032	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	222,525
Series 2005A (Merged Area)	Refunding	152,950	07/25/2005	08/01/2028	4.30-5.00%	0.30-26.21	147,865
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	276,745
Series 2007A (Taxable) (Merged Area)	Redevelopment Projects	21,330	11/07/2007	08/01/2017	5.10%	1.66-2.67	17,790
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	34,120
Series 2008B (Merged Area)	Redevelopment Projects	80,145	11/13/2008	08/01/2035	6.25-7.00%	2.60-6.70	80,145
							1,757,730
Revenue Bonds (Subordinate):							
Series 1996A (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.80-2.00	25,000
Series 1996B (Merged Area)	Redevelopment Projects	29,500	06/27/1996	07/01/2026	Variable	0.80-2.00	25,000
Series 2003A (Taxable) (Merged Area)	Redevelopment Projects	45,000	08/27/2003	08/01/2028	Variable	1.30-3.10	35,000
Series 2003B (Merged Area)	Redevelopment Projects	15,000	08/27/2003	08/01/2032	Variable	0.00-3.90	15,000
							100,000

(Continued)

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Principal Payments (millions)	Balance June 30, 2010
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	$ 38,255
Series 2001F (Convention Center)	Refunding	186,150	07/26/2001	09/01/2022	4.00-5.00%	7.42-14.73	145,895
							184,150
HUD Section 108 Note (Masson/Dr. Eu/Security)	Redevelopment Projects	5,200	02/11/1997	08/01/2016	Variable	0.29-0.47	2,670
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	17,330
							33,000
CSCDA - 2005 ERAF Loan	Redevelopment Projects	19,085	04/27/2005	08/01/2015	4.59-5.01%	1.87-2.36	10,725
CSCDA - 2006 ERAF Loan	Redevelopment Projects	14,920	05/03/2006	08/01/2016	5.44-5.67%	1.38-1.91	10,010
							20,735
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	40,475
Series 2003K (Merged Area)	Afford. Housing/Refunding	13,735	07/10/2003	08/01/2029	3.00-4.40%	0.23-1.07	8,015
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	113,460
Series 2010A-1 (Merged Area)	Afford. Housing/Refunding	54,055	04/29/2010	08/01/2035	5.00-5.50%	1.24-6.30	54,055
Series 2010A-2 (Merged Area)	Afford. Housing/Refunding	2,655	04/29/2010	08/01/2017	4.00-5.00%	0.50-1.66	2,655
Series 2010B (Taxable) (Merged Area)	Afford. Housing/Refunding	10,695	04/29/2010	08/01/2015	1.36-4.88%	1.09-3.78	10,695
							256,845
Housing Set-Aside Tax Allocation Bonds (Subordinate):							
Series 2010C (Taxable) (Merged Area)	Afford. Housing/Refunding	93,000	04/29/2010	08/01/2035	Variable	2.10-5.21	93,000
Total Governmental Activities - Bonds, Certificates of Participation and Notes Payable							$3,674,233
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	$ 7,290
Series 2001A	Runway Construction	158,455	08/14/2001	03/01/2031	4.00-5.25%	3.68-10.06	135,160
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	8,925
Series 2004C (AMT)	Airport Facilities	75,730	06/24/2004	03/01/2026	4.625-5.25%	1.00-10.59	73,730
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
							1,037,990
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	36,625
Series 2009A	Refunding	21,420	01/29/2009	11/15/2020	3.00-5.00%	0.00-5.41	21,420
							58,045
State of California - Revolving Fund Loan	Wastewater Facilities	73,566	Various	05/01/2019	Various	1.77-3.77	34,487
Total Business-type Activities - Bonds and Loan Payable							$1,130,522
Grand Total							$4,804,755

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, 2010, are approximately $19,065,437,000 and $18,565,467,000, respectively.

In accordance with the California Community Redevelopment Law, the Agency establishes its own legal debt limit and a separate tax increment limit, based primarily on the aggregate of all future projected tax increment revenues from existing redevelopment areas. On April 7, 2009, the City

(Continued)

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, economic development, and housing 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 rebate 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 $275,000.

5. Special Assessment and Special Tax Bonds with Limited City Commitment

All obligations of the City under the Special Assessment and Special Tax Bonds are not considered general obligations of the City, but are considered limited obligations, payable solely from the assessments/special taxes and from the certain 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. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund for these bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds. As of June 30, 2010, the City has recorded approximately $60,905,000 of deferred revenue and related special assessments receivables in the Special Assessment Districts Fund. These balances consist primarily of property tax assessments and/or special taxes to be collected in the future by the County of Santa Clara for future debt service of the special assessment districts and the community facilities districts.

On May 25, 2010, the City Council approved staff recommendations for surplus funds held by the City related to expired special assessment districts. Surplus funds of $11,105,000 as of June 30, 2009, were documented and a disposition plan for these funds was adopted. All funds were transferred and accounted for in fiscal year 2009-2010 according to the disposition plan. Surplus funds of $4,410,000, plus investment income, consisting primarily of bond proceeds for the construction of district improvements, were transferred to the General Fund. Surplus funds of $6,695,000, plus investment income, consisting primarily of property assessments and bond reserve funds, are to be disbursed as refunds to eligible past assessees within three years. Unclaimed funds in amounts unforeseeable will become the property of the City after the one-year (assessments) and three-year (reserve) claim periods.

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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 dates that are due at various dates through January 1, 2047. As of June 30, 2010, the outstanding conduit multifamily housing revenue bonds issued by the City aggregated approximately $519,119,000. In addition, the outstanding conduit multifamily housing revenue bonds issued by the Agency are $38,000,000 for the 101 San Fernando/Century Center Redevelopment Project Area and $9,677,000 for the Japantown Redevelopment Project Area. On July 9, 2010, the Agency sold the Century Center Redevelopment Project Area and the Agency no longer serves as the conduit issuer for these bonds.

In the opinion of the City's officials, these bonds are not payable from any revenues or assets of the City or the Agency. Neither the faith and credit nor the taxing power of the City, the 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 $341,415,000 of variable-rate demand bonds issued by the City of San José Financing Authority (Authority) and the Agency. 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. The City has entered into credit facilities that support the variable-rate demand bonds. 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 scheduled redemption of these bonds is incorporated in the Annual Requirements to Maturity schedules (see Note III.F.9.).

The credit facilities that support the City's variable-rate bonds as of June 30, 2010 are as follows (dollars in thousands):

	Balance June 30, 2010	Credit Facility Description	
		Provider	Expiration Date
City of San José Financing Authority:			
Lease Revenue Bonds:			
Series 2008A (Civic Center)	$ 56,920	Scotiabank/CalSTRS	09/30/2010
Series 2008B (Civic Center Garage)	35,280	Bank of America, N.A./CalSTRS	09/30/2010
Series 2008C (Hayes Mansion)	10,915	Scotiabank/CalSTRS	09/30/2010
Series 2008D (Taxable) (Hayes Mansion)	45,080	Scotiabank/CalSTRS	09/30/2010
Series 2008E (Taxable) (Ice Centre)	26,025	Bank of America, N.A./CalSTRS	09/30/2010
Series 2008F (Taxable) (Land Acquisition)	67,195	Bank of America, N.A.	06/11/2011
Total variable rate lease revenue bonds	241,415		
Redevelopment Agency:			
Revenue Bonds:			
Series 1996A (Merged Area)	25,000	JPMorgan Chase Bank, N.A.	11/26/2010
Series 1996B (Merged Area)	25,000	JPMorgan Chase Bank, N.A.	11/26/2010
Series 2003A (Taxable) (Merged Area)	35,000	JPMorgan Chase Bank, N.A.	11/26/2010
Series 2003B (Merged Area)	15,000	JPMorgan Chase Bank, N.A.	11/26/2010
Total variable-rate revenue bonds	100,000		
Total variable-rate demand bonds	$ 341,415		

(Continued)

City of San José Financing Authority Variable-Rate Demand Lease Revenue Bonds. The Authority's $241,415,000 variable-rate demand 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.

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 to 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 1.25%, 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, 2010, the letters of credit supporting Series 2008 ABCDE had an expiration date of September 30, 2010. These letters of credit were subsequently renewed and/or replaced by new letters of credit with a new three year term expiring in 2013 as discussed in Note IV.D.: Subsequent Events.

Redevelopment Agency Variable-Rate Revenue Demand Bonds. The Agency's $100,000,000 variable-rate revenue demand 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 letters of credit as credit facilities for the bonds. At June 30, 2010, the letters of credit were set to expire on November 26, 2010 but have been extended through November 25, 2011 as discussed in Note IV.D.: Subsequent Events. 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. As of November 22, 2010, there have been no draws under the credit facilities. Under the terms of an Amendment to Reimbursement Agreements with JP Morgan Chase that amended both the 2003 and 1996 Reimbursement Agreements, the Agency directed the Bond Trustee to redeem the $5,300,000 of the 1996 Bonds in November 2009, which reduced the aggregate amount of the 2003 Bonds and 1996 Bonds to $100,000,000.

The Agency is required to pay the credit facility providers an annual commitment fee 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.

(Continued)

8. Summary of Changes in Long-term Obligations

Governmental Activities - The changes in long-term obligations for the year ended June 30, 2010, are as follows (dollars in thousands):

	July 1, 2009	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	$ 519,320	-	(19,350)	499,970	$ 19,650
HUD Section 108 loan	23,923	-	(1,008)	22,915	1,038
San Jose Financing Authority					
Lease revenue bonds	653,351	-	(9,799)	643,552	6,309
Accreted interest on capital appreciation bonds	1,786	146	(501)	1,431	521
Special Assessment bonds with limited governmental commitment	64,886	-	(3,981)	60,905	3,521
Redevelopment Agency					
Revenue bonds	301,250	-	(17,100)	284,150	12,765
HUD Section 108 notes payable	33,955	-	(955)	33,000	1,580
Merged Area tax allocation bonds	1,802,235	-	(44,505)	1,757,730	46,730
Housing Set-Aside tax allocation bonds	253,270	160,405	(63,830)	349,845	11,405
California Statewide Communities Development Authority - ERAF loan	23,980	-	(3,245)	20,735	3,405
Housing Set-Aside Term Loan	50,000	-	(50,000)	-	-
Total long-term debt payable	3,727,956	160,551	(214,274)	3,674,233	106,924
Less deferred amounts:					
For refunding gain (loss)	(50,156)	-	3,964	(46,192)	(3,964)
For issuance premiums	59,089	22	(4,237)	54,874	4,305
For issuance discounts	(4,389)	-	111	(4,278)	(111)
Total deferred amounts	4,544	22	(162)	4,404	230
Total long-term debt payable and deferred amounts	3,732,500	160,573	(214,436)	3,678,637	107,154
Other Long-term obligations:					
Hayes Mansion construction loan	1,200	-	-	1,200	-
Arbitrage liability	686	-	(411)	275	-
Accrued vacation, sick leave and compensatory time	96,921	34,727	(48,528)	83,120	48,307
Accrued landfill postclosure costs	8,835	-	(465)	8,370	465
Estimated liability for self-insurance	130,942	29,395	(28,552)	131,785	16,108
Net other postemployment benefits (OPEB) obligation	119,321	36,249	-	155,570	-
Pollution remediation obligation	4,946	505	(3,286)	2,165	70
Total other long-term obligations	362,851	100,876	(81,242)	382,485	64,950
Governmental activities long-term obligations	$ 4,095,351	261,449	(295,678)	4,061,122	$ 172,104

General Obligation Bonds are issued pursuant to a two-thirds majority voter authorization and the City of San José voters approved to finance the construction of and improvements to libraries, parks and public safety facilities throughout the City. In 2000 and 2002, the voters approved three ballot measures (Measures 2000 O and P and 2002 Measure O) that authorize total issuance of $598,820,000 of general obligation ("GO") bonds for library, parks and public safety projects. General obligation bonds 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. As of June 30, 2010, the City of San José had issued $589,590,000 of GO bonds

(Continued)

with proceeds split for three purposes: library projects ($205,885,000), parks and recreation projects ($228,030,000), and public safety projects ($155,675,000). Total principal and interest remaining on the bonds as of June 30, 2010 is $808,348,000, with the final payment due on September 1, 2039.

The City plans to issue the final series of GO bonds in February 2011. A total of $9,230,000 of the authorization remains un-issued for the libraries and public safety programs. The proceeds of those bonds would be used to fund a portion of the libraries and public safety projects approved by voters in November 2000 and March 2002. The timing, size, and purpose of the bond issue will depend upon the expenditure and encumbrance needs of the various projects to be financed.

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 $1,026,155,000, with the final payment due on June 1, 2039.

Special Assessment and Special Tax 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 and special taxes, as applicable, are calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources. Total principal and interest remaining on the bonds is $91,173,000, with the final payment due on September 1, 2032.

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 $3,445,839,000[1]. 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 $2,894,701,000 which is 84 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was $161,927,000 as compared to total debt service of $131,899,000.

Redevelopment Agency's Variable Rate 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 Merged Area Tax Allocation Bonds 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 $861,460,000. 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 $556,986,000, which is 65 percent of the total projected 20% tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was $40,482,000 as compared to total debt service of $19,537,000.

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

[1] Per the Fiscal Consultant Report for the Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds Series 2010A (Tax-Exempt) and Series 2010B (Taxable) dated April 15, 2010 (page 26).

(Continued)

Business-Type Activities - The changes in long-term obligations for the year ended June 30, 2010, are as follows (dollars in thousands):

	July 1, 2009	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2010	Amounts Due Within One Year
Business-Type Activities:					
Norman Y. Mineta San Jose International Airport:					
Revenue bonds	$ 1,049,635	-	(11,645)	1,037,990	$ 12,120
Deferred amounts:					
For refunding	(2,627)	-	563	(2,064)	(479)
For issuance premiums	5,392	-	(302)	5,090	363
For issuance discounts	(5,793)	-	42	(5,751)	(43)
Clean Water Financing Authority:					
Revenue bonds	62,685	-	(4,640)	58,045	4,790
Deferred amounts:					
For refunding	(2,137)	-	380	(1,757)	(379)
For issuance premiums	2,240	-	(236)	2,004	236
State of California - Revolving Fund Loan	38,254	-	(3,767)	34,487	3,836
Accrued vacation, sick leave and compensatory time	9,394	5,214	(5,921)	8,687	5,561
Estimated liability for self-insurance	9,011	273	(1,835)	7,449	2,016
Net other postemployment benefits (OPEB) obligation	9,951	4,122	-	14,073	-
Pollution remediation obligation	714	660	(660)	714	714
Business-type long-term obligations	$ 1,176,719	10,269	(28,021)	1,158,967	$ 28,735

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 $75,536,000, which is composed of $30,603,000 of net general airport revenues and $44,933,000 of other available funds. Bond debt service payable from general airport revenues in the current fiscal year totaled $26,779,000, which is net of $4,588,000 of bond debt service paid from the passenger facility charges and $33,431,000 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 plus any other available funds (as defined in the Master Trust Agreement). Annual debt service, as defined in the Master Trust Agreement, is equal to Debt Service of a given fiscal year excluding interest funded from the proceeds and applied toward the payment of interest, less the Available PFC Revenues (as defined in the Master Trust Agreement) for such fiscal year. Total principal and interest remaining on the bonds is $2.06 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 $45,476,000. Bond debt service payable from net system revenues in the current fiscal year totaled $6,981,000. 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 $70,937,000, with the final payment due on November 15, 2020.

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9. Annual Requirements to Maturity

The annual requirements to amortize all bonds, notes, and certificates of participation outstanding as of June 30, 2010, 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 and Reassessment Revenue Bonds [1,2,3,4]		
Fiscal Year Ending June 30,	Principal	Interest	Principal	Accreted Interest	Interest
2011	$ 20,688	$ 23,251	$ 6,309	$ 521	$ 20,268
2012	20,724	22,408	9,160	540	20,159
2013	20,770	21,536	10,373	557	20,006
2014	20,826	20,640	11,275	-	19,819
2015	20,887	19,761	12,385	-	19,568
2016 - 2020	105,661	85,303	80,595	-	92,711
2021 - 2025	108,179	62,135	113,995	-	80,000
2026 - 2030	98,270	38,174	114,825	-	62,263
2031 - 2035	83,405	14,949	146,965	-	38,597
2036 - 2040	23,475	1,633	137,670	-	7,595
Total	$ 522,885	$ 309,789	$ 643,552	$ 1,618	$ 380,986

	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 [1]	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 3,521	$ 3,241	$ 64,480	$ 95,313	$ 11,405	$ 13,908
2012	3,627	3,079	68,050	92,290	9,460	14,389
2013	3,733	2,908	71,205	89,099	9,845	14,050
2014	3,879	2,727	74,995	85,655	10,310	13,683
2015	4,010	2,535	78,720	81,996	10,795	13,274
2016 - 2020	18,100	9,766	431,210	352,023	62,735	59,087
2021 - 2025	17,940	4,254	492,000	242,090	77,395	44,039
2026 - 2030	3,435	1,484	453,325	131,237	84,895	25,733
2031 - 2035	2,660	273	312,160	44,297	63,280	8,775
2036 - 2040	-	-	49,470	1,338	9,725	202
Total	$ 60,905	$ 30,268	$ 2,095,615	$ 1,215,340	$ 349,845	$ 207,141

	Business-Type Activities			
	Airport Revenue Bonds [4]		Wastewater Treatment System Revenue Bonds and Loans	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest
2011	$ 12,120	$ 53,356	$ 8,626	$ 2,816
2012	12,620	52,801	8,850	2,569
2013	13,165	52,211	9,101	2,310
2014	21,795	51,550	9,369	2,048
2015	22,855	50,446	9,643	1,736
2016 - 2020	123,765	233,765	41,532	4,326
2021 - 2025	145,080	200,377	5,410	116
2026 - 2030	159,980	159,900	-	-
2031 - 2035	251,885	118,651	-	-
2036 - 2040	217,840	36,557	-	-
2041 - 2045	38,200	12,748	-	-
2046 - 2047	18,685	1,698	-	-
Total	$ 1,037,990	$ 1,024,061	$ 92,532	$ 15,920

(1) Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2010. Financing Authority Lease Revenue Bonds: Series 2008A (0.18%), Series 2008B (0.19%), Series 2008C (0.16%), Series 2008D (0.33%), Series 2008E (0.32%), Series 2008F (0.32%). Redevelopment Agency Revenue Bonds: Series 1996A (0.18%), Series 1996B (0.15%), Series 2003A (0.34%), Series 2003B (0.17%). Redevelopment Agency Housing Set-Aside Tax Allocation Bonds: Series 2010C (2.095%). HUD Section 108 Notes: City of San Jose and Redevelopment Agency Loans (0.74%). 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, 2010, $1,431,000 of value had accreted on the outstanding capital appreciation bonds, which combined with the $643,552,000 principal amount of outstanding lease revenue bonds totals $644,983,000 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 Agency Redevelopment Project category, reflecting that the Agency is the primary source of payment for those bonds.

(4) Does not include notional amortization of outstanding commercial paper notes.

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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 Short-Term Debt Activities

Governmental Activities

Redevelopment Agency of the City of San José Housing Set-Aside Tax Allocation Bonds, Series 2010A (tax-exempt), Series 2010B (taxable) and 2010C (variable rate taxable). On April 15, 2010, the Agency issued three series of housing set-aside tax allocation bonds Series 2010A (tax-exempt), Series 2010B (taxable) and 2010C (variable rate taxable) amounting to $56,710,000, $10,695,000 and $93,000,000, respectively. The proceeds of the bonds were used to refund the Housing Set-Aside Tax Allocation Bonds Series 2005C and 2005D ($56,735,000); to pay-off the term loan with Bank of New York ($42,500,000), which was used as interim source of funding for the acquisition, construction or rehabilitation of low and moderate-income housing projects; to make $40,000,000 of low and moderate income housing set-aside funds available to pay the California State mandated Supplemental Educational Revenue Augmentation Fund (SERAF) obligation (see Note III.G.2) program costs ($40,000,000); to fund housing set-aside projects ($10,001,000); and to fund the reserve account and pay the costs of issuance related to the Series 2010 bonds. The 2010 Housing Set-Aside Tax Allocation Bonds were issued in parity with other outstanding Housing Set-Aside Tax Allocation Bonds issued by the Agency and are secured by a pledge of Housing Set-Aside Amounts, which are 20% of tax increment revenues required to be deposited into the Low and Moderate Income Housing Fund.

The principal and interest payment of the Housing Set-Aside Tax Allocation Bonds, Series 2005C and D were supported by the Letter of Credit under a Reimbursement Agreement with Bank of New York. The Letter of Credit expired on June 29, 2009. In September 2008, Bank of New York announced that it has stopped issuing new letters or lines of credits in connection with municipal obligations (Credit Facilities) and that it would not renew existing credit facilities upon their expiration. Due to a lack of a replacement letter of credit, the bonds become a term loan payable in twenty quarterly installments. In fiscal year 2009-2010, the Agency refunded the Housing Set-Aside Tax Allocation Bonds, Series 2005C and 2005D through the issuance of the 2010C Bonds. The variable rate Housing Set-Aside Tax Allocation Bonds, Series 2010C were directly purchased by Wells Fargo Bank. Because the bonds were directly purchased, the bond indenture does not require a credit facility to support the debt service payments until the bond's tender date of April 29, 2013, or such other date agreed to in writing by the Agency and Wells Fargo Bank.

City of San José Financing Authority Lease Revenue Commercial Paper Notes Payable. The Authority is authorized 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 California State Teachers' Retirement System (CalSTRS).

As of June 30, 2010, $34,302,000 of tax-exempt commercial paper notes were outstanding at an interest rate of 0.37% and $19,228,000 of taxable commercial paper notes were outstanding at interest rates ranging from 0.40% to 0.45%. The changes in commercial paper notes during the fiscal year ended June 30, 2010 are as follows (dollars in thousands):

July 1, 2009	Additions	Deletions	June 30, 2010
$47,581	$14,721	$8,772	$53,530

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This program was initially established on January 13, 2004, whereby the City Council and the City of San José Financing Authority (the Authority) each adopted a resolution authorizing the issuance of the Authority tax-exempt lease revenue commercial paper notes in an amount not to exceed $98,000,000. This commercial paper program was initially 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 June 21, 2005, the City Council and the 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. The City Council and the Authority approved an expansion of the capacity of the lease revenue commercial paper program from $98,000,000 to $116,000,000 on November 15, 2005.

Business-Type Activities

Airport Commercial Paper Notes Payable

Under the Airport's Commercial Paper Notes program, the Airport is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. The commercial paper is secured by a subordinate pledge of the Airport's revenues and additionally secured by letters of credit.

The terms of the agreement in effect during the fiscal year ended June 30, 2010 providing credit support for the Series A-1, Series A-2, Series B and Series C Notes call for unreimbursed draws to convert to a term loan if certain conditions are met on the Drawing Maturity Date (defined as the earlier of the termination date of the applicable Letter of Credit or 60 days following the unreimbursed draw) with principal repaid in ten equal semi-annual installments with payments occurring on the first business day of each March and September of each year. For the period from the date of the unreimbursed draw to the 60th day following the date of the unreimbursed draw, the interest rate is the Base Rate. Unless the unreimbursed draw is converted to a term loan, the interest rate from the 61st day until the date the unreimbursed draw is paid in full is the Default Rate (defined as the Base Rate from time to time in effect plus 2.00%). The term loan will bear interest at an interest rate equal to the Base Rate plus 0.50% from the conversion date through the 30th day, Base Rate plus 0.75% from the 31st day through the 60th day, and Base Rate plus 1.00% from the 61st day onward. For the purposes of this agreement, Base Rate is defined as the higher of (i) the Federal Funds rate plus 0.50% per annum and (ii) the bank's prime rate; provided, however, that the rate increases by 0.50% for each full rating category reduction on the Airport's bonds and an additional 1.00% if the rating on the Airport's bonds is withdrawn or suspended.

The terms of the agreement providing credit support for the Series D-1, Series D-2, Series and Series F Notes provide that unreimbursed draws be paid at the following interest rates: (i) Base Rate plus 1.00% from the Drawing Date through the 30th day; (ii) the greater of the Base Rate plus 1.50% and 12% from the 31st day through the 90th day; and (iii) the greater of the Base Rate plus 2.5% and 12% from the 91st day until the unreimbursed drawing is paid in full. However, if certain conditions specified in the agreement are met, then on the Drawing Maturity Date (defined as the earlier of the Letter of Credit's termination date or 90 days following the date of the unreimbursed draw), the unreimbursed draw will convert to a term loan. The principal of the term loan is required to be repaid in 20 equal quarterly installments on the first business day of each calendar quarter and the interest rate is the greater of the Base Rate plus 2.5% and 12%. For purposes of this agreement, Base Rate is defined as the higher of the Federal Funds rate plus 1.00% and the

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bank's prime rate.

The credit support, which expires December 2, 2010 as discussed in Note IV.D., for the Series A-1, Series A-2, Series B, and Series C commercial paper notes is provided severally but not jointly, by JPMorgan Chase Bank, Bank of America, and Dexia Credit Local. The credit support, which expires May 7, 2011, for the Series D-1, Series D-2, Series E, and Series F commercial paper notes is provided by Lloyds TSB Bank plc.

On June 30, 2010, $15,205,000 of Series A-2 Notes were outstanding at interest rates ranging from 0.32% to 0.34%; $148,771,000 of Series B Notes were outstanding at interest rates ranging from 0.36% to 0.38%; $115,491,000 of Series C commercial paper notes were outstanding at interest rates ranging from 0.40% to 0.60%; and $137,881,000 of Series F Notes were outstanding at an interest rate of 0.39%.

The change in Airport commercial paper notes payable during fiscal year 2010 is as follows (dollars in thousands):

July 1, 2009	Additions	Deletions	June 30, 2010
$323,561	$98,887	$5,100	$417,348

On November 2, 1999, the City Council adopted a resolution authorizing the issuance of City of San José, Norman Y. Mineta San José International Airport subordinated commercial paper notes in three series (Series A – Tax Exempt, Series B – Subject to AMT, and Series C – Taxable) in an amount not to exceed $100 million. The City Council approved an expansion of the commercial paper program to $200 million on June 20, 2006. Additional expansions were approved by City Council to $450 million on January 9, 2007 and to $600 million on March 25, 2008. This latest expansion also established three additional series of commercial paper (Series D – Tax Exempt, Series E – Subject to AMT, and Series F – Taxable). On September 1, 2009, the City Council adopted a resolution authorizing the issuance of tax-exempt private activity non-AMT commercial paper notes as provided for in the American Recovery and Reinvestment Act of 2009. At that time, the Series A Notes were redesignated as Series A-1 (Non-AMT) and Series A-2 (Non-AMT/Private Activity) and the Series D Notes were redesignated as Series D-1 (Non-AMT) and Series D-2 (Non-AMT/Private Activity).

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 $8,370,000 related to the closed landfills is recorded in the government-wide financial statements as of June 30, 2010. 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.

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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 2009-2010, the City maintained an all-risk property policy including boiler and machinery exposures, coverage for loss due to business interruption and flood. The City did not carry earthquake insurance as it was not available at reasonable rates. A summary of insurable coverage 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.

During fiscal year 2009-2010, the City maintained 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 excluded 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. A separate automobile policy provided coverage for the off-premise operations of Airport vehicles including shuttle bus fleets. Coverage included $1,000,000 single combined limit per occurrence. Physical damage coverage was available for the Airport Shuttle Bus Fleet and is subject to a $25,000 comprehensive and collision deductible. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. As part of general support services, the City charges the Airport for the cost of general liability 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, 2010. 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.

(Continued)

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

Liability as of July 1, 2008	$	155,063
Claims and changes in estimates during 2009		13,723
Claims payments		(28,833)
Liability as of June 30, 2009		139,953
Claims and changes in estimates during 2010		25,934
Claims payments		(26,653)
Liability as of June 30, 2010	$	139,234

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 (OCIP) from Chartis, formerly American International Group (AIG), AIU Holdings, Inc. and AIU LLC (AIU). An 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 Project have been completed. 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 deductible of up to $250,000 per occurrence to a maximum loss exposure to the City of $3,900,000. Due to the performance of this OCIP, the insurance carrier Chartis has agreed to return to the City $2,517,000 of the loss fund in March 2010. Over the next 12 months Chartis will continue to review the loss reserve fund and future disbursements will be expected if no completed operation claims arise over the next 10 years.

On March 15, 2007, the City bound additional liability insurance through another OCIP for major components of the Airport's TAIP OCIP through Chartis. The coverage for this program is as follows:

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

The liability under the TAIP OCIP is based upon an estimated payroll of $92,500,000 for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. 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 45 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

(Continued)

fund a claims loss reserve fund with Chartis in the amount of $8,900,000. The claims loss reserve fund is available to Chartis 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. As of June 30, 2010, an amount of $5,881,000 is deposited with Chartis and was recorded as advances and deposits in the accompanying statement of net assets.

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 (PFDRP) and the Federated City Employees' Retirement System (FCERS) calculated a net OPEB obligation in accordance with GASB 45 as discussed in Note IV.A.2. With the beginning of fiscal year 2009-2010, the City initiated a five-year phase-in to fully pre-fund retiree healthcare benefits for the majority of its employee units, with the exception of members of the San José Firefighters Union (International Association of Firefighters, Local 230). The phase-in plan will continue to result in an incremental increase in retiree healthcare contributions for both the City and its employees over the next four years. 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. At June 30, 2010, the City recorded net OPEB obligations totaling $169,643,000 in the government-wide financial statements, of which $155,570,000 are in governmental activities and $14,073,000 are in business-type activities.

14. Pollution Remediation Obligations

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including five active leaking petroleum storage tank sites: Fire Stations #5 and #16, Las Plumas Warehouse, Family Shelter 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, 2010, the government-wide statement of net assets reported net pollution remediation obligation in the amount of $2,165,000 in governmental activities and $714,000 in business-type activities.

(Continued)

G. Interfund Transactions

The composition of interfund balances as of June 30, 2010, with explanations of transactions, is as follows (dollars in thousands):

1. Due from/Due to other funds

Receivable Fund	Payable Fund	Amount	
General Fund	Redevelopment Agency	$ 1,360	(1)
	Nonmajor Governmental Funds	1,666	(2)
Redevelopment Agency	General Fund	1	(3)
	Housing Activities	21	(4)
Housing Activities	Redevelopment Agency	10,001	(5)
San José Financing Authority	Housing Activities	70	(6)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	19,942	(7)
Airport Fund	Nonmajor Governmental Funds	14	(8)
Wastewater Treatment System	Nonmajor Governmental Funds	50	(9)
	Municipal Water System	1,000	(10)
		$ 34,125	

(1) $633 represents reimbursement for services performed for the Agency, $180 represents accrual of pooled cash fund discount and $547 represents accrual for Project Service Memorandum contribution from the Agency.
(2) $1,465 represents accrual of gas tax transfer and $201 represents short-term borrowing for working capital.
(3) Represents accrual of fair value change in the pooled cash funds.
(4) Represents State Bulletin 813 year-end accrual.
(5) Represents remaining Series 2010C bond proceeds designated for future projects.
(6) Represents short-term borrowing for commercial paper fees and interest costs.
(7) Represents short-term borrowing for working capital.
(8) Represents reimbursable expenses related to the Airport West project.
(9) Represents short-term portion of loan for Fiber Optics Conduit project
(10) Represents short-term portion of loan for the North Coyote Valley Water Project.

(Continued)

2. Advances to/Advances from other funds

Receivable Fund	Payable Fund		Amount	
General Fund	San José Financing Authority	$	3,327	(1)
	Redevelopment Agency		630	(2)
Redevelopment Agency	Housing Activities		580	(3)
	General Fund		500	(4)
Housing Activities	Redevelopment Agency		52,721	(2)
San José Financing Authority	Housing Activities		12,891	(5)
Nonmajor Governmental Funds	Redevelopment Agency		13,119	(2)
Parking System	Redevelopment Agency		8,483	(2)
Wastewater Treatment System	Nonmajor Governmental Funds		251	(6)
	Municipal Water System		1,167	(7)
	Redevelopment Agency		5,007	(2)
		$	98,676	

(1) $30 represents a loan for Seismic District bond purchase and $3,297 represents a loan to support the City-owned golf course.

(2) See detailed Agency discussion below.

(3) Represents discounted loan to the YWCA Villa Nueva Housing project.

(4) Represents executive staff home loans.

(5) Represents proceeds of the commercial paper notes loaned to the Housing Activities fund for the SERAF loan (see below).

(6) Represents a long-term loan and interest for the Fiber Optics Conduit project and is scheduled to be paid by June 30, 2013.

(7) Represents a loan for the North Coyote Valley Water Project.

(Continued)

At June 30, 2010, the City has advances receivable from the Agency as follows (in thousands):

Receivable Fund	Purpose		Amount
General Fund	Property transfer	$	630
Housing Activities	SERAF principal		52,000
	SERAF interest and fees		721
Nonmajor Governmental Funds	SERAF principal		5,000
	SERAF interest and fees		7
	Parkland in-lieu voucher program		8,112
Parking System	Parking fund loans		8,483
Wastewater Treatment System	SERAF principal		5,000
	SERAF interest and fees		7
		$	79,960

Property Transfer. On April 20, 2010, the Agency and the City entered into a cooperation agreement, under which the City conveyed the real property located at 406 N. Autumn Street for the purchase price of $630,000 to the Agency so the Agency can exchange the property for the other parcels with developers needed to form land assemblage necessary for the proposed City owned Autumn Street Extension Project. The Agency's obligation to pay the City the purchase price is due upon the Agency completing the exchange with the developer and upon City's notification to the Agency that City has issued a Certificate of Occupancy for private development on that property.

Redevelopment Agency Supplemental Education Revenue Augmentation Fund (SERAF). In July 2009 the State Legislature adopted, and the Governor signed, Assembly Bill No. 26x4, which mandated redevelopment agencies in the State make deposits to the SERAF accounts established in each State county treasury with deposits totaling $1.7 billion for FY 2009-10 and $350 million for FY 2010-11. The Agency was informed by the State Director of Finance that the total payable by May 10, 2010 was $62.2 million and the Agency has estimated that the total amount payable by May 10, 2011 will be $12.8 million.

To enable the Agency to make the SERAF payments to the State, the Agency entered into a loan agreement with the City (the "SERAF Loan") funded from the following sources:

- A total of $65,000,000 from the Housing Activities Fund's Low and Moderate Income Housing program. The proceeds of two financing transactions were used to support various affordable housing projects and programs which freed up a corresponding amount in the Low and Moderate Housing Income funds to be loaned to the Agency: (1) $40,000,000 from the issuance of Housing Set-Aside Tax Increment Allocation Bonds; and (2) $25,000,000 initial principal from proceeds of City of San José Financing Authority Lease Revenue Commercial Paper Notes. Under the SERAF Loan Agreement, the Agency has the option to make interest payments on an ongoing basis, or to pay accrued interest upon final payment of the SERAF Loan in fiscal year 2015-2016. If the Agency elects to pay the accrued interest with its repayment of the outstanding principal of the SERAF Loan in fiscal year 2015-2016, the outstanding principal amount is projected to increase from $25,000,000 to approximately $35,000,000 by fiscal year 2015-2016. This is a General Fund backed program and therefore, to the extent that the Commercial Paper Notes are required to be redeemed for any reason, and the Agency is unable to repay the portion of the SERAF Loan funded from the Commercial Paper Notes, and the Housing Activities Fund is unable to repay, then the General Fund or any other legally available fund would be required to make the necessary

(Continued)

payment. For fiscal year 2009-2010, the Housing Activities Fund advanced $52,000,000 to the Agency.

- $10,000,000 from various City funds (Subdivision Park Trust Special Revenue Fund; Community Facility Revenue Special Revenue Fund and the Wastewater Treatment System). To the extent that these funds require replenishment at any time due to the capital needs of the respective programs, and the Agency is unable to repay the Loan in whole or in part, the General Fund or any other legally available fund would be required to make the necessary payment.

In summary, at June 30, 2010, the City has advanced $62,735,000 related to SERAF to the Agency representing principal of $62,000,000 and accrued interest and fees of $735,000.

Parkland In-Lieu Voucher Program. In June 2001 the Agency Board, in relation to Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO), adopted a resolution approving a Parkland In-Lieu Fee Low-Income Unit Voucher Program (Voucher Program) for the payment of subsidized parkland fees for low-income residential units by the Agency. On October 26, 2004, the Board extended the program until December 31, 2005. Under the PDO/PIO, developers of new residential projects are required to dedicate parkland, construct improvements and/or pay equivalent in-lieu fees for neighborhood and community–serving parks. Developers of low-income residential units were issued a voucher from the City's Housing Department to present to the City's Building Division in lieu of the payment of parkland fees, required by PDO and PIO. The Agency would then reimburse the City's Subdivision Parks Trust Fund in the amount of the voucher. As of June 30, 2010, the Agency owed the City $8,112,000 related to the Voucher Program. On June 22, 2010, the Agency and the City entered a cooperation agreement whereby the Agency agreed to transfer the amounts owed to the City in fiscal year 2015-2016.

Parking Fund Loans. On April 12, 2005, the Agency entered into a loan agreement with the City in an amount of $6,800,000 from the future facilities reserve within the City's Parking System Fund. The City advanced the loan to the Agency in two installments: $3,400,000 on April 15, 2005, and $3,400,000 on February 1, 2006. Interest on the loaned amounts originally accrued monthly on a compounded basis based on the City's investment portfolio's rate of return. The Agency used the loan proceeds for programs or projects contained in its Adopted Budget.

On June 12, 2007, the City Council/Agency Board amended the term of the loan to extend the loan maturity date to July 31, 2012, and removed the provision for any future interest beyond June 30, 2007, in exchange for the Agency promising to acquire property for a new downtown parking facility in the Almaden-Gateway Redevelopment Project Area.

Due to the economic downturn and the unexpected size of the payment the Agency is required by the State to make to the SERAF, the Agency made substantial reductions to its FY2009-10 Capital and Operating Budget and its 2010-2015 Capital Improvement Program. In order to assist the Agency in remitting the Agency's required payment to SERAF, the City has agreed to reimburse the Agency from the City's Parking Systems Fund two years of debt service payments to be made by the Agency on the 4th & San Fernando Parking Garage Revenue Bonds. On March 1, 2010, the City advanced to the Agency $1,683,000, representing the March 1, 2010 debt service payment on these revenue bonds. Under the terms of the Second Amendment to Loan Agreement approved by the City Council on February 23, 2010 and executed on October 4, 2010, the Agency shall repay to the City the principal amount of the initial loan on or before June 30, 2015. If the principal payment is not made on or before June 30, 2015, interest will be calculated monthly on a compounded basis, at the rate earned on funds within the City's investment portfolio from July 1, 2007 to the final date of payment. The revised agreement further requires the Agency to pay the City the remaining loan on or before June 30, 2016, provided that the City and Agency acknowledge that an extension of the repayment due date may be necessary depending on City and Agency priorities at such time.

(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 transactions (dollars in thousands):

Between Governmental and Business-type Activities:

Transfers from	Transfers to		Amount	
San Jose Financing Authority	Parking System	$	11	(1)
Parking System	General Fund		598	(2)
	Redevelopment Agency		11	(3)
	Nonmajor Governmental Funds		612	(4)
Municipal Water System	Nonmajor Governmental Funds		131	(5)
	San José Financing Authority		159	(6)
Wastewater Treatment System	General Fund		138	(7)
	Nonmajor Governmental Funds		1,353	(8)
	San José Financing Authority		285	(9)
Airport Fund	Nonmajor Governmental Funds		15	(10)
		$	3,313	

(1) Transfer for joint parking project.
(2) Transfer to the General Fund for miscellaneous non-downtown parking receipts.
(3) Transfer for refund of interest earned on surplus funds held by the fiscal agent.
(4) Transfer of $450 for convention center parking receipts and $162 for City Hall debt service payment.
(5) Transfer for City Hall debt service payments.
(6) Transfer for debt service payments.
(7) Transfer of $71 for interest earnings, and rent of $67 to the General Fund.
(8) Transfer of $1,322 for City Hall debt service payments and $31 for operations.
(9) Transfer for debt service payments.
(10) Transfer for operations.

(Continued)

Between Funds within the Governmental Activities:

Transfers from	Transfers to		Amount	
General Fund	Special Assessment Districts	$	545	(1)
	San Jose Financing Authority		3,799	(2)
	Nonmajor Governmental Funds		24,425	(3)
Redevelopment Agency	General Fund		1,371	(4)
	Housing Activities		133,008	(5)
	San Jose Financing Authority		3,366	(6)
	Nonmajor Governmental Funds		1,999	(7)
Housing Activities	Redevelopment Agency		67,605	(8)
	Nonmajor Governmental Funds		858	(9)
	General Fund		2,602	(10)
	San Jose Financing Authority		96	(11)
Nonmajor Governmental Funds	Redevelopment Agency		3,038	(12)
	General Fund		13,425	(13)
	Nonmajor Governmental Funds		11,736	(14)
	San Jose Financing Authority		32,630	(15)
San Jose Financing Authority	Nonmajor Governmental Funds		1,070	(16)
	General Fund		16	(17)
Special Assessment Districts	General Fund		4,512	(18)
	Nonmajor Governmental Funds		874	(19)
		$	306,975	

(1) Transfer to Special Assessment Districts for construction project expenditure.

(2) Debt service payments of $372 for the 1997B bond series, $775 for the 2003A bond series, $1,984 for the 2008E bond series and $668 for the 2008F bond series.

(3) Transfer for various debt service payments, loan repayments, operations and subsidies.

(4) $354 for San Jose Arena pass-through payment, $630 for property transfer (see discussion above), $28 for rent received for the property at Keyes Street and $359 for Watson Park Project Service Memorandum (PSM).

(5) $40,482 for 20% increment tax transfers as required under California Community Redevelopment Law, $92,501 in bond proceeds and $25 in interest earnings.

(6) Debt service payment for 4th & San Fernando parking garage.

(7) $1,317 for capital projects and $682 for capital project refund.

(8) Transfer for debt service payments.

(9) Transfer for City Hall debt service payments.

(10) $2,200 for acquisition of real estate property and $402 for reimbursement on behalf of the Agency for fees associated with the SERAF loan.

(11) Transfer for commercial paper redemption expenditure.

(12) $200 is for the Hillview Play Lot project, $15 reimbursement of consulting services and $2,823 is for various PSM refunds.

(13) Various transfers for operations, interest earnings and capital projects.

(14) Various transfers for debt service, operations and capital projects.

(15) Various transfers for debt service payments.

(16) Transfer of commercial paper proceeds.

(17) Transfer to roll forward residual balance to the General Fund.

(18) Transfer of interest earnings and residual fund balances to the General Fund.

(19) Transfer for capital improvement program projects.

(Continued)

IV. Other Information

A. Defined Benefit Retirement Plans

A. 1 City Sponsored 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 ("PFDRP") and the Federated City Employees' Retirement System ("FCERS"), 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 Retirement Systems are accounted for in the Pension Trust Funds. The estimated payrolls for employees covered under both PFDRP and FCERS for the fiscal year ended June 30, 2010, were approximately $243,196,000 and $308,697,000, respectively. The City's total actual payroll for the fiscal year ended June 30, 2010, was approximately $614,186,000.

The separately issued annual reports of PFDRP and FCERS, together with the City's municipal code provide more detailed information about the Retirement Systems. Those reports may be obtained from 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 City Manager and the Boards of Administration for the Retirement Systems. The contribution and benefit provisions and all other requirements are established by the City Charter and City ordinances.

The current membership in the Defined Benefit Pension Plans as of June 30, 2010, is as follows:

	PFDRP	FCERS
Defined Benefit Pension Plans:		
Retirees and beneficiaries currently receiving benefits	1,790	3,101
Terminated vested members not yet receiving benefits	78	626
Active members	2,026	3,929
Total	3,894	7,656

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

2. Funding Policy

It has been the Retirement Systems' Boards policy to obtain actuarial valuations every two years. However, the Retirement Systems' Boards took action to obtain actuarial evaluations every year beginning June 30, 2010. 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 trends, mortality rates, level of 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.

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The contributions to the Defined Benefit Pension Plans from 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 PFDRP and FCERS. The lump sum prepayment for fiscal year 2009-2010 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 PFDRP and FECERS approved the actuarially determined prepayment amount to be paid by the City on July 2, 2009.

The contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for fiscal year 2009-2010 were established in accordance with actuarially determined requirements computed through actuarial valuations dated June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation. The contribution rates in effect and the amounts contributed to the pension plans for the fiscal year ended June 30, 2010 are as follows (dollars in thousands):

	PFDRP			FCERS		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Defined Benefit Pension Plan:						
7/01/09 - 6/26/10 (police members)	21.61% *	8.18%				
7/01/09 - 6/26/10 (fire members)	24.12% *	8.62%				
7/01/09 - 6/26/10				18.31% **	4.28%	
6/27/10 - 6/30/10 (police members)	38.32%	9.81%				
6/27/10 - 6/30/10 (fire members)	40.24%	10.09%				
6/27/10 - 6/30/10				23.18%	4.54%	
Annual Pension Contribution (in thousands):						
Defined Benefit Pension Plan	$ 52,314	$ 20,097	$ 72,411	$ 54,566	$ 13,396	$ 67,962

* *The actual contribution rate paid by the City was 20.83% and 23.25% for the Police and Fire members, respectively, as a result of the City exercising their option to make a lump sum prepayment for 26 pay periods of fiscal year 2010.*

** *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 26 pay periods of fiscal year 2010.*

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
PFDRP	6/30/08	$ 56,372	100%	$ -
	6/30/09	53,103	100%	-
	6/30/10 *	52,314	100%	-
FCERS	6/30/08	51,718	106%	-
	6/30/09	57,020	100%	-
	6/30/10 *	54,566	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 PFDRP and FCERS would be $54,162,000 and $56,590,000, respectively.

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4. Funded Status and Funding Progress

PFDRP's Funded Status and Funding Progress. As summarized in the table below, as of June 30, 2009, the most recent actuarial valuation date, PFDRP was 87% funded for pension benefits representing the difference between the actuarial value of assets and the actuarial accrued liabilities (AAL) resulted in an unfunded actuarial accrued liability (UAAL) of $393,913,000. It should be noted that the UAAL does not reflect the impact of approximately $600,000,000 of deferred net investment losses resulting from unfavorable net investment gains and losses from fiscal years 2006 through 2009. PFDRP's actuarial valuation uses a five-year smoothing method for investment returns. This means that, for actuarial valuation purposes, the annual gains or losses, as calculated at year-end, are smoothed (amortized) with the net gains and losses resulting from the prior four years. As of the June 30, 2009 actuarial valuation date, PFDRP's AAL increased by $591,000,000 due to demographic experience losses and changes in actuarial assumptions as recommended by the PFDRP's Board's actuary in the June 30, 2009 experience study. PFDRP's UAAL increased from $6,600,000 as of June 30, 2007 to $393,900,000 as of June 30, 2009.

The change to the UAAL was primarily the result of:

(a) unfavorable investment returns during fiscal years 2007-2008 and 2008-2009;

(b) higher than expected salary increases,

(c) earlier than expected retirements,

(d) data corrections; and

(e) changes in actuarial assumptions.

Changes in actuarial assumptions include the change in the PFDRP's 80-120% market value corridor to 70-130%, as approved by the Board on February 4, 2010 only for the valuation as of June 30, 2009, resulting in the immediate recognition of approximately $45 million of investment losses for PFDRP's pension and health plans. The market value of assets corridor limits the smoothing of assets to be no greater than 130% and no less than 70% of the market value of assets as of June 30, 2009. Under this practice, any investment gains or losses that would cause the smoothed assets to fall outside of this 70-130% market value corridor would be recognized immediately rather than be smoothed over the next five years. The total unrecognized investment losses, for pension and health assets, were $658,200,000 before the application of the 130% market value of assets corridor and $613,300,000 after the application of the market value of assets corridor.

FCERS's Funded Status and Funding Progress. As summarized in the table below, as of the June 30, 2009 actuarial valuation date, FCERS was 71% funded on an actuarial basis for pension benefits. FCERS's UAAL of $729,567,000 does not reflect the impact of approximately $420,000,000 of deferred investment losses resulting from net investment gains and losses from fiscal years 2006 through 2009. FCERS's actuarial valuation uses a 5-year smoothing method for investment returns. This means that the current year's gains or losses, as calculated at year-end, are smoothed (amortized) with the results from the prior four years.

As of June 30, 2009, FCERS's most recent actuarial valuation, the funded status of FCERS decreased from 83% to 71%. The decrease in pension funding status was due to an increase in the AAL. The increase in the AAL was due to demographic experience losses and changes in actuarial assumptions as recommended by the Board actuary in the June 30, 2009 experience study.

(Continued)

FCERS's June 30, 2009 actuarial valuation includes actuarial assumption changes approved by the FCERS's Board including phasing in the impact of changes in economic assumptions on contribution rates of the following over a 5-year period:

(a) a reduction in the investment return assumption from 8.25%, net of expenses, to 7.75%, net of expenses;

(b) a reduction in the underlying inflation assumption from 4.00% to 3.67%;

(c) a reduction in the payroll growth assumption from 4.00% to 3.83%; and

(d) a reduction in the ultimate salary increase assumption from 4.25% to 4.08%.

The impact of the economic assumption change increased the AAL by approximately $142,000,000, and the total contribution requirement by 3.64% prior to the impact of the 5-year phase in changes. Changes in the pre-mortality and post-mortality demographic assumptions increased the AAL by $87,300,000 and the total contribution requirement by 1.58%.

FCERS also adopted a 30/20 layered amortization methodology in the June 30, 2009 valuation. Previously FCERS amortized the UAAL over a 30-year open amortization basis. The UAAL as of June 30, 2009 will be amortized over a closed amortization period of 30 years. Each year subsequent to this valuation, any gains or losses will be amortized over a closed 20 year period. There is no impact of this change on the June 30, 2009 valuation as the amortization period of 30 years is the same under current and previous methods.

Defined Benefit Pension Plans' Funded Status and Funding Progress Summary

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
PFDRP	6/30/09	$ 2,569,569	$ 2,963,482	$ 393,913	86.7%	$ 243,196	162.0%
FCERS	6/30/09	1,756,588	2,486,155	729,567	70.7%	308,697	236.3%

The Schedule of Funding Progress, presented as Required Supplementary Information (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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(Continued)

5. Actuarial Methods and Assumptions

PFDRP transitioned from biennial to annual valuations beginning June 30, 2010. The contributions rates for fiscal year ended June 30, 2010 were based on the actuarial valuation performed on June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation; the significant actuarial methods and assumptions used to compute the actuarially determined PFDRP's annual required contributions and the funded status are as follows:

Description	Method/Assumption	Method/Assumption
Valuation dates	June 30, 2007	June 30, 2009
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 and 16 years, closed for gains and losses between valuations.	1) Outstanding balance of unfunded accrued liability calculated through June 30, 2003 valuation amortized over next 8 years: (2) Prior service cost for the February 4, 1996 benefit improvement amortized over the next 8 years; and (3) Future actuarial experience gains and losses, changes in assumptions, and benefit improvements amortized over 16 years from the date of each such event, beginning with June 30, 2005 valuation.
Actuarial asset valuation method	5 year smoothed market with a 80% to 120% Market Value Corridor	5 year smoothed market with a 70% to 130% Market Value Corridor
Investment rate of return	8.00% per annum, net of expenses	8.00% per annum, net of expenses
Postretirement mortality	RP-2000 Male Combined Healthy Mortality Table with no collar adjustment, projected 10 years (set back 3 years).	RP-2000 Male Combined Healthy Mortality Table with no collar adjustment, projected 10 years (set back 4 years).
	RP-2000 Female Combined Healthy Mortality Table with no collar adjustment, projected 10 years (set forward 1 year).	RP-2000 Female Combined Healthy Mortality Table with no collar adjustment, projected 10 years.
Active service, withdrawal, death, disability service retirement	Based upon the June 30, 2007 experience study	Based upon the June 30, 2009 experience study
Salary increases	9.00% for the first 6 years of service, 6.00% for 6 – 8 years of service, and 5.00% for 8+ years of service. The total salary increase of 4.00% is for combined inflation and real across-the-board salary increase.	9.75% for the first 5 years of service, 6.75% for 6 – 7 years of service, and 6% for 8+ years of service. The total salary increase of 4.25% is for combined inflation and real across-the-board salary increase.
Cost-of-living adjustments on retirement allowances	3.00% per year	3.00% per year

(Continued)

FCERS transitioned from biennial to annual valuations beginning June 30, 2010. The contributions rates for fiscal year ended June 30, 2010 were based on the actuarial valuation performed on June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation; the significant actuarial methods and assumptions used to compute the actuarially determined FCERS's annual required contributions and the funded status are as follows:

Description	Method/Assumption	Method/Assumption
Valuation dates	June 30, 2007	June 30, 2009
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, open	30 years, closed
Actuarial asset valuation method	5 year smoothed market	5 year smoothed market
Investment rate of return	8.25% per annum, net of expenses	7.75% per annum, net of expenses
Postretirement mortality	The 1994 Group Annuity Mortality Table was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 Disability Mortality Table	The 1994 Group Annuity Mortality Table set back three years for males and one year forward for females was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 Disability Mortality Table
Active service, withdrawal, death, disability service retirement	Tables based upon current experience.	Tables based upon current experience.
Salary increases	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.25% plus an added merit component for those with 0-4 years of service.	The base annual rate of salary increase is comprised of a 3.67% inflation rate plus 0.41% for wage inflation for a total rate of 4.08%. This is added to a rate increase for merit/longevity for the first 5 years of service ranging from 5.50% to 0.75% at the 5th year of service.
Cost-of-living adjustments on retirement allowances	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 PFDRP and FCERS, 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 City Manager and Boards of Administration for the Retirement Systems. The contribution and benefit provisions and all other requirements are established by City Charter and City ordinances.

The current membership in the Postemployment Healthcare Plans as of June 30, 2010, is as follows:

	PFDRP	FCERS
Postemployment Healthcare Plans:		
Retirees and beneficiaries currently receiving benefits	1,712	2,795
Terminated vested members not yet receiving benefits	11	89
Active members	2,026	3,929
Total	3,749	6,813

2. OPEB Funding Policy

As stated above in the Defined Benefit Pension Plan section of this note, it has been the Retirement Systems' Boards policy to obtain actuarial valuations every two years. However, the Retirement Systems' Boards took action to obtain actuarial evaluations every year beginning June 30, 2010. 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 trends, mortality rates, level of salary increases, healthcare cost trend, and investment rates 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.

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 PFDRP and FCERS. The lump sum prepayment for fiscal year 2010 was calculated to be actuarially equivalent

(Continued)

to the biweekly payments that would otherwise have been the City's required contributions to the postemployment healthcare plans. The Boards of Administration for PFDRP and FCERS approved the actuarially determined prepayment amount to be paid by the City on July, 2, 2009, respectively.

Contributions to the Postemployment Healthcare Plans are made by both the City and the participating members. Contributions to PFDRP for fiscal year ended June 30, 2010 for Fire members of PFDRP were based on the Board's 10-year cash flow funding policy. Effective June 28, 2009, the Police members of PFDRP and the bargaining units representing the FCERS's members entered into Memorandums of Agreement (MOAs) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding the GASB Statement No. 43 annual required contribution over the next 5 years; fiscal year 2009-2010 was the first year of the phase-in. The MOA between the City and Police members of the PFDRP further provided that PFDRP member contribution rate shall not have an incremental increase of more than 1.25% and 1.35% of pensionable pay in each year for the Police members and City, respectively. Additionally, the MOA with PFDRP members provided that if the retiree healthcare contributions exceed 10% of Police member and 11% of City contributions, respectively, (excluding the implicit rate subsidy) the parties shall meet and confer on how to address the contributions above 10% and 11%. The MOA between the City and the bargaining units representing the members of FCERS provided that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the FCERS members or the City. Notwithstanding these limitations on incremental increases, the agreements with members of FCERS further provide that by the end of the five year phase-in the City and the members "shall be contributing the full Annual Required Contribution in the ratio currently provided" in the relevant sections of the San José Municipal Code. The contributions are not currently sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement No. 43.

The contribution rates for the Postemployment Healthcare Plans for the City and the participating employees for fiscal year 2010 were based on actuarial valuations dated June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation. The contribution rates in effect and the amounts contributed to the PFDRP and the FCERS for the fiscal year ended June 30, 2010, are as follows (dollars in thousands):

	PFDRP			FCERS		
	City	Participants	Total	City	Participants	Total
Actuarial Rate:						
Postemployment Healthcare Plan:						
7/01/09 - 6/26/10 (police members)	5.28% *	4.78%				
7/01/09 - 6/26/10 (fire members)	4.19%	3.78%				
7/01/09 - 6/26/10				5.70% **	5.07%	
6/27/10 - 6/30/10 (police members)	6.26% *	5.76%				
6/27/10 - 6/30/10 (fire members)	3.92% *	3.61%				
6/27/10 - 6/30/10				6.41% **	5.76%	
Annual OPEB Contribution (in thousands):						
Postemployment Healthcare Plan	$ 11,284	$ 10,650	$ 21,934	$ 17,027	$ 15,815	$ 32,842

* *The actual contribution rate paid by the City was 5.09% and 4.04% for the Police and Fire members respectively as a result of the City exercising their option to make a lump sum prepayment for 26 pay periods of fiscal year 2010.*

** *The actual contribution rate paid by the City was 5.49% for the Federated members as a result of the City exercising its option to make a lump sum prepayment for 26 pay periods of fiscal year 2010.*

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

The City's annual other postemployment benefit cost and net OPEB obligation for PFDRP and FCERS as of and for the fiscal year ended June 30, 2010, were as follows (dollars in thousands):

	PFDRP	FCERS
Annual required contribution *	$ 50,438	$ 38,599
Interest on net OPEB obligation	4,778	2,999
Adjustment to annual required contribution	(16,680)	(2,184)
Annual OPEB cost	38,536	39,414
Contributions made	(11,732)	(17,598)
Implicit rate subsidy	(4,262)	(3,987)
Increase in net OPEB obligation	22,542	17,829
Net OPEB obligation – beginning of year	84,512	44,760
Net OPEB obligation – end of year	$ 107,054	$ 62,589

* The annual required contribution is net of employees' contributions toward normal cost.

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

	Fiscal year ended	Annual OPEB Cost	Total Employer Contributions	Percent Annual OPEB Cost Contributed	Net OPEB Obligation
PFDRP	6/30/08	$ 61,344	$ 10,618	17%	$ 50,726
	6/30/09	46,334	12,548	27%	84,512
	6/30/10	38,536	15,994	42%	107,054
FCERS	6/30/08	38,513	11,560	30%	26,953
	6/30/09	33,725	15,918	47%	44,760
	6/30/10	39,414	21,585	55%	62,589

4. OPEB Funded Status and Funding Progress

As summarized in the table below, as of June 30, 2009, the most recent actuarial valuation date, PFDRP and FCERS was 7% and 11% funded on an actuarial basis for other postemployment benefits (OPEB), respectively. Changes to the UAAL for each OPEB Plan were primarily the result of unfavorable investment returns during the last two years and changes in the actuarial assumptions as noted above under the description of funded status for each respective Defined Benefit Pension Plan in addition to the changes in the healthcare trend rate assumptions. The specific funding status for each OPEB plan is summarized in the table below, as of the June 30, 2009 valuation date:

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	AAL as a Percentage of Covered Payroll
PFDRP	6/30/09	$ 55,618	$ 761,604	$ 705,986	7.3%	$ 243,196	290.3%
FCERS	6/30/09	85,564	796,448	710,884	10.7%	308,697	230.3%

(Continued)

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in fiscal year 2010 over the transition year in relation to the actuarial accrued liability for benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

5. OPEB 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 contributions rates for fiscal year ended June 30, 2010 were based on the actuarial valuation performed on June 30, 2007, except for the period June 27, 2010 through June 30, 2010, which were based on the June 30, 2009 valuation.

The significant actuarial methods and assumptions used to compute the actuarially determined PFDRP's OPEB annual required contributions and the funded status are as follows:

Description	**Method/Assumption**	**Method/Assumption**
Valuation date	June 30, 2007	June 30, 2009
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, level of percent of pay 30 years as of June 30, 2007, open	30 years, level of percent of pay 30 years as of June 30, 2009, open
Actuarial asset valuation method	5 year smoothed market with a 80% to 120% Market Value Corridor	5 year smoothed market with a 70% to 130% Market Value Corridor
Discount rate*	6.4%	6.7%
Projected payroll increases	The total salary increase of 4.00% is for combined inflation (3.50%) and real across-the-board salary increase (0.50%).	The total salary increase of 4.25% is for combined inflation (3.50%) and real across-the-board salary increase (0.75%).
Healthcare cost trend rate:		
Medical	12% in the 2007-2008 plan year, 10% in 2008-2009, 8.25% in 2009-2010, decreasing by 0.50% for each year for 7 years until it reaches an ultimate rate of 5%.	Projected premiums for FY2009-2010 and 8.25% beginning FY2010-2011, decreasing by 0.50% for each year for 7 years until it reaches an ultimate rate of 5%.
Dental	5%	5%

* 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.

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The significant actuarial methods and assumptions used to compute the actuarially determined FCERS's OPEB annual required contributions and the funded status are as follows:

Description	Method/Assumption	Method/Assumption
Valuation date	June 30, 2007	June 30, 2009
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, closed	30 years, closed
Actuarial asset valuation method	Market value	Market value
Discount rate*	6.6%	6.7%
Inflation rate	4.0%	3.67%
Projected payroll increases	4.0%	3.83%
Healthcare cost trend rate:		
Medical	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%.	The valuation assumes that future medical inflation will be at a rate of 10% per annum graded down each year in 0.5% increments to an ultimate rate of 4.5% for medical pre-age 65 and 7.5% per annum graded down each year in .25% increments to an ultimate rate of 4.5% for medical post-age 65.
Dental	Dental inflation is assumed to be 6% graded down to 4% over a nine year period.	Dental inflation is assumed to be 5% graded down to 4% over a four year period.

* 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.

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A. 3 California Public Employees' Retirement System (CalPERS)

Plan Description. The Mayor and members of the City Council are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The City's CalPERS plan is under the CalPERS Miscellaneous 2% at 55 Risk Pool. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by City resolution. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy. The City is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the Fund's Board of Administration. The required employer contribution rate for the year ended June 30, 2010 was 15.337%. The contractual employee cost sharing is 0%, cost-of -living adjustments are 2.0% per year, and benefits are based on final average compensation period of 36 months. The total contribution requirements for local agencies are established established and may be amended by CalPERS. The City's contributions to CalPERS for the years ended June 30, 2010, 2009, and 2008 were $127,000, $133,000, and $130,000, respectively, equal to the required contributions for each year.

B. Defined Contribution Retirement Plan

In January 1995, the Agency Board adopted a single employer defined contribution retirement plan, the 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 the employee's 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, 2010 for all non-civil service employees was approximately $8,264,000. Contributions to the Retirement Plan during the year ended June 30, 2010, made by both the Agency and the participating employees, amounted to approximately $710,000 and $270,000, respectively.

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C. Commitments and Contingencies

1. Norman Y. Mineta San José International Airport

Purchase Commitments. As of June 30, 2010, the Airport was obligated for purchase commitments of approximately $71,100,000, primarily for the Terminal Area Improvement Program projects, the public parking improvement project, and the remainder of the costs of the rental car facility and the North Concourse building projects. Additionally, the Airport has projected that it will expend or encumber approximately $197,885,000 on proposed capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from passenger facility charges (PFC), federal grants, 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 but the fuel supplier continued the work.

In November 2009, the City entered into an agreement with the fuel supplier for coordinated corrective actions at the existing fuel tank farms at a cost to the city not to exceed $1,000,000 and authorizing the Director of Aviation to approve additional expenditures in excess of $1,000,000 subject to appropriation of funds by City Council. The agreement provides for a 50%-50% cost sharing responsibility for actual future costs until successful closure of the site. The agreement also required the City to pay its 50% share of the past costs that the fuel supplier has incurred during the period after expiration of the prior agreement and before the new agreement was in place. During the year ended June 30, 2010, the Airport paid $660,000.

The fuel supplier is responsible for administering the new agreement including retaining a corrective action contractor. The agreement is also structured to facilitate potential reimbursement from the State Water Resources Control Board Underground Storage Tank Commingled Plume Fund (the "Fund"). Reimbursement from the Fund is potentially available up to $1,500,000 for each party.

Due to the proximity of the closed City jet fuel farm to the adjacent fuel supplier jet fuel farm that was still active, and the apparently stable contaminant plume, the regulators approved a waiver to allow the City tanks to be left in place until such time as a completely new fuel farm could be built, thereby allowing the fuel supplier site to be closed, and investigation/remediation to be done on both sites at once. The latest waiver request was approved through May 31, 2011. The new jet fuel farm had finally been constructed across Highway 101 and was placed in service in December 2009. The fuel supplier fuel farm was subsequently closed upon commencement of the new fuel farm.

The fuel supplier is currently conducting investigation of the combined site in preparation of the site's final remediation plan. One component of the investigation is the subsurface condition underneath the aboveground storage tanks (ASTs) and underground storage tanks (USTs) at both the fuel supplier and the City fuel farms. The fuel supplier has recently demolished its fuel farm and removed its USTs, and sampling the soil underneath its site. However, the demolition of the City fuel farm and removal of the USTs will not take place until the third quarter of 2010 calendar year.

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The completion of the remediation plan is contingent upon sampling and testing of the subsurface soil condition of the City fuel farm site. Once the plan is completed, it will be submitted to the County for its review and approval. The implementation of the remediation plan will commence after its approval by the County.

With the adoption of GASB Statement No. 49, the Airport has accrued $714,000 as of June 30, 2010 to cover the estimated remaining costs of its portion of the interim remediation system. In the absence of a remediation plan by the corrective action contractor, the Airport has insufficient information to reasonably estimate the future remediation costs. Based on presently available information, the Airport's management does not anticipate that the full cost of remediation of the fuel storage facility will have a significant impact on the Airport'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 $788,000 on noise attenuation projects during the fiscal year ended June 30, 2010. The Airport completed its ACT program during the fiscal year ended 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.

2. Redevelopment Agency (Agency)

Supplemental Educational Revenue Augmentation Funds. On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 x4, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county Supplemental Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's budget deficit. The Agency's SERAF obligation was $62,200,000 in fiscal year 2009-2010 and will be $12,800,000 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. Accordingly, the first payment was made on May 10, 2010, to the County of Santa Clara and the next payment is scheduled to be made on May 10, 2011.

On October 20, 2009, the California Redevelopment Association (CRA) together with two redevelopment agencies has filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB 26 x4. The Agency is part of a certified class in this lawsuit against the Director of the California Department of Finance and County Auditors' statewide. On May 4, 2010, the Sacramento Superior Court found that the $2.05 billion State take of redevelopment funds does not violate the Constitution. This case is now on appeal.

(Continued)

As discussed in Note III.G.2., on May 4, 2010, the Agency, the Authority, and the City entered into a loan agreement under which the Agency will borrow a combined amount of $75,000,000 (initial principal amount) to make the SERAF payments in May 2010 and May 2011. As of June 30, 2010, the Agency borrowed principal of $62,000,000 under the loan agreement. Pursuant to the agreement, the Agency is obligated to repay the principal, all unpaid interest, fees, and bond issuance costs in two installments on June 30, 2015 and June 30, 2016.

Tax Sharing Agreement with the County of Santa Clara. In 1983, the Agency and the County of Santa Clara (the County) entered into a tax sharing agreement under which the Agency would pay a portion of tax increment revenue generated in the Merged Area and part of the Rincon de los Esteros Project Area (the County Pass-Through Payment). On December 16, 1993, the Agency, the County, and the City entered into a Settlement Agreement, which continued the County Pass-Through Payment. On May 22, 2001, the County, the City, and the Agency approved an Amended and Restated Agreement (the "Amended Agreement"). In September 2009, the Agency informed the County that due to the SERAF requirement and insufficient tax increment revenues, it did not have sufficient unrestricted funds to make the fiscal year 2009-10 pass-through payment. The Agency further informed the County that it has reserved restricted funds for the fiscal year 2008-2009 pass-through payments ($21,300,000) pending negotiations regarding the payment. The 2001 Amended Agreement provides that the obligation to make these payments to the County is subordinate to "all of the Agency's loans, bonds or other indebtedness, and any pledge of or lien on Merged Area tax increment in order to secure such loans, bonds, other indebtedness, current and future, pursuant to the provisions of the Health and Safety Code." The 2001 Amended Agreement further provides that "a material change in state or federal laws or regulations affecting the Agency's redevelopment program which, for example, reduces bonding capabilities, changes the fiscal relationship of Agency to affected taxing entities, or in any way detrimentally impacts or substantially increases the Agency's financial program, the Agreement shall be renegotiated. Should there be any change in the law as specified, the parties shall meet in good faith to amend the Agreement to address the provisions which are affected by the change in law, only." The 2001 Amended Agreement further provides that in the event that the subordinate nature of the County Obligation, or a material change in the law, "either reduce(s) or delay(s) the receipt of amounts of taxes to be received by the County under Tax Allocation Agreement, Agency shall recognize its obligation, in the case of a reduction, to pay such tax amounts or delayed tax payments at a future time, together with interest thereon at the rate of ten (10%) percent per annum from the date such tax amounts would have been paid until actually paid." The 2001 Amended Agreement states if the County believes that the Agreement has been violated by the Agency, the parties "shall meet in order to resolve the issue in good faith. If the parties are unable to reach agreement, the dispute must be submitted to a mediator within 90 days of the date that impasse has been reached." The parties have participated in mediation and have been meeting in good faith to attempt to resolve the issue of funds owned by the Agency to the County pursuant to the 2001 Amended Agreement.

On August 20, 2010, the County submitted an invoice to the Agency in the amount of $45,200,000, which included the fiscal year 2008-2009 pass-through amount of $21,300,000, the fiscal year 2009-2010 amount of $19,200,000 and interest of $4,700,000. In addition, the Agency also accrued $2,072,000 for County administration fees. The City, Agency and County are continuing negotiations of the terms of repayment. The parties expect that the timeframe for repayment will exceed 12 months.

(Continued)

3. San José – Santa Clara Water Pollution Control Plant

For fiscal year 2011-2015, the Five Year capital improvement program includes approximately $18,000,000.00, 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.

The SBWR distribution system includes approximately 60 miles of pipe, a four million-gallon reservoir, a transmission pump station, and two booster pump stations. These facilities were constructed between 1996 and 1998 at a capital cost of approximately $140,000,000 funded by the tributary agencies, grants, and bond proceeds.

In June 1997, the RWQCB and the City approved the Proposed Revision to the South Bay Action Plan, which described the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 million gallons per day (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 $109,094,000 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.

4. Retirement Systems – Unfunded Commitments

As of June 30, 2010, the PFDRP and FCERS had unfunded commitments to contribute capital for private fund investments in the amount of $59,726,000 and $53,824,000, respectively.

5. 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 are audited in accordance with the provisions of the Single Audit Act Amendments of 1996 for the fiscal year ended June 30, 2010, 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.

D. Subsequent Events

1. Tax and Revenue Anticipation Note

On July 1, 2010, the City issued a short-term note for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. The Initial Note Portion of $40,000,000 was purchased by JP Morgan Chase Bank, N.A. on the closing date of the financing, July 1, 2010. At the City's discretion, additional borrowings may occur under the terms of the 2010 Note and the Note Purchase Agreement; specifically, at any time up to the Commitment Termination Date of

(Continued)

June 30, 2011 and up to the Unutilized Commitment amount of $35,000,000. On October 8, 2010, the City drew down the remaining Unutilized Commitment in the amount of $35,000,000 per the Note Purchase Agreement. Security for repayment of the 2010 Note is a pledge of the City's 2010-2011 secured property tax revenues received on and after April 1, 2011 plus all other legally available General Fund revenues of the City, if required. The final maturity for the 2010 Note is June 30, 2011 and the repayment of the 2010 Note has been budgeted in fiscal year 2010-2011 and is anticipated to be paid in January 2011 after the first half of secured property tax revenues is received from the County Auditor-Controller and General Fund cash balances begin to rise.

2. Credit Facilities Renewals and Extensions

a. City of San José Financing Authority Lease Revenue Bonds, Series 2008 ABCDE Letters of Credit Renewal

As discussed in Note III.F.7.; Variable-rate Demand Bonds, the principal and interest payment of the Series 2008 ABCDE Lease Revenue Bonds were supported by the letters of credit issued under Reimbursement Agreements with Scotiabank and CalSTRS and CalSTRS and Bank of America N.A. The letters of credit were set to expire on September 30, 2010. Failure to extend or replace the letters of credit would have caused the City to redeem the bonds pursuant to the term out provisions detailed under the Reimbursement Agreements.

The City and the Authority obtained new letters of credit for the Series 2008 ABCDE Bonds in October 2010. The provider and the term of the letters of credit are summarized below for each series (dollars in thousands):

	Balance November 22, 2010	Credit Facility Description	
		Provider	Expiration Date
City of San José Financing Authority:			
Lease Revenue Bonds:			
Series 2008A (Civic Center)	$ 56,920	Union Bank	10/21/2013
Series 2008B-1 (Civic Center Garage)	17,640	Bank of America, N.A.	10/21/2013
Series 2008B-2 (Civic Center Garage)	17,640	Union Bank	10/21/2013
Series 2008C (Hayes Mansion)	10,915	US Bank	10/21/2013
Series 2008D (Taxable) (Hayes Mansion)	45,080	US Bank	10/21/2013
Series 2008E-1 (Taxable) (Ice Centre)	13,012	Bank of America, N.A.	10/21/2013
Series 2008E-2 (Taxable) (Ice Centre)	13,013	US Bank	10/21/2013
Total	$ 174,220		

(Continued)

b. Redevelopment Agency Variable-Rate Revenue Bonds Letter of Credit Renewal

As discussed in Note III.F.7.; Variable-Rate Demand Bonds, the principal and interest payment of the 1996 and 2003 Merged Area Revenue Bonds are supported by the letters of credit under reimbursement agreements with JP Morgan-Chase Bank N.A. The letters of credit were set to expire on November 26, 2010. 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 1996 and 2003 Merged Area Revenue Bonds on November 26, 2010, JP Morgan-Chase Bank N.A. has agreed to extend the 1996 and 2003 letters of credit to November 25, 2011, under the terms of an amendment to reimbursement agreements that amends both the 1996 and 2003 reimbursement agreements. The amendment includes the following basic terms:

1. The extension of the 2003 Letters of Credit with annual fee of 1.93% (a decrease from 2.3% on the 2003 Letters of Credit and a decrease from 2.1% on the 1996 Letters of Credit).

2. No new debt obligations, senior, parity, or subordinate may be incurred by the Agency during the term of the Letters of Credit.

3. A Liquidity Reserve in the amount of $5,000,000 will be set-aside as an added source of security for JP Morgan-Chase Bank N.A. This reserve would be funded in two installments, the first due at execution of the amendment and the second installment due on or before July 1, 2011.

4. The Agency will hire a real estate consultant to develop strategies designed to enhance the Agency's revenues and increase the value of its assets. The Agency will make its best effort to hire this consultant, at Agency expense, by December 31, 2010.

c. Airport Commercial Paper Notes Payable Credit Facilities Extension

The City has negotiated a 2-month extension of the Airport's Commercial Paper Notes Payable credit facilities and the extension terms were approved by the City Council at its November 9, 2010 meeting. The amendment to the agreement and letters of credit discussed include extension of the expiration date from December 2, 2010 to February 2, 2011, removal of Dexia Credit Local as a party to the agreement, reduction of the amount of available credit from $450,000,000 to $283,000,000, and amendments on other agreement terms. Management anticipates bringing forward a recommendation related to two-year and three-year replacement credit facilities for the City Council's consideration in early 2011.

3. Impact of Filing for Bankruptcy Protection for Ambac Financial Group Inc.

On November 9, 2010, Ambac Financial Group Inc. (Ambac Financial) filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Ambac Financial is a holding company whose affiliates provide financial guarantees and financial services to its customers.

Ambac Assurance Corporation (Ambac Assurance), a subsidiary of Ambac Financial, has issued a reserve fund surety bond for the Redevelopment Agency's Series 1999 and 2005B tax allocation bonds and the Series 2006D tax allocation refunding bonds. According to the bond indenture for each of these series of bonds, in the event that such surety bond for any reason lapses or expires, the Redevelopment Agency must immediately (1) deliver a letter of credit, or (2) deliver to the trustee a surety bond or an insurance policy, or (3) make the required deposits to the bond reserve fund.

(Continued)

It is uncertain at this time whether the Ambac Financial bankruptcy will cause the financial guaranty insurance policies or the reserve fund surety bonds to lapse or expire. If such an event does occur, the Agency will be required to take one of the three actions documented above in order to maintain compliance with the bond indenture.

Ambac Assurance has also issued a reserve fund surety bond that is on deposit in the General Account of the Bond Reserve Fund, securing the Airport's Series 1998A, 2001A, 2002A, and 2002B revenue bonds. According to the Master Trust Agreement for these bonds, in the event that such surety bond for any reason terminates or expires, and the remaining amount on deposit in the General Account is less than the Required Reserve, the Airport is to address such shortfall by delivering to the trustee a surety bond or a letter of credit meeting the criteria of a Qualified Reserve Facility under the Master Trust Agreement, or depositing cash to the General Account in up to twelve equal monthly installments.

Ambac Assurance has also issued a reserve fund surety bond that is on deposit in the reserve fund established for the City of San José Financing Authority Revenue Bonds, Series 2001A (4th and San Fernando Parking Garage) (the "CSJFA Series 2001A Bonds"). According to the Indenture of Trust for the CSJFA Series 2001A Bonds, prior to the expiration of the surety bond, the Authority is to (1) replace the surety bond with a new Qualified Reserve Account Credit Instrument (as defined in the Indenture of Trust) or (2) deposit or cause to be deposited with the trustee an amount of moneys equal to the Reserve Requirement (as defined in the Indenture of Trust), to be derived from Revenues (as defined in the Indenture of Trust). In the event that the Authority fails to do either of the above, then the trustee is to draw on the surety bond before such expiration to provide moneys to the fund the reserve in the amount of the Reserve Requirement.

It is uncertain at this time whether the Ambac Financial bankruptcy will cause the reserve fund surety bonds to lapse or expire. If such an event does occur, it is uncertain whether and when the Airport or the Authority would be required to take one of the actions described above in order to maintain compliance with the respective bond indenture.

(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, 2010
($000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget	Actual Amounts Budgetary	Budgetary to GAAP	Actual Amounts	
	Original	Final	Over (Under)	Basis	Differences	GAAP Basis	
REVENUES							
Taxes:							
Property	$ 198,249	202,179	7	202,186	-	202,186	
Sales	135,795	127,375	(137)	127,238	-	127,238	
Utility	106,559	107,839	312	108,151	-	108,151	
State of California in-lieu	6,906	6,727	442	7,169	-	7,169	
Franchise	41,422	38,579	(169)	38,410	-	38,410	
Other	6,553	6,553	347	6,900	-	6,900	
Licenses, permits and fines	89,208	81,047	936	81,983	-	81,983	
Intergovernmental	27,775	26,389	(13,566)	12,823	-	12,823	
Charges for current services	31,205	27,817	238	28,055	-	28,055	
Investment Income	10,257	5,222	403	5,625	(4,111)	1,514	(1)
Other revenues	26,422	36,550	(1,697)	34,853	-	34,853	
Total revenues	680,351	666,277	(12,884)	653,393	(4,111)	649,282	
EXPENDITURES							
Current:							
General government	100,903	104,922	(22,078)	82,844	(6,126)	76,718	(2), (3)
Public safety	441,704	440,479	(10,885)	429,594	(2,573)	427,021	(2)
Capital maintenance	77,512	77,064	(22,262)	54,802	(8,641)	46,161	(2)
Community services	138,734	137,710	(7,427)	130,283	(3,468)	126,815	(2)
Sanitation	2,214	2,014	(294)	1,720	(48)	1,672	(2)
Capital outlay	3,864	3,940	-	3,940	-	3,940	
Debt service:							
Principal	1,008	1,008	-	1,008	-	1,008	
Interest	146	146	-	146	-	146	
Total expenditures	766,085	767,283	(62,946)	704,337	(20,856)	683,481	
Excess (deficiency) of revenues over expenditures	(85,734)	(101,006)	50,062	(50,944)	16,745	(34,199)	
OTHER FINANCING SOURCES (USES)							
Transfers in	13,029	21,701	331	22,032	(630)	22,662	(4)
Transfers out	(29,151)	(29,445)	(676)	(28,769)	-	(28,769)	
Total other financing sources (uses)	(16,122)	(7,744)	(345)	(6,737)	(630)	(6,107)	
Net change in fund balance	(101,856)	(108,750)	49,717	(57,681)	16,115	(40,306)	
				-	-		
Fund balance- beginning	173,254	173,254	-	173,254	37,939	211,193	
Beginning encumbrance	-	-	-	25,824	(25,824)	-	
Fund balance - ending	$ 71,398	64,504	49,717	141,397	28,230	170,887	

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 is prepared.
(3) Expenditures and repayments that increase and decrease certain loan receivables for which formal budget is prepared.
(4) Property transaction with the Redevelopment Agency is not budgeted.

See accompanying notes to the required supplementary information.

(Continued)

City of San José
Housing Activities
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2010
($000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget	Actual Amounts Budgetary	Budgetary to GAAP	Actual Amounts	
	Original	Final	Over (Under)	Basis	Differences	GAAP Basis	
REVENUES							
Intergovernmental	$ 28,423	27,324	(12,689)	14,635	-	14,635	
Investment income	9,510	9,510	1,914	11,424	(1,019)	10,405	(1)
Other revenues	10,565	5,565	1,870	7,435	(4,121)	3,314	(3)
Total revenues	48,498	42,399	(8,905)	33,494	(5,140)	28,354	
EXPENDITURES							
Current:							
Capital maintenance	3	29	-	29	-	29	
Community services	158,249	118,577	(19,919)	98,658	(57,721)	40,937	(2), (3)
Total expenditures	158,252	118,606	(19,919)	98,687	(57,721)	40,966	
Excess (deficiency) of revenues over expenditures	(109,754)	(76,207)	11,014	(65,193)	52,581	(12,612)	
OTHER FINANCING SOURCES (USES)							
Transfers in	128,614	146,082	(13,074)	133,008	-	133,008	
Transfers out	(71,080)	(124,138)	977	(123,161)	52,000	(71,161)	
Total other financing sources (uses)	57,534	21,944	(12,097)	9,847	52,000	61,847	
Net change in fund balance	(52,220)	(54,263)	(1,083)	(55,346)	104,581	49,235	
Fund balance - beginning	26,212	26,212	-	26,212	335,044	361,256	
Beginning encumbrance	-	-	-	37,962	(37,962)	-	
Fund balance - ending	$ (26,008)	(28,051)	(1,083)	8,828	401,663	410,491	

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, 2010

Schedule of Funding Progress
($ in 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
6/30/05	$	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%
6/30/09		2,569,569	2,963,482	393,913	87%	243,196	162%

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
6/30/05	$	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%
6/30/09		1,756,588	2,486,155	729,567	71%	308,697	236%

(1) Excludes accounts payable, postemployment healthcare plan assets, and supplemental retiree benefit reserves.
(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, 2009. Effective June 30, 2010, the Plan will transition to annual valuations.
(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%
6/30/09		55,618	761,604	705,987	7%	243,196	290%

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%
6/30/09		85,564	796,448	710,884	11%	308,697	230%

(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, 2010

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 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.

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- 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 drawsdown 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 28, 2010, the City Council approved certain fiscal 2010 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.

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Combining Nonmajor Governmental Funds

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 330,101,633	-	12,601,612	342,703,245
Other cash and investments	6,507	-	-	6,507
Receivables (net of allowance for uncollectibles)	38,288,173	108,080	5,138,665	43,534,918
Due from outside agencies	49,237	42,912	-	92,149
Due from other funds	3,818,060	-	16,124,252	19,942,312
Inventories	738,721	-	-	738,721
Loans receivable (net)	5,382,719	-	-	5,382,719
Advances and deposits	122,300	-	42,142	164,442
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	35,725,960	2,835,463	38,561,423
Cash and investments held with fiscal agent	-	643,117	114,024,576	114,667,693
Other cash and investments	1,758,707	-	-	1,758,707
Advances to other funds	13,118,755	-	-	13,118,755
Other assets	852,000	-	-	852,000
Total assets	$ 394,236,812	36,520,069	150,766,710	581,523,591
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 30,948,669	311,144	10,325,876	41,585,689
Accrued salaries, wages, and payroll taxes	4,890,008	-	566,426	5,456,434
Due to other funds	5,483,979	-	16,188,538	21,672,517
Deferred revenue	15,358,166	-	-	15,358,166
Advances, deposits, and reimbursable credits	11,486,765	-	-	11,486,765
Advances from other funds	-	-	251,223	251,223
Other liabilities	2,014,886	-	-	2,014,886
Total liabilities	70,182,473	311,144	27,332,063	97,825,680
Fund balances:				
Reserved for:				
Encumbrances	30,988,473	-	32,473,538	63,462,011
Noncurrent advances, loans and other assets	20,109,540	-	42,142	20,151,682
Debt service	-	36,208,925	-	36,208,925
Restricted cash commitments	1,758,707	-	-	1,758,707
Unreserved:				
Special revenue funds	271,197,619	-	-	271,197,619
Capital projects funds	-	-	90,918,967	90,918,967
Total fund balances	324,054,339	36,208,925	123,434,647	483,697,911
Total liabilities and fund balances	$ 394,236,812	36,520,069	150,766,710	581,523,591

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments	$ 54,642,894	41,684,024	8,401,100	104,728,018
Intergovernmental	60,038,436	-	13,555,378	73,593,814
Charges for current services	279,914,231	-	194,555	280,108,786
Rent	18,500,064	-	-	18,500,064
Investment income	46,677	36,486	1,534,635	1,617,798
Other revenues	13,011,279	-	2,025,026	15,036,305
Total revenues	426,153,581	41,720,510	25,710,694	493,584,785
EXPENDITURES				
Current:				
General government	143,246,548	-	-	143,246,548
Public safety	1,572,871	-	-	1,572,871
Community services	65,602,637	-	-	65,602,637
Sanitation	128,442,418	-	-	128,442,418
Capital maintenance	74,717,176	-	30,667,596	105,384,772
Capital outlay	13,442,992	-	81,039,695	94,482,687
Debt service:				
Principal	-	19,350,000	-	19,350,000
Interest and fiscal charges	-	24,728,996	-	24,728,996
Total expenditures	427,024,642	44,078,996	111,707,291	582,810,929
Excess (deficiency) of revenues under (over) expenditures	(871,061)	(2,358,486)	(85,996,597)	(89,226,144)
OTHER FINANCING SOURCES (USES)				
Transfers in	16,154,283	22,809,322	4,109,403	43,073,008
Transfers out	(25,402,007)	(25,731,777)	(9,695,498)	(60,829,282)
Total other financing sources (uses)	(9,247,724)	(2,922,455)	(5,586,095)	(17,756,274)
Net change in fund balances	(10,118,784)	(5,280,941)	(91,582,692)	(106,982,417)
Fund balances - beginning	334,173,123	41,489,866	215,017,339	590,680,328
Fund balances - ending	$ 324,054,339	36,208,925	123,434,647	483,697,911

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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, 2010

	Emma Prusch Memorial Park (Fund 131)	Developer Fees (Fund 138)	Gift Trust (Fund 139)	Public Works Program Support (Fund 150)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 314,936	6,837,670	2,169,554	4,712,677
Other investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	1,002	21,365	11,593	12,887
Due from outside agencies	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Loans receivable (net)	-	-	-	-
Advances and deposits	-	-	-	-
Restricted assets:				
Other cash and investments	-	-	-	-
Advances to other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 315,938	6,859,035	2,181,147	4,725,564
LIABILITIES				
Accounts payable	$ 2,567	-	66,343	36,676
Accrued salaries, wages and payroll taxes	-	-	10,890	572,642
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Advances, deposits and reimbursable credits	-	6,859,035	-	-
Other liabilities	-	-	-	-
Total liabilities	2,567	6,859,035	77,233	609,318
FUND BALANCE				
Reserved for:				
Encumbrances	13,748	-	4,330	157,007
Noncurrent advances, loans, and other assets	-	-	-	-
Restricted cash commitments	-	-	-	-
Unreserved:				
Designated for future expenditures	-	-	-	-
Undesignated	299,623	-	2,099,584	3,959,239
Total fund balances	313,371	-	2,103,914	4,116,246
Total liabilities and fund balances	$ 315,938	6,859,035	2,181,147	4,725,564

William F. Prusch, Jr. (Fund 151)	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)
16,637	6,382	5,794,077	-	9,510	17,502,137
-	-	-	-	-	-
52	20	566,238	7,359,668	30	172,882
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,689	6,402	6,360,315	7,359,668	9,540	17,675,019
-	-	777,282	3,454,111	-	411,936
-	-	486,788	414,362	-	46,652
-	-	-	2,075,582	-	-
-	-	-	-	-	67,195
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,264,070	5,944,055	-	525,783
-	-	111	487,477	-	1,046,184
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	928,136	-	3,863
16,689	6,402	5,096,134	-	9,540	16,099,189
16,689	6,402	5,096,245	1,415,613	9,540	17,149,236
16,689	6,402	6,360,315	7,359,668	9,540	17,675,019

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Ng Shing Gung Capital Maintenance (Fund 303)	North San José Traffic Impact Fee (Fund 349)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 49,489	4,554,229	20,803	70,648,162
Other investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	155	13,615	64,901	3,794,205
Due from outside agencies	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Loans receivable (net)	-	-	-	-
Advances and deposits	-	-	-	-
Restricted assets:				
Other cash and investments	-	-	-	-
Advances to other funds	-	-	-	11,115,973
Other assets	-	-	-	-
Total assets	$ 49,644	4,567,844	85,704	85,558,340
LIABILITIES				
Accounts payable	$ -	600	-	747,079
Accrued salaries, wages and payroll taxes	-	10,207	-	82,149
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	3,451,173
Advances, deposits and reimbursable credits	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	-	10,807	-	4,280,401
FUND BALANCE				
Reserved for:				
Encumbrances	-	-	85,105	1,118,725
Noncurrent advances, loans, and other assets	-	-	-	11,111,800
Restricted cash commitments	-	-	-	-
Unreserved:				
Designated for future expenditures	-	-	-	47,870,983
Undesignated	49,644	4,557,037	599	21,176,431
Total fund balances	49,644	4,557,037	85,704	81,277,939
Total liabilities and fund balances	$ 49,644	4,567,844	85,704	85,558,340

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)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)
85,299,531	3,371,068	-	-	112,642	738,666
-	-	-	-	-	-
2,322,439	10,548	694,346	770,291	2,724	3,332
2	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
119,700	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
87,741,672	3,381,616	694,346	770,291	115,366	741,998
1,541,057	-	-	-	-	-
307,064	-	-	-	-	-
201,282	-	694,346	770,291	-	-
-	-	-	-	-	668,547
-	-	-	-	-	-
-	-	-	-	-	-
2,049,403	-	694,346	770,291	-	668,547
8,704,345	-	-	-	-	378,489
119,700	-	-	-	-	-
-	-	-	-	-	-
18,775,000	-	-	-	-	-
58,093,224	3,381,616	-	-	115,366	(305,038)
85,692,269	3,381,616	-	-	115,366	73,451
87,741,672	3,381,616	694,346	770,291	115,366	741,998

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Federal LLEBG Program (Fund 415)	Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 3,782	1,478,436	1,428,527	7,442,472
Other investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	12	321,799	4,456	12,263
Due from outside agencies	-	-	-	6,175
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Loans receivable (net)	-	-	-	-
Advances and deposits	-	-	-	-
Restricted assets:				
Other cash and investments	-	-	-	-
Advances to other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 3,794	1,800,235	1,432,983	7,460,910
LIABILITIES				
Accounts payable	$ -	-	-	147,733
Accrued salaries, wages and payroll taxes	-	11,333	-	184,107
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Advances, deposits and reimbursable credits	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	-	11,333	-	331,840
FUND BALANCE				
Reserved for:				
Encumbrances	3,714	-	-	357,837
Noncurrent advances, loans, and other assets	-	-	-	-
Restricted cash commitments	-	-	-	-
Unreserved:				
Designated for future expenditures	80	-	500,000	788,507
Undesignated	-	1,788,902	932,983	5,982,726
Total fund balance	3,794	1,788,902	1,432,983	7,129,070
Total liabilities and fund balance	$ 3,794	1,800,235	1,432,983	7,460,910

Federal Drug Forfeiture (Fund 419)	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)
2,288,752	1,211,981	1,255,236	7,099,930	40,518,925	9,628,670
-	-	-	-	-	-
7,094	3,775	3,920	735,613	10,601,003	30,031
-	-	-	-	5,652	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	600,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,002,782	-	-
-	-	-	-	-	-
2,295,846	1,215,756	1,259,156	9,838,325	51,125,580	10,258,701
-	256,900	-	753,270	16,327,428	2,335,613
-	-	-	555,218	471,974	86,709
-	-	-	-	-	-
-	-	-	91,814	6,755,220	-
-	-	-	754,232	3,873,498	-
-	-	-	-	-	-
-	256,900	-	2,154,534	27,428,120	2,422,322
-	-	-	6	6,698,819	34,418
-	-	-	2,000,000	-	600,000
-	-	-	-	-	-
-	-	-	-	-	1,266,888
2,295,846	958,856	1,259,156	5,683,785	16,998,641	5,935,073
2,295,846	958,856	1,259,156	7,683,791	23,697,460	7,836,379
2,295,846	1,215,756	1,259,156	9,838,325	51,125,580	10,258,701

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)
ASSETS				
Equity in pooled cash and investments held in City Treasury	$ 11,496,711	1,530,125	-	105,165
Other investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	1,870,955	4,781	4,117,497	325
Due from outside agencies	-	-	-	-
Due from other funds	3,818,060	-	-	-
Inventories	-	-	-	-
Loans receivable (net)	-	20,146	4,683,349	79,224
Advances and deposits	2,600	-	-	-
Restricted assets:				
Other cash and investments	-	-	4,868	-
Advances to other funds	-	-	-	-
Other assets	-	852,000	-	-
Total assets	$ 17,188,326	2,407,052	8,805,714	184,714
LIABILITIES				
Accounts payable	$ 937,484	-	1,146,833	-
Accrued salaries, wages and payroll taxes	304,211	-	210,626	-
Due to other funds	-	-	1,742,478	-
Deferred revenue	-	-	1,410,153	-
Advances, deposits and reimbursable credits	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	1,241,695	-	4,510,090	-
FUND BALANCE				
Reserved for:				
Encumbrances	5,433,164	-	1,383,660	-
Noncurrent advances, loans, and other assets	2,600	872,146	4,585,349	79,224
Restricted cash commitments	-	-	4,868	-
Unreserved:				
Designated for future expenditures	2,350,000	-	-	-
Undesignated	8,160,867	1,534,906	(1,678,253)	105,490
Total fund balance	15,946,631	2,407,052	4,295,624	184,714
Total liabilities and fund balance	$ 17,188,326	2,407,052	8,805,714	184,714

Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Brown Memorial Justice (Funds 474, 477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)
24,390,694	3,007,897	1,042,402	1,635,840	1,062,465	5,288,114
-	-	-	-	-	-
285,414	897,186	2,976	5,189	47,352	3,456,079
37,408	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,753,839
-	-	-	-	-	-
-	-	-	-	-	-
24,713,516	3,905,083	1,045,378	1,641,029	1,109,817	10,498,032
428,281	322,731	44,910	75,914	29,394	-
528,090	18,779	26,007	2,699	-	218,505
-	-	-	-	-	-
-	-	-	1,530,220	-	1,383,844
-	-	-	-	-	-
-	-	-	-	-	2,014,886
956,371	341,510	70,917	1,608,833	29,394	3,617,235
1,739,745	197,106	46,884	117,635	6,749	510,397
-	-	-	-	-	-
-	-	-	-	-	1,753,839
2,255,306	-	234,000	-	-	1,050,391
19,762,094	3,366,467	693,577	(85,439)	1,073,674	3,566,170
23,757,145	3,563,573	974,461	32,196	1,080,423	6,880,797
24,713,516	3,905,083	1,045,378	1,641,029	1,109,817	10,498,032

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

		Stores Vehicle Maintenance and Operations (Funds 551-553)	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	$	6,027,339	330,101,633
Other investments		6,507	6,507
Receivables (net of allowance for uncollectibles)		58,160	38,288,173
Due from outside agencies		-	49,237
Due from other funds		-	3,818,060
Inventories		738,721	738,721
Loans receivable (net)		-	5,382,719
Advances and deposits		-	122,300
Restricted assets:			
Other cash and investments		-	1,758,707
Advances to other funds		-	13,118,755
Other assets		-	852,000
Total assets	$	6,830,727	394,236,812
LIABILITIES			
Accounts payable	$	1,104,527	30,948,669
Accrued salaries, wages and payroll taxes		340,996	4,890,008
Due to other funds		-	5,483,979
Deferred revenue		-	15,358,166
Advances, deposits and reimbursable credits		-	11,486,765
Other liabilities		-	2,014,886
Total liabilities		1,445,523	70,182,473
FUND BALANCE			
Reserved for:			
Encumbrances		2,462,818	30,988,473
Noncurrent advances, loans, and other assets		738,721	20,109,540
Restricted cash commitments		-	1,758,707
Unreserved:			
Designated for future expenditures		-	76,023,154
Undesignated		2,183,665	195,174,465
Total fund balance		5,385,204	324,054,339
Total liabilities and fund balance	$	6,830,727	394,236,812

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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, 2010

	Emma Prusch Memorial Park (Fund 131)	Developer Fees (Fund 138)	Gift Trust (Fund 139)	Public Works Program Support (Fund 150)
REVENUES				
Taxes and special assessments	$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	11,294,499
Rent	72,000	-	-	-
Investment income	201	-	1,862	(29,580)
Other revenues	-	-	706,440	-
Total revenues	72,201	-	708,302	11,264,919
EXPENDITURES				
Current:				
General government	-	-	-	12,598,969
Public safety	-	-	-	-
Community services	66,450	-	605,222	-
Sanitation	-	-	-	-
Capital maintenance	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	66,450	-	605,222	12,598,969
Excess (deficiency) of revenue over (under) expenditures	5,751	-	103,080	(1,334,050)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(87,900)
Total other financing sources (uses)	-	-	-	(87,900)
Net change in fund balances	5,751	-	103,080	(1,421,950)
Fund balances - beginning	307,620	-	2,000,834	5,538,196
Fund balances - ending	$ 313,371	-	2,103,914	4,116,246

William F. Prusch, Jr. (Fund 151)	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)
-	-	-	-	-	8,519,864
-	-	-	22,495,749	-	-
-	4,195	87,031,038	-	-	-
-	-	-	-	-	-
12	(38,153)	10,781	-	12,638	27,056
-	-	-	-	87,500	147,115
12	(33,958)	87,041,819	22,495,749	100,138	8,694,035
-	-	86,866,150	-	-	-
-	-	-	-	-	-
-	-	-	21,994,112	-	-
-	-	-	-	-	-
-	-	-	-	-	8,002,673
-	-	-	-	-	-
-	-	86,866,150	21,994,112	-	8,002,673
12	(33,958)	175,669	501,637	100,138	691,362
-	-	-	-	968,245	797,831
-	(2,648,570)	(106,407)	-	(1,652,109)	-
-	(2,648,570)	(106,407)	-	(683,864)	797,831
12	(2,682,528)	69,262	501,637	(583,726)	1,489,193
16,677	2,688,930	5,026,983	913,976	593,266	15,660,043
16,689	6,402	5,096,245	1,415,613	9,540	17,149,236

(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, 2010

	Ng Shing Gung Capital Maintenance (Fund 303)	North San José Traffic Impact Fee (Fund 349)	Special Assessment Special Services (Fund 350)	Subdivision Park Trust (Fund 375)
REVENUES				
Taxes and special assessments	$ -	-	2,671	-
Intergovernmental	-	-	-	-
Charges for current services	-	2,850,671	-	1,852,707
Rent	-	-	-	-
Investment income	132	7,946	(548)	(22,632)
Other revenues	4,000	-	-	-
Total revenues	4,132	2,858,617	2,123	1,830,075
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Sanitation	-	-	-	-
Capital maintenance	-	218,749	72,142	7,160,147
Capital outlay		-	-	1,405,260
Total expenditures	-	218,749	72,142	8,565,407
Excess (deficiency) of revenue over (under) expenditures	4,132	2,639,868	(70,019)	(6,735,332)
OTHER FINANCING SOURCES (USES)				
Transfers in	45,512	-	-	-
Transfers out	-	-	(757)	(2,854,677)
Total other financing sources (uses)	45,512	-	(757)	(2,854,677)
Net change in fund balances	49,644	2,639,868	(70,776)	(9,590,009)
Fund balances - beginning	-	1,917,169	156,480	90,867,948
Fund balances - ending	$ 49,644	4,557,037	85,704	81,277,939

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)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)
22,494,787	-	-	-	-	-
911,235	-	7,339,960	8,981,097	4,000	1,010,507
-	-	-	-	95,925	-
-	-	-	-	-	-
49,957	(15,157)	-	-	552	(7,452)
419,831	-	-	-	-	-
23,875,810	(15,157)	7,339,960	8,981,097	100,477	1,003,055
-	-	-	-	-	-
-	-	-	-	-	1,025,829
-	-	-	-	-	-
-	-	-	-	-	-
21,532,417	-	7,339,960	8,981,097	33,477	-
1,548,775	-	-	-	-	59,504
23,081,192	-	7,339,960	8,981,097	33,477	1,085,333
794,618	(15,157)	-	-	67,000	(82,278)
4,859,635	-	-	-	-	-
(6,228,320)	(54,808)	-	-	(30,035)	-
(1,368,685)	(54,808)	-	-	(30,035)	-
(574,067)	(69,965)	-	-	36,965	(82,278)
86,266,336	3,451,581	-	-	78,401	155,729
85,692,269	3,381,616	-	-	115,366	73,451

(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, 2010

	Federal LLEBG Program (Fund 415)	Underground Utility (Fund 416)	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Fund 418)
REVENUES				
Taxes and special assessments	$ -	-	-	7,125,343
Intergovernmental	-	353,900	-	-
Charges for current services	-	87,671	-	-
Rent	-	-	-	-
Investment income	(6)	284	9,152	4,771
Other revenues	-	-	85,926	-
Total revenues	(6)	441,855	95,078	7,130,114
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	1,747	-	7,350	-
Community services	-	-	-	3,439,443
Sanitation	-	-	-	-
Capital maintenance	-	652,926	-	2,144,239
Capital outlay	-	-	80,028	75,312
Total expenditures	1,747	652,926	87,378	5,658,994
Excess (deficiency) of revenue over (under) expenditures	(1,753)	(211,071)	7,700	1,471,120
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(17,582)	-	(38,675)
Total other financing sources (uses)	-	(17,582)	-	(38,675)
Net change in fund balances	(1,753)	(228,653)	7,700	1,432,445
Fund balances - beginning	5,547	2,017,555	1,425,283	5,696,625
Fund balances - ending	$ 3,794	1,788,902	1,432,983	7,129,070

Federal Drug Forfeiture (Fund 419)	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)
-	22,364	-	-	-	-
-	-	-	-	-	-
-	-	26,191	10,528,875	108,869,241	-
-	-	-	2,530,096	-	-
4,545	480	272	39,658	(55,305)	(48,526)
546,593	-	-	1,368,158	-	9,536,792
551,138	22,844	26,463	14,466,787	108,813,936	9,488,266
-	-	-	14,181,380	-	9,600,597
107,475	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	110,865,197	-
-	369,188	122,341	207,623	-	-
-	-	-	-	-	-
107,475	369,188	122,341	14,389,003	110,865,197	9,600,597
443,663	(346,344)	(95,878)	77,784	(2,051,261)	(112,331)
-	-	-	2,872,552	-	-
-	(25,114)	-	(1,798,884)	(1,607,795)	(479,617)
-	(25,114)	-	1,073,668	(1,607,795)	(479,617)
443,663	(371,458)	(95,878)	1,151,452	(3,659,055)	(591,948)
1,852,183	1,330,314	1,355,034	6,532,339	27,356,515	8,428,327
2,295,846	958,856	1,259,156	7,683,791	23,697,460	7,836,379

(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, 2010

	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)
REVENUES				
Taxes and special assessments	$ 6,127,865	-	-	-
Intergovernmental	7,153,649	-	11,285,567	19,577
Charges for current services	-	-	-	-
Rent	-	-	-	-
Investment income	(50,511)	2,065	-	-
Other revenues	30,238	-	-	-
Total revenues	13,261,241	2,065	11,285,567	19,577
EXPENDITURES				
Current:				
General government	-	112,500	-	-
Public safety	-	-	-	-
Community services	-	-	9,448,664	-
Sanitation	-	-	-	-
Capital maintenance	13,943,705	-	1,200,448	-
Capital outlay	3,169,828	-	914,400	-
Total expenditures	17,113,533	112,500	11,563,512	-
Excess (deficiency) of revenue over (under) expenditures	(3,852,292)	(110,435)	(277,945)	19,577
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(358,388)	-	-	-
Total other financing sources (uses)	(358,388)	-	-	-
Net change in fund balances	(4,210,680)	(110,435)	(277,945)	19,577
Fund balances - beginning	20,157,311	2,517,487	4,573,569	165,137
Fund balances - ending	$ 15,946,631	2,407,052	4,295,624	184,714

Storm Drainage Service Use Charge (Funds 446, 469)	Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Brown Memorial Justice (Funds 474,477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Fund 536)
-	10,350,000	-	-	-	-
-	-	-	483,195	-	-
30,521,380	-	684,920	-	849,661	1,884,777
-	-	-	-	-	15,897,968
61,743	(3,321)	3,656	21,296	(1,597)	51,070
11,666	8,360	-	-	58,660	-
30,594,789	10,355,039	688,576	504,491	906,724	17,833,815
-	-	-	-	-	-
-	-	-	430,470	-	-
-	4,655,752	-	-	9,077	25,383,917
17,577,221	-	-	-	-	-
1,897,687	-	216,729	-	194,035	194,623
2,394,166	-	250,656	65,865	19,173	-
21,869,074	4,655,752	467,385	496,335	222,285	25,578,540
8,725,715	5,699,287	221,191	8,156	684,439	(7,744,725)
-	-	-	-	1,000,000	4,589,922
(459,646)	(3,889,922)	(231,319)	-	(1,816,286)	(302,463)
(459,646)	(3,889,922)	(231,319)	-	(816,286)	4,287,459
8,266,069	1,809,365	(10,128)	8,156	(131,847)	(3,457,266)
15,491,076	1,754,208	984,589	24,040	1,212,270	10,338,063
23,757,145	3,563,573	974,461	32,196	1,080,423	6,880,797

(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, 2010

	Stores Vehicle Maintenance and Operations (Funds 551-553)	Total
REVENUES		
Taxes and special assessments	$ -	54,642,894
Intergovernmental	-	60,038,436
Charges for current services	23,332,480	279,914,231
Rent	-	18,500,064
Investment income	9,336	46,677
Other revenues	-	13,011,279
Total revenues	23,341,816	426,153,581
EXPENDITURES		
Current:		
General government	19,886,952	143,246,548
Public safety	-	1,572,871
Community services	-	65,602,637
Sanitation	-	128,442,418
Capital maintenance	232,970	74,717,176
Capital outlay	3,460,025	13,442,992
Total expenditures	23,579,947	427,024,642
Excess (deficiency) of revenue over (under) expenditures	(238,131)	(871,061)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,020,586	16,154,283
Transfers out	(712,733)	(25,402,007)
Total other financing sources (uses)	307,853	(9,247,724)
Net change in fund balances	69,722	(10,118,784)
Fund balances - beginning	5,315,482	334,173,123
Fund balances - ending	$ 5,385,204	324,054,339

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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, 2010

	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	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	72,000	72,000	-	-	-	-
Investment income	8,000	4,768	(3,232)	-	33,078	33,078
Other revenues	-	-	-	541,236	706,440	165,204
Total revenues	80,000	76,768	(3,232)	541,236	739,518	198,282
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	207,000	80,198	(126,802)	2,509,997	609,552	(1,900,445)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	207,000	80,198	(126,802)	2,509,997	609,552	(1,900,445)
Excess (deficiency) of revenues over (under) expenditures	(127,000)	(3,430)	123,570	(1,968,761)	129,966	2,098,727
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ (127,000)	(3,430)	123,570	(1,968,761)	129,966	2,098,727
Fund balances - beginning		303,045			1,880,308	
Prior year encumbrances		-			4,272	
Fund balances - ending		$ 299,615			$ 2,014,546	

Public Works Program Support (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)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
12,677,774	11,294,499	(1,383,275)	-	4,195	4,195	80,905,888	87,031,038	6,125,150
-	-	-	-	-	-	-	-	-
58,759	58,759	-	-	3,937	3,937	55,200	86,417	31,217
-	-	-	-	-	-	-	-	-
12,736,533	11,353,258	(1,383,275)	-	8,132	8,132	80,961,088	87,117,455	6,156,367
13,207,519	12,755,976	(451,543)	-	-	-	88,824,808	86,866,262	(1,958,546)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
13,207,519	12,755,976	(451,543)	-	-	-	88,824,808	86,866,262	(1,958,546)
(470,986)	(1,402,718)	(931,732)	-	8,132	8,132	(7,863,720)	251,193	8,114,913
-	-	-	-	-	-	-	-	-
(87,900)	(87,900)	-	(2,648,965)	(2,648,570)	395	(106,407)	(106,407)	-
(87,900)	(87,900)	-	(2,648,965)	(2,648,570)	395	(106,407)	(106,407)	-
(558,886)	(1,490,618)	(931,732)	(2,648,965)	(2,640,438)	8,527	(7,970,127)	144,786	8,114,913
	5,487,907			2,688,930			2,360,010	
	90,222			-			124,747	
	$ 4,087,511			$ 48,492			$ 2,629,543	

(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, 2010

	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	29,393,287	22,495,749	(6,897,538)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	-	-	-	21,540	21,540
Other revenues	-	-	-	99,500	87,500	(12,000)
Total revenues	29,393,287	22,495,749	(6,897,538)	99,500	109,040	9,540
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	27,438,734	22,481,588	(4,957,146)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	27,438,734	22,481,588	(4,957,146)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,954,553	14,161	(1,940,392)	99,500	109,040	9,540
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	968,245	968,245	-
Transfers out	-	-	-	(1,652,109)	(1,652,109)	-
Total other financing sources (uses)	-	-	-	(683,864)	(683,864)	-
Net change in fund balances	$ 1,954,553	14,161	(1,940,392)	(584,364)	(574,824)	9,540
Fund balances - beginning		207,930			584,364	
Prior year encumbrances		706,046			-	
Fund balances - ending		$ 928,137			$ 9,540	

Special Assessment Maintenance Districts (Funds 302, 351-369, 371-374, 376)			Ng Shing Gung Capital Maintenance (Fund 303)			North San José Traffic Impact Fee (Fund 349)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
8,663,681	8,519,864	(143,817)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,850,671	2,850,671
-	-	-	-	-	-	-	-	-
290,794	249,399	(41,395)	-	754	754	20,000	36,922	16,922
-	147,115	147,115	-	4,000	4,000	-	-	-
8,954,475	8,916,378	(38,097)	-	4,754	4,754	20,000	2,887,593	2,867,593
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
11,149,315	9,078,355	(2,070,960)	-	-	-	417,100	218,749	(198,351)
-	-	-	-	-	-	-	-	-
11,149,315	9,078,355	(2,070,960)	-	-	-	417,100	218,749	(198,351)
(2,194,840)	(161,977)	2,032,863	-	4,754	4,754	(397,100)	2,668,844	3,065,944
797,831	797,831	-	45,512	45,512	-	-	-	-
-	-	-	-	-	-	-	-	-
797,831	797,831	-	45,512	45,512	-	-	-	-
(1,397,009)	635,854	2,032,863	45,512	50,266	4,754	(397,100)	2,668,844	3,065,944
	14,151,639			-			1,887,984	
	1,315,186			-			100	
	$ 16,102,679			$ 50,266			$ 4,556,928	

(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, 2010

	Subdivision Park Trust (Fund 375)			Construction and Property Conveyance Tax (Funds 377-398)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	20,699,416	22,494,787	1,795,371
Intergovernmental	-	-	-	2,490,000	911,235	(1,578,765)
Charges for current services	-	652,707	652,707	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	131,989	131,989	1,843,000	1,369,995	(473,005)
Other revenues	-	-	-	2,805,000	419,831	(2,385,169)
Total revenues	-	784,696	784,696	27,837,416	25,195,848	(2,641,568)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	34,431,459	8,278,872	(26,152,587)	66,702,399	30,356,462	(36,345,937)
Capital outlay	1,405,260	1,405,260	-	1,548,775	1,548,775	-
Total expenditures	35,836,719	9,684,132	(26,152,587)	68,251,174	31,905,237	(36,345,937)
Excess (deficiency) of revenues over (under) expenditures	(35,836,719)	(8,899,436)	26,937,283	(40,413,758)	(6,709,389)	33,704,369
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	4,859,635	4,859,635
Transfers out	(5,855,000)	(5,854,677)	323	(7,034,696)	(6,228,320)	806,376
Total other financing sources (uses)	(5,855,000)	(5,854,677)	323	(7,034,696)	(1,368,685)	5,666,011
Net change in fund balances	$ (41,691,719)	(14,754,113)	26,937,606	(47,448,454)	(8,078,074)	39,370,380
Fund balances - beginning		79,555,183			76,543,860	
Prior year encumbrances		4,244,595			8,094,428	
Fund balances - ending		$ 69,045,665			$ 76,560,214	

1943 Gas Tax Maintenance and Construction (Fund 409)			1964 Gas Tax Maintenance and Construction (Funds 410-411)			Storm Drainage Fee (Funds 413, 427)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
7,366,000	7,339,960	(26,040)	9,000,000	8,981,097	(18,903)	-	4,000	4,000
-	-	-	-	-	-	99,000	95,925	(3,075)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	13,876	13,876
-	-	-	-	-	-	-	-	-
7,366,000	7,339,960	(26,040)	9,000,000	8,981,097	(18,903)	99,000	113,801	14,801
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,366,000	7,339,960	(26,040)	9,000,000	8,981,097	(18,903)	41,000	33,477	(7,523)
-	-	-	-	-	-	-	-	-
7,366,000	7,339,960	(26,040)	9,000,000	8,981,097	(18,903)	41,000	33,477	(7,523)
-	-	-	-	-	-	58,000	80,324	22,324
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(37,000)	(30,035)	6,965
-	-	-	-	-	-	(37,000)	(30,035)	6,965
-	-	-	-	-	-	21,000	50,289	29,289
	-			-			65,055	
	-			-			-	
	$ -			$ -			$ 115,344	

(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, 2010

	Supplemental Local Law Enforcement (Fund 414)			Federal LLEBG Program (Fund 415)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	225,229	350,941	125,712	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	50,000	23,527	(26,473)	-	77	77
Other revenues	-	-	-	-	-	-
Total revenues	275,229	374,468	99,239	-	77	77
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	1,634,793	1,404,318	(230,475)	5,462	5,461	(1)
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	59,504	59,504	-	-	-	-
Total expenditures	1,694,297	1,463,822	(230,475)	5,462	5,461	(1)
Excess (deficiency) of revenues over (under) expenditures	(1,419,068)	(1,089,354)	329,714	(5,462)	(5,384)	78
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ (1,419,068)	(1,089,354)	329,714	(5,462)	(5,384)	78
Fund balances - beginning		424,189			5,462	
Prior year encumbrances		1,028,648			-	
Fund balances - ending		$ 363,483			$ 78	

Underground Utility (Fund 416)			State Drug Forfeiture (Fund 417)			Library Parcel Tax (Fund 418)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	6,925,000	7,125,343	200,343
785,000	353,900	(431,100)	-	-	-	-	-	-
-	87,671	87,671	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	25,847	25,847	40,000	30,837	(9,163)	-	62,717	62,717
-	-	-	-	85,926	85,926	-	-	-
785,000	467,418	(317,582)	40,000	116,763	76,763	6,925,000	7,188,060	263,060
-	-	-	-	-	-	-	-	-
-	-	-	329,495	7,350	(322,145)	-	-	-
-	-	-	-	-	-	4,704,798	3,439,971	(1,264,827)
-	-	-	-	-	-	-	-	-
1,914,000	652,926	(1,261,074)	-	-	-	3,490,988	2,501,548	(989,440)
-	-	-	80,028	80,028	-	75,312	75,312	-
1,914,000	652,926	(1,261,074)	409,523	87,378	(322,145)	8,271,098	6,016,831	(2,254,267)
(1,129,000)	(185,508)	943,492	(369,523)	29,385	398,908	(1,346,098)	1,171,229	2,517,327
-	-	-	-	-	-	-	-	-
(18,000)	(17,582)	418	-	-	-	(38,675)	(38,675)	-
(18,000)	(17,582)	418	-	-	-	(38,675)	(38,675)	-
(1,147,000)	(203,090)	943,910	(369,523)	29,385	398,908	(1,384,773)	1,132,554	2,517,327
	1,991,956			1,322,060			5,615,086	
	-			81,502			23,486	
	$ 1,788,866			$ 1,432,947			$ 6,771,126	

(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, 2010

	Federal Drug Forfeiture (Fund 419)			Residential Construction Tax Contribution (Fund 420)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	75,000	22,364	(52,636)
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	50,000	33,233	(16,767)	-	20,522	20,522
Other revenues	-	546,593	546,593	-	-	-
Total revenues	50,000	579,826	529,826	75,000	42,886	(32,114)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	108,342	107,475	(867)	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	1,113,000	369,188	(743,812)
Capital outlay	-	-	-	-	-	-
Total expenditures	108,342	107,475	(867)	1,113,000	369,188	(743,812)
Excess (deficiency) of revenues over (under) expenditures	(58,342)	472,351	530,693	(1,038,000)	(326,302)	711,698
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(40,000)	(25,114)	14,886
Total other financing sources (uses)	-	-	-	(40,000)	(25,114)	14,886
Net change in fund balances	$ (58,342)	472,351	530,693	(1,078,000)	(351,416)	726,584
Fund balances - beginning		1,715,096			1,310,242	
Prior year encumbrances		108,342			-	
Fund balances - ending		$ 2,295,789			$ 958,826	

Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422,432,438)			Integrated Waste Management (Fund 423)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
50,000	26,191	(23,809)	-	-	-	111,549,719	108,869,241	(2,680,478)
-	-	-	2,611,134	2,530,096	(81,038)	-	-	-
30,000	20,553	(9,447)	-	126,291	126,291	730,924	620,433	(110,491)
-	-	-	2,903,155	1,346,461	(1,556,694)	-	-	-
80,000	46,744	(33,256)	5,514,289	4,002,848	(1,511,441)	112,280,643	109,489,674	(2,790,969)
-	-	-	4,380,039	1,045,347	(3,334,692)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	119,701,960	117,564,016	(2,137,944)
478,000	122,341	(355,659)	613,807	207,623	(406,184)	-	-	-
-	-	-	-	-	-	-	-	-
478,000	122,341	(355,659)	4,993,846	1,252,970	(3,740,876)	119,701,960	117,564,016	(2,137,944)
(398,000)	(75,597)	322,403	520,443	2,749,878	2,229,435	(7,421,317)	(8,074,342)	(653,025)
-	-	-	2,700,000	1,017,519	(1,682,481)	-	-	-
-	-	-	(3,648,067)	(1,798,884)	1,849,183	(1,607,795)	(1,607,795)	-
-	-	-	(948,067)	(781,365)	166,702	(1,607,795)	(1,607,795)	-
(398,000)	(75,597)	322,403	(427,624)	1,968,513	2,396,137	(9,029,112)	(9,682,137)	(653,025)
	1,334,720			5,091,457			22,084,849	
	-			893			4,304,548	
	$ 1,259,123			$ 7,060,863			$ 16,707,260	

(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, 2010

	Tobacco Settlement (Fund 426)			Building and Structures Construction Tax (Fund 429)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	4,500,000	6,127,865	1,627,865
Intergovernmental	-	-	-	23,800,000	7,153,649	(16,646,351)
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	95,162	95,162	400,000	250,003	(149,997)
Other revenues	10,666,704	9,536,792	(1,129,912)	-	30,238	30,238
Total revenues	10,666,704	9,631,954	(1,034,750)	28,700,000	13,561,755	(15,138,245)
EXPENDITURES						
Current:						
General government	10,074,345	9,635,015	(439,330)	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	34,780,358	19,379,469	(15,400,889)
Capital outlay	-	-	-	3,169,828	3,169,828	-
Total expenditures	10,074,345	9,635,015	(439,330)	37,950,186	22,549,297	(15,400,889)
Excess (deficiency) of revenues over (under) expenditures	592,359	(3,061)	(595,420)	(9,250,186)	(8,987,542)	262,644
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	6,000,000	6,000,000	-
Transfers out	(479,617)	(479,617)	-	(6,359,000)	(6,358,388)	612
Total other financing sources (uses)	(479,617)	(479,617)	-	(359,000)	(358,388)	612
Net change in fund balances	$ 112,742	(482,678)	(595,420)	(9,609,186)	(9,345,930)	263,256
Fund balances - beginning		7,649,314			15,588,793	
Prior year encumbrances		35,085			4,267,633	
Fund balances - ending		$ 7,201,721			$ 10,510,496	

Development Enhancement (Fund 439)			Community Development Block Grant (Funds 441,304)			Economic Development Administration Loans (Fund 444)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	10,894,430	11,021,535	127,105	-	17,854	17,854
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
95,200	26,189	(69,011)	-	-	-	-	-	-
-	11,077	11,077	-	-	-	-	-	-
95,200	37,266	(57,934)	10,894,430	11,021,535	127,105	-	17,854	17,854
870,500	112,500	(758,000)	-	-	-	85,000	-	(85,000)
-	-	-	-	-	-	-	-	-
-	-	-	10,487,735	9,631,916	(855,819)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	4,009,642	2,114,463	(1,895,179)	-	-	-
-	-	-	914,400	914,400	-	-	-	-
870,500	112,500	(758,000)	15,411,777	12,660,779	(2,750,998)	85,000	-	(85,000)
(775,300)	(75,234)	700,066	(4,517,347)	(1,639,244)	2,878,103	(85,000)	17,854	102,854
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(775,300)	(75,234)	700,066	(4,517,347)	(1,639,244)	2,878,103	(85,000)	17,854	102,854
	1,587,603			7,202,298			87,633	
	22,500			1,958,509			-	
	$ 1,534,869			$ 7,521,563			$ 105,487	

(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, 2010

	Storm Drainage Service Use Charge (Funds 446, 469)			Transient Occupancy Tax (Fund 461)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	9,844,000	10,350,000	506,000
Intergovernmental	-	-	-	-	-	-
Charges for current services	29,400,725	30,521,380	1,120,655	-	-	-
Rent	-	-	-	-	-	-
Investment income	231,365	185,199	(46,166)	-	20,003	20,003
Other revenues	-	11,666	11,666	-	8,360	8,360
Total revenues	29,632,090	30,718,245	1,086,155	9,844,000	10,378,363	534,363
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	6,267,002	4,852,858	(1,414,144)
Sanitation	21,773,072	18,652,785	(3,120,287)	-	-	-
Capital maintenance	7,868,246	2,561,868	(5,306,378)	-	-	-
Capital outlay	2,394,166	2,394,166	-	-	-	-
Total expenditures	32,035,484	23,608,819	(8,426,665)	6,267,002	4,852,858	(1,414,144)
Excess (deficiency) of revenues over (under) expenditures	(2,403,394)	7,109,426	9,512,820	3,576,998	5,525,505	1,948,507
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(459,928)	(459,646)	282	(3,889,922)	(3,889,922)	-
Total other financing sources (uses)	(459,928)	(459,646)	282	(3,889,922)	(3,889,922)	-
Net change in fund balances	$ (2,863,322)	6,649,780	9,513,102	(312,924)	1,635,583	1,948,507
Fund balances - beginning		12,205,224			1,417,253	
Prior year encumbrances		3,162,075			313,550	
Fund balances - ending		$ 22,017,079			$ 3,366,386	

Lake Cunningham (Fund 462)			Edward Brown Memorial Justice (Funds 474,477)			Municipal Golf Courses (Fund 518)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	1,720,896	1,720,896	-	-	-	-
745,000	684,920	(60,080)	-	-	-	848,930	849,661	731
-	-	-	-	-	-	-	-	-
-	18,274	18,274	5,000	26,005	21,005	16,160	16,174	14
-	-	-	-	-	-	58,610	58,660	50
745,000	703,194	(41,806)	1,725,896	1,746,901	21,005	923,700	924,495	795
-	-	-	-	-	-	-	-	-
-	-	-	1,969,072	548,105	(1,420,967)	-	-	-
-	-	-	-	-	-	66,749	15,826	(50,923)
-	-	-	-	-	-	-	-	-
440,627	263,613	(177,014)	-	-	-	311,627	194,035	(117,592)
250,656	250,656	-	65,865	65,865	-	19,173	19,173	-
691,283	514,269	(177,014)	2,034,937	613,970	(1,420,967)	397,549	229,034	(168,515)
53,717	188,925	135,208	(309,041)	1,132,931	1,441,972	526,151	695,461	169,310
-	-	-	-	-	-	1,000,000	1,000,000	-
(232,000)	(231,319)	681	-	-	-	(1,905,968)	(1,816,286)	89,682
(232,000)	(231,319)	681	-	-	-	(905,968)	(816,286)	89,682
(178,283)	(42,394)	135,889	(309,041)	1,132,931	1,441,972	(379,817)	(120,825)	258,992
	874,379			308,492			1,187,725	
	95,568			3,315			6,749	
	$ 927,553			$ 1,444,738			$ 1,073,649	

(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, 2010

	Convention and Cultural Facilities (Fund 536)			Stores Vehicle Maintenance and Operations (Funds 551-553)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	1,805,520	1,884,777	79,257	23,745,859	23,332,480	(413,379)
Rent	15,215,311	15,893,649	678,338	-	-	-
Investment income	5,000	50,987	45,987	140,000	28,283	(111,717)
Other revenues	-	-	-	-	-	-
Total revenues	17,025,831	17,829,413	803,582	23,885,859	23,360,763	(525,096)
EXPENDITURES						
Current:						
General government	-	-	-	21,039,328	19,558,789	(1,480,539)
Public safety	-	-	-	-	-	-
Community services	25,899,371	25,600,677	(298,694)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	493,637	488,260	(5,377)	2,781,304	2,287,572	(493,732)
Capital outlay	-	-	-	3,460,025	3,460,025	-
Total expenditures	26,393,008	26,088,937	(304,071)	27,280,657	25,306,386	(1,974,271)
Excess (deficiency) of revenues over (under) expenditures	(9,367,177)	(8,259,524)	1,107,653	(3,394,798)	(1,945,623)	1,449,175
OTHER FINANCING SOURCES (USES)						
Transfers in	4,762,900	4,589,922	(172,978)	1,020,586	1,020,586	-
Transfers out	(302,463)	(302,463)	-	(768,927)	(712,733)	56,194
Total other financing sources (uses)	4,460,437	4,287,459	(172,978)	251,659	307,853	56,194
Net change in fund balances	$ (4,906,740)	(3,972,065)	934,675	(3,143,139)	(1,637,770)	1,505,369
Fund balances - beginning		10,185,350			456,508	
Prior year encumbrances		447,232			2,510,421	
Fund balances - ending		$ 6,660,517			$ 1,329,159	

Nonmajor Debt Service Funds

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2010

	2001 Series E Communications Center Refunding (Fund 201)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)
ASSETS			
Receivables (net of allowances for uncollectibles)	$ -	940	1,459
Due from outside agencies	-	-	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	301,004	467,050
Cash and investments held with fiscal agent	-	-	-
Total assets	$ -	301,944	468,509
LIABILITIES			
Accounts payable	$ -	-	73,969
FUND BALANCES			
Reserved for debt service	-	301,944	394,540
Total liabilities and fund balances	$ -	301,944	468,509

2000 Series C Ice Centre Refunding (Fund 206)	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
13	102,354	3,314	108,080
-	42,912	-	42,912
9,049	33,905,245	1,043,612	35,725,960
-	643,117	-	643,117
9,062	34,693,628	1,046,926	36,520,069
9,058	-	228,117	311,144
4	34,693,628	818,809	36,208,925
9,062	34,693,628	1,046,926	36,520,069

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2010

	2001 Series E Communications Center Refunding (Fund 201)	2000 Series B Camden Park Refunding (Fund 203)	1993 A&B Community Facilities Financing (Fund 204)
REVENUES			
Property taxes	$ -	-	-
Investment income	-	(2,935)	(5,244)
Total revenues	-	(2,935)	(5,244)
EXPENDITURES			
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	75,219
Total expenditures	-	-	75,219
Excess (deficiency) of revenues over(under) expenditures	-	(2,935)	(80,463)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(378,522)	(246,968)	(816,886)
Total other financing sources (uses)	(378,522)	(246,968)	(816,886)
Net change in fund balances	(378,522)	(249,903)	(897,349)
Fund balances - beginning	378,522	551,847	1,291,889
Fund balances - ending	$ -	301,944	394,540

2000 Series C Ice Centre Refunding (Fund 206)	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
-	41,684,024	-	41,684,024
(378)	(99,777)	144,820	36,486
(378)	41,584,247	144,820	41,720,510
-	19,350,000	-	19,350,000
9,058	23,866,837	777,882	24,728,996
9,058	43,216,837	777,882	44,078,996
(9,436)	(1,632,590)	(633,062)	(2,358,486)
4,741	-	22,804,581	22,809,322
(273,652)	(606,237)	(23,409,512)	(25,731,777)
(268,911)	(606,237)	(604,931)	(2,922,455)
(278,347)	(2,238,827)	(1,237,993)	(5,280,941)
278,351	36,932,455	2,056,802	41,489,866
4	34,693,628	818,809	36,208,925

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Nonmajor Capital Project Funds

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2010

	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	$ 28,714	113,873	448,197
Receivables (net of allowance for uncollectibles)	90	356	1,402
Due from other funds	-	-	-
Advances and deposits	-	-	4,472
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	-
Cash and investments held with fiscal agent	-	-	-
Total assets	$ 28,804	114,229	454,071
LIABILITIES			
Accounts payable	$ -	-	-
Accrued salaries, wages and payroll taxes	-	-	-
Due to other funds	50,000	-	-
Advances from other funds	251,223	-	-
Total liabilities	301,223	-	-
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	-
Noncurrent advances and loans	-	-	4,472
Unreserved:			
Undesignated	(272,419)	114,229	449,599
Total fund balance	(272,419)	114,229	454,071
Total liabilities and fund balance	$ 28,804	114,229	454,071

Civic Center (Fund 425)	Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	-	6,503,517	37,936
-	-	-	22,452	119
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,261,880	-	-	-	-
1,261,880	-	-	6,525,969	38,055
219,384	-	-	474,937	-
11,743	-	-	36,345	-
397,396	-	-	-	-
-	-	-	-	-
628,523	-	-	511,282	-
416,811	-	-	2,835,784	-
-	-	-	-	-
216,546	-	-	3,178,903	38,055
633,357	-	-	6,014,687	38,055
1,261,880	-	-	6,525,969	38,055

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2010

.

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 348,464,465, 470,478,479)
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 109,085	-	5,187,750
Receivables (net of allowance for uncollectibles)	341	-	5,113,366
Due from other funds	-	-	16,124,252
Advances and deposits	-	-	34,200
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	-	103,905
Cash and investments held with fiscal agent	-	-	-
Total assets	$ 109,426	-	26,563,473
LIABILITIES			
Accounts payable	$ -	-	4,607,362
Accrued salaries, wages and payroll taxes	-	-	330,493
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	-	-	4,937,855
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	7,382,810
Noncurrent advances and loans	-	-	34,200
Unreserved:			
Undesignated	109,426	-	14,208,608
Total fund balance	109,426	-	21,625,618
Total liabilities and fund balance	$ 109,426	-	26,563,473

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)
172,540	-	-	-	-
539	-	-	-	-
-	-	-	-	-
-	-	-	-	3,470
-	2,731,551	-	-	7
-	44,641,206	40,779,390	-	22,136,174
173,079	47,372,757	40,779,390	-	22,139,651
-	1,648,792	2,618,901	42,037	707,291
-	74,199	51,687	-	61,959
-	6,213,563	7,747,572	327,272	1,339,726
-	-	-	-	-
-	7,936,554	10,418,160	369,309	2,108,976
-	3,920,208	11,801,434	413,566	5,702,925
-	-	-	-	3,470
173,079	35,515,995	18,559,796	(782,875)	14,324,280
173,079	39,436,203	30,361,230	(369,309)	20,030,675
173,079	47,372,757	40,779,390	-	22,139,651

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2010

		San José Financing Authority (Funds 858-859)	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	$	-	12,601,612
Receivables (net of allowance for uncollectibles)		-	5,138,665
Due from other funds		-	16,124,252
Advances and deposits		-	42,142
Restricted assets:			
Equity in pooled cash and investments held in City Treasury		-	2,835,463
Cash and investments held with fiscal agent		5,205,926	114,024,576
Total assets	$	5,205,926	150,766,710
LIABILITIES			
Accounts payable	$	7,172	10,325,876
Accrued salaries, wages and payroll taxes		-	566,426
Due to other funds		113,009	16,188,538
Advances from other funds		-	251,223
Total liabilities		120,181	27,332,063
FUND BALANCE			
Reserved for:			
Encumbrances		-	32,473,538
Noncurrent advances and loans		-	42,142
Unreserved:			
Undesignated		5,085,745	90,918,967
Total fund balance		5,085,745	123,434,647
Total liabilities and fund balance	$	5,205,926	150,766,710

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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, 2010

	Fiber Optics Development (Fund 007)	San Antonio (Fund 403)	Capital Improvements (Funds 408, 424)
REVENUES			
Taxes	$ -	-	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Investment income	211	86	285
Other revenues	-	-	-
Total revenues	211	86	285
EXPENDITURES			
Current:			
Capital maintenance	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	211	86	285
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	-	-
Transfers out	-	-	(7,070)
Total other financing sources (uses)	50,000	-	(7,070)
Net change in fund balances	50,211	86	(6,785)
Fund balances - beginning	(322,630)	114,143	460,856
Fund balances - ending	$ (272,419)	114,229	454,071

Civic Center (Fund 425)	Civic Center Parking (Fund 433)	Hayes Mansion Phase III (Fund 434)	RDA Capital Projects (Fund 450)	Julian Stockton (Fund 453)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
51,995	-	989	(28,692)	29
-	-	-	-	-
51,995	-	989	(28,692)	29
1,029,622	-	-	3,060,791	-
33,486	-	-	3,295,655	-
1,063,108	-	-	6,356,446	-
(1,011,113)	-	989	(6,385,138)	29
1,090	-	-	1,316,977	-
-	(1,090)	(172,552)	(3,006,102)	-
1,090	(1,090)	(172,552)	(1,689,125)	-
(1,010,023)	(1,090)	(171,563)	(8,074,263)	29
1,643,380	1,090	171,563	14,088,950	38,026
633,357	-	-	6,014,687	38,055

(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, 2010

	Route 85/87 (Fund 455)	Interim City Facilities Improvements (Fund 460)	Construction Excise Tax (Funds 348,464,465, 470,478,479)
REVENUES			
Taxes	$ -	-	8,401,100
Intergovernmental	-	-	13,555,378
Charges for current services	-	-	194,555
Investment income	82	-	(49,575)
Other revenues	-	5	1,953,391
Total revenues	82	5	24,054,849
EXPENDITURES			
Current:			
Capital maintenance	-	-	25,226,077
Capital outlay	-	-	847,224
Total expenditures	-	-	26,073,301
Excess (deficiency) of revenues over (under) expenditures	82	5	(2,018,452)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	23,649	874,569
Transfers out	-	-	(5,612,027)
Total other financing sources (uses)	-	23,649	(4,737,458)
Net change in fund balances	82	23,654	(6,755,910)
Fund balances - beginning	109,344	(23,654)	28,381,528
Fund balances - ending	$ 109,426	-	21,625,618

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)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
131	668,291	473,966	-	373,090
-	71,406	-	-	224
131	739,697	473,966	-	373,314
-	-	-	887,699	376,282
-	32,135,949	18,934,434	89,783	25,703,164
-	32,135,949	18,934,434	977,482	26,079,446
131	(31,396,252)	(18,460,468)	(977,482)	(25,706,132)
-	426	325,136	1,046,235	471,321
-	-	(706,000)	-	(190,646)
-	426	(380,864)	1,046,235	280,675
131	(31,395,826)	(18,841,332)	68,753	(25,425,457)
172,948	70,832,029	49,202,562	(438,062)	45,456,132
173,079	39,436,203	30,361,230	(369,309)	20,030,675

(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, 2010

	San José Financing Authority (Funds 858-859)	Total
REVENUES		
Taxes	$ -	8,401,100
Intergovernmental	-	13,555,378
Charges for current services	-	194,555
Investment income	43,747	1,534,635
Other revenues	-	2,025,026
Total revenues	43,747	25,710,694
EXPENDITURES		
Current:		
Capital maintenance	87,125	30,667,596
Capital outlay	-	81,039,695
Total expenditures	87,125	111,707,291
Excess (deficiency) of revenues over (under) expenditures	(43,378)	(85,996,597)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	4,109,403
Transfers out	(11)	(9,695,498)
Total other financing sources (uses)	(11)	(5,586,095)
Net change in fund balances	(43,389)	(91,582,692)
Fund balances - beginning	5,129,134	215,017,339
Fund balances - ending	$ 5,085,745	123,434,647

Trust and Agency Funds

City of San José
Combining Statement of Pension Net Assets
Pension Trust Funds
June 30, 2010

	Federated City Employees' Retirement System (Funds 134 and 140)	Police and Fire Plan (Funds 135 and 141)	Total
ASSETS			
Investments at fair value:			
Investments, excluding securities lending collateral	$ 1,614,222,706	2,365,856,258	3,980,078,964
Securities lending cash collateral investment pool	173,231,585	384,568,730	557,800,315
Receivables (net of allowance for uncollectables):			
Accrued investment income	5,811,327	8,884,423	14,695,750
Employee contributions	1,427,949	1,569,224	2,997,173
Employer contributions	3,605,349	3,545,978	7,151,327
Brokers and others	1,480,038	28,493,671	29,973,709
Total assets	1,799,778,954	2,792,918,284	4,592,697,238
LIABILITIES			
Due to brokers	1,230,926	82,329,988	83,560,914
Securities lending collateral, due to borrowers	173,231,585	388,885,358	562,116,943
Other liabilities	4,503,228	6,832,421	11,335,649
Total liabilities	178,965,739	478,047,767	657,013,506
NET ASSETS HELD IN TRUST FUND FOR:			
Reserved for retirement plans:			
Employees' pension benefits	1,512,802,234	2,264,050,452	3,776,852,686
Employees' postemployment healthcare benefits	108,010,981	50,820,065	158,831,046
Net assets held in trust for pension and postemployment healthcare benefits	$ 1,620,813,215	2,314,870,517	3,935,683,732

City of San José
Combining Statement of Changes in Pension Net Assets
Pension Trust Funds
For the Year Ended June 30, 2010

	Federated City Employees' Retirement System (Funds 134 and 140)	Police and Fire Plan (Funds 135 and 141)	Total
ADDITIONS			
Investment income:			
Interest	$ 26,494,753	38,015,269	64,510,022
Dividends	8,782,048	22,069,052	30,851,100
Net rental income	2,395,717	6,574,553	8,970,270
Net appreciation in fair value of plan investments	176,988,238	256,177,213	433,165,451
Investment expenses	(5,371,927)	(9,256,397)	(14,628,324)
Securities lending activities:			
Securities lending income	2,257,796	8,710,941	10,968,737
Securities lending rebates and expenses	59,074	(966,949)	(907,875)
Contributions:			
Employer	71,593,104	63,598,903	135,192,007
Employees	29,210,720	30,746,727	59,957,447
Total additions	312,409,523	415,669,312	728,078,835
DEDUCTIONS			
General and administrative	2,821,539	3,020,912	5,842,451
Health insurance premiums	24,065,584	20,701,022	44,766,606
Refund of contributions	1,218,835	196,485	1,415,320
Retirement and other benefits:			
Death benefits	7,582,656	6,518,737	14,101,393
Retirement benefits	98,110,409	114,604,189	212,714,598
Total deductions	133,799,023	145,041,345	278,840,368
Net increase	178,610,500	270,627,967	449,238,467
Net assets held in trust for pension and postemployment healthcare benefits			
Beginning of year	1,442,202,715	2,044,242,550	3,486,445,265
End of year	$ 1,620,813,215	2,314,870,517	3,935,683,732

City of San José
Combining Statement of Defined Benefit
and Postemployment Healthcare Plan Net Assets
Federated City Employees' Retirement System
June 30, 2010

	Federated Retirement (Fund 134)			Federated Cost of Living (Fund 140)	
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134	Defined Benefit Pension Plan	Total
ASSETS					
Investments at fair value:					
Investments, excluding securities lending collateral	$ 1,105,155,692	106,309,591	1,211,465,283	402,757,423	1,614,222,706
Securities lending cash collateral investment pool	120,695,580	11,610,216	132,305,796	40,925,789	173,231,585
Receivables (net of allowance for uncollectables):					
Accrued investment income	4,049,727	389,560	4,439,287	1,372,040	5,811,327
Employee contributions	497,171	780,341	1,277,512	150,437	1,427,949
Employer contributions	2,116,178	854,870	2,971,048	634,301	3,605,349
Brokers and Others	1,041,284	100,166	1,141,450	338,588	1,480,038
Total assets	1,233,555,632	120,044,744	1,353,600,376	446,178,578	1,799,778,954
LIABILITIES					
Due to brokers	857,792	82,515	940,307	290,619	1,230,926
Securities lending collateral, due to borrowers	120,695,580	11,610,216	132,305,796	40,925,789	173,231,585
Other liabilities	3,680,401	341,032	4,021,433	481,795	4,503,228
Total liabilities	125,233,773	12,033,763	137,267,536	41,698,203	178,965,739
NET ASSETS HELD IN TRUST FOR:					
Reserved for retirement plans:					
Employees' pension benefits	1,108,321,859	-	1,108,321,859	404,480,375	1,512,802,234
Employees' postemployment healthcare benefits	-	108,010,981	108,010,981	-	108,010,981
Net assets held in trust for pension and postemployment healthcare benefits	$ 1,108,321,859	108,010,981	1,216,332,840	404,480,375	1,620,813,215

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, 2010

	Federated Retirement (Fund 134)			Federated Cost of Living (Fund 140)	
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 134	Defined Benefit Pension Plan	Total
ADDITIONS					
Investment income:					
Interest	$ 18,561,354	1,712,684	20,274,038	6,220,715	26,494,753
Dividends	6,147,865	567,273	6,715,138	2,066,910	8,782,048
Net rental income	1,677,598	154,795	1,832,393	563,324	2,395,717
Net appreciation in fair value of plan investments	125,854,643	11,612,803	137,467,446	39,520,792	176,988,238
Investment expenses	(3,741,331)	(345,218)	(4,086,549)	(1,285,378)	(5,371,927)
Securities lending activities:					
Securities lending income	1,575,876	145,408	1,721,284	536,512	2,257,796
Securities lending rebates and expenses	41,376	3,818	45,194	13,880	59,074
Contributions:					
Employer	42,052,795	17,027,157	59,079,952	12,513,152	71,593,104
Employees	10,335,711	15,815,227	26,150,938	3,059,782	29,210,720
Total additions	202,505,887	46,693,947	249,199,834	63,209,689	312,409,523
DEDUCTIONS					
General and administrative	1,965,031	181,316	2,146,347	675,192	2,821,539
Health insurance premiums	-	24,065,584	24,065,584	-	24,065,584
Refund of contributions	1,087,369	-	1,087,369	131,466	1,218,835
Retirement and other benefits:					
Death benefits	4,733,397	-	4,733,397	2,849,259	7,582,656
Retirement benefits	77,209,199	-	77,209,199	20,901,210	98,110,409
Total deductions	84,994,996	24,246,900	109,241,896	24,557,127	133,799,023
Net increase	117,510,891	22,447,047	139,957,938	38,652,562	178,610,500
Net assets held in trust for pension and postemployment healthcare benefits					
Beginning of year	990,810,968	85,563,934	1,076,374,902	365,827,813	1,442,202,715
End of year	$ 1,108,321,859	108,010,981	1,216,332,840	404,480,375	1,620,813,215

City of San José
Combining Statement of
Defined Benefit and Postemployment Healthcare Plan Net Assets
Police and Fire Department Retirement Plan
June 30, 2010

	Police and Fire Retirement (Fund 135)			Police and Fire Cost of Living (Fund 141)	
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135	Defined Benefit Pension Plan	Total
ASSETS					
Investments at fair value:					
Investments, excluding securities lending collateral	$ 1,573,544,218	50,951,933	1,624,496,151	741,360,107	2,365,856,258
Securities lending cash collateral investment pool	255,623,913	8,277,195	263,901,108	120,667,622	384,568,730
Receivables (net of allowance for uncollectables):					
Accrued investment income	5,905,721	191,229	6,096,950	2,787,473	8,884,423
Employee contributions	716,745	538,032	1,254,777	314,447	1,569,224
Employer contributions	1,593,566	563,711	2,157,277	1,388,701	3,545,978
Brokers and others	18,942,062	613,351	19,555,413	8,938,258	28,493,671
Total assets	1,856,326,225	61,135,451	1,917,461,676	875,456,608	2,792,918,284
LIABILITIES					
Due to brokers	54,724,974	1,772,015	56,496,989	25,832,999	82,329,988
Securities lending collateral, due to borrowers	258,493,188	8,370,103	266,863,291	122,022,067	388,885,358
Other liabilities	5,351,028	173,268	5,524,296	1,308,125	6,832,421
Total liabilities	318,569,190	10,315,386	328,884,576	149,163,191	478,047,767
NET ASSETS HELD IN TRUST FOR:					
Reserved for retirement plans:					
Employees' pension benefits	1,537,757,035	-	1,537,757,035	726,293,417	2,264,050,452
Employees' postemployment healthcare benefits	-	50,820,065	50,820,065	-	50,820,065
Net assets held in trust for pension and postemployment healthcare benefits	$ 1,537,757,035	50,820,065	1,588,577,100	726,293,417	2,314,870,517

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, 2010

	Police and Fire Retirement (Fund 135)			Police and Fire Cost of Living (Fund 141)	
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total Fund 135	Defined Benefit Pension Plan	Total
ADDITIONS					
Investment income:					
Interest	$ 25,294,957	812,025	26,106,982	11,908,287	38,015,269
Dividends	14,705,431	472,077	15,177,508	6,891,544	22,069,052
Net rental income	4,451,816	142,913	4,594,729	1,979,824	6,574,553
Net appreciation in fair value of plan investments	170,558,428	5,475,307	176,033,735	80,143,478	256,177,213
Investment expenses	(6,237,892)	(200,250)	(6,438,142)	(2,818,255)	(9,256,397)
Securities lending activities:					
Securities lending income	5,883,636	188,878	6,072,514	2,638,427	8,710,941
Securities lending rebates and expenses	(644,626)	(20,694)	(665,320)	(301,629)	(966,949)
Contributions:					
Employer	27,314,325	11,283,877	38,598,202	25,000,701	63,598,903
Employees	13,992,341	10,649,626	24,641,967	6,104,760	30,746,727
Total additions	255,318,416	28,803,759	284,122,175	131,547,137	415,669,312
DEDUCTIONS					
General and administrative	2,054,863	65,966	2,120,829	900,083	3,020,912
Health insurance premiums	-	20,701,022	20,701,022	-	20,701,022
Refund of contributions	154,212	-	154,212	42,273	196,485
Retirement and other benefits:					
Death benefits	3,803,007	-	3,803,007	2,715,730	6,518,737
Retirement benefits	89,581,487	-	89,581,487	25,022,702	114,604,189
Total deductions	95,593,569	20,766,988	116,360,557	28,680,788	145,041,345
Net increase	159,724,847	8,036,771	167,761,618	102,866,349	270,627,967
Net assets held in trust for pension and postemployment healthcare benefits					
Beginning of year	1,378,032,188	42,783,294	1,420,815,482	623,427,068	2,044,242,550
End of year	$ 1,537,757,035	50,820,065	1,588,577,100	726,293,417	2,314,870,517

City of San José
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010

	Municipal Health Services	Arena Capital Reserve	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	$ 469	2,148,985	2,149,454
Receivables (net of allowances for uncollectibles):			
Accrued interest	1	6,836	6,837
Total assets	470	2,155,821	2,156,291
LIABILITIES			
Other liabilities	$ 470	2,155,821	2,156,291

City of San José
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended June 30, 2010

Municipal Health Services (Fund 132)		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	33,082	685	33,299	469
Receivables (net of allowances for uncollectibles):					
Accrued interest		156	1	156	1
Total assets		33,238	687	33,455	470
LIABILITIES					
Accounts payable		-	32,836	32,836	-
Other liabilities		33,238	68	32,836	470
Total liabilities	$	33,238	32,904	65,672	470

Arena Capital Reserve (Fund 459)		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	1,824,866	1,108,397	784,278	2,148,985
Receivables (net of allowances for uncollectibles):					
Accrued interest		10,689	6,836	10,689	6,836
Total assets		1,835,555	1,115,233	794,967	2,155,821
LIABILITIES					
Accounts payable		-	742,382	742,382	-
Other liabilities		1,835,555	512,648	192,382	2,155,821
Total liabilities	$	1,835,555	1,255,029	934,763	2,155,821

Total Agency Funds		Beginning Balance	Additions	Deletions	Ending Balance
ASSETS					
Equity in pooled cash and investments held in City Treasury	$	1,857,948	1,109,082	817,576	2,149,454
Receivables (net of allowances for uncollectibles):					
Accrued interest		10,845	6,837	10,845	6,837
Total assets		1,868,793	1,115,919	828,422	2,156,291
LIABILITIES					
Accounts payable		-	775,218	775,218	-
Other liabilities		1,868,793	512,716	225,218	2,156,291
Total liabilities	$	1,868,793	1,287,933	1,000,435	2,156,291

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Statistical Section

Statistical Section (Unaudited)

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.

Other Information XIX

This schedule shows the outstanding multifamily housing revenue bonds of which the City of San José is a conduit issuer.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF SAN JOSE

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

($ 000's)

SCHEDULE I

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	$ 4,201,672
Restricted	376,155	551,968	229,871	380,102	735,931	501,391	662,863	654,124	527,931
Unrestricted	508,517	266,281	217,204	181,646	(107,947)	79,524	95,863	32,914	(53,494)
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	4,676,109
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	$ 926,638
Restricted	212,912	178,166	178,620	178,548	187,370	158,992	160,153	103,694	120,510
Unrestricted	369,044	391,585	330,904	335,016	350,079	339,562	281,494	339,254	307,209
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	1,354,357
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	$ 5,128,310
Restricted	589,067	730,134	408,491	558,650	923,301	660,383	823,016	757,818	648,441
Unrestricted	877,561	657,866	548,108	516,662	242,132	419,086	377,357	372,168	253,715
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	$ 6,030,466

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 NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

($ 000's)

SCHEDULE II

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	$ 130,963	$ 125,482	$ 143,335	$ 108,070	$ 180,633	$ 120,362	$ 142,886	$ 172,077	$ 137,159
Public safety	305,906	323,461	353,009	326,029	351,331	393,449	476,570	463,196	457,892
Community services	268,633	222,250	277,404	210,936	220,719	276,343	211,511	276,396	260,835
Sanitation	82,562	77,001	76,889	89,159	91,353	99,720	113,525	122,705	130,343
Capital maintenance	586,231	652,748	502,819	502,586	514,025	528,727	569,636	595,547	588,382
Unallocated interest and fiscal charges	105,077	121,647	127,052	136,955	144,444	154,135	170,852	166,672	161,734
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	1,736,345
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	171,976
Wastewater Treatment System	108,491	102,148	101,627	111,026	108,510	111,435	134,882	126,788	140,831
Municipal Water System	16,295	15,577	19,089	18,328	19,896	22,618	26,017	25,416	24,355
Parking System	6,931	7,479	9,952	8,652	10,058	9,787	10,127	11,800	11,579
Total business-type activities expenses	241,531	237,927	247,790	260,888	264,234	283,463	324,953	304,645	348,741
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	2,085,086
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	29,986
Public safety	17,306	19,569	18,856	21,411	18,377	21,776	45,845	39,254	20,343
Community services	54,381	55,361	53,635	67,276	78,736	73,671	88,050	66,090	75,208
Sanitation	74,440	71,794	80,265	86,166	86,957	95,548	121,793	125,198	135,099
Capital maintenance	28,029	32,871	28,359	27,365	28,998	26,559	37,580	36,340	31,072
Operating grants and contributions	54,319	51,691	46,034	63,909	76,004	93,090	94,357	115,965	110,926
Capital grants and contributions	110,551	70,726	81,229	48,715	60,337	68,835	48,075	26,306	49,926
Total governmental program revenues	357,596	312,545	327,024	349,392	400,858	435,604	468,285	440,059	452,560
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	130,030
Wastewater Treatment System	102,446	103,041	99,511	113,850	109,587	113,772	129,568	151,516	158,256
Municipal Water System	17,298	17,538	20,013	19,149	20,284	22,399	24,154	25,807	24,732
Parking System	8,284	10,144	9,583	9,473	9,756	9,777	11,226	11,052	10,458
Operating grants and contributions	2,404	5,685	5,724	5,570	8,398	8,284	8,444	9,326	1,149
Capital grants and contributions	21,499	16,821	80,651	21,584	32,956	17,927	9,162	18,618	46,237
Total business-type activities program revenues	266,883	266,276	329,240	281,899	298,964	291,137	321,086	355,318	370,862
Total primary government revenues	$ 624,479	$ 578,821	$ 656,264	$ 631,291	$ 699,822	$ 726,741	$ 789,371	$ 795,377	$ 823,422

CITY OF SAN JOSE
CHANGE IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
($ 000's)

SCHEDULE II
(Concluded)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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)	$ (1,283,785)
Business-type activities	25,352	28,349	81,450	21,011	34,730	7,674	$ (3,867)	50,673	22,121
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)	(1,261,664)
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	498,973
Utility	66,889	65,785	68,455	73,081	75,489	79,129	82,255	93,619	108,151
Franchise	34,432	32,093	31,712	33,722	36,760	40,415	41,064	41,067	38,410
Transient occupancy	6,820	14,600	14,166	15,957	19,214	21,400	23,900	19,261	17,250
Business license	35,401	35,594	36,201	36,936	37,236	39,502	39,901	38,597	34,952
Sales taxes shared revenues	133,241	122,757	126,426	128,822	136,031	145,340	149,500	127,802	123,312
State of California in-lieu	51,306	53,787	41,455	20,850	5,817	5,911	9,244	8,839	7,169
Unrestricted interest and investment earnings	70,124	59,287	17,040	17,594	23,682	39,359	65,721	34,092	5,010
Other revenue	21,262	22,994	26,368	44,343	42,076	35,875	53,420	40,372	35,786
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	3,291
Special items	-	-	(7,862)	-	-	-	-	-	-
Total governmental activities	782,159	766,454	647,876	776,557	814,503	881,266	970,119	916,207	872,304
Business-type activities									
Unrestricted interest and investment earnings	26,619	15,861	3,024	11,503	13,079	21,138	29,232	18,434	1,192
Transfers	(5,842)	(7,338)	(7,268)	(6,711)	(7,772)	(6,418)	(9,383)	(5,285)	(3,291)
Total business-type activities	20,777	8,523	(4,244)	4,792	5,307	14,720	19,849	13,149	(2,099)
Total primary government	$ 802,936	$ 774,977	$ 643,632	$ 781,349	$ 819,810	$ 895,986	$ 989,968	$ 929,356	$ 870,205
Change In Net Assets									
Governmental activities	$ (339,617)	$ (443,590)	$ (505,608)	$ (247,786)	$ (287,144)	$ (255,866)	$ (246,576)	$ (440,327)	$ (411,481)
Business-type activities	46,129	36,872	77,206	25,803	40,037	22,394	15,982	63,822	20,022
Total Primary government	$ (293,488)	$ (406,718)	$ (428,402)	$ (221,983)	$ (247,107)	$ (233,472)	$ (230,594)	$ (376,505)	$ (391,459)

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.

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

SCHEDULE III

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	$ 52,218	$ 33,918	$ 29,582	$ 29,514	$ 33,267	$ 35,708	$ 48,511	$ 32,400	$ 27,269
Unreserved	197,311	163,735	153,757	162,517	203,703	244,889	228,622	178,793	143,618
Total General Fund	$ 249,529	$ 197,653	$ 183,339	$ 192,031	$ 236,970	$ 280,597	$ 277,133	$ 211,193	$ 170,887
Other Governmental Funds									
Reserved	$ 557,551	$ 894,117	$ 666,185	$ 633,171	$ 573,567	$ 539,761	$ 695,408	$ 704,866	$ 711,231
Unreserved, reported in:									
Special revenue funds	207,677	202,580	191,129	248,863	268,344	285,532	299,078	314,128	280,031
Debt servoce funds	-	-	-	-	(15,109)	(31,493)	(31,067)	-	(1,373)
Capital project funds	323,377	202,475	284,743	301,019	293,622	307,713	263,207	185,549	38,384
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	$ 1,028,273

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 nine years of data for this schedule.

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

SCHEDULE IV

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES									
Taxes and special assessments	$ 663,580	$ 676,229	$ 646,732	$ 686,088	$ 730,905	$ 788,690	$ 827,531	$ 808,152	$ 806,979
Licenses, permits, and fines	70,803	73,687	83,631	86,518	90,351	88,611	89,656	84,274	81,983
Intergovernmental	79,756	78,946	67,254	81,352	80,003	92,051	96,930	120,460	101,527
Charges for current services	173,942	177,567	202,564	225,397	250,975	265,381	296,281	322,002	308,164
Rent	10,705	9,142	7,856	8,211	9,836	10,326	13,789	12,740	19,676
Investment income and other revenues	185,944	133,246	68,082	97,499	106,571	140,631	169,506	106,979	73,729
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	1,392,058
EXPENDITURES									
General government	176,880	185,256	190,132	198,319	212,964	227,255	238,747	259,699	235,571
Public safety	284,259	307,991	325,301	334,169	343,576	370,575	418,869	420,483	428,594
Community services	249,222	194,959	249,079	194,509	203,273	254,525	191,541	249,624	233,355
Sanitation	82,760	76,799	77,507	89,368	91,908	99,746	111,965	123,477	130,114
Capital maintenance	288,203	338,504	177,688	178,262	210,032	233,910	248,203	282,230	279,396
Capital outlay	228,996	201,059	278,536	289,985	203,573	130,669	171,575	173,434	126,137
Debt service:									
Principal	41,897	45,056	54,966	50,752	63,567	67,487	71,621	88,738	152,239
Interest and fiscal charges	91,800	126,531	129,641	138,253	145,698	150,600	167,837	164,785	162,790
Bond issuance costs	11,025	10,443	11,175	6,822	6,676	20,664	4,718	2,926	1,068
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	1,749,264
Deficiency of revenues under expenditures	(276,741)	(355,112)	(432,822)	(297,396)	(221,908)	(184,715)	(144,375)	(313,932)	(357,206)
OTHER FINANCING SOURCES (USES)									
Bonds issued	434,858	541,493	216,725	245,025	151,320	171,300	246,030	162,875	160,405
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)	22
Payment to refunded bond escrow agent	(189,650)	(53,122)	(352,829)	(126,899)	(289,673)	(745,137)	(116,908)	(84,982)	(56,735)
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	33,647
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	310,277
Transfers out	(177,101)	(562,412)	(179,860)	(186,916)	(223,061)	(214,758)	(229,824)	(258,038)	(306,986)
Total other financing sources (uses)	444,863	513,803	269,256	347,084	204,218	209,431	266,024	225,909	140,630
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)	$ (216,576)
Debt service as a percentage of noncapital expenditures	12.26%	15.30%	17.12%	16.59%	17.50%	17.62%	17.54%	16.27%	19.47%

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 nine years of data for this schedule.

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

CITY OF SAN JOSE

SCHEDULE V

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

($ 000's)

	City					Redevelopment Agency					
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
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%
2010	102,272,875	4,826,605	4,081,360	103,018,120	0.129%	15,888,334	4,115,097	0	20,003,431	1.012%	0.273%

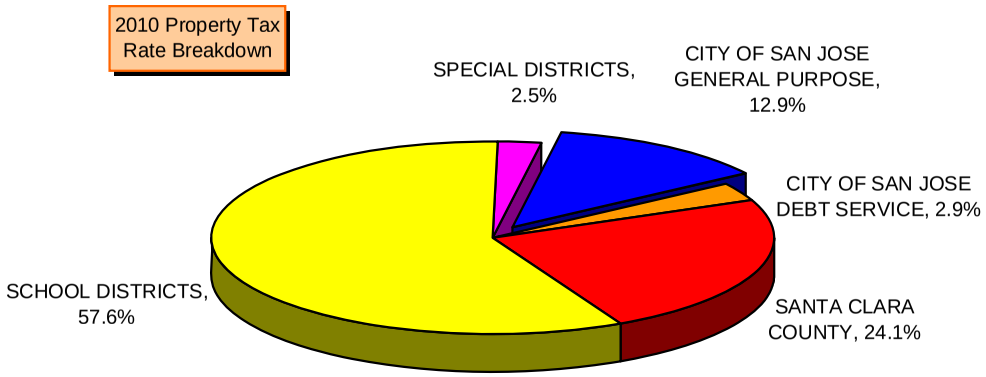
Note:

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City of San José:										
General purpose	0.155	0.155	0.155	0.156	0.156	0.156	0.156	0.156	0.156	0.156
Debt service	0.000	0.009	0.019	0.026	0.026	0.029	0.033	0.032	0.033	0.035
	0.155	0.164	0.174	0.182	0.182	0.185	0.189	0.188	0.189	0.191
Santa Clara County	0.289	0.290	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292
School districts	0.608	0.622	0.667	0.656	0.656	0.669	0.670	0.628	0.684	0.699
Special districts	0.031	0.030	0.032	0.039	0.039	0.031	0.031	0.030	0.031	0.031
	1.083	1.105	1.166	1.169	1.169	1.177	1.182	1.137	1.195	1.212

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	2010 Taxable Assessed Value	2010 Percent of Total City Taxable Assessed Value	2001 Taxable Assessed Value	2001 Percent of Total City Taxable Assessed Value
Cisco Technology, Inc.	$ 1,226,712	1.00%	$ -	-
Blackhawk Parent LLC	968,362	0.79%	-	-
The Irvine Company	647,225	0.53%	-	-
Legacy Partners	645,974	0.53%	-	-
Hitachi Global Storage Techs Inc.	617,312	0.50%	-	-
VF Mall LLC	492,108	0.40%	257,552	0.36%
Carramerica Realty Operating Partnership LP	386,866	0.31%	269,304	0.38%
eBay Inc.	357,881	0.29%		-
Sobrato Companies	347,806	0.28%	241,450	0.34%
Hercules Holding II LLC	342,578	0.28%		-
Adobe Systems, Inc.	338,900	0.28%		-
Tishman Speyer Archstone - Smith	332,844	0.27%		-
Frit San Jose Town & Country Village LLC	331,452	0.27%		-
Mission West Properties LP	324,051	0.26%		-
Xilinx Inc.	307,936	0.25%		-
Essex Portfolio LP	301,962	0.25%		-
San Jose Water Works	263,056	0.21%		-
Oakridge Mall LP	244,581	0.20%	-	-
International Business Machines Corp.	224,332	0.18%	1,367,183	1.93%
Laramar San Jose Parts LLC	196,532	0.16%	-	-
Total assessed property valuation, local secured net	$ 8,898,470	7.23%	$ 2,135,489	3.01%
Total City of San José net assessed property valuation (including RDA):				
FY 2000-2001			$ 70,951,639	
FY 2009-2010	$ 123,021,551			

Source: California Municipal Statistics, Inc.

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

SCHEDULE VIII

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
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
2010	132,901	132,175	99.5	246	132,421	99.6

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

SCHEDULE IX

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

Fiscal Year	Governmental Activities: General Obligation Bonds	Tax Allocation Bonds	Notes & Loans	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Total Governmental Activities
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
2010	499,970	2,107,575	76,650	644,983	60,905	284,150	3,674,233

Fiscal Year	Business-type Activities: 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
2001	$ 130,470	$ 115,085	$ 66,058	$ 311,613	$ 2,215,546	3.12%	$ 2.48
2002	282,485	104,960	62,798	450,243	2,751,353	3.36%	3.00
2003	268,770	99,285	59,479	427,534	3,173,287	3.66%	3.43
2004	512,500	95,745	56,099	664,344	3,596,309	3.99%	3.88
2005	503,885	92,035	52,658	648,578	3,866,204	4.18%	4.09
2006	494,910	81,150	49,153	625,213	3,948,666	3.94%	4.14
2007	485,545	77,185	45,585	608,315	4,040,887	3.68%	4.15
2008	1,060,815	72,875	41,953	1,175,643	4,779,024	4.01%	4.83
2009	1,049,635	62,685	38,254	1,150,574	4,878,530	3.89%	4.84
2010	1,037,990	58,045	34,487	1,130,522	4,804,755	3.91%	4.70

Note: Data pertaining to personal income specific to the City of San José 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

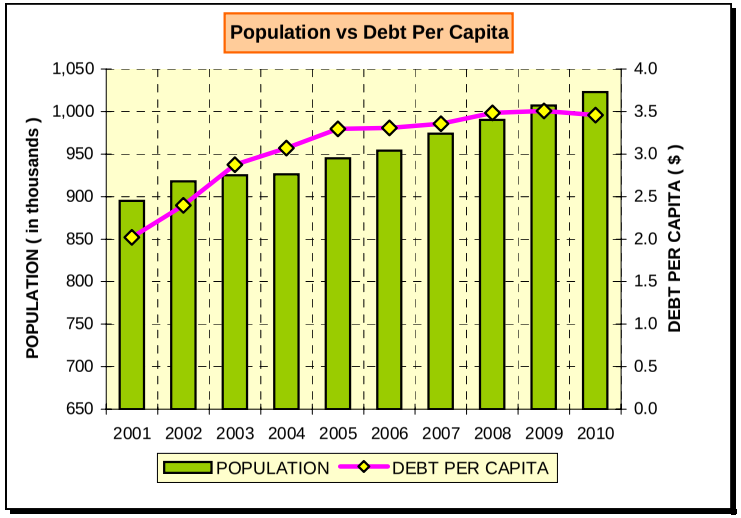
CITY OF SAN JOSE

SCHEDULE X

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

($ 000'S)



	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
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
2010	499,970	2,107,575	644,983	284,150	3,536,678	123,021,551	1,023,000	0.028748	3.46

Note: Total Outstanding General Debt excludes special assessment and special tax bonds and notes and loans payable.

Source: Finance Department, City of San José

CITY OF SAN JOSE
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2010

SCHEDULE XI

City Net Assessed Valuation	$	103,018,120
Redevelopment Agency Incremental Valuation		20,003,431
Total Assessed Valuation	$	123,021,551

	% Applicable	Outstanding Debt as of 06/30/10	Estimated Share of Overlapping Debt
Direct and Overlapping Tax and Assessment Debt:			
City of San José Community Facilities Districts	100.00%	$ 34,180,000	$ 34,180,000
City of San José Special Assessment Bonds	100.00%	26,725,114	26,725,114
Alum Rock Union School District	74.05%	80,765,328	59,809,148
Berryessa Union School District	93.93%	41,458,031	38,942,772
Burbank School District	20.96%	8,873,759	1,859,585
Cambrian School District	67.61%	19,169,944	12,960,799
Campbell Union High School District	61.25%	136,395,000	83,546,029
Campbell Union School District	48.93%	98,223,346	48,056,754
Cupertino Union School District	16.48%	127,264,911	20,968,167
East Side Union High School District	94.54%	565,877,650	534,963,754
Evergreen School District	99.45%	121,829,198	121,154,264
Evergreen School District Community Facilities District #92-1	100.00%	3,940,000	3,940,000
Foothill Community College District	4.58%	479,279,288	21,931,820
Franklin-McKinley School District	98.43%	58,627,329	57,705,707
Fremont Union High School District	9.83%	202,415,000	19,895,370
Gavilan Joint Community College District	7.79%	74,535,000	5,805,531
Los Gatos Union School District	1.44%	85,445,000	1,230,408
Los Gatos-Saratoga Joint Union High School District	0.64%	58,915,000	379,413
Milpitas Unified School District	0.00%	48,340,000	97
Moreland School District	76.06%	73,271,872	55,729,853
Morgan Hill Unified School District	18.88%	65,369,040	12,339,060
Mount Pleasant School District	87.54%	8,429,992	7,380,036
Oak Grove School District	99.55%	93,074,923	92,654,224
Orchard School District	100.00%	46,038,315	46,038,315
San José - Evergreen Community College District	87.00%	240,500,057	209,227,835
San José Unified School District and Certificates of Participation	97.77%	521,817,986	510,191,881
Santa Clara County	38.18%	350,000,000	133,633,500
Santa Clara Unified School District	4.08%	267,085,000	10,910,422
Santa Clara Valley Water District Benefit Assessment District	38.18%	152,440,000	58,203,116
Santa Clara Valley Water District Zone W-1	46.11%	910,000	419,637
Union School District	72.04%	75,127,165	54,122,685
West Valley Community College District	27.96%	215,069,692	60,144,239
Total Direct and Overlapping Tax and Assessment Debt		4,381,392,940	2,345,049,535
Overlapping Other Debt:			
Alum Rock Union School District Certificates of Participation	74.05%	3,000,000	2,221,590
East Side Union High School District Post Employment Obligation Bonds	94.54%	31,815,000	30,076,947
Foothill-DeAnza Community College District General Fund Obligations	4.58%	23,450,000	1,073,072
Franklin-McKinley School District Certificates of Participation	98.43%	5,585,000	5,497,204
Los Gatos - Saratoga Joint Union High School District Certificates of Participation	0.64%	10,205,000	65,720
Luther Burbank School District Certificates of Participation	20.96%	2,152,408	451,059
Midpeninsula Regional Open Space Park District General Fund Obligations	0.02%	113,788,031	18,206
Morgan Hill Unified School District Certificates of Participation	18.88%	13,550,000	2,557,698
San José Unified School District Certificates of Participation	97.77%	112,284,722	109,783,018
San José - Evergreen Community College District Benefit Obligations	87.00%	46,775,000	40,692,847
Santa Clara County Board of Education Certificates of Participation	38.18%	13,580,000	5,184,980
Santa Clara County General Fund Obligations	38.18%	825,070,000	315,019,977
Santa Clara County Pension Obligations	38.18%	388,044,822	148,159,393
Santa Clara County Vector Control District Certificates of Participation	38.18%	3,965,000	1,513,877
Santa Clara Unified School District Certificates of Participation	4.09%	12,980,000	530,233
West Valley-Mission Community College District General Fund Obligations	27.97%	56,120,000	15,693,958
Total Gross Direct and Overlapping General Fund Debt		1,662,364,983	678,539,779
Total Overlapping Debt		$ 6,043,757,923	
City Direct Debt			499,970,000
Total Direct and Overlapping Debt			$ 1,178,509,779

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. The City direct debt in this schedule includes General Obligation Bonds only.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Calculation of Debt Limit										
Gross assessed value for fiscal year	$ 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	127,102,911
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	$ 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	19,065,437
Calculation of Legal Debt Margin										
Debt limit applicable to fiscal year	$ 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	19,065,437
Less: total general obligation bonds	71,000	71,000	184,720	178,480	337,240	432,445	510,710	528,565	519,320	499,970
Legal debt margin	$ 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	18,565,467
Total debt applicable to the limit as a percentage of debt limit	0.7%	0.6%	1.4%	1.3%	2.4%	2.8%	3.0%	2.9%	2.7%	2.6%

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 and Other Available Funds (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
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
2010	158,110	82,574	75,536	7,065	19,714	26,779	2.82

1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges and other items from the definition of General Airport Revenues in the Master Trust Agreement.

2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.

3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.

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
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
2010	159,124	113,648	45,476	8,407	3,038	11,445	3.97

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

CITY OF SAN JOSE

SCHEDULE XIV

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Net Taxable Assessed Values (2) ($000's)	Per Capita Taxable Property Values	Average Unemployment Rate % (3)
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
2010	1,023,000	123,021,551	120,256	12.2

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 / Notes:

1. City of San José Planning Department, US Census Bureau, and State of California, Department of Finance

2. Department of Finance, County of Santa Clara

3. State of California, Employment Development Department, Labor Market Information Division

CITY OF SAN JOSE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FOUR YEARS AGO

SCHEDULE XV

Company or Organization	2010 Number of Employees	2010 Rank	2010 Percent of Total Employment	2006 Number of Employees	2006 Rank	2006 Percent of Total Employment
County of Santa Clara	15,360	1	1.82%	14,860	2	1.70%
Cisco Systems	11,600	2	1.37%	16,500	1	1.89%
IBM	7,460	3	0.88%	5,800	4	0.66%
City of San Jose*	6,620	4	0.78%	6,670	3	0.76%
San Jose State University	3,100	5	0.37%	3,100	5	0.35%
eBay Inc.	3,000	6	0.35%	2,200	8	0.25%
Hitatchi	2,900	7	0.34%	2,800	6	0.33%
San Jose Unified School District	2,690	8	0.32%	1,820	13	0.21%
Xilinx, Inc.	2,340	9	0.28%	2,300	7	0.26%
Sanmina-SCI	2,170	10	0.26%	2,100	9	0.24%
Kaiser Permanente	2,120	11	0.25%	na	na	na
Adobe Systems, Inc.	2,000	12	0.24%	2,000	10	0.23%
Good Samaritan Hospital	1,850	13	0.22%	1,850	12	0.21%
KLA-Tencor	1,770	14	0.21%	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.

Source: California Employment Development Department, Labor Market Information Division

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Council Staff	85	100	99	97	97	94	85	93	80	83
City Manager's Office	101	115	97	95	108	109	126	117	118	104
City Auditor's Office	26	28	28	23	21	20	17	17	19	16
City Attorney's Office	98	98	93	91	88	82	87	85	87	79
City Clerk's Office	17	18	20	13	14	15	19	21	21	16
Information Technology	120	129	113	109	117	100	102	143	141	128
Planning, Building & Code Enforcement	336	349	335	336	320	309	351	367	328	272
Police Department	1,993	2,018	1,990	1,962	1,898	1,881	1,934	1,927	1,953	1,831
Independent Police Auditor	6	8	6	6	5	6	6	6	5	6
Fire Department	802	831	796	775	766	801	859	867	828	816
Library Department	566	577	528	543	589	621	733 (2)	712	701	651
Finance Department	130	137	107	106	106	133 (1)	127	142	139	127
Human Resources	130	175	189	146	123	139	164	179	148	140
Airport	332	348	361	362	360	347	360	367	343	281
Convention & Cultural Facities	142	155	129	118	93	71	78	72	69	53
General Services Department	347	351	338	325	298	178 (1)	189	208	304 (3)	303
Transportation	500	519	500	480	452	447	431	478	462	444
Public Works Department	433	464	455	440	383	365	347	361	332	293
Office of Economic Development	42	44	46	54	60	85	75	76	90	90
Environmental Services Department	434	414	408	401	424	418	460	477	498	499
Parks, Recreation & Neighborhood Svs	3,581	3,159	2,323	1,944	1,960	2,214	1,956	1,909	1,709 (3)	1,717
Housing Department	66	64	67	70	66	67	80	85	86	83
Retirement Services	20	21	23	23	21	26	29	29	30	28
	10,307	10,122	9,051	8,519	8,369	8,528	8,615	8,738	8,491	8,060

Note:

1. Effective FY 2005-2006, the Purchasing Group and the Parks Maintenance Group were transferred from the General Services Department 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 NINE FISCAL YEARS

SCHEDULE XVII

	2002	2003	2004	2005	2006	2007	2008	2009	2010
AIRPORT:									
Takeoffs Per Year:									
Commercial Airline Operations	145,271	129,317	113,972	98,892	97,198	97,596	96,860	86,672	76,024
Cargo Commercial Airlines Operations	6,582	5,815	4,636	3,594	3,464	3,388	3,140	2,554	2,076
Taxi / Commuter Commercial	5,690	10,385	19,032	29,672	30,756	28,806	29,504	23,830	19,776
General Aviation	97,661	78,618	62,510	63,708	61,907	55,021	55,146	46,674	33,439
Military Flights	295	211	125	99	83	103	64	242	275
Landings Per Day:									
Commercial	432	199	189	181	180	178	177	155	134
General Aviation	266	108	86	87	85	75	76	64	46
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	3,950,400
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	4,279,600
ENVIRONMENT AND UTILITIES:									
Water:									
Gallons of Wastewater Treated Per Day (in millions)	122	118	118	116	116	116	116	107	106
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	7.9
Recycled Materials:									
Tons of Recyclables	100,637	95,217	69,615	100,703	104,631	105,648	132,821	129,462	120,511
Tons of Yard Trimmings	123,066	127,401	135,733	141,061	146,706	161,142	123,473	125,676	128,728
Gallons of Used Motor Oil	210,135	212,276	194,645	244,647	249,477	165,357	120,098	116,864	123,318
FIRE:									
Fires Per Year	2,250	2,245	2,200	1,700	2,794	3,270	3,172	3,018	1,659
Hazardous Materials Incidents Per Year	600	500	500	350	221	330	546	841	368
Fire Safety Code Inspections Per Year	13,000	16,000	16,000	16,000	16,050	14,123	16,989	12,056	11,073
Emergency Medical Calls Per Year	NA	40,000	40,000	40,650	41,322	41,616	40,534	46,533	49,036
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	15,000,000
Reference Questions	413,080	500,345	536,073	529,641	489,282	550,000	600,000	648,721	650,000
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	2,050,000
POLICE:									
911 Calls Per Year	220,612	212,152	202,891	235,100	317,884	368,855	400,155	457,360	405,739
311 Calls Per Year	292,922	285,214	301,144	300,700	265,548	259,834	257,100	256,648	343,868
Cases Investigated Per Year	25,000	32,472	33,202	24,262	37,399	42,000	46,096	45,000	38,006
BUILDING PERMITS:									
Number issued:									
New Buildings	789	1,023	1,166	1,206	1,201	1,534	916	593	369
Building Alterations	7,968	8,976	8,924	8,547	8,025	7,718	7,272	6,165	6,020
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	298,573,631
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	301,370,071

Note: As certain data required by GASB 44 was not readily available prior to 2002, the City of San José has elected to show nine 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 NINE FISCAL YEARS

SCHEDULE XVIII

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
AIRPORT:									
Terminals	2	2	2	2	2	2	2	2	2
Runways	3	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	2,695
Long-Term Parking	4,100	4,100	4,000	4,050	4,050	3,646	3,991	3,991	3,600
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	2,251
Maximum Daily Capacity (millions of gallons)	167.0	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	26,475
Miles of Water Mains	360	311	325	330	340	340	343	344	344
FIRE:									
Station	31	31	31	31	31	31	34	34	34
LIBRARIES:									
Main Library	1	1	1	1	1	1	1	1	1
Branches	17	17	17	17	20	20	21	21	21
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:									
Park Sites	149	149	170	194	159	163	174	183	188
Community Centers	19	19	19	27	28	30	38	42	10
POLICE:									
Stations	1	1	1	1	1	1	1	1	1
Vehicles and Motorcycles	451	418	412	399	384	384	387	390	384
Horses and Dogs	32	34	33	23	26	29	27	27	27
Aircraft	2	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 nine years of data for this schedule.

Source: City Manager's Office, City of San José

CITY OF SAN JOSE

SCHEDULE XIX

CONDUIT ISSUER OF MULTIFAMILY HOUSING REVENUE BONDS OUTSTANDING [1]

JUNE 30, 2010

Project Name	Series	Date Issued	Issue Amount	6/30/2010 Balance	Maturity/ Redemption	Annual Fees[2]
Siena at Renaissance Square	1996A	08/22/96	50,000,000	60,000,000	12/01/29	75,000
Almaden Lake Village Apartments	1997A	03/27/97	25,000,000	25,000,000	03/01/32	33,750
Coleman Senior Apartments	1998	04/24/98	8,050,000	7,129,311	05/01/30	9,637
Italian Gardens Senior Apartments	1998	04/24/98	8,000,000	7,083,756	05/01/30	9,575
Carlton Plaza	1998A	04/24/98	12,000,000	12,000,000	10/15/32	15,000
The Gardens Apartments	1999A	05/12/99	18,970,000	18,970,000	01/01/32	24,150
The Gardens Apartments	1999B (Tax.)	05/12/99	2,930,000	15,000	01/01/11	na
Helzer Court Apartments	1999A	06/02/99	16,948,000	15,938,000	12/01/41	26,122
Ohlone-Chynoweth Commons Apartments	1999	06/04/99	16,200,000	-	05/30/09	20,250
Kimberly Woods Apartments	1999A	12/20/99	16,050,000	16,050,000	12/01/29	20,062
Almaden Lake Village Apartments	2000A	03/29/00	2,000,000	2,000,000	03/01/32	na
Sixth and Martha Family Apartments Phase I	2000	07/21/00	9,900,000	8,910,000	03/01/33	12,375
Craig Gardens Apartments	2000A	12/05/00	7,100,000	4,360,766	12/01/32	8,875
El Parador Apartments	2000A	12/07/00	6,130,000	5,785,000	01/01/41	14,412
El Parador Apartments	2000B	12/07/00	900,000	485,000	01/01/16	na
Monte Vista Gardens Senior Housing	2000A	12/08/00	3,740,000	3,074,795	07/15/33	9,350
San Jose Lutheran Seniors Apartments	2001A-1	07/11/01	3,850,000	3,497,818	02/15/34	6,250
Sixth and Martha Family Apartments Phase II	2001C	08/01/01	9,000,000	7,565,000	04/01/34	11,250
The Villages Parkway Senior Apartments	2001D	08/01/01	6,800,000	5,340,000	04/01/34	8,500
Lenzen Housing	2001B	08/22/01	8,395,000	7,910,000	02/20/43	11,868
Terramina Square Apts/North White Rd Proj	2001F	11/15/01	16,845,000	16,260,543	04/01/44	21,056
Villa de Guadalupe Apartments	2001E	11/27/01	6,840,000	6,840,000	01/01/32	9,687
Villa de Guadalupe Apartments	2001E (Tax.)	11/27/01	760,000	192,782	04/01/12	na
Almaden Senior Housing Apartments	2001G	12/05/01	6,050,000	2,995,000	07/15/34	7,562
Betty Anne Gardens Apartments	2002A	04/05/02	11,000,000	7,005,000	04/01/34	13,750
El Paseo Apartments	2002B	04/05/02	9,600,000	4,845,000	10/01/34	12,000
Sunset Square Apartments	2002E	06/26/02	10,904,000	4,269,000	06/01/34	12,370
Villa Monterey Apartments	2002F	06/27/02	11,000,000	10,300,000	07/15/35	13,750
Monte Vista Gardens Senior Housing Apartments, Phase II	2002C-1	07/24/02	3,465,000	2,894,808	02/01/35	4,581
Pollard Plaza Apartments	2002D	08/06/02	14,000,000	7,195,000	08/01/35	17,500
Evans Lane Apartments	2002H	10/08/02	31,000,000	-	04/15/36	38,750
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453,000	3,694,000	12/01/34	8,750
Kennedy Apartment Homes	2002K	12/11/02	14,000,000	9,275,000	12/15/35	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360,000	11,545,000	06/01/36	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340,000	2,945,000	05/01/36	na
Turnleaf Apartments	2003A	06/26/03	15,290,000	15,090,000	06/21/36	19,112
The Oaks of Almaden Apartments	2003B-1	07/29/03	4,365,000	3,887,695	02/15/36	10,437
Cinnabar Commons	2003C	08/07/03	25,900,000	25,600,000	02/01/37	32,375
Almaden Family Apartments	2003D	11/14/03	31,300,000	24,615,000	11/15/37	39,125
Trestles Apartments	2004A	03/04/04	7,325,000	7,325,000	03/01/37	10,781
Trestles Apartments	2004A (Sub.)	03/04/04	1,300,000	1,168,596	04/15/37	na
Vintage Tower Apartments	2004B-1	06/28/04	4,150,000	3,238,901	01/15/37	6,875
Delmas Park	2004C-1	10/15/04	13,780,000	13,024,139	01/01/47	24,223
Raintree Apartments	2005A	02/01/05	21,100,000	20,600,000	02/01/38	26,375
Paseo Senter I	2005B-1	12/21/05	6,142,200	4,966,371	12/01/38	15,000
Paseo Senter II	2005C-1	12/21/05	4,903,000	3,852,040	06/01/38	15,000
Casa Feliz Studio Apartments	2007A	06/13/07	11,000,000	-	12/01/09	7500
Almaden Family Apartments	2007B (Sub.)	12/17/07	6,385,000	6,385,000	11/15/37	na
Curtner Studios	2007C-1	12/19/07	5,520,000	5,435,689	12/01/39	7,500
Fairgrounds Senior Housing Apartments	2008B	05/08/08	26,000,000	26,000,000	05/01/41	32,500
Las Ventanas Apartments	2008B	07/15/08	25,900,000	25,900,000	07/01/38	na
Brookwood Terrace Family Apts [3]	2009B-1	12/23/09	7,780,000	7,780,000	01/01/44	17,000
Brookwood Terrace Family Apts	2009B-2	12/23/09	5,445,000	5,445,000	01/01/44	na
Fourth Street Apts [4]	2010A-1	06/02/10	5,620,000	55,000	01/01/14	28,750
Fourth Street Apts	2010A-2	06/02/10	17,380,000	17,380,000	01/01/14	na
Grand Total			**$ 802,208,969**	**$ 519,119,010**		**$809,735**

(1) California Government Code Chapter 10.7 "Conduit Financing Transparency and Accountability" requires additional reporting and public disclosures by public agencies that issue certain revenue bonds, including conduit revenue bonds. This table provides the information required by Section 5872 of Chapter 10.7 which includes disclosure of fees imposed on borrowers by conduit financing provider, expenditures related to fees, dollar amount and nature of fees and expenses, amount of any authorized, but unsold bonds at end of June 30, 2010, and amount of debt issued and outstanding at end of reporting period. As of June 30, 2010 the City has served as conduit issuer for only multifamily housing revenue bonds.

(2) Annual monitoring fees and upfront fees are collected pursuant to City Council Policy No. 1-16, Policy for the Issuance of Multifamily Housing Revenue Bonds. The annual monitoring fee is charged to reimburse the City for monitoring the restricted units, the reimbursement agreement and ensure compliance with tax law. The annual monitoring fees are deposited in the Housing Trust Fund.

(3) Upfront issuance fee of $58,062.50 was collected and deposited to the General Fund and the Housing Trust Fund equally to reimburse the City for the cost of issuance.

(4) Upfront issuance fee of $82,500.00 was collected and deposited to the General Fund and the Housing Trust Fund equally to reimburse the City for the cost of issuance.