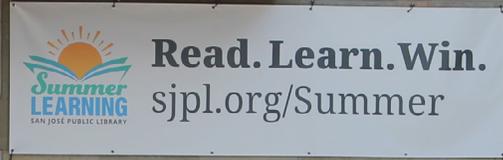
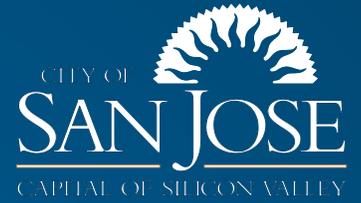


Attachment



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2025



2025

CITY OF SAN JOSE CALIFORNIA

City of San José
California

Annual Comprehensive
Financial Report



Year Ended June 30, 2025

Prepared by the Finance Department

Maria Öberg

Director of Finance

City of San José Annual Comprehensive Financial Report Project Team

Maria Öberg
Director of Finance

Victor Lo, CPA
Deputy Director of Finance

Finance Department Financial Statement Review and Coordination

Philana Yang
Principal Accountant

Kei Motonishi
Supervising Accountant

Winter Tsang
Senior Accountant

Vicky Szeto
Principal Accountant

Jovilita Oliveras
Supervising Accountant

Kevin Cardema
Senior Accountant

Katie Su
Senior Accountant

Financial Statement Preparation

Accountants
Gurinder Chhina
Govind Das
Cindy Duong
Lola Gomez, CPA
Mia Huang, CPA

Accountants
Ychi Huynh
Jenny Kinney
Kim Lam
Pedro Romero
Margarita Viray

Accountants
Phillip Vuong

Accounting Technician
Weekwan Jang
Gurprem Mahal

Component Unit Financial Statement Coordination

Laura Burke, Environmental Services
Principal Accountant

Katrina Feng, Environmental Services
Senior Accountant

Justine Nguyen, Environmental Services
Senior Accountant

Melissa Solomon, CPA, Energy
Principal Accountant

Mary Soo, Airport
Principal Accountant

Elsa Jacobo, Airport
Supervising Accountant

Csilla Kuehn, Airport
Senior Accountant

William Phan, Energy
Senior Accountant

Yen Tiet, Housing
Senior Accountant

Nam Cao, Retirement Services
Senior Accountant

Gina Rios, Retirement Services
Senior Accountant

Special Assistance

Joseph Rois, City Auditor
Qianyu Sun, Finance
Tanner Warner, Finance
Deepak Sharma, Finance
Brian Chi, Finance

Yolanda Wasniewski, Finance
Miguel Bernal, Finance
Kevin Freimarck, Finance
Soumya Panday, Finance
Cesar Blengino, Finance

Jim Shannon, Budget Office
Selena Ubando, Budget Office
Benjie Chua-Foy, Retirement Services
Barbara Hayman, Retirement Services

Special Assistance - Departments and Offices

Airport
Budget
City Attorney
City Auditor
City Clerk
City Manager

Energy
Environmental Services
Fire
Housing
Human Resources
Information Technology
Library

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	I
Certificate of Achievement for Excellence in Financial Reporting (GFOA)	XIV
Distinguished Budget Preparation Award (GFOA)	XV
Mayor and City Council	XVI
City Organization by Function	XVII

FINANCIAL SECTION

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

TABLE OF CONTENTS

Fiduciary Funds:

Statement of Fiduciary Net Position	44
Statement of Changes in Fiduciary Net Position	46

Notes to Basic Financial Statements	49
-------------------------------------	----

Required Supplementary Information (Unaudited)

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

General Fund	187
Housing Activities Fund	188
Low and Moderate Income Housing Asset Fund	189

Schedule of Employer Contributions – Defined Benefit Pension Plans	190
--	-----

Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 - Defined Benefit Pension Plans	195
--	-----

Schedule of Investment Returns - Defined Benefit Pension Plans	197
--	-----

Schedule of the City’s Proportionate Share of the Net Pension Liability and Related Ratios - CalPERS	198
--	-----

Schedule of Employer Contributions - CalPERS	199
--	-----

Changes in Assumptions	202
------------------------	-----

Schedule of Employer Contributions – Postemployment Healthcare Plans	203
--	-----

Schedule of Investment Returns - Postemployment Healthcare Plans	211
--	-----

Notes to Required Supplementary Information	212
---	-----

Supplemental Information

Nonmajor Governmental Funds

Combining Balance Sheet	215
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	216

TABLE OF CONTENTS

Nonmajor Special Revenue Funds

Combining Balance Sheet	221
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	229
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	237

Nonmajor Debt Service Funds

Combining Balance Sheet	254
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	255

Nonmajor Capital Project Funds

Combining Balance Sheet	259
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	261

Nonmajor Enterprise Funds

Combining Statement of Fund Net Position	266
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	268
Combining Statement of Cash Flows	269

Internal Service Funds

Combining Statement of Fund Net Position	274
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	275
Combining Statement of Cash Flows	276

TABLE OF CONTENTS

Pension Trust Funds

Combining Statement of Fiduciary Net Position	281
Combining Statement of Changes in Fiduciary Net Position	282
Combining Statement of Fiduciary Net Position - Federated City Employees' Retirement System	283
Combining Statement of Changes in Fiduciary Net Position - Federated City Employees' Retirement System	284
Combining Statement of Fiduciary Net Position - Police and Fire Plan	285
Combining Statement of Changes in Fiduciary Net Position - Police and Fire Plan	286

Private-Purpose Trust Funds

Combining Statement of Fiduciary Net Position	287
Combining Statement of Changes in Fiduciary Net Position	288

STATISTICAL SECTION (UNAUDITED)

I	Net Position by Component - Last Ten Fiscal Years	291
II	Change in Net Position - Last Ten Fiscal Years	292
III	Fund Balances, Governmental Funds - Last Ten Fiscal Years	296
IV	Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	298
V	Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	301
VI	Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years	302
VII	Principal Property Taxpayers - Current Year and Nine Years Ago	303
VIII	Property Tax Levies and Collections - Last Ten Fiscal Years	304
IX	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	305
X	Ratio of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	306
XI	Schedule of Direct and Overlapping Bonded Debt	307
XII	Legal Debt Margin Information - Last Ten Fiscal Years	309
XIII	Revenue Bond Coverage - Last Ten Fiscal Years	310



TABLE OF CONTENTS

XIV	Demographic and Economic Statistics - Last Ten Fiscal Years	313
XV	Principal Employers - Current Year and Nine Years Ago	314
XVI	Full-Time and Part-Time City Employees - Last Ten Fiscal Years	315
XVII	Operating Indicators - Last Ten Fiscal Years	317
XVIII	Capital Asset Statistics by Function - Last Ten Fiscal Years	319
XIX	Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding	321



INTRODUCTORY SECTION

November 17, 2025

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

The Annual Comprehensive Financial Report of the City of San José

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of San José (City) for the fiscal year July 1, 2024 through June 30, 2025, as required by Sections 805(a) and 1215 of the City Charter. Although formally submitted to the Mayor and City Council (Council), the ACFR is also intended to provide relevant financial information to the residents of San José, taxpayers, creditors, investors, and other interested parties.

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

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

The City engaged Macias Gini & O'Connell LLP (MGO), 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 2025 (FY 2025) 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 a an "unmodified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, MGO audits the City's major program expenditures of federal funds for compliance with the requirements described in the US Office of Management and Budget's *OMB Compliance Supplement*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The report of the Single Audit is published separately from this ACFR and, when completed, can be obtained from the City of San José's website at <https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits> .

This ACFR is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, and specifics of the City’s legal operating environment.
- The Financial Section includes the Management’s Discussion and Analysis, Basic Financial Statements, Notes to Basic Financial Statements, Required Supplementary Information, and other Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City’s entire financial operations and the fund financial statements that present financial information for each of the City’s major funds, governmental funds, enterprise funds, internal service funds, and fiduciary funds. This section also contains the independent auditor’s report on the Basic Financial Statements.
- The Statistical Section presents up to ten years of detailed statistical data on the City’s financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information to provide context for the financial statements and note disclosures.

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

The Successor Agency to the Redevelopment Agency of the City of San José (SARA) was created by State statute. The SARA is subject to the direction and oversight of a board consisting of the Mayor and the other members of the City Council (SARA Board). Financial activities of the SARA are further overseen by the Redevelopment Dissolution Countywide Oversight Board of Santa Clara County (Oversight Board). The SARA is reported in a fiduciary fund as a private-purpose trust fund.

Reporting Entity

San José is a charter city that has operated under a council-manager form of government since 1916. Under the City Charter, the Mayor and Council form the legislative body that represents the community is empowered to formulate citywide policy. The Council consists of a mayor and ten (10) councilmembers. The Mayor is elected at-large for a four-year term and the Councilmembers are elected by district for staggered four-year terms. The Mayor and Councilmembers are limited to two (2) consecutive four-year terms¹. Under the Charter, the Mayor recommends policy, program, and budget priorities to the Council, which in turn approves policy direction for the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization responsible for the administration of City affairs, day-to-day operations, and implementation of Council policies. In addition to the City Manager, the City Attorney,

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

City Auditor, City Clerk, and Independent Police Auditor are appointed by, and report directly to, the Council.

Under the City Charter, the City Council establishes the boards of administration and appoints the majority of board members for each of the City's retirement plans, the Federated City Employees' Retirement Plan and the Police and Fire Department Retirement Plan. It hires and prescribes the duties of the chief executive officer (Director of Retirement Services) and chief investment officer (assistant Director of Retirement Services) within the Office of Retirement Services, who serve at the pleasure of the retirement boards. The City Charter also specifies certain duties and obligations of each retirement board and authorizes the chief executive officer to hire and oversee the Office of Retirement Services' employees, subject to any applicable civic service rules. The retirement systems are reported as fiduciary component units.

City History

San José is the oldest city in California, developing from a Spanish pueblo established in 1777. Situated between the Diablo and Santa Cruz Mountain ranges, San José encompasses approximately 181 square miles at the south end of the San Francisco Bay and is the county seat of Santa Clara County. San José's central location between San Francisco to the north and Monterey to the south makes the "Capital of Silicon Valley" a gateway to adventures throughout California.

The City has transformed dramatically from the rich agricultural setting of its early years into the largest city in the Silicon Valley. Silicon Valley is a region in the southern San Francisco Bay Area that serves as a global center of technology, innovation, and social media. Silicon Valley corresponds roughly to the geographical Santa Clara Valley. The San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) has a large concentration of high-tech employment, with 184,800 workers out of a total civilian employment level of 1.15 million². Silicon Valley is home to many of the world's largest technology companies and is a global center of technology innovation. Commercial, retail, professional, high-tech manufacturing, electronic assembly, and service businesses all have a present in San José, which attracts significant foreign investment from throughout the globe.

Successor Agency to the Redevelopment Agency of the City of San José

Beginning July 1, 2018, pursuant to Health and Safety Code section 34178(j), the individual successor agency oversight boards within Santa Clara County were combined into one countywide oversight board. The Oversight Board is comprised of seven (7) member representatives with one (1) member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made by the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the County. The

² *State of California, Employment Development Department, Labor Market Information Division Press Release, July 18, 2025.*

Oversight Board is staffed by the County of Santa Clara Auditor-Controller and tasks have been delegated among the County's Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and the Office of the County Counsel.

Total Redevelopment Property Tax Trust Fund (RPTTF) revenue distributed by the County to the SARA in FY 2025 was approximately \$143 million, which was used to pay debt service and debt-related expenses on the SARA senior and subordinate Tax Allocation Bonds (SARA TABs) and other enforceable obligations. During FY 2025, the County withheld \$58.6 million in RPTTF for payments for its current year pass-through payments. Based upon the nature of the SARA's custodial role, the SARA is reported in a fiduciary fund as a private-purpose trust fund.

Economic Condition and Fiscal Outlook

While Silicon Valley continues to show overall positive economic performance, several potential indicators of a future economic weakening continue. These economic indicators include high inflation, elevated office vacancy rates, and a rising unemployment rate. Although employment figures remain relatively strong, layoffs, particularly in the technology sector, are putting upward pressure on unemployment.

Population and Employment

San José is the 12th largest city in the United States and the third largest in California behind Los Angeles and San Diego. According to the California Department of Finance, San José had an estimated population of 979,415 as of January 1, 2025, reflecting an increase of 1.0% over the prior year³.

The revised June 2025 employment level in the San José MSA of 1.15 million represented a 0.5% decrease from the June 2024 level of 1.16 million. Between June 2024 and June 2025, employment contracted by 9,600 jobs in the San José MSA, including 4,600 in the trade sector and 4,600 in the mining, logging, and construction sector. Smaller changes in employment levels across all other sectors make up the difference⁴.

The revised local unemployment rate for June 2025 was 4.7%, which was higher than the May 2025 rate of 3.9% and the prior year unemployment rate of 4.5%. The June 2025 San José MSA unemployment rate continued to be lower than the unadjusted unemployment rate for the state (5.7%) but was higher than the nation (4.4%)⁵.

Construction Activity

Overall construction valuation through June 2025 increased 9.6% from prior-year levels, driven by commercial construction activity and tempered by a decline in residential and industrial construction activity. The FY 2025 Adopted Budget was developed assuming overall development activity would decrease slightly from FY 2024 levels; however, construction activity outperformed the projections included in the FY 2025-2029 Five-Year Forecast, which was released in February 2024.

³ *State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and State with Annual Percentage Change, January 1, 2024 and 2025 (released May 2025).*

⁴ *State of California, Employment Development Department, Labor Market Information Division Press Release, July 18, 2025.*

⁵ *Ibid.*

Residential construction activity during the fiscal year included 545 multi-family units and 547 single-family units for a total of 1,092 units. Commercial valuation through June 2025 was 89.1% higher than the FY 2024 level, assisted by data center development (\$990.7 million in FY 2025, up from \$523.9 million in FY 2024). A notable project included a permit issued for the finished interior of a 163,000 square foot medical clinic located on South Bascom Avenue between Pamilar Avenue and Southwest Expressway. Industrial construction valuation through June 2025 was 25.4% lower than prior-year levels (\$383.7 million in FY 2025 and \$514.5 million in FY 2024). A notable project included a permit issued to complete an 89,000 square foot mixed-use warehouse and office building located on South King Road between Aborn Road and Barberry Lane.

Real Estate Market

According to data from the Santa Clara County Association of Realtors, the local real estate market weakened at the end of FY 2025 with home prices remaining stagnant, activity levels declining, and homes staying on the market longer. In June 2025, property transfers decreased by 4.1% compared to the prior year. Further, the June 2025 median home price was \$1.7 million, which is consistent with June 2024. Finally, the average days-on-market in June 2025 totaled 24 days, an increase from 16 days in June 2024.

City Organization and Services

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

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

Community and Economic Development: The mission of the Community and Economic Development CSA is to facilitate the equitable and focused evolution of the City to foster strong communities and a diverse economy with shared prosperity for all. The outcomes of this CSA include: thriving, inclusive, and attractive communities and vibrant public art; strong, responsive, and equitable economy; and accessible and diverse range of business opportunities.

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

Neighborhood Services: The mission of the Neighborhood CSA is to serve, foster, and strengthen the community by providing access to lifelong learning, opportunities to enjoy

life, and preserving and stewarding healthy neighborhoods with shelter and housing opportunities for all. The outcomes for this CSA include: safe and clean neighborhoods and public spaces; welcoming and vibrant neighborhoods and public life; equitable access to community opportunities to flourish; and housing security through supportive solutions.

Public Safety: The mission of the Public Safety CSA is to engage the community to partner on public safety and emergency prevention, mitigation, preparedness, response, and recovery. The outcomes for this CSA include a safer San José with effective emergency response services, and resilient communities that are prepared for emergencies.

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

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

The six CSAs support four City Council Focus Areas that bring greater organization emphasis, resource prioritization, and regular governance-level reporting to make notable progress on a limited number of strategic areas impacting the community. The four Focus Areas are: Increasing Community Safety; Reducing Unsheltered Homelessness; Cleaning Up Our Neighborhoods; and Attracting Investment in Jobs and Housing.

Significant Achievements

The following section summarizes major CSA accomplishments during the fiscal year.

Community and Economic Development CSA

- Attracted or retained over 7,000 jobs and continued momentum around Downtown, outpacing other Bay Area cities in post-pandemic recovery.
- Executed an agreement with PG&E to add up to 2,000MW of new electrical capacity which will triple the current electrical load and make the City the preeminent destination for data centers in California.
- Enabled the formation of the first new Business Improvement Districts in over fifteen years along Monterey Road, the Tully/Eastridge Corridor, and the Alameda, generating over \$700,000 in annual re-investment for these districts.

- Developed and received approval for a new Economic Strategy Work Plan for FY 2026 and FY 2027 to provide a focused and results-driven approach to economic development.
- Negotiated an extension to the lease agreement with the San José Sharks and the San José Giants for an additional 25 years at the SAP Center and Municipal Stadium.
- Served over 2,000 youth and adults and secured high-wage, high-growth jobs for nearly 85% of those securing employment. Provided workforce services for an additional 2,200 clients through job fairs, community workshops and free online access to occupational skills training in English and Spanish.

Environmental and Utility Services CSA

- Delivered 65% renewable energy and 84% carbon-neutral power, surpassing state targets by five years, and achieved customer savings of \$24 million when compared to PG&E.
- Executed the City's first energy prepay bond transaction, which secured \$66 million in future customer savings.
- Implemented waste diversion improvements including reduction of single-family recycling contamination from 57% in 2022 to 41% in 2024 and increased utilization of grant funding to help businesses reduce costs and improve organics sorting and recovery to comply with SB 1383.
- Achieved a 98% waterway trash-load reduction compared to 90% in the previous year, bringing the City closer to the 100% requirement.
- Invested over \$103 million in critical Regional Wastewater Facility infrastructure upgrades with seven projects completing construction and an additional four underway.
- Completed the construction of the largest green stormwater infrastructure capture project within the Bay Area.

Neighborhood Services CSA

- Opened 461 new shelter units across four sites, achieving a 95% utilization rate, with another 703 units in the pipeline to be opened by December 2025.
- Moved approximately 70% (524 individuals) of homeless individuals engaged through outreach and supportive services programs into shelter, exceeding the 45% target.
- Exceeded the response time targets for all graffiti removal within three days and gang or hate speech graffiti within 24 hours (93%), weekly encampment trash pickup (98%), and illegal dumping within five business days (82%).
- Cleared 18 miles of waterway homeless encampments, exceeding the target by 50%, and substantially increased abatements to 1,016 compared to 345 in the prior year, while offering supportive services to residents.

- Collected and disposed of 24.4 million pounds of trash, representing a 13% increase from the prior year.
- Beautified 11 high-visibility gateway locations throughout the City.
- Opened four new parks and upgraded two parks to all-inclusive playgrounds.
- Increased Library visits by 6.5%, with Library users making over 3.8 million visits to library locations, exceeding the performance target of 2.5%.

Public Safety CSA

- Achieved a 5% decline in property crimes and a 4% decline in crimes against persons, both outperforming projected targets, and achieved a 100% homicide solve rate for the third straight year, leading the City to achieve the status of “Safest Large City in America”.
- Continued the development of the Real Time Intelligence Center by adding new technological tools for responding to high-priority calls for services; created an internal dashboard of crime statistics, enabling sworn staff to discuss and identify crime patterns and trends in the four patrol divisions; and developed an interactive resource tool for residents to see crime incidents and trends in their neighborhoods.
- Implemented a network of Automated License Plate Readers to help recover stolen vehicles.
- Maintained strong Fire Department recruiting efforts, conducting two Firefighter Recruit Academies in FY 2025, including an academy of 21 beginning September 2024 and an academy of 25 beginning March 2025.
- Strengthened the multi-agency coordination model and risk reduction priorities for wildfire planning and preparedness, and launched a Wildfire Risk Reduction campaign, directly outreaching to approximately 6,800 at-risk homes located in the wildland-urban interface.
- Ensured 91% of City employees completed the Disaster Service Worker training and prepared the City for high-risk scenarios through three major exercises: a flood simulation, a 7.0-magnitude earthquake functional exercise, and early planning and preparedness for the Super Bowl, FIFA World Cup, and Presidential Election events in 2026.

Transportation and Aviation Services CSA

- Completed 55 pedestrian safety and traffic-calming projects and deployed 191 changeable message signs across four traffic safety campaigns.
- Completed 7.4 miles of new and 32.8 miles of upgraded on-street bikeways and grand-funded corridor safety improvement projects.
- Planted 1,692 new trees in the City’s Urban Forest.
- Unveiled new Airport partnerships to provide multiple new domestic and international air routes, including new ZIPAIR service to Tokyo; new Frontier

service to Denver, Las Vegas, Los Angeles, Phoenix, and San Diego; and new Spirit service to Baltimore-Washington, Los Angeles and Portland.

- Opened a 22,600 square foot, LEED Silver-certified new Facilities, Administrative, and Fleet Maintenance Building for the Airport.
- Approval and launch of new retail concession program at the Airport that supports over 50 local retailers. The collective minimum capital investment of \$16.9 million will support a high-quality buildout featuring fresh new looks and integrate new technologies that will enhance the passenger experience, increase speed of service, and drive sales.

Strategic Support CSA

- Closed a \$35.6 million General Fund budget shortfall and reduced the FY 2027 projected deficit by half (from \$52.9 million to \$25.2 million), while avoiding employee layoffs, protecting core services, and making targeted strategic investments to address the City Council’s most urgent priorities and key areas of organizational risk.
- Further reduced the City’s vacancy rate from 10.5% to 8.6%, unmatched by surrounding cities and comparable cities statewide, with over 900 new hires. The number of voluntary resignations was 275, representing 4.2% of the workforce, and the employee turnover rate was 8.0%, both within healthy organizational levels. Returned all employees to onsite work four days/32 hours a week with flexible arrangements for employees as needed and appropriate.
- Improved Racial Equity Action Plan activity rate performance with 100% of Departments and Offices having active or in-progress Racial Equity Action Plan tasks in FY 2025.
- Advanced artificial intelligence (AI) work by leading the GovAI Coalition; hosting the inaugural GovAI Coalition Summit 2024; conducting AI upskilling classes; and publishing Generative AI Guidelines to help employees use AI tools responsibly and effectively in their daily work; and conducted AI pilot programs to improve service delivery. Advanced the City’s commitment to data-driven government by launching the first Citywide Data Strategy, adopting a formal Data Governance Policy, and piloting a modern Data Lakehouse platform.
- Maintained bond ratings from all three major rating agencies with the City’s general obligation bonds rated Aa1 by Moody’s, AA+ by S&P, and AAA by Fitch. The City’s lease revenue bonds are rated Aa2 by Moody’s, AA by S&P, and AA by Fitch.

Five-Year Capital Improvement Program

The City publishes a five-year Capital Improvement Program (CIP) that guides the City in the planning, scheduling, and budgeting of capital improvement projects. The CIP is updated annually and approved by the City Council. The CIP provides critical capital investment to sustain, enhance, and develop a wide array of public infrastructure to improve system reliability, enhance recreational experience, advance public safety, and

ensure San José is well-positioned for further economic growth and opportunity. It builds on the efforts of the last several years of making targeted investments that align with the City's economic development and community livability goals contained within the Envision San José 2040 General Plan (General Plan).

The FY 2026-2030 CIP totals \$3.7 billion, a 7.6% decrease from the FY 2025-2029 Adopted CIP of \$4.0 billion. The FY 2026 Adopted Capital Budget of \$1.4 billion is in line with the FY 2025 Adopted Capital Budget of \$1.4 billion. The CIP focuses on renovating, renewing, and expanding City infrastructure that serves the critical day-to-day needs of the community, such as roadways, sewer collection and treatment systems, parks and sports fields, fire and police facilities, and airport facilities. Over the next two years, most of the significant projects funded by the \$650 million San José Disaster Preparedness, Public Safety, and Infrastructure Bond Measure (Measure T) will complete construction, representing the accomplishment of significant rehabilitation of the City's critical infrastructure.

The CIP continues the work to ensure that we build equity considerations into the identification and prioritization of infrastructure rehabilitation. While the General Plan remains the core planning tool of the CIP, the technical analysis necessary to identify and prioritize infrastructure rehabilitation needs is increasingly supplemented by the explicit consideration of equity, including the incorporation of race and income data as factors.

While the Administration remains focused on leveraging state and federal resources to supplement project funding, several of the City's key local revenues dedicated to the CIP have declined or remained stagnant in the face of increasing operational and rehabilitation needs. Construction and Conveyance Tax revenues – primarily generated by private property sales – are estimated to grow modestly from \$47.0 million in FY 2026 to \$60.0 million in FY 2030. These collections are significantly lower than the record-setting collections of \$64.5 million experienced in FY 2022. The decline in revenue from previous years reduces available funding for capital infrastructure needs in the Parks and Community Facilities Development, Library, Service Yards, Fire, Communications, and Park Yards Capital Program.

The Status Report on Deferred Infrastructure Maintenance Backlog, presented to the Transportation and Environment Committee in April 2024 (updated on a two-year cycle), identified an infrastructure backlog of approximately \$1.7 billion, with an additional \$129.1 million needed annually to maintain the City's infrastructure in a sustained, functional condition. Though the backlog is expected to decrease as Measure T projects are fully implemented, the City must continue to search for additional funding resource and leverage grant opportunities to ensure San José's public assets are appropriately maintained.

Financial Information

The City Administration is responsible for establishing and maintaining internal controls that safeguard the City's assets from loss, theft, or misuse, and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed its likely benefits,

and that the evaluation of costs and benefits is subject to management estimates and judgment.

The City participates in several tax abatement programs designed to support economic development, housing production, and job creation. These programs are intended to stimulate private investment, accelerate the delivery of much-needed housing, strengthen the local employment base, and enhance long-term fiscal stability by expanding the City's economic and property-tax base. Current programs include (1) the Downtown High-Rise Residential Incentive Program, which suspends a portion of construction taxes and reduces affordable housing in-lieu fees to encourage high-density residential development in the Downtown Core; (2) a Utility Users Tax Reimbursement Agreement with Samsung Semiconductor, Inc., structured to retain and expand advanced-manufacturing operations and high-wage jobs in San José; and (3) the Multifamily Housing Incentive Program, a temporary initiative intended to expedite stalled rental housing projects, reduce development costs, and increase the production of market-rate and mixed-income units.

For the fiscal year ended June 30, 2025, the City's tax revenues were reduced by approximately \$3.4 million, consisting of \$138 thousand under the Utility Users Tax Reimbursement Agreement and \$3.3 million in construction tax reductions under the Multifamily Housing Incentive Program. No Downtown High-Rise projects received abatements during the year because benefits occur at the issuance of the Certificate of Occupancy. These programs are expected to provide long-term economic benefits through increased housing supply, higher levels of construction and employment activity, and expanded future tax revenues once the developments become fully operational.

In addition, the City's share of property tax revenues was reduced by approximately \$221 thousand due to tax abatement programs administered by the County of Santa Clara under the Williamson Act and Mills Act, for which the City is not a party and has no approval authority.

Additional details on each program are provided in Note on Commitments and Contingencies to the basic financial statements.

Single Audit

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

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

Budgetary Controls

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

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

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

Debt Management Policy

The City's Debt Management Policy was first adopted by the City Council on May 21, 2002 and is reviewed annually. It was most recently revised on March 11, 2025. The Debt Management Policy establishes the following equally important objectives:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting;
- Ensure financial controls are in place with respect to debt issuance proceeds; and
- Ensure compliance with applicable state and federal laws.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2024. This was the thirty-seventh consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized ACFR, the contents of which conform to program standards. Such a report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year. The City believes the FY 2025 ACFR conforms to the Certificate of Achievement program requirements and will submit the report to GFOA for consideration of the annual award.

For the thirty-fifth consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2024. To qualify for this award, the government unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

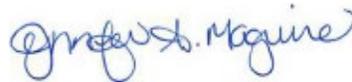
Acknowledgements

The preparation of this ACFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. Many members of the Department demonstrated exemplary professionalism and invested substantial effort to produce this document.

In addition, fiscal staff in all City departments should be recognized for responding so positively to the requests of 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,



JENNIFER A. MAGUIRE
City Manager



MARIA ÖBERG
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Jose
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of San Jose
California**

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morill

Executive Director

San José Mayor & City Council

To contact members of the San José City Council by mail, send to:
200 East Santa Clara Street, Tower 18th, San José, CA 95113



Mayor Matt Mahan
(408) 535-4800
mayoremail@sanjoseca.gov



Rosemary Kamei
District 1
(408) 535-4901
district1@sanjoseca.gov



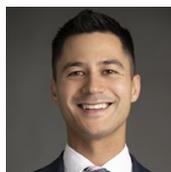
Michael Mulcahy
District 6
(408) 535-4906
district6@sanjoseca.gov



Pamela Campos
District 2
(408) 535-4902
district2@sanjoseca.gov



Bien Doan
District 7
(408) 535-4907
district7@sanjoseca.gov



Anthony Tordillos
District 3
(408) 535-4903
district3@sanjoseca.gov



Domingo Candelas
District 8
(408) 535-4908
district8@sanjoseca.gov



David Cohen
District 4
(408) 535-4904
district4@sanjoseca.gov



Pam Foley
District 9
(408) 535-4909
district9@sanjoseca.gov

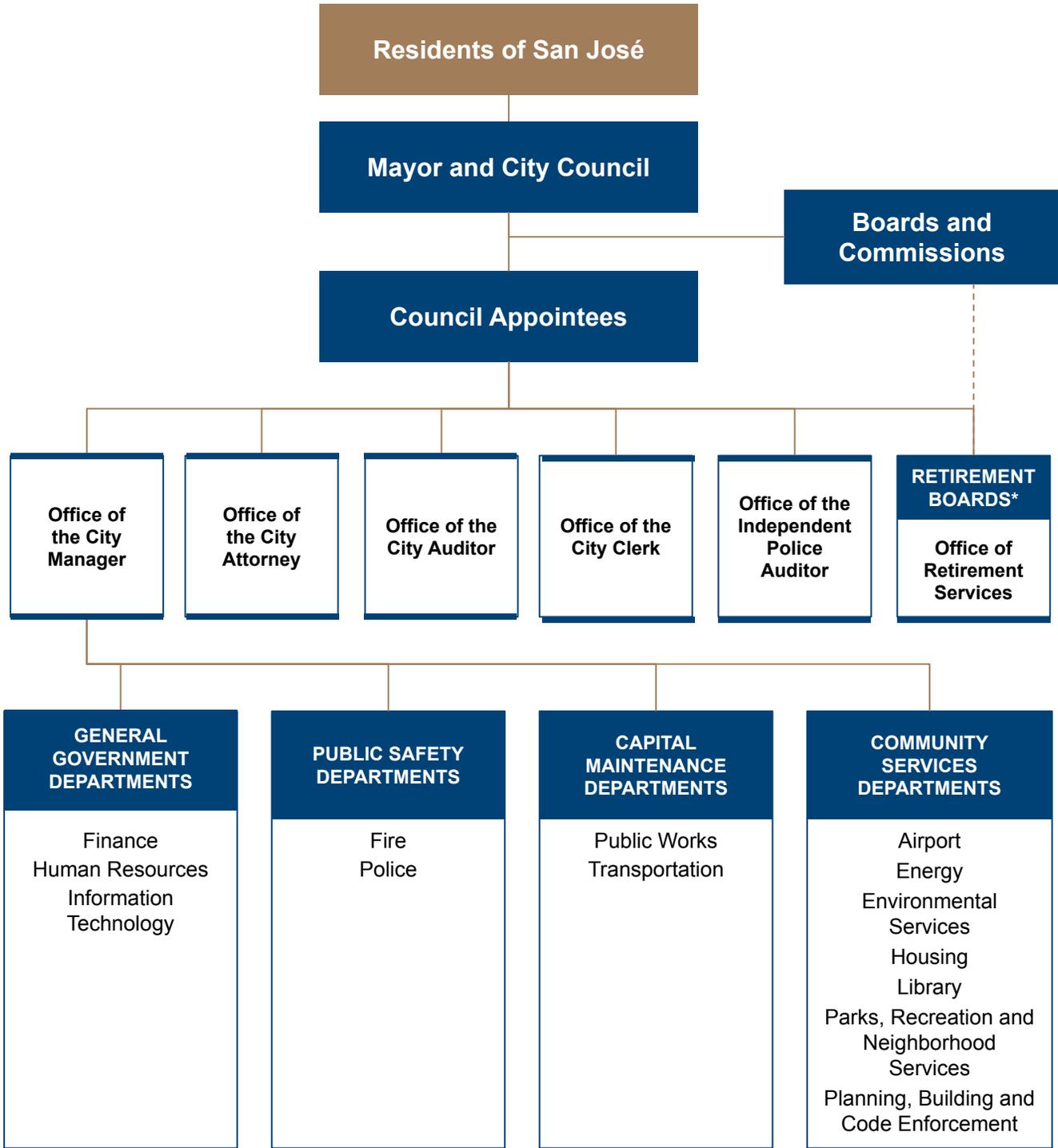


Peter Ortiz
District 5
(408) 535-4905
district5@sanjoseca.gov



George Casey
District 10
(408) 535-4910
district10@sanjoseca.gov

City Organization by Function



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



FINANCIAL
SECTION

Independent Auditor's Report

City Council
City of San José, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1.E. to the financial statements, effective as of July 1, 2024, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, Housing Activities Fund, and Low and Moderate Income Housing Asset Fund; the schedule of employer contributions – defined benefit pension plans; the schedule of changes in the employer's net pension liability and related ratios for the measurement periods ended June 30 – defined benefit pension plans; the schedule of investment returns – defined benefit pension plans; the schedule of the City's proportionate share of the net pension liability and related ratios – CalPERS; the schedule of employer contributions – CalPERS; the schedule of changes in the employer's net OPEB liability and

related ratios for the measurement periods ended June 30 – postemployment healthcare plans; the schedule of employer contributions – postemployment healthcare plans; and the schedule of investment returns – postemployment healthcare plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive style with a large, stylized "LPA" at the end.

Walnut Creek, California
November 17, 2025

Management's Discussion and Analysis Required Supplementary Information (Unaudited)

The Management's Discussion and Analysis ("MD&A") provides an overview of the City of San José's ("City") activities and financial performance for the year ended June 30, 2025. Readers are encouraged to read the MD&A in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal at the beginning of the Introductory Section and other portions of this Annual Comprehensive Financial Report ("ACFR"). All amounts in the billions and millions have been rounded to the nearest million and hundred thousand, respectively. All percentages have been rounded to the nearest one hundredth of a percent.

Financial Highlights

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2025, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$4.419 billion. Of this amount, a deficit balance of \$1.664 billion represents unrestricted net position, which consists of a deficit balance of \$2.400 billion for governmental activities, and a positive balance of \$736.0 million for business-type activities. In addition, the City's restricted net position totals \$1.236 billion (\$1.158 billion for governmental activities and \$77.3 million for business-type activities) based on the restrictions imposed by the enabling legislation or debt covenants. Lastly, net position of \$4.847 billion is the City's net investment in capital assets, which includes \$3.413 billion from governmental activities and \$1.434 billion from business-type activities.
- The net position increased by \$9.9 million or 0.22 percent during FY 2025 to \$4.419 billion from \$4.409 billion. Governmental activities accounted for a \$146.4 million decrease due to total expense of \$2.373 billion exceeding the total revenue and transfers of \$2.294 billion. Business-type activities accounted for \$156.3 million of the increase due to total revenue of \$1.237 billion exceeding the total expense and transfers of \$1.073 billion.
- Governmental funds reported a combined ending fund balance of \$2.010 billion at June 30, 2025, which is \$132.4 million or 6.18 percent lower than the June 30, 2024 balance. The change was attributable to an increase in the Low and Moderate Income Housing Asset Fund of \$2.5 million and offset by decreases in the Nonmajor Governmental Funds of \$94.8 million, the General Fund of \$34.2 million and the Housing Activities Fund of \$6.1 million.
- Unassigned fund balance of governmental funds is \$22.9 million, which is 1.14 percent of the combined governmental fund balances at June 30, 2025.

Overview of the Financial Statements

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

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

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

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

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

Both government-wide financial statements address functions principally supported by taxes and intergovernmental revenues ("governmental activities") and other functions that intend to recover all or in part a portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government, public safety, capital maintenance, community services, sanitation, and interest and fiscal charges. The City's business-type activities include airport, wastewater treatment, water system, parking operations, and clean energy.

The government-wide financial statements include the primary government of the City and five separate components for which the City is financially accountable.

Fund Financial Statements

Fund Financial Statements report information about groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. As do other state and local governments, the City uses fund accounting to ensure and demonstrate finance-related legal compliance. Each City fund falls into one of three categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's capacity to finance its programs in the near future.

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

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, the Housing Activities Fund, and the Low and Moderate Income Housing Asset Fund which are all classified as major funds. These statements also report several individual governmental funds classified as nonmajor funds such as special revenue, debt

service, and capital project funds, which are aggregated into a single presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this ACFR.

Proprietary funds generally account for services charged to external or internal customers through fees. Proprietary funds provide the same type of information as shown in the government-wide financial statements for business-type activities, only in more detail. The City accounts for its airport, wastewater treatment, and clean energy program in proprietary funds. These statements also report several individual proprietary funds classified as nonmajor funds, which are aggregated into a single presentation. Individual fund data for each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this ACFR.

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

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

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

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

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

Government-Wide Financial Analysis

Analysis of net position: As noted earlier, net position may serve as a useful indicator of the City's financial position. As of June 30, 2025, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$4.419 billion. The following table is a condensed summary of the City's net position for governmental and business-type activities:

Statement of Net Position June 30, 2025 and 2024 (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Assets:						
Current and other assets	\$ 2,498,631	\$ 2,650,290	\$ 1,523,276	\$ 1,428,351	\$ 4,021,907	\$ 4,078,641
Capital assets	4,581,540	4,669,453	2,794,649	2,721,756	7,376,189	7,391,209
Total assets	<u>7,080,171</u>	<u>7,319,743</u>	<u>4,317,925</u>	<u>4,150,107</u>	<u>11,398,096</u>	<u>11,469,850</u>
Deferred outflows of resources:						
Loss on refundings of debt	4,666	4,984	9,527	10,070	14,193	15,054
Pensions	554,235	496,056	76,449	67,910	630,684	563,966
Other postemployment benefits	159,594	112,108	15,690	15,042	175,284	127,150
Total deferred outflows of resources	<u>718,495</u>	<u>613,148</u>	<u>101,666</u>	<u>93,022</u>	<u>820,161</u>	<u>706,170</u>
Liabilities:						
Current and other liabilities	349,309	333,239	176,662	178,471 (a)	525,971	511,710
Long-term liabilities	1,603,141	1,598,464	1,449,338	1,482,194 (a)	3,052,479	3,080,658
Net pension liability	2,620,643	2,748,816	341,407	345,065	2,962,050	3,093,881
Net OPEB liability	813,251	710,402	69,986	63,873	883,237	774,275
Total liabilities	<u>5,386,344</u>	<u>5,390,921</u>	<u>2,037,393</u>	<u>2,069,603</u>	<u>7,423,737</u>	<u>7,460,524</u>
Deferred inflows of resources:						
Gain on refundings of debt	2,555	2,825	2,779	-	5,334	2,825
Pensions	94,822	25,842	9,800	6,362	104,622	32,204
Other postemployment benefits	37,352	85,937	2,967	9,788	40,319	95,725
Rate stabilization reserve	-	-	106,000	50,000	106,000	50,000
Leases	19,883	17,565	13,514	16,510	33,397	34,075
Public-private and public-public partnerships	85,893	91,620	-	-	85,893	91,620
Total deferred inflows of resources	<u>240,505</u>	<u>223,789</u>	<u>135,060</u>	<u>82,660</u>	<u>375,565</u>	<u>306,449</u>
Net position:						
Net investment in capital assets	3,413,015	3,517,578	1,433,873	1,315,188	4,846,888	4,832,766
Restricted	1,158,487	1,297,990	77,315	62,402	1,235,802	1,360,392
Unrestricted	(2,399,685)	(2,497,387)	735,950	713,276 (a)	(1,663,735)	(1,784,111)
Total net position	<u>\$ 2,171,817</u>	<u>\$ 2,318,181</u>	<u>\$ 2,247,138</u>	<u>\$ 2,090,866</u>	<u>\$ 4,418,955</u>	<u>\$ 4,409,047</u>

(a) FY 2024 balances have been restated as a result of implementing GASB 101, *Compensated Absences*.

At June 30, 2025, the City reported positive balances in net position on a total basis. Net investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, equipment, lease assets and SBITA less outstanding debt used to acquire assets and deferred inflows and outflows related to debt) of \$4.847 billion comprises 109.68 percent of the City's total net position. These capital assets facilitate providing services to the San José community, but are not liquid, and therefore not available for future spending. During FY 2025, net investment in capital assets increased by \$14.1 million primarily due to the decreases of \$104.6 million from governmental activities and the increase of \$118.7 million from business-type activities. A portion of the City's net position, \$1.236 billion or 27.97 percent, is subject to legal restrictions for its use, including \$1.158 billion in governmental activities and \$77.3 million in business-type activities. Of the total net position at June 30, 2025, a deficit balance of \$1.664 billion or negative 37.65 percent represents unrestricted net position, which comprises a deficit balance of \$2.400 billion for governmental activities, and a positive balance of \$736.0 million for business-type activities. The primary factor contributing to the deficit in unrestricted net position is the City's net pension and Other Postemployment Benefits ("OPEB") liabilities.

During FY 2025, the City's total net position increased by \$9.9 million. Notable changes in the statement of net position between June 30, 2025 and June 30, 2024 include:

Assets

- Current and other assets decreased by \$56.7 million or 1.39 percent due to a decrease by \$151.7 million for governmental activities and an increase by \$95.0 million for business-type activities. The decrease in governmental activities is mainly due to the decrease in cash and investments held with fiscal agents from higher spending on public safety and sanitation projects. The increase in current assets for business-type activities is mainly due to higher cash and investments, driven by increased revenue from rentals, concessions, and investment income.
- Capital assets decreased by \$15.0 million compared to the prior fiscal year. Governmental capital assets decreased by \$87.9 million and business-type capital assets increased by \$72.9 million. The decrease in governmental capital assets resulted from depreciation expense of \$249.6 million for major infrastructure and other assets and \$0.2 million in net deletions, partially offset by additions to capital assets of \$161.9 million, which included \$114.5 million of additional capital projects in process, \$19.6 million in vehicles and equipment, \$15.0 million of contributed capital from donated infrastructure assets. Other additions include \$8.7 million right-to-use assets: SBITA, \$2.7 million from property acquisitions, \$1.0 million additions to improvements other than buildings, \$0.4 million right-to-use lease assets: buildings.
- The increase in business-type capital assets was primarily driven by \$181.7 million in additions, mainly from the Airport and Wastewater Treatment Facility, offset by \$108.2 million in depreciation and \$0.6 million in net deletions.

Liabilities

- Total long-term liabilities decreased by \$51.0 million to \$6.898 billion at June 30, 2025, which represents a decrease by 0.73 percent compared to \$6.949 billion at June 30, 2024. The primary factors leading to the decrease in long-term liabilities for governmental activities of \$20.6 million was due to the decrease of net pension liability by \$128.2 million, and the long-term obligations by \$4.7 million, offset by the increase of OPEB liability by \$102.9 million. The primary factor leading to the decrease in long-term liabilities for business-type activities of \$30.4 million was the result of an decrease of net pension liability by \$3.7 million, and the long-term obligations by \$38.5 million, offset by the increase of net OPEB liability by \$6.1 million.
- Net pension liability decreased by \$131.8 million since the prior measurement date. This reduction is due to a combination of investment gains and contributions in excess of service cost, administrative

expenses, and interest on net pension liability. These decreases were offset by actuarial losses and assumption changes.

- Net OPEB liability increased by \$109.0 million since the prior measurement date, primarily due to experience loss. Additionally, assumption changes contributed to the increase in the net OPEB liability and were partially offset by investment gains.
- Current and other liabilities increased by \$14.3 million or 2.79 percent. The decrease in governmental activities of \$16.1 million is mainly driven by a reduction of \$20.7 million in accounts payable and \$16.2 million in accrued salaries, wages and payroll taxes, offset by an increase of \$22.0 million in other liabilities. For business-type activities, current and other liabilities decreased by \$1.8 million, primarily due to a decrease of \$7.7 million in short-term notes payable and \$2.5 million in accrued salaries, wages, and payroll taxes, offset by an increase of \$6.5 million in accounts payable.

Deferred Outflows/Inflows of Resources

- Deferred outflows of resources increased by \$114.0 million to \$820.2 million at June 30, 2025, which represents an increase by 16.14 percent compared to \$706.2 million at June 30, 2024. The primary factor leading to the increase in deferred outflows of resources is the increase in deferred outflows of resources related to pension of \$66.7 million and OPEB of \$48.1 million.
- Deferred inflows of resources increased by \$69.2 million to \$375.6 million at June 30, 2025, which represents an increase by 22.55 percent compared to \$306.4 million at June 30, 2024. The increase of deferred inflows of resources was primarily due to the increase in deferred inflows of resources related to pension of \$72.4 million and a rate stabilization reserve of \$56.0 million, offset by the decrease in deferred inflows of resources related to OPEB of \$55.4 million.

Net Position

- Unrestricted net position for governmental activities increased by \$97.7 million or 3.91 percent with a deficit balance of \$2.400 billion at June 30, 2025. The primary factors contributing to the deficit in unrestricted net position are the City's net pension and OPEB liabilities. For business-type activities, unrestricted net position increased by \$22.7 million or 3.18 percent with a positive balance of \$736.0 million at June 30, 2025.

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

Statement of Activities
For the Years Ended June 30, 2025 and 2024
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Revenues:						
Program revenues:						
Fees, fines, and charges for services	\$ 470,249	\$ 463,541	\$ 1,134,356	\$ 1,118,032	\$ 1,604,605	\$ 1,581,573
Operating grants and contributions	143,932	158,094	12,454	12,341	156,386	170,435
Capital grants and contributions	123,551	171,249	23,471	23,688	147,022	194,937
General revenues:						
Property and other taxes	648,616	619,705	-	-	648,616	619,705
Real property transfer tax	47,677	56,280	-	-	47,677	56,280
Utility	161,886	152,063	-	-	161,886	152,063
Franchise	58,459	52,476	-	-	58,459	52,476
Transient occupancy taxes	43,048	39,747	-	-	43,048	39,747
Business taxes	87,693	86,072	-	-	87,693	86,072
Sales taxes	331,431	333,411	-	-	331,431	333,411
Unrestricted interest and investment income	102,297	108,066	65,378	51,172	167,675	159,238
Other revenue	71,041	46,499	1,743	401	72,784	46,900
Total revenues	2,289,880	2,287,203	1,237,402	1,205,634	3,527,282	3,492,837
Expenses:						
General government	189,281	216,898	-	-	189,281	216,898
Public safety	793,659	780,342	-	-	793,659	780,342
Community services	547,438	519,728	-	-	547,438	519,728
Sanitation	248,185	223,287	-	-	248,185	223,287
Capital maintenance	554,141	548,919	-	-	554,141	548,919
Interest and fiscal charges	40,496	41,335	-	-	40,496	41,335
San José Mineta International Airport	-	-	249,349	225,969 (a)	249,349	225,969
Wastewater Treatment System	-	-	268,183	244,530	268,183	244,530
Municipal Water System	-	-	73,931	62,907	73,931	62,907
Parking System	-	-	16,901	17,352	16,901	17,352
San José Clean Energy	-	-	460,317	416,300	460,317	416,300
Total expenses	2,373,200	2,330,509	1,068,681	967,058	3,441,881	3,297,567
Excess (deficiency) before transfers	(83,320)	(43,306)	168,721	238,576	85,401	195,270
Transfers	4,036	2,221	(4,036)	(2,221)	-	-
Change in net position	(79,284)	(41,085)	164,685	236,355	85,401	195,270
Net position at beginning of year, as previously reported	2,318,181	2,359,266	2,090,866	1,856,360	4,409,047	4,215,626
Adjustment due to change of accounting principles	(67,080) (a)	-	(8,413) (a)	(1,849) (b)	(75,493)	(1,849)
Net position at beginning of year, as restated	2,251,101	2,359,266	2,082,453	1,854,511	4,333,554	4,213,777
Net position at end of year	\$ 2,171,817	\$ 2,318,181	\$ 2,247,138	\$ 2,090,866	\$ 4,418,955	\$ 4,409,047

(a) FY 2024 balances have been restated as a result of implementing GASB 101, *Compensated Absences*.

(b) FY 2023 balance has been restated for Airport as a result of implementing GASB 101, *Compensated Absences*.

Governmental activities: The change in net position for governmental activities decreased by \$38.2 million during FY 2025 from a deficit of \$41.1 million to a deficit of \$79.3 million. Total expenses increased by \$42.7 million and total revenues including transfers increased by \$4.5 million. The major factors contributing to the decrease in net position in FY 2025 compared to FY 2024 are as follows:

Revenues

- Fees, fines, and charges for services increased by \$6.7 million or 1.45 percent primarily due to a \$6.7 million increase in the Integrated Waste Management Fund, driven by higher revenue from garbage service fees. Additionally, the General Fund had a \$5.7 million increase, resulting from higher revenue collected from business license penalties and multi-housing occupancy permit collections. These increases were partially offset by a \$10.5 million decrease in the Subdivision Park Trust Fund, resulting from a significant decline in fees collected from large developments and apartment buildings.
- Operating grants and contributions decreased by \$14.2 million or 8.96 percent primarily due to a \$14.7 million decrease in various Housing Funds, resulting from lower grant revenue collected from the HOME program in FY 2025.
- Capital grants and contributions decreased by \$47.7 million or 27.85 percent mainly due to less contributions received from donated assets, from \$39.5 million in FY 2024 to \$17.8 million in FY 2025. Additionally, projects such as AHSC Balbach and Roosevelt were closed, and the McKee Road Safety Corridor Improvement project was completed in FY 2025. Furthermore, the Building and Structure Construction Tax Fund received \$10.0 million from Assembly Bill 178 – Vision Zero upfront in FY 2024, contributing to the significant year-over-year decrease in FY 2025.
- Other revenues and transfers increased by \$59.6 million or 3.99 percent mainly due to a \$19.6 million increase in General Secured Property Tax revenue, driven by higher property valuations resulting from ownership changes. Additionally, the City received \$5.0 million from the Google Community Benefit, and reimbursements from various jurisdictions increased by \$17.0 million. Furthermore, Utility Tax collections increased by \$9.8 million, mainly due to higher rates and increased consumption of both electricity and gas.

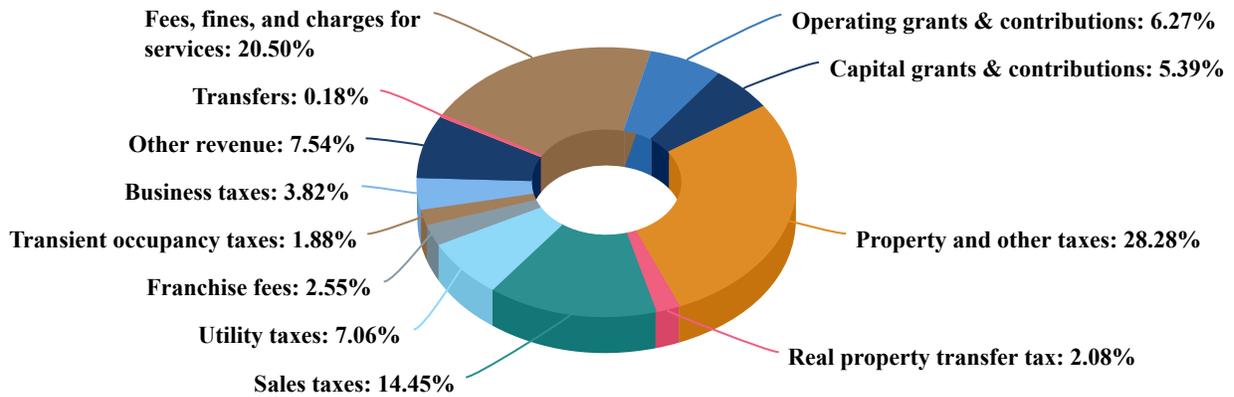
Expenses

- Pension expense decreased \$54.5 million during FY 2025. Federated City Employees’ Retirement System (“FCERS”)’s pension expense increased by \$13.3 million and the Police and Fire Department Retirement Plan (“PFDRP”)’s pension expense decreased by \$67.8 million primarily due to higher expected return on assets and increased recognition of investment gains.
- OPEB expense increased by \$47.6 million during FY 2025. FCERS’s OPEB expense increased by \$38.1 million and PFDRP’s OPEB expense increased by \$9.5 million primarily due to investment earnings and recognition of actuarial changes being higher than the expected return on assets.
- General government expenses decreased by \$27.6 million or 12.73 percent during FY 2025. This decrease was mainly driven by a reduction of open litigation claims for \$18.3 million. In addition, pension expenses decreased by \$8.3 million during FY 2025.
- Public safety expenses increased by \$13.3 million or 1.71 percent primarily due to a \$53.8 million increase in the General Fund, mainly driven by higher personnel services costs, as well as increased non-personnel expenses related to public safety. Additionally, OPEB expenses increased by \$35.7 million and offset by a \$78.2 million decrease in pension expenses.

- Community services expenses increased by \$27.7 million or 5.33 percent primarily due to a \$12.9 million increase in expenses related to the Permanent Local Housing Allocation project, an \$8.0 million increase in HomeKey grant expenses, and a \$5.5 million increase in repairs and maintenance expenses from the Convention and Cultural Facilities Funds. Additionally, the General Fund incurred \$9.3 million in expenses for the Cerone Interim Housing Community Project. These increases were offset by a \$9.0 million decrease in loan allowance expenses from the Low and Moderate Income Housing Asset Fund.
- Sanitation expenses increased by \$24.9 million or 11.15 percent primarily due to higher expenses in the Integrated Waste Management Fund. This included a \$14.0 million increase in spending on the Single-Family Recycle Plus and dwelling programs, \$2.4 million in expenses for the yard trimming collection process, and \$1.7 million in expenses for multi-family services.
- Capital maintenance expenses increased by \$5.2 million or 0.95 percent primarily due to a \$4.9 million increase in expenses from the Construction and Property Conveyance Tax Fund, driven by the John Mise Park artificial turf renovation project and various other infrastructure projects. The General Fund also experienced a \$3.2 million increase in expenses due to the placement of City's first safe sleeping site, and the Building and Structure Construction Tax Fund had a \$4.1 million increase related to new projects such as the TFCA Transit Signal project and the Grand Boulevard Initiative. Additionally, capital asset depreciation increased by \$3.1 million due to a higher volume of new assets placed into service during the current fiscal year. These increases were offset by a \$10.5 million decrease in expenses from the Measure T Public Safety and Infrastructure Fund, primarily related to pavement maintenance and bridge resurfacing.
- Interest and fiscal charges decreased by \$0.8 million or 2.03 percent in FY 2025 primarily due to interest expense incurred from Leases and Subscription-Based Information Technology Arrangements ("SBITAs").

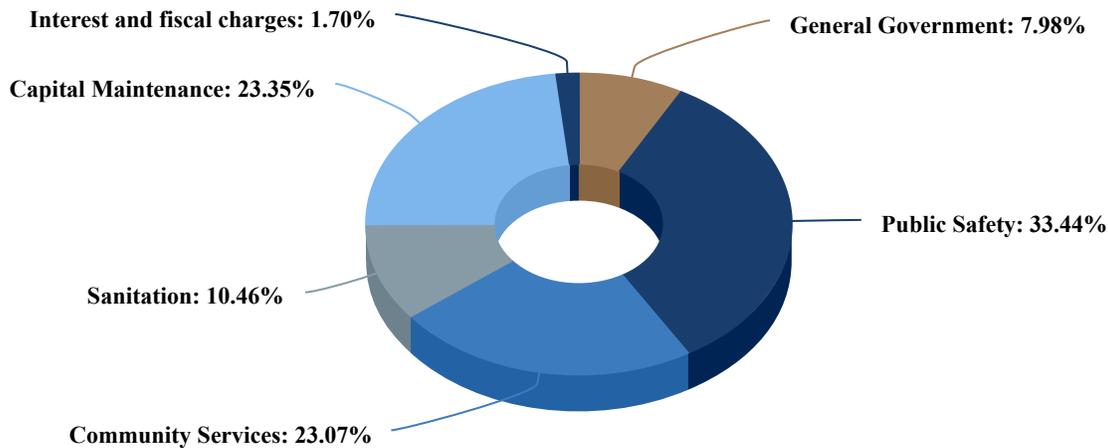
The chart below shows the primary components of governmental activities revenue sources for FY 2025. Of the \$2.294 billion in total revenues and transfers generated by governmental activities, 70.77 percent is attributable to four categories: property and other taxes (28.28 percent), fees, fines, and charges for services (20.50 percent), sales taxes (14.45 percent), other revenue (7.54 percent).

Governmental Activities Revenues by Source



The chart below shows the major categories of FY 2025 expenses for governmental activities. Of the \$2.373 billion in total expenses incurred by governmental activities, 90.32 percent is attributable to four categories: public safety (33.44 percent), capital maintenance (23.35 percent), community services (23.07 percent), and sanitation (10.46 percent).

Governmental Activities Expenses



Business-type activities: Business-type activities net position increased by \$156.3 million or 7.47 percent to \$2.247 billion in FY 2025.

The notable components of the changes in net position for business-type activities in FY 2025 are:

Airport change in net position from current year activities showed an increase of \$78.1 million in FY 2025 compared to an increase of \$75.2 million in FY 2024. The increase in operating revenues, investment income, Customer Facility Charges (“CFC”) and capital contributions, along with a decrease in interest expense, were partially offset by the increase in operating expenses, the increase in net revenue sharing with participating airlines, and the decrease in Passenger Facility Charges (PFC) revenues.

Operating revenues increased primarily due to higher rates for landing fees, terminal rentals, and land rentals. Investment income increased because of higher interest rates and the impact of fair value adjustments. CFC revenues increased following an increase in the number of transactions resulting in higher rental days subject to CFC fees. Capital contributions earned during FY 2025 pertained to grant reimbursement from the Federal Aviation Administration, mainly for the New Taxiway V. Interest expense decreased year over year primarily due to bond refunding completed during FY 2025. The net revenue sharing increased resulting from higher revenues. The decrease in PFC revenues was reflective of the decrease in passenger traffic.

Net nonoperating revenues increased \$0.9 million in FY 2025. The increase in investment income, CFC revenues, and decrease in interest expenses were offset by the \$7.4 million increase in the net revenue sharing with participating airlines and the decrease in PFC revenues. Capital contributions increased by \$3.4 million.

The Airport had a net operating income of \$44.0 million, a decrease of \$1.1 million compared to prior year's operating income of \$45.1 million. Operating revenues increased by 7.65 percent from \$222.1 million in FY 2024 to \$239.1 million in FY 2025 mainly due to higher rental rates.

Operating expenses in FY 2025 increased by 10.20 percent or \$18.0 million from \$177.1 million in FY 2024 to \$195.1 million in FY 2025 due to personnel and non-personnel costs resulting from higher contractual rates.

Wastewater Treatment System net position increased by \$57.6 million or 4.64 percent from \$1.242 billion to \$1.300 billion. The increase was primarily due to revenues exceeding expenses (before capital contributions) by \$56.4 million. The largest portion of the net position, \$1.074 billion or 82.66 percent, was its net investment in capital assets (e.g. land, buildings, and infrastructure) less outstanding debt that was used to acquire those assets. Approximately \$225.5 million, or 17.34 percent of the total net position, constitutes unrestricted net position, which may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Operating revenues increased by \$16.0 million compared to the prior fiscal year. The increase was primarily due to a \$17.0 million increase in sewer revenue, driven by increase in sewer discharges with a 9.00 percent sewer rate increase effective July 1, 2024 and a \$3.9 million increase in recycled-water revenue, resulting from a higher recycled-water rate. Additionally, joint participation revenue increased by \$1.5 million due to the reimbursement from West Valley Sanitary District for the joint sanitary sewer line improvement project and connection fee revenues increased by \$0.4 million. These increases were offset by a decrease of \$6.9 million in the contributions from the City of Santa Clara and the Tributary Agencies toward the Water Pollution Control Plant ("the Plant") ongoing maintenance and replacement costs.

Total operating expenses increased by \$22.8 million compared to the prior fiscal year. The increase was mainly driven by \$19.8 million increase in Facility Wide Water System Improvements project fees including contractual services and mobilization costs, \$9.5 million increase in depreciation and amortization expenses due to more capitalized assets placed into service, and \$7.1 million increase in personal service costs mainly due to cost of living adjustment. These increases were offset by a decrease of \$13.5 million in project expenses associated with Digested Sludge Dewatering Facility and Storm Drain System Improvements due to near project completion and post-construction phase, respectively.

Net nonoperating revenues (expenses) increased by \$2.6 million. The increase of nonoperating revenue was primarily due to a \$3.6 million increase in investment income and revenue for design and construction services rendered during the sewer repair project. Nonoperating expenses increased by \$1.0 million mainly attributed to higher outstanding principal balance related to the RWF note during the current fiscal year.

San José Clean Energy (SJCE) net position increased by \$22.9 million or 8.83 percent from \$259.5 million to \$282.4 million. Operating revenues decreased by \$24.8 million or 5.03 percent from \$492.3 million to \$467.5 million due to an increase in other revenues of \$0.6 million offset by a decrease in power sales of \$19.0 million and a year over year increase in deferred inflows set aside for the rate stabilization reserve of \$6.0 million. In FY 2024, the amount was \$50.0 million. In FY 2025, an additional \$56.0 million was added, bringing the total to \$106.0 million. The rate stabilization reserve can be drawn on in years of high operational expenses, to stabilize net revenue performance allowing SJCE to better manage its financial position and compliance reporting without relying solely on near-term customer rate adjustments. Operating expenses increased by \$44.7 million or 10.81 percent from \$413.6 million to \$458.3 million due to higher market prices in the California energy market.

As of June 30, 2025, SJCE serves approximately 352,000 customer accounts in San José with two electricity rate plans, as well as a special discount program, SJCARES, which was originally established for households that qualify for the California Alternate Rates for Energy ("CARE") or the Family Electric Rate Assistance

("FERA") state programs, and in fiscal year 2024 expanded to include residents living in affordable housing units and those deemed to be at significant risk of disconnection. These options provide customers with the ability to select the rate plan that best serves their financial needs while also providing access to service choices with renewable energy content that is greater than that of the electricity provided by PG&E. In addition, SJCE's Green Transportation Program supports the electrification of transit fleets and other large-scale transportation users, providing access to renewable power solutions that help reduce emissions and advance the City's climate goals.

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, 2025, the City's governmental funds reported combined fund balances of \$2.010 billion compared to \$2.142 billion balances in FY 2024. The governmental fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned.

- \$0.0 million consists of nonspendable fund balance related to advances and deposits long-term in nature that are not intended to convert into cash and do not represent currently available resources.
- \$1.149 billion is reported as restricted fund balance that includes restrictions imposed by external parties or enabling legislation. This amount includes unspent bond proceeds, unspent grant revenues, and restricted tax revenues.
- \$303.0 million is reported as committed fund balance that had been limited by formal Council action for a specific purpose.
- \$534.5 million is reported as assigned fund balance that includes amounts that may be used for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- \$22.9 million is reported as unassigned fund balance that represents the residual classification for the City's General Fund and San José Financing Authority Debt Service Fund and includes all spendable amounts not contained in the other classifications.

General Fund. The General Fund is the chief operating fund of the City. At June 30, 2025, the General Fund unassigned fund balance is \$22.9 million or 3.58 percent of the \$640.9 million total General Fund balance. Comparing unassigned fund balance and total fund balance to total fund expenditures may be useful as a measure of the General Fund's capacity to meet future obligations. At June 30, 2025, unassigned fund balance represents 1.60 percent of total General Fund expenditures of \$1.434 billion, while total fund balance represents 44.69 percent of total General Fund expenditures. At June 30, 2024, the same measures were 9.89 percent and 50.43 percent, respectively.

The General Fund ending fund balance decreased by \$34.2 million from \$675.1 million to \$640.9 million at June 30, 2025.

In FY 2025, General Fund revenues of \$1.414 billion were \$80.3 million or 6.02 percent higher than FY 2024 revenues of \$1.334 billion. The general Secured Property Tax receipts growth of \$21.7 million in FY 2025 primarily reflects an increase in assessed value due to changes in ownership or new construction. Secured Property Tax collections were positively impacted by excess Educational Revenue Augmentation Fund (ERAF) revenue. Utility Tax collections increased by \$9.8 million mainly due to the higher rates and also increased consumption of both electricity and gas. Investment income increased by \$0.4 million due to rising interest rates, increase in fair value adjustment of investments, and higher cash balances. Franchise fees increased by \$5.9 million due to PG&E changing the methodology for Franchise Fees remittance. General

Sales Tax receipts decreased by \$1.9 million due to an decrease in merchandise that is subject to the tax. Business tax revenues increased by \$1.6 million mainly due to an increase in General Business License collections over the past year. Operating grants and contributions increased by \$9.7 million primarily due to the Cerone EIH Grant . Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by several City departments, the largest of which are Parks, Recreation, and Neighborhood Services (“PRNS”) Department Fees. PRNS Department Fee revenue ended the year at \$25.9 million, which is significantly above the FY 2024 collection level of \$1.2 million. This large year over year increase in PRNS fee revenue is due to the continued reopening of PRNS programs.

FY 2025 General Fund expenditures of \$1.434 billion were \$95.6 million or 7.14 percent higher than FY 2024 expenditures of \$1.339 billion. The increase was primarily due to an increase of \$58.1 million in personal services expenditures, an increase of \$11.6 million in general liability claims, an increase of \$18.2 million in interim housing expenditures, and new expenses on Janitorial Services of \$7.3 million that did not occur last year.

Housing Activities Fund. The City’s Housing Activities fund receives resources from the U.S. Department of Housing and Urban Development and the California Department of Housing and Community Development and, in FY 2025, COVID-19 related funding through the U. S. Treasury. At June 30, 2025, the fund’s loan receivable balance (net), which represents loans to developers of various affordable housing projects and first-time homebuyers, was \$71.2 million. This balance includes loans to developers for various projects, including Ford and Monterey, Taylor Oaks Apartments, Donner Lofts, Japantown Seniors, The Metropolitan, Roundtable, Kings Crossing, Fourth Street Apartments, Peacock Commons, Archer Studios, Curtner Studios, Homesafe, Markham Plaza, Corde Terra Village Senior, Willow Glen Senior Housing, Leigh Avenue Senior Apartments, Second Street Studios, Kelsey Ayer Station, Alum Rock Apartments and 101 S. Jackson.

Restricted fund balance decreased by \$6.1 million to \$185.2 million as of June 30, 2025. The decrease is primarily due to revenues from intergovernmental services of \$57.1 million and investment and other revenues of \$17.9 million being lower than expenditures for community services of \$83.7 million. There was a \$10.7 million increase in revenue primarily from the \$15.9 million increase in grant revenue and offset by \$5.6 million decrease in Other Revenue due to a decrease in Commercial Linkage Fee revenue. Community services expenditures increased by \$15.9 million or 23.50 percent compared to prior year due to higher spending on emergency shelters.

Low and Moderate Income Housing Asset Fund. The Low and Moderate Income Housing Asset fund was created pursuant to the Redevelopment Dissolution Law to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Redevelopment Agency. At June 30, 2025, the fund’s loan receivable balance (net) was \$245.5 million. This balance consists mainly of loans to developers for various projects including Belovida Apartments, Brookwood Terrace, Cinnabar Commons, Corde Terra Village, Las Ventanas, Oak Tree Village, Pollard Plaza, Villas on the Park, Second Street Studios, The Metropolitan (South), Mariposa Place, Kelsey Ayer, Quetzal Gardens and Immanuel Sobrato. Restricted fund balance increased by \$2.5 million to \$422.7 million from \$420.2 million. The increase is primarily due to lower community services expenditures in the current year compared to FY 2024.

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. As of June 30, 2025, the unrestricted net position for major proprietary funds was \$190.3 million for the Airport, \$225.5 million for the Wastewater Treatment System, and \$280.9 million for the San José Clean Energy fund. The unrestricted net position for nonmajor proprietary funds totaled \$39.3 million, including the Municipal Water System and the Parking

System fund. Overall, the net position for proprietary funds increased from \$2.082 billion at June 30, 2024 to \$2.247 billion at June 30, 2025, resulting in an increase of \$164.7 million or 7.91 percent.

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

General Fund Budgetary Highlights

The City Charter requires the City Manager to submit balanced operating and capital budgets to the City Council prior to the beginning of a new fiscal year that begins each July 1 and ends on the following June 30. Council approved the FY 2025 budget in June 2024.

During the year ended June 30, 2025, there was a \$33.7 million increase in the budgeted revenues between the original and final amended operating budget for the General Fund. The increase in budgeted revenues was due to a \$29.8 million increase in the intergovernmental category, \$5.0 million increase in Utility, as well as \$20.2 million increase across other various revenue categories, and an offset of \$22.0 million in sales tax category.

Actual budgetary basis expenditures of \$1.537 billion were \$384.9 million less than the amended budget as of June 30, 2025, due to planned expenditures not occurring; however, they were \$180.0 more than the original budget. Personal Services expenditures for the year were \$3.1 million below budgeted levels primarily due to vacancy savings. Some of the other unexpended expenditures include the Measure E Homeless Support, Fire Apparatus Replacement, Interim Housing - cerone, the Project Homekey 2.0, and other miscellaneous projects.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to \$7.376 billion at June 30, 2025. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction in progress. The City's requirement to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. For the year ended June 30, 2025, net capital assets decreased by \$15.0 million (\$87.9 million decrease in governmental activities and \$72.9 million increase in business-type activities) compared to net capital assets at June 30, 2024. The decrease of \$87.9 million in governmental activities is primarily due to depreciation expense of \$249.6 million and net deletions of \$0.2 million. The decrease was offset by acquisitions of \$161.9 million. The increase of \$72.9 million in capital assets in the business-type activities resulted from depreciation expense of \$108.2 million, and net deletions of \$0.6 million, offset by additions of capital projects of \$136.0 million, and additions of \$45.7 million in other capital improvements.

Total construction in progress decreased by \$500.3 million from \$1.070 billion at June 30, 2024 to \$569.3 million at June 30, 2025. Construction in progress ("CIP") for the governmental activities decreased by \$39.7 million primarily due to \$114.5 million additions to CIP projects and \$154.2 million net of projects being transferred into service. Major projects contributing to construction in progress include the Emergency Operation Center Relocation Building, with a cost of \$26.3 million, and the River Oaks Regional Stormwater Capture Project, with a cost of \$16.0 million in FY 2025. Business-type activities contributed a decrease of \$460.6 million to the total CIP as additions to the Airport and the Wastewater Treatment System totaling \$136.0 million were offset by \$596.0 million projects that were completed and placed in service and \$0.6 million deletions. Completed Airport projects include the SJC New Facilities Division Building, SJC New Taxiway Victor-Phase 1, SJC TSA Magazine Relocation, Facilities Division Relocation, and Terminal Paging System.

The City records infrastructure assets at historical cost in the government-wide financial statements and depreciates assets from acquisition date to the end of the current fiscal year. 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, 2025 and June 30, 2024 (in thousands):

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 585,243	\$ 582,575	\$ 143,048	\$ 143,048	\$ 728,291	\$ 725,623
Intangible assets	-	-	13,247	13,340	13,247	13,340
Construction in progress	141,639	181,347	427,640	888,230	569,279	1,069,577
Buildings	846,967	837,044	1,176,585	913,216	2,023,552	1,750,260
Improvements, other than buildings	266,820	248,727	691,401	640,566	958,221	889,293
Infrastructure	2,650,067	2,730,506	-	-	2,650,067	2,730,506
Furniture and fixtures, vehicles, equipment	55,207	53,475	336,056	118,962	391,263	172,437
Right-to-use lease assets	19,466	22,260	5,120	2,328	24,586	24,588
Right-to-use assets SBITA	16,131	13,519	1,552	2,066	17,683	15,585
Total capital assets	\$ 4,581,540	\$ 4,669,453	\$ 2,794,649	\$ 2,721,756	\$ 7,376,189	\$ 7,391,209

Commitments outstanding as of June 30, 2025, related to governmental and business-type activities construction in progress totaled approximately \$25.3 million and \$169.1 million, respectively. Additional information about the City's capital assets can be found in the Notes to Basic Financial Statements, Note III.D.

Net General Obligation Bonded Debt Limit

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property, provided by the County, for the FY 2025 tax roll was \$266.859 billion, which results in a total debt limit of approximately \$40.029 billion. As of June 30, 2025, the City had \$596.9 million, or 1.49 percent, of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is \$39.432 billion.

General Obligation Bonds and Other Bond Ratings

The City's General Obligation credit ratings are "Aa1" by Moody's Investors Services Inc. (Moody's), "AA+" by S&P Global Ratings (S&P), and "AAA" by Fitch Ratings (Fitch), all with a "Stable" outlook as of June 30, 2025. The City continues to be one of the highest rated large cities (statistics of population over 250,000) in California.

The Financing Authority Lease Revenue Bonds, Series 2025A were rated "Aa2", "AA", and "AA" from Moody's, S&P, and Fitch, respectively, and each rating agency affirmed the long term ratings of the City's outstanding lease revenue bond debt in June 2025. The lease revenue bonds are secured by lease payments made by the City to the authority for use of the leased asset.

The Successor Agency to the Redevelopment Agency of the City of San José 2017 Tax Allocation Refunding Bonds Series B were upgraded by Fitch in October 2024 from "AA" to "AA+", due to strong pledged revenue growth and diminished risk of leveraging the senior lien through subordinate lien refunding. The outlook remained stable.

City of San José Financing Authority (CSJFA) Wastewater Revenue Bonds, Series 2022B credit rating was reaffirmed by Fitch and Kroll Bond Rating Agency ("KBRA") with an "AAA" rating with stable outlooks in October and November 2024, respectively. The ratings reflect the wastewater system's strong debt coverage and cash position, and its independent legal ability to set rates.

City of San José Issuer's Credit Rating – Moody's, S&P and Fitch affirmed the issuer credit rating of "Aa1", "AA+" and "AA+", respectively, with stable outlook in June 2025, citing City's large, diverse economy and strong financial position.

San José Airport Revenue bonds maintained a credit rating of "A2" from Moody's with a stable outlook in August 2023 and S&P re-affirmed its long-term rating of "A" with stable outlook in May 2025. Fitch affirmed its "A" rating with stable outlook and also affirmed "A-" underlying rating on the bank note associated with the Airport's subordinated commercial paper (CP) notes in March 2025. The ratings reflect Airport's continued financial resilience supported by active management of expenses and a strategic bond refinancing and its sound competitive position with a relatively stable market share.

As of June 30, 2025, the credit ratings and the outlook of the respective credit rating agencies for the City of San José Financing Authority (“Authority”), lease revenue bonds are set forth in the table below.

Series	Moody's	S&P	Fitch
2013B, 2020A, and 2021A	Aa2	AA	AA
2020B	Aa3	AA	AA-
2022A	Aa3	AA	AA
2025A	Aa2	AA	AA
Rating Outlook	Stable	Stable	Stable

As of June 30, 2025, the underlying credit ratings of the City of San José Airport Revenue Bonds were rated by Moody's, S&P and Fitch: A2, A and A, respectively.

The Wastewater Revenue Bonds underlying credit ratings by S&P, Fitch, and KBRA: AAA, AAA, and AAA, respectively.

Outstanding Long-Term Debt

The City's long-term debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds and revenue notes. During the current fiscal year, the City's outstanding long-term debt decreased by \$102.5 million to \$2.599 billion, comprising \$1.208 billion of governmental activities and \$1.391 billion of business-type activities.

The decrease of \$57.7 million in governmental activities is due to \$51.6 million of debt service payments, amortization of \$6.1 million in premiums, and no new bond issuances.

The decrease of \$44.8 million in the business-type activities is primarily due to \$110.6 million of debt service payments and amortization of \$10.6 million in premiums, offset by \$76.4 million of new bond issuances.

Additional information about the City's long-term outstanding debt can be found in the Notes to Basic Financial Statements, Note III.F.

Economic Factors and Next Year’s Budget

- The FY 2026 Adopted Budget includes a modest decrease to staffing levels to eliminate one-time basis positions. Overall, the level of staffing increased by 5 positions, from 6,994 full-time equivalent positions in the FY 2025 Adopted Budget to 6,999 positions in the FY 2026 Proposed Budget.
- As reported in the GASB 67/68 Report as of June 30, 2025 prepared by the actuary for PFDRP, the net position of the Defined Benefit Pension Plan was 88.05 percent of the total pension liability. The total pension liability was \$6.324 billion, and the fiduciary net position was \$5.568 billion, resulting in a net pension liability of \$755.5 million. This actuarial information will be used to report pension amounts in the City’s FY 2026 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As reported in the GASB 67/68 Report as of June 30, 2025 prepared by the actuary for FCERS, the net position of the Defined Benefit Pension Plan was 65.84 percent of the total pension liability. The total pension liability was \$5.295 billion, and the fiduciary net position was \$3.486 billion, resulting in a net pension liability of \$1.809 billion. This actuarial information will be used to report pension amounts in the City’s FY 2026 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As of June 30, 2025, the net position of PFDRP’s OPEB Plan was 43.42 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was \$914.5 million and the fiduciary net position was \$397.1 million, resulting in a net OPEB liability of \$517.4 million. This actuarial information will be used to report OPEB amounts in the City’s FY 2026 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- As of June 30, 2025, the net position of the FCERS’s OPEB Plan was 62.80 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was \$735.0 million and the fiduciary net position was \$461.6 million, resulting in a net OPEB liability of \$273.4 million. This actuarial information will be used to report OPEB amounts in the City’s FY 2026 basic financial statements. This report is for the use of the Retirement System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements.
- For FY 2026, the City’s contribution rates and amounts for pension benefits and postemployment healthcare benefits are as follows (in thousands):

Contribution Rates	PFDRP ¹				FCERS ¹	
	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Tier 1	Tier 2
Retirement Pension	\$ 162,545 ²	13.55%	\$ 33,550 ²	15.01%	164.75%	8.62%
Postemployment Healthcare Benefits	\$ 18,938	-	\$ 12,328	-	4.38%	4.38%

¹ The rates are the Retirement Board adopted rates based on the June 30, 2024, actuarial valuations.

² PFDRP Tier 1 pension contributions are discounted because the City prefunded those amounts in FY 2026.

Forward-Looking Statements and Requests for Information

Forward-Looking Statements

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

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

Requests for Information

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

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





**BASIC FINANCIAL
STATEMENTS**

City of San José
Statement of Net Position
June 30, 2025
(\$000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 1,569,403	1,115,458	2,684,861
Receivables (net of allowances for uncollectibles)	199,534	129,296	328,830
Prepaid expenses, advances and deposits	392	9,931	10,323
Inventories	2,322	539	2,861
Internal balances	20,700	(20,700)	-
Leases receivable	22,659	14,602	37,261
Public-private and public-public partnerships receivable	96,880	-	96,880
Loans receivable (net of allowances for uncollectibles)	331,861	2,817	334,678
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	100,794	178,521	279,315
Cash and investments held with fiscal agents	81,249	86,309	167,558
Other cash and investments	19,080	-	19,080
Receivables (net of allowances for uncollectibles)	-	4,808	4,808
Other assets	-	29	29
Other assets	53,757	249	54,006
Net other postemployment benefits asset	-	1,417	1,417
Capital assets (net of accumulated depreciation):			
Nondepreciable	726,882	583,570	1,310,452
Depreciable	3,854,658	2,211,079	6,065,737
Total assets	<u>7,080,171</u>	<u>4,317,925</u>	<u>11,398,096</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	4,666	9,527	14,193
Pensions	554,235	76,449	630,684
Other postemployment benefits	159,594	15,690	175,284
Total deferred outflows of resources	<u>718,495</u>	<u>101,666</u>	<u>820,161</u>
LIABILITIES			
Accounts payable	136,934	121,342	258,276
Accrued salaries, wages and payroll taxes	37,257	4,486	41,743
Interest payable	10,489	16,396	26,885
Due to outside agencies	485	-	485
Short-term notes payable	25,667	20,056	45,723
Unearned revenue	54,219	7,999	62,218
Advances, deposits, and reimbursable credits	9,168	6,383	15,551
Other liabilities	75,090	-	75,090
Long-term obligations:			
Due within one year	203,181	54,305	257,486
Due in more than one year:			
Net pension liability	2,620,643	341,407	2,962,050
Net other postemployment benefits liability	813,251	69,986	883,237
Other long-term obligations	1,399,960	1,395,033	2,794,993
Total liabilities	<u>5,386,344</u>	<u>2,037,393</u>	<u>7,423,737</u>
DEFERRED INFLOWS OF RESOURCES			
Gain on refundings of debt	2,555	2,779	5,334
Pensions	94,822	9,800	104,622
Other postemployment benefits	37,352	2,967	40,319
Rate stabilization reserve	-	106,000	106,000
Leases	19,883	13,514	33,397
Public-private and public-public partnerships	85,893	-	85,893
Total deferred inflows of resources	<u>240,505</u>	<u>135,060</u>	<u>375,565</u>
NET POSITION			
Net investment in capital assets	3,413,015	1,433,873	4,846,888
Restricted for:			
Debt service	44,031	26,805	70,836
Capital projects	472,074	49,093	521,167
Community services	638,841	-	638,841
Public safety	3,541	-	3,541
Net other postemployment benefits asset	-	1,417	1,417
Unrestricted (deficit)	(2,399,685)	735,950	(1,663,735)
Total net position	<u>\$ 2,171,817</u>	<u>2,247,138</u>	<u>4,418,955</u>

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

City of San José
Statement of Activities
For the Year Ended June 30, 2025
(\$000's)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental activities:							
General government	\$ 189,281	10,733	6,027	-	(172,521)	-	(172,521)
Public safety	793,659	43,111	26,174	-	(724,374)	-	(724,374)
Community services	547,438	155,272	69,387	90	(322,689)	-	(322,689)
Sanitation	248,185	235,632	203	-	(12,350)	-	(12,350)
Capital maintenance	554,141	25,501	42,141	123,461	(363,038)	-	(363,038)
Interest and fiscal charges	40,496	-	-	-	(40,496)	-	(40,496)
Total governmental activities	2,373,200	470,249	143,932	123,551	(1,635,468)	-	(1,635,468)
Business -Type activities:							
San José Mineta International Airport	249,349	272,566	10,418	20,702	-	54,337	54,337
Wastewater Treatment System	268,183	298,804	-	2,745	-	33,366	33,366
Municipal Water System	73,931	77,778	-	24	-	3,871	3,871
Parking System	16,901	17,702	-	-	-	801	801
San José Clean Energy	460,317	467,506	2,036	-	-	9,225	9,225
Total business-type activities	1,068,681	1,134,356	12,454	23,471	-	101,600	101,600
Total	\$ 3,441,881	1,604,605	156,386	147,022	(1,635,468)	101,600	(1,533,868)
General revenues:							
Taxes and franchise fees:							
Property and other taxes	\$ 648,616	-	-	-	-	-	648,616
Real property transfer tax	47,677	-	-	-	-	-	47,677
Utility	161,886	-	-	-	-	-	161,886
Franchise	58,459	-	-	-	-	-	58,459
Transient occupancy	43,048	-	-	-	-	-	43,048
Business taxes	87,693	-	-	-	-	-	87,693
Sales taxes	331,431	-	-	-	-	-	331,431
Unrestricted interest and investment income	102,297	65,378	-	-	-	-	167,675
Other revenue	71,041	1,743	-	-	-	-	72,784
Transfers	4,036	(4,036)	-	-	-	-	-
Total general revenues and transfers	1,556,184	63,085	-	-	-	-	1,619,269
Change in net position	(79,284)	164,685	85,401	-	-	-	85,401
Net position - beginning, as previously reported	2,318,181	2,092,845	4,411,026	-	-	-	4,411,026
Change in accounting principles	(67,080)	(10,392)	(77,472)	-	-	-	(77,472)
Beginning, as restated	2,251,101	2,082,453	4,333,554	-	-	-	4,333,554
Net position - ending	\$ 2,171,817	2,247,138	4,418,955	-	-	-	4,418,955

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

**City of San José
Balance Sheet
Governmental Funds
June 30, 2025
(\$000's)**

	<u>General Fund</u>	<u>Housing Activities</u>
ASSETS		
Equity in pooled cash and investments held in City Treasury	\$ 644,814	144,863
Receivables (net of allowance for uncollectibles)	125,188	2,684
Due from other funds	3,501	-
Loans receivables (net of allowance for uncollectibles)	13,396	71,163
Advances and deposits	39	-
Restricted assets:		
Equity in pooled cash and investments held in City Treasury	1,505	15,264
Cash and investments held with fiscal agents	-	-
Other cash and investments	-	-
Leases receivable	19,401	387
Public-private and public-public partnerships receivable	5,163	-
Other assets	-	2,300
Total assets	<u>813,008</u>	<u>236,661</u>
LIABILITIES		
Accounts payable	51,506	11,420
Accrued salaries, wages, and payroll taxes	31,668	227
Due to other funds	-	-
Due to outside agencies	373	-
Short-term notes payable	-	-
Unearned revenue	13,409	26,364
Advances, deposits, and reimbursable credits	170	-
Other liabilities	52,863	-
Total liabilities	<u>149,989</u>	<u>38,011</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	848	13,067
Leases	16,644	400
Public-private and public-public partnerships	4,583	-
Total deferred inflows of resources	<u>22,075</u>	<u>13,467</u>
FUND BALANCES		
Nonspendable	39	-
Restricted	300	185,183
Committed	181,200	-
Assigned	436,484	-
Unassigned	22,921	-
Total fund balances	<u>640,944</u>	<u>185,183</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 813,008</u>	<u>236,661</u>

Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	Total Governmental Funds
134,260	621,156	1,545,093
762	70,640	199,274
-	21,443	24,944
245,530	1,772	331,861
-	353	392
-	84,025	100,794
-	81,249	81,249
-	18,519	18,519
-	2,871	22,659
-	91,717	96,880
49,527	1,930	53,757
<u>430,079</u>	<u>995,675</u>	<u>2,475,423</u>
4,284	67,352	134,562
224	4,253	36,372
-	4,244	4,244
-	112	485
-	25,667	25,667
-	14,446	54,219
-	8,998	9,168
-	22,226	75,089
<u>4,508</u>	<u>147,298</u>	<u>339,806</u>
2,862	3,324	20,101
-	2,839	19,883
-	81,310	85,893
<u>2,862</u>	<u>87,473</u>	<u>125,877</u>
-	-	39
422,709	541,026	1,149,218
-	121,839	303,039
-	98,059	534,543
-	(20)	22,901
<u>422,709</u>	<u>760,904</u>	<u>2,009,740</u>
<u>430,079</u>	<u>995,675</u>	<u>2,475,423</u>

City of San José
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2025
(\$000's)

Total fund balances-governmental funds (page 30)	\$	2,009,740
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$	585,243
Construction in progress		141,381
Infrastructure assets		11,744,098
Other capital assets		2,379,365
Lease assets		28,585
Subscription-based information technology arrangement assets		30,591
Accumulated depreciation		<u>(10,333,194)</u>
Total capital assets		4,576,069
Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in governmental funds.		
		20,101
Gain/loss on refundings of debt are reported as deferred inflows/outflows of resources and are not financial resources, therefore are not reported in the funds. Such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position.		
		2,111
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.		
		(10,466)
Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		
		22,734
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds, lease and subscription-based information technology arrangement payables	\$	(1,242,593)
Accrued vacation, sick leave and compensatory time		(162,246)
Estimated liability for self-insurance		(185,530)
Other		<u>(5,864)</u>
Total long-term obligations		(1,596,233)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension liability	\$	(2,620,643)
Deferred outflows of resources		554,235
Deferred inflows of resources		<u>(94,822)</u>
Total pension related balances		(2,161,230)
Other postemployment benefits liability and related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net other postemployment benefits liability	\$	(813,251)
Deferred outflows of resources		159,594
Deferred inflows of resources		<u>(37,352)</u>
Total other postemployment benefits related balances		<u>(691,009)</u>
Net position of governmental activities (page 27)	\$	<u>2,171,817</u>

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



City of San José
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025
(\$000's)

	General Fund	Housing Activities	Low and Moderate Income Housing Asset
REVENUES			
Taxes and special assessments	\$ 871,405	-	-
Sales taxes	331,431	-	-
Licenses, permits, and fines	42,252	-	-
Intergovernmental	38,243	57,104	10
Charges for current services	25,858	-	-
Rent	-	-	-
Investment income	31,221	9,722	14,977
Other revenue	73,509	8,220	527
Total revenues	<u>1,413,919</u>	<u>75,046</u>	<u>15,514</u>
EXPENDITURES			
Current:			
General government	210,541	-	-
Public safety	839,527	-	-
Community services	222,064	83,710	15,709
Sanitation	7,059	-	-
Capital maintenance	93,724	-	-
Capital outlay	50,676	-	29
Debt service:			
Principal	9,208	-	-
Interest and fiscal charges	1,548	-	-
Total expenditures	<u>1,434,347</u>	<u>83,710</u>	<u>15,738</u>
Deficiency of revenues under expenditures	<u>(20,428)</u>	<u>(8,664)</u>	<u>(224)</u>
OTHER FINANCING SOURCES (USES)			
Inception of lease	442	-	-
Inception of subscription-based information technology arrangement	7,002	-	-
Transfers in	12,299	5,951	3,100
Transfers out	(33,485)	(3,357)	(331)
Total other financing sources (uses)	<u>(13,742)</u>	<u>2,594</u>	<u>2,769</u>
Net change in fund balances	<u>(34,170)</u>	<u>(6,070)</u>	<u>2,545</u>
FUND BALANCE			
Beginning of year, as previously reported	675,114	191,253	420,164
Adjustment - Reclassification of Funds from Major to Nonmajor funds	-	-	-
Beginning of year, as restated	<u>675,114</u>	<u>191,253</u>	<u>420,164</u>
End of year	<u>\$ 640,944</u>	<u>185,183</u>	<u>422,709</u>

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

Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	-	189,847	1,061,252
-	-	-	331,431
-	-	-	42,252
-	-	152,477	247,834
-	-	292,773	318,631
-	-	63,324	63,324
-	-	45,114	101,034
-	-	57,555	139,811
-	-	801,090	2,305,569
-	-	118	210,659
-	-	2,341	841,868
-	-	194,014	515,497
-	-	241,632	248,691
-	-	289,276	383,000
-	-	91,222	141,927
-	-	51,783	60,991
-	-	45,010	46,558
-	-	915,396	2,449,191
-	-	(114,306)	(143,622)
-	-	-	442
-	-	1,191	8,193
-	-	90,685	112,035
-	-	(72,324)	(109,497)
-	-	19,552	11,173
-	-	(94,754)	(132,449)
32,414	4,738	818,506	2,142,189
(32,414)	(4,738)	37,152	-
-	-	855,658	2,142,189
-	-	760,904	2,009,740

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, 2025
(\$000's)

Net change in fund balances - total governmental funds (page 34)	\$	(132,449)
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	\$	141,927
Depreciation expense		<u>(247,948)</u>
Excess of depreciation expense over capital outlay		(106,021)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations)		
Donated assets and other additions	\$	17,793
Loss on disposal of assets		<u>(265)</u>
		17,528
Amortization of deferred inflows of resources and deferred outflows of resources resulting from the deferred refunding gains and losses.		(48)
Repayment of long-term obligation principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The City's long-term obligations were reduced because principal payments were made to bondholders.		51,555
Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. Amortization of bond premiums and discounts should be expensed as a component of interest expense on the statement of activities. This amount represents the change in accrued interest payable and the amortization of bond premiums and discounts not reported in governmental funds.		
Decrease in accrued interest payable	\$	15
Amortization of premiums and discounts on bonds issued		<u>6,095</u>
Total net interest expense and amortization of discount/premium		6,110
Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available revenues" and are reported as deferred inflows of resources in the governmental funds.		(34,746)
Internal service funds are used by management to charge the cost of public works support, employee benefits, and vehicle maintenance and operations to individual funds. The change in net position is included in governmental activities in the statement of activities.		2,494
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Net increase in vacation, sick leave, and compensatory time	\$	(5,837)
Net decrease in estimated liability for self-insurance		10,979
Net increase in other liabilities		(272)
Net decrease in lease payable		2,196
Net increase in subscription-based information technology arrangement payable		<u>(1,367)</u>
Total expenditures		5,699
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		117,372
Changes to net other postemployment benefits liability and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(6,778)</u>
Change in net position of governmental activities (page 28)	\$	<u>(79,284)</u>

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



City of San José
Statement of Fund Net Position
Proprietary Funds
June 30, 2025
(\$000's)

	Enterprise Funds					Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds	Total	
ASSETS						
Current assets:						
Equity in pooled cash and investments held in City Treasury \$	310,330	482,836	246,051	76,241	1,115,458	24,310
Receivables (net of allowance for uncollectibles)	27,277	11,656	71,621	18,742	129,296	260
Lease receivable	2,938	-	-	-	2,938	-
Concession loan receivable	161	-	-	-	161	-
Prepaid expenses, advances and deposits	291	-	9,574	-	9,865	-
Inventories	-	539	-	-	539	2,322
Total unrestricted current assets	<u>340,997</u>	<u>495,031</u>	<u>327,246</u>	<u>94,983</u>	<u>1,258,257</u>	<u>26,892</u>
Restricted assets:						
Equity in pooled cash and investments held in City Treasury	70,080	-	106,000	2,441	178,521	-
Cash and investments held with fiscal agents	86,308	1	-	-	86,309	-
Other cash and investments	-	-	-	-	-	561
Receivables (net of allowances for uncollectibles)	4,808	-	-	-	4,808	-
Prepaid expenses, advances and deposits	9	-	-	-	9	-
Current portion of prepaid bond insurance	20	-	-	-	20	-
Total restricted current assets	<u>161,225</u>	<u>1</u>	<u>106,000</u>	<u>2,441</u>	<u>269,667</u>	<u>561</u>
Total current assets	<u>502,222</u>	<u>495,032</u>	<u>433,246</u>	<u>97,424</u>	<u>1,527,924</u>	<u>27,453</u>
Noncurrent assets:						
Prepaid bond insurance (net of accumulated amortization)	249	-	-	-	249	-
Concession loan receivable	2,656	-	-	-	2,656	-
Advances and deposits	66	-	-	-	66	-
Lease receivable	5,442	-	-	6,222	11,664	-
Net other postemployment benefits asset	-	-	1,417	-	1,417	-
Capital assets (net of accumulated depreciation):						
Nondepreciable	137,386	367,912	-	78,272	583,570	258
Depreciable	1,058,922	1,061,536	3,773	86,848	2,211,079	5,213
Total noncurrent assets	<u>1,204,721</u>	<u>1,429,448</u>	<u>5,190</u>	<u>171,342</u>	<u>2,810,701</u>	<u>5,471</u>
Total assets	<u>1,706,943</u>	<u>1,924,480</u>	<u>438,436</u>	<u>268,766</u>	<u>4,338,625</u>	<u>32,924</u>
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refundings of debt	9,527	-	-	-	9,527	-
Pensions	19,091	45,277	5,401	6,680	76,449	-
Other postemployment benefits	3,773	9,443	1,123	1,351	15,690	-
Total deferred outflows of resources	<u>32,391</u>	<u>54,720</u>	<u>6,524</u>	<u>8,031</u>	<u>101,666</u>	<u>-</u>

(Continued)

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

City of San José
Statement of Fund Net Position (Continued)
Proprietary Funds
June 30, 2025
(\$000's)

	Enterprise Funds					Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds	Total	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 27,838	37,051	46,225	10,058	121,172	2,372
Accrued salaries, wages, and payroll taxes	1,131	2,618	351	386	4,486	885
Interest payable	33	2,376	18	5	2,432	23
Due to other funds	-	-	-	20,700	20,700	-
Short-term notes payable	20,056	-	-	-	20,056	-
Accrued vacation, sick leave and compensatory time	2,506	7,607	852	1,357	12,322	286
Estimated liability for self-insurance	350	-	3	238	591	-
Advances and deposits payable	3,010	-	1,317	85	4,412	-
Leases payable	-	-	345	731	1,076	-
Subscription-based information technology arrangement payable	201	70	202	-	473	56
Current portion of bonds payable, net	-	5,457	-	-	5,457	-
Other liabilities	-	-	-	-	-	1
Unearned revenue	5,534	-	2,465	-	7,999	-
Total current liabilities unrestricted	<u>60,659</u>	<u>55,179</u>	<u>51,778</u>	<u>33,560</u>	<u>201,176</u>	<u>3,623</u>
Current liabilities payable from restricted assets:						
Accounts payable and accrued liabilities	170	-	-	-	170	-
Interest payable	13,964	-	-	-	13,964	-
Current portion of bonds payable, net	34,386	-	-	-	34,386	-
Total current liabilities payable from restricted assets	<u>48,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,520</u>	<u>-</u>
Total current liabilities	<u>109,179</u>	<u>55,179</u>	<u>51,778</u>	<u>33,560</u>	<u>249,696</u>	<u>3,623</u>
Noncurrent liabilities:						
Accrued vacation, sick leave and compensatory time	2,366	4,339	363	1,195	8,263	6,240
Leases payable	-	-	3,152	909	4,061	-
Subscription-based information technology arrangement payable	546	569	-	-	1,115	327
Estimated liability for self-insurance	1,224	1,416	-	736	3,376	-
Advances, deposits, and reimbursable credits	-	-	-	1,971	1,971	-
Pollution remediation obligation	-	27,051	-	-	27,051	-
Notes payable	-	40,098	-	-	40,098	-
Bonds payable (net of premium)	1,026,303	284,766	-	-	1,311,069	-
Net pension liability	104,355	210,891	439	25,722	341,407	-
Net other postemployment benefits liability	17,275	47,136	-	5,575	69,986	-
Total noncurrent liabilities	<u>1,152,069</u>	<u>616,266</u>	<u>3,954</u>	<u>36,108</u>	<u>1,808,397</u>	<u>6,567</u>
Total liabilities	<u>1,261,248</u>	<u>671,445</u>	<u>55,732</u>	<u>69,668</u>	<u>2,058,093</u>	<u>10,190</u>
DEFERRED INFLOWS OF RESOURCES						
Gain on refundings of debt	2,779	-	-	-	2,779	-
Pensions	2,476	5,845	633	846	9,800	-
Other postemployment benefits	497	1,969	221	280	2,967	-
Leases	7,754	-	-	5,760	13,514	-
Rate stabilization reserve	-	-	106,000	-	106,000	-
Total deferred inflows of resources	<u>13,506</u>	<u>7,814</u>	<u>106,854</u>	<u>6,886</u>	<u>135,060</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	200,780	1,074,478	74	158,541	1,433,873	5,088
Restricted for net other postemployment benefits asset	-	-	1,417	-	1,417	-
Restricted for debt service	24,364	-	-	2,441	26,805	-
Restricted for capital projects and other agreements	49,093	-	-	-	49,093	-
Unrestricted	190,343	225,463	280,883	39,261	735,950	17,646
Total net position	<u>\$ 464,580</u>	<u>1,299,941</u>	<u>282,374</u>	<u>200,243</u>	<u>2,247,138</u>	<u>22,734</u>

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

City of San José
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025
(\$000's)

	Enterprise Funds							Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES								
Charges for services	\$ 65,122	234,778	-	-	501,949	94,098	895,947	198,010
Rate stabilization reserve	-	-	-	-	(56,000)	-	(56,000)	-
Rentals and concessions	147,015	24,760	-	-	-	-	171,775	-
Customer transportation fees	5,765	-	-	-	-	-	5,765	-
Service connection, engineering and inspection	-	2,468	-	-	-	-	2,468	-
Contributions from participating agencies	-	34,796	-	-	-	-	34,796	-
Other	21,222	1,762	-	-	21,557	1,382	45,923	55
Total operating revenues	239,124	298,564	-	-	467,506	95,480	1,100,674	198,065
OPERATING EXPENSES								
Operations and maintenance	105,907	168,849	-	-	439,076	68,021	781,853	196,696
General and administrative	30,562	41,471	-	-	18,316	16,617	106,966	-
Depreciation	58,654	43,170	-	-	887	5,498	108,209	1,635
Materials and supplies	-	763	-	-	-	202	965	-
Total operating expenses	195,123	254,253	-	-	458,279	90,338	997,993	198,331
Operating income (loss)	44,001	44,311	-	-	9,227	5,142	102,681	(266)
NONOPERATING REVENUES (EXPENSES)								
Passenger facility charges	21,443	-	-	-	-	-	21,443	-
Customer facility charges	11,999	-	-	-	-	-	11,999	-
Operating grants	418	-	-	-	2,036	-	2,454	-
Intergovernmental revenue	10,000	-	-	-	-	-	10,000	-
Investment income	22,248	25,546	-	-	14,078	3,506	65,378	1,263
Lease interest income	298	-	-	-	-	445	743	-
Interest expense	(37,551)	(13,930)	-	-	(2,038)	(367)	(53,886)	-
Bond issuance costs	(464)	-	-	-	-	-	(464)	-
Participating airline net revenue sharing	(16,211)	-	-	-	-	-	(16,211)	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(1)
Other revenues (expenses), net	735	265	-	-	-	(127)	873	-
Land and building rental	-	240	-	-	-	-	240	-
Net nonoperating revenues	12,915	12,121	-	-	14,076	3,457	42,569	1,262
Income before capital contributions and transfers	56,916	56,432	-	-	23,303	8,599	145,250	996
Capital contributions	20,702	2,745	-	-	-	24	23,471	-
Transfers in	500	-	-	-	-	38	538	1,800
Transfers out	-	(1,534)	-	-	(390)	(2,650)	(4,574)	(302)
Changes in net position	78,118	57,643	-	-	22,913	6,011	164,685	2,494
Net position - beginning, as previously reported	388,441	1,248,556	112,157	83,838	259,853	-	2,092,845	21,174
Adjustment - Reclassification of Funds from Major to Nonmajor funds	-	-	(112,157)	(83,838)	-	195,995	-	-
Change in accounting principles	(1,979)	(6,258)	-	-	(392)	(1,763)	(10,392)	(934)
Beginning, as restated	386,462	1,242,298	-	-	259,461	194,232	2,082,453	20,240
Net position - ending	\$ 464,580	1,299,941	-	-	282,374	200,243	2,247,138	22,734

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



City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025
(\$000's)

	Enterprise Funds				Total	Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 230,716	270,863	512,529	95,291	1,109,399	-
Cash received from interfund services provided	-	-	-	-	-	198,077
Payments to suppliers	(58,082)	(65,583)	(445,597)	(59,489)	(628,751)	(153,856)
Payments for employees	(46,340)	(111,877)	(13,983)	(17,397)	(189,597)	(37,466)
Payments for City services	(29,277)	(33,584)	(2,378)	(6,360)	(71,599)	(3,520)
Payments to airlines	(5,466)	-	-	-	(5,466)	-
Other receipts	494	27,995	17,757	-	46,246	-
Net cash provided by operating activities	92,045	87,814	68,328	12,045	260,232	3,235
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	500	216,750	-	38	217,288	1,800
Transfers to other funds	-	(218,284)	(389)	(2,650)	(221,323)	(302)
Operating grants	10,492	-	2,036	(959)	11,569	-
Advances and deposits	-	-	613	96	709	-
Loans	183	-	-	-	183	-
Net cash provided by (used in) noncapital financing activities	11,175	(1,534)	2,260	(3,475)	8,426	1,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Passenger facility charges received	21,736	-	-	-	21,736	-
Customer facility charges received	11,972	-	-	-	11,972	-
Proceeds from issuance of bonds (excluding amount placed in escrow)	500	-	-	-	500	-
Payment for redemption of bonds (with prior bond reserves)	(2,350)	-	-	-	(2,350)	-
Capital grants received	14,224	298	-	-	14,522	-
Acquisition and construction of capital assets	(37,778)	(118,703)	-	(27,556)	(184,037)	(1,928)
Receipts from leases	7,196	-	-	169	7,365	-
Interest receipts on leases	298	-	-	445	743	-
Lease payment	(97)	-	(995)	(675)	(1,767)	-
SBITA right-to-use software asset payment	(846)	(42)	(214)	-	(1,102)	(286)
Proceeds from commercial paper and notes payable	1,571	-	-	20,700	22,271	-
Principal payment on commercial paper	(9,243)	-	-	-	(9,243)	-
Principal paid on debt	(28,871)	(4,155)	-	-	(33,026)	-
Bond issuance cost paid	(464)	-	-	-	(464)	-
Interest paid on debt	(42,697)	(15,141)	(2,445)	(370)	(60,653)	-
Advances and deposits received	17	-	-	-	17	-
Net cash (used in) capital and related financing activities	(64,832)	(137,743)	(3,654)	(7,287)	(213,516)	(2,214)

(Continued)

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

City of San José
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025
(\$000's)

	Enterprise Funds				Total	Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds		
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	\$ 143,852	-	-	-	143,852	-
Purchases of investments	(143,830)	-	-	-	(143,830)	-
Interest received	20,675	25,315	13,767	3,264	63,021	1,263
Land and building rentals	-	289	-	-	289	-
Net cash provided by investing activities	<u>20,697</u>	<u>25,604</u>	<u>13,767</u>	<u>3,264</u>	<u>63,332</u>	<u>1,263</u>
Net change in cash and cash equivalents	59,085	(25,859)	80,701	4,547	118,474	3,782
Cash and cash equivalents - beginning	<u>407,633</u>	<u>508,696</u>	<u>271,350</u>	<u>74,135</u>	<u>1,261,814</u>	<u>21,089</u>
Cash and cash equivalents - ending	<u>\$ 466,718</u>	<u>482,837</u>	<u>352,051</u>	<u>78,682</u>	<u>1,380,288</u>	<u>24,871</u>

(Continued)

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

City of San José
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025
(\$'000's)

	Enterprise Funds				Total	Internal Service Funds
	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 44,001	44,311	9,227	5,142	102,681	(266)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	58,654	43,170	887	5,498	108,209	1,635
Write off construction in progress	1,756	-	-	-	1,756	-
Participating airline net revenue sharing	(16,211)	-	-	-	(16,211)	-
Lease revenues/deferred inflows of resources related to leases amortization	(7,154)	-	-	(169)	(7,323)	-
Other nonoperating revenues	756	303	233	-	1,292	222
Other nonoperating expenses	-	-	-	(127)	(127)	-
Decrease (Increase) in:						
Accounts receivable	(1,961)	27	8,388	108	6,562	11
Inventories	-	168	-	-	168	(696)
Prepaid expenses, advances and deposits	(14)	-	772	-	758	-
Increase (Decrease) in:						
Accounts payable and accrued liabilities	13,644	5,040	(5,054)	2,311	15,941	1,589
Accrued salaries, wages, and payroll taxes	-	484	81	66	631	-
Accrued vacation, sick leave and compensatory time	-	126	237	(45)	318	740
Estimated liability for self-insurance	148	(189)	3	139	101	-
Unearned revenue	354	-	(819)	-	(465)	-
Net pension liability, deferred outflows and inflows of pension related resources	(1,990)	(4,902)	(1,031)	(834)	(8,757)	-
Net other postemployment benefits liability, deferred outflows and inflows of postemployment benefits related resources	(232)	(724)	79	(44)	(921)	-
Advances, deposits, and reimbursable credits	294	-	(675)	-	(381)	-
Rate stabilization reserve	-	-	56,000	-	56,000	-
Net cash provided by operating activities	\$ 92,045	87,814	68,328	12,045	260,232	3,235
Reconciliation of cash and cash equivalents to the statement of net position:						
Equity in pooled cash and investments held in City Treasury						
Unrestricted	\$ 310,330	482,836	246,051	76,241	1,115,458	24,310
Restricted	70,080	-	106,000	2,441	178,521	561
Cash and investments held with fiscal agents	86,308	1	-	-	86,309	-
Cash and cash equivalents	\$ 466,718	482,837	352,051	78,682	1,380,288	24,871
Noncash noncapital, capital and related financing, and investing activities:						
Capital contributions from developers	\$ -	2,447	-	24	2,471	-
Amortization of bond premium, and prepaid bond insurance costs	5,256	1,092	-	-	6,348	-
Acquisition of right-to-use lease assets	-	-	4,300	-	4,300	-
Acquisition of right-to-use SBITA/subscription assets	-	574	-	-	574	284
Amortization of deferred outflows/inflows of resources related to bond refundings	(867)	-	-	-	(867)	-
Change in capital related payables	(2,382)	(6,140)	(5,017)	1,866	(11,673)	-
Change in capital related receivables	(6,479)	-	-	(169)	(6,648)	-
Change in fair value of investments	(23)	7,779	4,300	61	12,117	-
Change in nonoperating grants receivables	74	-	-	-	74	-
Bond refunding proceeds placed in escrow	75,904	-	-	-	75,904	-
Bonds defeased from the escrow account	(75,904)	-	-	-	(75,904)	-

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

City of San José
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025
(\$000's)

	Pension Trust Funds	Private- Purpose Trust Funds	Custodial Fund
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	\$ -	336	5,760
Cash and investments	-	1,806	-
Investments of retirement systems:			
Investments:			
Public equity	4,619,553	-	-
Short-term investment grade bonds	30,562	-	-
Investment grade bonds	572,602	-	-
Private equity	983,975	-	-
Market neutral strategies	250,050	-	-
Immunized cash flows	418,290	-	-
Core real estate	556,905	-	-
Commodities	40,831	-	-
Private debt	302,412	-	-
Emerging market bonds	219,531	-	-
Growth real estate	393,652	-	-
Treasury inflation-protected securities	172,071	-	-
Cash and cash equivalents	653,660	-	-
Private real assets	261,036	-	-
Venture/growth capital	176,103	-	-
Long-term government bonds	209,160	-	-
High yield bonds	181,372	-	-
Total investments of retirement systems	10,041,765	-	-
Receivables:			
Accrued investment income	13,448	-	27
Employee contributions	2,295	-	-
Employer contributions	8,030	-	-
Other	316,283	79	-
Restricted cash and investments held with fiscal agents	-	131,040	-
Total current assets	10,381,821	133,261	5,787
Noncurrent assets:			
Public-private and public-public partnerships receivable	-	-	44,942
Accrued interest, net	-	1,413	-
Loans receivable, net	-	3,987	-
Advances and deposits	-	5	-
Prepaid bond insurance	-	1,003	-
Capital assets:			
Nondepreciable	-	2,078	-
Depreciable, net	-	562	-
Other assets, net	5,444	-	-
Total noncurrent assets	5,444	9,048	44,942
Total assets	10,387,265	142,309	50,729
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	\$ -	17,999	-

(Continued)

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

City of San José
Statement of Fiduciary Net Position (Continued)
Fiduciary Funds
June 30, 2025
(\$000's)

	Pension Trust Funds	Private- Purpose Trust Funds	Custodial Fund
LIABILITIES			
Current liabilities:			
Due to brokers	\$ 456,206	-	-
Accrued interest payable	-	14,667	-
Unearned revenue	-	13	-
Other liabilities	17,083	-	-
Total current liabilities	<u>473,289</u>	<u>14,680</u>	<u>-</u>
Long-term liabilities:			
Due within one year	-	113,305	-
Due in more than one year	-	887,549	-
Total noncurrent liabilities	<u>-</u>	<u>1,000,854</u>	<u>-</u>
Total liabilities	<u>473,289</u>	<u>1,015,534</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-Public-private and public-public partnerships	<u>-</u>	<u>-</u>	<u>36,057</u>
NET POSITION			
Restricted for:			
Employees' pension benefits	9,055,292	-	-
Employees' postemployment healthcare benefits	858,684	-	-
Redevelopment dissolution and other purposes	-	(855,226)	-
Arena capital reserve	-	-	14,672
Total net position (deficit)	<u>\$ 9,913,976</u>	<u>(855,226)</u>	<u>14,672</u>

City of San José
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025
(\$000's)

	Pension Trust Funds	Private- Purpose Trust Funds	Custodial Fund
ADDITIONS			
Redevelopment property tax revenues	\$ -	201,677	-
Income:			
Interest	118,031	2,453	282
Dividends	33,923	-	-
Net rental income	-	-	1,420
Net appreciation in fair value of plan investments	839,659	-	-
Investment expenses	(37,607)	-	-
Public-private and public-public partnerships and availability payment arrangement revenues	-	-	2,991
Total income	<u>954,006</u>	<u>2,453</u>	<u>4,693</u>
Contributions:			
Employer	514,540	-	-
Employees	94,208	-	-
Total contributions	<u>608,748</u>	<u>-</u>	<u>-</u>
Development fees and other	-	474	-
Other	-	-	2,300
Total additions	<u>1,562,754</u>	<u>204,604</u>	<u>6,993</u>
DEDUCTIONS			
General and administrative	14,762	89	-
Project expenses	-	72	3,920
Pass through amounts to the County of Santa Clara	-	58,617	-
Depreciation	-	27	-
Interest on debt	-	34,225	-
Health insurance premiums	69,014	-	-
Refunds of contributions	3,400	-	-
Retirement and other benefits:			
Death benefits	39,908	-	-
Retirement benefits	529,907	-	-
Total deductions	<u>656,991</u>	<u>93,030</u>	<u>3,920</u>
Change in net position	<u>905,763</u>	<u>111,574</u>	<u>3,073</u>
Net position restricted for pension benefits, postemployment healthcare benefits and other purposes:			
Beginning of year, as previously reported	9,008,645	(966,800)	11,599
Change in accounting principles	(432)	-	-
Beginning of year, as restated	<u>9,008,213</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 9,913,976</u>	<u>(855,226)</u>	<u>14,672</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity	49
B. Financial Statement Presentation	51
C. Measurement Focus and Basis of Accounting	54
D. Use of Estimates	54
E. New Pronouncements	55
F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	56

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Net Position	69
B. Deficit Unrestricted Net Position - Governmental Activities	69
C. Deficit Fund Balance - Nonmajor Governmental Funds	69

III. DETAILED NOTES ON ALL FUNDS

A. Cash, Deposits and Investments	70
1. Cash and Investments Managed by the City Treasurer	71
2. Retirement Systems	78
B. Receivables, Net of Allowances	91
C. Loans Receivable, Net of Allowances	91
D. Capital Assets	93
E. Leases, Public-Private and Public-Public Partnerships, and Subscription-Based Information Technology Arrangements	94
F. Long-Term Debt and Other Obligations	105
G. Interfund Transactions	130
H. Deferred Inflows of Resources	133
I. Governmental Fund Balances	134

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

IV. OTHER INFORMATION

A. Defined Benefit Retirement Plans	136
1. City Sponsored Defined Benefit Pension Plans	136
2. California Public Employees' Retirement System	148
3. Defined Contribution Retirement Plans	152
4. Postemployment Benefit Plans Other than Pension Plans	153
B. Commitments and Contingencies	165
C. Successor Agency to the Redevelopment Agency of the City of San José	178
D. Subsequent Events	185

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of San José, California (the "City"), was chartered on March 25, 1850, and has operated under a Council-Manager form of government since 1916. The City has defined its reporting entity in accordance with generally accepted accounting principles ("GAAP") in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability or whether the nature and significance of the relationship with the primary government is misleading to exclude.

A primary government is considered to be financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Based upon the application of these criteria, the following is a brief description of each component unit included within the City's reporting entity. All such component units have been "blended" as though they are part of the primary government because the component unit's governing body is substantially the same as the City's primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it, or the City is entirely or almost entirely responsible for the repayment of the debt of the component unit.

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

of properties within the area of the City surrounding the San José Diridon Station, and is authorized to issue bonds for this purpose. The Diridon Authority is governed by an 11-member Governing Board, which consists of the members of the City Council.

Separate financial reports for City departments and component units for FY 2025, containing additional information and more detailed information regarding financial position, changes in financial position, and, where applicable, cash flows, can be obtained from the City of San José's website at <https://www.sanjoseca.gov/>. They are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

- Police and Fire Department Retirement Plan (the "PFDRP")
- Federated City Employees' Retirement System (the "FCERS")
- San José Mineta International Airport (the "Airport")
- San José Clean Energy
- South Bay Water Recycling Program and System* (the "SBWR")
- Wastewater Treatment System* (the "WWTS")

*SBWR and WWTS standalone reports, when combined, are presented as one major proprietary enterprise fund "Wastewater Treatment System" in the City's basic financial statements.

The City has two fiduciary component units:

FCERS was established in 1941 to provide retirement benefits for certain employees of the City. The current FCERS consists of a single employer Defined Benefit Pension Plan and a Postemployment Health Plan and includes all provisions of the City of San José Municipal Code ("SJMC") Chapters 3.28, 3.44, and 3.52.

PFDRP was established in 1961 to provide retirement benefits for certain employees of the City. The current PFDRP consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. It includes all provisions of SJMC Chapters 3.36, 3.54, and 3.56.

Both FCERS and PFDRP are considered integral parts of the City's financial reporting entity and are featured in the City's basic financial statements as pension trust funds. They are overseen by the Chief Executive Officer of the Office of Retirement Services, a City employee who serves at the discretion of the FCERS and PFDRP Boards. FCERS' Board is composed of seven members, including two City employees elected by FCERS members, a retiree representative, and three public members with significant banking or investment experience, unrelated to the City, which are approved by the City Council. Additionally, there is another public member selected by the six Board members and approved by the City Council. The PFDRP's Board is comprised of nine members, including two City employees elected by PFDRP members, two retired Plan members elected by retiree associations, and four public members with substantial banking or investment experience, who are not affiliated with the City, which are approved by the City Council. Similarly, there is another public member chosen by the eight Board members and approved by the City Council.

Both FCERS and PFDRP are legally distinct, fiduciary component units of the City, each managed by a Pension Administrator. Both entities serve the City and are classified as pension trust funds.

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

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

Separate financial report for SARA, containing additional information and more detailed information regarding fiduciary net position and changes in fiduciary net position, is available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905.

B. Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary funds or component units that are fiduciary in nature. Eliminations have been made to prevent the double counting of internal activities. For example, the direct expense charges based on actual use are not eliminated, whereas indirect expense allocations made in the funds are eliminated. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the City and each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and, therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in the accompanying financial statements.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

The **San José Mineta International Airport Fund** accounts for the activities of the City owned commercial service and general aviation airport.

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

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

The City also reports the following types of funds:

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

*Beginning in FY 2025, the City reclassified the **Special Assessment Districts Fund** and **San José Financing Authority Debt Service Fund (governmental funds)**, and the **Municipal Water System Fund** and **Parking System Fund (enterprise funds)**, from Major Funds to Nonmajor Funds. This change reflects that the funds no longer meet the GASB Statement No. 34, Basic Financial Statements criteria for major funds and are not considered to have a significant impact on the City's overall financial position. For additional details, please refer to the table presented under Note I.F.23.*

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Use of Estimates

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

E. New Pronouncements

During the year ended June 30, 2025, the City implemented the following Governmental Accounting Standards Board (the "GASB") Statements:

The City has adopted GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The implementation of GASB Statement No. 101 resulted in the recognition of compensated absences liabilities totaling \$77.9 million as of June 30, 2024. Prior-year amounts have been restated to ensure comparability. Refer to Note I.F.23, *Restatement of Net Position* for additional information.

The City has adopted GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The application of Statement No. 102 did not have any effect on the City's financial statements. The City has been monitoring indications that federal funding may be impacted next year and determined that disclosure under GASB 102 is appropriate under Footnote IV.B.12 – Commitments and Contingencies.

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

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. This statement addresses the following financial reporting topics: (1) Management's Discussion and Analysis; (2) Unusual or Infrequent Items; (3) Presentation

of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The purpose of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement 34. These include lease assets recognized under Statement No. 87 (*Leases*), intangible right-to-use assets recognized under Statement No. 94 (*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*), and subscription assets recognized under Statement No. 96 (*Subscription-Based Information Technology Arrangements*). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures.

In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

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

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

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

3. Deposits and Investments

Investments are accounted for in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

- Level 3 - Investments whose values are based on unobservable inputs for an asset and may require a degree of professional judgment.

Pooled Cash and Investments held in City Treasury. The City reports its investments held in the City Treasury at fair value. The fair value is based primarily on quoted market information and using pricing applications and models obtained from fiscal agents or other sources. Income from some investments is assigned to the General Fund. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. For the year ended June 30, 2025, the total investment income from these investments assigned and transferred to the General Fund was approximately \$3.3 million.

Retirement Systems. The Retirement Systems' investment policies authorize various types of investments. These investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. Purchases and sales of securities are reflected on the date of trade. Investment income is recognized as earned.

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 governmental and business-type activities are reported at cost.

5. *Loans Receivable, net*

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

6. *Special Assessment Districts*

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

7. Advances and Deposits

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

8. Other Assets

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

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

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

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

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

10. Restricted Assets

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

11. Capital Assets

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

Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets (increasing to more than \$10,000 effective FY 2026) and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

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

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

Consistent with GASB Statement No. 87, *Leases*, (the “GASB 87”), the City recognizes an intangible right-to-use lease asset when the applicable accounting criteria is met. The capitalization threshold for the City as lessee is an initial cost of more than \$250,000 per item at its net present value for land, buildings, office space, vehicles, or equipment. The lease assets must also have an initial useful life of more than one year.

With GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), (the “GASB 96”), the City recognizes an intangible right-to-use software subscription asset when the applicable accounting criteria is met. The capitalization threshold for the City as subscriber is an initial cost of more than \$250,000 per item at its net present value for software subscription. The subscription asset must also have an initial useful life of more than one year. In addition, a subscription asset should be at least 75% of fair market value in order to qualify as an exchange-like transaction.

12. Leases, Public-Private and Public-Public Partnerships (PPP), and Subscription-Based Information Technology Arrangements (SBITA)

Leases

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

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers

all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

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

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

Public-Private and Public-Public Partnerships (PPP)

The City has entered into public-private and public-public partnership (PPP) arrangements with various operators to manage and operate City-owned facilities. The City recognizes a PPP receivable and a deferred inflow of resources in the governmental fund and custodial fund financial statements.

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

Key estimates and judgments include how the City determines (1) the discount rate used to discount the expected PPP receipts to present value, (2) the arrangement term, and (3) the amount and timing of expected receipts. The City uses its estimated incremental borrowing rate as the discount rate for PPP arrangements. The arrangement term includes the noncancellable period during which the operator has the right to manage and operate the facility, and the City retains control of the underlying asset.

The City monitors changes in circumstances that would require a remeasurement of its PPP receivable or deferred inflows of resources and will remeasure those balances if significant changes occur that are expected to materially affect the amount or timing of the PPP receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The City is a subscriber of certain subscription-based information technology arrangements. The City recognizes a SBITA liability and an intangible right-to-use information technology asset (SBITA asset) in the government-wide, proprietary fund, and internal service fund financial statements.

At the commencement of a SBITA contract, the City initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of its subscription term or useful life.

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

The City uses the interest rate charged by the provider as the discount rate. When the interest rate charged by the provider is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITA arrangements.

The subscription term includes the noncancellable period of the SBITA arrangement. Subscription payments included in the measurement of the SBITA liability are composed of fixed payments and the purchase option price if the City is reasonably certain to exercise. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the subscription term if the SBITA arrangement is reasonably certain to be extended (or not terminated).

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

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

Payments due under the SBITA contracts include fixed payments and variable payments in FY 2025.

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

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

Subscription payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in some of the subscription arrangements across the City.

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

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

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

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreements between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and noncurrent liabilities in the appropriate proprietary funds.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Vacation hours may be accumulated up to two times an employee's annual accrual rate, which will vary by years of service and bargaining unit, but it generally does not exceed a maximum of 400 hours for non-sworn employees and 360 hours for employees represented by the San José Police Officer's Association ("SJPOA"). Employees represented by the International Association of Firefighters, Local 230 ("IAFF"), may accumulate vacation hours up to 480 hours for employees on a 40-hour workweek and 672 hours for employees on a 56-hour workweek.

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

Unrepresented employees and all bargaining units are eligible for sick leave payouts if they were hired before September 30, 2012 except the SJPOA and IAFF are eligible for sick leave payouts if they were hired before July 7, 2013 and September 14, 2014, respectively. The sick leave balances eligible for payouts were frozen on June 22, 2013 for unrepresented employees and all bargaining units except the SJPOA and IAFF were frozen on July 6, 2013 and June 20, 2015, respectively.

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

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

14. Interfund Transactions

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

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

15. Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks, except as otherwise described in Note III.F.11. The City's workers' compensation activities are funded and accounted for separately in the fund financial statements based upon the activities of each fund. The current portion of claims liability is accounted for in the General Fund and the enterprise funds on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements and the enterprise fund financial statements, the estimated liability for all self-insurance liability claims is recorded as a liability.

16. Deferred Outflows/Inflows of Resources

Deferred resources related to pension expense, OPEB expense, leases, public-private and public-public partnerships and availability payment arrangements (PPPs), rate stabilization reserve, and unamortized portions of the gain and loss on refunding debt are reported as deferred outflows and deferred inflows of resources. In addition to this, when an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

In 2024, the City Council approved the establishment of a Rate Stabilization Reserve (the Reserve) to allow San José Clean Energy (SJCE), beginning in fiscal year 2024, to defer revenues from the current year to a future year. The Reserve provides protection against market volatility and serves as a tool to maintain compliance with financial covenants. Establishing the Reserve aligns with utility industry best practices by mitigating unplanned rate increases when faced with fluctuations in power costs or regulatory changes.

Contributions are permitted only in years when SJCE achieves a minimum net revenue threshold, defined as a change in net position (total revenues less total expenses) exceeding 5% of total year-end revenues. This ensures the Reserve preserves the integrity of the annual net position and remains aligned with financial reporting requirements. Withdrawals may be made when net revenues are projected to be negative or as necessary to satisfy legal covenants, contractual obligations, or to maintain investment-grade credit ratings.

In accordance with GASB Statement No. 62, deferred revenue associated with the Reserve is presented as a reduction of operating revenues and a deferred inflow of resources related to rate stabilization. The Reserve is funded, and an equivalent amount of cash is restricted. The initial deferral in fiscal year 2024 was \$50.0 million.

In 2025, the City Council approved an amendment to the SJCE Financial Reserves Policy to increase the maximum contribution amount to the Reserve to up to 25% of total operating and nonoperating revenues for the fiscal year. In fiscal year 2025, the Reserve balance increased from \$50.0 million to \$106.0 million, enhancing SJCE's capacity to manage potential financial impacts from regulatory changes or unforeseen events in future years.

17. Pensions

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

18. Other Postemployment Benefits (OPEB)

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

19. Net Position

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

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and deferred outflows/inflows of resources associated with the debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. Capital assets include any tangible and any intangible assets used in the operations of the governments, such as leases, SBITAs, and PPPs, along with their related depreciation or amortization. Capital-related debt/borrowings include only debt and other borrowings of the reporting unit from which the proceeds are to be used for capital purposes resulting in capital assets of the same reporting unit, including debt related to leases, SBITAs, and PPPs. All successor borrowings of the reporting unit that refinance earlier borrowings from which the proceeds were used for capital purposes assume the capital nature of their predecessors.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the government-wide statement of net position reported restricted net position of \$1,158,487,000 in governmental activities and \$77,315,000 in business-type activities. Of these amounts \$366,489,000 and \$44,881,000, respectively, are restricted by enabling legislation.
- *Unrestricted Net Position* – This category represents net amounts that do not meet the criteria for “restricted” or “net investment in capital assets”. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then use unrestricted resources as needed.

20. Fund Balances

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

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity.
- *Restricted Fund Balance* – includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants),

grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision-making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year’s budget. On June 21, 2011, the City Council adopted a resolution establishing the City’s *Governmental Fund Balance Financial Reporting Policy*, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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

21. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Santa Clara (the “County”). The amount of property tax levied is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The County assesses property values, levies, bills, and collects the related property taxes as follows:

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

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

General property taxes are based either on a flat 1% rate applied to the fiscal 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal 1976 valuation. The assessed value increases each year by an inflationary rate not to exceed the percentage change for the California Consumer Price Index (“CPI”), or 2%, whichever is less.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The City's net assessed valuation for the year ended June 30, 2025, was approximately \$258.8 billion, an increase of approximately 5.0% from the previous year. The City's tax rate was approximately \$0.172 per \$100 of assessed valuation, which included the City's share of the 1% basic levy and additional levies for general obligation bonds: Measures "O" and "P" (2000), Measure "O" (2002), and Measure "T" (2018).

22. Wastewater Treatment System

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

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

In 1959, the City and the City of Santa Clara entered into an agreement to jointly own and operate the Plant. Under the agreement, the City serves as the administering agency and is responsible for operating and maintaining the Plant. The cities share in the capital and operating costs on a pro rata basis determined by the ratio of each city's assessed valuation to the sum of both cities' assessed valuations. Annually, these percentages are determined and applied to the capital and operating costs on an accrual basis. For the year ended June 30, 2025, the City's portion of the capital and operating costs was approximately 80.0% and the City's interest in the net position of the Plant was approximately 80.0%.

23. Adjustments to Fund Presentation and Restatement of Beginning Balances

During fiscal year 2025, changes in fund presentation within the financial reporting entity, along with a change in accounting principle resulting from the implementation of GASB Statement No. 101, *Compensated Absences*, led to adjustments and restatements of beginning net position and fund net position, as shown below (in thousands):

	6/30/2024 As Previously Reported	Change in Fund Presentation	Change in Accounting Principle GASB 101 Compensated Absences	6/30/2024 Beginning Balance, As Adjusted/Restated
Government-Wide				
Governmental Activities	\$ 2,318,181	\$ -	\$ (67,080)	\$ 2,251,101
Business-Type Activities	2,092,845	-	(10,392)	2,082,453
Total Primary Government	<u>\$ 4,411,026</u>	<u>\$ -</u>	<u>\$ (77,472)</u>	<u>\$ 4,333,554</u>
Governmental Funds				
Major Funds:				
General Fund	\$ 675,114	\$ -	\$ -	\$ 675,114
Housing Activities	191,253	-	-	191,253
Low and Moderate Income Housing Asset	420,164	-	-	420,164
Special Assessment Districts	32,414	(32,414)	-	-
San José Financing Authority Debt Service	4,738	(4,738)	-	-
Nonmajor Funds	818,506	37,152	-	855,658
Total Governmental Funds	<u>\$ 2,142,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,142,189</u>
Enterprise Funds				
Major Funds:				
San José Mineta International Airport	\$ 388,441	\$ -	\$ (1,979)	\$ 386,462
Wastewater Treatment System	1,248,556	-	(6,258)	1,242,298
Municipal Water System	112,157	(112,157)	-	-
Parking System	83,838	(83,838)	-	-
San José Clean Energy	259,853	-	(392)	259,461
Nonmajor Funds	-	195,995	(1,763)	194,232
Total Enterprise Funds	<u>\$ 2,092,845</u>	<u>\$ -</u>	<u>\$ (10,392)</u>	<u>\$ 2,082,453</u>
Internal Service Funds	\$ 21,174	\$ -	\$ (934)	\$ 20,240
Fiduciary Funds				
Pension and Other Employee Benefit Trust Funds	\$ 9,008,645	\$ -	\$ (432)	\$ 9,008,213

II. Stewardship, Compliance, and Accountability

A. Deficit Net Position

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it had incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the SARA on February 1, 2012. As of June 30, 2025, the SARA had a deficit of \$856,017,000, which will be reduced when future redevelopment property tax revenues are distributed from the Redevelopment Property Tax Trust Fund administered by the County of Santa Clara Auditor-Controller to pay SARA's annual enforceable obligations.

B. Deficit Unrestricted Net Position – Governmental Activities

As of June 30, 2025, the City reported a negative balance in unrestricted net position for its governmental activities in the amount of a deficit of \$2,399,685,000 after accounting for net pension liabilities and net OPEB liabilities.

C. Deficit Fund Balance – Nonmajor Governmental Funds

As of June 30, 2025, the City reported a deficit fund balance of \$20,000 for the Edward Byrne Memorial Justice special revenue fund, which was primarily due to the purchase of Motorola radio consoles in FY 2019.

III. Detailed Notes on All Funds

A. Cash, Deposits, and Investments

As of June 30, 2025, total City cash, deposits and investments, at fair value, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Pension Trust	Fiduciary Funds		Carrying Value
				Private-Purpose Trust	Custodial	
Equity in pooled cash and investments	\$ 1,569,403	\$ 1,115,458	\$ -	\$ 336	\$ 5,760	\$ 2,690,957
Cash and investments	-	-	-	1,806	-	1,806
Restricted assets:						
Equity in pooled cash and investments	100,794	178,521	-	-	-	279,315
Cash and investments with fiscal agents	81,249	86,309	-	131,040	-	298,598
Other cash and investments	19,080	-	-	-	-	19,080
Investments of retirement systems	-	-	10,041,765	-	-	10,041,765
Total deposits and investments	\$ 1,770,526	\$ 1,380,288	\$ 10,041,765	\$ 133,182	\$ 5,760	\$ 13,331,521
Deposits						\$ (20,434)
Investments						13,351,955
Total deposits and investments						\$ 13,331,521

Pooled Cash and Investments Held in City Treasury. The City maintains a cash and investment pool that is available for use by all funds and certain component units. All investment activities in the City's investment pool are executed in compliance with the requirements set forth in the City of San José Investment Policy and California Government Code Section 53600 et seq. The City Council adopted an investment policy (Council Policy 1-12) related to the City's cash and investment pool (the "Policy") on April 2, 1985, which is subject to annual review and was reviewed and amended on March 11, 2025. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Policy, the investments conform to the California Government Code and the applicable limitations contained within the Policy.

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

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

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

Investments of Retirement Systems. The Retirement Systems' funds are invested pursuant to policy guidelines established by the respective Boards. The objective of each investment policy is to maximize the expected return of the funds at an agreed upon level of risk. The Retirement Boards have established percentage guidelines for types of investments to ensure the portfolio is diversified.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Investment Risk. The investments are subject to certain types of risk, including interest rate risk, credit risk, concentration of credit risk, custodial credit risk and foreign currency risk. These risks are addressed separately for the investments related to governmental and business-type activities and those related to the Retirement Systems, as follows:

1. Cash and Investments Managed by the City Treasurer

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

In practice, the City purchases a combination of short-term and long-term investments and times the cash flows to meet liquidity needs for operations. The weighted average days to maturity of the City's pooled cash and investments at June 30, 2025, was approximately 560 days.

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

Investment in Local Agency Investment Fund. The City is a voluntary participant in the California Local Agency Investment Fund ("LAIF") that is governed by the California Government Code under the oversight of the Local Investment Advisory Board ("Board"). The Board consists of five members as designated by state statute. The fair value of the City's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool.

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

At June 30, 2025, the City's pooled and fiscal agent investments in LAIF were approximately \$160,264,000 and the SARA's investments in LAIF was \$950,000. The weighted average days to maturity of LAIF was 248 days at June 30, 2025. The total amount recorded by all public agencies in LAIF at June 30, 2025 was approximately \$24.5 billion. PMIA is not registered with the Securities and Exchange Commission ("SEC"), but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2025 was approximately \$178 billion and of that amount, 80.57% was invested in U.S. Treasuries and agencies, 12.61% in depository securities, 6.67% in commercial paper, and 0.15% in loans.

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

The following table identifies the investment types that are authorized by the Policy as of June 30, 2025:

Authorized Investment Type	Maximum Maturity	Maximum Percentage or Dollar of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Supranationals	5 years	20% *	None
Bankers' Acceptances	180 days	20% *	5% *
Insured Time Deposits	3 years *	10% *	FDIC Limit
Uninsured Time Deposits	18 months *	5% *	2.5% *
Commercial Paper	270 days	20% *	5% *
Negotiable Certificates of Deposit	1 year *	20% *	5% *
Repurchase Agreements	92 days *	20% *	5% *
Reverse Repurchase Agreements		Lesser of \$25 million or	
	30 days *	20% *	None
Corporate Notes	5 years	30%	5% *
California Local Agency Investment Fund	N/A	State Treasurer Limit	None
Joint Powers Authority Pools	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Municipal Bonds - Category 1 (City)	5 years	10% *	5% *
Municipal Bonds - Category 2 (State of CA)	5 years	5% *	5% *
Municipal Bonds - Category 3 (CA Issuers)	5 years	30%	5% *
Municipal Bonds - Category 4 (Other 49 States)	5 years	30%	5% *
Investment Agreements	None	None	None
Collateralized Securities - (Issued by Governmental Entities)	5 years	15%*	None
Collateralized Securities - (Issued by Private Entities)	5 years	5% *	None

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

Other restrictions on investments are summarized as follows:

- Purchases of United States government agency securities are limited to issues of Federal Agriculture Mortgage Corporation ("Farmer Mac"), Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. Investment in Farmer Mac may not exceed 10% of the total portfolio.
- Purchases of supranationals are limited to International Bank for Reconstruction and Development, International Finance Corporation and Inter-American Development Bank. Securities shall be rated in a rating category of "AA" or its equivalent or better by Moody's Investors Services ("Moody's"), S&P Global Ratings ("S&P"), or Fitch Ratings ("Fitch"). If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Purchases of bankers' acceptances ("BAs") are limited to issues by domestic U.S. or foreign bank branches that are licensed by federal or state governments. Foreign bank issued BAs must be dollar-denominated. Issuing banks must have a short-term rating of "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations, Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be in a rating category of "A" or its equivalent or

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

- Deposits up to 10% of the portfolio may be invested in banks and savings and loans and deposits shall not exceed the net worth of that depository. Depositories must have a short-term rating of "P-1, A-1, or F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be rated in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase. Deposits shall be either insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized in the manner prescribed by State law for depositories. Rating requirements do not apply to depositories where the City's deposits are fully insured by the FDIC.
- Commercial paper eligible for investment must be rated "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations; Moody's, S&P, or Fitch, respectively. Issuing corporations must be organized and operating within the United States, have total assets in excess of \$500,000,000 and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better, by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Negotiable certificates of deposit are limited to banks and savings and loans with an issuer short-term rating of "P-1, A-1, F-1" or better by two of the three nationally recognized statistical rating organizations: Moody's, S&P, or Fitch, respectively. No rating may be lower than any of the ratings listed above. The outstanding debt of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Repurchase agreements are to be executed only with primary dealers of the Federal Reserve Bank of New York, which have entered into the City's Master Repurchase Agreement and any subsequent amendments to the Master Repurchase Agreement. Securities accepted as collateral for the repurchase agreement are limited to U.S. Treasury or U.S. Federal Government Agencies permitted under the Policy. The market value of the securities that have been accepted as collateral shall, at the time of transfer, equal at least 102 percent of face value of the repurchase agreement. For other than overnight investments, the securities transferred shall be marked to market on a daily basis and maintained at a market value to at least 102 percent of the repurchase agreement's face value.
- Reverse repurchase agreements under the Policy are limited to the lesser of \$25,000,000 or 20% of the portfolio value and to those occasions where unanticipated short-term cash requirements can be met more advantageously by initiating a reverse repurchase agreement than by selling a security into the secondary market prior to maturity.
- Corporate notes eligible for investment must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- Funds invested in LAIF, a State of California managed investment pool, may be made up to the maximum dollar amount per separate legal entity in conformity with account balance limits authorized by the California State Treasurer. The current maximum amount authorized by the State Treasurer is \$75 million.

- Funds may be invested in a Joint Powers Authority Pool (“JPAP”) organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in Section 53601. Investments in JPAPs will be limited to the California Asset Management Program (“CAMP”) and the Investment Trust of California (“CalTRUST”). Ratings of a JPAP must be in a rating category of “AAA” or its equivalent by Moody’s, S&P or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence. No more than 10% of the portfolio shall be invested in any single JPAP. JPAPs may not exceed 20% of the City’s portfolio.
- Investments in money market mutual funds are limited to those funds registered with the SEC and for which either one of the credit criteria are met: (1) obtained the highest ranking or highest letter and numerical rating provided by no less than two nationally recognized rating services or (2) retained an investment advisor registered with the SEC or exempt from the SEC registration requirements with no less than five years of experience investing in securities and obligations authorized by California Government Code Section 53601 and managing money market mutual funds with assets under management in excess of \$500,000,000. Investments by the funds are restricted to U.S. Treasury and U.S. Government Agency backed securities permitted under the Policy and must be maintained at no less than \$1.00 per share.
- Municipal bonds investments can be made in four categories: (1) bonds issued by the City or its agencies (as defined in the Policy), (2) by the State of California, (3) by other California local agencies, and (4) by any of the other 49 states. Eligible securities must be in a rating category of “A” or its equivalent or better by two of the three nationally recognized statistical rating organizations; Moody’s, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- Investment agreements may be used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures and in accordance with other safeguards outlined in the Policy to reduce the risk associated with a provider’s inability to meet its contractual obligations.
- Collateralized securities can be made in two categories: (1) Mortgage backed securities and collateralized mortgage obligations issued by governmental agencies and (2) Asset backed securities issued by private entities. Eligible securities must be in a rating category of “AA” or better by Moody’s, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

The Policy permits the Director of Finance to authorize investments that depart from the Policy’s numerical limits if such an action is in the best interest of the City and is otherwise consistent with the Policy and applicable City, state and federal laws. Whenever a deviation or exception to the Policy occurs, it must be reported to the City Manager within 3 business days and to the City Council within 10 days of its discovery.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The following schedule indicates the interest rate risk, credit risk and concentration of credit risk of the City's investments, as of June 30, 2025 (in thousands). The credit ratings listed are for Moody's and S&P, respectively.

Type of Investment	Credit Rating	Maturity				Carrying Value
		Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	
Pooled investments in the City Treasury:						
Treasury Notes	Aa1 / N/A	\$ -	\$ 140,043	\$ 19,585	\$ 160,908	\$ 320,536
Treasury Discounts	N/A	-	29,484	-	-	29,484
Federal Home Loan Bank	N/A	139,983	39,622	-	-	179,605
Federal Home Loan Bank - Callable	Aa1 / AA+	-	41,289	53,821	230,027	325,137
Federal National Mortgage Association	Aa1 / AA+	-	104,207	8,326	45,865	158,398
Federal National Mortgage Association - Callable	Aa1 / AA+	-	4,046	14,691	-	18,737
Federal Farm Credit Bank	Aa1 / AA+	-	39,379	-	20,591	59,970
Federal Farm Credit Bank - Callable	Aa1 / AA+	-	29,737	19,971	44,472	94,180
Federal Home Loan Mortgage Corporation	Aa1 / AA+	39,884	86,623	-	181,152	307,659
Federal Home Loan Mortgage Corporation - Callable	Aa1 / AA+	-	39,035	-	106,526	145,561
Farmer Mac Interest Bearing	N/A	2,497	-	19,595	14,938	37,030
Farmer Mac Interest Bearing-Callable	N/A	-	-	9,752	-	9,752
Supranationals	Aaa / AAA	9,970	19,748	29,310	68,622	127,650
Corporate Medium Term Notes	Aaa / AAA	9,988	28,986	32,910	485,694	557,578
Commercial Paper	N/A	30,000	-	-	-	30,000
Asset Backed Securities	Aaa / AAA	-	-	1,677	17,315	18,992
Municipal Bonds	Aaa / AAA	57,065	63,905	50,852	154,842	326,664
Joint Powers Authority Pool	Not Rated	222,177	-	-	-	222,177
California Local Agency Investment Fund	Not Rated	41,129	-	-	-	41,129
Total pooled investments in the City Treasury		<u>552,693</u>	<u>666,104</u>	<u>260,490</u>	<u>1,530,952</u>	<u>3,010,239</u>
Investments with fiscal agents:						
Treasury Notes	Aa1 / N/A	-	32,098	-	-	32,098
Money Market Mutual Funds	Aaa / AAA	16,325	-	-	-	16,325
California Local Agency Investment Fund	Not Rated	-	-	119,135	-	119,135
Total investments with fiscal agents		<u>16,325</u>	<u>32,098</u>	<u>119,135</u>	<u>-</u>	<u>167,558</u>
Total Citywide investments (excluding Retirement Systems and the SARA)		<u>\$ 569,018</u>	<u>\$ 698,202</u>	<u>\$ 379,625</u>	<u>\$ 1,530,952</u>	<u>3,177,797</u>
Trust Funds:						
Total investments in Retirement Systems (See page 80)						10,041,765
Total investments in the SARA (See page 177)						132,393
Total investments						<u>\$13,351,955</u>

The City has the following recurring fair value measurements as of June 30, 2025 (in thousands):

	Carrying Value 6/30/25	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Pooled Investments in the City Treasury:				
Investments by fair value level				
Treasury Notes	\$ 320,536	\$ 320,536	\$ -	\$ -
Treasury Discounts	29,484	29,484	-	-
Federal Home Loan Bank	179,605	179,605	-	-
Federal Home Loan Bank - Callable	325,137	-	325,137	-
Federal National Mortgage Association	158,398	84,400	73,998	-
Federal National Mortgage Association - Callable	18,737	-	18,737	-
Federal Farm Credit Bank	59,970	39,379	20,591	-
Federal Farm Credit Bank - Callable	94,180	-	94,180	-
Federal Home Loan Mortgage Corporation	307,659	118,950	188,709	-
Federal Home Loan Mortgage Corporation - Callable	145,561	-	145,561	-
Farmer Mac Interest Bearing	37,030	-	37,030	-
Farmer Mac Interest Bearing-Callable	9,752	-	9,752	-
Supranationals	127,650	-	127,650	-
Corporate Medium Term Notes	557,578	-	557,578	-
Commercial Paper	30,000	-	30,000	-
Asset Backed Securities	18,992	-	18,992	-
Municipal Bonds	326,664	-	326,664	-
Total Investments by fair value level	2,746,933	772,354	1,974,579	-
Investments not subject to fair value hierarchy				
Joint Powers Authority Pool	222,177	-	-	-
California Local Agency Investment Fund	41,129	-	-	-
Total Investments not subject to fair value hierarchy	263,306	-	-	-
Total Pooled Investments in the City Treasury	3,010,239	772,354	1,974,579	-
Investments with fiscal agents:				
Investments by fair value level				
Treasury Notes	32,098	32,098	-	-
Total Investments by fair value level	32,098	32,098	-	-
Investments not subject to fair value hierarchy				
California Local Agency Investment Fund	119,135	-	-	-
Money Market Mutual Funds	16,325	-	-	-
Total Investments not subject to fair value hierarchy	135,460	-	-	-
Total Investments with fiscal agents	167,558	32,098	-	-
Total Citywide investments (excluding Retirement Systems and the SARA)	3,177,797	\$ 804,452	\$ 1,974,579	\$ -
Trust Funds:				
Total investments in Retirement Systems (See page 80)	10,041,765			
Total investments in the SARA (See page 177)	132,393			
Total investments	\$ 13,351,955			

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

Securities classified in Level 1 of the fair value hierarchy include Treasury notes and certain US Agency securities. Treasury notes and US Agency securities purchased with less than 90 days to maturity are priced primarily by automated Intercontinental Exchange (ICE) institutional bond pricing with additional inputs from evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. All other securities in the City’s investment pool are classified in Level 2 of the fair value hierarchy. ICE applies various methodologies to price Level 2 securities depending on the asset class. For instance, most US agency notes are valued by creating a bullet spread scale for each issuer with maturities going out to forty years. Municipal bonds are valued with multi-dimensional model or series matrices utilizing standard inputs including Municipal Securities Rulemaking Board (“MSRB”) reported trades and material event notices. Corporate Notes and Supranationals are valued with evaluators gathering information from market sources and integrating relative credit information, observed market movements, and sector news. Mortgage backed and Asset backed securities are valued upon the given tranche, a cash flow stream model or an option adjusted spread model.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of the City’s deposits, respectively. The collateral is held by the pledging financial institution’s trust department and is considered held in the City’s name. As of June 30, 2025, the City’s deposits were collateralized at 110%. All investments in the City Treasury were in the City’s name. Neither deposits nor investments held by the City were subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The City mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to a maximum weight in various asset classes. No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers’ Acceptances, Commercial Paper, Negotiable Certificates of Deposits, Repurchase Agreements, and Corporate Notes. Investments issued by or explicitly guaranteed by the U.S. government are exempt from this requirement.

As of June 30, 2025, the City’s pooled investments in the City Treasury have investments that represent 5% or more of the total pooled investments in the following:

Federal Home Loan Bank	16.77%
Federal Home Loan Mortgage Corporation	15.06%
Federal National Mortgage Association	5.88%
Federal Farm Credit Bank	5.12%

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2025, the City’s Policy does not permit investments in the pool to hold foreign currency; as such the investments in the City’s investment pool were not subject to foreign currency risk.

2. Retirement Systems

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

The Board of Administration of PFDRP approved the investment policy on October 5, 2023, with the asset allocation being updated and approved on May 2, 2024. There were no changes to the investment policy for fiscal year ended June 30, 2025. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and PFDRP’s adopted actuarial assumed rate of return as utilized in the June 30, 2024 actuarial valuation.

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

PFDRP - Pension			
Asset Class	Target Asset Allocation	Asset Class	Target Asset Allocation
Public equity	42%	Private real assets	4%
Private equity	10%	Venture / growth capital	5%
Cash and cash equivalents	6%	Market neutral strategies	3%
Core real estate	5%	Emerging market bonds	2%
Immunized cash flows	5%	High yield bonds	2%
Investment grade bonds	5%	Treasury inflation-protected securities	2%
Growth real estate	4%	Long-term government bonds	2%
Private debt	5%		

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

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The FCERS Defined Benefit Pension Plan investment policy was updated and approved by the FCERS' Board of Administration on September 21, 2023, with the asset allocation being updated and approved on April 18, 2024. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2024 actuarial valuation.

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

FCERS - Pension			
Asset Class	Target Asset Allocation	Asset Class	Target Asset Allocation
Public equity	49%	Emerging market bonds	3%
Private equity	8%	Private debt	3%
Investment grade bonds	6%	Market neutral strategies	3%
Core real estate	5%	Private real assets	3%
Immunized cash flows	5%	Long-term government bonds	4%
Venture / growth capital	4%	Treasury inflation-protected securities	2%
Growth real estate	3%	High yield bonds	2%

The FCERS Postemployment Healthcare Plan investment policy and asset allocation were updated and approved by the FCERS' Board of Administration on January 20, 2022 and April 21, 2022, respectively. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the FCERS' adopted actuarial assumed rate of return as utilized in the June 30, 2024 actuarial valuation.

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

At June 30, 2025, the Retirement Systems held the following investments (in thousands):

	PFDRP	FCERS	Total
Securities and other:			
Fixed income:			
Investment grade bonds	\$ 291,921	\$ 280,681	\$ 572,602
Immunized cash flows	330,562	87,728	418,290
Emerging market bonds	115,241	104,290	219,531
Long-term government bonds	88,534	120,626	209,160
Private debt	210,684	91,728	302,412
Treasury inflation-protected securities	108,220	63,851	172,071
High yield bonds	111,855	69,517	181,372
Cash and cash equivalents	536,826	116,834	653,660
Short-term investment grade bonds	16,023	14,539	30,562
Total fixed income	1,809,866	949,794	2,759,660
Commodities	18,925	21,906	40,831
Core real estate	329,604	227,301	556,905
Growth real estate	257,038	136,614	393,652
Venture / growth capital	125,782	50,321	176,103
Market neutral strategies	155,798	94,252	250,050
Private equity	567,019	416,956	983,975
Private real assets	170,910	90,126	261,036
Public equity	2,649,744	1,969,809	4,619,553
Total investments	\$ 6,084,686	\$ 3,957,079	\$ 10,041,765

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

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

Interest Rate Risk - The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. Additionally, most other types of investments are also sensitive to changes in the interest rates, generally to a lesser extent. The Retirement Systems' asset allocation details how much of the Systems' investments are fixed income, as well as other types of investments. The Retirement Systems' do not have a policy regarding interest rate risk.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2025 (in thousands).

	PFDRP						Total Fair Value	Cost
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years		
Investment grade bonds ⁽¹⁾	\$ -	\$ 663	\$ 1,387	\$ 57,231	\$ 90,317	\$ 140,988	\$ 290,586	\$ 294,572
Immunized cash flows	14,135	14,411	42,745	259,271	-	-	330,562	318,915
Treasury inflation-protected securities	5,381	4,761	10,260	87,818	-	-	108,220	109,991
High yield bonds	25	74	1,282	69,431	39,794	1,249	111,855	108,957
Long-term government bonds	-	-	-	-	-	88,534	88,534	118,642
Short-term investment grade bonds	16,023	-	-	-	-	-	16,023	16,027
Emerging market bonds ⁽²⁾	-	-	-	-	64,516	-	64,516	55,929
Total fixed income	<u>\$ 35,564</u>	<u>\$ 19,909</u>	<u>\$ 55,674</u>	<u>\$ 473,751</u>	<u>\$ 194,627</u>	<u>\$ 230,771</u>	<u>\$ 1,010,296</u>	<u>\$ 1,023,033</u>

	FCERS						Total Fair Value	Cost
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years		
Investment grade bonds ⁽¹⁾	\$ -	\$ 313	\$ 2,751	\$ 91,259	\$ 86,672	\$ 97,695	\$ 278,690	\$ 279,120
Immunized cash flows	5,853	5,973	17,528	58,374	-	-	87,728	83,277
Treasury inflation-protected securities	3,170	2,807	6,057	51,817	-	-	63,851	65,087
High yield bonds	16	45	806	42,929	25,060	661	69,517	67,726
Long-term government bonds	-	-	-	-	-	120,626	120,626	152,297
Short-term investment grade bonds	14,539	-	-	-	-	-	14,539	14,543
Emerging market bonds ⁽²⁾	-	-	-	-	62,612	-	62,612	54,816
Total fixed income	<u>\$ 23,578</u>	<u>\$ 9,138</u>	<u>\$ 27,142</u>	<u>\$ 244,379</u>	<u>\$ 174,344</u>	<u>\$ 218,982</u>	<u>\$ 697,563</u>	<u>\$ 716,866</u>

(1) Investment grade bonds accounts consist of fixed income securities and futures. Futures are not included in this table.

(2) Emerging market bonds allocated accounts consist of fixed income securities and a limited partnership. The limited partnership is excluded from this table.

Note: Private debt is excluded from the tables above as their risk is credit quality risk, not interest rate risk.

Custodial Credit Risk – Custodial credit risk is the risk that the Retirement Systems will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party, if that outside party fails. The Retirement Systems do not have a policy regarding custodial credit risk. As of June 30, 2025, all of the Retirement Systems’ investments are held in the Retirement Systems’ name and/or not exposed to custodial credit risk.

Credit Quality Risk – The Retirement Systems’ investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Generally credit risk is managed through establishing investment guidelines for every investment manager. Investment managers may, as part of their investment strategy, invest in securities where the issuer’s ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. The Retirement Systems may hedge against the possible adverse effects of currency fluctuations on the Retirement Systems’ portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A-1 or P-1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities’ quality

based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The table provides information for the portfolios as of June 30, 2025 concerning credit risk (in thousands) and reflect only securities held in the Retirement Systems' names.

S&P Quality Rating	PFDRP		FCERS	
	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	\$ 21,938	2.16%	\$ 12,975	1.85%
AA+	148,503	14.64%	158,618	22.62%
AA	55,412	5.46%	113,673	16.21%
AA-	6,462	0.64%	1,737	0.25%
A+	7,834	0.77%	1,989	0.28%
A	11,887	1.17%	8,899	1.27%
A-	11,975	1.18%	11,070	1.58%
BBB+	8,917	0.88%	8,913	1.27%
BBB	18,786	1.85%	10,911	1.56%
BBB-	74,272	7.32%	70,794	10.10%
BB+	8,887	0.88%	8,986	1.28%
BB	14,441	1.42%	11,021	1.57%
BB-	20,030	1.97%	13,471	1.92%
B+	29,714	2.93%	13,476	1.92%
B	14,542	1.43%	9,133	1.30%
B-	7,152	0.71%	6,449	0.92%
CCC+	-	0.00%	4,300	0.61%
CCC	17,605	1.74%	2,034	0.29%
CCC-	-	0.00%	229	0.03%
D	76	0.01%	388	0.06%
Not Rated	34,328	3.38%	31,474	4.49%
Exempt - US Treasuries	501,465	49.44%	200,697	28.62%
Total	\$ 1,014,226	100.00%	\$ 701,237	100.00%

Note: The total includes \$3,930 for PFDRP and \$3,674 for FCERS in private debt. These distressed debts are excluded from the investment maturities tables as their risk is credit quality risk, not interest rate risk.

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, 2025, the Retirement Systems' net positions in these contracts are recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Retirement Systems' commitments relating to international currency contracts are settled on a net basis.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The following tables provide information as of June 30, 2025, concerning the fair value of investments that are subject to foreign currency risk (in thousands):

Currency Name	PFDRP			
	Cash	Public Equity	Growth Real Estate	Total Exposure
Australian dollar	\$ -	\$ 4,629	\$ -	\$ 4,629
Canadian dollar	-	12,389	-	12,389
Danish krone	-	7,436	-	7,436
Euro currency	398	91,600	41,075	133,073
Hong Kong dollar	-	2,599	-	2,599
Japanese yen	10	19,881	-	19,891
Norwegian krone	-	5,298	-	5,298
Swedish krona	1	5,492	-	5,493
Swiss franc	102	26,417	-	26,519
United Kingdom pound	148	44,608	-	44,756
Total	\$ 659	\$ 220,349	\$ 41,075	\$ 262,083

Currency Name	FCERS				
	Cash	Public Equity	Private Equity	Growth Real Estate	Total Exposure
Australian dollar	\$ -	\$ 3,197	\$ -	\$ -	\$ 3,197
Canadian dollar	1	7,892	-	-	7,893
Danish krone	-	3,498	-	-	3,498
Euro currency	224	52,614	25	21,483	74,346
Hong Kong dollar	-	1,221	-	-	1,221
Japanese yen	7	12,774	-	-	12,781
Norwegian krone	-	3,663	-	-	3,663
Swedish krona	-	3,792	-	-	3,792
Swiss franc	47	15,125	-	-	15,172
Taiwanese new dollar	27	-	-	-	27
United Kingdom pound	89	27,330	-	-	27,419
Total	\$ 395	\$ 131,106	\$ 25	\$ 21,483	\$ 153,009

Investment Concentration Risk – The Retirement Systems’ investment policies specify that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 15% of the applicable plan’s assets without approval by the applicable Retirement Board, with the exception of passive management, where the applicable plan’s assets are not held in the applicable plan’s name at the applicable plan’s custodial bank. In such cases, there is no concentration limit. As of June 30, 2025, the Retirement Systems did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented 5% or more of the total plan net position or total investments.

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

Derivative instruments are reported at fair value. Derivative instruments traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current

exchange rates, if applicable. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2025. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2025, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows (in thousands):

PFDRP					
Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2025			Fair Value at June 30, 2025		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/Shares
Fixed income futures long	Investment income	\$ 766	Futures	\$ -	49,284
Fixed income futures short	Investment income	(5)	Futures	-	(357)
FX forwards	Investment income	(21)	FX forwards	-	9,181
Index futures long	Investment income	966	Futures	-	56,373
Index futures short	Investment income	(640)	Futures	-	(69,188)
Total derivative instruments		<u>\$ 1,066</u>		<u>\$ -</u>	

FCERS					
Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2025			Fair Value at June 30, 2025		
Investment Derivative Instruments	Classification	Amount	Classification	Amount	Notional Amount/Shares
Fixed income futures long	Investment income	\$ 1,077	Futures	\$ -	93,717
Fixed income futures short	Investment income	-	Futures	-	(872)
FX forwards	Investment income	(13)	FX forwards	-	5,537
Index futures long	Investment income	10	Futures	-	3,888
Index futures short	Investment income	(73)	Futures	-	(9,657)
Total derivative instruments		<u>\$ 1,001</u>		<u>\$ -</u>	

Investment derivative instruments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2025.

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

As of June 30, 2025, PFDRP’s total commitments in forward currency contracts to purchase and sell international currencies were \$(9,181,000), and \$9,181,000 with fair values of \$(9,255,000) and \$9,235,000, respectively, held by counterparties with S&P rating of at least A.

As of June 30, 2025, FCERS’ total commitments in forward currency contracts to purchase and sell international currencies were \$(5,537,000), and \$5,537,000 with fair values of \$(5,582,000) and \$5,569,000, respectively, held by counterparties with S&P rating of at least A.

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

and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

The Retirement Systems have the following recurring fair value measurements as of June 30, 2025:

PFDRP (In Thousands)	Total	Fair Value Measurement Using			Net Asset Value (NAV)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Public equity	\$ 2,649,744	\$ 413,064	\$ -	\$ -	\$ 2,236,680
Cash and cash equivalents	536,826	536,826	-	-	-
Private equity	567,019	-	-	23,760	543,259
Core real estate	329,604	-	-	-	329,604
Investment grade bonds	291,921	56,214	183,369	-	52,338
Growth real estate	257,038	-	-	-	257,038
Immunized cash flows	330,562	302,508	28,054	-	-
Private debt	210,684	-	-	3,930	206,754
Market neutral strategies	155,798	-	-	-	155,798
Emerging market bonds	115,241	-	-	-	115,241
Treasury inflation-protected securities	108,220	108,220	-	-	-
High yield bonds	111,855	189	100,355	-	11,311
Long-term government bonds	88,534	-	-	-	88,534
Private real assets	170,910	-	-	-	170,910
Venture / growth capital	125,782	-	-	-	125,782
Short-term investment grade bonds	16,023	16,023	-	-	-
Commodities	18,925	-	-	-	18,925
Total investments measured at fair value level	\$ 6,084,686	\$ 1,433,044	\$ 311,778	\$ 27,690	\$ 4,312,174

FCERS (In Thousands)	Total	Fair Value Measurement Using			Net Asset Value (NAV)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Public equity	\$ 1,969,809	\$ 291,105	\$ -	\$ -	\$ 1,678,704
Private equity	416,956	-	-	24,028	392,928
Investment grade bonds	280,681	39,568	130,045	-	111,068
Core real estate	227,301	-	-	-	227,301
Growth real estate	136,614	-	-	-	136,614
Private debt	91,728	-	-	3,673	88,055
Market neutral strategies	94,252	-	-	-	94,252
Emerging market bonds	104,290	-	-	-	104,290
Immunized cash flows	87,728	81,177	6,551	-	-
Long-term government bonds	120,626	-	-	-	120,626
Cash and cash equivalents	116,834	116,834	-	-	-
Treasury inflation-protected securities	63,851	63,851	-	-	-
High yield bonds	69,517	-	63,004	-	6,513
Private real assets	90,126	-	-	-	90,126
Commodities	21,906	-	-	-	21,906
Venture / growth capital	50,321	-	-	-	50,321
Short-term investment grade bonds	14,539	14,539	-	-	-
Total investments measured at fair value	\$ 3,957,079	\$ 607,074	\$ 199,600	\$ 27,701	\$ 3,122,704

Equity and Fixed Income Securities

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices for similar securities that are observable in the marketplace. Debt and equity securities classified in Level 3 are securities whose inputs to valuation techniques are unobservable by the marketplace. Many of these securities are priced by the issuers or industry groups for

these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank for PFDRP or FCERS as applicable.

Alternative Investments

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

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

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

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2025:

Investments Measured at the NAV as of June 30, 2025 (In Thousands)	PFDRP		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Public equity	\$ 2,236,680	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	543,259	241,074	Daily, N/A	1 Day, N/A
Core real estate	329,604	-	Quarterly	45 - 90 Days
Investment grade bonds	52,338	-	Daily	1 - 3 Days
Growth real estate	257,038	125,941	N/A	N/A
Private debt	206,754	203,174	N/A	N/A
Market neutral strategies	155,798	-	Monthly, Quarterly	7 - 75 Days
Emerging market bonds	115,241	-	Daily, Quarterly	1 - 45 Days
High yield bonds	11,311	-	Daily	2 - 3 Days
Long-term government bonds	88,534	-	Daily	2 Days
Private real assets	170,910	138,547	N/A	N/A
Venture / growth capital	125,782	91,201	N/A	N/A
Commodities	18,925	-	Daily	3 Days
Total investments measured at the NAV	\$ 4,312,174	\$ 799,937		

Investments Measured at the NAV as of June 30, 2025 (In Thousands)	FCERS		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Public equity	\$ 1,678,693	\$ -	Daily, Weekly, Monthly	1 - 30 Days
Private equity	392,922	96,151	Daily, N/A	1 Day, N/A
Core real estate	227,301	-	Quarterly	45 - 90 Days
Investment grade bonds	111,068	-	Daily	1 - 3 Days
Growth real estate	136,614	63,649	N/A	N/A
Market neutral strategies	94,252	-	Monthly, Quarterly	7 - 75 Days
Emerging market bonds	104,290	-	Daily, Quarterly	1 - 45 Days
Private debt	88,055	70,026	N/A	N/A
Long-term government bonds	120,626	-	Daily	2 Days
Private real assets	90,126	66,018	N/A	N/A
Commodities	21,906	-	Daily	3 Days
Venture / growth capital	50,321	57,873	N/A	N/A
High yield bonds	6,513	-	Daily	2 - 3 Days
Total investments measured at the NAV	\$ 3,122,687	\$ 353,717		

Public equity

Public equities are shares of ownership of a firm listed on an exchange; the Retirement Systems hold global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon.

Private equity

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

Core real estate

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

Investment grade bonds

The purpose of investment grade bonds is to produce returns and income for the Retirement Systems by providing exposure to rates and credit risk.

Growth real estate

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

Private debt

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

Market neutral strategies

This type includes investments in limited partnership hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivative instruments, and typically use leverage and hedging to capture directional market movements or relative market mispricing.

Emerging market bonds

Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivative instruments thereof in emerging market countries with a sovereign rating less than BBB-.

High yield bonds

The primary purpose of high yield bonds is to provide the Retirement Systems exposure to high yielding corporate debt.

Long-term government bonds

The purpose of long-term government bonds is to provide a positive return in highly stressed market environments, with a low correlation to equity risk.

Private real assets

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

Venture/growth capital

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

Commodities

Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

B. Receivables, Net of Allowances

At June 30, 2025, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts, are as follows (in thousands):

Receivables - Governmental Activities:	General Fund	Housing Activities	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Taxes	\$ 81,662	\$ -	\$ -	\$ 10,664	\$ -	\$ 92,326
Accrued interest	4,037	1,035	751	5,336	121	11,280
Grants	17,577	1,194	10	14,224	-	33,005
Special assessments	-	-	-	289	-	289
Other	56,193	468	1	41,842	319	98,823
Less: allowance for uncollectibles	(34,281)	(13)	-	(1,715)	(180)	(36,189)
Total receivables, net	\$ 125,188	\$ 2,684	\$ 762	\$ 70,640	\$ 260	\$ 199,534

Receivables - Business-Type Activities:	San José Mineta International Airport	Wastewater Treatment System	San José Clean Energy	Nonmajor Enterprise Funds	Total Business-Type Activities
Accounts	\$ 17,427	\$ 9,821	\$ 92,332	\$ 17,921	\$ 137,501
Accrued interest	3,346	2,523	1,771	427	8,067
Grants	11,378	-	-	959	12,337
Less: allowance for uncollectibles	(66)	(688)	(22,482)	(565)	(23,801)
Total receivables, net	\$ 32,085	\$ 11,656	\$ 71,621	\$ 18,742	\$ 134,104

C. Loans Receivable, Net of Allowances

The composition of the City's loans receivable balance for governmental funds, net of the allowance for uncollectible accounts, as of June 30, 2025 is as follows (in thousands):

Type of Loan	General Fund	Housing Activities	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	Total Governmental Activities
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ 20,120	\$ 50,954	\$ 518,971	\$ -	\$ 590,045
Loans funded by federal grants	-	90,876	-	3,228	94,104
Economic development, real estate developer and other loans	1,241	-	-	-	1,241
Less: allowance for uncollectibles	(7,965)	(70,667)	(273,441)	(1,456)	(353,529)
Total loans, net	\$ 13,396	\$ 71,163	\$ 245,530	\$ 1,772	\$ 331,861

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

Typical loans and related terms are summarized as follows:

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

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

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

The City maintains a valuation allowance against loans receivable comprised of an allowance for risk and an allowance for present value discount. The allowance for risk is maintained to provide for losses that can be reasonably anticipated. The allowance is based upon continuing consideration of changes in the character of the portfolio, evaluation of current economic conditions, and such other factors that, in the City's judgment, deserve recognition in estimating potential loan losses. The allowance for risk takes into consideration maturity dates, interest rates, and other relevant factors.

In accordance with City policy, loans are funded at below market rates of interest and include amortized net cash flow deferred repayment terms. This policy exists to enhance the well-being of the recipients or beneficiaries of the financial assistance, who, as described above, are very low, low, or moderate-income individuals or families, or developers of housing for such individuals or families.

Accordingly, for financial statement purposes, the City has established an allowance account against the loans receivable balance containing a present value discount. The present value discount gives recognition to the economic cost of providing loans at interest rates below market, and represents an estimate of the present value of projected net cash flows to the City from the loan portfolio. The present value discount attributable to the loans will be recognized as interest income only as such loans are repaid in full because of the deferred nature of the loan portfolio and the high level of uncertainty relating to the likelihood that cash flows will occur as projected. The difference between the individual outstanding loan balances and the calculated net present value of the loans results in the allowance for present value discount. Losses are recognized as an addition to the allowance and any subsequent recoveries are deducted from the allowance.

The City's management believes the combined amount of the aforementioned risk and present value discount allowances is adequate to reflect the net realizable value of the Community Development Block Grant ("CDBG") loans, Home Investment Partnership Program ("HOME") loans, and Low and Moderate Income Housing Asset Fund loans receivable as of June 30, 2025.

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, 2025. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2025, amounts committed to extend credit under normal lending agreements totaled approximately \$40,586,000.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the year ended June 30, 2025 (in thousands):

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 582,575	\$ 2,668	\$ -	\$ -	\$ 585,243
Construction in progress	181,347	114,486	-	(154,194)	141,639
Total capital assets, not being depreciated	<u>763,922</u>	<u>117,154</u>	<u>-</u>	<u>(154,194)</u>	<u>726,882</u>
Capital assets, being depreciated:					
Buildings	1,719,132	111	-	50,553	1,769,796
Improvements, other than buildings	361,834	932	-	29,065	391,831
Infrastructure	11,658,032	14,993	-	71,073	11,744,098
Vehicles and equipment	225,539	19,564	6,501	3,073	241,675
Furniture and fixtures	1,265	-	-	430	1,695
Right-to-use assets: Buildings	15,731	442	341	-	15,832
Right-to-use assets: Equipment	1,219	-	-	-	1,219
Right-to-use assets: Land	11,534	-	-	-	11,534
Right-to-use assets: SBITA	22,386	8,740	-	-	31,126
Total capital assets, being depreciated	<u>14,016,672</u>	<u>44,782</u>	<u>6,842</u>	<u>154,194</u>	<u>14,208,806</u>
Less accumulated depreciation for:					
Buildings	(882,088)	(40,741)	-	-	(922,829)
Improvements, other than buildings	(113,107)	(11,904)	-	-	(125,011)
Infrastructure	(8,927,526)	(166,505)	-	-	(9,094,031)
Vehicles and equipment	(172,273)	(21,008)	6,235	-	(187,046)
Furniture and fixtures	(1,056)	(61)	-	-	(1,117)
Right-to-use assets: Buildings	(4,844)	(1,923)	341	-	(6,426)
Right-to-use assets: Equipment	(244)	(180)	-	-	(424)
Right-to-use assets: Land	(1,136)	(1,133)	-	-	(2,269)
Right-to-use assets: SBITA	(8,867)	(6,128)	-	-	(14,995)
Total accumulated depreciation	<u>(10,111,141)</u>	<u>(249,583)</u>	<u>6,576</u>	<u>-</u>	<u>(10,354,148)</u>
Total capital assets, being depreciated, net	<u>3,905,531</u>	<u>(204,801)</u>	<u>266</u>	<u>154,194</u>	<u>3,854,658</u>
Governmental activities capital assets, net	<u>\$ 4,669,453</u>	<u>\$ (87,647)</u>	<u>\$ 266</u>	<u>\$ -</u>	<u>\$ 4,581,540</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 143,048	\$ -	\$ -	\$ -	\$ 143,048
Intangible assets	12,882	-	-	-	12,882
Construction in progress	888,230	135,982	610	(595,962)	427,640
Total capital assets, not being depreciated	<u>1,044,160</u>	<u>135,982</u>	<u>610</u>	<u>(595,962)</u>	<u>583,570</u>
Capital assets, being depreciated:					
Buildings	1,804,559	180	1,630	315,585	2,118,694
Improvements, other than buildings	1,484,696	32,774	-	54,599	1,572,069
Intangible assets	466	-	-	-	466
Vehicles and equipment	363,241	7,902	1,022	225,778	595,899
Right-to-use assets: Buildings	2,250	4,300	-	-	6,550
Right-to-use assets: Vehicle	508	-	508	-	-
Right-to-use assets: Land	848	-	-	-	848
Right-to-use assets: SBITA	4,819	574	-	-	5,393
Total capital assets, being depreciated	<u>3,661,387</u>	<u>45,730</u>	<u>3,160</u>	<u>595,962</u>	<u>4,299,919</u>
Less accumulated depreciation for:					
Buildings	(891,343)	(52,396)	1,630	-	(942,109)
Improvements, other than buildings	(844,130)	(36,538)	-	-	(880,668)
Intangible assets	(8)	(93)	-	-	(101)
Vehicles and equipment	(244,279)	(16,586)	1,022	-	(259,843)
Right-to-use assets: Buildings	(570)	(1,275)	-	-	(1,845)
Right-to-use assets: Vehicle	(411)	(97)	508	-	-
Right-to-use assets: Land	(297)	(136)	-	-	(433)
Right-to-use assets: SBITA	(2,753)	(1,088)	-	-	(3,841)
Total accumulated depreciation	<u>(1,983,791)</u>	<u>(108,209)</u>	<u>3,160</u>	<u>-</u>	<u>(2,088,840)</u>
Total capital assets, being depreciated, net	<u>1,677,596</u>	<u>(62,479)</u>	<u>-</u>	<u>595,962</u>	<u>2,211,079</u>
Business-type activities capital assets, net	<u>\$ 2,721,756</u>	<u>\$ 73,503</u>	<u>\$ 610</u>	<u>\$ -</u>	<u>\$ 2,794,649</u>

2. Depreciation

Depreciation expense charged to various governmental and business-type activities of the City for the year ended June 30, 2025 is as follows (in thousands):

Governmental activities:	
General government	\$ 19,939
Public safety	15,481
Capital maintenance	176,366
Community services	36,162
Capital assets held by City's internal service funds	1,635
Total depreciation expense - governmental activities	<u>\$ 249,583</u>
Business-type activities:	
San José Mineta International Airport	\$ 58,654
Wastewater Treatment System	43,170
Municipal Water System	3,592
Parking System	1,906
San José Clean Energy	887
Total depreciation expense - business-type activities	<u>\$ 108,209</u>

3. Construction Commitments

Commitments outstanding as of June 30, 2025, related to governmental and business-type activities construction in progress totaled approximately \$25,265,000 and \$169,122,000, respectively.

E. Leases, Public-Private and Public-Public Partnerships ("PPP"), and Subscription-Based Information Technology Arrangements ("SBITA")

Lease Payable

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

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The statement of net position includes the following amounts relating to leases (in thousands):

	<u>Governmental Activities:</u>	<u>Business-type Activities:</u>	<u>Total</u>
Right-to-use Assets (net of amortization):			
Buildings	\$ 9,406	\$ 4,705	\$ 14,111
Land	9,265	415	9,680
Equipment	795	-	795
	<u>\$ 19,466</u>	<u>\$ 5,120</u>	<u>\$ 24,586</u>
Lease Payable:			
Current	\$ 2,812	\$ 1,076	\$ 3,888
Noncurrent	18,269	4,061	22,330
	<u>\$ 21,081</u>	<u>\$ 5,137</u>	<u>\$ 26,218</u>

The future principal and interest lease payments as of June 30, 2025 were as follows (in thousands):

<u>Fiscal Year Ending June 30:</u>	<u>Governmental Activities: Principal</u>	<u>Governmental Activities: Interest</u>	<u>Business-type Activities: Principal</u>	<u>Business-type Activities: Interest</u>
2026	\$ 2,812	\$ 900	\$ 1,076	\$ 271
2027	2,839	778	1,361	199
2028	2,741	658	902	133
2029	2,578	532	880	82
2030	2,607	420	841	27
2031-2035	6,939	640	77	3
2036-2040	310	55	-	-
2041-2045	214	23	-	-
2046-2050	41	1	-	-
	<u>\$ 21,081</u>	<u>\$ 4,007</u>	<u>\$ 5,137</u>	<u>\$ 715</u>

Lease Receivable

The City leases out its buildings, office space and airport hangars. These leases may include one or more renewal options, exercisable at the discretion of both the City and the lessee, generally for periods of three or five years. The City includes the renewal periods in the lease term when it is reasonably certain that both the City and the lessee will mutually agree to exercise the renewal options. The City's lease arrangements do not contain any material residual value guarantees. The City utilizes its incremental borrowing rate to discount the lease payments.

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

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

Fiscal Year Ending June 30:	Governmental Activities: Principal	Governmental Activities: Interest	Business-type Activities: Principal	Business-type Activities: Interest
2026	\$ 1,351	\$ 1,088	2,938	\$ 553
2027	1,585	1,028	3,077	484
2028	1,681	964	758	380
2029	1,720	891	788	264
2030	1,813	816	819	338
2031-2035	9,161	2,857	-	1,756
2036-2040	3,233	1,337	-	2,036
2041-2045	2,115	350	-	2,362
2046-2050	-	-	-	2,736
2051-2055	-	-	-	3,172
2056-2060	-	-	-	3,678
2061-2065	-	-	-	4,263
2066-2070	-	-	-	4,942
2071-2075	-	-	-	5,730
2076-2080	-	-	-	6,643
2081-2085	-	-	-	7,700
2086-2090	-	-	-	8,926
2091-2095	-	-	6,222	4,126
	\$ 22,659	\$ 9,331	\$ 14,602	\$ 60,089

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

	2025 Governmental Activities:	2025 Business-type Activities:	Total
Lease revenue	\$ 1,920	\$ 3,002	\$ 4,922
Interest revenue	\$ 1,052	\$ 743	\$ 1,795

Airport Leases

Leases as a Lessor

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

Regulated Leases

In accordance with GASB 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers, and other aeronautical users. Regulated leases include the Airline Lease Agreement and related airline leases, as well as contracts with Fixed Based Operators ("FBOs"), Specialized Aviation Service Operators ("SASOs"), and a jet fuel farm.

Airline Leases

The City entered into an Airline Lease Agreement with various passenger and cargo airlines serving the Airport, effective July 1, 2019. The Airline Lease Agreement has an initial term of ten years and is set to expire on June 30, 2029. The term of this Airline Lease Agreement may be extended for two consecutive five-year renewal periods by the mutual written agreement of the Signatory Passenger Carriers and the City. On August 2, 2023, the Airport amended the Airline-Airport Lease and Operating Agreements to modify the Airfield and Terminal Rates and Charges calculations. The Airfield Revenue Requirement and the Airline Terminal Revenue Requirement were modified to include recovery of approved capital expenditures not financed with bonds or subordinated indebtedness.

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

The Airline Lease Agreement defines a Signatory Airline as either a 1) Passenger Carrier that executes the Airline Lease Agreement, or an agreement with substantially similar terms, and pays at least \$500,000 per year in Terminal Rents and other charges due for its use of the Terminal, excluding PFC payments, or 2) a Cargo Carrier that has executed an Airline-Airport Cargo Operating Agreement. A Passenger Carrier cannot

become a Signatory Airline within three years of the expiration of the Airline Lease Agreement, except for new entrants to the Airport that have not operated at the Airport at any other time during the term of the Airline Lease Agreement.

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

Any passenger or air cargo carrier that does not meet the minimum requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement in a form similar to that of the Airline Lease Agreement. Non-Signatory Airlines are charged a premium of 25% over the rates and charges applicable to Signatory Airlines, do not participate in revenue sharing, and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport. Non-signatory agreements may be terminated by either party on a 30-day notice. For the year ended June 30, 2025, two of twelve passenger airlines were under the Non-Signatory Airline agreement.

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

For the year ended June 30, 2025, the Airport's net remaining revenues as defined in its lease agreements was \$32.6 million. For the year ended June 30, 2025, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by \$31.2 million. The net remaining revenues for the year ended June 30, 2025 were divided by allocating the first \$4.0 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services, and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities are addressed in the Airline Lease Agreement. Effective February 1, 2024, the number of preferential gates decreased to 25, increasing the per-use basis gates to 11. Effective June 18, 2025, the number of preferential gates decreased to 24, increasing the per-use basis gates to 12. As of July 1, 2023, 29 of the Airport's 53 ticket counters were leased under exclusive agreements to seven airlines. The remaining 24 ticket counters were available to other airlines for rent on

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

a per-use basis. Effective June 18, 2025, the number of preferential ticket counters decreased to 27 under exclusive use agreements with six airlines, increasing the per-use basis ticket counters to 26.

By definition, the Airline Lease Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Airport has entered into a Signatory Airline Lease Agreement with 10 passenger airlines. For the year ended June 30, 2025, the Airport recognized terminal lease revenue of \$82,708,000. Due to the variable nature of the above revenues from year to year, expected future minimum payments are indeterminable.

FBO Leases

The Airport currently has two FBOs that provide essential support services for business and private aviation, including refueling, hangar space, maintenance, repair and overhaul, and other services. The Airport has two active ground leases with these FBOs for the year ended June 30, 2025, with expiration dates ranging from 2038 to 2063. Rental revenues from these ground lease contracts were \$7,641,000 for the year ended June 30, 2025.

SASO

The City currently has two SASOs with active ground leases for the year ended June 30, 2025, with expiration dates ranging from 2031 to 2044. Rental revenues from these ground lease contracts were \$3,583,000 for the year ended June 30, 2025.

Jet Fuel Farm

In 2006, the City entered into a ground lease contract for storage and fuel dispensing area. The contract expires in 2038, the 30th anniversary of the commencement date. Net rental revenues, inclusive of a \$31,000 annual construction credit, from the ground lease were \$1,083,000 for the year ended June 30, 2025.

The future expected minimum rentals to be received from the existing FBO, SASO, and jet fuel farm leases as of June 30, 2025, are as follows (in thousands):

Fiscal Year Ending June 30:		
2026	\$	12,570
2027		12,877
2028		13,192
2029		13,514
2030		13,845
2031-2035		72,901
2036-2040		65,230
2041-2045		48,930
2046-2050		36,423
2051-2055		41,087
2056-2060		46,347
2061-2064		35,684
Total minimum lease rentals	\$	412,600

Leases with Variable Payments

The table below shows the amount of inflow of resources recognized for variable payments per various concession categories for the year ended June 30, 2025 (in thousands):

Concession Categories	Inflow of Resources year ended June 30, 2025
Inflight Kitchen	\$ 1,342
Retail	4,095
Food & Beverage	7,333
Rental Car	16,454
	<u>\$ 29,224</u>

The leases with major concessionaires are generally based on the greater of percentage of their sales or a minimum annual guarantee (MAG). Additionally, the major concessionaire contracts include a MAG abatement clause in which, if passenger counts fall below a certain level, then their MAG is reduced by the same percentage, therefore, making the inflow of resources variable.

The City entered into an On-Airport Rental Car Operations Agreement and Lease with multiple rental car companies in 2008, which have the largest inflow of variable payments, as shown in the table above. These contracts expire on June 30, 2030. Similar to the inflight kitchen, retail, and food and beverage concessionaires, the rental car companies also pay the greater of MAG or a percentage fee of their sales and have a MAG abatement clause if passenger levels fall below a certain amount. Due to the variability of the payments a lease receivable value cannot be calculated. Part of the agreement is for the ground rent of the rental car facility and is discussed under Other Leases below.

Other Airport Leases

In accordance with GASB 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB 87. The Airport is reporting lessor lease receivables related to an in-scope advertising agreement that was entered into in 2007 of \$4,583,000 as of June 30, 2025. For the year ended June 30, 2025, the Airport reported lease revenue of \$2,035,000 and interest revenue of \$135,000. The amounts of inflows of resources recognized for variable payments were \$4,240,000 for the year ended June 30, 2025.

The future expected lease receivable and revenue balances for this in-scope GASB 87 lease are summarized as follows (in thousands):

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2026	\$ 4,583	\$ 135	\$ 2,236	\$ 2,035	\$ 2,347
2027	2,347	84	2,347	2,035	-

On June 30, 2025, the ending lease receivable was \$2,236,000 and \$2,347,000 for current and noncurrent assets, respectively.

The ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Lease is subject to a valuation under the guidelines outlined in GASB 87. Each company's share of the ground rent is based on its proportionate share of square feet of the ConRAC facility and is adjusted annually by an amount equivalent to the percentage change in the consumer price index. The latest amendment extended the term through June 30, 2030. For the year ended June 30, 2025, the Airport reported lease revenue of

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

\$726,000 and interest revenue of \$159,000. The amount of inflows of resources recognized for the year ended June 30, 2025 was \$887,000.

The future expected lease receivable and revenue balances for this in-scope GASB 87 lease are summarized as follows (in thousands):

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2026	\$ 3,797	\$ 133	\$ 702	\$ 726	\$ 3,094
2027	3,094	106	730	726	2,364
2028	2,364	77	758	726	1,606
2029	1,606	48	788	726	818
2030	818	17	818	726	-

On June 30, 2025, the ending lease receivable was \$702,000 and \$3,094,000 for current and noncurrent assets.

Leases as a Lessee

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The Airport does not have any in-scope leases as a lessee as of June 30, 2025

Security Deposit

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant, or any other entity or person, that is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable letter of credit, surety bond, cashier’s check, or other forms acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of the security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms, and conditions of the agreement. Security deposits in the form of cashier’s checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of letter of credit or surety bonds, which are not recorded in the financial statements. The amount on file as of June 30, 2025 was \$42,659,000.

Parking System Leases

Leases as a Lessor

In accordance with GASB 87, the Parking System recognizes a lease receivable and a deferred inflow of resources for leases the Parking System categorizes as in-scope of GASB 87. Effective June 6, 2020, the Parking System entered into a parking premises agreement with Walton San Jose Investors III with a fifty-five (55) agreement term through June 30, 2055. The agreement has been amended and restated various times since its inception and the latest amendment was entered on May 24, 2022. The Parking System is reporting lessor lease receivable of \$6,222,000 as of June 30, 2025. The amount of inflows of resources recognized for variable payment was \$5,760,000 for the year ended June 30, 2025.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Public-Private and Public-Public Partnerships

According to GASB Statement No. 94 Public-Private Partnerships or Public-Public Partnerships (collectively referred to as PPP) comprise arrangements between a government and another party engaging in providing services to a government’s constituents. PPPs involve a government (as transferor) which contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The City’s PPP arrangements do not contain any variable payments. As the interest rate implicit in the City’s PPP arrangements are not readily determinable, the City utilizes its incremental borrowing rate to discount the installment payments.

The City (as transferor) has Public-Private Partnership (PPP) arrangements with the San Jose Arena Authority and Sharks Ice LLC (as operators) for management and operation of City-owned facilities including the SAP Center, the San Jose Municipal Stadium and the Sharks Ice Center. Both agreements have been amended and restated various times since its inception in 1990, and in 2018 the City entered into amendment and restatement to extend the contracts to 2025 with option to extend the term to 2040. As of June 30, 2025, the PPP has a receivable of \$96,880,000 and a deferred inflows of resources of \$85,894,000.

Future minimum principal and interest payments receivable are as follows (in thousands):

<u>Fiscal Year Ending June 30:</u>	Governmental Activities:	
	Principal	Interest
2026	\$4,152	\$4,890
2027	4,605	4,664
2028	4,823	4,424
2029	5,090	4,171
2030	5,371	3,905
2031-2035	31,610	14,989
2036-2040	41,229	5,768
	<u>\$96,880</u>	<u>\$42,811</u>

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

	Governmental Activities:
PPP revenue	\$5,726
Interest revenue	\$5,067

The City’s Custodial Capital Reserve Fund for the SAP Center has a receivable of \$44,942,000 and a deferred inflows of resources of \$36,057,000 as of June 30, 2025.

Subscription-Based Information Technology Arrangements

The City recognizes a subscription liability and a subscription asset at the commencement of a SBITA term unless the subscription is a short-term SBITA. The subscription liability is measured at the present value of payments expected to be made during the subscription term, less any vendor incentives. The subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the SBITA vendor at the commencement of the subscription term, and certain initial implementation costs.

SBITA Payable

The City is obligated under contracts covering certain subscription-based information technology arrangements (SBITA) that expire at various dates during the next fourteen years. The City has entered into various SBITA contracts as lessee for information technology (IT) softwares. Most SBITA contracts have initial terms of up to five years, and contain one or more renewals at the City's option. The City generally included these renewal periods in the subscription term when it is reasonably certain that the City will exercise the renewal option and the contract is not deemed cancellable. The City's SBITA contracts do not contain any material residual value guarantees. As the interest rate implicit in the City's agreements are not readily determinable, the City utilizes its incremental borrowing rate to discount the SBITA payments.

The statement of net position shows the following amounts relating to SBITA:

	Governmental Activities	Business-type Activities	Total
Right-to-use Assets (net of amortization):			
SBITA	\$ 16,131	\$ 1,552	\$ 17,683
	<u>\$ 16,131</u>	<u>\$ 1,552</u>	<u>\$ 17,683</u>
SBITA Payable:			
Current	\$ 3,635	\$ 473	\$ 4,108
Noncurrent	10,642	1,115	11,757
	<u>\$ 14,277</u>	<u>\$ 1,588</u>	<u>\$ 15,865</u>

The future principal and interest subscription payments as of June 30, 2025, were as follows:

Fiscal Year Ending June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 3,635	\$ 640	\$ 473	\$ 54
2027	1,207	527	282	42
2028	1,209	472	294	33
2029	1,218	418	219	23
2030	1,298	363	98	16
2031-2035	4,721	1,003	214	19
2036-2040	989	80	8	1
Total	<u>\$ 14,277</u>	<u>\$ 3,503</u>	<u>\$ 1,588</u>	<u>\$ 188</u>

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

F. Long-Term Debt and Other Obligations

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the City governmental activities as of June 30, 2025 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments (\$ millions)	Balance June 30, 2025
Governmental Activities							
City of San José							
General Obligation Bonds:							
Series 2019A-1 (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	\$ 140,360	07/25/2019	09/01/2049	5.00%	7.13-12.19	\$ 140,360
Series 2019B (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	66,500	07/25/2019	09/01/2027	2.45-2.60%	17.76-22.83	63,030
Series 2019C (Libraries, Parks, Public Safety)	Community Facilities/Refunding	158,185	07/25/2019	09/01/2035	5.00%	4.27-22.12	148,955
Series 2021A (Disaster, Preparedness, Public Safety, and Infrastructure)	Community Facilities	151,210	07/29/2021	09/01/2051	5.00%	2.65-9.43	144,920
							497,265
City of San José Financing Authority							
Lease Revenue Bonds:							
Series 2013B (Civic Center Garage Project)	Refunding	30,445	06/19/2013	06/01/2039	3.50-5.00%	1.13-1.91	20,740
Series 2020A (Civic Center Refunding)	Refunding	355,620	09/24/2020	06/01/2039	1.31-2.88	17.00-22.55	270,500
Series 2020B (Ice Center Expansion)	Expansion/Refunding	146,535	10/15/2020	06/01/2051	1.57-3.52	3.65-7.78	137,465
Series 2021A (Fire Training Center and Central Service Yard Project)	Community Facilities	22,825	11/02/2021	10/01/2034	4.00%	1.49-2.20	18,410
Series 2022A (Convention Center Refunding)	Refunding	165,815	4/21/2022	05/01/2052	3.44-4.86	3.42-9.76	159,895
							607,010
							\$ 1,104,275

The following is a summary of long-term debt of the City for business-type activities as of June 30, 2025 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments (\$ millions)	Balance June 30, 2025
Business-Type Activities							
San José Mineta International Airport Revenue Bonds							
Series 2017A (AMT)	Refunding	\$ 473,595	04/11/2017	03/01/2047	4.00-5.00%	4.01-35.15	\$ 394,655
Series 2017B (Non-AMT)	Refunding	150,675	04/11/2017	03/01/2047	4.00-5.00%	1.28-11.18	125,565
Series 2021A (AMT)	Refunding	85,860	04/07/2021	03/01/2034	4.00-5.00%	1.28-15.01	77,355
Series 2021B (Non-AMT)	Refunding	48,200	04/07/2021	03/01/2034	4.00-5.00%	0.27-10.23	46,000
Series 2021C (Taxable)	Refunding	294,020	04/07/2021	03/01/2041	1.36-3.29	5.26-28.99	281,410
Series 2024A (AMT)	Refunding	76,404	07/30/2024	03/01/2031	3.74%	7.56-17.78	65,583
							990,568
City of San José Financing Authority							
Wastewater Revenue Bonds, Series 2022B	Refunding	268,355	12/15/2022	11/01/2052	5.00%	4.37-16.85	260,250
Subordinate Wastewater Revenue Notes	Public Infrastructure	200,000	10/01/2017	Anytime	Variable	Variable	40,098
Total Business-Type Activities - Bonds Payable							\$ 1,290,916

2. Summary of Default Provisions for Long-Term Debt

Governmental Activities – General Obligation Bonds

The City has four series of general obligation bonds outstanding as of June 30, 2025: Series 2019A-1 Bonds, Series 2019B Bonds, Series 2019C Bonds, and Series 2021A Bonds (collectively, “General Obligation Bonds”). The City issued each series of General Obligation Bonds pursuant to a fiscal agent agreement with Wilmington Trust, National Association (“Fiscal Agent Agreement”). The events of default under the respective Fiscal Agent Agreements are as follows: (i) failure to pay principal of, or redemption premiums on the General Obligation Bonds when due; and (ii) failure to pay interest on the applicable General Obligation Bonds when due.

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

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

The Financing Authority has five series of lease revenue bonds outstanding as of June 30, 2025: Series 2013B Bonds, Series 2020A Bonds, Series 2020B Bonds, Series 2021A Bonds, and Series 2022A Bonds (collectively, “Lease Revenue Bonds”). The Financing Authority issued each series of Lease Revenue Bonds pursuant to a trust agreement or an indenture of trust (each a “Trust Agreement”) with a trustee bank (“Trustee”).

Each series of Lease Revenue Bonds is structured with the City leasing a City facility to the Financing Authority and the Financing Authority leasing it back to the City pursuant to a lease (“City Lease”). The City’s

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

The Trust Agreements and the City Leases under each transaction specify the events of default for each transaction.

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

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

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

Upon an event of default under the City Lease, the Financing Authority or the Trustee as the Financing Authority's assignee may (i) terminate the City Lease and re-enter the facility subject to the City Lease, remove the persons and personal property occupying the facility and re-lease the facility to another lessee; or (ii) without terminating the City Lease, keep the City Lease in effect and continue to collect lease payments from the City or (iii) enter the facility and re-lease the facility to another lessee. If an event of default occurs and continues, the Financing Authority has the right to take legal or equitable action to protect itself.

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

Business Activities – City of San José Airport Revenue Bonds

The City of San José has six series of Airport Revenue Bonds outstanding as of June 30, 2025: Series 2017A (AMT), Series 2017B (Non-AMT), Series 2021A (AMT), Series 2021B (Non-AMT), 2021C (Taxable) and Series 2024A (AMT) (collectively, “Airport Revenue Bonds”). The City issued each series of Airport Revenue Bonds pursuant to a Master Trust Agreement (“MTA”) with The Bank of New York Mellon Trust Company, N.A. (“Trustee”). The events of default under the MTA for the City’s Revenue Bonds include: a) non-payment of the principal of or interest on the bonds; (b) a breach of a covenant under the MTA if the default shall have continued for a period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee or a Municipal Bond Insurer (as defined in the MTA), or to the City and the Trustee by the owners of not less than 25% in aggregate principal amount of the bonds at the time outstanding; and (c) filing a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws. There is no acceleration remedy with respect to the senior bond obligations in the event of default for any current Airport Revenue Bonds and Airport Revenue Refunding Bonds that are outstanding. See discussion of events of default under the Commercial Paper Reimbursement Agreement in Business Activities for Airport Commercial Paper Notes (Short-Term Direct Borrowings).

Business Activities - City of San José Financing Authority Wastewater Revenue Bonds

The Financing Authority issued Wastewater Revenue Bonds, Series 2022B (Green Bonds – Climate Bond Certified) (“2022B Bonds”) pursuant to a master indenture (“Master Indenture”) with a trustee bank (“Trustee”).

The Financing Authority’s source of repayment of the 2022B Bonds is installment payments made to the Financing Authority by the City from pledged Net System Revenues received by the City related to the Wastewater Treatment System, pursuant to a Master Installment Purchase Contract (“Master Installment Purchase Contract”) between the City and the Financing Authority, and City Resolution No. 80770, which amended and restated City Resolution No. 78382 (the “Master Resolution”), and which provides for the allocation and pledge of Net System Revenues to secure the payment of obligations payable from Wastewater Net System Revenues. Payments on the 2022B Bonds are senior to payments on the Financing Authority’s outstanding Subordinate Wastewater Revenue Notes, Series A and will be senior to payments on other Subordinate Obligations (as defined in the Master Resolution) issued in the future.

The City has covenanted in the Master Resolution that it will fix and prescribe, or cause to be fixed and prescribed, rates and charges for the use of the Wastewater System (as defined in the Master Resolution) in each fiscal year that are reasonably estimated to yield during each fiscal year Adjusted Net System Revenues (as defined in the Master Resolution) for such Fiscal Year equal to at least (1) 110% of the Debt Service on all Outstanding Parity Obligations (as defined in the Master Resolution) for the fiscal year, (2) 100% of the Debt Service on all Outstanding Parity Obligations and Outstanding Subordinate Obligations (as defined in the Master Resolution) for the fiscal year, and (3) 100% of all obligations of the City payable from Net System Revenues (as defined in the Master Resolution) in the fiscal year.

Events of Default under the Master Indenture and the Master Installment Purchase Contract include: (i) failure to pay Debt Service, or redemption premium on the 2022B Bonds when due; (ii) failure to comply with covenants and conditions of the Master Indenture or the Master Installment Purchase Contract, including failure to comply with the Master Resolution, and such default shall have continued for a specified period of days following the Financing Authority’s or the City’s receipt of notice from the Trustee, provided that such period may be extended as provided in the Master Indenture or the Master Installment Purchase Contract, as applicable; (iii) bankruptcy or similar debtor relief proceedings; and (iv) failure to pay any installment payment under the Master Installment Purchase Contract when due.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Upon an event of default under the Master Indenture or the Master Installment Purchase Contract, the Trustee may, and upon the written request of the holders of a majority in principal amount of the 2022B Bonds then outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefore, shall proceed to protect or enforce its rights or the rights of the holders of 2022B Bonds under the Master Indenture by a suit in equity or action at law that the Trustee shall deem appropriate in support of any of its rights and duties.

Business Activities - City of San José Financing Authority Subordinate Wastewater Revenue Notes

The City, the Financing Authority, and Wells Fargo Bank, National Association (“Wells Fargo”) are parties to a Credit Agreement dated as of October 1, 2017 as amended by subsequent amendments, including a Fourth Amendment to Credit Agreement dated June 29, 2023 (“Credit Agreement”) pursuant to which the Financing Authority has issued to Wells Fargo (i) a subordinate tax-exempt wastewater revenue note and (ii) a subordinate taxable wastewater revenue note. The Credit Agreement is an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not to exceed \$200 million to finance capital improvements at the Regional Wastewater Facility (“RWF”). Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF. The Credit Agreement is currently scheduled to terminate on October 16, 2026.

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

The source of repayment of the notes, including associated fee and interest costs, is installment payments made to the Financing Authority by the City from pledged Net System Revenues received by the City related to the Wastewater Treatment System, pursuant to a Subordinate Installment Purchase Contract, dated as of October 1, 2017, by and between the City and the Financing Authority, and City Resolution No. 80770, which amended and restated City Resolution No. 78382 (the “Master Resolution”), and which provides for the allocation and pledge of Net System Revenues to secure the payment obligations payable from the Wastewater Net System Revenue. Payments on the notes are subordinate to payments on the 2022B Bonds and will be subordinate to payments on long-term bonds issued in the future.

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

Moody's, S&P, Fitch, or Kroll of its long term ratings on long-term debt that constitutes Parity Obligations under the Master Resolution below "A3," "A-," "A-" or "A-," respectively.

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

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

3. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions including various reporting requirements for which non-compliance could adversely affect the cost of debt service on future financings.

4. Legal Debt Limit and Margin

The City Charter limits bonded indebtedness for General Obligation bonds (principal only) to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property, provided by the County, for FY 2025 tax roll was \$266.859 billion, which results in a total debt limit of approximately \$40.029 billion. As of June 30, 2025, the City had \$596.9 million, or approximately 1.5%, of General Obligation bond principal applicable to the debt limit. Accordingly, the debt margin is \$39.432 billion.

5. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebate liabilities are not reported and paid to the Internal Revenue Service ("IRS") at least every five years. During the current year, the City performed calculations to determine the rebate liabilities for the City's tax-exempt bond issues. However, as no bond issue with a positive rebate liability was due for a fifth-year payment, there was no rebate liability outstanding as of June 30, 2025.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

6. Conduit Debt

The City has issued multi-family housing revenue bonds to provide funds for secured loans to builders of multi-family housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with IRS requirements in order to meet the tax-exempt status, the owner is required to set aside a certain percentage of all units built for very low to moderate-income households. The bonds are payable solely from loan payments made on the related loans. These tax-exempt housing bonds have maturity dates that are due at various dates through May 1, 2066. As of June 30, 2025, the total principal amount outstanding of conduit multi-family housing revenue bonds is \$834,008,000.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which provides that a conduit debt obligation is a debt instrument that (1) involves an issuer, a third-party obligor, and a debt holder or debt trustee; (2) the issuer and the third-party obligor are not within the same financial reporting entity; (3) the debt obligation is not a parity bond of the issuer nor is it cross-collateralized with other debt of the issuer; (4) the third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance; and (5) the third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation. The multi-family housing revenue bonds meet the criteria for a conduit debt obligation and are therefore not reported as a liability in the financial statements.

7. Summary of Changes in Long-term Obligations

Governmental Activities - The changes in long-term obligations for the year ended June 30, 2025 are as follows (in thousands):

	July 1, 2024	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2025	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	\$ 522,815	\$ -	\$ (25,550)	\$ 497,265	\$ 25,480
Issuance premiums:					
For issuance premiums	105,375	-	(5,721)	99,654	5,702
San José Financing Authority					
Lease revenue bonds	633,015	-	(26,005)	607,010	26,945
Issuance premiums:					
For issuance premiums	4,063	-	(374)	3,689	374
Total long-term debt payable	1,265,268	-	(57,650)	1,207,618	58,501
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time*	162,196	6,576	-	168,772	98,908
Accrued landfill postclosure costs	2,250	472	-	2,722	455
Estimated liability for self-insurance	196,509	47,312	(58,291)	185,530	38,870
Pollution remediation obligation	3,341	-	(200)	3,141	-
Lease payable	23,277	442	(2,638)	21,081	2,812
SBITA payable	12,704	8,464	(6,891)	14,277	3,635
Total other long-term obligations	400,277	63,266	(68,020)	395,523	144,680
Governmental activities long-term obligations	\$ 1,665,545	\$ 63,266	\$ (125,670)	\$ 1,603,141	\$ 203,181

* Balance on 7/1/2024 was previously reported as \$95,116 and was restated to \$162,196 due to the implementation of GASB No. 101, *Compensated Absences*. The change in accrued vacation, sick leave and compensatory time is presented as a net change.

General Obligation Bonds are issued pursuant to a two-thirds majority voter authorization. In 2000 and 2002, San José voters approved three ballot measures (Measures O and P in 2000 and Measure O in 2002) that authorized the total issuance of \$598,820,000 of general obligation (“Prior GO”) bonds for library, parks and public safety projects. On November 6, 2018, voters approved the Measure T ballot measure that authorized total issuance of \$650,000,000 of general obligation (“GO”) bonds for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure. The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

On July 25, 2019, the City issued \$502,020,000 of General Obligation Bonds (“2019 GO Bonds”) that included new money bonds under three separate authorizations: (1) Measure T, approved by the voters on November 6, 2018 in the not-to-exceed amount of \$650,000,000 (2) Measure O (approved by the voters on November 7, 2000 in the not-to-exceed amount of \$211,790,000 for library projects); and (3) Measure O (approved by the voters on March 5, 2002 in the not-to-exceed amount of \$159,000,000 for public safety projects). Of the 2019 GO Bonds issued, \$239.9 million was issued under the Measure T authorization for acquisition of real property and infrastructure projects; \$9.2 million issued under prior and remaining Measure O authorizations (2000 and 2002) for library and public safety projects; and \$252.9 million in GO refunding bonds that refunded all of the Prior GO bonds issued under Measure O (2000), Measure P (approved by the voters on November 7, 2000 in the not-to-exceed amount of \$228,030,000) and Measure O (2002).

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

As of June 30, 2025, the City had remaining authorization under Measure T in the amount of \$209,570,000.

Total aggregate principal and interest outstanding as of June 30, 2025 is \$791.7 million with final maturity of September 1, 2051.

City of San José				
General Obligation Bonds				
Issuance Amounts and Outstanding Balances				
Issuance	Final Maturity	Issuance Amount		Principal Outstanding As of June 30, 2025
		2019 Refunding	Measure T	
Series 2019A-1	9/1/2049		\$ 140,360,000	\$ 140,360,000
Series 2019A-2 ⁽²⁾	9/1/2019		33,040,000	-
Series 2019B	9/1/2027		66,500,000	63,030,000
Series 2019C ⁽¹⁾	9/1/2035	\$ 158,185,000		148,955,000
Series 2019D ⁽²⁾	9/1/2024	103,935,000		-
Series 2021A	9/1/2051		151,210,000	144,920,000
Series 2021B ⁽²⁾	9/1/2022		8,450,000	-
Series 2021C ⁽²⁾	9/1/2021		40,870,000	-
Total		\$ 262,120,000	\$ 440,430,000	\$ 497,265,000
Measure T Voter Authorization			\$ 650,000,000	
Remaining Measure T Authorization			\$ 209,570,000	

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

(2) The Bond Series 2019A-2, Series 2019D, Series 2021B and Series 2021C matured and are fully redeemed.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

Total principal and interest remaining on lease revenue bonds as of June 30, 2025 is approximately \$846.5 million, with the final payment due on May 1, 2052.

Special Tax Bonds are issued by the City to finance public improvements in special tax districts established by the City and are secured by special taxes levied on properties located within the special districts. The special taxes, as applicable, are calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources. There are no special tax bonds currently outstanding.

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

Business-Type Activities - The changes in long-term obligations for the year ended June 30, 2025 are as follows (in thousands):

	July 1, 2024	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2025	Amounts Due Within One Year
Business-Type Activities:					
San José Mineta International Airport:					
Revenue bonds	\$ 1,020,645	\$ 76,404	\$ (106,481)	\$ 990,568	\$ 29,516
Issuance premiums:					
For issuance premiums	79,584	-	(9,463)	70,121	4,870
City of San Jose Financing Authority Wastewater:					
Revenue bonds	264,405	-	(4,155)	260,250	4,365
Issuance premiums:					
For issuance premiums	31,065	-	(1,092)	29,973	1,092
City of San José Financing Authority Subordinate Wastewater					
Revenue Notes:					
Direct Borrowings					
Notes payable	40,098	-	-	40,098	-
Total long-term debt payable	1,435,797	76,404	(121,191)	1,391,010	39,843
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time*	19,944	641	-	20,585	12,322
Estimated liability for self-insurance	3,866	1,150	(1,049)	3,967	591
Pollution remediation obligation	27,051	-	-	27,051	-
Lease payable	2,412	3,703	(978)	5,137	1,076
SBITA payable	2,120	574	(1,106)	1,588	473
Total other long-term obligations	55,393	6,068	(3,133)	58,328	14,462
Business-type activities long-term obligations	\$ 1,491,190	\$ 82,472	\$ (124,324)	\$ 1,449,338	\$ 54,305

* Balance on 7/1/2024, was previously reported as \$9,552 and was restated to \$19,944 due to implementation of GASB No. 101, Compensated Absences. The change in accrued vacation, sick leave and compensatory time is presented as a net change.

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the San José Mineta International Airport (the “Airport”). Pursuant to the Airport’s master trust agreement (the “Master Trust Agreement”), the City has irrevocably pledged the General Airport Revenues and certain other funds held or made available under the 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. Under the Master Trust Agreement, General Airport Revenues generally include all revenues, income, receipts, and monies derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues and other moneys. Capitalized terms are defined in the Master Trust Agreement.

The net revenues available to pay Debt Service for the year ended June 30, 2025 totaled \$178,970,000 comprised of \$143,526,000 of Net General Airport Revenues (as defined in the Master Trust Agreement) and \$35,444,000 of Other Available Funds (as defined in the Master Trust Agreement). Other Available Funds include surplus carryover of \$11,503,000, rolling debt service coverage of \$11,942,000, and gross Customer Facility Charges (“CFC”) Revenues of \$11,999,000. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to \$49,872,000, which is net of \$23,788,000 of bond Debt Service paid from the accumulated Passenger Facility Charges (“PFC”) funds.

The City has covenanted in the Master Trust Agreement that Net General Airport Revenues available to pay Debt Service for each fiscal year plus certain Other Available Funds held or made available under the Master Trust Agreement will be at least equal to 125% of annual Debt Service for such fiscal year. Under the Master Trust Agreement, “annual debt service” means for any specified period, the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds, less Available PFC revenues (as defined in the Master Trust Agreement). Total principal and interest remaining as of June 30, 2025 on the bonds is approximately \$1.5 billion, with the final payment due on March 1, 2047.

On July 30, 2024, the City issued \$76.4 million of Airport Revenue Refunding Bonds Series 2024A (AMT) (2024A Bonds) to refund a portion of its Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (collectively, 2014 Bonds). The 2024A Bonds were issued through direct placement with TD Public Finance LLC (Purchaser) and bear a fixed interest rate of 3.7%, with a final maturity of March 1, 2031. Proceeds from the issuance were used to refinance a portion of the costs of certain improvements to the Airport, including the refunding of the outstanding Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (collectively, the Series 2014 Bonds, (or 2014 Refunded Bonds), in the amount of \$76,770,000. The refunding resulted in total debt service savings of \$5,547,000, with a net present value (NPV) or economic gain of \$2,531,000 (3.3% of the 2014 Refunded Bonds) and an accounting gain of \$3,540,000. Three maturities of the Series 2014 Bonds, with a total principal amount of \$840,000, were excluded from the refunding due to negative savings and were called and redeemed on September 1, 2024, using available cash.

City of San José Financing Authority Wastewater Revenue Bonds, Series 2022B (Green Bonds – Climate Bond Certified)

On December 15, 2022, the City of San José Financing Authority issued \$268.4 million of the Wastewater Revenue Bonds, Series 2022B (Green Bonds - Climate Bond Certified) to refinance the Financing Authority’s then-outstanding Subordinate Wastewater Revenue Notes, Series A. The 2022B Bonds were issued as long-term fixed-rate debt with level debt service. Total aggregate principal and interest outstanding as of June 30, 2025 is \$483.6 million with final maturity of November 1, 2052.

City of San José Financing Authority Subordinate Wastewater Revenue Notes

The City, the Financing Authority, and Wells Fargo Bank, National Association (“Wells Fargo”) are parties to a Credit Agreement dated as of October 1, 2017 as amended by subsequent amendments, including a

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Fourth Amendment to Credit Agreement dated June 29, 2023 (“Credit Agreement”) pursuant to which the Financing Authority has issued to Wells Fargo (i) a subordinate tax-exempt wastewater revenue note and (ii) a subordinate taxable wastewater revenue note (collectively, the “Wastewater Revenue Notes”). The Credit Agreement is an interim financing program that enables the issuance of subordinate Wastewater Revenue Notes that can be outstanding at any one time in an amount not-to-exceed \$200 million to finance capital improvements at the Regional Wastewater Facility (“RWF”). Advances on the Wastewater Revenue Notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF.

On June 20, 2023, the City Council and Financing Authority Board approved the Fourth Amendment to the Credit Agreement and a related fourth amended and restated fee letter agreement with Wells Fargo, which extended the termination date of the Credit Agreement through October 16, 2026, and reduced the aggregate principal amount of the Wastewater Revenue Notes that can be outstanding at any one time from \$300 million to \$200 million.

As of June 30, 2025, the Financing Authority has drawn \$40.1 million of the aggregate principal amount of \$200 million available under the Credit Agreement as follows (in thousands).

July 1, 2024	Issuances	Redemptions	June 30, 2025	Interest Rate
\$40,098	\$ -	\$ -	\$40,098	3.85%

8. Annual Requirements to Maturity

The annual requirements to amortize all bonds outstanding as of June 30, 2025 are as follows (in thousands):

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities			
	City of San José General Obligation Bonds		City of San José Financing Authority Bonds ⁽¹⁾		Airport Revenue Bonds ⁽¹⁾		City of San José Financing Authority Wastewater Revenue Bonds ⁽²⁾	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 25,480	\$ 22,948	\$ 26,945	\$ 19,461	\$ 29,516	\$ 42,101	\$ 4,365	\$ 12,903
2027	25,225	22,252	28,865	18,936	32,316	40,984	4,590	12,680
2028	24,955	21,491	29,480	18,329	33,430	39,852	4,825	12,444
2029	24,820	20,460	30,170	17,638	34,897	38,658	5,075	12,197
2030	25,090	19,212	30,910	16,900	36,307	37,248	5,335	11,936
2031-2035	115,205	77,750	167,290	71,029	229,863	161,161	31,060	55,288
2036-2040	69,975	54,785	159,180	43,286	283,165	109,761	39,890	46,463
2041-2045	73,865	37,756	59,340	21,971	220,630	52,533	51,220	35,131
2046-2050	94,250	16,841	56,810	10,914	90,445	6,839	65,770	20,580
2051-2055	18,400	931	18,020	1,027	-	-	48,120	3,689
Total	\$ 497,265	\$ 294,426	\$ 607,010	\$ 239,492	\$ 990,568	\$ 529,138	\$ 260,250	\$ 223,311

(1) Does not include commercial paper notes.

(2) Does not include subordinate wastewater revenue notes.

9. *Short-Term Debt Activities*

Governmental Activities

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

The City's Commercial Paper ("CP") Program utilizes a lease revenue financing structure. Under this program, the Financing Authority is able to issue commercial paper notes ("CP Notes") on a tax-exempt and federally taxable basis at prevailing interest rates for a term not to exceed 270 days. The CP Program was initially established on January 13, 2004, pursuant to resolutions of the City Council and the Financing Authority Board authorizing the issuance of the Financing Authority tax-exempt lease revenue CP Notes in an amount not to exceed \$98,000,000. Since 2004, the City Council and the Financing Authority Board have taken actions to modify the CP Program, including increasing and decreasing the program's capacity and authorizing the issuance of taxable lease revenue CP Notes. The CP Program consists of the Financing Authority's Series 1 Notes (tax-exempt), Series 1-T Notes, Series 2 Notes (tax-exempt) and Series 2-T Notes. Since February 2013, Series 2 Notes and Series 2-T Notes were supported by a direct payment letter of credit ("LOC") provided by the U.S. Bank National Association ("US Bank").

The City Council adopted Resolution No. RES2025-119 on May 6, 2025, approving and authorizing the execution and delivery of a Letter of Credit and Reimbursement Agreement with TD Bank, N.A. ("TD Bank Agreement"). The TD Bank Agreement was executed on May 20, 2025. The TD Bank Agreement provides for the issuance of an irrevocable letter of credit ("LOC") to support the Financing Authority's Series 1 Notes and Series 1-T Notes in an aggregated principal amount not to exceed \$175.0 million. The LOC had a stated amount of \$187,945,000 representing the maximum principal amount of CP Notes to be issued, plus interest calculated at 10% for 270 days. The TD Agreement expires on May 17, 2030. With the execution of the TD Bank Agreement, the City terminated the agreement with US Bank. As of June 30, 2025, neither the Series 2 Notes nor Series 2-T Notes were supported by LOC and were not authorized to be issued under the terms of the hereinafter defined Trust Agreement.

The Financing Authority issues the Series 1 Notes and Series 1 T-Notes pursuant to an Amended and Restated Trust Agreement, between the Financing Authority and Computershare Trust Company, National Association, as trustee, as amended and supplemented from time to time (as so amended and supplemented, the "Trust Agreement") and a Third Amended and Restated Issuing and Paying Agent Agreement between the Financing Authority and Computershare Trust Company, National Association, as paying agent ("Issuing and Paying Agent Agreement"). The Financing Authority may issue Series 1 Notes and Series 1-T Notes with a pool of CP dealers, including Barclays Capital Inc., Morgan Stanley & Co. LLC and TD Securities (USA) LLC.

The City has leased to the Financing Authority various City-owned facilities pursuant to a Site Lease, as amended. The Financing Authority subleased these same facilities back to the City pursuant to a Sublease, as amended (the "Sublease") in exchange for the rental payments, subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the leased facilities, or any defects in title to the leased facilities, there is substantial interference with the City's right to use and occupy any portion of the facilities. The facilities subject to the Site Lease and Sublease as of June 30, 2025 consists of the following: the Police Communications Center, the South San José Police Substation, and the Tech Museum (the "Pledged Properties"). The rental payments received by the Financing Authority from the City under the Sublease are used to reimburse TD Bank for draws under the LOC and, to the extent necessary, repay CP Notes.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

If TD Bank makes a payment under the LOC for the principal of maturing Series 1 Notes or Series 1-T Notes, and the Financing Authority doesn't repay on the same business day, that payment will be treated as a Principal Advance from TD Bank to the Financing Authority. Interest on any Principal Advances are calculated at various increasing interest rates depending on the number of days the Principal Advance remains outstanding.

Any amount of a Principal Advance (not including a "Default Advance") owed by the Financing Authority or the City on behalf of the Financing Authority remains unpaid by the earlier of (i) the 181st day after the Principal Advance was made, or (ii) the Stated Expiration Date (the "Term Loan Conversion Date"), will automatically be converted into a term loan ("Term Loan"). Interest on Term Loans is payable at the Alternative Base Rate plus 3% (the "Term Loan Rate") from the date the Principal Advance is converted to a Term Loan. The principal amount of each Term Loan shall be amortized over a three-year period in equal quarterly installments of principal. The amount of the LOC and the amounts available to be drawn thereunder by the Issuing and Paying Agent shall not be increased with respect to the conversion of a Principal Advance to a Term Loan.

Under the TD Bank Agreement, the City and Financing Authority covenanted, at TD Bank's request, to redetermine or cause to be redetermined the fair rental value for the Pledged Properties as of the date of any such acceleration.

Events of default under the TD Bank Agreement, include: (a) failure of paying obligations due continuously for a period of 5 days; (b) default by the Financing Authority or City in the performance of certain covenants; (c) any representation, warranty, certification or material statement made by the Authority or the City pursuant to the TD Bank Agreement or any other related document is incorrect in any material respect when made; (d) default on other material City debt other than Series 1 Notes and Series 1-T Notes; (e) bankruptcy (f) rating downgrades by any of Moody's, S&P, or Fitch of its long-term ratings on the Financing Authority's lease revenue debt below "Baa1," "BBB+" and "BBB+," respectively or suspension or withdrawal of the long-term ratings on the Financing Authority's lease revenue debt for any credit related reason; (g) any final judgment against the leased property in excess of \$20 million, which is not covered in full by insurance and remains unpaid for 60 days.

If an Event of Default occurs, TD Bank may, by notice to the Issuing and Paying Agent, (i) issue a No-Issuance Notice (directing the Issuing and Paying Agent to cease authenticating Series 1 Notes and Series 1-T Notes, unless and until such notice is rescinded), (ii) issue a Final Drawing Notice (the effect of which will be to cause the LOC to terminate as provided in the TD Bank Agreement); (iii) declare default advance; or (iv) take any other action permitted by law. The occurrence of an event of default will not affect TD Bank's obligations under the LOC with respect to Series 1 Notes and Series 1-T Notes that are outstanding at the time of the occurrence of such event of default, and the Issuing and Paying Agent will continue to have the right to draw under the LOC to pay the principal of and accrued interest on maturing Series 1 Notes and Series 1-T Notes that are outstanding at the time of the occurrence of such event of default.

As of June 30, 2025, \$4,967,000 of taxable CP Notes and \$20,700,000 of tax-exempt CP Notes were outstanding at an interest rate of 4.42% and 2.90%, respectively.

The remaining capacity under the TD Bank LOC as of June 30, 2025 is approximately \$149.3 million. The total capacity is \$175.0 million. The activity in Financing Authority commercial paper notes during the year ended June 30, 2025 is as follows (in thousands):

July 1, 2024	Additions	Deletions	June 30, 2025
\$5,967	\$20,700	\$1,000	\$25,667

**City of San José Financing Authority Commercial Paper Program
as of June 30, 2025 (\$175 million capacity) (in thousands):**

Project	CP Authorization	CP Outstanding	Remaining Authorization
Flood Improvement Recovery - PRNS	\$ 5,683	\$ 652	\$ 5,031
Energy Purchases - SJCE	75,000	-	75,000
ESCO Conservation Project - Public Works	4,315	4,315	-
Muni Water - Building Infrastructure - ESD	40,000	20,700	19,300
Muni Water - Advanced Metering Infrastructure - ESD	23,000	-	23,000
Authorized, uncommitted	27,002	-	27,002
Totals	\$ 175,000	\$ 25,667	\$ 149,333

Business-Type Activities

Airport Commercial Paper Notes (Short-Term Direct Borrowings)

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

The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014 ("Issuing and Paying Agent Agreement"), as subsequently amended, by and between the City and U.S. Bank National Association ("US Bank"). Credit support for the timely payment of the principal and interest on the Subordinated CP Notes at maturity is provided through a letter of credit as described below. The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to \$600.0 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the applicable letter of credit, as described below.

On September 12, 2018, the City substituted for the prior letter of credit supporting the Subordinated CP Notes a letter of credit issued by Bank of America, N.A. ("BANA"). Pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2018, between the City and BANA ("BANA Reimbursement Agreement"), BANA issued its irrevocable transferable letter of credit ("BANA LOC") in the initial stated amount of approximately \$81.7 million (to cover principal of \$75.0 million and interest on the Subordinated CP Notes

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

accruing calculated at a rate of 12% for 270 days based on a 365-day year). The \$75.0 million principal amount of the BANA LOC was secured to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. On July 15, 2024, BANA extended the expiration date of the BANA LOC from September 10, 2024, to September 10, 2026.

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

The ratings of the outstanding Airport Subordinated CP Notes are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch, respectively, based on the credit support provided by the BANA LOC, as of June 30, 2025.

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

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

An event of default under the BANA Reimbursement Agreement would entitle BANA to demand that no additional Subordinated CP Notes be issued, that the City reimburse BANA immediately for draws under the BANA LOC and that all other amounts owed by the City to BANA be accelerated and become due immediately. The BANA Reimbursement Agreement includes a subjective acceleration provision in the event that any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of BANA, a material adverse effect on the obligation of the City to make payments under the BANA Reimbursement Agreement or the security granted to secure such payments. In connection with the BANA LOC, the City entered into a fee letter with BANA to specify the facility fee rate and other charges payable by the Airport with respect to the BANA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BANA LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the BANA Reimbursement Agreement. The facility fee rate in effect under the LOC issued by BANA was 0.40% as of June 30, 2025.

As of June 30, 2025, the City had \$20.1 million Subordinated CP Notes, Series A-1 (Non-AMT) outstanding. Such notes were issued to build new facilities and maintenance buildings. The new facilities and maintenance buildings will be designed to be expandable and adaptable to meet the current and the anticipated future demand for facilities and maintenance services at the Airport. Additional Subordinated CP Notes, Series A-1 may be issued in Fiscal Year 2026 to fund the project.

The remaining capacity under the LOC issued by BANA as of June 30, 2025 is \$54.9 million. The total LOC capacity is \$75.0 million. The activity in Airport commercial paper notes during the year ended June 30, 2025 is as follows (in thousands):

<u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>	<u>Interest Rate</u>
<u>\$27,728</u>	<u>\$1,571</u>	<u>\$9,243</u>	<u>\$20,056</u>	<u>2.75%</u>

Clean Energy Revolving Credit Agreement

In November 2018, the City entered into a Revolving Credit Agreement with Barclays Bank PLC (“Barclays”) to finance start-up costs of the City of San José Clean Energy program, purchase power, and in the case of standby Letters of Credit, secure payments under power purchase agreements and other costs associated with the Community Energy implementation plan. In connection with the execution and delivery of the Credit Agreement described below, the City elected to terminate the credit facilities under the Credit Agreement with Barclays effective on February 17, 2023.

On December 13, 2022, the City Council adopted Resolution No. 80833 authorizing the City Manager, Director of Finance, Assistant Director of Finance, and their authorized designees to negotiate, execute, and deliver a Revolving Credit Agreement with JPMorgan Chase Bank, N.A. (“JPMorgan”) including loans and letters of credit for up to \$250 million outstanding at one time. Effective Feb 17, 2023, JPMorgan and the City entered into a Revolving Credit Agreement (the “Credit Agreement”) under which JPMorgan has committed to provide the City with a credit facility consisting of: (i) a \$50 million Line of Credit under which JPMorgan has committed to make loans to the City for working capital and other general operational purposes of SJCE, including without limitation, the purchase of power products, and to secure the City’s payment obligations under one or more power purchase agreements; (ii) a \$100 million standby Letter of Credit facility providing for the issuance of standby Letter of Credit each with a term of two years or less to secure the City’s payment obligations under one or more power purchase agreements; and (iii) a \$100 million standby Letter of Credit

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

facility providing for the issuance of standby Letter of Credit each with a term of more than two years to secure the City's payment obligations under one or more power purchase agreements.

On April 21, 2025, pursuant to the Revolving Credit Agreement by and between the City and JPMorgan Chase Bank, N.A. dated February 17, 2023, Section 2.05(a), the City requested a permanent reduction of the LC Expiration Date Sublimit (Two-Years) from \$100 million to \$25 million, effective April 30, 2025.

This request resulted in a permanent reduction to the total commitment amount of the Revolving Credit Agreement from \$250 million to \$175 million.

The City's obligations under the Credit Agreement are secured by SJCE's net revenues. JPMorgan's commitment under the Credit Agreement is currently scheduled to expire on February 17, 2028.

As of June 30, 2025, the balance for the JPMorgan Revolving Credit Agreement was as follows (in thousands):

Credit Facility	Available Credit Sublimit	Less: Working Capital Loan ⁽¹⁾ and Letters of Credit Commitments ⁽²⁾	Remaining Available Credit as of 6/30/2025
Working Capital Loans ⁽¹⁾	\$ 50,000	\$ -	\$ 50,000
Standby Letter of Credit Facility ^{(2) (3) (4)}	125,000	(7,243)	117,757
	Remaining Aggregate Credit as of 6/30/25		<u>\$ 167,757</u>

(1) Working Capital Loans are cash draws that SJCE can use to cover operating expenses and make cash collateral payments.

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

(3) The City can request the letter of credit limit to be increased incrementally up to \$175 million if needed. The \$50 million dedicated to the working capital loan will be incrementally reduced if this request happens to maintain a total Aggregate Credit maximum of \$175 million.

(4) On April 21, 2025, the City requested permanent reduction of the LC Expiration Date Sublimit (Two-Years) from \$100 million to \$25 million, effective April 30, 2025, thereby reducing the Standby LOC Facility from \$200 million to \$125 million.

The table below shows the fees and interest rates charged for the Revolving Credit facility.

Commitment Utilization	Undrawn Fee	Applicable Rate	
		Term Benchmark Borrowing	ABR Borrowing
≥ 25%	0.57%	Adjusted Term SOFR + 1.425%	Alternate Base Rate + 0.425%
<25%	0.60%	Adjusted Term SOFR + 1.500%	Alternate Base Rate + 0.500%

Clean Energy Revolving Credit Agreement Loans made by JPMorgan to the City under the Credit Agreement will bear interest at the Alternate Base Rate plus the Applicable Rate, the Adjusted Term Secured Overnight Financing Rate ("SOFR") plus the Applicable Rate or Adjusted Daily Simple SOFR plus the Applicable Rate (as such terms are defined in the Credit Agreement). Interest computed by reference to the Term SOFR Rate or Daily Simple SOFR will be computed on the basis of a year of 360 days, and actual days elapsed. Interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate will be computed on the basis of a year of 365 days (or 366 days in a leap year), and actual days elapsed. In each case interest will be payable for the actual number of days elapsed (including the first day but excluding the last day). Accrued interest on each Loan will be payable in arrears on each interest payment date for such Loan set forth in the Credit Agreement and upon termination of JPMorgan's commitment thereunder.

The City agrees to pay JPMorgan the fees (computed on the basis of 360 days and actual days elapsed) and other amounts set forth in the fee agreement at the time and in the manner set forth in the fee agreement, including, but not limited to, the undrawn fee, the Letter of Credit facility fee, the termination fee and the

reduction fee. All fees and other amounts payable under the fee agreement shall be paid in immediately available funds. Fees paid shall not be refundable under any circumstances.

Under the Credit Agreement, the City agrees that, so long as JPMorgan has any commitment thereunder or any amount payable thereunder remains unpaid, among other things, the debt service coverage ratio shall be not less than 1.10 to 1.00 as of the last day of the fiscal quarter most recently ended, commencing with the last fiscal quarter ended March 31, 2023; provided, however, in the event the debt service coverage ratio for any fiscal quarter is less than 1.10 to 1.00 but the days liquidity on hand for such fiscal quarter equals or exceeds 90 days (or, 75 days, so long as the long-term unenhanced rating by at least one rating agency on debt secured by net revenues shall be at or above "Baa3" (or its equivalent) with respect to Moody's, "BBB-" (or its equivalent) with respect to S&P or "BBB-" (or its equivalent) with respect to Fitch, respectively) then the City will be deemed to be in compliance for such period (the liquidity cure right); provided, further, that in no event will the City be permitted to exercise liquidity cure rights under the Credit Agreement more than three times during any four consecutive fiscal quarter periods.

In addition, the Credit Agreement permits the City to make loans from any fund, including the General Fund, to SJCE, including from proceeds of CP issued by the Financing Authority, to finance the purchase of power and/or pay other operating costs of SJCE in an amount not to exceed \$95.0 million. Such loans are subordinate to the City's obligations to JPMorgan under the Credit Agreement. The City may incur additional debt with respect to SJCE that is payable on a basis subordinate to the City's obligations to JPMorgan under the Credit Agreement upon the satisfaction of certain conditions specified in the Credit Agreement.

The Credit Agreement prohibits repayment of loans and other debt payable from Revenues or Net Revenues of SJCE to the City or the Financing Authority, if any, unless, among other things: (i) the aggregate amount of Cash and Cash Equivalents (as defined in the Credit Agreement) available in the Clean Energy Fund at the end of the fiscal quarter prior to repayment, and projected per pro forma effect to the fiscal quarter following projected repayment are equal to or in excess of \$50 million, and (ii) no Event of Default (as defined in the Credit Agreement) has occurred and is continuing.

Events of default under the Credit Agreement include, among others: (i) any representation or warranty shall have been incorrect or untrue in any materially adverse respect when made or deemed to have been made, (ii) non-payment, (iii) breach of covenants, including failure to maintain the required debt service coverage ratio or days liquidity on hand, as applicable, not cured within applicable cure periods, if any (iv) any material provision of the Credit Agreement or any other Basic Document (as defined in the Credit Agreement) at any time for any reason ceases to be valid and binding on the City as a result of any legislative or administrative action, or judgment, (v) bankruptcy, (vi) the default in the due performance or observance of any material term, covenant or agreement contained in the Credit Agreement and not cured within the applicable cure period, (vii) defaults on the payment of the principal of or interest on any Parity Debt or Subordinate Debt (as defined in the Credit Agreement) beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt or Subordinate Debt was created or incurred, (viii) one or more final, unappealable judgments or orders for the payment of money in excess of \$10.0 million where such judgment or order remains unsatisfied and unstayed for a period of 60 days and which is payable from revenues or net revenues of SJCE, (ix) the long-term, unenhanced ratings by any Rating Agency (as defined in the Credit Agreement) on any general-obligation bonded indebtedness of the City is withdrawn or suspended (but excluding withdrawals or suspensions if the applicable Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "A1" (or its equivalent) by Moody's, "A+" (or its equivalent) by S&P, or "A+" (or its equivalent) by Fitch, (x) any "event of default" under any Other Credit Agreement (as defined in the Credit Agreement) occurs, (xi) a debt moratorium, debt

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

restructuring, debt adjustment, or comparable restriction is imposed on the repayment of any Parity Debt of the City, or (xii) the dissolution or termination of the existence of the City or SJCE.

Upon the occurrence and during the continuance of an event of default under the Credit Agreement, JPMorgan may exercise all of its rights and remedies available to it under the Credit Agreement and as otherwise permitted by law. JPMorgan's rights and remedies include, among others, taking one or more of the following actions: (i) declare the commitment and the obligation of JPMorgan to make Credit Extensions (as defined in the Credit Agreement) to be terminated, (ii) by written notice to City, declare the outstanding amount of the obligations of the City under the Credit Agreement to be immediately due and payable, (iii) require the City to cash collateralize 105% of the Letter of Credit Exposure (as defined in the Credit Agreement) (which generally include the amounts available to be drawn under any Letters of Credit plus any amounts drawn by beneficiaries under such Letters of Credit but which are not reimbursed by the City as required under the Credit Agreement, plus accrued and unpaid interest thereon, (iv) and at the expense of the City, cure any event of default; provided, however that JPMorgan shall have no obligation to effect such a cure, and (v) by written notice to the City, impose the Default Rate (as defined in the Credit Agreement) with respect to the City's obligations under the Credit Agreement (which imposition may be retroactive to the date on which the event of default first occurred).

10. Landfill Postclosure Costs

The City has five closed landfills for which postclosure and monitoring services are required. An estimated liability of \$2,722,000 related to the closed landfills is recorded in the government-wide statement of net position as of June 30, 2025. The City's Environmental Compliance group within the Environmental Services Department performs an annual evaluation of the liability. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City does not own or operate any open landfills at this time.

11. Insurance

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees, unemployment claims, and employee health and dental insurance.

During FY 2025, the City maintained an all-risk property policy including boiler and machinery exposures, coverage for loss due to business interruption and flood.

The City did not carry earthquake insurance as it was not available at reasonable rates. A summary of insurable coverage for the policy period October 1, 2024 to October 1, 2025 is provided below:

City of San José
Summary of Citywide Property Insurance Coverage

(For Policy Period October 1, 2024 - October 1, 2025)

	Limits Per Occurrence ⁽¹⁾	Deductible Per Occurrence ⁽²⁾
Property ⁽³⁾	\$1,000,000,000	\$500,000
Business Interruption	300,000,000	\$500,000
Flood ⁽⁴⁾⁽⁵⁾	\$10,000,000 Annual Aggregate	\$500,000 per Location

(1) Other sub-limits apply.

(2) Other deductibles apply.

(3) Covers "Certified Act of Terrorism" under the Terrorism Risk Insurance Act of 2002, as amended.

(4) The Airport and McEnery Convention Center are subject to a \$10,000,000 per Location deductible for flood.

(5) The San José - Santa Clara Regional Wastewater Facility is subject to a \$5,000,000 per Location deductible for flood.

Source: City of San José, Finance Department - Risk Management Unit.

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

For the policy period of June 30, 2024 to June 30, 2025, the City maintained an Airport General Liability policy covering the Airport including Control Tower Operators, which provides a \$200,000,000 combined single limit for bodily injury and property damage subject to a deductible of \$0 each occurrence and annual aggregate, with a sublimit of \$25,000,000 each occurrence and in the annual aggregate for personal injury, and a limit of \$50,000,000 each occurrence and in the annual aggregate with respect to war liability. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

In addition, the Airport Liability policy also provides excess auto liability coverage with a limit of \$50,000,000 that provides coverage excess of the underlying auto liability limit of \$1,000,000, which is provided by a separate automobile policy issued to provide coverage for the off-premise operations of scheduled Airport vehicles including shuttle bus fleets with a limit of \$1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a \$250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleet and is subject to a \$10,000 comprehensive and \$10,000

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy period of October 1, 2024, to October 1, 2025, the City maintained an automobile liability policy covering scheduled vehicles at the San José - Santa Clara Regional Wastewater Facility with a limit of \$1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a \$250,000 per accident retention.

For the policy period July 1, 2024, to July 1, 2025, the City maintained a physical damage coverage for scheduled Police Department grant funded vehicles. For vehicles with insurable value under \$300,000, the policy is subject to a \$2,000 deductible. Vehicles with insurable values of \$300,000 or greater are subject to a \$10,000 deductible.

For the policy period of June 30, 2024 to June 30, 2025, the City maintained an aircraft policy covering physical damage to City aircraft used by the San José Police Department's Air Support Unit as well as liability coverage for bodily injury and property damage arising from the use of covered aircraft. The aircraft policy provides up to \$50,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage caused by war and other perils and is subject to a deductible of \$0 per occurrence. For the policy period of June 30, 2024, to June 30, 2025, the City maintained a separate aircraft policy to include liability and physical damage coverage for the unmanned aerial systems (UAS) programs in place at the San José Police Department and San José Fire Department ("Drone Coverage"). The Drone Coverage provides up to \$5,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage.

For the policy period of October 1, 2024 to October 1, 2025, the City maintained a law enforcement liability policy that provides coverage for third party bodily injury, property damage, or personal injury arising from the law enforcement activities conducted on behalf of approved third party employers by City police officers who have been approved to participate in the Secondary Employment program. The law enforcement liability policy provides \$2,000,000 in aggregate limits and is subject to a \$100,000 per occurrence deductible.

The City also maintained fiduciary liability insurance policies covering the City's defined contribution employee benefit plans: the Deferred Compensation Plans, the Voluntary Employees' Beneficiary Association ("VEBA") Plans; and the Defined Contribution 401(a) Plan. The policies protect the City and the members of the applicable governing board from legal liability arising from fiduciary obligations to plan beneficiaries. For the policy period from June 30, 2024, to June 30, 2025, the City purchased a fiduciary liability policy covering the Deferred Compensation Plans that provided \$10,000,000 in aggregate limits subject to a \$25,000 per claim retention except for a \$250,000 per claim retention for Class Action Claims as defined in the policy and a \$500,000 per claim retention for Excessive Fee Claims as defined in the policy. For the policy period from June 30, 2024, to June 30, 2025, the City purchased a fiduciary liability policy covering the VEBA Plans that provided \$5,000,000 in aggregate limits subject to a \$25,000 per claim retention. For the policy period from June 30, 2024, to June 20, 2025, the City purchased a fiduciary liability policy covering the Defined Contribution 401(a) Plan that provided \$1,000,000 in aggregate limits subject to a \$25,000 per claim retention. The City maintained fiduciary dishonesty coverage on all three fiduciary liability policies for the policy period June 30, 2024, to June 30, 2025. The fiduciary dishonesty coverage provides \$500,000 in aggregate limits for claims arising out of employee dishonesty.

For the policy period of October 22, 2024 to October 22, 2025, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts. For the policy period of October 1, 2024 to October 1, 2025, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a \$5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and

securities, and provides for a \$1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims are subject to a \$250,000 per occurrence deductible.

Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law. The estimate of the claims liability also includes increases or decreases to previously reported unsettled claims. The workers' compensation estimate includes allocated loss adjustment expenses, which represent the direct cost associated with the defense of individual claims, which may be years into the future and have been discounted to their present value using a rate of approximately 2.0% for the amounts recorded.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2025. The City Attorney and, with respect to workers' compensation claims, the City's Department of Human Resources have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or range of potential loss to the City. The City is self-insured and has included a provision for losses in its claims liability for loss contingencies that are both probable and can be reasonably estimated.

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

Liability as of June 30, 2023	\$191,776
Claims and changes in estimates during 2024	51,511
Claims payments	<u>(42,912)</u>
Liability as of June 30, 2024	200,375
Claims and changes in estimates during 2025	48,462
Claims payments and other adjustments	<u>(59,340)</u>
Liability as of June 30, 2025	<u>\$189,497</u>

The coverage for this program is as follows:

Coverages	Terminal Area Improvement Program	
	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

On June 30, 2017, the City bound certain liability insurance coverage for the major components of the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program through an owner-controlled insurance program ("RWF OCIP I") with the primary carrier Old Republic General Insurance Corporation ("Old Republic"). The RWF OCIP I is a single insurance program that the City sponsors and provides commercial general liability, excess liability and worker's compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site. In addition, the City procured Builder's Risk and Contractor's Pollution Liability

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

insurance to cover liabilities associated with the work. The Contractor’s Pollution Liability insurance for RWF OCIP II provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The \$10 million in Contractor’s Pollution Liability coverage is subject to a \$100,000 per occurrence deductible.

The City was also required to establish and post a cash collateral fund of \$2,657,395, to be paid in five annual installments and subject to the Old Republic’s quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of \$4,385,000. Due to positive claims experience since the inception of the program, the City negotiated a \$100,000 reduction in the overall cash collateral requirement. The cash collateral fund is available to Old Republic to pay claims within the City’s deductible of up to \$250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of \$4,385,000. As of June 30, 2025, the balance on the cash collateral fund was \$1,726,000.

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

The premiums of the RWF OCIP I are calculated based on the estimated hard cost of construction valued at \$535,000,000 for the covered capital improvement projects to be enrolled and for work to be performed up to March 30, 2023. To accommodate five existing capital projects whose construction timelines extended beyond March 30, 2023, the City extended the expiration date of RWF OCIP I to May 31, 2024. The City has subsequently extended RWF OCIP 1 to May 31, 2025, to accommodate one existing capital project whose construction timeline has been delayed.

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

The City secured Builder’s Risk insurance to provide replacement cost property coverage for scheduled RWF OCIP II capital projects with construction start dates from April 1, 2024, to April 1, 2026. The City purchased Contractor’s Pollution Liability insurance for RWF OCIP II, which provides project-specific coverage to the City arising from pollution conditions arising from contractor operations on the specific projects. The \$10 million in Contractor’s Pollution Liability coverage is subject to a \$100,000 per occurrence deductible.

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

The City was also required to establish and post a cash collateral fund of \$1,496,471, to be paid in four annual installments and subject to Chubb's quarterly requests to adjust based on expenditure of funds up to the maximum aggregate loss of \$2,559,441. The cash collateral fund is available to Chubb to pay claims within the City's deductible of up to \$250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of \$2,559,441. As of June 30, 2025, the City has provided Chubb with the full \$1,496,471 and the balance on the cash collateral fund was \$1,431,000.

The coverage for the RWF OCIP II is as follows:

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

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

12. Pollution Remediation Obligations

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including Las Plumas Warehouse and the former San José Fire Training Facility. Although the City has significant experience in estimating these types of cleanups, the calculation of the expected outlays related to this pollution remediation is based on estimates provided by both City engineers and consultants hired by the City. The amount of the estimated pollution remediation liability assumes that there will be no major increases in the cost of providing these cleanup services. As of June 30, 2025, the government-wide statement of net position reported a net pollution remediation obligation in the amount of \$3.1 million in governmental activities.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

In the 1960s and 1970s, biosolids from the wastewater were kept on the RWF buffer lands and stored in lagoons over about 200-acres. These biosolids, estimated to be approximately 750,000 cubic yards, were tested for disposal purposes and found to contain several metals that characterize the biosolids as hazardous waste. The San Francisco Bay Regional Water Quality Control Board (“Water Board”) issued an order in August 2019 to require the City to remediate the biosolids. The City received approval from the Water Board to consolidate the biosolids into a smaller footprint (about 25-acres) and cap with clean soil. The City has decided to do the work in two phases. Phase 1 was completed in late 2020 at cost of about \$6.2 million. The remaining biosolids will be placed in the consolidated area in a second phase implemented over several years. The project is expected to be completed in 2026 or 2027. The estimated cost for the Phase 2 removal is currently \$27.1 million.

G. Interfund Transactions

The composition of interfund balances as of June 30, 2025, with explanations of transactions, is as follows (in thousands):

1. Due from/Due to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 3,501 ⁽¹⁾
Nonmajor Governmental Funds	Nonmajor Governmental Funds	743 ⁽²⁾
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	20,700 ⁽³⁾
		<u>\$ 24,944</u>

(1) Represents accrual of construction and conveyance tax transfer.

(2) Represents short-term borrowing for working capital.

(3) Represents loan for commercial paper issuance.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

2. Transfers in/Transfers out

Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations. The following schedules summarize the City's transfer activity for the year ended June 30, 2025, with explanations of transactions (in thousands):

Between governmental and business-type activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Wastewater Treatment System	Nonmajor Governmental Funds	\$ 1,534 ⁽¹⁾
Nonmajor Enterprise Funds	General Fund	2,319 ⁽²⁾
	Nonmajor Governmental Funds	331 ⁽³⁾
San José Clean Energy	Nonmajor Governmental Funds	390 ⁽⁴⁾
General Fund	Nonmajor Enterprise Funds	38 ⁽⁵⁾
	San José Mineta International Airport	500 ⁽⁶⁾
		<u>\$ 5,112</u>

(1) Transfer for City Hall debt service payments

(2) Transfer of \$1,500 for late fee revenues, \$454 to the SJ Downtown Association, and \$365 for Citywide strategic support and capital improvement

(3) Transfer of \$253 for City Hall debt service payments, and \$78 to the Downtown Property and Business Improvement District

(4) Transfer for City Hall debt service payments

(5) Transfer of revenues received by the General Fund for the Municipal Water Arrearages Program

(6) Transfer for jet fuel sales tax to Airport Revenue Fund

Between governmental activities:

Transfer from	Transfer to	Amount
General Fund	Nonmajor Governmental Funds	\$ 25,196 ⁽¹⁾
	Housing Activities	5,951 ⁽²⁾
	Internal Service Funds	1,800 ⁽³⁾
Housing Activities	Low and Moderate Income Housing Asset	3,100 ⁽⁴⁾
	Nonmajor Governmental Funds	257 ⁽⁵⁾
Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	331 ⁽⁶⁾
Nonmajor Governmental Funds	General Fund	9,817 ⁽⁷⁾
	Nonmajor Governmental Funds	62,507 ⁽⁸⁾
Internal Service Funds	General Fund	163 ⁽⁹⁾
	Nonmajor Governmental Funds	139 ⁽¹⁰⁾
		<u>\$ 109,261</u>

(1) Transfer of \$18,966 for City Hall debt service payments, and \$6,230 for operations and subsidies

(2) Transfer of Real Property Transfer Tax funds in support of Project Homekey 2.0

(3) Transfer to Vehicle Maintenance and Operations Fund

(4) Transfer for property acquisition in support of building affordable housing

(5) Transfer for City Hall debt service payments

(6) Transfer for City Hall debt service payments

(7) Transfer for interest allocation and capital project operations

(8) Transfer of \$4,242 for City Hall debt service payments, \$45,738 for other debt services payments (CP interest and fees, Series 2013B, 2020A, 2020B, and 2021A bonds), and \$12,527 from various City operations

(9) Interest allocation transfers

(10) Transfer for City Hall debt service payments

H. Deferred Inflows of Resources

As of June 30, 2025, total deferred inflows of resources in the governmental funds related to the following unavailable resources (in thousands):

Description		
General Fund receivables	\$	22,075
Housing Activities receivables		13,467
Low and Moderate Income Housing Asset loans receivable		2,862
Integrated Waste Management receivables		3,411
Community Facility Revenues receivables		81,310
Community Development Block Grant (CDBG) receivables		2,752
Total deferred inflows of resources	\$	<u>125,877</u>

I. Governmental Fund Balances

As of June 30, 2025, total fund balances for the City's major and nonmajor governmental funds are as follows (in thousands):

	General Fund	Housing Activities	Low & Moderate Income Housing Asset	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Advances & Deposits	\$ 39	\$ -	\$ -	\$ -	\$ 39
Subtotal	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>
Restricted for:					
Affordable Housing	-	185,183	422,709	-	607,892
Capital Projects & Improvements	-	-	-	306,235	306,235
Employment/Training Services	-	-	-	1,639	1,639
Drug Abuse Prevention & Control	300	-	-	2,896	3,196
Community Development Services	-	-	-	4,740	4,740
Library Services & Facilities	-	-	-	5,308	5,308
Small Business Loans	-	-	-	8	8
Parks, Recreation, & Neighborhood Development	-	-	-	103,261	103,261
Underground Utility Projects	-	-	-	14,577	14,577
Storm Drainage Projects	-	-	-	47,694	47,694
Supplemental Law Enforcement Services	-	-	-	345	345
Convention Center, Auditorium & Theaters	-	-	-	307	307
Debt Service	-	-	-	54,016	54,016
Subtotal	<u>300</u>	<u>185,183</u>	<u>422,709</u>	<u>541,026</u>	<u>1,149,218</u>
Committed to:					
Capital Projects & Improvements	21,665	-	-	857	22,522
Parks, Recreation, & Neighborhood Development	-	-	-	3,711	3,711
Development Enhancement	-	-	-	783	783
Convention Center, Auditorium & Theaters	-	-	-	6,936	6,936
Development Fee Program Technology	570	-	-	-	570
Residential Program Administration	-	-	-	3,453	3,453
Government Functions/Services	21,412	-	-	-	21,412
Public Safety	6,129	-	-	-	6,129
Community Development Services	28,922	-	-	54,163	83,085
Salaries & Benefits	6,239	-	-	-	6,239
Sanitation Projects	257	-	-	51,936	52,193
Contingency Reserve	53,000	-	-	-	53,000
Budget Stabilization	28,000	-	-	-	28,000
Workers Compensation/General Liability					
Catastrophic and Reserve	15,000	-	-	-	15,000
Cash Reserve	6	-	-	-	6
Subtotal	<u>181,200</u>	<u>-</u>	<u>-</u>	<u>121,839</u>	<u>303,039</u>
Assigned to:					
Financing Authority Debt Service	13,395	-	-	-	13,395
Development Enhancement	-	-	-	20	20
Community & Culture Projects	-	-	-	4,250	4,250
Hayes Mansion & Ice Center Operations	-	-	-	15,244	15,244
Capital Projects & Improvements	-	-	-	78,545	78,545
Government Functions/Services	423,089	-	-	-	423,089
Subtotal	<u>436,484</u>	<u>-</u>	<u>-</u>	<u>98,059</u>	<u>534,543</u>
Unassigned	<u>22,921</u>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>22,901</u>
Total Fund Balances	<u>\$ 640,944</u>	<u>\$ 185,183</u>	<u>\$ 422,709</u>	<u>\$ 760,904</u>	<u>\$ 2,009,740</u>

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

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

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

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

The **General Fund Contingency Reserve** was created to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. The policy established a minimum of three percent of the General Fund operating budget as the reserve balance. Any use of the General Fund Contingency Reserve shall require a two-thirds vote of approval by the City Council. As of June 30, 2025, the contingency amount accounts for \$53,000,000 of the committed fund balance.

The **General Fund Budget Stabilization Reserve** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. As of June 30, 2025, the budget stabilization reserve accounts for \$28,000,000 of the committed fund balance.

The **General Fund Workers' Compensation/General Liability Catastrophic Reserve** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide funding for potential workers' compensation or general liability claims that exceed the budgeted amounts as the City, for the most part, is self-insured. As of June 30, 2025, the workers' compensation and general liability catastrophic reserve accounts for \$15,000,000 of the committed fund balance.

The **Cash Reserve Fund** was created for the payment of any authorized expenditures of the City for any fiscal year in anticipation of and before the collection of taxes and other revenues of the City for such fiscal year, and for the payment of authorized expenditures of the City for any fiscal year, which became due and payable and must be paid prior to the receipt of tax payments and other revenues for such fiscal year. A reserve shall be built up in said fund from any available sources other than restricted sources in an amount which the Council deems sufficient for said purposes. As of June 30, 2025, the cash reserve amount accounts for \$6,000 of the committed fund balance.

The **Emergency Reserve Fund** was created for the purpose of meeting any public emergency involving or threatening the lives, property or welfare of the people of the City or property of the City. A reserve shall be built up in said fund from any available sources, other than restricted sources, in an amount which the Council deems desirable. As of June 30, 2025, the emergency reserve amount accounts for \$1,802,000 and is reported as part of the unassigned fund balance.

IV. Other Information

A. Defined Benefit Retirement Plans

A. 1. City Sponsored Defined Benefit Pension Plans

1. General Information about the Pension Plans

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

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

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

Benefits

The Defined Benefit Pension Plans provide general retirement benefits including pension, death, and disability benefits to members. The contribution and benefit provisions and all other requirements are established by the City Charter and the City's Municipal Code. Benefits are based on average Final Compensation, years of service, and cost-of-living increases as specified by the City's Municipal Code. Please refer to the high-level summary under Notes IV.AAA.4, Actuarial Methods and Assumptions. Detailed benefit tier information previously presented in the City's basic financial statements has been removed beginning in fiscal year 2025; comprehensive details, including disability and death benefits, are available in the Retirement Plans' annual reports and on the Office of Retirement Services website at <https://www.sjretirement.com>.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Employees Covered - The current membership in the Defined Benefit Pension Plans as of June 30, 2025, is as follows:

	Tier 1 Pension Only ⁽³⁾	Tier 1 Pension & Medical ⁽⁴⁾	Tier 2 Pension Only ⁽³⁾	Tier 2 Pension & Medical ⁽⁴⁾	Totals
FCERS					
Defined Benefit Pension Plan:					
Retirees and beneficiaries					
currently receiving benefits ⁽¹⁾	880	3,769	85	1	4,735
Terminated vested members					
entitled to future benefits ⁽²⁾	679	141	1,453	-	2,273
Active members	111	906	3,222	65	4,304
Total	<u>1,670</u>	<u>4,816</u>	<u>4,760</u>	<u>66</u>	<u>11,312</u>

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

(2) Includes terminated non-vested members that are due a refund of their contributions.

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

(4) Eligible for full retiree benefits.

PFDRP	Terminated Vested Members						Totals
	Retirees and Beneficiaries ⁽¹⁾		Entitled to Future Benefits		Active Members		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
Police							
Pension & Medical ⁽²⁾	1,539	-	3	-	325	-	1,867
Pension only ⁽³⁾	161	6	145	214	30	629	1,185
Police Total	<u>1,700</u>	<u>6</u>	<u>148</u>	<u>214</u>	<u>355</u>	<u>629</u>	<u>3,052</u>
Fire							
Pension & Medical ⁽²⁾	911	-	3	-	343	-	1,257
Pension only ⁽³⁾	58	1	33	17	32	269	410
Fire Total	<u>969</u>	<u>1</u>	<u>36</u>	<u>17</u>	<u>375</u>	<u>269</u>	<u>1,667</u>
Total	<u>2,669</u>	<u>7</u>	<u>184</u>	<u>231</u>	<u>730</u>	<u>898</u>	<u>4,719</u>

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

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

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

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

2. Contributions

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

The contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for the year ended June 30, 2025 were based on the actuarial valuations performed as of June 30, 2023. The contribution rates in effect and the amounts contributed to the pension plans for the year ended June 30, 2025 are as follows (in thousands):

Defined Benefit Pension Plan	PFDRP									
	City					Participants ⁽²⁾				
	Police Tier 1	Minimum Dollar Amount ⁽³⁾	Police Tier 2	Fire Tier 1	Minimum Dollar Amount ⁽³⁾	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
Actuarial Rate:										
06/22/25-06/30/25	35.19%		13.55%	37.81%		15.01%	10.39%	13.55%	12.00%	15.01%
07/01/24-06/21/25 ⁽¹⁾	34.46%	\$ 79,423	13.65%	36.57%	\$ 68,686	14.90%	10.59%	13.65%	11.81%	14.90%

(1) The actual contribution rates paid by the City for year ended June 30, 2025 differed from what is above for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30145, which became effective October 12, 2018, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.13% in contributions for the year ended June 30, 2025.

(3) Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.

Defined Benefit Pension Plan	FCERS				
	City			Participants	
	Tier 1	Minimum Dollar Amount ⁽¹⁾	Tier 2	Tier 1 ⁽²⁾	Tier 2
Actuarial Rate:					
06/22/25-06/30/25	23.18%		8.62%	6.55%	8.62%
07/01/24-06/21/25	22.81%	\$ 176,757	8.73%	6.61%	8.49%

(1) Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.

(2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Reclassified Tier 1 members paid an additional 3.00% in contributions for year ended June 30, 2025. Classic Tier 1 members paid an additional 1.03% in contributions for year ended June 30, 2025.

Defined Benefit Pension Plan	Annual Pension Contribution for the Year Ended 06/30/25		
	City	Participants	Total
PFDRP	\$ 213,138	\$ 35,806	\$ 248,944
FCERS	\$ 238,195	\$ 37,968	\$ 276,163

3. Net Pension Liability

The City’s net pension liability for each Defined Pension Plan is measured as the total pension liability, less the pension plans’ fiduciary net position as of the measurement date of June 30, 2024. The City’s net pension liability as of June 30, 2025 of each of the Defined Pension Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary for the respective plans. In summary, the City’s net pension liability at June 30, 2025 is as follows (in thousands):

	PFDRP	FCERS	CalPERS	Total
Net Pension Liability	\$ 1,000,946	\$ 1,959,518	\$ 1,586	\$ 2,962,050

The General Fund and Enterprise Funds have historically been used to liquidate the pension liabilities.

Changes in Net Pension Liabilities - The components of the net pension liabilities of the PFDRP and FCERS plans as of the measurement date, June 30, 2024, were as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
PFDRP			
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 5,838,544	\$ 4,721,488	\$ 1,117,056
Changes for the Year:			
Service costs	95,759	-	95,759
Interest	380,456	-	380,456
Contributions-employer	-	202,700	(202,700)
Contributions-employees	-	34,439	(34,439)
Net investment income	-	437,637	(437,637)
Difference between expected and actual experience	73,890	-	73,890
Changes of assumptions	712	-	712
Benefit payments, including refunds of member contributions	(291,955)	(291,955)	-
Administrative expenses	-	(7,849)	7,849
Net changes	<u>258,862</u>	<u>374,972</u>	<u>(116,110)</u>
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 6,097,406	\$ 5,096,460	\$ 1,000,946
FCERS			
Balance at June 30 2024 (Measurement Date June 30, 2023)	\$ 4,882,495	\$ 2,907,314	\$ 1,975,181
Changes for the Year:			
Service costs	81,585	-	81,585
Interest	319,257	-	319,257
Contributions-employer	-	218,313	(218,313)
Contributions-employees	-	33,933	(33,933)
Net investment income	-	257,583	(257,583)
Difference between expected and actual experience	64,615	-	64,615
Changes of assumptions	22,572	-	22,572
Benefit payments, including refunds of member contributions	(256,565)	(256,565)	-
Administrative expenses	-	(6,137)	6,137
Net changes	<u>231,464</u>	<u>247,127</u>	<u>(15,663)</u>
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 5,113,959	\$ 3,154,441	\$ 1,959,518

Note: The schedules of changes in the net pension liability for the year ended June 30, 2024 are presented in the Required Supplementary Information.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Sensitivity of the Net Pension Liabilities to Changes in Discount Rates - The discount rates used to measure the total pension liabilities were 6.625%, for both the PFDRP and FCERS plans for the valuations dated June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary for the respective plans. It is assumed that PFDRP and FCERS members' contributions and City's contributions will be made based on the actuarially determined rates based on the funding policy of each board. Based on those assumptions, the PFDRP's and FCERS's fiduciary net positions are expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

The following presents the net pension liabilities, calculated using the discount rates of 6.625% in effect as of the measurement date, as well as what the net pension liabilities would be if they were calculated using discount rates that are one percentage point lower (5.625%) or one percentage point higher (7.625%) than the rates used, for the PFDRP and FCERS plans, respectively (in thousands):

	1% Decrease (5.625%)	Measurement Date Rate (6.625%)	1% Increase (7.625%)
<u>PFDRP - Sensitivity Analysis</u>			
Total pension liability	\$ 6,970,574	\$ 6,097,406	\$ 5,389,843
PFDRP fiduciary net position	5,096,460	5,096,460	5,096,460
Net pension liability	<u>\$ 1,874,114</u>	<u>\$ 1,000,946</u>	<u>\$ 293,383</u>
 PFDRP fiduciary net position as a percentage of the total pension liability	 73.1%	 83.6%	 94.6%

	1% Decrease (5.625%)	Measurement Date Rate (6.625%)	1% Increase (7.625%)
<u>FCERS - Sensitivity Analysis</u>			
Total pension liability	\$ 5,804,479	\$ 5,113,959	\$ 4,549,547
FCERS fiduciary net position	3,154,441	3,154,441	3,154,441
Net pension liability	<u>\$ 2,650,038</u>	<u>\$ 1,959,518</u>	<u>\$ 1,395,106</u>
 FCERS fiduciary net position as a percentage of the total pension liability	 54.3%	 61.7%	 69.3%

Pension Expense and Deferrals – For the year ended June 30, 2025, the City recognized pension expense and reported deferred outflows and inflows of resources related to pensions as follows (in thousands):

	PFDRP	FCERS	Total
Pension Expense	\$ 125,950	\$ 199,230	\$ 325,180

For the fiscal year ended June 30, 2025, the City recognized total pension expense of \$325,180,000 across all Defined Benefit Pension Plans.

Schedule of Deferred Outflows and Inflows of Resources - PFDRP

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 213,138	\$ -
Differences between expected and actual experience	67,548	-
Changes in assumptions	3,657	-
Net difference between projected and actual earnings on pension plan investments	-	60,223
Total	\$ 284,343	\$ 60,223

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

As of June 30, 2025, \$213,138,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the PFDRP will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ (49,015)
2027	105,960
2028	(20,586)
2029	(25,377)
	<u>\$ 10,982</u>

Schedule of Deferred Outflows and Inflows of Resources - FCERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 238,195	\$ -
Differences between expected and actual experience	87,715	-
Changes in assumptions	19,607	-
Net difference between projected and actual earnings on pension plan investments	-	44,381
Total	<u>\$ 345,517</u>	<u>\$ 44,381</u>

As of June 30, 2025, \$238,195,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the FCERS will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ (12,394)
2027	88,350
2028	47
2029	(13,062)
	<u>\$ 62,941</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2024 measurement date)

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rates of return on PFDRP and FCERS investments of 6.625% for the valuations dated June 30, 2024 was selected by estimating the median real rates of return based on long-term capital market assumptions adopted by the respective Boards, including real expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for each plan as of the measurement date of June 30, 2024, are summarized in the following tables:

	PFDRP	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	5.7%
Cash and cash equivalents	5.5%	-0.3%
Investment grade bonds	4.5%	2.0%
Private equity	10.0%	8.0%
Core real estate	5.0%	4.1%
Immunized cash flows	5.0%	-0.3%
Venture / growth capital	4.5%	9.2%
Emerging market bonds	2.0%	4.0%
Growth real estate	4.0%	6.2%
Long-term government bonds	1.5%	2.2%
Market neutral strategies	3.0%	3.0%
Private debt	5.0%	6.4%
Private real assets	4.0%	6.5%
High yield bonds	2.0%	4.0%
Treasury inflation - protected securities	2.0%	1.9%

	FCERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	49.0%	5.7%
Private equity	8.0%	8.0%
Investment grade bonds	6.0%	2.0%
Core real estate	5.0%	4.1%
Immunized cash flows	5.0%	-0.3%
Venture / growth capital	4.0%	9.2%
Growth real estate	3.0%	6.2%
Emerging market bonds	3.0%	4.0%
Private debt	3.0%	6.4%
Market neutral strategies	3.0%	3.0%
Private real assets	3.0%	6.5%
Long-term government bonds	4.0%	2.2%
Treasury inflation-protected securities	2.0%	1.9%
High yield bonds	2.0%	4.0%
Cash and Cash Equivalents	N/A	-0.3%

The separately issued annual reports of PFDRP and FCERS provide more information about the most recent long-term expected rates of return on plan investments.

4. Actuarial Methods and Assumptions

The significant actuarial methods and assumptions used to compute the total pension liability measured as of June 30, 2024 are from the actuarial valuation report with a valuation date of June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary for the respective plans.

<u>Description</u>	<u>PFDRP</u>	<u>FCERS</u>
Measurement date	June 30, 2024	June 30, 2024
Valuation date	June 30, 2023	June 30, 2023
Inflation rate	2.50%	2.50%
Discount rate	6.625% per annum (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year and 20-year time horizons is 7.9% and 8.5%, respectively. The Board applied a margin for adverse deviation to maintain assumption of 6.625%	6.625% per annum (net of investment expenses) The Board expects a long-term rate of return of 8.8% based on Meketa's 2023 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate
Post-retirement mortality		
(a) Healthy retirees:	0.972 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy male and female retirees	0.995 for males and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy retirees
(b) Healthy non-annuitant:	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for healthy males and females employees	0.992 for males, and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010) for healthy employees
(c) Disabled retirees:	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled male and female retirees	0.990 for males and 0.920 for females, times the CalPERS 2009 Ordinary Disability Mortality Table
Rates of service retirement, withdrawal, death, disability retirements	Based upon current experience	Based upon current experience
Salary increases		
Wage Inflation	Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025.	Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, 3.5% effective July 1, 2025 and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.
Merit Increase	Merit component added based on an individual's years of service ranging from 6.50% to at hire to 0.60% for members with 10 or more years of service.	Merit/longevity increase based on years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service
Cost-of-Living Adjustment	Tier 1 - 3% per year Tier 2 - 2% per year	Tier 1 - 3% per year Tier 2 - 1.25% to 2.0% depending on years of service

Changes in Assumptions**FCERS**

For the measurement period ended June 30, 2024, the wage inflation assumption was updated to reflect currently bargained agreements for FY 2024 through FY 2026 – 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Tier 1 member contributions were updated to exclude any share in the cost of administrative expenses. The pre-retirement death benefit, if eligible for retirement, was updated from 2.5% to 2.0% of final compensation for each year of service, before minimum and maximum restrictions.

PFDRP

For the measurement period ended June 30, 2024, the wage inflation assumption was updated to reflect currently bargained across-the-board increases and 3.0% per annum (0.5% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.0% for FY 2024. Police members also have an ongoing non-pensionable 4.0% retention pay that becomes pensionable, as well as a bargained increase of 3.0% for FY 2025. Retirement, termination, mortality, and disability rates, as well as administrative expense assumptions, were also updated for this valuation.

A. 2. California Public Employees' Retirement System (CalPERS)

Plan Description. The Mayor and members of the City Council are eligible to participate in the State of California's Public Employees' Retirement System ("CalPERS") Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan"). Effective July 26, 2020, any officer or employee, who is first hired on or after November 4, 2014 in the Unit 99 positions of Chief Executive Officer, Chief Investment Officer and certain Investment Professional staff in the Office of Retirement Services is eligible to participate in CalPERS. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Plan provides retirement, disability and death benefits based on the employee's years of service, age and Final Compensation. Benefit provisions and other requirements are established by the California Public Employees' Retirement Law, employer contract with CalPERS and by City resolution. Retiree health benefits are not provided to Mayor/Councilmembers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. Reports can be found on CalPERS' website at <http://www.calpers.ca.gov/page/home>.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on a final average compensation period of 36 months. Members with five years of total service are eligible to retire at age 50 for Classic members and at age 52 for the Public Employees' Pension Reform Act of 2013 plan ("PEPRA") members with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law, California Government Code Sections 20000-21703.

The CalPERS Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>Classic Rate Plan</u>	<u>PEPRA Rate Plan</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	11.880% + \$181,320 for unfunded liability	7.870% + \$573 for unfunded liability

As of June 30, 2025, there was one current San José City Council members enrolled in the Classic rate plan and eleven current members, consisting of four City Council members and six Office of Retirement Services investment staff, in the PEPRA rate plan.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

For the year ended June 30, 2025, the amount contributed to the CalPERS plan was as follows (in thousands):

	Classic Rate Plan	PEPRA Rate Plan	Total
Contributions - employer	\$ 212	\$ 147	\$ 359
Contributions - employee	18	145	163
Total	<u>\$ 230</u>	<u>\$ 292</u>	<u>\$ 522</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Information in this section is derived from the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool at the measurement date of June 30, 2024 prepared by CalPERS. As of June 30, 2025, the City reported a net pension liability of \$1,586,000 for its proportionate share of the net pension liability of the Plan. The proportion was determined based on the City's shares of actuarial accrued liability and market value of assets as of June 30, 2023.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures by CalPERS' actuary. The City's proportion of the net pension liability was actuarially determined at the valuation date.

The following information is related to the City's proportionate share of the net pension liability and pension expense (in thousands):

	Plan	
Proportion of the net pension liability prior measurement date	\$ 1,644	0.03288%
Proportion of the net pension liability current measurement date	1,586	0.03280%
Change - Increase (Decrease)	<u>\$ (58)</u>	<u>-0.00008%</u>
Pension Expense	\$ 381	

The City reported deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2025 from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 359	\$ -
Differences between actual and expected experience	123	5
Changes in assumptions	37	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	200	13
Net differences between projected and actual earnings on plan investments	105	-
Total	<u>\$ 824</u>	<u>\$ 18</u>

As of June 30, 2025, \$359,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ 176
2027	262
2028	37
2029	(28)
	\$ 447

Actuarial Assumptions – The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Information in this section is derived from the GASB 68 Accounting Valuation Report for miscellaneous risk pool at the measurement date of June 30, 2024 prepared by CalPERS.

	Plan
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry Age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds The lesser of contract COLA up to 2.30% until Purchasing Power Protection
Post Retirement Benefit Increase	Allowance floor on purchasing power Applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to 2021 experience study report from November 2021 that can be found in CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 ^{(1) (2)}
Global Equity - Cap-Weighted	30%	4.54%
Global Equity - Non-Cap-Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	<u>100%</u>	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability calculated using a discount rate of 6.90%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate (in thousands):

Sensitivity Analysis	1% Decrease (5.90%)	Measurement Date Discount Rate (6.90%)	1% Increase (7.90%)
Net pension liability	\$ 2,652	\$ 1,586	\$ 709

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports can be found on CalPERS' website at www.calpers.ca.gov.

A. 3. Defined Contribution Retirement Plans

1. 401(a) Plan

In December 2012, the City adopted Ordinance No. 29184 amending Title 3 of the San José Municipal Code to amend various Sections of Chapter 3.28 and to add a new Chapter 3.49 for the purpose of establishing an option between the Tier 2 defined benefit plan and a defined contribution 401(a) plan that excludes participation in retiree healthcare, for Unclassified Executive Management and Professional Employees (Unit 99) who are hired on or after January 20, 2013. An employee is eligible to participate in the 401(a) plan if the employee is hired directly into Unit 99 on or after January 20, 2013 and must not have previously been a member of either of the City's defined benefit plans. An eligible employee must sign an irrevocable election form on his or her first day of employment with the City electing to participate in the 401(a) plan. If no irrevocable election form is signed, the employee will be automatically placed into the Tier 2 defined benefit plan.

Both eligible employees and the City are required to contribute 3.75% of participants' annual compensation. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon the employee entering the 401(a) plan. Effective October 3, 2021, elected officials who are not members of CalPERS shall become members of the 401(a) plan. The defined contribution for elected officials is 6.55% of salary into a 401(a) plan. The City contracts with an advisor to manage the 401(a) plan with all assets being held in trust by a third-party custodian in the name of each of the plan's participants. Each of the 401(a) plan's participants directs the investments of their separate account. The City must authorize changes to the 401(a) plan.

There were 172 participants in the 401(a) plan as of June 30, 2025. In FY 2025, the City and the participating employees contributed \$718,000 to the 401(a) plan. As of June 30, 2025, the balance of the 401(a) plan was \$5,389,000.

2. PTC Deferred Compensation Plan

The City's PTC Deferred Compensation Plan ("PTC Plan") is described in Chapter 3.5 of the City's Municipal Code. The PTC Plan is a mandatory in lieu of Social Security for those employees who are not eligible for membership in either the FCERS or PFDRP. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes VRIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

Benefited part-time employees who were hired before October 1, 2006 were given the option to invest PTC contributions in the same investment options as the 457 Plan participants based on their Participation Agreements. After October 1, 2006 when the City transitioned the investment administrator services to VRIAC, those part-time employees' PTC accounts were transferred to the 457 Plan in order for them to continue having the ability to invest in various investment options, instead of only the Stable Value Fund offered in the PTC Plan. As of June 30, 2025, there were 305 part-time employees participating in the 457 Plan, representing 14.73% of all part-time employees.

For new part-time employees hired on or after October 1, 2006, their PTC contributions are deposited and invested in the Stable Value Fund in the PTC Plan. As of June 30, 2025, there were 6,624 accounts consisting of 4,202 active and 2,422 separated employee accounts participating in the Stable Value Plan. These participating employees contributed \$2,051,000 to the plan. As of June 30, 2025, the balance of the plan was \$35,040,000.

A. 4. Postemployment Benefit Plans Other than Pension Plans

1. General Information about the Postemployment Healthcare Plans

In addition to the Defined Benefit Pension Plans, the City also sponsors and administers two single employer defined benefit postemployment healthcare plans, the PFDRP Healthcare Plans, which includes the Police Department Postemployment Healthcare Plan (Section 115 Trust), the Fire Department Postemployment Healthcare Plan (Section 115 Trust), and the 401(h) Plan, and the FCERS Healthcare Plan, which includes a Section 115 Trust, together the Postemployment Healthcare Plans. These Postemployment Healthcare Plans cover eligible full-time and certain part-time employees of the City and are accounted for in the Pension Trust Funds.

Generally, the defined benefit Postemployment Healthcare Plans provide medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Frameworks discussed in Note IV A.1, the City established two separate Voluntary Employee Beneficiary Associations (“VEBA”) for retiree healthcare for the members of the PFDRP and FCERS in FY 2018. The City does not make contributions into the VEBAs and the VEBAs are not subject to the jurisdiction of the Retirement Boards.

The Internal Revenue Service approved allowing eligible employees who are rehired by the City during calendar years 2018 through 2022 to opt into the applicable VEBA and transfer the retiree healthcare contributions from the applicable Postemployment Healthcare Plan to their individual VEBA accounts.

The current membership in the Postemployment Healthcare Plans as of June 30, 2025, is as follows:

	<u>Police Tier 1</u>	<u>Fire Tier 1</u>	<u>Totals</u>
PFDRP			
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits*	1,539	911	2,450
Terminated vested members not yet receiving benefits	3	3	6
Active members	325	343	668
Total	<u>1,867</u>	<u>1,257</u>	<u>3,124</u>

* Payees that have health and/or dental coverage

	<u>Tier 1*</u>	<u>Tier 2A*</u>	<u>Totals</u>
FCERS			
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits**	3,769	1	3,770
Terminated vested members not yet receiving benefits	141	-	141
Active members	906	65	971
Total	<u>4,816</u>	<u>66</u>	<u>4,882</u>

* Eligible for full retiree medical benefits

** Payees that have health and/or dental coverage

The separately issued annual reports of PFDRP and FCERS, together with the City’s Municipal Code, provide more detailed information about the Postemployment Healthcare Plans. As stated in Section IV.A.1 of this

note, those reports may be obtained from the City of San José Office of Retirement Services or at <http://www.sjretirement.com>.

2. Contributions

Contribution amounts to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, Actuarially Determined Contributions (“ADC”) were calculated beginning with the year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for postemployment healthcare benefits to PFDRP and FCERS.

Subsequently, in October 2014, the Boards of Administration for PFDRP and FCERS approved implementing an incremental reduction approach to determining the “actuarial equivalence” for the City’s prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, the Retirement Systems reduce the City’s incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction to be applied to the discount rate to the City’s prefunding of its contribution is 15% per year, up to a maximum of 45%. In March 2022, the Boards of Administration for PFDRP and FCERS approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

The City elected to prefund its actuarially determined OPEB contributions for PFDRP for the year ended June 30, 2025, using the reductions in the discount rate mentioned above.

The FCERS Board on February 15, 2018 and the PFDRP Board on March 1, 2018 approved a contribution policy for the respective Postemployment Healthcare Plans that sets the City’s contribution as a flat dollar amount.

Funding Policy

Historically, member and City contributions to the Postemployment Healthcare Plans were negotiated through collective bargaining and were not actuarially determined. Until the City entered into agreements with various bargaining groups in 2009 and prior to implementation of Measure F, contributions for the health and dental benefits for both the City and the participating employees of both Postemployment Healthcare Plans were based upon an actuarially determined percentage of employees’ base salary sufficient to provide adequate assets to pay benefits when due over the next 10 years for the PFDRP and the next 15 years for the FCERS. From 2009 until the implementation of Measure F, the City had been in the process of phasing in payment of the Actuarially Required Contribution (“ARC”) for the retiree health and dental benefits provided by both Postemployment Healthcare Plans as calculated pursuant to GASB Statement No. 43 and GASB Statement No. 45 then in effect. However, the contribution rates for the City and members of the Postemployment Healthcare Plans were capped before the full ARC was reached.

The annual contribution costs for the Postemployment Healthcare Plans’ benefits are allocated to both the City and the active employee members. Contributions to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, member contributions are fixed as a percentage of pay and the City’s contribution toward the explicit subsidy (premium subsidy) is an ADC determined by the Postemployment

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Healthcare Plans. The ADC for the Postemployment Healthcare Plans is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for each Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the respective pension plan. The ADC for each Postemployment Healthcare Plan is calculated beginning with FY 2019.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuations of each Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plans. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for each Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City’s ADC to each Postemployment Healthcare Plan.

Effective March 25, 2018, members remaining in the PFDRP Postemployment Healthcare Plan make contributions fixed at 8.0% of pay.

Also, as of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contribution rates/amount in effect in FY 2025 are shown below (in thousands):

PFDRP	City - Board Adopted		Member			
	Police Tier 1	Fire Tier 1	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
Actuarial Rate:						
Postemployment Healthcare Plan*: 07/01/2024 - 06/30/2025	\$18,015	\$11,933	8.00%	N/A	8.00%	N/A

*Explicit subsidy amounts as shown excludes accruals, adjustments and implicit subsidy.

FCERS	City - Board Adopted		Member with Healthcare
	Tier 1	Tier 2	Tier 1 and Tier 2
Actuarial Rate:			
Postemployment Healthcare Plan*: 07/01/2024 - 06/30/2025		\$20,352	7.50%

*Explicit subsidy amounts as shown excludes accruals, adjustments and implicit subsidy.

3. Net OPEB Liability

The City's net OPEB liability for each Postemployment Healthcare Plan is measured as the total OPEB liability, less the plans' fiduciary net position as of the June 30, 2024 measurement date. The City's net OPEB liability as of June 30, 2025 for each of the Postemployment Healthcare Plans is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary for the respective plans. In summary, the City's net OPEB asset and liability at June 30, 2025 is as follows (in thousands):

	Summary of OPEB liability and expense		
	PFDRP	FCERS	Total
Net OPEB Liability	\$ 565,654	\$ 317,583	\$ 883,237
Net OPEB Asset	-	(1,417)	(1,417)
	<u>\$ 565,654</u>	<u>\$ 316,166</u>	<u>\$ 881,820</u>
OPEB Expense	\$ 48,962	\$ 20,083	\$ 69,045

For the fiscal year ended June 30, 2025, the City recognized total OPEB expense of \$69,045,000 across all Postemployment Healthcare Plans.

The General Fund and Enterprise Funds have historically been used to liquidate the OPEB liabilities.

Actuarial Methods and Assumptions

	PFDRP
Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation Rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 6.50% at hire to 0.60% for members with 10 or more years of service.
Wage Inflation Rate	Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Police and Fire members have bargained increases of 4.00% for FYE 2024. Police members have an ongoing non-pensionable 4.00% retention pay that becomes pensionable as well as a bargained increase of 3.00% for FYE 2025.
Rate of Mortality*	Mortality is projected from 2010 on a generational basis using the SOA MP-2021 projection scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 8.60% to 3.94% per annum graded down over a 51 year period for medical pre-age 65 and 5.72% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

*Actuarial Methods and Assumptions - PDFRP Mortality Rates

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Category	Male	Female
Healthy Annuitant	0.972 times the 2010 Public Safety Above Median Income Mortality Table [Pub(S) - 2010(A)] for Healthy Retirees	0.972 times the 2010 Public Safety Above Median Income Mortality Table [Pub(S) - 2010(A)] for Healthy Retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table [Pub(S) - 2010(A)] for Healthy Employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table [Pub(S) - 2010(A)] for Healthy Employees
Beneficiaries	1.032 times the 2010 Public General Above Median Income Mortality Table [Pub(G)-2010(A)] for Healthy Retirees	1.032 times the 2010 Public General Above Median Income Mortality Table [Pub(G)-2010(A)] for Healthy Retirees
Disabled Annuitant	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees

** Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table.

Service	Rate of Termination	
	Police	Fire
0	11.00%	8.50%
1	8.00	4.00
2	6.25	2.75
3	5.00	1.75
4	4.25	1.25
5	3.75	1.00
6	3.55	0.90
7	3.40	0.80
8	3.30	0.70
9	3.25	0.60
10	3.25	0.50
11	3.25	0.50
12	3.15	0.50
13	2.95	0.50
14	2.75	0.50
15	2.25	0.50
16	1.75	0.50
17	1.50	0.50
18	1.25	0.50
19+	1.00	0.50

Termination rates do not apply once a member is eligible for unreduced retirement.

The assumption for the long-term expected rate of return on Postemployment Healthcare Plan investments of 6.00% for the valuation year ended June 30, 2023 and rolled forward to June 30, 2024 was selected by estimating the median real rate of return based on long-term capital market assumptions adopted by the PFDRP Board, including real expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the PFDRP's target asset allocation as of June 30, 2024 measurement date are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.00%	5.70%
Investment grade bonds	14.00%	2.00%
Core real estate	12.00%	4.10%
Short-term investment grade bonds	6.00%	0.90%
Commodities	5.00%	2.50%
Long-term government bonds	5.00%	2.20%

Changes in Assumptions for PFDRP

For the measurement period ended June 30, 2024, plan election assumptions and the administrative expense assumption were updated. The wage inflation assumption was revised to reflect currently bargained agreements for FY 2024 and FY 2025, which include across-the-board increases and 3.0% per annum (0.5% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 4.0% for FY 2024. Police members have an ongoing non-pensionable 4.0% retention pay that becomes pensionable, as well as a bargained increase of 3.0% for FY 2025. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023.

Discount Rate for PFDRP

The discount rate used to measure the total OPEB liability was 6.00% for the measurement year ended June 30, 2024 and is based on the long-term expected rate of return on investments. It is assumed that PFDRP member contributions are 8.0% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 11.0% of the total payroll of the employees in PFDRP and that the City also contributes the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the PFDRP's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for PFDRP was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

	FCERS
Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.00% per year. The Board expects a long-term rate of return of 8.0% based on Meketa's 20-year capital market assumptions and the System's current investment policy. A Margin for adverse ideviation was used to improve the probability of achieving the discount rate.
Inflation Rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service
Wage Inflation Rate	Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.
Rate of Mortality*	Mortality is projected on a generational basis using the MP-2021 scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 8.60% to 3.94% per annum graded down over a 51 year period for medical pre-age 65 and 5.72% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

* Actuarial Methods and Assumptions - FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Disabled Annuitant	0.990 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees

Sample rates of termination are shown in the following table.

Rate of Termination

0	15.00%
1	12.75%
2	11.75%
3	10.75%
4	9.75%
5	8.75%
6	7.75%
7	6.50%
8	5.50%
9	4.75%
10	4.25%
11	4.00%
12	3.75%
13	3.50%
14	3.25%
15+	3.25%

Terminations do not apply once a member is eligible for retirement.

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% for the valuation year ended June 30, 2023 and rolled forward to June 30, 2024, was selected by estimating the median real rate of return based on long-term capital market assumptions adopted by the FCERS Board, including real expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in FCERS's target asset allocation as of June 30, 2024 measurement date are summarized in the following table. The assets were invested in a 115 trust account as follows:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.00%	5.70%
Investment grade bonds	14.00%	2.00%
Core real estate	12.00%	4.10%
Short-term investment grade bonds	6.00%	0.90%
Commodities	5.00%	2.50%
Long-term government bonds	5.00%	2.20%

Changes in Assumptions for FCERS

For the measurement period ended June 30, 2024, the per-person cost trends were updated. All claims costs were updated to reflect the changes in plan premiums and the populations. Plan election assumptions and the administrative expense assumption were updated. The wage inflation assumption was revised to reflect currently bargained agreements for FY 2024 through FY 2026 – 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023.

Discount Rate for FCERS

The discount rate used to measure the total OPEB liability was 6.00% for the measurement year ended June 30, 2024 and is based on the long-term expected rate of return on investments. It is assumed that FCERS member contributions remain fixed at 7.5% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% of the total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for FCERS was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Change in the Net OPEB Liability

The changes in the net OPEB liability for the Postemployment Healthcare Plans are as follows (dollar amounts in thousands):

PFDRP	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 781,307	\$ 299,364	\$ 481,943
Changes recognized for the measurement period:			
Service cost	12,292	-	12,292
Interest	52,030	-	52,030
Differences between expected and actual experience	68,743	-	68,743
Changes of assumptions	26,186	-	26,186
Contributions - employer	-	33,166	(33,166)
Contributions - employee	-	10,820	(10,820)
Net investment income	-	31,685	(31,685)
Benefit payments including refunds	(30,699)	(30,699)	-
Administrative expense	-	(131)	131
Net changes	128,552	44,841	83,711
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 909,859	\$ 344,205	\$ 565,654
FCERS			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 665,105	\$ 374,608	\$ 290,497
Changes recognized for the measurement period:			
Service cost	7,322	-	7,322
Interest	42,031	-	42,031
Differences between expected and actual experience	44,484	-	44,484
Changes of assumptions	3,397	-	3,397
Contributions - employer	-	25,357	(25,357)
Contributions - employee	-	9,891	(9,891)
Net investment income	-	37,149	(37,149)
Benefit payments including refunds	(32,635)	(32,635)	-
Administrative expense	-	(832)	832
Net changes	64,599	38,930	25,669
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 729,704	\$ 413,538	\$ 316,166

Sensitivity of the Net OPEB Liability to Changes in Discount Rates

The following presents the net OPEB liability of the City would be if it were calculated using discount rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2024:

PFDRP

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$ 1,149,821	\$ 909,859	\$ 800,114
Plan Fiduciary Net Position	344,205	344,205	344,205
Net OPEB Liability	<u>\$ 805,616</u>	<u>\$ 565,654</u>	<u>\$ 455,909</u>
PFDRP plan fiduciary net position as a percentage of the total OPEB liability	29.9%	37.8%	43.0%

FCERS

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Total OPEB Liability	\$ 826,703	\$ 729,704	\$ 650,188
Plan Fiduciary Net Position	413,538	413,538	413,538
Net OPEB Liability	<u>\$ 413,165</u>	<u>\$ 316,166</u>	<u>\$ 236,650</u>
FCERS plan fiduciary net position as a percentage of the total OPEB liability	50.0%	56.7%	63.6%

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City would be if it were calculated using health care cost trend rates that were one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2024:

PFDRP

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$789,815	\$909,859	\$1,059,199
Plan Fiduciary Net Position	344,205	344,205	344,205
Net OPEB Liability	<u>\$445,610</u>	<u>\$565,654</u>	<u>\$714,994</u>
PFDRP plan fiduciary net position as a percentage of the total OPEB liability	43.6%	37.8%	32.5%

FCERS

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$641,895	\$729,704	\$836,867
Plan Fiduciary Net Position	413,538	413,538	413,538
Net OPEB Liability	<u>\$228,357</u>	<u>\$316,166</u>	<u>\$423,329</u>
FCERS plan fiduciary net position as a percentage of the total OPEB liability	64.4%	56.7%	49.4%

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

OPEB Fiduciary Net Position

The City issues the publicly available financial reports that may be obtained from the Office of Retirement Services, <https://www.sjretirement.com>.

Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2024 measurement date)

PFDRP

For the year ended June 30, 2025, the City recognized an OPEB expense of \$48,962,000. As of June 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

PFDRP	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 35,562	\$ -
Difference between expected and actual experience	45,832	24,431
Changes in assumptions	27,247	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,814
Total	<u>\$ 108,641</u>	<u>\$ 27,245</u>

The \$35,562,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2026.

The City's contribution for the Postemployment Healthcare Plan during the year ended June 30, 2025, was \$35,562,000. This consisted of City contributions in the amount of \$29,948,000, and \$5,614,000 in adjustments, accruals, and implicit subsidy.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ 14,645
2027	37,183
2028	(3,328)
2029	(2,666)
	<u>\$ 45,834</u>

FCERS

For the year ended June 30, 2025, the City recognized an OPEB expense of \$20,083,000. As of June 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

FCERS	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 27,645	\$ -
Difference between expected and actual experience	33,363	12,329
Changes in assumptions	5,635	-
Net difference between projected and actual earnings on OPEB plan investments	-	745
Total	<u>\$ 66,643</u>	<u>\$ 13,074</u>

The \$27,645,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2026.

The City's contributions for the Postemployment Healthcare Plan during the year ended June 30, 2025, was \$27,645,000. This consisted of City contributions in the amount of \$20,352,000, and \$7,285,000 in adjustments, accruals, and implicit subsidy.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ (215)
2027	20,677
2028	8,388
2029	(2,926)
	<u>\$ 25,924</u>

B. Commitments and Contingencies

1. San José Mineta International Airport

Purchase Commitments and Capital Outlay Projections. As of June 30, 2025, the Airport was obligated for purchase commitments of \$29,087,000 primarily for the Airfield Configuration Updates, Zero Emissions Buses, Aircraft Rescue and Fire Fighting vehicle replacement, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber \$318,091,000 on construction related capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, CP proceeds, and other Airport revenues.

Master Plan. In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and 183,900 annual passenger airline aircraft operations with a total of 237,700 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1,800,000 square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

The Master Plan's Terminal Area Improvement Program (TAIP) Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline-Airport Lease and Operating Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

At the time of this report, there are two Master Plan projects under construction. The first is the full-length New Taxiway V on the west side of the Airport, which will replace the former general aviation Runway 11/29, officially closed in 2022. The second Master Plan project under construction is the San José Police Department Airwing Hangar, relocating from the east side of the Airport to the southwest quadrant of the Airport.

FAA Audit of Use of Revenue. Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. Generally, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its audit findings alleging improper use of Airport revenues by the City in three areas of expenditure. On August 14, 2015, as the result of discussions and correspondence with City staff, the FAA notified the City that it has closed two of the three audit issues. The remaining audit issue is described below.

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for FY 2005-2010 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest. The City believes the allocation methodology used to allocate costs to the Airport is in compliance with federal cost allocation guidance. In an effort to resolve the issue, the City proposed and implemented a cap on the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of \$5.6 million that would be applied equally to the Airport cost allocation plan (CAP) over a seven-year period beginning in FY 2013 and ending in FY 2019. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 2016, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs.

On May 3, 2018, the City received a letter from the FAA in which the FAA requested a copy of the City's FY 2017 indirect cost allocation plan to substantiate indirect charges to the Airport in order to finalize the FAA's financial compliance review. The City responded to the FAA on July 20, 2018 with copies of the requested information and clarified actions taken by the City to date to implement the FAA's recommendations.

On May 19, 2022, the City received a letter from the FAA in which the FAA continues to believe that inclusion of capital costs in the indirect cost allocation methodology results in a disproportionate share of indirect costs being charged to the Airport. The FAA notes that the Modified Total Direct Cost (MTDC) is recognized as an equitable allocation base for the distribution of indirect costs and the MTDC allocation method excludes equipment and capital expenditures. The FAA asks the City to take this final finding under advisement.

On July 15, 2022, the City responded to the FAA's letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City's overall CAP. On June 23, 2022, the City posted a request for proposal (RFP) to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City's current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments.

On June 4, 2024, the City engaged Maximus US Services, Inc. to evaluate its cost allocation practices, including the Airport Cost Allocation Plan (Airport CAP). On March 14, 2025, the consultant delivered its current state assessment report, identifying findings that may align with prior FAA concerns.

Notably, the FAA has questioned the inclusion of capital expenditures in the allocation base for indirect costs. The consultant noted that this approach may be acceptable if expenses are justified by their relation to the allocation base, avoiding inequitable cost allocations.

The City is evaluating these issues before proposing changes to the FAA. The City cannot predict the final outcome of the audit.

2. *San José – Santa Clara Wastewater Treatment Facility*

Plant Master Plan. In November 2013, the City Council approved the Plant Master Plan (“PMP”), a 30-year planning-level document focused on long-term rehabilitation and modernization of the Plant. The PMP recommends more than 114 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2 billion. On September 24, 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the City in developing and implementing this Capital Improvement Program (“CIP”). On June 2, 2015, a funding strategy was recommended to and approved by the City Council. An update to the strategy was approved by the City Council on January 12, 2016. For the next five years, the City’s portion of the funding for the San José-Santa Clara Regional Wastewater Facility (“Plant”) Adopted CIP is programmed into the City’s 2026-2030 CIP budget. The City’s FY 2026 approved operating budget required an average rate increase for customers for the Sewer Service and Use Charge rate of 1.67% for FY 2026.

Revenues for the 2026-2030 Adopted CIP are derived from several sources: utilization of available resources from the City’s Sewer Service and Use Charge and Sewage Treatment Plant Connection Fee; contributions from the City of Santa Clara and other tributary agencies for the treatment of sewage from their respective jurisdictions by the Plant; interest earnings; Calpine Metcalf Energy Center Facilities repayments; and other debt financing proceeds.

Pursuant to an agreement executed between the cities of San José and Santa Clara in 1959 (the “1959 Agreement”), the City of San José is co-owner and administering agency of the Plant. The Plant also provides wastewater treatment services to other neighboring agencies through five outside user agreements (“Master Agreements”) with City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and CSD 2-3 (the “Tributary Agencies”). Contributions from the City of Santa Clara and the Tributary Agencies are made pursuant to agreements with each agency based on the anticipated operation and maintenance, and capital budget. The Tributary Agencies’ proportional contribution for the operation and maintenance cost is based on the amount and characteristics of the sewage discharged into the Plant. Each Tributary Agency’s capital contribution is based on each agency’s contractual capacity in the Plant. The balance of the Plant budget is shared between the cities of San José and Santa Clara based on the respective city’s assessed property value relative to the total assessed property value in both jurisdictions. In the 2026-2030 Adopted CIP, contributions from the City of Santa Clara and other agencies are approximately \$181,260,000.

Currently, a short-term financing has been put into place in the 2026-2030 Adopted CIP of approximately \$200,000,000, which will be refunded with long-term bonds during FY 2028.

Tributary Agency Claims. On January 22, 2016 and September 7, 2016, the City, as the administering agency, received claims from the Tributary Agencies alleging a breach of contract and inequity under the Master Agreements. The Treatment Plant Advisory Committee (“TPAC”) conducted two administrative hearings, on March 24, 2016 and September 7, 2016, regarding such claims and issued reports as required by the Master Agreements. The Tributary Agencies disagreed with the reports and the parties attempted to mediate such claims, but were unable to reach resolution. All parties agreed to waive the hearings before their respective joint legislative bodies.

The Tributary Agencies filed a complaint in Santa Clara County Superior Court against the City and the City of Santa Clara on March 23, 2018, resulting in a trial in April, May, and June of 2023. The allegations in the case

were substantially similar to the claims raised by the Tributary Agencies and heard through the administrative hearing process in 2016. The Tributary Agencies allege the City breached their respective Master Agreements by, among other allegations, the City charging them for capital and operating expenditures that the Tributary Agencies allege are not authorized under the Master Agreements and, the Tributary Agencies assert, are beyond the requirements to operate the Treatment Plant. The Tributary Agencies also allege that the City has improperly concealed how the funds paid by the Tributary Agencies for Treatment Plant capacity are used. They also allege the City breached the implied covenant of good faith and fair dealing and violated certain California Constitutional provisions limiting local agencies' imposition of property related fees, charges, and taxes. The Tributary Agencies further allege their payments resulted in unjust enrichment to the City and Santa Clara, and that the court should provide declaratory relief in accordance with their allegations.

The City and Santa Clara brought pre-trial motions that resolved in defendants' favor the Tributary Agencies' claims based on California Constitutional provisions. The Tributary Agencies' remaining claims for breach of contract and breach of the implied covenant of good faith and fair dealing were tried to a jury. The Tributary Agencies sought approximately \$100 million in damages. The jury rejected almost all the Tributary Agencies' claims, finding only that the City violated the Master Agreements in the way it allocated certain capital costs, but awarding zero damages.

The court then decided in favor of the City and Santa Clara on the Tributary Agencies' claims for unjust enrichment and declaratory relief. The court entered judgment in the cities' favor and awarded their costs.

West Valley Sanitation District and Burbank Sanitary District, but not the other Tributary Agencies, have appealed the judgment. The Tributary Agencies appealing will identify the specific grounds for their appeal once briefing commences.

The Tributary Agencies have fully paid their portion of the capital cost for the projects to rehabilitate the Treatment Plant to date. The City cannot predict the outcome or the timeline for resolution of this litigation.

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

In FY 2016, the City and the Santa Clara Valley Water District ("SCVWD") accepted a report that had been commissioned by both the City and the SCVWD related to SBWR, entitled: "South Bay Water Recycling Strategic and Master Planning ("Strategic Report"). The Strategic Report contemplates near term projects (fiscal years 2017 to 2021) at an estimated cost of \$49 million and long-term improvements and expansion of the existing system (fiscal years 2020 to 2035) at an estimated cost of \$243.2 million for long-term non-potable reuse projects and an additional \$522 million for long-term potable use projects. No specific plan for the development or source of financing of the other near-term improvements, nor the long-term improvements identified in the Strategic Report has been developed to date. Further, the responsibility for the development of the long-term improvements has not been established and may involve the formation of a separate entity responsible for the oversight and funding of these improvements.

Recycled Water Facilities and Programs Integration Agreement between the City of San José and the Santa Clara Valley Water District ("SCVWD"). The City and the SCVWD entered into an agreement on March 2, 2010 ("Integration Agreement") to collaborate on design, construction and operation of an advanced treated recycled water facility and related facilities now called the Silicon Valley Water Treatment Facility ("SVWTF"). In 2003, the City and SCVWD began collaborating on design, construction and operation of an advanced treated recycled water facility and related facilities, to be located on lands owned by the Plant, in

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

order to demonstrate the treatment capability of a local facility to produce highly purified water that could be blended with existing recycled water to expand irrigation and industrial uses. The City, as the administering agency for the Plant, and the SCVWD desired to financially support the production and use of recycled water in Santa Clara County consistent with each party's separate and distinct interests: for wastewater treatment and disposal for the City, and water quality and supply for the SCVWD, as well as to coordinate and cooperate to achieve the most cost effective, environmentally beneficial utilization of recycled water to meet both agencies' needs. The term of the Integration Agreement is from July 1, 2010 through June 30, 2050, and co-terminus with the Ground Lease and Property Use Agreement between the City and SCVWD for construction and operation of the SVWTF on Plant lands.

The Integration Agreement between the SCVWD and the City provides various formulas based on annual operating results. SCVWD determines the operational and maintenance budget for the SVWTF and operates the facility. Separate formulas were established to determine each party's respective share of the annual operation and maintenance cost for the SVWTF following the first full fiscal year the SVWTF became operational, which was FY 2015. The formula provides that for each fiscal year when the SBWR is operating at a net loss, the City would pay to the SCVWD an amount to support SCVWD's operational cost up to \$2,000,000. In the event that the SBWR operates at net revenue, the City would share its revenue with the SCVWD with the first 50% towards the SCVWD's costs and the second 50% divided between the two agencies based on their respective capital investment in the recycled water infrastructure. As of June 30, 2025, the City's investment in capitalized expenditures for the SBWR system is \$248,676,000 with another \$11,000,000 in contributions toward the SVWTF for a total investment of \$259,676,000; and the SCVWD's estimated investment in SVWTF as of June 30, 2025 is \$65,578,000. During the most recent SBWR operating year ended June 30, 2024, an operating profit of \$7,082,008 was realized. This amount was shared with the SCVWD, City of San Jose, City of Santa Clara, and the Tributary Agencies per the terms of the Integration Agreement.

Under the Integration Agreement, commencing in January 2016, the City and SCVWD are to provide the other agency with audited financial statements for the prior fiscal years for the operation of the SBWR and the SVWTF. Since the definition of net operating cost and revenue under the Integration Agreement excludes certain costs and revenues that might otherwise be considered in either party's overall budget, each party must prepare a separate statement following the publication of each party's annual audited financial statements, to establish each party's respective cost share for the operation of the SVWTF. The City and SCVWD have each provided the other with its audited financial statements for the operations of the SBWR and the SVWTF, for each fiscal year from FY 2016 through FY 2024 with no adjustment to share cost. In January 2026, the audit report for the eighth year of full operations for the year ended June 30, 2025, will be completed and issued as per the terms of the Integration Agreement.

3. Bay Area Water Supply and Conservation Agency

The City belongs to the Bay Area Water Supply and Conservation Agency ("BAWSCA"), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of \$335,800,000 to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies thereby realizing a present value savings of approximately \$62,300,000 over all member agencies. For the City, this translates into an annual net savings of purchased water cost of approximately \$107,000.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies for the term of the bonds through 2034. BAWSCA's annual debt service amount for FY 2024 is \$21,931,000. San Francisco will collect the surcharge and send the amount to BAWSCA for payment to bondholders. The

annual surcharge for each agency is based upon the actual wholesale water purchase percentage from the last full year for which date is available with an annual reconciliation based upon the actual water purchased. A true-up adjustment based on the actual year ended June 30, 2024 water use is included in the FY 2025 bond surcharge. The surcharge is on the San Francisco wholesale water bill and is accounted for by the City as operational costs.

The City's annual bond surcharge for FY 2025 is estimated to be \$721,000 based on the City's actual wholesale water use in the year ended June 30, 2024.

4. Clean Water Act- Stormwater Permit Compliance

The federal Clean Water Act (the "CWA") establishes the structure for federal regulation of the discharge of pollutants into the waters of the United States. Under the CWA, it is unlawful to discharge any pollutant into these waters unless the discharger has a permit under the National Pollutant Discharge Elimination System (the "NPDES") and the permittee abides by its terms. The Regional Water Board and private parties can enforce the CWA and the terms of the Stormwater Permit. Violations can result in significant civil penalties per pollutant per day, plus criminal fines, and attorney's fees.

The City is a permittee under an NPDES permit (the "Stormwater Permit") issued by the Regional Water Quality Control Board – San Francisco Bay Region (the "Regional Water Board"). This Regional Stormwater Permit governs 79 entities, including the City. On May 11, 2022, the Regional Water Board adopted a new permit that was effective as of July 1, 2022. The Storm Sewer Service and Use Charge rate has not increased since FY 2012. There are specific provisions in the Stormwater Permit that will increase the cost for the City and private property owners to comply. These permit requirements include green stormwater infrastructure for new development and redevelopment, roadway, trail and utility projects; regional level water quality monitoring for green infrastructure, trash outfall and in-stream monitoring; regulating polychlorinated biphenyls during demolition and certain industrial properties; water quality impacts due to firefighting emergency response operations; mapping and regulation of the impact from unhoused populations near stormwater systems and waterways near receiving waters; an annual report analyzing the ongoing programmatic, capital, operation and maintenance cost to comply with the Stormwater Permit; and development of an asset management plan that includes operations and maintenance with life cycle costs to comply with the Stormwater Permit.

5. Retirement Systems – Unfunded Commitments

As of June 30, 2025, PFDRP had unfunded commitments to contribute capital for investments in the amount of \$800,711,000. FCERS had unfunded commitments to contribute capital for investments in the amount of \$355,785,000.

6. Federal Financial Assistance Programs

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

Although the City's grant programs are audited in accordance with the provisions of the Single Audit Act of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance, for the year ended June 30, 2025, these programs are still subject to financial and compliance audits by federal auditors, and to resolution of identified findings and questioned costs. At this time, the amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined.

7. State Tax Revenue

The City was informed by the State of California in October 2021 that a portion of the City’s previous and current tax revenues could be significantly lower. While the City disputes and appealed the State’s initial determination, this action could negatively impact the City’s General Fund outlook in the short and long-term. Although the appeal process is likely to extend into next fiscal year, the City budgeted for the potential loss in the ongoing revenue for FY 2026 and put resources in place to be in a better position to absorb any loss over the next year. If the resolution of the dispute results in one-time funds becoming available for expenditure, the City Council will consider the use of these funds during a future budget adjustment or as part of the annual budget development process.

8. Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2025, total governmental fund encumbrance balances for the City are as follows (in thousands):

General Fund	\$	102,309
Housing Activities		23,431
Low and Moderate Income Housing Asset		32,401
Nonmajor Governmental Funds		85,216
Total governmental funds	\$	<u>243,357</u>

9. Curb Ramp Consent Decree

Plaintiffs filed a class action lawsuit in the case of Lashbrook v. City of San José in the United States District Court for the Northern District of California. This lawsuit alleged that the City violated federal and state disability access laws by failing to ensure that its pedestrian right of way contains curb ramps that are necessary to ensure that the pedestrian right of way is accessible to individuals with mobility disabilities. On April 14, 2020, the City Council approved a proposed settlement of this case in the form of a consent decree whereby Mr. Lashbrook will recover a total of \$55,000. The City will pay attorney’s fees and costs in the amount of \$725,000. The City will be required to expend \$13 million each year until 2030 to remediate curb ramps, and after 2030 will expend 10% of its pavement maintenance budget to remediate curb ramps, which is accounted for within the City’s pavement maintenance budget. The Court preliminarily approved the consent decree on May 27, 2020. At a Fairness Hearing on September 2, 2020, the Court granted final approval of the consent decree. The City is in compliance with the terms of this consent decree.

10. Consent Decree with San Francisco Baykeeper

San Francisco Baykeeper (“Baykeeper”) filed a lawsuit in federal district court against the City in February 2015. Baykeeper’s complaint alleged violations of the Clean Water Act (“CWA”) and the Stormwater Permit. Specifically, the complaint alleged that the City was not in compliance with trash reduction requirements, and that there were CWA violations resulting from the discharge of sewage from the City’s Sanitary Sewer System that infiltrated into the City’s municipal separate storm sewer systems (“MS4”).

To settle the lawsuit, the City and Baykeeper agreed to a consent decree that was approved by the U.S. District Court in August 2016 (the "Consent Decree"). The Consent Decree has a 10-year term expiring in August 2026 and will require the City to:

- Comply with trash provisions of the current Stormwater Permit including installing full trash capture devices, supporting additional creek cleanup efforts, and monitoring of trash in receiving waters;
- Rehabilitate, replace, or repair 65 miles of high-risk sanitary sewer system pipes at an average of 6.5 miles per year, based on the City's existing program with some changes in the priority of segments of this work;
- Monitor and report fecal indicator bacteria ("FIB") in receiving waters for a five-year period;
- Comply with green infrastructure planning as required in the Stormwater Permit, adding FIB as a pollutant for planning purposes;
- Bring forward new revenue measure options for Council consideration by December 31, 2017;
- Appropriate, contingent upon the receipt of sufficient new revenues, \$100,000,000 over a ten-year period for acquisition of land, review, design, construction, maintenance, and operation of various green infrastructure projects with the goal of reducing pollutants and/or flows from the City's urban areas into receiving waters, with expenditures anticipated to occur as follows:
 - Identify and design \$25,000,000 in total projects by September 2024;
 - Award \$25,000,000 in total projects by September 2025;
 - Identify and design an additional \$10,000,000 (\$35,000,000 in the aggregate) in total projects by September 2025;
 - Award an additional \$10,000,000 (\$35,000,000 in the aggregate) in total projects by the termination date of the consent decree; and
 - Identify and design an additional \$15,000,000 (\$50,000,000 aggregate) in total projects by the termination date of the consent decree.

In addition to the expenditures outlined above, the City has incurred or will incur the following expenditures during the Consent Decree's term: (1) lump sum payment of attorney's fees and costs to Baykeeper in the amount of \$425,000, which payment has been made; (2) ongoing oversight costs payable to Baykeeper in the amount of \$10,000 per year for a total of \$100,000; and (3) \$200,000 per year for five years (a total of \$1,000,000) for supplemental environmental mitigation for trash clean up grants, habitat restoration, or projects that generally improve the water quality in the Guadalupe and Coyote creeks and associated watershed areas. The City is in compliance with these payments under the Consent Decree.

The City and Baykeeper entered into a First Amendment and Second Amendment to the Consent Decree in 2017 and 2019, respectively. Both Amendments were approved by the Court and made technical changes to the terms of the Consent Decree but did not modify the substantive requirements itemized above.

Identification of Funds. The Consent Decree requires that by December 31, 2020, the City identify funding sufficient to implement the green infrastructure projects and meet the FIB load reduction standard. If it did not meet this deadline, the parties were required to meet and confer to discuss what measures the City will take to insure funding. In addition, by December 31, 2020, the City was required to obtain funding to implement the green infrastructure projects. The City believes it has identified funds to implement the Consent Decree, and fulfilled its meet and confer obligations, but is unable to make any representations regarding Baykeeper's interpretation of the Consent Decree. In the event of a dispute between Baykeeper

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

and the City, the Consent Decree provides for a resolution process that includes ongoing judicial oversight. The Consent Decree also specifies limits on the ability to pursue additional litigation against the City during its 10-year term and caps litigation fees for dispute resolution at \$200,000.

On December 19, 2017, the City Council considered a report from City staff concerning potential new revenue sources to fund the green infrastructure requirements specified in the Baykeeper Consent Decree described above. The City identified potential revenues of general obligation bonds and a parcel tax, both of which would require voter approval by a two-thirds margin. In November 2018, voters approved Measure T by the appropriate margin, and the City Council subsequently approved \$25 million of these funds to be allocated for clean water projects, including green infrastructure improvements. There are Consent Decree obligations that would be ineligible for funding from general obligation bond proceeds and staff continues to assess additional funding mechanisms.

Potential projects identified in the Green Infrastructure Plan (the “GIP”) require further review and approval. The total construction and maintenance costs will be dependent on several factors including, among others, future costs of construction, whether the project will be on City-owned property or required as part of a future private development.

Green Stormwater Infrastructure Projects. The City’s GIP forecasts green stormwater projects and goals through 2050. The City further estimates that complete implementation and maintenance of the potential projects over the course of the thirty-year plan may be on the magnitude of \$6.85 billion. The new Stormwater Permit (effective July 1, 2022) includes requirements for green infrastructure sufficient to treat 5 acres, which the City will be able to meet based on the existing projects and the schedule in the Consent Decree. The City will continue to explore funding opportunities and strategies for the implementation of the GIP.

The City is not able to predict the projects that will ultimately be approved or whether they will be funded for the GIP. In addition, the City is unable to predict whether Baykeeper’s interpretation of the Consent Decree will align with the City’s interpretations or the Regional Water Board’s NPDES Permit.

11. San José Clean Energy

Purchase Commitments. In the ordinary course of business, SJCE enters into various power purchase agreements and energy storage services agreements of different duration (i.e., short-, medium-, and long-term) to acquire renewable and other power supply products, and resource adequacy. The price and volume of purchased resources may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity on the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power, and electric capacity outstanding as of June 30, 2025 (in thousands):

<u>Year ending June 30,</u>		
2026	\$	337,741
2027		286,790
2028		247,951
2029		230,763
2030		229,847
2031-2048		1,949,856
Total	\$	<u>3,282,948</u>

12. Federal Funding Risks

The City receives federal funding to support programs and capital projects, including disaster recovery, affordable housing, workforce development, transportation, public safety, and neighborhood services. Federal policies on the federal debt ceiling, taxes, foreign trade and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such changes can result in shifts in the level of federal funding for various policy priorities, leading to unpredictability in near-term and future federal funding.

The City's federal funding consists of both executed grant awards, for which agreements are already in place, and awarded funds that require additional steps such as execution of agreements or approval of annual plans by the administering agencies. While executed awards may proceed under existing terms, funds not yet under executed agreement remain at risk of delay, modification, or non-issuance if federal requirements change.

The City cannot predict if grant funding or other direct payments to the City in support of governmental services, whether directly or bypass-through to the State and Santa Clara County will continue. Recent executive orders, agency directives, notice of funding opportunities and grant agreements are conditioning funding to requirements such as cooperation with federal immigration enforcement, and prohibition of diversity, equity, and inclusion (DEI) programs. The City joined as plaintiff in two cases from which the courts have granted preliminary injunctions prohibiting the use of these conditions as a basis to deny or delay federal grants.

Pending resolution of litigation on appeal, routine solicitations may be delayed or cancelled, and previously awarded funds may discontinue if the new conditions can be imposed. The City is mitigating timing and cash flow risks by prioritizing reimbursement requests, pausing non-critical work until agreements are executed, and preparing contingency funding strategies where feasible.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

13. Tax Abatement

As of June 30, 2025, the City provides three tax abatement programs - the Downtown High-rise Residential Incentive Program, the Utility Users Tax Reimbursement Agreement and the Multifamily Housing Incentive Program:

Downtown High-Rise Residential Incentive Program

The City has had several iterations of a program designed to spur high-rise development in downtown. As of September 30, 2021, the Downtown High-Rise Residential Incentive Program suspends 50% of construction taxes on high-rise developments in the Downtown Area and allows for payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. It also provides a reduction or exemption of affordable housing in-lieu fees. The tax reduction is available for new construction of residential buildings of at least twelve (12) stories in height in the Downtown Planned Growth Area. The affordable housing in-lieu fee reduction or exemption is available for new construction in the Downtown Core to residential buildings at least 150 feet above street-level with ten (10) or more floors or stories in height not including any non-residential uses.

Utility Users Tax Reimbursement Agreement

The City has a Utility Users Tax Reimbursement Agreement with Samsung Semiconductor, Inc., that will provide funding in an amount equal to 50% of the City's 5% of net new utility user taxes received from Samsung Semiconductor for 10 consecutive years in an amount not to exceed \$500,000. The agreement commenced on July 1, 2021 and expires on June 30, 2031.

Multifamily Housing Incentive Program

The City of San José introduced the Multifamily Housing Incentive Program in December 2024, it is a temporary initiative designed to accelerate stalled rental housing projects by reducing development costs. It waives Inclusionary Housing in-lieu fees if at least 5% of units are set aside for households earning up to 100% of Area Median Income, suspends 50% of residential building construction taxes for the first 1,800 units and 25% for any additional units permitted by the end of 2025, and allows for payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The program identified 35 high-density, non-high-rise projects located within or near growth areas.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Downtown High-Rise Residential Incentive Program	\$ -
Utility Users Tax Reimbursement Agreement	138
Multifamily Housing Incentive Program	3,281

During FY 2025, no Downtown High Rise covered projects received the benefit. (Projects receive the benefit of the tax abatement at certificate of occupancy.)

In FY 2025, the City made reimbursement payments to Samsung Semiconductor that totaled \$137,550 for the utility users tax reimbursement agreement.

During FY 2025, the City waived 50% of certain constructions taxes for four multifamily residential developments, 905 North Capitol, 498 West San Carlos, 0 Seely, and 358 Hatton Street that total \$3,281,398.

As of June 30, 2025, the City receives tax revenue reduction from County of Santa Clara's tax abatement programs:

County of Santa Clara

The City's property tax revenues are reduced by County of Santa Clara tax abatement programs authorized under State law, including the Williamson Act (land conservation) and the Mills Act (historic property preservation). For the year ended June 30, 2025, these programs decreased the City's share of property tax revenues by approximately \$221,000. The City is not a party to these agreements and has no ability to modify or approve them.

14. Labor Agreements

In 2023, collective bargaining agreements between the City and seven of the City's bargaining units were approved by the City Council with a term of July 1, 2023, through June 30, 2026. These agreements included a 6.0% general wage increase in FY 2024, a 4.0% increase at the beginning of FY 2025 and a 1.0% increase at the beginning of calendar year 2025, and a 3.5% general wage increase in FY 2026, which could have been increased to 4.0% if certain conditions were met; however, those conditions were not met. Additionally, compensation and benefit changes consistent with those described above were approved for executive management and professional employees in Unit 99 and other unrepresented employees in Units 81/82 by the City Council.

Additionally, the City Council approved a collective bargaining agreement between the City and one of the City's bargaining units with a term of July 1, 2023, through June 30, 2027. This agreement included a 6.0% general wage increase in FY 2024, a 4.0% increase at the beginning of FY 2025 and a 1.0% increase at the beginning of calendar year 2025, 3.5% general wage increase in FY 2026 which can be increased to 4.0% if certain conditions are met, and a 3.0% general wage increase in FY 2027.

In 2024, the City Council approved a collective bargaining agreement between the City and three of the City's bargaining units with a term of July 1, 2024, through June 30, 2027. This agreement included a 6.0% general wage increase in FY 2025, a 4.0% increase at the beginning of FY 2026 and a 1.0% increase at the beginning of calendar year 2026, and a 3.5% general wage increase in FY 2027 which can be increased to 4.0% if certain conditions are met.

15. Pension Obligation Bonds

On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement; authorizing judicial validation proceedings relating to the issuance of such bonds and approving additional actions related thereto. The pension obligations include the unfunded liability for both the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System Plan ("Unfunded Liability"), and the annually required retirement contributions that are due and payable within 12 months of the issuance of the bonds ("Current Obligation"). The proposed final aggregate principal amount of the bonds may not be greater than \$3.5 billion or the sum of the City's unfunded liability and current obligation as calculated by the actuary for both Retirement Plans, together with the costs of issuing the Bonds. The Trust Agreement will not constitute an obligation for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged or will levy or pledge any form of taxation. The validation complaint was filed on November 18, 2021. Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility filed an answer challenging the City's authority to issue bonds without voter approval. The trial court held a bench trial on August 22, 2022, and issued a decision on December 9, 2022 validating the City's authority to issue pension obligation bonds. The validation

judgment was entered on February 6, 2023 and Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility appealed the decision. On May 9, 2024, the Court of Appeal of the Sixth Appellate District Court published an opinion that unanimously affirmed the City's authority to issue bonds without voter approval. Howard Jarvis Taxpayers Association et al. petitioned for review, and the California Supreme Court granted review on August 14, 2024. If the City obtains a favorable judgment, the size and timing of the actual bond issuance would require the City Council's approval of offering documents including disclosures and would be contingent on favorable market conditions. Prior to actual issuance of the pension obligation bonds, the City Council will consider adoption of a pension funding policy.

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

1. Cash and Investments Held by SARA

The SARA's cash and investments consist of the following at June 30, 2025 (in thousands):

Cash & Investments	Amount
Cash and Investments	\$ 1,353
Restricted Cash and Investments	131,040
Total Cash and Investments	\$ 132,393

A summary of SARA's cash and investments at June 30, 2025 is as follows (in thousands):

	S&P's Credit Rating	Maturity (in Days)			Balance at June 30
		Under 30	31-180	181-365	
Investments:					
LAIF	Not rated	\$ -	\$ -	\$ 950	\$ 950
Money Market Mutual Funds	AAA	131,040	-	-	131,040
Subtotal Investments					131,990
Bank Deposits					403
Total Cash and Investments					\$ 132,393

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

The SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The SARA's investments in Money Market Mutual Funds and LAIF are not subject to the fair value hierarchy.

2. Loans Receivable Held by SARA

As of June 30, 2025 the SARA has \$14,945,000 of outstanding loans receivable, and an allowance for doubtful accounts of \$10,958,000. \$1,654,000 of the allowance for doubtful accounts is recorded in the anticipation that certain loans will be forgiven, as is allowable under the terms and conditions of said loans, if the borrower maintains compliance to the terms and conditions. On September 17, 2025, SARA received approval from the California Department of Finance (DOF) to write off the uncollectible loan balance of \$4,915,000 in FY 2026. The remainder of the allowance was recorded for loans where the likelihood of payment criteria being met is questionable.

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

3. Capital Assets Held by SARA

The following is a summary of capital assets activity for the year ended June 30, 2025 (in thousands):

	July 1, 2024	Addition	Disposal	Transfer	June 30, 2025
Capital Assets, Not Being Depreciated:					
Land	\$ 2,078	\$ -	\$ -	\$ -	2,078
Total Capital Assets, Not Being Depreciated	2,078	-	-	-	2,078
Capital Assets, Being Depreciated:					
Buildings	1,071	-	-	-	1,071
Less Accumulated Depreciation:					
Buildings	(482)	(27)	-	-	(509)
Total Capital Assets, Being Depreciated, net	589	(27)	-	-	562
Total Capital Assets, net	\$ 2,667	\$ (27)	\$ -	\$ -	\$ 2,640

On August 27, 2015, the Oversight Board approved a revised Asset Disposition Schedule for the non-governmental purpose properties listed on the Long-Range Property Management Plan ("LRPMP"), and approved the Disposition Process For Sale of Properties, which requires the sale of assets either through an open and competitive solicitation process or through a direct sale to the affected taxing entities or a non-profit organization. Additional amendments to the Asset Disposition Schedule were approved by the Oversight Board on January 14, 2016, April 28, 2016, October 27, 2016, and April 13, 2017.

4. Summary of SARA's Long-Term Debt

The following is a summary of long-term debt of the SARA as of June 30, 2025 (in thousands):

Type of Indebtedness	Purpose	Original Issue Amount	Issue Date	Maturity Date	Interest Rate Range	Annual Principal Installments	June 30, 2025 Balance
Senior Tax Allocation Bonds:							
2017 Refunding Bonds Series A	Refunding - merged area projects	\$ 79,825	12/21/2017	8/1/2035	5.00%	\$0 - 53,810	\$ 79,825
2017 Refunding Bonds Series A-T	Refunding - merged area projects	1,333,325	12/21/2017	8/1/2034	3.08-3.38%	\$32,910 - 93,735	798,630
Total Senior Tax Allocation Bonds							<u>878,455</u>
Subordinate Tax Allocation Bonds:							
2017 Refunding Bonds Series B	Refunding - merged area projects	264,390	12/21/2017	8/1/2029	5.00%	\$7,820 - 29,835	102,805
Total Subordinate Tax Allocation Bonds							<u>102,805</u>
Total Long-Term Debt							<u>\$ 981,260</u>

A summary of the changes in long-term debt for the year ended June 30, 2025 follows (in thousands):

	June 30, 2024	Additions	Reductions	June 30, 2025	Amount Due Within One Year
Senior Tax Allocation Bonds:					
2017 Refunding Bonds Series A	\$ 79,825	\$ -	\$ -	\$ 79,825	\$ -
2017 Refunding Bonds Series A-T	878,310	-	(79,680)	798,630	82,035
Subtotal Senior Tax Allocation Bonds	958,135	-	(79,680)	878,455	82,035
Subordinate Tax Allocation Bonds:					
2017 Refunding Bonds Series B	128,580	-	(25,775)	102,805	27,065
Subtotal Subordinate Tax Allocation Bonds	128,580	-	(25,775)	102,805	27,065
Subtotal Long-Term Debt, Unamortized	1,086,715	-	(105,455)	981,260	109,100
Issuance Premium (Discount), Net	23,798	-	(4,204)	19,594	4,204
Total Long-Term Obligations	\$ 1,110,513	\$ -	\$ (109,659)	\$ 1,000,854	\$ 113,304

RPTTF revenue distributed by the County to the SARA in FY 2025 was \$143,060,000 which was assigned to pay recognized payment obligations, including debt service and debt related expenses on the Successor Agency Senior and Subordinate Tax Allocation Refunding Bonds, SARA administrative costs, and other enforceable obligations. During FY 2025, total RPTTF revenue collected by the County was \$448,078,000. After payment of County Administrative fees totaling \$3,758,000, the balance is distributed based on the Health and Safety Code unless such payments have been subordinated to the payment of debt service on the 2017 Senior Tax Allocation Refunding Bonds described in the following section, as is the case with all agencies except for the senior pass-through payments due to San José Unified School District (\$14,086,000). After meeting obligations to make debt service payments on the 2017 Bonds, subordinated pass-through payments are made to the County (\$58,617,000), Basic Aid (\$489,000) and other taxing entities (\$49,455,000). With the residual balance (\$178,614,000) distributed to taxing entities.

All summaries of documents related to debt contained in this Note are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Note is qualified in its entirety by reference to such document, which is on file with the SARA's Chief Financial Officer.

2017 Tax Allocation Refunding Bonds

On December 21, 2017, the SARA issued refunding bonds ("2017 Refunding Bonds") pursuant to an Indenture of Trust dated as of December 1, 2017 ("2017 Indenture"), by and between the SARA and Wilmington Trust, National Association, as trustee ("Trustee"). The 2017 Refunding Bonds were issued in the aggregate original principal amount of \$1,677,540,000, in two senior series and one subordinate series. The senior series bonds, collectively referenced herein as 2017 Senior Tax Allocation Refunding Bonds, consist of \$79,825,000 original principal amount of the tax-exempt senior lien 2017 Series A Bonds Senior Tax Allocation Refunding Bonds ("2017A Bonds") and \$1,333,325,000 original principal amount of taxable senior lien 2017 Series A-T Bonds Senior Taxable Tax Allocation Refunding Bonds ("2017A-T Bonds"). The subordinate series bonds, referred to herein as 2017 Subordinate Tax Allocation Refunding Bonds, consist of \$264,390,000 original principal amount of tax-exempt subordinate lien 2017 Series B Bonds Tax Allocation Refunding Bonds.

Proceeds of the 2017 Refunding Bonds were used to (i) redeem, defease, or prepay all of the former Agency's then outstanding tax allocation bonds and reimbursement obligations under an agreement entered into in connection with the Financing Authority's Revenue Bonds, Series 2001A (4th and San Fernando Parking Facility Project) and Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project)(Refunded Obligations), and (ii) pay the costs of issuing the 2017 Refunding Bonds, including the cost of debt service

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

reserve insurance policies. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction) and the net carrying amount of the Refunded Obligations. This difference was reported as deferred outflows of resources in the statement of fiduciary net position and is being amortized over the next 11 years.

The 2017 Refunding Bonds are secured and payable from Tax Revenues and certain funds and accounts held by the Trustee. Tax Revenues are generally defined in the 2017 Indenture as the portion of property tax revenues collected in the Merged Project Area derived from incremental growth in assessed property values over the initial base year values in each of 17 component areas of the Merged Project Area, less certain County administrative fees, the AB1290 statutory pass-through payment to the San José Unified School District and amounts collected pursuant to the pension override or State Water Project override provisions of the Redevelopment Dissolution Law, if any. All other AB1290 statutory pass-through payments and the negotiated pass-through payments to Santa Clara County are subordinate to the payment of debt service on the 2017 Refunding Bonds and other debt service related obligations under the 2017 Indenture. Under the distribution provisions of the Redevelopment Dissolution Law, AB1290 statutory pass-through payments and negotiated pass-through payments are made from funds on deposit in the RPTTF before funds are transferred to the SARA for the payment of enforceable obligations (including payment of debt service on the 2017 Refunding Bonds) unless there are insufficient funds to pay such debt service and other payment obligations under the 2017 Indenture and certain other conditions are satisfied. Such conditions include the timely filing of a Notice of Insufficiency by the SARA in accordance with the Redevelopment Dissolution Law and the concurrence by the State Controller that there are insufficient funds for such purpose. The SARA has covenanted in the 2017 Indenture to comply with the provisions of the Redevelopment Dissolution Law related to placing its obligations under the 2017 Indenture on the recognized obligations under the 2017 Indenture throughout the term of the 2017 Refunding Bonds and, if applicable, file a Notice of Insufficiency in the event that there are insufficient Tax Revenue to make payment of debt service or other payment obligations under the 2017 Indenture.

The SARA has covenanted in the 2017 Indenture to take such actions as required under the Redevelopment Dissolution Law to include in each annual Recognized Obligation Payment Schedule the amount of debt service on the 2017 Refunding Bonds so as to enable the County Auditor-Controller to distribute from the RPTTF to SARA on each January 2 and June 1 the amounts required for the SARA to pay principal of, and interest on, the 2017 Refunding Bonds coming due in the respective six-month period following such distribution dates. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the SARA as a reserve until the next six-month period, as contemplated by the Redevelopment Dissolution Law, that are necessary to comply with the 2017 Indenture.

Separate municipal bond debt service reserve policies issued by Build America Mutual Assurance Company ("BAM") were deposited in the Senior Bonds Reserve Account of the Bond Reserve Fund for the 2017 Senior Tax Allocation Refunding Bonds ("2017 Senior Bonds Reserve Policy") and in the Subordinate Bonds Reserve account of the Bond Reserve Fund for the 2017 Subordinate Tax Allocation Bonds ("2017 Subordinate Bonds Reserve Policy"). The 2017 Senior Bonds Reserve Policy was issued in the original stated amount of \$112,102,000, to satisfy the Senior Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Senior Tax Allocation Refunding Bonds were issued. The 2017 Subordinate Bonds Reserve Policy was issued in the original stated amount of \$30,978,000, to satisfy the Subordinate Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Subordinate Tax Allocation Refunding Bonds were issued.

The 2017 Senior Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Senior Tax Allocation Refunding Bonds are no longer outstanding under the 2017 Indenture; or (ii) August 1, 2035. The

2017 Subordinate Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Subordinate Tax Allocation Refunding Bonds are no longer outstanding under the Indenture; or (ii) August 1, 2029. Per the terms of the 2017 Indenture, the SARA is not obligated to replace either reserve policy or to fund either reserve account with cash if, at any time that the 2017 Senior Tax Allocation Refunding Bonds or 2017 Subordinate Tax Allocation Refunding Bonds are outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of BAM is downgraded, suspended or withdrawn.

The 2017 Senior Tax Allocation Refunding Bonds are rated “AA” by S&P Global Ratings and “AA+” by Fitch Ratings and the 2017 Subordinate Tax Allocation Refunding Bonds are rated “AA-” by S&P Global Ratings and “AA+” by Fitch Ratings.

2017 Senior Tax Allocation Refunding Bonds - The 2017 Senior Tax Allocation Refunding Bonds were issued in two series – the tax-exempt 2017A Bonds and the taxable 2017A-T Bonds, with a parity senior lien on Tax Revenues. The 2017A Bonds are structured as two serial maturities in 2034 and 2035; both maturities bear interest at 5% per annum. The 2017A-T Bonds are structured as serial maturities in 2018 through and including 2029 and a term bond of \$361,845,000 maturing in 2034 (which term bond is subject to mandatory payment of principal beginning on August 1, 2030 through final maturity on August 1, 2034). The 2017A-T Bonds bear interest at rates ranging from 1.898% to 3.375% per annum. The 2017A and the 2017A-T Bonds maturing on and after August 1, 2028 are subject to redemption at the option of the SARA on or after August 1, 2027 at par. The 2017A Bonds have \$79,825,000 in principal subject to call and the 2017A-T Bonds have approximately \$544,790,000 in principal subject to redemption at the option of the SARA. The total debt service payments on the 2017 Senior Tax Allocation Refunding Bonds was \$110,919,000 for the year ended June 30, 2025. The principal and interest remaining on the 2017 Senior Tax Allocation Refunding Bonds as of June 30, 2025 is \$1,041,583,000.

2017 Subordinate Tax Allocation Refunding Bonds - The 2017 Subordinate Tax Allocation Refunding Bonds are structured as serial tax-exempt bonds with maturities in 2018 through 2029; and bear interest at rates ranging from 2% to 5% per annum. The 2017 Subordinate Tax Allocation Refunding Bonds are subject to redemption at the option of the SARA on or after August 1, 2027 at par. In total, nearly \$17,490,000 in principal is subject to this ten-year par call. The 2017 Subordinate Tax Allocation Refunding Bonds are payable from Tax Revenues on a subordinate basis to the 2017 Senior Tax Allocation Refunding Bonds. The debt service payment on the 2017 Subordinate Tax Allocation Refunding Bonds was \$31,560,000 for the year ended June 30, 2025. The principal and interest remaining on the 2017 Subordinate Tax Allocation Refunding Bonds as of June 30, 2025 is \$112,886,000.

2017 Refunding Bonds - Events of Default - The events of default under the 2017 Indenture for the 2017 Refunding Bonds are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the 2017 Indenture or the 2017 Refunding Bonds or any Senior Parity Debt Instrument or Subordinate Parity Debt Instrument (as those terms are defined in the 2017 Indenture) and such default shall have continued for a period of 30 days following SARA’s receipt from the Trustee or any bond owner of written notice of the occurrence of such default, provided that if in SARA’s reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the SARA within such 30 day period and SARA thereafter diligently and in good faith cures such failure in a reasonable period of time; and (iii) bankruptcy or similar debtor relief proceedings. Upon the occurrence and during the continuance of an event of default under the 2017 Indenture, the Trustee may, or, if requested by the owners of a majority of the principal amount of the outstanding 2017 Senior Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Senior Tax Allocation Refunding Bonds) or the 2017 Subordinate Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Subordinate Tax Allocation Refunding Bonds), as applicable, shall, subject to the provisions of the 2017 Indenture, exercise any remedies available to the Trustee in law or at equity. The 2017 Indenture does not provide for acceleration of payment of the 2017

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2025

Refunding Bonds. The 2017 Indenture, however, provides for application of Tax Revenues upon an event of default in the order of priority set forth in the 2017 Indenture.

Debt Service Requirements - The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds outstanding at June 30, 2025, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30	Principal	Interest
2026	\$ 109,100	\$ 33,262
2027	112,975	29,271
2028	117,080	25,064
2029	97,885	21,308
2030	102,550	17,955
2031-2035	387,860	45,004
2036	53,810	1,345
Total	<u>\$ 981,260</u>	<u>\$ 173,209</u>

Tax Sharing Agreement with the County of Santa Clara - Prior to 1994, the Redevelopment Law authorized redevelopment agencies to enter into tax sharing agreements with school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. In 1983, the Agency and County entered into a tax sharing agreement (“Original Agreement”) under which the Agency would pay a portion of tax increment revenue generated in the Merged Area (“County Pass-Through Payment”). On December 16, 1993, the Agency, the County, and the City entered into a settlement agreement, which continued the County Pass-Through Payment.

On May 22, 2001, the County, the City and the Agency approved an Amended and Restated Agreement (“Amended Agreement”), which amended and restated the Original Agreement in its entirety. In addition to the continued Pass-Through Payment, the Amended Agreement delegated to the County the authority to undertake redevelopment projects in or of benefit to the Merged Area, and required the Agency to transfer funds to the County to pay for such projects (“Delegated Payment”). Until June 30, 2004, the Delegated Payment was equal to the County Pass-Through Payment. After January 1, 2004, 20% of the proceeds of any debt secured by the Agency’s Tax Increment Revenues (excluding bonds payable from Housing Set-Aside and refunding bonds) was required to be paid to the County as the Delegated Payment.

5. Commitments and Contingencies Related to SARA

Risk Management

The SARA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities for which the SARA carries a property insurance policy, or is self-insured. Claim expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated using actuarial methods or other estimating techniques. The technique to estimate claims is based on many complex factors, such as inflation, changes in legal doctrines, past settlements, and damages awarded. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimated claims liability will include amounts of incremental claims adjustment expense related to specific claims.

The SARA does not have any claims liabilities outstanding as of June 30, 2025.

Contractual Commitments

On June 30, 2025, the SARA had \$181,000 for contractual obligations and commitments.

D. Subsequent Events

1. *City of San José General Obligation Bonds*

On July 23, 2025, the City issued \$209,570,000 of General Obligation Bonds, consisting of Series 2025A (tax-exempt, in the principal amount of \$181,740,000), Series 2025B (federally taxable, in the principal amount of \$15,190,000) and Series 2025C (federally taxable, in the principal amount of \$12,640,000) (collectively, the "2025 GO Bonds"). The 2025 GO Bonds constitute the third and final issuance of bonds under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. The 2025 GO Bonds were issued as long-term fixed-rate debt with level debt service maturing finally on September 1, 2055. The 2025 GO Bonds are general obligation bonds of the City payable from ad valorem property taxes and collected by the County of Santa Clara. The Council is empowered and is obligated to annually levy ad valorem taxes for the payment of the 2025 GO Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

The 2025 GO Bonds were rated Aa1 by Moody's, AA+ by S&P, and AAA by Fitch with stable outlooks.

2. *City of San José Financing Authority Lease Revenue Bonds*

The City Council and Financing Authority Board approved the issuance of the Financing Authority Lease Revenue Bonds, Series 2025A ("2025A Bonds") in June 2025. The Financing Authority issued the 2025A Bonds in the principal amount of \$47.8 million on August 19, 2025 to (i) refund the outstanding Financing Authority Lease Revenue Bonds, Series 2013B (Civic Center Garage) ("2013B Bonds"), (ii) refinance tax-exempt Financing Authority CP Notes for the construction of a new Administration and Operations Building, and the acquisition, construction and installation of related capital improvements, for the Water Resources Division ("Muni Water Building Project"), (iii) finance additional costs of the Muni Water Building Project and (iv) pay the costs incurred in connection with the issuance of the 2025A Bonds. The 2025A Bonds were issued as long-term fixed-rate debt at the final maturity of June 1, 2055. 2025A Bonds were rated Aa2 by Moody's, AA by S&P and AA by Fitch.

The refunding proceeds of the 2025A Bonds, along with the 2013B Bonds released reserve funds are invested in State and Local Government Series ("SLGS"). Upon maturity of the SLGS on November 14, 2025, all of the outstanding 2013B Bonds and Muni Water Building Project CP Notes will be refunded. The refunding of the 2013B Bonds will produce a net present value savings of approximately \$1.0 million or 4.86% of the refunded bonds.

The City leases to the Financing Authority certain real property consisting of the Civic Center Garage located at 50 North Fourth Street, San José, California (the "Leased Property"), under a site lease by and between the City and the Financing Authority. To provide revenues for debt service on the 2025A Bonds, the Financing Authority leases the Leased Property back to the City per the lease agreement under which the City agrees to pay semiannual lease payments as the rental for the Leased Property.

3. *Pension Obligation Bond Validation Action*

The appeal of the pension obligation bond validation action was heard by the California Supreme Court on October 8, 2025. The Court has 90 days to issue a decision. If the City obtains a favorable judgment, the size and timing of the actual bond issuance would require the City Council's approval of offering documents

including disclosures and would be contingent on favorable market conditions. Prior to actual issuance of the pension obligation bonds, the City Council will consider adoption of a pension funding policy.

4. *San José Mineta International Airport*

On September 17, 2025, the Airport executed three grants totaling \$24,251,000 in federal funding from the FAA. Two grants were awarded under the Infrastructure Investment and Jobs Act Airport Infrastructure Grant Program, with \$3,917,000 allocated for the New Taxiway V Phase 2 Adjustment and \$20,012,000 allocated for the Terminal A Ground Transportation Island Accessibility Upgrades. The third grant award was under the Airport Improvement Program totaling \$322,000 for the Pavement Management Study.

5. *Insurance Coverage*

Fiduciary Liability for Deferred Compensation Plans

Effective June 30, 2025, the City increased the minimum retention for the fiduciary liability policy that covers the Deferred Compensation Plans from \$25,000 to \$100,000.

6. *Labor Agreements*

The City Council approved a successor collective bargaining agreement with one of the City's bargaining units on September 30, 2025. This agreement includes a 7.0% general wage increase in FY 2026, a 5.0% general wage increase in FY 2027, and a 3.0% general wage increase in FY 2028.

The City will be entering into negotiations on successor collective bargaining agreements for seven of the City's bargaining units by early 2026, as the current agreements have an expiration date of June 30, 2026.

**City of San José
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025
(\$000's)**

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget	Actual Amounts Budgetary Basis	Budgetary to GAAP Differences	Actual Amounts GAAP Basis	
	Original	Final	Over (Under)				
REVENUES							
Taxes:							
Property	\$ 545,000	548,000	(1,845)	546,155	-	546,155	
Utility	158,000	163,000	(1,114)	161,886	-	161,886	
Franchise	55,023	58,023	436	58,459	-	58,459	
Business tax	87,000	87,000	693	87,693	-	87,693	
Other	16,000	17,000	212	17,212	-	17,212	
Sales taxes	352,000	330,000	1,431	331,431	-	331,431	
State of California in-lieu	1,000	1,000	(1,000)	-	-	-	
Licenses, permits and fines	39,708	39,708	2,544	42,252	-	42,252	
Intergovernmental	69,896	99,722	(61,479)	38,243	-	38,243	
Charges for current services	27,509	27,509	(1,652)	25,858	-	25,858	
Other revenues	44,382	56,712	16,796	73,509	-	73,509	
Investment income	14,050	15,550	15,671	31,221	12,854	31,221	(1)
Total revenues	1,409,568	1,443,224	(29,307)	1,413,919	12,854	1,413,919	
EXPENDITURES							
Current:							
General government	175,036	343,480	(87,460)	256,020	(45,479)	210,541	(2)(3)
Public safety	743,892	955,953	(110,109)	845,844	(6,317)	839,527	(2)
Community services	243,694	355,418	(108,057)	247,361	(25,297)	222,064	(2)
Sanitation	6,709	8,699	(1,383)	7,316	(257)	7,059	(2)
Capital maintenance	131,221	206,052	(87,395)	118,657	(24,933)	93,724	(2)
Capital outlay	50,676	50,676	-	50,676	-	50,676	
Debt service:							
Principal	375	1,215	7,993	9,208	-	9,208	
Interest	28	28	1,520	1,548	-	1,548	
Total expenditures	1,351,631	1,921,521	(384,891)	1,536,630	(102,283)	1,434,347	
Excess (deficiency) of revenues over expenditures	57,937	(478,297)	355,584	(122,711)	115,137	(20,428)	
OTHER FINANCING SOURCES (USES)							
Inception of lease	-	-	-	-	442	442	
Inception of subscription-based information technology arrangement	-	-	-	-	7,002	7,002	
Proceeds from sale of capital assets	500	500	(500)	-	-	-	
Transfers in	148,082	13,639	(1,340)	12,299	-	12,299	
Transfers out	(198,387)	(32,248)	(1,237)	(33,485)	-	(33,485)	
Total other financing sources (uses)	(49,805)	(18,109)	(3,077)	(21,186)	7,444	(13,742)	
Net change in fund balance	8,132	(496,406)	352,507	(143,897)	122,581	(34,170)	
Fund balance - beginning	561,549	561,549	-	561,549	113,564	675,114	
Add beginning encumbrance balance	-	-	-	97,638	(97,638)	-	
Fund balance - ending	\$ 569,681	65,143	352,507	515,291	138,507	640,944	

Explanation of differences:

- (1) Gain or loss in fair value of investments is not formally budgeted transactions.
- (2) Encumbrances of funds for which formal budgets are prepared.
- (3) Lease and subscription-based information technology arrangement expenditures are not formally budgeted transactions.

City of San José
Housing Activities Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025
(\$000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget Over (Under)	Actual Amounts Budgetary Basis	Budgetary to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Intergovernmental	\$ 37,687	86,212	(29,108)	57,104		57,104
Investment income	3,240	3,240	3,273	6,513	3,209	9,722 ⁽¹⁾
Other revenues	10,732	10,805	(2,390)	8,415	(195)	8,220 ⁽²⁾
Total revenues	51,659	100,257	(28,225)	72,032	3,014	75,046
EXPENDITURES						
Current:						
Community services	79,513	194,815	(81,153)	113,662	(29,953)	83,710 ⁽²⁾
Total expenditures	79,513	194,815	(81,153)	113,662	(29,953)	83,710
Excess (deficiency) of revenues over expenditures	(27,854)	(94,558)	52,928	(41,630)	32,967	(8,664)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	5,950		5,950		5,951
Transfers out	(257)	(3,357)		(3,357)		(3,357)
Total other financing sources (uses)	(257)	2,593	-	2,593	-	2,594
Net change in fund balance	(28,111)	(91,965)	52,928	(39,037)	32,967	(6,070)
Fund balance - beginning	131,829	131,829		110,438	80,815	191,253
Add beginning encumbrance balance	-	-	-	42,926	(42,926)	-
Fund balance - ending	\$ 103,718	39,864	52,928	114,327	70,856	185,183

Explanation of differences:

(1) Gain or loss in fair value of investments is not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

City of San José
Low and Moderate Income Housing Asset Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025
(\$000's)

	Budgeted Amounts		Actual Amounts Budgetary Basis Variance with Final Budget Over (Under)	Actual Amounts Budgetary Basis	Budgetary to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Intergovernmental	8,000	434	(424)	10	-	10
Investment income	\$ 4,500	4,500	8,328	12,828	2,149	14,977 ⁽¹⁾
Other revenues	10,000	10,000	(92)	9,908	(9,381)	527 ⁽²⁾
Total revenues	22,500	14,934	7,812	22,746	(7,232)	15,514
EXPENDITURES						
Current:						
Community services	39,381	100,398	(44,286)	56,112	(40,403)	15,709 ⁽²⁾
Capital outlay	29	29	-	29	-	29
Total expenditures	39,410	100,427	(44,286)	56,141	(40,403)	15,738
Excess (deficiency) of revenues over expenditures	(16,910)	(85,493)	52,098	(33,395)	33,171	(224)
OTHER FINANCING (USES)						
Transfers in	-	3,100	-	3,100	-	3,100
Transfers out	(331)	(331)	-	(331)	-	(331)
Total other financing (uses)	(331)	2,769	-	2,769	-	2,769
Net change in fund balance	(17,241)	(82,724)	52,098	(30,626)	33,171	2,545
Fund balance - beginning	80,902	80,902	-	80,902	339,262	420,164
Add beginning encumbrance balance	-	-	-	48,203	(48,203)	-
Fund balance - ending	\$ 63,661	(1,822)	52,098	98,479	324,230	422,709

Explanation of differences:

(1) Gain or loss in fair value of investments is not formally budgeted transactions.

(2) Expenditures and repayments that increase and decrease certain loan receivables for which formal budgets are prepared.

Schedule of Employer Contributions – Defined Benefit Pension Plans

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 213,138	\$ 202,700	\$ 201,750	\$ 212,046	\$ 201,370
Contributions in relation to actuarially determined contribution	213,138	202,700	201,750	212,046	201,370
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 283,398	\$ 265,551	\$ 254,356	\$ 251,023	\$ 237,476
Contributions as a percentage of covered payroll	75.21%	79.33%	79.32%	84.47%	84.80%

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.
Discount rate	6.625%	6.625%	6.625%	6.625%	6.750%
Salary increases	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 10 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.60% for members with 11 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.00% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service.
Amortization growth rate	2.50%	2.50%	2.25%	2.25%	2.50%
Mortality	<p>Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for healthy retirees multiplied by 0.972, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Disabled Retirees: 2010 Public Safety Mortality Tables for disabled retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Beneficiaries: 2010 General Member Mortality Table for healthy retirees multiplied by 1.032 with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for healthy employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis</p>	<p>Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for healthy retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Disabled Retirees: 2010 Public Safety Mortality Tables for disabled retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Beneficiaries: 2010 General Member Mortality Table for healthy retirees multiplied by 1.032 with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for healthy employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis</p>	<p>Healthy Retirees: 2010 Public Safety Above Median Income Mortality Tables for healthy retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Disabled Retirees: 2010 Public Safety Mortality Tables for disabled retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Beneficiaries: 2010 General Member Mortality Table for healthy retirees multiplied by 1.032 with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis.</p> <p>Non-Annuitant: 2010 Public Safety Above Median Income Mortality Tables for healthy employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP-2021 on a generational basis</p>	<p>Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis.</p> <p>Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis.</p> <p>Beneficiaries: 2010 General Member Mortality Table for Healthy retirees multiplied by 1.032</p> <p>Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis.</p>	<p>Healthy Retirees: 2010 Public Safety Above Median Income Mortality tables for retirees multiplied by 1.002, with mortality improvements projected from 2010 using Scale MP- 2019 on a generational basis.</p> <p>Disabled retirees: 2010 Public Safety Mortality tables for Disabled Retirees multiplied by 0.915, with mortality improvements projected from 2010 using Scale MP-2019 on a generational basis.</p> <p>Beneficiaries: CalPERS 2009 Healthy Annuitant Mortality Tables multiplied by 0.948 for males and 1.048 for females.</p> <p>Non-Annuitant: 2010 Public Safety Above Median Income Mortality tables for Healthy Employees multiplied by 0.979, with mortality improvements projected from 2010 using Scale MP- 2019 on generational basis.</p>

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 188,481	\$ 176,618	\$ 157,712	\$ 136,957	\$ 132,480
Contributions in relation to actuarially determined contribution	188,481	176,618	157,712	136,957	132,480
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 230,401	\$ 218,619	\$ 203,164	\$ 188,177	\$ 186,874
Contributions as a percentage of covered payroll	81.81%	80.79%	77.63%	72.78%	70.89%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.				
Discount rate	6.75%	6.875%	6.875%	7.000%	7.000%
Salary increases	3.25% per annum (0.75% real wage growth) plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.75% for new hires to 1.00% for members with 10 or more years of service.
Amortization growth rate	3.25%	3.25%	3.25%	3.25%	3.25%
Mortality	Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using Scale MP- 2015 on a generational basis. Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using Scale MP-2015 on a generational basis.				RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

Schedule of Employer Contributions – Defined Benefit Pension Plans

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 238,195	\$ 218,313	\$ 199,440	\$ 207,598	\$ 183,964
Contributions in relation to actuarially determined contribution	238,195	218,313	199,440	207,598	183,964
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 476,222	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421
Contributions as a percentage of covered payroll	50.02%	50.28%	51.63%	59.60%	54.85%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Discount rate	6.625%	6.625%	6.625%	6.625%	6.75%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service
Amortization growth rate	2.75%	2.75%	2.75%	2.75%	3.00%
Amortization method	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.
Mortality	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483	\$ 129,456
Contributions in relation to actuarially determined contribution	181,327	173,006	156,770	138,483	124,723
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 4,733
Covered payroll	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771
Contributions as a percentage of covered payroll	56.67%	57.90%	53.96%	51.07%	48.39%

Methods and assumptions used to determine contributions:

Fiscal year	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value	5-year smoothed fair value
Discount rate	6.750%	6.875%	6.875%	7.00%	7.00%
Salary increases	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service
Amortization growth rate	3.00%	3.00%	2.85%	2.85%	2.85%
Amortization method	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20- year periods as a level percentage of pay.
Mortality	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

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

(Dollar amounts in thousands):	PFDRP									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost (middle of year)	\$ 98,751	\$ 95,759	\$ 95,421	\$ 93,139	\$ 89,467	\$ 87,641	\$ 81,883	\$ 75,481	\$ 72,760	\$ 74,531
Interest (includes interest on service cost)	397,178	380,456	367,189	354,685	342,802	329,612	313,565	300,378	290,961	274,487
Changes of benefit terms	-	-	-	-	-	-	-	178	5,752	-
Differences between expected and actual experience	37,770	73,890	20,532	7,457	(15,131)	37,127	(17,011)	33,081	67,558	(8,672)
Changes of assumptions	-	712	58	12,390	73,525	80,853	76,425	(100,328)	72,680	90,180
Benefit payments, including refunds of member contributions	(306,618)	(291,955)	(275,823)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,940)
Net change in total pension liability	227,081	258,862	207,377	207,798	246,353	304,225	236,854	102,160	313,679	243,586
Total pension liability - beginning	6,097,406	5,838,544	5,631,167	5,423,372	5,177,016	4,872,791	4,635,937	4,533,777	4,220,098	3,976,512
Total pension liability - ending	<u>\$6,324,487</u>	<u>\$6,097,406</u>	<u>\$5,838,544</u>	<u>\$5,631,170</u>	<u>\$5,423,369</u>	<u>\$5,177,016</u>	<u>\$4,872,791</u>	<u>\$4,635,937</u>	<u>\$4,533,777</u>	<u>\$ 4,220,098</u>
Plan fiduciary net position										
Contributions - employer	\$ 213,138	\$ 202,700	\$ 201,750	\$ 212,046	\$ 201,370	\$ 188,481	\$ 176,618	\$ 157,712	\$ 136,957	\$ 132,480
Contributions - member	35,806	34,439	32,661	31,660	29,033	27,645	24,811	23,841	20,580	21,508
Net investment income (loss)	538,200	437,637	359,863	(294,551)	1,044,290	134,085	114,179	233,475	292,734	(29,206)
Benefit payments, including refunds of member contributions	(306,618)	(291,955)	(275,823)	(259,876)	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,939)
Administrative expense	(7,776)	(7,879)*	(6,833)	(6,051)	(5,761)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)
Net change in plan fiduciary net position	472,750	374,942	311,618	(316,772)	1,024,622	113,598	92,231	202,934	249,604	(66,411)
Plan fiduciary net position - beginning	5,096,229	4,721,287	4,409,870	4,726,642	3,702,020	3,588,422	3,496,191	3,293,257	3,043,653	3,110,064
Plan fiduciary net position - ending	<u>\$5,568,979</u>	<u>\$5,096,229</u>	<u>\$4,721,488</u>	<u>\$4,409,870</u>	<u>\$4,726,642</u>	<u>\$3,702,020</u>	<u>\$3,588,422</u>	<u>\$3,496,191</u>	<u>\$3,293,257</u>	<u>\$ 3,043,653</u>
Net pension liability - ending	\$ 755,508	\$1,001,177	\$1,117,056	\$1,221,300	\$ 696,727	\$1,474,996	\$1,284,369	\$1,139,746	\$1,240,520	\$ 1,176,445
Plan fiduciary net position as a percentage of the total pension liability	88.05%	83.58%	80.87%	78.31%	87.15%	71.51%	73.64%	75.41%	72.64%	72.12%
Covered payroll	\$ 265,551	\$ 254,356	\$ 251,023	\$ 237,476	\$ 230,401	\$ 218,619	\$ 203,164	\$ 186,177	\$ 186,874	\$ 180,226
Net pension liability as a percentage of covered payroll	284.51%	393.61%	445.00%	514.28%	302.40%	674.69%	632.18%	612.18%	663.83%	652.76%

*Note: In fiscal year 2025, the Plan adopted GASB Statement No.101, *Compensated Absences*, a new accounting principle. The 2024 column has been restated to reflect this change and this balance increased by \$30 due to the implementation. For the purpose of determining the NPL for financial reporting purposes, the original balance was used.

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 – Defined Benefit Pension Plans (Continued)

(Dollar amounts in thousands):	2025	2024	2023	2022	FCERS 2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost (middle of year)	\$ 89,047	\$ 81,585	\$ 70,248	\$ 67,581	\$ 65,712	\$ 61,014	\$ 61,808	\$ 59,628	\$ 51,887	\$ 49,011
Interest (includes interest on service cost)	333,013	319,257	304,936	295,014	283,610	280,131	272,787	264,250	249,388	229,609
Changes of benefit terms	-	-	-	-	-	-	-	1,781	12,132	-
Differences between expected and actual experience	25,567	64,615	64,726	27,568	44,381	(27,723)	(11,662)	17,461	40,853	39,720
Changes of assumptions	-	22,572	518	9,684	36,981	(2,937)	54,398	(15,582)	60,233	205,875
Benefit payments, including refunds of member contributions	(266,597)	(256,565)	(247,356)	(237,273)	(227,205)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)
Net change in total pension liability	181,030	231,464	193,072	162,574	203,479	93,757	172,265	134,138	231,063	350,897
Total pension liability - beginning	5,113,959	4,882,495	4,689,423	4,526,849	4,323,370	4,229,613	4,057,348	3,923,210	3,692,147	3,341,250
Total pension liability - ending	<u>\$5,294,989</u>	<u>\$5,113,959</u>	<u>\$4,882,495</u>	<u>\$4,689,423</u>	<u>\$4,526,849</u>	<u>\$4,323,370</u>	<u>\$4,229,613</u>	<u>\$4,057,348</u>	<u>\$3,923,210</u>	<u>\$ 3,692,147</u>
Plan fiduciary net position										
Contributions - employer	\$ 238,195	\$ 218,313	\$ 199,440	\$ 207,598	\$ 183,964	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483	\$ 124,723
Contributions - employee	37,968	33,933	30,561	27,464	25,725	25,082	22,606	20,501	17,227	15,920
Net investment income (loss)	328,516	257,583	222,101	(169,129)	698,606	90,909	76,855	117,493	146,010	(35,010)
Benefit payments, including refunds of member contributions	(266,597)	(256,565)	(247,356)	(237,273)	(227,205)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)
Administrative expense	(6,033)	(6,158)*	(5,458)	(4,978)	(4,763)	(4,725)	(4,582)	(4,823)	(4,380)	(3,940)
Net change in plan fiduciary net position	332,049	247,106	199,288	(176,318)	676,327	75,865	62,819	96,541	113,910	(71,625)
Plan fiduciary net position - beginning	3,154,264	2,907,158	2,708,026	2,884,344	2,208,017	2,132,152	2,069,333	1,972,792	1,858,882	1,930,507
Plan fiduciary net position - ending	<u>\$3,486,313</u>	<u>\$3,154,264</u>	<u>\$2,907,314</u>	<u>\$2,708,026</u>	<u>\$2,884,344</u>	<u>\$2,208,017</u>	<u>\$2,132,152</u>	<u>\$2,069,333</u>	<u>\$1,972,792</u>	<u>\$ 1,858,882</u>
Net pension liability - ending	<u>\$1,808,676</u>	<u>\$1,959,695</u>	<u>\$1,975,181</u>	<u>\$1,981,397</u>	<u>\$1,642,505</u>	<u>\$2,115,353</u>	<u>\$2,097,461</u>	<u>\$1,988,015</u>	<u>\$1,950,418</u>	<u>\$ 1,833,265</u>
Plan fiduciary net position as a percentage of the total pension liability	65.84%	61.68%	59.55%	57.75%	63.72%	51.07%	50.41%	51.00%	50.29%	50.35%
Covered payroll	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771	\$ 240,678
Net pension liability as a percentage of covered payroll	416.58%	507.28%	567.08%	590.72%	513.31%	707.89%	722.01%	733.17%	756.65%	761.71%

*Note: In fiscal year 2025, the Plan adopted GASB Statement No. 101, *Compensated Absences*, a new accounting principle. The 2024 column has been restated to reflect this change and this balance increased by \$21 due to the implementation. For the purpose of determining the NPL for financial reporting purposes, the original balance was used.

Schedule of Investment Returns – Defined Benefit Pension Plans

	PFDRP									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.92%	9.53%	7.94%	-4.81%	26.43%	2.98%	4.00%	6.89%	9.68%	-0.85%

	FCERS									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.57%	9.75%	7.31%	-4.19%	29.43%	3.79%	4.17%	6.03%	7.53%	-0.79%

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 sub-trusts.

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

(Dollar amounts in thousands):

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date:	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.03280%	0.03288%	0.03310%	0.04730%	0.03430%	0.03490%	0.03540%	0.03600%	0.03630%	0.03783%
Proportionate share of the net pension liability	\$ 1,586	\$ 1,644	\$ 1,548	\$ 897	\$ 1,448	\$ 1,395	\$ 1,334	\$ 1,419	\$ 1,262	\$ 1,038
Covered payroll	\$ 1,928	\$ 1,869	\$ 1,885	\$ 1,720	\$ 1,006	\$ 797	\$ 822	\$ 776	\$ 756	\$ 589
Proportionate share of the net pension liability as percentage of covered payroll	82.26%	87.96%	82.12%	52.15%	143.94%	175.03%	162.29%	182.86%	166.93%	176.23%
Plan's fiduciary net position as a percentage of the total pension liability	77.33%	76.17%	75.74%	82.49%	75.19%	75.65%	76.39%	74.67%	74.39%	77.96%

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

Schedule of Employer Contributions – CalPERS

(Dollar amounts in thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 359	\$ 323	\$ 318	\$ 325	\$ 305	\$ 222	\$ 188	\$ 184	\$ 162	\$ 148
Contributions in relation to the contractually required contributions	359	323	330	302	293	222	188	184	162	156
Contribution deficiency (excess)	\$ -	\$ -	\$ (12)	\$ 23	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ (8)
Covered payroll	\$ 2,204	\$ 1,928	\$ 1,869	\$ 1,885	\$ 1,720	\$ 1,006	\$ 797	\$ 822	\$ 776	\$ 756
Contributions as a percentage of covered payroll	16.29%	16.75%	17.66%	16.02%	17.03%	22.07%	23.59%	22.38%	20.88%	20.63%

Notes to Schedule:

Valuation Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Entry Age Normal Cost Method									
Amortization Method	Level Percentage of Payroll									
Asset Valuation Method	Fair Value									
Actuarial Assumptions:										
Discount Rate (net of administrative expenses)	6.80%	7.00%	7.00%	7.00%	7.25%	7.38%	7.50%	7.50%	7.50%	7.50%
Termination Liability Discount Rate	2.50%	2.31%	2.31%	2.91%	2.61%	1.75%	2.75%	2.91%	3.72%	2.98%
Salary Growth	.20% to 7.64%	.40% to 8.50%				3.20% to 12.20%			3.30% to 14.20%	
	Depending on Age, Service and Type of Employment									
Inflation	2.800%	2.500%			2.625%		2.75%			
Payroll Growth	2.800%	2.750%			2.875%		3.00%			

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

(Dollar amounts in thousands):

	PFDRP								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost (middle of year)	\$ 11,023	\$ 12,292	\$ 12,112	\$ 13,265	\$ 12,991	\$ 12,813	\$ 15,003	\$ 13,001	\$ 16,112
Interest (includes interest on service cost)	52,429	52,030	44,668	45,103	45,789	44,676	48,208	45,314	46,773
Changes of benefit terms	-	-	-	-	-	-	-	(69,434)	-
Differences between expected and actual experience	(13,559)	68,743	(56,387)	(50,193)	(35,106)	(99,319)	(3,401)	14,877	-
Change of assumptions	(11,135)	26,186	18,322	36,583	48,332	8,567	38,843	21,243	-
Benefit payments, including refunds of member contributions	(34,076)	(30,699)	(27,528)	(26,457)	(25,975)	(25,031)	(26,403)	(27,686)	(24,799)
Net change in total OPEB liability	4,682	128,552	(8,813)	18,301	46,031	(58,294)	72,250	(2,685)	38,086
Total OPEB liability - beginning	909,859	781,307	790,120	771,819	725,788	784,082	711,832	714,517	676,431
Total OPEB liability - ending	<u>\$ 914,541</u>	<u>\$ 909,859</u>	<u>\$ 781,307</u>	<u>\$ 790,120</u>	<u>\$ 771,819</u>	<u>\$ 725,788</u>	<u>\$ 784,082</u>	<u>\$ 711,832</u>	<u>\$ 714,517</u>
Plan fiduciary net position									
Contributions - employer	\$ 35,562	\$ 33,166	\$ 30,763	\$ 30,763	\$ 28,397	\$ 27,350	\$ 28,744	\$ 25,382	\$ 20,667
Contributions - employees	10,707	10,820	11,299	12,109	12,475	13,135	13,315	16,127	18,116
Net investment income (loss)	40,807	31,685	19,660	(27,300)	52,994	7,243	7,907	7,071	12,454
Benefit payments, including refunds of member contributions	(34,076)	(30,699)	(27,528)	(26,458)	(25,975)	(25,031)	(26,403)	(27,686)	(24,799)
Administrative expense	(107)	(131)	(103)	(154)	(110)	(122)	(126)	(159)	(181)
VEBA transfer	-	-	-	-	-	-	-	(7,897)	-
Net change in plan fiduciary net position	52,893	44,841	34,091	(11,040)	67,781	22,575	23,437	12,838	26,257
Plan fiduciary net position - beginning	344,205	299,364	265,273	276,313	208,532	185,957	162,520	149,682	123,425
Plan fiduciary net position - ending	<u>\$ 397,098</u>	<u>\$ 344,205</u>	<u>\$ 299,364</u>	<u>\$ 265,273</u>	<u>\$ 276,313</u>	<u>\$ 208,532</u>	<u>\$ 185,957</u>	<u>162,520</u>	<u>149,682</u>
Net OPEB liability - ending	<u>\$ 517,443</u>	<u>\$ 565,654</u>	<u>\$ 481,943</u>	<u>\$ 524,847</u>	<u>\$ 495,506</u>	<u>\$ 517,256</u>	<u>\$ 598,125</u>	<u>\$ 549,312</u>	<u>\$ 564,835</u>
Plan fiduciary net position as a percentage of the total OPEB liability	43.42%	37.83%	38.32%	33.57%	35.80%	28.73%	23.72%	22.83%	20.95%
Covered payroll	\$ 265,551	\$ 254,356	\$ 251,023	\$ 237,476	\$ 230,401	\$ 218,619	\$ 203,164	\$ 186,177	\$ 186,874
Net OPEB liability as a percentage of covered payroll	194.86%	222.39%	191.99%	221.01%	215.06%	236.60%	294.41%	295.05%	302.25%

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

(Dollar amounts in thousands):

	FCERS								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost (middle of year)	\$ 7,095	\$ 7,322	\$ 6,972	\$ 7,537	\$ 7,018	\$ 7,040	\$ 7,723	\$ 7,889	\$ 11,109
Interest (includes interest on service cost)	42,400	42,031	38,334	39,075	39,886	41,855	43,182	42,669	49,977
Changes of benefit terms	-	-	-	-	-	-	-	(57,623)	-
Differences between expected and actual experience	(386)	44,484	(36,989)	(24,961)	(33,945)	(25,639)	(10,418)	(994)	-
Change of assumptions	(8,932)	3,397	9,273	22,369	34,496	(14,804)	9,310	(77,795)	-
Benefit payments, including refunds of member contributions	(34,938)	(32,635)	(30,869)	(31,088)	(31,871)	(30,779)	(28,824)	(29,724)	(31,007)
Net change in total OPEB liability	5,239	64,599	(13,279)	12,932	15,584	(22,327)	20,973	(115,578)	30,079
Total OPEB liability - beginning	729,704	665,105	678,384	665,452	649,868	672,195	651,222	766,801	736,721
Total OPEB liability - ending	<u>\$ 734,943</u>	<u>\$ 729,704</u>	<u>\$ 665,105</u>	<u>\$ 678,384</u>	<u>\$ 665,452</u>	<u>\$ 649,868</u>	<u>\$ 672,195</u>	<u>\$ 651,223</u>	<u>\$ 766,800</u>
Plan fiduciary net position									
Contributions - employer	\$ 27,645	\$ 25,357	\$ 22,997	\$ 24,787	\$ 26,236	\$ 26,533	\$ 26,410	\$ 32,397	\$ 31,905
Contributions - employees	9,727	9,891	9,841	9,865	10,275	10,692	10,578	15,545	16,827
Net investment income (loss)	46,483	37,149	24,268	(38,290)	77,362	3,077	9,472	12,336	17,041
Benefit payments, including refunds of member contributions	(34,938)	(32,635)	(30,869)	(31,088)	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)
Administrative expense	(869)	(832)	(750)	(765)	(697)	(686)	(384)	(170)	(242)
VEBA transfer	-	-	-	-	(5)	(13)	(19)	(13,497)	-
Net change in plan fiduciary net position	48,048	38,930	25,487	(35,491)	81,300	8,824	17,231	16,887	34,524
Plan fiduciary net position - beginning	413,518	374,588 *	349,121	384,612	303,312	294,488	277,257	260,370	225,846
Plan fiduciary net position - ending	<u>\$ 461,566</u>	<u>\$ 413,518</u>	<u>\$ 374,608</u>	<u>\$ 349,121</u>	<u>\$ 384,612</u>	<u>\$ 303,312</u>	<u>\$ 294,488</u>	<u>\$ 277,257</u>	<u>\$ 260,370</u>
Net OPEB liability - ending	<u>\$ 273,377</u>	<u>\$ 316,186</u>	<u>\$ 290,497</u>	<u>\$ 329,263</u>	<u>\$ 280,840</u>	<u>\$ 346,556</u>	<u>\$ 377,707</u>	<u>\$ 373,965</u>	<u>\$ 506,431</u>
Plan fiduciary net position as a percentage of the total OPEB liability	62.80%	56.67%	56.32%	51.46%	57.80%	46.67%	43.81%	42.57%	33.96%
Covered payroll	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771
Net OPEB liability as a percentage of covered payroll	62.96%	81.85%	83.40%	98.16%	87.77%	115.97%	130.02%	137.92%	196.47%

Schedule is intended to show information for 10 years commencing with the year ended June 30, 2017. Additional years will be displayed as they become available.

*Note: In fiscal year 2025, the Plan adopted GASB Statement No. 101, *Compensated Absences*, a new accounting principle. This balance decreased by \$20 due to the implementation. For the purpose of determining the Net OPEB Liability for financial reporting purposes, the original balance was used.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2025

Changes in assumptions. The discount rate was 6.00% (net of administrative expense) for PFDRP and FCERS for the measurement period ended June 30, 2024. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The per person cost trends were moved forward one year.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Schedule of Employer Contributions – Postemployment Healthcare Plans

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)

Last Ten Fiscal Years

Measurement Period Ended June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$ 35,562	\$ 33,166	\$ 30,762	\$ 30,763	\$ 28,397
Contribution in relation to the ADC	(35,562)	(33,166)	(30,762)	(30,763)	(28,397)
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 283,398	\$ 265,551	\$ 254,356	\$ 251,023	\$ 237,476
Contribution as a percentage of covered payroll	13%	12%	12%	12%	12%

Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)

Last Ten Fiscal Years

Measurement Period Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 27,350	\$ 28,744	\$ 25,382
Contribution in relation to the ADC	<u>(27,350)</u>	<u>(28,744)</u>	<u>(25,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 230,401	\$ 218,619	\$ 203,164
Contribution as a percentage of covered payroll	12%	13%	12%

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Valuation Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization Method	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Discount rate	6.000%	6.000%	6.000%	6.250%	6.500%
Amortization growth rate	3.00%	3.00%	3.00%	3.00%	3.25%
Ultimate rate of medical inflation	3.94%	3.94%	3.78%	3.78%	3.94%
Salary increases	3.00% plus merit	3.00% plus merit	4.25% through FYE 2022 and 3.00% thereafter plus merit	4.25% through FYE 2022 and 3.00% thereafter plus merit component based on years of service	3.25% plus merit component based on years of service
Mortality	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy members, adjusted 2010 Public Safety Mortality tables for disabled members, and adjusted 2010 Public General Above Median Income Mortality tables for beneficiaries. Future mortality is projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy members, adjusted 2010 Public Safety Mortality tables for disabled members, and adjusted 2010 Public General Above Median Income Mortality tables for beneficiaries. Future mortality is projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public Safety Above Median Income Mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2025, can be found in the June 30, 2016 to 2023 actuarial valuation report, respectively.

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2020	6/30/2019	6/30/2018
Valuation Date	6/30/2018	6/30/2017	6/30/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets
Amortization Method	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Discount rate	6.500%	6.875%	6.875%
Amortization growth rate	3.25%	3.25%	3.25%
Ultimate rate of medical inflation	4.25%	4.25%	4.25%
Salary increases	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Mortality	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale

Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)

Last Ten Fiscal Years

Measurement Period Ended June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$ 27,645	\$ 25,357	\$ 22,997	\$ 24,787	\$ 26,236
Contribution in relation to the ADC	(27,645)	(25,357)	(22,997)	(24,787)	(26,236)
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 476,222	\$ 434,174	\$ 386,315	\$ 348,307	\$ 335,421
Contribution as a percentage of covered payroll	6%	6%	6%	7%	8%

Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)

Last Ten Fiscal Years

Measurement Period Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 26,533	\$ 26,410	\$ 32,397
Contribution in relation to the ADC	<u>(26,533)</u>	<u>(26,410)</u>	<u>(32,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 319,980	\$ 298,824	\$ 290,504
Contribution as a percentage of covered payroll	8%	9%	11%

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) JUNE 30, 2025

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Valuation Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization Method/Period	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	6.00%	6.00%	6.00%	6.25%	6.75%
Ultimate rate of medical inflation	3.94%	3.94%	3.78%	3.78%	3.94%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% based on years of service
Mortality	Adjusted 2010 Public General Mortality tables for healthy and disabled members projected on a generational basis using the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2018 to 2025, can be found in the June 30, 2016 to 2023 actuarial valuation report, respectively.

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2020	6/30/2019	6/30/2018
Valuation Date	6/30/2018	6/30/2017	6/30/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Amortization Method/Period	20-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3-year phase-in and phase-out
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%
Discount rate	6.75%	6.875%	6.875%
Ultimate rate of medical inflation	4.25%	4.25%	4.25%
Salary increases	3.25% based on years of service	3.25% based on years of service	3.25% based on years of service
Mortality	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale

Schedule of Investment Returns – Postemployment Healthcare Plans

	PFDRP							
	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	9.92%	9.53%	8.22%	-9.62%	23.96%	1.95%	4.86%	3.56%

	FCERS							
	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	11.08%	8.23%	8.21%	-9.91%	24.92%	0.53%	4.33%	4.55%

The rate shown above is based on the 115 sub-trusts only and does not include the 401(h). Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

City of San Jose Notes to Required Supplementary Information (Unaudited) June 30, 2025

I. Budgetary Information

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

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

Annual budgets are prepared for the General Fund and all Special Revenue Funds. Capital project budgets are based on a project time frame rather than a fiscal year time frame. Debt Service Funds appropriations were adopted by the Council when the formal bond resolutions were approved. Therefore, Capital Project Funds and Debt Service Funds are not reported on budgetary basis.

II. Budgetary Results Reconciled to GAAP

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

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

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial schedules, while encumbered amounts are not recognized as expenditures on GAAP basis until the equipment, supplies or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables on a GAAP basis and as expenditures on a budgetary basis. When loan repayments are received, they are recorded as reductions to receivables on a GAAP basis, but are recognized as revenues on a budgetary basis.
- Net decreases were made to certain GAAP basis loans receivable to reflect carrying amounts at a discounted present value and allowances for bad debts. The discount is treated as an expenditure on a GAAP basis and is not included in the budgetary basis financial statements. In addition, the allowance for bad debts is not included in the budgetary basis financial schedules, but is an expenditure on a GAAP basis.

- Certain accounts such as the change in fair value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial schedules.
- Certain line of credit transactions are recognized as expenditures in the budgetary basis financial schedules but are recorded as an asset in the GAAP basis financial statements. When the outside agency draws down on the line of credit, the City records an asset, advances to other agencies, in the GAAP basis financial statements and an expenditure on the budgetary basis financial schedules. When the outside agency pays down the line of credit, the City records a reduction to its assets in the GAAP basis financial statements and revenues on the budgetary basis financial schedules.
- Certain grant revenues received in advance are recognized on the budgetary basis financial schedules, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.
- Certain accounts, such as the inception of lease or SBITA financing sources and associated capital expenditures, in accordance with GASB statements No. 87 (Leases) and No. 96 (SBITA), respectively, are incorporated into the City's GAAP basis amount. These accounts, for which no formal budgets are prepared, are consequently excluded from the budgetary basis financial schedules.

III. Budget Revisions

On October 21, 2025, the City Council approved certain fiscal year 2025 budget revisions that increased appropriations for various expenditure categories. The budget amounts presented in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual reflect such budget revisions.



COMBINING
NONMAJOR
GOVERNMENTAL
FUNDS

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025
(\$000's)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 538,351	470	82,335	621,156
Receivables (net of allowance for uncollectibles)	35,270	260	35,110	70,640
Due from other funds	743	20,700	-	21,443
Loans receivable (net of allowance for uncollectibles)	1,772	-	-	1,772
Advances and deposits	310	-	43	353
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	48,040	35,985	84,025
Cash and investments held with fiscal agents	3,391	10,325	67,533	81,249
Other cash and investments	18,519	-	-	18,519
Leases receivable	2,871	-	-	2,871
Public-private and public-public partnerships receivable	91,717	-	-	91,717
Other assets	1,930	-	-	1,930
Total assets	<u>\$ 694,874</u>	<u>79,795</u>	<u>221,006</u>	<u>995,675</u>
LIABILITIES				
Accounts payable	\$ 27,145	-	40,207	67,352
Accrued salaries, wages, and payroll taxes	3,507	-	746	4,253
Due to other funds	4,244	-	-	4,244
Due to outside agencies	-	112	-	112
Short-term notes payable	-	25,667	-	25,667
Unearned revenue	14,446	-	-	14,446
Advances, deposits, and reimbursable credits	7,420	-	1,578	8,998
Other liabilities	21,909	-	317	22,226
Total liabilities	<u>78,671</u>	<u>25,779</u>	<u>42,848</u>	<u>147,298</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	3,324	-	-	3,324
Leases	2,839	-	-	2,839
Public-private and public-public partnerships	81,310	-	-	81,310
Total deferred inflows of resources	<u>87,473</u>	<u>-</u>	<u>-</u>	<u>87,473</u>
FUND BALANCES				
Restricted	387,273	54,016	99,737	541,026
Committed	121,839	-	-	121,839
Assigned	19,638	-	78,421	98,059
Unassigned	(20)	-	-	(20)
Total fund balances	<u>528,730</u>	<u>54,016</u>	<u>178,158</u>	<u>760,904</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 694,874</u>	<u>79,795</u>	<u>221,006</u>	<u>995,675</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025
(\$000's)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and special assessments	\$ 113,634	48,125	28,088	189,847
Intergovernmental	51,683	-	100,794	152,477
Charges for current services	291,157	-	1,616	292,773
Rent	63,324	-	-	63,324
Investment income	27,185	2,317	15,612	45,114
Other revenues	54,537	783	2,235	57,555
Total revenues	<u>601,520</u>	<u>51,225</u>	<u>148,345</u>	<u>801,090</u>
EXPENDITURES				
Current:				
General government	118	-	-	118
Public safety	2,341	-	-	2,341
Community services	194,014	-	-	194,014
Sanitation	241,632	-	-	241,632
Capital maintenance	135,173	-	154,103	289,276
Capital outlay	30,671	-	60,551	91,222
Debt service:				
Principal	228	51,555	-	51,783
Interest and fiscal charges	54	44,956	-	45,010
Total expenditures	<u>604,231</u>	<u>96,511</u>	<u>214,654</u>	<u>915,396</u>
Deficiency of revenues under expenditures	<u>(2,711)</u>	<u>(45,286)</u>	<u>(66,309)</u>	<u>(114,306)</u>
OTHER FINANCIAL SOURCES (USES)				
Inception of subscription-based information technology arrangement	1,191	-	-	1,191
Transfers in	18,830	71,851	4	90,685
Transfers out	(33,990)	(25,042)	(13,292)	(72,324)
Total other financing sources (uses)	<u>(13,969)</u>	<u>46,809</u>	<u>(13,288)</u>	<u>19,552</u>
Net change in fund balances	<u>(16,680)</u>	<u>1,523</u>	<u>(79,597)</u>	<u>(94,754)</u>
Fund balances - beginning, as previously reported	<u>545,410</u>	<u>47,755</u>	<u>225,341</u>	<u>818,506</u>
Adjustment - change from major fund to nonmajor fund	-	4,738	32,414	37,152
Fund balances - beginning, as restated	<u>545,410</u>	<u>52,493</u>	<u>257,755</u>	<u>855,658</u>
Fund balances - ending	<u>\$ 528,730</u>	<u>54,016</u>	<u>178,158</u>	<u>760,904</u>





**NONMAJOR SPECIAL
REVENUE FUNDS**

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Special Revenue Funds of the City of San José include the following:

San José Opioid Response Fund – Established to account for the revenues from the State of California for the use of prevention, intervention, harm reduction, treatment, and recovery services in the community.

Prusch Memorial Park Fund – Established to account for the development, construction, and improvement of the Emma Prusch Memorial Park.

Gift Trust Fund – Established to receive gifts, donations, and bequests.

Building Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Planning Development Fee Program Fund – Established to account for the fees collected from developers for all new development and projects in the City.

Citywide Planning Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Fire Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Small Cell Permitting Fee Program Fund – Established to account for the fees collected from telecommunication companies to install small cells and fiber on City's property, such as streetlights, traffic lights, and rooftops.

Workforce Investment Act Funds – Established to account for federal funds for training and placement of dislocated and economically disadvantaged workers.

Special Assessment Maintenance Districts Funds – Established to account for assessments involving Maintenance District activities.

Ng Shing Gung Capital Maintenance Fund – Established to account for capital maintenance needs of the Ng Shing Gung Exhibit and Museum.

Subdivision Park Trust Fund – Established to account for the payment of fees and/or the dedication of land for parks and recreational purposes in residential subdivisions.

Construction and Property Conveyance Tax Funds – Established to account for the collection of taxes from construction and property transfers for capital maintenance of libraries, parks, recreational, public works, and communication facilities.

1943 and 1964 Gas Tax Maintenance and Construction Funds – Established to account for gas taxes collected for capital maintenance of public streets subject to provisions of the Streets and Highway Code of the State of California under Sections 2105, 2106, and 2107.

Storm Drainage Fee Funds – Established to account for fees collected from developers as a result of connections to the storm drainage sewer system which may be used for capital maintenance of storm drainage systems and for land acquisition for such systems.

Supplemental Local Law Enforcement Fund – Established to account for revenues received from the State of California (AB 3229) to be used for front line municipal police service.

Underground Utility Fund – Established to account for fees collected from developers in lieu of the developers placing certain utility facilities underground to be used for minimizing the piecemeal undergrounding of utility facilities throughout the City.

State Drug Forfeiture Fund – Established to account for State drug forfeiture monies received pursuant to California Health and Safety Code Section 11489.

Library Parcel Tax Funds – Established to account for the annual parcel tax used for enhancing the City's library services and facilities.

Federal Drug Forfeiture Funds – Established to account for federal drug forfeiture monies received pursuant to the drug abuse prevention and control provisions of Title 21, Chapter 13 of the United States Code.

Residential Construction Tax Contribution Fund – Established to account for the accumulation of residential construction tax monies for eligible street maintenance and improvements.

Arterial and Major Collectors Fund – Established to account for funds repaid by abutting landowners for the City's capital maintenance costs of existing and proposed arterial and major collector streets.

Community Facility Revenues Funds – Established to account for the rental revenues received from the Hayes Mansion and the Ice Centre operations, and to provide for the accumulation and transfer of base rental income to the appropriate debt service funds for repayment of the facilities-related debts.

Integrated Waste Management Fund – Established to account for activities related to the Integrated Waste Management Program which includes garbage collection, recycling services, and related billing operations.

Building and Structures Construction Tax Fund – Established to account for revenues received from the issuance of building permits and capital maintenance expenditures for existing and proposed City streets.

Development Enhancement Fund – Established to account for loans and loan guarantees to assist small business development.

Community Development Block Grant Funds – Established to account for federal grant funds received from the U.S. Department of Housing and Urban Development under Title II of the Housing and Community Development Act of 1974.

Economic Development Administration Loans Fund – Established to account for federal funds received for the Economic Development Administration Loan program for eligible administrative expenses and loans to small businesses.

Storm Drainage Service Use Charge Funds – Established to account for revenues collected from owners of properties benefited by the storm drainage service which may be used for capital maintenance and operation of the storm drainage system.

Transient Occupancy Tax Fund – Established to account for transient occupancy tax revenues and to provide for the funding of fine arts and cultural grant programs, the San José Convention and Visitors Bureau and the conventions and cultural facilities operation.

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

Edward Byrne Memorial Justice Funds – Established to account for federal funding in support of the Edward G. Byrne Memorial Justice Assistance grant.

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

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

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(\$000's)

	SJ Opioid Response (Fund 130)	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program (Fund 237)
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 2,427	484	4,389	36,717
Receivables (net of allowance for uncollectibles)	14	4	32	217
Due from other funds	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-
Advances and deposits	-	-	-	-
Restricted assets:				
Cash and investments held with fiscal agents	-	-	-	-
Other cash and investments	-	-	-	-
Leases receivable	-	-	-	-
Public-private and public-public partnerships receivable	-	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 2,441</u>	<u>488</u>	<u>4,421</u>	<u>36,934</u>
LIABILITIES				
Accounts payable	\$ 6	3	154	1
Accrued salaries, wages and payroll taxes	1	-	17	756
Due to other funds	-	-	-	-
Unearned revenue	2,136	-	-	-
Advances, deposits, and reimbursable credits	-	-	-	-
Other liabilities	-	-	-	5,729
Total liabilities	<u>2,143</u>	<u>3</u>	<u>171</u>	<u>6,486</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Leases	-	-	-	-
Public-private and public-public partnerships	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	-	-
Committed	298	485	-	30,448
Assigned	-	-	4,250	-
Unassigned	-	-	-	-
Total fund balances	<u>298</u>	<u>485</u>	<u>4,250</u>	<u>30,448</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,441</u>	<u>488</u>	<u>4,421</u>	<u>36,934</u>

Planning Development Fee Program (Fund 238)	Citywide Planning Fee Program (Fund 239)	Fire Development Fee Program (Fund 240)	Public Works Development Fee Program (Fund 241)	Public Works Small Cell Permitting Fee Program (Fund 242)	Workforce Investment Act (Funds 290-299)
6,633	4,472	3,184	8,173	1,141	-
38	26	19	830	59	2,977
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,671</u>	<u>4,498</u>	<u>3,203</u>	<u>9,003</u>	<u>1,200</u>	<u>2,977</u>
-	32	-	-	-	625
114	80	177	299	-	82
-	-	-	-	-	631
-	-	-	-	-	-
-	-	-	-	-	-
2,563	-	2,045	2,326	-	-
<u>2,677</u>	<u>112</u>	<u>2,222</u>	<u>2,625</u>	<u>-</u>	<u>1,338</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,639
3,994	4,386	981	6,378	1,200	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,994</u>	<u>4,386</u>	<u>981</u>	<u>6,378</u>	<u>1,200</u>	<u>1,639</u>
<u>6,671</u>	<u>4,498</u>	<u>3,203</u>	<u>9,003</u>	<u>1,200</u>	<u>2,977</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(\$000's)

	Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)	Ng Shing Gung Capital Maintenance (Fund 303)	Subdivision Park Trust (Fund 375)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 17,267	123	103,726
Receivables (net of allowance for uncollectibles)	975	1	615
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agents	-	-	-
Other cash and investments	-	-	-
Leases receivable	-	-	-
Public-private and public-public partnerships receivable	-	-	-
Other assets	-	-	-
Total assets	<u>\$ 18,242</u>	<u>124</u>	<u>104,341</u>
LIABILITIES			
Accounts payable	\$ 675	-	1,024
Accrued salaries, wages and payroll taxes	70	-	56
Due to other funds	-	-	-
Unearned revenue	72	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>817</u>	<u>-</u>	<u>1,080</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Leases	-	-	-
Public-private and public-public partnerships	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	17,425	-	103,261
Committed	-	-	-
Assigned	-	124	-
Unassigned	-	-	-
Total fund balances	<u>17,425</u>	<u>124</u>	<u>103,261</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,242</u>	<u>124</u>	<u>104,341</u>

Construction and Property Conveyance Tax (Funds 377-378, 380-398)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Underground Utility (Fund 416)
88,019	-	-	641	4,091	14,215
4,324	1,459	1,672	4	25	374
-	-	-	-	112	-
-	-	-	-	-	-
-	-	-	-	-	-
3,391	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>95,734</u>	<u>1,459</u>	<u>1,672</u>	<u>645</u>	<u>4,228</u>	<u>14,589</u>
3,214	-	-	1	-	4
380	-	-	-	-	9
370	1,459	1,672	-	-	-
-	-	-	-	3,883	-
-	-	-	-	-	-
168	-	-	-	-	-
<u>4,132</u>	<u>1,459</u>	<u>1,672</u>	<u>1</u>	<u>3,883</u>	<u>13</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
91,602	-	-	644	345	14,576
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>91,602</u>	<u>-</u>	<u>-</u>	<u>644</u>	<u>345</u>	<u>14,576</u>
<u>95,734</u>	<u>1,459</u>	<u>1,672</u>	<u>645</u>	<u>4,228</u>	<u>14,589</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(\$000's)

	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Funds 418, 483)	Federal Drug Forfeiture (Funds 487-488)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 1	5,522	-
Receivables (net of allowance for uncollectibles)	-	9	-
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agents	-	-	-
Other cash and investments	2,266	-	630
Leases receivable	-	-	-
Public-private and public-public partnerships receivable	-	-	-
Other assets	-	-	-
Total assets	<u>\$ 2,267</u>	<u>5,531</u>	<u>630</u>
LIABILITIES			
Accounts payable	\$ -	5	-
Accrued salaries, wages and payroll taxes	-	218	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>223</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Leases	-	-	-
Public-private and public-public partnerships	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	2,267	5,308	630
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>2,267</u>	<u>5,308</u>	<u>630</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,267</u>	<u>5,531</u>	<u>630</u>

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenues (Funds 422, 432)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
3,433	852	2,734	69,687	95,412	-
20	5	16	8,528	2,710	-
-	-	-	-	631	-
-	-	-	-	-	-
-	-	-	-	3	-
-	-	-	-	-	-
-	-	2,087	-	-	-
-	-	-	2,871	-	-
-	-	91,717	-	-	-
-	-	-	-	-	20
<u>3,453</u>	<u>857</u>	<u>96,554</u>	<u>81,086</u>	<u>98,756</u>	<u>20</u>
-	-	-	18,256	666	-
-	-	-	289	388	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,189	231	-
-	-	-	5	-	-
-	-	-	<u>25,739</u>	<u>1,285</u>	-
-	-	-	572	-	-
-	-	-	2,839	-	-
-	-	81,310	-	-	-
-	-	<u>81,310</u>	<u>3,411</u>	-	-
-	-	-	-	97,471	-
3,453	857	-	51,936	-	-
-	-	15,244	-	-	20
-	-	-	-	-	-
<u>3,453</u>	<u>857</u>	<u>15,244</u>	<u>51,936</u>	<u>97,471</u>	<u>20</u>
<u>3,453</u>	<u>857</u>	<u>96,554</u>	<u>81,086</u>	<u>98,756</u>	<u>20</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(\$000's)

	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 1,910	8	47,996
Receivables (net of allowance for uncollectibles)	3,305	-	810
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	1,772	-	-
Advances and deposits	-	-	-
Restricted assets:			
Cash and investments held with fiscal agents	-	-	-
Other cash and investments	5	-	-
Leases receivable	-	-	-
Public-private and public-public partnerships receivable	-	-	-
Other assets	1,904	-	-
Total assets	<u>\$ 8,896</u>	<u>8</u>	<u>48,806</u>
LIABILITIES			
Accounts payable	\$ 1,354	-	971
Accrued salaries, wages and payroll taxes	50	-	465
Due to other funds	-	-	-
Unearned revenue	-	-	320
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>1,404</u>	<u>-</u>	<u>1,756</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,752	-	-
Leases	-	-	-
Public-private and public-public partnerships	-	-	-
Total deferred inflows of resources	<u>2,752</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	4,740	8	47,050
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>4,740</u>	<u>8</u>	<u>47,050</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,896</u>	<u>8</u>	<u>48,806</u>

Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Byrne Memorial Justice (Funds 474, 477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Funds 536, 481, 560, 489)	Total
3,234	1,630	-	1,671	8,558	538,350
3,750	156	112	256	1,928	35,270
-	-	-	-	-	743
-	-	-	-	-	1,772
-	-	-	-	307	310
-	-	-	-	-	3,391
-	-	-	-	13,532	18,520
-	-	-	-	-	2,871
-	-	-	-	-	91,717
-	-	-	-	6	1,930
<u>6,984</u>	<u>1,786</u>	<u>112</u>	<u>1,927</u>	<u>24,331</u>	<u>694,874</u>
152	2	-	-	-	27,145
56	-	-	-	-	3,507
-	-	112	-	-	4,244
-	-	20	-	8,015	14,446
-	-	-	-	-	7,420
-	-	-	-	9,073	21,909
<u>208</u>	<u>2</u>	<u>132</u>	<u>-</u>	<u>17,088</u>	<u>78,671</u>
-	-	-	-	-	3,324
-	-	-	-	-	2,839
-	-	-	-	-	81,310
-	-	-	-	-	87,473
-	-	-	-	307	387,273
6,776	1,784	-	1,927	6,936	121,839
-	-	-	-	-	19,638
-	-	(20)	-	-	(20)
<u>6,776</u>	<u>1,784</u>	<u>(20)</u>	<u>1,927</u>	<u>7,243</u>	<u>528,730</u>
<u>6,984</u>	<u>1,786</u>	<u>112</u>	<u>1,927</u>	<u>24,331</u>	<u>694,874</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2025
(\$000's)

	SJ Opioid Response (Fund 130)	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program (Fund 237)
REVENUES				
Taxes and special assessments	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Rent	-	138	-	-
Investment income	99	32	211	1,885
Other revenues	524	-	950	35,004
Total revenues	<u>623</u>	<u>170</u>	<u>1,161</u>	<u>36,889</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	524	123	898	40,470
Sanitation	-	-	-	-
Capital maintenance	-	-	-	-
Capital outlay	-	138	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal changes	-	-	-	-
Total expenditures	<u>524</u>	<u>261</u>	<u>898</u>	<u>40,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99</u>	<u>(91)</u>	<u>263</u>	<u>(3,581)</u>
OTHER FINANCING SOURCES (USES)				
Inception of subscription-based information technology arrangement	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(968)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(968)</u>
Net change in fund balances	99	(91)	263	(4,549)
Fund balances - beginning	199	576	3,987	34,997
Fund balances - ending	<u>\$ 298</u>	<u>485</u>	<u>4,250</u>	<u>30,448</u>

Planning Development Fee Program (Fund 238)	Citywide Planning Fee Program (Fund 239)	Fire Development Fee Program (Fund 240)	Public Works Development Fee Program (Fund 241)	Public Works Small Cell Permitting Fee Program (Fund 242)	Workforce Investment Act (Funds 290-299)
-	-	-	-	-	-
1	-	-	-	-	8,365
7,839	3,840	-	21,040	613	-
-	-	-	-	-	-
312	256	139	323	42	-
15	-	8,107	-	-	-
<u>8,167</u>	<u>4,096</u>	<u>8,246</u>	<u>21,363</u>	<u>655</u>	<u>8,365</u>
-	-	-	-	-	-
-	-	-	-	-	-
7,960	4,679	9,577	20,711	-	8,350
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,960</u>	<u>4,679</u>	<u>9,577</u>	<u>20,711</u>	<u>-</u>	<u>8,350</u>
<u>207</u>	<u>(583)</u>	<u>(1,331)</u>	<u>652</u>	<u>655</u>	<u>15</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(226)</u>	<u>(90)</u>	<u>(134)</u>	<u>(230)</u>	<u>(9)</u>	<u>-</u>
<u>(226)</u>	<u>(90)</u>	<u>(134)</u>	<u>(230)</u>	<u>(9)</u>	<u>-</u>
(19)	(673)	(1,465)	422	646	15
<u>4,013</u>	<u>5,059</u>	<u>2,446</u>	<u>5,956</u>	<u>554</u>	<u>1,624</u>
<u>3,994</u>	<u>4,386</u>	<u>981</u>	<u>6,378</u>	<u>1,200</u>	<u>1,639</u>

(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, 2025
(\$000's)

	Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)	Ng Shing Gung Capital Maintenance (Fund 303)	Subdivision Park Trust (Fund 375)
REVENUES			
Taxes and special assessments	\$ 17,202	-	-
Intergovernmental	-	-	1,285
Charges for current services	-	-	4,924
Rent	-	-	-
Investment income	658	7	5,461
Other revenues	329	5	-
Total revenues	<u>18,189</u>	<u>12</u>	<u>11,670</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	-	-
Sanitation	-	-	-
Capital maintenance	19,000	-	8,217
Capital outlay	-	-	4,042
Debt service:			
Principal	-	-	-
Interest and fiscal changes	-	-	-
Total expenditures	<u>19,000</u>	<u>-</u>	<u>12,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(811)</u>	<u>12</u>	<u>(589)</u>
OTHER FINANCING SOURCES (USES)			
Inception of subscription-based information technology arrangement	-	-	-
Transfers in	1,627	-	-
Transfers out	(13)	-	(160)
Total other financing sources (uses)	<u>1,614</u>	<u>-</u>	<u>(160)</u>
Net change in fund balances	803	12	(749)
Fund balances - beginning	16,622	112	104,010
Fund balances - ending	<u>\$ 17,425</u>	<u>124</u>	<u>103,261</u>

Construction and Property Conveyance Tax (Funds 377-378, 380-398)	1943 Gas Tax Maintenance and Construction (Fund 409)	1964 Gas Tax Maintenance and Construction (Funds 410-411)	Storm Drainage Fee (Funds 413, 427)	Supplemental Local Law Enforcement (Fund 414)	Underground Utility (Fund 416)
39,008	-	-	-	-	-
2,857	8,332	9,991	4	1,963	910
81	-	-	233	-	-
-	-	-	-	-	-
5,376	-	-	33	186	709
3,491	-	-	-	-	-
<u>50,813</u>	<u>8,332</u>	<u>9,991</u>	<u>270</u>	<u>2,149</u>	<u>1,619</u>
-	-	-	-	-	-
-	-	-	-	1,698	-
-	-	-	-	-	-
-	-	-	-	-	-
49,097	8,332	9,991	43	-	517
14,670	-	-	-	917	137
196	-	-	-	10	-
16	-	-	-	33	-
<u>63,979</u>	<u>8,332</u>	<u>9,991</u>	<u>43</u>	<u>2,658</u>	<u>654</u>
<u>(13,166)</u>	<u>-</u>	<u>-</u>	<u>227</u>	<u>(509)</u>	<u>965</u>
375	-	-	-	561	-
2,252	-	-	-	-	-
(9,901)	-	-	(22)	-	(9)
<u>(7,274)</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>561</u>	<u>(9)</u>
(20,440)	-	-	205	52	956
112,042	-	-	439	293	13,620
<u>91,602</u>	<u>-</u>	<u>-</u>	<u>644</u>	<u>345</u>	<u>14,576</u>

(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, 2025
(\$000's)

	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Funds 418, 483)	Federal Drug Forfeiture (Funds 487-488)
REVENUES			
Taxes and special assessments	\$ -	10,977	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Rent	-	-	-
Investment income	15	131	5
Other revenues	590	-	108
Total revenues	<u>605</u>	<u>11,108</u>	<u>113</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	10,282	-
Sanitation	-	-	-
Capital maintenance	-	147	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal changes	-	-	-
Total expenditures	<u>-</u>	<u>10,429</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>605</u>	<u>679</u>	<u>113</u>
OTHER FINANCING SOURCES (USES)			
Inception of subscription-based information technology arrangement	-	-	-
Transfers in	-	-	-
Transfers out	-	(38)	-
Total other financing sources (uses)	<u>-</u>	<u>(38)</u>	<u>-</u>
Net change in fund balances	605	641	113
Fund balances - beginning	1,662	4,667	517
Fund balances - ending	<u>\$ 2,267</u>	<u>5,308</u>	<u>630</u>

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenues (Funds 422, 432)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
142	-	-	-	20,469	-
-	-	-	13	7,832	-
-	-	-	212,366	-	-
-	-	8,006	624	-	-
173	51	214	2,082	5,053	-
-	-	2,420	78	2,836	-
<u>315</u>	<u>51</u>	<u>10,640</u>	<u>215,163</u>	<u>36,190</u>	<u>-</u>
-	-	118	-	-	-
-	300	-	-	-	-
-	-	-	-	-	-
-	-	-	210,469	-	-
42	-	-	-	33,793	-
-	-	-	255	4,221	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>42</u>	<u>300</u>	<u>118</u>	<u>210,724</u>	<u>38,014</u>	<u>-</u>
<u>273</u>	<u>(249)</u>	<u>10,522</u>	<u>4,439</u>	<u>(1,824)</u>	<u>-</u>
-	-	-	255	-	-
-	-	-	-	-	-
(95)	-	(7,527)	(521)	(465)	-
(95)	-	(7,527)	(266)	(465)	-
178	(249)	2,995	4,173	(2,289)	-
<u>3,275</u>	<u>1,106</u>	<u>12,249</u>	<u>47,763</u>	<u>99,760</u>	<u>20</u>
<u>3,453</u>	<u>857</u>	<u>15,244</u>	<u>51,936</u>	<u>97,471</u>	<u>20</u>

(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, 2025
(\$000's)

	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)
REVENUES			
Taxes and special assessments	\$ -	-	-
Intergovernmental	7,302	-	2,115
Charges for current services	-	-	34,112
Rent	-	-	-
Investment income	-	-	2,039
Other revenues	-	1	59
Total revenues	7,302	1	38,325
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	7,019	-	-
Sanitation	-	-	31,163
Capital maintenance	1,101	-	3,581
Capital outlay	-	-	5,814
Debt service:			
Principal	-	-	22
Interest and fiscal changes	-	-	5
Total expenditures	8,120	-	40,585
Excess (deficiency) of revenues over (under) expenditures	(818)	1	(2,260)
OTHER FINANCING SOURCES (USES)			
Inception of subscription-based information technology arrangement	-	-	-
Transfers in	2,515	-	-
Transfers out	-	-	(623)
Total other financing sources (uses)	2,515	-	(623)
Net change in fund balances	1,697	1	(2,883)
Fund balances - beginning	3,043	7	49,933
Fund balances - ending	\$ 4,740	8	47,050

Transient Occupancy Tax (Fund 461)	Lake Cunningham (Fund 462)	Edward Byrne Memorial Justice (Funds 474, 477)	Municipal Golf Courses (Fund 518)	Convention and Cultural Facilities (Funds 536, 481, 560, 489)	Total
25,836	-	-	-	-	113,634
-	90	623	-	-	51,683
-	404	-	1,287	4,418	291,157
-	-	-	-	54,556	63,324
100	88	-	100	1,405	27,185
20	-	-	-	-	54,537
<u>25,956</u>	<u>582</u>	<u>623</u>	<u>1,387</u>	<u>60,379</u>	<u>601,520</u>
-	-	-	-	-	118
-	-	343	-	-	2,341
12,547	-	-	-	70,874	194,014
-	-	-	-	-	241,632
-	337	-	-	975	135,173
-	-	280	-	197	30,671
-	-	-	-	-	228
-	-	-	-	-	54
<u>12,547</u>	<u>337</u>	<u>623</u>	<u>-</u>	<u>72,046</u>	<u>604,231</u>
<u>13,409</u>	<u>245</u>	<u>-</u>	<u>1,387</u>	<u>(11,667)</u>	<u>(2,711)</u>
-	-	-	-	-	1,191
-	-	-	-	12,436	18,830
(12,436)	(226)	-	(7)	(290)	(33,990)
<u>(12,436)</u>	<u>(226)</u>	<u>-</u>	<u>(7)</u>	<u>12,146</u>	<u>(13,969)</u>
973	19	-	1,380	479	(16,680)
5,803	1,765	(20)	547	6,764	545,410
<u>6,776</u>	<u>1,784</u>	<u>(20)</u>	<u>1,927</u>	<u>7,243</u>	<u>528,730</u>

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, 2025
(\$000's)

	SJ Opioid Response (Fund 130)			Prusch Memorial Park (Fund 131)			Gift Trust (Fund 139)		
	Budgetary		Variance	Budgetary		Variance	Budgetary		Variance
	Basis	Over	Basis	Over	Basis	Over	Basis	Over	
	Budget	Actual	(Under)	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES									
Taxes and special assessments	\$ -	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-	-	-	-
Rent	-	-	-	138	138	-	-	-	-
Investment income	-	78	78	12	22	10	49	145	96
Other revenues	699	524	(175)	-	-	-	-	950	950
Total revenues	699	602	(97)	150	160	10	49	1,095	1,046
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Community services	734	563	(171)	181	123	(58)	4,141	933	(3,208)
Sanitation	-	-	-	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	138	138	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-	-	-	-
Total expenditures	734	563	(171)	319	261	(58)	4,141	933	(3,208)
Excess (deficiency) of revenues over (under) expenditures	(35)	39	74	(169)	(101)	68	(4,092)	162	4,254
OTHER FINANCING SOURCES (USES)									
Inception of subscription-based information technology arrangement	-	-	-	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (35)	39	74	(169)	(101)	68	(4,092)	162	4,254
Fund balances - beginning		(163)			586			3,997	
Fund balance adjustment		-			-			-	
Prior year encumbrances		-			-			48	
Fund balances - ending	\$	(124)		\$	485		\$	4,207	

Building Development Fee Program (Fund 237)			Planning Development Fee Program (Fund 238)			Citywide Planning Fee Program (Fund 239)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	15	1	(14)	-	-	-
-	-	-	7,680	7,839	159	3,476	3,839	363
-	-	-	-	-	-	-	-	-
600	1,250	650	50	202	152	90	167	77
36,604	35,004	(1,600)	5	15	10	-	-	-
37,204	36,254	(950)	7,750	8,057	307	3,566	4,006	440
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
43,632	40,746	(2,886)	9,340	8,047	(1,293)	6,364	4,840	(1,524)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
43,632	40,746	(2,886)	9,340	8,047	(1,293)	6,364	4,840	(1,524)
(6,428)	(4,492)	1,936	(1,590)	10	1,600	(2,798)	(834)	1,964
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(968)	(968)	-	(226)	(226)	-	(90)	(90)	-
(968)	(968)	-	(226)	(226)	-	(90)	(90)	-
(7,396)	(5,460)	1,936	(1,816)	(216)	1,600	(2,888)	(924)	1,964
	34,707			3,886			4,595	
	557			96			80	
	291			128			465	
	<u>\$ 30,095</u>			<u>\$ 3,894</u>			<u>\$ 4,216</u>	

(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, 2025
(\$000's)

	Fire Development Fee Program (Fund 240)			Public Works Development Fee Program (Fund 241)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	17,721	21,040	3,319
Rent	-	-	-	-	-	-
Investment income	35	92	57	125	218	93
Other revenues	9,570	8,107	(1,463)	-	-	-
Total revenues	<u>9,605</u>	<u>8,199</u>	<u>(1,406)</u>	<u>17,846</u>	<u>21,258</u>	<u>3,412</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	10,405	9,591	(814)	20,964	20,762	(202)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-
Total expenditures	<u>10,405</u>	<u>9,591</u>	<u>(814)</u>	<u>20,964</u>	<u>20,762</u>	<u>(202)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800)</u>	<u>(1,392)</u>	<u>(592)</u>	<u>(3,118)</u>	<u>496</u>	<u>3,614</u>
OTHER FINANCING SOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(134)	(134)	-	(230)	(230)	-
Total other financing sources (uses)	<u>(134)</u>	<u>(134)</u>	<u>-</u>	<u>(230)</u>	<u>(230)</u>	<u>-</u>
Net change in fund balances	<u>\$ (934)</u>	<u>(1,526)</u>	<u>(592)</u>	<u>(3,348)</u>	<u>266</u>	<u>3,614</u>
Fund balances - beginning		2,080			5,881	
Fund balance adjustment		-			-	
Prior year encumbrances		367			76	
Fund balances - ending		<u>\$ 921</u>			<u>\$ 6,223</u>	

Public Works Small Cell Permitting Fee Program (Fund 242)			Workforce Investment Act (Funds 290-299)			Special Assessment Maintenance Districts (Funds 302, 310, 344-345, 351-374, 376, 379, 496)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	13,053	17,202	4,149
-	-	-	11,219	8,365	(2,854)	-	-	-
-	613	613	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	34	34	-	-	-	287	443	156
-	-	-	10	-	(10)	4,306	328	(3,978)
-	647	647	11,229	8,365	(2,864)	17,646	17,973	327
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	12,362	9,981	(2,381)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	21,158	19,114	(2,044)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	12,362	9,981	(2,381)	21,158	19,114	(2,044)
-	647	647	(1,133)	(1,616)	(483)	(3,512)	(1,141)	2,371
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,627	1,627	-
(9)	(9)	-	-	-	-	(13)	(13)	-
(9)	(9)	-	-	-	-	1,614	1,614	-
(9)	638	647	(1,133)	(1,616)	(483)	(1,898)	473	2,371
	554			822			16,618	
	-			-			-	
	-			801			193	
	\$ 1,192			\$ 7			\$ 17,284	

(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, 2025
(\$000's)

	Ng Shing Gung Capital Maintenance (Fund 303)			Subdivision Park Trust (Fund 375)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	1,285	1,285
Charges for current services	-	-	-	1,599	4,924	3,325
Rent	-	-	-	-	-	-
Investment income	-	4	4	-	3,597	3,597
Other revenues	-	5	5	-	-	-
Total revenues	-	9	9	1,599	9,806	8,207
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	33,581	10,868	(22,713)
Capital outlay	-	-	-	4,042	4,042	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-
Total expenditures	-	-	-	37,623	14,910	(22,713)
Excess (deficiency) of revenues over (under) expenditures	-	9	9	(36,024)	(5,104)	30,920
OTHER FINANCING RESOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(160)	(160)	-
Total other financing sources (uses)	-	-	-	(160)	(160)	-
Net change in fund balances	\$ -	9	9	(36,184)	(5,264)	30,920
Fund balances - beginning		115			99,894	
Fund balance adjustment		-			-	
Prior year encumbrances		-			5,761	
Fund balances - ending	\$	124			\$ 100,391	

Construction and Property Conveyance Tax (Funds 377-378, 380-398)			1943 Gas Tax Maintenance and Construction (Fund 409)			1964 Gas Tax Maintenance and Construction (Funds 410-411)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
40,000	39,008	(992)	-	-	-	-	-	-
9,995	2,857	(7,138)	8,700	8,332	(368)	4,300	9,991	5,691
-	81	81	-	-	-	6,300	-	(6,300)
-	-	-	-	-	-	-	-	-
3,600	3,534	(66)	-	-	-	-	-	-
600	3,493	2,893	-	-	-	-	-	-
<u>54,195</u>	<u>48,973</u>	<u>(5,222)</u>	<u>8,700</u>	<u>8,332</u>	<u>(368)</u>	<u>10,600</u>	<u>9,991</u>	<u>(609)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
113,648	60,885	(52,763)	8,700	8,332	(368)	10,600	9,991	(609)
14,670	14,670	-	-	-	-	-	-	-
196	196	-	-	-	-	-	-	-
16	16	-	-	-	-	-	-	-
<u>128,530</u>	<u>75,767</u>	<u>(52,763)</u>	<u>8,700</u>	<u>8,332</u>	<u>(368)</u>	<u>10,600</u>	<u>9,991</u>	<u>(609)</u>
<u>(74,335)</u>	<u>(26,794)</u>	<u>47,541</u>	-	-	-	-	-	-
-	375	375	-	-	-	-	-	-
5,531	-	(5,531)	-	-	-	-	-	-
2,790	2,250	(540)	-	-	-	-	-	-
(11,140)	(9,900)	1,240	-	-	-	-	-	-
<u>(2,819)</u>	<u>(7,275)</u>	<u>(4,456)</u>	-	-	-	-	-	-
<u>(77,154)</u>	<u>(34,069)</u>	<u>43,085</u>	-	-	-	-	-	-
	99,656	-		-	-		-	-
	-	-		-	-		-	-
	14,036	-		-	-		-	-
	<u>\$ 79,623</u>			<u>\$ -</u>			<u>\$ -</u>	

(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, 2025
(\$000's)

	Storm Drainage Fee (Funds 413, 427)			Supplemental Local Law Enforcement (Fund 414)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	4	4	-	3,014	2,909	(105)
Charges for current services	100	233	133	-	-	-
Rent	-	-	-	-	-	-
Investment income	26	22	(4)	-	123	123
Other revenues	-	-	-	-	-	-
Total revenues	<u>130</u>	<u>259</u>	<u>129</u>	<u>3,014</u>	<u>3,032</u>	<u>18</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	2,318	1,995	(323)
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	135	127	(8)	-	-	-
Capital outlay	-	-	-	917	917	-
Debt service:						
Principal	-	-	-	10	10	-
Interest and fiscal changes	-	-	-	33	33	-
Total expenditures	<u>135</u>	<u>127</u>	<u>(8)</u>	<u>3,278</u>	<u>2,955</u>	<u>(323)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5)</u>	<u>132</u>	<u>137</u>	<u>(264)</u>	<u>77</u>	<u>341</u>
OTHER FINANCING SOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	561	561
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(26)	(22)	4	-	-	-
Total other financing sources (uses)	<u>(26)</u>	<u>(22)</u>	<u>4</u>	<u>-</u>	<u>561</u>	<u>561</u>
Net change in fund balances	<u>\$ (31)</u>	<u>110</u>	<u>141</u>	<u>(264)</u>	<u>638</u>	<u>902</u>
Fund balances - beginning		449			2,802	
Fund balance adjustment		-			-	
Prior year encumbrances		-			481	
Fund balances - ending		<u>\$ 559</u>			<u>\$ 3,921</u>	

Underground Utility (Fund 416)			State Drug Forfeiture (Fund 417)			Library Parcel Tax (Funds 418, 483)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	10,975	10,977	2
1,100	910	(190)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
210	475	265	-	15	15	30	111	81
-	-	-	-	589	589	-	-	-
1,310	1,385	75	-	604	604	11,005	11,088	83
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	12,038	10,548	(1,490)
-	-	-	-	-	-	-	-	-
3,390	600	(2,790)	-	-	-	586	469	(117)
137	137	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,527	737	(2,790)	-	-	-	12,624	11,017	(1,607)
(2,217)	648	2,865	-	604	604	(1,619)	71	1,690
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(9)	(9)	-	-	-	-	(38)	(38)	-
(9)	(9)	-	-	-	-	(38)	(38)	-
(2,226)	639	2,865	-	604	604	(1,657)	33	1,690
	13,824			1,661			4,122	
	-			-			-	
	-			-			561	
	<u>\$ 14,463</u>			<u>\$ 2,265</u>			<u>\$ 4,716</u>	

(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, 2025
(\$000's)

	Federal Drug Forfeiture (Funds 487, 488)			Residential Construction Tax Contribution (Fund 420)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	200	142	(58)
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	5	5	95	116	21
Other revenues	-	108	108	-	-	-
Total revenues	<u>-</u>	<u>113</u>	<u>113</u>	<u>295</u>	<u>258</u>	<u>(37)</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	395	42	(353)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>395</u>	<u>42</u>	<u>(353)</u>
Excess (deficiency) of revenues over (under) expenditures	-	113	113	(100)	216	316
OTHER FINANCING SOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(95)	(95)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95)</u>	<u>(95)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>113</u>	<u>113</u>	<u>(195)</u>	<u>121</u>	<u>316</u>
Fund balances - beginning		517			3,325	
Fund balance adjustment		-			-	
Prior year encumbrances		-			-	
Fund balances - ending		<u>\$ 630</u>			<u>\$ 3,446</u>	

Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422, 432)			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)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	175	13	(162)
-	-	-	-	-	-	251,636	212,366	(39,270)
-	-	-	8,023	8,006	(17)	718	624	(94)
26	32	6	-	147	147	750	1,687	937
-	-	-	-	2,420	2,420	-	78	78
<u>26</u>	<u>32</u>	<u>6</u>	<u>8,023</u>	<u>10,573</u>	<u>2,550</u>	<u>253,279</u>	<u>214,768</u>	<u>(38,511)</u>
-	-	-	7,915	118	(7,797)	-	-	-
300	300	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	220,967	215,612	(5,355)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	255	255	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>300</u>	<u>300</u>	<u>-</u>	<u>7,915</u>	<u>118</u>	<u>(7,797)</u>	<u>221,222</u>	<u>215,867</u>	<u>(5,355)</u>
(274)	(268)	6	108	10,455	10,347	32,057	(1,099)	(33,156)
-	-	-	-	-	-	-	255	255
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(106)	(7,527)	(7,421)	(521)	(521)	-
-	-	-	(106)	(7,527)	(7,421)	(521)	(266)	255
<u>(274)</u>	<u>(268)</u>	<u>6</u>	<u>2</u>	<u>2,928</u>	<u>2,926</u>	<u>31,536</u>	<u>(1,365)</u>	<u>(32,901)</u>
	1,123			12,210			42,982	
	-			-			-	
	-			100			4,291	
	<u>\$ 855</u>			<u>\$ 15,238</u>			<u>\$ 45,908</u>	

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, 2025
(\$000's)

	Building and Structures Construction Tax (Fund 429)			Development Enhancement (Fund 439)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ 17,556	20,469	2,913	-	-	-
Intergovernmental	66,690	7,832	(58,858)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	1,900	3,323	1,423	-	-	-
Other revenues	812	2,836	2,024	-	-	-
Total revenues	<u>86,958</u>	<u>34,460</u>	<u>(52,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	143,686	50,933	(92,753)	-	-	-
Capital outlay	4,221	4,221	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-
Total expenditures	<u>147,907</u>	<u>55,154</u>	<u>(92,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,949)</u>	<u>(20,694)</u>	<u>40,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(465)	(465)	-	-	-	-
Total other financing sources (uses)	<u>(465)</u>	<u>(465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (61,414)</u>	<u>(21,159)</u>	<u>40,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		89,504			20	
Fund balance adjustment		-			-	
Prior year encumbrances		11,786			-	
Fund balances - ending		<u>\$ 80,131</u>			<u>\$ 20</u>	

Community Development Block Grant (Funds 441, 304)			Economic Development Administration Loans (Fund 444)			Storm Drainage Service Use Charge (Funds 446, 469)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
8,033	7,302	(731)	-	-	-	20,262	2,115	(18,147)
-	-	-	-	-	-	34,078	34,113	35
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	713	1,385	672
-	-	-	-	-	-	-	59	59
<u>8,033</u>	<u>7,302</u>	<u>(731)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,053</u>	<u>37,672</u>	<u>(17,381)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,006	7,068	62	-	-	-	-	-	-
-	-	-	-	-	-	34,769	31,073	(3,696)
6,488	4,262	(2,226)	-	-	-	35,071	6,441	(28,630)
-	-	-	-	-	-	5,814	5,814	-
-	-	-	-	-	-	22	22	-
-	-	-	-	-	-	5	5	-
<u>13,494</u>	<u>11,330</u>	<u>(2,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,681</u>	<u>43,355</u>	<u>(32,326)</u>
<u>(5,461)</u>	<u>(4,028)</u>	<u>1,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,628)</u>	<u>(5,683)</u>	<u>14,945</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,515	2,515	-	-	-	-	-	-	-
-	-	-	-	-	-	(623)	(623)	-
<u>2,515</u>	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(623)</u>	<u>(623)</u>	<u>-</u>
<u>(2,946)</u>	<u>(1,513)</u>	<u>1,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,251)</u>	<u>(6,306)</u>	<u>14,945</u>
	5,771			7			44,872	
	-			-			578	
	4,542			-			5,058	
	<u>\$ 8,800</u>			<u>\$ 7</u>			<u>\$ 44,202</u>	

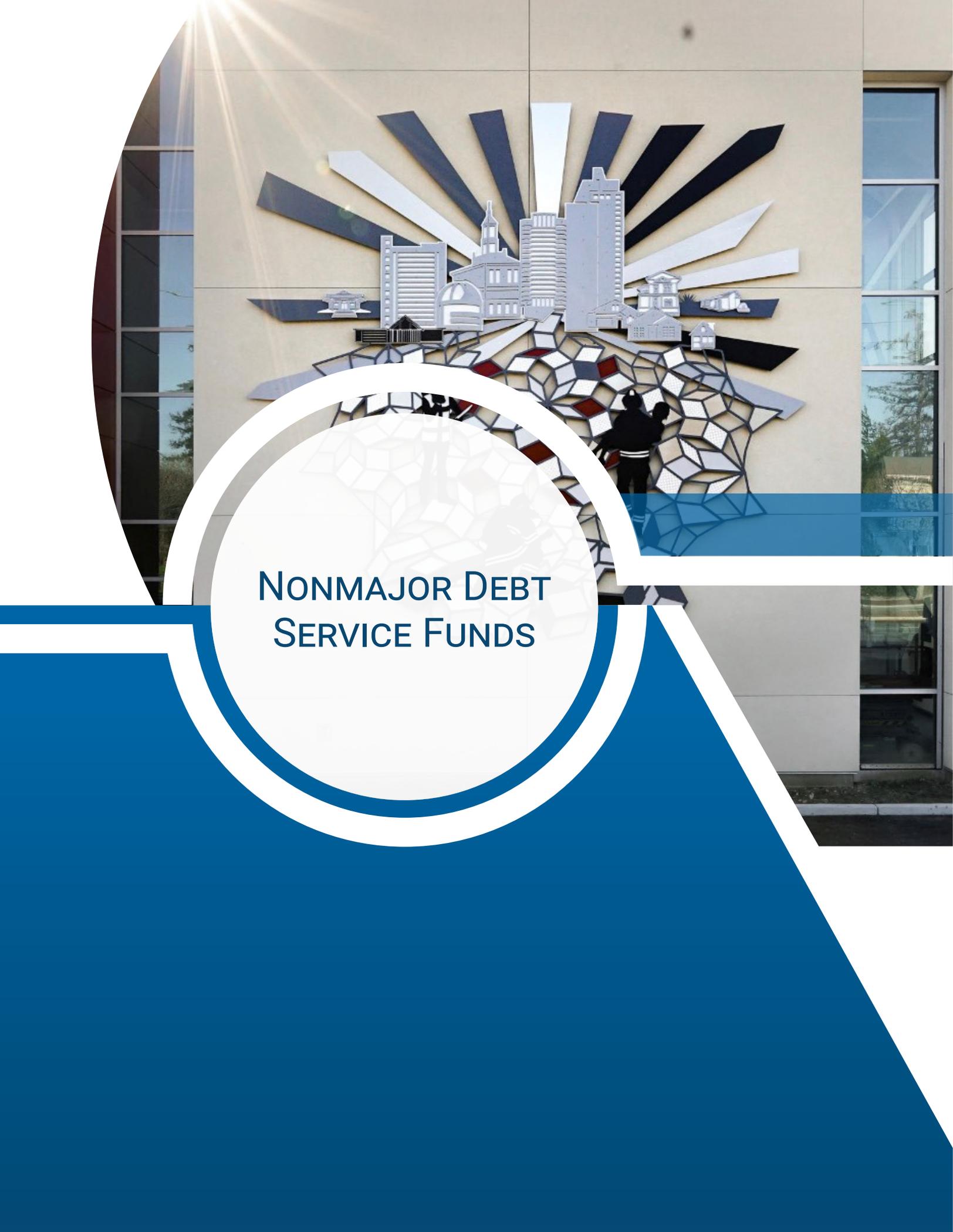
(Continued)

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, 2025
(\$000's)

	Transient Occupancy Tax (Fund 461)			Lake Cunningham (Fund 462)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ 25,500	25,836	336	-	-	-
Intergovernmental	-	-	-	1,100	90	(1,010)
Charges for current services	-	-	-	550	404	(146)
Rent	-	-	-	-	-	-
Investment income	25	40	15	45	57	12
Other revenues	30	20	(10)	-	-	-
Total revenues	<u>25,555</u>	<u>25,896</u>	<u>341</u>	<u>1,695</u>	<u>551</u>	<u>(1,144)</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	15,458	12,902	(2,556)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	2,160	486	(1,674)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal changes	-	-	-	-	-	-
Total expenditures	<u>15,458</u>	<u>12,902</u>	<u>(2,556)</u>	<u>2,160</u>	<u>486</u>	<u>(1,674)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,097</u>	<u>12,994</u>	<u>2,897</u>	<u>(465)</u>	<u>65</u>	<u>530</u>
OTHER FINANCING SOURCES (USES)						
Inception of subscription-based information technology arrangement	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(12,436)	(12,436)	-	(226)	(226)	-
Total other financing sources (uses)	<u>(12,436)</u>	<u>(12,436)</u>	<u>-</u>	<u>(226)</u>	<u>(226)</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,339)</u>	<u>558</u>	<u>2,897</u>	<u>(691)</u>	<u>(161)</u>	<u>530</u>
Fund balances - beginning		5,136			1,734	
Fund balance adjustment		-			-	
Prior year encumbrances		721			57	
Fund balances - ending		<u>\$ 6,415</u>			<u>\$ 1,630</u>	

Edward Byrne Memorial Justice (Funds 474, 477)			Municipal Golf Courses (Fund 518)			Convention and Cultural Facilities (Funds 536, 481, 560, 489)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
1,475	623	(852)	-	-	-	-	-	-
-	-	-	1,025	1,288	263	-	4,418	4,418
-	-	-	-	-	-	-	54,556	54,556
-	-	-	70	37	(33)	550	949	399
-	-	-	-	-	-	-	-	-
<u>1,475</u>	<u>623</u>	<u>(852)</u>	<u>1,095</u>	<u>1,325</u>	<u>230</u>	<u>550</u>	<u>59,923</u>	<u>59,373</u>
-	-	-	-	-	-	-	-	-
1,270	539	(731)	-	-	-	-	-	-
-	-	-	-	-	-	74,204	70,901	(3,303)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,306	975	(331)
280	280	-	-	-	-	197	197	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,550</u>	<u>819</u>	<u>(731)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,707</u>	<u>72,073</u>	<u>(3,634)</u>
<u>(75)</u>	<u>(196)</u>	<u>(121)</u>	<u>1,095</u>	<u>1,325</u>	<u>230</u>	<u>(75,157)</u>	<u>(12,150)</u>	<u>63,007</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	12,436	12,436	-
-	-	-	(7)	(7)	-	(312)	(312)	-
-	-	-	<u>(7)</u>	<u>(7)</u>	<u>-</u>	<u>12,124</u>	<u>12,124</u>	<u>-</u>
<u>(75)</u>	<u>(196)</u>	<u>(121)</u>	<u>1,088</u>	<u>1,318</u>	<u>230</u>	<u>(63,033)</u>	<u>(26)</u>	<u>63,007</u>
	(397)			605			3,287	
	-			-			-	
	377			-			3,875	
	<u>\$ (216)</u>			<u>\$ 1,923</u>			<u>\$ 7,136</u>	





**NONMAJOR DEBT
SERVICE FUNDS**

Nonmajor Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

GO Bonds Parks, Libraries & Public Safety Fund – Established to account for debt issued for construction of various libraries, parks and public safety projects. Debt repayments are funded by ad valorem property taxes.

City Hall Fund – Established to account for payments of debt service related to the construction of City Hall.

San José Financing Authority Debt Service Funds – Established to account for the debt activities related to capital projects funded with Financing Authority debt.

**City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2025
(\$000's)**

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	San José Financing Authority Debt Service (Funds 800- 860)	Total
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ -	-	470	470
Receivables (net of allowances for uncollectibles)	247	13	-	260
Due from other funds	-	-	20,700	20,700
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	45,713	2,327	-	48,040
Cash and investments held with fiscal agents	4	-	10,321	10,325
Total assets	<u>\$ 45,964</u>	<u>2,340</u>	<u>31,491</u>	<u>79,795</u>
LIABILITIES				
Due to outside agencies	\$ -	-	112	112
Short-term notes payable	-	-	25,667	25,667
Total liabilities	<u>-</u>	<u>-</u>	<u>25,779</u>	<u>25,779</u>
FUND BALANCES				
Restricted for debt service	45,964	2,340	5,712	54,016
Total fund balances	<u>45,964</u>	<u>2,340</u>	<u>5,712</u>	<u>54,016</u>
Total liabilities and fund balances	<u>\$ 45,964</u>	<u>2,340</u>	<u>31,491</u>	<u>79,795</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2025
(\$000's)

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	San José Financing Authority Debt Service (Funds 800- 860)	Total
REVENUES				
Taxes and special assessments	\$ 48,125	-	-	48,125
Investment income	1,373	425	519	2,317
Other revenue	-	-	783	783
Total revenues	<u>49,498</u>	<u>425</u>	<u>1,302</u>	<u>51,225</u>
EXPENDITURES				
Debt service:				
Principal	25,550	-	26,005	51,555
Interest and fiscal charges	23,656	4	21,296	44,956
Total expenditures	<u>49,206</u>	<u>4</u>	<u>47,301</u>	<u>96,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>292</u>	<u>421</u>	<u>(45,999)</u>	<u>(45,286)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	24,878	46,973	71,851
Transfers out	-	(25,042)	-	(25,042)
Total other financing sources (uses)	<u>-</u>	<u>(164)</u>	<u>46,973</u>	<u>46,809</u>
Net change in fund balances	292	257	974	1,523
Fund balances - beginning, as previously reported	45,672	2,083	-	47,755
Adjustment - change from major fund to nonmajor fund	-	-	4,738	4,738
Fund balances - beginning, as restated	45,672	2,083	4,738	52,493
Fund balances - ending	<u>\$ 45,964</u>	<u>2,340</u>	<u>5,712</u>	<u>54,016</u>



**NONMAJOR CAPITAL
PROJECT FUNDS**



Nonmajor Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Project Funds established by the City of San José are as follows:

Capital Improvements Funds – Established to account for assessment charges for the construction of the Alviso Ring Levee.

Construction Excise Tax Funds – Established to account for revenues and expenditures related to traffic maintenance and improvements.

Parks Bond Projects Fund – Established to account for general obligation bond proceeds for various parks construction projects.

Branch Libraries Bond Projects Fund – Established to account for general obligation bond proceeds for various library construction projects.

Public Safety and Infrastructure Bond Fund – Established to account for general obligation bond proceeds to improve infrastructure and public safety facilities.

Special Assessment Districts Funds – Established to account 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.

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2025
(\$000's)

	Capital Improvements (Funds 408, 424, 476)	Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486)
ASSETS		
Equity in pooled cash and investments held in City Treasury	\$ 6	79,711
Receivables (net of allowance for uncollectibles)	-	32,161
Advances and deposits	4	34
Restricted assets:		
Equity in pooled cash and investments held in City Treasury	-	126
Cash and investments held with fiscal agents	-	-
Total assets	<u>\$ 10</u>	<u>112,032</u>
LIABILITIES		
Accounts payable	\$ -	10,223
Accrued salaries, wages and payroll taxes	-	614
Advances, deposits, and reimbursable credits	-	-
Other current liabilities	-	-
Total liabilities	<u>-</u>	<u>10,837</u>
FUND BALANCES		
Restricted	10	22,774
Assigned	-	78,421
Total fund balances	<u>10</u>	<u>101,195</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10</u>	<u>112,032</u>

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Public Safety and Infrastructure Bond (Fund 498)	Special Assessment Districts (Funds 599-798)	Total
2,618	-	-	-	82,335
15	-	-	2,934	35,110
-	-	-	5	43
-	-	-	35,859	35,985
15,710	6,970	44,853	-	67,533
<u>18,343</u>	<u>6,970</u>	<u>44,853</u>	<u>38,798</u>	<u>221,006</u>
70	1,301	28,556	57	40,207
1	2	128	1	746
-	-	-	1,578	1,578
-	-	-	317	317
<u>71</u>	<u>1,303</u>	<u>28,684</u>	<u>1,953</u>	<u>42,848</u>
18,272	5,667	16,169	36,845	99,737
-	-	-	-	78,421
<u>18,272</u>	<u>5,667</u>	<u>16,169</u>	<u>36,845</u>	<u>178,158</u>
<u>18,343</u>	<u>6,970</u>	<u>44,853</u>	<u>38,798</u>	<u>221,006</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2025
(\$000's)

	Capital Improvements (Funds 408, 424, 476)	Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478- 480, 486)
REVENUES		
Taxes	\$ -	14,215
Intergovernmental	-	100,794
Charges for current services	-	1,616
Investment income	-	5,228
Other revenues	-	2,145
Total revenues	-	123,998
EXPENDITURES		
Current:		
Capital maintenance	-	94,058
Capital outlay	-	11,356
Total expenditures	-	105,414
Excess (deficiency) of revenues over (under) expenditures	-	18,584
OTHER FINANCING (USES)		
Transfers in	-	-
Transfers out	-	(2,568)
Total other financing (uses)	-	(2,568)
Net change in fund balances	-	16,016
Fund balances - beginning, as previously reported	10	85,179
Adjustment - change from major fund to nonmajor fund	-	-
Fund balances - beginning, as restated	10	85,179
Fund balances - ending	\$ 10	101,195

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Public Safety and Infrastructure Bond (Fund 498)	Special Assessment Districts (Funds 599-798)	Total
-	-	-	13,873	28,088
-	-	-	-	100,794
-	-	-	-	1,616
841	323	7,132	2,088	15,612
-	-	-	90	2,235
<u>841</u>	<u>323</u>	<u>7,132</u>	<u>16,051</u>	<u>148,345</u>
399	786	57,960	900	154,103
-	-	49,195	-	60,551
<u>399</u>	<u>786</u>	<u>107,155</u>	<u>900</u>	<u>214,654</u>
442	(463)	(100,023)	15,151	(66,309)
-	-	-	4	4
-	-	-	(10,724)	(13,292)
-	-	-	(10,720)	(13,288)
442	(463)	(100,023)	4,431	(79,597)
17,830	6,130	116,192	-	225,341
-	-	-	32,414	32,414
<u>17,830</u>	<u>6,130</u>	<u>116,192</u>	<u>32,414</u>	<u>257,755</u>
<u>18,272</u>	<u>5,667</u>	<u>16,169</u>	<u>36,845</u>	<u>178,158</u>





**NONMAJOR
ENTERPRISE FUNDS**

Nonmajor Enterprise Funds

Nonmajor Enterprise Funds are used to account for and report the same functions presented as business-type activities in the government-wide financial statements.

Municipal Water System Fund – Established to account for the operations of the five water system operating districts: North San José, Evergreen, Coyote, Edenvale, and Alviso.

Parking System Fund – Established to account for the operations of the City owned parking garage facilities, parking lots, and parking meters located within the City.

City of San José
Combining Statement of Fund Net Position
Nonmajor Enterprise Funds
June 30, 2025
(\$000's)

	Municipal Water System (Funds 500, 502, 515)	Parking System (Funds 533, 559)	Total
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	\$ 44,976	31,265	76,241
Receivables (net of allowance for uncollectibles)	17,411	1,331	18,742
Total unrestricted current assets	<u>62,387</u>	<u>32,596</u>	<u>94,983</u>
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	-	2,441	2,441
Total restricted current assets	-	2,441	2,441
Total current assets	<u>62,387</u>	<u>35,037</u>	<u>97,424</u>
Noncurrent assets:			
Lease receivable	-	6,222	6,222
Capital assets (net of accumulated depreciation):			
Nondepreciable	43,301	34,971	78,272
Depreciable	62,461	24,387	86,848
Total noncurrent assets	<u>105,762</u>	<u>65,580</u>	<u>171,342</u>
Total assets	<u>168,149</u>	<u>100,617</u>	<u>268,766</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	5,347	1,333	6,680
Other postemployment benefits	1,087	264	1,351
Total deferred outflows of resources	<u>6,434</u>	<u>1,597</u>	<u>8,031</u>

(Continued)

City of San José
Combining Statement of Fund Net Position (Continued)
Nonmajor Enterprise Funds
June 30, 2025
(\$000's)

	Municipal Water System (Funds 500, 502, 515)	Parking System (Funds 533, 559)	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 8,869	1,189	10,058
Accrued salaries, wages, and payroll taxes	294	92	386
Interest payable	5	-	5
Due to other funds	20,700	-	20,700
Accrued vacation, sick leave and compensatory time	1,106	251	1,357
Estimated liability for self-insurance	238	-	238
Advances and deposits payable	-	85	85
Leases payable	593	138	731
Total current liabilities	<u>31,805</u>	<u>1,755</u>	<u>33,560</u>
Noncurrent liabilities:			
Accrued vacation, sick leave and compensatory time	908	287	1,195
Leases payable	612	297	909
Estimated liability for self-insurance	736	-	736
Advances, deposits, and reimbursable credits	1,971	-	1,971
Net pension liability	18,176	7,546	25,722
Net other postemployment benefits liability	4,539	1,036	5,575
Total noncurrent liabilities	<u>26,942</u>	<u>9,166</u>	<u>36,108</u>
Total liabilities	<u>58,747</u>	<u>10,921</u>	<u>69,668</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	685	161	846
Other postemployment benefits	226	54	280
Leases	-	5,760	5,760
Total deferred inflows of resources	<u>911</u>	<u>5,975</u>	<u>6,886</u>
NET POSITION			
Net investment in capital assets	99,618	58,923	158,541
Restricted for debt service	-	2,441	2,441
Unrestricted	15,307	23,954	39,261
Total net position	<u>\$ 114,925</u>	<u>85,318</u>	<u>200,243</u>

City of San José
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2025
(\$000's)

	Municipal Water System (Funds 500, 502, 515)	Parking System (Funds 533, 559)	Total
OPERATING REVENUES			
Charges for services	\$ 77,778	16,320	94,098
Other	-	1,382	1,382
Total operating revenues	<u>77,778</u>	<u>17,702</u>	<u>95,480</u>
OPERATING EXPENSES			
Operations and maintenance	64,396	3,625	68,021
General and administrative	5,449	11,168	16,617
Depreciation	3,592	1,906	5,498
Materials and supplies	-	202	202
Total operating expenses	<u>73,437</u>	<u>16,901</u>	<u>90,338</u>
Operating income	<u>4,341</u>	<u>801</u>	<u>5,142</u>
NONOPERATING REVENUES			
(EXPENSES)			
Investment income	1,898	1,608	3,506
Lease interest income	-	445	445
Interest expense	(367)	-	(367)
Other (expenses), net	(127)	-	(127)
Net nonoperating revenues	<u>1,404</u>	<u>2,053</u>	<u>3,457</u>
Income before capital contributions and transfers	<u>5,745</u>	<u>2,854</u>	<u>8,599</u>
Capital contributions	24	-	24
Transfers in	38	-	38
Transfers out	(1,661)	(989)	(2,650)
Changes in net position	<u>4,146</u>	<u>1,865</u>	<u>6,011</u>
Net position - beginning, as previously reported	<u>112,157</u>	<u>83,838</u>	<u>195,995</u>
Change in accounting principles	(1,378)	(385)	(1,763)
Beginning, as restated	<u>110,779</u>	<u>83,453</u>	<u>194,232</u>
Net position - ending	<u>\$ 114,925</u>	<u>85,318</u>	<u>200,243</u>

City of San José
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2025
(\$000's)

	Municipal Water System (Funds 500, 502, 515)	Parking System (Funds 533, 559)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 77,788	17,503	95,291
Payments to suppliers	(50,025)	(9,464)	(59,489)
Payments for employees	(13,833)	(3,564)	(17,397)
Payments for City services	(4,144)	(2,216)	(6,360)
Net cash provided by operating activities	<u>9,786</u>	<u>2,259</u>	<u>12,045</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	38	-	38
Transfers to other funds	(1,661)	(989)	(2,650)
Operating grants	-	(959)	(959)
Advances and deposits	117	(21)	96
Net cash (used in) noncapital financing activities	<u>(1,506)</u>	<u>(1,969)</u>	<u>(3,475)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(22,484)	(5,072)	(27,556)
Receipts from leases	-	169	169
Interest receipts on leases	-	445	445
Lease payment	(542)	(133)	(675)
Proceeds from commercial paper	20,700	-	20,700
Interest paid on debt	(370)	-	(370)
Net cash (used in) capital and related financing activities	<u>(2,696)</u>	<u>(4,591)</u>	<u>(7,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,907	1,357	3,264
Net cash provided by investing activities	<u>1,907</u>	<u>1,357</u>	<u>3,264</u>
Net change in cash and cash equivalents	7,491	(2,944)	4,547
Cash and cash equivalents - beginning	37,485	36,650	74,135
Cash and cash equivalents - ending	<u>\$ 44,976</u>	<u>33,706</u>	<u>78,682</u>

City of San José
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2025
(\$000's)

	Municipal Water System (Funds 500, 502, 515)	Parking System (Funds 533, 559)	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 4,341	801	5,142
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,592	1,906	5,498
Lease revenues/deferred inflows of resources related to leases amortization	-	(169)	(169)
Other nonoperating expenses	(127)	-	(127)
Decrease (Increase) in:			
Accounts receivable	138	(30)	108
Increase (Decrease) in:			
Accounts payable and accrued liabilities	2,335	(24)	2,311
Accrued salaries, wages, and payroll taxes	40	26	66
Accrued vacation, sick leave and compensatory time	(16)	(29)	(45)
Estimated liability for self-insurance	139	-	139
Net pension liability, deferred outflows and inflows of pension related resources	(615)	(219)	(834)
Net other postemployment benefits liability, deferred outflows and inflows of postemployment benefits related resources	(41)	(3)	(44)
Net cash provided by operating activities	<u>\$ 9,786</u>	<u>2,259</u>	<u>12,045</u>
Reconciliation of cash and cash equivalents to the statement of net position:			
Equity in pooled cash and investments held in City Treasury			
Unrestricted	\$ 44,976	31,265	76,241
Restricted	-	2,441	2,441
Cash and cash equivalents	<u>\$ 44,976</u>	<u>33,706</u>	<u>78,682</u>
Noncash noncapital, capital and related financing, and investing activities:			
Capital contributions from developers	\$ 24	-	24
Change in capital related payables	1,732	134	1,866
Change in capital related receivables	-	(169)	(169)
Change in fair value of investments	693	(632)	61





**INTERNAL SERVICE
FUNDS**

Internal Service Funds

Internal Service Funds are used to account for the exchange of benefits within the City's funds or departments on a cost reimbursement basis.

Public Works Programs Support Fund – Established to account for Public Works Department administrative services provided to City-wide capital programs and certain other Public Works operating divisions.

Employee Benefits Funds – Established to account for the cost of funding the City's portion of employee fringe benefits.

Vehicle Maintenance and Operations Fund – Established to account for the purchase and maintenance of City vehicles and the cost of operating a maintenance facility for equipment used by other City departments for repairs, demolition, or other abatement of dangerous buildings.

City of San José
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2025
(\$000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160- 161)	Vehicle Maintenance and Operations (Fund 552)	Total
ASSETS				
Current assets:				
Equity in pooled cash and investments held in City Treasury	\$ 9,692	6,979	7,639	24,310
Receivables (net of allowance for uncollectibles)	51	168	41	260
Inventories	-	-	2,322	2,322
Total unrestricted current assets	<u>9,743</u>	<u>7,147</u>	<u>10,002</u>	<u>26,892</u>
Restricted assets:				
Other cash and investments	-	553	8	561
Total restricted current assets	<u>-</u>	<u>553</u>	<u>8</u>	<u>561</u>
Total current assets	<u>9,743</u>	<u>7,700</u>	<u>10,010</u>	<u>27,453</u>
Capital assets (net of accumulated depreciation):				
Nondepreciable	-	-	258	258
Depreciable	461	-	4,752	5,213
Total assets	<u>10,204</u>	<u>7,700</u>	<u>15,020</u>	<u>32,924</u>
LIABILITIES				
Current liabilities:				
Accounts payable	5	393	1,974	2,372
Accrued salaries, wages, and payroll taxes	590	42	253	885
Interest payable	23	-	-	23
Accrued vacation, sick leave and compensatory time	113	49	124	286
Other liabilities	-	1	-	1
Subscription-based information technology arrangement payable	56	-	-	56
Total current liabilities	<u>787</u>	<u>485</u>	<u>2,351</u>	<u>3,623</u>
Noncurrent liabilities:				
Accrued vacation, sick leave and compensatory time	5,200	262	778	6,240
Subscription-based information technology arrangement payable	327	-	-	327
Total liabilities	<u>6,314</u>	<u>747</u>	<u>3,129</u>	<u>10,190</u>
NET POSITION				
Net investment in capital assets	78	-	5,010	5,088
Unrestricted	3,812	6,953	6,881	17,646
Total net position	<u>\$ 3,890</u>	<u>6,953</u>	<u>11,891</u>	<u>22,734</u>

City of San José
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2025
(\$000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Fund 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
OPERATING REVENUES				
Charges for services	\$ 30,756	135,149	32,105	198,010
Other	-	-	55	55
Total operating revenues	<u>30,756</u>	<u>135,149</u>	<u>32,160</u>	<u>198,065</u>
OPERATING EXPENSES				
Operations and maintenance	28,110	135,670	32,916	196,696
Depreciation	277	-	1,358	1,635
Total operating expenses	<u>28,387</u>	<u>135,670</u>	<u>34,274</u>	<u>198,331</u>
Operating income (loss)	<u>2,369</u>	<u>(521)</u>	<u>(2,114)</u>	<u>(266)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	321	638	304	1,263
(Loss) on disposal of capital assets	-	-	(1)	(1)
Total nonoperating revenues	<u>321</u>	<u>638</u>	<u>303</u>	<u>1,262</u>
Income (loss) before transfers	<u>2,690</u>	<u>117</u>	<u>(1,811)</u>	<u>996</u>
Transfers in	-	-	1,800	1,800
Transfers out	-	(58)	(244)	(302)
Changes in net position	<u>2,690</u>	<u>59</u>	<u>(255)</u>	<u>2,494</u>
Net position - beginning, as previously reported	1,628	7,063	12,483	21,174
Change in accounting principles	(428)	(169)	(337)	(934)
Beginning, as restated	<u>1,200</u>	<u>6,894</u>	<u>12,146</u>	<u>20,240</u>
Net position - ending	<u>\$ 3,890</u>	<u>6,953</u>	<u>11,891</u>	<u>22,734</u>

City of San José
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025
(\$000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 30,732	135,192	32,153	198,077
Cash payment to suppliers of goods and services	(915)	(133,993)	(18,948)	(153,856)
Cash payment to employees for services	(24,446)	(1,445)	(11,575)	(37,466)
Payments for City services	(1,923)	(399)	(1,198)	(3,520)
Net cash provided by (used in) operating activities	<u>3,448</u>	<u>(645)</u>	<u>432</u>	<u>3,235</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	1,800	1,800
Transfer to other funds	-	(58)	(244)	(302)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(58)</u>	<u>1,556</u>	<u>1,498</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(22)	-	(1,906)	(1,928)
Software subscription right-to-use asset payment	(269)	-	(17)	(286)
Net cash used in capital and related financing activities	<u>(291)</u>	<u>-</u>	<u>(1,923)</u>	<u>(2,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	321	638	304	1,263
Net change in cash and cash equivalents	<u>3,478</u>	<u>(65)</u>	<u>369</u>	<u>3,782</u>
Cash and cash equivalents - beginning	6,214	7,597	7,278	21,089
Cash and cash equivalents - ending	<u>\$ 9,692</u>	<u>7,532</u>	<u>7,647</u>	<u>24,871</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,369	(521)	(2,114)	(266)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	277	-	1,358	1,635
Other nonoperating revenues	204	-	18	222
(Increase) decrease in:				
Accounts receivable	(25)	42	(6)	11
Inventories	-	-	(696)	(696)
Increase (decrease) in:				
Accounts payable and accrued liabilities	33	(217)	1,773	1,589
Accrued vacation, sick leave and compensatory time	590	51	99	740
Total adjustments	<u>1,079</u>	<u>(124)</u>	<u>2,546</u>	<u>3,501</u>
Net cash provided by (used in) operating activities	<u>\$ 3,448</u>	<u>(645)</u>	<u>432</u>	<u>3,235</u>

City of San José
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025
(\$000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
Reconciliation of cash and cash equivalents to the statement of net position:				
Equity in pooled cash and investments held in City Treasury				
Unrestricted	\$ 9,692	6,979	7,639	24,310
Restricted other cash and investments	-	553	8	561
Cash and cash equivalents	<u>\$ 9,692</u>	<u>7,532</u>	<u>7,647</u>	<u>24,871</u>
Noncash noncapital, capital and related financing, and investing activities:				
Acquisition of right-to-use SBITA/subscription assets	\$ 284	-	-	284





TRUST AND CUSTODIAL FUNDS

Trust and Custodial Funds

Trust and Custodial Funds are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include pension trust funds, private-purpose trust funds, and custodial funds.

Federated City Employees' Retirement System Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all full-time and some eligible part-time City of San José employees, except members of the Police and Fire Department Retirement Plan.

Police and Fire Plan Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all sworn members of the City of San José's Police and Fire departments.

James Lick Private-Purpose Trust Fund – Established to account for resources legally held in the trust for use towards the support of the Eastfield Ming Quong (EMQ) Families First Agency. All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund – Established to make payments on the former Redevelopment Agency of the City of San José's "enforceable obligations" and to wind down the activities of the former Agency through the sale and disposition of assets and properties.

Arena Capital Reserve Custodial Fund – Established to account for Arena Facilities monies that will be used to budget and defray Arena Facilities expenditures relating to capital maintenance repairs and replacement for the San José Arena (SAP Center at San José). Financial statements are presented on pages 44-46.

City of San José
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2025
(\$000's)

	Federated City Employees' Retirement System	Police and Fire Plan	Total
ASSETS			
Investments	\$ 3,957,079	6,084,686	10,041,765
Receivables:			
Accrued investment income	5,029	8,419	13,448
Employee contributions	1,165	1,130	2,295
Employer contributions	1,656	6,374	8,030
Brokers and others	34,366	281,917	316,283
Other assets, net	2,722	2,722	5,444
Total assets	<u>4,002,017</u>	<u>6,385,248</u>	<u>10,387,265</u>
LIABILITIES			
Due to brokers	48,013	408,193	456,206
Other liabilities	6,105	10,978	17,083
Total liabilities	<u>54,118</u>	<u>419,171</u>	<u>473,289</u>
NET POSITION RESTRICTED FOR:			
Employees' pension benefits	3,486,313	5,568,979	9,055,292
Employees' postemployment healthcare benefits	461,586	397,098	858,684
Net position restricted for pension and postemployment healthcare benefits	<u>\$ 3,947,899</u>	<u>5,966,077</u>	<u>9,913,976</u>

City of San José
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2025
(\$000's)

	Federated City Employees' Retirement System	Police and Fire Plan	Total
ADDITIONS			
Investment income:			
Interest	\$ 38,789	79,242	118,031
Dividends	16,297	17,626	33,923
Net appreciation in fair value of plan investments	333,418	506,241	839,659
Investment expenses	(13,505)	(24,102)	(37,607)
Contributions:			
Employer	265,840	248,700	514,540
Employees	47,695	46,513	94,208
Total additions	<u>688,534</u>	<u>874,220</u>	<u>1,562,754</u>
DEDUCTIONS			
General and administrative	6,879	7,883	14,762
Health insurance premiums	34,938	34,076	69,014
Refund of contributions	1,357	2,043	3,400
Retirement and other benefits:			
Death benefits	19,176	20,732	39,908
Retirement benefits	246,064	283,843	529,907
Total deductions	<u>308,414</u>	<u>348,577</u>	<u>656,991</u>
Change in net position	<u>380,120</u>	<u>525,643</u>	<u>905,763</u>
Net position restricted for pension and postemployment healthcare benefits			
Beginning of year, as previously reported	3,567,981	5,440,664	9,008,645
Change in accounting principles	(202)	(230)	(432)
Beginning of year, as restated	<u>3,567,779</u>	<u>5,440,434</u>	<u>9,008,213</u>
End of year	<u>\$ 3,947,899</u>	<u>5,966,077</u>	<u>9,913,976</u>

City of San José
Combining Statement of Fiduciary Net Position
Federated City Employees' Retirement System
June 30, 2025
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	Total
	Retirement	Cost of Living	IRS Code Section 115 Trust	
ASSETS				
Investments	\$ 2,137,801	1,357,766	461,512	3,957,079
Receivables:				
Accrued investment income	3,881	480	668	5,029
Employee contributions	770	167	228	1,165
Employer contributions	1,148	360	148	1,656
Brokers and others	17,081	381	16,904	34,366
Other assets, net	1,860	757	105	2,722
Total assets	<u>2,162,541</u>	<u>1,359,911</u>	<u>479,565</u>	<u>4,002,017</u>
LIABILITIES				
Due to brokers	26,881	5,959	15,173	48,013
Other liabilities	2,232	1,067	2,806	6,105
Total liabilities	<u>29,113</u>	<u>7,026</u>	<u>17,979</u>	<u>54,118</u>
NET POSITION RESTRICTED FOR:				
Employees' pension benefits	2,133,428	1,352,885	-	3,486,313
Employees' postemployment healthcare benefits	-	-	461,586	461,586
Net position restricted for pension and postemployment healthcare benefits	<u>\$ 2,133,428</u>	<u>1,352,885</u>	<u>461,586</u>	<u>3,947,899</u>

City of San José
Combining Statement of
Changes in Fiduciary Net Position
Federated City Employees' Retirement System
For the Year Ended in June 30, 2025
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	Total
	Retirement	Cost of Living	IRS Code Section 115 Trust	
ADDITIONS				
Investment income:				
Interest	\$ 22,510	14,007	2,272	38,789
Dividends	5,620	3,497	7,180	16,297
Net appreciation in fair value of plan investments	181,657	114,308	37,453	333,418
Investment expenses	(8,063)	(5,020)	(422)	(13,505)
Contributions:				
Employer	140,332	97,863	27,645	265,840
Employees	31,148	6,820	9,727	47,695
Total additions	<u>373,204</u>	<u>231,475</u>	<u>83,855</u>	<u>688,534</u>
DEDUCTIONS				
General and administrative	3,723	2,310	846	6,879
Health insurance premiums	-	-	34,938	34,938
Refund of contributions	1,149	208	-	1,357
Retirement and other benefits:				
Death benefits	10,578	8,598	-	19,176
Retirement benefits	168,530	77,534	-	246,064
Total deductions	<u>183,980</u>	<u>88,650</u>	<u>35,784</u>	<u>308,414</u>
Change in net position	<u>189,224</u>	<u>142,825</u>	<u>48,071</u>	<u>380,120</u>
Net position restricted for pension and postemployment healthcare benefits				
Beginning of year, as previously reported	1,944,314	1,210,129	413,538	3,567,981
Change in accounting principles	(110)	(69)	(23)	(202)
Beginning of year, as restated	<u>1,944,204</u>	<u>1,210,060</u>	<u>413,515</u>	<u>3,567,779</u>
End of year	<u>\$ 2,133,428</u>	<u>\$ 1,352,885</u>	<u>\$ 461,586</u>	<u>3,947,899</u>

City of San José
Combining Statement of Fiduciary Net Position
Police and Fire Plan
June 30, 2025
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan			Total
	Retirement	Cost of Living	401(h) Plan	IRS Code Section 115 Trust - Police	IRS Code Section 115 Trust - Fire	
ASSETS						
Investments	\$ 3,217,869	2,467,927	8,591	245,528	144,771	6,084,686
Receivables:						
Accrued investment income	5,337	2,636	52	246	148	8,419
Employee contributions	650	227	253	-	-	1,130
Employer contributions	3,642	2,033	-	429	270	6,374
Brokers and others	157,461	103,255	4,915	10,502	5,784	281,917
Other assets, net	1,717	989	16	-	-	2,722
Total assets	3,386,676	2,577,067	13,827	256,705	150,973	6,385,248
LIABILITIES						
Due to brokers	230,923	158,435	2,427	10,777	5,631	408,193
Other liabilities	3,456	1,950	4,579	647	346	10,978
Total liabilities	234,379	160,385	7,006	11,424	5,977	419,171
NET POSITION RESTRICTED FOR:						
Employees' pension benefits	3,152,297	2,416,682	-	-	-	5,568,979
Employees' postemployment healthcare benefits	-	-	6,821	245,281	144,996	397,098
Net position restricted for pension and postemployment healthcare benefits	\$ 3,152,297	2,416,682	6,821	245,281	144,996	5,966,077

City of San José
Combining Statement of
Changes in Fiduciary Net Position
Police and Fire Plan
For the Year Ended June 30, 2025
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan			Total
	Retirement	Cost of Living	401(h) Plan	IRS Code Section 115 Trust - Police	IRS Code Section 115 Trust - Fire	
ADDITIONS						
Investment income:						
Interest	\$ 44,015	33,326	94	1,144	663	79,242
Dividends	6,347	4,805	14	4,090	2,370	17,626
Net appreciation in fair value of plan investments	268,616	204,897	577	20,257	11,894	506,241
Investment expenses	(13,547)	(10,259)	(29)	(169)	(98)	(24,102)
Contributions:						
Employer	127,069	86,069	5,614	18,015	11,933	248,700
Employees	26,453	9,353	10,707	-	-	46,513
Total additions	<u>458,953</u>	<u>328,191</u>	<u>16,977</u>	<u>43,337</u>	<u>26,762</u>	<u>874,220</u>
DEDUCTIONS						
General and administrative	4,427	3,349	10	58	39	7,883
Health insurance premiums	-	-	16,322	12,032	5,722	34,076
Refund of contributions	1,633	410	-	-	-	2,043
Retirement and other benefits:						
Death benefits	10,300	10,432	-	-	-	20,732
Retirement benefits	190,534	93,309	-	-	-	283,843
Total deductions	<u>206,894</u>	<u>107,500</u>	<u>16,332</u>	<u>12,090</u>	<u>5,761</u>	<u>348,577</u>
Change in net position	<u>252,059</u>	<u>220,691</u>	<u>645</u>	<u>31,247</u>	<u>21,001</u>	<u>525,643</u>
Net position restricted for pension and postemployment healthcare benefits						
Beginning of year, as previously reported	2,900,369	2,196,090	6,176	214,034	123,995	5,440,664
Change in accounting principles	(131)	(99)	-	-	-	(230)
Beginning of year, as restated	<u>2,900,238</u>	<u>2,195,991</u>	<u>6,176</u>	<u>214,034</u>	<u>123,995</u>	<u>5,440,434</u>
End of year	<u>\$ 3,152,297</u>	<u>2,416,682</u>	<u>6,821</u>	<u>245,281</u>	<u>144,996</u>	<u>5,966,077</u>

City of San José
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2025
(\$000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	\$ 336	-	336
Cash and investments	453	1,353	1,806
Receivables (net of allowance for uncollectibles):			
Other	2	77	79
Restricted cash and investments	-	131,040	131,040
Total current assets	<u>791</u>	<u>132,470</u>	<u>133,261</u>
Noncurrent assets:			
Accrued interest, net	-	1,413	1,413
Loans receivable, net	-	3,987	3,987
Advances and deposits	-	5	5
Prepaid bond insurance	-	1,003	1,003
Capital assets:			
Nondepreciable	-	2,078	2,078
Depreciable, net	-	562	562
Total noncurrent assets	<u>-</u>	<u>9,048</u>	<u>9,048</u>
Total assets	<u>791</u>	<u>141,518</u>	<u>142,309</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	-	17,999	17,999
LIABILITIES			
Current liabilities:			
Accrued interest payable	-	14,667	14,667
Unearned revenue	-	13	13
Total current liabilities	<u>-</u>	<u>14,680</u>	<u>14,680</u>
Long-term liabilities:			
Due within one year	-	113,305	113,305
Due in more than one year	-	887,549	887,549
Total noncurrent liabilities	<u>-</u>	<u>1,000,854</u>	<u>1,000,854</u>
Total liabilities	<u>-</u>	<u>1,015,534</u>	<u>1,015,534</u>
NET POSITION (DEFICIT)			
Held in trust for:			
Redevelopment dissolution and other purposes	791	(856,017)	(855,226)
Total net position (deficit)	<u>\$ 791</u>	<u>(856,017)</u>	<u>(855,226)</u>

City of San José
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2025
(\$000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ADDITIONS			
Redevelopment property tax revenues	\$ -	201,677	201,677
Investment income	125	2,328	2,453
Development fees and other	-	474	474
Total additions	<u>125</u>	<u>204,479</u>	<u>204,604</u>
DEDUCTIONS			
General and administrative	-	89	89
Project expenses	-	72	72
Pass through amounts to the County of Santa Clara	-	58,617	58,617
Depreciation	-	27	27
Interest on debt	-	34,225	34,225
Total deductions	<u>-</u>	<u>93,030</u>	<u>93,030</u>
Change in net position	<u>125</u>	<u>111,449</u>	<u>111,574</u>
NET POSITION HELD IN TRUST			
Beginning of year	666	(967,466)	(966,800)
End of year	<u>\$ 791</u>	<u>(856,017)</u>	<u>(855,226)</u>



**STATISTICAL
SECTION
(UNAUDITED)**



TABLE OF CONTENTS

STATISTICAL SECTION

This section of the annual comprehensive financial report for the City of San José presents detailed information as a context to the information presented in the financial statements, note disclosures, and required supplementary information and to provide a framework to assess the economic condition affecting the City of San José.

GASB issued Statement No. 44, *Economic Condition Reporting; The Statistical Section – an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition affecting a government.

Contents	Schedule
-----------------	-----------------

FINANCIAL TRENDS	I - IV
-------------------------	---------------

These schedules present trend information to help the reader understand the City's financial performance and condition.

REVENUE CAPACITY	V - VIII
-------------------------	-----------------

These schedules contain information regarding property tax, the City's most significant local revenue source.

DEBT CAPACITY	IX - XIII
----------------------	------------------

These schedules present information regarding the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION	XIV - XVI
---	------------------

These schedules illustrate demographic and economic indicators to provide a context for understanding and assessing the City's financial activities.

OPERATING INFORMATION	XVII - XIX
------------------------------	-------------------

These schedules contain service and infrastructure data related to services the City provides and the activities it performs.

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

SCHEDULE I

City of San José
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
(\$000'S)

	2016	2017	2018	2019 ⁽¹⁾	2020
Governmental activities					
Net investment in capital assets	\$ 4,478,760	\$ 4,391,069	\$ 4,349,559	\$ 4,330,279	\$ 4,262,597
Restricted	930,553	982,168	1,000,459	1,036,765	1,088,593 ⁽²⁾
Unrestricted	(1,723,260)	(1,935,456)	(2,667,125)	(2,657,523)	(2,860,084)
Total governmental activities net position	\$ 3,686,053	\$ 3,437,781	\$ 2,682,893	\$ 2,709,521	\$ 2,491,106
Business-type activities					
Net investment in capital assets	\$ 766,107	\$ 814,473	\$ 930,631	\$ 982,045	\$ 1,090,408
Restricted	76,709	75,945	72,750	72,890	76,104
Unrestricted	339,422	351,101	252,928	290,071	290,590
Total business-type activities net position	\$ 1,182,238	\$ 1,241,519	\$ 1,256,309	\$ 1,345,006	\$ 1,457,102
Primary government					
Net investment in capital assets	\$ 5,244,867	\$ 5,205,542	\$ 5,280,190	\$ 5,312,324	\$ 5,353,005
Restricted	1,007,262	1,058,113	1,073,209	1,109,655	1,164,697
Unrestricted	(1,383,838)	(1,584,355)	(2,414,197)	(2,367,452)	(2,569,494)
Total primary government net position	\$ 4,868,291	\$ 4,679,300	\$ 3,939,202	\$ 4,054,527	\$ 3,948,208
	2021	2022	2023	2024⁽⁴⁾	2025
Governmental activities					
Net investment in capital assets	\$ 4,089,937	\$ 3,777,037	\$ 3,635,710	\$ 3,517,578	\$ 3,413,015
Restricted	1,116,441	1,178,965	1,363,869	1,297,990	1,158,487
Unrestricted	(2,978,383)	(2,586,680)	(2,640,313)	(2,497,387)	(2,399,685)
Total governmental activities net position	\$ 2,227,995	\$ 2,369,322	\$ 2,359,266	\$ 2,318,181	\$ 2,171,817
Business-type activities					
Net investment in capital assets	\$ 1,209,961	\$ 1,232,137 ⁽³⁾	\$ 1,240,108	\$ 1,315,188	\$ 1,433,873
Restricted	49,785	71,173	58,192	62,402	77,315
Unrestricted	222,411	307,819 ⁽³⁾	558,060	715,255	735,950
Total business-type activities net position	\$ 1,482,157	\$ 1,611,129	\$ 1,856,360	\$ 2,092,845	\$ 2,247,138
Primary government					
Net investment in capital assets	\$ 5,299,898	\$ 5,009,174	\$ 4,875,818	\$ 4,832,766	\$ 4,846,888
Restricted	1,166,226	1,250,138	1,422,061	1,360,392	1,235,802
Unrestricted	(2,755,972)	(2,278,861)	(2,082,253)	(1,782,132)	(1,663,735)
Total primary government net position	\$ 3,710,152	\$ 3,980,451	\$ 4,215,626	\$ 4,411,026	\$ 4,418,955

(1) The decrease in net position as of June 30, 2018, was primarily due to the recording of the City's net OPEB liability in accordance with the GASB Statement No. 75.

(2) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by \$12,408,000, and therefore reducing net position by \$12,408,000.

(3) FY 2022 balances have been restated as a result of implementing GASB 96, Subscription-Based Information Technology Agreements (SBITAs).

(4) FY 2024 balances have been restated as a result of implementing GASB 101, *Compensated Absences*.

SCHEDULE II

**City of San José
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(\$'000'S)**

	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
General government	\$ 122,363	\$ 127,090	\$ 132,157	\$ 142,531	\$ 296,294
Public safety	555,072	694,557	769,305	709,532	813,126
Community services	274,838	310,470	329,222	308,345	301,697
Sanitation	145,516	156,299	164,890	164,677	183,197
Capital maintenance	395,393	444,867	494,007	422,170	476,251
Interest and fiscal charges	56,768	54,844	57,002	46,720	44,771
Total governmental activities expenses	1,549,950	1,788,126	1,946,583	1,793,975	2,115,336
Business-type activities:					
San José Mineta International Airport	201,017	204,774	207,675	224,387	232,002
Wastewater Treatment System	163,985	192,302	203,272	199,350	252,033
Municipal Water System	36,246	42,647	49,156	47,917	51,574
Parking System	13,607	14,269	14,503	16,151	22,559
San José Clean Energy	-	-	1,116	98,909	301,115
Total business-type activities expenses	414,855	453,992	475,722	586,714	859,283
Total primary government expenses	\$ 1,964,805	\$ 2,242,118	\$ 2,422,305	\$ 2,380,689	\$ 2,974,619
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 46,952	48,358	29,565	26,656	19,151
Public safety	23,046	23,164	78,700	88,391	80,077
Community services	129,905	177,436	88,895	106,836	94,080
Sanitation	157,477	143,062	155,772	154,094	171,280
Capital maintenance	66,440	70,842	66,257	59,441	33,924
Operating grants and contributions	107,583	86,779	113,938	108,361	176,843 ⁽¹⁾
Capital grants and contributions	69,848	63,647	97,441	111,278	149,459
Total governmental program revenues	601,251	613,288	630,568	655,057	724,814
Business-type activities:					
Charges for services					
San José Mineta International Airport	182,445	194,057	213,993	223,267	211,141
Wastewater Treatment System	209,056	222,654	252,722	248,830	322,391
Municipal Water System	37,368	44,680	48,615	51,181	52,020
Parking System	16,503	17,612	17,645	19,185	14,763
San José Clean Energy	-	-	-	102,855	336,951
Operating grants and contributions	864	1,233	894	720	486
Capital grants and contributions	15,437	13,258	16,362	24,655	6,334
Total business-type activities program revenues	461,673	493,494	550,231	670,693	944,086
Total primary government revenues	\$ 1,062,924	\$ 1,106,782	\$ 1,180,799	\$ 1,325,750	\$ 1,668,900

SCHEDULE II
(Continued)

City of San José
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(\$000'S)

	2021	2022	2023	2024	2025
Expenses					
Governmental activities:					
General government	\$ 351,491	\$ 230,695	\$ 159,778	\$ 216,898	\$ 189,281
Public safety	783,928	614,802	735,061	780,342	793,659
Community services	345,762	375,192	473,032	519,728	547,438
Sanitation	184,816	202,142	225,979	223,287	248,185
Capital maintenance	487,239	531,355	554,674	548,919	554,141
Interest and fiscal charges	38,021	43,808	52,004	41,335	40,496
Total governmental activities expenses	2,191,257	1,997,994	2,200,528	2,330,509	2,373,200
Business-type activities:					
San José Mineta International Airport	205,378	221,655 ⁽³⁾	210,479	225,969 ⁽⁵⁾	249,349
Wastewater Treatment System	211,098	197,430	233,947	244,530	268,183
Municipal Water System	51,936	53,627	58,219	62,907	73,931
Parking System	12,581	13,143	18,853	17,352	16,901
San José Clean Energy	292,670	332,925	389,416	416,300	460,317
Total business-type activities expenses	773,663	818,780	910,914	967,058	1,068,681
Total primary government expenses	\$ 2,964,920	\$ 2,816,774	\$ 3,111,442	\$ 3,297,567	\$ 3,441,881
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 5,534	8,168	8,662	10,081	10,733
Public safety	22,931	38,900	34,865	36,883	43,111
Community services	120,506	166,966	148,730	155,303	155,272
Sanitation	187,319	208,824	222,595	226,499	235,632
Capital maintenance	30,098	36,426	26,575	34,775	25,501
Operating grants and contributions	250,875	263,444	252,204	158,094	143,932
Capital grants and contributions	99,684	79,426	117,371	171,249	123,551
Total governmental program revenues	716,947	802,154	811,002	792,884	737,732
Business-type activities:					
Charges for services					
San José Mineta International Airport	147,078	205,381	231,305	254,617	272,566
Wastewater Treatment System	237,593	295,728	271,990	282,845	298,804
Municipal Water System	56,123	55,531	61,042	72,377	77,778
Parking System	7,062	12,993	15,036	15,931	17,702
San José Clean Energy	280,388	351,099	515,503	492,262	467,506
Operating grants and contributions	55,804	37,956	32,690	12,341	12,454
Capital grants and contributions	14,412	7,115	14,270	23,688	23,471
Total business-type activities program revenues	798,460	965,803	1,141,836	1,154,061	1,170,281
Total primary government revenues	\$ 1,515,407	\$ 1,767,957	\$ 1,952,838	\$ 1,946,945	\$ 1,908,013

SCHEDULE II
(Continued)

City of San José
Change In Net Position
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
(\$000'S)

	2016	2017	2018	2019	2020
Net (Expenses) Revenues					
Governmental activities	\$ (948,699)	\$ (1,174,838)	\$ (1,316,015)	\$ (1,138,918)	\$ (1,390,522)
Business-type activities	46,818	39,502	74,509	83,979	84,803
Total primary government	(901,881)	(1,135,336)	(1,241,506)	(1,054,939)	(1,305,719)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	404,878	431,138	461,964	497,317	531,075
Utility	113,474	121,046	120,234	120,846	120,213
Franchise	48,949	49,642	51,180	48,397	44,436
Transient occupancy	41,125	45,511	48,854	51,399	35,329
Business license	50,864	54,159	70,673	77,011	71,978
Sales taxes	201,797	207,695	226,337	263,530	260,558
State of California in-lieu	410	467	551	505	826
Unrestricted interest and investment income (loss)	7,790	9,062	6,688	24,165	39,635
Other revenue	2,103	4,459	36,485	34,707	56,435
Gain on sale of capital assets	-	-	-	44,528	5,231
Transfers	3,680	3,387	5,769	3,141	6,391
Total governmental activities	875,070	926,566	1,028,735	1,165,546	1,172,107
Business-type activities:					
Unrestricted interest and investment income (loss)	6,383	3,955	6,322	23,498	33,030
Other revenue	2,314	19,211	4,961	627	654
Transfers	(3,680)	(3,387)	(5,769)	(3,141)	(6,391)
Rate stabilization fund and ten-year lookback distribution	-	-	-	(16,266)	-
Total business-type activities	5,017	19,779	5,514	4,718	27,293
Total primary government	\$ 880,087	\$ 946,345	\$ 1,034,249	\$ 1,170,264	\$ 1,199,400
Change In Net Position					
Governmental activities	\$ (73,629)	\$ (248,272)	\$ (287,280)	\$ 26,628	\$ (218,415)
Business-type activities	51,835	59,281	80,023	88,697	112,096
Total primary government	\$ (21,794)	\$ (188,991)	\$ (207,257)	\$ 115,325	\$ (106,319)

SCHEDULE II
(Concluded)

City of San José
Change In Net Position
Last Ten Fiscal Years
(Accrual Basis Of Accounting)
(\$000'S)

	2021	2022	2023	2024 ⁽⁵⁾	2025
Net (Expenses) Revenues					
Governmental activities	\$ (1,474,310)	\$ (1,195,840)	\$ (1,389,526)	\$ (1,537,625)	\$ (1,635,468)
Business-type activities	24,797	147,023	230,922	187,003	101,600
Total primary government	(1,449,513)	(1,048,817)	(1,158,604)	(1,350,622)	(1,533,868)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	543,347 ⁽²⁾	587,044 ⁽²⁾	591,517	619,705	648,616
Real property transfer tax	50,531 ⁽²⁾	110,015 ⁽²⁾	56,280	56,280	47,677
Utility	127,844	124,906	145,361	152,063	161,886
Franchise	45,628	48,378	44,824	52,476	58,459
Transient occupancy	13,479	26,284	37,287	39,747	43,048
Business license	71,169	85,375	89,627	86,072	87,693
Sales taxes	284,020	323,144	343,472	333,411	331,431
State of California in-lieu	770	1,190	1,041	-	- ⁽⁴⁾
Unrestricted interest and investment income (loss)	14,438	(27,844)	20,666	108,066	102,297
Other revenue	49,798	52,649	42,480	46,499	71,041
Gain on sale of capital assets	6,913	1,766	3,959	-	-
Transfers	3,262	4,260	2,956	2,221	4,036
Total governmental activities	1,211,199	1,337,167	1,379,470	1,496,540	1,556,184
Business-type activities:					
Unrestricted interest and investment income (loss)	1,808	(15,369)	16,043	51,172	65,378
Other revenue	1,712	1,307	1,222	401	1,743
Transfers	(3,262)	(4,260)	(2,956)	(2,221)	(4,036)
Rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Total business-type activities	258	(18,322)	14,309	49,352	63,085
Total primary government	\$ 1,211,457	\$ 1,318,845	\$ 1,393,779	\$ 1,545,892	\$ 1,619,269
Change In Net Position					
Governmental activities	\$ (263,111)	\$ 141,327	\$ (10,056)	\$ (41,085)	\$ (79,284)
Business-type activities	25,055	128,701	245,231	236,355	164,685
Total primary government	\$ (238,056)	\$ 270,028	\$ 235,175	\$ 195,270	\$ 85,401

(1) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by \$12,408,000, and therefore reducing revenue by \$12,408,000

(2) FY 2021 and FY 2022 balances have been restated as a result of reclassification between Real property transfer tax and Property and other taxes.

(3) FY 2022 balances have been restated as a result of implementing GASB 96, SBITA.

(4) State of California in-lieu was deemed immaterial and is included in Other Revenue.

(5) FY 2024 balances have been restated as a result of implementing GASB 101, *Compensated Absences*.

SCHEDULE III

City of San José
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(\$000'S)

	2016	2017	2018	2019	2020
General Fund					
Nonspendable	\$ 186	\$ 170	\$ 153	\$ 153	\$ 121
Restricted	1,265	690	1,057	1,370	2,007
Committed	84,998	96,026	97,809	100,147	95,414
Assigned	167,239	136,093	111,509	168,961	283,322
Unassigned	65,351	79,853	82,494	143,868	79,368
Total General Fund	\$ 319,039	\$ 312,832	\$ 293,022	\$ 414,499	\$ 460,232
Other Governmental Funds					
Nonspendable	\$ 243	\$ 340	\$ -	\$ -	\$ -
Restricted	909,733	960,159	978,565	1,014,467	1,276,750
Committed	55,435	59,319	57,892	69,451	51,460
Assigned	82,785	82,584	94,797	93,500	96,038
Unassigned	-	-	-	(32,668)	(27,705)
Total Other Governmental Funds	\$ 1,048,196	\$ 1,102,402	\$ 1,131,254	\$ 1,144,750	\$ 1,396,543 ⁽¹⁾
	2021	2022	2023	2024	2025
General Fund					
Nonspendable	\$ 104	\$ 88	\$ 88	\$ 55	\$ 39
Restricted	307	303	300	300	300
Committed	73,580	67,343	98,507	108,515	181,200
Assigned	331,310	279,356	458,289	423,942	436,484
Unassigned	8,041	225,967	127,858	142,302	22,921
Total General Fund	\$ 413,342	\$ 573,057	\$ 685,042	\$ 675,114	\$ 640,944
Other Governmental Funds					
Nonspendable	\$ 4	\$ -	\$ -	\$ -	\$ -
Restricted	1,298,955	1,452,020	1,349,185	1,256,141	1,148,918
Committed	93,721	102,159	108,406	120,214	121,839
Assigned	99,068	94,222	94,971	93,833	98,059
Unassigned	(44,395)	(20)	(8,031)	(3,510)	(20)
Total Other Governmental Funds	\$ 1,447,353	\$ 1,648,381	\$ 1,544,531	\$ 1,466,678	\$ 1,368,796

(1) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by \$12,408,000, and therefore reducing fund balance by \$12,408,000



SCHEDULE IV

City of San José
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(\$000'S)

	2016	2017	2018	2019	2020
REVENUES					
Taxes and special assessments	\$ 653,663	\$ 721,419	\$ 778,815	\$ 819,139	\$ 820,215
Sales taxes	228,317	207,695	226,337	263,530	260,558
Licenses, permits, and fines	69,856	75,173	74,859	80,725	77,747
Intergovernmental	81,133	87,622	94,202	102,328	217,546 ⁽²⁾
Charges for current services	257,212	251,447	279,045	269,807	243,745
Rent	43,284	50,838	53,415	60,974	49,387
Investment income and other revenues	118,903	131,895	122,980	135,047	187,121
Total revenues	1,452,368	1,526,089	1,629,653	1,731,550	1,856,319
EXPENDITURES					
General government	108,505	110,853	115,276	151,295	229,369
Public safety	516,614	537,287	594,768	623,853	642,840
Community services	241,644	258,167	266,818	255,471	262,653
Sanitation	145,008	151,310	158,025	163,271	182,625
Capital maintenance	231,467	259,199	293,096	235,456	298,232
Capital outlay	60,049	68,197	81,311	138,176	90,167
Debt service:					
Principal	53,405	56,139	185,982	73,022	99,034
Interest and fiscal charges	59,007	57,103	57,557	49,129	49,852
Payment to refunded bond escrow agent	-	-	-	-	-
Total expenditures	1,415,699	1,498,255	1,752,833	1,689,673	1,854,772
Excess (deficiency) of revenues over (under) expenditures	36,669	27,834	(123,180)	41,877	1,547
OTHER FINANCING SOURCES (USES)					
Inception of lease	-	-	-	-	-
Inception of subscription-based information technology arrangement	-	-	-	-	-
Proceeds from SARA refunding	-	-	92,620	-	-
Bonds issued	-	-	-	-	502,020
Bond premium	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Premium / (discount) on bonds	-	-	-	-	80,821
Payment to refunded bond escrow agent	-	-	(1,705)	-	(297,366)
Proceeds from sale of capital assets	3,848	17,602	38,187	160,943	5,352
Transfers in	96,561	128,089	129,801	196,800	135,966
Transfers out	(93,334)	(125,526)	(126,681)	(197,647)	(130,814)
Escrow payment to the County of Santa Clara	-	-	-	(67,000)	-
Total other financing sources (uses)	7,075	20,165	132,222	93,096	295,979
Net change in fund balances	\$ 43,744	\$ 47,999	\$ 9,042	\$ 134,973	\$ 297,526
Debt service as a percentage of noncapital expenditures ⁽¹⁾	8.29%	7.92%	14.57%	7.87%	8.44%

SCHEDULE IV
(Concluded)

City of San José
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(\$000'S)

	2021	2022	2023	2024	2025
REVENUES					
Taxes and special assessments	\$ 866,088	\$ 993,637	\$ 977,408	\$ 1,020,007	\$ 1,061,252
Sales taxes	284,020	323,144	343,472	333,411	331,431
Licenses, permits, and fines	28,344	37,206	35,469	36,014	42,252
Intergovernmental	261,451	298,378	310,612	225,484	247,834
Charges for current services	252,441	292,686	300,110	314,943	318,631
Rent	13,331	31,508	46,682	58,820	63,324
Investment income and other revenues	188,433	164,493	162,020	230,909	240,845
Total revenues	1,894,108	2,141,052	2,175,773	2,219,588	2,305,569
EXPENDITURES					
General government	294,300	243,157	163,545	206,134	210,659
Public safety	678,689	727,257	758,025	788,243	841,868
Community services	330,076	355,397	438,791	490,055	515,497
Sanitation	190,402	207,788	227,492	225,944	248,691
Capital maintenance	321,876	374,102	383,867	383,910	383,000
Capital outlay	104,823	58,488	91,403	116,869	141,927
Debt service:					
Principal	63,236	93,245	65,225	60,116	60,991
Interest and fiscal charges	42,762	45,313	57,233	47,663	46,558
Payment to refunded bond escrow agent	31,750	12,194	-	-	-
Total expenditures	2,057,914	2,116,941	2,185,581	2,318,934	2,449,191
Excess (deficiency) of revenues over (under) expenditures	(163,806)	24,111	(9,808)	(99,346)	(143,622)
OTHER FINANCING SOURCES (USES)					
Inception of lease	-	-	11,378	13,417	442
Inception of subscription-based information technology arrangement	-	-	-	1,555	8,193
Proceeds from SARA refunding	-	-	-	-	-
Bonds issued	155,012	273,980	-	-	-
Bond premium	-	54,331	-	-	-
Refunding bonds issued	347,143	115,190	-	-	-
Premium / (discount) on bonds	-	-	-	-	-
Payment to refunded bond escrow agent	(344,516)	(115,238)	1	-	-
Proceeds from sale of capital assets	7,020	4,252	4,962	68	-
Transfers in	138,958	86,318	106,265	103,698	112,035
Transfers out	(135,891)	(82,201)	(104,663)	(106,778)	(109,497)
Escrow payment to the County of Santa Clara	-	-	-	-	-
Total other financing sources (uses)	167,726	336,632	17,943	11,960	11,173
Net change in fund balances	\$ 3,920	\$ 360,743	\$ 8,135	\$ (87,386)	\$ (132,449)
Debt service as a percentage of noncapital expenditures ⁽¹⁾⁽³⁾	5.43%	6.73%	5.85%	4.89%	4.66%

(1) Debt ratio was calculated by dividing principal and interest components by total government expenditures excluding capital outlay.

(2) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by \$12,408,000, and therefore reducing revenue by \$12,408,000.

(3) FY 2022 and the prior years' debt ratio was recalculated to exclude payments to refunded bond escrow agent.



SCHEDULE V

City of San José
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(\$000'S)

Fiscal Year	City			Net Taxable Assessed Value	Former Agency / SARA			Net Taxable Assessed Value	Total Direct Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2016	\$ 127,846,046	\$ 4,240,467	\$ 5,067,884	\$ 127,018,629	\$ 19,976,466	\$ 3,879,443	-	\$ 23,855,909	0.178
2017	135,539,046	4,363,681	5,113,275	134,789,452	22,520,225	4,097,930	-	26,618,155	0.177
2018	143,343,719	4,654,231	5,768,938	142,229,012	24,820,811	4,223,132	-	29,043,943	0.175
2019	147,901,467	3,386,453	5,943,435	145,344,485	31,666,615	5,662,780	-	37,329,395	0.173
2020	159,210,811	3,861,480	6,073,328	156,998,963	33,114,555	5,956,381	-	39,070,936	0.178
2021	172,319,398	5,197,726	6,511,229	171,005,895	31,724,871	4,683,814	-	36,408,685	0.173
2022	179,688,813	5,058,233	6,483,972	178,263,074	33,236,762	4,732,371	-	37,969,133	0.177
2023	192,519,732	5,633,061	7,198,062	190,954,731	35,069,175	5,423,524	-	40,492,699	0.175
2024	204,273,586	6,600,486	7,551,148	203,322,924	37,418,382	5,767,579	-	43,185,961	0.173
2025	214,792,067	7,365,168	8,035,400	214,121,835	38,814,519	5,886,825	-	44,701,344	0.172

Note:

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

Source: Department of Finance, County of Santa Clara

SCHEDULE VI

City of San José
Property Tax Rates - All Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City of San José:										
General purpose	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156	0.156
Debt service	0.022	0.021	0.019	0.017	0.022	0.017	0.021	0.019	0.017	0.016
Total Direct Rate	0.178	0.177	0.175	0.173	0.178	0.173	0.177	0.175	0.173	0.172
Santa Clara County	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292	0.292
School districts	0.717	0.703	0.679	0.670	0.650	0.664	0.657	0.654	0.646	0.647
Special districts	0.029	0.032	0.030	0.028	0.028	0.028	0.029	0.028	0.028	0.028
Total direct and overlapping rates	1.216	1.204	1.176	1.162	1.148	1.157	1.155	1.149	1.139	1.139

Note: The above tax rates are applied per \$100 of assessed valuation.

Source: Department of Finance, County of Santa Clara

SCHEDULE VII

**City of San José
Principal Property Taxpayers
Current Year and Nine Years Ago
(\$000'S)**

2025			2016		
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Google LLC	\$ 1,418,226	0.55%	Cisco Systems, Inc.	\$ 1,139,943	0.76%
Essex Portfolio, L.P.	1,221,617	0.47%	Essex Portfolio, L.P.	897,088	0.59%
Adobe Inc.	1,201,882	0.46%	Sobrato Interests	580,145	0.38%
Cisco Systems, Inc.	1,095,284	0.42%	FRIT San Jose Town & Country Village, LLC	554,947	0.37%
San Jose Water Works	1,054,524	0.41%	The Irvine Company LLC	551,188	0.37%
VF Mall LLC	996,232	0.38%	M West Propco	549,748	0.36%
FRIT San Jose Town & Country Village LLC	880,401	0.34%	VF Mall LLC	523,844	0.35%
SJCCRE1 LLC	786,230	0.30%	San Jose Water Works	411,601	0.27%
River View Apartments	727,055	0.28%	Tishman Speyer Archstone-Smith	291,863	0.19%
SJ Park Almaden LLC	695,138	0.27%	eBay Inc.	384,064	0.25%
Total assessed property valuation, local secured net	\$ 10,076,589	3.88%		\$ 5,884,431	3.89%

Total City of San José net assessed property valuation (including the former Redevelopment Agency):

FY 2015-2016		<u>\$150,874,538</u>
FY 2024-2025	<u>\$258,823,179</u>	

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

SCHEDULE VIII

**City of San José
Property Tax Levies and Collections
Last Ten Fiscal Years
(\$000'S)**

Fiscal Year	Tax Levied for the Fiscal Year		Collected within the Fiscal Year of Levy	
			Amount	Percent of Levy
2016	\$	168,813	\$ 168,813	100.0
2017		178,527	178,527	100.0
2018		187,179	187,029	99.9
2019		200,994	200,978	100.0
2020		211,117	212,087	100.5
2021		223,549	224,449	100.4
2022		231,874	232,521	100.3
2023		254,277	254,933	100.3
2024		264,604	265,176	100.2
2025		279,465	279,364	100.0

Note: The tax levied for the current year is based on estimates provided by the County of Santa Clara. No collections in subsequent years.

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

SCHEDULE IX

City of San José
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(\$000'S)

Governmental Activities										
Fiscal Year	General Obligation Bonds	Notes & Loans	Lease Revenue Bonds	Direct Placements	Special Assessment Bonds	Revenue Bonds	Leases	SBITA	Total Governmental Activities	
2016	\$ 387,403	\$ 2,157	\$ 579,326	\$ -	\$ 139,434	\$ 117,715	\$ 37,209			\$ 1,263,244
2017	367,469	1,917	561,102	-	134,467	104,685	35,495			1,205,135
2018	347,530	1,200	505,519	-	129,228	-	33,704			1,017,181
2019	327,591	-	445,731	13,090	123,714	-	13,891			924,017
2020	545,984	-	421,585	11,175	109,332	-	12,431			1,100,507
2021	519,304	-	540,773	-	103,631	-	-			1,163,708
2022	699,184	-	684,411	-	3,524	-	4,893			1,392,012
2023	659,786	-	662,242	-	-	-	14,216	16,162		1,352,406
2024	628,190	-	637,078	-	-	-	23,277	12,704		1,301,249
2025	596,919	-	610,699	-	-	-	21,081	14,277		1,228,699

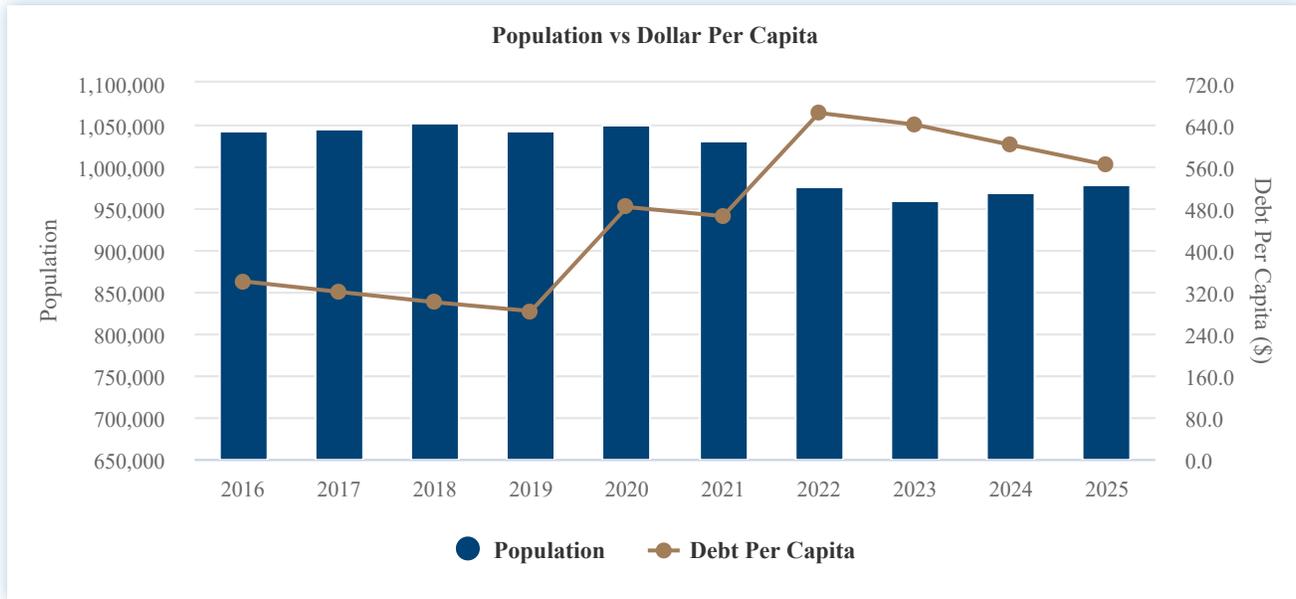
Business-type Activities											
Fiscal Year	Airport Revenue Bonds	Clean Water Revenue Bonds	Wastewater Revenue Bonds	Wastewater Revolving Fund Loans	Notes Payable (Direct Borrowings)	Leases	SBITA	Total Business-type Activities	Total Primary Government	Percentage of Property Value	Debt Per Capita (not in 000's)
2016	\$ 1,325,579	\$ 27,138	\$ -	\$ 10,399	\$ -	\$ -	\$ -	\$ 1,363,116	\$ 2,626,360	1.74%	\$ 2,520.27
2017	1,310,332	21,116	-	6,125	-	-	-	1,337,573	2,542,708	1.58%	\$ 2,430.70
2018	1,261,909	15,846	-	1,772	18,490	-	-	1,298,017	2,315,198	1.34%	\$ 2,202.19
2019	1,229,409	10,756	-	-	89,076	-	-	1,329,241	2,253,258	1.23%	\$ 2,160.24
2020	1,194,784	5,456	-	-	106,920	-	-	1,307,160	2,407,667	1.23%	\$ 2,294.79
2021	1,146,872	-	-	-	150,368	-	-	1,297,240	2,460,948	1.19%	\$ 2,389.31
2022	1,138,859	-	-	-	236,870	363	-	1,376,092	2,768,104	1.28%	\$ 2,834.77
2023	1,130,509	-	300,512	-	98	800	3,272	1,435,191	2,787,597	1.20%	\$ 2,906.00
2024	1,100,229	-	295,470	-	40,098	2,412	2,120	1,440,329	2,741,578	1.11%	\$ 2,827.85
2025	1,060,689	-	290,223	-	40,098	5,137	1,587	1,396,147	2,624,846	1.02%	\$ 2,696.21

Note: (1) Total general obligation, lease revenue, airport revenue, and wastewater bonds includes the net premium/(discount)

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

SCHEDULE X

City of San José
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(\$000'S)



Fiscal Year	Outstanding General Debt ⁽¹⁾			Net Position Restricted for GO Bond Debt Service	Net General Bonded Debt	Net Assessed Value	Population	Ratio of Total General Bonded Debt to Net Assessed Value	Net General Bonded Debt Per Capita (not in 000's) ⁽²⁾
	General Obligation Bonds	Premium/ (Discount) Net	Total General Bonded Debt						
2016	\$ 382,085	\$ 5,318	\$ 387,403	\$ 33,099	\$ 354,304	\$ 150,874,538	1,042,094	0.002568	\$ 339.99
2017	362,430	5,039	367,469	33,028	334,441	161,407,607	1,046,079	0.002277	319.71
2018	342,770	4,760	347,530	32,309	315,221	171,272,955	1,051,316	0.002029	299.83
2019	323,110	4,481	327,591	32,552	295,039	182,673,880	1,043,058	0.001793	282.86
2020	468,980	77,004	545,984	40,265	505,719	196,069,899	1,049,187	0.002785	482.01
2021	446,460	72,844	519,304	40,867	478,437	207,414,581	1,029,782	0.002504	464.60
2022	582,110	117,074	699,184	52,576	646,608	216,232,207	976,482	0.003233	662.18
2023	548,595	111,191	659,786	46,154	613,632	231,447,430	959,256	0.002851	639.70
2024	522,815	105,375	628,190	45,672	582,518	246,508,885	969,491	0.002548	600.85
2025	497,265	99,654	596,919	45,964	550,955	258,823,179	979,415	0.002306	562.53

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

(1) Effective FY 2017, Net General Bonded Debt is used to calculate ratio. The FY 2016 ratio of Net General Bonded Debt to Net Assessed Value and Net General Bonded Debt per Capita was restated.

(2) Effective FY 2023, Net General Debt Per Capita is calculated using Total General Bonded Debt net of Net Position restricted for Debt Service value for the year. Years prior to FY 2023 have restated the Ratio of Net General Bonded Debt Per Capita.

Source: Finance Department, City of San José

State of California, Department of Finance, Population Estimates for California Cities

SCHEDULE XI

City of San José
Schedule of Direct and Overlapping Bonded Debt
June 30, 2025
(000's)

City Net Taxable Assessed Valuation		\$ 258,823,179	
	<u>% Applicable</u>	<u>Outstanding Debt</u> as of 06/30/25	<u>Estimated Share of</u> Overlapping Debt
City Direct Debt	100.00%	\$ 1,228,699	\$ 1,228,699
Direct Tax and Assessment Debt:			
City of San José Community Facilities Districts	100.00%	\$ -	\$ -
City of San José Special Assessment Bonds	100.00%	-	-
		-	-
Overlapping Tax and Assessment Debt:			
Alum Rock Union School District	76.87%	181,335	139,396
Berryessa Union School District	92.39%	160,262	148,064
Cambrian School District	65.50%	113,750	74,507
Campbell Union High School District	60.14%	318,105	191,299
Campbell Union School District	48.07%	240,714	115,704
Cupertino Union School District	15.75%	294,953	46,455
East Side Union High School District	95.63%	740,599	708,235
Evergreen School District	99.43%	115,501	114,843
Foothill-DeAnza Community College District	3.79%	592,801	22,449
Franklin-McKinley School District	99.63%	186,810	186,119
Fremont Union High School District	8.46%	717,450	60,725
Gavilan Joint Community College District	4.68%	229,425	10,728
Los Gatos Union School District	1.62%	116,965	1,890
Los Gatos-Saratoga Joint Union High School District	0.80%	72,445	581
Luther Burbank School District	19.73%	16,568	3,270
Midpeninsula Regional Open Space District	0.01%	114,920	11
Moreland School District	74.85%	134,544	100,708
Morgan Hill Unified School District	11.06%	158,425	17,530
Mount Pleasant School District	88.45%	47,047	41,614
Oak Grove School District	99.93%	263,090	262,913
Orchard School District	100.00%	33,867	33,867
San José Unified School District	98.53%	412,539	406,458
San José-Evergreen Community College District	85.37%	940,705	803,051
Santa Clara County	36.99%	1,217,905	450,552
Santa Clara Unified School District	20.38%	958,135	195,277
Santa Clara Valley Water District Benefit Assessment District	36.99%	24,940	9,226
Union School District	72.75%	134,455	97,820
West Valley Community College District	31.34%	631,255	197,810
Subtotal Overlapping Tax and Assessment Debt		<u>9,169,509</u>	<u>4,441,103</u>
Total Direct and Overlapping Tax and Assessment Debt		<u>9,169,509</u>	<u>4,441,103</u>
Overlapping Other Debt:			
Berryessa Union School District Certificates of Participation	92.39%	1,492	1,378
Campbell Union High School District General Fund Obligations	60.14%	12,500	7,517
Campbell Union School District General Fund Obligations	48.07%	855	411
Cupertino Union School District General Fund Obligations	15.75%	40,233	6,337

SCHEDULE XI

City of San José
Schedule of Direct and Overlapping Bonded Debt
June 30, 2025
(000's)

East Side Union High School District Post Employment Obligations	95.63%	22,465	21,483
Franklin-McKinley School District General Fund Obligations	99.63%	10,085	10,048
Midpeninsula Regional Open Space Park District General Fund Obligations	0.01%	74,066	7
Morgan Hill Unified School District Certificates of Participation	11.06%	13,505	1,494
San Jose Unified School District Certificates of Participation	98.53%	1,685	1,660
San Jose-Evergreen Community College District Benefit Obligations	85.37%	46,575	39,760
Santa Clara County Board of Education Certificates of Participation	36.99%	12,072	4,466
Santa Clara County General Fund Obligations	36.99%	1,002,459	370,850
Santa Clara County Pension Obligation Bonds	36.99%	317,655	117,513
Santa Clara Unified School District Certificates of Participation	20.38%	10,859	2,213
West Valley-Mission Community College District General Fund Obligations	31.34%	2,520	790
Total Gross Direct and Overlapping General Fund Debt		<u>1,569,026</u>	<u>585,927</u>
Total Overlapping Debt		<u>\$ 10,738,535</u>	
Total Direct and Overlapping Debt			<u>\$ 5,027,030</u>

Note:

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

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

SCHEDULE XII

City of San José
Legal Debt Margin Information
Last Ten Fiscal Years
(\$000'S)

	2016	2017	2018	2019	2020
Calculation of Debt Limit					
Gross assessed value for fiscal year	\$ 155,942,422	\$ 166,520,882	\$ 177,041,893	\$ 188,617,315	\$ 202,143,227
Debt limit at 15% of assessed value ⁽¹⁾	x .15				
Debt limit applicable to fiscal year	\$ 23,391,363	\$ 24,978,132	\$ 26,556,284	\$ 28,292,597	\$ 30,321,484
Calculation of Legal Debt Margin					
Debt limit applicable to fiscal year	\$ 23,391,363	\$ 24,978,132	\$ 26,556,284	\$ 28,292,597	\$ 30,321,484
Total general obligation bonds ⁽²⁾	387,403	367,469	347,530	327,591	545,984
Legal debt margin	\$ 23,003,960	\$ 24,610,663	\$ 26,208,754	\$ 27,965,006	\$ 29,775,500
Percentage of outstanding debt subject to legal debt limit	1.7%	1.5%	1.3%	1.2%	1.8%
Calculation of Debt Limit					
2021					
Gross assessed value for fiscal year	\$ 213,925,810	\$ 222,716,179	\$ 238,645,492	\$ 254,060,033	\$ 266,858,579
Debt limit at 15% of assessed value ⁽¹⁾	x .15				
Debt limit applicable to fiscal year	\$ 32,088,872	\$ 33,407,427	\$ 35,796,824	\$ 38,109,005	\$ 40,028,787
Calculation of Legal Debt Margin					
Debt limit applicable to fiscal year	\$ 32,088,872	\$ 33,407,427	\$ 35,796,824	\$ 38,109,005	\$ 40,028,787
Total general obligation bonds ⁽²⁾	519,304	699,184	659,786	628,190	596,919
Legal debt margin	\$ 31,569,568	\$ 32,708,243	\$ 35,137,038	\$ 37,480,815	\$ 39,431,868
Percentage of outstanding debt subject to legal debt limit	1.6%	2.1%	1.8%	1.6%	1.5%

Note: The prior years' debts applicable to the limit were restated to be offset by the amounts that the applicable law expressly allows. Accordingly, the legal debt margin is recalculated.

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

(2) Total general obligation bonds includes the net premium/(discount)

Source: Finance Department, County of Santa Clara

Finance Department, City of San José

SCHEDULE XIII

**City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
(\$000'S)**

Year	San José Mineta International Airport									
	Gross Revenues and Other Available Funds ^{(1), (6)}	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Available Passenger Facility Charges ⁽⁴⁾	Net Bond Debt Service Payable from Revenues	Coverage ^{(3),(4),(5)}	
				Principal	Interest	Total				
2016	\$ 145,809	\$ 73,118	\$ 144,157	\$ 71,466	\$ 23,986	\$ 95,452	\$ 24,829	\$ 70,623	2.04	
2017	156,278	77,577	156,577	77,876	17,784	95,660	24,789	70,871	2.21	
2018	173,862	85,584	166,435	78,157	25,609	103,766	24,792	78,974	2.11	
2019	181,195	92,572	151,369	62,746	29,755	92,501	27,026	65,475	2.31	
2020	183,201	97,122	137,167	51,088	42,170	93,258	27,479	65,779	2.09	
2021	191,237 ⁽⁷⁾	89,924 ⁽⁷⁾	142,812	41,100	52,807	93,907	14,339	78,379	1.82	
2022	213,330	97,717 ⁽⁸⁾	147,840	32,226	13,479	45,705	12,420	33,285	4.44	
2023	235,654	105,362	174,279	43,897	3,585	47,482	13,640	33,842	5.15	
2024	245,012	116,411 ⁽⁹⁾	158,030	29,429	39,976	69,405	23,072	46,333	3.41	
2025	300,785	121,815	178,970	35,444	38,217	73,661	23,788	49,873	3.59	

- (1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges and other items as defined in the Master Trust Agreement.
- (2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.
- (3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.
- (4) Under the Master Trust Agreement, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt services. The amount of Debt Service is reduced by the amount Available Passenger Facility Charges designated by the City and deposited with Trustee to pay Debt Service.
- (5) The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service will be at least 125% of annual debt service for each fiscal year.
- (6) Other Available Funds includes Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior fiscal year, unspent bond proceeds in FY16 and FY17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.
- (7) FY 2021 revised amounts to reflect restated revenues and expenses related to GASB Statement No. 87.
- (8) FY 2022 amounts were revised to reflect restated expenses related to GASB Statement No. 96.
- (9) FY 2024 amounts were revised to reflect restated expenses related to GASB Statement No. 101.

SCHEDULE XIII
(Continued)City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
(\$000'S)

Year	Clean Water Financing Authority - Sewer Revenue Bonds								Coverage ⁽³⁾⁽⁴⁾
	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Total		
				Principal	Interest	Total			
2016	\$ 168,436	\$ 95,200	\$ 73,236	\$ 5,795	\$ 1,121	\$ 6,916	10.59		
2017	173,796	108,657	65,139	5,855	906	6,761	9.63		
2018	185,816	125,384	60,432	5,145	713	5,858	10.32		
2019	186,185	104,159	82,026	4,965	537	5,502	14.91		
2020	191,816	136,437	55,379	5,175	322	5,497	10.07		
2021	191,906	105,547	86,359	5,410	87	5,497	15.71		
2022 ⁽⁵⁾	-	-	-	-	-	-	N/A		
2023	-	-	-	-	-	-	N/A		
2024	-	-	-	-	-	-	N/A		
2025	-	-	-	-	-	-	N/A		

(1) Includes operating revenues, operating grants/contributions, and other revenues.

(2) Includes operating expenses less depreciation and amortization.

(3) The City has covenanted in the Improvement Agreement that net system revenues will be at least 115% of its allocable percentage of annual debt service.

(4) Debt Coverage Ratio is calculated based on San José revenues only.

(5) No debt service was required since 2021 because the relevant bond matured in November 2021 and no new debt has been issued since.

Source: Environmental Services Department, City of San José

**SCHEDULE XIII
(Concluded)**

**City of San José
Revenue Bond Coverage
Last Ten Fiscal Years
(\$000'S)**

Year	San José Financing Authority - Wastewater Revenue Bonds							Coverage ⁽³⁾⁽⁴⁾
	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements				
				Principal	Interest	Total		
2023 ⁽⁵⁾ \$	229,617	\$ 174,426	\$ 55,191	-	\$ 7,305	\$ 7,305	7.56	
2024	234,629	177,345	57,284	-	17,270	17,270	3.22	
2025	267,127	198,754	68,373	4,365	12,907	17,272	5.06	

- (1) Includes operating revenues (excludes South Bay Water Recycling revenue) , operating grants/contributions, and other revenues.
- (2) Includes operating expenses less depreciation and amortization.
- (3) The City has covenanted in the Improvement Agreement that net system revenues will be at least 115% of its allocable percentage of annual debt service.
- (4) The Debt Coverage Ratio is calculated using San Jose pledged revenues, excluding the South Bay Recycling Program. Refer to the updated Master Resolution for further details.
- (5) The revenue bonds Series 2022B were issued in FY2023 hence no information is shown for prior periods.

Source: Environmental Services Department, City of San José

SCHEDULE XIV

City of San José
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Net Taxable Assessed Values (\$000's)	Per Capita Taxable Property Values	Unemployment Rate (%)
2016	1,042,094	\$ 150,874,538	\$ 144,780	4.2
2017	1,046,079	161,407,607	154,298	3.7
2018	1,051,316	171,272,955	162,913	2.9
2019	1,043,058	182,673,880	175,133	2.9
2020	1,049,187	196,069,899	186,878	10.8
2021	1,029,782	207,414,581	201,416	5.7
2022	976,482	216,232,207	221,440	2.8
2023	970,772	231,447,430	241,278	3.7
2024	969,491	246,508,885	254,266	4.5
2025	979,415	258,823,179	264,263	4.7 ⁽⁴⁾

Note:

- (1) Data pertaining to personal income is not readily available, thus the City used taxable assessed values to calculate per capita taxable property values.
- (2) Population count only reflects preliminary numbers per the State's press release
- (3) Unemployment rate reflects the rate as of 7/1 after fiscal year end
- (4) Beginning in 2025, the unemployment rate reflects the rate on 6/1 of the year.

Sources: *State of California, Department of Finance, Population Estimates for California Cities*
Finance Department, County of Santa Clara
State of California, Employment Development Department, Labor Market Information Division; Unemployment in San José MSA

SCHEDULE XV

**City of San José
Principal Employers
Current Year and Nine Years Ago**

Company or Organization	2025			2016		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	24,000	1	4.71%	17,800	1	3.44%
City of San José	8,053 ⁽¹⁾	2	1.58%	6,679 ⁽¹⁾	3	1.29%
Cisco Systems, Inc.	7,500	3	1.47%	14,000	2	2.71%
Kaiser Permanente	4,400	4	0.86%	2,100	10	0.41%
San José State University	4,300	5	0.84%	4,300	4	0.83%
Broadcom Inc.	3,206 ⁽²⁾	6	0.63%	1,700 ⁽²⁾	13	0.33%
Second Harvest of Silicon Valley	3,004	7	0.59%	n/a	n/a	n/a
Paypal Inc.	2,748	8	0.54%	2,800	7	0.54%
Adobe Inc.	2,604	9	0.51%	2,100	9	0.41%
Target Corporation	2,460	10	0.48%	1,900	12	0.37%
Super Micro Computer, Inc.	2,422	11	0.48%	n/a	n/a	n/a
eBay Inc.	2,364	12	0.46%	2,800	6	0.54%
Western Digital Corporation	2,221	13	0.44%	3,000	5	0.58%
IBM Corporation	1,854	14	0.36%	2,800	8	0.54%
Good Samaritan Hospital	1,850	15	0.36%	2,000	11	0.39%

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time-Equivalents (FTEs) employees presented in the Proposed Budget Document.

(n/a) Company or Organization not included in top 15 principal employers in 2016.

(2) Broadcom completed the acquisition of Brocade Communications in November 2017. FY2015-2016 ACFR lists Brocade Communications ranking no. 13.

Source: California Employment Development Department, Labor Market Information Division
 City of San José FY 2025-2026 Proposed Operating Budget
 City of San José Finance Department
 (payroll division)
 FY 2015-2016 ACFR

SCHEDULE XVI

City of San José
Full-Time and Part-Time City Employees
Last Ten Fiscal Years

	Full-Time and Part-Time Employees as of June 30th ⁽¹⁾									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Airport	164	180	204	206	209	199	190	209	221	222
City Attorney's Office	79	76	79	86	82	83	82	90	89	87
City Auditor's Office	14	15	14	11	15	13	13	13	14	12
City Clerk's Office	14	13	14	12	14	14	14	19	16	17
City Council & Mayor	90	95	104	102	120	113	109	104	102	96
City Manager's Office	65	65	70	81	87	83	91	94	96	86
Energy	0	0	5	21	25	30	32	42	55	68
Environmental Services	460	489	492	485	488	492	487	513	523	534
Finance	124	111	113	123	120	119	128	128	135	134
Fire	779	781	771	798	794	795	794	771	774	800
Housing	51	55	61	64	70	83	99	108	112	110
Human Resources	46	46	48	44	50	190 ⁽²⁾	48	64	59	50
Independent Police Auditor	6	5	6	5	6	6	6	5	5	6
Information Technology	68	76	66	82	85	86	96	107	110	103
Library	643	574	554	557	552	511	545	587	550	559
Office of Economic Development	59	66	60	58	70	64	66	70	64	59
Parks, Recreation & Neighborhood Services	1,160	1,178	1,698	1,783	1,539	1,481	1,434	1,844	1,984	1,762
Planning, Building & Code Enforcement	289	284	299	292	289	273	247	266	288	270
Police	1,569	1,682	1,807	1,836	1,872	1,877	1,831	1,793	1,833	1,833
Public Works	535	557	575	592	598	602	596	659	674	680
Retirement Services	36	35	34	38	39	38	42	46	48	50
Transportation	428	422	453	452	451	475	463	512	510	515
Total	6,679	6,805	7,527	7,728	7,575	7,627	7,413	8,044	8,262	8,053

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time-Equivalents (FTEs) employees presented in the Proposed Budget Document.

(2) City hired a large number of temporary unbenefited employees to support COVID-19 vaccination sites in 2021 through a program managed by the Human Resources Department.

Source: Finance Department, Payroll Division, City of San José



**City of San José
Operating Indicators
Last Ten Fiscal Years**

	2016	2017	2018	2019	2020
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	76,050	104,377 ⁽²⁾	128,242	141,454	119,018
Cargo Commercial Airlines Operations	1,570	1,654	1,596	1,562	1,494
Taxi / Commuter Commercial	19,055	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾
General Aviation	34,670	34,105	35,664	48,762	47,724
Military Flights	241	279	249	230	148
Landings Per Day:					
Commercial	132	143	176	194	165
General Aviation	47	47	49	67	65
Number of Passengers Per Year	10,000,000	11,200,000	13,500,000	14,900,000	11,300,000
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	92	101	105	109	104
Muni Water Consumption Per Year (in bil. gal.)	6.4	6.5	6.6	6.5	6.6
Recycled Materials:					
Tons of Recyclables	85,239	96,363	78,606	84,344	87,084
Tons of Yard Trimmings	115,682	129,136	122,375	126,491	127,899
Gallons of Used Motor Oil	65,428	64,571	49,714	56,857	46,571
FIRE:					
Fires Per Year	1,950	2,300	3,284	3,076	3,675
Hazardous Materials Incidents Per Year	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
Fire Safety Code Inspections Per Year	15,000	17,000	19,585	19,573	18,672
Emergency Medical Calls Per Year	54,000	55,000	57,715	57,509	56,454
LIBRARIES:					
Circulation	9,705,777	9,228,155	8,372,753	8,613,193	6,992,895
Reference Questions	550,000	450,000	500,000	600,000	360,000
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	683,913	779,077	785,581	828,233	709,764
POLICE:					
911 Calls Per Year	563,000	565,000	610,000	608,000	639,000
311 Calls Per Year	385,000	382,000	426,800	441,000	523,000
Cases Investigated Per Year	22,000	23,000	30,200	34,000	35,500
BUILDING PERMITS:					
Number issued:					
New Buildings	742	885	858	1,325	1,240
Building Alterations	4,998	6,474	6,049	5,626	4,665
Value:					
New Buildings (in \$)	866,643,670	1,002,500,194	1,131,512,740	938,617,645	1,160,972,661
Building Alterations (in \$)	770,315,772	967,071,695	630,571,262	896,629,696	725,204,828

SCHEDULE XVII
(Concluded)

City of San José
Operating Indicators
Last Ten Fiscal Years

	2021	2022	2023	2024	2025
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	54,558 ⁽³⁾	87,824	111,318	110,011	105,836
Cargo Commercial Airlines Operations	1,534	1,147	1,350	1,475	1,045
Taxi / Commuter Commercial	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾
General Aviation	36,389	49,653	55,483	53,497	52,996
Military Flights	118	293	26	149	84
Landings Per Day:					
Commercial	77	120	152	151	145
General Aviation	50	68	72	73	73
Number of Passengers Per Year	4,000,000 ⁽³⁾	9,000,000	12,000,000	12,300,000	11,300,000
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	109	91	89	104	107
Muni Water Consumption Per Year (in bil. gal.)	8.2	6.5	6.5	5.9	5.9
Recycled Materials:					
Tons of Recyclables	104,627	95,371	90,530	81,766	80,177
Tons of Yard Trimmings	134,194	125,177	116,645	125,818	125,048
Gallons of Used Motor Oil	59,429	56,286	48,571	47,829	49,657
FIRE:					
Fires Per Year	4,000	4,271	4,500	5,300	5,000
Hazardous Materials Incidents Per Year	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
Fire Safety Code Inspections Per Year	18,304	15,828	16,700	16,900	17,900
Emergency Medical Calls Per Year	57,000	54,945	63,000	70,000	70,000
LIBRARIES:					
Circulation	3,613,471 ⁽³⁾	6,799,375	8,566,177	10,995,391	8,096,900
Reference Questions	160,000 ⁽³⁾	285,680	318,000	318,431	328,599
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	100,811 ⁽³⁾	516,597	496,899	818,325	854,316
POLICE:					
911 Calls Per Year	640,000	660,552	633,300	642,974	620,000
311 Calls Per Year	525,000	488,298	609,200	469,454	410,000
Cases Investigated Per Year	30,000	30,000	28,000	30,000	32,000
BUILDING PERMITS:					
Number issued:					
New Buildings	1,310	1,363	1,098	1,306	1,183
Building Alterations	5,011	7,622	7,831	10,574	11,798
Value:					
New Buildings (in \$)	1,282,313,750	499,255,860	484,399,634	814,231,203	788,519,639
Building Alterations (in \$)	759,736,823	1,165,845,019	1,037,052,856	1,049,919,409	1,172,492,157

(1) Data currently unavailable due to staffing resources. Efforts are underway to enhance and automate the process.

(2) Effective FY 2017, Airport Department no longer tracks the Taxi/Commuter Commercial separately. It is now included in Commercial Airline Operations.

(3) FY 2021, significant reductions in certain operating indicators due to COVID-19

Source: FY 2025-2026 Proposed Operating Budget City Manager's Office, City of San José

SCHEDULE XVIII

City of San José
Capital Asset Statistics
By Function
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Airport:										
Terminals	2	2	2	2	2	2	2	2	2	2
Runways	3	3	3	3	3	3	2	2	2	2
Public Parking Spaces:										
Short-Term Parking	2,500	2,130	1,980	1,620	1,620	1,443	3,023 ⁽²⁾	3,023	2,966	2,966
Long-Term Parking	3,030	3,030	3,030	2,920	2,920	3,720	2,509 ⁽²⁾	2,509	2,458	2,458
Environment And Utilities:										
Wastewater:										
Miles of Municipal Sewer Mains	2,308	2,030	2,315	2,320	2,322	2,327	2,030	2,040	2,039	2,039
Maximum Daily Capacity (millions of gallons)	167	167	167	167	167	167	167	167	167	167
Water:										
Meters in Municipal Service Water Area	26,700	26,700	26,894	26,671	27,356	26,839	26,980	26,980	26,986	27,000
Miles of Water Mains	345	345	345	345	345	345	344	345	347	348
Fire:										
Stations	33	33	33	33	33	33	34	34	34	34
Libraries:										
Main Library	1	1	1	1	1	1	1	1	1	1
Branches	23	23	23	24	24	24	24	24	24	24
Parks, Recreation And Neighborhood Services:										
Park Sites	200	200	203	206	209	209	212	213	215	221
Community Centers	12	12	11	11	16	16	12	12	12	12
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles and Motorcycles	380	352	303	316	367	367	367	374	371	380
Horses and K-9's	15	15	15	13 ⁽¹⁾	15	15	15	16	16	17
Aircraft	2	2	2	2	1	1	1	1	1	1

(1) Decrease due to the disbanding of the SJPD Mounted Unit

(2) Effective FY 2022, the hourly/daily parking spaces are no longer tracked separately. They are now included in short-term parking.

Source: FY 2025-2026 Proposed Capital Budget
City Manager's Office, City of San José



SCHEDULE XIX

City of San José
Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding ⁽¹⁾
As of June 30, 2025

Project Name	Series	Date Issued	Issue Amount (In Thousands)	6/30/2025		Maturity / Redemption	Annual Fees ⁽²⁾
				Balance (In Thousands)			
Helzer Court Apartments	1999A	06/02/99	\$ 16,948	\$ 12,208		12/01/41	\$ 26,123
El Parador Apartments	2000A	12/07/00	6,130	4,345		01/01/41	14,413
San Jose Lutheran Seniors Apartments	2001A-1	07/11/01	3,850	1,871		02/15/34	6,250
Pollard Plaza Apartments	2002D	08/06/02	14,000	4,395		08/01/35	17,500
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453	2,118		12/01/34	8,750
Fallen Leaves Apartments	2002J-1	12/18/02	13,360	6,855		06/01/36	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340	1,880		05/01/36	n/a ⁽³⁾
The Oaks of Almaden Apartments	2003B-1	07/29/03	4,365	2,327		02/15/36	10,438
Cinnabar Commons	2003C	08/07/03	25,900	19,400		02/01/37	32,375
Paseo Senter I	2005B-1	12/21/05	6,142	3,453		12/01/38	7,500
Paseo Senter II	2005C-1	12/21/05	4,903	2,569		06/01/38	7,500
Curtner Studios	2007C-1	12/19/07	5,520	3,683		12/01/39	7,500
Fairgrounds Senior Housing Apartments	2008B	05/08/08	26,000	9,330		02/15/36	32,500
Las Ventanas Apartments	2008B	07/15/08	25,900	25,900		07/01/38	38,750
Brookwood Terrace Family Apts	2009B-1	12/23/09	7,780	6,095		02/01/37	17,000
Fourth Street Apts	2010A-1	06/04/10	5,620	4,223		05/01/43	7,500
Orvieto Family Apartments	2010B-1	07/20/10	7,760	6,650		08/01/29	17,750
Kings Crossing Apartments	2010C	09/17/10	24,125	1,665		09/01/45	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950	3,405		10/01/28	7,875
1st and Rosemary Family Apartments	2012C	04/19/12	35,500	23,052		10/01/44	33,900
1st and Rosemary Senior Apartments	2012D	04/19/12	15,500	8,377		10/01/44	12,319
Mayfair Court Apartments	2012B-1	04/20/12	5,220	4,007		10/01/44	27,500
La Moraga Apartments	2012E	09/07/12	52,440	45,015		03/01/26	65,550
3rd Street Residential Apartments	2013A	06/27/13	6,630	3,430		07/01/33	8,288
Cambrian Center	2014A-1	10/17/14	19,035	11,305		05/01/47	32,047
Cambrian Center	2014A-2	10/17/14	19,035	11,305		05/01/47	n/a ⁽³⁾
Poco Way Apartments	2015A-1	02/01/15	21,833	9,521		09/01/47	14,406
Canoas Terrace Apartments	2015B	10/30/15	22,700	19,502		05/01/48	28,375
Town Park Towers Apartments	2015C	10/14/15	45,250	20,515		04/01/48	28,281
Don de Dios Apartments	2016A	12/22/16	17,376	6,065		06/01/34	8,353
Villa De Guadalupe	2017A1 & A2	05/23/17	37,700	28,011		03/01/52	41,995
Villa De Guadalupe Junior	2017B	05/23/17	4,616	4,616		03/01/52	n/a ⁽³⁾
Catalonia Apartments	2017C	10/17/17	16,264	5,768		04/01/39	7,905
El Rancho Verde	2018A	08/28/18	277,700	261,720		09/01/48	52,500
Lenzen Square	2019A-1	08/22/19	18,500	16,250		08/01/59	28,750
Lenzen Square	2019A-2	08/22/19	3,000	3,000		08/01/59	n/a ⁽³⁾
Vista Park I	2019C	10/11/19	13,245	5,350		06/01/38	16,557
Palm Court Sr	2019D	10/11/19	12,247	4,215		06/01/38	15,309
Quetzal Gardens	2019E	12/20/19	32,208	5,829		07/01/37	40,259
Page Street	2020 B-1	10/01/20	6,000	5,766		05/05/53	7,500
Vela (Alum Rock)	2020	11/01/20	32,896	12,690		12/01/39	37,082
Arya	2021	03/01/21	34,314	4,171		03/01/46	7,500

SCHEDULE XIX

City of San José
Conduit Issuer of Multifamily Housing Revenue Bonds Outstanding ⁽¹⁾
As of June 30, 2025

Project Name	Series	Date Issued	Issue Amount (In Thousands)	6/30/2025		Annual Fees ⁽²⁾
				Balance (In Thousands)	Maturity / Redemption	
Markham Plaza II C-2	2021	05/01/21	6,000	6,000	05/01/66	n/a ⁽³⁾
Immanuel Sobrato	2021D	06/01/21	34,980	12,990	05/01/41	43,725
Blossom Hill	2021	06/01/21	39,363	9,323	08/01/45	12,000
Mariposa Place	202.1	01/28/22	31,341	26,213	01/01/40	39,176
Vitalia	2021F-2	01/28/22	10,500	10,390	01/01/41	n/a ⁽³⁾
1860 Alum Rock	2023A-1	05/23/23	28,918	23,121	07/01/56	36,147
1860 Alum Rock	2023A-2	05/23/23	2,346	50	07/01/27	n/a
777 West San Carlos Apartments	2023C-1	06/12/23	70,700	3,777	07/01/57	88,375
The Charles	2023B-1	06/12/23	44,160	27,507	10/01/24	12,095
Tamien Station Affordable	2023D	06/30/23	66,100	48,723	04/01/57	82,625
Dry Creek E1	2023 E1	11/14/23	31,195	23,050	06/01/57	7,500
Dry Creek E2	2023 E2	11/14/23	8,805	1,009	06/01/28	n/a ⁽³⁾
Grand Total			\$ 1,416,833	\$ 834,008		\$ 1,251,334

(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 City authorized, but unsold bonds at end of June 30, 2025, and amount of debt issued and outstanding at end of reporting period. As of June 30, 2025, the City has served as a conduit issuer for only multifamily housing revenue bonds.

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

(3) Bonds are connected to the senior bonds. Those with second tranche are simply connected to the senior bonds since the regulatory agreements do not split fees.

Source: Housing Department, City of San José



