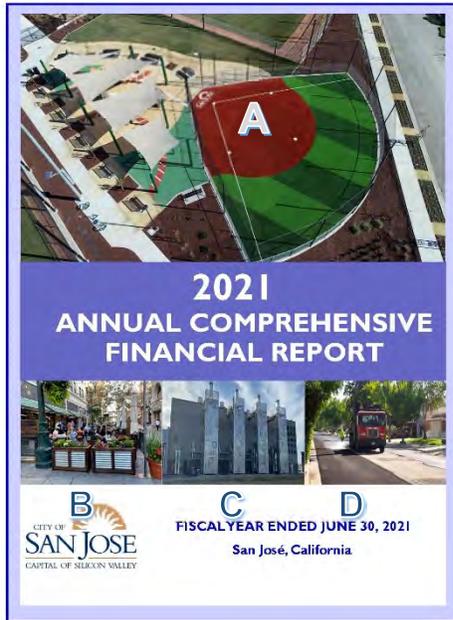


2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2021

San José, California



The featured photos on the cover of this year's Annual Comprehensive Financial Report include:

A - Arcadia Ballpark –

The City celebrated the grand opening of the 14.5-acre Arcadia Ballpark this summer. The ballpark was constructed with the proceeds from Measure P, a \$228 million general obligation bond approved by San José voters in 2000. Measure P provided funding for acquisition of property and construction of improvements to neighborhood and regional parks, community centers and other recreational amenities within the City. The sports facility includes four lighted natural grass fields, a mini synthetic ballfield, shaded stadium armchair seating, a sports-themed playground, and a hot concessions grill. The ballpark is located at 2208 Quimby Road, San José, CA 95122.

Photo Credit: City of San José Public Works Department

- B - San José Al Fresco –** The City launched the San José Al Fresco initiative to provide local businesses access to public space and private adjacent property for open-air operations. Businesses applied for the temporary use of streets, surface lots, public parking lots, public recreation space for outdoor dining, exercise classes and other outdoor business operations. The implementation and management of San José Al Fresco involves nine City departments, led by the Office of Economic Development with substantial on-going participation from the following City departments: Public Works; Transportation; Police; Fire; Planning, Building and Code Enforcement; Parks, Recreation and Neighborhood Services; Office of Cultural Affairs; and the City Attorney's Office.

Photo Credit: City of San José Office of Economic Development

- C - Cogeneration Facility –** The San José-Santa Clara Regional Wastewater Facility is the largest advanced wastewater treatment facility in the western United States. The facility operates around the clock to clean Silicon Valley's wastewater to very high national standards, protecting public health, the environment, and supporting the economy. The Cogeneration Facility project installed four (4) new engine generators, a heat recovery system, and gas treatment system to replace the aging power generation equipment. These improvements will improve equipment reliability, energy efficiency, and enable full reuse of the digester biogas.

Photo Credit: City of San José Environmental Services Department

- D - Pavement Repair and Replacement –** In November 2018, registered voters of the City of San José approved Measure T, the San José Public Safety and Infrastructure Bonds, authorizing the issuance and sale of general obligation bonds in an amount not to exceed \$650 million. At least \$300 million must be issued for the purpose of repaving streets and potholes in the worst condition. This photo showcases a work crew from the Department of Transportation's Infrastructure Maintenance Division.

Photo Credit: City of San José Department of Transportation

More information about the City of San José is available on the City's website at the following URL:
<https://www.sanjoseca.gov>.

City of San José
California

Annual Comprehensive Financial Report



Fiscal Year Ended June 30, 2021

Prepared by the Finance Department

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Special Assistance - Departments and Offices

Airport
Budget
City Attorney
City Auditor
City Clerk
City Manager

Clean 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

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Introductory Section

November 19, 2021

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, 2020 through June 30, 2021 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.

In late 2020, the Government Accounting Standards Board (“GASB”), the independent organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (“GAAP”), was presented with concerns regarding the use of the Comprehensive Annual Financial Report name, specifically its acronym. As pronounced aloud, the Comprehensive Annual Financial Report acronym sounds like a profoundly offensive term directed at Black South Africans. In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, requiring the use of the Annual Comprehensive Financial Report term instead of the former, effective for fiscal years ending after December 15, 2021. The City has decided to implement this Statement earlier. As a result, all references to the Comprehensive Annual Financial Report and its acronym have been replaced with *Annual Comprehensive Financial Report* (“ACFR”) starting in fiscal year 2021.

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

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

The City contracted with Macias Gini & O’Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City’s financial statements for Fiscal Year 2020-2021 (“FY 2020-2021”) are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an “unmodified” or “clean” opinion. The independent auditor’s report is included in the Financial Section of this report.

In addition, Macias Gini & O’Connell LLP performs an audit of the City’s major program expenditures of federal funds for compliance with the requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement*, and the standards applicable to financial audits contained in

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

This ACFR is organized into three sections:

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

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

REPORTING ENTITY

San José is a charter city that has operated under a council-manager form of government since 1916¹. Under the City Charter, the Mayor and Council form the legislative body that represents the community and is empowered to formulate citywide policy. The Council consists of a Mayor and ten (10) Council members. The Mayor is elected at-large for a four-year term and the Council members are elected by district for staggered four-year terms. The Mayor and Council members are limited to two (2) consecutive four-year terms. Under the Charter, the Mayor recommends policy, program, and budget priorities to the Council, which in turn approves policy direction for the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization responsible for the administration of City affairs, day-to-day operations, and implementation of Council policies. In addition to the City Manager, the City Attorney, City Clerk, City Auditor, and Independent Police Auditor are appointed by and report directly to the Council.

The City Charter provides that the boards of administration for each of the City's retirement plans, the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, hire and prescribe the duties of the chief executive officer (Director of Retirement Services) and chief investment officer (Assistant Director of Retirement Services) within the Office of Retirement Services who serve at the

¹ After discussions during June and July, the Council voted on July 28, 2020 to establish a Charter Review Commission to bring forward recommendations to the Council on (1) the City's governance structure, (2) alignment of the Mayoral election with the presidential election and term of office of candidate elected to be Mayor in 2022, serving a two-year or six-year term. The Council approved the formation of the Charter Review Commission on September 22, 2020. It is anticipated the Council will consider the Commission recommendations in December 2021.

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pleasure of the retirement boards. The City Charter also specifies certain duties and obligations of each retirement board and authorizes the chief executive officer to hire and oversee the Office of Retirement Services' employees, subject to any applicable Civil Service Rules.

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/Carmel to the south makes the "Capital of Silicon Valley" a gateway to adventures throughout California. With a 2020 estimated population of 1,029,782², it is the third most populous city in California and the tenth most populous in the United States.

The City has transformed dramatically from the rich agricultural setting of its early years into the largest city in the Silicon Valley. Silicon Valley is a region in the Southern San Francisco Bay Area of Northern California which serves as a global center of high technology, innovation, and social media. Silicon Valley corresponds roughly to the geographical Santa Clara Valley. The San José-Sunnyvale-Santa Clara Metropolitan Statistical Area ("San José MSA") in the Silicon Valley has a large concentration of high-tech employment with 321,400 workers out of a total civilian employment level of 1.09 million³. 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 presence in San José. On the international front, San José attracts significant foreign investment from throughout the globe.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE (SARA)

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

Total Redevelopment Property Tax Trust Fund ("RPTTF") revenue distributed by the County to the SARA in FY 2020-2021 was \$142,332,561 which was used to pay debt service and debt-related expenses on the Successor Agency Senior and Subordinate Tax Allocation Bonds ("SARA TABs") and other enforceable obligations. During the year ended June 30, 2021, the County withheld \$47,092,975 in RPTTF for payments for its current year pass-through payments. As of June 30, 2021, the SARA Senior TABs were rated AA by both S&P and Fitch and the SARA subordinate TABs were rated AA- by both S&P and Fitch. The SARA TABs are not rated by Moody's.

² State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and State with Annual Percentage Change – January 1, 2020 and 2021 (Released May 2021).

³ State of California, Employment Development Department, Labor Market Information Division Press Release, Aug 20, 2021.

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ECONOMIC CONDITION AND FISCAL OUTLOOK

The local, regional and state economies have all been negatively impacted by the Coronavirus (“COVID-19”) Pandemic. The Silicon Valley, including the City, experienced a long period of economic expansion from 2010 to 2019, fueled primarily by technology sectors. That run of economic growth came to a sudden end in the first quarter of 2020 as the region, like much of the United States and the world, was forced to abide by restrictive public health orders to combat the spread of the COVID-19 Pandemic. The orders resulted in temporary business closures and significant job losses, particularly in the hospitality and service sectors. Future economic prospects will depend on the status of public health orders, public health conditions and consumer confidence, which remains uncertain.

The June 2021 employment level in the San José MSA of 1.10 million represented a 3.8% increase from the June 2020 level of 1.06 million. Between June 2020 and June 2021, employment expanded by 38,000 jobs in the San José MSA, including 12,400 jobs in the leisure and hospitality sector, 7,600 jobs in private educational and health services, 7,600 jobs in professional and business services, 4,700 jobs in other services, and 4,500 jobs in technology. Smaller changes in employment levels across all other sectors make up the remaining difference⁴.

The unemployment rates at the local, state, and national levels have continued to remain high but have improved compared to the prior year. In June 2021, the unemployment rate of 5.0 percent for the San José MSA was much lower than the 10.8 percent experienced in June 2020. The San José MSA June 2021 unemployment rate continued to be lower than the unadjusted unemployment for the State (7.9 percent) and the nation (5.7 percent)⁵.

Construction permit valuation in San José declined in FY 2020-2021 from FY 2019-2020 – which was a historically high year – primarily due to a drop off in industrial activity. The total valuation of projects submitted in FY 2020-2021 was \$1.9 billion, 23.8% below the \$2.5 billion valuation of projects in FY 2019-2020. The number of new residential dwelling unit permits issued in FY 2020-2021 totaled 1,975, which was 0.9% below the prior year level of 1,992 permits issued. Valuations for all land use categories (residential, commercial, and industrial) ended the year slightly below the estimates.

Real estate activity was anticipated to be sluggish in FY 2020-2021 due to higher unemployment rates coupled with lower consumer confidence. According to data from the Santa Clara County Association of Realtors, the number of property transfers (sales) experienced year-over-year decreases (from the same time period in the prior year) ranging from (-10%) to (-54%) between the beginning of the shelter-in-place through June 2020. However, beginning in September 2020, the local real estate market once again began to experience year-over-year gains. Through June 2021 there were a total of 8,504 property transfers for all residences, which represents growth of approximately 41% from prior year levels. Median single family home prices grew sharply as well. As of June 2021, the median single family home price totaled \$1.48 million, which represents a 24.2% increase from the June 2020 price of \$1.19 million.

The City Council approved the FY 2020-2021 Adopted Budget under the extraordinary circumstances of the early stages of the COVID-19 pandemic, given the limited historical precedent to understand the extent to which the pandemic would negatively impact the City budget as well as significant infusions of external funding to address the pandemic’s impacts to the community (primarily from the Coronavirus Aid, Relief, and Economic Security Act), and an urgency that the City needed to quickly act to help our most vulnerable populations. The budget included actions to both address the anticipated negative revenue impacts to the General Fund and other City funds, such as the Transient Occupancy Tax Fund, General Purpose Parking Fund, and Airport funds, and allocate emergency response resources toward areas of homelessness sheltering and support, local assistance, food and necessities distribution, and direct staff support.

⁴ State of California, Employment Development Department, Labor Market Information Division Press Release, Aug 20, 2021.

⁵ Ibid

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The FY 2020-2021 Adopted Budget was modified several times throughout the year as the City responded to new information regarding economic performance and persistence of COVID-19 cases. In the General Fund, actions were taken over the course of the year to decrease revenue estimates from business taxes, parking operations and citations, hotel activity, and parks and recreation-related fees. Significant revenue estimate increases included Sales Tax, Property Tax, and Real Property Transfer Tax (“Measure E”). As a result of these adjustments, as well as careful forecasting, monitoring, and management throughout all City funds, overall FY 2020-2021 revenues and expenditures ended the year very close to budgeted expectations.

The City’s current General Obligation (“GO”) Bonds credit ratings are Aa1/AA+/AAA from Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P”), and Fitch Ratings (“Fitch”), respectively. The credit ratings from Moody’s and S&P were both confirmed in June 2021, and remained unchanged from the prior year. Fitch upgraded the GO credit rating to AAA from AA+ in June 2021. The ratings continue to reflect the diversity of the local economy anchored by a strong technology presence, sound financial management, and prudent budgetary practices.

Subsequent to June 30, 2021, the City issued \$200,530,000 of GO Bonds, Series 2021A (in the amount of \$151,210,000), Series 2021B (federally taxable, in the amount of \$8,450,000), and Series 2021C (federally taxable, in the amount of \$40,870,000) (collectively, the “2021 GO Bonds”). The 2021 GO Bonds carried the above referenced GO Bond credit ratings and constituted the second round of bonds issued under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. As of June 30, 2021, the City of San José Financing Authority (“Authority”) had the following bonds outstanding with the ratings as noted in the table below.

Series	Moody’s	S&P	Fitch
2003A, 2013B and 2020A	Aa2	AA	AA
2011A	Aa3	AA	Not Rated
2020B	Aa3	AA	AA-
Rating Outlook	Stable	Stable	Stable

As of June 30, 2021, the underlying ratings on the City of San José Airport Revenue Bonds were rated by Moody’s, S&P, and Fitch: A2, A- and A, respectively. In April 2021, S&P revised its City of San José Airport Rating Outlook to Stable from Negative in conjunction with the issuance of the Series 2021 ABC Airport Revenue Bonds. Subsequent to June 30, 2021, Fitch revised its Outlook on City of San José Airport Revenue Bonds to Stable from Negative⁶.

As of June 30, 2021, sewer revenue bonds issued by the San José-Santa Clara Clean Water Financing Authority were no longer outstanding as they were fully redeemed on November 15, 2020.

CITY ORGANIZATION AND SERVICES

The City provides a range of municipal services, including police and fire protection, sanitation services, environmental management, maintenance of streets and infrastructure, library services, and recreational activities. The City operates a number of enterprises including a parking program, a municipal water system, a wastewater treatment facility, the Norman Y. Mineta San José International Airport, and the San José Clean Energy (“SJCE”) program. In addition, the City provides oversight of the management of convention and cultural event facilities that include the San José McEnergy Convention Center, Center for the

⁶ In August 2021, Fitch changed the rating outlook for the Airport from Negative to Stable.

Letter of Transmittal

Performing Arts, California Theatre, Mexican Heritage Plaza, Ice Centre, and the SAP Center at San José – home of the San José Sharks of the National Hockey League.

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

- **Community and Economic Development:** The mission of the Community and Economic Development CSA is to manage the growth and change of the City of San José in order to encourage a strong economy, create and preserve healthy neighborhoods, ensure a diverse range of housing and employment opportunities, and encourage a diverse range of arts, cultural, and entertainment offerings. The outcomes of this CSA include a strong economic base; safe, healthy, attractive, and vital community; diverse range of housing options; and a range of quality events, cultural offerings, and public artworks.
- **Environmental and Utility Services:** The mission of the Environmental and Utility Services CSA is to provide environmental leadership through policy development, program design, and reliable utility services. The outcomes of this CSA include reliable utility infrastructure; healthy streams, rivers, marsh, and bay; “Clean and Sustainable” air, land, and energy; and safe, reliable, and sufficient water supply.
- **Neighborhood Services:** The mission of the Neighborhood Services CSA is to serve, foster, and strengthen the community by providing access to lifelong learning, opportunities to enjoy life, and preserving healthy neighborhoods. The outcomes for this CSA include safe and clean parks, facilities, and attractions; vibrant cultural, learning, recreation, and leisure opportunities; and healthy neighborhoods and capable communities.
- **Public Safety:** The mission of the Public Safety CSA is to provide prevention and emergency response services for crime, fire, medical, hazardous, and disaster related situations. The outcomes for this CSA include having the public feel safe anywhere, anytime in San José and residents share in the responsibility for public safety.
- **Transportation and Aviation Services:** The mission of the Transportation and Aviation Services CSA is to provide the community with safe, secure, and efficient surface and air transportation systems that support San José’s livability and economic vitality. The outcomes for this CSA include providing safe and secure transportation systems; providing viable transportation choices that promote a strong economy; ensuring travelers have a positive, reliable, and efficient experience; preserving and improving transportation assets and facilities; and providing a transportation system that enhances community livability.
- **Strategic Support:** The mission of the Strategic Support CSA is to effectively develop, manage, and safeguard the City’s fiscal, physical, technological, and human resources to enable and enhance the delivery of City services and projects. The outcomes of this CSA include ensuring a high-performing workforce that is committed to exceeding internal and external customer expectations; safe and functional public infrastructure, facilities, and equipment; effective use of technology; and sound fiscal management that facilitates meeting the needs of the community.

Letter of Transmittal

ENTERPRISE PRIORITIES AND SIGNIFICANT ACCOMPLISHMENTS

The City's Enterprise Priorities⁷ are the City's focus areas on challenges that affect community lives and livelihoods which are the primary focus of the organization. The Enterprise Priorities are categorized into "Core" priorities which focus on our residents and "Foundational" priorities which focus on enabling the City's employees to better deliver all City services including the Core Enterprise Priorities. A description of each Enterprise Priority for FY 2020-2021 and their associated significant accomplishments are described below. Enterprise Priorities are distinguished from City Service Areas which are used as a way to integrate City services provided by separate departments and offices into key alignments from the community's perspective.

Emergency Management and Preparedness (Core): *No issue is more important than the lives and safety of our residents. The City has more work to do to ensure San José is well-prepared for earthquakes and other disasters, particularly for those who are most vulnerable. As a City, we will do more to be prepared for emergencies and commit to this priority with relentless attention and support.* Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:

- The City's Office of Emergency Management engaged in noteworthy planning efforts and responded to three (3) emergency incidents in addition to the City's response to COVID-19. The planning efforts included finalizing the Power Vulnerability Plan and updating the Joint Emergency Action Plan with Santa Clara Valley Water District ("Valley Water"). The three emergency incidences included (1) the Santa Clara Unit Lightning Complex Fire in August 2020, (2) power outages in the Alum Rock area in October 2020, and (3) localized flooding resulted from an atmospheric river event in January 2021.
- Since December 2020, the City of San José's Vaccination Task Force has provided support functions for the County, including connecting vulnerable communities to vaccinations, vaccination outreach and communications, advocacy on equitable vaccine allocation and distribution at the federal, state, and local levels, and scaling employee vaccinations. Additionally, Fire Department personnel contributed towards the success of the COVID-19 Vaccine Clinics, In-Home Clinics, and Pop-Up Clinics, dedicating over 9,000 hours for injectors and administrative support.
- The City continued supporting populations with access and functional needs ("AFN") during COVID-19. The City served over 150 million meals through partnerships and increased subsidies for childcare services. The City also sheltered over 1,300 unhoused residents and opened three (3) emergency interim housing communities. Communication efforts continued to include flash reports in multiple languages and held two (2) AFN sessions to discuss barriers to equal access during COVID-19. Additionally, the City addressed the growing digital divide by providing WIFI resources for checkout at its public libraries.
- Code Enforcement staff conducted in-person outreach and education to over 2,000 small businesses in the City neighborhoods most heavily impacted by COVID-19. Led by the Emergency Operations Center Compliance Branch, the focus of the outreach was to ensure business owners were aware of the current regulations and necessary safety measures to protect themselves, their staff, and customers.
- The Housing Department formed a Joint Departmental Operations Center with the County Office of Supportive Housing to implement strategies to prevent the spread of COVID-19 in the homeless community. The Housing Department added over 385 temporary shelter beds across several sites including South Hall, Parkside Hall, Bascom Community Center and Camden Community Center;

⁷ On March 16, 2021 the City Council adopted FY 2021-2022 City Roadmap which included the addition of a new Core Enterprise Priority, "COVID-19 Pandemic: Community and Economic Recovery" and merged two Core Enterprise Priorities to create "Building the San José of Tomorrow with a Downtown for Everyone".

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the County added 790 motel rooms functioning as non-congregate shelter across the County. Additionally, the City and County worked with non-profit shelter providers to expand hours of operation to 24 hours a day at ten (10) shelters and two (2) City safe parking sites. The Housing Department also expanded emergency motel programs for homeless families and survivors of domestic violence. These efforts have sheltered over 8,500 households across the County.

- Working with partners, the Housing Department quickly expanded a rental assistance program for households affected by COVID-19. The local program is a public-nonprofit partnership between the Housing Department, County Office of Supportive Housing, and the countywide Homelessness Prevention System, led by Sacred Heart Community Service and Destination: Home SV. This program prioritized our most vulnerable residents hardest hit by the COVID-19 pandemic and the pandemic-induced recession. Aid was provided through a network of forty-six (46) grassroots and community partner agencies, as well as staff from the County and City. Priorities included helping those who do not have traditional rental or lease agreements and at high risk of displacement and homelessness. The program provided over 15,000 households countywide with \$36 million in COVID-19 emergency rental assistance.

Creating Housing and Preventing Homelessness (Core): All people in San José need a place they can call home, and feel they belong as a vital part of the city around them. If we are to welcome everyone home to San José, we must address the housing crisis and homelessness that confront the City. Our Mayor and Council have set a goal of adding 25,000 residential units in the next five years, including 10,000 affordable units. Assisting existing homeless residents requires the City begin to work outside traditional silos and align amongst several public and private partnerships to creatively and effectively address the challenge. Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:

- In response to the COVID-19 emergency and the City’s shelter crisis declaration, the City of San José developed emergency interim housing for at-risk and unsheltered people to reduce the risk of COVID-19 spread to those populations and others. This will provide future bridge housing after the immediate COVID-19 public health emergency recedes. Since March 2020, the City has constructed three (3) emergency interim housing sites to serve as transitional housing for unhoused residents. The creation of Emergency Housing is part of a larger regional plan, the Community Plan to End Homelessness, including efforts in prevention, intervention, and construction of interim housing and permanent supportive housing. The three sites with details of the project and accommodations include:

<u>Site</u>	<u>Individuals Accommodated</u>	<u>Beneficial Use Date</u>
Monterey/Bernal	78	December 1, 2020
Rue Ferrari	118	January 29, 2021
Evans Lane	140	May 24, 2021

- The Housing Department focused efforts and resources to expand street-based services to the unsheltered. In partnership with community advocates and the Lived Experience Advisory Board (“LEAB”), outreach efforts to encampments were expanded to deliver critical supplies such as face masks, hand sanitizer, water, meals and COVID-19 safety information. The Housing Department also created the Services, Outreach, Assistance and Resources (“SOAR”) program providing hygiene, trash service and intensive street outreach to fourteen (14) of the City’s largest encampments. The City and County established a centralized referral hotline for motel/hotel and shelter placements, which made over 22,000 referrals to shelter and other services.
- The Housing Department was successfully awarded a Project HomeKey grant from the State to purchase the SureStay Motel to house vulnerable individuals in response to the pandemic. In the future, the SureStay Motel will be permanent housing for seventy-six (76) extremely low-income households.

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- On September 1, 2020, the City Council approved the Commercial Linkage Fee (CLF) that would charge a fee on commercial development to fund affordable housing.
- On February 9, 2021, the City Council approved revisions to General Plan Policy H-2.9 (the “1.5-acre rule”). This policy allows 100 percent deed restricted affordable housing developments on sites 1.5-acres or less that are adjacent to existing residential, located outside of an Urban Village or growth area, and have an existing General Plan land use designation of Neighborhood, Community Commercial or Mixed-Use Commercial.
- On February 23, 2021, the City Council approved changes to the City’s Inclusionary Housing Ordinance. There were several significant changes including changing the in-lieu fee structure from a per-unit basis to a per square-foot basis, and varying the fee based on strong and moderate market areas. There were also new compliance options added to encourage production of affordable units.
- The Housing Catalyst Team developed San José Housing Site Explorer, a publicly accessible data and mapping tool to help market-rate and affordable housing developers find sites suitable for new housing developments.
- At the end of FY 2020-2021, 18,798 housing units were entitled, under construction or completed. 15,649 of these units are market rate and 3,149 units are affordable. Based on increased Preliminary Review Applications and site inquiries, approximately 7,700 affordable housing units are in the pipeline.

Safe, Vibrant, and Inclusive Neighborhoods and Public Life (Core): *The diverse mosaic of people who live, work and play in San José deserve vibrant public spaces and places that are beautiful, clean, safe, and inclusive. The people of San José need community spaces that bring them together across generations, across cultures, and points of view.* Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:

- The Police Department formalized a Mobile Crisis Assessment Team, which provides officers with access to behavioral health professionals ready to immediately respond to calls for service involving persons experiencing a mental health crisis. The goal is to increase public safety and reduce recidivism among high-risk people with mental illnesses and co-occurring mental illness and substance abuse, by redirecting them to the appropriate services.
- The Police Department created the Special Victims Unit to expand its investigative capacity across all aspects of sexual assault and exploitation crimes. This unit focuses on proactive enforcement of computer facilitated crimes, as well as use of advanced trauma informed methodologies in support of victims’ welfare and peers.
- In 2020, California recorded five (5) of its ten (10) largest fires in state history, including the SCU Lightning Complex. The Fire Department responded by augmenting local resources and staffing levels, and committed unprecedented levels of mutual aid support, including resource deployments to 22 incidents across all six (6) California Office of Emergency Services regions.
- San José Public Library (“SJPL”), along with the San José Public Library Foundation and FIRST 5 Santa Clara County, launched the Friends, Family, Neighbor Caregiver Support Network pilot program in January 2021 to build caregiver networks, increase access to information and resources, technology access and provide professional development in support of building stable, safe, and responsive relationships. SJPL provided support for 59 caregivers who spoke 13 different languages and cared for 286 children.

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- The Library led the initiative to establish the SJ Access digital equity program which provided internet connectivity and digital literacy services to students and residents. SJ Access provided 12,800 students with hotspots, resulting in those students attending 93 percent of their academic classes. Additionally, 3,000 hotspots were loaned on a rotating basis to residents nearly 10,000 times through the SJPL system. SJPL also offered digital literacy classes and tech support at all Library locations.
- While libraries were closed due to COVID-19, SJPL staff provided Express Pickup services for patrons to safely checkout materials, expanded RefChat hours and availability of language specific staff, and connected users to hotspots and devices. Due to the COVID-19 public health orders, SJPL shifted resources to increase eResources and eBooks and transitioned numerous in-person programs to virtual: storytimes, arts/STEM activities, coding, digital literacy and learning opportunities, adult literacy, ESL, workforce development, and more. SJPL offered over 6,000 virtual programs attended by more than 110,000 participants.
- As part of the City's Vision Zero Action Plan, the Department of Transportation implemented ten (10) miles of safety redesign corridor projects to reduce severe injuries and traffic fatalities. Quick build improvements were implemented along Story Road, Senter Road, Fruitdale Avenue, White Road, and McLaughlin Avenue. Approximately 100 roadway and pedestrian safety improvement projects were implemented citywide, including enhanced crosswalks with flashing beacons, radar speed display signs, traffic calming improvements, and signal modifications. The Department completed the scoping of a community engagement strategy and messaging campaign to raise awareness about safe streets. A robust transportation data analytic platform was procured to aggregate, automate, and analyze existing and forthcoming datasets to create a comprehensive view of traffic behavior and the contextual environment affecting it. A multi-department/agency and multi-disciplinary task force was established and met quarterly to discuss strategies in reducing traffic fatality and severe injuries.
- The City Council approved major transportation planning efforts, including *En Movimiento – A Transportation Plan for East San José* and the *Better Bike Plan 2025*. Principles of equity, sustainability, and partnership with the community were core to these efforts. Implementation of both plans is underway, including with grant funding for construction of some improvements.
- The Department of Parks, Recreation and Neighborhood Services (“PRNS”) continued to provide childcare programs that offer a safe space for children in our community to connect, learn and have fun. From September 2020 to May 2021, the San José Recreation Preschool transitioned to a virtual program where 157 children ages 3-5 attended weekly Zoom classes filled with engaging and fun activities. The R.O.C.K. ‘N’ Learn program provided support to 717 children in grades K-8 to complete remote learning.
- The BeautifySJ initiative oversees multiple programs with the goal of cleaning and restoring our city for a better San José. During FY 2020-21, the BeautifySJ Trash Encampment Program, which addresses trash and blight identified over 250 actively encamped areas city-wide consisting of over 1,000 tents/structures and over 500 inhabited vehicles. In November 2020, the City launched “Cash for Trash”, a pilot program under the BeautifySJ initiative to incentivize unhoused residents to pick up trash at encampments in exchange for programmable and reloadable cards from Mastercard.
- In spring 2021, the Welch Dog Park became the 10th dog park in San José, thanks to the partnership between the Department of Public Works-Capital Improvement Program division, City Council, and Welch Park Neighborhood Association. This new addition to the City's parks system is another way to provide essential recreation and a sense of community to the residents of San José.

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The Future of Downtown (Core): *Downtown is everyone’s neighborhood. Our highest priority is to drive and integrate the complex mix of commercial and residential development, transportation improvements, and public space enhancements to positively shape our City center for generations. The most transformational opportunity is the Downtown West Station Area where the planned transit station expansion aims to connect growing, regional and state travel services, and attract substantial private investment.* Significant accomplishments in this Enterprise Priority for FY 2020-2021 are included in the City Roadmap section that follows in this transmittal letter.

- Google’s Downtown West Mixed Use Development Project and the Diridon Station Area Plan Amendment were approved by the City Council on May 25, 2021 and on June 8, 2021, the City Council adopted the ordinances to implement the project, after many years of planning and community engagement. The priorities adopted by the City Council in 2018 for the development include affordable housing, anti-displacement, jobs and education. The development agreement includes Community Benefits valued at approximately \$200 million designed to address these priorities. The mixed-use development program includes up to 7.3 million square feet of office space; up to 5,900 units of new housing, up to 500,000 square feet of “active uses” such as retail and arts; up to 100,000 square feet of event space and up to 300 hotel rooms; and approximately 15 acres of private and public parks and open space.

Building the San José of Tomorrow – Private Development Services (Core): *To drive economic investment and development in San José, we must transform our planning, building, and permitting processes for small and large-sized businesses. We will address the efficiency and flow of our Development Services processes, because we’re building the future San José that is outlined in the San José Envision 2040 General Plan.* Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:

- On August 31, 2020, launched Phase 1 of electronic plan review, “SJePlans,” for Planning and Public Works permits.
- Developed digital inspection forms for Code Enforcement (July 2020) and Fire Prevention (March 2021), saving significant staff time and improving customer experience with quicker, more reliable inspection notes.
- In October 2020, implemented SJPermits 2.0, the City’s public permitting portal, which provides an improved interface and underlying technology to enable future feature enhancements.
- In March 2021, transitioned the in-person Qmatic appointments system to an online version, enabling customers to schedule virtual building permit appointments.
- The creation of the Urban Village and Mixed-Use Zoning Districts, which align with the General Plan land use designations and facilitate high-density commercial, residential, and mixed-use development, represents the next step of a multi-year effort to bring the Zoning Ordinance into conformance with the Envision San José 2040 General Plan.
- In June 2021, the San José City Council unanimously adopted the Berryessa BART Urban Village (“BBUV”) Plan, together with the approval of the San José Flea Market Southside Rezoning project. The BBUV Plan calls for 5,100 dwelling units and 4.2 million square feet of commercial development, anchored by the North San José/ Berryessa BART station. The rezoning implements the BBUV Plan and allows for up to 3,400 residential units, 3.4 million square feet of commercial uses, including a five-acre Urban Market. Placemaking policies in the BBUV Plan and Council actions on the rezoning support the creation of this Urban Market, which addresses the future of the existing San José Flea Market operation. Completion of both projects required the collaboration of various City Departments, community advocates, and multiple outside agencies including BART, VTA, and Valley Water. Both the Plan and rezoning include an innovative parking reduction approach that furthers the City’s transportation, Vehicle Miles Traveled, and Climate Smart San

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José sustainability goals, including the creation of the first Transportation Management Association in the City.

Smart, Sustainable and Reliable City: 21st Century Infrastructure (Core): *Competing in the global economy and addressing climate imperatives requires updating our energy, water, waste, transportation, and internet connectivity infrastructure, as well as translating traditional infrastructure such as roads and streetlights into 21st century infrastructure. From the launch of a Clean Energy program, long-term investments in the Regional Wastewater Facility and San José International Airport, and new strategies for Broadband and Digital Inclusion as well as Automated/Electric Vehicles, we must focus on developing smart, sustainable, and reliable infrastructure to shape America's next great city. Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:*

- Climate Smart San José continued its fast-paced building electrification efforts by passing a comprehensive natural gas infrastructure prohibition for nearly every type of new construction, negotiated Electric Vehicle (“EV”) incentives at multiple San José dealerships and provided EV financial counseling in multiple languages in the transportation sector, began a community co-creation process to create a building decarbonization roadmap, and continued to roll out its Climate Smart Challenge web platform, highlighting over sixty (60) climate positive actions that residents can take to lower their carbon footprint and save money.
- The City continues to move forward in converting all existing City streetlights and exterior lighting at City parks and public facilities from low-pressure sodium and high-pressure sodium vapor lights (“LPS” and “HPS”) to more efficient and long-lasting LED lights. Measure T earmarked \$20 million of funding to assist the conversion of the remaining 37,000 City streetlights and roughly 8,000 City Facility lighting units. Staff also leveraged outside funds through PG&E’s “Turnkey” energy efficiency program. Under the PG&E Turnkey Program, the City and PG&E estimate the cost to convert the 27,000 streetlights will be less than \$11 million, and the City would repay this amount back to PG&E through the energy savings witnessed over an estimated seven-year payback period. Staff will then use the Measure T funding to convert the remaining 10,000 streetlights, which includes approximately 5,000 ornamental lights in various parts of the City. With the joint efforts and various funding sources, 80% of the City’s streetlight system has been converted to LED. Once PG&E has completed their work at the end of January 2022, 92% of the streetlights should be converted to LED with only the 5,000 ornamental fixtures remaining to be converted by City Staff.
- The Water Pollution CIP completed construction of the \$114 million Cogeneration Facility project, which replaced aging engines with new internal combustion engines that will provide electricity and heat to the Plant, using a combination of digester gas and natural gas.
- The Department of Transportation and contractors maintained and rehabilitated 206 miles of San José streets and installed or retrofitted over 2,100 ADA-compliant curb ramps, all while establishing new remote working procedures, establishing and enforcing job site safety protocols for staff and contractors, and navigating around parked vehicles of our residents who were sheltered in place.
- Department of Transportation maintenance crews continued maintaining critical infrastructure throughout the city. Despite social distancing protocols, quarantines and isolations, and childcare challenges, Department of Transportation crews continued responding to storm and sanitary sewer maintenance and repair needs, pothole repair requests, down and damaged signs, and electrical infrastructure in need of repair or replacement.

Strategic Fiscal Positioning and Resource Deployment (Foundational): *We will continue to be both strategic and responsible in how we manage and balance the City’s \$4.8 billion budget as well as smart and efficient in how we serve our community. We will always look for opportunities to be cost-effective in all aspects of our service delivery system while working to ensure equity and inclusion in how services are delivered. If new or expanded revenues are considered, we will minimize impacts to our tax, rate, and fee*

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payers to the extent possible. Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:

- On September 24, 2020, the City of San José Financing Authority (“CSJFA”) issued \$355,620,000 of Taxable Lease Revenue Bonds (“Series 2020A Bonds”) to (i) refund on a current basis, the remaining 2006A Bonds in the outstanding principal amount of \$51.7 million and prepay the related lease payment obligations of the City; (ii) refinance on an advanced basis, the remaining 2013A Bonds in the outstanding principal amount of \$267.8 million and the related lease payment obligations of the City; (iii) refund on a current basis the remaining 2007A Bonds in the outstanding principal amount of \$8.2 million and prepay the related lease payment obligations of the City; (iv) prepay the City’s rental obligations under the Master Equipment Lease/Purchase Agreement in the outstanding principal amount of \$12.4 million which occurred on December 1, 2020; (v) finance the acquisition and construction of public improvements benefitting the City, including the build-out of existing space within the 4th and San Fernando Garage for office space to be occupied by the San José Community Energy Department and other City operations in the principal amount of \$4.8 million; and (vi) pay the costs of issuing the Series 2020A Bonds. The Series 2020A Bonds received ratings of Aa2 by Moody’s, AA by S&P, and AA by Fitch. The refunding and prepayment of outstanding obligations produced net present value (“NPV”) savings of approximately \$47.0 million, or approximately 13.8% as a percent of the refunded obligations.
- On October 15, 2020, the CSJFA issued \$146,535,000 of Taxable Lease Revenue Bonds, Series 2020B Bonds (“2020B Bonds”) to (i) refund 2008E-1 Bonds in the amount of \$5,590,000 and 2008E-2 Bonds in the amount of \$5,585,000 for a total amount of \$11,175,000, (ii) finance the acquisition and construction of two additional ice rinks and related facilities (the “Project”) at the Solar4America Ice Centre at San José (the “Ice Centre”) in the amount of \$120,000,000, (iii) fund a deposit to the debt service reserve account and capitalized interest account for the 2020B Bonds, (iv) and pay the issuing costs for the 2020B Bonds. The Series 2020B Bonds received ratings of Aa3 by Moody’s, AA by S&P, and AA- by Fitch. The Project will add two (2) additional ice rinks to meet increase in regional demand for ice time and public skating; provide an alternate home arena for the San José Barracuda; and add approximately 204,193 square feet of space to the existing Ice Centre facility.
- On April 7, 2021, the City issued \$428,080,000 of Airport Revenue Refunding Bonds (the “2021 ARBs”) to refund certain outstanding City of San José Airport Revenue Bonds and Airport Revenue Refunding Bonds, to make a deposit into a reserve account, and to pay the costs of issuing the 2021 ARBs. The 2021A Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-1; the 2021B Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-2; and the 2021C Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011B (the “2011B Bonds”), and a portion of the outstanding City of San José Airport Revenue Refunding Bonds, Series 2014A (AMT) (the “2014A Bonds”), City of San José Airport Revenue Refunding Bonds, Series 2017A (AMT) (the “2017A Bonds”) and Series 2017B (Non-AMT) (the “2017B Bonds”). The City applied a portion of the proceeds of the 2021C Bonds to defease the outstanding March 1, 2022 and March 1, 2023 maturities of each of the 2014A Bonds, 2017A Bonds, and 2017B Bonds. The refunding provided debt service savings to the City of approximately \$48.3 million in FY 2021-2022 and approximately \$34.4 million in fiscal year 2022-23, with total net present value savings of approximately \$148.7 million or approximately 31.4% of the refunded bonds.
- In conjunction with the City’s 2021 GO Bond issuance, Fitch raised the City’s GO Bond rating to AAA – the highest possible bond rating - from AA+, with a stable outlook on June 30, 2021. Moody’s and S&P reaffirmed the City’s GO Bond ratings, which remain unchanged from the prior year and are among the highest of the nation’s ten largest cities. The ratings continue to reflect the diversity of the local economy anchored by a strong technology presence, sound financial management and prudent budgetary practices. Overall, upgrade of the Fitch rating and the maintenance of the Moody’s and S&P ratings in the second highest category available, reflects the City’s credit strength

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which in turn translates into significant interest cost savings in the City's borrowing costs, which in turn benefits the taxpayers and residents of the San José community.

- Since March 2020, the Administration managed over seventeen (17) individual funding streams totaling an estimated \$800 million (including resources carried over from FY 2019-2020) to respond to the impacts from COVID-19, including \$179 million budgeted in the Corona Virus Relief Fund. The Administration returned to City Council multiple times throughout the year to recommend new initiatives or reallocate funds among existing initiatives to respond to the changing state of the COVID-19 pandemic.
- The City continued the work of explicitly integrating the consideration of equity into the budget process. As part of the FY 2021-2022 budget development process, each department completed a "Budgeting for Equity" worksheet to assess how equity considerations were integrated into their budget submittal package submitted to the City Manager's Office. The worksheet facilitated a critical thinking exercise about how departments are accounting for underserved communities and was also framed as a learning exercise: this was a first step requiring departments to deliberate on questions about impact, disaggregated data, and community engagement as foundational principles in advancing racial equity.
- In addition to the explicit consideration of equity, the FY 2021-2022 budget development process strategically employed a combination of one-time and ongoing actions to fully resolve the projected \$38.3 million General Fund shortfall without compromising City service levels. Budget balancing actions also included the partial deployment of the Coronavirus State and Local Fiscal Recovery Funds as authorized by the American Rescue Plan Act to help preserve existing service levels and launch a wide range of community and economic recovery workstreams that are primarily targeted to help our most vulnerable community members and businesses⁸.

Powered by People (Foundational): *We recognize that our 6,600 employees power the City of San José, and our success as a City is dependent on our ability to create a dynamic and engaged workforce. Our employees' ability to provide excellent service is strengthened when we invest in attracting talent, providing opportunities for career growth, enabling an environment focused on health, safety, and wellness, and retaining a diverse workforce in a workplace that is equitable and inclusive. Significant accomplishments in this Enterprise Priority for FY 2020-2021 include:*

- Human Resources Department created four (4) objectives that focuses City efforts and priorities for the workforce in these areas: Safe Workplace, Employee Health & Wellness, Drive to Digital, and Effective Teams. While COVID-19 posed significant challenges, several accomplishments were achieved with our workforce. The Safe Workplace team ensured the safety of the workplace by developing, implementing, and monitoring safe workplaces behaviors and practices. Employee Health and Wellness focused webinars and activities on physical, mental and emotional health with over 1,000 employees engaging in our two wellness challenges. Drive to Digital ensured more than 2,500 employees working virtually had equipment and laptops, improved our cyber security practices and policies, and implemented more than 30 business process automation projects. Effective teams provided "leading in a virtual environment" training to more than 300 supervisors, completed three human-centered design academies for about 60 employees, and piloted targeted trainings to prepare for the needs of employees involved in our strategic Roadmap. The City also provide its New Employee Welcome program online and iterated over more than a year to provide the best onboarding exercise for more than 600 new employees. Lastly, the City's Human Resources Department developed a team to expeditiously hire nearly 200 employees to serve as Vaccination Champions at the County's vaccination sites.

⁸ Manager's Budget Addendum #16: Community and Economic Recovery Budget:

<https://www.sanjoseca.gov/home/showpublisheddocument/73424/637575449288770000>

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- Bargaining Unit Contract Negotiations: Negotiated successor memoranda of agreement (“MOA”) with eight (8) of the City’s eleven (11) bargaining units, all of whom had agreements that expired June 30, 2021. Almost all of these agreements are multi-year agreements that provide both the City and employees with labor stability.

Additional significant accomplishments are detailed through the following “City Roadmap” section.

CITY ROADMAP

The purpose of the City Roadmap is to focus the City on our most vital change initiatives. During FY 2020-2021, the City found itself delivering COVID-19 Response, COVID-19 Recovery, major change initiatives, and core City Services all in parallel. The initiatives that make up the City Roadmap are importantly distinct from core City services in that they represent significant new policies, strategies, or projects that are not traditionally or routinely delivered by the City, are complex and cross-departmental, and/or require significant strategic planning and leadership capacity to deliver successfully. Also included are initiatives that leverage approximately \$800 million in one-time, time-boxed State and Federal funding to recover to a better normal with our community. Given the finite delivery capacity across the City and our partners, the prioritization and focus brought by the City Roadmap is critical to our success. Organizing around the City Roadmap is a major change to the way that the City thinks about, communicates, and delivers on City Council priorities, and is an opportunity for the City Administration and City Council to be more measured, transparent, and accountable.

On February 25, 2020, City Council held its FY 2020-2021 Council Policy Priority Setting session, adding and ranking new priority initiatives. The Council considered nominations to add to the FY 2020-2021 Council Policy Priority List. The outcome was a list of 22 policies prioritized for work during FY 2020-2021.

On February 26, 2020, City Administration hosted a workshop with department directors to create the first prototype of a City Roadmap, referred to as the Enterprise Priorities Roadmap. The workshop took the top change initiatives from departments and applied an Agile Methodology called “Weighted Shortest Job First” to prioritize initiatives based on four attributes: Community Value, Opportunity Enablement/Risk Mitigation, Time Criticality, and Job Duration/Effort. The outcome was a list of sixty-eight (68) highest priority initiatives mapped to the Enterprise Priorities. A version of this Enterprise Priorities Roadmap (FY 2020-2021 City Roadmap) was presented to the City Council on November 17, 2020.

On March 16, 2020, as part of the City’s COVID-19 pandemic emergency response, the Administration created the first City Emergency Operations Center (“EOC”) COVID-19 Response Roadmap focused on “slowing and reducing the spread of COVID-19 and supporting our most at-risk communities”. This roadmap identified thirteen (13) highest priority initiatives under four (4) themes that have guided response work for the last year:

- Compliance with Public Health Orders;
- Continuity of Essential City Services;
- Support for At-Risk Communities and Populations; and
- Powered by People – Support our people so they can act.

All the work of the EOC COVID-19 response, which at its peak was comprised of over 750 individuals and, as of June 30, 2021, over \$800 million in dedicated funds, has been guided by this roadmap. The EOC COVID-19 Response Roadmap has been invaluable in focusing City work on the most important efforts.

With a goal to paint a holistic picture of the City’s overarching priorities to focus leadership, and guide decision-making and budgeting in a scarce resource environment, in October 2020, the City Administration recognized the need to merge three sets of priorities: Council Policy Priorities, Enterprise Priority Roadmap, and EOC COVID-19 Response and Recovery Roadmap into a unified framework. By leveraging the same

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Agile Methodology, the City Leadership team scored the 103 initiatives combined from these three sets of priorities across the same four attributes of 1) Community Value, 2) Opportunity Enablement/Risk Mitigation, 3) Time Criticality, and 4) Job Duration/Effort. The outcome was a merged set of forty-five (45) priority initiatives – the FY 2020-2021 City Roadmap. The resulting FY 2020-2021 City Roadmap also deprioritized the remaining initiatives for reconsideration as part of the backlog in developing the FY 2021-2022 City Roadmap.

San José City Roadmap | FY 2020-2021

Enterprise Priority	Project					Strategy		Policy	
Emergency Management + Preparedness	Continuity of City Services	Food + Necessities Distribution	Digital Inclusion					Soft-Story Building Earthquake Retrofit Policy	
Creating Housing + Preventing Homelessness <small>CPEH: Community Plan to End Homelessness</small>	Rental Assistance + Eviction Prevention <small>CPEH Strategy 2</small>	Emergency Housing Construction + Operation <small>CPEH Strategy 3</small>	Sheltering + Enhanced Encampment Services <small>CPEH Strategy 3</small>			North San José Strategy		Rental Assistance + Eviction Prevention Advocacy <small>CPEH Strategy 2</small>	Affordable Housing Siting Policy
Safe, Vibrant, + Inclusive Neighborhoods + Public Life	Community + Economic Recovery	Police Reform + Community Safety	San José 311 + Service Delivery	Waste Pick-Up BeautifySJ	Vision Zero Traffic Safety	Equity Strategy Development + Leadership	Neighborhood Services Access Strategy	Digital Privacy Policy	Smoke-Free Multi-Family Housing Policy
The Future of Downtown	Google Development	Diridon Station Area Plan				BART + High-Speed Rail Strategy		Electronic Billboards Policy	
Building the San José of Tomorrow: Private Development Services	Align Zoning with General Plan	Development Services Transformation	Major Real Estate Development Projects			Envision 2040 General Plan Update		Update Urban Design Guidelines Policy	
Smart, Sustainable, + Reliable City: 21 st Century Infrastructure	Secure City Cybersecurity	Pavement, Fire, EOC, Transit Capital Improvements	Regional Wastewater Facility Capital Improvements	Microgrid Electrical Service for Major Development	Climate Smart American Cities Climate Challenge	Increase in SJC Air Service	Lowering PG&E Exit Fees for Clean Energy		
Enterprise Priority Foundational	Project					Strategy		Policy	
Strategic Fiscal Positioning + Resource Deployment	Federal Stimulus 4.0	Procurement Improvement				Equity Analysis of City Budget	Budget Alignment with City Roadmap		
Powered by People	Workplace Safety	Employee Health + Wellness	Drive to Digital	Effective Teams	Bargaining Unit Contract Negotiations	City Workforce Diversity + Skill Building			

The Administration presented the Enterprise Priorities Roadmap as the FY 2020-2021 City Roadmap to City Council on November 17, 2020 as the priorities that the Administration would focus on for the remainder of the year.

While driving the accomplishments referred to in the above “Enterprise Priorities and Significant Accomplishments section as well as successfully responding to the COVID-19 pandemic to enforce health orders and protect our most vulnerable, the Administration was also able to complete eight (8) initiatives on the FY 2020-2021 City Roadmap. These accomplishments are summarized as follows:

Affordable Housing Siting Policy: Developed an affordable housing siting policy to help the City affirmatively further fair housing consistent with Federal and California fair housing laws while delivering much-needed affordable housing. The Policy balances the City’s objectives of building both market-rate and affordable homes, limiting the development in lower-income neighborhoods that are resource constrained, mitigating residential displacement, and increasing affordable housing in higher-opportunity neighborhoods of choice. The City Council approved of the housing siting policy framework that creates three siting categories but requested further data analysis of the methodology that informs Category 3 neighborhoods, specifically crime data at the census block level. The Housing Department was directed to move forward with a Notification of Funding Availability, but with an adjustment to criteria used for Category 3. The Housing Department will return to City Council in early 2022 for final approval of the policy, including Category 3 criteria.

Bargaining Unit Contract Negotiations: Negotiated successor memoranda of agreement (“MOA”) with eight (8) of the City’s eleven (11) bargaining units, all of whom had agreements that expired June 30, 2021.

Letter of Transmittal

Digital Privacy Policy: Developed a Citywide Privacy Policy to safeguard and protect the public's trust as the City increasingly adopts new processes and technologies to better serve our residents. The Policy provides standards and an operational framework for implementation of the City's Privacy Principles to guide City projects, services, and security practices.

Diridon Station Area Plan: Amended the Diridon Station Area Plan ("DSAP") originally approved in 2014 to align it to current market conditions and planning efforts. The DSAP guides the equitable growth of private development and public investment in the 250-acre area surrounding the San José Diridon Station on the western edge of Downtown. The Department of Transportation – in partnership with other departments and the community – updated the DSAP to align with the Diridon Integrated Station Concept (DISC) Plan, Google's Downtown West, and other changes to the Diridon area. Transportation was a critical component of these efforts to ensure high-quality access to the Station, the SAP Center, and surrounding jobs and homes, and a sustainable, people-first environment.

Electronic Billboard Policy: Amended the Sign Ordinance to allow installation of electronic billboards on freeway fronting private property sites in exchange for removing static billboards from elsewhere in San José, allow large format building-mounted digital signage downtown, and allow off-premise advertising on City-owned public right of way amenities such as restrooms, wayfinding signage kiosks, and light poles.

Envision 2040 General Plan Review: The Envision San José 2040 General Plan requires that every four years the Envision San José Task Force be reconvened to evaluate progress on the General Plan's implementation, make course corrections, and/or make policy amendments to address changing circumstances or trends. This four-year process was initiated in the fall of 2019 and completed in June 2021. City staff and the Task Force made recommendations for Council consideration, including the future of Mid and North Coyote Valley, policy amendments to facilitate affordable housing, and a recommendation to pursue opportunity housing, or duplexes, tri-plexes and four-plexes in single family neighborhoods.

Eviction Prevention Advocacy: Continued protecting San José tenants from pandemic-related evictions by extending local assistance, advocating for legislation supporting a statewide extension (before the expiration of the Statewide Eviction Moratorium), and supporting the distribution of federal and state rental assistance for low-income tenants through referrals to lead agencies. This initiative is part of a larger scale plan, Community Plan to End Homelessness ("CPEH"), as noted on the FY 2020-2021 City Roadmap.

Updated Urban Design Guidelines Policy: Updated Urban Design Guidelines Policy to consolidate the residential, commercial and industrial design guidelines into a single policy and provide a blueprint for site planning, access, form of buildings, and interface with the pedestrian level.

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

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

Though our community and organization are challenged by the impacts of the COVID-19 Pandemic, the City's work to plan for the future and maintain public infrastructure continues. Even in this challenging environment, the General Plan guides the CIP with a focus on the renovation, renewal, and expansion of critical public assets, ranging from the infrastructure that is integrated into daily life such as roadways and

Letter of Transmittal

the sewer collection and treatment systems, to parks and sports fields that promote community health, to fire and police facilities that helps keep our community safe, and to airport facilities to meet the long-term travel needs of our residents and businesses. While capital revenue allocation is often restricted to specific uses, considerations of equity within those allowable uses is an important factor in the development of the CIP. Many of the projects included in the CIP result from the technical analysis necessary to identify new or deferred infrastructure rehabilitation needs, along with community and City Council conversations to help ensure that resources are allocated with an understanding of how communities will benefit or be impacted by a recommended capital improvement.

Over a five-year period, the 2022-2026 CIP totals \$3.8 billion, a 5.1% increase over the 2021-2025 Adopted CIP of \$3.7 billion. The FY 2021-2022 Adopted Capital Budget of \$1.6 billion reflects a 11.6% increase from the FY 2020-2021 Adopted Capital Budget of \$1.4 billion. While capital-related revenues have stabilized and begun to recover from the worst of the pandemic's impacts, available resources remain limited, particularly within the Airport and Parking Capital Programs, which have seen significant declines in passenger and parking activity when compared to recent years. Though not related to the pandemic, the Storm Sewer Capital Program also faces significant funding declines as the storm sewer service charge has remained flat over the past decade. Identifying a more sustainable funding source will be a top priority for the CIP in the next three years.

Even before the onset of the COVID-19 Pandemic, the City lacked sufficient resources to fully maintain and fund its entire infrastructure portfolio. The Status Report on Deferred Infrastructure Maintenance Backlog, presented to the Transportation and Environment Committee on March 1, 2021, identifies an infrastructure backlog of approximately \$1.7 billion, with an additional \$92.8 million needed annually to maintain the City's infrastructure in a sustained functional condition. Though the existing backlog of \$1.7 billion is expected to decrease as Measure T projects are fully implemented – including \$300 million for street pavement maintenance – the City must continue to search for additional resources 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 judgments.

Single Audit

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

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

Letter of Transmittal

Budgetary Controls

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

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

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

Debt Management Policy

The City's Debt Management Policy was adopted by the City Council on May 21, 2002 and most recently revised on March 7, 2017 and is reviewed annually. The Debt Management Policy establishes the following equally important objectives:

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

AWARDS

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, 2020. This was the thirty-third consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized ACFR, the contents of which conform to program standards. Such a report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

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

For the thirty-first consecutive year, the City received the GFOA Distinguished Budget Preparation Award for its annual budget for the fiscal year beginning July 1, 2020. 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.

Letter of Transmittal

ACKNOWLEDGMENTS

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

In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The City also recognizes the contributions and positive working relationship with Macias Gini & O'Connell LLP.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors, especially their role in guiding the City to a secure financial condition that assures resources are available to provide core services to the community.

Respectfully submitted,



JENNIFER A. MAGUIRE
City Manager



JULIA H. COOPER
Director of Finance

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Jose
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

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, 2020

Christopher P. Morill

Executive Director

San José Mayor & City Council

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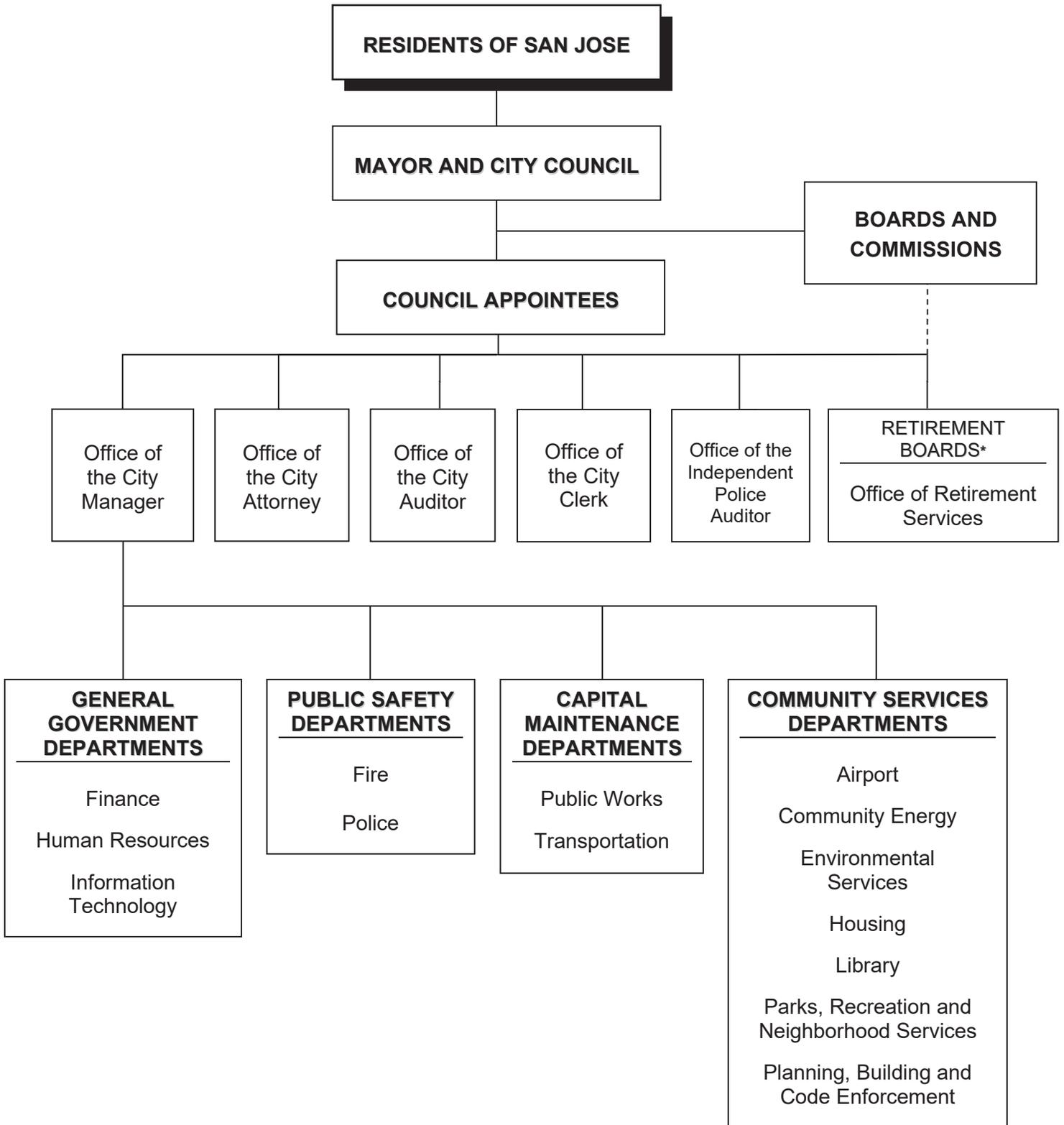
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**CITY OF SAN JOSE
2020-2021 ADOPTED OPERATING BUDGET**

CITY ORGANIZATION BY FUNCTION



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

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Financial Section



INDEPENDENT AUDITOR'S REPORT

City Council
City of San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of San José Federated City Employees' Retirement System and the City of San José Police and Fire Department Retirement Plan (collectively, "the Pension Trust Funds"), which represent 87.5 percent, 104.8 percent, and 71.8 percent, respectively, of the assets, fund balances/net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, 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.

Other Matters

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 – 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 – 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 introductory section, the combining and individual fund financial statements and schedules listed as supplemental information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed as supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules listed as supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California

November 19, 2021

City of San José
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
June 30, 2021

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, 2021. 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, 2021, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$3.710 billion. Of this amount, a deficit of \$2.756 billion represents unrestricted net position, which is comprised of a deficit balance of \$2.978 billion for governmental activities, and a positive balance of \$222.4 million for business-type activities. In addition, the City's restricted net position totals \$1.166 billion (\$1.116 billion for governmental activities and \$49.8 million for business-type activities) based on the restrictions imposed by the enabling legislations or debt covenants. Lastly, net position of \$5.300 billion is the City's net investment in capital assets, which include \$4.090 billion from governmental activities and \$1.210 billion from business-type activities.
- The net position decreased by \$238.1 million or 6.03 percent during FY 2021 to \$3.710 billion from \$3.948 billion. Governmental Activities accounted for \$263.1 million of the decrease mainly due to total expense of \$2.191 billion exceeding the total revenue and transfers of \$1.928 billion. Business-type activities accounted for \$25.0 million of increase primarily due to total revenue of \$802.0 million exceeding the total expense and transfers of \$777.0 million.
- Governmental funds reported a combined ending fund balance of \$1.861 billion at June 30, 2021, which is \$3.9 million or 0.21 percent higher than the June 30, 2020 balance. The change was attributable to a decrease in the General Fund of \$46.9 million, the Housing Activities Fund of \$11.0 million, the Special Assessment Districts Fund of \$2.1 million, the San José Financing Authority Debt Service Fund of \$16.7 million, and offset by an increase in the Low and Moderate Income Housing Asset Fund of \$22.7 million, and the Nonmajor Governmental Funds of \$57.9 million.
- Unassigned fund balance of governmental funds is negative \$36.4 million, which is negative 1.95 percent of the combined governmental fund balances at June 30, 2021.
- Total long-term liabilities increased by \$154.3 million to \$7.193 billion at June 30, 2021, which represents an increase of 2.19 percent compared to \$7.039 billion at June 30, 2020. The primary factors leading to the increase in long-term liabilities for governmental activities of \$182.5 million was due to the increase of pension liability by \$206.3 million and debt service activities by \$63.2 million, offset by the decrease of Other Postemployment Benefits ("OPEB") liability by \$104.2 million. The primary factor leading to the decrease in long-term liabilities for business-type activities of \$28.2 million was the result of a bond refunding and the scheduled debt service payments.

City of San José
Management’s Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

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 four 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.

City of San José
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

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

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances present information separately for the General Fund, the Housing Activities Fund, the Low and Moderate Income Housing Asset Fund, the Special Assessment Districts Fund, and the San José Financing Authority Debt Service Fund which are all classified as major funds. These statements also report several individual governmental funds classified as nonmajor funds such as special revenue, debt service, and capital project funds, which are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this ACFR.

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

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

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

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

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

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

City of San José
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

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, 2021, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$3.710 billion. The following table is a condensed summary of the City's net position for governmental and business-type activities:

	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Assets:						
Current and other assets.....	\$ 2,446,574	\$ 2,308,031	\$ 926,979	\$ 1,046,055	\$ 3,373,553	\$ 3,354,086
Capital assets.....	5,035,624	5,145,711	2,463,156	2,353,286	7,498,780	7,498,997
Total assets.....	<u>7,482,198</u>	<u>7,453,742</u>	<u>3,390,135</u>	<u>3,399,341</u>	<u>10,872,333</u>	<u>10,853,083</u>
Deferred outflows of resources:						
Loss on refundings of debt.....	4,128	329	11,516	7,639	15,644	7,968
Deferred outflows of resources related to pensions.....	697,257	642,710	67,722	73,973	764,979	716,683
Deferred outflows of resources related to other postemployment benefits	98,152	98,703	12,766	8,917	110,918	107,620
Total deferred outflows of resources.....	<u>799,537</u>	<u>741,742</u>	<u>92,004</u>	<u>90,529</u>	<u>891,541</u>	<u>832,271</u>
Liabilities:						
Current and other liabilities.....	522,415	396,160	192,624	199,701	715,039	595,861
Long-term liabilities.....	1,397,595	1,317,176	1,338,705	1,361,702	2,736,300	2,678,878
Net pension liability.....	3,214,827	3,008,528	376,970	374,697	3,591,797	3,383,225
Net OPEB Liability.....	787,874	892,094	77,000	84,451	864,874	976,545
Total liabilities.....	<u>5,922,711</u>	<u>5,613,958</u>	<u>1,985,299</u>	<u>2,020,551</u>	<u>7,908,010</u>	<u>7,634,509</u>
Deferred inflows of resources:						
Gain on refundings of debt.....	3,634	4,152	-	-	3,634	4,152
Deferred inflows of resources related to pensions.....	33,835	58,838	7,468	3,964	41,303	62,802
Deferred inflows of resources related to other postemployment benefits	93,560	27,430	7,215	8,253	100,775	35,683
Total deferred inflow of resources.....	<u>131,029</u>	<u>90,420</u>	<u>14,683</u>	<u>12,217</u>	<u>145,712</u>	<u>102,637</u>
Net position:						
Net investment in capital assets	4,089,937	4,262,597	1,209,961	1,090,408	5,299,898	5,353,005
Restricted	1,116,441	1,088,593	49,785	76,104	1,166,226	1,164,697
Unrestricted	(2,978,383)	(2,860,084)	222,411	290,590	(2,755,972)	(2,569,494)
Total net position.....	<u>\$ 2,227,995</u>	<u>\$ 2,491,106</u>	<u>\$ 1,482,157</u>	<u>\$ 1,457,102</u>	<u>\$ 3,710,152</u>	<u>\$ 3,948,208</u>

At June 30, 2021, the City reported positive balances in net position on a total basis. Net investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, and equipment, less outstanding debt used to acquire assets and deferred inflows and outflows related to debt) of \$5.300 billion comprises 142.85 percent of the City's total net position. These capital assets facilitate providing services to the San José community, but they are not liquid, and therefore not available for future spending. During FY 2021, net investment in capital assets decreased \$53.1 million primarily due to the decreases of \$172.7 million from governmental activities and the increase of \$119.6 million from business-type activities. A

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portion of the City's net position, \$1.166 billion or 31.43 percent, are subject to legal restrictions for their use, including \$1.116 billion in governmental activities and \$49.8 million in business-type activities. Of the total net position at June 30, 2021, a deficit balance of \$2.756 billion or 74.28 percent represents unrestricted net position, which comprises a deficit balance of \$2.978 billion for governmental activities, and a positive balance of \$222.4 million for business-type activities. The primary factor contributing to the deficit in unrestricted net position is the City's net pension and OPEB liabilities.

During FY 2021, the City's total net position decreased by \$238.1 million. Notable changes in the statement of net position between June 30, 2021 and June 30, 2020 include:

Assets

- Capital assets decreased by \$0.2 million compared to the prior fiscal year. Governmental capital assets decreased by \$110.1 million and business-type capital assets increased by \$109.9 million. The decrease in governmental capital assets resulted from depreciation expense of \$232.1 million for major infrastructure and other assets and \$0.2 million in net deletions, partially offset by additions to capital assets of \$122.2 million, which included \$52.5 million of additional capital projects, \$13.2 million of contributed capital from donated infrastructure assets, \$17.4 million in vehicles and equipment, \$38.7 million from property acquisitions, and \$0.4 million additions to buildings and improvements other than buildings. The increase in business-type capital assets was primarily due to depreciation expense of \$89.6 million and net of deletions of \$6.4 million, offset by additions to capital assets of \$205.9 million primarily from the Airport and Wastewater Treatment Facility.
- Current and other assets increased by \$19.5 million or 0.58 percent due to an increase of \$138.6 million for governmental activities and a decrease of \$119.1 million for business-type activities. The increase in governmental activities is mainly due to the increase in cash and investments resulting from the receipt of federal Coronavirus State and Local Fiscal Relief Funds ("CSLFRF") through the American Rescue Plan Act ("ARPA"). The decrease in current assets for business-type activities is mainly due to lower cash and investments and receivables resulting from less revenue received through fees, fines, and service charges.

Liabilities

- Total long-term liabilities increased by \$154.3 million to \$7.193 billion at June 30, 2021, which represents an increase of 2.19 percent compared to \$7.039 billion at June 30, 2020. The primary factors leading to the increase in long-term liabilities for governmental activities of \$182.5 million was due to the increase of pension liability by \$206.3 million and debt service activities by \$63.2 million, offset by the decrease of OPEB liability by \$104.2 million. The primary factor leading to the decrease in long-term liabilities for business-type activities of \$28.2 million was the result of a bond refunding and the scheduled debt service payments.
- Current and other liabilities increased by \$119.2 million or 20.00 percent due to an increase of \$126.3 million for governmental activities, primarily due to the increase of \$82.1 million in accounts payable and \$40.5 million in unearned revenue. For business-type activities, current and other liabilities decreased by \$7.1 million.

Net Position

- Unrestricted net position for governmental activities decreased by \$118.3 million or 4.14 percent with a deficit balance of \$2.978 billion at June 30, 2021. The primary factor contributing to the deficit in unrestricted net position is the City's net pension and OPEB liabilities. For business-type activities, unrestricted net position decreased by \$68.2 million or 23.46 percent with a positive balance of \$222.4 million at June 30, 2021.

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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, 2021 and 2020
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Revenues:						
Program revenues:						
Fees, fines, and charges for services.....	\$ 366,388	\$ 398,512	\$ 728,244	\$ 937,266	\$ 1,094,632	\$ 1,335,778
Operating grants and contributions.....	250,875	176,843	55,804	486	306,679	177,329
Capital grants and contributions.....	99,684	149,459	14,412	6,334	114,096	155,793
General revenues:						
Property and other taxes.....	593,878	531,075	-	-	593,878	531,075
Utility	127,844	120,213	-	-	127,844	120,213
Franchise	45,628	44,436	-	-	45,628	44,436
Transient occupancy taxes.....	13,479	35,329	-	-	13,479	35,329
Business taxes.....	71,169	71,978	-	-	71,169	71,978
Sales taxes.....	284,020	260,558	-	-	284,020	260,558
State of California in-lieu.....	770	826	-	-	770	826
Unrestricted interest and investment income.....	14,438	39,635	1,808	33,030	16,246	72,665
Other revenue.....	49,798	56,435	1,712	654	51,510	57,089
Gain on sale of capital assets.....	6,913	5,231	-	-	6,913	5,231
Total revenues.....	<u>1,924,884</u>	<u>1,890,530</u>	<u>801,980</u>	<u>977,770</u>	<u>2,726,864</u>	<u>2,868,300</u>
Expenses:						
General government.....	351,491	296,294	-	-	351,491	296,294
Public safety.....	783,928	813,126	-	-	783,928	813,126
Community services.....	345,762	301,697	-	-	345,762	301,697
Sanitation.....	184,816	183,197	-	-	184,816	183,197
Capital maintenance.....	487,239	476,251	-	-	487,239	476,251
Interest and fiscal charges.....	38,021	44,771	-	-	38,021	44,771
Norman Y. Mineta San José International Airport	-	-	205,378	232,002	205,378	232,002
Wastewater Treatment System.....	-	-	211,098	252,033	211,098	252,033
Municipal Water System.....	-	-	51,936	51,574	51,936	51,574
Parking System.....	-	-	12,581	22,559	12,581	22,559
San Jose Clean Energy.....	-	-	292,670	301,115	292,670	301,115
Total expenses.....	<u>2,191,257</u>	<u>2,115,336</u>	<u>773,663</u>	<u>859,283</u>	<u>2,964,920</u>	<u>2,974,619</u>
Excess (deficiency) before transfers.....	(266,373)	(224,806)	28,317	118,487	(238,056)	(106,319)
Transfers.....	3,262	6,391	(3,262)	(6,391)	-	-
Change in net position.....	<u>(263,111)</u>	<u>(218,415)</u>	<u>25,055</u>	<u>112,096</u>	<u>(238,056)</u>	<u>(106,319)</u>
Net position at beginning of year, as restated.....	<u>2,491,106</u>	<u>2,709,521</u>	<u>1,457,102</u>	<u>1,345,006</u>	<u>3,948,208</u>	<u>4,054,527</u>
Net position at end of year.....	<u>\$ 2,227,995</u>	<u>\$ 2,491,106</u> (a)	<u>\$ 1,482,157</u>	<u>\$ 1,457,102</u>	<u>\$ 3,710,152</u>	<u>\$ 3,948,208</u>

(a) FY2020 totals have been restated due to prior period adjustments overstating the Homeless Housing, Assistance and Prevention ("HHAP") grant revenue and understating unearned revenue in Housing Activities Fund for \$12,408,000.

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Governmental activities: The change in net position for governmental activities decreased by \$44.7 million during FY 2021 from a deficit of \$218.4 million to a deficit of \$263.1 million. Total expenses increased by \$75.9 million and total revenues including transfers increased by \$31.2 million. The major factors contributing to the decrease in net position in FY 2021 compared to FY 2020 are as follows:

Revenues

- Fees, fines, and charges for services decreased by \$32.1 million or 8.06 percent mainly due to a \$32.9 million decrease of concession income from the San José Convention Center. Revenue increases for Subdivision Park Trust Fund In-lieu fees were offset by decreases in other fee programs.
- Operating grants and contributions increased by \$74.0 million or 41.86 percent mainly due to a \$29.5 million increase in General Fund, primarily from the receipt and recognition of federal aid from the Coronavirus Aid, Relief, and Economic Stability ("CARES") Act to support COVID-19 related expenditures, \$25.8 million increase mainly due to a prior period adjustment was recorded in the Housing Activities Fund to restate an overstated grant revenue in FY 2020 from Homeless Housing, Assistance and Prevention and \$13.9 million received from two reimbursements for Office of Emergency Services' strike team and the Santa Clara Valley Transportation Authority ("VTA") and BART project.
- Capital grants and contributions decreased by \$49.8 million or 33.30 percent mainly due to the decrease in funding received from the VTA Pavement Maintenance Measure B grant, from \$43.2 million in FY 2020 to \$17.8 million in FY 2021. Additionally, there was a \$36.9 million decrease due to an one-time capital asset transfer from SARA to the City in FY 2020.
- Other revenues increased by \$39.1 million or 3.34 percent mainly due to a \$62.8 increase in property taxes due to higher assessed valuations based on a strong real estate market and Measure E property tax, and a \$23.4 million increase in sales taxes due to favorable economy, offset by a \$25.2 million decrease in unrestricted interest and investment income and a \$21.9 million decrease in transient occupancy taxes impacted by the COVID-19 pandemic.

Expenses

- Pension expense decreased \$100.8 million or 42.41 percent during FY 2021. Federated City Employees' Retirement System ("FCERS")'s pension expense decreased by \$66.2 million which was primarily due to a reduction in amortized deferred outflows and inflows by \$61.7 million. Police and Fire Department Retirement Plan ("PFDRP")'s pension expense decreased by \$34.6 million was primarily due to a decrease of amortized deferred outflows and inflows by \$34.6 million offset by a change in net of contributions by \$12.9 million.
- OPEB expense decreased by \$50.2 million or 5.56 percent during FY 2021. FCERS's OPEB expense decreased by \$46.0 million primarily due to the reduction of OPEB liability by \$31.2 million and the decrease in net of deferred outflows and inflows by \$14.8 million. PFDRP's OPEB expense decreased by \$4.2 million primarily due to the reduction of OPEB liability by \$80.9 million and the increase in net of deferred outflows and inflows by \$76.7 million.
- General government expenses increased \$55.2 million or 18.63 percent during FY 2021 mainly due to a \$59.1 million increase in personnel, food distribution, and other miscellaneous expenses related to COVID-19 response activities and a \$7.2 million increase in general liability expenses due to the City having numerous unsettled lawsuits filed or claims asserted as of June 30, 2021. Additionally, pension and OPEB expenses decreased \$15.5 million and \$1.6 million, respectively.

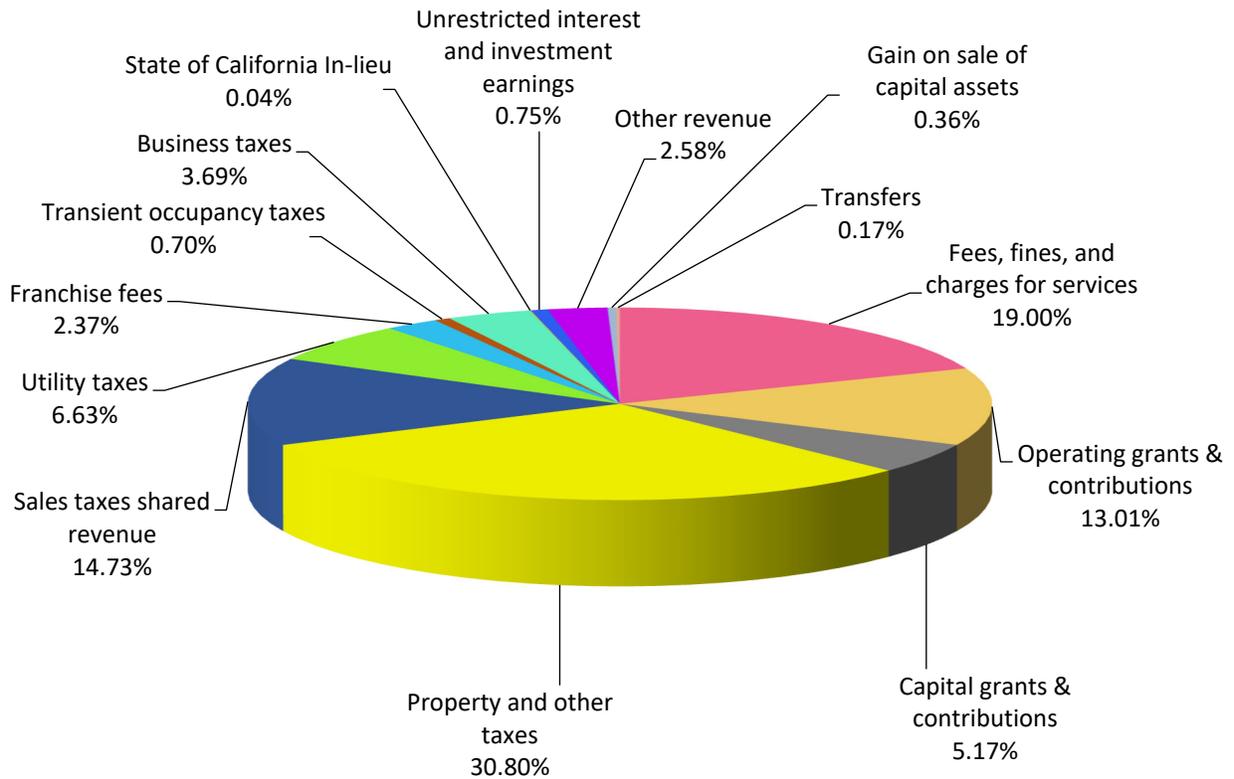
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- Public safety expenses decreased by \$29.2 million or 3.59 percent primarily due to the reduction of net OPEB and pension expense for \$40.5 million and \$34.6 million, respectively. These changes were offset by the increases of \$35.0 million in the General Fund and \$12.3 million in workers' compensation cost. The change in the General Fund included a \$39.9 million increase in fire suppression personnel expenses, offset by a \$5.9 million reduction in police cost. The increase in workers' compensation costs was due to the increased number of claims as of June 30, 2021.
- Community services expenses increased by \$44.1 million or 14.61 percent mainly due to the increase of \$30.4 million in Housing Activities due to higher expenses in CARES Emergency Shelters, Loans and Grants, and Homelessness Prevention.
- Capital maintenance expenses increased by \$11.0 million or 2.31 percent primarily due to an increase in expense of \$46.0 million for the Ice Centre expansion project, an increase of \$38.8 million for pavement maintenance funded by the Measure T Bond, offset by a decrease of \$39.9 million in the General Fund due to the removal of the development fee programs, and a decrease of \$31.4 million on pavement maintenance funded by the VTA Pavement Maintenance Measure B Grant.
- Interest and fiscal charges decreased \$6.8 million or 15.08 percent in FY 2021 due to a \$11.2 million decrease for the Civic Center Project offset by a \$3.5 million increase in the Ice Centre Refunding Project.

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The chart below shows the primary components of governmental activities revenue sources for FY 2021. Of the \$1.928 billion in total revenues and transfers generated by governmental activities, 77.54 percent is attributable to four categories: property and other taxes (30.80 percent), fees, fines, and charges for services (19.00 percent), sales taxes revenue (14.73 percent), and operating grants and contributions (13.01 percent).

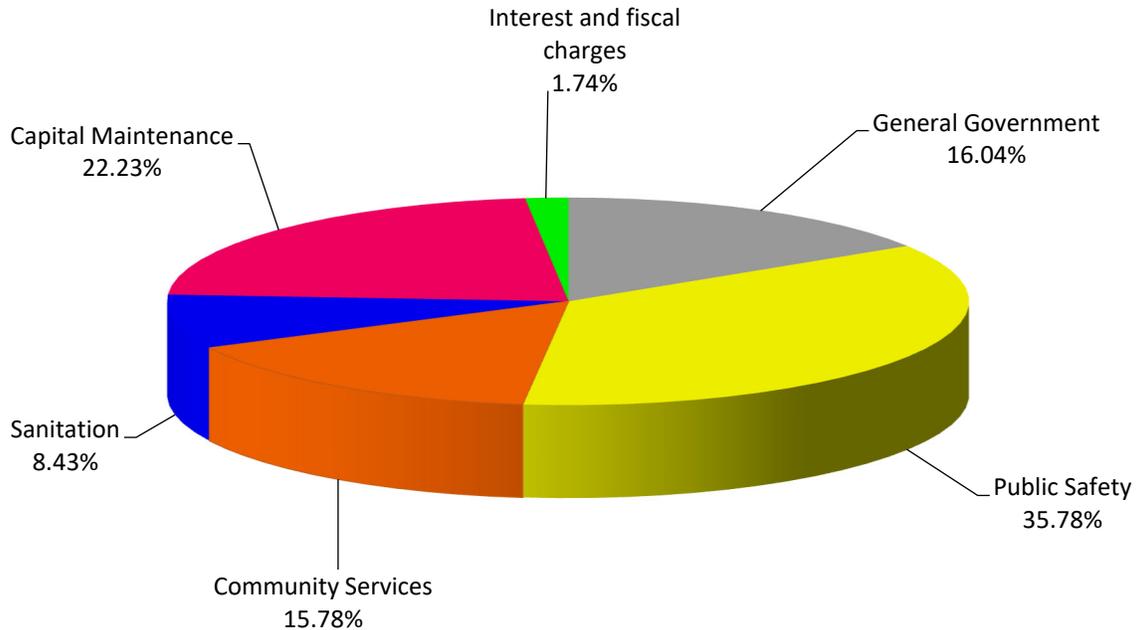
Governmental Activities - Revenues By Source



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The chart below shows the major categories of FY 2021 expenses for governmental activities. Of the \$2.191 billion in total expenses incurred by governmental activities, 89.83 percent is attributable to four categories: public safety (35.78 percent), capital maintenance (22.23 percent), general government (16.04 percent), and community services (15.78 percent).

Governmental Activities Expenses 2021



Business-type activities: Business-type activities net position increased by \$25.0 million or 1.72 percent to \$1.482 billion in FY 2021.

The notable components of the changes in net position for business-type activities in FY 2021 are:

Airport change in net position from prior year activities showed an increase of \$12.6 million in FY 2021 compared to a decrease of \$5.1 million in FY 2020. The increase in net position was a combination of CARES Act Airport Grants, a decrease in operating expenses, a decrease in the participating airline net revenue sharing, and an increase in capital contributions, offset by a decrease in operating revenues, a decrease in passenger facility charges (“PFCs”), a decrease in investment income, and a decrease in customer facility charges (“CFCs”).

Net nonoperating revenues increased \$40.1 million due to \$53.5 million received in CARES Act Airport Grants, a \$10.6 million decrease in the participating airline net revenue sharing, and a \$5.5 million decrease in interest expense, offset by a \$11.1 million decrease in PFCs, a \$10.0 million decrease in investment income, and a \$8.9 million decrease in CFCs. Capital contributions increased \$8.9 million.

The Airport had a net operating loss of \$17.0 million, a decrease of \$31.3 million compared to prior year’s operating income of \$14.3 million. Operating revenues decreased by 25.16 percent from \$175.3 million in FY 2020 to \$131.2 million in FY 2021 mainly due to decreased revenues in parking and roadway, and terminal buildings and concessions as a result of decreased activity from the COVID-19 pandemic.

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Operating expenses in FY 2021 decreased 8.0 percent, or \$12.8 million, from \$161.0 million in FY 2020 to \$148.2 million in FY 2021. The Airport targeted cost savings by decreasing spending on operating expenses in FY 2021.

Wastewater Treatment System net position increased by \$27.4 million or 2.69 percent from \$1.021 billion to \$1.048 billion. The increase was primarily due to revenues exceeding expenses (before capital contributions) by \$27.2 million. The largest portion, \$909.0 million or 86.72 percent, of the net position was its net investment in capital assets (e.g. land, buildings, and infrastructure) less outstanding debt that was used to acquire those assets. Approximately \$139.2 million, or 13.28 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 decreased \$84.8 million primarily due to lower contributions from the City of Santa Clara and the Tributary Agencies toward the Water Pollution Control Plant ("the Plant") ongoing maintenance, replacement and debt service costs by \$89.0 million; a decrease of \$2.2 million in fees charged for one-time connections to the City's wastewater system or change of use; and lower contributions from other jurisdictions served by the sanitary sewer collection system due to delayed joint sewer line projects by \$3.0 million; offset by higher sewer revenue due to increase in sewer discharges and a 4.00 percent sewer rate increase effective July 1, 2020; and higher recycled-water revenue due to a recycled-water rate increase by \$0.6 million.

Total operating expenses decreased by \$40.8 million compared to the prior fiscal year. The decrease was mainly due to the \$34.2 million expenses recognized for the first time in the prior year per GASB Statement No. 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*; a net decrease of \$16.7 million in pension expense and other postemployment benefits expense; and a decrease of \$2.7 million in Owner-Controlled Insurance Program expenses, which provides a centralized insurance program for risks associated with onsite construction of the Plant CIP; offset by a \$6.2 million increase in condition assessment projects in the sewer collection system; a \$2.3 million increase in personal service costs; a \$2.0 million increase in program management of various Plant projects; a \$1.0 million increase in the Plant Master Plan update; a \$0.5 million increase in overhead; and an increase of \$0.5 million in the cost and revenue sharing payment to the Santa Clara Valley Water District for the Silicon Valley Advanced Water Purification center.

Net nonoperating revenues/expenses decreased by \$17.0 million primarily due to decreases in the fair value of investments. Capital contributions decreased by \$1.0 million mainly due to a \$1.5 million increase in donated assets from developers offset by a \$2.5 million decrease in the U.S. Bureau of Reclamation grants for construction of wastewater recycling activities.

Municipal Water System net position increased by \$3.9 million or 4.51 percent from \$88.3 million to \$92.2 million. The change was mainly due to the increases in operating revenues. Operating revenues of \$56.1 million increased by \$4.1 million or 7.89 percent due to increases in both user fee rates and additional consumption of potable and recycled water usage.

Parking System net position decreased by \$6.4 million or 6.55 percent from \$96.7 million to \$90.3 million. Operating revenues decreased by \$7.7 million or 52.16 percent from \$14.8 million to \$7.1 million. Nonoperating revenues and expenses increased by \$1.9 million or 105.32 percent. The increase in nonoperating revenues and expenses is primarily due to not having the one-time shared expense of 20% Supplemental Educational Revenue Augmentation Fund ("SERAF") portion for affordable housing of \$3.5 million, when the Successor Agency to the Redevelopment Agency of the City of San Jose ("SARA") paid back the 2001A loan to Parking fund in FY 2020. The absence of loan expense this year allowed revenues and expenses to reflect a typical activity of the Parking System. Operating expenses decreased by \$6.3 million or 33.3 percent.

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San José Clean Energy (SJCE) is the enterprise fund established in FY 2018 to account for revenues from the sale of electricity and the costs associated with the San José Clean Energy ("SJCE") Program. Operating revenues were \$280.4 million and expenses were \$291.6 million in FY 2021. In FY 2020, operating revenues were \$337.0 million and expenses were \$300.1 million. Operating revenues declined approximately 16.79 percent while expenses decreased less than 2.83 percent. The year-over-year decrease in operating revenues stems from decreases in rates made in October 2020, January 2021, and March 2021. SJCE establishes rates that mirror the structure of Pacific Gas and Electric's ("PG&E's") rates, while factoring in PG&E fees that SJCE customers pay as part of SJCE's rate setting. In FY 2021, PG&E increased the Power Charge Indifference Adjustment ("PCIA") fee significantly, which resulted in SJCE lowering rates to largely offset the PCIA fee impact on its customers. In addition, the financial impacts caused by the COVID-19 pandemic resulted in a decrease in energy usage by customers and an increase in the allowance for bad debts due to an increase in customer payment delinquencies, further reducing revenues.

SJCE's cash reserves were depleted as a result of the reduced revenues. To mitigate declining revenues, SJCE increased its rates of their two established energy products and introduced a new low-cost product in addition to discounted rate programs for low income customers in May 2021. To ensure cash reserves were not fully depleted, the City Council approved in June 2021, SJCE's participation in the City of San José Financing Authority's Commercial Paper program wherein SJCE borrowed \$15.0 million. Participation in the program assisted SJCE to maintain a positive cash balance at the end of a very challenging fiscal year.

SJCE began providing electric generation service to the City's facilities in fall 2018 in the first of three phases. Phase II launch (residential and large commercial accounts) began in February 2019; and Phase III launch (small commercial customers) began in June 2019. Net Energy Metering (solar) customers were transitioned to SJCE in phases through January 2021. As of June 30, 2021, SJCE serves approximately 350,000 customer accounts in San José with three electricity rate options that provide customers with the ability to select the rate plan that best serves their financial needs while also providing access to service choices with renewable energy content that is greater than that of the electricity provided by PG&E.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of June 30, 2021, the City's governmental funds reported combined fund balances of \$1.861 billion compared to \$1.857 billion balances in FY 2020. The governmental fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned.

- \$0.1 million consists of nonspendable fund balance related to advances and deposits long-term in nature that are not intended to convert into cash and do not represent currently available resources.
- \$1.299 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.
- \$167.3 million is reported as committed fund balance that had been limited by formal Council action for a specific purpose.
- \$430.4 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.
- Negative \$36.4 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.

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General Fund. The General Fund is the chief operating fund of the City. At June 30, 2021, the General Fund unassigned fund balance is \$8.0 million or 1.95 percent of the \$413.3 million total General Fund balance. Comparing unassigned fund balance and total fund balance to total fund expenditures may be useful as a measure of the General Fund's capacity to liquidate future obligations. At June 30, 2021, unassigned fund balance represents 0.68 percent of total General Fund expenditures of \$1.190 billion, while total fund balance represents 34.73 percent of total General Fund expenditures. At June 30, 2020, the same measures were 7.19 percent and 41.69 percent, respectively.

The General Fund ending fund balance decreased by \$46.9 million from \$460.2 million to \$413.3 million at June 30, 2021.

In FY 2021, General Fund revenues of \$1.181 billion were \$10.2 million or 0.87 percent higher than FY 2020 revenues of \$1.171 billion. The general Secured Property Tax receipts growth of \$15.8 million in FY 2021 primarily reflects an increase in assessed value and increased valuation due to changes in ownership or new construction. Secured Property Tax collections were positively impacted by excess Educational Revenue Augmentation Fund (ERAF) revenue. ERAF collections totaled \$33.2 million in FY 2021, which is \$10.1 million above the FY 2020 collection level. Additionally, the Real Property Transfer Tax did not begin until July 2020, therefore no revenue was received in FY 2020, compared to the \$50.5 million collected in FY 2021. Partially offsetting the higher revenues is a significant year-over-year decrease related to the Development Fee Program. Revenue totaling \$71.1 million was received in FY 2020; however, revenue was not captured in the General Fund in FY 2021 as these revenues (and associated expenditures) were moved out of the General Fund and into specific Development Fee Program funds. Utility Tax had a growth of \$11.2 million due to businesses re-opening while a large portion of remote workers did not return to the office, which may have led to higher business and residential consumption.

FY 2021 General Fund expenditures of \$1.190 billion were \$86.5 million or 7.84 percent higher than FY 2020 expenditures of \$1.104 billion. The increase was primarily due to a \$64.7 million increase in personnel services for Fire and Police due to an extremely active fire season in the summer and fall of 2020 and overtime to backfill sworn absences on the line due to the pandemic, a \$59.1 million increase in personnel, food distribution, and other miscellaneous expenditures related to COVID-19 response activities, a \$10.6 million increase in the Energy Services Company (ESCO) debt, and a \$7.7 million increase in the Police Officer Retention expenditures. Development Fee Program expenditures totaling \$58.2 million were expended in FY 2020; however, expenditures were not captured in the General Fund in FY 2021 as these expenditures were moved out of the General Fund and into the specific Development Fee Program funds.

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 2021, COVID-19 related funding through the U. S. Treasury. At June 30, 2021, the fund's loan receivable balance (net), which represents loans to developers of various affordable housing projects and first-time homebuyers, was \$62.0 million. This balance includes loans to developers for various projects, including Ford and Monterey, Taylor Oaks Apartments, Donner Lofts, Japantown Seniors, The Metropolitan, Roundtable, Kings Crossing, Fourth Street Apartments, Peacock Commons, Archer Studios, Curtner Studios, Homesafe, Markham Plaza, Corde Terra Village Senior, Willow Glen Senior Housing, Leigh Avenue Senior Apartments, and Second Street Studios.

Restricted fund balance decreased by \$11.0 million to \$144.7 million at June 30, 2021 which included a reinstatement of prior year's beginning balance of \$12.4 million due to an unearned grant revenue in FY 2020. The decrease is primarily due to expenditures for community service (\$61.5 million), capital outlay (\$10.9 million), exceeding revenues from intergovernmental (\$31.2 million), and investment and other revenues (\$30.1 million). Community services expenditures increased by \$30.4 million or 98.11 percent compared to prior year due to funding of new programs including CARES Emergency Shelter, Emergency Solutions Grants ("ESG") CARES, Emergency Housing Shelter, Loans and Grants, Homelessness

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Prevention System. In addition, \$10.9 million was spent on capital outlay in the current year which zero dollar was spent in the prior year.

Low and Moderate Income Housing Asset Fund. The Low and Moderate Income Housing Asset fund was created pursuant to the Redevelopment Dissolution Law to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Redevelopment Agency. At June 30, 2021, the fund's loan receivable balance (net) was \$213.7 million. This balance consists mainly of loans to developers for various projects including Almaden Family Apartments, Belovida Apartments, Brookwood Terrace, Cinnabar Commons, Corde Terra Village, Las Ventanas, Oak Tree Village, Pollard Plaza, Villas on the Park, Second Street Studios, and The Metropolitan (South). Restricted fund balance increased by \$22.7 million to \$437.8 million from \$415.1 million. The increase is primarily due to the repayment of interest of developer loans.

Special Assessment Districts Fund. The Special Assessment Districts fund accounts for debt issuance and capital improvements related to the specific purposes of special assessment and community facilities districts located in different parts of the City. A total of \$104.9 million in special assessment and special tax bonds were outstanding at June 30, 2021. All bonds are secured by special assessments or special taxes charged to the owners' real property in the district issuing the debt, except for the Special Hotel Tax Revenue Bond, Series 2011, which is secured by a first lien on the Convention Center Facilities District No. 2008-1 special tax revenues and any of the available Transient Occupancy Tax ("TOT") (Available TOT as defined in the bond documents) and appropriated by the City Council. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the Redemption Fund for these bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

Restricted fund balance decreased by \$2.1 million from \$43.3 million to \$41.2 million as of June 30, 2021. The total revenues of \$13.9 million were over total expenditures of \$13.4 million for FY 2021. The net transfers amount of negative \$2.6 million resulted in a \$2.1 million negative change in fund balance. The lower expenditures of \$9.3 million, or 41.0 percent compared to the prior fiscal year was predominantly related to the pay-off of Bailey-Highway 101 CFD of \$9.0 million in FY 2020.

City of San José Financing Authority Fund. The City's Financing Authority Debt Service Fund accounts for debt activity related to lease revenue bonds and commercial paper notes, which serves as a mechanism for financing City public improvements and other eligible purposes. Unassigned fund balance decreased by \$16.7 million from a deficit of \$27.7 million to a deficit of \$44.4 million as of June 30, 2021. The decrease was primary due to a \$31.8 million increase in current refunding escrow for the Ice Centre expansion refunding project, Civic Center project, and Recreation facility refunding project offset by a \$10.9 million decrease in interest payment for Ice Centre expansion refunding project and Recreation facility refunding project.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. At June 30, 2021, the unrestricted net position was \$26.1 million for the Airport, \$139.2 million for the Wastewater Treatment System, \$17.0 million for the Municipal Water System, \$33.8 million for the Parking System, and \$6.3 million for the San José Clean Energy fund. Net position for proprietary funds increased from \$1.457 billion at June 30, 2020 to \$1.482 billion at June 30, 2021, resulting in an increase of \$25.1 million or 1.72 percent.

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

City of San José
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

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 1st and ends on the following June 30th. Council approved the FY 2021 budget in June 2020.

During the year ended June 30, 2021, there was a \$211.7 million increase in the budgeted revenues between the original and final amended operating budget for the General Fund. The increase in budgeted revenues included Property Tax, Sales Tax, Intergovernmental, and Other Revenue categories. The \$180.7 million increase in budgeted revenues was primarily due to the COVID-19 funding in the Intergovernmental category.

Actual budgetary basis expenditures of \$1.247 billion were \$302.8 million less than the amended budget as of June 29, 2021, and \$246.8 million less than the original budget due to planned expenditures not occurring in the year ended June 30, 2021. A \$76.8 million increase from the original to the amended budget was due to an increase in COVID-19 funding. Some of the unexpended expenditures include the general liability claim payments, the Fire Training Center Relocation, Emergency Operations Center Relocation, the Tech Museum Controls Module Improvements, Police Athletic League Stadium Turf Replacement, and other miscellaneous projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities together amounted to \$7.498 billion at June 30, 2021. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction in progress. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation expense each year that offsets additions to capital assets. For the year ended June 30, 2021, net capital assets decreased by \$0.2 million (\$110.1 million decreased in governmental activities and \$109.9 million increased in business-type activities) compared to net capital assets at June 30, 2020. The decrease in capital assets of \$110.1 million in governmental activities is primarily due to depreciation expense of \$232.1 million and net deletions of \$0.2 million. The decrease was offset by acquisitions of \$122.2 million. The increase of \$109.9 million in capital assets in the business-type activities resulted from depreciation expense of \$89.6 million and deletions of a net value of \$6.4 million, offset by additions of capital projects of \$168.7 million and additions of \$37.2 million in other capital improvements primarily at the Airport and the Wastewater Treatment Facility, respectively.

Total construction in progress increased by \$106.3 million from \$518.4 million at June 30, 2020 to \$624.7 million at June 30, 2021. Construction in progress for the governmental activities increased by \$0.3 million primarily due to \$52.5 million additions to CIP projects and \$52.2 million net of projects being transferred into service. Business-type activities contributed an increase of \$106.0 million to the total CIP as additions to the Airport and the Wastewater Treatment System totaling \$168.7 million was offset by \$6.5 million deletions and \$56.2 million projects that were completed and placed in service. The completed Airport projects include the following: Norman Y. Mineta San José International Airport - Economy Lot Parking Garage, Collapsed Airfield Fiber & Conduit Replacement, Airfield Electrical System Rehabilitation, Airport Monument Signs, Terminal A Fiber Upgrade. The completed projects for Wastewater Treatment System include: Design & Construction Management System, Legacy Lagoon Remediation, Land Improvements, Legacy Lagoon Remediation, and Environmental Services Building ("ESB") Lab HVAC Ducting Replacement.

City of San José
Management’s Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

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

Capital assets, net of depreciation, for governmental and business-type activities in the government-wide financial statements are presented below to illustrate changes between June 30, 2021 and June 30, 2020 (in thousands):

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 542,184	\$ 503,456	\$ 137,938	\$ 137,938	\$ 680,122	\$ 641,394
Intangible assets	-	-	12,882	12,882	12,882	12,882
Construction in progress	137,876	137,607	486,870	380,817	624,746	518,424
Buildings	904,399	947,179	1,019,595	1,015,043	1,923,994	1,962,222
Improvements, other than buildings	235,024	214,541	687,315	680,863	922,339	895,404
Infrastructure	3,162,624	3,291,406	-	-	3,162,624	3,291,406
Furniture and fixtures, vehicles, equipment	53,517	51,522	118,556	125,743	172,073	177,265
Total capital assets	\$ 5,035,624	\$ 5,145,711	\$ 2,463,156	\$ 2,353,286	\$ 7,498,780	\$ 7,498,997

Commitments outstanding as of June 30, 2021, related to governmental and business-type activities construction in progress totaled approximately \$30.7 million and \$362.9 million, respectively. Additional information about the City’s capital assets can be found in the Notes to Basic Financial Statements, Note III.D.

Net General Obligation Bonded Debt Limit

The City Charter limits bonded indebtedness for General Obligation bonds to fifteen (15) percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property on the City’s 2020-2021 tax roll was \$213.9 billion, which results in a total debt limit of approximately \$32.1 billion. As of June 30, 2021, the City had \$519.3 million of Net General Obligation bonds outstanding which represents approximately 1.6 percent of the General Obligation bonds debt limit.

General Obligation Bonds and Other Bond Ratings

The City’s General Obligation credit ratings as of June 30, 2021 are Aa1/AA+/AAA¹ from Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P”), and Fitch Ratings (“Fitch”), respectively. The credit ratings from Moody’s and S&P were both confirmed in June 2021, respectively, and remained unchanged from the prior year. Fitch upgraded the credit rating to AAA from AA+ in June 2021. The City continues to be one of the highest rated large cities (with population over 250,000) in California.

¹ During the rating review of the City’s 2021 General Obligation Bonds, Fitch raised the City’s General Obligation Bonds Ratings to AAA from AA+, with Stable outlook (June 30, 2021). Fitch’s rating of the City’s Issuer Default Rating (IDR) remained unchanged at AA+. Moody’s and S&P reaffirmed the City’s General Obligation Bonds rating at Aa1 and AA+, respectively.

City of San José
Management’s Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

As of June 30, 2021, 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.

<u>Series</u>	<u>Moody’s</u>	<u>S&P</u>	<u>Fitch</u>
2003A, 2013B and 2020A	Aa2	AA	AA
2011A	Aa3	AA	Not Rated
2020B	Aa3	AA	AA-
Rating Outlook	Stable	Stable	Stable

As of June 30, 2021, the underlying credit ratings of the City of San José Airport Revenue Bonds by Moody’s, S&P and Fitch were: A2, A- and A, respectively. Please see Note IV. D for information related to a rating action taken by S&P on July 29, 2021 on the Special Hotel Tax Revenue Bonds and by Fitch on August 3, 2021 on Airport General Revenue Bonds.

Outstanding Debt

The City’s debt service obligations include general obligation bonds, revenue bonds, lease revenue bonds, revenue notes, and special assessment and special tax bonds.

During the current fiscal year, the City’s outstanding long-term debt increased by \$53.3 million to \$2.461 billion, comprised of \$1.164 billion of governmental activities and \$1.297 billion of business-type activities. The increase of \$63.2 million in governmental activities is primarily due to the issuance of \$355.6 million of Lease Revenue Bonds (Series 2020A Bonds) and \$146.5 million Lease Revenue Bonds (Series 2020B Bonds), to finance projects and to refund the City’s prior lease revenue bonds totaling \$339.9 million. The decrease of \$9.92 million in the business-type activities is primarily due to the City issued Airport Revenue Refunding Bonds (Series 2021ABC) in the amount of \$428.1 million to refund all or a portion of prior Airport revenue bonds totaling \$473.6 million.

City of San José
Management’s Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

COVID-19

As of June 30, 2021, the City was awarded and/or appropriated \$801.6 million in federal, state and local grants and relief funding, including approximately \$178.3 million of Coronavirus Relief Fund (“CRF”) money under the CARES Act and \$212.3 million of American Rescue Plan funding, to address the impact of the COVID-19 pandemic.

COVID-19 Related Funding Sources	Acronym	Amount
Coronavirus Relief Fund	CRF	\$ 178,295,348
Community Development Block Grant Supplemental Funding	CDBG	12,841,925
Emergency Solutions Grant	ESG	35,520,318
Housing Opportunities for Person with AIDS	HOPWA	209,618
Federal Emergency Management Agency-Public Assistance	FEMA-PA	38,079,778
US Department of Justice-Bureau of Justice Assistance	BJA-Byrne	865,998
Federal Emergency Management Agency-Assistance for Firefighters	FEMA-AFG-S	301,124
Housing Opportunities for Person with AIDS-Competitive	HOPWA-Comp	140,108
California Emergency Homeless Housing	SB89	3,919,821
California Homeless Housing, Assistance & Prevention Grant	HHAP	28,498,789
HOME Investments Partnerships Program	HOME	23,226,980
HOME Investments Partnerships Program	HOME-ARPA	11,676,334
Emergency Rental Assistance Program - Phase 1	ERA1	30,379,740
Emergency Rental Assistance Program - Phase 2	ERA2	36,277,888
Resiliency Project	EDA-CRRP	1,171,579
Coronavirus State and Local Fiscal Recovery Fund (ARPA)	CSLFRF	212,280,152
San José Airport - CARES	SJC-CARES	65,633,236
San José Airport - ARPA - Primary	SJC-Primary	48,910,633
San José Airport - ARPA - Concessions	SJC-Concess	6,586,408
California Project Homekey	HomeKey	12,230,477
California Affordable Housing	SB2	8,697,292
Housing Authority Litigation Funds	HALA	2,000,000
Santa Clara County Office of Education	SCCOE	400,000
Continuity of Operations Reserve	General Fund	43,500,000
Total Funding Sources		\$ 801,643,546

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

City of San José
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The FY 2021 Adopted Budget was modified several times throughout the year as the City responded to new information regarding economic performance and persistence of COVID-19 cases. In the General Fund, actions were taken over the course of the year to decrease revenue estimates from business taxes, parking operations, and citations, hotel activity, and parks and recreation-related fees. As a result of these adjustments, as well as careful forecasting, monitoring, and management, General Fund FY 2021 revenue and expenditures ended the year very close to budgeted expectations. However, the fourth quarter of FY 2021 experienced sharp revenue growth in the General Fund, which contributed to a higher than anticipated level of year-end fund balance.
- The FY 2022 Adopted Budget includes modest increase to staffing levels to support a variety of activities and limited enhancements to other critical services. Overall, the level of staffing will increase by a net 55 positions, from 6,592 full-time equivalent positions in the FY 2021 Adopted Budget to 6,647 positions in the FY 2022 Adopted Budget. This one percent increase still leaves City staffing well below its peak of almost 7,500 positions in FY 2002 and well below the average of large U.S. cities.
- As reported in the GASB 67/68 Report as of June 30, 2021 prepared by the actuary for PFDRP, the net position of the Defined Benefit Pension Plan was 87.15 percent of the total pension liability. The total pension liability was \$5.423 billion, and the fiduciary net position was \$4.726 billion, resulting in a net pension liability of \$0.697 billion. This report is for the use of the Plan, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.
- As reported in the GASB 67/68 Report as of June 30, 2021 prepared by the actuary for FCERS, the net position of the Defined Benefit Pension Plan was 63.72 percent of the total pension liability. The total pension liability was \$4.527 billion, and the fiduciary net position was \$2.884 billion, resulting in a net pension liability of \$1.643 billion. This report is for the use of the System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the System.
- As of June 30, 2021, the net position of PFDRP's OPEB Plan was 35.80 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was \$771.8 million and the fiduciary net position was \$276.3 million, resulting in a net OPEB liability of \$495.5 million. This report is for the use of the Plan, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.
- As of June 30, 2021, the net position of the FCERS's OPEB Plan was 57.80 percent of the total OPEB liability. The actuary reported total OPEB liability for postemployment healthcare benefits was \$665.4 million and the fiduciary net position was \$384.6 million, resulting in a net OPEB liability of \$280.8 million. This report is for the use of the System, the City, and the auditors in preparing financial reports in accordance with applicable law and accounting requirements. The report is not appropriate for other purposes, including the measurement of funding requirements for the System.

City of San José
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
June 30, 2021

- For FY 2022, the City's contribution rates for pension benefits and postemployment healthcare benefits, as a percentage of payroll are as follows:

Contribution Rates	PFDRP ⁽¹⁾				FCERS ⁽¹⁾	
	Police	Police	Fire	Fire	Tier 1	Tier 2
	Tier 1	Tier 2	Tier 1	Tier 2		
Retirement Pension	124.30% ⁽²⁾	14.43%	128.24% ⁽²⁾	15.28%	133.00% ⁽²⁾	8.17%
Postemployment Healthcare Benefits	19.82%	-	14.90%	-	5.50%	5.50%

(1) The rates are the Retirement Board adopted rates based on the June 30, 2020, actuarial valuations.

(2) PFDRP and FCERS Tier 1 pension rates are discounted because the City prefunded those amounts in FY 2022.

City of San José
Management’s Discussion and Analysis (Concluded)
Required Supplementary Information (Unaudited)
June 30, 2021

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 <http://www.sanjoseca.gov>.

Basic Financial Statements

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City of San José
Statement of Net Position
June 30, 2021
(\$000's)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and investments			
held in City Treasury	\$ 1,453,765	699,473	2,153,238
Other cash and investments	7	-	7
Receivables (net of allowances for uncollectibles)	212,413	79,036	291,449
Prepaid expenses, advances and deposits	-	9,699	9,699
Inventories	1,490	770	2,260
Internal balances	15,000	-	15,000
Notes receivable	20	-	20
Loans receivable (net of allowances for uncollectibles)	279,447	-	279,447
Advances and deposits	288	1,180	1,468
Restricted assets:			
Equity in pooled cash and investments			
held in City Treasury	76,461	47,980	124,441
Cash and investments held with fiscal agent	340,721	84,460	425,181
Other cash and investments	12,451	-	12,451
Receivables (net of allowances for uncollectibles)	-	2,959	2,959
Prepaid expenses, advances and deposits	-	11	11
Prepaid bond insurance costs	-	20	20
Prepaid bond insurance costs (net of accumulated amortization)	-	329	329
Other assets	54,511	-	54,511
Net other postemployment benefits asset	-	1,062	1,062
Capital assets (net of accumulated depreciation):			
Nondepreciable	680,060	637,690	1,317,750
Depreciable	4,355,564	1,825,466	6,181,030
Total assets	<u>7,482,198</u>	<u>3,390,135</u>	<u>10,872,333</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	4,128	11,516	15,644
Deferred outflows of resources related to pensions	697,257	67,722	764,979
Deferred outflows of resources related to other postemployment benefits	98,152	12,766	110,918
Total deferred outflows of resources	<u>799,537</u>	<u>92,004</u>	<u>891,541</u>
LIABILITIES			
Accounts payable	153,713	93,153	246,866
Accrued salaries, wages and payroll taxes	44,971	6,566	51,537
Interest payable	8,545	14,350	22,895
Internal balances	-	15,000	15,000
Due to outside agencies	485	-	485
Short-term notes payable	76,359	51,930	128,289
Unearned revenue	189,874	6,363	196,237
Advances, deposits, and reimbursable credits	7,604	5,262	12,866
Long-term payable to SARA	733	-	733
Other liabilities	40,131	-	40,131
Long-term obligations:			
Due within one year	126,055	18,095	144,150
Due in more than one year:			
Net pension liability	3,214,827	376,970	3,591,797
Net other postemployment benefits liability	787,874	77,000	864,874
Other long-term obligations	1,271,540	1,320,610	2,592,150
Total liabilities	<u>5,922,711</u>	<u>1,985,299</u>	<u>7,908,010</u>
DEFERRED INFLOWS OF RESOURCES			
Gain on refundings of debt	3,634	-	3,634
Deferred inflows of resources related to pensions	33,835	7,468	41,303
Deferred inflows of resources related to other postemployment benefits	93,560	7,215	100,775
Total deferred inflows of resources	<u>131,029</u>	<u>14,683</u>	<u>145,712</u>
NET POSITION			
Net investment in capital assets	4,089,937	1,209,961	5,299,898
Restricted for:			
Debt service	33,524	30,818	64,342
Capital projects	367,141	18,967	386,108
Community services	714,728	-	714,728
Public safety	1,048	-	1,048
Unrestricted (deficit)	(2,978,383)	222,411	(2,755,972)
Total net position	<u>\$ 2,227,995</u>	<u>1,482,157</u>	<u>3,710,152</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, 2021
(\$000's)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -Type Activities	
Governmental activities:							
General government	\$ 351,491	5,534	92,738	-	(253,219)	-	(253,219)
Public safety	783,928	22,931	26,890	-	(734,107)	-	(734,107)
Community services	345,762	120,506	88,526	-	(136,730)	-	(136,730)
Sanitation	184,816	187,319	517	-	3,020	-	3,020
Capital maintenance	487,239	30,098	42,204	99,684	(315,253)	-	(315,253)
Interest and fiscal charges	38,021	-	-	-	(38,021)	-	(38,021)
Total governmental activities	2,191,257	366,388	250,875	99,684	(1,474,310)	-	(1,474,310)
Business -Type activities:							
Norman Y. Mineta San José							
International Airport	205,378	147,078	55,804	12,023	-	9,527	9,527
Wastewater Treatment System	211,098	237,593	-	2,209	-	28,704	28,704
Municipal Water System	51,936	56,123	-	180	-	4,367	4,367
Parking System	12,581	7,062	-	-	-	(5,519)	(5,519)
San José Clean Energy	292,670	280,388	-	-	-	(12,282)	(12,282)
Total business-type activities	773,663	728,244	55,804	14,412	-	24,797	24,797
Total	\$ 2,964,920	1,094,632	306,679	114,096	(1,474,310)	24,797	(1,449,513)
General revenues:							
Taxes and franchise fees:							
Property and other taxes					593,878	-	593,878
Utility					127,844	-	127,844
Franchise					45,628	-	45,628
Transient occupancy					13,479	-	13,479
Business taxes					71,169	-	71,169
Sales taxes					284,020	-	284,020
State of California in-lieu					770	-	770
Unrestricted interest and investment income					14,438	1,808	16,246
Other revenue					49,798	1,712	51,510
Gain on sale of capital assets					6,913	-	6,913
Transfers					3,262	(3,262)	-
Total general revenues and transfers					1,211,199	258	1,211,457
Change in net position					(263,111)	25,055	(238,056)
Net position - beginning as previously reported					2,503,514	1,457,102	3,960,616
Adjustment to fund equity					(12,408)	-	(12,408)
Net position - beginning as restated					2,491,106	1,457,102	3,948,208
Net position - ending					\$ 2,227,995	1,482,157	3,710,152

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

City of San José
Balance Sheet
Governmental Funds
June 30, 2021
(\$000's)

	<u>General Fund</u>	<u>Housing Activities</u>	<u>Low and Moderate Income Housing Asset</u>
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 567,062	88,280	165,112
Receivables (net of allowance for uncollectibles)	102,797	11,837	16,449
Due from other funds	3,445	-	-
Notes receivable	-	-	-
Loans receivables (net of allowance for uncollectibles)	1,241	62,047	213,739
Advances and deposits	104	-	-
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	1,385	17,378	-
Cash and investments held with fiscal agent	-	-	-
Other cash and investments	2,055	-	-
Advances to other funds	3,297	-	-
Other assets	-	2,300	49,776
Total assets	<u>\$ 681,386</u>	<u>181,842</u>	<u>445,076</u>
LIABILITIES			
Accounts payable	\$ 30,916	5,494	1,299
Accrued salaries, wages, and payroll taxes	38,026	224	438
Due to other funds	-	-	-
Due to outside agencies	373	-	-
Short-term notes payable	-	-	-
Unearned revenue	153,751	8,162	-
Advances, deposits, and reimbursable credits	77	-	-
Advances from other funds	-	-	-
Long-term advances from SARA	-	-	733
Other liabilities	38,257	-	-
Total liabilities	<u>261,400</u>	<u>13,880</u>	<u>2,470</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,644</u>	<u>23,271</u>	<u>4,805</u>
FUND BALANCES			
Nonspendable	104	-	-
Restricted	307	144,691	437,801
Committed	73,580	-	-
Assigned	331,310	-	-
Unassigned	8,041	-	-
Total fund balances	<u>413,342</u>	<u>144,691</u>	<u>437,801</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 681,386</u>	<u>181,842</u>	<u>445,076</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
-	467	612,197	1,433,118
12,209	-	68,702	211,994
-	15,000	2,825	21,270
-	-	20	20
-	-	2,420	279,447
5	-	179	288
15,687	-	42,011	76,461
26,856	20,439	293,426	340,721
-	-	9,886	11,941
-	-	-	3,297
-	-	1,997	54,073
<u>54,757</u>	<u>35,906</u>	<u>1,033,663</u>	<u>2,432,630</u>
136	-	115,449	153,294
6	-	5,299	43,993
-	513	5,757	6,270
-	112	-	485
-	76,359	-	76,359
-	-	27,961	189,874
1,578	-	5,949	7,604
-	3,297	-	3,297
-	-	-	733
317	-	1,557	40,131
<u>2,037</u>	<u>80,281</u>	<u>161,972</u>	<u>522,040</u>
<u>11,515</u>	<u>-</u>	<u>3,660</u>	<u>49,895</u>
-	-	4	108
41,205	-	675,258	1,299,262
-	-	93,721	167,301
-	-	99,068	430,378
-	(44,375)	(20)	(36,354)
<u>41,205</u>	<u>(44,375)</u>	<u>868,031</u>	<u>1,860,695</u>
<u>54,757</u>	<u>35,906</u>	<u>1,033,663</u>	<u>2,432,630</u>

City of San José
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021
(\$000's)

Total fund balances-governmental funds (Page 29) \$ 1,860,695

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	\$	542,184	
Construction in progress		137,876	
Infrastructure assets		11,598,177	
Other capital assets		2,140,516	
Accumulated depreciation		<u>(9,386,649)</u>	
Total capital assets			5,032,104

Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in governmental funds. 38,380

Refundings of debt reported as deferred outflows/inflows of resources are not financial resources, therefore are not reported in the funds. Such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position. 494

Special assessments are reported as revenues when levied in government-wide financial statements. In governmental funds, these assessments are reported as deferred inflows of resources since they are not available. 11,515

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. (8,545)

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. 21,708

Long-term obligations are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds, loan payables, and lease-purchase agreements	\$	(1,163,708)	
Accrued vacation, sick leave and compensatory time		(84,191)	
Estimated liability for self-insurance		(140,517)	
Other		<u>(5,253)</u>	
Total long-term obligations			(1,393,669)

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	\$	(3,214,827)	
Deferred outflows of resources		697,257	
Deferred inflows of resources		<u>(33,835)</u>	
			(2,551,405)

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	\$	(787,874)	
Deferred outflows of resources		98,152	
Deferred inflows of resources		<u>(93,560)</u>	
			<u>(783,282)</u>

Net position of governmental activities (Page 26) **\$ 2,227,995**

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

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City of San José
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021
(\$000's)

	<u>General Fund</u>	<u>Housing Activities</u>	<u>Low and Moderate Income Housing Asset</u>
REVENUES			
Taxes and special assessments	\$ 684,866	-	-
Sales taxes	284,020	-	-
Licenses, permits, and fines	28,344	-	-
Intergovernmental	120,702	31,248	-
Charges for current services	7,285	-	-
Rent	-	-	-
Investment income	1,561	2,778	30,306
Other revenue	54,543	27,355	11,072
Total revenues	<u>1,181,321</u>	<u>61,381</u>	<u>41,378</u>
EXPENDITURES			
Current:			
General government	292,591	-	-
Public safety	676,303	-	-
Community services	121,738	61,453	18,247
Sanitation	4,632	-	-
Capital maintenance	45,340	-	-
Capital outlay	35,103	10,868	-
Debt service:			
Principal	12,431	-	-
Interest and fiscal charges	2,163	-	-
Current refunding escrow	-	-	-
Total expenditures	<u>1,190,301</u>	<u>72,321</u>	<u>18,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,980)</u>	<u>(10,940)</u>	<u>23,131</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued	17,777	-	-
Refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from sale of capital assets	7,020	-	-
Transfers in	16,367	-	-
Transfers out	(79,074)	(62)	(409)
Total other financing sources (uses)	<u>(37,910)</u>	<u>(62)</u>	<u>(409)</u>
Net change in fund balances	(46,890)	(11,002)	22,722
Fund balance			
Beginning of year, as previously reported	460,232	168,101	415,079
Restatement	-	(12,408)	-
Beginning of year, as restated	<u>460,232</u>	<u>155,693</u>	<u>415,079</u>
End of year	<u>\$ 413,342</u>	<u>144,691</u>	<u>437,801</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
13,320	-	167,902	866,088
-	-	-	284,020
-	-	-	28,344
-	-	109,501	261,451
-	-	245,156	252,441
-	-	13,331	13,331
250	244	6,221	41,360
298	-	53,805	147,073
<u>13,868</u>	<u>244</u>	<u>595,916</u>	<u>1,894,108</u>
-	-	1,709	294,300
-	-	2,386	678,689
-	-	128,638	330,076
-	-	185,770	190,402
517	-	276,019	321,876
-	-	58,852	104,823
5,765	22,520	22,520	63,236
7,102	14,243	19,254	42,762
-	31,750	-	31,750
<u>13,384</u>	<u>68,513</u>	<u>695,148</u>	<u>2,057,914</u>
<u>484</u>	<u>(68,269)</u>	<u>(99,232)</u>	<u>(163,806)</u>
-	17,235	120,000	155,012
-	347,143	-	347,143
-	(344,516)	-	(344,516)
-	-	-	7,020
-	32,678	89,913	138,958
(2,622)	(962)	(52,762)	(135,891)
<u>(2,622)</u>	<u>51,578</u>	<u>157,151</u>	<u>167,726</u>
(2,138)	(16,691)	57,919	3,920
43,343	(27,684)	810,112	1,869,183
-	-	-	(12,408)
<u>43,343</u>	<u>(27,684)</u>	<u>810,112</u>	<u>1,856,775</u>
<u>41,205</u>	<u>(44,375)</u>	<u>868,031</u>	<u>1,860,695</u>

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, 2021
(\$000's)

Net change in fund balances--total governmental funds (Page 33) \$ 3,920

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	\$ 104,823	
Depreciation expense	(230,405)	
Excess of depreciation expense over capital outlay		(125,582)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, retirements, trade-ins, donations)

Donated assets and other additions	\$ 16,617	
Proceeds from sale of capital assets	(7,020)	
Gain on disposal of assets	6,913	16,510

Amortization of deferred inflows of resources and deferred outflows of resources resulting from the deferred refunding gains and losses.

4,317

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.

389,715

Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. Amortization of bond premiums and discounts should be expensed as a component of interest expense on the statement of activities. This amount represents the change in accrued interest payable and the amortization of bond premiums and discounts not reported in governmental funds.

Increase in accrued interest payable	\$ 973	
Amortization of premiums and discounts on bonds issued	36,808	
Total net interest expense and amortization of discount/premium		37,781

Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position.

(502,155)

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.

7,246

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.

(1,130)

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	\$ (2,626)	
Net increase in estimated liability for self-insurance	(14,887)	
Net decrease in other liabilities	12,990	
Total expenditures		(4,523)

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.

(126,749)

Changes to 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.

37,539

Change in net position of governmental activities (Page 27) **\$ (263,111)**

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

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City of San José
Statement of Fund Net Position
Proprietary Funds
June 30, 2021
(\$000's)

	Enterprise Funds						Internal Service Funds
	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	
ASSETS							
Current assets:							
Equity in pooled cash and investments held in City Treasury	\$ 157,414	460,683	34,280	42,076	5,020	699,473	20,647
Other cash and investments	-	-	-	-	-	-	7
Receivables (net of allowance for uncollectibles)	16,630	9,326	12,100	231	40,749	79,036	419
Prepaid expenses, advances and deposits	223	1	-	-	9,475	9,699	-
Inventories	-	770	-	-	-	770	1,490
Other assets	-	-	-	-	-	-	438
Total unrestricted current assets	<u>174,267</u>	<u>470,780</u>	<u>46,380</u>	<u>42,307</u>	<u>55,244</u>	<u>788,978</u>	<u>23,001</u>
Restricted assets:							
Equity in pooled cash and investments held in City Treasury	25,734	-	-	2,246	20,000	47,980	-
Cash and investments held with fiscal agent	84,460	-	-	-	-	84,460	-
Other cash and investments	-	-	-	-	-	-	510
Receivables (net of allowances for uncollectibles)	2,959	-	-	-	-	2,959	-
Prepaid expenses, advances and deposits	11	-	-	-	-	11	-
Current portion of prepaid bond insurance	20	-	-	-	-	20	-
Total restricted assets	<u>113,184</u>	<u>-</u>	<u>-</u>	<u>2,246</u>	<u>20,000</u>	<u>135,430</u>	<u>510</u>
Total current assets	<u>287,451</u>	<u>470,780</u>	<u>46,380</u>	<u>44,553</u>	<u>75,244</u>	<u>924,408</u>	<u>23,511</u>
Noncurrent assets:							
Prepaid bond insurance (net of accumulated amortization)	329	-	-	-	-	329	-
Advances and deposits	1,180	-	-	-	-	1,180	-
Net other postemployment benefits asset	-	-	-	-	1,062	1,062	-
Capital assets (net of accumulated depreciation):							
Nondepreciable	113,312	488,670	11,098	24,610	-	637,690	-
Depreciable	1,160,871	570,747	64,170	29,678	-	1,825,466	3,520
Total noncurrent assets	<u>1,275,692</u>	<u>1,059,417</u>	<u>75,268</u>	<u>54,288</u>	<u>1,062</u>	<u>2,465,727</u>	<u>3,520</u>
Total assets	<u>1,563,143</u>	<u>1,530,197</u>	<u>121,648</u>	<u>98,841</u>	<u>76,306</u>	<u>3,390,135</u>	<u>27,031</u>
DEFERRED OUTFLOWS OF RESOURCES							
Loss on refundings of debt	11,516	-	-	-	-	11,516	-
Deferred outflows of resources related to pensions	17,287	42,288	4,220	1,258	2,669	67,722	-
Deferred outflows of resources related to other postemployment benefits	2,908	8,336	812	256	454	12,766	-
Total deferred outflows of resources	<u>\$ 31,711</u>	<u>50,624</u>	<u>5,032</u>	<u>1,514</u>	<u>3,123</u>	<u>92,004</u>	<u>-</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, 2021
(\$000's)

	Enterprise Funds						Internal Service Funds
	Norman Y. Mineta						
	San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 6,614	46,383	4,694	-	35,349	93,040	419
Accrued salaries, wages, and payroll taxes	1,651	4,107	398	110	300	6,566	978
Interest payable	11	300	-	-	-	311	-
Due to other funds	-	-	-	-	15,000	15,000	-
Short-term notes payable	51,930	-	-	-	-	51,930	-
Accrued vacation, sick leave and compensatory time	1,847	4,102	246	192	399	6,786	-
Estimated liability for self-insurance	633	394	196	-	-	1,223	-
Advances and deposits payable	1,746	-	-	85	-	1,831	-
Unearned revenue	6,335	-	-	-	-	6,335	-
Total current liabilities unrestricted	<u>70,767</u>	<u>55,286</u>	<u>5,534</u>	<u>387</u>	<u>51,048</u>	<u>183,022</u>	<u>1,397</u>
Current liabilities payable from restricted assets:							
Accounts payable and accrued liabilities	113	-	-	-	-	113	-
Interest payable	14,039	-	-	-	-	14,039	-
Unearned revenue	28	-	-	-	-	28	-
Current portion of bonds payable, net	8,086	-	-	-	-	8,086	-
Pollution remediation obligation	-	2,000	-	-	-	2,000	-
Total current liabilities payable from restricted assets	<u>22,266</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,266</u>	<u>-</u>
Total current liabilities	<u>93,033</u>	<u>57,286</u>	<u>5,534</u>	<u>387</u>	<u>51,048</u>	<u>207,288</u>	<u>1,397</u>
Noncurrent liabilities:							
Accrued vacation, sick leave and compensatory time	590	793	-	-	-	1,383	3,926
Estimated liability for self-insurance	1,841	1,254	791	-	-	3,886	-
Advance contributions from participating agencies	-	1,738	-	-	-	1,738	-
Advances, deposits, and reimbursable credits	-	-	1,693	-	-	1,693	-
Pollution remediation obligation	-	26,187	-	-	-	26,187	-
Notes payable	-	150,368	-	-	-	150,368	-
Bonds payable (net of premium/discount)	1,138,786	-	-	-	-	1,138,786	-
Net pension liability	113,363	233,361	20,384	8,202	1,660	376,970	-
Net other postemployment benefits liability	18,650	52,111	5,118	1,121	-	77,000	-
Total noncurrent liabilities	<u>1,273,230</u>	<u>465,812</u>	<u>27,986</u>	<u>9,323</u>	<u>1,660</u>	<u>1,778,011</u>	<u>3,926</u>
Total liabilities	<u>1,366,263</u>	<u>523,098</u>	<u>33,520</u>	<u>9,710</u>	<u>52,708</u>	<u>1,985,299</u>	<u>5,323</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources related to pensions	1,919	4,683	466	142	258	7,468	-
Deferred inflows of resources related to other postemployment benefits	1,642	4,816	462	173	122	7,215	-
Total deferred inflows of resources	<u>3,561</u>	<u>9,499</u>	<u>928</u>	<u>315</u>	<u>380</u>	<u>14,683</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	171,356	909,049	75,268	54,288	-	1,209,961	3,520
Restricted for debt service	8,572	-	-	2,246	20,000	30,818	-
Restricted for capital projects and other agreements	18,967	-	-	-	-	18,967	-
Unrestricted	26,135	139,175	16,964	33,796	6,341	222,411	18,188
Total net position	<u>\$ 225,030</u>	<u>1,048,224</u>	<u>92,232</u>	<u>90,330</u>	<u>26,341</u>	<u>1,482,157</u>	<u>21,708</u>

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021
(\$000's)

	Enterprise Funds						Internal Service Funds
	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	
OPERATING REVENUES							
Charges for services	\$ 30,420	193,495	56,123	7,062	280,388	567,488	148,894
Rentals and concessions	11,120	14,932	-	-	-	26,052	-
Service connection, engineering and inspection	78,938	2,173	-	-	-	81,111	-
Operating contributions from participating agencies	-	24,862	-	-	-	24,862	-
Other	10,684	2,131	-	-	-	12,815	-
Total operating revenues	<u>131,162</u>	<u>237,593</u>	<u>56,123</u>	<u>7,062</u>	<u>280,388</u>	<u>712,328</u>	<u>148,894</u>
OPERATING EXPENSES							
Operations and maintenance	73,788	144,990	46,460	3,462	283,268	551,968	148,745
General and administrative	21,231	31,780	2,486	7,285	8,347	71,129	-
Depreciation	53,134	31,758	2,990	1,695	-	89,577	1,772
Materials and supplies	-	488	-	139	-	627	-
Total operating expenses	<u>148,153</u>	<u>209,016</u>	<u>51,936</u>	<u>12,581</u>	<u>291,615</u>	<u>713,301</u>	<u>150,517</u>
Operating income (loss)	<u>(16,991)</u>	<u>28,577</u>	<u>4,187</u>	<u>(5,519)</u>	<u>(11,227)</u>	<u>(973)</u>	<u>(1,623)</u>
NONOPERATING REVENUES (EXPENSES)							
Passenger facility charges	9,377	-	-	-	-	9,377	-
Customer facility charges	6,539	-	-	-	-	6,539	-
Operating grants	2,266	-	-	-	-	2,266	-
Nonoperating grants	53,538	-	-	-	-	53,538	-
Investment income (expense)	1,236	563	121	79	(191)	1,808	145
Interest expense	(53,649)	(2,031)	-	-	-	(55,680)	-
Letter of credit fees	-	-	-	-	(1,055)	(1,055)	-
Bond issuance costs	(2,239)	-	-	-	-	(2,239)	-
Participating airline net revenue sharing	(1,325)	-	-	-	-	(1,325)	-
Contributions for maintenance reserves	-	(38)	-	-	-	(38)	-
Gain (loss) on disposal of capital assets	(12)	(13)	-	-	-	(25)	153
Other revenues (expenses), net	1,449	136	8	19	100	1,712	-
Net nonoperating revenues (expenses)	<u>17,180</u>	<u>(1,383)</u>	<u>129</u>	<u>98</u>	<u>(1,146)</u>	<u>14,878</u>	<u>298</u>
Income (loss) before capital contributions and transfers	<u>189</u>	<u>27,194</u>	<u>4,316</u>	<u>(5,421)</u>	<u>(12,373)</u>	<u>13,905</u>	<u>(1,325)</u>
Capital contributions	12,023	2,209	180	-	-	14,412	-
Transfers in	463	-	-	-	-	463	1,390
Transfers out	(66)	(1,987)	(512)	(914)	(246)	(3,725)	(1,195)
Changes in net position	12,609	27,416	3,984	(6,335)	(12,619)	25,055	(1,130)
Net position - beginning	212,421	1,020,808	88,248	96,665	38,960	1,457,102	22,838
Net position - ending	<u>\$ 225,030</u>	<u>1,048,224</u>	<u>92,232</u>	<u>90,330</u>	<u>26,341</u>	<u>1,482,157</u>	<u>21,708</u>

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

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City of San José
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021
(\$000's)

	Enterprise Funds						Internal Service Funds
	Norman Y. Mineta San José	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	
	International Airport						
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 133,128	218,886	53,542	7,210	292,926	705,692	-
Cash received from interfund services provided	-	-	-	-	-	-	148,380
Payments to suppliers	(34,895)	(76,780)	(37,376)	(8,567)	(314,133)	(471,751)	(122,810)
Payments for employees	(35,880)	(94,070)	(9,062)	(2,475)	(6,083)	(147,570)	(25,454)
Payments for City services	(24,124)	-	-	-	-	(24,124)	-
Payments to airlines	(11,910)	-	-	-	-	(11,910)	-
Claims paid	(157)	-	-	-	-	(157)	-
Other receipts	1,525	18,920	-	-	-	20,445	-
Net cash provided by (used in) operating activities	<u>27,687</u>	<u>66,956</u>	<u>7,104</u>	<u>(3,832)</u>	<u>(27,290)</u>	<u>70,625</u>	<u>116</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer from other funds	463	-	-	-	-	463	1,390
Transfer to other funds	(66)	(1,987)	(512)	(914)	(246)	(3,725)	(1,195)
Operating grants	691	-	-	-	-	691	-
Nonoperating grants	53,538	-	-	-	-	53,538	-
Net cash provided by (used in) noncapital financing activities	<u>54,626</u>	<u>(1,987)</u>	<u>(494)</u>	<u>(914)</u>	<u>(246)</u>	<u>50,985</u>	<u>195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Passenger facility charges received	7,312	-	-	-	-	7,312	-
Customer facility charges received	6,978	-	-	-	-	6,978	-
Proceeds from issuance of bonds (excluding amount placed in escrow)	28,666	-	-	-	-	28,666	-
Payment for redemption of bonds (with prior bond reserves)	(44,381)	-	-	-	-	(44,381)	-
Prepaid bond insurance	(284)	-	-	-	-	(284)	-
Capital grants received	10,540	285	-	-	-	10,825	-
Acquisition and construction of capital assets	(39,105)	(154,260)	(4,332)	(1,338)	-	(199,035)	(604)
Proceeds from commercial paper	-	-	-	-	15,000	15,000	-
Proceeds from line of credit	-	43,448	-	-	-	43,448	-
Principal payment on commercial paper	-	-	-	-	(10,000)	(10,000)	-
Principal paid on debt	(33,205)	(5,410)	-	-	-	(38,615)	-
Bond issuance cost paid	(2,239)	-	-	-	-	(2,239)	-
Interest paid on debt	(60,815)	(1,981)	-	-	-	(62,796)	-
Fees paid on letter of credit	-	-	-	-	(1,055)	(1,055)	-
Advances and deposits returned	211	-	-	-	-	211	-
Net cash used in capital and related financing activities	<u>(126,322)</u>	<u>(117,918)</u>	<u>(4,332)</u>	<u>(1,338)</u>	<u>3,945</u>	<u>(245,965)</u>	<u>(604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	150,241	-	-	-	-	150,241	-
Purchases of investments	(145,663)	-	-	-	-	(145,663)	-
Interest received (paid)	2,337	1,769	167	79	(191)	4,161	145
Land and building rentals	-	169	-	-	-	169	-
Net cash provided by (used in) investing activities	<u>6,915</u>	<u>1,938</u>	<u>167</u>	<u>79</u>	<u>(191)</u>	<u>8,908</u>	<u>145</u>
Net change in cash and cash equivalents	<u>(37,094)</u>	<u>(51,011)</u>	<u>2,445</u>	<u>(6,005)</u>	<u>(23,782)</u>	<u>(115,447)</u>	<u>(148)</u>
Cash and cash equivalents - beginning	289,083	511,694	31,835	50,327	48,802	931,741	21,312
Cash and cash equivalents - ending	<u>\$ 251,989</u>	<u>460,683</u>	<u>34,280</u>	<u>44,322</u>	<u>25,020</u>	<u>816,294</u>	<u>21,164</u>

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, 2021
(\$000's)

	Enterprise Funds						Internal Service Funds
	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (16,991)	28,577	4,187	(5,519)	(11,227)	(973)	(1,623)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	53,134	31,758	2,990	1,695	-	89,577	1,772
Participating airline net revenue sharing	(1,325)	-	-	-	-	(1,325)	-
Other nonoperating revenues	1,525	-	8	19	100	1,652	-
Decrease (increase) in:							
Accounts receivable	1,354	212	(2,588)	130	9,948	9,056	(76)
Inventories	-	14	-	-	-	14	(243)
Prepaid expenses, advances and deposits	(26)	-	-	-	(9,475)	(9,501)	(438)
Other assets	-	(1)	-	-	-	(1)	-
Increase (decrease) in:							
Accounts payable and accrued liabilities	(14,092)	11,462	2,499	(206)	(7,504)	(7,841)	460
Accrued salaries, wages, and payroll taxes	-	425	39	17	64	545	-
Accrued vacation, sick leave and compensatory time	-	268	2	4	84	358	264
Estimated liability for self-insurance	(206)	(356)	27	-	(7,907)	(8,442)	-
Unearned revenue	4,045	-	-	-	-	4,045	-
Net pension liability, deferred outflows and inflows of pension related resources	3,206	7,726	753	257	85	12,027	-
Net other postemployment benefits liability, deferred outflows and inflows of postemployment benefits related resources	(2,785)	(8,259)	(813)	(229)	(600)	(12,686)	-
Advances, deposits, and reimbursable payable	(152)	-	-	-	(858)	(1,010)	-
Other liabilities	-	(4,870)	-	-	-	(4,870)	-
Net cash provided by (used in) operating activities	\$ 27,687	66,956	7,104	(3,832)	(27,290)	70,625	116
Reconciliation of cash and cash equivalents to the statement of net position:							
Equity in pooled cash and investments held in City Treasury							
Unrestricted	\$ 157,414	460,683	34,280	42,076	5,020	699,473	20,647
Restricted	25,734	-	-	2,246	20,000	47,980	517
Cash and investments held with fiscal agents	68,841	-	-	-	-	68,841	-
Cash and cash equivalents	\$ 251,989	460,683	34,280	44,322	25,020	816,294	21,164
Noncash noncapital, capital and related financing, and investing activities:							
Disposal of capital assets	\$ (12)	(13)	-	-	-	(25)	-
Capital contributions from developers	-	1,924	180	-	-	2,104	-
Amortization of bond discount/premium, and prepaid bond insurance costs	4,087	-	-	-	-	4,087	-
Amortization of deferred outflows/inflows of resources related to bond refundings	(460)	-	-	-	-	(460)	-
Change in capital related payables	(1,665)	-	-	-	-	(1,665)	-
Change in capital related receivables	(1,483)	-	-	-	-	(1,483)	-
Change in fair value of investments	395	-	-	-	-	395	-
Increase (decrease) in operating grants receivables	71	-	-	-	-	71	-
Increase (decrease) in nonoperating grants receivables	(1,647)	-	-	-	-	(1,647)	-
Bond refunding proceeds placed in escrow	434,548	-	-	-	-	434,548	-
Bond defeased from the escrow account	(434,548)	-	-	-	-	(434,548)	-

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, 2021
(\$000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	\$ -	205	6,727
Cash and investments	-	4,902	-
Investments of retirement systems:			
Investments:			
Public equity	3,923,218	-	-
Short-term investment grade bonds	84,706	-	-
Investment grade bonds	792,734	-	-
Private equity	999,024	-	-
Market neutral strategies	123,861	-	-
Immunized cash flows	276,982	-	-
Core real estate	398,992	-	-
Commodities	31,851	-	-
Private debt	214,545	-	-
Emerging market bonds	172,583	-	-
Growth real estate	253,477	-	-
Treasury inflation protected securities	141,435	-	-
Cash and cash equivalents	179,503	-	-
Private real assets	199,552	-	-
Venture capital	9,668	-	-
Long-term government bonds	213,091	-	-
High yield bonds	140,203	-	-
Total investments of retirement systems	<u>8,155,425</u>	<u>-</u>	<u>-</u>
Receivables:			
Accrued investment income	10,789	-	22
Employee contributions	3,826	-	-
Employer contributions	17,022	-	-
Other	211,373	117	-
Restricted cash and investments held with fiscal agent	-	120,346	-
Total current assets	<u>8,398,435</u>	<u>125,570</u>	<u>6,749</u>
Noncurrent assets:			
Advances to the City of San José	-	733	-
Accrued interest	-	1,249	-
Loans receivable, net	-	4,096	-
Advances and deposits	-	5	-
Prepaid bond insurance	-	1,541	-
Capital assets:			
Nondepreciable	-	2,077	-
Depreciable, net	-	669	-
Other assets, net	7,850	-	-
Total noncurrent assets	<u>7,850</u>	<u>10,370</u>	<u>-</u>
Total assets	<u>8,406,285</u>	<u>135,940</u>	<u>6,749</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	\$ -	30,297	-

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, 2021
(\$000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	147	-
Due to brokers	129,269	-	-
Accrued interest payable	-	20,150	-
Unearned revenue	-	7	-
Other liabilities	5,110	-	-
Total current liabilities	<u>134,379</u>	<u>20,304</u>	<u>-</u>
Long-term liabilities:			
Due within one year	-	100,144	-
Due in more than one year	-	1,319,837	-
Total noncurrent liabilities	<u>-</u>	<u>1,419,981</u>	<u>-</u>
Total liabilities	<u>134,379</u>	<u>1,440,285</u>	<u>-</u>
NET POSITION			
Restricted for:			
Employees' pension benefits	7,610,984	-	-
Employees' postemployment healthcare benefits	660,922	-	-
Redevelopment dissolution and other purposes	-	(1,274,048)	-
Arena capital reserve	-	-	6,749
Total net position (deficit)	<u>\$ 8,271,906</u>	<u>(1,274,048)</u>	<u>6,749</u>

City of San José
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021
(\$000's)

	Pension Trust Funds	Private-Purpose Trust Funds	Custodial Fund
ADDITIONS			
Redevelopment property tax revenues	\$ -	189,426	-
Investment income:			
Interest	64,236	342	3,744
Dividends	24,062	-	-
Net change in fair value of plan investments	1,809,435	-	-
Investment earnings/(expenses)	(24,481)	-	-
Total investment income	<u>1,873,252</u>	<u>342</u>	<u>3,744</u>
Contributions:			
Employer	439,967	-	-
Employees	77,507	-	-
Total contributions	<u>517,474</u>	<u>-</u>	<u>-</u>
Development fees	-	8	-
Gain on sale of revenue participation	-	567	-
Other	-	116	-
Total additions	<u>2,390,726</u>	<u>190,459</u>	<u>3,744</u>
DEDUCTIONS			
General and administrative	11,333	112	-
Project expenses	-	458	3,107
Pass through amounts to the County of Santa Clara	-	47,093	-
Depreciation	-	27	-
Interest on debt	-	48,388	-
Health insurance premiums	57,845	-	-
Refunds of contributions	1,881	-	-
Retirement and other benefits:			
Death benefits	30,793	-	-
Retirement benefits	438,842	-	-
Veba transfer	5	-	-
Total deductions	<u>540,699</u>	<u>96,078</u>	<u>3,107</u>
Change in net position	<u>1,850,027</u>	<u>94,381</u>	<u>637</u>
Net position restricted for pension benefits, postemployment healthcare benefits and other purposes:			
Beginning of year, as previously reported	6,421,879	(1,368,429)	-
Restatement due to implementation of GASB Statement No. 84	-	-	6,112
Beginning of year, as restated	<u>6,421,879</u>	<u>(1,368,429)</u>	<u>6,112</u>
End of year	<u>\$ 8,271,906</u>	<u>(1,274,048)</u>	<u>6,749</u>

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

City of San José
Notes to Basic Financial Statements
June 30, 2021

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City of San José
Notes to Basic Financial Statements
June 30, 2021

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

City of San José
Notes to Basic Financial Statements
June 30, 2021

Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

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

- **San José – Santa Clara Clean Water Financing Authority** – The San José – Santa Clara Clean Water Financing Authority (the “Clean Water Financing Authority”) was created pursuant to a Joint Exercise of Powers Agreement between the City and the City of Santa Clara. The purpose was to finance the acquisition of, and additions and improvements to the existing San José – Santa Clara Water Pollution Control Plant (the “Plant”), currently known as the San José – Santa Clara Regional Wastewater Facility (the “RWF”). The Clean Water Financing Authority is governed by a five-member Board of Directors; three are members of the San José City Council and two are members of the City Council of the City of Santa Clara. The Clean Water Financing Authority and the cities of San José and Santa Clara entered into an Improvement Agreement and subsequent amendments to the Improvement Agreement (the “Improvement Agreement”), which requires each city to make base payments that are at least equal to each city's allocable share of debt service requirements of the Clean Water Financing Authority's outstanding revenue bonds. Under the Improvement Agreement, the City of San José is entirely responsible for the repayment of the Clean Water Financing Authority's outstanding revenue bonds. The Clean Water Financing Authority is blended in the Wastewater Treatment System Enterprise Fund for financial reporting purposes. The final debt service payment on outstanding authority bonds was made on November 15, 2020.
- **City of San José Financing Authority** – The City of San José Financing Authority (the “Financing Authority”) was created by a Joint Exercise of Powers Agreement between the City and the Agency. The Financing Authority was created for the purpose of facilitating the financing of public improvements and facilities within the City and is authorized to issue bonds for this purpose. The Financing Authority is governed by an 11-member Governing Board, which consists of the members of the City Council. The Financing Authority is blended in the San José Financing Authority Debt Service Fund for financial reporting purposes.
- **San José Diridon Development Authority** – The San José Diridon Development Authority (the “Diridon Authority”) was created in March 2011 by a Joint Exercise of Powers Agreement between the City and the Agency. The Diridon Authority was created for the purposes of overseeing the development of properties within the area of the City surrounding the San José Diridon Station, and is authorized to issue bonds for this purpose. The Diridon Authority is governed by an 11-member Governing Board, which consists of the members of the City Council. The Diridon Authority did not have any activity in fiscal year 2020-21 (also known as “FY 2021”).

Separate financial reports for City departments and component units for the FY 2021, containing additional information and more detailed information regarding financial position, changes in financial position, and, where applicable, cash flows, are available from the City's Director of Finance, 200 East Santa Clara Street; 13th Floor, San José, CA 95113-1905, for the following:

- Federated City Employees' Retirement System (the “FCERS”)
- Police and Fire Department Retirement Plan (the “PFDRP”)

City of San José
Notes to Basic Financial Statements
June 30, 2021

- Successor Agency to the Redevelopment Agency of the City of San José
- Norman Y. Mineta San José International Airport (the “Airport”)
- San José – Santa Clara Clean Water Financing Authority
- San José Clean Energy

B. Financial Statement Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

The **Low and Moderate Income Housing Asset Fund** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Agency on February 1,

City of San José
Notes to Basic Financial Statements
June 30, 2021

2012. This fund is primarily funded by loan repayment program income generated from the former Agency's housing assets.

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

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

The City reports the following major enterprise funds:

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

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

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

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

The **San José Clean Energy Fund** accounts for the City's Community Choice Energy program known as San José Clean Energy ("SJCE"), which allows the City to procure electricity for the City and businesses and residents in San José with more renewable energy options.

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.

City of San José
Notes to Basic Financial Statements
June 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Use of Estimates

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

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E. New Pronouncements

During the year ended June 30, 2021, the City implemented the following Governmental Accounting Standards Board (the "GASB") Statements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments and describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of Statement No. 84 is effective for the City's fiscal year ended June 30, 2021. The application of Statement No. 84 had an effect on the City's financial statements for the change of format and name from Agency Fund to Custodial Fund. The impact for Section 457 deferred compensation plans was offset by early implementation of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* as described below. The net position related to the Custodial fund was restated as a result of implementing Statement No. 84 in FY 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of Statement No. 90 is effective for the City's fiscal year ended June 30, 2021. The application of Statement No. 90 did not have any effect on the City's financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This statement is effective for periods beginning after June 15, 2021. However, because of the above clarification, the City decided to early implement this statement to offset the impact on GASB Statement No. 84 for Section 457 plans. The overall net result is to provide a footnote disclosure of PTC Deferred Compensation Plan.

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In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR* as the replacement term for *comprehensive annual financial report* and its acronym in addressing references in authoritative literature. This statement was developed in response to concerns raised by stakeholders that common pronunciation of the acronym for *comprehensive annual financial report* sounds like a profoundly objectionable racial slur. The requirements of this statement are effective for fiscal years ending after December 15, 2021. The City decided to early implement this statement. As a result, all references to the related term and its acronym were replaced starting from fiscal year 2021.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of Statement No. 87 is effective for the City's fiscal year ending June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, and fiduciary fund. The City has updated the Capitalized Interest policy to no longer capitalize interest for the Wastewater Treatment System Fund which had an immaterial impact to the financial statements. Application of Statement No. 89 is effective for the City's fiscal year ending June 30, 2022, and will be applied to all remaining funds.

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

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are*

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Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and Terminology used to refer to derivative instruments. The requirements of this statement are effective as follows: The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021; The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This statement achieves that objective by: providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement No. 53, as amended; and providing an exception to the lease modifications guidance in Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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

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an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. Application of Statement No. 94 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option). Under this statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term. Application of Statement No. 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

1. Cash and Cash Equivalents

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

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

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer unless otherwise dictated by legal or contractual requirements. Income and losses

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arising from the investment activity of pooled cash are allocated to the participating funds and component units on a monthly basis, based on their proportionate shares of the average weekly cash balance.

3. Deposits and Investments

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

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

Pooled Cash and Investments held in City Treasury. The City reports its investments held in the City Treasury at fair value. The fair value is based primarily on quoted market information and using pricing applications and models obtained from fiscal agents or other sources. Income from some investments is assigned to the General Fund. The assignment of the income from these investments is supported by legal or contractual provisions approved by the City Council. For the year ended June 30, 2021, the total investment income from these investments assigned and transferred to the General Fund was approximately \$1,577,000.

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

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

4. Inventories

Inventories of proprietary funds are reported at cost.

5. Loans Receivable, net

Long-term loans receivable, which consist of the principal amount of the loan plus accrued borrower's deferred interest is reported in the governmental fund financial statements with an offset to unavailable revenue for the deferred interest accrued and to restricted fund balance for the principal

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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.

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11. Capital Assets

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

Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. For the Norman Y. Mineta San José International Airport Fund, interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the investment proceeds of taxable and tax-exempt debt over the same period. For the Wastewater Treatment System Fund, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred. Amortization of assets acquired under capital leases is based on the shorter of the lease term, when the lease does not transfer ownership or include a bargain purchase option, or the estimated useful life of the asset and is included in depreciation.

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.

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

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

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

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The employee vacation accrual cap was temporarily raised from twice the employee's annual accrual rate, to three times the employee's annual accrual rate, effective April 19, 2020 through April 3, 2021. Employees who had earned in excess of the two times the annual accrual rate cap during this time stopped earning additional vacation time after April 3, 2021, until the balance of their vacation time returned below the two times accrual cap.

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

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

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

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

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

13. 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

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governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

14. Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks, except as otherwise described in Note III.F.12. The City's workers' compensation activities are funded and accounted for separately in the fund financial statements based upon the activities of each fund. The current portion of claims liability is accounted for in the General Fund and the enterprise funds on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements and the enterprise fund financial statements, the estimated liability for all self-insurance liability claims is recorded as a liability.

15. Deferred Outflows/Inflows of Resources

Deferred resources related to pension expense, OPEB expense, 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.

16. Pensions

For purposes of measuring the net pension liability, 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.

17. Other Postemployment Benefits (OPEB)

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

18. Net Position

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

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and deferred outflows/inflows of resources associated with the debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2021, the government-wide statement of net position reported restricted net position of

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\$1,116,441,000 in governmental activities and \$49,785,000 in business-type activities. Of these amounts \$385,082,000 and \$10,130,000, 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.

19. 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.

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20. 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:

	<u>Secured</u>	<u>Unsecured</u>
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.”

The City’s net assessed valuation for the year ended June 30, 2021, was approximately \$207.4 billion, an increase of approximately 5.8% from the previous year. The City’s tax rate was approximately \$0.173 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).

On October 1, 2020, the County sent its notice of estimated distribution (the “County Notice”) of Redevelopment Property Tax Trust Fund (“RPTTF”) to successor agencies and taxing entities within the County, including the City, for the period of January to June 2021. The County Notice advised that commencing with this period the County will revise its method of calculating the share of residual property tax increment that is generated in the redevelopment project areas of the City’s former redevelopment agency to be distributed to taxing entities, including the City, under Section 34183 of the Health and Safety Code. According to the County Notice, as a result of an appellate court decision in *City of Chula Vista v. Sandoval*, 49 Cal.App.5th 539 (2020), it will distribute all such residuals in accordance with the pro rata tax share of each taxing entity and that it will adjust distributions of such residuals for the past three years as required by Health and Safety Code Section 34186(b). As a result, the City’s distribution for FY 2021 was decreased by approximately \$10 million, which is comprised of a \$3 million reduction for FY 2021 and \$7 million reduction for the repayment amount for the three prior fiscal years. As part of the 2020-2021 Mid-Year Budget Review, approved by the City Council on February 9, 2021, the property tax revenue estimate was reduced by \$10 million to align the budget with the revised RPTTF distribution.

21. 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.

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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, 2021, the City's portion of the capital and operating costs was approximately 80.5% and the City's interest in the net position of the Plant was approximately 80.9%.

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, 2021, the SARA had a deficit of \$1,274,686,000, 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, 2021, the City reported a negative balance in unrestricted net position for its governmental activities in the amount of \$2,978,383,000 after accounting for net pension liabilities and net OPEB liabilities.

C. Deficit Fund Balance – Major Governmental Funds

As of June 30, 2021, the City reported a deficit fund balance of \$44,375,000 for the San José Financing Authority Debt Service fund, which was primarily due to the outstanding FY 2019 issuance of \$42,400,000 in commercial paper for the South Hall Project.

As of June 30, 2021, 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.

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III. Detailed Notes on All Funds

A. Cash, Deposits, and Investments

As of June 30, 2021, total City cash, deposits and investments, at fair value, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds			Carrying Value
			Pension Trust	Private-Purpose Trust	Custodial	
Equity in pooled cash and investments	\$ 1,453,765	\$ 699,473	\$ -	\$ 205	\$ 6,727	\$ 2,160,170
Cash and investments	7	-	-	4,902	-	4,909
Restricted assets:						
Equity in pooled cash and investments	76,461	47,980	-	-	-	124,441
Cash and investments with fiscal agents	340,721	84,460	-	120,346	-	545,527
Other cash and investments	12,451	-	-	-	-	12,451
Investments of retirement systems	-	-	8,155,425	-	-	8,155,425
Total deposits and investments	\$ 1,883,405	\$ 831,913	\$ 8,155,425	\$ 125,453	\$ 6,727	\$ 11,002,923
Deposits						\$ 15,939
Investments						10,986,984
Total deposits and investments						\$ 11,002,923

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

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

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

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

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

1. Cash and Investments Managed by the City Treasurer

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, debt investments with fixed coupons for longer terms are subject to more variability in their value as a result of changing interest rates. The City manages its exposure to interest rate risk by capping the weighted average maturity of the investment portfolio at two years. On March 9, 2021, the City Council approved an amendment to the Investment Policy (Section 26.0 Temporary Modification – Weighted Average Maturity) extending the weighted average maturity of the investment portfolio to 2.5 years (or 913 days) which will automatically expire on July

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1, 2022. 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 shorter-term and longer-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, 2021, was approximately 565 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, 2021, the City's pooled and fiscal agent investments in LAIF were approximately \$589,766,000 and the SARA's investments in LAIF was \$4,184,000. The weighted average days to maturity of LAIF was 291 days at June 30, 2021. The total amount recorded by all public agencies in LAIF at June 30, 2021 was approximately \$37 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, 2021 was approximately \$193 billion and of that amount, 83.38% was invested in U.S. Treasuries and agencies, 10.50% in depository securities, 5.74% in commercial paper, and 0.38% 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 policies regarding concentration of credit risk.

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 9, 2021. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Policy.

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The following table identifies the investment types that are authorized by the Policy as of June 30, 2021:

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 million *	5% *
Uninsured Time Deposits	18 months *	\$10 million *	5% *
Commercial Paper	270 days	20% *	5% *
Negotiable Certificates of Deposit	1 year *	20% *	5% *
Repurchase Agreements	92 days *	50% *	10% *
Reverse Repurchase Agreements	30 days *	Lesser of \$25 million or 20% *	None
Corporate Medium Term Notes	3 years *	30%	5% *
California Local Agency Investment Fund	N/A	State Treasurer Limit	None
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	20% *	5% *
Municipal Bonds - Category 4 (Other 49 States)	5 years	20% *	5% *
Investment Agreements	None	None	None
Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO)	5 years	10%*	None
Asset Backed Securities (ABS)	5 years	5% *	None

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

Other restrictions on investments are summarized as follows:

- Purchases of United States government agency securities are limited to issues of Federal Agriculture Mortgage Corporation (Farmer Mac), Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. Investment in Farmer Mac may not exceed 10% of the total portfolio.
- Purchases of supranationals are limited to International Bank for Reconstruction and Development, International Finance Corporation and Inter-American Development Bank. Securities shall be rated in a rating category of "AA" or its equivalent or better by Moody's Investor 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 are limited to issues by domestic U.S. or foreign banks. Issuing banks must have a short-term rating of "P-1, A-1 or F-1" or better by two of the three nationally recognized statistical rating organizations, Moody's, S&P, or Fitch, respectively. Long-term ratings of the bank or its holding company must be in a rating category of "A" or its equivalent or better by Moody's, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Deposits up to \$10,000,000 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:

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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 and financial institutions, which have entered into the City's Master Repurchase Agreement and any subsequent amendments to the Master Repurchase Agreement. Securities accepted as collateral for the repurchase agreement are limited to U.S. Treasury or U.S. Federal Government Agencies permitted under the Policy. The market value of the securities that have been accepted as collateral shall, at the time of transfer, equal at least 102 percent of face value of the repurchase agreement. For other than overnight investments, the securities transferred shall be marked to market on a daily basis and maintained at a market value to at least 102 percent of the repurchase agreement's face value.
- Reverse repurchase agreements under the Policy are limited to the lesser of \$25,000,000 or 20% of the portfolio value and to those occasions where unanticipated short-term cash requirements can be met more advantageously by initiating a reverse repurchase agreement than by selling a security into the secondary market prior to maturity.
- Corporate medium-term notes eligible for investment must be in a rating category of "A" or its equivalent or better by two of the three nationally recognized statistical rating organizations Moody's, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- Funds invested in LAIF, a State of California managed investment pool, may be made up to the maximum dollar amount per separate legal entity in conformity with account balance limits authorized by the California State Treasurer. The current maximum amount authorized by the State Treasurer is \$75 million. Also, the California State Treasurer authorized agencies receiving federal and/or state COVID-19 relief funds to deposit a maximum of \$75 million in a special Emergency LAIF account. This account has also been fully invested due to the relative yields on LAIF as compared to other market investment opportunities.
- 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

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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 under the Policy are limited to a total of no more than 30% of the portfolio value. The Policy establishes four municipal bond categories: (1) bonds issued by the City or its agencies (as defined in the Policy), (2) by the State of California, (3) by other California local agencies, and (4) by any of the other 49 states. Eligible securities must be in a rating category of “A” or its equivalent or better by two of the three nationally recognized statistical rating organizations; Moody’s, S&P, or Fitch. No rating may be lower than the category described in the preceding sentence at the time of purchase.
- Investment agreements may be used for the investment of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures and in accordance with other safeguards outlined in the Policy to reduce the risk associated with a provider’s inability to meet its contractual obligations.
- Mortgage backed securities and collateralized mortgage obligations must be in a rating category of “AA” or better by Moody’s, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.
- Asset backed securities must be in a rating category of “AA” or better Moody’s, S&P, or Fitch. If rated by more than one organization, no rating may be lower than the category described in the preceding sentence at the time of purchase.

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

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The following schedule indicates the interest rate risk, credit risk and concentration of credit risk of the City's investments, as of June 30, 2021 (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	AAA / N/A	\$ -	\$ -	\$ 915	\$ 15,695	\$ 16,610
Treasury Discounts	N/A	74,998	29,998	-	-	104,996
Federal Home Loan Banks	AAA / AA+	13,629	-	-	38,318	51,947
Federal Home Loan Banks - Callable	AAA / AA+	-	-	-	29,587	29,587
Federal National Mortgage Association	AAA / AA+	-	-	6,822	138,050	144,872
Federal National Mortgage Association - Callable	AAA / AA+	-	-	-	44,780	44,780
Federal Farm Credit Bank Bonds	AAA / AA+	-	-	17,214	57,602	74,816
Federal Farm Credit Bank Bonds - Callable	AAA / AA+	-	-	-	29,731	29,731
Federal Home Loan Mortgage Corporation	AAA / AA+	-	10,013	-	81,787	91,800
Federal Home Loan Mortgage Corporation - Callable	AAA / N/A	-	-	-	119,892	119,892
Farmer MAC Interest Bearing	N/A	-	-	-	22,166	22,166
Farmer MAC Interest Bearing-Callable	N/A	-	-	-	9,980	9,980
Supranationals	AAA / AAA	55,000	-	10,104	197,298	262,402
Corporate Medium Term Notes	AAA / AAA	-	63,291	112,284	113,398	288,973
Corporate Floaters	A2 / A	-	3,481	-	-	3,481
Negotiable Certificates of Deposit	N/A	35,000	165,026	63,905	-	263,931
Commercial Paper	P-1 / A-1	50,000	89,963	-	-	139,963
Asset Backed Securities	AAA / AAA	-	-	-	26,438	26,438
Municipal Bonds	AAA / AAA	-	18,317	53,197	168,999	240,513
Money Market Mutual Funds	N/A	103,160	-	-	-	103,160
California Local Agency Investment Fund	Not Rated	-	-	225,000	-	225,000
Total pooled investments in the City Treasury		<u>331,787</u>	<u>380,089</u>	<u>489,441</u>	<u>1,093,721</u>	<u>2,295,038</u>
Investments with fiscal agents:						
Federal Farm Credit Banks	Aaa / AA+	-	-	-	10,184	10,184
Federal Home Loan Banks	Aaa / AA+	-	-	-	5,435	5,435
Money Market Mutual Funds	Aaa / AAA	31,606	-	-	-	31,606
California Local Agency Investment Fund	Not Rated	-	-	364,766	-	364,766
Total investments with fiscal agents		<u>31,606</u>	<u>-</u>	<u>364,766</u>	<u>15,619</u>	<u>411,991</u>
Total Citywide investments (excluding Retirement Systems and the SARA)						
		<u>\$ 363,393</u>	<u>\$ 380,089</u>	<u>\$ 854,207</u>	<u>\$ 1,109,340</u>	<u>2,707,029</u>
Trust Funds:						
Total investments in Retirement Systems (See page 74)						8,155,425
Total investments in the SARA (See page 176)						124,530
Total investments						<u>\$ 10,986,984</u>

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

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The City has the following recurring fair value measurements as of June 30, 2021:

	<u>Fair Value Measurement Using</u>			
	Carrying Value 6/30/21	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Pooled Investments in the City Treasury				
Investments by fair value level				
Treasury Notes	\$ 16,610	\$ 16,610	\$ -	\$ -
Treasury Discounts	104,996	104,996	-	-
Federal Home Loan Banks	51,947	-	51,947	-
Federal Home Loan Banks - Callable	29,587	-	29,587	-
Federal National Mortgage Association	144,872	-	144,872	-
Federal National Mortgage Association - Callable	44,780	-	44,780	-
Federal Farm Credit Bank Bonds	74,816	-	74,816	-
Federal Farm Credit Bank Bonds - Callable	29,731	-	29,731	-
Federal Home Loan Mortgage Corporation	91,800	-	91,800	-
Federal Home Loan Mortgage Corporation - Callable	119,892	-	119,892	-
Farmer MAC Interest Bearing	22,166	-	22,166	-
Farmer MAC Interest Bearing-Callable	9,980	-	9,980	-
Supranationals	262,402	-	207,402	55,000
Corporate Medium Term Notes	288,973	-	288,973	-
Corporate Floaters	3,481	-	3,481	-
Negotiable Certificates of Deposit	263,931	-	263,931	-
Commercial Paper	139,963	-	139,963	-
Asset Backed Securities	26,438	-	26,438	-
Municipal Bonds	240,513	-	240,513	-
Total Investments by fair value level	<u>1,966,878</u>	<u>121,606</u>	<u>1,790,272</u>	<u>55,000</u>
Investments not subject to fair value hierarchy				
California Local Agency Investment Fund	225,000	-	-	-
Money Market Mutual Funds	103,160	-	-	-
Total Investments not subject to fair value hierarchy	<u>328,160</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Pooled Investments in the City Treasury	<u>2,295,038</u>	<u>121,606</u>	<u>1,790,272</u>	<u>55,000</u>
Investments with fiscal agents:				
Investments by fair value level:				
Federal Farm Credit Banks	10,184	-	10,184	-
Federal Home Loan Banks	5,435	-	5,435	-
Total Investments by fair value level:	<u>15,619</u>	<u>-</u>	<u>15,619</u>	<u>-</u>
Investments not subject to fair value hierarchy				
California Local Agency Investment Fund	364,766	-	-	-
Money Market Mutual Funds	31,606	-	-	-
Total Investments not subject to fair value hierarchy	<u>396,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments with fiscal agents	<u>411,991</u>	<u>-</u>	<u>15,619</u>	<u>-</u>
Total Citywide investments (excluding Retirement Systems and the SARA)	<u>2,707,029</u>	<u>\$ 121,606</u>	<u>\$ 1,805,891</u>	<u>\$ 55,000</u>
Trust Funds:				
Total investments in Retirement Systems (See page 74)	8,155,425			
Total investments in the SARA (See page 176)	124,530			
Total investments	<u>\$ 10,986,984</u>			

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Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Government agency securities classified in Level 2 of the fair value hierarchy are valued using Interactive Data (IDC) institutional bond pricing techniques. Corporate notes and supranationals classified in Level 2 of the fair value hierarchy are valued using evaluated pricing applications and models, which gather the information from market sources and integrate relative credit information, observed market movements, and sector news. Commercial paper classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based upon yields and effective maturity. Municipal bonds classified in Level 2 of the fair value hierarchy are valued using JJ Kenny municipal pricing technique. Negotiable certificates of deposit classified in Level 2 of the fair value hierarchy are valued using IDC CD pricing, a Multi-dimensional relational model and/or Option Adjusted Spread (OAS).

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, 2021, 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 no more than 5% of the total portfolio unless discussed otherwise in the above table. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement.

As of June 30, 2021, 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 Mortgage Corporation	9.22%
International Bank for Reconstruction & Development	8.39%
Federal National Mortgage Association	8.26%

Foreign Currency Risk. The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2021, 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.

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2. Retirement Systems

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

The Board of Administration of PFDRP adopted an updated asset allocation for the Defined Benefit Pension Plan on April 1, 2021. The asset allocation will transition over the next several months, with an ending period of February 2022. The Defined Benefit Pension Plan investment policy was originally approved May 7, 2020. The asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the Police and Fire Department Retirement Plan’s adopted actuarial assumed rate of return as of June 30, 2020 and June 30, 2019 valuations, respectively.

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	46%	Long-term government bonds	3%
Investment grade bonds	12%	Private debt	3%
Private equity	6%	Emerging market bonds	3%
Core real estate	5%	Treasury inflation-protected securities	2%
Immunized cash flows	5%	High yield bonds	2%
Growth real estate	3%	Market neutral strategies	3%
Private real estate	3%	Venture capital	4%

The Board of Administration of PFDRP adopted an updated asset allocation for the Postemployment Healthcare Plan on April 1, 2021. The asset allocation will transition over the next several months, with an ending period of February 2022. The Postemployment Healthcare plan investment policy was originally approved on June 6, 2013.

PFDRP - Postemployment Healthcare	
Asset Class	Target Asset Allocation
Global equity	43%
Real assets	22%
Global tactical asset allocation	20%
Global fixed income	15%

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For the year ended June 30, 2021, the investment policy for the FCERS Defined Benefit Pension Plan was updated, as shown in the following table, which FCERS' Board approved on May 18, 2020. The new asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and FCERS' adopted actuarial assumed rate of return as of June 30, 2021.

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

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

On March 18, 2021, the FCERS' Board adopted an updated asset allocation for the 115 healthcare trust. The asset allocation will transition over three quarters, with the final transition period ending September 30, 2021. The Postemployment Healthcare Plan investment policy was originally approved on March 21, 2013. The asset classes in the healthcare policy are broad classifications which were further broken down to more specific allocation to align with the pension asset classification.

FCERS - Postemployment Healthcare	
Asset Class	Target Asset Allocation
Global equity	55%
Fixed income	28%
Real assets	17%

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At June 30, 2021, the Retirement Systems held the following investments (in thousands):

	<u>PFDRP</u>	<u>FCERS</u>	<u>Total</u>
Securities and other:			
Fixed income:			
Investment grade bonds	\$ 573,897	\$ 218,837	\$ 792,734
Immunized cash flows	181,496	95,486	276,982
Emerging market bonds	93,748	78,835	172,583
Long-term government bonds	147,421	65,670	213,091
Private debt	137,912	76,633	214,545
Treasury inflation-protected securities	88,329	53,106	141,435
High yield bonds	87,581	52,622	140,203
Cash and cash equivalents	130,399	49,104	179,503
Short-term investment grade bonds	13,015	71,691	84,706
Total fixed income	<u>1,453,798</u>	<u>761,984</u>	<u>2,215,782</u>
Commodities	12,499	19,352	31,851
Core real estate	236,179	162,813	398,992
Growth real estate	161,686	91,791	253,477
Venture capital	9,188	480	9,668
Market neutral strategies	75,812	48,049	123,861
Private equity	524,040	474,984	999,024
Private real assets	159,590	39,962	199,552
Public equity	2,307,050	1,616,168	3,923,218
Total investments	<u>\$ 4,939,842</u>	<u>\$ 3,215,583</u>	<u>\$ 8,155,425</u>

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. With elevated valuations, continued uncertainty surrounding COVID-19 pandemic, such market risks of growing unemployment, changes in consumer behavior, volatility in various other financial market rates and general economic slowdown of all sectors may have a significant impact to the underlying investments within the Retirement Systems' investment portfolio.

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. The Retirement Systems' does not have a policy regarding interest rate risk.

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The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2021 (in thousands):

	PFDRP							
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Total Fair Value	
Investment grade bonds	\$ (247)	\$ -	\$ 658	\$ 499,690	\$ 42,303	\$ 31,493	\$ 573,897	\$ 568,568
Immunized cash flows	8,887	6,023	15,617	150,969	-	-	181,496	180,972
Long-term government bonds	-	-	-	-	-	147,421	147,421	161,083
Private debt	137,912	-	-	-	-	-	137,912	141,713
Cash and cash equivalents	130,399	-	-	-	-	-	130,399	130,399
Treasury inflation-protected securities	3,859	5,065	4,953	74,452	-	-	88,329	84,539
High yield bonds	189	251	290	31,005	51,500	4,346	87,581	85,427
Emerging market bonds	-	-	-	-	93,748	-	93,748	57,885
Short-term investment grade bonds	13,015	-	-	-	-	-	13,015	13,015
Total fixed income	<u>\$ 294,014</u>	<u>\$ 11,339</u>	<u>\$ 21,518</u>	<u>\$ 756,116</u>	<u>\$ 187,551</u>	<u>\$ 183,260</u>	<u>\$ 1,453,798</u>	<u>\$ 1,423,601</u>

	FCERS							
	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	More than 10 years	Total Fair Value	
Investment grade bonds	\$ 6	\$ 22	\$ 256	\$ 190,133	\$ 16,128	\$ 12,292	\$ 218,837	\$ 215,404
Immunized cash flows	7,028	4,687	12,269	71,502	-	-	95,486	95,447
Short-term investment grade bonds	71,691	-	-	-	-	-	71,691	71,691
Private debt	76,633	-	-	-	-	-	76,633	99,699
Emerging market bonds	-	-	-	-	78,835	-	78,835	71,300
Long-term government bonds	-	-	-	-	-	65,670	65,670	70,880
Treasury inflation-protected securities	2,319	3,061	2,978	44,748	-	-	53,106	51,258
High yield bonds	-	30	290	18,891	30,866	2,545	52,622	51,360
Cash and cash equivalents	49,104	-	-	-	-	-	49,104	49,104
Total fixed income	<u>\$ 206,781</u>	<u>\$ 7,800</u>	<u>\$ 15,793</u>	<u>\$ 325,274</u>	<u>\$ 125,829</u>	<u>\$ 80,507</u>	<u>\$ 761,984</u>	<u>\$ 776,143</u>

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’ does not have a policy regarding custodial credit risk. As of June 30, 2021, all of the Retirement Systems’ investments are held in the Retirement Systems’ name and / or not exposed to negligible custodial credit risk. As of October 2020, the Retirement Systems’ changed custodian banks from State Street Bank & Trust Company to Bank of New York Mellon.

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.

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The table provides information for the portfolios as of June 30, 2021 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	\$ 49,572	3.41%	\$ 19,236	2.52%
AA+	392,683	26.99%	162,545	21.33%
AA	131,351	9.04%	55,873	7.33%
AA-	3,037	0.21%	1,206	0.16%
A+	2,636	0.18%	1,164	0.15%
A	9,371	0.64%	3,562	0.47%
A-	12,906	0.89%	5,036	0.66%
BBB+	12,579	0.87%	4,804	0.63%
BBB	17,965	1.24%	7,238	0.95%
BBB-	24,959	1.72%	9,544	1.25%
BB+	9,016	0.62%	5,177	0.68%
BB	17,409	1.20%	9,950	1.31%
BB-	14,908	1.03%	8,423	1.11%
B+	8,891	0.61%	5,177	0.68%
B	11,280	0.78%	6,779	0.89%
B-	17,890	1.23%	10,602	1.39%
CCC+	7,022	0.48%	4,247	0.56%
CCC	3,835	0.26%	2,298	0.30%
CCC-	523	0.04%	317	0.04%
CC	45	0.00%	27	0.00%
Not Rated	705,920	48.56%	438,779	57.59%
Total	<u>\$ 1,453,798</u>	<u>100.00%</u>	<u>\$ 761,984</u>	<u>100.00%</u>

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, 2021, 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.

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The following tables provide information as of June 30, 2021, concerning the fair value of investments that are subject to foreign currency risk (in thousands):

PFDRP						
Currency Name	Cash	Public Equity	Global Fixed Income	International Currency Contracts, Net	Growth Real Estate	Total Exposure
Euro member countries	-	-	-	-	11	11
Hong Kong dollar	-	2	-	-	-	2
Switzerland franc	2	-	-	-	-	2
Total	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 15</u>

FCERS						
Currency Name	Cash	Public Equity	International Currency Contracts, Net	Private Equity	Growth Real Estate	Total Exposure
Euro currency	-	-	-	133	-	133
Hong Kong dollar	-	1	-	-	-	1
Swiss franc	-	2	-	-	-	2
Taiwanese new dollar	28	-	-	-	-	28
Total	<u>\$ 28</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ 164</u>

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.

Derivatives – 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 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 policies, it is understood that the mandates of certain investment managers retained by the Retirement Systems may use derivatives.

Derivative investments 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, 2021. 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.

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In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates*. GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can be replaced with another IBOR without needing a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. The Retirement Systems do not expect GASB 93 to significantly impact the financial statements as the Retirement Systems do not have any direct exposure to derivative contracts tied to LIBOR as of June 30, 2021.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2021, 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					
Investment Derivative Instruments	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2021		Fair Value at June 30, 2021		Notional Amount/Shares
	Classification	Amount	Classification	Amount	
Fixed income futures long	Investment income	\$ (1,899)	Futures	\$ -	84,443
Fixed income futures short	Investment income	862	Futures	-	8,480
FX forwards	Investment income	(87)	Long-term instruments	-	\$ 2
Index futures long	Investment income	5,198	Futures	-	18,433
Index futures short	Investment income	(2,749)	Futures	-	2,430
Total derivative instruments		<u>\$ 1,325</u>		<u>\$ -</u>	

FCERS					
Investment Derivative Instruments	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2021		Fair Value at June 30, 2021		Notional Amount/Shares
	Classification	Amount	Classification	Amount	
Fixed income futures long	Investment income	\$ (583)	Futures	\$ -	65,499
Fixed income futures short	Investment income	274	Futures	-	1,135
FX forward	Investment income	(4)	Long-term instruments	-	\$ 134
Index futures long	Investment income	1,835	Futures	-	-
Index futures short	Investment income	(1,834)	Futures	-	38,982
Total derivative instruments		<u>\$ (312)</u>		<u>\$ -</u>	

Derivative investments 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, 2021.

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, 2021, PFDRP had total commitments in forward currency contracts to purchase and sell international currencies were \$2,000, with fair values of \$2,000 and \$2,000, respectively, held by counterparties with an S&P rating of at least AA-.

As of June 30, 2021, FCERS had total commitments in forward currency contracts to purchase and sell international currencies were \$134,000, with fair values of \$134,000 and \$134,000, respectively, held by counterparties with an S&P rating of AA and above.

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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.

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The Retirement Systems have the following recurring fair value measurements as of June 30, 2021:

PFDRP (In Thousands)	Fair Value Measurement Using					Net Asset Value (NAV)
	Total	Level 1	Level 2	Level 3		
Investments by fair value level						
Public equity	\$ 2,307,050	\$ 552,234	\$ -	\$ -		\$1,754,816
Investment grade bonds	573,897	194,250	99,793	-		279,854
Private equity	524,040	-	-	18,227		505,813
Core real estate	236,179	-	-	-		236,179
Immunized cash flows	181,496	89,476	92,020	-		-
Growth real estate	161,686	-	-	-		161,686
Private real assets	159,590	-	-	-		159,590
Long-term government bonds	147,421	-	-	-		147,421
Private debt	137,912	-	-	4,603		133,309
Cash and cash equivalents	130,399	130,399	-	-		-
Emerging market bonds	93,748	-	-	-		93,748
Treasury inflation-protected securities	88,329	88,329	-	-		-
High yield bonds	87,581	77,865	-	-		9,716
Market neutral strategies	75,812	-	-	-		75,812
Short-term investment grade bonds	13,015	13,015	-	-		-
Commodities	12,499	-	-	-		12,499
Venture capital	9,188	-	-	-		9,188
Total investments measured at fair value level	\$ 4,939,842	\$ 1,145,568	\$ 191,813	\$ 22,830		\$ 3,579,631

FCERS (In Thousands)	Fair Value Measurement Using					Net Asset Value (NAV)
	Total	Level 1	Level 2	Level 3		
Investments by Fair Value Level						
Public equity	\$ 1,616,168	\$ 370,131	\$ -	\$ -		\$1,246,037
Private equity	474,984	-	-	14,702		460,282
Investment grade bonds	218,837	75,376	39,472	-		103,989
Core real estate	162,813	-	-	-		162,813
Immunized cash flows	95,486	48,572	46,914	-		-
Growth real estate	91,791	-	-	-		91,791
Emerging market bonds	78,835	-	-	-		78,835
Private debt	76,633	-	-	8,128		68,505
Short-term investment grade bonds	71,691	71,691	-	-		-
Long-term government bonds	65,670	-	-	-		65,670
Treasury inflation-protected securities	53,106	53,106	-	-		-
High yield bonds	52,622	47,028	-	-		5,594
Cash and cash equivalents	49,104	49,104	-	-		-
Market neutral strategies	48,049	-	-	-		48,049
Private real assets	39,962	-	-	-		39,962
Commodities	19,352	-	-	-		19,352
Venture capital	480	-	-	-		480
Total investments measured at fair value	\$ 3,215,583	\$ 715,008	\$ 86,386	\$ 22,830		\$ 2,391,359

Equity and Fixed Income Securities

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

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Alternative Investments

For PFDRP, alternative investments include public equity, private equity, core real estate, growth real estate, high yield bonds, market neutral strategies, emerging market bonds, commodities, private debt, and private real assets. For FCERS, alternative investments include public equity, private equity, market neutral strategies, core real estate, commodities, emerging market bonds, private debt, growth real estate, 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.

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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, 2021:

PFDRP					
Investments Measured at the NAV as of June 30, 2021 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	
Public equity	\$ 1,754,816	\$ -	Daily, Weekly, Monthly	1 - 30 Days	
Investment grade bonds	279,854	-	Daily	1 - 3 Days	
Private equity	505,813	12,300	Daily, N/A	1 Day, N/A	
Core real estate	236,179	50,200	Quarterly	90 Days	
Growth real estate	161,686	112,948	N/A	N/A	
Private real assets	159,590	22,130	N/A	N/A	
Long-term government bonds	147,421	-	Daily	3 Days	
Private debt	133,309	143,856	N/A	N/A	
Emerging market bonds	93,748	-	Daily, Quarterly	1 - 45 days	
High yield bonds	9,716	-	Daily	3 Days	
Market neutral strategies	75,812	-	Monthly, Bi-Annual	45 - 60 Days	
Commodities	12,499	-	Daily	3 Days	
Venture capital	9,188	19,499	N/A	N/A	
Total investments measured at the NAV	\$ 3,579,631	\$ 360,933			

FCERS					
Investments Measured at the NAV as of June 30, 2021 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	
Public equity	\$ 1,246,037	\$ -	Daily, Weekly, Monthly	1 - 30 Days	
Private equity	460,282	14,500	Daily, NA	1 Day, N/A	
Investment grade bonds	103,989	-	Daily	1 - 3 Days	
Core real estate	162,813	41,800	Quarterly	90 Days	
Growth real estate	91,791	41,970	NA	NA	
Emerging market bonds	78,835	-	Daily, Quarterly	1 - 45 Days	
Private debt	68,505	66,010	NA	NA	
Long-term government bonds	65,670	-	Daily	3 Days	
High yield bonds	5,594	-	Daily	3 Days	
Market neutral strategies	48,049	-	Monthly, Bi-Annual	45 - 60 Days	
Private real assets	39,962	12,509	NA	NA	
Commodities	19,352	-	Daily	3 Days	
Venture capital	480	-	NA	NA	
Total investments measured at the NAV	\$ 2,391,359	\$ 176,789			

Public equity

For PFDRP, this type includes investments in twelve commingled investment funds. Public equities are shares of ownership of a firm listed on an exchange; the Plan holds global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

For FCERS, this type includes investments in fourteen commingled investment funds. Public equities are shares of ownership of a firm listed on an exchange; the Plan holds global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. The commingled funds liquidity ranges from daily to monthly and the notice periods are between one day and thirty days.

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Private equity

For PFDRP, this type includes investments in one commingled investment fund and eighteen private equity limited partnership funds, which generally invest in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with a one-day notice.

For FCERS, this type includes investments in one commingled investment fund and nine private equity limited partnership funds, which generally invest in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with a one-day notice.

Investment grade bonds

For PFDRP and FCERS, this type includes investments in two separate accounts and one commingled fund. The purpose of investment grade bonds is to produce returns and income for the Plans by providing exposure to rates and credit risk. The commingled fund offers daily liquidity with a notice period of one to three days.

Core real estate

For PFDRP, this type includes investments in two open end 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 for PFDRP while maintaining a low correlation to stocks and bonds held by the Plan. The open-end real estate funds offer quarterly redemptions with notice periods of three months.

For FCERS, this type includes investments in two open end 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 for FCERS while maintaining a low correlation to stocks and bonds held by the System. The open-end real estate funds offer quarterly redemptions with notice periods of three months.

Market neutral strategies

For PFDRP and FCERS, this type includes investments in four limited partnership hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivatives, and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from monthly to bi-annual with notice periods of forty-five days to sixty days. Two funds have 25% investor level redemption gates, while the remaining two funds have no gates.

Private debt

For PFDRP, this type includes investments in fourteen 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.

For FCERS, this type includes investments in ten private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this

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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.

Emerging market bonds

For PFDRP and FCERS, this type includes investments in two limited partnership funds. Emerging market bonds funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof in emerging market countries with a sovereign rating less than BBB-. One partnership has a quarterly redemption period with a notice period of 45 days; the other has a daily redemption period with 1-day notice period.

Growth real estate

For PFDRP, this type includes fifteen limited partnership real estate funds which generally invest in physical properties. The goal of growth real estate is to produce price appreciation and income for PFDRP while maintaining a low correlation to stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

For FCERS, this type includes ten limited partnership real estate funds which generally invest in physical properties. The goal of growth real estate is to produce price appreciation and income for FCERS while maintaining a low correlation to be stocks and bonds. The only way to exit these funds is through a sale in a secondary market.

Commodities

For PFDRP and FCERS, this type includes their respective investments in one limited partnership commodities fund. Commodities are physical or tangible assets that have value due to their substance and properties. The goal of commodities is to help the portfolio maintain purchasing power through periods of inflation. The commodities funds offer daily liquidity with three business days' notice.

Long-term government bonds

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

Private real assets

For PFDRP, this type includes seven limited partnership and two co-investments real asset funds. 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.

For FCERS, this type includes eight limited partnership real asset funds. 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.

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High yield bonds

For PFDRP and FCERS, this type includes an investment in one commingled fund. The primary purpose of high yield bonds is to provide the Retirement Systems exposure to high yielding corporate debt. The commingled fund offers daily liquidity with a notice period of three days.

Immunized cash flows (bonds)

For PFDRP and FCERS, this type includes one separate account. Immunized cash flows (bonds) are investments in cash flows of US governments and corporations where the payout of cash flows are matched against a forecasted liability stream. The goal of an immunized cash flow portfolio is to ensure the Plan has adequate liquidity to meet cash outflows.

Short-term investment grade bonds

For PFDRP and FCERS, this type includes investments in one commingled investment fund. Short-term investment grade bond funds typically invest in contractual cash flows of US governments and corporations with maturities less than three years and a credit rating of greater than BBB-. The commingled funds offer daily liquidity with notice periods of one to two days.

Treasury inflation-protected securities (TIPS)

For PFDRP and FCERS, this type includes investments in one commingled investment fund. TIPS funds typically invest in contractual cash flows of US governments where the amount of principal outstanding is index to inflation. The goal of TIPS is to help the portfolio maintain purchasing power through periods of inflation. The commingled funds offer daily liquidity with notice periods of one day.

Venture capital

For PFDRP and FCERS, this type includes investments in four and one venture capital limited partnership funds, respectively, 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 the 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.

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B. Receivables, Net of Allowances

At June 30, 2021, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts, are as follows (in thousands):

Receivables – Governmental Activities:	General Fund	Housing Activities	Low and Moderate Income Housing Asset	Special Assessment Districts	Nonmajor Funds	Internal Service Funds	Total Governmental Activities
Taxes	\$ 79,809	\$ -	\$ -	\$ -	\$ 9,398	\$ -	\$ 89,207
Accrued interest	1,615	418	1,897	67	3,420	67	7,484
Grants	5,427	10,238	-	-	32,438	-	48,103
Special assessments	-	-	-	11,515	-	-	11,515
Other	48,311	1,183	14,552	631	26,560	351	91,588
Less: allowance for uncollectibles	(32,365)	(2)	-	(4)	(3,114)	1	(35,484)
Total receivables, net	<u>\$ 102,797</u>	<u>\$ 11,837</u>	<u>\$ 16,449</u>	<u>\$ 12,209</u>	<u>\$ 68,702</u>	<u>\$ 419</u>	<u>\$ 212,413</u>

Receivables – Business-Type Activities:	Norman Y. Mineta San José International Airport	Wastewater Treatment System	Municipal Water System	Parking System	San José Clean Energy	Total Business-Type Activities
Accounts	\$ 15,068	\$ 8,381	\$ 13,149	\$ 105	\$ 52,409	\$ 89,112
Accrued interest	622	1,336	113	147	-	2,218
Grants	4,620	-	-	-	-	4,620
Less: allowance for uncollectibles	(721)	(391)	(1,162)	(21)	(11,660)	(13,955)
Total receivables, net	<u>\$ 19,589</u>	<u>\$ 9,326</u>	<u>\$ 12,100</u>	<u>\$ 231</u>	<u>\$ 40,749</u>	<u>\$ 81,995</u>

Special assessment receivables in the amount of \$11,515,000 are not expected to be collected within the subsequent year.

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, 2021 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	\$ -	\$ 37,883	\$ 462,883	\$ -	\$ 500,766
Loans funded by federal grants	-	81,851	-	4,206	86,057
Economic development, real estate developer and other loans	1,241	-	-	-	1,241
Less: allowance for uncollectibles	-	(57,687)	(249,144)	(1,786)	(308,617)
Total loans, net	<u>\$ 1,241</u>	<u>\$ 62,047</u>	<u>\$ 213,739</u>	<u>\$ 2,420</u>	<u>\$ 279,447</u>

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.

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Typical loans and related terms are summarized as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Due</u>
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, 2021.

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, 2021. These commitments involve elements of credit and interest rate risk similar to those described above for outstanding loans receivable. As of June 30, 2021, amounts committed to extend credit under normal lending agreements totaled approximately \$19,452,000.

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D. Capital Assets

1. Summary Schedule

The following is a summary of capital assets activity for the year ended June 30, 2021 (in thousands):

	Balance				Balance
	July 1, 2020	Additions	Deletions	Transfers	June 30, 2021
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 503,456	\$ 38,730	\$ 2	\$ -	\$ 542,184
Construction in progress	137,607	52,475	-	(52,206)	137,876
Total capital assets, not being depreciated	<u>641,063</u>	<u>91,205</u>	<u>2</u>	<u>(52,206)</u>	<u>680,060</u>
Capital assets, being depreciated:					
Buildings	1,668,576	-	-	-	1,668,576
Improvements, other than buildings	285,795	391	-	29,763	315,949
Infrastructure	11,564,664	13,179	-	20,334	11,598,177
Vehicles and equipment	175,765	17,468	15,520	2,109	179,822
Furniture and fixtures	27,809	-	26,507	-	1,302
Total capital assets, being depreciated	<u>13,722,609</u>	<u>31,038</u>	<u>42,027</u>	<u>52,206</u>	<u>13,763,826</u>
Less accumulated depreciation for:					
Buildings	721,397	42,780	-	-	764,177
Improvements, other than buildings	71,254	9,672	-	-	80,926
Infrastructure	8,273,258	162,295	-	-	8,435,553
Vehicles and equipment	124,703	17,369	15,368	-	126,704
Furniture and fixtures	27,349	61	26,508	-	902
Total accumulated depreciation	<u>9,217,961</u>	<u>232,177</u>	<u>41,876</u>	<u>-</u>	<u>9,408,262</u>
Total capital assets, being depreciated, net	<u>4,504,648</u>	<u>(201,139)</u>	<u>151</u>	<u>52,206</u>	<u>4,355,564</u>
Governmental activities capital assets, net	<u>\$ 5,145,711</u>	<u>\$ (109,934)</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 5,035,624</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 137,938	\$ -	\$ -	\$ -	\$ 137,938
Intangible assets	12,882	-	-	-	12,882
Construction in progress	380,817	168,701	6,450	(56,198)	486,870
Total capital assets, not being depreciated	<u>531,637</u>	<u>168,701</u>	<u>6,450</u>	<u>(56,198)</u>	<u>637,690</u>
Capital assets, being depreciated:					
Buildings	1,725,383	(110)	42	48,892	1,774,123
Improvements, other than buildings	1,387,273	33,418	-	6,981	1,427,672
Vehicles and equipment	335,415	3,914	3,695	325	335,959
Total capital assets, being depreciated	<u>3,448,071</u>	<u>37,222</u>	<u>3,737</u>	<u>56,198</u>	<u>3,537,754</u>
Less accumulated depreciation for:					
Buildings	710,340	44,230	42	-	754,528
Improvements, other than buildings	706,410	33,947	-	-	740,357
Vehicles and equipment	209,672	11,400	3,669	-	217,403
Total accumulated depreciation	<u>1,626,422</u>	<u>89,577</u>	<u>3,711</u>	<u>-</u>	<u>1,712,288</u>
Total capital assets, being depreciated, net	<u>1,821,649</u>	<u>(52,355)</u>	<u>26</u>	<u>56,198</u>	<u>1,825,466</u>
Business-type activities capital assets, net	<u>\$ 2,353,286</u>	<u>\$ 116,346</u>	<u>\$ 6,476</u>	<u>\$ -</u>	<u>\$ 2,463,156</u>

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2. Depreciation

Depreciation expense charged to various governmental and business-type activities of the City for the year ended June 30, 2021 is as follows (in thousands):

Governmental activities:	
General government	\$ 10,751
Public safety	13,098
Capital maintenance	170,683
Community services	35,873
Capital assets held by City's internal service funds	1,772
Total depreciation expense - governmental activities	<u>\$ 232,177</u>
 Business-type activities:	
Norman Y. Mineta San José International Airport	\$ 53,134
Wastewater Treatment System	31,758
Municipal Water System	2,990
Parking System	1,695
Total depreciation expense - business-type activities	<u>\$ 89,577</u>

3. Capitalized Interest

Interest costs that are related to the acquisition of buildings and improvements and equipment acquired with tax-exempt and taxable debt are capitalized for business-type activities. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested taxable and tax-exempt debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. However, the City decided to early implement GASB Statement No. 89 that was issued in June 2018 for the Wastewater Treatment System Fund only. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported under business-type activities. The City has updated the Capitalized Interest policy to no longer capitalize interest for the Wastewater Treatment System Fund which had an immaterial impact to the financial statements. Application of Statement No. 89 is effective for the City's fiscal year ending June 30, 2022, due to implementation of GASB Statement No. 95 and will be applied to all remaining funds.

4. Construction Commitments

Commitments outstanding as of June 30, 2021, related to governmental and business-type activities construction in progress totaled approximately \$30,656,000 and \$362,910,000, respectively.

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E. Leases

1. Operating Leases as Lessee

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

Governmental Activities

The City has ongoing commitments under operating lease agreements for business equipment, office facilities and land necessary for City operations, which expire at various dates through 2026. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and the Nonmajor Governmental Funds under these operating lease agreements for the year ended June 30, 2021 amounted to approximately \$2,073,900 and \$67,500, respectively.

The future minimum lease payments anticipated under the existing lease commitments, as of June 30, 2021, are as follows (in thousands):

Fiscal Year Ending June 30,	General Fund	Nonmajor Governmental Funds	Total Governmental Activities
2022	\$ 2,101	\$ 61	\$ 2,162
2023	1,627	36	1,663
2024	1,347	36	1,383
2025	1,246	36	1,282
2026	1,246	36	1,282
Totals	\$ 7,567	\$ 205	\$ 7,772

Business-Type Activities

There are no material leases as a lessee to disclose.

2. Operating Leases as Lessor

Governmental Activities

The City leases building, office facilities, and other equipment are under operating leases. Total revenues for such leases were \$671,410 for the year ended June 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 555,068
2023	571,165
2024	587,729
2025	604,773
2026	1,065,862
Total	\$ 3,384,597

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Business-Type Activities – Airport

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

The Airline Lease Agreement includes provisions for a true-up of the terminal and airfield cost centers based on the actual results, as well as a revenue sharing provision. The amounts calculated for the airfield true-up are rolled into the following year's airline rates and charges calculations. For the terminal true-up and revenue sharing the City will: (a) pay these amounts to the Passenger Carriers if there is any overpayment; or (b) bill these amounts to the Passenger Carriers if there is an underpayment. The Passenger Carrier portion of the terminal is cost-recovery; therefore the true-up is an adjustment so that the actual terminal rentals paid by the Passenger Carriers match the operating costs incurred by the City in that cost center. As a result, the City records the terminal true-up as operating revenues. The revenue sharing provision relates to the Airport cost centers and provides for a split of any net remaining revenues between the City and the Signatory Passenger Carriers based on the terms provided for in the Airline Lease Agreement. Since the sharing of net revenues is not a cost of providing airport services, the City records the revenue sharing amount as nonoperating expenses.

For the year ended June 30, 2021, the Airport's revenues as defined in the Airline Lease Agreement exceeded its expenditures and reserve requirements by \$7.7 million. The net remaining revenues for the year ended June 30, 2021 was divided by allocating the first \$4.0 million to the Airport 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.

Other Airport Leases. In December 2013, the City entered into a ground lease and operating agreement with Signature Flight Support Corporation ("Signature"), which constructed a full-service, fixed based facility on 29-acres of the Airport's west side ("Original Master Leasehold Parcel"). The term of the agreement is for 50 years from December 12, 2013 to December 11, 2063. On July 2, 2018, the City entered into the first amendment to the ground lease and operating agreement by adding a new parcel of land containing approximately 4 acres ("Additional Premises") bringing the total lease to approximately 33 acres. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. The Interim rent on the Additional Premises ended effective January 2, 2020 per the First Amendment. The annual base ground rental rate as of May 1, 2020 to June 30, 2021 is \$2.49135 per square foot for the entire site. Rental revenues from the ground lease with Signature were \$3,619,000 for the year ended June 30, 2021.

The Airport also enters into leases with concessionaires, cargo carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. As of June 30, 2021, the remaining terms of these operating leases range from one month to 17 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount ("MAG"). The City provided temporary financial relief to some concessionaires from April 1, 2020 to June 30, 2021 by suspending the MAG and charging only the applicable percentage fee of gross revenue.

Rental revenues from the aforementioned operating leases were \$91,647,000 for the year ended June 30, 2021. Revenue from these operating leases is spread among the various cost centers depending on the location of the leased space.

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The future minimum rentals to be received from the Airport operating leases, as of June 30, 2021, are as follows (in thousands):

<u>Fiscal Year Ending June 30,</u>	
2022	\$ 77,088
2023	82,690
2024	81,588
2025	78,628
2026	78,530
2027-2031	249,545
2032-2036	61,332
2037-2041	34,857
2042-2046	28,431
2047-2051	31,390
2052-2056	34,658
2057-2061	38,266
2062-2066	<u>20,426</u>
Total minimum lease rentals	<u>\$ 897,429</u>

These future minimum rentals are based upon annual rates and charges currently agreed to by the airlines and other tenants. As of June 30, 2021, leased assets to tenants had total historical costs of \$1,095,136,000 and accumulated depreciation of \$336,968,000.

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant or any other entity or person, which is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable LOC, surety bond, cashier's check or other form acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of LOC or surety bond, which are not recorded in the financial statements. The amount on file as of June 30, 2021 totaled \$20,182,000.

The City is currently analyzing the GASB Statement No. 87, *Leases* which will be implemented effectively for the City's fiscal year ending June 30, 2022. This statement requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases in Section E Leases.

City of San José
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F. Long-Term Debt and Other Obligations

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the City governmental activities as of June 30, 2021 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments (\$ millions)	Balance June 30, 2021
Governmental Activities							
City of San Jose							
General Obligation Bonds:							
Series 2019A-1 (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	\$ 140,360	07/25/2019	09/01/2049	5.00%	7.13-12.19	\$ 140,360
Series 2019B (Disaster Preparedness, Public Safety, and Infrastructure)	Community Facilities	66,500	07/25/2019	09/01/2027	2.35-2.60%	3.47-22.83	66,500
Series 2019C (Libraries, Parks, Public Safety)	Community Facilities/Refunding	158,185	07/25/2019	09/01/2035	5.00%	2.14-22.12	158,185
Series 2019D (Libraries, Parks, Public Safety)	Refunding	103,935	07/25/2019	09/01/2024	2.30-2.35%	17.08-21.87	81,415
							446,460
City of San Jose Financing Authority							
Lease Revenue Bonds:							
Series 2003A (Central Service Yard)	Refunding	22,625	09/18/2003	10/15/2023	4.60-4.70%	1.48-1.61	4,630
Series 2011A (Convention Center)	Convention Center	30,985	04/12/2011	05/01/2042	4.50-5.75%	0.76-2.17	27,345
Series 2013B (Civic Center Garage Project)	Refunding	30,445	06/19/2013	06/01/2039	3.00-5.00%	0.94-1.91	24,775
Series 2020A (Civic Center Refunding)	Civic Center/Refunding	355,620	09/24/2020	06/01/2039	0.54-2.88%	16.49-22.55	337,080
Series 2020B (Ice Center Expansion)	Ice Center Expansion/Refunding	146,535	10/15/2020	06/01/2051	0.76-3.52%	2.82-7.76	146,535
							540,365
Special Assessment Bonds							
Series 24Q (Hellyer-Piercy)	Public Infrastructure	27,595	06/26/2001	09/02/2023	5.75-5.88%	1.82-2.04	5,785
Special Tax Bonds							
CFD No. 1 (Capitol Expressway Auto Mall)	Public Infrastructure	4,100	11/18/1997	11/01/2022	5.70%	0.28-0.30	575
CFD No. 6 (Great Oaks-Route 85)	Public Infrastructure	12,200	12/18/2001	09/01/2023	6.00%	0.78-0.87	2,475
CFD No. 10 (Hassler-Silver Creek)	Public Infrastructure	12,500	07/23/2003	09/01/2023	5.13-5.25%	0.85-0.94	2,680
Series 2011 (Convention Center)	Public Infrastructure	107,425	04/12/2011	05/01/2042	5.00-6.50%	2.40-7.71	93,420
							104,935
Total Government Activities - Bonds Payable							\$ 1,091,760

City of San José
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The following is a summary of long-term debt of the City for business-type activities as of June 30, 2021 (in thousands, unless otherwise noted):

	Purpose	Issue Amount	Issue Date	Final Maturity	Range of Interest Rates	Range of Principal Payments (\$ millions)	Balance June 30, 2021
Business-Type Activities							
Norman Y. Mineta San Jose International Airport							
Revenue Bonds:							
	Refunding	\$ 57,350	10/07/2014	03/01/2026	3.38-5.00%	0.14-9.18	18,240
	Refunding	28,010	10/07/2014	03/01/2028	3.10-5.00%	8.0-10.37	28,010
	Refunding	40,285	10/07/2014	03/01/2031	5.00%	7.30-8.90	40,285
	Refunding	473,595	04/11/2017	03/01/2047	4.00-5.00%	4.0-35.14	405,350
	Refunding	150,675	04/11/2017	03/01/2047	4.00-5.00%	1.40-11.18	128,960
	Refunding	85,860	04/07/2021	03/01/2034	4.00-5.00%	1.30-15.04	85,860
	Refunding	48,200	04/07/2021	03/01/2034	4.00-5.00%	0.27-10.22	48,200
	Refunding	294,020	04/07/2021	03/01/2041	0.24-3.29%	1.90-29.0	294,020
							1,048,925
City of San Jose Financing Authority - SJFA (Direct Borrowings)							
	Public Infrastructure	\$ 300,000	10/01/2017	Anytime	Variable	Variable	150,368
Total Business-Type Activity - Bonds and Notes Payable							\$ 1,199,293

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

The Fiscal Agent Agreement provides any bondholder with the following remedies upon the occurrence of an event of default: (a) the right, by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents, or employees to perform each and every term, provision and covenant contained in the Fiscal Agent Agreement for the General Obligation Bonds, 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.

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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, 2021: Series 2003A Bonds, Series 2011A Bonds, Series 2013B Bonds, Series 2020A Bonds, and Series 2020B Bonds (collectively, “Lease Revenue Bonds”). The principal and interest payments on the Series 2003A Bonds, are insured under a financial guaranty insurance policy (“Bond Insurance”). The Financing Authority issued each series of Lease Revenue Bonds pursuant to a trust agreement or an indenture of trust (“Trust Agreement”) with a trustee bank (“Trustee”).

Each series of Lease Revenue Bonds is structured with the City leasing a City facility to the Financing Authority and the Financing Authority leasing it back to the City pursuant to a lease (“City Lease”). The City’s lease payments under each City Lease are the Financing Authority’s source of payment of debt service on the applicable series of Lease Revenue Bonds. The facilities subject to the City Leases are: (i) the City’s main service yard (Series 2003A Bonds); (ii) the first floor of the Convention Center expansion (Series 2011A Bonds); (iii) the City employees’ parking garage (Series 2013B Bonds) (iv) City Hall (Series 2020A Bonds); and (v) the Ice Centre (Series 2020B 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 (except in the case of the Series 2011A Bonds) 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, or in the case of the Series 2011A Bonds, any event of default under the City Lease related to the Series 2011A Bonds.

Except for the Series 2011A Bonds, during the continuance of an event of default under the Trust Agreement, the Trustee may declare payment of the outstanding principal of the applicable series of Lease Revenue Bonds and accrued interest to be immediately due and payable. For the Series 2003A Bonds, such acceleration is subject to the direction or consent of the Bond Insurance provider. 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; (iv) bankruptcy or similar debtor relief proceedings; or (v) vacation or abandonment of the facility subject to the City Lease (with respect to all lease revenue bonds except the Series 2020A Bonds and the Series 2020B Bonds).

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

The outstanding Series 2003A Bonds were refunded in full with proceeds of the Financing Authority’s Lease Revenue Bonds, Series 2021A (Fire Department Training Center and Central Service Yard Projects), on November 2, 2021. See Subsequent Events section for more information on the 2021A issuance.

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Governmental Activities – Special Assessment Bonds, Series 24Q Hellyer-Piercy

The City issued its special assessment bonds, Series 24Q (Hellyer-Piercy) (“24Q Bonds”) to finance certain public improvements pursuant to provisions of State law, the San José Municipal Code and a fiscal agent agreement (“Fiscal Agent Agreement”) with a banking institution as fiscal agent. The 24Q Bonds are a limited obligation of the City. In the Fiscal Agent Agreement, the only financial obligation of the City is to transfer amounts available in the reserve fund to make debt service payments on the 24Q Bonds. The City may, at its sole option and at its sole discretion, elect to advance available surplus funds of the City to pay for any delinquent installments pending sale, reinstatement or redemption of any delinquent property.

In the Fiscal Agent Agreement, the City covenants for the benefit of the bond owners that it will foreclose the lien of any assessment which has been billed, but has not been paid, pursuant to State law; provided, however, that the institution of such proceedings may be delayed at the sole option of the City Council if certain conditions in the Fiscal Agent Agreement are met. The City may, at its sole option and at its sole discretion, elect to advance available surplus funds of the City to pay for any delinquent installments pending sale, reinstatement or redemption of any delinquent property. The principal of the 24Q Bonds is not subject to acceleration under the Fiscal Agent Agreement as a result of a delinquent or unpaid assessments.

Governmental Activities – Special Tax Bonds, CFD 1 Capitol Expressway Auto Mall

The City issued its special tax bonds, CFD 1 (Capitol Expressway Auto Mall) (“CFD 1 Bonds”) to finance certain public improvements pursuant to provisions of State law, the San José Municipal Code and a fiscal agent agreement (“Fiscal Agent Agreement”) with a banking institution as fiscal agent. The CFD 1 Bonds are a limited obligation of the City of San José. The only financial obligation of the City is to transfer amounts available in the reserve fund to make debt service payments on the CFD 1 Bonds.

A taxpayer’s inability to pay special taxes associated with the CFD 1 Bonds is not a defined event of default in the Fiscal Agent Agreement for the CFD 1 Bonds, but there are remedies for delinquent special taxes and the remedies are limited. In the Fiscal Agent Agreement, the City covenants for the benefit of the bond owners that it will foreclose the lien of any special tax which has been billed, but has not been paid, pursuant to State law, as provided in the Fiscal Agent Agreement.

No provision in the bond documents for the CFD 1 Bonds requires the City to expend or risk its own general funds or otherwise incur any financial liability. The principal of the CFD 1 Bonds is not subject to acceleration under the Fiscal Agent Agreement as a result of delinquent or unpaid special taxes.

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

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

A taxpayer’s inability to pay special taxes associated with the CFD 6 Bonds is not a defined event of default in the Fiscal Agent Agreement for the CFD 6 Bonds, but there are remedies for delinquent special taxes and the remedies are limited. In the Fiscal Agent Agreement, the City covenants for the benefit of the bond owners that it will foreclose the lien of any special tax which has been billed, but has not been paid, pursuant to State law, as provided in the Fiscal Agent Agreement.

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No provision in the bond documents for the CFD 6 Bonds requires the City to expend or risk its own general funds or otherwise incur any financial liability. The principal of the CFD 6 Bonds is not subject to acceleration under the Fiscal Agent Agreement as a result of delinquent or unpaid special taxes.

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

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

A taxpayer’s inability to pay special taxes associated with the CFD 10 Bonds is not a defined event of default in the Fiscal Agent Agreement for the CFD 10 Bonds, but there are remedies for delinquent special taxes and the remedies are limited. In the Fiscal Agent Agreement, the City covenants for the benefit of the bond owners that it will foreclose the lien of any special tax which has been billed, but has not been paid, pursuant to State law, as provided in the Fiscal Agent Agreement.

No provision in the bond documents for the CFD 10 Bonds requires the City to expend or risk its own general funds or otherwise incur any financial liability. The principal of the CFD 10 Bonds is not subject to acceleration under the Fiscal Agent Agreement as a result of delinquent or unpaid special taxes.

Governmental Activities – Special Hotel Tax Revenue Bonds, Convention Center

The City issued its Special Hotel Tax Revenue Bonds, Series 2011 Convention Center (“Hotel Tax Bonds”) to finance expansion to its convention center pursuant to provisions of State law, the San José Municipal Code and an indenture of trust agreement (“Indenture”) with a banking institution as trustee (“Trustee”). The Hotel Tax Bonds are a limited obligation of the City. Under the Indenture, the City has the obligation to collect and remit the Special Tax revenues to the Trustee for the Trustee to deposit in various funds held by the Trustee in the order of priority specified in the Indenture, including a Revenue Fund. Under certain circumstances as specified in the Indenture, the City Manager has the obligation to request the City Council to appropriate certain transient occupancy tax revenues in the City’s annual budget for the following fiscal year for deposit in the Revenue Fund; provided however, that the City Council is not obligated to appropriate such funds and failure to do so is not a default under the Indenture.

The City covenants in the Indenture to monitor the collection of the Special Taxes and to engage in certain collection actions, including instituting foreclosure proceedings of a hotel property that is delinquent in the payment of the Special Hotel Tax in accordance with foreclosure procedures under State law. The principal of the Hotel Tax Bonds is not subject to acceleration under the Indenture as a result of delinquent or unpaid Special Hotel Taxes.

Business-Type Activities – Clean Water Financing Authority Revenue Bonds

The Clean Water Financing Authority Revenue Bonds, Series 2009A were fully redeemed with a final debt service payment made on November 15, 2020.

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.

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4. Legal Debt Limit and Margin

The City Charter limits bonded indebtedness for General Obligation bonds to 15 percent of the total assessed valuation of all real and personal property within the City. The total assessed value of taxable property on the City's FY 2020-21 tax roll was \$213.9 billion, which results in a total debt limit of \$32.1 billion. As of June 30, 2021, the City had \$519,304,000 which includes premium of General Obligation bonds outstanding which represents approximately 1.6% of the General Obligation bonds' debt limit.

5. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebate liabilities are not reported and paid to the Internal Revenue Service ("IRS") at least every five years. During the current year, the City performed calculations to determine the rebate liabilities for the City's tax-exempt bond issues listed above. However, as no bond issue with a positive rebate liability was due for a fifth-year payment, there was no rebate liability outstanding as of June 30, 2021.

On November 12, 2019, the SARA received a Form 5701-B, Notice of Proposed Issue, and Form 886- A, Explanation of Items, from the IRS asserting a rebate liability with respect to the 1999 Bonds as of December 21, 2017, in the amount of \$274,240 (inclusive of interest and penalties through December 21, 2019). On July 16, 2020, SARA made payment to the IRS in the amount of \$193,478 pursuant to a closing agreement with the IRS to close out the arbitrage rebate audit on the Series 1999. The amount paid included interest but no penalties. The IRS considers the matter closed with no change in the status of the 1999 Bonds.

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

All obligations of the City under the Special Assessment and Special Tax Bonds are not considered general obligations of the City, but are considered limited obligations, payable solely from the assessments/special taxes and from the certain funds pledged therefore under the Paying Agent Agreement or Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City, or any political subdivision thereof, is pledged to the payment of the bonds. The City is not obligated to advance available surplus funds from the City Treasury to cure any deficiency in the respective Redemption Funds for these bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

As of June 30, 2021, the City has recorded approximately \$11,515,000 of deferred inflows of resources and related special assessments receivables in the Special Assessment Districts Fund. These balances consist primarily of property tax assessments and/or special taxes to be collected in the future by the County of Santa Clara for future debt service of the special assessment districts and the community facilities districts.

The City issued Special Hotel Tax Revenue Bonds, Series 2011 (Convention Center Expansion and Renovation Project), which are secured by a first lien on the Convention Center Facilities District No. 2008-1 special tax revenues and any of the Available Transient Occupancy Tax (Available TOT as defined in the bond documents) that is appropriated by City Council as part of the City's annual budget process to pay debt service. The Base Special Tax and Additional Special Tax (as defined in the bond documents) are property-based taxes levied on hotel properties within the Convention Center Financing District and remitted to the City on a monthly or quarterly basis in the same manner as the City's Transient Occupancy Tax. The amount of deferred inflows and related receivables

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noted above does not include special taxes associated with the Special Hotel Tax Revenue Bonds because these special taxes are calculated based on occupancy and a percentage of room rent and therefore the amount is undeterminable.

7. Conduit Debt

The City has issued multi-family housing revenue bonds to provide funds for secured loans to builders of multi-family housing projects. The purpose of the program is to provide needed rental housing for low to moderate-income households. To comply with IRS requirements in order to meet the tax-exempt status, the owner is required to set aside a certain percentage of all units built for very low to moderate-income households. The bonds are payable solely from payments made on the related secured loans. These tax-exempt housing bonds have maturity dates that are due at various dates through August 1, 2059. As of June 30, 2021, the total principal amount outstanding of conduit multi-family housing revenue bonds is \$798,201,000.

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

City of San José
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8. Summary of Changes in Long-term Obligations

Governmental Activities - The changes in long-term obligations for the year ended June 30, 2021 are as follows (in thousands):

	July 1, 2020	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2021	Amounts Due Within One Year
Governmental Activities:					
Long-term debt payable:					
General Obligation bonds	\$ 468,980	\$ -	\$ (22,520)	\$ 446,460	\$ 24,010
Issuance premiums:					
For issuance premiums	77,004	-	(4,160)	72,844	-
Lease-purchase agreements	12,431	-	(12,431)	-	-
San Jose Financing Authority					
Direct Placements					
Series 2008E-1	5,590	-	(5,590)	-	-
Series 2008E-2	5,585	-	(5,585)	-	-
Lease revenue bonds	388,465	502,155	(350,255)	540,365	19,630
Issuance premiums/discouts:					
For issuance premiums	33,613	-	(32,734)	879	-
For issuance discounts	(493)	-	22	(471)	-
Special assessment and special tax bonds with					
Limited governmental commitment	110,700	-	(5,765)	104,935	6,080
Issuance discounts:					
For issuance discounts	(1,368)	-	64	(1,304)	-
Total long-term debt payable	<u>1,100,507</u>	<u>502,155</u>	<u>(438,954)</u>	<u>1,163,708</u>	<u>49,720</u>
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time	85,227	65,729	(62,839)	88,117	56,711
Accrued landfill postclosure costs	3,720	-	(465)	3,255	465
Estimated liability for self-insurance	125,630	33,778	(18,891)	140,517	19,159
Pollution remediation obligation	2,092	256	(350)	1,998	-
Total other long-term obligations	<u>216,669</u>	<u>99,763</u>	<u>(82,545)</u>	<u>233,887</u>	<u>76,335</u>
Governmental activities long-term obligations	<u>\$ 1,317,176</u>	<u>\$ 601,918</u>	<u>\$ (521,499)</u>	<u>\$ 1,397,595</u>	<u>\$ 126,055</u>

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.

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

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

As of June 30, 2021, the City had remaining authorization under Measure T in the amount of \$410.1 million and no remaining authorization under Measure O (2000), Measure P (2000) or Measure O (2002). Following the sale of Series 2021 GO Bonds, \$209,570,000 of Measure T authorization remained available.

City of San José						
General Obligation Bonds						
Issuance Amounts and Outstanding Balances as of July 31, 2021						
Issuance	Final Maturity	Series 2019 (Refunding)	Measure T Issuance			Outstanding Balance
			Series 2019 (New Money)	Series 2021 (New Money)	Measure T Total Issued	
Series 2019A	9/1/2049		\$173,400,000		\$173,400,000	\$140,360,000
Series 2019B	9/1/2027		66,500,000		66,500,000	66,500,000
Series 2019C ⁽¹⁾	9/1/2035	\$158,185,000				158,185,000
Series 2019D	9/1/2024	103,935,000				81,415,000
Series 2021A	9/1/2051			\$151,210,000	151,210,000	151,210,000
Series 2021B	9/1/2022			8,450,000	8,450,000	8,450,000
Series 2021C	9/1/2021			40,870,000	40,870,000	40,870,000
Total		\$262,120,000	\$239,900,000	\$200,530,000	\$440,430,000	\$646,990,000
				Measure T Voter Authorization	\$650,000,000	
				<i>Authorized, not yet issued</i>	\$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.

Lease Revenue/Revenue Bonds are issued by 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 by the City. Such lease payments are payable by the City from all legally available funds of the City. The City allocates such lease payments to departments in the General Fund and Nonmajor Governmental Funds. The lease revenue for each fiscal year is generally equal to 100% of annual debt service net of other available funding sources. Described below are the two lease revenue bonds issued during FY 2021.

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On September 24, 2020, the Financing Authority issued \$355,620,000 of Taxable Lease Revenue Bonds, Series 2020A Bonds (Civic Center Refunding Project) ("Series 2020A Bonds"). The Series 2020A Bonds were issued to (i) refund on a current basis, all of the outstanding 2006A Bonds in the outstanding principal amount of \$51.7 million and prepay the related lease payment obligations of the City; (ii) refinance on an advanced basis, all of the outstanding 2013A Bonds in the outstanding principal amount of \$267.8 million and the related lease payment obligations of the City; (iii) refund on a current basis all of the outstanding 2007A Bonds in the outstanding principal amount of \$8.2 million and prepay the related lease payment obligations of the City; (iv) prepay the City's rental obligations under the Master Equipment Lease/Purchase Agreement in the outstanding principal amount of \$12.4 million occurred on December 1, 2020; (v) finance the acquisition and construction of public improvements benefitting the City, including the build-out of existing space within the 4th and San Fernando Garage for office space to be occupied by the San José Community Energy Department and other City operations in the principal amount of \$4.8 million; and (vi) pay the costs of issuing the Series 2020A Bonds. The Series 2020A Bonds received ratings of "Aa2" by Moody's Investors Service, "AA" by S&P Global Ratings, and "AA" by Fitch. The refunding and prepayment of outstanding obligations produced net present value ("NPV") savings of approximately \$47.0 million, or approximately 13.8% as a percent of the refunded obligations. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in the refunding transaction) and the net carrying amount of the Refunded Obligations of \$4.3 million. The difference is reported as deferred outflow of resources in the statement of net position.

On October 15, 2020, the Financing Authority issued \$146,535,000 of Taxable Lease Revenue Bonds, Series 2020B Bonds (Ice Centre Project) ("Series 2020B Bonds"). The Series 2020B Bonds were issued to (i) refund 2008E-1 Bonds in the amount of \$5,590,000 and 2008E-2 Bonds in the amount of \$5,585,000 for a total amount of \$11,175,000 and thereby replace bonds that bear interest at a variable rate with bonds that bear interest at a fixed rate; (ii) finance the acquisition and construction of two additional ice rinks and related facilities (the "Project") at the Solar4America Ice at San José (the "Ice Centre") in the amount of \$120,000,000; (iii) fund a deposit to the debt service reserve account and capitalized interest account for the Series 2020B Bonds; and (iv) pay the issuing costs for the Series 2020B Bonds. The Project will add two additional ice rinks to meet increase in regional demand for ice time and public skating, provide an alternate home arena for the San José Barracuda, and add approximately 204,193 square feet of space to the existing Ice Centre facility. The Series 2020B Bonds received ratings of "Aa3" by Moody's Investors Service, "AA" by S&P Global Ratings, and "AA-" by Fitch. In conjunction with the transaction, the City executed the Second Amended and Restated Ice Centre Lease and Management Agreement and the Agreement for the Fourth Expansion of the Ice Centre of San José, both between the City of San José and Sharks Ice, LLC. The refunding produced a total savings of approximately \$1.7 million.

Total principal and interest remaining on lease revenue bonds as of June 30, 2021 is approximately \$742,295,000, with the final payment due on June 1, 2051.

Special Assessment and Special Tax Bonds are issued by the City to finance public improvements in special assessment or tax districts established by the City and are secured by assessments or special taxes levied on properties located within the special districts. The assessments and special taxes, as applicable, are calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources. Total principal and interest remaining on the bonds as of June 30, 2021 is approximately \$184,928,000, with the final payment due on May 1, 2042.

Lease-Purchase Agreement (Energy Conservation Equipment) On May 20, 2014, the City Council authorized the execution of a master equipment lease-purchase agreement (the "Agreement") with Banc of America Public Capital Corp ("Bank") in a principal amount not to exceed \$30,000,000 with the Bank or one of its affiliates, collectively the "Lessor". The City's lease payment obligations under the Agreement were outstanding in the principal amount of \$12,431,000 as of June

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30, 2020, were prepaid on December 1, 2020 with proceeds of the Financing Authority's Series 2020A Bonds and are no longer 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, 2021 are as follows (in thousands):

	July 1, 2020	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2021	Amounts Due Within One Year
Business-Type Activities:					
Norman Y. Mineta San José International Airport:					
Revenue bonds	\$ 1,127,690	\$ 428,080	\$ (506,845)	\$ 1,048,925	\$ 1,900
Issuance premiums/discounts:					
For issuance premiums	71,911	35,134	(9,098)	97,947	6,186
For issuance discounts	(4,817)	-	4,817	-	-
Clean Water Financing Authority:					
Revenue bonds	5,410	-	(5,410)	-	-
Issuance premiums:					
For issuance premiums	46	-	(46)	-	-
City of San Jose Financing Authority Subordinate Wastewater					
Revenue Notes:					
Direct Borrowings					
Notes payable	106,920	43,448	-	150,368	-
Total long-term debt payable	<u>1,307,160</u>	<u>506,662</u>	<u>(516,582)</u>	<u>1,297,240</u>	<u>8,086</u>
Other Long-term obligations:					
Accrued vacation, sick leave and compensatory time	7,932	6,218	(5,981)	8,169	6,786
Estimated liability for self-insurance	13,552	496	(8,939)	5,109	1,223
Pollution remediation obligation	33,058	-	(4,871)	28,187	2,000
Total other long-term obligations	<u>54,542</u>	<u>6,714</u>	<u>(19,791)</u>	<u>41,465</u>	<u>10,009</u>
Business-type activities long-term obligations	<u>\$ 1,361,702</u>	<u>\$ 513,376</u>	<u>\$ (536,373)</u>	<u>\$ 1,338,705</u>	<u>\$ 18,095</u>

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

The net revenues available to pay Debt Service (as defined in the Master Trust Agreement) in year ended June 30, 2021 totaled \$142,541,000, which is comprised of \$101,441,000 of Net General Airport Revenues (as defined in the Master Trust Agreement) and \$41,100,000 of Other Available Funds (as defined in the Master Trust Agreement). Other Available Funds include surplus carryover of \$13,226,000, rolling debt service coverage of \$16,732,000, and Customer Facility Charges (CFC) Revenues of \$11,142,000. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to \$78,379,000, which is net of \$14,339,000 of bond Debt Service paid from the accumulated Passenger Facility Charges (PFC) funds.

The City has covenanted in the Master Trust Agreement that net revenues available to pay Debt Service for each fiscal year plus certain other available funds held or made available under the Master

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Trust Agreement will be at least 125% of annual Debt Service for such fiscal year. Under the Master Trust Agreement, "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. Under the Master Trust Agreement, annual Debt Service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is \$1,759,691,000, with the final payment due on March 1, 2047.

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

On April 7, 2021, the City issued \$428,080,000 of Airport Revenue Refunding Bonds (the "2021 ARBs") to refund certain outstanding City of San José Airport Revenue Bonds and Airport Revenue Refunding Bonds, to make a deposit into a reserve account, and to pay the costs of issuing the 2021 ARBs.

The 2021 ARBs were issued under the MTA, as supplemented by a Twelfth Supplemental Trust Agreement, dated as of April 1, 2021, between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, in three series of bonds: (i) \$85,860,000 of the City of San José ARBs Series 2021A (AMT) (Series 2021A Bonds) with a premium of \$21,546,000; (ii) \$48,200,000 of the City of San José ARBs Series 2021B (Non-AMT) (Series 2021B Bonds) with a premium of \$13,588,000; and (iii) \$294,020,000 of the City of San José ARBs, Series 2021C Bonds (Taxable).

The Series 2021A Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-1 Bonds; the Series 2021B Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-2 Bonds; and the Series 2021C Bonds refunded all of the outstanding Series 2011B Bonds, and a portion of the outstanding City of San José ARBs Series 2014A (AMT) (the 2014A Bonds), City of San José ARBs Series 2017A (AMT) (the 2017A Bonds) and Series 2017B (Non-AMT) (the 2017B Bonds). The City applied a portion of the proceeds of the 2021C Bonds to defease the outstanding March 1, 2022 and March 1, 2023 maturities of each of the 2014A Bonds, 2017A Bonds, and 2017B Bonds. The refunding provided debt service savings to the City of approximately \$48.3 million in FY 2022 and approximately \$34.4 million in FY 2023, with total net present value savings of approximately \$148.7 million or approximately 31.4% of the refunded bonds.

The scheduled payment of principal of and interest on certain maturities of the 2021 ARBs when due are guaranteed under municipal bond insurance policies that were issued concurrently with the delivery of the 2021 ARBs by Build America Mutual Assurance Company, including the 2034 maturity of the 2021A Bonds, the 2034 maturity of the 2021B Bonds and the 2038 maturity bearing interest at a rate of 3.04% per annum, the 2039 maturity bearing interest at a rate of 3.14% per annum, and the 2040 maturity bearing interest at a rate of 3.17% per annum of the 2021C Bonds (collectively, the Insured 2021 ARBs).

S&P assigned its municipal bond rating of "AA" to the Insured 2021 ARBs, and a rating on the 2021 ARBs (including an underlying rating on the Insured 2021 ARBs) of "A-" (stable outlook). The 2021 ARBs were rated "A2" (stable outlook) by Moody's and "A" (negative outlook) by Fitch.

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The table below shows the par amount of prior Airport Revenue Bonds and Airport Revenue Refunding Bonds that were refunded by the 2021 ARBs:

Airport Revenue Bonds	Principal Outstanding	Principal Refunded	Principal Outstanding after Refunding
Series 2011A-1	\$ 114,865,000	\$ 114,865,000	\$ -
Series 2011A-2	66,115,000	66,115,000	-
Series 2011B	252,895,000	252,895,000	-
Series 2014A	34,480,000	16,240,000	18,240,000
Series 2017A	423,200,000	17,850,000	405,350,000
Series 2017B	134,635,000	5,675,000	128,960,000
	<u>\$ 1,026,190,000</u>	<u>\$ 473,640,000</u>	<u>\$ 552,550,000</u>

San José-Santa Clara Clean Water Financing Authority Sewer Revenue Bonds were issued primarily to finance the construction of capital improvements at the Plant and the City has pledged its net system revenues as security for its obligations under the Improvement Agreement to make base payments and additional payments with respect to the Clean Water Financing Authority sewer revenue bonds. The Clean Water Financing Authority Revenue Bonds, Series 2009A were fully redeemed with a final debt service payment made on November 15, 2020.

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

On October 19, 2017, pursuant to a Credit Agreement dated as of October 1, 2017 (“Credit Agreement”) and amended on October 18, 2020 by and among the City, the Financing Authority, and Wells Fargo Bank, National Association (the “Bank”), the Financing Authority issued to the Bank (i) a subordinate tax-exempt wastewater revenue note in an amount not to exceed \$300 million and (ii) a subordinate taxable wastewater revenue note in an amount not to exceed \$300 million outstanding at any one time. The Credit Agreement effectively established an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not to exceed \$300 million to finance capital improvements at the RWF. Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF. Upon issuance of the notes, \$174,500 was advanced under the tax-exempt note to pay for transactional closing costs and total advances through FY 2021 were \$150,368,000. It is anticipated that the amounts outstanding on the notes will be refinanced with long-term fixed rate obligations during FY 2022 and the additional Notes will be used when the capacity is made available.

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

The source of repayment of the Notes, including associated fee and interest costs, are installment payments made to the Financing Authority from pledged net system revenues received by the City related to the wastewater treatment system, pursuant to a Subordinate Installment Purchase

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Contract, dated as of October 1, 2017, by and between the City and the Financing Authority, and City Resolution No. 78382 (the “Master Resolution”), which provides for the allocation and pledge of net system revenues to secure the payment of wastewater revenue obligations. Payments on the notes will be subordinate to payments on long-term bonds issued in the future.

In June 2018, the City Council and the Financing Authority Board authorized amendments to the Credit Agreement, specifically the margin rate factor, as a result of the reduction in the federal corporate tax rate from 35% to 21% enacted by The Tax Cuts and Jobs Act in December 2017. The Financing Authority Board also authorized the amendment and restatement of the fee letter agreement between the Financing Authority and the Bank. The margin rate factor is a common provision in bank credit facility agreements where tax-exempt notes are in direct placement or ownership by a bank. The margin rate factor serves to adjust the rate of a tax-exempt note upon changes in the federal corporate tax rate, thereby preserving the economic benefit of the bank owning a tax-exempt note. The Credit Agreement had a margin rate factor based on the 35% federal corporate tax, which left unchanged would have increased interest costs to the City by 22%. The amendment to the Credit Agreement authorized in June 2018 changed the formula for calculating the interest rate on amounts advanced under the tax-exempt note from (i) 0.35% plus 70% of 1-month LIBOR to (i) 0.39% plus 80% of 1-month LIBOR, effectively reducing the increase in interest cost from 22% to 14%. The provisions in the Credit Agreement related to the calculation of interest on amounts advanced under the taxable note were not changed by amendment to the Credit Agreement (0.45% plus 100% of 1-month LIBOR) since the margin rate factor only applies to the tax-exempt note. The fee rate for undrawn amounts under the notes remains at 0.25%.

In September 2020, City staff negotiated a Second Amendment to the Credit Agreement with the Bank that extended the Credit Agreement to October 18, 2023 (which was set to expire on October 18, 2020) to continue to provide for the borrowing of up to \$300 million outstanding at any one time, as needed, to finance RWF CIP improvements. Fee increases in the agreement, reflected the disruption in the municipal credit market due to the pandemic, namely: an increase in the undrawn fee (from 0.25% to 0.35%); an increase in the tax-exempt drawn rate (from 80% of the 1-month LIBOR Index plus 0.39% to 80% of 1-month LIBOR Index plus 0.95%), with the LIBOR rate having a minimum (or floor) of 0.50%; an increase in the taxable drawn rate (from 100% of 1-month LIBOR plus 0.45% to 100% of 1-month LIBOR plus 1.10%). The revised Credit Agreement also contemplated the transition from the LIBOR index (which is expected to be phased out in December 2021 during the proposed three-year Credit Agreement extension term) to a new benchmark index as determined by the Bank and procedures for the Calculation Agent (the Bank) to institute the index to replace the LIBOR index. Other changes in the Second Amendment include: changes to various definitions, including to accommodate potential transition of the benchmark index from LIBOR to another index as the LIBOR index is proposed to be replaced and to establish a LIBOR Floor of 0.50%. Upon termination, the Second Amendment requires the Authority to repay unpaid balances within 30 days of the Termination Date or to request repayment to the Bank over a 3-year amortization period assuming there are no defaults or event of defaults and the representations and warranties of the City and the Authority remain true. If the Bank does not grant the request to repay the outstanding balance over a three year amortization period, then the unpaid balances must be repaid within 30 days. The City expects to refinance the balance with long-term debt before the expiration of the term or negotiate an extension or replacement of the facility.

The San José-Santa Clara Clean Water Financing Authority (“CWFA”) 2009A Bonds matured on November 15, 2020, which resulted in the credit ratings to be withdrawn. Since the City did not secure a private rating from Moody’s or S&P, the Commitment Fee and the Applicable Spread are now subject to an alternate pricing methodology, which is based on the debt service coverage ratio levels from the adjusted Net System Revenues.

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

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

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

<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Interest Rate</u>
<u>\$106,920</u>	<u>\$43,448</u>	<u>\$ -</u>	<u>\$150,368</u>	<u>1.35%</u>

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9. Annual Requirements to Maturity

The annual requirements to amortize all bonds and leases outstanding as of June 30, 2021 are as follows (in thousands):

Governmental Activities						
Fiscal Year Ending June 30,	City of San Jose General Obligation Bonds		City of San Jose Financing Authority Bonds [1]		Special Assessment & Tax Bonds with Limited Governmental Commitment	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 24,010	\$ 18,164	\$ 19,630	\$ 13,965	\$ 6,080	\$ 6,412
2023	23,705	17,550	22,685	13,726	6,415	6,076
2024	23,375	16,947	23,025	13,441	6,440	5,722
2025	23,025	16,347	22,090	13,155	2,740	5,469
2026	22,830	15,768	22,650	12,851	2,890	5,318
2027 - 2031	110,090	67,646	119,765	57,750	17,240	23,810
2032 - 2036	87,050	42,839	135,305	42,273	23,385	17,669
2037 - 2041	41,435	27,568	106,190	21,041	32,035	9,015
2042 - 2046	45,575	17,260	32,710	9,807	7,710	501
2047 - 2050	45,365	4,675	36,315	3,920	-	-
Total	\$ 446,460	\$ 244,763	\$ 540,365	\$ 201,930	\$ 104,935	\$ 79,993

Business-Type Activities		
Airport		
Fiscal Year Ending June 30,	Revenue Bonds [1]	
	Principal	Interest
2022	\$ 1,900	\$ 43,805
2023	2,225	45,257
2024	24,155	45,250
2025	27,225	44,184
2026	29,965	43,022
2027 - 2031	176,795	194,720
2032 - 2036	244,620	151,778
2037 - 2041	294,830	98,104
2042 - 2046	200,885	42,329
2047	46,325	2,316
Total	\$ 1,048,925	\$ 710,766

[1] Does not include commercial paper notes.

10. New Debt Issuances for Short-Term Debt Activities

Governmental Activities

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

The City's Commercial Paper ("CP") Program utilizes a lease revenue financing structure. Under this program, the Financing Authority is able to issue commercial paper notes ("CP Notes") on a tax-exempt and federally taxable basis at prevailing interest rates for a term not to exceed 270 days. As of June 30, 2021, the CP Notes are secured by a pledge of lease revenues from various City assets and as of June 30, 2021 were supported by two direct-pay letters of credit (collectively, "LOCs" and each an "LOC") provided by State Street Bank and Trust Company ("State Street") and U.S. Bank National Association ("U.S. Bank") (together, the "Banks") pursuant to Letter of Credit and Reimbursement Agreements by and among the Financing Authority, the City, and each Bank, as amended (together, the "Reimbursement Agreements"). See Subsequent Events section for more information on the increase to CP program, the termination of the LOC of State Street Bank at the

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City's election, and the increase in the stated amount and extension of the stated expiration date of the LOC of U.S. Bank effective on September 23, 2021.

Per the original terms of the respective Reimbursement Agreements, each Bank's LOC was scheduled to expire on November 30, 2018 (the "Letter of Credit Expiration Date"). In August 2018, the City Council and Financing Authority Board authorized actions necessary to extend the Letter of Credit Expiration Date of each LOC, with a new scheduled expiration dates of February 23, 2022 and to increase the total principal amount available under the LOCs, on an aggregate basis, from \$85 million to \$125 million. Under each Reimbursement Agreement, the Financing Authority has executed a Revolving Note payable to each Bank each in the amount of \$67,123,000 that is equal to the principal of each Bank's commitment under its LOC and interest calculated at the rate of 12% per annum for a period of 270 days.

The CP Program was initially established on January 13, 2004, whereby the City Council and the Financing Authority each adopted a resolution authorizing the issuance of the Financing Authority tax-exempt lease revenue CP Notes in an amount not to exceed \$98,000,000. Since 2004, the City Council and the Financing Authority have taken actions to modify the program, including increasing and decreasing the program's capacity and authorizing the issuance of taxable lease revenue CP Notes. As of June 30, 2021, the maximum principal amount of CP Notes authorized to be issued is \$125 million. See Subsequent Events section for a discussion regarding the increase in the maximum principal amount of CP Notes authorized to be issued to \$175 million effective on September 23, 2021.

The Financing Authority issues the CP Notes under State law pursuant to an Amended and Restated Trust Agreement, between the Financing Authority and Wells Fargo Bank, National Association, as trustee, as amended and supplemented from time to time (as so amended and supplemented, the "Trust Agreement") and a Second Amended and Restated Issuing and Paying Agent Agreement between the Financing Authority and Wells Fargo Bank, National Association, as paying agent ("Issuing and Paying Agent Agreement"). Barclays Capital Inc. currently serves as the dealer for the CP Notes pursuant to an Amended and Restated Commercial Paper Dealer Agreement. The City has leased to the Financing Authority various City-owned facilities pursuant to a Site Lease, as amended (the "Site Lease"). The Financing Authority subleased these same facilities back to the City pursuant to a Sublease, as amended (the "Sublease") in exchange for the rental payments, which support repayment of the CP Notes. The facilities subject to the Site Lease and Sublease are: the Animal Care Center, Fire Station No. 1, Fire Station No. 3, the Police Communications Center, the South San José Police Substation, and the Tech Museum (the "Pledged Properties").

The annual commitment fee payable to each Bank was 0.42% per annum of the daily average Stated Amount of the Letter of Credit during FY 2021.

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

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

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Term Loan shall continue to be an obligation of the City pursuant to the Sublease to be paid on or before the expiration of the three-year amortization period. Per the terms of the Reimbursement Agreements, the Banks have the right to require that the rent payable for any of the Pledged Properties be re-determined in order to increase the amount of the rent payable.

Each Bank has certain rights and remedies upon the occurrence and continuance of specified events of default in its Reimbursement Agreement, including the ability, by notice to the Financing Authority and the Issuing and Paying Agent (i) to deliver a notice to the Issuing and Paying Agent (a “No-Issuance Notice”) requiring the Issuing and Paying Agent to cease authenticating CP Notes of the applicable series unless and until such No-Issuance Notice is rescinded, (ii) to reduce the unutilized portion of the applicable commitment to zero (0), (iii) to declare the applicable Revolving Note, in whole or in part, all or some advances, as well as any other reimbursement obligations under the applicable Reimbursement Agreement and all interest thereon to be a default advance under the applicable Reimbursement Agreement due and payable at the Default Rate (as defined in the applicable Reimbursement Agreement) and payable as set forth therein, or (iv) to take any other action permitted by law. Upon any action by a Bank, as contemplated in the foregoing clauses (i) and (ii), the applicable Stated Amount under the applicable LOC shall be permanently reduced upon, and by the amount of, each drawing under the applicable LOC following the occurrence of an event of default. Notwithstanding the foregoing, the occurrence of an event of default shall not affect a Bank’s obligations under its LOC with respect to CP Notes of the applicable series that are outstanding at the time of the occurrence of such event of default, and the Issuing and Paying Agent shall continue to have the right to draw under the applicable LOC to pay the principal of and accrued interest on maturing CP Notes of the applicable series that are outstanding at the time of the occurrence of such event of default.

Upon the occurrence and continuation of an event of default under the applicable Reimbursement Agreement, each Bank may accelerate payment due under the applicable Revolving Note; however, the amount of the Default Advance shall be paid by the Financing Authority in each year only to the extent of the then fair rental value with respect to the Pledged Properties subject to the Sublease for such period.

Events of default under the Reimbursement Agreements include: (i) default under any of the underlying documents for the CP Notes; (ii) non-payment; (iii) a breach of various covenants; (iv) bankruptcy; (v) ratings events including downgrades by any of Moody’s, S&P, or Fitch of its long-term ratings on the Financing Authority’s lease revenue debt below “Baa1,” “BBB+” and “BBB+,” respectively; or (vi) a suspension or withdrawal of the long-term ratings on the Financing Authority’s lease revenue debt for a credit related reason.

As of June 30, 2021, \$2,474,000 of tax-exempt CP Notes was outstanding at an interest rate of 0.10% and \$73,885,000 of taxable CP Notes was outstanding at an interest rate of 0.12%.

The remaining amount of principal available under both LOCs as of June 30, 2021 is \$48,641,000. The changes in commercial paper notes during the year ended June 30, 2021 are as follows (in thousands):

July 1, 2020	Additions	Deletions	June 30, 2021
\$72,526	\$15,912	\$12,079	\$76,359

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2020 Tax and Revenue Anticipation Notes

The City issued short-term notes (the “2020 Notes”) to facilitate the prefunding of employer retirement contributions in FY 2021. The City issued \$130,000,000 in the form of two short-term notes for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. Bank of America, N.A. (“Bank of America”) and by U.S. Bank National Association (“U.S. Bank” and together with Bank of America, the “Banks”), each purchased a City Note in the amount of \$65 million on July 1, 2020 for a total borrowing of \$130 million. Security for repayment of the 2020 Notes was a pledge of the City’s FY 2020-21 secured property tax and all other legally available General Fund revenues of the City including sales tax revenues, if required. The 2020 Notes were fully repaid on May 3, 2021.

Business-Type Activities

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

In November 1999, the City authorized the issuance from time to time of the Airport's Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, and Series C (“Subordinated CP Notes”) that are secured by a lien on Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues. Surplus Revenues are General Airport Revenues remaining after the payment of maintenance and operation costs of the Airport and the payment of debt service on the Airport Revenue Bonds and the funding of any reserve funds established for the Airport Revenue Bonds. The Subordinated CP Notes may be issued for periods of maturity not to exceed 270 days. The Series A-1, Series A-2, Series B and Series C Notes may be sold at an interest rate not to exceed 12% per annum. The Series C Notes may be issued and sold either as interest bearing notes or at a discount. If sold as interest bearing notes, then interest will accrue at a rate to be determined upon their issuance calculated on the basis of a 360-day year and actual number of days elapsed.

The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014, as subsequently amended, by and between the City and U.S. Bank. 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 (“Airport LOC”). The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to \$600 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the Airport LOC as described below.

In February 2014, the City and Barclays Bank PLC (Barclays) entered into a LOC and Reimbursement Agreement (Barclays Reimbursement Agreement) and a fee letter to specify the facility fee rate and other charges payable by the Airport. Pursuant to the Barclays Reimbursement Agreement, Barclays issued a \$65.0 million LOC supporting the Subordinated CP Notes, effective on February 11, 2014 with an initial expiration date of February 10, 2017. On September 16, 2015, the City reduced the LOC stated amount from \$65.0 million to approximately \$41.0 million. Subsequently, the expiration date of the LOC provided by Barclays was extended to February 8, 2019.

On September 12, 2018, the City substituted the LOC supporting the Subordinated CP Notes initially issued by Barclays Bank PLC in February 2014 with a LOC issued by Bank of America, N.A (BofA) and the Barclays Reimbursement Agreement and associated fee letter and LOC were terminated. Pursuant to a LOC and Reimbursement Agreement between the City and BofA (BofA Reimbursement Agreement), BofA issued its irrevocable transferrable LOC (BofA LOC) in the initial stated amount of \$81.7 million (to cover principal of \$75.0 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365-day year) that as of June 30, 2021, was scheduled to expire on September 10, 2021 unless sooner terminated or extended pursuant to its

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terms. The \$75.0 million principal amount of the LOC was secured to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. The Interim Facility project with the extension of the six new gates at Terminal B was completed in November 2019. An extension to the BofA LOC and BofA Reimbursement Agreement was executed on August 19, 2021. See Subsequent Events section for more information on the extension of the Airport LOC.

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

The ratings of the outstanding Airport Subordinated CP Notes, are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch, respectively, based on the credit support provided by BofA pursuant to its LOC, as of June 30, 2021.

The terms of the BofA LOC are specified in the BofA Reimbursement Agreement. In general, BofA agrees to advance funds to the issuing and paying agent for the Subordinated CP Notes to pay the principal and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the LOC. In the event that the CP dealer is unable to find investors to purchase Subordinated CP Notes to repay the advance from BofA, the City is obligated to pay interest to BofA based on a formula specified in the BofA Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the BofA Reimbursement Agreement. All amounts payable by the City to BofA under the BofA 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 of the Airport Revenue Bonds.

Events of default under the BofA Reimbursement Agreement include, among others: (i) a default under the Master Trust Agreement or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment; (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 BofA Reimbursement Agreement); (vii) 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 the obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of the City's obligations under the BofA 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 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 consecutive calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the BofA, a material adverse effect on the obligation of the City to make payments under the BofA Reimbursement Agreement or the security granted to secure such payments.

An event of default under the BofA Reimbursement Agreement would entitle BofA to demand that no additional Subordinated CP Notes be issued, that the City reimburse BofA immediately for draws under the LOC and that all other amounts owed by the City to BofA be accelerated and become due immediately. The BofA Reimbursement Agreement includes a subjective acceleration provision in

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the event that any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the BofA, a material adverse effect on the obligation of the City to make payments under the BofA Reimbursement Agreement or the security granted to secure such payments.

In connection with the LOC issued by Barclays and BofA, the City entered into a fee letter with each bank to specify the facility fee rate and other charges payable by the Airport with respect to the respective LOCs. The facility fee rate under each fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the associated 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 respective Reimbursement Agreements. The facility fee rate in effect under the LOC issued by BofA was 0.35% as of June 30, 2021.

The change in Subordinated CP Notes payable during FY 2021 was as shown in the table below. The principal amount available under the LOC issued by BofA as of June 30, 2021 is \$75 million.

<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Interest Rates</u>
\$51,930	\$0	\$0	\$51,930	0.15%

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

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

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

On April 30, 2019, the City Council authorized the City Manager, the Director of Finance, the Assistant Director of Finance or their authorized designees to negotiate, execute and deliver the First Amendment to the Revolving Credit Agreement with the Bank to increase the sublimit for the Revolving Line of Credit Facility thereunder from an aggregate principal amount not to exceed

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\$20,000,000 to \$30,000,000, increase the sublimit for the Standby Letter of Credit Facility thereunder from an aggregate principal amount not to exceed \$35,000,000 to \$65,000,000, increase the Aggregate Commitment to issue revolving loans and standby letters of credit from an aggregate principal amount not to exceed \$50,000,000 to \$80,000,000 outstanding at any one time, and increase certain fees payable by the City to the Bank in connection with the credit facilities under the Credit Agreement and to clarify that the City is allowed to draw on the revolving line of credit to fund the operating reserve account as discussed herein. Effective May 10, 2019, the Bank and the City entered into the First Amendment to the Revolving Credit Agreement to issue revolving loans and standby letters of credit for the purposes and within the limits mentioned above. The City's obligations under the First Amendment to the Revolving Credit Agreement continue to be secured solely by a pledge and lien on revenues of SJCE, including revenues deposited in an operating reserve account held by the City pursuant to the Credit Agreement.

As of June 30, 2021, the remaining balances for the Revolving Line of Credit Facility and Standby Letter of Credit Facility were as follows:

Credit Facility	Available Credit Sublimit	Less: Drawdown of Line ¹ or Letters of Credit Commitments ²	Remaining Available Credit as of 6/30/2021
Revolving Line of Credit Facility	\$ 30,000,000	\$ -	\$ 30,000,000
Standby Letter of Credit Facility	\$ 65,000,000	\$ (24,644,520)	\$ 40,355,480
Subtotal	\$ 95,000,000	\$ (24,644,520)	\$ 70,355,480
<i>Less: Adjustment to Reflect Aggregate Credit Limit</i>			\$ (15,000,000)
Remaining Aggregate Credit as of 6/30/2021³			\$ 55,355,480

¹Drawdowns against the Line of Credit are cash draws that SJCE can use to cover operating expenses.
²Letters of Credit are issued by Barclays as a commitment to pay collateral calls in the event of an SJCE default. The commitment does not become a liability of SJCE unless and until a collateral call is paid by Barclays on behalf of SJCE, which has not yet occurred.
³Aggregate Principal Commitment for the Revolving Line of Credit Facility and Standby Letter of Credit Facility cannot exceed \$80,000,000 at any one time.

On June 22, 2021, the City Council authorized the City Manager and the Director of Finance, or their authorized designees, to negotiate, execute and deliver a Second Amendment to the Revolving Credit Agreement with Barclays Bank PLC amending certain terms and provisions of the Revolving Credit Agreement in connection with the issuance of CP Notes secured by General Fund lease payments to finance the purchase of power and other operating costs of SJCE. The Second Amendment to the Revolving Credit Agreement was entered into on June 24, 2021.

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

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

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

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

Events of default under the Credit Agreement include, among others: (i) default under any of the underlying Financing Documents (as defined in the Credit Agreement); (ii) non-payment; (iii) breach of various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) failure to maintain the required debt service coverage ratio; (vii) failure to maintain the required amounts in the Operating Reserve Account, as discussed above; (viii) the long-term, unenhanced ratings by any of Moody's, S&P, or Fitch on any general-obligation bonded indebtedness of the City is withdrawn or suspended (but excluding withdrawals or suspensions if the rating agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "A1" (or its equivalent) by Moody's, "A+" (or its equivalent) by S&P, or "A+" (or its equivalent) by Fitch; (ix) the dissolution or termination of SJCE; (x) one or more final, unappealable judgments or orders for the payment of money in excess of certain threshold amounts (i.e., \$2 million through December 30, 2019, and \$5 million thereafter) where such judgment or order remains unsatisfied and unstayed for a period of 60 days and which is payable from revenues of SJCE; (xi) PG&E defaults in the performance of its agreement with the City for billing services related to charges for the cost of energy provided by SJCE; (xii) any event of default under any Other Credit Agreement (as defined in the Credit Agreement) secured by revenues of SJCE; (xiii) a Material Adverse Effect (as defined in the Credit Agreement) occurs with respect to SJCE or the City's ability to repay its obligations under the Credit Agreement; (xiv) failure to pay when due any principal of or interest on any Debt (as defined in the Credit Agreement) secured by revenues of SJCE; (xv) failure to pay when due any amount owing under any power purchase agreement, unless the City disputes payment in good faith; or (xvi) if Debt secured by revenues of SJCE has been accelerated or required to be prepaid prior to its maturity.

When an event of default occurs, the Bank may exercise all of its rights and remedies available to it under the Credit Agreement and as otherwise permitted by law. The Bank's rights and remedies include, among others, taking one or more of the following actions: (i) declare the commitment and the obligation of the Bank to make Credit Extensions to be terminated; (ii) by written notice to City, declare the outstanding amount of the obligations of the City under the Credit Agreement to be immediately due and payable; (iii) require the City to cash collateralize 105% of the letter of credit

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obligations (broadly defined to include the amounts available to be drawn under any letters of credit plus any amounts drawn by beneficiaries under such letters of credit but which are not reimbursed by the City as required under the Credit Agreement (“Unreimbursed Amounts”) as applicable; (iv) and at the expense of the City, cure any event of default; provided, however that the Bank shall have no obligation to effect such a cure. Upon the occurrence and during the continuance of an event of default under the Credit Agreement, any outstanding loan amounts or Unreimbursed Amounts will accrue interest at the Default Rate as defined in the Credit Agreement. Certain other per annum rates payable by the City under the Credit Agreement also increase upon the occurrence and during the continuance of an event of default.

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

11. Landfill Postclosure Costs

The City has five closed landfills for which postclosure and monitoring services may be required for approximately a 30-year period, which began in fiscal year 1996, coinciding with the closure of the last landfill. An estimated liability of \$3,255,000 related to the closed landfills is recorded in the government-wide statement of net position as of June 30, 2021. 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.

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12. Insurance

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

During FY 2021, 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, 2020 to October 1, 2021 is provided below:

City of San José Summary of Citywide Property Insurance Coverage <i>(For Policy period October 1, 2020 – October 1, 2021)</i>		
	Limits	Deductible
	Per Occurrence ⁽¹⁾	Per Occurrence ⁽²⁾
Property ⁽³⁾	\$1,000,000,000	\$100,000
Business Interruption	300,000,000	\$100,000
Flood Locations – Low Hazard ⁽⁴⁾	\$100,000,000 Annual Aggregate	\$100,000 per Location
Flood Zones (Other) ⁽⁵⁾⁽⁶⁾	\$10,000,000 Annual Aggregate	\$500,000 per Location

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

The policy starting October 1, 2020, reduced per occurrence policy limits applicable to business interruption coverage from \$1,000,000,000 to \$300,000,000; reduced policy limits available for Communicable Disease Response and Interruption by Communicable Disease coverage from \$1,000,000 to \$10,000; and reduced policy limits available to cover the cost of replacement power at the San José-Santa Clara Regional Wastewater Facility should the cogeneration facility experience a covered property loss from \$1,000,000,000 to \$11,000,000. 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 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.

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For the policy period of October 1, 2020 to October 1, 2021, the City maintained an Airport General Liability policy covering the Airport including Control Tower Operators, which provides a \$200,000,000 combined single limit for bodily injury and property damage subject to a deductible of \$0 each occurrence and annual aggregate, with a sublimit of \$50,000,000 each occurrence and in the annual aggregate for personal injury, and a limit of \$200,000,000 each occurrence and in the annual aggregate with respect to war liability. The policy incepting on October 1, 2020, reduced the coverage for garagekeepers liability from \$200,000,000 to \$5,000,000 each person and in the aggregate. 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 \$5,000,000 in excess of the underlying auto liability limit of \$1,000,000, which is provided by a separate automobile policy issued to provide coverage for the off-premise operations of scheduled Airport vehicles including shuttle bus fleets with a limit of \$1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a \$250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleet and is subject to a \$10,000 comprehensive and \$10,000 collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy period of October 1, 2020, to October 1, 2021, the City maintained an automobile liability policy covering scheduled vehicles at the San José – Santa Clara Regional Wastewater Facility with a limit of \$1,000,000 per occurrence, combined single limit for bodily injury and property damage and subject to a \$250,000 per accident retention.

For the policy period of October 1, 2020 to October 1, 2021, the City maintained an aircraft policy covering physical damage to City aircraft used by the San José Police Department's Air Support Unit as well as liability coverage for bodily injury and property damage arising from the use of covered aircraft. The aircraft policy provides up to \$50,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage caused by war and other perils and is subject to a deductible of \$0 per occurrence. For the policy period of June 17, 2020, to June 17, 2021, the City maintained a separate aircraft policy to include liability and physical damage coverage for the unmanned aerial systems (UAS) programs in place at the San José Police Department and San José Fire Department ("Drone Coverage"). The Drone Coverage provides up to \$2,000,000 in aggregate liability coverage for bodily injury, personal injury, or property damage.

For the policy period of October 1, 2020 to October 1, 2021, 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, 2020, to June 30, 2021, the City purchased a fiduciary liability policy covering the Deferred Compensation Plans that provided \$5,000,000 in aggregate limits subject to a \$25,000 per claim retention except for a \$100,000 per claim retention for Class Action Claims as defined in the policy. For the policy period from June 30, 2020, to June 30, 2021, 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, 2020, to June 20, 2021, the City purchased a fiduciary liability policy covering

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the Defined Contribution 401(a) Plan that provided \$1,000,000 in aggregate limits subject to a \$250,000 per claim retention.

For the policy period of October 22, 2020 to October 22, 2021, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts. For the policy period of October 1, 2020 to October 1, 2021, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a \$5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a \$1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims are subject to a \$100,000 per occurrence deductible.

Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law. The estimate of the claims liability also includes increases or decreases to previously reported unsettled claims. The workers' compensation estimate includes allocated loss adjustment expenses, which represent the direct cost associated with the defense of individual claims, which may be years into the future and have been discounted to their present value using a rate of approximately 1.5% for the amounts recorded.

With respect to the general liability accrual, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2021. 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, 2019	\$ 140,884
Claims and changes in estimates during 2020	18,824
Claims payments	<u>(20,526)</u>
Liability as of June 30, 2020	139,182
Claims and changes in estimates during 2021	34,274
Claims payments and other adjustments	<u>(27,830)</u>
Liability as of June 30, 2021	<u>\$ 145,626</u>

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

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The coverage for this program is as follows:

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

The liability under the TAIP OCIP is based upon an estimated payroll of \$92,500,000 for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP required the City to fund a claims loss reserve fund with AIG in the amount of \$8,900,000. The claims loss reserve fund is available to AIG to pay claims within the City's deductible subject to an aggregate maximum loss exposure within coverage limits to the City of \$8,900,000. The City was able to negotiate to fund 74% of the claims loss reserve and interest generated remains in the fund. The full amount of \$6,500,000 was deposited with AIG in FY 2009 and was recorded as advances and deposits in the accompanying Airport enterprise fund statement of net position. Since August 2013, as part of the annual loss reserve analysis by AIG, a total amount of \$2,889,000 has been returned to the Airport as of June 30, 2021. The balance of the TAIP reserve fund as of June 30, 2021 was approximately \$1,180,000.

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

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

The City was also required to establish and post a cash collateral fund of \$2,657,000, 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. 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.

<u>Coverages</u>	<u>RWF Capital Improvement Projects</u>	
	<u>Limits</u>	<u>Deductible Per Occurrence</u>
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

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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.

13. Pollution Remediation Obligations

The City is currently responsible for the management and cleanup of pollution remediation activities at several City sites including Las Plumas Warehouse and San José Fire Training Facility. In June 2021, the fuel leak at the former San José Family Shelter was resolved and there are no longer any liabilities. 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, 2021, the government-wide statement of net position reported a net pollution remediation obligation in the amount of \$1,998,500 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.

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

In the 1960s and 1970s, biosolids from the wastewater was 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 City has been in discussion with the State Water Resources Control Board for several years to determine that ultimate location of the biosolids. In August 2019, the San Francisco Bay Regional Water Quality Control Board issued an order to the City to address the biosolids.

The City received approval from the Water Board to consolidate the biosolids in 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 at a schedule yet to be determined. The estimated cost for the Phase 2 removal is currently \$28.2 million.

For any City related real estate transaction, the City’s Environmental Services Department performs an internal Phase 1 assessment to evaluate potential environmental risk and liability. If an environmental condition is discovered in Phase 1, then a Phase 2 is typically performed by the City or by a consultant retained by the City. Once the environmental investigations are completed, the City evaluates whether the property is suitable for purchase without further investigation or if the property is contaminated and needs to be remediated. If the City decides to purchase a contaminated property, the cost of remediation is deducted from the purchase price or the remediation is performed

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by the owner to the City's satisfaction prior to purchase. In special cases, such as the San José Family Shelter, a reimbursement program was transferred to the City to pay for the cleanup so the City did not take in additional financial liability. With respect to environmental insurance, the City is self-insured in this area and has not obtained additional insurance with respect to environmental issues.

G. Interfund Transactions

The composition of interfund balances as of June 30, 2021, with explanations of transactions, is as follows (in thousands):

1. Due from/Due to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 2,932 (1)
General Fund	San Jose Financing Authority Debt Service	513 (2)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,825 (3)
San Jose Financing Authority Debt Service	San Jose Clean Energy	15,000 (4)
		<u>\$ 21,270</u>

(1) \$1,531 represents accrual of gas tax transfers, \$694 represents accrual of construction and conveyance tax transfer, and \$707 represents short-term borrowing for working capital.

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

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

(4) Represents loan for commercial paper issuance.

2. Advances to/Advances from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	San José Financing Authority Debt Service	\$ 3,297 (1)
		<u>\$ 3,297</u>

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

3. Long-term Advances from SARA

The City has a payable and SARA has a receivable related to an Agency advance of a portion of a loan made by the City's Housing Department to a third party for a transitional housing project. The SARA is entitled to 24.5% of the total loan repayment and therefore has a long-term receivable in the amount of \$733,000 due from the City as of June 30, 2021.

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4. Transfers in/Transfers out

Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations. The following schedules summarize the City's transfer activity for the year ended June 30, 2021 with explanations of transactions (in thousands):

Between governmental and business-type activities:

Transfer from	Transfer to	Amount
Norman Y. Mineta San José International Airport	General Fund	\$ 66 (1)
Wastewater Treatment System	Nonmajor Governmental Funds	1,836 (2)
	General Fund	151 (3)
Municipal Water System	General Fund	347 (4)
	Nonmajor Governmental Funds	165 (5)
Parking System	General Fund	730 (6)
	Nonmajor Governmental Funds	184 (7)
San José Clean Energy	General Fund	7 (8)
	Nonmajor Governmental Funds	206 (9)
	San José Financing Authority	33 (9)
General Fund	Norman Y. Mineta San José International Airport	463 (10)

(1) Transfer of overpaid interest allocation back to General Fund.

(2) Transfer for City Hall debt service payments.

(3) Transfer of overpaid interest allocation back to General Fund.

(4) Transfer of overpaid interest allocation back to General Fund and late fee collections from water utility customers.

(5) Transfer for City Hall debt service payments.

(6) Transfer of \$218 for San José Downtown Association, \$497 for strategic support, and \$15 for interest income due to General Fund.

(7) Transfer of \$107 for City Hall debt service payments and \$77 for strategic support.

(8) Transfer of overpaid interest allocation back to General Fund.

(9) Transfer for City Hall debt service payments.

(10) Transfer for local sales taxes for jet fuel.

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Between governmental activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 76,677 (1)
	Internal Service Funds	1,390 (2)
	San José Financing Authority	544 (3)
Housing Activities	General Fund	33 (4)
	Nonmajor Governmental Funds	29 (5)
Low & Moderate Income Housing Asset	General Fund	54 (6)
	Nonmajor Governmental Funds	355 (7)
Special Assessment Districts	General Fund	123 (8)
	San José Financing Authority	2,499 (9)
Nonmajor Governmental Funds	General Fund	13,762 (10)
	Nonmajor Governmental Funds	9,398 (11)
	San José Financing Authority	29,602 (12)
Internal Service Funds	General Fund	1,044 (13)
	Nonmajor Governmental Funds	151 (14)
San José Financing Authority	General Fund	50 (15)
	Nonmajor Governmental Funds	912 (16)
		<u>\$ 136,623</u>

(1) Transfer of \$16,850 for debt service payments and \$59,827 for operations and subsidies.

(2) Transfer to fund vehicle and fleet replacement purchases.

(3) Transfer for City Hall debt service payments.

(4) Transfer of overpaid interest allocation back to General Fund.

(5) Transfer for City Hall debt service payments.

(6) Transfer of overpaid interest allocation back to General Fund.

(7) Transfer for City Hall debt service payments.

(8) Transfer for administrative expenses.

(9) Transfer for interest, principal and fees for the Series 2011 Convention Center bonds payments.

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

(11) Transfer of \$4,727 for City Hall debt service payments and \$4,672 for operations, capital projects, and project savings.

(12) Transfer for fee disbursements and debt service payments.

(13) Transfer of overpaid interest allocation back to General Fund.

(14) Transfer for City Hall debt service payments.

(15) Transfer of overpaid interest allocation back to General Fund.

(16) Transfer for commercial paper issuance

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H. Deferred Inflows of Resources

As of June 30, 2021, total deferred inflows of resources in the governmental funds related to the following unavailable resources (in thousands):

<u>Description</u>	
General Fund receivables	\$ 6,644
Housing Activities includes \$15.975 million of loans receivable and \$7.296 million of deferred grant revenue	23,271
Low and Moderate Income Housing Asset loans receivable	4,805
Special Assessments receivables	11,515
Community Development Block Grant (CDBG) includes \$2.36 million of deferred grant revenue and \$1.3 million of deferred interest revenue	3,660
Total deferred inflows of resources	<u>\$ 49,895</u>

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I. Governmental Fund Balances

As of June 30, 2021, total fund balances for the City's major and nonmajor governmental funds are as follows (in thousands):

	General Fund	Housing Activities	Low & Moderate Income Housing Asset	Special Assessment Districts	San José Financing Authority Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Advances & Deposits	\$ 104	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 108
Subtotal	104	-	-	-	-	4	108
Restricted for:							
Affordable Housing	-	144,691	437,801	-	-	-	582,492
Capital Projects & Improvements	-	-	-	41,205	-	477,932	519,137
Employment/ Training Services	-	-	-	-	-	1,285	1,285
Drug Abuse Prevention & Control	300	-	-	-	-	565	865
Community Development Services	-	-	-	-	-	1,905	1,905
Library Services & Facilities	-	-	-	-	-	6,749	6,749
Small Business Loans	-	-	-	-	-	7	7
Parks, Recreation, & Neighborhood Development	7	-	-	-	-	90,554	90,561
Underground Utility Projects	-	-	-	-	-	9,922	9,922
Storm Drainage Projects	-	-	-	-	-	43,957	43,957
Supplemental Law Enforcement Services	-	-	-	-	-	176	176
Convention Center, Auditorium, Theaters	-	-	-	-	-	137	137
Debt Service	-	-	-	-	-	42,069	42,069
Subtotal	307	144,691	437,801	41,205	-	675,258	1,299,262
Committed to:							
Capital Projects and Improvements	27,838	-	-	-	-	1,812	29,650
Parks, Recreation, & Neighborhood Development	-	-	-	-	-	3,696	3,696
Development Enhancement	-	-	-	-	-	489	489
Convention Center, Auditorium, Theaters	-	-	-	-	-	3,315	3,315
Employee Compensation Planning	5,337	-	-	-	-	-	5,337
Development Fee Program Technology	235	-	-	-	-	-	235
Residential Program Administration	-	-	-	-	-	2,741	2,741
Government Functions/Services	15,342	-	-	-	-	-	15,342
Police Department Staffing	7,000	-	-	-	-	-	7,000
Public Safety	6,276	-	-	-	-	-	6,276
Community Development Services	7,256	-	-	-	-	58,400	65,656
Salaries & Benefits	4,000	-	-	-	-	-	4,000
Sanitation Projects	296	-	-	-	-	23,264	23,560
Debt Service	-	-	-	-	-	4	4
Subtotal	73,580	-	-	-	-	93,721	167,301
Assigned to:							
Financing Authority Debt Service	3,297	-	-	-	-	-	3,297
Development Enhancement	-	-	-	-	-	20	20
Community & Culture Projects	-	-	-	-	-	4,261	4,261
Hayes Mansion and Ice Center Operations	-	-	-	-	-	188	188
Capital Projects & Improvements	-	-	-	-	-	94,599	94,599
Government Functions/Services	328,013	-	-	-	-	-	328,013
Subtotal	331,310	-	-	-	-	99,068	430,378
Unassigned							
	8,041	-	-	-	(44,375)	(20)	(36,354)
Total Fund Balance	\$ 413,342	\$ 144,691	\$ 437,801	\$ 41,205	\$ (44,375)	\$ 868,031	\$ 1,860,695

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

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exception of the General Fund Contingency Reserve Fund, use of these reserves requires a majority vote of the City Council.

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

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

The **General Fund Contingency Reserve Fund** was created to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. The policy established a minimum of three percent of the General Fund operating budget as the reserve balance. Any use of the General Fund Contingency Reserve shall require a two-thirds vote of approval by the City Council. As of June 30, 2021, the contingency amount accounts for \$40,000,000 of the unassigned fund balance.

The **General Fund Budget Stabilization Reserve** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. As of June 30, 2021, the budget stabilization reserve accounts for \$33,563,000 of the unassigned fund balance.

The **General Fund Workers' Compensation/General Liability Catastrophic Reserve** may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide funding for potential workers' compensation or general liability claims that exceed the budgeted amounts as the City, for the most part, is self-insured. As of June 30, 2021, the workers' compensation and general liability catastrophic reserve accounts for \$15,000,000 of the unassigned fund balance.

The **Cash Reserve Fund** was created for the payment of any authorized expenditures of the City for any fiscal year in anticipation of and before the collection of taxes and other revenues of the City for such fiscal year, and for the payment of authorized expenses of the City for any fiscal year, which became due and payable and must be paid prior to the receipt of tax payments and other revenues for such fiscal year. A reserve shall be built up in said fund from any available sources other than restricted sources in an amount which the Council deems sufficient for said purposes. As of June 30, 2021, the cash reserve amount accounts for \$6,000 of the unassigned fund balance.

The **Emergency Reserve Fund** was created for the purpose of meeting any public emergency involving or threatening the lives, property or welfare of the people of the City or property of the City. A reserve shall be built up in said fund from any available sources, other than restricted sources, in an amount which the Council deems desirable. As of June 30, 2021, the emergency reserve amount accounts for \$413,000 of the unassigned fund balance.

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IV. Other Information

A. Defined Benefit Retirement Plans

A. 1. City Sponsored Defined Benefit Pension Plans

1. General Information about the Pension Plans

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

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

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

Benefits

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

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

FCERS Membership Tiers			
Tier	Hire Date	Pension	Defined Benefit Retiree Healthcare (Medical/Dental)
Tier 1	<ul style="list-style-type: none"> • On or before September 29, 2012 • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions 	Tier 1	Medical/Dental ⁽²⁾⁽⁴⁾
Tier 1 Rehire	<ul style="list-style-type: none"> • Former Tier 1 rehired on or after September 30, 2012 through June 17, 2017 	Tier 1 ⁽¹⁾	Medical/Dental ⁽²⁾⁽⁴⁾⁽⁵⁾
Tier 1 Classic	<ul style="list-style-type: none"> • “Classic” membership with California Public Employees’ Retirement System (“CalPERS”)/reciprocal agency hired on or after September 30, 2012, but before September 27, 2013 • “Classic” membership with CalPERS/reciprocal agency hired on or after September 27, 2013 	Tier 1 ⁽⁶⁾	Medical/Dental
Tier 2 (or Tier 2A)	<ul style="list-style-type: none"> • Hired/rehired/reinstated on or after September 30, 2012, but before September 27, 2013 	Tier 2	Medical/Dental ⁽²⁾⁽⁴⁾
Tier 2B	<ul style="list-style-type: none"> • Hired/rehired/reinstated after September 27, 2013 and have not met City’s eligibility for retiree healthcare 	Tier 2	Not Eligible ⁽³⁾⁽⁴⁾

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

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

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

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

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

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

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

PFDRP Membership Tiers			
Tier	Hire Date	Pension	Defined Benefit Retiree Healthcare (Medical/Dental)
Police Tier 1	<ul style="list-style-type: none"> • Before August 4, 2013 • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions 	Tier 1	Medical/Dental ⁽²⁾⁽⁴⁾
Police Tier 1 Rehire	<ul style="list-style-type: none"> • Tier 1 employee rehired between August 4, 2013 through June 17, 2017 	Tier 1 ⁽¹⁾	Medical/Dental ⁽²⁾⁽⁴⁾
Fire Tier 1	<ul style="list-style-type: none"> • Before January 2, 2015 • Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions 	Tier 1	Medical/Dental ⁽²⁾⁽⁴⁾
Fire Tier 1 Rehire	<ul style="list-style-type: none"> • Tier 1 employee rehired between January 2, 2015 through June 17, 2017 	Tier 1 ⁽¹⁾	Medical/Dental ⁽²⁾⁽⁴⁾
Tier 1 Classic	<ul style="list-style-type: none"> • “Classic” membership with CalPERS/reciprocal agency hired on or after August 4, 2013 for Police and January 2, 2015 for Fire 	Tier 1 ⁽⁵⁾	Not Eligible
Police Tier 2	<ul style="list-style-type: none"> • On or after August 4, 2013 	Tier 2	Not Eligible ⁽³⁾⁽⁴⁾
Fire Tier 2	<ul style="list-style-type: none"> • On or after January 2, 2015 	Tier 2	Not Eligible ⁽³⁾⁽⁴⁾

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

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

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

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

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

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The following tables summarize the pension benefits for the members:

	PFDRP		
	Police Tier 1 ⁽¹⁾	Police Tier 1 Classic ⁽²⁾	Police Tier 2 ⁽³⁾
<i>Pension</i>			
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into Retirement System to collect pension)	10 years of service	5 years service with the City in the Police and Fire Department Plan (Years of Service = 2080 hours worked within applicable 12-month period)
<i>Service Retirement</i>			
Age/Years of Service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Plan 50 with 5 years of service with the City in the Plan (A reduction factor of 7.0% per year for each year between age 57 and Tier 2 member's age at retirement, prorated to the closest month)
Early Retirement	50-54 with 20 years of service (Discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (Discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred Vested Retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 5 years of service with the City in the Plan (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7.0% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month.
Allowance	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years City service: 4% per year of service x Final Compensation (90% max)	First 20 years of City service: 50% of Final Compensation (2.5% per year) Next 21-30 years City service: 4% per year of service x Final Compensation (90% max)	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05) Maximum benefit is 80% of Final Compensation

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

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

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

City of San José
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PFDRP (Continued)			
	Police Tier 1 ⁽¹⁾	Police Tier 1 Classic ⁽²⁾	Police Tier 2 ⁽³⁾
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement.
Cost-of-Living Adjustments			
Cost-of-Living Adjustments	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per fiscal year. The first COLA will be prorated based on the number of months retired.

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

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

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

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	PFDRP		
	Fire Tier 1 ⁽¹⁾	Fire Tier 1 Classic ⁽²⁾	Fire Tier 2 ⁽³⁾
<i>Pension</i>			
Service required to leave contributions in retirement system	10 years of service (20 years must have elapsed from date of entry into Retirement System to collect pension)	10 years of service	5 years of service with the City in the Retirement System (Year of Service = 2080 hours worked in the applicable 12-month period)
Service Retirement			
Age/Years of Service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	57 with 5 years of service with the City in the Retirement System 50 with 5 years of service with the City in the Retirement System A reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Early Retirement	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	50-54 with 20 years of service (discounted pension) Allowance reduced pursuant to Municipal Code Section 3.36.810	N/A
Deferred Vested Retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with least 25 years of service.)	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with least 25 years of service.)	At least 5 years of service with the City in the Retirement System. (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 50 with reduction factor of 7% per year for each year between age 57 and the Tier 2 member's age at retirement, prorated to the closest month
Allowance	First 20 years of service: 50% of Final Compensation (2.5% per year) >20 years of service - all years convert to 3% for each full year x Final Compensation (90% max)	First 20 years of service: 50% of Final Compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service x Final Compensation (90% max) – All years convert to 3% after 20 years of service	First 20 years of service: 2.4% per year of service x Final Compensation Beginning of 21st year of service: 3.0% per year of service x Final Compensation Beginning of 26th year of service: 3.4% per year of service x Final Compensation Final Compensation is the average annual base pay plus any premium pays authorized by ordinance for the highest 3 consecutive years of service (SJMC 3.36.020.05) Maximum benefit is 80% of Final Compensation

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

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

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

City of San José
Notes to Basic Financial Statements
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	PFDRP (Continued)		
	Fire Tier 1 ⁽¹⁾	Fire Tier 1 Classic ⁽²⁾	Fire Tier 2 ⁽³⁾
Reciprocity			
Reciprocity	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement	As of September 30, 1994, the City of San José adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between CalPERS and this retirement plan. Final eligibility for reciprocity is determined at the time of retirement
Cost-of-Living Adjustments			
Cost-of-Living Adjustments	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San José-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 2.0% per year. The first COLA will be prorated based on the number of months retired.

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

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

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

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

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

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

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

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

City of San José
Notes to Basic Financial Statements
June 30, 2021

FCERS (Continued)

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

- (1) Federated Tier 1 applies to employees hired on or before September 29, 2012.
- (2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José, on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 Classic are not eligible for the defined benefit retiree healthcare plan/employees.
- (3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.
- (4) Tier 2B are employees who were newly hired after September 27, 2013.

City of San José
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Employees Covered - The current membership in the Defined Benefit Pension Plans as of June 30, 2021, is as follows:

FCERS	Tier 1	Tier 1	Tier 2	Tier 2	Totals
	Pension Only ⁽²⁾	Pension & Medical ⁽³⁾	Pension Only ⁽²⁾	Pension & Medical ⁽³⁾	
Defined Benefit Pension Plan:					
Retirees and beneficiaries					
currently receiving benefits ⁽¹⁾	741	3,752	18	-	4,511
Terminated vested members					
entitled to future benefits	781	153	729	-	1,663
Active members	147	1,266	2,283	79	3,775
Total	1,669	5,171	3,030	79	9,949

- (1) The combined domestic relations orders are not included in the count above as their benefit payment is included in the retiree member count.
(2) Includes members that are eligible for the catastrophic disability medical benefits only (VEBA) from the Postemployment Healthcare Plan.
(3) Eligible for full retiree medical benefits.

PFDRP	Retirees and Beneficiaries ⁽¹⁾		Terminated Vested Members Entitled to Future Benefits		Active Members		Totals
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
	Police						
Pension & Medical ⁽²⁾	1,424	-	10	-	517	-	1,951
Pension only ⁽³⁾	116	-	175	105	37	527	960
Police Total	1,540	-	185	105	554	527	2,911
Fire							
Pension & Medical ⁽²⁾	849	-	3	-	469	-	1,321
Pension only ⁽³⁾	54	-	33	6	30	158	281
Fire Total	903	-	36	6	499	158	1,602
Total	2,443	-	221	111	1,053	685	4,513

- (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.

City of San José
Notes to Basic Financial Statements
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The contribution rates for the Defined Benefit Pension Plans for the City and the participating employees for the year ended June 30, 2021 were based on the actuarial valuations performed as of June 30, 2019. The contribution rates in effect and the amounts contributed to the pension plans for the year ended June 30, 2021 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:										
06/27/21-06/30/21	32.47%		14.43%	33.70%		15.28%	10.85%	14.43%	11.91%	15.28%
07/01/20-06/26/21 ⁽¹⁾	31.80%	\$ 79,984,000	14.18%	33.18%	\$ 61,213,000	15.53%	10.72%	14.18%	11.72%	15.53%

- (1) The actual contribution rates paid by the City for year ended June 30, 2021 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 3/24/2019, reclassified Tier 1 members paid an additional 1.96% in contributions, members with prior Federated Service, reclassified Tier 1 paid an additional 0.87% in contributions, and Classic Tier 1 members paid an additional 0.47% in contributions for the year ended June 30, 2021.
- (3) Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability (UAL). City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.

Defined Benefit Pension Plan	FCERS				
	City			Participants ⁽²⁾	
	Tier 1	Minimum Dollar Amount ⁽³⁾	Tier 2	Tier 1	Tier 2
Actuarial Rate:					
06/27/21-06/30/21	20.25%		8.17%	7.39%	8.17%
07/01/20-06/26/21 ⁽¹⁾	19.82%	\$ 148,460,000	7.92%	7.22%	7.92%

- (1) The actual contribution rates paid by the City for year ended June 30, 2021 differed for Tier 1 due to the City funding the actuarially determined contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.
- (2) Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Effective 3/24/19, reclassified Tier 1 members paid an additional 3.00% in contributions. Classic Tier 1 members paid an additional 1.46% effective 8/12/18.
- (3) Contributions are structured as a normal cost, plus a payment on the UAL. City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.

Defined Benefit Pension Plan	Annual Pension Contribution for the Year Ended 06/30/21		
	City	Participants	Total
PFDRP	\$ 201,370	\$ 29,033	\$ 230,403
FCERS	\$ 183,964	\$ 25,724	\$ 209,688

City of San José
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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, 2020. The City's net pension liability as of June 30, 2021 of each of the Defined Pension Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020 using standard update procedures by the actuary for the respective plans. In summary, the City's net pension liability at June 30, 2021 is as follows (in thousands):

PFDRP	\$	1,474,996
FCERS		2,115,353
CalPERS		1,448
Total net pension liability	<u>\$</u>	<u>3,591,797</u>

The General Fund and Enterprise Funds have historically been used to liquidate the pension liabilities.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions states that when a significant change in the net pension liability has occurred between the measurement date (i.e. June 30, 2020) and the City's reporting date (i.e. June 30, 2021), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net pension liability have occurred after the City's measurement date of June 30, 2020:

PFDRP

As of the measurement date June 30, 2021, the Plan's fiduciary net position increased approximately \$1.03 billion from approximately \$3.70 billion to \$4.73 billion due to significant increases in fair value of the Plan's investments. Overall, the increase in the fiduciary net position resulted in a decrease in net pension liability from approximately \$1.48 billion to \$700 million, a change of approximately \$780 million.

FCERS

As of the measurement date June 30, 2021, the Plan's fiduciary net position increased approximately \$670 million from approximately \$2.21 billion to \$2.88 billion due to significant increases in fair value of the Plan's investments. Overall, the increase in the fiduciary net position resulted in a decrease in net pension liability from \$2.12 billion to \$1.64 billion, a change of approximately \$480 million.

City of San José
Notes to Basic Financial Statements
June 30, 2021

Sensitivity of the Net Pension Liabilities to Changes in Discount Rates - The discount rates used to measure the total pension liabilities were 6.75%, for both the PFDRP and FCERS plans for the valuations dated June 30, 2019. 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 6.75% 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 (5.750%) or one percentage point higher (7.750%) than the rates used, for the PFDRP and FCERS plans, respectively (in thousands):

<u>PFDRP - Sensitivity Analysis</u>	1% Decrease (5.75%)	Measurement Date Rate (6.75%)	1% Increase (7.75%)
Total pension liability	\$ 5,933,919	\$ 5,177,016	\$ 4,565,907
PFDRP fiduciary net position	3,702,020	3,702,020	3,702,020
Net pension liability	<u>\$ 2,231,899</u>	<u>\$ 1,474,996</u>	<u>\$ 863,887</u>

PFDRP fiduciary net position as a percentage of the total pension liability	62.4%	71.5%	81.1%
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<u>FCERS - Sensitivity Analysis</u>	1% Decrease (5.75%)	Measurement Date Rate (6.75%)	1% Increase (7.75%)
Total pension liability	\$ 4,918,402	\$ 4,323,370	\$ 3,838,213
FCERS fiduciary net position	2,208,017	2,208,017	2,208,017
Net pension liability	<u>\$ 2,710,385</u>	<u>\$ 2,115,353</u>	<u>\$ 1,630,196</u>

FCERS fiduciary net position as a percentage of the total pension liability	44.9%	51.1%	57.5%
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Pension Expense and Deferrals – For the year ended June 30, 2021, the City recognized pension expense and reported deferred outflows and inflows of resources related to pensions as follows (in thousands):

	<u>PFDRP</u>	<u>FCERS</u>	<u>Total</u>
Pension Expense	\$ 286,895	\$ 235,350	\$ 522,245

Schedule of Deferred Outflows and Inflows of Resources - PFDRP

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 201,370	\$ -
Differences between expected and actual experience	27,844	8,506
Changes in assumptions	98,851	-
Net difference between projected and actual earnings on pension plan investments	138,387	-
Total	<u>\$ 466,452</u>	<u>\$ 8,506</u>

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As of June 30, 2021, \$201,370,000 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, 2022.

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
2022	\$ 71,448
2023	88,436
2024	75,201
2025	21,491
	\$ 256,576

Schedule of Deferred Outflows and Inflows of Resources - FCERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 183,964	\$ -
Differences between expected and actual experience	4,365	26,623
Changes in assumptions	27,199	6,098
Net difference between projected and actual earnings on pension plan investments	82,537	-
Total	\$ 298,065	\$ 32,721

As of June 30, 2021, \$183,964,000 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, 2022.

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
2022	\$ 26,089
2023	29,479
2024	15,309
2025	10,503
	\$ 81,380

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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, 2020 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 6.75% for the valuations dated June 30, 2019 was selected by estimating the median nominal rates of return based on long-term capital market assumptions adopted by the respective Boards, including nominal expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

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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, 2020, are summarized in the following tables:

	PFDRP	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	46%	5.4%
Investment grade bonds	12%	-0.1%
Private equity	6%	6.8%
Core real estate	5%	3.5%
Immunized cash flows	5%	-0.9%
Venture / growth capital	4%	6.6%
Emerging market bonds	3%	2.0%
Growth real estate	3%	6.1%
Long-term government bonds	3%	0.2%
Market neutral strategies	3%	2.1%
Private debt	3%	4.4%
Private real assets	3%	5.0%
High yield bonds	2%	2.6%
Treasury inflation - protected securities	2%	-0.1%

	FCERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	49%	5.4%
Private equity	8%	6.8%
Investment grade bonds	8%	-0.1%
Core real estate	5%	3.5%
Immunized cash flows	5%	-0.9%
Venture / growth capital	4%	6.6%
Growth real estate	3%	6.1%
Emerging market bonds	3%	2.0%
Private debt	3%	4.4%
Market neutral strategies	3%	2.1%
Private real assets	3%	5.0%
Long-term government bonds	2%	0.2%
Treasury inflation-protected securities	2%	-0.1%
High yield bonds	2%	2.6%
Cash and cash equivalents	N/A	N/A

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.

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4. Actuarial Methods and Assumptions

The significant actuarial methods and assumptions used to compute the total pension liability measured as of June 30, 2020 are from the actuarial valuation report with a valuation date of June 30, 2019.

<u>Description</u>	<u>PFDRP</u> <u>Method/Assumption</u>	<u>FCERS</u> <u>Method/Assumption</u>
Measurement date	June 30, 2020	June 30, 2020
Valuation date	June 30, 2019	June 30, 2019
Inflation rate	2.50%	2.50%
Discount rate	6.75% per annum (net of investment expenses) The long-term expected return on assets based on Meketa's capital market assumptions for a 10-year time horizon is 7.2%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate	6.75% per annum (net of investment expenses) The Board expects a long-term rate of return of 7.6% based on Meketa's 2019 20-year capital market assumptions and the Retirement System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate
Post-retirement mortality		
(a) Healthy retirees:	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)- for 2010(A)) for healthy male and female on a retirees projected using SOAMP-2019 on a generational basis from the base year of 2010	0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010)
(b) Disabled retirees:	0.915 times the Public Safety Mortality Table (PubS-2010) for disabled males and female retirees projected using SOAMP-2019 on a generational basis from the base year of 2010	1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disability Mortality Table
Rates of service retirement, withdrawal, death, disability retirements	Based upon the June 30, 2019 actuarial experience analysis	Mortality is projected on a generational basis using the MP-2019 scale
Salary increases		
Wage Inflation	3.25% per annum (0.75% real wage growth).	The base wage inflation assumption of 3.00%
Merit Increase	Merit component added based on an individual years of service ranging from 6.50% to 0.50%.	Merit/longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service
Cost-of-Living Adjustment	Tier 1 – 3% per year Tier 2 – 2% per year	Tier 1 – 3% per year Tier 2 - 1.25% to 2.0% depending on years of service

A. 2. California Public Employees' Retirement System (CalPERS)

Plan Description. The Mayor and members of the City Council are eligible to participate in the State of California's Public Employees' Retirement System ("CalPERS") Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "Plan"). Effective July 26, 2020, any officer or employee, who is first hired on or after November 4, 2014 in the Unit 99 positions of Chief Executive Officer, Chief Investment Officer and certain Investment Professional staff in the Office of Retirement Services is eligible to participate in CalPERS. CalPERS acts as a common investment and

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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, 2021, 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%	6.25%
Required employer contribution rates	10.484% + \$153,787 for unfunded liability	7.732% + \$11,741 for unfunded liability

As of June 30, 2021, there were two current San José City Council members enrolled in the Classic rate plan and ten current members, consisting of five City Council members and five Office of Retirement Services investment staff, in the PEPRA rate plan.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2021, the amount contributed to the CalPERS plan was as follows (in thousands):

	<u>Classic Rate Plan</u>	<u>PEPRA Rate Plan</u>	<u>Total</u>
Contributions - employer	\$ 182	\$ 111	\$ 293
Contributions - employee	19	97	116
Total	<u>\$ 201</u>	<u>\$ 208</u>	<u>\$ 409</u>

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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, 2020 prepared by CalPERS. As of June 30, 2021, the City reported a net pension liability of \$1,448,000 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, 2019.

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, 2020, 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, 2019 rolled forward to June 30, 2020 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	\$ 1,395	0.03485%
Proportion of the net pension liability current measurement date	1,448	0.03434%
Change - Increase (Decrease)	\$ 53	(0.00051%)
 Pension Expense	 \$ 275	

The City reported deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021 from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 293	\$ -
Differences between actual and expected experience	69	-
Changes in assumptions	-	10
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	12	12
Net differences between projected and actual earnings on plan investments	34	-
Total	\$ 408	\$ 22

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As of June 30, 2021, \$293,000 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, 2022.

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
2022	\$ 8
2023	35
2024	32
2025	18
	\$ 93

Actuarial Assumptions – The collective total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. 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, 2020 prepared by CalPERS.

	Plan
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return

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was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

<u>Asset Class</u>	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)
	<u>100%</u>		

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability calculated using a discount rate of 7.15%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (in thousands):

<u>Sensitivity Analysis</u>	1% Decrease (6.15%)	Measurement Date Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability	\$ 2,313	\$ 1,448	\$ 734

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

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20, 2013 and must not have previously been a member of either of the City's defined benefit plans. An eligible employee must sign an irrevocable election form on his or her first day of employment with the City electing to participate in the 401(a) plan. If no irrevocable election form is signed, the employee will be automatically placed into the Tier 2 defined benefit plan.

Both eligible employees and the City are required to contribute 3.75% of participants' annual compensation. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon the employee entering the 401(a) plan. The City contracts with an advisor to manage the 401(a) plan with all assets being held in trust by a third-party custodian in the name of each of the plan's participants. Each of the 401(a) plan's participants directs the investments of their separate account. The City must authorize changes to the 401(a) plan.

There were 135 participants in the 401(a) plan as of June 30, 2021. In FY 2021, the City and the participating employees contributed \$425,000 to the 401(a) plan. As of June 30, 2021, the balance of the 401(a) plan was \$3,014,000.

2. PTC Deferred Compensation Plan

The City's PTC Deferred Compensation Plan ("PTC Plan") is described in Chapter 3.5 of the City's Municipal Code. The PTC Plan is a mandatory in lieu of Social Security for those employees who are not eligible for membership in either the FCERS or PFDRP. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes VRIAC as its investment administrator. PTC Plan participants can only make contributions on a pre-tax basis.

Benefited part-time employees who were hired before October 1, 2006 were given the option to invest PTC contributions in the same investment options as the 457 Plan participants based on their Participation Agreements. After October 1, 2006 when the City transitioned the investment administrator services to VRIAC, those part-time employees' PTC accounts were transferred to the 457 Plan in order for them to continue having the ability to invest in various investment options, instead of only the Stable Value Fund offered in the PTC Plan.

For new part-time employees hired on or after October 1, 2006, their PTC contributions are deposited and invested in the Stable Value Fund in the PTC Plan. There are 148 PTC participants as of June 30, 2021 which is 7.27% of all part-time employees. The participating part-time employees contributed \$656,000 to their plan. As of June 30, 2021, the balance of the plan was \$27,137,000.

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A. 4. Postemployment Benefit Plans Other than Pension Plans

1. General Information about the Postemployment Healthcare Plans

In addition to the Defined Benefit Pension Plans, the City also sponsors and administers two single employer defined benefit postemployment healthcare plans, the PFDRP Healthcare Plans, which includes the Police Department Postemployment Healthcare Plan (Section 115 Trust) and the Fire Department Postemployment Healthcare Plan (Section 115 Trust) and the FCERS Healthcare Plans, which includes a Section 115 Trust, together the Postemployment Healthcare Plans. These Postemployment Healthcare Plans cover eligible full-time and certain part-time employees of the City and are accounted in the Pension Trust Funds.

Generally, the defined benefit Postemployment Healthcare Plans provide medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Frameworks discussed in Note IV A.1, the City established two separate Voluntary Employee Beneficiary Associations (“VEBA”) for retiree healthcare for the members of the PFDRP and FCERS in FY 2018. The City does not make contributions into the VEBAs and the VEBAs are not subject to the jurisdiction of the Retirement Boards.

The Internal Revenue Service approved allowing eligible employees who are rehired by the City during 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, 2021, is as follows:

	<u>Police</u>	<u>Fire</u>	
	<u>Tier 1</u>	<u>Tier 1</u>	<u>Totals</u>
PFDRP			
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits*	1,424	849	2,273
Terminated vested members not yet receiving benefits	10	3	13
Active members	<u>517</u>	<u>469</u>	<u>986</u>
Total	<u>1,951</u>	<u>1,321</u>	<u>3,272</u>

* Retiree counts do not include combined domestic relations orders

	<u>Tier 1</u>	<u>Tier 2A**</u>	<u>Totals</u>
FCERS			
Postemployment Healthcare Plan:			
Retirees and beneficiaries currently receiving benefits*	3,752	-	3,752
Terminated vested members not yet receiving benefits	153	-	153
Active members	<u>1,266</u>	<u>79</u>	<u>1,345</u>
Total	<u>5,171</u>	<u>79</u>	<u>5,250</u>

*Payees that have health and/or dental coverage

** Eligible for full retiree medical benefits

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The separately issued annual reports of PFDRP and FCERS, together with the City's Municipal Code, provide more detailed information about the Postemployment Healthcare Plans. As stated in Section IV.A.1 of this note, those reports may be obtained from the City of San José Office of Retirement Services.

2. Contributions

Contribution amounts to the Postemployment Healthcare Plans for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, Actuarially Determined Contributions ("ADC") were calculated beginning with the year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for postemployment healthcare benefits to PFDRP and FCERS.

Subsequently, in October 2014, the Boards of Administration for PFDRP and FCERS approved implementing an incremental reduction approach to determining the "actuarial equivalence" for the City's prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, the Retirement Systems reduce the City's incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction to be applied to the discount rate to the City's prefunding of its contribution is 15% per year, up to a maximum of 45%, which was the reduction to the discount rate that was applied to calculate the actuarially determined prepayment amount for the participating members to be paid by the City at the beginning of the fiscal year ended June 30, 2020. However, the City elected to not prefund its actuarially determined contribution for Tier 1 members for the year ended June 30, 2020.

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 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

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ADC determined by the Postemployment Healthcare Plans. The ADC for the Postemployment Healthcare Plans is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for each Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the respective pension plan. The ADC for each Postemployment Healthcare Plan is calculated beginning with FY 2019.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuations of each Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plans. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for each Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City's ADC to each Postemployment Healthcare Plan.

Effective March 25, 2018, members remaining in the PFDRP Postemployment Healthcare Plan make contributions fixed at 8.0% of pay.

Also, as of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contribution rates/amount in effect in FY 2021 are shown below:

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**: 07/01/2020 - 06/30/2021	\$15,320,000*	\$10,062,000*	8.00%	-	8.00%	-

*Throughout the year, explicit subsidy amount

** In March 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with fiscal year 2019. The City's contribution for the Postemployment Healthcare Plan during the year ended June 30, 2021, was \$28,397,000, \$25,382,000 in City contributions, \$3,015,000 in implicit subsidy.

FCERS	City - Board Adopted		Member with Healthcare
	Tier 1	Tier 2	Tier 1 and Tier 2
Actuarial Rate: Postemployment Healthcare Plan: 07/01/2020 - 06/30/2021		\$20,949,000*	7.50%

* In February 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with fiscal year 2019. The City's contribution for the Postemployment Health Plan during the year ended June 30, 2021 was \$26,236,000, \$20,949,000 in regular contributions and \$5,287,000 in 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, 2020 measurement date. The City's net OPEB liability as of June 30, 2021 for each of the Postemployment Healthcare Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 and rolled

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forward to June 30, 2020 using standard update procedures by the actuary for the respective plans. In summary, the City's net OPEB asset and liability at June 30, 2021 is as follows (in thousands):

Summary of OPEB liability and expense			
	PFDRP	FCERS	Total
Net OPEB Liability	\$ 517,256	\$ 347,618	\$ 864,874
Net OPEB Asset		(1,062)	(1,062)
	\$ 517,256	\$ 346,556	\$ 863,812
OPEB Expense	\$ (4,216)	\$ (46,009)	\$ (50,225)

The General Fund and Enterprise Funds have historically been used to liquidate the OPEB liabilities.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions states that when a significant change in the net OPEB liability has occurred between the measurement date (i.e., June 30, 2020) and the City's reporting data (i.e., June 30, 2021), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net OPEB liability have occurred after the City's measurement data of June 30, 2020:

PFDRP

As of the measurement date June 30, 2021, the plan's fiduciary net position increased approximately \$67.8 million from \$208.5 million to \$276.3 million due to significant increases in fair value of the Plan's investments. Overall, the increase in the fiduciary net position resulted in a decrease in net OPEB liability from approximately \$517.3 million to \$495.5 million, a change of approximately \$21.8 million.

FCERS

As of the measurement date June 30, 2021, the plan's fiduciary net position increased approximately \$81.3 million from \$303.3 million to \$384.6 million due to significant increases in fair value of the Plan's investments. Overall, the increase in the fiduciary net position resulted in a decrease in net OPEB liability from approximately \$346.6 million to \$280.8 million, a change of approximately \$65.8 million.

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Actuarial Methods and Assumptions

PDFRP	
Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.5%
Inflation Rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 6.50% to 0.50%.
Wage Inflation Rate	3.25% for FY 2020 and for all years
Rate of Mortality*	Mortality is projected from 2010 on a generational basis using the SOA MP-2019.
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.94% per annum graded down over a 55 year period for medical pre-age 65 and 4.11% to 3.94% per annum for medical post-age 65.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

*Actuarial Methods and Assumptions – PDFRP Mortality Rates

Category	Male	Female
Healthy Annuitant	1.002 times the 2010 Public Safety Above Median Income Mortality Table [Pub(s) - 2010 (A)] for Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010 (A)] for Healthy Retirees
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table [(Pub(s) - 2010(A)] for Healthy Employees
Beneficiaries	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table	1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table
Disabled Annuitant	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees

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** Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table.

Service	Rate of Termination	
	Police	Fire
0	13.75%	8.50%
1	11.75	4.00
2	10.00	2.75
3	8.50	1.75
4	7.50	1.25
5	6.75	1.00
6	6.00	0.90
7	5.50	0.80
8	5.00	0.70
9	4.75	0.60
10	4.50	0.50
11	4.25	0.50
12	3.75	0.50
13	3.25	0.50
14	2.75	0.50
15	2.25	0.50
16	1.75	0.50
17	1.50	0.50
18	1.20	0.50
19+	1.00	0.50

Termination rates do not apply once a member is eligible for unreduced retirement.

The assumption for the long-term expected rate of return on Postemployment Healthcare Plan investments of 6.5% for the valuation year ended June 30, 2019 was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the PFDRP Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in the PFDRP's target asset allocation as of June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	56.0%	5.4%
Short-term investment grade bonds	29.0%	-0.5%
Core real estate	10.0%	4.7%
Commodities	5.0%	1.7%
Cash and cash equivalents	0.0%	-0.9%

Discount Rate for PFDRP

The discount rate used to measure the total OPEB liability was 6.5% for the measurement year ended June 30, 2020 and is based on the long-term expected rate of return on investments. It is assumed that PFDRP member contributions are 8% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the actuarially determined contribution toward the explicit subsidy up to a maximum of 11% of the total payroll of the employees in PFDRP and that the City also contributes the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the PFDRP's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return

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on OPEB plan investments for PFDRP was applied to all periods of projected benefit payments to determine the total OPEB liability.

FCERS	
Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Actuarial Cost Method:	Entry Age Normal, level of percentage of pay
Actuarial Assumptions:	
Discount Rate	6.75% per year. The Board expects a long-term rate of return of 7.6% based on Meketa's 2019 20-year capital market assumptions and the System's current investment policy.
Inflation Rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service
Wage Inflation Rate	3.00%
Rate of Mortality*	Mortality is projected on a generational basis using the MP-2019 scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate - Medical	The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.94% per annum graded down over a 55 year period for medical pre-age 65 and 4.11% to 3.94% per annum for medical post-age 65.
Healthcare Trend Rate - Dental	Dental inflation is assumed to be 3.5%

* Actuarial Methods and Assumptions – FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

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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 6.75% for the valuation year ended June 30, 2019, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the FCERS Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in FCERS's target asset allocation as of June 30, 2020 measurement date are summarized in the following table. The assets were invested in a 115 trust account because the 401(h) account within the pension fund was depleted during FY 2019.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	56.0%	5.40%
Short-term investment grade bonds	29.0%	-0.50%
Core real estate	10.0%	4.70%
Commodities	5.0%	1.70%
Cash	0.0%	-0.90%

Discount Rate for FCERS

The discount rate used to measure the total OPEB liability was 6.75% for the measurement year ended June 30, 2020 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

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investments for FCERS was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in the Net OPEB Liability

The changes in the net OPEB liability for the Postemployment Healthcare Plans are as follows (dollar amounts in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
PFDRP (Consolidated with Police and Fire)			
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 784,082	\$ 185,957	\$ 598,125
Changes recognized for the measurement period:			
Service cost	12,813	-	12,813
Interest	44,676	-	44,676
Changes of benefits	-	-	-
Differences between expected and actual experience	(99,319)	-	(99,319)
Changes of assumptions	8,567	-	8,567
Contributions - employer	-	27,350	(27,350)
Contributions - employee	-	13,135	(13,135)
Net investment income	-	7,243	(7,243)
Benefit payments including refunds	(25,031)	(25,031)	-
Administrative expense	-	(122)	122
Net changes	(58,294)	22,575	(80,869)
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 725,788	\$ 208,532	\$ 517,256
FCERS			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 672,195	\$ 294,488	\$ 377,707
Changes recognized for the measurement period:			
Service cost	7,040	-	7,040
Interest	41,855	-	41,855
Change of benefits	-	(13)	13
Differences between expected and actual experience	(25,639)	-	(25,639)
Changes of assumptions	(14,804)	-	(14,804)
Contributions - employer	-	26,533	(26,533)
Contributions - employee	-	10,692	(10,692)
Net investment income	-	3,077	(3,077)
Benefit payments including refunds	(30,779)	(30,779)	-
Administrative expense	-	(686)	686
Net changes	(22,327)	8,824	(31,151)
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 649,868	\$ 303,312	\$ 346,556

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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, 2020:

PFDRP (consolidated with Police and Fire)

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Total OPEB Liability	\$ 838,341	\$ 725,788	\$ 635,556
Plan Fiduciary Net Position	208,532	208,532	208,532
Net OPEB Liability	\$ 629,809	\$ 517,256	\$ 427,024
PFDRP plan fiduciary net position as a percentage of the Total OPEB Liability	24.9%	28.7%	32.8%

FCERS

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total OPEB Liability	\$ 741,089	\$ 649,868	\$ 575,677
Plan Fiduciary Net Position	303,312	303,312	303,312
Net OPEB Liability	\$ 437,777	\$ 346,556	\$ 272,365
FCERS plan fiduciary net position as a percentage of the Total OPEB Liability	40.9%	46.7%	52.7%

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, 2020:

PFDRP (consolidated with Police and Fire)

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 625,628	\$ 725,788	\$ 851,131
Plan Fiduciary Net Position	208,532	208,532	208,532
Net OPEB Liability	\$ 417,096	\$ 517,256	\$ 642,599
PFDRP plan fiduciary net position as a percentage of the Total OPEB Liability	33.3%	28.7%	24.5%

FCERS

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 567,211	\$ 649,868	\$ 751,879
Plan Fiduciary Net Position	303,312	303,312	303,312
Net OPEB Liability	\$ 263,899	\$ 346,556	\$ 448,567
FCERS plan fiduciary net position as a percentage of the Total OPEB Liability	53.5%	46.7%	40.3%

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OPEB Fiduciary Net Position

The City issues the publicly available financial reports that may be obtained from the Office of Retirement Services, 1737 North First Street, Suite 600, San José, CA 95112-4505.

Recognition of Deferred Outflows and Deferred Inflows of Resources for PFDRP and FCERS

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years at June 30, 2020 measurement date)

PFDRP

For the year ended June 30, 2021, the City recognized a negative OPEB expense of \$4,216,000. As of June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

PFDRP (consolidated with Police and Fire)	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 28,397	\$ -
Difference between expected and actual experience	1,905	70,350
Changes in assumptions	23,056	-
Net difference between projected and actual earnings on OPEB plan investments	6,825	-
Total	<u>\$ 60,183</u>	<u>\$ 70,350</u>

The \$28,397,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022.

The City's contribution for the Postemployment Healthcare Plan during the year ended June 30, 2021, was \$28,397,000. This consisted of City contributions in the amount of \$25,382,000, and \$3,015,000 in implicit subsidy.

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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
2022	\$ (11,478)
2023	(21,583)
2024	(6,569)
2025	1,066
	\$ (38,564)

FCERS

For the year ended June 30, 2021, the City recognized a negative OPEB expense of \$46,009,000. As of June 30, 2021, 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	\$ 26,236	\$ -
Difference between expected and actual experience	-	20,556
Changes in assumptions	3,103	9,869
Net difference between projected and actual earnings on OPEB plan investments	21,396	-
Total	\$ 50,735	\$ 30,425

The \$26,236,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022.

The City's contributions for the Postemployment Healthcare Plan during the year ended June 30, 2021, was \$26,236,000. This consisted of City contributions in the amount of \$20,949,000, and \$5,287,000 in adjustments and accruals.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ (7,588)
2023	(7,034)
2024	5,298
2025	3,398
	\$ (5,926)

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B. Commitments and Contingencies

1. Norman Y. Mineta San José International Airport

Purchase Commitments and Capital Outlay Projections. As of June 30, 2021, the Airport was obligated for purchase commitments of approximately \$23.5 million primarily for the parking revenue control system upgrade, Aircraft Rescue and Fire Fighting (ARFF) Facility, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately \$221.3 million on construction related capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, CP proceeds, and other Airport revenues.

Master Plan. In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and a total of 184,000 annual aircraft operations, and includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

Phase I of the Master Plan's Terminal Area Improvement Program (TAIP) was substantially completed in 2010. The Phase I improvements included nine new airline gates and approximately 366,000 square feet of terminal space in a new Terminal B; improvements to existing Terminal A, including new ticketing facilities, in-line baggage system, security checkpoint, and concession space; the demolition of the original Terminal C; design and construction of a Consolidated Rental Car Facility (ConRAC); and realignment and improvement of existing terminal roadways and parking facilities. The Phase I program also included preliminary design of certain TAIP Phase II projects. On the airfield, the build-out of the Airport's two commercial runways (12R/30L and 12L/30R) to 11,000 x 150 feet was completed in 2004, allowing the Airport to regularly serve takeoffs and landings by all domestic and most international commercial airline aircraft. Airfield project construction since 2004 has consisted of improvements to taxiways, aircraft parking aprons, and navigational aids to increase efficiency and compliance with current FAA airfield design standards.

TAIP Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of fourteen (14) additional airline gates plus a new parking garage. Eight of those 14 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. 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

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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.

The only Master Plan construction project underway at the time of this report is a new larger ARFF Facility, partially funded by the FAA, on an existing vacant site on the southwest side of the Airport (to replace the smaller, 1960s-era ARFF Facility located on the southeast side of the Airport). A landside fire station component was added to the project to meet the needs of the local community. In November of 2018, the City received a voter authorization of up to \$650 million of general obligation bonds for various public improvements ("Measure T"), intended to address some of the City's most critical infrastructure needs. This portion of the project is funded by Measure T.

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 over a seven year period beginning in FY 2013 and ending in FY 2019. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 2016, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs.

On May 3, 2018, the City received a letter from the FAA in which the FAA requested a copy of the City's FY 2017 indirect cost allocation plan to substantiate indirect charges to the Airport to finalize the FAA's financial compliance review. The City responded to the FAA on July 20, 2018 with copies of the requested information and clarified actions taken by the City to date to implement the FAA's recommendations. The City cannot predict the final outcome of the audit.

Potential Claim from FAA Regarding Reuse of Guadalupe Gardens. In early 2002, the City Council approved a Master Plan for Guadalupe Gardens, consisting of approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and the FAA grant agreements consequently

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required FAA approval of any planned City-use of the properties acquired with grant proceeds. By letter dated August 9, 2002, addressed to the City's Director of Aviation, the FAA San Francisco Airport District Office (ADO) approved the City's Master Plan for reuse of Guadalupe Gardens for runway and approach protection, and the City finalized the Master Plan in reliance upon the FAA approval.

During discussions regarding proposals to develop certain portions of the Guadalupe Gardens, the FAA has taken the position that the City must dispose of any portion of the Guadalupe Gardens that is no longer needed for noise compatibility purposes. Citing provisions of federal law that require recipients of FAA grants for acquisition of land for noise compatibility purposes to dispose of any such acquired land when no longer needed by the airport owner for noise compatibility purposes, the FAA contends that the FAA ADO erred in its 2002 approval of the Guadalupe Gardens Master Plan and that the City is obligated to prepare an inventory of the Guadalupe Gardens to identify those parcels that were acquired by the City with noise compatibility grant proceeds. This inventory would then be used to prepare for FAA review and approval of a disposition plan for those parcels no longer needed by the City for noise compatibility. Proceeds of the sale of the parcels proportionate to the FAA grant share of the original purchase price would be required to be used for other approved noise compatibility projects at the Airport or returned to the FAA.

The City believes that it has viable defenses to any potential claim by the FAA with regard to Guadalupe Gardens. The FAA ADO's 2002 approval of the Guadalupe Gardens Master Plan constituted an official FAA approval of the City's reuse of the parcels acquired with proceeds from FAA noise compatibility grants, and the approval expressly provides that the entire Guadalupe Gardens is necessary for the continuing aeronautical purpose of runway and approach protection. Having received official FAA approval of its reuse of the parcels, the City believes it is under no obligation to take any further action to secure further FAA approval of its continuing use of the Guadalupe Gardens. However, the City cannot predict the final outcome of any such potential claim by the FAA.

FAA Inquiry Regarding Encampments in Guadalupe Gardens. On February 1, 2021, the Director of Aviation received a letter from the FAA Western-Pacific Region Office of Airports regarding encampments of homeless persons in the Guadalupe Gardens. Guadalupe Gardens is approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and these FAA grants include certain restrictions ("Grant Assurances") on the City's use of the Guadalupe Gardens properties.

In its letter, the FAA asserts that the presence of encampments of homeless persons in the Guadalupe Gardens is: (a) inconsistent with the Grant Assurances that were a condition of the FAA grants that the City received to acquire the Guadalupe Gardens properties; and (b) contrary to the City's Airport Noise Compatibility Plan ("ANCP"), both of which prohibit transient and permanent residential uses in the Guadalupe Gardens.

The City does not dispute that encampments of homeless persons in the Guadalupe Gardens is a use of the Guadalupe Gardens properties that is incompatible with the FAA Grant Assurances and with the City's ANCP. The FAA requested and the City provided a Corrective Action Plan to remove and relocate the encampments of homeless persons from the Guadalupe Gardens on March 11, 2021. Additional information can be found in the Subsequent Events section.

Federal Aviation Administration Inquiry Regarding Chick-fil-A. The City Council approved a Chick-fil-A subconcession at the Airport on March 6, 2018, as part of its approval of the Fourth Amendment to the Host Food and Beverage Agreement. Chick-fil-A does not have a direct contractual relationship with the City. Rather, Host operates the Chick-fil-A concept at the Airport as

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a licensee. On April 9, 2019, the City Council approved an amendment to the Host Food and Beverage Agreement that extended the termination date from June 30, 2026 to June 30, 2028. However, the City Council limited the additional two-year extension term only to those Airport concession locations operated by Host that are open 7-days each week. All owned and licensed Chick-fil-A locations, including the Airport location, are closed on Sundays. The City Council approved this limitation after hearing concerns from community members that the owners of Chick-fil-A have made donations to and supported certain organizations that oppose equal rights and protections for the LGBTQ+ communities. The City Council also directed Airport staff to display the Rainbow and Transgender flags at the Airport terminals to show the City's support for those communities.

On January 22, 2020, the Director of Aviation received a Notice of Investigation from the FAA Office of Civil Rights. The FAA is investigating a complaint received by the FAA that alleges discrimination against Chick-fil-A, "because of the expression of religious beliefs by the owner of the company." The complainant, whose identity has been withheld by the FAA, contends that the City has discriminated against Chick-fil-A for its "perceived religious and ideological convictions" and that this "discrimination" is in violation of federal law. The complainant is requesting that the FAA withhold further grant funding to the City pending its investigation.

The City responded to the FAA Notice of Investigation by letter dated May 21, 2020. In addition to responding to specific questions from the FAA regarding this matter, the City requested the FAA to find that there is no basis for the complaint and to close its investigation. The City believes that it has viable defenses to any potential enforcement action by the FAA regarding this complaint. Additional information can be found in Subsequent Events section.

2. San José – Santa Clara Regional Wastewater Facility

Plant Master Plan. In November 2013, the City Council approved the Plant Master Plan ("PMP"), a 30-year planning-level document focused on long-term rehabilitation and modernization of the Plant. The PMP recommends more than 114 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2 billion. On September 24, 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the City in developing and implementing this Capital Improvement Program ("CIP"). On June 2, 2015, a funding strategy was recommended to and approved by the City Council. An update to the strategy was approved by the City Council on January 12, 2016. For the next five years, the City's portion of the funding for the San José-Santa Clara Regional Wastewater Facility ("Plant") Adopted CIP is programmed into the City's 2021-2025 CIP budget. The City's FY 2021 approved operating budget did not require a rate increase in the Sewer Service and Use Charge rate for FY 2021.

Revenues for the 2021-2025 Adopted CIP are derived from several sources: utilization of available resources from the City of San José Sewer Service and Use Charge and Sewage Treatment Plant Connection Fee; contributions from the City of Santa Clara and other tributary agencies for the treatment of sewage from their respective jurisdictions by the Plant; interest earnings; Calpine Metcalf Energy Center Facilities repayments; federal grants from the U.S. Bureau of Reclamation; and issuance of notes from credit facility.

Pursuant to an agreement executed between San José and Santa Clara in 1959 (the "1959 Agreement"), San José is co-owner and administering agency of the Plant. The Plant also provides wastewater treatment services to other neighboring agencies through five outside user agreements ("Master Agreements") with City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and CSD 2-3 (the "Tributary Agencies"). Contributions from the City of Santa Clara and the Tributary Agencies are made pursuant to agreements with each agency based on the anticipated operation and maintenance, and capital budget. The Tributary Agencies'

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proportional contribution for the operation and maintenance cost is based on the amount and characteristics of the sewage discharged into the Plant. Each Tributary Agency's capital contribution is based on each agency's contractual capacity in the Plant. The balance of the Plant budget is shared between the cities of San José and Santa Clara based on the respective City's assessed property value relative to the total assessed property value in both jurisdictions. In the 2021-2025 Adopted CIP, contributions from the City of Santa Clara and other agencies are approximately \$241,500,000.

Currently, a short-term financing has been put into place (see Note III.F.10) and staff has developed a long-term bond financing plan for San José's share of the CIP's cost. The City plans to gradually build required operating reserves in anticipation of securing long-term bonds independently. The 2021-2025 Adopted CIP assumes the issuance of long-term bonds in 2022-2023 and the establishment of a second interim financing facility in 2023-2024. In addition, the City continues to build the operating reserves needed for issuing long-term bonds. Refunding may occur in FY 2022 depending on new CIP projections and market conditions.

On January 22, 2016 and September 7, 2016, the City, as the administering agency, received claims from all Tributary Agencies alleging a breach of contract and inequity under the Master Agreements. The Master Agreements require that any allegation of breach of contract or inequity ("Claim") be filed with the legislative bodies of the agencies that committed the alleged breach, and with the Treatment Plant Advisory Committee ("TPAC"). TPAC is an advisory body, comprised of representatives of the City, Santa Clara and three of the Tributary Agencies that was established by the Master Agreements to provide policy and budget guidance to the City, as the Plant's administering agency. TPAC conducted two administrative hearings, on March 24, 2016 and September 7, 2016, regarding each claim and issued reports as required by the Master Agreements. The Tributary Agencies disagreed with the reports and the parties attempted the mediate the Claims but were unable to reach a resolution. All parties agreed to waive the hearings before the joint legislative bodies.

The Tributary Agencies filed a complaint against the City and Santa Clara on March 23, 2018. The allegations in the complaint are substantially similar to the claims raised and heard through the administrative hearing process. The Tributary Agencies allege the City breached their respective contracts, which set the terms for treating the Agencies' wastewater by, among other allegations, charging them for expenditures they allege the contracts do not authorize and concealing how the funds 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 support of their allegations.

The City filed and served a cross-complaint against each Tributary Agency seeking declaratory relief from the court as to each of the causes of action alleged by the Tributary Agencies in their complaint. The Tributary Agencies have fully paid their portion of the capital cost for the projects to rehabilitate the Plant to date. The City cannot predict the outcome or the timeline for resolution of this litigation. Discovery in the case is ongoing, and a trial date has been set for January 2023.

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

The SBWR distribution system includes approximately 60 miles of pipe, a four million-gallon reservoir, a transmission pump station, and two booster pump stations. These facilities were constructed

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between 1996 and 1998 at a capital cost of approximately \$140,000,000 funded by the tributary agencies, grants, and bond proceeds.

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

In FY 2016, the City and the Santa Clara Valley Water District (“SCVWD”) accepted a report that had been commissioned by both the City and the SCVWD related to SBWR, entitled: “South Bay Water Recycling Strategic and Master Planning (“Strategic Report”). The Strategic Report contemplates near term projects (fiscal years 2017 to 2021) at an estimated cost of \$49 million and long-term improvements and expansion of the existing system (fiscal years 2020 to 2035) at an estimated cost of \$243.2 million for long-term nonpotable reuse projects and an additional \$522 million for long-term potable use projects. No specific plan for the development or source of financing of the other near-term improvements, nor the long-term improvements identified in the Strategic Report has been developed to date. Further, the responsibility for the development of the long-term improvements has not been established and may involve the formation of a separate entity responsible for the oversight and funding of these improvements.

Recycled Water Facilities and Programs Integration Agreement between the City of San José and the Santa Clara Valley Water District (“SCVWD”). The City and the SCVWD entered into an agreement on March 2, 2010 (“Integration Agreement”) to collaborate on design, construction and operation of an advanced treated recycled water facility and related facilities now called the Silicon Valley Water Treatment Facility (“SVWTF”). In 2003, the City and SCVWD began collaborating on design, construction and operation of an advanced treated recycled water facility and related facilities, to be located on lands owned by the Plant, in order to demonstrate the treatment capability of a local facility to produce highly purified water that could be blended with existing recycled water to expand irrigation and industrial uses. The City, as the administering agency for the Plant, and the SCVWD desired to financially support the production and use of recycled water in Santa Clara County consistent with each party’s separate and distinct interests: for wastewater treatment and disposal for the City, and water quality and supply for the SCVWD, as well as to coordinate and cooperate to achieve the most cost effective, environmentally beneficial utilization of recycled water to meet both agencies’ needs. The term of the Integration Agreement is from July 1, 2010 through June 30, 2050, and co-terminus with the Ground Lease and Property Use Agreement between the City and SCVWD for construction and operation of the SVWTF on Plant lands.

SCVWD and the City agreed to capital investment towards the construction of the SVWTF in the amount of \$70,000,000 and \$11,000,000, respectively, as of the date of the signed agreement on March 2, 2010. SCVWD determines the operational and maintenance budget for the SVWTF and operates the facility. Separate formulas were established to determine each party’s respective share of the annual operation and maintenance cost for the SVWTF following the first full fiscal year the SVWTF becomes 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

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the second 50% divided between the two agencies based on their respective capital investment in the recycled water infrastructure. As of June 30, 2021, 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, 2021 is \$65,535,000. During the most recent SBWR operating year ended June 30, 2020, an operating profit of \$5,437,000 was realized. This amount was shared with the SCVWD, City of San Jose, City of Santa Clara, and the Tributary Agencies per the terms of the Integration Agreement.

Under the Integration Agreement, commencing in January 2016, the City and SCVWD are to provide the other agency with audited financial statements for the prior fiscal years for the operation of the SBWR and the SVWTF. Since the definition of net operating cost and revenue under the Integration Agreement excludes certain costs and revenues that might otherwise be considered in either party's overall budget, each party must prepare a separate statement following the publication of each party's annual audited financial statements, to establish each party's respective cost share for the operation of the SVWTF. The City and SCVWD have each provided the other with its audited financial statements for the operations of the SBWR and the SVWTF, respectively, for the FY 2016, FY 2017, and FY 2018, FY 2019, and FY 2020 with no adjustment to share cost. In January 2022, the audit report for the sixth year of full operations for the year ended June 30, 2021 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 2021 is \$24,693,000. San Francisco will collect the surcharge and send the amount to BAWSCA for payment to bond holders. The annual surcharge for each agency is based upon the actual wholesale water purchase percentage from the last full year for which date is available with an annual reconciliation based upon the actual water purchased. A true-up adjustment based on the actual year ended June 30, 2019 water use is included in the FY 2021 bond surcharge.

The City's annual bond surcharge for FY 2021 was estimated to be \$820,000 based the City's actual wholesale water use in the year ended June 30, 2019. The surcharge is on the San Francisco wholesale water bill and is accounted for by the City as operational costs.

The current best projection on the City's annual surcharge for FY 2022 is \$720,000, based upon wholesale water use in the year ended June 30, 2020.

4. Retirement Systems – Unfunded Commitments

As of June 30, 2021, PFDRP had unfunded commitments to contribute capital for investments in the amount of \$360,933,000. FCERS had unfunded commitments to contribute capital for investments in the amount of \$176,789,000.

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5. Federal Financial Assistance Programs

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

Although the City’s grant programs are audited in accordance with the provisions of the Single Audit Act of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance, for the year ended June 30, 2021, 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.

6. State Tax Revenue

The City was recently informed by the State of California that a portion of the City’s previous and current tax revenues could be significantly lower. While the City disputes and will appeal the State’s initial determination, this action could negatively impact the City’s General Fund outlook in the short and long-term. Although the appeal process is likely to extend beyond next fiscal year, the City is planning to budget for the potential loss in the ongoing revenue for 2021-2022 and begin to put resources in place over the next year to be in a better position to absorb any loss.

7. 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, 2021, total governmental fund encumbrance balances for the City are as follows (in thousands):

General Fund	\$ 70,542
Housing Activities	22,405
Low and Moderate Income Housing Asset	22,491
Special Assessment Districts	415
San José Financing Authority Debt Service	1
Nonmajor Governmental Funds	<u>93,324</u>
Total governmental funds	<u>\$ 209,178</u>

8. 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

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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.

9. 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:
 - o Identify and design \$25,000,000 in total projects by September 2024;
 - o Award \$25,000,000 in total projects by September 2025;
 - o Identify and design an additional \$10,000,000 (\$35,000,000 in the aggregate) in total projects by September 2025;
 - o Award an additional \$10,000,000 (\$35,000,000 in the aggregate) in total projects by the termination date of the consent decree; and
 - o 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

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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. Also, by December 31, 2020, the City was required to obtain funding to implement the green infrastructure projects. If not, Baykeeper may terminate the Consent Decree and resume litigation against the City. The Consent Decree provides for ongoing oversight by Baykeeper and a dispute resolution process. The Consent Decree specifies limits on Baykeeper's ability to pursue additional litigation against the City during its 10-year term and caps Baykeeper 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. On August 10, 2018, the City Council placed Measure T on the ballot, which authorized up to \$650 million of general obligation bonds for various public improvements, including those that would prevent flooding and water contamination. At the November 2018 election, voters approved Measure T by more than two-thirds margin. Some of the green infrastructure improvements required by the Baykeeper Consent Decree are eligible for funding under Measure T. However, there are a number of different types of improvements that are eligible for funding under Measure T, including an allocation of at least \$300 million for street improvements. The City Council approved \$25 million of the potential Measure T funds to be allocated for clean water projects, including green infrastructure improvements, but is unable to predict the amount of Measure T funding that will be appropriated to the green infrastructure improvements. In any event, there are Consent Decree obligations that would be ineligible for funding from general obligation bond proceeds and staff continues to assess additional 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, and contains a \$1.49 billion estimate for illustrative purposes to demonstrate the proportional costs among project types. However, 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. On September 10, 2019, City Council approved the GIP, outlining green infrastructure projects, including regional and green street projects. The preparation of the GIP met both obligations under the Consent Decree and the City's Stormwater Permit. The current Stormwater Permit does not require construction of any projects. However, the tentative order for the new Stormwater Permit (effective July 1, 2022) includes requirements for green infrastructure sufficient to treat 10 acres, which the City likely will be able to meet based on the existing projects and the schedule in the Consent Decree.

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The City is not able to predict the projects that will ultimately be approved or whether they will be funded for the GIP.

10. San José Clean Energy

San José Clean Energy – CPUC Citation. The California Public Utilities Commission (“CPUC”) adopted a Resource Adequacy (“RA”) policy framework in 2004 in an effort to ensure the reliability of electric service in the State. In particular, the RA policy framework is designed to ensure that CPUC jurisdictional Load Serving Entities, such as SJCE, have sufficient capacity to meet their peak load with a 15% reserve margin. The City has paid two CPUC citations assessed against the City for failing to procure RA in amounts sufficient to satisfy the 2019 (\$6.8 million) and 2020 (\$1.1 million) RA requirement. See Subsequent Events section for more information on a third citation issued in October 2021. Other than the third citation issued in October 2021, the City cannot predict if the CPUC will issue future citations.

11. Workers’ Compensation Program

The City is self-insured for workers’ compensation, with all claims administered by third party administrator Intercare Holdings Services, Inc. (“Intercare”). Every year, the City reviews a five-year forecast for worker’s compensation expenditures based on the prior year payout. Based on this review, the City’s budget for 2020-2021 is \$21.0 million and the budget for 2021-2022 is \$21.2 million.

The City entered a three-year agreement with Intercare beginning July 1, 2019, to provide comprehensive workers’ compensation services including claims administration services, bill review, utilization review, medical case management, and other ancillary services at a total compensation not to exceed \$15,964,000 based on an estimated caseload of 2,330 to 2,850 claims. As of June 30, 2021, the open claims inventory handled by Intercare was 2,489.

As of June 30, 2021, open claims data for Intercare were at 2,489. The total number of open claims has been reduced (by approximately 1%) since June 30, 2020 when the open claim inventory was 2,508.

The City is required to submit to the State a Public Annual Report. The Public Annual Report completed jointly with Intercare describes: (1) claims paid in indemnity and medical, (2) future liability on open claims, and (3) a list of all open indemnity claims. The annual report for FY 2021 was submitted by the September 30, 2021 deadline.

12. Tax Abatement

As of June 30, 2021, the City provides two tax abatement programs - the Storefronts Assistance Grant Program and the Downtown High-rise Incentive Program:

Storefronts Assistance Grant Program is an incentive program designed to enhance or enliven storefronts in the City. There are two types of grants: Vacant Storefront Grants reimburse businesses for City permit fees and taxes; Existing Storefront Grants reimburse businesses for City fees and permits, plus furnishings, fixtures, equipment and materials related to exterior improvements (no labor is eligible). The City Council approved the implementation of the program in 2013, and through the budget process, City Council allocated up to \$215,000 to reimburse eligible businesses for City permit fees and taxes in FY 2020-2021.

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, 2020, the Downtown High-Rise Residential Incentive Program suspends 50% of

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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. This program is available for new construction of residential buildings of at least twelve (12) stories in height in the Downtown Planned Growth Area.

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Storefronts Assistance Grant Program	\$ 48
Downtown High-Rise Residential Incentive Program	848

13. COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 (“COVID-19”) and local, state, and federal actions in response to COVID-19, is having a significant impact on the economy and on the City’s operations and finances. On February 11, 2020, the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel, and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to a stark increase in unemployment across the County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be significant for the City and the region’s economy. On June 8, 2020, the National Bureau of Economic Research announced that the United States of America (the “U.S.”) officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

The COVID-19 pandemic has materially adversely impacted the financial condition of the City. Previous, existing, and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment, with corresponding decreases in City revenues, as described below.

Since mid-March 2020, based on guidance and directives from the State and public health agencies, all counties in the Bay Area (including the County) implemented and revised Shelter-in-Place (“Shelter-in-Place”) emergency orders or directives, which directed individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place orders or directives. The Governor of the State announced similar Shelter-in-Place emergency orders effective for the entire State. On August 28, 2020, the State released guidance (referred to as the “Blueprint for a Safer Economy”) regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each county.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. On June 15, 2021, the State moved beyond the Blueprint for a Safer Economy and all Shelter-in-Place orders or directives in the State were terminated. As a result, effective June 15, 2021, capacity limits, physical distancing requirements, and certain mask requirements for individuals who are fully

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vaccinated were terminated. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, have remained in certain business settings and for certain industries.

On June 21, 2021, the Health Officer and Director of Public Health for the County announced that, unless they show symptoms, fully vaccinated employees did not need to be offered testing for COVID-19 or be excluded from work after close contact with a COVID-19 person. The announcement was made considering newly adopted workplace regulations issued by the California Department of Industrial Relations, Division of Occupational Safety and Health (“Cal/OSHA”). Under the new Cal/OSHA regulations, an employee was considered “fully vaccinated” if the employer has documentation reflecting that the employee completed their vaccination series at least 14 days prior.

Financial Impact on City. As of June 30, 2021, the City was awarded and/or appropriated \$801.6 million in federal, state and local grants and relief funding, including approximately \$178.3 million of Coronavirus Relief Fund (“CRF”) money under the Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) and \$212.3 million of American Rescue Plan funding, to address the impact of the COVID-19 pandemic.

On March 11, 2021, the President of the United States signed the American Rescue Plan, a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The American Rescue Plan includes \$350 billion in unrestricted economic relief to states, counties, and local governments. On May 10, 2021, the U.S. Treasury Department released interim guidance for use of the American Rescue Plan funds, and specifically authorized, among other things, the use of funds to help offset revenue shortfalls caused by the pandemic. The City estimates it will receive a total of approximately \$212.3 million in funding under the American Rescue Plan. On May 19, 2021, the City received \$106.1 million (\$1.7 million and \$104.4 million were recognized as grant revenue and unearned revenue, respectively) of such funds and anticipates receiving the second installment in 2022 approximately one year after the first.

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery, including the length of time social distancing measures are in place, the effectiveness of state and federal governments’ relief programs and the timing for the containment and treatment of COVID-19. The ultimate impact of COVID-19 on the City’s operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known.

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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, 2021 (in thousands):

Cash & Investments	Amount
Cash and Investments	\$ 4,470
Restricted Cash and Investments	120,346
Total Cash and Investments	\$ 124,816

A summary of SARA's cash and investments at June 30, 2021 is as follows:

	Moody's Credit Rating	Maturity (in Days)			Balance at June 30
		Under 30	31-180	181-365	
Investments:					
LAIF	Not rated	\$ -	\$ -	\$ 4,184	\$ 4,184
Money Market Mutual Fund	Aaa	120,346	-	-	120,346
Subtotal Investments					124,530
Bank Deposits					286
Total Cash and Investments					\$ 124,816

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

The SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Money Market Mutual Funds and LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The SARA's investments in Money Market Mutual Funds and LAIF are not subject to the fair value hierarchy.

2. Capital Assets Held by SARA

The following is a summary of capital assets activity for the year ended June 30, 2021 (in thousands):

	July 1, 2020	Addition	Disposal	Transfer	June 30, 2021
Capital Assets, Not Being Depreciated:					
Land	\$ 2,077	\$ -	\$ -	\$ -	\$ 2,077
Total Capital Assets, Not Being Depreciated	2,077	-	-	-	2,077
Capital Assets, Being Depreciated:					
Buildings	1,071	-	-	-	1,071
Less Accumulated Depreciation:					
Buildings	375	27	-	-	402
Total Capital Assets, Being Depreciated, net	696	(27)	-	-	669
Total Capital Assets, net	\$ 2,773	\$ (27)	\$ -	\$ -	\$ 2,746

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On August 27, 2015, the Oversight Board approved a revised Asset Disposition Schedule for the non-governmental purpose properties listed on the Long Range Property Management Plan (“LRPMP”), and approved the Disposition Process For Sale of Properties, which requires the sale of assets either through an open and competitive solicitation process or through a direct sale to the affected taxing entities or a non-profit organization. Additional amendments to the Asset Disposition Schedule were approved by the Oversight Board on January 14, 2016, April 28, 2016, October 27, 2016, and April 13, 2017.

3. Summary of SARA’s Long-Term Debt

The following is a summary of long-term debt of the SARA as of June 30, 2021 (in thousands):

Type of Indebtedness	Purpose	Original		Maturity Date	Interest		June 30, 2021 Balance
		Issue Amount	Issue Date		Rate Range	Annual Principal Installments	
Senior Tax Allocation Bonds:							
2017 Refunding Bonds Series A	Refunding - merged area projects	\$ 79,825	12/21/2017	8/1/2035	5.00%	\$0 - 53,810	\$ 79,825
2017 Refunding Bonds Series A-T	Refunding - merged area projects	1,333,325	12/21/2017	8/1/2034	1.90-3.38%	\$32,910 - 93,735	1,104,980
Total Senior Tax Allocation Bonds							<u>1,184,805</u>
Subordinate Tax Allocation Bonds:							
2017 Refunding Bonds Series B	Refunding - merged area projects	264,390	12/21/2017	8/1/2029	2.00-5.00%	\$7,820 - 29,835	198,765
Total Subordinate Tax Allocation Bonds							<u>198,765</u>
Total Long-Term Debt							<u>\$ 1,383,570</u>

A summary of the changes in long-term debt and other obligations for the year ended June 30, 2021 follows (in thousands):

	June 30, 2020	Additions	Reductions	June 30, 2021	Amount Due Within	
						One Year
Senior Tax Allocation Bonds:						
2017 Refunding Bonds Series A	\$ 79,825	\$ -	\$ -	\$ 79,825	\$ -	-
2017 Refunding Bonds Series A-T	1,177,030	-	(72,050)	1,104,980	73,675	73,675
Subtotal Senior Tax Allocation Bonds	<u>1,256,855</u>	-	<u>(72,050)</u>	<u>1,184,805</u>	<u>73,675</u>	<u>73,675</u>
Subordinate Tax Allocation Bonds:						
2017 Refunding Bonds Series B	219,965	-	(21,200)	198,765	22,265	22,265
Subtotal Subordinate Tax Allocation Bonds	<u>219,965</u>	-	<u>(21,200)</u>	<u>198,765</u>	<u>22,265</u>	<u>22,265</u>
Subtotal Long-Term Debt before Unamortized Issuance Premium (Discount), Net	1,476,820	-	(93,250)	1,383,570	95,940	95,940
Issuance Premium (Discount), Net	40,616	-	(4,205)	36,411	4,204	4,204
Total Long-Term Obligations	<u>\$ 1,517,436</u>	<u>\$ -</u>	<u>\$ (97,455)</u>	<u>\$ 1,419,981</u>	<u>\$ 100,144</u>	<u>\$ 100,144</u>

RPTTF revenue distributed by the County to the SARA in FY 2021 was \$142,333,000 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 2021, total RPTTF revenue collected by the County was \$377,216,000. After payment of County Administrative fees totaling \$3,138,000, the balance is distributed based on the Health and Safety Code unless such payments have been subordinated to payments on the 2017 Bonds, as in the case with all agencies except for the senior pass-through payments due to San Jose Unified School District (\$10,011,000). After meeting obligations to make debt service payments on the 2017 Bonds, subordinated pass-through payments are made to the County (\$47,093,000), Basic Aid (\$449,000) and other taxing entities (\$33,837,000). With the residual balance (\$140,355,000) distributed to taxing entities.

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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 the 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 principal amount of \$1,677,540,000, in two senior series and one subordinate series. The senior series bonds, collectively known as 2017 Senior Tax Allocation Refunding Bonds, consist of \$79,825,000 of the tax-exempt senior lien 2017 Series A Bonds ("2017A Bonds") and \$1,333,325,000 of taxable senior lien 2017 Series A-T Bonds ("2017A-T Bonds"). The subordinate series bonds, described as 2017 Subordinate Tax Allocation Refunding Bonds, consist of \$264,390,000 of tax-exempt subordinate lien 2017 Series B Bonds.

Proceeds of the 2017 Refunding Bonds were used to (i) redeem and defease or prepay 23 series of Successor Agency Senior and Subordinate Tax Allocation Refunding Bonds, the 4th and San Fernando Parking Facility Pledge Agreement entered into in connection with the Financing Authority's Series 2001A Bonds and the Second Amended and Restated Reimbursement Agreement entered into in connection with the Financing Authority's Series 2001F and 2001G Bonds (paid in full in September 2018), and (ii) pay the costs of issuing the 2017 Refunding Bonds, including the cost of debt service reserve insurance policies. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction) and the net carrying amount of the Refunded Obligations. This difference was reported as deferred outflows of resources in the statement of fiduciary net position and is being amortized over the next 15 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, less certain County administrative fees and the AB1290 statutory pass-through payment to the San José Unified School District and excluding the amounts collected pursuant to the pension override or State Water Project override provisions of the Redevelopment Dissolution Law. 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.

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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. 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.

A separate municipal bond debt service reserve policy issued by Build America Mutual Assurance Company (“BAM”) was 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 is in the amount of \$112,102,000, which is equal to the Senior Bonds Reserve Requirement under the 2017 Indenture. The 2017 Subordinate Bonds Reserve Policy is in the amount of \$30,978,000, which is equal to the Subordinate Bonds Reserve Requirement under the 2017 Indenture.

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 and (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 and (ii) August 1, 2029. Per the terms of the 2017 Indenture, the SARA is not obligated to replace either reserve policy or to fund either reserve account with cash if, at any time that the 2017 Senior Tax Allocation Refunding Bonds or 2017 Subordinate Tax Allocation Refunding Bonds are outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of BAM is downgraded, suspended or withdrawn.

The 2017 Senior Tax Allocation Refunding Bonds are rated “AA” by S&P and Fitch and the 2017 Subordinate Tax Allocation Refunding Bonds were rated “AA-” by S&P and Fitch.

2017 Senior Tax Allocation Refunding Bonds - The 2017 Senior Tax Allocation Refunding Bonds were issued in two series – the tax-exempt 2017A Bonds and the taxable 2017A-T Bonds, with a parity senior lien on Tax Revenues. The 2017A Bonds are structured as two serial maturities in 2034 and 2035; both maturities bear interest at 5% per annum. The 2017A-T Bonds are structured as serial maturities in 2018 through and including 2029 and a term bond of \$361,845,000 maturing in 2034 with 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 2017A-T Bonds are subject to call 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 nearly \$544,790,000 in principal subject to call. The total debt service payments on the 2017 Senior Tax Allocation Refunding Bonds was \$111,285,000 for the year ended June 30, 2021. The principal and interest remaining on the 2017 Senior Tax Allocation Refunding Bonds as of June 30, 2021 is \$1,485,794,000.

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 callable 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

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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 \$31,668,000 for the year ended June 30, 2021. The principal and interest remaining on the 2017 Subordinate Tax Allocation Refunding Bonds as of June 30, 2021 is \$239,296,000.

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; (iii) bankruptcy or similar debtor relief proceedings. In the event of default, 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 or the 2017 Subordinate Tax Allocation Refunding Bonds, as applicable, shall, subject to the provisions of the 2017 Indenture, exercise any remedies available to the Trustee in law or at equity. The 2017 Indenture does not provide for acceleration of payment of the 2017 Refunding Bonds. The 2017 Indenture, however, provides for application of Tax Revenues upon an event of default in the order of priority set forth in the 2017 Indenture.

Tax Sharing Agreement with the County of Santa Clara - Prior to 1994, the Redevelopment Law authorized redevelopment agencies to enter into tax sharing agreements with school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. In 1983, the Agency and County entered into a tax sharing agreement ("Original Agreement") under which the Agency would pay a portion of tax increment revenue generated in the Merged Area ("County Pass-Through Payment"). On December 16, 1993, the Agency, the County, and the City entered into a settlement agreement, which continued the County Pass-Through Payment.

On May 22, 2001, the County, the City and the Agency approved an Amended and Restated Agreement ("Amended Agreement"), which amended and restated the Original Agreement in its entirety. In addition to the continued Pass-Through Payment, the Amended Agreement delegated to the County the authority to undertake redevelopment projects in or of benefit to the Merged Area, and required the Agency to transfer funds to the County to pay for such projects ("Delegated Payment"). Until June 30, 2004, the Delegated Payment was equal to the County Pass-Through Payment. After January 1, 2004, 20% of the proceeds of any debt secured by the Agency's Tax Increment Revenues (excluding bonds payable from Housing Set-Aside and refunding bonds) was required to be paid to the County as the Delegated Payment.

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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, 2021, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30	Principal	Interest
2022	\$ 95,940	\$ 46,890
2023	98,880	43,842
2024	102,035	40,555
2025	105,455	37,023
2026	109,100	33,262
2027-2031	518,155	108,322
2032-2036	354,005	31,626
Total	\$ 1,383,570	\$ 341,520

4. Commitments and Contingencies Related to SARA

Risk Management

The SARA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities for which the SARA carries a property insurance policy, or is self-insured. Claim expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated using actuarial methods or other estimating techniques. The technique to estimate claims is based on many complex factors, such as inflation, changes in legal doctrines, past settlements, and damages awarded. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimated claims liability will include amounts of incremental claims adjustment expense related to specific claims.

The SARA does not have any claims liabilities outstanding at June 30, 2021.

Contractual Commitments

At June 30, 2021, the SARA had \$2,622,000 for contractual obligations and commitments.

Leases

The total rent expense for operating leases during the year ended June 30, 2021 was \$30,000.

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D. Subsequent Events

1. 2021 Tax and Revenue Anticipation Notes

On July 1, 2021, the City issued a \$285,000,000 short-term note (the “2021 Note”) to facilitate the prefunding of employer retirement contributions in FY 2022. Initially, \$142,500,000 in principal amount of the 2021 Note will bear interest at a fixed rate of 0.370% per annum, and the remaining \$142,500,000 in principal amount of the 2021 Note will bear interest at a variable rate. The 2021 Note was sold in a direct placement to Bank of America, N.A. Security for repayment of the 2021 Note is a pledge of the City’s FY 2022 secured property tax plus all other legally available General Fund revenues available to the City, if required. The interest expense for the 2021 Note is estimated to be \$981,000, and costs associated with the financing were \$105,000, resulting in a total projected cost of borrowing at approximately \$1,086,000. The 2021 Note matures and is payable in full on June 30, 2022.

2. City of San José General Obligation Bonds

On July 29, 2021, the City issued \$200,530,000 of General Obligation Bonds, consisting of Series 2021A (in the principal amount of \$151,210,000), Series 2021B (federally taxable, in the principal amount of \$8,450,000) and Series 2021C (federally taxable, in the principal amount of \$40,870,000) (collectively, the “2021 GO Bonds”). The 2021 GO Bonds constitute the second round of general obligation bonds issued under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. The 2021 GO Bonds are secured by a pledge of the City to levy ad valorem property taxes 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 events of default under the Fiscal Agent Agreement for the 2021 GO Bonds are as follows: (i) failure to pay principal of, or redemption premiums on, any 2021 GO Bond when due; and (ii) failure to pay interest on any 2021 GO Bond when due.

The Fiscal Agent Agreement for the 2021 GO Bonds provides any bondholder with the following remedies upon the occurrence of an event of default: (a) the right, by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents, or employees to perform each and every term, provision and covenant contained in the Fiscal Agent Agreement for the 2021 GO Bonds, 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.

The 2021 GO Bonds were rated Aa1 from Moody’s, AA+ from S&P, and AAA from Fitch with stable outlook. The Fitch rating on the outstanding 2019 GO Bonds was upgraded from AA+ to AAA in connection with Fitch’s rating of the 2021 GO Bonds.

3. City of San José Financing Authority Commercial Paper Program

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

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extensions to the Letter of Credit issued under the Letter of Credit and Reimbursement Agreement or the commitment available under such Letter of Credit and Reimbursement Agreement based on substantially the same terms and conditions for a duration of time that the City Designated Officers deem necessary, advisable or prudent, provided that no such extension shall require an annual fee in excess of 1.00% of the commitment available thereunder.

The amendments to the Amended and Restated Trust Agreement and the Sublease increased the maximum principal amount of Series 2 Notes and Series 2-T Notes that may be outstanding to \$175 million in each case supported solely by the U.S. Bank LOC and reduced the maximum principal amount of Series 1 Notes and Series 1- T Notes that may be outstanding to zero dollars. The amendment to the Reimbursement Agreement with U.S. Bank increased the commitment from U.S. Bank to the aggregate principal amount of \$175 million, extended the stated expiration date of the U.S. Bank's LOC to March 24, 2025. The LOC of U.S. Bank supports only the payment of principal and interest on the Series 2 Notes and Series 2-T Notes. The State Street Letter of Credit was terminated at the election of the City on September 23, 2021. The U.S. Bank's current Commitment Fee was decreased from 0.42% to 0.38%, paid quarterly in arrears. The dealer fee remains at 0.045%. The events of default and remedies remained substantially the same as of the date the State Street LOC was terminated.

San José Clean Energy ("SJCE") Commercial Paper Notes. SJCE's financial condition and cash balances have been adversely impacted by recent market conditions. Such conditions include (i) delays in increases of electricity rates by PG&E (on which SJCE bases its rates), (ii) an increase of 41% in fees assessed by PG&E on SJCE's customers to cover above-market generation costs for legacy energy resources, (iii) an increase in bad debt expense (of three to five times compared to pre-March 2020) due to customer nonpayment as a result of the COVID-19 pandemic, and regulatory changes. The market price of electricity has been adversely impacted as demand for power has outpaced supply as a result of volatility in weather conditions, operational issues experienced by certain nuclear plants that serve the State, and regional drought conditions. As a result of such conditions, as of June 22, 2021, SJCE projected an ending cash shortfall of approximately \$14.7 million for FY 2021 (excluding \$20.0 million cash on deposit in a restricted reserve account pledged as security for the City's obligations under the Credit Agreement). To ensure cash reserves were not fully depleted, the City Council approved in June 2021, SJCE's participation in the City of San José Financing Authority's Commercial Paper program wherein SJCE borrowed \$15.0 million. Participation in the program assisted SJCE to maintain a positive cash balance at the end of a very challenging fiscal year.

On June 22, 2021, the City Council and the Board of Directors of the City of San José Financing Authority ("CSJFA") approved the issuance of the CSJFA's Lease Revenue Commercial Paper Notes ("CP Notes") in an amount not to exceed \$95 million, subject to the satisfaction of certain conditions. The proceeds of the Lease Revenue Commercial Paper Notes are authorized to finance the costs of purchasing power and other operating costs of SJCE. On June 28, 2021, CP Notes were issued in the amount of \$15.0 million to cover the SJCE shortfall. In July, September, and October CP Notes were issued for \$15.0 million, \$6.2 million, and \$5.0 million. As of October 31, 2021, the total amount CSJFA issued in Lease Revenue Commercial Paper Notes for SJCE is \$41.2 million. The City anticipates requesting the CSJFA to issue an additional \$33.8 million in CP Notes potentially totaling \$60.0 million in FY 2022 and \$75.0 million overall.

It is important to note that the projected need for issuances of CP Notes are based on projections that include assumptions regarding market energy prices, regional weather, anticipated changes in PG&E's electricity rates and PCIA. Potential relief from the state CAPP program could have a beneficial impact on SJCE cash balances and reduce the amount of CP Notes issued by the Authority.

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4. Financing Authority – Lease Revenue Bonds

On October 5, 2021, the City conducted a Public Hearing for the approval of the issuance by the City of San José Financing Authority Lease Revenue Bonds, Series 2021A (Fire Department Training Center and Central Service Yard Projects) (the “2021A Bonds”), to finance the acquisition and construction of the public improvements of the City of San José consisting of the Fire Department Training Center and Central Service Yard projects and made a finding of significant public benefit accruing from such financing. The City adopted Resolution No. 80254 approving and authorizing the execution of documents and approving related actions in connection with the issuance by the 2021A, Bonds in the principal amount not to exceed \$30,000,000 and amending Resolution No. 80125 relating to the City of San José Financing Authority Lease Revenue Commercial Paper Notes. The 2021A Bonds, in the amount of \$22,825,000, were issued on November 2, 2021. The proceeds of the 2021A Bonds were used to (i) refinance on a current basis the outstanding Series 2003A Bonds and the related lease payment obligation of the City, (ii) refinance on a current basis certain CP Notes issued to finance and refinance improvements to the Central Service Yard, and (iii) pay the costs of issuing the 2021A Bonds.

The 2021A Bonds received credit ratings of Aa2, AA, and AA from Moody’s, S&P, and Fitch, respectively with stable outlook.

The 2021A Bonds are structured the same as the Financing Authority’s Lease Revenue Bonds 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. The events of default under the Indenture of Trust of the 2021A Bonds and the related lease agreement, and the rights and remedies upon the occurrence and during the continuation thereof under such Indenture and lease are substantially the same as for the Lease Revenue Bonds.

5. Rating Changes

Special Hotel Tax Revenue Bonds – Series 2011 - On July 29, 2021, S&P lowered the rating of the Special Hotel Tax Bonds to A from A+, with a negative outlook due to the impact of COVID-19 on revenues. Moody’s rates Special Hotel Tax Bonds A2, with a stable outlook. The Special Hotel Tax Bonds are not rated by Fitch.

6. Norman Y. Mineta San José International Airport

On July 1, 2021, the Airport opened the Economy Lot 1 parking garage. It added 2,524 available parking spaces, which nearly doubled the spaces available to the public.

On July 28, 2021, the FAA requested and the City provided a revised Corrective Action Plan to remove and relocate encampments of homeless persons from the Guadalupe Gardens, with a schedule for incremental relocation of the encampment inhabitants to alternative sites. The FAA accepted the revised Corrective Action Plan. However, the City cannot predict the actual timing of the encampment’s relocation or the final resolution of this matter with the FAA.

On July 28, 2021, the Director of Aviation met with the FAA to further discuss the issues related to the FAA’s investigation of a complaint that alleges discrimination against Chick-fil-A. The City cannot predict the outcome of any potential enforcement action by the FAA.

On August 3, 2021, Fitch upgraded the ARBs outlook from negative to stable while the rating remained at "A".

On August 19, 2021, the City extended the BofA Reimbursement Agreement through September 10, 2024. BofA extended the issuance of its irrevocable transferable LOC in the stated amount of \$81.7

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million (to cover principal of \$75 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365 day year) that was scheduled to expire on September 10, 2021, unless sooner terminated or extended pursuant to its terms. The facility fee rate in effect changed from 0.35% to 0.40%.

On August 31, 2021, the City conducted a Tax Equity and Fiscal Responsibility Act (“TEFRA”) hearing with respect to the proposed issuance by the City of one or more issues of tax-exempt Series B subordinated commercial paper notes (“Series B Notes”) in an aggregate principal amount not to exceed \$600,000,000 pursuant to a plan of finance in order to provide proceeds to pay or reimburse all or a portion of the costs of acquisition, construction, equipping, financing, reconstruction, development, and modification of airport terminal and ancillary facilities that are included in or are consistent with the Airport Master Plan for the Airport. The City Council adopted Resolution No. 80201 approving, for purposes of Section 147(f) of the Internal Revenue Code of 1986, the issuance of Series B Notes, in an aggregate principal amount together with certain other commercial paper notes not to exceed \$600,000,000 to be issued from time to time, to finance and refinance the facilities at the Airport.

The Airport 2021 ARBs were rated A2 from Moody’s (Stable Outlook), A- from S&P (Stable Outlook), and A from Fitch (Negative Outlook). In August 2021, Fitch revised its outlook from negative to stable on all of the outstanding Airport ARBs, including the Series 2021 ARBs.

The City received an Information Document Request from the Department of the Treasury Internal Revenue Service (the “IRS”) dated September 3, 2021 regarding the San José International Airport Subordinated Commercial Paper Notes, Series A-2 (Non-AMT/Private Activity). The outstanding notes were defeased in October 2018 and the City submitted documentation on October 21, 2021 requesting the IRS close out the inquiry.

On September 14, 2021, the City approved an amendment for All Nippon Airways Co., LTD. (“ANA”) to terminate their Signatory Airline-Airport Lease and Operating Agreement, effective March 31, 2021. ANA will pay the Airport \$458,000, which represents all rents, fees and charges owed by ANA, calculated as though ANA had been operating as a Non-Signatory carrier with the 25% premium from July 1, 2019 through March 31, 2021. A new Airline-Airport Non-Signatory Operating Agreement with ANA will be executed retroactive to April 1, 2021. If ANA resumes service at the Airport under the new Airline-Airport Non-Signatory Operating Agreement prior to July 1, 2022, the City will refund to ANA \$241,000 of the settlement amount paid to the City.

On September 30, 2021, Frontier Airlines discontinued service from the Airport. The passengers that took flights on Frontier Airlines represented 0.7% of the total passengers that traveled through the Airport during FY 2021. The Airport does not believe that the departure of this carrier will have a material impact on the operations or financial results of the Airport.

7. San José Clean Energy

San José Clean Energy – CPUC Citation. On October 13, 2021, SJCE received a citation from the CPUC for failure in satisfying certain State of California month-ahead resource adequacy obligations in the month of September 2021 due to unfavorable market conditions. The City complied and paid the fine in the amount of \$758,000 on November 5, 2021.

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8. Insurance Coverage

Citywide Property Policy

Effective October 1, 2021, the City obtained a new all-risk property policy. Key changes to insurance coverage for the policy period commencing October 1, 2021 include:

- Addition of a Representation of Risk clause which describes the carrier's expectations for the reporting of total insured values

Airport Liability

Effective October 1, 2021, the City obtained a new airport liability policy that enhanced coverage to increase the excess auto liability limits from \$5 million to \$25 million.

Fidelity/Crime Coverage

Effective October 1, 2021, the City obtained a new fidelity/crime policy that enhanced coverage to increase the limits from \$100,000 to \$250,000 for losses covered under the Government Fraud Deception section of the policy.

9. Pension Obligation Bonds

On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement; authorizing judicial validation proceedings relating to the issuance of such bonds and approving additional actions related thereto. The pension obligations include the unfunded liability for both the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System Plan ("Unfunded Liability"), and the annually required retirement contribution that are due and payable within 12 months of the issuance of the bonds ("Current Obligation"). The proposed final aggregate principal amount of the bonds may not be greater than \$3.5 billion or the sum of the City's unfunded liability and current obligation as calculated by the actuary for both Retirement Plans, together with the costs of issuing the Bonds. The Trust Agreement will not constitute an obligation for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged or will levy or pledge any form of taxation. The validation complaint must be filed within 60 days of the City Council's authorizing resolution, and a judgment is not anticipated for at least seven months barring an answer to the complaint or appeal of the judgment. 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.

10. Tier 1 Pension Employee Contributions

On June 29, 2021, the City Council introduced an ordinance amending the Municipal Code to cease the Normal Cost contribution of Tier 1 members of the FCERS Pension Plan with 30 or more years of service credit as of the effective date of the ordinance. Eligible members are those employees who are in positions assigned to an unrepresented employee unit or a represented bargaining unit that has agreed to the Ordinance and has been approved by the City Council. As of June 30, 2021, Unit 99, the Association of Legal Professionals, and Association of Building, Mechanical, and Electrical Inspectors have agreed to the provisions. The change is intended by the City to incentivize such members to continue working for the City by increasing their take-home pay. Such members will not be eligible for any return of the amount of Normal Cost contributions made between obtaining 30

City of San José
Notes to Basic Financial Statements
June 30, 2021

years of service credit and the effective date of the ordinance. The ordinance was approved on August 3, 2021 and became effective on September 2, 2021.

11. PTC Plan and Tier 3 Plan

On August 10, 2021, the City Council approved amendments to the PTC Plan and Tier 3 Plan that would require all councilmembers enrolled in the PTC Plan to be moved to the Tier 3 Plan and future incoming councilmembers offered the choice of CalPERS or the Tier 3 Plan as retirement options effective October 3, 2021. Any funds in a councilmember's PTC Plan account remain in such account and participation in the Tier 3 Plan commenced prospectively on October 3, 2021. Upon commencement of office with the City, councilmembers are offered a choice between the CalPERS defined benefit pension plan and the City's defined contribution PTC Plan for retirement options. Most participants of the PTC Plan are required to contribute 3.75% of their salary into the Plan and the City makes a matching contribution of 3.75%.

As of January 2016, councilmembers who elect to participate in the PTC plan are required to contribute 3.75% of their salary and the City makes a 6.55% contribution into the Plan. Since the PTC plan's inception in 1992, the only investment option is a stability of principal investment vehicle; the current offering is called the Stable Value fund. By design this investment option is low risk thus producing a relatively low rate of return.

In 2013, the City began offering a 401(a) defined contribution plan, known as the Tier 3 Plan, to all new executive management or professional employees in Unit 99 who elect to opt out of the City's defined benefit Federated Employees Retirement Plan. Similar to the PTC Plan, participants in the Tier 3 plan are required to contribute 3.75% of their salary and the City matches their contribution. Unlike the PTC plan, the Tier 3 plan provides over thirty investment options for participants to choose from; the investments offered provide a range of levels of risk and potentially better rates of return than the PTC plan.

12. COVID-19 Public Health Update

On August 2, 2021, the County issued a new public health order encouraging mandatory vaccination requirements for all personnel in the County. Pursuant to the City's COVID-19 Mandatory Vaccination Policy, all City employees commencing on October 4, 2021 are required to provide evidence of vaccination absent an approved medical or religious exemption ("Exemption"). Those with approved Exemptions are required to test two (2) times per week. Failure to comply with the Policy may result in disciplinary action, including termination.

As of September 21, 2021, there were over 140,223 confirmed cases of COVID-19 in the County, and health officials expect the number of confirmed cases to continue to grow. The County reports that, as of September 21, 2021, more than 83% of the County's residents age 12 and older are fully vaccinated, and more than 88% of the County's residents age 12 and older have received their first dose. The State reports that, as of September 20, 2021, the average doses per day administered in the State totaled approximately 70,892, and doses equating to 87 days of inventory were on hand statewide. Due to the rise in number of COVID-19 cases in the County and nationally, partially attributable to the spread of the Delta variant of COVID-19, the County reinstated a mask mandate for all persons indoors, effective August 3, 2021. At its meeting on August 24, 2021, the City Council voted unanimously to require proof of COVID-19 vaccinations for attendees at events of 50 or more people in City-owned buildings, excepting those not yet eligible for vaccination.

City of San José
Notes to Basic Financial Statements
June 30, 2021

13. Coyote Creek Flood Settlement

On November 8, 2021, the Santa Clara Superior Court approved a settlement agreement to pay \$750,000 to plaintiffs in eighteen lawsuits on behalf of approximately 200 plaintiffs against the City, the County, and Santa Clara Valley Water District. The settlement will end the City's exposure to liability from claims for property loss and damage, personal injuries, and emotional distress allegedly caused by flooding in some areas of the City following heavy rains in February 2017.

City of San José
Notes to Basic Financial Statements
June 30, 2021

E. Restatement of Fund Balance and Net Position (\$000)

	Balance Sheet Governmental Funds	Statement of Net Position, Governmental Activities
	Housing Activities Fund	
Fund Balances/Net Position as June 30, 2020, as previously reported	\$ 168,101	\$ 2,503,514
Restatement:		
Liabilities - Unearned revenue	(12,408)	(12,408)
Fund Balance/Net Position at June 30, 2020, as restated	\$ 155,693	\$ 2,491,106

FY2020 totals has been restated due to prior period adjustments overstating the grant revenue by \$12,408,000, and therefore reducing fund balance and net position by \$12,408,000

	Statement of Changes in Fiduciary Net Position
	Custodial Fund
Net Position as June 30, 2020, as previously reported	\$ -
Restatement:	
Due to implementation of GASB Statement NO. 84	6,112
Net Position at June 30, 2020, as restated	\$ 6,112

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City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2021
(\$000's)

	Budgeted Amounts		Actual Amounts	Actual	Budgetary	Actual
	Original	Final	Budgetary Basis	Amounts	to GAAP	Amounts
			Variance with	Budgetary	Differences	GAAP Basis
			Final Budget	Basis		
			Over (Under)			
REVENUES						
Taxes:						
Property	\$ 397,500	426,500	7,546	434,046	-	434,046
Utility	115,800	115,800	12,044	127,844	-	127,844
Franchise	45,921	45,921	(293)	45,628	-	45,628
Business tax	72,624	65,496	5,673	71,169	-	71,169
Other	9,000	5,500	(91)	5,409	-	5,409
Sales taxes	242,500	262,500	21,520	284,020	-	284,020
State of California in-lieu	500	500	270	770	-	770
Licenses, permits and fines	33,978	28,311	33	28,344	-	28,344
Intergovernmental	11,756	201,739	(81,037)	120,702	-	120,702
Charges for current services	25,059	8,199	(914)	7,285	-	7,285
Other revenues	45,842	51,686	2,857	54,543	-	54,543
Investment income	7,037	7,037	(2,090)	4,947	(3,386)	1,561 (1)
Total revenues	1,007,517	1,219,189	(34,482)	1,184,707	(3,386)	1,181,321
EXPENDITURES						
Current:						
General government	329,769	405,807	(97,874)	307,933	(15,342)	292,591 (2)
Public safety	753,318	759,816	(77,237)	682,579	(6,276)	676,303 (2)
Community services	150,548	150,548	(21,554)	128,994	(7,256)	121,738 (2)
Sanitation	5,300	5,300	(372)	4,928	(296)	4,632 (2)
Capital maintenance	204,872	178,331	(105,153)	73,178	(27,838)	45,340 (2)
Capital outlay	35,103	35,103	-	35,103	-	35,103
Debt service:						
Principal	13,000	13,000	(569)	12,431	-	12,431
Interest	2,200	2,200	(37)	2,163	-	2,163
Total expenditures	1,494,110	1,550,105	(302,796)	1,247,309	(57,008)	1,190,301
Excess (deficiency) of revenues over expenditures	(486,593)	(330,916)	268,314	(62,602)	53,622	(8,980)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	12,103	9,472	(2,452)	7,020	-	7,020
Bonds issued	17,777	17,777	-	17,777	-	17,777
Transfers in	8,969	20,039	(3,672)	16,367	-	16,367
Transfers out	(80,826)	(80,826)	1,752	(79,074)	-	(79,074)
Total other financing sources (uses)	(41,977)	(33,538)	(4,372)	(37,910)	-	(37,910)
Net change in fund balance	(528,570)	(364,454)	263,942	(100,512)	53,622	(46,890)
Fund balance - beginning	398,691	398,691	-	398,691	61,541	460,232
Add beginning encumbrance balance	-	-	-	53,302	(53,302)	-
Fund balance - ending	\$ (129,879)	34,237	263,942	351,481	61,861	413,342

Explanation of differences:

- (1) Gain or loss in fair value of investments are not formally budgeted transactions.
- (2) Encumbrances of funds for which formal budgets are prepared.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

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, 2021
(\$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	\$ 9,445	59,012	(27,764)	31,248	-	31,248
Investment income	920	920	2,877	3,797	(1,019)	2,778 (1)
Other revenues	13,973	23,302	6,037	29,339	(1,984)	27,355 (2)
Total revenues	<u>24,338</u>	<u>83,234</u>	<u>(18,850)</u>	<u>64,384</u>	<u>(3,003)</u>	<u>61,381</u>
EXPENDITURES						
Current:						
Community services	68,011	130,793	(49,843)	80,950	(19,497)	61,453 (2)
Sanitation						
Capital outlay	-	10,868	-	10,868	-	10,868
Total expenditures	<u>68,011</u>	<u>141,661</u>	<u>(49,843)</u>	<u>91,818</u>	<u>(19,497)</u>	<u>72,321</u>
Excess (deficiency) of revenues over expenditures	<u>(43,673)</u>	<u>(58,427)</u>	<u>30,993</u>	<u>(27,434)</u>	<u>16,494</u>	<u>(10,940)</u>
OTHER FINANCING (USES)						
Transfers out	(30)	(105)	43	(62)	-	(62)
Total other financing (uses)	<u>(30)</u>	<u>(105)</u>	<u>43</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>
Net change in fund balance	(43,703)	(58,532)	31,036	(27,496)	16,494	(11,002)
Fund balance - beginning (as restated)	35,561	35,561	-	35,561	120,132	155,693
Add beginning encumbrance balance	-	-	-	23,186	(23,186)	-
Fund balance - ending	<u>\$ (8,142)</u>	<u>(22,971)</u>	<u>31,036</u>	<u>31,270</u>	<u>113,421</u>	<u>144,691</u>

Explanation of differences:

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

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

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, 2021
(\$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							
Investment income	\$ 3,000	3,000	29,050	32,050	(1,744)	30,306	(1)
Other revenues	14,000	14,383	21,668	36,051	(24,980)	11,072	(2)
Total revenues	<u>17,000</u>	<u>17,383</u>	<u>50,717</u>	<u>68,100</u>	<u>(26,723)</u>	<u>41,378</u>	
EXPENDITURES							
Current:							
Community services	62,365	129,689	(66,674)	63,016	(44,769)	18,247	(2)
Total expenditures	<u>62,365</u>	<u>129,689</u>	<u>(66,674)</u>	<u>63,016</u>	<u>(44,769)</u>	<u>18,247</u>	
Excess (deficiency) of revenues over expenditures	<u>(45,365)</u>	<u>(112,306)</u>	<u>117,390</u>	<u>5,084</u>	<u>18,046</u>	<u>23,131</u>	
OTHER FINANCING (USES)							
Transfers out	(401)	(409)		(409)		(409)	
Total other financing (uses)	<u>(401)</u>	<u>(409)</u>		<u>(409)</u>		<u>(409)</u>	
Net change in fund balance	(45,766)	(112,715)	117,390	4,675	18,046	22,722	
Fund balance - beginning	137,050	137,050	-	137,050	278,029	415,079	
Add beginning encumbrance balance			-	14,092	(14,092)	-	
Fund balance - ending	<u>\$ 91,285</u>	<u>24,335</u>	<u>117,390</u>	<u>155,818</u>	<u>281,983</u>	<u>437,801</u>	

Explanation of differences:

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

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Defined Benefit Pension Plans

PFDRP Schedule of Employer Contributions
(Dollar Amounts in Thousands)

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 201,370	\$ 188,481	\$ 176,618	\$ 157,712	\$ 136,957
Contributions in relation to actuarially determined contribution	201,370	188,481	176,618	157,712	136,957
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 237,476	\$ 230,401	\$ 218,619	\$ 203,164	\$ 188,177
Contributions as a percentage of covered payroll	84.80%	81.81%	80.79%	77.63%	72.78%

Fiscal year	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization method	Actuarial gains and losses and plan changes are amortized over a closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods.	Actuarial gains and losses and plan changes are amortized over closed 15-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.	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%	6.75%	6.875%	6.875%	7.00%
Salary increases	3.25% plus merit component based on length of service ranging from 6.50% for new hires to 0.50% for members with 11 or more years of service	3.25% per annum (.75% real wage growth) plus merit component based on length of service ranging from 6.00% for new hires to 0.50% for members with 10 or more years of service.	3.25% plus merit component based on length of service ranging from 6.75% 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 .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.
Amortization growth rate	2.50%	3.25%	3.25%	3.25%	3.25%
Mortality	<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, with mortality improvements projected from 2009 using Scale MP-2019 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-2019 on generational basis.</p>	<p>Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis.</p> <p>Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis.</p>	<p>Healthy annuitants: CalPERS 2009 Healthy Annuity Mortality Tables multiplied by 0.948 for males and 1.048 for females, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis.</p> <p>Disabled annuitants: CalPERS 2009 Industrial Mortality Tables for Males multiplied by 0.903, with mortality improvements projected from 2009 using SOA MP-2017 on a generational basis.</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

PFDRP Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 132,480	\$ 129,279	\$ 123,583	\$ 105,234	\$ 121,008
Contributions in relation to actuarially determined contribution	132,480	129,279	123,583	105,234	121,008
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 186,874	\$ 180,226	\$ 180,083	\$ 180,333	\$ 184,750
Contributions as a percentage of covered payroll	70.89%	71.73%	68.63%	58.36%	65.50%

Fiscal year	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Valuation date	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization method	Actuarial gains and losses and plan changes are amortized over closed 16-year periods. Method and assumption changes are amortized over closed 20-year periods. All amortizations are a level percent of payroll.				
Discount rate	7.000%	7.125%	7.25%	7.50%	7.75%
Salary increases	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service.	2.00% for FY 2015, and 3.5% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service.	0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	0.00% for FY 2013 and FY 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	4.25% plus merit component based on length of service ranging from 5.50% for new hires to 1.75% for members with 8 or more years of service.
Amortization growth rate	3.25%	3.50%	3.50%	4.25%	4.25%
Mortality	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.				RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back four years.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Defined Benefit Pension Plans

FCERS Schedule of Employer Contributions

(Dollar Amounts in Thousands)

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 183,964	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483
Contributions in relation to actuarially determined contributions	183,964	181,327	173,006	156,770	138,483
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153
Contributions as a percentage of covered payroll	54.85%	56.67%	57.90%	53.96%	51.07%

Fiscal year	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	6.75%	6.75%	6.875%	6.875%	7.00%
Salary increases	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service
Amortization growth rate	2.75%	3.00%	3.00%	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.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of pay. The amortization payment for the 2015 assumption changes is phased-in over 3 years.
Mortality	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2015 projection scale

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Defined Benefit Pension Plans (Continued)

FCERS Schedule of Employer Contributions
(Dollar Amounts in Thousands)

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 129,456	\$ 114,751	\$ 102,811	\$ 103,109	\$ 87,082
Contributions in relation to actuarially determined contributions	124,723	114,751	107,544	103,109	87,082
Contribution deficiency (excess)	<u>\$ 4,733</u>	<u>\$ -</u>	<u>\$ (4,733)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 257,771	\$ 240,678	\$ 219,434	\$ 217,375	\$ 223,158
Contributions as a percentage of covered payroll	48.39%	47.68%	49.01%	47.43%	39.02%

Fiscal year	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Valuation date	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	7.00%	7.00%	7.25%	7.00%	7.50%
Salary increases	2.85% plus merit component based on years of service	2.85% plus merit component based on years of service	2.00% for five years and 2.85% thereafter plus merit component based on employee classification and years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Amortization growth rate	2.85%	2.85%	2.43%	3.00%	3.25%
Amortization method	As of June 30, 2009, the funded actuarial liability was amortized over a closed 30 year period as a level of percentage of pay. Gains and losses, assumption changes and plan changes are amortized over closed 20 year periods as a level percentage of pay.	The unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30 year period commencing June 30, 2009 as a level percentage of Tier 1 pay. Actuarial gains and losses, assumption changes and plan changes are amortized over closed 20-year periods as a level percentage of Tier 1 and Tier 2 pay.	The entire unfunded actuarial liability as of June 30, 2009 was amortized as a level percentage of payroll over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes and plan changes since June 30, 2009 are amortized as a level percentage of payroll over a closed 20-year periods beginning with the valuation in which they are first recognized.	Level percent of pay, closed, layered	Level percent of pay, closed, layered
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

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						
	2021	2020	2019	2018	2017	2016	2015	
Total pension liability								
Service cost (middle of year)	\$ 89,467	\$ 87,641	\$ 81,883	\$ 75,481	\$ 72,760	\$ 74,531	\$ 74,895	
Interest (includes interest on service cost)	342,802	329,612	313,565	300,378	290,961	274,487	262,738	
Changes of benefit terms	-	-	-	178	5,752	-	-	
Differences between expected and actual experience	(15,131)	37,127	(17,011)	33,081	67,558	(8,672)	21,457	
Changes of assumptions	73,525	80,852	76,425	(100,328)	72,680	90,179	56,311	
Benefit payments, including refunds of member contributions	(244,310)	(231,005)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	
Net change in total pension liability	246,353	304,225	236,854	102,160	313,679	243,586	239,148	
Total pension liability - beginning	5,177,016	4,872,791	4,635,937	4,533,777	4,220,098	3,976,512	3,737,364	
Total pension liability - ending	<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>	<u>\$ 3,976,512</u>	
Plan fiduciary net position								
Contributions - employer	\$ 201,370	\$ 188,481	\$ 176,618	\$ 157,712	\$ 136,957	\$ 132,480	\$ 129,279	
Contributions - member	29,033	27,645	24,811	23,841	20,580	21,508	20,747	
Net investment income	1,044,290	134,085	114,179	233,475	292,734	(29,206)	(27,690)	
Benefit payments, including refunds of member contributions	(244,310)	(231,008)	(218,008)	(206,630)	(196,032)	(186,939)	(176,253)	
Administrative expense	(5,764)	(5,605)	(5,369)	(5,464)	(4,635)	(4,254)	(4,191)	
Net change in plan fiduciary net position	1,024,619	113,598	92,231	202,934	249,604	(66,411)	(58,108)	
Plan fiduciary net position - beginning	3,702,020	3,588,422	3,496,191	3,293,257	3,043,653	3,110,064	3,168,172	
Plan fiduciary net position - ending	<u>\$ 4,726,639</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>	<u>\$ 3,110,064</u>	
Net pension liability - ending	\$ 696,730	\$ 1,474,996	\$ 1,284,369	\$ 1,139,746	\$ 1,240,520	\$ 1,176,445	\$ 866,448	
Plan fiduciary net position as a percentage of the total pension liability	87.15%	71.51%	73.64%	75.41%	72.64%	72.12%	78.21%	
Covered payroll	\$ 230,401	\$ 218,619	\$ 203,164	\$ 186,177	\$ 186,874	\$ 180,226	\$ 180,083	
Net pension liability as a percentage of covered payroll	302.40%	674.69%	632.18%	612.18%	663.83%	652.76%	480.76%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(Dollar amounts in thousands):		FCERS						
	2021	2020	2019	2018	2017	2016	2015	
Total pension liability								
Service cost (middle of year)	\$ 65,711	\$ 61,014	\$ 61,808	\$ 59,628	\$ 51,887	\$ 49,011	\$ 46,795	
Interest (includes interest on service cost)	283,610	280,131	272,787	264,250	249,388	229,609	221,690	
Changes of benefit terms	-	-	-	1,781	12,132	-	-	
Differences between expected and actual experience	44,382	(27,723)	(11,662)	17,461	40,853	39,720	13,005	
Changes of assumptions	36,981	(2,937)	54,398	(15,582)	60,233	205,875	108,674	
Benefit payments, including refunds of member contributions	(227,206)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)	(164,562)	
Net change in total pension liability	203,478	93,757	172,265	134,138	231,063	350,897	225,602	
Total pension liability - beginning	4,323,370	4,229,613	4,057,348	3,923,210	3,692,147	3,341,250	3,115,648	
Total pension liability - ending	<u>\$ 4,526,848</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>	<u>\$ 3,341,250</u>	
Plan fiduciary net position								
Contributions - employer	\$ 183,964	\$ 181,327	\$ 173,006	\$ 156,770	\$ 138,483	\$ 124,723	\$ 114,751	
Contributions - employee	25,724	25,082	22,606	20,501	17,227	15,920	13,621	
Net investment income	698,608	90,909	76,855	117,493	146,010	(35,010)	(16,642)	
Benefit payments, including refunds of member contributions	(227,206)	(216,728)	(205,066)	(193,400)	(183,430)	(173,318)	(164,562)	
Administrative expense	(4,762)	(4,725)	(4,582)	(4,823)	(4,380)	(3,940)	(3,898)	
Net change in plan fiduciary net position	676,328	75,865	62,819	96,541	113,910	(71,625)	(56,730)	
Plan fiduciary net position - beginning	2,208,017	2,132,152	2,069,333	1,972,792	1,858,882	1,930,507	1,987,237	
Plan fiduciary net position - ending	<u>\$ 2,884,345</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>	<u>\$ 1,930,507</u>	
Net pension liability - ending	\$ 1,642,503	\$ 2,115,353	\$ 2,097,461	\$ 1,988,015	\$ 1,950,418	\$ 1,833,265	\$ 1,410,743	
Plan fiduciary net position as a percentage of the total pension liability	63.72%	51.07%	50.41%	51.00%	50.29%	50.35%	57.78%	
Covered payroll	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771	\$ 240,678	\$ 219,434	
Net pension liability as a percentage of covered payroll	513.31%	707.89%	722.01%	733.17%	756.65%	761.71%	586.15%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Investment Returns – Defined Benefit Pension Plans

	PFDRP							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	26.43%	2.98%	4.00%	6.89%	9.68%	(0.85%)	0.85%	13.00%

	FCERS							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	29.43%	3.79%	4.17%	6.03%	7.53%	(0.79)%	(1.07)%	7.49%

The rate shown above is based on the Defined Benefit and 401(h) only and does not include the 115 sub-trusts. Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

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

(Dollar amounts in thousands):

	2021	2020	2019	2018	2017	2016	2015
Measurement date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.03434%	0.03485%	0.03540%	0.03597%	0.03634%	0.03783%	0.01697%
Proportionate share of the net pension liability	\$ 1,448	\$ 1,395	\$ 1,334	\$ 1,419	\$ 1,262	\$ 1,038	\$ 1,056
Covered payroll	\$ 1,006	\$ 797	\$ 822	\$ 776	\$ 756	\$ 589	\$ 692
Proportionate share of the net pension liability as percentage of covered payroll	143.94%	175.03%	162.29%	182.86%	166.93%	176.23%	152.60%
Plan's fiduciary net position as a percentage of the total pension liability	75.19%	75.65%	76.39%	74.67%	74.39%	77.96%	76.28%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year average salary.

Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – CalPERS

(Dollar amounts in thousands)	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 305	\$ 222	\$ 188	\$ 184	\$ 162	\$ 148	\$ 107
Contributions in relation to the contractually required contributions	293	222	188	184	162	156	107
Contribution deficiency (excess)	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ -
Covered payroll	\$ 1,720	\$ 1,006	\$ 797	\$ 822	\$ 776	\$ 756	\$ 589
Contributions as a percentage of covered payroll	17.03%	22.07%	23.59%	22.38%	20.88%	20.63%	17.06%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial Cost Method	Entry Age Normal Cost Method						
Amortization Method	Level Percentage of Payroll						
Asset Valuation Method	Market Value						15 Year Smoothed Market
Actuarial Assumptions:							
Discount Rate	7.00% (net of administrative expenses)	7.25% (net of administrative expenses)	7.375% (net of administrative expenses)	7.5% (net of administrative expenses)			
Termination Liability Discount Rate	2.91%	2.61%	1.75%	2.75%	2.91%	3.72%	2.98%
Salary Growth	.40% to 8.50%		3.20% to 12.20%			3.30% to 14.20%	
	Depending on Age, Service and Type of Employment						
Inflation	2.500%	2.625%	2.75%				
Payroll Growth	2.750%	2.875%	3.00%				

Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they occur.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

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				
	2021	2020	2019	2018	2017	
Total OPEB liability						
Service cost (middle of year)	\$ 12,991	\$ 12,813	\$ 15,003	\$ 13,001	\$ 16,112	
Interest (includes interest on service cost)	45,789	44,676	48,208	45,314	46,774	
Changes of benefit terms	-	-	-	(69,434)	-	
Differences between expected and actual experience	(35,106)	(99,319)	(3,401)	14,877	-	
Change of assumptions	48,331	8,567	38,843	21,243	-	
Benefit payments, including refunds of member contributions	(25,974)	(25,031)	(26,403)	(27,686)	(24,799)	
Net change in total OPEB liability	46,031	(58,294)	72,250	(2,685)	38,087	
Total OPEB liability - beginning	725,788	784,082	711,832	714,517	676,430	
Total OPEB liability - ending	<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	\$ 28,397	\$ 27,350	\$ 28,744	\$ 25,382	\$ 20,667	
Contributions - employees	12,475	13,135	13,315	16,127	18,116	
Net investment income	52,994	7,243	7,907	7,070	12,453	
Benefit payments, including refunds of member contributions	(25,974)	(25,031)	(26,403)	(27,686)	(24,799)	
Administrative expense	(110)	(122)	(126)	(158)	(182)	
VEBA transfer	-	-	-	(7,897)	-	
Net change in plan fiduciary net position	67,782	22,575	23,437	12,838	26,255	
Plan fiduciary net position - beginning	208,532	185,957	162,520	149,682	123,427	
Plan fiduciary net position - ending	<u>\$ 276,314</u>	<u>\$ 208,532</u>	<u>\$ 185,957</u>	<u>\$ 162,520</u>	<u>\$ 149,682</u>	
Net OPEB liability - ending	\$ 495,505	\$ 517,256	\$ 598,125	\$ 549,312	\$ 564,835	
Plan fiduciary net position as a percentage of the total OPEB liability	35.80%	28.73%	23.72%	22.83%	20.95%	
Covered payroll	\$ 230,401	\$ 218,619	\$ 203,164	\$ 188,177	\$ 186,874	
Net OPEB liability as a percentage of covered payroll	215.06%	236.60%	294.41%	291.91%	302.25%	

(Dollar amounts in thousands):		FCERS				
	2021	2020	2019	2018	2017	
Total OPEB liability						
Service cost (beginning of year)	\$ 7,018	\$ 7,040	\$ 7,723	\$ 7,889	\$ 11,109	
Interest (includes interest on service cost)	39,886	41,855	43,182	42,669	49,977	
Changes of benefit terms	-	-	-	(57,623)	-	
Differences between expected and actual experience	(33,945)	(25,639)	(10,418)	(994)	-	
Changes of assumptions	34,496	(14,804)	9,310	(77,795)	-	
Benefit payments, including refunds of member contributions	(31,871)	(30,779)	(28,824)	(29,724)	(31,007)	
Net change in total OPEB liability	15,584	(22,327)	20,973	(115,578)	30,079	
Total OPEB liability - beginning	649,868	672,195	651,222	766,801	736,721	
Total OPEB liability - ending	<u>\$ 665,452</u>	<u>\$ 649,868</u>	<u>\$ 672,195</u>	<u>\$ 651,222</u>	<u>\$ 766,801</u>	
Plan fiduciary net position						
Contributions - employer	\$ 26,236	\$ 26,533	\$ 26,410	\$ 32,397	\$ 31,905	
Contributions - employee	10,275	10,692	10,578	15,545	16,827	
Net investment income	77,360	3,077	9,472	12,336	17,041	
Benefit payments, including refunds of member contributions	(31,871)	(30,779)	(28,826)	(29,724)	(31,007)	
Administrative expense	(697)	(686)	(384)	(170)	(242)	
VEBA transfer	(5)	(13)	(19)	(13,497)	-	
Net change in plan fiduciary net position	81,298	8,824	17,231	16,887	34,524	
Plan fiduciary net position - beginning	303,312	294,488	277,257	260,370	225,846	
Plan fiduciary net position - ending	<u>\$ 384,610</u>	<u>\$ 303,312</u>	<u>\$ 294,488</u>	<u>\$ 277,257</u>	<u>\$ 260,370</u>	
Net OPEB liability - ending	\$ 280,842	\$ 346,556	\$ 377,707	\$ 373,965	\$ 506,431	
Plan fiduciary net position as a percentage of the total OPEB liability	57.80%	46.67%	43.81%	42.57%	33.96%	
Covered payroll	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153	\$ 257,771	
Net OPEB liability as a percentage of covered payroll	87.77%	115.97%	130.02%	137.92%	196.47%	

Schedule is intended to show information for 10 years commencing with the year ended June 30, 2017. Additional years will be displayed as they become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Changes in assumptions. The discount rate was changed from 6.5% (net of administrative expense) to 6.25% and from 6.75% (net of administrative expense) to 6.25%, respectively, for PFDRP and FCERS for the measurement period ended June 30, 2021. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The per person cost trends were moved forward one year.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Postemployment Healthcare Plans

PFDRP Schedule of Employer Contributions
(Dollar Amounts in Thousands)
Last Ten Fiscal Years*

Fiscal Year Ended June 30	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 28,397	\$ 27,350	\$ 28,744	\$ 25,382	\$ 20,667
Contribution in relation to the ADC	(28,397)	(27,350)	(28,744)	(25,382)	(20,667)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 237,475	\$ 230,401	\$ 218,619	\$ 203,164	\$ 188,177
Contribution as a percentage of covered payroll	12%	12%	13%	12%	11%

Methods and assumptions used to determine contributions:

Fiscal Year	6/30/2021	6/30/2020	6/30/2019
Valuation Date	6/30/2019	6/30/2018	6/30/2017
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%	6.500%	6.875%
Amortization growth rate	3.25%	3.25%	3.25%
Ultimate rate of medical inflation	3.940%	4.250%	4.250%
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 2010 Public Safety above income mortality tables for healthy and disabled members and adjusted 2009 CalPERS mortality tables for survivors projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2017 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2021, June 2020 and June 30, 2019 can be found in the June 30, 2019 , June 30, 2018 and June 30, 2017 actuarial valuation report, respectively.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Employer Contributions – Postemployment Healthcare Plans (Continued)

FCERS Schedule of Employer Contributions
(Dollar Amounts in Thousands)
Last Ten Fiscal Years**

Fiscal Year Ended June 30	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 26,236	\$ 26,533	\$ 26,410	\$ 32,397	\$ 31,905
Contribution in relation to the ADC	(26,236)	(26,533)	(26,410)	(32,397)	(31,905)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 335,421	\$ 319,980	\$ 298,824	\$ 290,504	\$ 271,153
Contribution as a percentage of covered payroll	8%	8%	9%	11%	12%

** Actuarial methods and assumption used to set the actuarially determined contributions for FY 2020 were from the June 30, 2018 actuarial valuation

Fiscal Year	6/30/2021	6/30/2020	6/30/2019
Valuation Date	6/30/2019	6/30/2018	6/30/2017
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	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
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	6.750%	6.750%	6.875%
Ultimate rate of medical inflation	3.940%	4.250%	4.250%
Salary increases	3.00% based on years of service	3.25% based on years of service	3.25% based on years of service
Mortality	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2021 can be found in the June 30, 2019 actuarial valuation report.

City of San José
Required Supplementary Information (Unaudited)
June 30, 2021

Schedule of Investment Returns – Postemployment Healthcare Plans

	PFDRP				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	23.96%	1.95%	4.86%	3.56%	7.17%

	FCERS				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	24.92%	0.53%	4.33%	4.55%	7.20%

The rate shown above is based on the 115 sub-trusts only and does not include the 401(h). Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

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City of San José
Notes to Required Supplementary Information (Unaudited)
June 30, 2021

I. Budgetary Information

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

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

Annual budgets are prepared for the General Fund and all Special Revenue Funds. Capital project budgets are based on a project time frame rather than a fiscal year time frame. Debt Service Funds appropriations were adopted by the Council when the formal bond resolutions were approved. Therefore, Capital Project Funds and Debt Service Funds are not reported on budgetary basis.

II. Budgetary Results Reconciled to GAAP

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

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

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial schedules, while encumbered amounts are not recognized as expenditures on GAAP basis until the equipment, supplies or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables on a GAAP basis and as expenditures on a budgetary basis. When loan repayments are received, they are recorded as reductions to receivables on a GAAP basis, but are recognized as revenues on a budgetary basis.
- Net decreases were made to certain GAAP basis loans receivable to reflect carrying amounts at a discounted present value and allowances for bad debts. The discount is treated as an expenditure on a GAAP basis and is not included in the budgetary basis financial statements. In addition, the allowance for bad debts is not included in the budgetary basis financial schedules, but is an expenditure on a GAAP basis.
- Certain accounts such as the change in fair value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial schedules.
- Certain line of credit transactions are recognized as expenditures in the budgetary basis financial schedules but are recorded as an asset in the GAAP basis financial statements. When the outside agency draws down on the line of credit, the City records an asset, advances to other

City of San José
Notes to Required Supplementary Information (Unaudited)
June 30, 2021

agencies, in the GAAP basis financial statements and an expenditure on the budgetary basis financial schedules. When the outside agency pays down the line of credit, the City records a reduction to its assets in the GAAP basis financial statements and revenues on the budgetary basis financial schedules.

- Certain grant revenues received in advance are recognized on the budgetary basis financial schedules, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

III. Budget Revisions

On October 19, 2021 the City Council approved certain fiscal year 2021 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.

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Combining Nonmajor Governmental Funds

Combining Nonmajor Governmental Funds

City of San José
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021
(\$000's)

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Equity in pooled cash and investments held in City Treasury	\$ 490,902	-	121,295	612,197
Receivables (net of allowance for uncollectibles)	35,676	180	32,846	68,702
Due from other funds	2,825	-	-	2,825
Loans receivable (net of allowance for uncollectibles)	2,420	-	-	2,420
Notes receivable	20	-	-	20
Advances and deposits	141	-	38	179
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	-	41,895	116	42,011
Cash and investments held with fiscal agents	-	-	293,426	293,426
Other cash and investments	9,886	-	-	9,886
Other assets	1,997	-	-	1,997
Total assets	<u>\$ 543,867</u>	<u>42,075</u>	<u>447,721</u>	<u>1,033,663</u>
LIABILITIES				
Accounts payable	\$ 29,007	2	86,440	115,449
Accrued salaries, wages, and payroll taxes	4,251	-	1,048	5,299
Due to other funds	5,757	-	-	5,757
Unearned revenue	15,033	-	12,928	27,961
Advances, deposits, and reimbursable credits	5,949	-	-	5,949
Other liabilities	1,557	-	-	1,557
Total liabilities	<u>61,554</u>	<u>2</u>	<u>100,416</u>	<u>161,972</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,660</u>	<u>-</u>	<u>-</u>	<u>3,660</u>
FUND BALANCES				
Nonspendable	-	-	4	4
Restricted	380,394	42,069	252,795	675,258
Committed	93,717	4	-	93,721
Assigned	4,562	-	94,506	99,068
Unassigned	(20)	-	-	(20)
Total fund balances	<u>478,653</u>	<u>42,073</u>	<u>347,305</u>	<u>868,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 543,867</u>	<u>42,075</u>	<u>447,721</u>	<u>1,033,663</u>

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021
(\$000's)

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes and special assessments	\$ 105,789	42,030	20,083	167,902
Intergovernmental	49,284	-	60,217	109,501
Charges for current services	238,820	-	6,336	245,156
Rent	13,331	-	-	13,331
Investment income	3,212	558	2,451	6,221
Other revenues	51,275	-	2,530	53,805
Total revenues	<u>461,711</u>	<u>42,588</u>	<u>91,617</u>	<u>595,916</u>
EXPENDITURES				
Current:				
General government	1,709	-	-	1,709
Public safety	2,386	-	-	2,386
Community services	128,638	-	-	128,638
Sanitation	185,770	-	-	185,770
Capital maintenance	104,552	-	171,467	276,019
Capital outlay	22,656	-	36,196	58,852
Debt service:				
Principal	-	22,520	-	22,520
Interest and fiscal charges	-	19,254	-	19,254
Total expenditures	<u>445,711</u>	<u>41,774</u>	<u>207,663</u>	<u>695,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,000</u>	<u>814</u>	<u>(116,046)</u>	<u>(99,232)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	120,000	120,000
Transfers in	65,488	24,425	-	89,913
Transfers out	<u>(23,515)</u>	<u>(25,144)</u>	<u>(4,103)</u>	<u>(52,762)</u>
Total other financing sources (uses)	<u>41,973</u>	<u>(719)</u>	<u>115,897</u>	<u>157,151</u>
Net change in fund balances	57,973	95	(149)	57,919
Fund balances - beginning	<u>420,680</u>	<u>41,978</u>	<u>347,454</u>	<u>810,112</u>
Fund balances - ending	<u>\$ 478,653</u>	<u>42,073</u>	<u>347,305</u>	<u>868,031</u>

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Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Special Revenue Funds of the City of San José include the following:

Prusch Memorial Park Fund – Established to account for the development, construction, and improvement of the Emma Prusch Memorial Park.

Gift Trust Fund – Established to receive gifts, donations, and bequests.

Building Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Planning Development Fee Program Fund – Established to account for the fees collected from developers for all new development and projects in the City.

Citywide Planning Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Fire Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Development Fee Program Fund – Established to account for the fees collected from developers for all new development and tenant improvements in the City.

Public Works Small Cell Permitting Fee Program Fund – Established to account for the fees collected from telecommunication companies to install small cells and fiber on city's property, such as streetlights, traffic lights, and rooftops.

Workforce Investment Act Funds – Established to account for federal funds for training and placement of dislocated and economically disadvantaged workers.

Special Assessment Maintenance Districts Funds – Established to account for assessments involving Maintenance District activities.

Ng Shing Gung Capital Maintenance Fund – Established to account for capital maintenance needs of the Ng Shing Gung Exhibit and Museum.

Subdivision Park Trust Fund – Established to account for the payment of fees and/or the dedication of land for parks and recreational purposes in residential subdivisions.

Construction and Property Conveyance Tax Funds – Established to account for the collection of taxes from construction and property transfers for capital maintenance of libraries, parks, recreational, public works, and communication facilities.

1943 and 1964 Gas Tax Maintenance and Construction Funds – Established to account for gas taxes collected for capital maintenance of public streets subject to provisions of the Streets and Highway Code of the State of California under Sections 2105, 2106, and 2107.

Storm Drainage Fee Funds – Established to account for fees collected from developers as a result of connections to the storm drainage sewer system which may be used for capital maintenance of storm drainage systems and for land acquisition for such systems.

Supplemental Local Law Enforcement Fund – Established to account for revenues received from the State of California (AB 3229) to be used for front line municipal police service.

Underground Utility Fund – Established to account for fees collected from developers in lieu of the developers placing certain utility facilities underground to be used for minimizing the piecemeal undergrounding of utility facilities throughout the City.

State Drug Forfeiture Fund – Established to account for State drug forfeiture monies received pursuant to California Health and Safety Code Section 11489.

Nonmajor Special Revenue Funds

Library Parcel Tax Fund – Established to account for the annual parcel tax used for enhancing the City's library services and facilities.

Federal Drug Forfeiture Fund – Established to account for Federal drug forfeiture monies received pursuant to the drug abuse prevention and control provisions of Title 21, Chapter 13 of the United States Code.

Residential Construction Tax Contribution Fund – Established to account for the accumulation of residential construction tax monies for eligible street maintenance and improvements.

Arterial and Major Collectors Fund – Established to account for funds repaid by abutting landowners for the City's capital maintenance costs of existing and proposed arterial and major collector streets.

Community Facility Revenue Funds – Established to account for the rental revenues received from the Hayes Mansion and the Ice Centre operations, and to provide for the accumulation and transfer of base rental income to the appropriate debt service funds for repayment of the facilities-related debts.

Integrated Waste Management Fund – Established to account for activities related to the Integrated Waste Management Program which includes garbage collection, recycling services, and related billing operations.

Building and Structures Construction Tax Fund – Established to account for revenues received from the issuance of building permits and capital maintenance expenditures for existing and proposed City streets.

Development Enhancement Fund – Established to account for loans and loan guarantees to assist small business development.

Community Development Block Grant Fund – 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.

Nonmajor Special Revenue Funds



City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(\$000's)

	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program Fund (Fund 237)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ 489	4,302	33,204
Receivables (net of allowance for uncollectibles)	2	27	127
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Notes receivable	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Other cash and investments	-	-	-
Other assets	-	-	-
Total assets	<u>\$ 491</u>	<u>4,329</u>	<u>33,331</u>
LIABILITIES			
Accounts payable	\$ 1	25	27
Accrued salaries, wages and payroll taxes	1	43	196
Due to other funds	-	-	-
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>2</u>	<u>68</u>	<u>223</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	-	-	-
Committed	489	-	33,108
Assigned	-	4,261	-
Unassigned	-	-	-
Total fund balances	<u>489</u>	<u>4,261</u>	<u>33,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 491</u>	<u>4,329</u>	<u>33,331</u>

Planning Development Fee Program Fund (Fund 238)	Citywide Planning Fee Program Fund (Fund 239)	Fire Development Fee Program Fund (Fund 240)	Public Works Development Fee Program Fund (Fund 241)	Public Works Small Cell Permitting Fee Program Fund (Fund 242)	Workforce Investment Act (Funds 290-299)
3,348	4,281	6,211	7,620	1,167	-
13	15	26	31	468	2,871
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
87	-	-	-	-	-
<u>3,448</u>	<u>4,296</u>	<u>6,237</u>	<u>7,651</u>	<u>1,635</u>	<u>2,871</u>
33	12	31	-	-	397
-	-	319	447	148	139
-	-	-	-	-	1,050
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8	-	-	-
<u>33</u>	<u>12</u>	<u>358</u>	<u>447</u>	<u>148</u>	<u>1,586</u>
-	-	-	-	-	-
-	-	-	-	-	1,285
3,415	4,284	5,879	7,204	1,487	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,415</u>	<u>4,284</u>	<u>5,879</u>	<u>7,204</u>	<u>1,487</u>	<u>1,285</u>
<u>3,448</u>	<u>4,296</u>	<u>6,237</u>	<u>7,651</u>	<u>1,635</u>	<u>2,871</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(\$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	\$ 16,192	93	89,407
Receivables (net of allowance for uncollectibles)	664	-	2,957
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Notes receivable	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Other cash and investments	-	-	-
Other assets	-	-	-
Total assets	<u>\$ 16,856</u>	<u>93</u>	<u>92,364</u>
LIABILITIES			
Accounts payable	\$ 428	-	1,706
Accrued salaries, wages and payroll taxes	92	-	104
Due to other funds	-	-	-
Unearned revenue	82	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>602</u>	<u>-</u>	<u>1,810</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	16,254	-	90,554
Committed	-	-	-
Assigned	-	93	-
Unassigned	-	-	-
Total fund balances	<u>16,254</u>	<u>93</u>	<u>90,554</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,856</u>	<u>93</u>	<u>92,364</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)
98,420	-	-	713	2,994	9,722
10,773	715	816	3	10	352
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,838	-	-	-	-	-
-	-	-	-	-	-
<u>111,031</u>	<u>715</u>	<u>816</u>	<u>716</u>	<u>3,004</u>	<u>10,074</u>
1,014	-	-	1	40	138
540	-	-	-	-	14
694	715	816	-	-	-
2,628	-	-	-	2,788	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,876</u>	<u>715</u>	<u>816</u>	<u>1</u>	<u>2,828</u>	<u>152</u>
-	-	-	-	-	-
106,155	-	-	715	176	9,922
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>106,155</u>	<u>-</u>	<u>-</u>	<u>715</u>	<u>176</u>	<u>9,922</u>
<u>111,031</u>	<u>715</u>	<u>816</u>	<u>716</u>	<u>3,004</u>	<u>10,074</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(\$000's)

	State Drug Forfeiture (Fund 417)	Library Parcel Tax (Funds 418, 483)	Federal Drug Forfeiture (Fund 419, 487-488)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ -	7,095	-
Receivables (net of allowance for uncollectibles)	-	11	-
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-
Notes receivable	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Other cash and investments	1,012	-	222
Other assets	-	-	-
Total assets	<u>\$ 1,012</u>	<u>7,106</u>	<u>222</u>
LIABILITIES			
Accounts payable	\$ -	1	-
Accrued salaries, wages and payroll taxes	-	356	-
Due to other funds	456	-	213
Unearned revenue	-	-	-
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>456</u>	<u>357</u>	<u>213</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	556	6,749	9
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>556</u>	<u>6,749</u>	<u>9</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,012</u>	<u>7,106</u>	<u>222</u>

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432,438)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
2,733	2,005	182	45,554	101,448	-
9	7	6	5,810	781	-
-	-	-	-	2,825	-
-	-	-	-	-	-
-	-	-	-	-	20
-	-	-	-	3	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,742</u>	<u>2,012</u>	<u>188</u>	<u>51,364</u>	<u>105,057</u>	<u>20</u>
-	200	-	21,354	1,780	-
1	-	-	451	549	-
-	-	-	-	-	-
-	-	-	341	-	-
-	-	-	5,949	-	-
-	-	-	5	-	-
<u>1</u>	<u>200</u>	<u>-</u>	<u>28,100</u>	<u>2,329</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	102,728	-
2,741	1,812	-	23,264	-	-
-	-	188	-	-	20
-	-	-	-	-	-
<u>2,741</u>	<u>1,812</u>	<u>188</u>	<u>23,264</u>	<u>102,728</u>	<u>20</u>
<u>2,742</u>	<u>2,012</u>	<u>188</u>	<u>51,364</u>	<u>105,057</u>	<u>20</u>

(Continued)

City of San José
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021
(\$000's)

	Community Development Block Grant (Funds 441, 304)	Economic Development Administration Loans (Fund 444)	Storm Drainage Service Use Charge (Funds 446, 469)
ASSETS			
Equity in pooled cash and investments held in City Treasury	\$ -	7	43,864
Receivables (net of allowance for uncollectibles)	4,553	-	423
Due from other funds	-	-	-
Loans receivable (net of allowance for uncollectibles)	2,420	-	-
Notes receivable	-	-	-
Advances and deposits	-	-	-
Restricted assets:			
Other cash and investments	5	-	-
Other assets	1,904	-	-
Total assets	<u>\$ 8,882</u>	<u>7</u>	<u>44,287</u>
LIABILITIES			
Accounts payable	\$ 1,487	-	310
Accrued salaries, wages and payroll taxes	55	-	733
Due to other funds	1,775	-	-
Unearned revenue	-	-	2
Advances, deposits, and reimbursable credits	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>3,317</u>	<u>-</u>	<u>1,045</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,660</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	1,905	7	43,242
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>1,905</u>	<u>7</u>	<u>43,242</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,882</u>	<u>7</u>	<u>44,287</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
1,745	1,666	-	1,789	4,651	490,902
1,342	23	139	237	2,465	35,676
-	-	-	-	-	2,825
-	-	-	-	-	2,420
-	-	-	-	-	20
-	-	-	-	138	141
-	-	-	-	6,809	9,886
-	-	-	-	6	1,997
<u>3,087</u>	<u>1,689</u>	<u>139</u>	<u>2,026</u>	<u>14,069</u>	<u>543,867</u>
5	10	-	7	-	29,007
59	2	-	-	2	4,251
-	-	38	-	-	5,757
-	-	121	-	9,071	15,033
-	-	-	-	-	5,949
-	-	-	-	1,544	1,557
<u>64</u>	<u>12</u>	<u>159</u>	<u>7</u>	<u>10,617</u>	<u>61,554</u>
-	-	-	-	-	3,660
-	-	-	-	137	380,394
3,023	1,677	-	2,019	3,315	93,717
-	-	-	-	-	4,562
-	-	(20)	-	-	(20)
<u>3,023</u>	<u>1,677</u>	<u>(20)</u>	<u>2,019</u>	<u>3,452</u>	<u>478,653</u>
<u>3,087</u>	<u>1,689</u>	<u>139</u>	<u>2,026</u>	<u>14,069</u>	<u>543,867</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, 2021
(\$000's)

	Prusch Memorial Park (Fund 131)	Gift Trust (Fund 139)	Building Development Fee Program Fund (Fund 237)
REVENUES			
Taxes and special assessments	-	-	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Rent	96	-	-
Investment income	2	39	460
Other revenues	-	1,329	34,800
	<u>98</u>	<u>1,368</u>	<u>35,260</u>
Total revenues	98	1,368	35,260
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	16	1,321	34,181
Sanitation	-	-	-
Capital maintenance	-	-	-
Capital outlay	-	-	-
	<u>16</u>	<u>1,321</u>	<u>34,181</u>
Total expenditures	16	1,321	34,181
Excess (deficiency) of revenues over (under) expenditures	<u>82</u>	<u>47</u>	<u>1,079</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	33,229
Transfers out	-	-	(1,200)
	<u>-</u>	<u>-</u>	<u>32,029</u>
Total other financing sources (uses)	-	-	32,029
Net change in fund balances	82	47	33,108
Fund balances - beginning	<u>407</u>	<u>4,214</u>	<u>-</u>
Fund balances - ending	<u>\$ 489</u>	<u>4,261</u>	<u>33,108</u>

Planning Development Fee Program Fund (Fund 238)	Citywide Planning Fee Program Fund (Fund 239)	Fire Development Fee Program Fund (Fund 240)	Public Works Development Fee Program Fund (Fund 241)	Public Works Small Cell Permitting Fee Program Fund (Fund 242)	Workforce Investment Act (Funds 290-299)
-	-	-	-	-	-
16	-	-	-	-	6,606
7,587	3,383	-	12,207	7,139	-
-	-	-	-	-	-
45	55	102	114	25	-
8	-	6,821	-	-	-
<u>7,656</u>	<u>3,438</u>	<u>6,923</u>	<u>12,321</u>	<u>7,164</u>	<u>6,606</u>
-	-	-	-	-	-
-	-	-	-	-	-
7,002	2,884	9,023	12,911	5,895	6,516
-	-	-	-	-	-
-	-	-	-	-	-
-	-	153	-	-	-
<u>7,002</u>	<u>2,884</u>	<u>9,176</u>	<u>12,911</u>	<u>5,895</u>	<u>6,516</u>
<u>654</u>	<u>554</u>	<u>(2,253)</u>	<u>(590)</u>	<u>1,269</u>	<u>90</u>
3,062	3,841	8,263	7,895	711	-
(301)	(111)	(131)	(101)	(493)	-
<u>2,761</u>	<u>3,730</u>	<u>8,132</u>	<u>7,794</u>	<u>218</u>	<u>-</u>
3,415	4,284	5,879	7,204	1,487	90
-	-	-	-	-	1,195
<u>3,415</u>	<u>4,284</u>	<u>5,879</u>	<u>7,204</u>	<u>1,487</u>	<u>1,285</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, 2021
(\$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	\$ 10,155	-	-
Intergovernmental	-	-	2,010
Charges for current services	-	-	12,430
Rent	-	-	-
Investment income	-	-	264
Other revenues	4,624	3	86
	<hr/>	<hr/>	<hr/>
Total revenues	14,779	3	14,790
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	-	-
Sanitation	-	-	-
Capital maintenance	13,330	-	6,329
Capital outlay	109	-	7,685
	<hr/>	<hr/>	<hr/>
Total expenditures	13,439	-	14,014
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	1,340	3	776
OTHER FINANCING SOURCES (USES)			
Transfers in	1,150	3	-
Transfers out	(21)	-	(282)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,129	3	(282)
Net change in fund balances	2,469	6	494
Fund balances - beginning	13,785	87	90,060
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 16,254	93	90,554

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)
53,131	-	-	-	-	-
3,301	7,352	8,586	4	2,663	1,256
59	-	-	85	-	-
-	-	-	-	-	-
1,355	-	-	-	5	24
455	-	-	-	-	-
<u>58,301</u>	<u>7,352</u>	<u>8,586</u>	<u>89</u>	<u>2,668</u>	<u>1,280</u>
-	-	-	-	-	-
-	-	-	-	2,376	-
-	-	-	-	-	-
-	-	-	-	-	-
31,535	7,352	8,586	208	-	2,491
4,916	-	-	-	317	-
<u>36,451</u>	<u>7,352</u>	<u>8,586</u>	<u>208</u>	<u>2,693</u>	<u>2,491</u>
<u>21,850</u>	<u>-</u>	<u>-</u>	<u>(119)</u>	<u>(25)</u>	<u>(1,211)</u>
2,662	-	-	-	-	-
<u>(10,233)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(1)</u>	<u>(14)</u>
<u>(7,571)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(1)</u>	<u>(14)</u>
14,279	-	-	(128)	(26)	(1,225)
91,876	-	-	843	202	11,147
<u>106,155</u>	<u>-</u>	<u>-</u>	<u>715</u>	<u>176</u>	<u>9,922</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, 2021
(\$000's)

	<u>State Drug Forfeiture (Fund 417)</u>	<u>Library Parcel Tax (Funds 418, 483)</u>	<u>Federal Drug Forfeiture (Fund 419, 487-488)</u>
REVENUES			
Taxes and special assessments	-	9,905	-
Intergovernmental	-	-	-
Charges for current services	-	-	-
Rent	-	-	-
Investment income	2	13	2
Other revenues	240	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	242	9,918	2
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	9	-	-
Community services	-	8,468	-
Sanitation	-	-	-
Capital maintenance	-	1,608	-
Capital outlay	398	-	215
	<hr/>	<hr/>	<hr/>
Total expenditures	407	10,076	215
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	(165)	(158)	(213)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(49)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	(49)	-
Net change in fund balances	(165)	(207)	(213)
Fund balances - beginning	721	6,956	222
	<hr/>	<hr/>	<hr/>
Fund balances - ending	556	6,749	9

Residential Construction Tax Contribution (Fund 420)	Arterial and Major Collectors (Fund 421)	Community Facility Revenue (Funds 422,432,438)	Integrated Waste Management (Fund 423)	Building and Structures Construction Tax (Fund 429)	Development Enhancement (Fund 439)
249	-	-	-	24,279	-
-	-	-	-	5,216	-
-	52	-	159,652	-	-
-	-	562	531	-	-
10	7	5	-	500	-
-	-	-	-	2,881	-
<u>259</u>	<u>59</u>	<u>567</u>	<u>160,183</u>	<u>32,876</u>	<u>-</u>
-	-	1,709	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	162,692	-	-
25	-	-	-	25,048	-
-	-	-	-	6,674	-
<u>25</u>	<u>-</u>	<u>1,709</u>	<u>162,692</u>	<u>31,722</u>	<u>-</u>
<u>234</u>	<u>59</u>	<u>(1,142)</u>	<u>(2,509)</u>	<u>1,154</u>	<u>-</u>
-	-	-	-	85	-
<u>(37)</u>	<u>(201)</u>	<u>(2,114)</u>	<u>(623)</u>	<u>(440)</u>	<u>-</u>
<u>(37)</u>	<u>(201)</u>	<u>(2,114)</u>	<u>(623)</u>	<u>(355)</u>	<u>-</u>
197	(142)	(3,256)	(3,132)	799	-
<u>2,544</u>	<u>1,954</u>	<u>3,444</u>	<u>26,396</u>	<u>101,929</u>	<u>20</u>
<u>2,741</u>	<u>1,812</u>	<u>188</u>	<u>23,264</u>	<u>102,728</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, 2021
(\$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	11,490	-	645
Charges for current services	-	-	33,640
Rent	-	-	-
Investment income	-	-	-
Other revenues	-	-	21
	<hr/>	<hr/>	<hr/>
Total revenues	11,490	-	34,306
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	11,459	-	-
Sanitation	-	-	23,078
Capital maintenance	1,812	-	4,286
Capital outlay	1	-	1,841
	<hr/>	<hr/>	<hr/>
Total expenditures	13,272	-	29,205
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	(1,782)	-	5,101
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(709)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	(709)
Net change in fund balances	(1,782)	-	4,392
Fund balances - beginning	3,687	7	38,850
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 1,905	7	43,242

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
8,070	-	-	-	-	105,789
-	-	139	-	-	49,284
-	66	-	1,611	909	238,820
-	-	-	-	12,142	13,331
19	1	1	140	22	3,212
7	-	-	-	-	51,275
<u>8,096</u>	<u>67</u>	<u>140</u>	<u>1,751</u>	<u>13,073</u>	<u>461,711</u>
-	-	-	-	-	1,709
-	-	1	-	-	2,386
5,713	-	-	-	23,249	128,638
-	-	-	-	-	185,770
-	267	-	60	1,615	104,552
-	-	138	-	209	22,656
<u>5,713</u>	<u>267</u>	<u>139</u>	<u>60</u>	<u>25,073</u>	<u>445,711</u>
<u>2,383</u>	<u>(200)</u>	<u>1</u>	<u>1,691</u>	<u>(12,000)</u>	<u>16,000</u>
-	-	-	-	4,587	65,488
<u>(4,629)</u>	<u>(227)</u>	<u>-</u>	<u>(1,178)</u>	<u>(411)</u>	<u>(23,515)</u>
<u>(4,629)</u>	<u>(227)</u>	<u>-</u>	<u>(1,178)</u>	<u>4,176</u>	<u>41,973</u>
(2,246)	(427)	1	513	(7,824)	57,973
5,269	2,104	(21)	1,506	11,276	420,680
<u>3,023</u>	<u>1,677</u>	<u>(20)</u>	<u>2,019</u>	<u>3,452</u>	<u>478,653</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, 2021
(\$000's)

	Prusch			Gift Trust					
	Memorial Park			(Fund 131)			(Fund 139)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)			
REVENUES									
Taxes and special assessments	\$ -	-	-	-	-	-			
Intergovernmental	-	-	-	-	-	-			
Charges for current services	-	-	-	-	-	-			
Rent	93	96	3	-	-	-			
Investment income	7	6	(1)	844	85	(759)			
Other revenues	-	-	-	-	1,329	1,329			
Total revenues	<u>100</u>	<u>102</u>	<u>2</u>	<u>844</u>	<u>1,414</u>	<u>570</u>			
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-			
Public safety	-	-	-	-	-	-			
Community services	395	17	(378)	4,764	1,424	(3,340)			
Sanitation	-	-	-	-	-	-			
Capital maintenance	-	-	-	-	-	-			
Capital outlay	-	-	-	-	-	-			
Total expenditures	<u>395</u>	<u>17</u>	<u>(378)</u>	<u>4,764</u>	<u>1,424</u>	<u>(3,340)</u>			
Excess (deficiency) of revenues over (under) expenditures	<u>(295)</u>	<u>85</u>	<u>380</u>	<u>(3,920)</u>	<u>(10)</u>	<u>3,910</u>			
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-			
Transfers out	-	-	-	-	-	-			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			
Net change in fund balances	<u>\$ (295)</u>	<u>85</u>	<u>380</u>	<u>(3,920)</u>	<u>(10)</u>	<u>3,910</u>			
Fund balances - beginning		402			4,100				
Fund balance adjustment		-			-				
Prior year encumbrances		-			114				
Fund balances - ending		<u>\$ 487</u>			<u>\$ 4,204</u>				

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)
-	-	-	-	-	-	-	-	-
-	-	-	501	16	(485)	-	-	-
-	-	-	6,690	7,587	897	3,006	3,383	377
-	-	-	-	-	-	-	-	-
500	275	(225)	31	26	(5)	47	33	(14)
<u>31,606</u>	<u>34,800</u>	<u>3,194</u>	<u>1</u>	<u>8</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>32,106</u>	<u>35,075</u>	<u>2,969</u>	<u>7,223</u>	<u>7,637</u>	<u>414</u>	<u>3,053</u>	<u>3,416</u>	<u>363</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
38,291	34,565	(3,726)	8,007	7,025	(982)	4,405	3,102	(1,303)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>38,291</u>	<u>34,565</u>	<u>(3,726)</u>	<u>8,007</u>	<u>7,025</u>	<u>(982)</u>	<u>4,405</u>	<u>3,102</u>	<u>(1,303)</u>
<u>(6,185)</u>	<u>510</u>	<u>6,695</u>	<u>(784)</u>	<u>612</u>	<u>1,396</u>	<u>(1,352)</u>	<u>314</u>	<u>1,666</u>
33,229	33,229	-	3,062	3,062	-	3,841	3,841	-
(1,200)	(1,200)	-	(301)	(301)	-	(111)	(111)	-
<u>32,029</u>	<u>32,029</u>	<u>-</u>	<u>2,761</u>	<u>2,761</u>	<u>-</u>	<u>3,730</u>	<u>3,730</u>	<u>-</u>
<u>25,844</u>	<u>32,539</u>	<u>6,695</u>	<u>1,977</u>	<u>3,373</u>	<u>1,396</u>	<u>2,378</u>	<u>4,044</u>	<u>1,666</u>
	-			-			-	
	-			-			-	
	-			-			-	
	<u>\$ 32,539</u>			<u>\$ 3,373</u>			<u>\$ 4,044</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, 2021
(\$000's)

	Fire Development Fee Program			Public Works Development Fee Program		
	(Fund 240)			(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	-	-	-	10,676	12,207	1,531
Rent	-	-	-	-	-	-
Investment income	144	64	(80)	125	69	(56)
Other revenues	6,195	6,821	626	-	-	-
Total revenues	<u>6,339</u>	<u>6,885</u>	<u>546</u>	<u>10,801</u>	<u>12,276</u>	<u>1,475</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	10,599	9,430	(1,169)	13,852	12,977	(875)
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	-	-	-
Capital outlay	153	153	-	-	-	-
Total expenditures	<u>10,752</u>	<u>9,583</u>	<u>(1,169)</u>	<u>13,852</u>	<u>12,977</u>	<u>(875)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,413)</u>	<u>(2,698)</u>	<u>1,715</u>	<u>(3,051)</u>	<u>(701)</u>	<u>2,350</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	8,263	8,263	-	7,895	7,895	-
Transfers out	(131)	(131)	-	(101)	(101)	-
Total other financing sources (uses)	<u>8,132</u>	<u>8,132</u>	<u>-</u>	<u>7,794</u>	<u>7,794</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,719</u>	<u>5,434</u>	<u>1,715</u>	<u>4,743</u>	<u>7,093</u>	<u>2,350</u>
Fund balances - beginning		-			-	
Fund balance adjustment		-			-	
Prior year encumbrances		-			-	
Fund balances - ending		<u>\$ 5,434</u>			<u>\$ 7,093</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)
-	-	-	-	-	-	8,796	10,155	1,359
-	-	-	19,402	6,606	(12,796)	-	-	-
6,325	7,139	814	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
10	14	4	-	-	-	211	179	(32)
-	-	-	422	-	(422)	2,585	4,623	2,038
<u>6,335</u>	<u>7,153</u>	<u>818</u>	<u>19,824</u>	<u>6,606</u>	<u>(13,218)</u>	<u>11,592</u>	<u>14,957</u>	<u>3,365</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
6,045	5,895	(150)	10,913	6,729	(4,184)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	16,261	13,608	(2,653)
-	-	-	-	-	-	-	109	109
<u>6,045</u>	<u>5,895</u>	<u>(150)</u>	<u>10,913</u>	<u>6,729</u>	<u>(4,184)</u>	<u>16,261</u>	<u>13,717</u>	<u>(2,544)</u>
<u>290</u>	<u>1,258</u>	<u>968</u>	<u>8,911</u>	<u>(123)</u>	<u>(9,034)</u>	<u>(4,669)</u>	<u>1,240</u>	<u>5,909</u>
711	711	-	-	-	-	1,150	1,150	-
(493)	(493)	-	-	-	-	(21)	(21)	-
<u>218</u>	<u>218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,129</u>	<u>1,129</u>	<u>-</u>
<u>508</u>	<u>1,476</u>	<u>968</u>	<u>8,911</u>	<u>(123)</u>	<u>(9,034)</u>	<u>(3,540)</u>	<u>2,369</u>	<u>5,909</u>
	-			902			13,253	
	-			-			185	
	-			293			123	
	<u>\$ 1,476</u>			<u>\$ 1,072</u>			<u>\$ 15,930</u>	

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City of San José
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021
(\$000's)

	Ng Shing Gung Capital Maintenance (Fund 303)			Subdivision Park Trust (Fund 375)		
		Budgetary Basis	Variance Over		Budgetary Basis	Variance Over
	Budget	Actual	(Under)	Budget	Actual	(Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	2,010	2,010
Charges for current services	-	-	-	-	12,431	12,431
Rent	-	-	-	-	-	-
Investment income	-	1	1	-	1,258	1,258
Other revenues	-	2	2	86	86	-
Total revenues	<u>-</u>	<u>3</u>	<u>3</u>	<u>86</u>	<u>15,785</u>	<u>15,699</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	40,957	10,508	(30,449)
Capital outlay	-	-	-	7,685	7,685	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,642</u>	<u>18,193</u>	<u>(30,449)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>3</u>	<u>3</u>	<u>(48,556)</u>	<u>(2,408)</u>	<u>46,148</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	3	3	-	-	-
Transfers out	-	-	-	(282)	(282)	-
Total other financing sources (uses)	<u>-</u>	<u>3</u>	<u>3</u>	<u>(282)</u>	<u>(282)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>6</u>	<u>6</u>	<u>(48,838)</u>	<u>(2,690)</u>	<u>46,148</u>
Fund balances - beginning		87			83,042	
Fund balance adjustment		-			-	
Prior year encumbrances		-			5,597	
Fund balances - ending		<u>\$ 93</u>			<u>\$ 85,949</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)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
40,000	53,131	13,131	-	-	-	-	-	-
4,631	3,301	(1,330)	6,600	7,352	752	8,400	8,586	186
-	59	59	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,755	2,272	517	-	-	-	-	-	-
1,112	455	(657)	-	-	-	-	-	-
<u>47,498</u>	<u>59,218</u>	<u>11,720</u>	<u>6,600</u>	<u>7,352</u>	<u>752</u>	<u>8,400</u>	<u>8,586</u>	<u>186</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
93,527	39,305	(54,222)	6,600	7,352	752	8,400	8,586	186
4,916	4,916	-	-	-	-	-	-	-
<u>98,443</u>	<u>44,221</u>	<u>(54,222)</u>	<u>6,600</u>	<u>7,352</u>	<u>752</u>	<u>8,400</u>	<u>8,586</u>	<u>186</u>
<u>(50,945)</u>	<u>14,997</u>	<u>65,942</u>	-	-	-	-	-	-
2,662	2,662	-	-	-	-	-	-	-
<u>(6,117)</u>	<u>(10,232)</u>	<u>(4,115)</u>	-	-	-	-	-	-
<u>(3,455)</u>	<u>(7,570)</u>	<u>(4,115)</u>	-	-	-	-	-	-
<u>(54,400)</u>	7,427	<u>61,827</u>	-	-	-	-	-	-
	85,176			-			-	
	-			-			-	
	5,290			-			-	
	<u>\$ 97,893</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, 2021
(\$000's)

	Storm Drainage Fee			Supplemental Local Law Enforcement		
	(Funds 413, 427)			(Fund 414)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	-	-	-	-	-	-
Intergovernmental	4	4	-	1,742	2,490	748
Charges for current services	200	85	(115)	-	-	-
Rent	-	-	-	-	-	-
Investment income	23	11	(12)	-	44	44
Other revenues	-	-	-	-	-	-
Total revenues	<u>227</u>	<u>100</u>	<u>(127)</u>	<u>1,742</u>	<u>2,534</u>	<u>792</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	4,435	2,578	(1,857)
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	410	381	(29)	-	-	-
Capital outlay	-	-	-	317	317	-
Total expenditures	<u>410</u>	<u>381</u>	<u>(29)</u>	<u>4,752</u>	<u>2,895</u>	<u>(1,857)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183)</u>	<u>(281)</u>	<u>(98)</u>	<u>(3,010)</u>	<u>(361)</u>	<u>2,649</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(9)	(9)	-	(1)	(1)
Total other financing sources (uses)	<u>-</u>	<u>(9)</u>	<u>(9)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net change in fund balances	<u>\$ (183)</u>	<u>(290)</u>	<u>(107)</u>	<u>(3,010)</u>	<u>(362)</u>	<u>2,648</u>
Fund balances - beginning		693			2,260	
Fund balance adjustment		-			-	
Prior year encumbrances		136			849	
Fund balances - ending		<u>\$ 539</u>			<u>\$ 2,747</u>	

Underground Utility (Fund 416)			State Drug Forfeiture (Fund 417)			Library Parcel Tax (Fund 418, 483)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	9,743	9,905	162
450	1,256	806	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
32	144	112	2	2	-	100	113	13
-	-	-	240	240	-	-	-	-
<u>482</u>	<u>1,400</u>	<u>918</u>	<u>242</u>	<u>242</u>	<u>-</u>	<u>9,843</u>	<u>10,018</u>	<u>175</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	9	9	-	-	-
-	-	-	-	-	-	9,913	8,826	(1,087)
-	-	-	-	-	-	-	-	-
3,114	2,622	(492)	-	-	-	2,461	1,769	(692)
-	-	-	589	398	(191)	-	-	-
<u>3,114</u>	<u>2,622</u>	<u>(492)</u>	<u>589</u>	<u>407</u>	<u>(182)</u>	<u>12,374</u>	<u>10,595</u>	<u>(1,779)</u>
<u>(2,632)</u>	<u>(1,222)</u>	<u>1,410</u>	<u>(347)</u>	<u>(165)</u>	<u>182</u>	<u>(2,531)</u>	<u>(577)</u>	<u>1,954</u>
-	-	-	-	-	-	1,939	-	(1,939)
-	(14)	(14)	-	-	-	(1,988)	(49)	1,939
-	(14)	(14)	-	-	-	(49)	(49)	-
<u>(2,632)</u>	<u>(1,236)</u>	<u>1,396</u>	<u>(347)</u>	<u>(165)</u>	<u>182</u>	<u>(2,580)</u>	<u>(626)</u>	<u>1,954</u>
	10,980			721			6,593	
	-			-			-	
	-			-			247	
	<u>\$ 9,744</u>			<u>\$ 556</u>			<u>\$ 6,214</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, 2021
(\$000's)

	Federal Drug Forfeiture			Residential Construction Tax Contribution		
	(Fund 419, 487, 488)			(Fund 420)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ -	-	-	200	249	49
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	-	2	2	45	37	(8)
Other revenues	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>2</u>	<u>2</u>	<u>245</u>	<u>286</u>	<u>41</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	384	25	(359)
Capital outlay	215	215	-	-	-	-
Total expenditures	<u>215</u>	<u>215</u>	<u>-</u>	<u>384</u>	<u>25</u>	<u>(359)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(215)</u>	<u>(213)</u>	<u>2</u>	<u>(139)</u>	<u>261</u>	<u>400</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(50)	(37)	13
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>(37)</u>	<u>13</u>
Net change in fund balances	<u>\$ (215)</u>	<u>(213)</u>	<u>2</u>	<u>(189)</u>	<u>224</u>	<u>413</u>
Fund balances - beginning		222			2,504	
Fund balance adjustment		-			-	
Prior year encumbrances		-			-	
Fund balances - ending		<u>\$ 9</u>			<u>\$ 2,728</u>	

Arterial and Major Collectors (Fund 421)			Community Facility Revenue (Funds 422, 432, 438)			Integrated Waste Management (Fund 423)		
Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	52	52	-	-	-	182,056	159,652	(22,404)
-	-	-	1,505	562	(943)	535	531	(4)
28	28	-	45	53	8	659	826	167
-	-	-	-	-	-	-	-	-
<u>28</u>	<u>80</u>	<u>52</u>	<u>1,550</u>	<u>615</u>	<u>(935)</u>	<u>183,250</u>	<u>161,009</u>	<u>(22,241)</u>
-	-	-	1,887	1,809	(78)	-	-	-
205	-	(205)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	168,681	165,577	(3,104)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>205</u>	<u>-</u>	<u>(205)</u>	<u>1,887</u>	<u>1,809</u>	<u>(78)</u>	<u>168,681</u>	<u>165,577</u>	<u>(3,104)</u>
<u>(177)</u>	<u>80</u>	<u>257</u>	<u>(337)</u>	<u>(1,194)</u>	<u>(857)</u>	<u>14,569</u>	<u>(4,568)</u>	<u>(19,137)</u>
-	-	-	-	-	-	-	-	-
-	(201)	(201)	(2,088)	(2,114)	(26)	(623)	(623)	-
-	(201)	(201)	(2,088)	(2,114)	(26)	(623)	(623)	-
<u>(177)</u>	<u>(121)</u>	<u>56</u>	<u>(2,425)</u>	<u>(3,308)</u>	<u>(883)</u>	<u>13,946</u>	<u>(5,191)</u>	<u>(19,137)</u>
	1,923			3,282			26,396	
	-			(7)			-	
	-			112			2,743	
	<u>\$ 1,802</u>			<u>\$ 79</u>			<u>\$ 23,948</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, 2021
(\$000's)

	Building and Structures Construction Tax			Development Enhancement		
	(Fund 429)			(Fund 439)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ 22,400	24,279	1,879	-	-	-
Intergovernmental	38,192	5,216	(32,976)	-	-	-
Charges for current services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Investment income	910	1,500	590	-	-	-
Other revenues	1,000	2,881	1,881	-	-	-
Total revenues	<u>62,502</u>	<u>33,876</u>	<u>(28,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	112,392	29,805	(82,587)	-	-	-
Capital outlay	6,674	6,674	-	-	-	-
Total expenditures	<u>119,066</u>	<u>36,479</u>	<u>(82,587)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,564)</u>	<u>(2,603)</u>	<u>53,961</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	85	85	-	-	-	-
Transfers out	(440)	(440)	-	-	-	-
Total other financing sources (uses)	<u>(355)</u>	<u>(355)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (56,919)</u>	<u>(2,958)</u>	<u>53,961</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		94,063			20	
Fund balance adjustment		-			-	
Prior year encumbrances		6,353			-	
Fund balances - ending		<u>\$ 97,458</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)
-	-	-	-	-	-	-	-	-
22,189	11,829	(10,360)	-	-	-	200	645	445
-	-	-	-	-	-	33,978	33,640	(338)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	498	519	21
-	-	-	-	-	-	-	21	21
<u>22,189</u>	<u>11,829</u>	<u>(10,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,676</u>	<u>34,825</u>	<u>149</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
29,324	16,346	(12,978)	-	-	-	-	-	-
-	-	-	-	-	-	26,374	23,579	(2,795)
3,164	1,905	(1,259)	-	-	-	20,932	6,319	(14,613)
-	1	1	-	-	-	1,841	1,841	-
<u>32,488</u>	<u>18,252</u>	<u>(14,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,147</u>	<u>31,739</u>	<u>(17,408)</u>
<u>(10,299)</u>	<u>(6,423)</u>	<u>3,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,471)</u>	<u>3,086</u>	<u>17,557</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(578)	(709)	(131)
-	-	-	-	-	-	(578)	(709)	(131)
<u>(10,299)</u>	<u>(6,423)</u>	<u>3,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,049)</u>	<u>2,377</u>	<u>17,426</u>
	5,415			7			35,316	
	-			-			-	
	4,919			-			2,910	
	<u>\$ 3,911</u>			<u>\$ 7</u>			<u>\$ 40,603</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, 2021
(\$000's)

	Transient Occupancy Tax			Lake Cunningham		
	(Fund 461)			(Fund 462)		
	Budget	Budgetary Basis Actual	Variance Over (Under)	Budget	Budgetary Basis Actual	Variance Over (Under)
REVENUES						
Taxes and special assessments	\$ 8,300	8,070	(230)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for current services	-	-	-	-	66	66
Rent	-	-	-	-	-	-
Investment income	75	15	(60)	50	26	(24)
Other revenues	99	7	(92)	-	-	-
Total revenues	<u>8,474</u>	<u>8,092</u>	<u>(382)</u>	<u>50</u>	<u>92</u>	<u>42</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community services	8,706	6,663	(2,043)	-	-	-
Sanitation	-	-	-	-	-	-
Capital maintenance	-	-	-	1,221	489	(732)
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>8,706</u>	<u>6,663</u>	<u>(2,043)</u>	<u>1,221</u>	<u>489</u>	<u>(732)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232)</u>	<u>1,429</u>	<u>1,661</u>	<u>(1,171)</u>	<u>(397)</u>	<u>774</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(4,587)	(4,629)	(42)	(227)	(227)	-
Total other financing sources (uses)	<u>(4,587)</u>	<u>(4,629)</u>	<u>(42)</u>	<u>(227)</u>	<u>(227)</u>	<u>-</u>
Net change in fund balances	<u>\$ (4,819)</u>	<u>(3,200)</u>	<u>1,619</u>	<u>(1,398)</u>	<u>(624)</u>	<u>774</u>
Fund balances - beginning		4,284			2,002	
Fund balance adjustment		-			-	
Prior year encumbrances		984			69	
Fund balances - ending		<u>\$ 2,068</u>			<u>\$ 1,447</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)
-	-	-	-	-	-	-	-	-
1,133	239	(894)	-	-	-	-	-	-
-	-	-	740	1,611	871	-	909	909
-	-	-	-	-	-	-	12,142	12,142
-	1	1	12	111	99	205	413	208
-	-	-	-	-	-	-	-	-
<u>1,133</u>	<u>240</u>	<u>(893)</u>	<u>752</u>	<u>1,722</u>	<u>970</u>	<u>205</u>	<u>13,464</u>	<u>13,259</u>
-	-	-	-	-	-	-	-	-
995	31	(964)	-	-	-	-	-	-
-	-	-	-	-	-	75,970	23,416	(52,554)
-	-	-	-	-	-	-	-	-
-	-	-	1,000	60	(940)	3,177	1,629	(1,548)
138	138	-	-	-	-	-	209	209
<u>1,133</u>	<u>169</u>	<u>(964)</u>	<u>1,000</u>	<u>60</u>	<u>(940)</u>	<u>79,147</u>	<u>25,254</u>	<u>(53,893)</u>
-	71	71	<u>(248)</u>	<u>1,662</u>	<u>1,910</u>	<u>(78,942)</u>	<u>(11,790)</u>	<u>67,152</u>
-	-	-	-	-	-	9,822	4,587	(5,235)
-	-	-	<u>(1,180)</u>	<u>(1,178)</u>	<u>2</u>	<u>(5,646)</u>	<u>(411)</u>	<u>5,235</u>
-	-	-	<u>(1,180)</u>	<u>(1,178)</u>	<u>2</u>	<u>4,176</u>	<u>4,176</u>	<u>-</u>
-	71	71	<u>(1,428)</u>	<u>484</u>	<u>1,912</u>	<u>(74,766)</u>	<u>(7,614)</u>	<u>67,152</u>
-	(21)	-	-	1,486	-	-	10,727	-
-	-	-	-	-	-	-	(287)	-
-	-	-	-	-	-	-	343	-
	<u>\$ 50</u>			<u>\$ 1,970</u>			<u>\$ 3,169</u>	

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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 library, 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.

Nonmajor Debt Service Funds

City of San José
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2021
(\$000's)

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
ASSETS			
Receivables (net of allowances for uncollectibles)	\$ 180	-	180
Restricted assets:			
Equity in pooled cash and investments held in City Treasury	40,687	1,208	41,895
Total assets	\$ <u>40,867</u>	<u>1,208</u>	<u>42,075</u>
LIABILITIES			
Accounts payable	\$ -	2	2
Total liabilities	<u>-</u>	<u>2</u>	<u>2</u>
FUND BALANCES			
Restricted for debt service	40,867	1,202	42,069
Committed	-	4	4
Total fund balances	<u>40,867</u>	<u>1,206</u>	<u>42,073</u>
Total liabilities and fund balances	\$ <u>40,867</u>	<u>1,208</u>	<u>42,075</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, 2021
(\$000's)

	GO Bonds Parks, Libraries & Public Safety (Fund 209)	City Hall (Fund 210)	Total
REVENUES			
Taxes and special assessments	\$ 42,030	-	42,030
Investment income	340	218	558
Total revenues	<u>42,370</u>	<u>218</u>	<u>42,588</u>
EXPENDITURES			
Debt service:			
Principal	22,520	-	22,520
Interest and fiscal charges	19,248	6	19,254
Total expenditures	<u>41,768</u>	<u>6</u>	<u>41,774</u>
Excess of revenues over expenditures	<u>602</u>	<u>212</u>	<u>814</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	24,425	24,425
Transfers out	<u>-</u>	<u>(25,144)</u>	<u>(25,144)</u>
Total other financing sources (uses)	<u>-</u>	<u>(719)</u>	<u>(719)</u>
Net change in fund balances	602	(507)	95
Fund balances - beginning	<u>40,265</u>	<u>1,713</u>	<u>41,978</u>
Fund balances - ending	<u>\$ 40,867</u>	<u>1,206</u>	<u>42,073</u>

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Nonmajor Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Project Funds established by the City of San José are as follows:

Capital Improvements Funds – Established to account for assessment charges for the construction of the Alviso Ring Levee.

Construction Excise Tax Funds – Established to account for revenues and expenditures related to traffic maintenance and improvements.

Parks Bond Projects Fund – Established to account for general obligation bond proceeds for various parks construction projects.

Branch Libraries Bond Projects Fund – Established to account for general obligation bond proceeds for various library construction projects.

Neighborhood Security Bond Projects Fund – Established to account for general obligation bond proceeds to improve various libraries, parks and public safety facilities.

Ice Center Expansion Bond Fund – Established to account for lease revenue bond proceeds to fund costs related to the expansion of the Solar4America Ice Rink.

Public Safety and Infrastructure Bond Fund – Established to account for general obligation bond proceeds to improve infrastructure and public safety facilities.

Nonmajor Capital Project Funds

City of San José
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2021
(\$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	\$ 453	118,787
Receivables (net of allowance for uncollectibles)	2	32,833
Advances and deposits	4	34
Restricted assets:		
Equity in pooled cash and investments held in City Treasury	-	116
Cash and investments held with fiscal agents	-	-
Total assets	<u>\$ 459</u>	<u>151,770</u>
LIABILITIES		
Accounts payable	\$ -	8,638
Accrued salaries, wages and payroll taxes	-	885
Unearned revenue	-	12,928
Total liabilities	<u>-</u>	<u>22,451</u>
FUND BALANCES		
Nonspendable	4	-
Restricted	455	34,813
Assigned	-	94,506
Total fund balances	<u>459</u>	<u>129,319</u>
Total liabilities and fund balances	<u>\$ 459</u>	<u>151,770</u>

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Neighborhood Security Bond Projects (Fund 475)	Ice Center Expansion Bond (Fund 490)	Public Safety and Infrastructure Bond (Fund 498)	Total
2,055	-	-	-	-	121,295
7	-	4	-	-	32,846
-	-	-	-	-	38
-	-	-	-	-	116
15,677	6,984	3,607	72,517	194,641	293,426
17,739	6,984	3,611	72,517	194,641	447,721
16	353	87	-	77,346	86,440
2	-	6	-	155	1,048
-	-	-	-	-	12,928
18	353	93	-	77,501	100,416
-	-	-	-	-	4
17,721	6,631	3,518	72,517	117,140	252,795
-	-	-	-	-	94,506
17,721	6,631	3,518	72,517	117,140	347,305
17,739	6,984	3,611	72,517	194,641	447,721

City of San José
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2021
(\$000's)

	Capital Improvements (Funds 408, 424, 476)	Construction Excise Tax (Funds 309, 311, 348-349, 464-465, 470, 478-480, 486)
REVENUES		
Taxes	\$ -	20,083
Intergovernmental	-	60,217
Charges for current services	-	6,336
Investment income	1	456
Other revenues	-	880
Total revenues	1	87,972
EXPENDITURES		
Current:		
Capital maintenance	-	79,773
Capital outlay	-	2,127
Total expenditures	-	81,900
Excess (deficiency) of revenues over (under) expenditures	1	6,072
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	-
Transfers out	(6)	(2,527)
Total other financing sources (uses)	(6)	(2,527)
Net change in fund balances	(5)	3,545
Fund balances - beginning	464	125,774
Fund balances - ending	\$ 459	129,319

Parks Bond Projects (Fund 471)	Branch Libraries Bond Projects (Fund 472)	Neighborhood Security Bond Projects (Fund 475)	Ice Center Expansion Bond (Fund 490)	Public Safety and Infrastructure Bond (Fund 498)	Total
-	-	-	-	-	20,083
-	-	-	-	-	60,217
-	-	-	-	-	6,336
159	59	29	131	1,616	2,451
-	-	1,650	-	-	2,530
<u>159</u>	<u>59</u>	<u>1,679</u>	<u>131</u>	<u>1,616</u>	<u>91,617</u>
538	323	-	46,044	44,789	171,467
778	-	2,607	-	30,684	36,196
<u>1,316</u>	<u>323</u>	<u>2,607</u>	<u>46,044</u>	<u>75,473</u>	<u>207,663</u>
<u>(1,157)</u>	<u>(264)</u>	<u>(928)</u>	<u>(45,913)</u>	<u>(73,857)</u>	<u>(116,046)</u>
-	-	-	120,000	-	120,000
-	-	-	(1,570)	-	(4,103)
<u>7</u>	<u>3</u>	<u>1</u>	<u>118,430</u>	<u>(11)</u>	<u>115,897</u>
<u>(1,150)</u>	<u>(261)</u>	<u>(927)</u>	<u>72,517</u>	<u>(73,868)</u>	<u>(149)</u>
<u>18,871</u>	<u>6,892</u>	<u>4,445</u>	<u>-</u>	<u>191,008</u>	<u>347,454</u>
<u>17,721</u>	<u>6,631</u>	<u>3,518</u>	<u>72,517</u>	<u>117,140</u>	<u>347,305</u>

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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 Funds – 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.

Internal Service Funds

City of San José
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2021
(\$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	\$ 6,643	9,574	4,430	20,647
Other cash and investments	-	-	7	7
Receivables (net of allowance for uncollectibles)	69	336	14	419
Inventories	-	-	1,490	1,490
Other assets	-	438	-	438
Total unrestricted current assets	<u>6,712</u>	<u>10,348</u>	<u>5,941</u>	<u>23,001</u>
Restricted assets:				
Other cash and investments	-	510	-	510
Total restricted current assets	<u>-</u>	<u>510</u>	<u>-</u>	<u>510</u>
Total current assets	<u>6,712</u>	<u>10,858</u>	<u>5,941</u>	<u>23,511</u>
Capital assets (net of accumulated depreciation):				
Depreciable	227	-	3,293	3,520
Total assets	<u>6,939</u>	<u>10,858</u>	<u>9,234</u>	<u>27,031</u>
LIABILITIES				
Current liabilities:				
Accounts payable	25	-	394	419
Accrued salaries, wages, and payroll taxes	602	13	363	978
Total current liabilities	<u>627</u>	<u>13</u>	<u>757</u>	<u>1,397</u>
Noncurrent liabilities:				
Accrued vacation, sick leave and compensatory time	3,457	76	393	3,926
Total liabilities	<u>4,084</u>	<u>89</u>	<u>1,150</u>	<u>5,323</u>
NET POSITION				
Net investment in capital assets	227	-	3,293	3,520
Unrestricted	2,628	10,769	4,791	18,188
Total net position	<u>\$ 2,855</u>	<u>10,769</u>	<u>8,084</u>	<u>21,708</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, 2021
(\$000's)

	Public Works Programs Support (Fund 150)	Employee Benefits (Funds 155-158, 160-161)	Vehicle Maintenance and Operations (Fund 552)	Total
OPERATING REVENUES				
Charges for services	\$ 20,891	105,474	22,529	148,894
Total operating revenues	<u>20,891</u>	<u>105,474</u>	<u>22,529</u>	<u>148,894</u>
OPERATING EXPENSES				
Operations and maintenance	19,214	105,609	23,922	148,745
Depreciation	-	-	1,772	1,772
Total operating expenses	<u>19,214</u>	<u>105,609</u>	<u>25,694</u>	<u>150,517</u>
Operating income (loss)	<u>1,677</u>	<u>(135)</u>	<u>(3,165)</u>	<u>(1,623)</u>
NONOPERATING REVENUES				
Investment income	26	112	7	145
Gain on disposal of capital assets	-	-	153	153
Net nonoperating revenues	<u>26</u>	<u>112</u>	<u>160</u>	<u>298</u>
Income (loss) before transfers	<u>1,703</u>	<u>(23)</u>	<u>(3,005)</u>	<u>(1,325)</u>
Transfers in	-	-	1,390	1,390
Transfers out	(1)	(1,083)	(111)	(1,195)
Changes in net position	<u>1,702</u>	<u>(1,106)</u>	<u>(1,726)</u>	<u>(1,130)</u>
Net position - beginning	<u>1,153</u>	<u>11,875</u>	<u>9,810</u>	<u>22,838</u>
Net position - ending	<u>\$ 2,855</u>	<u>10,769</u>	<u>8,084</u>	<u>21,708</u>

City of San José
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2021
(\$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	\$ 20,885	104,964	22,531	148,380
Cash payment to suppliers of goods and services	(2,498)	(104,361)	(15,951)	(122,810)
Cash payment to employees for services	(16,196)	(1,291)	(7,967)	(25,454)
Net cash provided by (used in) operating activities	<u>2,191</u>	<u>(688)</u>	<u>(1,387)</u>	<u>116</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	1,390	1,390
Transfer to other funds	(1)	(1,083)	(111)	(1,195)
Net cash provided by (used in) noncapital financing activities	<u>(1)</u>	<u>(1,083)</u>	<u>1,279</u>	<u>195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(604)	(604)
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(604)</u>	<u>(604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income on investments	26	112	7	145
Net change in cash and cash equivalents	2,216	(1,659)	(705)	(148)
Cash and cash equivalents - beginning	4,427	11,743	5,142	21,312
Cash and cash equivalents - ending	<u>\$ 6,643</u>	<u>10,084</u>	<u>4,437</u>	<u>21,164</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,677	(135)	(3,165)	(1,623)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	1,772	1,772
(Increase) decrease in:				
Accounts receivable	(6)	(72)	2	(76)
Inventories	-	-	(243)	(243)
Prepaid expenses, advances and deposits	-	(438)	-	(438)
Increase (decrease) in:				
Accounts payable and accrued liabilities	231	(41)	270	460
Accrued vacation, sick leave and compensatory time	289	(2)	(23)	264
Total adjustments	<u>514</u>	<u>(553)</u>	<u>1,778</u>	<u>1,739</u>
Net cash provided by (used in) operating activities	<u>\$ 2,191</u>	<u>(688)</u>	<u>(1,387)</u>	<u>116</u>
Reconciliation of cash and cash equivalents to the statement of net position:				
Equity in pooled cash and investments held in City Treasury				
Unrestricted	\$ 6,643	9,574	4,430	20,647
Restricted	-	510	7	517
Cash and cash equivalents	<u>\$ 6,643</u>	<u>10,084</u>	<u>4,437</u>	<u>21,164</u>

Trust and Custodial Funds

Trust and Custodial Funds are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include pension trust funds, private purpose trust funds, and custodial funds.

Federated City Employees' Retirement System Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all full-time and some eligible part-time City of San José employees, except members of the Police and Fire Department Retirement Plan.

Police and Fire Plan Funds – Established to account for the accumulation of resources to be used for retirement annuity and postemployment healthcare payments to all sworn members of the City of San José's Police and Fire departments.

James Lick Private-Purpose Trust Fund – Established to account for resources legally held in the trust for use towards the support of the Eastfield Ming Quong (EMQ) Families First Agency. All resources of the fund, including any earnings on invested resources, are used to support the organization's activities.

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund – Established to make payments on the former Redevelopment Agency of the City of San José's "enforceable obligations" and to wind down the activities of the former Agency through the sale and disposition of assets and properties.

Arena Capital Reserve Fund – Established to account for Arena Facilities monies that will be used to budget and defray Arena Facilities expenditures relating to capital maintenance repairs and replacement for the San José Arena (SAP Center at San José). Financial statements are presented on pages 43-44.

Trust and Custodial Funds

City of San José
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2021
(\$000's)

ASSETS	Federated City Employees' Retirement System	Police and Fire Plan	Total
Investments	\$ 3,215,583	4,939,842	8,155,425
Receivables:			
Accrued investment income	4,263	6,526	10,789
Employee contributions	1,761	2,065	3,826
Employer contributions	6,421	10,601	17,022
Brokers and others	139,661	71,712	211,373
Other assets, net	3,925	3,925	7,850
Total assets	<u>3,371,614</u>	<u>5,034,671</u>	<u>8,406,285</u>
LIABILITIES			
Due to brokers	100,365	28,904	129,269
Other liabilities	2,296	2,814	5,110
Total liabilities	<u>102,661</u>	<u>31,718</u>	<u>134,379</u>
NET POSITION RESTRICTED FOR:			
Employees' pension benefits	2,884,345	4,726,639	7,610,984
Employees' postemployment healthcare benefits	384,608	276,314	660,922
Net position restricted for pension and postemployment healthcare benefits	<u>\$ 3,268,953</u>	<u>5,002,953</u>	<u>8,271,906</u>

City of San José
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2021
(\$000's)

	Federated City Employees' Retirement System	Police and Fire Plan	Total
ADDITIONS			
Investment income:			
Interest	\$ 22,949	41,287	64,236
Dividends	9,396	14,666	24,062
Net appreciation in fair value of plan investments	752,553	1,056,882	1,809,435
Investment expenses	(8,930)	(15,551)	(24,481)
Contributions:			
Employer	210,200	229,767	439,967
Employees	35,999	41,508	77,507
Total additions	<u>1,022,167</u>	<u>1,368,559</u>	<u>2,390,726</u>
DEDUCTIONS			
General and administrative	5,459	5,874	11,333
Health insurance premiums	31,871	25,974	57,845
Refund of contributions	1,214	667	1,881
Retirement and other benefits:			
Death benefits	15,641	15,152	30,793
Retirement benefits	210,351	228,491	438,842
Veba transfer	5	-	5
Total deductions	<u>264,541</u>	<u>276,158</u>	<u>540,699</u>
Change in net position	757,626	1,092,401	1,850,027
Net position restricted for pension and postemployment healthcare benefits			
Beginning of year	<u>2,511,327</u>	<u>3,910,552</u>	<u>6,421,879</u>
End of year	<u>\$ 3,268,953</u>	<u>5,002,953</u>	<u>8,271,906</u>

City of San José
Combining Statement of Fiduciary Net Position
Federated City Employees' Retirement System
June 30, 2021
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	
	Retirement	Cost of Living	IRS Code Section 115 Trust	Total
ASSETS				
Investments	\$ 1,807,355	1,028,249	379,979	3,215,583
Receivables:				
Accrued investment income	3,594	304	365	4,263
Employee contributions	1,012	262	487	1,761
Employer contributions	4,311	1,114	996	6,421
Brokers and others	47,140	17,626	74,895	139,661
Other assets, net	2,537	1,145	243	3,925
Total assets	1,865,949	1,048,700	456,965	3,371,614
LIABILITIES				
Due to brokers	24,112	4,200	72,053	100,365
Other liabilities	1,281	711	304	2,296
Total liabilities	25,393	4,911	72,357	102,661
NET POSITION RESTRICTED FOR:				
Employees' pension benefits	1,840,556	1,043,789	-	2,884,345
Employees' postemployment healthcare benefits	-	-	384,608	384,608
Net position restricted for pension and postemployment healthcare benefits	\$ 1,840,556	1,043,789	384,608	3,268,953

City of San José
Combining Statement of
Changes in Fiduciary Net Position
Federated City Employees' Retirement System
For the Year Ended June 30, 2021
(\$000's)

	Defined Benefit Pension Plan		Postemployment Healthcare Plan	
	Retirement	Cost of Living	IRS Code Section 115 Trust	Total
ADDITIONS				
Investment income:				
Interest	\$ 14,174	7,676	1,099	22,949
Dividends	4,199	2,274	2,923	9,396
Net appreciation in fair value of plan investments	435,620	243,013	73,920	752,553
Investment expenses	(5,414)	(2,934)	(582)	(8,930)
Contributions:				
Employer	107,040	76,924	26,236	210,200
Employees	20,363	5,361	10,275	35,999
Total additions	575,982	332,314	113,871	1,022,167
DEDUCTIONS				
General and administrative	3,091	1,671	697	5,459
Health insurance premiums	-	-	31,871	31,871
Refund of contributions	1,041	173	-	1,214
Retirement and other benefits:				
Death benefits	8,918	6,723	-	15,641
Retirement benefits	151,656	58,695	-	210,351
Veba transfer	-	-	5	5
Total deductions	164,706	67,262	32,573	264,541
Change in net position	411,276	265,052	81,298	757,626
Net position restricted for pension and postemployment healthcare benefits				
Beginning of year	1,429,280	778,737	303,310	2,511,327
End of year	\$ 1,840,556	1,043,789	384,608	3,268,953

City of San José
Combining Statement of Fiduciary Net Position
Police and Fire Plan
June 30, 2021
(\$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	\$ 2,720,686	1,948,147	23,070	152,639	95,300	4,939,842
Receivables:						
Accrued investment income	4,303	1,890	45	180	108	6,526
Employee contributions	1,063	403	599	-	-	2,065
Employer contributions	5,292	3,945	-	853	511	10,601
Brokers and others	45,157	21,836	3,419	1,316	(16)	71,712
Other assets, net	2,393	1,478	54	-	-	3,925
Total assets	2,778,894	1,977,699	27,187	154,988	95,903	5,034,671
LIABILITIES						
Due to brokers	23,313	3,883	1,419	693	(404)	28,904
Other liabilities	1,636	1,122	22	19	15	2,814
Total liabilities	24,949	5,005	1,441	712	(389)	31,718
NET POSITION RESTRICTED FOR:						
Employees' pension benefits	2,753,945	1,972,694	-	-	-	4,726,639
Employees' postemployment healthcare benefits	-	-	25,746	154,276	96,292	276,314
Net position restricted for pension and postemployment healthcare benefits	\$ 2,753,945	1,972,694	25,746	154,276	96,292	5,002,953

City of San José
Combining Statement of
Changes in Fiduciary Net Position
Police and Fire Plan
For the Year Ended June 30, 2021
(\$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	\$ 23,804	16,496	331	405	251	41,287
Dividends	7,308	5,063	101	1,355	839	14,666
Net appreciation in fair value of plan investments	589,626	417,234	6,531	26,802	16,689	1,056,882
Investment expenses	(9,001)	(6,240)	(125)	(114)	(71)	(15,551)
Contributions:						
Employer	106,594	94,776	3,015	15,320	10,062	229,767
Employees	20,963	8,070	12,475	-	-	41,508
Total additions	739,294	535,399	22,328	43,768	27,770	1,368,559
DEDUCTIONS						
General and administrative	3,410	2,354	57	33	20	5,874
Health insurance premiums	-	-	25,974	-	-	25,974
Refund of contributions	539	128	-	-	-	667
Retirement and other benefits:						
Death benefits	7,783	7,369	-	-	-	15,152
Retirement benefits	157,117	71,374	-	-	-	228,491
Total deductions	168,849	81,225	26,031	33	20	276,158
Change in net position	570,445	454,174	(3,703)	43,735	27,750	1,092,401
Net position restricted for pension and postemployment healthcare benefits						
Beginning of year	2,183,500	1,518,520	29,449	110,541	68,542	3,910,552
End of year	\$ 2,753,945	1,972,694	25,746	154,276	96,292	5,002,953

City of San José
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2021
(\$000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ASSETS			
Current assets:			
Equity in pooled cash and investments held in City Treasury	\$ 205	-	205
Cash and investments	432	4,470	4,902
Receivables (net of allowance for uncollectibles):			
Other	1	116	117
Restricted cash and investments	-	120,346	120,346
Total current assets	<u>638</u>	<u>124,932</u>	<u>125,570</u>
Noncurrent assets:			
Advances to the City of San José	-	733	733
Accrued interest	-	1,249	1,249
Loans receivable, net	-	4,096	4,096
Advances and deposits	-	5	5
Prepaid bond insurance	-	1,541	1,541
Capital assets:			
Nondepreciable	-	2,077	2,077
Depreciable, net	-	669	669
Total noncurrent assets	<u>-</u>	<u>10,370</u>	<u>10,370</u>
Total assets	<u>638</u>	<u>135,302</u>	<u>135,940</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	-	30,297	30,297
LIABILITIES			
Current liabilities:			
Accounts payable	-	147	147
Accrued interest payable	-	20,150	20,150
Unearned revenue	-	7	7
Total current liabilities	<u>-</u>	<u>20,304</u>	<u>20,304</u>
Long-term liabilities:			
Due within one year	-	100,144	100,144
Due in more than one year	-	1,319,837	1,319,837
Total noncurrent liabilities	<u>-</u>	<u>1,419,981</u>	<u>1,419,981</u>
Total liabilities	<u>-</u>	<u>1,440,285</u>	<u>1,440,285</u>
NET POSITION (DEFICIT)			
Held in trust for:			
Redevelopment dissolution and other purposes	638	(1,274,686)	(1,274,048)
Total net position (deficit)	<u>\$ 638</u>	<u>(1,274,686)</u>	<u>(1,274,048)</u>

City of San José
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2021
(\$000's)

	James Lick	Successor Agency to the Redevelopment Agency	Total
ADDITIONS			
Redevelopment property tax revenues	\$ -	189,426	189,426
Interest	119	223	342
Development fees	-	8	8
Gain on sale of revenue participation	-	567	567
Other	-	116	116
Total additions	<u>119</u>	<u>190,340</u>	<u>190,459</u>
DEDUCTIONS			
General and administrative	-	112	112
Project expenses	-	458	458
Pass through amounts to the County of Santa Clara	-	47,093	47,093
Depreciation	-	27	27
Interest on debt	-	48,388	48,388
Total deductions	<u>-</u>	<u>96,078</u>	<u>96,078</u>
Change in net position	<u>119</u>	<u>94,262</u>	<u>94,381</u>
NET POSITION HELD IN TRUST			
Beginning of year	519	(1,368,948)	(1,368,429)
End of year	<u>\$ 638</u>	<u>(1,274,686)</u>	<u>(1,274,048)</u>

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Statistical Section

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
<i>These schedules present trend information to help the reader understand the City's financial performance and condition.</i>	
Revenue Capacity	V - VIII
<i>These schedules contain information regarding property tax, the City's most significant local revenue source.</i>	
Debt Capacity	IX - XIII
<i>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.</i>	
Demographic and Economic Information	XIV-XVI
<i>These schedules illustrate demographic and economic indicators to provide a context for understanding and assessing the City's financial activities.</i>	
Operating Information	XVII-XIX
<i>These schedules contain service and infrastructure data related to services the City provides and the activities it performs.</i>	

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

CITY OF SAN JOSE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(\$000's)

SCHEDULE I

	2012	2013 ⁽¹⁾	2014	2015 ⁽²⁾	2016
Governmental activities					
Net investment in capital assets	\$ 5,350,666	\$ 5,012,359	\$ 4,769,632	\$ 4,566,716	\$ 4,478,760
Restricted	939,509	864,808	889,631	927,190	930,553
Unrestricted	(197,298)	(217,340)	(206,396)	(1,734,224)	(1,723,260)
Total governmental activities net position	\$ 6,092,877	\$ 5,659,827	\$ 5,452,867	\$ 3,759,682	\$ 3,686,053
Business-type activities					
Net investment in capital assets	\$ 859,392	\$ 817,594	\$ 779,015	\$ 769,516	\$ 766,107
Restricted	128,361	124,753	125,345	113,459	76,709
Unrestricted	329,047	359,035	406,663	247,428	339,422
Total business-type activities net position	\$ 1,316,800	\$ 1,301,382	\$ 1,311,023	\$ 1,130,403	\$ 1,182,238
Primary government					
Net investment in capital assets	\$ 6,210,058	\$ 5,829,953	\$ 5,548,647	\$ 5,336,232	\$ 5,244,867
Restricted	1,067,870	989,561	1,014,976	1,040,649	1,007,262
Unrestricted	131,749	141,695	200,267	(1,486,796)	(1,383,838)
Total primary government net position	\$ 7,409,677	\$ 6,961,209	\$ 6,763,890	\$ 4,890,085	\$ 4,868,291

	2017	2018	2019	2020	2021
Governmental activities					
Net investment in capital assets	\$ 4,391,069	\$ 4,349,559	\$ 4,330,279	\$ 4,262,597	\$ 4,089,937
Restricted	982,168	1,000,459	1,036,765	1,088,593 ⁽⁴⁾	1,116,441
Unrestricted	(1,935,456)	(2,667,125)	(2,657,523)	(2,860,084)	(2,978,383)
Total governmental activities net position	\$ 3,437,781	\$ 2,682,893	\$ 2,709,521	\$ 2,491,106	\$ 2,227,995
Business-type activities					
Net investment in capital assets	\$ 814,473	\$ 930,631	\$ 982,045	\$ 1,090,408	\$ 1,209,961
Restricted	75,945	72,750	72,890	76,104	49,785
Unrestricted	351,101	252,928	290,071	290,590	222,411
Total business-type activities net position	\$ 1,241,519	\$ 1,256,309	\$ 1,345,006	\$ 1,457,102	\$ 1,482,157
Primary government					
Net investment in capital assets	\$ 5,205,542	\$ 5,280,190	\$ 5,312,324	\$ 5,353,005	\$ 5,299,898
Restricted	1,058,113	1,073,209	1,109,655	1,164,697	1,166,226
Unrestricted	(1,584,355)	(2,414,197)	(2,367,452)	(2,569,494)	(2,755,972)
Total primary government net position	\$ 4,679,300	\$ 3,939,202 ⁽³⁾	\$ 4,054,527	\$ 3,948,208	\$ 3,710,152

Note: (1) Due to the GASB Statement No. 65 implementation during the year ended June 30, 2013, net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as of June 30, 2013. Prior to July 1, 2012, net position represents the difference between assets and liabilities. The City did not retroactively restate the net position related to the implementation of GASB Statement No. 65.

(2) The decrease in net position as of June 30, 2015, was primarily due to the recording of the City's net pension liability in accordance with the GASB Statement Nos. 68 and 71.

(3) The decrease in net position as of June 30, 2018, was primarily due to the recording of the City's net OPEB liability in accordance with the GASB Statement Nos. 74 and 75.

(4) FY 2020 total has been restated due to prior period adjustments increasing unearned revenue by \$12,408,000, and therefore reducing net position by \$12,408,000.

CITY OF SAN JOSE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(\$000's)

SCHEDULE II

	2012 ⁽¹⁾	2013	2014	2015	2016
Expenses					
Governmental activities:					
General government	\$ 111,996	\$ 133,330	\$ 119,299	\$ 127,480	\$ 122,363
Public safety	490,442	489,572	493,544	466,519	555,072
Community services	247,518	214,770	207,967	236,840	274,838
Sanitation	135,543	160,860	146,058	141,244	145,516
Capital maintenance	473,674	475,995	484,260	507,523	395,393
Interest and fiscal charges	123,696	64,467	60,852	60,266	56,768
Total governmental activities expenses	1,582,869	1,538,994	1,511,980	1,539,872	1,549,950
Business-type activities:					
Norman Y. Mineta San José					
International Airport	200,380	199,681	199,987	197,786	201,017
Wastewater Treatment System	149,980	147,994	169,622	158,385	163,985
Municipal Water System	29,260	31,523	33,187	33,885	36,246
Parking System	9,290	10,231	10,751	12,714	13,607
San José Clean Energy	-	-	-	-	-
Total business-type activities expenses	388,910	389,429	413,547	402,770	414,855
Total primary government expenses	\$ 1,971,779	\$ 1,928,423	\$ 1,925,527	\$ 1,942,642	\$ 1,964,805
Program Revenues					
Governmental activities:					
Charges for services:					
General government	24,732	49,213	41,168	44,044	46,952
Public safety	22,099	21,868	19,228	20,300	23,046
Community services	90,252	109,291	116,522	117,006	129,905
Sanitation	151,644	148,270	151,056	150,546	157,477
Capital maintenance	52,205	70,519	40,024	67,098	66,440
Operating grants and contributions	123,829	108,858	103,844	97,467	107,583
Capital grants and contributions	22,749	36,365	29,873	129,901	69,848
Total governmental program revenues	487,510	544,384	501,715	626,362	601,251
Business-type activities:					
Charges for services					
Norman Y. Mineta San José					
International Airport	154,713	154,246	159,978	163,962	182,445
Wastewater Treatment System	167,783	171,689	195,891	192,715	209,056
Municipal Water System	28,542	32,371	35,427	37,295	37,368
Parking System	11,585	12,093	13,621	15,614	16,503
San José Clean Energy	-	-	-	-	-
Operating grants and contributions	670	565	1,651	1,266	864
Capital grants and contributions	10,899	16,246	14,507	6,225	15,437
Total business-type activities program revenues	374,192	387,210	421,075	417,077	461,673
Total primary government revenues	\$ 861,702	\$ 931,594	\$ 922,790	\$ 1,043,439	\$ 1,062,924

CITY OF SAN JOSE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(\$000's)

SCHEDULE II
(continued)

	2017	2018	2019	2020	2021
Expenses					
Governmental activities:					
General government	\$ 127,090	\$ 132,157	\$ 142,531	\$ 296,294	\$ 351,491
Public safety	694,557	769,305	709,532	813,126	783,928
Community services	310,470	329,222	308,345	301,697	345,762
Sanitation	156,299	164,890	164,677	183,197	184,816
Capital maintenance	444,867	494,007	422,170	476,251	487,239
Interest and fiscal charges	54,844	57,002	46,720	44,771	38,021
Total governmental activities expenses	1,788,126	1,946,583	1,793,975	2,115,336	2,191,257
Business-type activities:					
Norman Y. Mineta San José					
International Airport	204,774	207,675	224,387	232,002	205,378
Wastewater Treatment System	192,302	203,272	199,350	252,033	211,098
Municipal Water System	42,647	49,156	47,917	51,574	51,936
Parking System	14,269	14,503	16,151	22,559	12,581
San José Clean Energy	-	1,116	98,909	301,115	292,670
Total business-type activities expenses	453,992	475,722	586,714	859,283	773,663
Total primary government expenses	\$ 2,242,118	\$ 2,422,305	\$ 2,380,689	\$ 2,974,619	\$ 2,964,920
Program Revenues					
Governmental activities:					
Charges for services:					
General government	48,358	29,565	26,656	19,151	5,534
Public safety	23,164	78,700	88,391	80,077	22,931
Community services	177,436	88,895	106,836	94,080	120,506
Sanitation	143,062	155,772	154,094	171,280	187,319
Capital maintenance	70,842	66,257	59,441	33,924	30,098
Operating grants and contributions	86,779	113,938	108,361	176,843 ⁽²⁾	250,875
Capital grants and contributions	63,647	97,441	111,278	149,459	99,684
Total governmental program revenues	613,288	630,568	655,057	724,814	716,947
Business-type activities:					
Charges for services					
Norman Y. Mineta San José					
International Airport	194,057	213,993	223,267	211,141	147,078
Wastewater Treatment System	222,654	252,722	248,830	322,391	237,593
Municipal Water System	44,680	48,615	51,181	52,020	56,123
Parking System	17,612	17,645	19,185	14,763	7,062
San José Clean Energy	-	-	102,855	336,951	280,388
Operating grants and contributions	1,233	894	720	486	55,804
Capital grants and contributions	13,258	16,362	24,655	6,334	14,412
Total business-type activities program revenues	493,494	550,231	670,693	944,086	798,460
Total primary government revenues	\$ 1,106,782	\$ 1,180,799	\$ 1,325,750	\$ 1,668,900	\$ 1,515,407

CITY OF SAN JOSE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(\$000's)

SCHEDULE II
(continued)

	2012 ⁽¹⁾	2013	2014	2015	2016
Net (Expenses) Revenues					
Governmental activities	\$ (1,095,359)	\$ (994,610)	\$ (1,010,265)	\$ (913,510)	\$ (948,699)
Business-type activities	(14,718)	(2,219)	7,528	14,307	46,818
Total primary government	(1,110,077)	(996,829)	(1,002,737)	(899,203)	(901,881)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	404,877	329,591	368,233	384,523	404,878
Utility	110,912	111,750	114,486	112,645	113,474
Franchise	41,709	43,741	45,749	46,909	48,949
Transient occupancy	22,451	25,258	29,685	36,980	41,125
Business license	41,134	45,140	45,500	47,431	50,864
Sales taxes	154,026	163,751	173,412	180,407	201,797
State of California in-lieu	2,611	524	434	419	410
Unrestricted interest and investment income	6,950	2,019	5,060	4,125	7,790
Other revenue	21,207	20,678	18,278	17,753	2,103
Gain on sale of capital assets	-	-	-	-	-
Transfers	3,357	829	2,468	3,501	3,680
Extraordinary gain/(loss) on dissolution of RDA	2,075,379	(167,244)	-	-	-
Total governmental activities	2,884,613	576,037	803,305	834,693	875,070
Business-type activities:					
Unrestricted interest and investment income	3,562	(1,612)	4,581	3,252	6,383
Other revenue	-	-	-	1,747	2,314
Transfers	(3,357)	(829)	(2,468)	(3,501)	(3,680)
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Extraordinary loss on dissolution of RDA	(13,528)	-	-	-	-
Total business-type activities	(13,323)	(2,441)	2,113	1,498	5,017
Total primary government	\$ 2,871,290	\$ 573,596	\$ 805,418	\$ 836,191	\$ 880,087
Change In Net Position					
Governmental activities	\$ 1,789,254	\$ (418,573)	\$ (206,960)	\$ (78,817)	\$ (73,629)
Business-type activities	(28,041)	(4,660)	9,641	15,805	51,835
Total primary government	\$ 1,761,213	\$ (423,233)	\$ (197,319)	\$ (63,012)	\$ (21,794)

CITY OF SAN JOSE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(\$000's)

SCHEDULE II
(concluded)

	2017	2018	2019	2020	2021
Net (Expenses) Revenues					
Governmental activities	\$ (1,174,838)	\$ (1,316,015)	\$ (1,138,918)	\$ (1,390,522)	\$ (1,474,310)
Business-type activities	39,502	74,509	83,979	84,803	24,797
Total primary government	(1,135,336)	(1,241,506)	(1,054,939)	(1,305,719)	(1,449,513)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property and other taxes	431,138	461,964	497,317	531,075	593,878
Utility	121,046	120,234	120,846	120,213	127,844
Franchise	49,642	51,180	48,397	44,436	45,628
Transient occupancy	45,511	48,854	51,399	35,329	13,479
Business license	54,159	70,673	77,011	71,978	71,169
Sales taxes	207,695	226,337	263,530	260,558	284,020
State of California in-lieu	467	551	505	826	770
Unrestricted interest and investment income	9,062	6,688	24,165	39,635	14,438
Other revenue	4,459	36,485	34,707	56,435	49,798
Gain on sale of capital assets	-	-	44,528	5,231	6,913
Transfers	3,387	5,769	3,141	6,391	3,262
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-
Total governmental activities	926,566	1,028,735	1,165,546	1,172,107	1,211,199
Business-type activities:					
Unrestricted interest and investment income	3,955	6,322	23,498	33,030	1,808
Other revenue	19,211	4,961	627	654	1,712
Transfers	(3,387)	(5,769)	(3,141)	(6,391)	(3,262)
Special item - rate stabilization fund and ten-year lookback distribution	-	-	(16,266)	-	-
Extraordinary loss on dissolution of RDA	-	-	-	-	-
Total business-type activities	19,779	5,514	4,718	27,293	258
Total primary government	\$ 946,345	\$ 1,034,249	\$ 1,170,264	\$ 1,199,400	\$ 1,211,457
Change In Net Position					
Governmental activities	\$ (248,272)	\$ (287,280)	\$ 26,628	\$ (218,415)	\$ (263,111)
Business-type activities	59,281	80,023	88,697	112,096	25,055
Total primary government	\$ (188,991)	\$ (207,257)	\$ 115,325	\$ (106,319)	\$ (238,056)

Note: (1) The amounts have not been retroactively restated prior to FY 2013 for the effect of GASB 65 implementation.

(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

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

SCHEDULE III

	2012	2013	2014	2015	2016
General Fund					
Nonspendable	\$ 13	\$ 13	\$ 219	\$ 203	\$ 186
Restricted	392	330	19,629	10,599	1,265
Committed	63,014	89,114	121,991	94,748	84,998
Assigned	70,236	73,237	111,587	143,398	167,239
Unassigned	49,373	64,200	50,638	67,006	65,351
Total General Fund	\$ 183,028	\$ 226,894	\$ 304,064	\$ 315,954	\$ 319,039
Other Governmental Funds					
Nonspendable	\$ 20,508	\$ 898	\$ 77	\$ 144	\$ 243
Restricted	921,164	851,869	876,041	897,253	909,733
Committed	28,928	29,110	31,779	39,425	55,435
Assigned	32,673	48,229	59,243	70,715	82,785
Unassigned	(172)	-	-	-	-
Total Other Governmental Funds	\$ 1,003,101	\$ 930,106	\$ 967,140	\$ 1,007,537	\$ 1,048,196

	2017	2018	2019	2020	2021
General Fund					
Nonspendable	\$ 170	\$ 153	\$ 153	\$ 121	\$ 104
Restricted	690	1,057	1,370	2,007	307
Committed	96,026	97,809	100,147	95,414	73,580
Assigned	136,093	111,509	168,961	283,322	331,310
Unassigned	79,853	82,494	143,868	79,368	8,041
Total General Fund	\$ 312,832	\$ 293,022	\$ 414,499	\$ 460,232	\$ 413,342
Other Governmental Funds					
Nonspendable	\$ 340	\$ -	\$ -	\$ -	\$ 4
Restricted	960,159	978,565	1,014,467	1,276,750 ⁽¹⁾	1,298,955
Committed	59,319	57,892	69,451	51,460	93,721
Assigned	82,584	94,797	93,500	96,038	99,068
Unassigned	-	-	(32,668)	(27,705)	(44,395)
Total Other Governmental Funds	\$ 1,102,402	\$ 1,131,254	\$ 1,144,750	\$ 1,396,543	\$ 1,447,353

Note: (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

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

SCHEDULE IV

	2012	2013	2014	2015	2016
REVENUES					
Taxes and special assessments	\$ 638,338	\$ 572,715	\$ 622,138	\$ 648,907	\$ 653,663
Sales taxes	154,027	163,751	173,412	180,407	228,317
Licenses, permits, and fines	62,197	61,137	66,826	62,000	69,856
Intergovernmental	112,169	106,091	96,396	90,119	81,133
Charges for current services	227,522	248,636	236,865	249,659	257,212
Rent	20,970	24,020	28,683	36,997	43,284
Investment income and other revenues	73,081	110,720	99,216	104,171	118,903
Total revenues	1,288,304	1,287,070	1,323,536	1,372,260	1,452,368
EXPENDITURES					
General government	88,385	100,483	90,395	90,031	108,505
Public safety	445,790	440,231	464,672	486,770	516,614
Community services	214,719	183,193	178,189	214,788	241,644
Sanitation	133,908	160,881	142,766	143,406	145,008
Capital maintenance	160,346	165,377	169,689	200,523	231,467
Capital outlay	53,038	106,387	73,037	75,903	60,049
Debt service:					
Principal	110,578	51,042	51,085	86,370	53,405
Interest and fiscal charges	116,338	64,287	62,954	62,464	59,007
Bond issuance costs	-	1,762	-	-	-
Payment to refunded bond escrow agent	-	31,985	-	-	-
Total expenditures	1,323,102	1,305,628	1,232,787	1,360,255	1,415,699
Excess (deficiency) of revenues over (under) expenditures	(34,798)	(18,558)	90,749	12,005	36,669
OTHER FINANCING SOURCES (USES)					
Proceeds from SARA refunding	-	-	-	-	-
Bonds issued	-	-	-	-	-
Proceeds from capital lease financing	-	-	19,286	-	-
Refunding bonds issued	-	335,980	-	-	-
Premium / (discount) on bonds	-	45,506	-	-	-
Payment to refunded bond escrow agent	-	(348,750)	-	-	-
Reclassification of debt	(88,600)	-	-	-	-
Loan proceeds	-	-	-	-	-
Proceeds from sale of capital assets	12,237	6,198	2,221	37,482	3,848
Transfers in	476,238	83,670	104,097	114,998	96,561
Transfers out	(472,172)	(83,036)	(102,149)	(112,198)	(93,334)
Escrow payment to the County of Santa Clara	-	-	-	-	-
Total other financing sources (uses)	(72,297)	39,568	23,455	40,282	7,075
Extraordinary gain (loss) from dissolution of RDA	44,795	(50,139)	-	-	-
Net change in fund balances	\$ (62,300)	\$ (29,129)	\$ 114,204	\$ 52,287	\$ 43,744
Debt service as a percentage of noncapital ⁽¹⁾ expenditures	17.87%	12.28%	9.83%	11.59%	8.29%

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

SCHEDULE IV
 (concluded)

	2017	2018	2019	2020	2021
REVENUES					
Taxes and special assessments	\$ 721,419	\$ 778,815	\$ 819,139	\$ 820,215	\$ 866,088
Sales taxes	207,695	226,337	263,530	260,558	284,020
Licenses, permits, and fines	75,173	74,859	80,725	77,747	28,344
Intergovernmental	87,622	94,202	102,328	217,546 ⁽²⁾	261,451
Charges for current services	251,447	279,045	269,807	243,745	252,441
Rent	50,838	53,415	60,974	49,387	13,331
Investment income and other revenues	131,895	122,980	135,047	187,121	188,433
Total revenues	1,526,089	1,629,653	1,731,550	1,856,319	1,894,108
EXPENDITURES					
General government	110,853	115,276	151,295	229,369	294,300
Public safety	537,287	594,768	623,853	642,840	678,689
Community services	258,167	266,818	255,471	262,653	330,076
Sanitation	151,310	158,025	163,271	182,625	190,402
Capital maintenance	259,199	293,096	235,456	298,232	321,876
Capital outlay	68,197	81,311	138,176	90,167	104,823
Debt service:					
Principal	56,139	185,982	73,022	99,034	63,236
Interest and fiscal charges	57,103	57,557	49,129	49,852	42,762
Bond issuance costs	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	31,750
Total expenditures	1,498,255	1,752,833	1,689,673	1,854,772	2,057,914
Excess (deficiency) of revenues over (under) expenditures	27,834	(123,180)	41,877	1,547	(163,806)
OTHER FINANCING SOURCES (USES)					
Proceeds from SARA refunding	-	92,620	-	-	-
Bonds issued	-	-	-	502,020	155,012
Proceeds from capital lease financing	-	-	-	-	-
Refunding bonds issued	-	-	-	-	347,143
Premium / (discount) on bonds	-	-	-	80,821	-
Payment to refunded bond escrow agent	-	(1,705)	-	(297,366)	(344,516)
Reclassification of debt	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Proceeds from sale of capital assets	17,602	38,187	160,943	5,352	7,020
Transfers in	128,089	129,801	196,800	135,966	138,958
Transfers out	(125,526)	(126,681)	(197,647)	(130,814)	(135,891)
Escrow payment to the County of Santa Clara	-	-	(67,000)	-	-
Total other financing sources (uses)	20,165	132,222	93,096	295,979	167,726
Extraordinary gain (loss) from dissolution of RDA	-	-	-	-	-
Net change in fund balances	\$ 47,999	\$ 9,042	\$ 134,973	\$ 297,526	\$ 3,920
Debt service as a percentage of noncapital ⁽¹⁾ expenditures	7.92%	14.57%	7.87%	8.44%	7.05%

Note: (1) Debt ratio was calculated by dividing debt service expenditures excluding bond issuance costs 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.

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

SCHEDULE V

Fiscal Year	City				Former Agency / SARA				Total Direct Rate
	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Net Taxable Assessed Value	
2012	\$ 101,709,647	\$ 4,526,059	\$ 4,249,198	\$ 101,986,508	\$ 13,987,097	\$ 4,215,662	\$ 0	\$ 18,202,759	0.188
2013	102,910,953	4,740,429	4,452,573	103,198,809	14,920,273	3,674,268	0	18,594,541	0.184
2014	111,660,402	4,584,810	4,561,937	111,683,275	16,739,547	4,027,543	0	20,767,090	0.184
2015	119,264,034	4,282,669	4,761,308	118,785,395	18,904,511	3,788,295	0	22,692,806	0.181
2016	127,846,046	4,240,467	5,067,884	127,018,629	19,976,466	3,879,443	0	23,855,909	0.178
2017	135,539,046	4,363,681	5,113,275	134,789,452	22,520,225	4,097,930	0	26,618,155	0.177
2018	143,343,719	4,654,231	5,768,938	142,229,012	24,820,811	4,223,132	0	29,043,943	0.175
2019	147,901,467	3,386,453	5,943,435	145,244,486	31,666,615	5,662,780	0	37,329,394	0.173
2020	159,210,811	3,861,480	6,073,328	156,998,964	33,114,555	5,956,381	0	39,070,936	0.178
2021	172,319,398	5,197,726	6,511,229	171,005,896	31,724,871	4,683,814	0	36,408,685	0.173

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

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
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	0.032	0.028	0.028	0.025	0.022	0.021	0.019	0.017	0.022	0.017
Total Direct Rate	0.188	0.184	0.184	0.181	0.178	0.177	0.175	0.173	0.178	0.173
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	0.699	0.726	0.726	0.731	0.717	0.703	0.679	0.670	0.650	0.664
Special districts	0.030	0.031	0.031	0.030	0.029	0.032	0.030	0.028	0.028	0.028
Total direct and overlapping rates	<u>1.209</u>	<u>1.233</u>	<u>1.233</u>	<u>1.234</u>	<u>1.216</u>	<u>1.204</u>	<u>1.176</u>	<u>1.162</u>	<u>1.148</u>	<u>1.157</u>

Note: The above tax rates are applied per \$100 of assessed valuation.

Source: Department of Finance, County of Santa Clara

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

SCHEDULE VII

2021			2012		
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Essex Portfolio LP	\$ 1,138,533	0.55%	Cisco Technology Inc.	\$ 1,008,029	0.84%
Cisco Technology Inc.	1,022,262	0.49%	Blackhawk Parent LLC	744,489	0.62%
VF Mall LLC	965,827	0.47%	The Irvine Company LLC	742,758	0.62%
FRIT San Jose Town & Country Village LLC	926,093	0.45%	Hitachi Global Storage Techs, Inc.	494,648	0.41%
Google LLC	911,151	0.44%	VF Mall LLC	491,064	0.41%
Sobrato Interests	796,282	0.38%	Legacy Partners	398,828	0.33%
River View Apartments	678,476	0.33%	Carr NP Properties LLC	377,410	0.31%
San Jose Water Works	658,372	0.32%	FRIT San Jose Town & Country Village LLC	374,094	0.31%
Apple Inc.	512,772	0.25%	San Jose Water Works	357,692	0.30%
Adobe Systems Inc.	510,974	0.25%	Sobrato Interests	310,244	0.26%
Total assessed property valuation, local secured net	<u>\$ 8,120,742</u>	<u>3.93%</u>		<u>\$ 5,299,255</u>	<u>4.41%</u>
Total City of San José net assessed property valuation (including the former Redevelopment Agency):					
FY 2011-2012			<u>\$ 120,189,267</u>		
FY 2020-2021			<u>\$ 207,414,581</u>		

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

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

SCHEDULE VIII

Fiscal Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2012	\$ 129,822	\$ 129,822	100.0	\$ 0	\$ 129,822	100.0
2013	133,522	133,522	100.0	0	133,522	100.0
2014	146,783	146,783	100.0	0	146,783	100.0
2015	159,047	159,047	100.0	0	159,047	100.0
2016	168,813	168,813	100.0	0	168,813	100.0
2017	178,527	178,527	100.0	0	178,527	100.0
2018	187,179	187,029	99.9	0	187,029	99.9
2019	200,994	200,978	100.0	0	200,978	100.0
2020	211,117	212,087	100.5	0	212,087	100.5
2021	223,549	224,449	100.4	0	224,449	100.4

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

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

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

SCHEDULE IX

Governmental Activities

Fiscal Year	San José Financing Authority							Total Governmental Activities
	General Obligation Bonds	Notes & Loans	Lease Revenue Bonds	Direct Placements	Special Assessment Bonds	Revenue Bonds	Capital Leases	
2012	\$ 467,104	\$ 22,003	\$ 657,017	\$ -	\$ 158,484	\$ 164,125	\$ -	\$ 1,468,733
2013	447,180	15,906	649,577	-	154,676	153,305	18,069	1,438,713
2014	427,256	15,906	631,899	-	150,533	141,995	39,370	1,406,959
2015	407,332	2,396	595,742	-	144,159	130,140	38,850	1,318,619
2016	387,403	2,157	579,326	-	139,434	117,715	37,209	1,263,244
2017	367,469	1,917	561,102	-	134,467	104,685	35,495	1,205,135
2018	347,530	1,200	505,519	-	129,228	-	33,704	1,017,181
2019	327,591	-	445,731	13,090 ⁽¹⁾	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

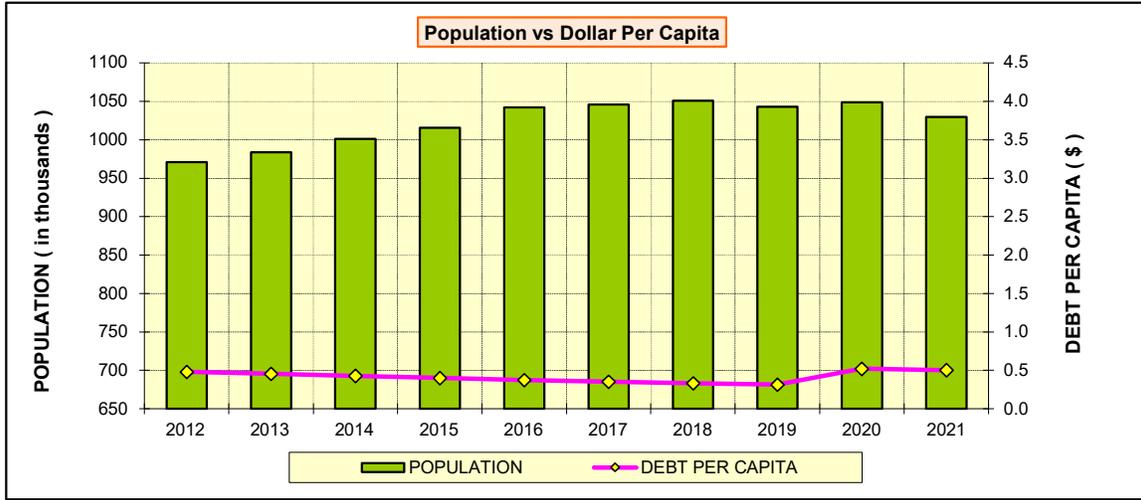
Business-type Activities

Fiscal Year	Airport Revenue Bonds	Clean Water Revenue Bonds	Wastewater Revolving Fund Loans	Wastewater Notes Payable (Direct Borrowings)	Total Business-type Activities	Total Primary Government	Percentage of Property Value	Debt Per Capita
2012	\$ 1,415,551	\$ 49,842	\$ 26,746	\$ -	\$ 1,492,139	\$ 2,960,872	2.46%	\$ 3.05
2013	1,398,333	44,481	22,769	-	1,465,583	2,904,296	2.38%	2.95
2014	1,376,038	38,925	18,720	-	1,433,683	2,840,642	2.14%	2.84
2015	1,349,266	33,169	14,597	-	1,397,032	2,715,651	1.92%	2.67
2016	1,325,579	27,138	10,399	-	1,363,116	2,626,360	1.74%	2.52
2017	1,310,332	21,116	6,125	-	1,337,573	2,542,708	1.58%	2.43
2018	1,261,909	15,846	1,772	18,490	1,298,017	2,315,198	1.34%	2.20
2019	1,229,409	10,756	-	89,076	1,329,241	2,253,258	1.23%	2.16
2020	1,194,784	5,456	-	106,920	1,307,160	2,407,667	1.23%	2.29
2021	1,146,872	-	-	150,368	1,297,240	2,460,948	1.19%	2.39

Note: Prior to FY 2016, "Total Governmental Activities Debt" was restated to include "Capital Leases". Accordingly, the percentage of property value and debt per capita are recalculated.

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

CITY OF SAN JOSE
 RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
 (\$000'S)



Fiscal Year	Outstanding General Debt ⁽¹⁾		Net Assessed Value	Population	Ratio of Net General Bonded Debt to Net Assessed Value ⁽²⁾	
	General Obligation Bonds	Total Net General Bonded Debt ⁽²⁾			Ratio of Net General Bonded Debt to Net Assessed Value ⁽²⁾	Net General Bonded Debt Per Capita ⁽²⁾
2012	\$ 467,104	\$ 467,104	\$ 120,189,267	971,372	0.003886	\$ 0.48
2013	447,180	447,180	121,793,350	984,299	0.003672	0.45
2014	427,256	427,256	132,450,365	1,001,000	0.003226	0.43
2015	407,332	407,332	141,478,201	1,016,479	0.002879	0.40
2016	387,403	387,397	150,874,538	1,042,094	0.002568	0.37
2017	367,469	367,469	161,407,607	1,046,079	0.002277	0.35
2018	347,530	347,530	171,272,955	1,051,316	0.002029	0.33
2019	327,591	327,591	182,673,880	1,043,058	0.001793	0.31
2020	545,984	545,981	196,069,900	1,049,187	0.002785	0.52
2021	519,304	519,304	207,414,581	1,029,782	0.002504	0.50

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

- (1) Prior to FY 2016, the Total Outstanding General Debt was restated to exclude "Lease Revenue bonds" and "Revenue bonds". "Revenue bonds" were excluded because they were not secured by property taxes.
- (2) Effective 2017, Net General Bonded Debt is used to calculate ratio. Prior to FY 2016, the ratio of Net General Bonded Debt to Net Assessed Value and Net General Bonded Debt per Capita were restated.

Source: Finance Department, City of San José
 State of California, Department of Finance, Population Estimates for California Cities

CITY OF SAN JOSE
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2021

SCHEDULE XI

City Net Taxable Assessed Valuation (in thousands)		\$	207,414,581																
			<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">Outstanding Debt</td> <td style="width: 10%;"></td> <td style="width: 50%; text-align: center;">Estimated Share of</td> </tr> <tr> <td></td> <td style="text-align: center;">as of 06/30/21</td> <td></td> <td style="text-align: center;">Overlapping Debt</td> </tr> <tr> <td style="border-top: 1px solid black;"><i>City Direct Debt</i></td> <td style="text-align: center; border-top: 1px solid black;">100.00%</td> <td style="text-align: center; border-top: 1px solid black;">\$</td> <td style="text-align: center; border-top: 1px solid black;">\$</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,163,708</td> <td style="text-align: right; border-top: 1px solid black;">1,163,708</td> </tr> </table>		Outstanding Debt		Estimated Share of		as of 06/30/21		Overlapping Debt	<i>City Direct Debt</i>	100.00%	\$	\$			1,163,708	1,163,708
	Outstanding Debt		Estimated Share of																
	as of 06/30/21		Overlapping Debt																
<i>City Direct Debt</i>	100.00%	\$	\$																
		1,163,708	1,163,708																
<i>Direct Tax and Assessment Debt:</i>																			
City of San José Community Facilities Districts	100.00%	\$	\$																
City of San José Special Assessment Bonds	100.00%																		
		5,730	5,730																
		5,785	5,785																
		11,515	11,515																
<i>Overlapping Tax and Assessment Debt:</i>																			
Alum Rock Union School District	77.23%		72,770																
Berryessa Union School District	94.00%		112,434																
Cambrian School District	64.30%		40,078																
Campbell Union High School District	59.48%		212,909																
Campbell Union School District	47.35%		100,043																
Cupertino Union School District	15.70%		44,632																
East Side Union High School District	95.90%		938,587																
Evergreen School District	99.42%		166,140																
Foothill-DeAnza Community College District	3.85%		27,248																
Franklin-McKinley School District	99.51%		157,213																
Fremont Union High School District	8.60%		53,094																
Gavilan Joint Community College District	5.14%		11,284																
Los Gatos Union School District	1.75%		1,266																
Los Gatos-Saratoga Joint Union High School District	0.86%		742																
Luther Burbank School District	18.14%		3,227																
Midpeninsula Regional Open Space District	0.01%		10																
Moreland School District	74.36%		94,875																
Morgan Hill Unified School District	11.93%		13,094																
Mount Pleasant School District	88.49%		24,024																
Oak Grove School District	99.92%		234,891																
Orchard School District	100.00%		34,531																
San José Unified School District	98.48%		522,298																
San José-Evergreen Community College District	85.11%		745,082																
Santa Clara County	37.47%		304,497																
Santa Clara Unified School District	22.31%		223,468																
Santa Clara Valley Water District Benefit Assessment District	37.47%		21,361																
Union School District	72.72%		79,857																
West Valley Community College District	31.87%		187,715																
Subtotal Overlapping Tax and Assessment Debt			4,427,370																
Total Direct and Overlapping Tax and Assessment Debt			4,438,885																
<i>Overlapping Other Debt:</i>																			
Alum Rock Union School District Certificates of Participation	77.23%		10,542																
Berryessa Union School District Certificates of Participation	94.01%		3,221																
Campbell Union High School District General Fund Obligations	59.48%		11,896																
Campbell Union School District General Fund Obligations	47.35%		1,032																
East Side Union High School District Post Employment Obligations	95.90%		25,568																
Foothill-DeAnza Community College District General Fund Obligations	3.85%		850																
Franklin-McKinley School District Certificates of Participation	99.51%		2,657																
Gavilan Joint Community College District General Fund Obligations	5.14%		343																
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	0.86%		15																
Midpeninsula Regional Open Space Park District General Fund Obligations	0.01%		12																
Morgan Hill Unified School District Certificates of Participation	11.93%		1,612																
San José Unified School District Certificates of Participation	98.48%		7,824																
San José-Evergreen Community College District Benefit Obligations	85.11%		40,385																
Santa Clara County Board of Education Certificates of Participation	37.47%		1,000																
Santa Clara County General Fund Obligations	37.47%		342,816																
Santa Clara County Pension Obligation Bonds	37.47%		127,916																
Santa Clara County Vector Control District Certificates of Participation	37.47%		661																
Santa Clara Unified School District Certificates of Participation	22.31%		3,001																
West Valley-Mission Community College District General Fund Obligations	31.87%		15,885																
Total Gross Direct and Overlapping General Fund Debt			597,236																
Total Overlapping Debt		\$	\$																
Total Direct and Overlapping Debt			5,036,121																

Notes:

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

Hotel Tax Bonds have a different supportive revenue stream like other enterprise issues: water, sewer, etc., including those type of obligations would distort the ratios of debt burden to property.

CITY OF SAN JOSE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(\$000's)

SCHEDULE XII

	2012	2013	2014	2015	2016
<u>Calculation of Debt Limit</u>					
Gross assessed value for fiscal year	\$ 124,438,465	\$ 126,245,923	\$ 137,012,302	\$ 146,239,509	\$ 155,942,422
Debt limit at 15% of assessed value ⁽¹⁾	x .15				
Debt limit applicable to fiscal year	\$ 18,665,770	\$ 18,936,888	\$ 20,551,845	\$ 21,935,926	\$ 23,391,363
<u>Calculation of Legal Debt Margin</u>					
Debt limit applicable to fiscal year	\$ 18,665,770	\$ 18,936,888	\$ 20,551,845	\$ 21,935,926	\$ 23,391,363
Total general obligation bonds	467,104	447,180	427,256	407,332	387,403
Legal debt margin	\$ 18,198,666	\$ 18,489,708	\$ 20,124,589	\$ 21,528,594	\$ 23,003,960
Percentage of outstanding debt subject to legal debt limit	2.6%	2.4%	2.1%	1.9%	1.7%

	2017	2018	2019	2020	2021
<u>Calculation of Debt Limit</u>					
Gross assessed value for fiscal year	\$ 166,520,882	\$ 177,041,893	\$ 188,617,315	\$ 202,143,227	\$ 213,925,810
Debt limit at 15% of assessed value ⁽¹⁾	x .15				
Debt limit applicable to fiscal year	\$ 24,978,132	\$ 26,556,284	\$ 28,292,597	\$ 30,321,484	\$ 32,088,872
<u>Calculation of Legal Debt Margin</u>					
Debt limit applicable to fiscal year	\$ 24,978,132	\$ 26,556,284	\$ 28,292,597	\$ 30,321,484	\$ 32,088,872
Total general obligation bonds	367,469	347,530	327,591	545,984	519,304
Legal debt margin	\$ 24,610,663	\$ 26,208,754	\$ 27,965,006	\$ 29,775,500	\$ 31,569,568
Percentage of outstanding debt subject to legal debt limit	1.5%	1.3%	1.2%	1.8%	1.6%

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.

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

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

SCHEDULE XIII

NORMAN Y. MINETA SAN JOSÉ INTERNATIONAL AIRPORT											
Year	Gross Revenues and Other Available Funds ^{(1),(7)}		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)}	
	Available Funds				Principal	Interest	Total				
2012	\$ 188,490	\$ 67,875	\$ 120,615	\$ 25,550	\$ 55,175	\$ 80,725	\$ 21,336	\$ 59,389	2.03		
2013	190,857	64,974	125,883	13,440	72,885	86,325	22,100	64,225	1.96		
2014	202,874	66,319	136,555	22,275	72,793	95,068	25,747	69,321	1.97		
2015	206,064 ⁽⁶⁾	70,054	136,010	23,475	72,608	96,083	25,202	70,881	1.92		
2016	217,275 ⁽⁶⁾	73,118 ⁽⁶⁾	144,157	23,660	71,792	95,452	24,829	70,623	2.04		
2017	234,154	77,577	156,577	24,700	70,960	95,660	24,789	70,871	2.21		
2018	252,019	85,584	166,435	41,900	61,866	103,766	24,792	78,974	2.11		
2019	243,941	92,572	151,369	28,915	63,586	92,501	27,026	65,475	2.31		
2020	234,289	97,122	137,167	31,040	62,218	93,258	27,479	65,779	2.09		
2021	232,468	89,927	142,541	33,205	59,513	92,718	14,339	78,379	1.82		

- (1) Includes operating and other revenues and prior year's surplus, excludes Passenger Facility Charges and other items as defined in the Master Trust Agreement.
- (2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.
- (3) Debt coverage is calculated by dividing net revenue available for debt service by total debt service requirements.
- (4) Under the Master Trust Agreement, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt services. The amount of Debt Service is reduced by the amount Available Passenger Facility Charges designated by the City and deposited with Trustee to pay Debt Service. Beginning 2009 - 2010, debt service requirements calculation excludes Passenger Facility Charges.
- (5) The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service will be at least 125% of annual debt service for each fiscal year.
- (6) Fiscal year 2015 Operating Expenses were revised to exclude expenses related to GASB Statement No. 68.
- (7) Other Available Funds includes Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior fiscal year, unspent bond proceeds in FY12 through FY17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.
- (8) Other Available Funds was restated to include CFC revenues available for debt service not to exceed the amount of CFC eligible debt service and transportation costs.

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

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

SCHEDULE XIII
(Concluded)

WASTEWATER TREATMENT SYSTEM

Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ⁽³⁾⁽⁴⁾
				Principal	Interest	Total	
2012	\$ 146,318	\$ 81,604	\$ 64,714	\$ 4,945	\$ 1,986	\$ 6,931	9.34
2013	151,025	84,818	66,207	5,125	1,799	6,924	9.56
2014	159,084	93,797	65,287	5,320	1,608	6,928	9.42
2015	159,187	88,168	71,019	5,520	1,360	6,880	10.32
2016	168,436	95,200	73,236	5,795	1,121	6,916	10.59
2017	173,796	108,657	65,139	5,855	906	6,761	9.63
2018	185,816	125,384	60,432	5,145	713	5,858	10.32
2019	186,185	104,159	82,026	4,965	537	5,502	14.91
2020	191,816	136,437	55,379	5,175	322	5,497	10.07
2021	191,906	105,547	86,359	5,410	87	5,497	15.71

(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.

Note: The methodology used in previous years was changed and reflected in FY 2019. Prior to FY 2019, revenues from San José and other Agencies were included in the calculation. Effective FY 2019, the calculation was based on San José revenues only.

Source: Environmental Services Department, City of San José

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

SCHEDULE XIV

Fiscal Year	Population ⁽¹⁾	Net Taxable Assessed Values ⁽²⁾ (\$000's)	Per Capita Taxable Property Values	Unemployment Rate ⁽³⁾ (%)
2012	971,372	\$ 120,189,267	\$ 123,731	9.7
2013	984,299	121,793,350	123,736	6.9
2014	1,001,000	132,450,365	132,318	5.5
2015	1,016,479	141,487,201	139,193	4.3
2016	1,042,094	150,874,538	144,780	4.1
2017	1,046,079	161,407,607	154,298	3.6
2018	1,051,316	171,272,955	162,913	3.0
2019	1,043,058	182,673,880	175,133	2.9
2020	1,049,187	196,069,900	186,878	10.8
2021	1,029,782	207,414,581	201,416	5.0

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

(b) Population count only reflects preliminary numbers per the State's press release

Sources / Notes:

1. State of California, Department of Finance, Population Estimates for California Cities
2. Finance Department, County of Santa Clara
3. State of California, Employment Development Department, Labor Market Information Division; Unemployment in San José MSA

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

SCHEDULE XV

Company or Organization	2021			2012		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	18,700	1	3.76%	15,360	1	3.37%
City of San José	7,627 ⁽¹⁾	2	1.53%	6,799 ⁽¹⁾	3	1.49%
Cisco Systems	7,500	3	1.51%	13,600	2	2.98%
Paypal Inc.	3,868	4	0.78%	n/a	n/a	n/a
San José State University	3,650	5	0.73%	4,780	4	1.05%
Adobe Systems Inc.	3,400	6	0.68%	2,020	10	0.44%
Kaiser Permanente	3,035	7	0.61%	1,940	11	0.43%
eBay Inc.	2,800	8	0.56%	4,700	5	1.03%
Western Digital	2,759	9	0.56%	n/a	n/a	n/a
San Jose Unified School District	2,679	10	0.54%	2,690	8	0.59%
Target Stores	2,437	11	0.49%	n/a	n/a	n/a
Super Micro Computer	2,230	12	0.45%	n/a	n/a	n/a
IBM	2,200	13	0.44%	4,100	6	0.90%
Cadence Design Systems	1,956	14	0.39%	1,924	12	0.42%
Good Samaritan Health System	1,850	15	0.37%	1,810	13	0.40%

Note: (1) Full-time and Part-time employees.
(n/a) Company or Organization not included in top 15 principal employers in 2012.

Source: California Employment Development Department, Labor Market Information Division
City of San José FY 2021-2022 Proposed Operating Budget
FY 2011-2012 ACFR

CITY OF SAN JOSE
 FULL-TIME AND PART-TIME CITY EMPLOYEES
 LAST TEN FISCAL YEARS

SCHEDULE XVI

	Full-Time and Part-Time Employees as of June 30th ⁽¹⁾									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Airport	181	169	165	172	164	180	204	206	209	199
City Attorney's Office	67	73	72	72	79	76	79	86	82	83
City Auditor's Office	12	15	14	14	14	15	14	11	15	13
City Clerk's Office	11	11	16	14	14	13	14	12	14	14
City Council & Mayor	81	85	78	89	90	95	104	102	120	113
City Manager's Office	62	61	59	60	65	65	70	81	87	83
Community Energy	0	0	0	0	0	0	5	21	25	30
Convention & Cultural Facilities	1	0	0	0	0	0	0	0	0	0
Environmental Services	455	427	452	466	460	489	492	485	488	492
Finance	109	112	112	125	124	111	113	123	120	119
Fire	740	783	762	758	779	781	771	798	794	795
Housing	57	50	49	54	51	55	61	64	70	83
Human Resources	74	60	39	46	46	46	48	44	50	190
Independent Police Auditor	6	6	6	6	6	5	6	5	6	6
Information Technology	83	76	70	63	68	76	66	82	85	86
Library	532	575	525	576	643	574	554	557	552	511
Office of Economic Development	138	112	54	58	59	66	60	58	70	64
Parks, Recreation & Neighborhood Services	1,422	1,425	1,018	1,104	1,160	1,178	1,698	1,783	1,539	1,481
Planning, Building & Code Enforcement	288	324	294	317	289	284	299	292	289	273
Police	1,572	1,580	1,524	1,422	1,569	1,682	1,807	1,836	1,872	1,877
Public Works	475	503	516	519	535	557	575	592	598	602
Retirement Services	27	26	32	35	36	35	34	38	39	38
Transportation	406	396	406	418	428	422	453	452	451	475
Total	6,799	6,869	6,263	6,388	6,679	6,805	7,527	7,728	7,575	7,627

Note: (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.

Source: Finance Department, Payroll Division, City of San José

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CITY OF SAN JOSE
OPERATING INDICATORS
LAST TEN FISCAL YEARS

SCHEDULE XVII

	2012	2013	2014	2015	2016
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	71,672	71,000	74,088	73,835	76,050
Cargo Commercial Airlines Operations	1,678	1,500	1,504	1,497	1,570
Taxi / Commuter Commercial	14,806	16,000	16,843	18,326	19,055
General Aviation	31,664	31,000	31,246	31,950	34,670
Military Flights	285	230	228	200	241
Landings Per Day:					
Commercial	121	120	125	128	132
General Aviation	43	40	43	44	47
Number of Passengers Per Year	8,260,000	8,489,000	9,063,000	9,555,000	10,000,000
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	107 ⁽²⁾	111	109	101	92
Muni Water Consumption Per Year (in bil. gal.)	7.7	8.1	8.1	8.2	6.4
Recycled Materials:					
Tons of Recyclables	114,369	101,102	103,000	82,000	85,239
Tons of Yard Trimmings	132,875	132,979	129,000	125,000	115,682
Gallons of Used Motor Oil	124,871	81,127	77,999	84,000	65,428
FIRE:					
Fires Per Year	1,765	1,988	2,000	2,000	1,950
Hazardous Materials Incidents Per Year	448	880	NA ⁽⁴⁾	NA ⁽⁴⁾	NA ⁽⁴⁾
Fire Safety Code Inspections Per Year	14,318	13,615	13,000	13,700	15,000
Emergency Medical Calls Per Year	49,320	52,210	48,000	51,000	54,000
LIBRARIES:					
Circulation	11,544,886	10,702,251	10,700,000	9,840,912	9,705,777
Reference Questions	666,385	563,753	550,000	438,450	550,000
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	220,743 ⁽¹⁾	278,481	575,000	611,316	683,913
POLICE:					
911 Calls Per Year	420,862	454,919	549,000	578,000	563,000
311 Calls Per Year	360,929	385,189	368,000	370,000	385,000
Cases Investigated Per Year	32,982	NA ⁽³⁾	22,300	27,000	22,000
BUILDING PERMITS:					
Number issued:					
New Buildings	620	947	1,191	901	742
Building Alterations	4,495	4,812	6,085	6,116	4,998
Value:					
New Buildings (in \$)	517,738,795	547,633,219	1,398,057,690	852,554,975	866,643,670
Building Alterations (in \$)	475,777,145	468,400,699	746,751,604	1,384,326,525	770,315,772

CITY OF SAN JOSE
OPERATING INDICATORS
LAST TEN FISCAL YEARS

SCHEDULE XVII
(concluded)

	2017	2018	2019	2020	2021
AIRPORT:					
Takeoffs Per Year:					
Commercial Airline Operations	104,377 ⁽⁵⁾	128,242	141,454	119,018	54,558 ⁽⁶⁾
Cargo Commercial Airlines Operations	1,654	1,596	1,562	1,494	1,534
Taxi / Commuter Commercial	NA ⁽⁵⁾	NA ⁽⁵⁾	NA ⁽⁵⁾	NA ⁽⁵⁾	NA ⁽⁵⁾
General Aviation	34,105	35,664	48,762	47,724	36,389
Military Flights	279	249	230	148	118
Landings Per Day:					
Commercial	143	176	194	165	77
General Aviation	47	49	67	65	50
Number of Passengers Per Year	11,200,000	13,500,000	14,900,000	11,300,000	4,000,000 ⁽⁶⁾
ENVIRONMENT AND UTILITIES:					
Water:					
Wastewater Treated Per Day (in mil. gal.)	101	105	109	104	109
Muni Water Consumption Per Year (in bil. gal.)	6.5	6.6	6.5	6.6	8.2
Recycled Materials:					
Tons of Recyclables	96,363	78,606	84,344	87,084	104,627
Tons of Yard Trimmings	129,136	122,375	126,491	127,899	134,194
Gallons of Used Motor Oil	64,571	49,714	56,857	46,571	59,429
FIRE:					
Fires Per Year	2,300	3,284	3,076	3,675	4,000
Hazardous Materials Incidents Per Year	NA ⁽⁴⁾	NA ⁽⁴⁾	NA ⁽⁴⁾	NA ⁽⁴⁾	NA ⁽⁴⁾
Fire Safety Code Inspections Per Year	17,000	19,585	19,573	18,672	18,304
Emergency Medical Calls Per Year	55,000	57,715	57,509	56,454	57,000
LIBRARIES:					
Circulation	9,228,155	8,372,753	8,613,193	6,992,895	3,613,471 ⁽⁶⁾
Reference Questions	450,000	500,000	600,000	360,000	160,000 ⁽⁶⁾
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:					
Total Participation in Recreation Programs	779,077	785,581	828,233	709,764	100,811 ⁽⁶⁾
POLICE:					
911 Calls Per Year	565,000	610,000	608,000	639,000	640,000
311 Calls Per Year	382,000	426,800	441,000	523,000	525,000
Cases Investigated Per Year	23,000	30,200	34,000	35,500	30,000
BUILDING PERMITS:					
Number issued:					
New Buildings	885	858	1,325	1,240	1,310
Building Alterations	6,474	6,049	5,626	4,665	5,011
Value:					
New Buildings (in \$)	1,002,500,194	1,131,512,740	938,617,645	1,160,972,661	1,282,313,750
Building Alterations (in \$)	967,071,695	630,571,262	896,629,696	725,204,828	759,736,823

Note: (1) Decrease due to change in methodology used to calculate attendance from hours to attendees to number of events.
(2) Data reported previously was revised to reflect the most recent information.
(3) Data currently unavailable due to the Police Department's transition to a new Records Management System.
(4) Data currently unavailable due to staffing resources. Efforts are underway to enhance and automate the process.
(5) Effective FY 2017, Airport Department no longer tracks the Taxi/Commuter Commercial separately. It is now included in Commercial Airline Operations.
(6) FY 2021, significant reductions in certain operating indicators due to COVID-19

CITY OF SAN JOSE
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST TEN FISCAL YEARS

SCHEDULE XVIII

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AIRPORT:										
Terminals	2	2	2	2	2	2	2	2	2	2
Runways	3	3	3	3	3	3	3	3	3	3
Public Parking Spaces:										
Short-Term Parking	2,539	2,500	2,500	2,500	2,500	2,130	1,980	1,620	1,620	1,443
Long-Term Parking	3,085	3,100	3,030	3,030	3,030	3,030	3,030	2,920	2,920	3,720
ENVIRONMENT AND UTILITIES:										
Wastewater:										
Miles of Municipal Sewer Mains	2,264	2,271	2,294	2,302	2,308	2,030	2,315	2,320	2,322	2,327
Maximum Daily Capacity (millions of gallons)	167	167	167	167	167	167	167	167	167	167
Water:										
Meters in Municipal Service Water Area	26,400	26,700	26,700	26,700	26,700	26,700	26,894	26,671	27,356	26,839
Miles of Water Mains	345	345	345	345	345	345	345	345	345	345
FIRE:										
Stations	33	33	33	33	33	33	33	33	33	33
LIBRARIES:										
Main Library	1	1	1	1	1	1	1	1	1	1
Branches	22	22	22	22	23	23	23	24	24	24
PARKS, RECREATION AND NEIGHBORHOOD SERVICES:										
Park Sites	192	193	194	199	200	200	203	206	209	209
Community Centers	12	12	12	12	12	12	11	11	16	16
POLICE:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles and Motorcycles	430	430	369	369	380	352	303	316	367	367
Horses and K-9's	20	18	18	16	15	15	15	13 ⁽¹⁾	15	15
Aircraft	2	2	2	2	2	2	2	2	1	1

Note: (1) Decrease due to the disbanding of the SJPD Mounted Unit

Source: FY 2021-2022 Proposed Capital Budget
City Manager's Office, City of San José

CITY OF SAN JOSE
CONDUIT ISSUER OF MULTIFAMILY HOUSING REVENUE BONDS OUTSTANDING ⁽¹⁾
AS OF JUNE 30, 2021

SCHEDULE XIX

Project Name	Series	Date Issued	Issue Amount	6/30/2021 Balance	Maturity/Redemption	Annual Fees ⁽²⁾
Helzer Court Apartments	1999A	06/02/99	\$ 16,948,000	\$ 13,563,000	12/01/41	\$ 26,123
Almaden Lake Village Apartments	2000A	03/29/00	2,000,000	2,000,000	03/01/32	n/a ⁽³⁾
El Parador Apartments	2000A	12/07/00	6,130,000	4,865,000	01/01/41	14,413
San Jose Lutheran Seniors Apartments	2001A-1	07/11/01	3,850,000	2,455,983	02/15/34	6,250
Almaden Senior Housing Apartments	2001G	12/05/01	6,050,000	2,195,000	07/15/34	7,563
Pollard Plaza Apartments	2002D	08/06/02	14,000,000	5,395,000	08/01/35	17,500
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453,000	2,692,000	12/01/34	8,750
Kennedy Apartment Homes	2002K	12/11/02	14,000,000	6,975,000	12/15/35	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360,000	8,490,000	06/01/36	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340,000	2,280,000	05/01/36	n/a ⁽³⁾
The Oaks of Almaden Apartments	2003B-1	07/29/03	4,365,000	2,894,224	02/15/36	10,438
Cinnabar Commons	2003C	08/07/03	25,900,000	21,600,000	02/01/37	32,375
Almaden Family Apartments	2003D	11/14/03	31,300,000	24,615,000	11/15/37	39,125
Delmas Park	2004C-1	10/15/04	13,780,000	11,603,101	01/01/47	24,224
Paseo Senter I	2005B-1	12/21/05	6,142,200	3,957,057	12/01/38	7,500
Paseo Senter II	2005C-1	12/21/05	4,903,000	3,031,315	06/01/38	7,500
Curtner Studios	2007C-1	12/19/07	5,520,000	4,310,011	07/31/07	7,500
Fairgrounds Senior Housing Apartments	2008B	05/08/08	26,000,000	10,240,000	02/15/36	32,500
Las Ventanas Apartments	2008B	07/15/08	25,900,000	25,900,000	10/04/05	38,750
Brookwood Terrace Family Apts	2009B-1	12/23/09	7,780,000.00	6,775,000	02/01/37	17,000
Fourth Street Apts	2010A-1	06/04/10	5,620,000	4,680,977	05/01/43	7,500
Orvieto Family Apartments	2010B-1	07/20/10	7,760,000	7,115,000	08/01/29	17,750
Kings Crossing Apartments	2010C	09/17/10	24,125,000	2,167,368	09/01/45	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950,000	3,635,000	10/01/28	7,875
1st and Rosemary Family Apartments	2012C	04/19/12	35,500,000	24,811,040	10/01/44	33,900
1st and Rosemary Senior Apartments	2012D	04/19/12	15,500,000	9,015,959	10/01/44	12,319
Mayfair Court Apartments	2012B-1	04/20/12	5,220,000	4,462,895	10/01/44	27,500
La Moraga Apartments	2012E	09/07/12	52,440,000	48,466,717	03/01/26	65,550
3rd Street Residential Apartments	2013A	06/27/13	6,630,000	3,702,376	07/01/33	8,288
Cambrian Center	2014A-1	10/17/14	19,034,500	12,097,718	05/01/47	32,048
Cambrian Center	2014A-2	10/17/14	19,034,500	12,097,718	05/01/47	n/a ⁽³⁾
Poco Way Apartments	2015A-1	02/01/15	21,833,000	10,556,612	09/01/47	14,406
Canoas Terrace Apartments	2015B	10/30/15	22,700,000	20,841,187	05/01/48	28,375
Town Park Towers Apartments	2015C	10/14/15	45,250,000	21,928,573	04/01/48	28,281
Don de Dios Apartments	2016A	12/22/16	17,376,102	6,464,804	06/01/34	8,353
Villa De Guadalupe	2017A1 & A2	05/23/17	37,700,000	28,980,000	03/01/52	41,995
Villa De Guadalupe Junior	2017B	05/23/17	4,615,712	4,615,712	03/01/52	n/a ⁽³⁾
Catalonia Apartments	2017C	10/17/17	16,264,154	6,153,154	04/01/39	7,905
El Rancho Verde	2018A	08/28/18	277,700,000	275,104,032	09/01/48	52,500
El Rancho Verde	2018B	08/28/18	40,300,000	40,300,000	09/01/20	n/a ⁽³⁾
Lenzen Square	2019A-1	08/22/19	18,500,000	18,500,000	08/01/59	28,750
Lenzen Square	2019A-2	08/22/19	3,000,000	3,000,000	08/01/59	n/a ⁽³⁾
Markham I	2019B-1	10/01/19	18,000,000	16,319,985	10/01/22	28,750
Vista Park I	2019C	10/11/19	13,245,397	11,868,159	06/01/38	16,557
Palm Court Sr	2019D	10/11/19	12,247,056	11,450,296	06/01/38	15,309
Quetzal Gardens	2019E	12/20/19	32,207,500	15,272,633	07/01/37	40,259
Page Street	2020 B -1	10/01/20	6,000,000	55,888	05/05/53	n/a ⁽⁴⁾
Alum Rock	2020	11/01/20	32,895,768	3,721,702	12/01/39	n/a ⁽⁴⁾
San Arya	2021	03/01/21	34,314,000	55,245	03/01/46	n/a ⁽⁴⁾
Markham Plaza II C-1	2021	05/01/21	19,000,000	4,813,957	05/01/66	n/a ⁽⁴⁾
Immanuel Sobrato	2021D	06/01/21	34,980,000	55,000	05/01/41	n/a ⁽⁴⁾
Blossom Hill	2021	06/01/21	39,362,559	55,000	08/01/45	n/a ⁽⁴⁾
Grand Total			\$ 1,178,026,448	\$ 798,201,398		\$ 870,180

(1) California Government Code Chapter 10.7 "Conduit Financing Transparency and Accountability" requires additional reporting and public disclosures by public agencies that issue certain revenue bonds, including conduit revenue bonds. This table provides the information required by section 5872 of Chapter 10.7 which includes disclosure of fees imposed on borrowers by conduit financing provider, expenditures related to fees, dollar amount and nature of fees and expenses, amount of any authorized, but unsold bonds at end of June 30, 2021, and amount of debt issued and outstanding at end of reporting period. As of June 30, 2021, 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 since the regulatory agreements do not split fees.

(4) Bonds were issued in the reporting period. The fees will be due in the next reporting period.

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