

2003/04

Annual Report

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San José *Capital of Silicon Valley*



California's third largest City, following Los Angeles and San Diego

Population: 926,200

Area: 177.7 square miles

Safest big city in America (pop. 500,000+) for four years running

Exceptionally well educated: More than 40% of the San José area workforce has a bachelor's degree or higher, compared with 25% nationally.

#1 in Technology Expertise: The San José area is home to the largest concentration of technology expertise in the world. More than 6,600 technology companies located in San José employ more than 254,000 people.

Entrepreneurial Energy: More than 85% of new job growth in the region comes from companies less than ten years old.

Hottest Long-Term Job Market: The San José area ranks second nationally in its capacity to create high-wage, high-skill jobs over the next ten years.

Mayor's *Message*



I'm very proud of what our city continues to accomplish to make our community an outstanding place to live and work, especially as we confront the ongoing challenge of a persistent economic recession. While we have had to reduce our budgets, trim services, and become more and more efficient, we are also keeping our promises to the people of San José for safe and clean neighborhoods, a vibrant downtown, and investing in the quality of life and prosperity for the future.

Here are just a few of the highlights from the past year:

- We started construction to make Mineta San José International Airport a global gateway to our city and Silicon Valley. Over the next ten years we will invest more than \$3 billion to make our airport more competitive, secure, and comfortable in order to help drive our economy and serve our passengers.
- We are building scores of voter-approved projects throughout San José that will result in better parks, libraries, and police and fire stations that will strengthen our neighborhoods and meet the growing needs of our community.
- We continue to be the safest big city in America as a result of our outstanding police and fire forces, strong community partnerships, and our commitment to innovation, preparation and prevention.

- Our successful partnerships with San José neighborhoods have redefined the way our city provides public services, responds to our residents, and identifies community needs and priorities. As we work with our residents, we have successfully wiped out graffiti and litter, built thousands of affordable homes, and revitalized neighborhood business districts.

Despite this progress, we still must face the prospect of more difficult decisions in the year ahead. Our budgets keep shrinking because of the recession and the loss of funds taken from cities by the state. We must continue to tighten our belts, work smarter, and team up with our community as we focus on what's most important for our residents and businesses. And we still must do all we can to work with our employers and get out of their way in order to help them create jobs for our families and achieve economic recovery.

I'm confident we can do all this. We have an excellent corps of employees who are dedicated to serve our community with creativity, skill, and professionalism especially in these difficult times. San José works best when we work together; we are clearly a city of solutions that is working together to ensure that we will indeed become the best city we can be for all our residents.

Ron Gonzales
Mayor

San José / City Council



District 1
Linda J. LeZotte



District 2
Forrest Williams



District 3
Cindy Chavez



District 4
Chuck Reed



District 5
Nora Campos



District 6
Ken Yeager



District 7
Terry O. Gregory



District 8
David D. Cortese



District 9
Judy Chirco



District 10
Pat Dando, Vice Mayor

City Managers / Message



San José continues to make strong investments in the future, in spite of the regional economic decline that has lasted far longer than experts predicted. While this has presented San José with an unprecedented fiscal challenge, the City's commitment to serving our residents and businesses remains strong, supported by sound fiscal management and innovative approaches to service delivery. Readers of this 2003-2004 Annual Report will find numerous examples of strong programs that continue to move the City forward, even as we wait for the regional economic recovery to take hold.

Long-planned improvements to the Airport, a key part of our infrastructure, are now starting to take shape. Shovels first hit dirt for the North Concourse in August of 2004, promising a more efficient system of moving goods and services from San José to places all over the globe. This state-of-the-art passenger facility will eventually connect to a new central passenger terminal that will replace the aging Terminal C. The North Concourse will bring improved gates, jetways and concessions, incorporating the latest federal security requirements and world-class customer service amenities. The Airport Improvement Program will create a new gateway to Silicon Valley and an icon for the City of San José.

The fruits of our efforts to encourage the growth of San José businesses is taking physical form as we speak. Local Internet giant eBay is expanding in North San José. BEA Systems will add 42 acres and as many as 8,400 jobs to its San José headquarters. In the Evergreen District, Hitachi Global Storage Technologies will develop a nearly 380,000 square foot headquarters and research campus. The recently opened Bioscience Incubator joins software, environmental and international incubators, built to help small start-up companies in emerging industries grow and create jobs in San José.

Readers will find other forward-looking programs highlighted in this Annual Report. The West Valley Library, which opened in 2003, is a physical showcase for the economic and environmental benefits of green building techniques. The library continues to be recognized for leadership in sustainable energy and environmental practices. The Alum Rock Youth Center, which opened on the grounds of Pala Middle School in November 2003, grew out of a creative partnership with the Alum Rock School District. The school uses the Center during the day, while City recreational and educational programming is offered on afternoons and weekends. Both of these projects, and many others throughout the City, provide evidence of our responsible stewardship of both financial and environmental resources.

Recent additions to the City's neighborhood parks inventory provide examples of service delivery tailored to neighborhood needs. A new park at Stonegate offers a positive recreational outlet for youth in the McLaughlin Corridor and beyond, with a permanent skatepark as its signature attraction. Citywide, traffic calming efforts are bringing much-needed improvements to many neighborhoods, where adding a median or a stop sign on a local street can have as much impact on residents' quality of life as the construction of a large capital facility.

In spite of the significant economic challenges we continue to face, we can look forward to some exciting developments over the next several years. These projects, and so many others, are evidence of our strategy to make long-term investments that will reap rewards far into the future.

Del D. Borgsdorf
City Manager

Downtown *Renaissance*

It's been an historic year for San José's downtown, with the City's ongoing mission to breathe new life into its core paying off with significant accomplishments. Having forged successful inter-agency partnerships and corporate alliances, some of the district's key sites and buildings have been renewed, restored and re-invented. The work has not gone unnoticed.

ular attention to enhancing downtown San José's reputation as a cultural magnet, both for residents and visitors. Perhaps the most significant addition to the City's arts scene is the **California Theatre**, an ornate vaudeville and film house built in 1927. After five years of historically sensitive reconstruction, the theater re-opened with great fanfare in September 2004 as home to Opera San José and Symphony Silicon Valley.

another historic site, the grand Hotel Montgomery, first completed in 1911, re-opened in July 2004 as the **Montgomery Hotel**—186 feet south of its original location and painstakingly restored as one of the valley's premier boutique hotels. The building features striking Renaissance Revival architecture alongside contemporary amenities, including Paragon Restaurant and Bar, offering American brasserie cuisine.

HP Pavilion at San José. More than 15 million people have passed through the glass entrances of this distinctive stainless steel structure, which sits on what was once the site of a car dealership. Now a downtown landmark, HP Pavilion has hosted more than 1,700 events — from memorable sports moments, like the NHL All-Star Game, the U.S. Figure Skating Championships and men's and women's NCAA basketball tournaments,



The historic Montgomery Hotel re-opened in July 2004.

Via, the AAA Traveler's Companion magazine, recently described San José's core in these terms: "Revived, compact, walkable, this downtown is now a great place to hang out." Last year, investments in the infrastructure and development of the downtown area resulted in 40 new retail, restaurant and entertainment businesses opening and more than 600 housing units added to the area, allowing the heart of San José to emerge as one of the most dynamic commercial and residential urban centers in the Bay Area. The City paid partic-

The theater's First Street façade was meticulously restored to its former elegance, as was the elaborate interior of the building. This ambitious project resulted from a unique partnership between the San José Redevelopment Agency and the Packard Humanities Institute.

Another arts venue, the restored century-old Jose Theatre re-opened in November 2003 as home to the **Improv Comedy Club** and already has broken several attendance and revenue records for the national chain. Yet

The **Camera 12 Cinemas** also came to life this year with a \$3.8 million renovation of the former United Artists Pavilion on South Second Street. Once targeted for demolition, Camera 12 is the largest cinema space downtown, offering independent and foreign films, along with first-run movies from major Hollywood studios.

In September 2003, the City celebrated the 10th anniversary of one of the finest sports and entertainment venues in the country—

to world-class performing artists, including Luciano Pavarotti and Paul McCartney.

While recognizing downtown San José as its cultural center, the City's commitment to business growth in the city center remains undiminished. **Adobe Systems'** third tower was completed in January 2004, rounding out development of the company's 1 million-square-foot headquarters complex. The City also facilitated the location of prominent tenants, such as Snap Appliance, Virgin

The California Theatre is now home to Opera San José and Symphony Silicon Valley.

Downtown *Renaissance*

Electronics, Bridge Bank and CB Richard Ellis. And, in partnership with the Convention and Visitors Bureau, the City launched free **Downtown WiFi** service in three outdoor public areas—Plaza de Cesar Chavez, the Circle of Palms between the Museum of Art and the Fairmont Hotel, and popular dining and nightlife destination San Pedro Square. The success of the WiFi program is evident in usage figures—nearly 100

and at San Fernando Street between Second and Third streets, are designed to encourage more people to live and work in downtown San José, offering a successful model for urban living in an attractive neighborhood.

Filling a vital need of present and future downtown residents and employees, in August 2004 the City welcomed the re-opening of **Zanotto's Market**. Using no new public

ings. Just as important to the success of downtown San José is the **Guadalupe Flood Protection Project**. Facilities to be completed in 2005 will bring flood protection to the City's downtown businesses and cultural facilities, and to its established residential neighborhoods. In addition, the Guadalupe Flood Protection Project will save the City \$27 million in annualized flood damages.



log-ons per day—as well as in the positive attention from both local and national media.

Enhancing the retail side of life downtown, more than 280,000 square feet were added to the market in the past year. The **“Heart of the City”** mixed-use project broke ground in March 2004, a two-parcel development that will add an additional 70,000 square feet of retail space downtown, along with more than 400 residential units. The developments, a block apart at Second and Santa Clara streets

funds, a restructured loan agreement helped Zanotto's reopen its full-service downtown grocery store on Second Street. The renovated market, sorely missed by residents, office workers, university students and visitors, offers shelves stocked with fresh produce, grocery items and gourmet and prepared foods.

While new developments, historic renovations and increased business activity were crucial elements last year in renewing the downtown area, the City's work there went beyond build-

From the skyline to the riverbank, the City's drive to revitalize the heart of San José is evidenced in the downtown area. During the past year, the City stayed true to its purpose of establishing downtown San José as a destination for residents, visitors and businesses — pursuing opportunities to enrich cultural assets, smooth the way for business success, welcome high-quality housing options and encourage the development of services to meet the needs of all downtown's customers.

Plaza de Cesar Chavez hosts outdoor events that attract more than 1 million visitors each year.

(ABOVE)
Downtown's Circle of Palms offers free wireless Internet access.

(RIGHT)
The Downtown Farmers Market in San Pedro Square operates every Friday from May to December.

City Hall

When shovels first split the earth at the site of San José's new downtown City Hall in August 2002, a 10-year dream finally turned rock solid. The groundbreaking was a celebration of hope and promise—a turning point for both the City government and the San José community. As steel met soil, the vision of a centralized, efficient and customer-focused City Hall was as clear as the summer sky.

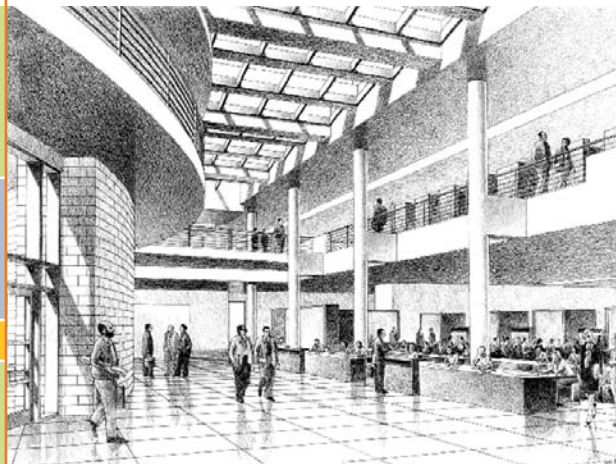
public space. More than 1,750 employees will be housed under one roof, coming together from 10 different locations throughout the City. What this means to residents and businesses coming to City Hall is that the most frequently used services will be available in one, centrally located space.

It means a resident will be able to pick up a parking permit and business license in the

Building for the Community

Plaza and walk straight into City Hall's first-level, one-stop Customer Service Center. Immediately apparent in this space will be a large public counter, shared by various City operations, allowing both simple and inter-departmental transactions to be handled easily and efficiently. Also featured in the service center will be a customer information desk, a centralized cashier, self-help stations and comfortable waiting areas.

The two-story City Council Chambers, where interested residents will attend open council meetings, was carefully planned to enhance public access and participation. The sloped floor of the 7,000-square foot Chamber will help the audience see what's going on and offer easy wheelchair access to front and rear seating areas. The location of the dais and speaker's podium will be positioned for optimum sightlines, and modern audio-visual



(ABOVE)
The New City Hall's first level Customer Service Center will offer easy access to frequently used City services.



(RIGHT)
The sloped floor of the two-story City Council Chambers was designed to optimize sightlines.

Throughout budget challenges and controversy over the building's networking technology bid, that vision has remained constant. Despite temporary setbacks, the City is committed to maintaining the steady pace of construction of the past year. When the new facility opens in 2005, it will be a downtown landmark, and a symbol for significant change in the way the City delivers services.

Located on East Santa Clara Street, between Fourth and Sixth streets, the new City Hall represents 530,000-square feet of office and

same place—no longer having to navigate between two buildings that are 10 city blocks apart. It means homeowners and contractors will find the planning, building, public works and fire prevention services they need conveniently bundled in a central work area. With the first four floors of the new 18-story City Hall tower devoted to providing the services customers use most, it means a higher level of quality public service.

A visitor or customer coming from Santa Clara Street will cross the attractive Civic

Plaza and walk straight into City Hall's first-level, one-stop Customer Service Center. More than 100 conference rooms will be incorporated into the building, many of which will be available for public use. And, other areas around the new City Hall will be available to the public, as well. Perhaps one of the greatest public benefits of the new City Hall will be an on-site, underground parking facility. Nearly eighty percent of the 400 parking spaces in the new garage will be reserved for visitors, another step toward the overall goal of customer convenience. This is more than three times the number of public spaces available at the current facility.

equipment will support productive public discussion and aid audience understanding of Council proceedings.

The architecturally stunning, glass-domed Rotunda is planned as a gathering-place for the City of San José. Designed for maximum use of natural lighting, the 110-foot high Rotunda opens directly onto the Civic Plaza, and will provide a striking backdrop for community celebrations, private functions, arts and cultural events and ceremonial activities.



This view looks skyward from the New City Hall's domed rotunda.

City Hall

Throughout the design process for the new City Hall, resident input helped shape the final product. This is especially true of the public art that will line North and South Fifth Street. Residents were asked to submit ideas for parade floats—ideas that would reflect the heritage, vitality and diversity of the City. Local artists, historians and members of the public then selected 16 of these themes to be captured in a parade of perma-

For those on-the-job in City Hall, the new building promises a light and airy work environment, where operations are streamlined and there are sufficient areas for teams to gather and staff members to confer. No longer will employees spend time traveling across town to meet with co-workers; instead they'll take an elevator. An expandable technology infrastructure will give them the necessary tools for doing their jobs, and state-of-the-art

Building for the Community

As San José moves closer to becoming the 10th largest city in the nation, the development of notable buildings and facilities takes on a special significance. The new City Hall is the latest in a group of landmark structures to carry the imprint of San José's unique identity: The Dr. Martin Luther King, Jr. Library, the downtown restoration projects, the improved Mineta San José International Airport. These important City cornerstones



(ABOVE)
This rendering depicts the completed office tower with the rotunda in the foreground.

(RIGHT)
"A float for children", represented by a colorful piñata, is one of 16 "Lead the Parade" floats that will mark key entryways to the new City Hall.

nent sculptures along Fifth Street. The project, called "Lead the Parade," will be tangible evidence of the community's pride in its city's past, present and future.

But even beyond civic pride and improved customer service, the new City Hall will offer residents a financial gain. With the consolidation of City operations resulting in fewer leased buildings, San José taxpayers are expected to save approximately \$189 million over the next 30 years.

security features will ensure that the building is a safe place to work and conduct business.

The new City Hall will have desirable physical amenities for both the public and City staff, but it will be much more than a mere building. In its central, downtown location, it will be the seat of a City government redefined, a government that is both physically and philosophically in touch with its community and dedicated to building upon its long-standing commitment to service.

all have been carefully laid to showcase the creative, innovative spirit of San José. City Hall, with its inclusive atmosphere, dynamic architecture and historic setting, will fit comfortably among them.

The 18-story office tower will be downtown San José's tallest building.

City Service Areas



Aviation Services
Operates and develops Mineta San José International Airport. Aviation Services strives to operate a user friendly, safe and secure facility, providing quality customer amenities and infrastructure to support global air service.



Economic & Neighborhood Development
Manages the growth and change of the City of San José in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.



Environmental & Utility Services
Preserves the City's utility infrastructure; manages and protects healthy streams, rivers, marshlands; provides a safe, reliable and sufficient water supply, and promotes "clean and green" air, land and energy.



Public Safety
Focuses on the crime, fire, emergency medical, hazardous and disaster related needs of the San José community. Public Safety strives to ensure safety, whether it is from everyday situations, emergency disasters or terrorist threats.



Recreation & Cultural Services
Provides services and programs to individuals, families, groups, and their neighborhoods that make San José a desirable place to live. To residents, this means their neighborhoods are clean and safe, and they and their families can enjoy nearby parks, community centers, libraries and a diverse range of recreational, arts and cultural opportunities.



Transportation Services
Provides a safe and efficient transportation system for the City of San José. Transportation Services is dedicated to improving the entire transportation system, including freeways, transit, arterial streets, neighborhood streets, bicycle facilities, sidewalks and parking

Aviation *Services*

Terminal Improvements

Now that several major transportation improvements around Mineta San José International Airport have reached significant milestones (*See Airport Access*), work is proceeding on major terminal improvements. The Airport Improvement Program, the largest Public Works project in San José's history, will help create an Airport worthy of the Capital of Silicon Valley—a true gateway to

Airport Access

In April 2004, new Route 87 freeway lanes between downtown San José, Mineta San José International Airport and Highway 101 were completed, providing more convenient access to the Airport. The Skyport Drive/Airport Boulevard Interchange Project, which added a three-lane, below ground-level roadway on Airport Boulevard at Skyport Drive, was completed in June 2004. Improvements to Route

assigned, leather seats and satellite television for each passenger.

ATA Airlines, which began service to Chicago - Midway in October 2002, discontinued service in April 2004. Chicago remains a well-served market from San José with both United and American Airlines providing several frequencies each day.

tems, and attic insulation. The Center for Employment & Training, south of downtown, also received treatment this year.

The Airport and the Housing Department celebrated a unique partnership by initiating extensive improvements to an additional 600 historical homes in the Guadalupe Washington neighborhood, south of downtown. These homes qualify for acoustical



(ABOVE)
The Mineta San José International Airport Improvement Program will eventually consolidate ticketing functions in one central terminal.

(RIGHT)
JetBlue Airways added nonstop service this year from San José to New York's John F. Kennedy Airport.

Silicon Valley and an icon for the City of San José. The first major project is the construction of the North Concourse, connecting existing Terminals A and C, followed by the construction of the South Concourse and then a Central Terminal.

The North Concourse broke ground in August 2004, with completion anticipated in late 2007. The North Concourse project includes a new state-of-the-art concourse with improved gates, jetways and food, beverage and retail shopping concessions. The project also integrates new federal security requirements and improvements for customer service. The North Concourse will feature a permanent in-line, automated sorting and explosive detection system (EDS) for baggage screening as well as additional pre-board passenger screening checkpoints to alleviate congestion.

87, along with the Skyport Drive/Airport Boulevard Interchange Project, made Skyport Drive the new main Airport entrance.

The I-880/Coleman Avenue Interchange Project, now under way, will reconfigure and widen existing ramps and add a new direct ramp from Airport Boulevard to southbound I-880. In addition, the project will replace the Coleman Avenue over-crossing at Highway I-880 and widen Coleman Avenue between Airport Boulevard and Hedding Street. Completion is expected in 2006.

Air Service

Mineta San José International Airport welcomed JetBlue Airways into its diverse carrier mix in June 2004, when JetBlue began non-stop service between SJC and New York's John F. Kennedy Airport. JetBlue, founded in 2000, provides low-fare service with many customer service amenities, including

Being a Good Neighbor

The City of San José scored a major victory for its residents in October 2003 with the passage of revisions to the Airport curfew restricting nighttime flight activity at Mineta San José International Airport. The original curfew, in danger of being thrown out completely due to repeated legal challenges, was updated after lengthy negotiations with the Federal Aviation Administration. The new curfew prevents most loud aircraft from operating between 11:30 p.m. and 6:30 a.m., ensuring Airport neighbors a better night's sleep.

Mineta San José International Airport has also made impressive gains with its Acoustical Treatment Program. The program has treated approximately 345 homes in four different neighborhoods surrounding the Airport in the past year, providing upgrades including new windows, doors, air conditioning/heating sys-

improvements as well as low-interest loans and grants to pay for new roofs, exterior paint and new landscaping. The Airport continues to work to obtain additional grant funding to enable more historical properties to receive acoustical treatment.

A key element of the Airport's mission is to minimize environmental impacts upon the community. In August 2003, a new Compressed Natural Gas (CNG) Fueling station opened at the Airport, the first city-owned and operated station in the state. The station, which is open to the public, fuels an ultra low-emission fleet of Airport shuttle buses, as well as clean fuel taxis and door-to-door shuttle vans. In April, the Airport's Environmental Programs earned a "Clean Air Hero" Award from the Bay Area American Lung Associations, presented for its significant contribution to the fight against air pollution.

The Airport completed acoustical treatment this year on the Center for Employment Training, south of downtown.

Economic & Neighborhood *Development*

Economic Development Strategy

Responding to the economic downturn of the past few years, San José launched an economic development strategy designed to support our region's economic recovery. The San José area is home to more than 6,600 technology companies employing more than 254,000 people—the largest concentration of technology expertise in the world. Facing a continuing economic slowdown, the City Council

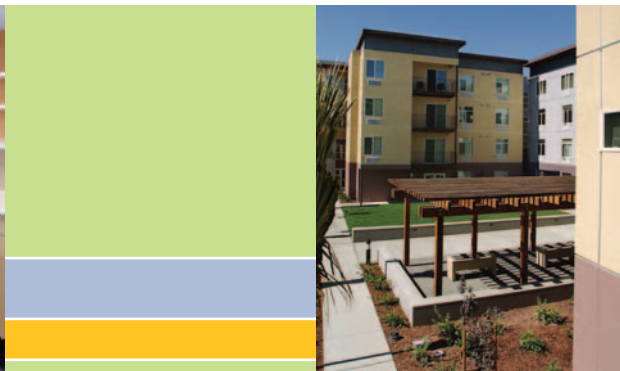
Redevelopment Agency, Fire, Public Works and Planning Building and Code Enforcement Departments together in one place, the Center saves businesses money by connecting them with the proper City contacts early in the development process.

The success of the One Start Center led to more integrated business services at City Hall. A reconfigured second floor Permit Center

incubator, along with specialized amenities including wet labs, dry labs, tissue culture facilities and material storage rooms. The incubator has space for 20 bioscience entrepreneurs, scientists and start-up companies. As of August 2004, two companies are operating in the facility, and interest in space remains high.

In addition to the \$6.5 million invested by

an agreement was reached to develop a 42-acre parcel in North San José adjacent to its current headquarters, bringing as many as 8,400 jobs to the City. In another local success story, the City announced in May 2004 that Hitachi Global Storage Technologies will develop a new \$250 million headquarters and research campus in the Evergreen District, to complement its manufacturing and development functions at its Cottle Road campus.



(ABOVE)
The Bioscience Incubator offers specialized amenities to encourage growth of emerging technology companies in San José.

(RIGHT)
The award-winning Markham Plaza offers 305 affordable housing units for service employees and persons with disabilities.

held an extraordinary week-long series of hearings to learn from our business partners and community members how City policies can help shape and sustain the local economy. The resulting economic strategy will guide City policy, investments, and partnerships over the next five years. It established a vision for how San José can excel economically by working collaboratively with its partners in the private, nonprofit and public sectors.

One Start Center

The One Start Center opened its doors in January 2004 as a visible sign that San José is committed to the success of local businesses. The Center streamlines preliminary project review to help expedite development projects of all sizes. Bringing staff from the City's Office of Economic Development,

now enables building permit applicants to receive Public Works, Planning and Fire clearances in one location — services that used to require traveling between four city offices. The One Start and Permit Center coordinated customer service concepts are a preview for the new way of doing business that will be ushered in on a larger scale in the New City Hall (*See Page 10, New City Hall feature article*).

Bioscience Incubator

The City opened a 36,500 square foot Bioscience Incubator and Innovation Center in the Edenvale Technology Park in June 2004, to support the development of emerging technologies and encourage local job creation. A professional management and operations team is available to companies in the

the City's Redevelopment Agency in the Bioscience Incubator, \$14 million has been invested in software, environmental and international business incubators downtown. Agile Software is one example of a positive return on the City's investment. Agile moved into 200 square feet in San José's software incubator a decade ago, and has since expanded into 82,000 square feet in the Edenvale Technology Park employing 220 people.

A Business-Friendly City

In 2003, following extensive discussions with the City, eBay, one of the world's most profitable Internet companies, announced it would keep its corporate headquarters in San José, making plans to add offices in North San José. Technology giant BEA also announced plans to expand in San José, when

Housing

A "Welcome Home" sign was installed in June 2004 in front of the Villa Solera Family Apartments on Lucretia Avenue, marking a significant achievement for the City. The City's 1999 goal of building 6,000 affordable homes has been met and surpassed. In the past five years, the City of San José has built 6,080 affordable units catering to families, seniors, single occupants, and special needs residents. This major milestone, representing an investment of \$935 million in private and public funds, sets San José apart as a regional leader in affordable housing creation.

San José's Teacher Homebuyer Program has helped 428 public school teachers become first time homeowners since the program's

BEA Systems is one of several large companies that announced plans in 2004 for major expansions in San José.

Economic & Neighborhood *Development*

inception four years ago. The program provides deferred payment loans to K – 12 teachers, helping to support excellence in public education by recruiting and retaining quality teachers for San José schools. In April, Jason Black, a teacher at San José's James Lick High School, purchased the 400th home through the Teacher Homebuyer Program.

The Neighborhood Development Center provides training and assistance in neighborhood organizing and leadership development. Neighborhood Academy programs, offered in English, Spanish, and new for 2004, Vietnamese, introduce basic organizing principles and community resources. A high number of participants, 97 percent, believe that with the training they received, they have the tools to create positive change in their neighborhoods.

the business community and the San José Convention and Visitors Bureau.

Hayes Mansion

Dolce International, Inc., an international conference center management group, took over management of the Hayes Mansion in January 2004. Once a lavish private estate, the Hayes Mansion in South San José first opened to the public in 1994. Subsequent



(ABOVE)

Jason Black was the 400th San José teacher that bought a home with help from the Teacher Homebuyer Program.

(RIGHT)

The Strong Neighborhoods Initiative is at work on community priorities in 20 San José neighborhoods.

Strong Neighborhoods Initiative

The City's Strong Neighborhoods Initiative (SNI) combines the resources of the City, the Redevelopment Agency and the community to build cleaner, safer and more attractive neighborhoods. Vital community improvements such as streetscape enhancements, traffic calming measures, increased lighting and improved landscaping in the 20 SNI neighborhoods throughout the City made significant progress this year. Prolonged financial challenges, however, make the neighborhood organizing component of SNI especially important.

Convention Center

The management of the San José Convention Center and Cultural Facilities underwent a fundamental change this year. Following a competitive bid process intended to decrease operating costs and increase occupancy and revenues, Team San José was selected to manage and operate the Convention Center and Cultural Facilities in June 2004. Team San José is a locally based, not-for-profit public benefit corporation, whose board of directors includes representation from organized labor, the hotel industry, local cultural and performing arts organizations,

expansions enhanced the distinctive architectural characteristics of the original structure, which now offers more than 33,000 square feet of meeting space, specially designed and equipped conference rooms, more than 200 guest rooms and suites, and two restaurants and two lounges for dining and socializing. A grand re-opening of the Hayes Mansion was held in June 2004, hosting more than 400 meeting planners.

The Hayes Mansion in South San José re-opened this year with new management, Dolce International.

Environmental & Utility *Services*

Green Building

The West Valley Library opened in 2003 amid international acclaim for its environmental friendliness. Dubbed by the U.S. Green Building Council the nation's and the world's first "green" library, the building was designed and constructed to use 30 percent less energy than standard buildings. Mature redwood trees were preserved, and a drought tolerant landscape uses half the normal



(ABOVE) The West Valley Library continues to gain recognition for its environmentally friendly design.

(RIGHT) Construction on the Metcalf Energy Center on Monterey Road is scheduled for completion in 2005.

amount of irrigation water. The library design incorporates natural day lighting and a variety of chemical-free fabrics and materials to improve indoor air quality for patrons and employees. More than one quarter of materials used were made from recycled products, and 20 percent of the building materials were manufactured locally. The library serves as a showcase for the long-term economic and environmental savings potential for construction using green building techniques and materials.

Recycle Plus

San José maintained its impressive ranking as the number one recycler among the nation's largest cities this year, diverting 62 percent of the solid waste stream away from landfills and into productive lifecycles. In addition, nearly 9 out of 10 residents indicated they are satis-

fied or very satisfied with the Recycle Plus curbside recycling program, up from 77 percent the previous year. San José is also recognized as a leader in recycling building materials, diverting about 200,000 tons of construction and demolition debris from landfills last year.

Facilities for North Coyote Valley

The Municipal Water System (Muni Water)



completed facilities for delivering drinking and recycled water to the North Coyote Valley during this fiscal year. A new 3.6 million gallon potable water tank with connecting pipelines and two wells were built and work on a third well was begun. These facilities will serve the Metcalf Energy Center on Monterey Road when construction is complete in 2005. A \$26 million, seven-mile extension to the recycled water pipeline was also completed this year. The extension will deliver highly treated wastewater from the Water Pollution Control Plant to the cooling towers at Metcalf Energy Center as well as serve turf irrigation needs in the Silver Creek area.

South Bay Water Recycling

The recycled water pipeline extension is part of South Bay Water Recycling, which was

recently added to Muni Water operations. South Bay Water Recycling is an 80-mile system of pipes, reservoirs and pump stations that supplies recycled water to portions of San José, Santa Clara, and Milpitas from the Water Pollution Control Plant. Over 450 public and private sector customers use this water for turf irrigation at golf courses, business parks, schools, and public parks as well as for industrial processes.

The more than two billion gallons of recycled water used in this program last year saves enough potable water to serve 7,000 new homes. Using recycled water also diverts treated wastewater (which is fresh) from being discharged into the salt marshes of southern San Francisco Bay – thereby protecting two endangered species that need a saltier environment to thrive. These are the California clapper rail (a bird) and the salt marsh harvest mouse.

Water Quality Regulations

Local businesses will face no new water quality regulations under a five-year permit for discharging treated wastewater from the Water Pollution Control Plant. The permit was negotiated by the City with the San Francisco Bay Regional Water Quality Control Board, and is the second five-year permit to be

approved with the support of business, environmental and other stakeholder groups. The Plant again met 100 percent of state and federal water quality regulations this year, and was recognized with the *Peak Performance Gold Award* from the American Municipal Sewerage Agencies.



Integrated Billing for Environmental Services

The City is moving forward with an integrated database, billing and performance monitoring system for water, garbage and sewer services. Once the new system is implemented over the next 18 to 24 months, customers using the Municipal Water system will receive a single bill for water and garbage services, and eventually even sanitary sewer and storm sewer services. The new system will provide customers a single point of contact for these services, resulting in increased efficiency, improved customer service and cost savings for the City. Customers will also be able to manage their accounts online and receive 24 hour-a-day assistance.

The endangered California clapper rail is helped by the diversion of treated wastewater from southern San Francisco Bay.

Public *Safety*

Police and Fire Department Leadership
San José's rank as the Safest Big City in America for four years running is a testament to law enforcement actively building partnerships within the community. In Fall 2003, the City began a national search to fill its two most visible Public Safety leadership positions: Police Chief and Fire Chief. The recruitment included an extensive, community-driven recruitment process that defined the



The San José Fire Department celebrated its 150th anniversary in 2004.

ideal characteristics for these leadership positions and culminated with the selection of two individuals who have a deep understanding of the community and a strong commitment to ongoing dialogue with residents. An SJPD veteran of 24 years, Rob Davis was selected as the new Chief of Police. Fire Chief Jeff Clet brings 26 years of fire service experience, 21 of those years with the San José Fire Department, and two as the Fire Chief in Gilroy.

Office of the Independent Police Auditor
The Office of the Independent Police Auditor (IPA) marked its tenth anniversary in 2003. An important component of the City's high-quality delivery of public safety services, the IPA oversees the citizen complaint process,

providing an impartial forum for residents to file complaints against the Police Department. The IPA also helps educate the public about the right to file a complaint. First established on a trial basis, the office has become a model for effective civilian oversight of law enforcement. In the past year, the Auditor's Office was invited to share its professional expertise at international conferences in Mexico and Brazil.

Megan's Law Database Online
A leader statewide and nationally, the San José Police Department launched one of California's first online databases providing information on the whereabouts of sex offenders living in San José in December 2003. The site includes a map with approximate residences of high-risk offenders, offenders' profiles, photographs, physical descriptions and summaries of their crimes. Registering more than 33,000 hits to date, the website's success has also generated significant interest from other law enforcement agencies seeking to provide a similar service.

Taser Devices
The Police Department became the first on the West Coast to fully equip its first-respon-

der uniformed officers with taser devices, an effective, yet less lethal tool to control suspects resisting arrest. Purchased with federal grants, the Department's Patrol Division has 620 tasers, which use neuromuscular disruption to control individuals quickly and safely. The City's Human Rights Commission supports the Police Department's use of taser devices.

Construction Fire Safety
Additional protections for the construction of wood frame buildings are now in place in San José. The largest fire in the City's history destroyed a seven-acre building under construction at the Santana Row residential/shopping area in August 2002, and sparks also destroyed several nearby apartment complexes. As a result, the City crafted an ordinance to complement fire and building codes that includes additional safety oversight and limits on the amount of exposed wood framing.

Gang Prevention
The Mayor's nationally-recognized Gang Prevention Task Force works with the Police Department and Parks, Recreation and Neighborhood Services staff to prevent, inter-

vene and suppress gang activity and crime among San José's youth. Education starts with talking to children at the pre-school age level, and continues with programs to develop good decision-making skills and encourage success in school. Intervention in San José includes a diversion program for youths with minor offenses, to prevent escalation to major crimes and gang involvement.



The STAND Program (Striving Towards Achievement with New Direction) provides support group meetings, case management, and a neutral setting to discuss issues that interfere with success. The "Clean Slate" tattoo removal program helps youth erase visible symbols of the gang lifestyle by removing exposed gang-related tattoos. Since 1995, volunteer medical staff have removed more than 3,000 tattoos.

Emergency Preparedness
A major challenge facing emergency responders is the inability to communicate across agencies in an emergency. While cities in the region completed a system of radio interoperability for law enforcement prior to the September 2001 terrorist attacks, the San José

Public Safety education programs include "Challenges and Choices", in which officers teach students skills for good decision-making.

Public *Safety*

Police Department worked with regional partners to obtain a \$4.9 million grant this year to extend interoperability throughout the county and across police and fire departments. These funds will provide infrastructure upgrades and expansion of the county-wide microwave communications network. This collaborative effort will serve as an interoperable solutions model that can be shared throughout the nation.

Local emergency preparedness continues to improve, with 1408 active members of San José Prepared! San José Prepared provides education, training and support to individuals and emergency response teams so that they may effectively assist the community during a disaster. This year, San José adopted a new Emergency Operations Plan that incorporates both state and federal requirements for emergency management.

Another exciting project on the horizon for the Police Department is the South San José substation — a \$75 million full service police facility that will change the way officers are dispatched throughout the City. Designed to reduce the amount of time officers spend commuting from Police headquarters to their beats throughout San José, officers serving Almaden Valley, Coyote Valley, Blossom Valley and Evergreen will use the substation

also secured land this year to relocate the Cambrian and Alviso Fire Stations, and build a new station in the Berryessa area. Design work for these stations will continue this year. Fire station renovations, relocations and new stations are expected to help improve access and response time to emergencies.



More than 1400 San José residents are involved in the emergency-preparedness program, San José Prepared!

In addition, the Federal Urban Area Security Initiative provided \$9.9 million to San José and the region to prepare for a weapons of mass destruction attack. Of this funding, \$1.8 million will help extend the microwave communications system to San Benito, Santa Cruz and Monterey Counties. Other funds will support local interoperability, training for first responders, and equipment to enhance San José's and Silicon Valley's capability to respond to chemical, biological, radiological, nuclear and explosive attacks.

Public Safety Improvements

This year, construction will begin on 2,000 square feet of a building in West San José to transform it into a community policing center. This City's Department of Parks, Recreation, and Neighborhood Services and the Strong Neighborhood Initiative will build a community center in the remainder of the building. The Neighborhood Security Act Bond Measure, passed by San José voters in March 2002, is providing funding for this and many other critical public safety projects.

as their headquarters. The City reached a tentative agreement this year to acquire a 12-acre parcel on the Hitachi campus in South San José for the substation. Project completion is expected in 2008.

Existing fire stations throughout the City are being renovated to keep them operational during power outages, earthquakes, and other disruptions. Upgrades were completed this year at the Leigh Avenue, Pearl Avenue and Tully Road fire stations. The Fire Department

(LEFT) A new community policing center in West San José will join three others now open in Alviso, the Foothill area and Oakridge Mall.

(ABOVE) Renovations at three San José fire stations were completed this year.

Recreation & Cultural *Services*

Dr. Martin Luther King, Jr. Library

In August 2003, San José's unique joint City-University library came to life. One library now serves the needs of the community and the San José State University campus. Since it opened, more than two million visitors have checked out nearly 2.5 million items. The eight-story, visually striking building contains over one and a half million books and other materials, 3,500 seats, 400

Branch Libraries

The Vineland Branch Library, located on Blossom Hill Road, celebrated its grand opening in January 2004. The 24,000 square foot facility became San José's busiest branch library within its first month of operation. The new building features a marketplace area that encourages browsing as soon as visitors enter, a colorful children's area, public art reflecting the wine-making history

neighborhood park renovations, community centers, trails, citywide parks and sports parks comes from two bond measures, approved by San José voters in November 2000.

Community Center Hub System

Facing historic budget challenges, the City's Parks, Recreation and Neighborhood Services Department restructured programs at community centers throughout the City this past

year. Under a new hub system, the City now operates at least one community center in each City Council District, supported by 13 satellite community centers and three neighborhood centers. Some services have been moved to hub centers, while satellite and neighborhood centers remain open with fewer operating hours. This new approach allowed the City to successfully avoid planned closures of eight widely used community centers.

tion between the City and Alum Rock Elementary School District, the Alum Rock Youth Center serves education, recreation and community needs. The \$7.2 million center, funded by the Redevelopment Agency, is located on the grounds of Pala Middle School, and features energy-efficient design, a multi-purpose room and stage, a regulation gym/auditorium, lounge, game room, classroom and computer room. The school uses



(ABOVE)
Almost 3 million visitors came to the new King Library in its first year of operation.

(RIGHT)
Public art at the recently opened Gardner Community Center depicts neighborhood heroes.

computers, many special collections and an exciting array of public art. Library users from all over the region use the extensive collection of materials in Chinese, Vietnamese, and numerous other languages.

The King Library has been widely honored for collaboration, programming, energy-efficient building design and public relations. In 2004, San José Public Library and San José State University Library were jointly named Library of the Year by the Library Journal. The award acknowledges the success of the King Library and the innovative services offered by San José's branch libraries.

of the site, an Internet café and teen room, two group study rooms and a silent reading room.

Four additional branch libraries are expected to open in 2005: the Tully Community branch, the Berryessa branch, the Alum Rock branch and the Rose Garden branch. Construction is also under way for the joint Almaden Community Center and branch library, which will open in early 2006. Design is also proceeding for the Cambrian, Edenvale, Evergreen, Hillview and Joyce Ellington branch libraries. Funding for branch library development, as well as neigh-

borhood park renovations, community centers, trails, citywide parks and sports parks comes from two bond measures, approved by San José voters in November 2000.

Alum Rock Youth Center

San José opened its first youth center constructed on school grounds in November 2003. The result of an innovative collabora-

tion between the City and Alum Rock Elementary School District, the Alum Rock Youth Center serves education, recreation and community needs. The \$7.2 million center, funded by the Redevelopment Agency, is located on the grounds of Pala Middle School, and features energy-efficient design, a multi-purpose room and stage, a regulation gym/auditorium, lounge, game room, classroom and computer room. The school uses

Neighborhood Parks

Recent additions to the City's impressive inventory of neighborhood parks are evidence of San José's neighborhood-focused approach to services, prioritizing projects and programs according to the needs of individual neighborhoods. The play area at the Plata Arroyo Park opened in January 2004, providing a safe, clean environment for neighborhood

The Plata Arroyo Park play area was a top priority for the Gateway East neighborhood.

Recreation & Cultural *Services*

children to gather. The Stonegate Skatepark provides a positive outlet for youth in the McLaughlin Corridor and beyond. The first of several planned skateboard facilities in San José, the park's signature attraction is a 5,500 square foot permanent skatepark, planned with extensive community input. San José pet owners brought their enthusiasm to the creation of Watson Dog Park on 22nd and East Jackson Streets. A 1.25 acre state-of-the-

was also opened to the public along the Los Gatos Creek in Willow Glen. Planning is under way to develop a 100-mile trail system along many of the valley's rivers and streams, nearly four times what is currently available in San José.

Anti Graffiti and Litter Programs

In 2004, the U.S. Conference of Mayors recognized the Mayor and the City's Anti-

San José, California to Panama City, Panama (3,284 miles).

Animal Care & Services

The City recently opened a new state-of-the-art animal shelter on Monterey Road featuring its own veterinary hospital, dog-training site, progressive adoption and education services, and a low-cost spay and neuter clinic. Built to serve not only San José, but also



(ABOVE)
The Mayor's annual volunteer celebration celebrates the 20,000 volunteers who give their time to City programs.

(RIGHT)
The Anti-Litter Program, like the Anti-Graffiti Program, credits its success to a dedicated group of community volunteers.

art "off leash" dog park, amenities include distinct grass areas for small and large dogs, water stations and perimeter fencing.

Trails Projects

This year, the City made significant progress towards developing its 29 existing and future trail systems that offer residents and visitors the chance to enjoy the natural environment. Approximately three miles of new trails were added along the Guadalupe River, including segments from Chynoweth Avenue to Lake Almaden, and a bridge structure that parallels Coleman Road. The Gregory Street Bridge

Graffiti efforts with a "City Livability" Award. With the vital support of 2,500 community volunteers, graffiti has been reduced by an incredible 96 percent in San José over the last five years. Modeled after the success of the Anti-Graffiti Program, the Anti-Litter program "Pick Up San José" began in 2002. Annual community wide clean-ups tackle 150 neighborhood "hot spots", and public agency partners help clean up litter and trash from freeways, interchanges, creeks and transportation rights of way. Almost 6 million bags of litter have been picked up since the program began, enough to span the distance from

Milpitas, Cupertino, Los Gatos and Saratoga, more than 20,000 animals are expected to come through the shelter's doors each year. At nearly 50,000 square feet, the state-of-the-art shelter is one of the largest in the United States.

San José's new Animal Care Center also serves residents of Milpitas, Cupertino, Los Gatos and Saratoga.

Transportation

The transportation infrastructure in and around San José plays a significant role in driving the local economy. The City of San José works with its transportation partners to ensure that transit services and freeway improvements meet the needs of San José residents and businesses.

Light Rail Expansion

Light Rail expansion in the City of San José



The Capitol Avenue Light Rail line serves North and East San José, and Milpitas.

hit a major milestone in June 2004 with the completion of the \$435 million, 8.2-mile light rail line along Capitol Avenue. This new transit link provides service from the job centers in North San José, through Milpitas, and into East San José. Working in partnership with the Valley Transportation Authority (VTA), the City of San José provided construction direction for landscaped medians and other improvements to complement the new Light Rail line. Planning efforts to extend light rail service to the Eastridge area are now under way. The Vasona Light Rail line, which will provide service from down-

town San José, through Willow Glen and into downtown Campbell is on track for completion in mid-2005.

BART To San José

The Department of Transportation continues to work with BART, VTA and neighboring cities to bring BART to San José. Currently in preliminary engineering, the proposed project would begin south of the planned



Warm Springs BART station in Fremont and extend 16.3 miles through downtown San José to Santa Clara, near the Mineta San José International Airport. The City of San José has located staff at VTA to offer direct assistance on the project. The target start date for construction to begin is 2008.

Highway Program

Last year was a banner year for highway projects in the City of San José, highlighted by the April opening of Route 87 from Downtown San José to 101. Included in the Route 87 Project was the opening of the Skyport Drive

Interchange, providing direct service to Mineta San José International Airport. Still under construction are northbound onramps at Taylor Street and Skyport Drive, local street improvements near the Civic Center and improvements along 101. The Route 87 project is scheduled for completion in 2005.

This year, VTA and the City focused on securing funding for the next generation of

highway improvement projects, including the I-880/Coleman Avenue Interchange and the Route 87 High Occupancy Vehicle Lane Project. Through a cooperative inter-agency effort, funding for these projects was secured through federal grant anticipation bonds. Construction of the I-880/Coleman Avenue Interchange Project began in March 2004 and should be complete in mid-2006. This \$81 million project will bring critical traffic relief to the Airport area. The Route 87 project will get under way in late 2004, completing the carpool lane system between 101 and Route 85, constructing needed repairs caused

by settlement and improving congestion through downtown.

Traffic Calming

The City's Traffic Calming Program is now in its fifth year of improving safety and livability within San Jose neighborhoods, and it remains a high priority for the City. Installing red curbs, stop signs or high visibility crosswalks may seem like minor changes,



but they can have a major impact in the community. Other traffic calming improvements designed to slow neighborhood traffic or discourage cut-through drivers include chokers (roadway narrowing devices), medians, road bumps, corner bulb-outs and full or partial street closures.

Eight major traffic-calming projects were completed in San José neighborhoods over the past year. The use of photo radar to enforce neighborhood speed limits has also continued to grow, with more than 160 neighborhood streets now participating.

The Taylor Street onramp to northbound Highway 87 is scheduled for completion in 2005.

Transportation

This year, radar speed display signs were installed near 31 schools with posted speed limits of 30 mph or greater, most paid for with grant funding obtained by the City. The signs are utilized during the school drop off and pick up periods, when the legal speed limit in school zones drops to 25mph. Grant funding is also paying for crosswalk lighting systems near ten schools to enhance pedestrian crossing conditions.



Enhanced pedestrian crossings, like this one at Westmont High School, are part of the City's traffic calming efforts.

Street Smarts

The Street Smarts traffic safety education campaign focuses on improving motorist, pedestrian and bicyclist behavior in neighborhoods and near schools. Now in its' second year, this innovative program targets red-light running, stop sign violations, speeding, and school zone and crosswalk violations. To date, more than 170 San José elementary and middle schools are participating in Street Smarts and 11 neighborhoods have adopted the program. Additional grant funding received from the State's Office of Traffic Safety will bring interactive Street Smarts programming to San José elementary and middle schools.

Many cities in the region are following San José's lead in adopting Street Smarts. In May 2004, Street Smarts received the top transportation award in the state from the California Transportation Foundation, in the area of community awareness. The Partnership for a Walkable America and the Institute of Transportation Engineers also honored Street Smarts with its 2004 Pedestrian Project Award.

Relieving Congestion

To alleviate traffic congestion in San José and neighboring cities, the Department of Transportation completed a large-scale effort to retim 223 intersections within 28 major traffic corridors. Signals were retimed in San José, Campbell, Milpitas and Santa Clara, the County of Santa Clara, and State on- and off-ramps. Average travel time through these corridors was reduced by 16 percent, representing significant fuel savings and an improvement in air quality.

In partnership with the VTA, the City also implemented new signal timing at 83 signals along and across light rail corridors. Light

rail retiming resulted in a 14 percent reduction in overall travel time, and a 35 percent reduction in total delay.

Traffic Incident Management Program

Accidents, overturned vehicles, construction, fires, oil spills and other incidents on South Bay freeways often pose congestion problems on City streets, as commuters seek alternate routes to their destination. Working with



Retiming of traffic signals along light rail corridors reduced delays by 35 percent.

Financial Highlights

The 2003-2004 fiscal year marked the third consecutive year that City revenues were down or flat, reflecting lower revenues from a stagnant local economy. While the budget challenges facing San José both this year and next remain significant, our aggressive efforts to control costs have allowed us to continue most City services, although often at a diminished level, even as the region's economic woes lingered far longer than anyone anticipated.

This past year, General Fund revenues, the dollars that fund most city services, were essentially flat when compared with the prior year, which was itself very weak. City revenues that are most economically sensitive—Sales Tax and Transient Occupancy Tax (paid by visitors staying in hotels) continued to be affected the most. Other City revenues, such as electricity franchise fees and utility taxes, as well as interest earnings, also fell compared to the prior year.

The General Fund was balanced through an aggressive strategy to contain costs, combined with budget reductions and careful use of one-time revenues and reserves. On the cost side of the equation, the hiring freeze that began in late 2001 continued throughout the 2003-2004 fiscal year. Additional mid-year budget reductions throughout all City departments saved another \$8.6 million in the General Fund. On the revenue side, receipts were monitored closely and reported to the City Council on a monthly basis. Due to conservative, accurate revenue estimating, which came within .02% of actual revenues, recommendations to adjust estimates during the year were only necessary due to State budget impacts on the City's General Fund.

The soundness of the City's approach to reduced revenues was reflected in our ability to maintain a strong

financial position during these difficult times. San José continues to receive high General Credit Ratings from the three major credit rating agencies. In June 2004, the City received a rating of "AA+" from both Standard and Poor's and Fitch, and an "Aa1" rating from Moody's. These ratings reflect a stable outlook and the expectation that the City's economy will eventually rebound from the recessionary period.

This sound financial planning has allowed us to continue responding to the needs of our community. Public safety, parks, community centers, libraries and transportation services continue to be priorities and were supported by the City's General Fund expenditures of \$681 million. Improvements to Mineta San José International Airport, storm sewer and sanitary systems, water pollution control plant, municipal water system, transportation and street projects were supported by the City's Special Purpose Funds and continue to move forward. While we have successfully managed through a third year in this weak fiscal environment, and ended the year in a solid financial position, there has nevertheless been a cost. Due to both the specific budget reductions and the cost controls imposed, there has been an undeniable erosion of services in a number of areas.

In the year ahead, we will continue our commitment to the core priorities set forth by the City Council despite our diminishing resources. The City of San José is an organization characterized by strategic thinking, creativity and innovation in the best tradition of Silicon Valley. We are confident that we will continue to be a leader in customer service by developing and maintaining our partnerships with the community and private organizations to solve these budget problems at a local and regional level.

Distinguished Budget Presentation Award

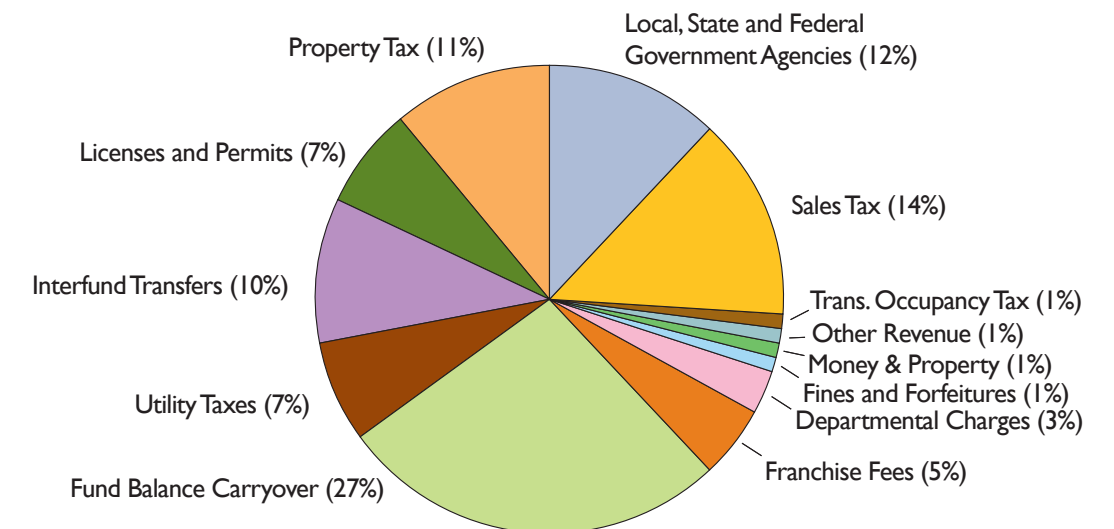
Awarded by the Government Finance Officers Association (GFOA) of the United States and Canada for our annual budget document with special recognition for performance measures and budgeting preparation.

Award for Excellence in Operational Budgeting, Capital Budgeting and Public Communication

Issued by the California Society of Municipal Finance Officers recognizing our annual budget document and the underlying budgeting process through which the budget is implemented.

Source of Funds

General Fund Revenues, 2003-04

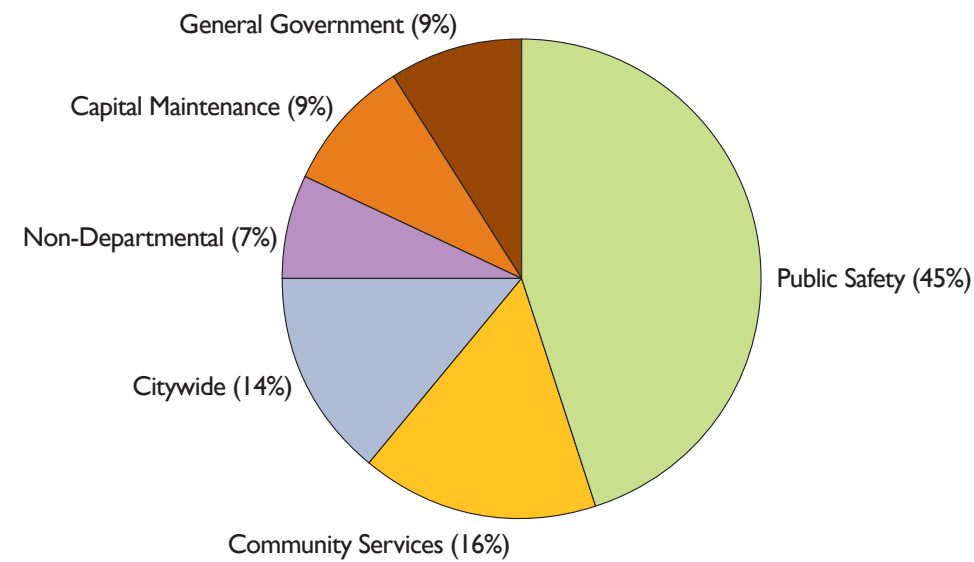


Source of Funds, All City Funds

GENERAL FUND		SPECIAL REVENUE FUNDS	
Property Tax	\$95,648,723	Internal Services	\$90,031,393
Sales Tax	130,697,574	Anti-Tobacco Master Settlement Agreement Revenue Fund	27,373,705
Transient Occupancy Tax	5,711,809	Community Development Block Grant Fund	27,066,842
Franchise Fees	31,712,351	Conventions and Cultural Affairs Fund	17,962,025
Utility Tax	68,454,701	Gax Tax	17,149,396
Licenses and Permits	69,590,521	Housing	132,525,768
Fines and Forfeitures	13,908,555	Integrated Waste Management Fund	79,017,578
Revenue from Money and Property	8,312,744	Library Benefit Assessment District Fund	7,865,866
Revenue from Local Agencies	41,862,060	Special Assessments	10,919,562
Revenue from State Government	46,316,487	Storm Sewer Operating Fund	18,046,274
Revenue from Federal Government	2,908,137	Transient Occupancy Tax Fund	9,929,506
Departmental Charges	27,349,670	Other	51,473,358
Other Revenue	15,773,348	TOTAL SPECIAL REVENUE FUNDS	\$489,361,273
Prior Year Fund Balance	185,767,742	CAPITAL IMPROVEMENT PROGRAM FUNDS	
Transfers and Reimbursements	90,615,830	Fund Balances	\$1,030,800,225
TOTAL GENERAL FUND	\$834,630,252	Sale of Bonds	19,462,000
ENTERPRISE FUNDS		Fees and Charges	68,769,714
Airport	541,250,573	Revenue from Other Government Agencies	60,484,488
Parking	29,802,708	Contributions, Loans, & Transfers	239,791,314
Waste Water Treatment Plant	215,489,704	Interest Income	19,567,707
Municipal Water	27,194,961	Other	74,293,788
TOTAL ENTERPRISE FUNDS	\$813,737,946	TOTAL CAPITAL IMPROVEMENT PROGRAM FUNDS	\$1,513,169,236
		Total Source of Funds (Gross)	\$3,650,898,707
		Less Interfund Transfers	\$605,242,994
		Total Source of Funds (Net)	\$3,045,655,713

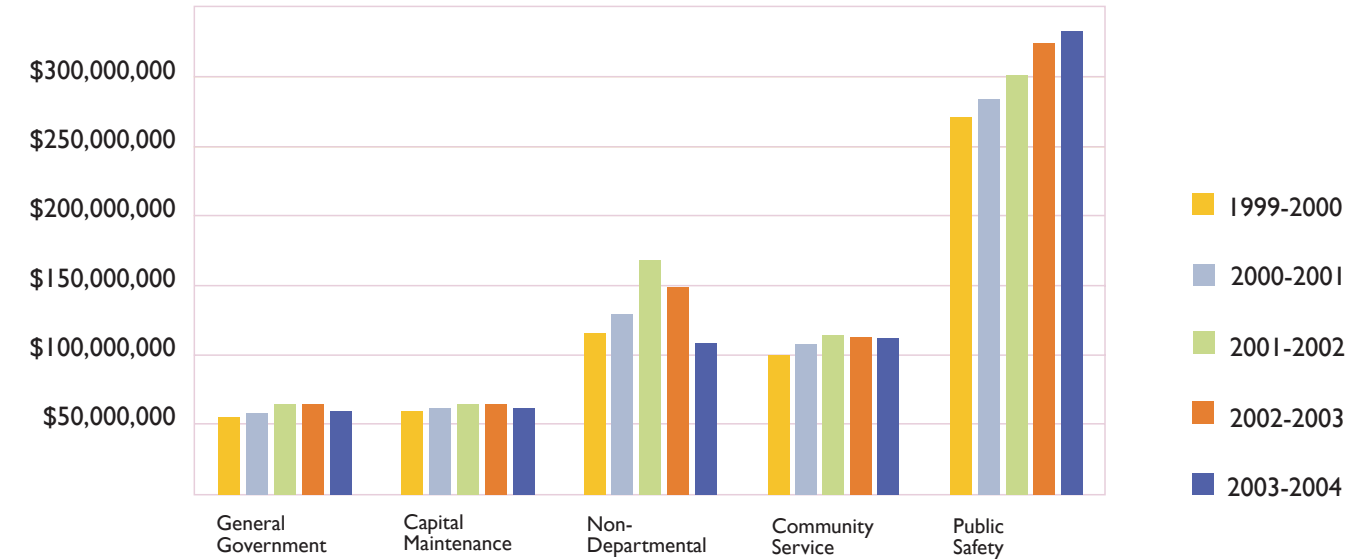
Use of Funds

General Fund Uses, 2003-04



Use of Funds

5-Year Comparison of General Fund Uses



Use of Funds, General Fund

GENERAL GOVERNMENT

Mayor and City Council Manager	\$5,964,885
Emergency Services	6,167,587
Economic Development	262,624
Attorney	1,918,716
Auditor	10,442,683
Independent Police Auditor	2,231,525
Clerk	646,880
Redevelopment Agency	1,868,587
Finance	1,345,555
Employee Services	7,778,403
Information Technology	5,669,872
Encumbrances	12,621,131
TOTAL GENERAL GOVERNMENT	\$60,276,149

PUBLIC SAFETY

Fire	\$112,846,657
Police	219,631,660
Encumbrances	2,038,014
TOTAL PUBLIC SAFETY	\$334,516,331

CAPITAL MAINTENANCE

General Services	\$19,750,208
Public Works	7,378,559
Transportation	30,985,768
Encumbrances	2,449,467
TOTAL CAPITAL MAINTENANCE	\$60,564,002

COMMUNITY SERVICES

Environmental Services	\$1,228,015
Library	23,942,454
Planning, Building and Code Enforcement	29,278,535
Parks, Recreation and Neighborhood Services	57,184,427
Encumbrances	3,275,081
TOTAL COMMUNITY SERVICES	\$114,908,512

CITYWIDE

City-Wide Expenses	\$78,846,247
Capital Projects	13,472,924
Transfers to Other Funds	6,558,740
Encumbrances	12,033,042
TOTAL CITYWIDE	\$110,910,953

TOTAL GENERAL FUND EXPENDITURES \$681,175,947

Use of Funds, Non-General Fund

ENTERPRISE FUNDS

Airport	\$433,162,619
Parking	12,484,147
Waste Water Treatment Plant	161,598,609
Municipal Water	20,198,736
TOTAL ENTERPRISE FUNDS	\$627,444,111

SPECIAL REVENUE FUNDS

Internal Services	\$79,626,853
Community Development Block Grant Fund	19,662,049
Conventions and Cultural Affairs Fund	18,835,801
Gax Tax	17,149,396
Housing	115,094,370
Integrated Waste Management Fund	69,222,152
Library Benefit Assessment District Fund	6,012,126
Special Assessments	3,796,371
Storm Sewer Operating Fund	13,989,350
Transient Occupancy Tax Fund	9,539,305
Other	61,677,115
TOTAL SPECIAL REVENUE FUNDS	\$414,604,888

CAPITAL IMPROVEMENT PROGRAM FUNDS

Airport	\$150,541,944
Civic Center	193,044,951
Parks	98,158,484
Sanitary Sewers	65,340,823
Transportation	71,645,465
Water Pollution Control Plant	58,636,842
Other	137,191,919
TOTAL CAPITAL IMPROVEMENT PROGRAM FUNDS	\$774,560,428

TOTAL NON-GENERAL FUND EXPENDITURES \$1,816,609,427

Total Use of Funds (Gross) \$2,497,785,374
Less Contributions & Interfund Transfers \$605,242,994
Total Use of Funds (Net) \$1,892,542,380

City Council

Appointees & Senior Staff

Council Appointees

Del D. Borgsdorf	City Manager
Richard Doyle	City Attorney
Teresa Guerrero-Daley	Independent Police Auditor
Lee Price	City Clerk
Harry Mavrogenes	Redevelopment Agency Director
Gerald Silva	City Auditor

City Manager's Office

Del D. Borgsdorf	City Manager
Mark Linder	Assistant City Manager
Jim Holgersson	Deputy City Manager
Terry Roberts	Deputy City Manager
Ed Shikada	Deputy City Manager
Kay Winer	Deputy City Manager
Tom Manheim	Public Outreach Manager
Deanna Santana	Council Liaison
Peter Jensen	Assistant to the City Manager
Betsy Shotwell	Intergovernmental Relations
Dottie Disher	Customer Service Manager

Senior Staff

Ralph Tonseth	Airport Director
Larry Lisenbee	Budget Office Director
Paul Krutko	Economic Development Director
Frannie Winslow	Emergency Services Director
Alex Gurza	Employee Relations Director
Mark Danaj	Employee Services Director
Carl Mosher	Environmental Services Director
Scott Johnson	Finance Director
Jeff Clet	Fire Chief
Jim McBride	Acting Director, General Services
Leslye Corsiglia	Housing Director
Jim Helmer	Interim Chief Information Officer, Information Technology
Jane Light	Library, City Librarian
Sara Hensley	Parks, Recreation & Neighborhood Services Director
Stephen M. Haase	Planning, Building & Code Enforcement Director
Rob Davis	Chief of Police
Katy Allen	Public Works Director
Ed Overton	Retirement Director
Jim Ortbal	Acting Transportation Director