



For the Fiscal Year Ended June 30, 2019



CITY OF SUNNYVALE
CALIFORNIA

We Build Community Trust by Delivering Exceptional Services.



Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2019

City of Sunnyvale

650 West Olive Avenue
Sunnyvale, CA 94086
408-730-7600

Prepared by the Department of Finance
Timothy J. Kirby, Director of Finance

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City of SUNNYVALE

Department of Finance

650 West Olive Avenue

Sunnyvale, California 94086

408-730-7600

December 4, 2019

To the Honorable Mayor and Members of the City Council and Members of the Sunnyvale Community

We are pleased to submit the City of Sunnyvale's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is also intended to provide relevant financial information to the citizens of the City of Sunnyvale, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Department of Finance with any questions or comments concerning this report.

The City's financial statements have been audited by Macias Gini & O'Connell LLP (MGO), a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion which states that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

This report is divided into three sections:

- The **Introductory Section** includes this letter of transmittal, an organizational overview of the City government, and prior awards received.
- The **Financial Section** consists of the independent auditor's report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements), Required Supplementary Information, and a Supplementary Section containing the Combined and Individual Fund Financial Statements and Schedules.
- The **Statistical Section** includes a number of tables of unaudited data depicting the financial history of the City, demographics, and other selected information about the City.

PROFILE OF THE CITY

Basic Information

The City of Sunnyvale was incorporated December 24, 1912. The original Charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council. There are seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The City Manager and City Attorney are appointed by the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

PROFILE OF THE CITY, Continued

Component Units

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Financing Authority (the Authority), and two Community Facilities Districts (CFDs). The Authority is fiscally dependent on the City, where the City Council functions as a separate Board. The two Community Facility Districts were formed to provide financing mechanisms for public improvements. One CFD is for the construction of parking facilities and the second for storm water collection and treatment facilities. The City's financial role with each District is fiduciary in nature where the same members of the City Council also serve as the governing board.

Additionally, the City has established a Redevelopment Successor Agency (RSA), which replaced the Redevelopment Agency that was dissolved in 2012. The RSA is not a component unit of the City and is a separate legal entity overseen by the Oversight Board and the State Department of Finance. The City's role in the RSA is fiduciary in nature. The RSA is reported under the private-purpose trust fund, a fiduciary fund type.

There are no other governmental units over which the City Council has financial accountability.

Types of Services

The City provides the full range of municipal services contemplated by its Charter. These include police and fire protection, library services, construction and maintenance of streets, parks, storm drains and other infrastructure, human services, recreational programs and community development activities. The City also operates Water, Wastewater, and Solid Waste municipal utilities, as well as SMaRT Station, Development, and Golf and Tennis Operations.

Boards and Commissions

The City utilizes various Boards and Commissions in the conduct of its affairs. A Directory of Boards and Commissions is provided within this report. Boards and Commissions required by the City Charter are:

- Board of Library Trustees
- Heritage Preservation Commission
- Parks and Recreation Commission
- Personnel Board
- Planning Commission

All other Boards and Commissions were established by the authority of the City Council. These are:

- Arts Commission
- Bicycle and Pedestrian Advisory Commission
- Board of Building Code Appeals
- Sustainability Commission
- Housing and Human Services Commission

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

PROFILE OF THE CITY, Continued

Although certain Boards and Commissions have specific powers granted by the City Charter, for the most part all act in an advisory capacity to the City Council.

Budget

Sunnyvale Charter Section 1302 originally specified that the City Manager submit a budget to the City Council annually. Sunnyvale Charter Section 1305 originally specified that all budget appropriations would lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

On November 6, 2007, Sunnyvale voters approved to amend Section 1302 and Section 1305 of the City Charter. The amendment adds language that requires the annual submission of a ten-year balanced budget that includes level of service information, historical financial trend data, and charts for ease of understanding the budget. It also provides that approved appropriations for capital projects will not lapse at the end of the fiscal year, unless completed, closed out or Council takes actions to modify. The long-term nature of the City's financial planning system allows decision makers to better understand the effect of policy decisions to prevent changes in service levels during the upturns and downturns of economic cycles.

The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. Programs consist of one or more service delivery plans. Starting with fiscal year 2018/19, personnel costs are budgeted by full time equivalents at the program-level, while previously activity hours for each service deliver plan were used to budget personnel costs. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. The budget process and the governmental funds for which annual budgets are appropriated are described in detail in the Financial Section - Required Supplementary Information portion of this report.

LOCAL ECONOMY

Sunnyvale, along with rest of the Bay Area Region, continues to benefit from a strong economy, experiencing high demand for business and residential development activities and continued historic levels of high employment in FY 2018/19. Development-related revenues, Property Tax, and Transient Occupancy Tax have exceeded revenue projections. In addition, the voters passed Ballot Measure K in 2018 to increase the Transient Occupancy Tax rate from 10.5% to 12.5%, yielding additional revenue for the City's General Fund. Based on the development activity currently underway, revenues will continue to grow going forward because commercial and residential development creates long-lasting positive effects on the General Fund's other sources of revenue in a short run. Susceptible to economic volatility Sales Tax, Transient Occupancy Tax, and Development-related revenues, over time, these revenue sources have caused significant year-to-year variances and create challenges for long-term revenue forecasting.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

LOCAL ECONOMY, Continued

The economic vitality of the City depends on a strong and diversified business community that is flexible enough to withstand economic change. As part of the City's economic development efforts, the City continues to work to attract and retain companies with growth potential and make the City a desirable location for the corporate community. As a result, companies continue to recognize Sunnyvale as a prime location in Silicon Valley. Sunnyvale innovation economy depends on major technology companies, including Google, Juniper Networks, Lockheed Martin Space Systems, Apple, Altaba, LinkedIn, NetApp and A2Z Development Center.

While major revenue sources continue to exceed current projections, the City's fiscal situation faces challenges which forces us to have a prudent strategy to address current and future operational needs and investments. The US economy growth has shown signs of slowdown from earlier this year and the consensus forecast calls for a further slowdown in GDP growth next year to a level consistent with trend growth.

In summary, Sunnyvale's economic climate and fiscal condition are complex with many moving parts. While the underlying financial foundation of the City is solidly fueled by a strong economy, start seeing the economic slowdown signs and significant expenditure pressures require the City to exercise careful budgeting.

LONG-TERM FINANCIAL PLANNING

In Sunnyvale, City Council fiscal policy establishes the framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and develops strategies necessary to achieve these goals. Sunnyvale uses long-term financial planning to ensure stability through ups and downs in economic cycles. The City Charter requires that the City Manager annually submit a budget which is balanced for ten years; however, City Council fiscal policy requires a balanced budget for an entire twenty-year planning period. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions and effectively requires that decisions made today guarantee that the resources will be available to provide quality services in the future. This long-term planning horizon prevents wild swings in service levels during the upturns and downturns of economic cycles.

Annual budget review and approval is a sound business practice and is required by the City Charter. However, an understanding of the City's long-term financial picture is more important to the process than just looking at a one-year or two-year snapshot. City fiscal policy requires City staff to analyze past and present fiscal health and project its future fiscal condition. One of the most powerful aspects of multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the appropriate steps to alter the long-term forecasted position of a particular fund should that become necessary.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

LONG-TERM FINANCIAL PLANNING, Continued

One significant issue identified through our long-term planning process is the major impact of unfunded liabilities related to employee pension and retiree healthcare benefits. The City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS) continue to increase due to PERS's de-risking efforts, reduced investment rate of returns, and changes to actuarial assumptions. As a result, the City's employer contribution rates have increased significantly every year, starting in 2012, and are expected to continue to increase over the next five to ten years. Because of the City's long-term financial planning process that carefully considers the long-term implications of PERS' actions, the City periodically opted to pay more than the required PERS employer contribution to ensure our retirement plans are prudently funded and to minimize rate volatility. Working with its consulting actuary, the City develops rate projections to incorporate into the City's twenty-year financial plan to ensure these expenditures are funded over the long term. Beginning in FY2014/15, the Governmental Accounting Standards Board (GASB) Statement No. 68 required governments to quantify and report their outstanding net pension liability (NPL) representing their unfunded pension obligations. This reporting provides transparency of our pension liabilities and our efforts to proactively manage them.

To address pension funding with a long-term perspective, the Council directed the City Manager to establish a Section 115 Pension Trust (Trust), which was set up in July 2018. The Trust is 1) owned and monitored by the City, 2) managed by a separate investment professionals, 3) separate from PERS, and 4) expected to provide increased flexibility on use of trust assets as a budget stabilization tool. The only option to reduce the City's unfunded pension liability is to pre-fund the pension liability with PERS. Alternatively, the Trust, under the City discretion, will hold additional funds committed for pension liabilities in excess of the City's annual required contribution to PERS. The City contributed \$2 million to the trust fund as of June 30, 2019. In the FY 2019/20 Adopted Budget, an annual funding commitment of \$1 million is budgeted for the next nine years. Assets accumulated in the Trust is reported in the Employees Payroll & Benefits Fund, an internal service fund.

With the same long-term analysis, the City has developed a funding plan to address the unfunded liabilities related to retiree medical benefits. Like most governmental agencies, the City had been paying for these expenses on a pay-as-you-go basis. Recognizing that there is a liability for Other Post-Employment Benefits (OPEB) that is not addressed through a pay-as-you-go approach, the City began funding a retiree medical trust fund in FY 2010/11 and has budgeted to pay the full actuarial determined contribution over the long-term plan until the OPEB liability is fully funded. Projected contributions to the OPEB trust are calculated by an actuary hired by the City. Combining with OPEB trust assets and projected contributions, the OPEB liability is expected to be fully funded by the end of the twenty-year financial plan in the FY 2019/20 Adopted Budget.

The City's retiree medical trust created for funding the City's long-term OPEB liability meets a "Trust" criteria established by the Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued by the Governmental Accounting Standards Board, effective for FY 2016/17.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

RELEVANT FINANCIAL POLICIES

According to the Council Fiscal Policy, long-term financial planning should enable the current service level provided to be sustained over time through the strategic use of reserves. The reserves contained in the General Fund's long-term financial plan play a pivotal role in the City's multi-year planning strategy.

The General Fund currently has four major reserves:

The first reserve is the Contingencies Reserve. This reserve equals 15% of operating expenditures in the first year of the long-term plan, with annual increases based on projected increases in the Consumer Price Index (CPI). This reserve is only utilized for non-fiscal emergencies or disasters as determined by Council. Increasing future years by CPI ensures that this reserve is sufficient for its intended usage but does not set aside more funds than necessary.

A second reserve in the General Fund is entitled the Budget Stabilization Reserve. This reserve has a minimum of 15% of projected revenues for the first two years of the 20-year financial plan. Beyond year two, the Budget Stabilization reserve needs to have a balance of at least zero. This reserve functions to level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. This reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. Strict policy adherence to the premise of the Budget Stabilization Fund prevents the City from adding services at the top of economic cycle that cannot be sustained, while allowing it to maintain Council-approved service levels during economic downturns. The function of the Budget Stabilization Fund and its strength has been evident throughout its existence. It has prevented the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. The value of the Budget Stabilization Fund is especially evident during economic downturns, as not only is it available to be drawn upon to assist in maintaining service levels, it also allows time to develop a measured and reasoned approach to addressing fiscal crises. This was evident during the most recent recession, as the Budget Stabilization Fund was utilized to subsidize service levels when revenues dropped, which allowed the City time to assess the magnitude of the issue and address it strategically. The result was ongoing operating expenditure reductions that were primarily generated through operational efficiencies such as departmental reorganizations, as opposed to material reductions in service levels.

The third reserve in the General Fund is the Reserve for Capital Improvement Projects. Originally entitled the Land Acquisition Reserve, it was established in FY 1994/95 for the purpose of purchasing land or property in the downtown area with an emphasis on future income generation through economic development. In the past, it was used to purchase key parcels in the downtown area. As the title change indicates, its purpose has now been expanded to reserve revenues from land sales and other one-time sources for use on capital improvement projects or expansion.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

RELEVANT FINANCIAL POLICIES, Continued

The fourth reserve in the General Fund is the Service Level Set-Aside. This reserve is used to provide ongoing funds to increase service levels or add new services. Once used, this Set-Aside Reserve may be replenished according to the economic conditions.

In addition to the reserves discussed above, the City also uses the Employee Payroll and Benefits Fund (an Internal Service Fund) as a mechanism to cover expenditures related to pension costs, insurance plans, workers' compensation costs, and leave time, while applying the principles of full-cost accounting. This is accomplished by charging an additive rate to staff salaries whenever personnel hours are expended. Resources are set aside for contribution-rate uncertainty, workers compensation liabilities, and retiree medical costs to reduce volatility and to minimize the effect on the funding of other City operations.

MAJOR INITIATIVES

The City Council established strategic policy priorities two years ago and has revisited them annual to help guild the development of the Budget. The following are the list of the priorities Council has identified for FY 2018/19:

Civic Center Campus and Main Library

Buildings at the Civic Center are decades old and in need of renovation or replacement. A Master Plan and Environmental Impact Report were approved by the City Council in September 2018 and the design contract for Phase I, which includes City Hall and a Public Safety Emergency Operations Center Addition are Renovation, was awarded by the City Council in December 2018. The design process is expected to take 16 months with the project scheduled to go out to bid for construction in spring 2020.

Ability of Infrastructure to Support Development and Traffic

The traffic and transportation projects are mainly funded by the SB1 gasoline tax, Measure B funding, along with traditionally General Fund, Gas Tax and Vehicle Registration Fee Funding. The City has proactively conducted long-range planning for traffic and transportation needs for server years and is actively involved in countywide planning efforts. There are \$23 million budgeted for the rehabilitation of the Fair Oaks Bridge, the City share of Mathilda/237/101 Interchange improvements, the study of Caltrain Grade Separation at Mary and Sunnyvale avenue, preliminary design for the Bernadrdo Ave Undercrossing, and an EIR for the Mary Avenue Overcrossing.

Open Space Acquisition Planning: Future of Golf Courses

The City has continued to provide subsidy to the Golf Courses operating in FY 2018/19. The City staff is conducting study to evaluate the appropriate level of on-going subsidy.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2019

MAJOR INITIATIVES, Continued

Downtown Sunnyvale

Developer construction is underway, the extension of Murphy Avenue is complete and the construction of more housing, retail, a movie theatre and grocery store is underway. The City anticipates the benefit of additional sales tax revenue from the downtown development starting in FY 2020/21.

Improved Processes and Services through the use of Technology

This priority includes the implementation of several major initiatives, including the implementation of the new Enterprise Resource Planning (ERP) system, the Community Development permitting system and potentially procure a new utility billing system. Both the ERP and the permitting system are underway in FY 2018/19 and are expected to go live within a year or two.

Accelerate the Climate Action Plan

The City aims to significantly reduce community green gas emission. The initial next moves are planned for implementation between FY 2018/19 to FY 2021/22. The City intended to catapult action towards achieving 2030 emission reduction targets.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the thirty-third consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one-year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate program requirements. This report will be submitted to GFOA to determine its eligibility for another certificate.

The City of Sunnyvale received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2019. This was the thirtieth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document must be judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device.

Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2019

AWARDS AND ACKNOWLEDGEMENTS, Continued

Since 1999, the City's investment policy has received certification by the Association of Public Treasurers of the United States and Canada (Association). The Association provides professional guidance and assistance in improving investment policies in the public sector. At least three experts in the field review the investment policies and those jurisdictions that comply with Association's criteria are presented with the Association's Written Investment Policy Certification.

The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for the past nineteen years. NPI is the public sector purchasing affiliate of the Institute for Supply Management (ISM). The mission of NPI is to facilitate the educational and professional development of its members.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular, I would like to express my appreciation to the following members of the Finance Department who contributed to the development of this report: Juan Castro, Principal Accountant (Acting); Luis Cuellar, Jin Xu, Jenny Chang, and Bhavana Menghrajani, Accountants; Tim Kashitani, Administrative Aide; and Inderdeep Dhillon, Finance Manager. I also wish to thank our auditors, MGO, for their cooperation and assistance.

Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and thoughtful manner.

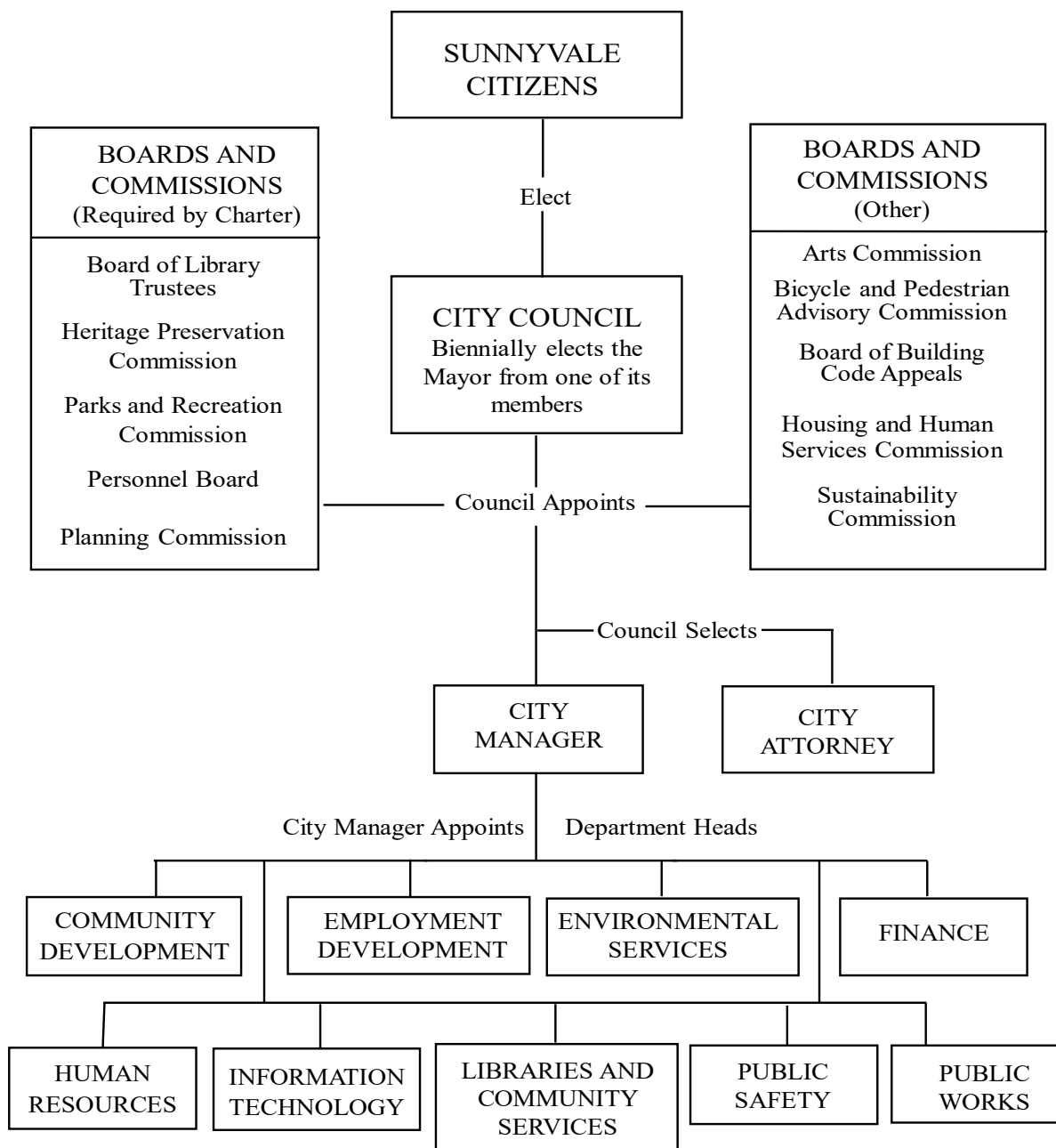
Respectfully submitted,



Timothy J. Kirby
Director of Finance

Organization Chart

Fiscal Year Ended June 30, 2019



Larry Klein
Mayor

Russ Melton
Vice-Mayor

Glenn Hendricks
Councilmember

Gustav Larsson
Councilmember

Nancy Smith
Councilmember

Mason Fong
Councilmember

Michael S. Goldman
Councilmember

Kent Steffens
City Manager

Teri Silva
Assistant City Manager

Chip Taylor
Director of Public Works

Kathleen Boutté Foster
Chief Information Officer

Trudi Ryan
Director of Community Development

Timothy J. Kirby
Director of Finance

Tina Murphy
Director of Human Resources

John Nagel
City Attorney

Kris Stadelman
Director of Employment Development

Phan S. Ngo
Director of Public Safety

Ramana Chinnakotla
Director of Environmental Services

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2019

Arts Commission

Eskridge, Dawna
Gluckman, Jeremie
Serrone, Sue
Vaughan, Susannah
Veith, Agnes

Bicycle and Pedestrian Advisory Commission

Cordes, John
Davé, Arwen
Hafeman, Daniel
Mehlinger, Richard
Mehlman Elizabeth (Leia)
Oey, Timothy
Swail, Scott

Board of Building Code Appeals

McNutt, Gregory
Michitaka, Mike
Shen, Yonghong
Vacant
Vacant

Board of Library Trustees

Bremond, Daniel
Hwang, Tina
Isaak, Mark
Lai, Carey
Wang, Sharlene

Heritage Preservation Commission

Caroompas, Steve
Gaudenti, Shanna
Holthaus, Melanie
Hopkins, Dawn
Larsen, Dixie
Wu, David
Vacant

Housing and Human Services Commission

Gilbert, Diana
Grossman, Joshua
Hiremath, Ken
Kwok, Minjung
Stetson, Elinor
White, Emily
Vacant

Parks and Recreation Commission

Alexander III, Henry
DeCarlo, Lauren
Giri, Prakash
Kenton, Ralph
Michitaka, Mike

Personnel Board

Ketzel, Marc
Lugani, Deepali
Marsh, Victor
Schmidt, Barbara
Selan, Patti

Planning Commission

Harrison, Sue
Howard, Daniel
Howe, John
Olevson, Ken
Rheaume, Ken
Simons, David
Weiss, Carol

Sustainability Commission

Joesten, Stephen
Kunz, Douglas
Padgett, Shana
Paton, Bruce
Srinivasan, Murali
Wickham, Kristel
Zornetzer, Steven



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sunnyvale
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Sunnyvale, 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 Sunnyvale, California (City), as of and for the year ended June 30, 2019, 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 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, 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, 2019, 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 budgetary comparison schedules, information on the modified approach for City streets infrastructure capital assets, and the schedules related to the pension and other postemployment benefits 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 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, combining fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules 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. In our opinion, the combining fund financial statements and schedules 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 December 4, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 4, 2019

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

As management of the City of Sunnyvale, we offer readers of the City of Sunnyvale's financial statements this narrative overview and analysis of the financial activities of the City of Sunnyvale for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2019, the City's total net position was \$969.3 million, an increase of \$149.0 million or 18.2% over the prior fiscal year. This increase was corresponding to the changes in the following financial statement elements: (1) total assets increased by \$198.9 million or 14.8%, mostly due to higher fees from services, increased general tax revenues, and capital asset additions of infrastructure projects; (2) total liabilities increased by \$18.9 million or 3.1%; (3) net pension liability and net Other Post-Employment Benefits (OPEB) liability decreased by \$17.6 million or 3.9% over the last year; and (4) deferred outflows decreased by \$17.5 million from last year whereas deferred inflows of resources increased by \$13.5 million. Pension and OPEB related items represented a predominant portion of both deferred outflows and deferred inflows of resources.
- Total revenues were \$526.1 million, which was \$42.1 million or 8.7% higher than last year, mostly due to higher property tax revenue, investment earnings and gain from sale of capital assets. Total expenses were \$377.1 million, an increase of \$9.9 million or 2.7% from last year.
- The City's governmental funds reported a combined fund balance of \$506.2 million, an increase of \$80.1 million or 18.8% from the prior year's fund balance of \$426.1 million. Increase of \$33.0 million was due to a sale of the property at Kifer Road to Youland Smarthome LLC in the Infrastructure Renovation and Replacement Fund. The remaining increases were contributed by the Housing Special Revenue Fund, the Park Dedication Special Revenue Fund and the City Project Fund, which were mainly due to a significant increase in developing activities.
- The General Fund's fund balance was \$126.4 million, a decrease of \$6.5 million or 4.9% from last year. During this year, this Fund made various transfers out to other City funds in the net amount of \$43.2 million, including \$24.7 million from the General Fund's Reserve for Capital Improvement Projects, particularly to fund the Civic Center Modernization Project in the Infrastructure Renovation and Replacement Fund.
- The City's primary government reported investment earnings in the amount of \$24.5 million, an increase of \$20.3 million, mainly due to higher City treasury pool cash balance, fair value adjustments, and higher interest rates in fiscal year 2018/19.
- The City set aside \$2.1 million in a stand-alone trust account as an effort to start addressing unfunded pension liabilities in the long-term. The contributions to the account were reported as Deposits and Investments Held with Fiscal Agent and Trustee in the Employee Payroll & Benefits Internal Service Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sunnyvale's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. In addition, reclassifications may have been made to some prior fiscal year balances to conform to the current fiscal year presentation formats.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's 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 only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include planning and management, public safety, community development, transportation, socioeconomic, cultural, and environmental management. The business-type activities of the City include water supply and distribution, wastewater management, solid waste management, SMaRT Station, golf and tennis operations, and development-related fee revenue and expense tracking to ensure full cost recovery.

The government-wide financial statements include the City (primary government) and all legally separate entities (component units) for which the City is financially accountable. The Sunnyvale Financing Authority, though legally separate, is practically treated as a program of the City and blended into the City's basic financial statements as an integral part of the primary government. Other component units are separately accounted for as fiduciary funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—Governmental funds are used to 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 current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

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 fund statements 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 19 individual governmental funds belonging to the governmental fund type: General Fund Special Revenue, Debt Service, Capital Project, and Permanent Funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Housing Special Revenue Fund, Park Dedication Special Revenue Fund, Employment Development Special Revenue Fund, City Projects Fund, and Infrastructure Renovation and Replacement Fund. Data from the other 13 nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Proprietary Funds—The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Wastewater, Solid Waste, SMaRT Station, Development, and Golf and Tennis operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All enterprise funds are presented as major funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City reports three types of fiduciary funds. The Other Postemployment Benefit Trust Fund accounts for the City Retiree Healthcare Trust; the Private-Purpose Funds account for the Redevelopment Successor Agency (RSA) and the Community Facilities District (CFD) No. 3; and the Agency Funds account for the CFD No. 1 and the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP).

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including budgetary comparison schedules, schedules related to the pension and OPEB plans, and detailed information regarding the modified approach used for reporting the City's infrastructure capital assets.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Analysis of Net Position

Net position over time may serve as a useful indicator of the City's financial position. At the close of fiscal year 2018/19, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$969.3 million. This is an increase of \$149.0 million or 18.2% from last year.

The following is the condensed statement of net position for the fiscal years ended June 30, 2019, and 2018.

	Governmental Activities		Business- Type Activities		Total		
	2019	2018	2019	2018	2019	2018	%
Assets:							
Current and Other Assets	\$647.8	\$556.5	\$171.3	\$118.5	\$819.1	\$675.0	21.3%
Capital Assets, Net	487.8	481.2	234.5	186.3	722.3	667.5	8.2%
Total Assets	<u>1,135.6</u>	<u>1,037.7</u>	<u>405.8</u>	<u>304.8</u>	<u>1,541.4</u>	<u>1,342.5</u>	14.8%
Deferred Outflows of Resources	<u>67.5</u>	<u>81.7</u>	<u>10.5</u>	<u>13.8</u>	<u>78.0</u>	<u>95.5</u>	(18.3)%
Liabilities:							
Noncurrent Liabilities	53.4	52.9	89.5	60.3	142.9	113.2	26.2%
Other Liabilities	23.7	23.2	27.4	21.1	51.1	44.3	15.3%
Net Pension Liability	310.7	315.9	48.8	49.5	359.5	365.4	(1.6)%
Net OPEB Liability	59.5	69.0	12.7	14.9	72.2	83.9	(13.9)%
Total Liabilities	<u>447.3</u>	<u>461.0</u>	<u>178.4</u>	<u>145.8</u>	<u>625.7</u>	<u>606.8</u>	3.1%
Deferred Inflows of Resources	<u>20.4</u>	<u>8.7</u>	<u>4.0</u>	<u>2.2</u>	<u>24.4</u>	<u>10.9</u>	123.9%
Net Position:							
Net Investments in Capital Assets	478.9	471.3	153.1	133.6	632.0	604.9	4.5%
Restricted	316.4	288.2	5.3	5.3	321.7	293.5	9.6%
Unrestricted	<u>(59.8)</u>	<u>(109.8)</u>	<u>75.5</u>	<u>31.7</u>	<u>15.7</u>	<u>(78.1)</u>	(120.1)%
Total Net Position	<u>\$ 735.4</u>	<u>\$ 649.7</u>	<u>\$ 233.9</u>	<u>\$ 170.6</u>	<u>\$ 969.3</u>	<u>\$ 820.3</u>	18.2%

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2019, the largest portion of the City's net position (\$632.0 million or 65.2%) reflects the City's net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources attributable to the addition of those assets or related debt are also included. The City uses these capital assets (land, buildings, equipment, vehicles, and infrastructure) to provide services to citizens. The amount of net investment in capital assets is reported as a distinct component of net position because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$321.7 million or 33.2%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is \$15.7 million, which includes a deficit of \$59.8 million in governmental activities and a surplus of \$75.5 million in business-type activities.

Deferred outflows and deferred inflows of resources related to pension/OPEB are certain changes in the net pension/OPEB liability that are to be recognized in future pension/OPEB expense through amortization. Such items may include differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension/OPEB liability, changes of assumptions or other inputs about future economic or demographic factors, and the difference between projected and actual earnings on pension/OPEB plan investments.

Detailed disclosure as required by GASB Statement No. 68 and 75 can be found in Notes 16 and 17, respectively. The related trend information is presented in the required supplementary information section.

Discussion about other changes in the City's net position is provided in the following sections for governmental activities and business-type activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Analysis of Changes in Net Position

Condensed Statement of Changes in Net Position

Years Ended June 30, 2019 and 2018

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		%
	2019	2018	2019	2018	2019	2018	Change
Revenues:							
Program Revenues:							
Charges for Services	\$ 42.6	\$ 65.6	\$ 231.9	\$ 215.3	\$ 274.5	\$ 280.9	(2.3)%
Operating Grants and Contributions	17.5	19.3	-	-	17.5	19.3	(9.3)%
Capital Grants and Contributions	12.3	14.1	0.8	1.6	13.1	15.7	(16.6)%
Total Program Revenues	72.4	99.0	232.7	216.9	305.1	315.9	(3.4)%
General Revenues:							
Property Taxes	85.1	74.6	-	-	85.1	74.6	14.1 %
Sales and Use Taxes	32.2	31.3	-	-	32.2	31.3	2.9 %
Other Taxes	46.7	41.6	-	-	46.7	41.6	12.3 %
Investment Income	18.8	3.4	5.7	0.8	24.5	4.2	483.3 %
Interest on Advances to Business-Type	0.5	1.3	-	-	0.5	1.3	(61.5)%
Gain from Sale of Capital Assets	32.0	13.9	-	-	32.0	13.9	130.2 %
Miscellaneous	-	1.2	-	-	-	1.2	100.0 %
Total General Revenues	215.3	167.3	5.7	0.8	221.0	168.1	31.5 %
Total Revenues	287.7	266.3	238.4	217.7	526.1	484.0	8.7 %
Expenses:							
Planning and Management	15.7	18.0	-	-	15.7	18.0	(12.8)%
Public Safety	112.0	106.4	-	-	112.0	106.4	5.3 %
Community Development	21.9	20.6	-	-	21.9	20.6	6.3 %
Transportation	19.2	24.0	-	-	19.2	24.0	(20.0)%
Socioeconomic	12.0	13.2	-	-	12.0	13.2	(9.1)%
Cultural	18.9	19.1	-	-	18.9	19.1	(1.0)%
Environmental Management	3.2	2.4	-	-	3.2	2.4	33.3 %
Water Supply and Distribution	-	-	48.0	46.3	48.0	46.3	3.7 %
Wastewater Management	-	-	31.4	29.7	31.4	29.7	5.7 %
Solid Waste Management	-	-	43.9	40.7	43.9	40.7	7.9 %
SMaRT Station	-	-	29.1	28.1	29.1	28.1	3.6 %
Development	-	-	15.8	13.4	15.8	13.4	17.9 %
Golf and Tennis Operations	-	-	5.5	4.8	5.5	4.8	14.6 %
Interest on Long-term Debt	0.5	0.5	-	-	0.5	0.5	-
Total Expenses	203.4	204.2	173.7	163.0	377.1	367.2	2.7 %
Increase in Net Position before							
Transfers and Extraordinary Items	84.3	62.1	64.7	54.7	149.0	116.8	27.6 %
Extraordinary Items	-	(29.3)	-	-	-	(29.3)	(100.0)%
Transfers	1.4	(1.0)	(1.4)	1.0	-	-	-
Increase (Decrease) in Net Position	85.7	31.8	63.3	55.7	149.0	87.5	70.3 %
Net Position - Beginning of Year	649.7	617.9	170.6	114.9	820.3	732.8	11.9 %
Net Position - Ending of Year	\$ 735.4	\$ 649.7	\$ 233.9	\$ 170.6	\$ 969.3	\$ 820.3	18.2 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued****Governmental Activities**

Current year transactions resulted in an increase of \$85.7 million in net position from the prior year. The key elements of this change were as follows:

Revenue Highlights:

- Total revenues before transfers were \$287.7 million, which was \$21.4 million or 8.0% higher than the prior year. General tax revenue were \$48.0 million higher than the prior year but program revenues had a decrease of \$26.6 million mainly due to decrease in charges for services from the prior year.
- Total property tax revenues increased by \$10.5 million or 14.1% from the prior year. The growth in this revenue source was due to significant increases in assessed value for all types of property across the City, change of ownership, and new construction.
- Sales and use tax revenue had a slight increase of \$0.9 million or 2.9% from the prior year.
- Investment earnings increased by \$15.4 million, primarily due to higher cash balance held in the City treasury pool, fair value adjustments, and higher interest rates in fiscal year 2018/19.
- Other tax revenues increased by \$5.1 million or 12.5% from the prior year, reflecting continued strong local economy. Details are shown in the table below (amounts in millions):

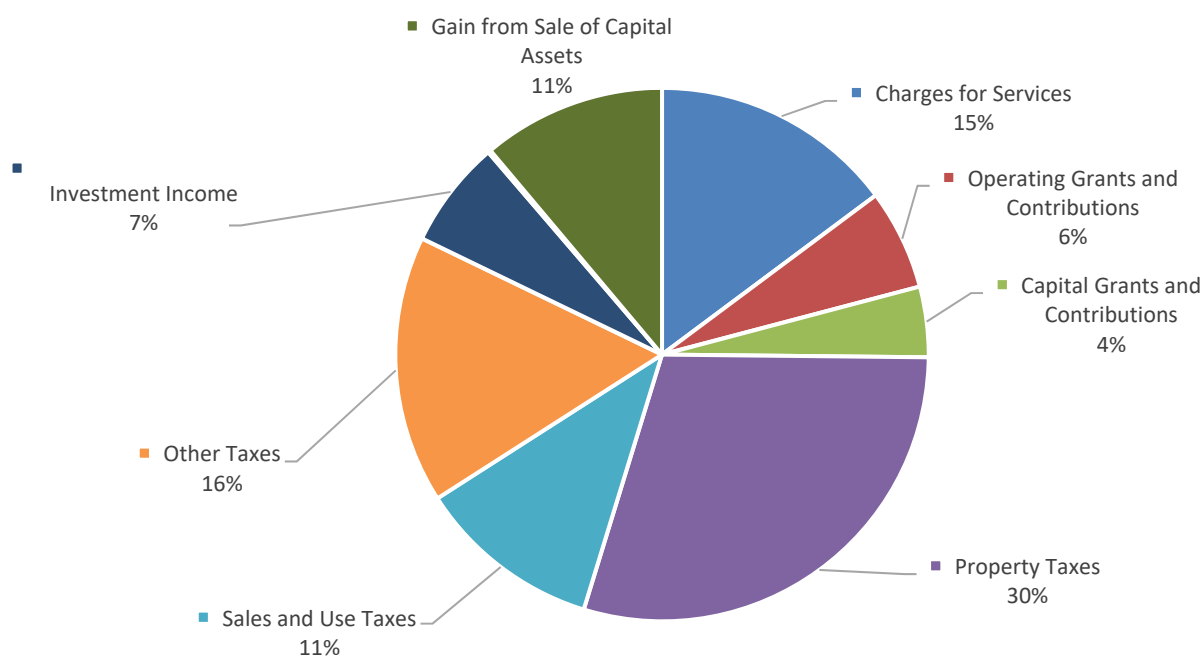
	Total Other Tax Revenues		Total % Change
	2019	2018	2019-2018
Transient Occupancy Tax (TOT)	\$ 21.2	\$ 17.7	19.8 %
Utility Users Tax	8.3	7.9	5.1 %
Construction & Real Property Transfer	8.3	7.0	18.6 %
Franchise Fees (based on gross receipts)	7.0	7.2	(2.8)%
Business License Tax	1.9	1.8	5.6 %
Total	<u>\$ 46.7</u>	<u>\$ 41.6</u>	12.3 %

- Transient Occupancy Tax (TOT) revenue increased by \$3.5 million came from the prior year because the TOT tax rate increased from 10.5% to 12.5% starting January 2019. The City has also started collecting TOT on short term rentals.
- Charges for services for governmental activities decreased by \$23.0 million or 35.1% from the previous year, primarily due to a one-time large development project received in the prior year which distorted the year-over-year comparison. The City also experienced a small decrease in development-related fees such as housing mitigation, park dedication and transportation impact.
- Operating grants and contributions decreased by \$1.8 million or 9.3% from the prior year, primarily due to timing differences in receiving grant reimbursements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Governmental Activities
Revenues by Source
Year Ended June 30, 2019**



Expense Highlights - Governmental Activities:

Functional expenses for the years ended June 30, 2019, and 2018 were as follows (amounts in millions):

	Total Cost of Services			% Change	Net Cost of Services			% Change
	2019	2018		2019-2018	2019	2018		2019-2018
Planning and Management	\$ 15.7	\$ 18.0		(12.8)%	\$ 15.2	\$ 17.2		(11.6)%
Public Safety	112.0	106.4		5.3 %	104.7	99.6		5.1 %
Community Development	21.9	20.6		6.3 %	(6.2)	(28.5)		(78.2)%
Transportation	19.2	24.0		(20.0)%	(2.1)	(2.3)		(8.7)%
Socioeconomic	12.0	13.2		(9.1)%	2.1	2.0		5.0 %
Cultural	18.9	19.1		(1.0)%	13.7	14.3		(4.2)%
Environmental Management	3.2	2.4		33.3 %	3.1	2.4		29.2 %
Total	\$ 202.9	\$ 203.7		(0.4)%	\$ 130.5	\$ 104.7		24.6 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense for governmental activities (excluding interest on long-term debt) was \$202.9 million, which was \$0.8 million or 0.4% lower than last year.

The functional expenses presented in the preceding table consisted of depreciation, operating expenses and uncapitalized capital outlay, the allocated effect of consolidating internal service fund activities, the recognition of the changes in net pension liability and net OPEB liability, and the amortization of pension- and OPEB-related deferred outflows and inflows of resources.

The Planning and Management expense was lower by \$2.3 million or 12.8% than prior year as the OPEB expense was much less in comparison to the prior year.

The rise in Public Safety expense of \$5.6 million were attributed to an increase in recruitment and training for sworn officers, fire services overtime, and salaries and benefits.

Community Development had a small increase in salaries and benefits expenses for the Neighborhood Parks and Open Space program and utilities costs.

The Transportation program expense was lower by \$4.8 million or 20.0% than prior year because several capital programs got completed in the current year while the remaining capital programs did not incur expenses at the same pace experienced in the prior year.

The Socioeconomic and Transportation expenses decreased largely due to lower salary costs resulting from department vacancies.

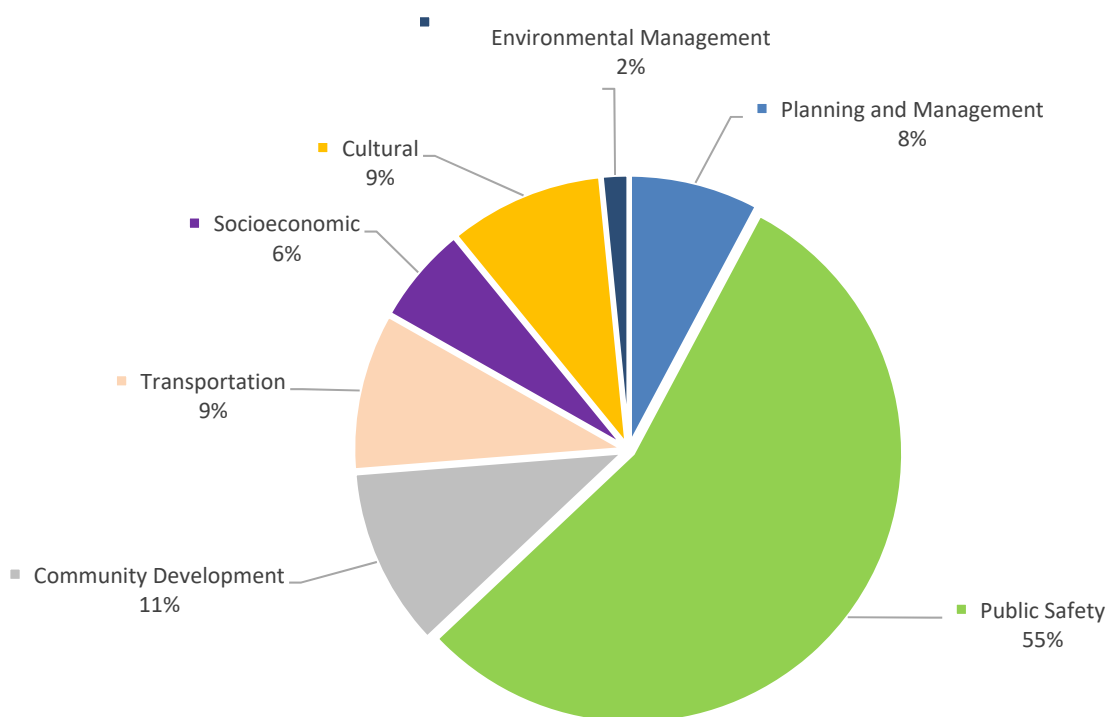
Program revenues that offset related expenses are explained as follows:

- Those who directly benefited from the governmental programs contributed \$42.6 million in charges for services.
- The City funded some of its programs through operating grants and contributions from outside sources for a total amount of \$17.5 million.
- Capital grants and contributions amounted to \$12.3 million, which included funding received from various external agencies and capital asset donations from developers totaling to \$2.3 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Governmental Activities
Expenses by Function/Program
Year Ended June 30, 2019**



Additional discussion on the City's governmental activities can be found in the next section that analyzes governmental fund's financial statements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues		%	Program Expenses		%
	(amounts in millions)		Change	(amounts in millions)		Change
	2019	2018	2019-2018	2019	2018	2019-2018
Business-Type Activities:						
Water Supply & Distribution	\$ 65.0	\$ 61.8	5.2 %	\$ 48.0	\$ 46.3	3.7 %
Wastewater Management	57.5	54.0	6.5 %	31.4	29.7	5.7 %
Solid Waste Management	54.2	50.4	7.5 %	43.9	40.7	7.9 %
SMaRT Station	28.0	25.4	10.2 %	29.0	28.1	3.2 %
Development	24.4	21.9	11.4 %	15.8	13.4	17.9 %
Golf and Tennis Operations	3.6	3.4	5.9 %	5.6	4.8	16.7 %
Total	<u>\$ 232.7</u>	<u>\$ 216.9</u>	7.3 %	<u>\$ 173.7</u>	<u>\$ 163.0</u>	6.6 %

Revenue Highlights:

- Total program revenues in business-type activities increased \$15.8 million or 7.3% from last year, primarily due to utility rate increases, development-related fee revenues, and intergovernmental grants.
- The utility rate increases were 4% for water, 10% for wastewater services, and 2% for solid waste and recycling services. These rate increases were needed to cover higher costs of operations, increased wholesale water purchases costs, and maintenance and rehabilitation of infrastructure into future years.

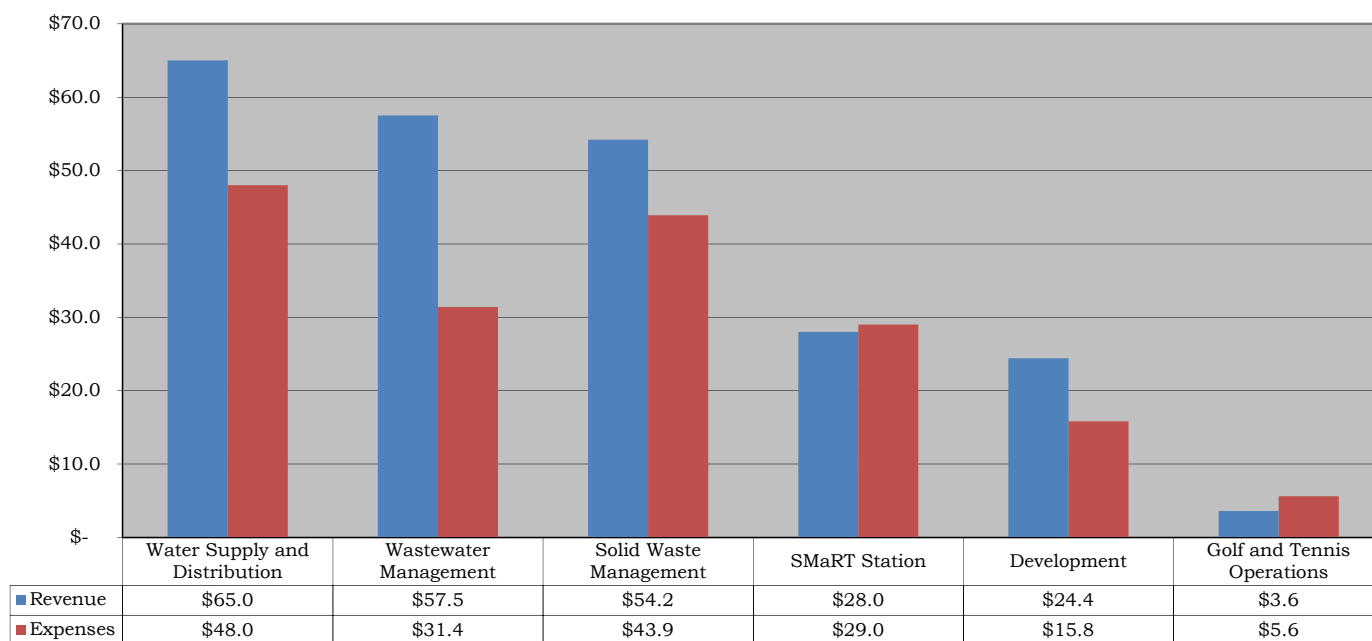
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights:

- Total expenses in business-type activities increased by \$10.7 million or 6.6% from last year.
- Although the water conservation effort mitigated customer demand for water, the City incurred higher costs to acquire wholesale water as the suppliers charged higher rates to cover their fixed costs.

Business-Type Activities
Program Revenues and Expenses (amounts in millions)
June 30, 2019



Further discussion on the City's enterprise activities can be found in the following section (Fund Financial Statement Analysis).

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or others that have been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2019, the City's governmental funds reported a combined fund balance of \$506.2 million, an increase of \$80.1 million or 18.8% from the prior year. Approximately \$71.0 million or 14.0% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$5.5 million), 2) legally required to be maintained intact (\$1.6 million), 3) restricted for particular purposes (\$307.4 million), 4) committed for particular purposes (\$69.7 million) or 5) assigned for particular purposes (\$50.9 million).

The following are the major funds that the City considers important to financial statement users, even though in this fiscal year only the General Fund, the Housing Special Revenue Fund, the Park Dedication Special Revenue Fund, the City Projects Capital Projects Fund, and the Infrastructure Renovation and Replacement Capital Projects Fund qualified quantitatively under the formula used to identify major funds.

General Fund

The General Fund is the chief operating fund of the City. At the end of this fiscal year, total fund balance was \$126.4 million, of which \$71.0 million was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures of \$164.3 million. Unassigned fund balance represented 43.2% and total fund balance represented 76.9% of total General Fund expenditures. This balance is largely held for reserves, or budgeted for future demands and under or unfunded needs within the 20-year plan.

The General Fund's fund balance decreased by \$6.5 million during the year. Excess of revenues over expenditures was \$26.8 million. Transfers to other funds were \$43.2 million, compared to transfers of \$9.8 million from other funds. Transfer to other funds were mainly to provide funding for capital projects and operational subsidies.

Total General Fund revenues were \$191.1 million, which was \$21.2 million higher than the prior year. Refer to the revenue highlights in the preceding section about government-wide analysis for those tax revenues contributing to this increase.

Total General Fund expenditures - net of interfund reimbursements for General Fund administration - were \$164.3 million, which was \$10.8 million higher than last year. The most significant increase was in the Public Safety program, which spent \$6.1 million more than the prior year as the City continues with its increased efforts in recruitment and training and staffing for public safety services.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued**Housing Special Revenue Fund**

The Housing Special Revenue Fund is used to account for housing impact fees and Below-Market-Rate Housing (BMR) fees, fines, and activity of loans to qualified borrowers. Expenditures are for operating activities related to developing affordable housing and managing the City's BMR program, and for capital and special projects that produce new and affordable housing.

The Housing Special Revenue Fund had an excess of revenues over expenditures by \$14.2 million. Total revenue and total expenditures were \$14.9 million and \$0.7 million, respectively. The Fund received a transfer-in of \$4.0 million from the Low and Moderate Income Housing Asset Nonmajor Governmental Fund to redevelop a City property located at 403 South Mathilda Avenue into an affordable housing complex. During fiscal year 2018/19, new housing loans in the amount of \$1.7 million were disbursed and loan repayments of \$0.7 million were received.

Park Dedication Special Revenue Fund

The Park Dedication Fund accounts for funds that developers contribute towards the acquisition, construction, or renovation of neighborhood parks. Total revenue was \$12.3 million. Transfers to other City funds for park-related projects amounted to \$4.7 million. The transferred funds are to cover expenditures of several small-sized projects associated with renovation, rehabilitation, and improvements of the City parks facilities. Fund balance increased by \$7.3 million this year and continues to accumulate until the eligible projects are identified for improvements.

Park in-lieu fees must be committed within a five-year period. This revenue source is subject to the Fee Mitigation Act (AB 1600), which requires specific review and findings every five years. The City conforms to both requirements.

Employment Development Special Revenue Fund

The City, as administrative entity for the North Valley (NOVA) Job Training Consortium, is required by legislation and regulations to account for the use of various federal and state funds and program revenues for the workforce development activities that are conducted for the North Valley (NOVA) Job Training Consortium. The City has established the Employment Development Fund to fulfill this obligation.

The Employment Development Special Revenue Fund showed a slight decrease in fund balance for the year.

City Projects Capital Projects Fund

The City Projects Capital Projects Fund is used to account for financial resources that are restricted to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Major funding sources include grants and development fees.

The City Projects Capital Project Fund showed an increase in fund balance of \$5.2 million. Total revenues exceeded expenditures by \$11.5 million. This Fund transferred out \$7.0 million back to the General Fund as the Fire Station 5 rehabilitation project is on hold until the outcome of the Fire Station Master Plan becomes available.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Infrastructure Renovation and Replacement Capital Projects Fund

The Infrastructure Renovation and Replacement Capital Projects Fund accounts for projects related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets. The Fund showed a major increase in fund balance of \$57.3 million, mainly due to proceeds received in the amount of \$33.0 million for the sale of a commercial property and transfers of \$32.9 million from the General Fund for the planned infrastructure improvement projects, such as the City Civic Center Modernization Project. The fund balance is committed and assigned for various planned infrastructure projects per the City's 20-year Financial Plan.

Proprietary Funds

The fund financial statements for the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The major factors concerning these funds have already been addressed in the government-wide financial analysis of business-type activities.

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net position increased by \$18.8 million. Charges for services were higher by \$3.8 million comparing with the prior year mainly due to a small increase in water rates. Operating expenses had an increase of \$1.7 million from the prior year. Non-cash capital contributions were \$0.5 million. The Fund's net income before contributions and transfers was \$19.2 million.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net position increased by \$26.1 million. The Fund's net income before contributions and transfers was \$28.0 million. Non-cash capital contributions were \$0.3 million. \$2.4 million was transferred out for facility and project support. Capital improvements to the City's aging wastewater treatment plant and collection system were funded by increased service fees rates revenues and low cost loan programs.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net position increased \$9.4 million from last year as service revenue increased and operating expenses remained contained. The Fund's net income before transfers was \$11.0 million. Approximately \$1.1 million was transferred out for facility and project support and \$0.5 million was transferred for the SMaRT Station Enterprise Fund's debt service. At year end, the balance of the advances from other funds was approximately \$16.8 million and \$5.5 million for the landfill liability. This Fund had a deficit net position of \$1.2 million, which is expected to be funded by charges for services in future years.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net position decreased \$0.4 million from the prior year. The Fund had an operating loss of \$0.9 million due to an overall decline in demand for services. The Fund's net loss before transfers was \$0.9 million. \$0.5 million was transferred from the Solid Waste Management activity for the City's share of debt service.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Development Enterprise Fund

Development-related activities and revenues had been accounted for in the General Fund until fiscal year 2014. During current year, the Fund's net position was \$33.1 million, an increase of \$10.7 million from last year. The development activity continues to stay strong, with revenue reaching to a new high of \$24.4 million and expenses amounted to \$15.5 million.

Operating expenses involve the administration and regulation of development-related activity, which comprises building safety and planning, fire prevention and hazardous material service, transportation and traffic services, and land development engineering services across the City departments. These are predominantly fixed costs to be recovered over the long term to average out the high- and low-level activity years.

Golf and Tennis Operations Enterprise Fund

The Golf and Tennis Enterprise Fund's net position was \$6.8 million, a decrease of \$0.4 million from last year. The Fund's operating loss before transfers was \$1.9 million. Net transfers from the General Fund were \$1.5 million, which supplemented the operational expenses.

Fiduciary Funds

Listed below are significant financial transactions reported during this fiscal year:

- The Other Postemployment Benefit Trust Fund maintains fiduciary funds for the assets of the City's Retiree Healthcare Plan, which had an increase of \$11.3 million in net position. The City made a direct contribution of \$4.8 million to the Plan, which were 18.2% higher than last year. Net investment income from the Plan assets was \$6.5 million.
- The Private-Purpose Trust Funds primarily account for the RSA, which had a deficit net position of \$17.3 million at June 30, 2019. This is an increase of \$2.5 million compared with last year's deficit of \$19.8 million. The RSA also received \$3.4 million from the County Redevelopment Property Tax Trust Fund to pay for its enforceable obligations. The timing difference in paying enforceable obligations resulted in the net position increase.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented as the Required Supplementary Information following the Notes to the Basic Financial Statements.

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories:

- Amendments to existing appropriations to reflect Council-approved changes to operating programs or capital projects.
- New appropriations approved by City Council.

Final appropriations, including transfers to other funds, for fiscal year 2019 were \$248.7 million, an increase of \$6.7 million from the original appropriations of \$242.0 million. This increase reflects net changes to appropriations associated with adjustments during the FY 2019/20 budget development process, appropriation modifications, and carryovers. Actual charges to appropriations (outflows) for the fiscal year were \$22.8 million under the original budget and \$29.5 million under the final amended budget. Variations between the original and final amended appropriations are explained in the Required Supplementary Information. Actual cost savings in operating programs was \$6.4 million and project expenditures of \$12.9 million. There was also project transfer savings of \$10.2 million that contributed to the \$29.5 million favorable variance though approximately \$23.1 million associated with project and transfer appropriations will not lapse at the end of the fiscal year as projects continue.

Resources (inflows) available for appropriations were \$1.1 million under the original budget (excluding sale of property) and actual revenue was \$7.7 million over the final budgeted amounts. During the fiscal year 2019 budget process, revenues were analyzed and amended to reflect the actual trends based upon mid-year review of revenues, State remittances, and information from consultants. Actual revenues were greater than the final expected budget.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

Capital assets including infrastructure are those assets that are used in the performance of the City's functions. At June 30, 2019, the City reported capital assets with carrying value of \$487.8 million under governmental activities and \$234.5 million under business-type activities.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for its Street Pavement System under infrastructure assets. According to GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City policy is to achieve a Pavement Condition Index (PCI) rating of 75 or over for all streets. This rating represents a "Good" or better condition based on a regional measurement scale. While City policy is to achieve a PCI of at least 75, funding for rehabilitation and maintenance of City streets was increased starting fiscal year 2012 in an effort to achieve a PCI of 80 or above within five years which is considered the most cost effective PCI to maintain. The average rating for City's streets, based on the most recent study conducted in fiscal year 2018/19, was 76.

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to reduce the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance (pavement preventive maintenance and corrective repairs) for the fiscal year ended June 30, 2019 was \$10.8 million. Actual expenditures were \$7.1 million. These expenditures delayed deterioration and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

The following is a summary of the City's capital assets as of June 30, 2019 (amounts in millions).

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 116.4	\$ -	\$ 116.4
Buildings and Structures	115.4	65.2	50.2
Improvements Other than Buildings	139.1	58.2	80.9
Machinery and Equipment	46.7	29.8	16.9
Construction in Progress	32.6	-	32.6
Infrastructure:			
Nondepreciable	165.9	-	165.9
Depreciable	91.1	66.2	24.9
Total	\$ 707.2	\$ 219.4	\$ 487.8
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	22.5	0.9
Improvements Other than Buildings	45.2	37.9	7.3
Machinery and Equipment	7.9	6.5	1.4
Construction in Progress	99.5	-	99.5
Infrastructure - Depreciable	203.7	94.8	108.9
Total	\$ 396.2	\$ 161.7	\$ 234.5

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

During the year, the City recorded some capital contributions from external sources. Developers contributed capital assets (streets, easements, traffic signals, and lights) with estimated acquisition value of \$2.3 million to governmental activities. Developers also contributed infrastructure assets of a combined \$0.8 million to the water supply and distribution system and wastewater management system.

There were several capital projects which were still in progress at year end. Amounts capitalized for major capital projects in progress were significant for the wastewater management system and included \$70.5 million for costs of a major project to design and construction of new primary treatment facilities at the Water Pollution Control Plant and \$23.3 million for all phases of Sunnyvale Clean Water Program. Other projects in progress included \$7.9 million for Mathilda Avenue/237/101 Interchange Improvements, \$3.5 million for Fair Oaks Avenue Overhead Bridge repair, \$3.3 million for design phase of new Civic Center, and \$6.6 million for Community Center Comprehensive Infrastructure. Note 15 to the Basic Financial Statements presents schedules of outstanding construction commitments for the construction in progress, which also include construction contracts signed as of June 30, 2019 but no work has been started. It should be noted that project costs capitalized often include other items such as consultant fees which are outside of the construction commitments schedules.

Additional information on capital assets can be found in Note 11 to the Basic Financial Statements.

Long-Term Obligations

As of June 30, 2019, the City had outstanding bonded obligations as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for those bonds. Each of the City's other bonds are backed by specific revenue sources.

The City's outstanding bonded debt obligations at the end of fiscal years 2019 and 2018 are presented in the schedule below (amounts in millions).

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Certificates of Participation	\$ 14.9	\$ 16.5	\$ -	\$ -	\$ 14.9	\$ 16.5
Revenue Bonds	-	-	41.4	43.3	41.4	43.3
Note Payable	-	-	40.0	9.5	40.0	9.5
Total Bonded Debt	<u>\$ 14.9</u>	<u>\$ 19.4</u>	<u>\$ 81.4</u>	<u>\$ 52.8</u>	<u>\$ 96.3</u>	<u>\$ 69.3</u>

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for fiscal year 2019/20, adopted on June 25, 2019, is balanced in both the short- and long-term. The City balanced the 2019/20 budget with taking full use of revenue growth by allocating resources to the City's core operations; maintaining sustainable resource-based services, and investing in Council's priorities. The 2019/20 Adopted Budget continues the City's investment in infrastructure with significant investments in the Clean Water program, transportation, public facilities, and park renovation projects. Capital and infrastructure project costs were updated to reflect today's rising construction costs, which required factoring in an additional bid market factor for the cost of the specialized work for the Clean Water program. Low cost loans are expected to help absorb the increases to this program. Additionally, the City has begun collecting Measure B, the one-half cent sales tax, and the State Gas Tax allocations funding through Senate Bill 1, for pavement and sidewalk rehabilitation and repair. Phase 1 of the Civic Center Modernization project was finalized and \$212 million appropriated for design and construction. The 2019/20 budget also includes a \$1.6 million investment for implementation of its Climate Action Plan.

In addition to investing in a well-rounded portfolio of infrastructure projects and strategic initiatives, the 2019/20 budget also includes investment in operations, such as funding for rising retirement costs as well as investment in the recruitment and retention of personnel, especially public safety recruitment. At the same time, while the City continues to experience strong development activity and property tax growth, there continues to be economic pressures such as flat sales tax and slowing property tax growth in addition to uncertainty regarding trade tariffs, other federal policies, and rate of investment returns.

With consecutive increases in the taxable base for the last eight years, the City continues to benefit from multi-year growth in Property Tax revenues. Robust economic cycles have helped the City keep property revenue projections at unprecedented levels. This is the seventh consecutive year in which the property tax roll growth has exceeded 6%. As new construction activity in the commercial/industrial and residential sectors continues, the City anticipates strong real estate market prices to continue, lending to the strength in the property tax base. Voters approved Measure K, which increased the TOT tax from 10.5% to 12.5%. This change was implemented in the second half of fiscal year 2018/19 and contributed to elevated TOT collections. However, Sales Tax, the City's second largest tax revenue, remains volatile and has declined from a paradigm shift in the retail economic sector. Implementation of AB 147, establishing the economic nexus as the basis for collecting use taxes from out of state retailers began April 1, 2019. To this end, conservative growth is projected as merchants that were not previously required to remit, will now be required. Further, as the downtown CityLine project completes development, additional sales tax remitters are expected to be added to the tax roll. Therefore, more dynamic growth assumptions in the short-term and historical averages over the long term are projected to provide a sustainable revenue resource for funding city services over the 20-year Financial Plan and to absorb a downturn in economy when needed.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2019

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

While there has been growth in revenue such as property tax and TOT, rising operational costs to meet high demands of city services still exert pressures on the General Fund. Due to years of prudent and strategic planning, the City continues to maintain a sustainable long-term cost for total employee compensation. However, the City faces the challenge of maintaining its ability to attract and retain talent as workers with public sector experience are in high demand in a tight labor market. This competitive labor market has resulted in increased salary costs in personnel-related costs to ensure the City can attract and retain a high-quality workforce across all services. To that end, the budget includes significant investment funding for the recruitment and training of public safety officers, which is essential to maintaining emergency response times at the current level. For Public Safety sworn staff, where salary adjustments are based on a regional survey, the 2019/20 budget assumes a 3% growth in salaries in the short term and 4% in the long term based on historical average increases.

In addition to salaries, cost of benefits is increasing; pension and healthcare benefits being the contributing to the most substantial increases. For managing growth of pension costs on a long-term basis, the City has taken several actions, including implementing reduced benefit second and third tier pension plans for new employees, negotiating labor agreements with sustainable salary increases, and maintaining reserves to fund long-term pension and healthcare liabilities. For fiscal year 2019/20, the City is projected to pay \$44.4 million for pensions to CalPERS. That is anticipated to increase to \$74.5 million in about 10 years, about a 67.8% increase in cost. The City's two plans (Safety and Miscellaneous) are respectively 68.1% and 70.9% funded. For the fiscal year 2019/20 budget, employer contribution rates are set at 77.8 percent for the Safety Plan and 38 % for Miscellaneous Plan. For the last decade, CalPERS has implemented significant changes in its amortization and rate smoothing policies to de-risk the system, which has caused short-term volatility in the City's payment for pensions. Several years of hard work in strategic planning and taking appropriate actions for funding the significant increases in pension payments has shown positive results even after including CalPERS's recent amortization policy changes, which shortens the amortization period for gains and losses from 30 to 20 years. The City has established a pension trust to be used as a budget stabilization tool in future years. The City contributed \$2 million to the trust in fiscal year 2018/19 and budgeted to contribute \$9.0 million to the trust in the next nine years.

The City continues to experience pressures from demands including:

Personnel Resources Demands – Year-after-year increases in commercial/industrial and residential development bring with it a much higher demand for services including safety, parks and open space, traffic management, utilities and more. A higher demand for services leads to increase the existing staff workloads at all levels in almost all departments. Employees in skilled positions are in high demand as the labor market remains tight. Therefore, the City continues to face challenges in recruiting and retaining new staff as neighboring cities and counties continue to attract staff from other agencies. To address immediate and future needs for personnel resources, the City has taken several approaches: implementing multiple employee wellness and engagement initiatives, initiating a new pilot internship program to attract Fire Prevention employees, collaborating with a local community college, and adding term-limited positions for creating a buffer of resources to allow adequate staffing when needed. However, the additional resources only begin to temporarily address the gap between workload and staff capacity. As demands continue to pressure our existing assets, the City will continue to look to strategically add resources to meet targeted demands.

Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2019

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

Environmental and Regulatory Demands – Stricter regulatory requirements in stormwater management and efforts to reduce greenhouse gas emissions through Accelerating Climate Action impact costs and resources in many ways across both the General Fund and the Utility Funds. The City anticipates issuing long-term debt, including low cost loans, to fund planned capital improvements in the Utility Funds. With the efforts taken by the State and the Sunnyvale community, the City is ahead of schedule in surpassing a state goal of reducing greenhouse gas emissions to 1990 levels by 2020.

Demands from aging infrastructure – the City's aging administrative, parks, and utility infrastructure require resources to renovate and bring up to today's standards. In the current bidding climate, cost for infrastructure repairs are rising due to competition for work. For fiscal year 2019/20, the City has budgeted capital and infrastructure projects based on current market conditions and the City continues to evaluate new financing sources for unfunded infrastructure projects.

To the extent possible, these pressures, while manageable, should be taken in context together through the City's budget process. Balancing priorities will continue to be critical in developing the budget going forward to ensure balance and fiscal sustainability.

In summary, the City enters the fiscal year 2019/20 in a strong financial position while adequately allocating resources for core operations, carefully addressing growing demands of services, and strategically positioning itself for fiscally sustainable future growth. An extended multi-year economic expansion and strong real estate market has contributed to significant increases in the revenue base; however, uncertainty in other revenue sources, strong competition in the labor market, increase in construction costs, and deferred infrastructure improvements limit the ability to add ongoing new services to meet growing demands.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.

Government-Wide Financial Statements

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Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 280,659,369	\$ 159,088,096	\$ 439,747,465
Receivables, Current (Note 4)	11,781,607	24,377,785	36,159,392
Inventories and Prepaid Items (Note 1)	1,598,264	562,735	2,160,999
Assets Held for Resale (Note 1)	1,381,077	-	1,381,077
Long-term Receivables from Employees (Note 6)	5,219,206	-	5,219,206
Service Concession Arrangement Receivable (Note 1)	-	1,852,033	1,852,033
Internal Balances (Note 10)	21,004,130	(21,004,130)	-
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	240,056,223	5,270,934	245,327,157
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	4,547,977	22,623	4,570,600
Receivables, Current (Note 4)	1,472,756	-	1,472,756
Intergovernmental Receivables (Note 5)	4,639,108	1,158,295	5,797,403
Housing Deficits Receivable (Note 20)	9,066,758	-	9,066,758
Housing Loans Receivable, Net (Note 7)	66,386,682	-	66,386,682
Capital Assets (Note 11):			
Land and Nondepreciable Assets	314,933,255	116,019,083	430,952,338
Depreciable Assets, Net	172,869,035	118,506,161	291,375,196
Total Assets	1,135,615,447	405,853,615	1,541,469,062
Deferred Outflows of Resources (Note 9)	67,505,227	10,463,259	77,968,486
Liabilities:			
Wages Payable	4,464,948	-	4,464,948
Accounts Payable and Accrued Liabilities	10,677,184	24,512,326	35,189,510
Refundable Deposits	1,519,682	1,766,771	3,286,453
Interest Payable	56,625	743,887	800,512
Unearned Revenues (Note 8)	6,979,217	407,903	7,387,120
Noncurrent Liabilities:			
Due within One Year - Long-term Obligations (Note 12)	19,354,874	3,298,320	22,653,194
Due in More than One Year:			
Long-term Obligations (Note 12)	34,069,547	86,150,228	120,219,775
Net Pension Liability (Note 16)	310,708,366	48,781,549	359,489,915
Net OPEB Liability (Note 17)	59,471,386	12,747,913	72,219,299
Total Liabilities	447,301,829	178,408,897	625,710,726
Deferred Inflows of Resources (Note 9)	20,422,549	4,044,713	24,467,262
Net Position (Note 19):			
Net Investment in Capital Assets	478,864,684	153,120,753	631,985,437
Restricted for:			
Capital Projects	81,645,695	-	81,645,695
Housing	135,530,058	-	135,530,058
Park Dedication	86,352,548	-	86,352,548
Public Streets and Highways	8,109,546	-	8,109,546
Law Enforcement	891,847	-	891,847
Other City Programs	1,900,618	5,270,934	7,171,552
Nonexpendable Permanent Funds Principal and Endowment	1,920,018	-	1,920,018
Total Restricted Net Position	316,350,330	5,270,934	321,621,264
Unrestricted Net Position	(59,818,718)	75,471,577	15,652,859
Total Net Position	\$ 735,396,296	\$ 233,863,264	\$ 969,259,560

See Accompanying Notes to the Basic Financial Statements

Statement of Activities
Year Ended June 30, 2019

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 15,766,054	\$ 315,786	\$ 229,556	\$ -	\$ 545,342
Public Safety	111,997,607	4,705,354	2,559,336	-	7,264,690
Community Development	21,900,602	26,916,774	1,259,562	1,837	28,178,173
Transportation	19,178,791	5,251,989	3,729,041	12,254,126	21,235,156
Socioeconomic	12,019,318	268,840	9,604,383	-	9,873,223
Cultural	18,920,539	5,114,002	93,715	-	5,207,717
Environmental Management	3,177,694	1,000	55,000	-	56,000
Interest on Long-term Debt	467,189	-	-	-	-
Total Governmental Activities	203,427,794	42,573,745	17,530,593	12,255,963	72,360,301
Business-Type Activities:					
Water Supply and Distribution	48,034,387	64,559,745	-	452,300	65,012,045
Wastewater Management	31,389,920	57,170,910	-	323,200	57,494,110
Solid Waste Management	43,968,909	54,240,131	-	-	54,240,131
SMaRT Station	29,050,420	27,993,757	-	-	27,993,757
Development	15,773,710	24,378,644	-	-	24,378,644
Golf and Tennis Operations	5,564,996	3,586,593	-	-	3,586,593
Total Business-Type Activities	173,782,342	231,929,780	-	775,500	232,705,280
Total Primary Government	\$ 377,210,136	\$ 274,503,525	\$ 17,530,593	\$ 13,031,463	\$ 305,065,581

General Revenues:

Taxes:

Property Taxes

Sales and Use Taxes

Franchise Fees - Unrestricted

Utilities Users Taxes

Transient Occupancy Taxes

Real Property Transfer Taxes

Construction Taxes

Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 3)

Interest Accrued-Advances to Business-Type Activities - Unrestricted

Gain from Sale of Capital Assets

Transfers (Note 18)**Total General Revenues and Transfers****Change in Net Position****Net Position - Beginning of Year****Net Position - End of Year**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (15,220,712)	\$ -	\$ (15,220,712)
(104,732,917)	-	(104,732,917)
6,277,571	-	6,277,571
2,056,365	-	2,056,365
(2,146,095)	-	(2,146,095)
(13,712,822)	-	(13,712,822)
(3,121,694)	-	(3,121,694)
(467,189)	-	(467,189)
(131,067,493)	-	(131,067,493)
-	16,977,658	16,977,658
-	26,104,190	26,104,190
-	10,271,222	10,271,222
-	(1,056,663)	(1,056,663)
-	8,604,934	8,604,934
-	(1,978,403)	(1,978,403)
-	58,922,938	58,922,938
(131,067,493)	58,922,938	(72,144,555)
85,056,998	-	85,056,998
32,219,912	-	32,219,912
6,976,089	-	6,976,089
8,303,333	-	8,303,333
21,248,918	-	21,248,918
2,001,631	-	2,001,631
6,346,224	-	6,346,224
1,952,881	-	1,952,881
164,105,986	-	164,105,986
18,761,620	5,737,034	24,498,654
476,786	-	476,786
32,072,481	-	32,072,481
1,376,293	(1,376,293)	-
216,793,166	4,360,741	221,153,907
85,725,673	63,283,679	149,009,352
649,670,623	170,579,585	820,250,208
\$ 735,396,296	\$ 233,863,264	\$ 969,259,560

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Governmental Fund Financial Statements

The ***General Fund*** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

The ***Housing Special Revenue Fund*** accounts for local housing mitigation revenues and Below-Market-Rate (BMR) receipts. Funds are expended on special and capital projects designed to achieve the City's goal of affordable housing and community development. The City also utilizes revenues recorded in this Fund to make housing loans for the acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

The ***Park Dedication Special Revenue Fund*** accounts for funds that developers contribute towards the acquisition, construction or renovation of neighborhood parks.

The ***Employment Development Special Revenue Fund*** accounts for various Federal funds and program revenues used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

The ***City Projects Fund*** accounts for major capital acquisition or construction projects associated with governmental activities. The projects may be funded by grants, development fees, and transfers from other City funds.

The ***Infrastructure Renovation and Replacement Fund*** accounts for projects related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets.

CITY OF SUNNYVALE
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 122,117,756	\$ 57,329,924	\$ 85,828,759
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	1,294,315	-	-
Receivables, Current (Note 4)	11,267,880	280,149	523,789
Intergovernmental Receivables (Note 5)	1,577,462	-	-
Due From Other Funds (Note 10)	214,950	-	-
Advances to Other Funds (Note 10)	22,935,108	-	-
Inventories and Prepaid Items (Note 1)	611,164	-	-
Long-term Receivables from Employees (Note 6)	3,606,505	-	-
Housing Deficits Receivable (Note 20)	-	-	-
Housing Loans Receivable (Note 7)	-	41,144,100	-
Assets Held for Resale (Note 1)	1,101,077	280,000	-
Total Assets	<u>\$ 164,726,217</u>	<u>\$ 99,034,173</u>	<u>\$ 86,352,548</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,197,867	\$ 22,265	\$ -
Refundable Deposits	1,508,419	-	-
Due to Other Funds (Note 10)	-	-	-
Unearned Revenue (Note 8)	6,951,917	-	-
Total Liabilities	<u>12,658,203</u>	<u>22,265</u>	<u>-</u>
Deferred Inflows of Resources (Note 9)	<u>25,709,817</u>	<u>2,504,695</u>	<u>-</u>
Fund Balances (Note 19):			
Nonspendable	5,518,496	-	-
Restricted	2,913,578	96,507,213	86,352,548
Committed	46,896,418	-	-
Assigned	-	-	-
Unassigned	71,029,705	-	-
Total Fund Balances	<u>126,358,197</u>	<u>96,507,213</u>	<u>86,352,548</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 164,726,217</u>	<u>\$ 99,034,173</u>	<u>\$ 86,352,548</u>

See Accompanying Notes to the Basic Financial Statements

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Major Funds			Nonmajor	
Employment Development Special Revenue	City Projects	Infrastructure Renovation and Replacement	Governmental Funds	Total Governmental Funds
\$ 26,618	\$ 81,852,838	\$ 75,665,858	\$ 12,286,460	\$ 435,108,213
-	-	-	1,160,257	2,454,572
2,919	244,846	219,752	145,742	12,685,077
567,885	1,404,370	-	1,089,391	4,639,108
-	-	-	-	214,950
-	-	-	-	22,935,108
-	-	-	-	611,164
-	-	-	-	3,606,505
-	-	-	9,066,758	9,066,758
-	-	-	25,242,582	66,386,682
-	-	-	-	1,381,077
<u>\$ 597,422</u>	<u>\$ 83,502,054</u>	<u>\$ 75,885,610</u>	<u>\$ 48,991,190</u>	<u>\$ 559,089,214</u>
\$ 362,741	\$ 1,829,059	\$ 2,177,093	\$ 635,946	\$ 9,224,971
-	-	-	-	1,508,419
-	-	-	102,901	102,901
-	27,300	-	-	6,979,217
<u>362,741</u>	<u>1,856,359</u>	<u>2,177,093</u>	<u>738,847</u>	<u>17,815,508</u>
<u>5,364</u>	<u>759,695</u>	<u>-</u>	<u>6,077,598</u>	<u>35,057,169</u>
-	-	-	1,625,589	7,144,085
229,317	80,886,000	-	40,549,156	307,437,812
-	-	22,804,223	-	69,700,641
-	-	50,904,294	-	50,904,294
-	-	-	-	71,029,705
<u>229,317</u>	<u>80,886,000</u>	<u>73,708,517</u>	<u>42,174,745</u>	<u>506,216,537</u>
<u>\$ 597,422</u>	<u>\$ 83,502,054</u>	<u>\$ 75,885,610</u>	<u>\$ 48,991,190</u>	<u>\$ 559,089,214</u>

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CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019**

Total Fund Balances - Total Governmental Funds	\$ 506,216,537
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used to support governmental activities are not current financial resources and, therefore, are not reported in the funds. This amount represents, at June 30, 2019, capital assets used by governmental activities excluding \$17,568,296 of capital assets used by Internal Service Funds.	
	470,233,994
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position (the net position of the internal service funds of \$41,225,761 less amount owed by business-type activities for interest service funds activities of \$2,043,027 at year end).	
	39,182,734
Other long-term assets are not available to pay for current expenditures and are deferred inflows of resources in the funds:	
Advances to business-type activities	22,935,106
Interest accrued on receivables from employees	94,679
Long-term receivables from special capital assessments	20,277
Unpaid administrative citations placed on tax roll	48,500
Proposition 172 revenue	138,914
State, County, and other agency cost reimbursements	1,419,882
Long-term housing loans interest portion	8,451,865
Eligible expenditures to be reimbursed by grants	941,429
Bonds payable is not reported as fund liabilities.	(14,860,000)
Interest payable on bonds, not due and payable in the current period, is not reported in the funds.	(56,625)
Pension-related items are not reported in the governmental fund financial statements:	
The following items relate to governmental activities (excluding internal service funds)	
Net pension liability	(289,914,592)
Deferred inflows of resources related to pension	(6,673,913)
Deferred outflows of resources related to pension	50,038,915
OPEB-related items are not reported in the governmental fund financial statements:	
The following items relate to governmental activities (excluding internal service funds)	
Net OPEB liability	(54,131,183)
Deferred inflows of resources related to OPEB	(10,943,316)
Deferred outflows of resources related to OPEB	12,253,093
Net Position of Governmental Activities	\$ 735,396,296

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Revenues:			
Property Taxes	\$ 84,827,809	\$ -	\$ -
Sales and Use Taxes	33,829,197	-	-
Other Taxes	39,852,986	-	-
Franchise Fees	6,976,089	-	-
Intergovernmental Revenues	1,591,769	-	-
Permits and Licenses	1,938,313	-	-
Fines and Forfeitures	1,251,697	-	-
Special Assessments	6,055	-	-
Service Fees	7,892,123	12,586,798	8,955,509
Rents and Concessions	1,653,302	-	-
Interest Received from Interfund Advances	4,786,640	-	-
Investment Earnings	5,742,596	1,960,160	3,311,315
Other Revenues	790,460	364,318	-
Total Revenues	191,139,036	14,911,276	12,266,824
Expenditures:			
Current:			
Planning and Management	10,888,602	84,142	-
Public Safety	103,921,860	-	-
Community Development	15,595,572	616,296	300,100
Transportation	8,892,611	-	-
Socioeconomic	1,485,936	-	-
Cultural	17,611,478	-	-
Environmental Management	2,867,431	-	-
Capital Outlay	1,879,939	-	-
Debt Service:			
Principal Retirement	950,000	-	-
Interest	250,250	-	-
Fiscal Charges	5,967	-	-
Total Expenditures	164,349,646	700,438	300,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,789,390	14,210,838	11,966,724
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets (Note 11)	72,920	-	-
Transfers In (Note 18)	9,767,879	4,000,000	-
Transfers Out (Note 18)	(43,158,993)	-	(4,699,133)
Total Other Financing Sources (Uses)	(33,318,194)	4,000,000	(4,699,133)
Net Change in Fund Balances	(6,528,804)	18,210,838	7,267,591
Fund Balances, Beginning of Year	132,887,001	78,296,375	79,084,957
Fund Balances, End of Year	\$ 126,358,197	\$ 96,507,213	\$ 86,352,548

See Accompanying Notes to the Basic Financial Statements

Major Funds				
Employment Development Special Revenue	City Projects	Infrastructure Renovation and Replacement	Nonmajor Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 84,827,809
-	-	-	-	33,829,197
-	-	-	-	39,852,986
-	-	-	-	6,976,089
9,498,180	3,683,262	-	8,185,558	22,958,769
-	-	-	-	1,938,313
-	-	-	-	1,251,697
-	-	-	-	6,055
2,995	10,524,119	-	198,084	40,159,628
-	-	-	-	1,653,302
-	-	-	-	4,786,640
-	2,260,180	2,061,770	480,368	15,816,389
68,887	-	-	445,274	1,668,939
9,570,062	16,467,561	2,061,770	9,309,284	255,725,813
309,356	-	-	31,862	11,313,962
-	-	-	417,748	104,339,608
-	-	41,994	1,251,457	17,805,419
-	-	-	1,539,703	10,432,314
9,292,117	-	-	403,220	11,181,273
-	-	-	-	17,611,478
-	-	-	3,211	2,870,642
-	5,003,270	10,183,189	340,789	17,407,187
-	-	-	655,000	1,605,000
-	-	-	137,966	388,216
-	-	-	84,881	90,848
9,601,473	5,003,270	10,225,183	4,865,837	195,045,947
(31,411)	11,464,291	(8,163,413)	4,443,447	60,679,866
-	-	33,000,000	-	33,072,920
-	716,043	32,865,829	838,304	48,188,055
-	(7,000,000)	(428,310)	(6,555,327)	(61,841,763)
-	(6,283,957)	65,437,519	(5,717,023)	19,419,212
(31,411)	5,180,334	57,274,106	(1,273,576)	80,099,078
260,728	75,705,666	16,434,411	43,448,321	426,117,459
\$ 229,317	\$ 80,886,000	\$ 73,708,517	\$ 42,174,745	\$ 506,216,537

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2019***

Net Change in Fund Balances - Total Governmental Funds	\$ 80,099,078
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide financial statements, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset additions - governmental activities	11,966,374
Capital asset retirements or sold - governmental activities	(1,000,439)
Depreciation recorded in the current period - governmental activities	(8,627,035)
Contributions of capital assets are not recorded in the governmental funds	2,263,700
Timing difference in revenue recognition: Certain earned yet not available revenues are deferred in the fund financials but are recognized as revenues in the government-wide financial statements.	
Interest accrued on advances to business-type activities	476,786
Interfund interest previously deferred in the fund was received in current year.	(4,786,640)
Interest accrued on long-term housing loan receivables and allowance for uncollectible accounts	(154,935)
Conway assessment installments	(4,217)
Administrative citation placed on tax roll	(1,800)
Various cost sharing	46,380
Various grants	(938,665)
Proposition 172 revenue	138,914
Repayment of principal on the bonds is reported in the fund as expenditures.	1,605,000
This amount represents the change in accrued interest on bonds payable from prior year.	11,875
Internal Service Funds are primarily to serve governmental activities. The change in net position of the Internal Service Funds is reported with governmental activities.	14,069,665
This amount represents the portion of change in Internal Service Fund net position attributable to business-type activities. Business-type activities paid \$1,468,779 for internal services during the year. At year end, the internal service lookback adjustment was determined to be \$2,367,808.	899,029
Changes to net pension liability and pension-related deferred outflows and inflows of resources do not require current financial resources and are only reported in the government-wide financial statements.	(13,535,636)
Changes to net OPEB liability and OPEB-related deferred outflows and inflows of resources do not require current financial resources and are only reported in the government-wide financial statements.	3,198,239
Change in Net Position of Governmental Activities	\$ 85,725,673

Proprietary Fund Financial Statements

The ***Water Supply and Distribution Fund*** accounts for all revenues and expenses related to the City-operated water utility.

The ***Wastewater Management Fund*** accounts for all revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant systems.

The ***Solid Waste Management Fund*** accounts for the revenues and expenses related to the City's refuse collection and solid waste disposal services.

The ***SMaRT Station® Fund*** accounts for the revenues and expenses associated with the operations of the Sunnyvale Materials and Recovery Transfer Station.

The ***Development Fund*** accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects. This Fund began in fiscal year 2015, carrying over development-related fee revenues in excess of what had been budgeted from the General Fund. Expenses related to these highly volatile fees normally occur later than the revenue collection. This separate fund will assist the City to identify direct and indirect costs to ensure full cost recovery.

The ***Golf and Tennis Operations Fund*** accounts for revenues and expenses related to the golf course and tennis center operations. Other recreation operations were moved and presented in the General Fund starting with the fiscal year 2013 Budget.

The ***Internal Service Funds*** account for charges to City departments, on a cost reimbursement basis, for provision of facilities, equipment, benefits, insurance, and project administration services. The Internal Service Funds predominantly serve governmental activities of the City.

CITY OF SUNNYVALE
**Statement of Net Position
Proprietary Funds
June 30, 2019**

	Business-Type Activities		
	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets:			
Deposits and Investments Held by City (Note 3)	\$ 46,654,835	\$ 37,632,997	\$ 17,922,772
Receivables, Net (Note 4)	9,797,639	6,766,308	7,426,744
Intergovernmental Receivables (Note 5)	-	81,725	209,936
Advances to Other Funds (Note 10)	-	404,745	-
Inventories and Prepaid Items (Note 1)	5,595	394,495	-
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	-	5,270,934	-
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	11,434	11,189	-
Total Current Assets	56,469,503	50,562,393	25,559,452
Noncurrent Assets:			
Receivables from Employees (Note 6)	-	-	-
Advances to Other Funds (Note 10)	-	609,196	-
Service Concession Arrangement Receivable (Note 1)	-	-	-
Capital Assets (Note 11):			
Land & Nondepreciable Assets	3,515,237	102,389,018	184,617
Depreciable Assets, Net	48,999,982	62,007,202	2,283,828
Total Noncurrent Assets	52,515,219	165,005,416	2,468,445
Total Assets	108,984,722	215,567,809	28,027,897
Deferred Outflows of Resources (Note 9)	1,599,066	4,022,621	512,233
Liabilities:			
Current Liabilities:			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	4,425,602	10,450,329	2,230,024
Due to Other Funds (Note 10)	-	-	-
Advances from Other Funds (Note 10)	-	980,994	3,874,946
Refundable Deposits	592,144	345,864	827,484
Interest Payable	158,995	580,603	-
Unearned Revenues (Note 8)	100,000	30,000	-
Service Concession Arrangement Maintenance Liability (Note 1)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 12)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	805,533
Bonds and Notes Payable - Due Within One Year (Note 12)	515,000	1,155,000	-
Total Current Liabilities	5,791,741	13,542,790	7,737,987
Noncurrent Liabilities:			
Advances from Other Funds (Note 10)	-	6,193,910	12,899,199
Service Concession Arrangement Maintenance Liability (Note 1)	-	-	-
Claims and Judgments Payable - Due in More than One Year (Note 12)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	5,547,095
Bonds and Notes Payable - Due in More than One Year (Note 12)	17,093,015	61,269,399	-
Net Pension Liability - Due in More than One Year (Note 16)	7,408,470	20,467,536	2,641,145
Net OPEB Liability - Due in More than One Year (Note 17)	2,002,372	5,367,487	713,073
Total Noncurrent Liabilities	26,503,857	93,298,332	21,800,512
Total Liabilities	32,295,598	106,841,122	29,538,499
Deferred Inflows of Resources (Note 9)	525,672	1,694,891	180,103
Net Position (Note 19):			
Net Investment in Capital Assets	34,918,638	101,983,010	2,468,445
Restricted for Debt Service	-	5,270,934	-
Unrestricted	42,843,880	3,800,473	(3,646,917)
Total Net Position	\$ 77,762,518	\$ 111,054,417	\$ (1,178,472)

See Accompanying Notes to the Basic Financial Statements

Business-Type Activities				
Major Enterprise Funds				Governmental Activities
SMaRT Station®	Development	Golf and Tennis Operations	Total Enterprise Funds	Internal Service Funds
\$ 6,366,433	\$ 50,325,280	\$ 185,779	\$ 159,088,096	\$ 85,607,379
81,631	299,193	6,270	24,377,785	569,286
866,634	-	-	1,158,295	-
-	-	-	404,745	-
-	-	162,645	562,735	987,100
-	-	-	5,270,934	-
-	-	-	22,623	2,093,405
7,314,698	50,624,473	354,694	190,885,213	89,257,170
-	-	-	-	1,612,701
-	-	-	609,196	-
-	-	1,852,033	1,852,033	-
246,607	-	9,683,604	116,019,083	2,805,567
3,598,286	28,329	1,588,534	118,506,161	14,762,729
3,844,893	28,329	13,124,171	236,986,473	19,180,997
11,159,591	50,652,802	13,478,865	427,871,686	108,438,167
179,960	3,333,756	815,623	10,463,259	5,213,219
-	-	-	-	4,464,948
4,521,526	2,814,156	70,689	24,512,326	1,452,213
-	-	112,049	112,049	-
-	-	-	4,855,940	-
-	-	1,279	1,766,771	11,263
4,289	-	-	743,887	-
-	248,148	29,755	407,903	-
-	-	130,887	130,887	-
-	-	-	-	5,318,863
-	-	-	-	12,321,011
-	-	-	805,533	-
691,900	-	-	2,361,900	-
5,217,715	3,062,304	344,659	35,697,196	23,568,298
-	-	-	19,093,109	-
-	-	1,537,919	1,537,919	-
-	-	-	-	17,226,137
-	-	-	-	3,698,410
-	-	-	5,547,095	-
702,800	-	-	79,065,214	-
912,759	13,221,046	4,130,593	48,781,549	20,793,774
210,550	3,503,833	950,598	12,747,913	5,340,203
1,826,109	16,724,879	6,619,110	166,772,799	47,058,524
7,043,824	19,787,183	6,963,769	202,469,995	70,626,822
57,702	1,118,929	467,416	4,044,713	1,798,803
2,450,193	28,329	11,272,138	153,120,753	17,568,296
-	-	-	5,270,934	-
1,787,832	33,052,117	(4,408,835)	73,428,550	23,657,465
\$ 4,238,025	\$ 33,080,446	\$ 6,863,303	\$ 231,820,237	\$ 41,225,761

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Net Position
to the Government-Wide Statement of Net Position
June 30, 2019***

Total Net Position - Total Enterprise Funds	\$ 231,820,237
Adjustment to reflect the amount owed by Business-Type Activities for interest service fund activities.	<u>2,043,027</u>
Net Position of Business-Type Activities	<u><u>\$ 233,863,264</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2019

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 64,559,745	\$ 57,170,910	\$ 54,240,131
Operating Expenses:			
Personnel Services	4,764,089	12,953,853	1,465,111
Contractual Services	1,011,459	4,936,698	37,948,581
Materials and Supplies	1,033,090	2,942,833	55,661
Utilities	435,203	989,382	69,560
Taxes and Licenses	119,426	155,055	653,208
Equipment and Building Rental	749,914	1,232,443	222,959
Water Purchased for Resale	31,623,990	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	261,038	323,501	21,622
General Fund Administration	3,811,523	2,801,600	3,066,727
Depreciation (Note 11)	2,672,717	2,820,084	121,435
Total Operating Expenses	46,482,449	29,155,449	43,624,864
Operating Income (Loss)	18,077,296	28,015,461	10,615,267
Nonoperating Revenues (Expenses):			
Investment Earnings	1,694,970	1,308,258	748,378
Interest Expense	(567,295)	(1,233,804)	(355,144)
Total Nonoperating Revenues (Expenses)	1,127,675	74,454	393,234
Income (Loss) before Capital Contributions and Transfers	19,204,971	28,089,915	11,008,501
Capital Contributions	452,300	323,200	-
Transfers In (Note 18)	-	72,439	-
Transfers Out (Note 18)	(865,792)	(2,359,993)	(1,657,549)
Change in Net Position	18,791,479	26,125,561	9,350,952
Net Position (Deficit) - Beginning of Year	58,971,039	84,928,856	(10,529,424)
Net Position (Deficit), End of Year	\$ 77,762,518	\$ 111,054,417	\$ (1,178,472)

Major Enterprise Funds					Governmental Activities	
SMaRT Station®	Development	Golf and Tennis Operations	Total Enterprise Funds		Internal Service Funds	
\$ 27,993,757	\$ 24,378,644	\$ 3,586,593	\$ 231,929,780		\$ 117,782,065	
503,528	10,115,558	2,467,528	32,269,667		35,499,606	
13,926,226	2,566,689	755,458	61,145,111		5,813,726	
506,497	188,017	248,624	4,974,722		2,891,636	
-	-	698,741	2,192,886		2,141,473	
11,803,501	-	-	12,731,190		-	
-	1,035,134	563,493	3,803,943		2,008,745	
-	-	-	31,623,990		-	
-	-	-	-		30,387,952	
-	-	-	-		42,046,188	
85	9,479	58,468	674,193		277,970	
-	1,610,981	407,692	11,698,523		-	
2,276,727	2,533	255,709	8,149,205		2,083,241	
29,016,564	15,528,391	5,455,713	169,263,430		123,150,537	
(1,022,807)	8,850,253	(1,869,120)	62,666,350		(5,368,472)	
161,736	1,847,711	381	5,761,434		2,939,357	
(19,261)	-	-	(2,175,504)		-	
142,475	1,847,711	381	3,585,930		2,939,357	
(880,332)	10,697,964	(1,868,739)	66,252,280		(2,429,115)	
-	-	-	775,500		-	
510,068	-	1,455,755	2,038,262		17,183,841	
-	-	-	(4,883,334)		(685,061)	
(370,264)	10,697,964	(412,984)	64,182,708		14,069,665	
4,608,289	22,382,482	7,276,287	167,637,529		27,156,096	
\$ 4,238,025	\$ 33,080,446	\$ 6,863,303	\$ 231,820,237		\$ 41,225,761	

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Net Position to the Government-Wide Statement of Activities
Year Ended June 30, 2019***

Change in Net Position - Total Enterprise Funds	\$ 64,182,708
Internal service funds look-back adjustments for the year	(2,367,808)
Payment made to governmental activities	<u>1,468,779</u>
Change in Net Position of Business-Type Activities	<u><u>\$ 63,283,679</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 62,847,131	\$ 56,239,247	\$ 53,145,641
Cash Received for Interfund Service Provided	-	-	-
Cash Paid for General Fund Administration	(3,811,523)	(2,801,600)	(3,066,727)
Cash Payments to Suppliers of Goods and Services	(34,529,971)	(11,451,565)	(38,486,092)
Cash Payments for Employee Services	(4,668,838)	(11,117,600)	(1,319,913)
Insurance and Claims Paid	-	-	-
Net Cash Provided by (Used For) Operating Activities	19,836,799	30,868,482	10,272,909
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	-	72,439	-
Transfers to Other Funds	(865,792)	(2,359,993)	(1,657,550)
Short-term Loan Received from Other Funds	-	-	-
Repayment of Advance from (to) Other Funds, Net	-	(911,694)	(3,874,946)
Net Cash Provided by (Used for) Noncapital Financing Activities	(865,792)	(3,199,248)	(5,532,496)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-Term Debt	(510,000)	(1,130,000)	-
Interest Paid on Long-Term Debt	(647,405)	(875,313)	-
State Revolving Fund Loan Drawdown	-	31,203,589	-
Acquisition and Construction of Capital Assets	(5,378,463)	(45,844,212)	(1,311,240)
Net Cash Used for Capital and Related Financing Activities	(6,535,868)	(16,645,936)	(1,311,240)
Cash Flows from Investing Activities:			
Interest on Investments	1,586,688	1,198,648	699,341
Net Cash Provided by (Used For) Investing Activities	1,586,688	1,198,648	699,341
Net Increase (Decrease) in Cash and Cash Equivalents	14,021,827	12,221,946	4,128,514
Cash and Cash Equivalents - Beginning of Year	32,644,442	30,693,174	13,794,258
Cash and Cash Equivalents - End of Year	\$ 46,666,269	\$ 42,915,120	\$ 17,922,772
Reconciliation to Statement of Net Position:			
Cash and Investments Held by City	\$ 46,654,835	\$ 37,632,997	\$ 17,922,772
Cash and Investments Held by City - Restricted	-	5,270,934	-
Cash and Investments Held by Fiscal Agent and Trustee	11,434	11,189	-
Total Cash and Investments	\$ 46,666,269	\$ 42,915,120	\$ 17,922,772

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds			Total Enterprise Funds	Governmental Activities
SMaRT Station	Development	Golf and Tennis Operations		Internal Service Funds
\$ 27,437,848	\$ 25,350,607	\$ 3,580,690	\$ 228,601,164	\$ 4,005,699
-	-	-	-	114,108,089
-	(1,610,981)	(407,692)	(11,698,523)	-
(23,938,849)	(4,832,949)	(2,286,151)	(115,525,577)	(15,105,315)
(483,253)	(9,484,368)	(2,267,204)	(29,341,176)	(74,455,483)
-	-	-	-	(29,965,454)
3,015,746	9,422,309	(1,380,357)	72,035,888	(1,412,464)
510,068	-	1,455,755	2,038,262	17,183,841
-	-	-	(4,883,335)	(685,061)
-	-	107,201	107,201	-
-	-	-	(4,786,640)	-
510,068	-	1,562,956	(7,524,512)	16,498,780
(685,000)	-	-	(2,325,000)	-
(21,368)	-	-	(1,544,086)	-
-	-	-	31,203,589	-
(165,268)	(12,539)	-	(52,711,722)	(3,959,841)
(871,636)	(12,539)	-	(25,377,219)	(3,959,841)
159,492	1,752,016	280	5,396,465	2,856,667
159,492	1,752,016	280	5,396,465	2,856,667
2,813,670	11,161,786	182,879	44,530,622	13,983,142
3,552,763	39,163,494	2,900	119,851,031	73,717,642
\$ 6,366,433	\$ 50,325,280	\$ 185,779	\$ 164,381,653	\$ 87,700,784
\$ 6,366,433	\$ 50,325,280	\$ 185,779	\$ 159,088,096	\$ 85,607,379
-	-	-	5,270,934	-
-	-	-	22,623	2,093,405
\$ 6,366,433	\$ 50,325,280	\$ 185,779	\$ 164,381,653	\$ 87,700,784

Continued

CITY OF SUNNYVALE
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2019

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ 18,077,296	\$ 28,015,461	\$ 10,615,267
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (Used For) Operating Activities:			
Depreciation	2,672,717	2,820,084	121,435
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Receivables, Net	(2,005,323)	(1,402,561)	(1,038,688)
Intergovernmental Receivables	-	326,382	(130,449)
Inventories and Prepayments	5,278	61,488	10,736
Refundable Deposits	276,447	137,074	170,473
Accounts Payable and Accrued Liabilities	509,931	(594,340)	246,340
Unearned Revenue	-	-	-
Landfill Postclosure Care	-	-	136,750
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Deferred Outflows Related to Pensions	706,399	2,588,069	263,737
Deferred Inflows Related to Pensions	(223,172)	(682,439)	(73,570)
Net Pension Liability	(96,091)	(293,836)	(31,677)
Deferred Outflows Related to OPEB	(114,414)	(191,346)	(26,532)
Deferred Inflows Related to OPEB	326,363	993,855	106,955
Net OPEB Liability	(298,632)	(909,409)	(97,868)
Net Cash Provided by (Used For) Operating Activities	\$ 19,836,799	\$ 30,868,482	\$ 10,272,909
Noncash Investing, Capital and Financing Activities:			
Change in the Fair Value of Investments	\$ 785,853	\$ 720,067	\$ 288,562
Purchase of Capital Assets on Account	941,899	9,033,819	30,166
Non Cash Capital Contributions	452,300	323,200	-

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds						Governmental Activities
SMaRT Station	Development	Golf and Tennis Operations	Total Enterprise Funds	Internal Service Funds		
\$ (1,022,807)	\$ 8,850,253	\$ (1,869,120)	\$ 62,666,350	\$ (5,368,472)		
2,276,727	2,533	255,709	8,149,205	2,083,241		
(67,104)	18,972	(2,611)	(4,497,315)	(1,562,259)		
(479,873)	-	-	(283,940)	16,318		
-	-	101,191	178,693	425,491		
-	-	-	583,994	(1,006)		
2,288,731	(223,183)	(61,777)	2,165,702	(46,172)		
-	214,148	866	215,014	-		
-	-	-	136,750	-		
-	-	-	-	1,159,000		
-	-	-	-	995,569		
67,266	1,470,182	409,087	5,504,740	2,283,627		
(24,146)	(485,785)	(122,514)	(1,611,626)	(747,120)		
(10,396)	(209,163)	(52,750)	(693,913)	(325,438)		
(15,650)	(275,777)	(53,805)	(677,524)	(417,971)		
35,296	707,656	180,855	2,350,980	1,091,325		
(32,298)	(647,527)	(165,488)	(2,151,222)	(998,597)		
<u>\$ 3,015,746</u>	<u>\$ 9,422,309</u>	<u>\$ (1,380,357)</u>	<u>\$ 72,035,888</u>	<u>\$ (1,412,464)</u>		
\$ 109,955	\$ 828,984	\$ -	\$ 2,733,421	\$ 1,493,470		
10,659	-	-	10,016,543	267,166		
-	-	-	775,500	-		
				Concluded		

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Fiduciary Fund Financial Statements

Fiduciary Funds are used to report assets held in a trust or agency capacity for others and therefore cannot be used to support the City's own programs. The City reports the following three types of fiduciary funds:

Other Postemployment Benefit Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of the City of Sunnyvale Retiree Healthcare Plan.

Private-Purpose Trust Funds are used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. In fiscal year 2012, the City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area. In fiscal year 2013, the CFD 3 Estates at Sunnyvale Trust Fund was created to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs. The City's Agency Funds account for financial transactions for the Community Facilities District No. 1, the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and the Silicon Valley Clean Energy Authority (SVCEA).

CITY OF SUNNYVALE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds	Agency Funds
Assets:			
Deposits and Investments in City Treasury Pool	\$ -	\$ 89,036	\$ 1,967,985
Deposits and Investments Outside of City Treasury Pool	-	3,737,572	1,921,185
Deposits and Investments with Fiscal Agent and Trustee:			
Cash and Cash Equivalents	96,723	637,862	160,645
Mututal Funds-Fixed Income	41,710,021	-	-
Mututal Funds-Equity	63,308,110	-	-
Guaranteed Investment Contract	-	-	1,748,140
Receivables	196	7,467,564	59,134
Capital Assets (Note 20):			
Land and Nondepreciable Assets	-	13,959,752	-
Total Assets	105,115,050	25,891,786	5,857,089
Liabilities:			
Accounts Payable and Accrued Liabilities	20,180	5,355	1,921,185
Accrued Interest Payable	-	40,504	-
Due to CFD Bondholders	-	-	3,935,904
Long-term Obligations (Note 20):			
Due Within One Year	-	3,142,519	-
Due in More Than One Year	-	39,874,620	-
Total Liabilities	20,180	43,062,998	5,857,089
Net Position:			
Restricted for Employee Benefits Other Than Pensions	105,094,870	-	-
Held in Trust for CFD No. 3	-	89,536	-
Held in Trust for Redevelopment Successor Agency	-	(17,260,748)	-
Total Net Position	\$ 105,094,870	\$ (17,171,212)	\$ -

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds
Additions:		
<i>Contributions:</i>		
Employer Contributions - Direct	\$ 4,819,000	\$ -
Employer Contributions - Outside of OPEB Trust	5,771,995	-
Employer Contributions - Implied Subsidy	1,440,000	-
Property Owners	-	25,575
County Redevelopment Property Tax Trust Fund	-	3,397,910
<i>Investment Income:</i>		
Net Appreciation in Fair Value of Investments	4,787,485	45,745
Interest	6,430	-
Dividends	1,829,670	-
Investment Expenses	(151,151)	-
Net Investment Expenses	6,472,434	45,745
Total Additions	18,503,429	3,469,230
Deductions:		
Benefit Payments with Implied Subsidy	7,211,995	-
Projects Management	-	32,098
City Loan Interest Added to Loan Principal	-	689,139
Interest on Central Core Bonds	-	98,963
Fiscal Agent Trustee Fees	-	6,338
Administrative Expenses	-	114,617
Total Deductions	7,211,995	941,155
Change in Net Position	11,291,434	2,528,075
Net Position, Beginning of Year	93,803,436	(19,699,287)
Net Position, End of Year	\$ 105,094,870	\$ (17,171,212)

See Accompanying Notes to the Basic Financial Statements

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CITY OF SUNNYVALE

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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CITY OF SUNNYVALE

***Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019***

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Reporting Entity

The City of Sunnyvale was incorporated on December 24, 1912. The original charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California (State) and became effective on May 18, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), library, parks, recreation, water, sewer, refuse collection and disposal, golf, tennis, traffic engineering, street maintenance, community development (planning and zoning), public improvements, and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, for which the City is considered to be financially accountable. Though they are legally separate entities, blended component units are, in substance, part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are either blended or fiduciary in nature.

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency (RDA) of the City of Sunnyvale. The RDA was established under the provisions of the community redevelopment laws of the State by a resolution of the City Council adopted on November 19, 1957. The RDA was dissolved on February 1, 2012 pursuant to ABx1 26 (the "Dissolution Act").

The Authority was created to facilitate financing of public improvements within the City. In no event, shall this Agreement be terminated while any bonds of the Authority remain outstanding or any facilities constructed are owned, maintained or operated by the Authority.

The Authority's governing board has the same members as those on the City Council. City staff performs all administrative and accounting functions for the Authority. The Authority's transactions are blended into the City's financial statements. Separately issued financial statements for the Financing Authority can be obtained from the City website at www.sunnyvale.ca.gov.

Redevelopment Successor Agency (RSA)

Pursuant to the Dissolution Act, on January 10, 2012, the City Council adopted a resolution electing to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The RSA is a separate legal entity from the City of Sunnyvale. ABx1 26 establishes the oversight boards to review and approve the successor agency actions. Upon dissolution and under the control of the oversight board, the RDA's non-housing funds and assets were turned over to the RSA which is charged with the responsibility of paying off the RDA's existing debts, disposing of the RDA's properties and assets to help pay off debts and winding down the affairs of the RDA. The RSA's financial transactions are accounted for in a private-purpose trust fund under the fiduciary fund type.

The Community Facilities District No. 1

The Community Facilities District No. 1 (the "CFD No. 1") was created by resolutions of the City Council on February 23, 1999, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to provide financing for the construction of parking facilities required by the redevelopment of the Sunnyvale Town Center. The CFD No.1's governing board has the same members as those on the City Council. The CFD No. 1 is a component unit of fiduciary nature. The City is not obligated in any manner for the debt of the CFD No. 1. A special tax is levied within the CFD No. 1 and collected according to the debt service schedule of the CFD No. 1 Special Tax Bonds. All financial transactions of the CFD No. 1 are accounted for in an agency fund under the fiduciary fund type.

The Community Facilities District No. 3 (Estates at Sunnyvale)

The Community Facilities District No. 3 (Estates at Sunnyvale) (the "CFD No. 3") was created by resolutions of the City Council on April 23, 2013, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to finance the maintenance and replacement of publicly owned infrastructure and other improvements planned for in a 10-acre residential subdivision. Under the Santa Clara Valley Storm Water Permit C.3 Provisions, the developer was required to install storm water facilities (bio-retention basins) that reduce storm water pollutants and flow from the site.

The CFD No. 3's governing board has the same members as those on the City Council. The City Council approves the rate and method of the apportionment of the special tax and the authorized services that may be funded by the special tax. The special tax is levied to fund the maintenance and future capital replacement of the CFD No. 3 facilities. The City's administrative costs incurred for the CFD No. 3 is also covered by the special tax. CFD No. 3 is a component unit of fiduciary nature. All financial transactions of the CFD No. 3 are accounted for in a private-purpose trust fund under the fiduciary fund type.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. All fiduciary activities are only reported in the fund financial statements. 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 and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes or other interfund charges where the amounts are reasonably equivalent in value to the services provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including the blended component units and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Each major fund is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The determination of a given fund as a major fund is generally based on its relative size in any of the following four groupings of financial statement elements: assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, and expenditures/expense. An individual fund is a major fund if it reports, for at least one of the above groupings, both at least 10 percent of the fund type and at least 5 percent of the combined total for governmental and enterprise funds.

In spite of the quantitative criteria, an individual fund may still be presented separately as a major fund if the City believes that the fund is particularly important for financial statement users.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund, always classified and presented separately as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

- The *Housing Special Revenue Fund* accounts for financial resources primarily from housing impact fees from developers. Expenditures are incurred to support the provision of affordable housing within the City.
- The *Park Dedication Special Revenue Fund* accounts for financial resources from park dedication fee revenues paid by developers in order to fund park-related projects.
- The *City Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- The *Infrastructure Renovation and Replacement Fund* accounts for financial resources related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets.

The following fund, though not quantitatively meeting the major fund criteria in this reporting year, has been included as a major governmental fund for consistency:

- The *Employment Development Special Revenue Fund* accounts for Federal funds and private grants and donations used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA) on behalf of the cities of Sunnyvale, Mountain View, Cupertino, Los Altos, Palo Alto, Milpitas, and Santa Clara, and the County of San Mateo.

The City reports the following major enterprise funds:

- The *Water Supply and Distribution Fund* accounts for the activities of the City-operated water utility.
- The *Wastewater Management Fund* accounts for the activities related to the City-operated sewer collection and water pollution control systems.
- The *Solid Waste Management Fund* accounts for the activities of the City's solid waste collection and disposal services.
- The *SMaRT Station Fund* accounts for the activities related to the operations of the Sunnyvale Materials and Recovery Transfer Station.
- The *Development Fund* accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects.

The following fund, though not quantitatively meeting the major fund criteria in this reporting year, have been included as a major enterprise fund for consistency:

- The *Golf and Tennis Operations Fund* accounts for the activities related to the City's golf course and tennis center operations.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for services provided to other City funds, on a cost reimbursement basis, in the following areas: fleet equipment, building services, computers, office equipment, communication equipment, print shop, project administration, employee benefits (leaves, workers' compensation, retirement, and insurance) and property and liability insurance services.
- *Fiduciary Funds:*
The *Other Postemployment Benefit Trust Fund* accounts for resources that are required to be held in trust for the members and beneficiaries of defined other postemployment benefit plans. The City of Sunnyvale Retiree Healthcare Plan is a single-employer defined benefit retiree healthcare plan administered by the City through a trust arrangement.

The *Private-Purpose Trust Fund* accounts for resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations, or other governments. The transactions of the Redevelopment Successor Agency and the Community Facilities District No. 3 are accounted for in the private-purpose trust fund.

Another fiduciary fund type used by the City is the *Agency Fund*, which accounts for resources held by the City in a purely custodial capacity. The activities typically include the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The City uses the Agency Fund to report the transactions of the Community Facilities District No.1 and the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP).

The SCVURPPP was formed by the cities in County of Santa Clara and the Santa Clara Valley Water District that discharge storm water into the San Francisco Bay.

In the fund financial statements, any residual balances outstanding at year end from interfund activity are reported as due from/to other funds and advances to/from other funds. In contrast, certain eliminations are made in the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances related to business-type activities in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances related to governmental activities in the business-type activities column.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In the fund financial statements, amounts involving transfer of resources between funds are reported as transfers in/out. In contrast, certain eliminations are made in the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount transferred from business-type activities is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount transferred to governmental activities is included as transfers in the business-type activities column.

Reconciliation of the fund financial statements to the government-wide financial statements is provided in the basic financial statements to explain the differences created by the integrated approach.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for debt service expenditures which are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Exceptions are made for sales tax and grant revenues as explained below.

The City uses a ninety-day availability period for sales taxes as the State would always disburse final distribution of sales taxes revenue for the fiscal year in ninety days. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Property taxes, sales taxes, other local taxes, grants and subventions, licenses, reimbursements on contractual agreements, and interest earned within the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenues items are considered to be measurable and available only when cash is received.

The proprietary funds, other postemployment benefit trust fund, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but uses the accrual basis of accounting for reporting its assets and liabilities.

Fair Value Measurements

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is also an exit price at a measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The City uses fair value measurements for the initial recording and subsequent periodic re-measurement of certain assets on a recurring basis. Additionally, the City may be required to record at fair value other assets on a nonrecurring basis. The nonrecurring fair value adjustments typically involve application of lower-of-cost-or-fair-value or asset-impairment accounting.

Cash, Cash Equivalents, and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balance.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for deposits and investment risks are required in the following areas:

- Interest Rate Risk
- Credit Risk
- Concentration of Credit Risk
- Custodial Credit Risk

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one-year or less are measured at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of credit rating of the issuer. Non-participating interest-earning investment contracts are reported using a cost-based measure. All other investments are stated at fair value, which is explained in the following paragraph.

For investments in open-end mutual funds, fair value is the fund's current share price. The City measures its investment positions in an external investment pool (Local Agency Investment Fund—not qualified as a 2a7-like external investment pool in the reporting year) at the fair value per share of the pool's underlying portfolio as specified by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. All other investments stated at fair value are also presented in accordance with the fair value hierarchy as specified by GASB Statement No. 72, *Fair Value Measurement and Application*.

Additional information on the City's investments and fair value measurement can be found in Note 3, *Deposits and Investments*.

Receivables

All receivables are shown net of an allowance for doubtful accounts. Utility revenues (water, sewer and solid waste collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed either monthly or bi-monthly. Charges for utility services rendered but unbilled at June 30 are accrued and recognized as revenues in the respective enterprise funds.

Interfund Balances/Internal Balances

Advances to and advances from other funds are presented in the fund financial statements. The borrower is charged interest annually based on the initially stipulated rate and the repayment amount often varies with the borrower's cash flow needs. Any unpaid interest due to the borrower's lack of funds increases the principal owed, with the lender (General Fund) recognizing a corresponding amount of deferred inflows of resources. Since the late 1970s, General Fund has made numerous advances to other City funds (see Note 10) and thus accumulated significant amounts of deferred inflows of resources. When the cumulative amounts of repayment in advances by the borrower exceed the original principal, the lender (General Fund) recognizes the excess portion of current repayment as interfund interest revenue with a corresponding reduction of deferred inflows of resources.

When the lender is an enterprise fund, the interest charged to the borrower fund is recognized as revenue in the current year.

Other outstanding balances between funds are reported as due to and due from other funds.

Any balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventory and Prepaid Items

The consumption method is used to account for inventory and inventory is valued at average cost. Inventory in governmental activities consists of expendable supplies held for consumption by all departments; user programs are charged when inventory items are withdrawn for use.

Inventory in the Golf and Tennis Operations Enterprise Fund consists of golf merchandise held for resale to customers; the cost of goods sold is recorded at the end of the accounting period, adjusted by physical inventory results that reflect the lower of cost or market value.

The consumption method is also used to account for prepaid items under the modified accrual basis of accounting. Expenditures are recorded proportionately over the periods that service is provided.

Assets Held for Resale

Assets held for resale are carried at the lower of cost or net realizable value which is defined as the estimated selling price in an orderly transaction minus any cost to complete and to sell. In fiscal years 1999 and 2000, the City General Fund acquired certain residential properties (currently earning rental income), which cost \$1,381,077 at the time, with the intention to assemble with other parcels for the Downtown redevelopment project. In fiscal year 2006, one such property with allocated original cost of \$280,000 was transferred to the Housing Special Revenue Fund with consideration.

Capital Assets

Capital assets, which include land (including easements), buildings, improvements, equipment (including computer software), construction in progress, and infrastructure assets (e.g., streets, sidewalks, curbs, gutters, street lights, traffic signals, water supply and distribution system, wastewater treatment and collection system), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City reports infrastructure assets on a system basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. The acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Since there is no ready market for capital assets from developer contributions, the City would always use the developer's own costs as estimated acquisition value.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

The City has chosen the modified approach for reporting the street pavement system, and as a result depreciation is not recorded for that system. For all other assets, depreciation is recorded on a straight-line method (with half-year convention applied to the first year of acquisition) over the useful lives of the assets as follows:

• Buildings	10 - 50 years
• Sidewalks, Curbs, Gutters, Street Lights, and Traffic Signals	10 - 40 years
• Water Supply and Distribution System	10 - 80 years
• Wastewater Treatment and Collection System	10 - 80 years
• Other land improvements	7 - 80 years
• Equipment	2 - 30 years
• Computer Software	3 - 15 years

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Using the modified approach to report the City's street pavement system, each homogeneous segment of City-owned streets was assigned a physical condition based on potential defects. A pavement condition index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of streets that have the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

The City's policy relative to maintaining the street assets is to achieve a PCI rating of 75 or over for all street segments, which is in the "good" range or better. For detailed description of the modified approach, see the required supplementary information section of this report.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following deferred items:

Gain or Loss on Refunding:

A gain or loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and reported in the government-wide and enterprise fund statements of net position.

Deferred Outflows and Inflows of Resources Related to Pensions or OPEB:

These deferred items are recognized and measured in financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. The deferral is for changes in the net pension or OPEB liability that are not included in pension or OPEB expense and must be amortized in a systematic and rational manner over a closed period depending on cause beginning with the current period. These causes may include changes of future economic and demographic assumptions or other inputs, differences between expected and actual experience with regard to economic or demographic factors, and differences between projected and actual earnings on pension and OPEB plan investments.

Employer contributions subsequent to the measurement date of the net pension or OPEB liability are required to be reported as deferred outflows of resources.

Unavailable Revenue:

Unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as housing loans, State-mandated cost reimbursements, expenditure-driven grants, etc.

Imposed Nonexchange Revenue:

Imposed nonexchange business license tax revenues are reported in the government-wide statement of net position and governmental fund balance sheet.

Another item recognized as deferred inflows of resources are related to a service concession arrangement as discussed below.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Service Concession Arrangement

In April 2012, the City executed an Agreement with Lifetime Tennis, Inc. (name changed to Lifetime Activities, Inc. in 2014), in which Lifetime has agreed to operate, manage, and collect the related fees from the Sunnyvale Tennis Center for a term of 15 years. In February 2017, the term of this Agreement was amended to extend to March 31, 2032. The amendment also specifies that the licensee shall not permit any employee to provide instruction to children under this Agreement until such employee has undergone criminal background screening through the California Department of Justice as provided in Penal Code 11105.3.

Lifetime has agreed to pay the City installment payments over the course of the arrangement; the present value of the remaining installment payments is estimated to be \$1,852,033, reported as a service concession arrangement receivable by the City. The City has agreed to maintain the grounds surrounding the courts and buildings at the Tennis Center, as well as the ancillary tennis courts. At June 30, 2019, the present value of the City's maintenance obligation is estimated to be \$1,668,806, reported as a service concession arrangement maintenance liability.

The difference between the present value of the installments receivable and maintenance obligations was \$183,227, which was reported as deferred inflows of resources in the Golf and Tennis Operations Enterprise Fund.

Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions for which unearned revenue is recorded are unearned grant revenues and prepayments from customers.

Noncurrent Liabilities

Net pension liability and net OPEB liability are reported separately from noncurrent liabilities because of their materiality.

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements

Long-term debt is not reported in the governmental fund financial statements but is shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position. In the fund financial statements, governmental funds recognize bond premiums and discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. All debt issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the City's CalPERS Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City's Retiree Healthcare Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any constraints requiring the use of resources for specific purposes.

The nonspendable fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories, prepaid items, long-term receivable net of deferred inflows of resources, and nonfinancial assets held for resale.

The restricted fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision making authority. The City Council is the highest level of decision making authority for the City that, by adoption of a resolution prior to the end of the fiscal year, commits fund balance for the next fiscal year. Once adopted, the limitation imposed by the resolution remains in place until an action is taken (Council-approved budget modification) to remove or revise the limitation.

The assigned fund balance includes amount intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Such intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance and action has been taken by the City Council to assign fund balance for specific purpose.

Unassigned fund balance is the residual amount that have not been restricted, committed, or assigned for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Program Revenues

Amounts reported as program revenues on the statement of activities include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of one particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax Revenue

California State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by the lessor of the California Consumer Price Index or two percent per year unless there is new construction on the property or the property is sold or transferred. The California Legislature has determined the method of distribution of receipts from the one percent tax levy among the counties, cities, school districts, and other districts.

The County of Santa Clara (County) assesses properties and distributes property taxes to the City. Liens for property taxes attach on January 1 preceding the fiscal year for which taxes are levied. Taxes are levied on property as it exists on January 1. Secured property taxes are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. If delinquent taxes are paid prior to June 30, the County receives the 10% penalty. For delinquencies paid after June 30, the City receives the penalty revenue. Unsecured property tax are disbursed in July and are due upon receipt, and become delinquent after August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property. The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes. Collection of property tax is the responsibility of the County.

For governmental funds, property tax revenues are recognized when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

Compensated Absences

The City's compensated absences consist of accrued paid time off, compensatory time and other paid leave, with benefits varying by employee group. The total amount of accrued paid leaves is recorded in the Employee Payroll & Benefits Internal Service Fund and is also reported under governmental activities in the government-wide financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish 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 proprietary funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

Effects of New Pronouncements

The City adopted the provisions of the GASB Statement during the fiscal year ended June 30, 2019 as follows:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2019.

The City is currently analyzing its accounting practices to identify the potential impact on the financial statements for the GASB statements as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 provisions 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. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No.14 and No.61*. The objectives of this statement are 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. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosure. The requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budgetary control and required budgetary comparison schedules are presented in the Required Supplementary Information section.

Deficit Net Position and Fund Balances

The deficit net position, \$1,178,472 in the Solid Waste Management Fund was due to several transactions. The General Fund has made several advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. Interest has been accrued annually on the outstanding loan balances. The deficit is also explained by GASB Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, at the time a landfill is closed, all estimated total future costs related to closure and postclosure care. The deficit is expected to be funded by charges for services.

Although the combined net position for all internal service funds was \$41,225,761, one of the internal service funds, Property and Liability Insurance Fund, had a deficit net position of \$2,218,921 at year end. The deficit was caused by the actuarial adjustments for the general liability program. The deficit is expected to be funded by future internal service charges to other City funds.

The deficit net position of \$17,171,212 in the Private Purpose Trust Fund was the combined total of the Community Facility District (CFD) No. 3 positive net position of \$89,536 and the Redevelopment Successor Agency (RSA) negative net position of \$17,260,748. The RSA has significant non-current liabilities which can only be liquidated by future receipts from the Redevelopment Property Tax Trust Fund determined by the State of California and distributed by the County of Santa Clara. Note 20 provide detailed explanation of those liabilities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS

Except for funds required to be held separately by fiscal agents under the provisions of bond indentures or trust arrangements, the City maintains a deposits and investment pool, which includes cash balances and authorized investments of all funds. This pool is managed by the City Treasurer to preserve capital and enhance interest earnings.

Summary of Deposits and Investments

	Government-Wide Statement of Net Position			Fund Financials
	Governmental	Business-Type		Fiduciary
	Activities	Activities	Total	Statement of
				Net Position
Deposits and Investments Held by the City	\$ 280,659,369	\$ 159,088,096	\$ 439,747,465	
Restricted Deposits and Investments:				
Held by the City	240,056,223	5,270,934	245,327,157	
Held by the Fiscal Agent and Trustee	4,547,977	22,623	4,570,600	
Total Government-Wide Deposits and Investments	\$ 525,263,569	\$ 164,381,653	\$ 689,645,222	
Deposits and Investments in City Treasury Pool				\$ 2,057,021
Deposits and Investments Outside of City Treasury Pool				5,658,757
Deposits and Investments Held by the Fiscal Agent				107,661,501
Total Fiduciary Deposits and Investments				\$ 115,377,279

Deposits and Cash on Hand in the City Treasury Pool

The carrying amount of the cash and deposits in the City pool totaled \$7,947,779 at June 30, 2019. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$7,836,392, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name.

Investments

Investments are stated at fair value with certain exceptions. For the City, the exception means to apply a cost-based measure to investments in nonparticipating interest-earning investment contracts and to money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The City recognizes the change in fair value of investments in the year the change occurred. The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. In accordance with GASB Statement No. 31, net change in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold. These unrealized value changes do not represent actual market fluctuations or losses since the City's policy is to buy and hold investments until their maturity dates and the investment is redeemed at face value.

In addition, it should be noted that GASB Statement No. 31 does not include the amortization of premium or discount on an investment. Therefore, the net change in the fair value of investments represents the difference between current market value and original purchase price of the investment including the premium paid/discount received. For investments purchased at a premium because of the high interest rate paid to the City on that investment, the net changes in the fair value of investments reflect an increased loss when the market value drops (or lower gain if the market value rises). Alternatively, investments purchased at a discount reflect a decreased loss when the market value drops (or higher gain if the market value rises).

Investment Policy

Under the provisions of the City's Investment Policy, and in accordance with the California Government Code, the following investments were authorized:

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Securities issued by the U.S. Treasury	7 years	100%	N/A
Government Agency and Sponsored Enterprise Securities	7 years	100%	30% *
Banker's Acceptances	180 days	30% *	5% *
Federally Insured Bank Deposits	1 year *	20% *	5% *
Collateralized Bank Deposits	1 year *	20% *	5% *
Negotiable Certificates of Deposit	5 year *	30%	5% *
Certificates of Deposits Placement Service	5 year *	30%	5% *
Repurchase Agreements	15 days *	10% *	N/A
Commercial Paper	270 days *	25%	5% *
Corporate Medium-term Notes	5 years	30%	5% *
Mortgage Backed, Mortgage Pass-through Securities, Collateralized Mortgage Obligations, and Asset-backed Securities	5 years	20%	5% *
Money Market Mutual Funds	N/A	20% *	N/A
Municipal Bonds	5 years	30%	5% *
Local Agency Investment Fund	N/A	N/A	N/A
Supranational Securities	5 years	30%	N/A

* Represents items in which the City's Investment Policy is more restrictive than the California Government Code.

The City's Investment Policy does not apply to trust accounts held by the fiscal agents, which are invested as directed by separate trust arrangements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Fair Value Hierarchy

The City holds less complex types of investments, which are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City uses brokers to obtain fair value measurements developed in accordance with GASB Statement No. 72. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment (including quoted price for similar investments) and inputs that are not directly observable but are derived from observable market data through correlation. Level 3 inputs are significant unobservable inputs.

The City had the following recurring fair value measurements as of June 30, 2019:

Investments	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
City Treasury Pooled Investments			
Investments Subject to Fair Value Hierarchy:			
U.S. Treasury Securities	\$ 117,369,258	\$ -	\$ 117,369,258
Medium Term Corporate Notes	156,534,607	-	156,534,607
Federal Agency Issues	161,863,259	-	161,863,259
Municipal Bonds	17,763,692	-	17,763,692
Supranational	43,968,878	-	43,968,878
Negotiable CD	8,469,995	-	8,469,995
ABS - Asset Back Securities	33,737,278	-	33,737,278
CMO - Collateralized Mortgage Obligations	42,026,891	-	42,026,891
Money Market Fund FI	35,469,193	35,469,193	-
Investments Subject to Fair Value Hierarchy	617,203,051	<u>\$ 35,469,193</u>	<u>\$ 581,733,858</u>
Investments Not Subject to Fair Value Hierarchy:			
Local Agency Investment Funds	61,980,813		
Total City Treasury Pooled Investments*	<u>\$ 679,183,864</u>		
City Investments Held by Fiscal Agent			
Federal Agency Issues	\$ 2,385,753	<u>\$ -</u>	<u>\$ 2,385,754</u>
Investments Not Subject to Fair Value Hierarchy:			
Cash Equivalent Mutual Funds/Accounts	96,241		
Open-End Mutual Funds (Fixed Income/Equity)	2,088,606		
Total Investments Held by Fiscal Agent	<u>\$ 4,570,600</u>		
	(continued)		

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 3 – DEPOSITS AND INVESTMENTS, Continued**

Investments	Balance at June 30, 2019
Fiduciary Fund Investments Outside of City Treasury Pool	
Investments Not Subject to Fair Value Hierarchy:	
Local Agency Investment Funds	\$ 3,737,572
Cash Equivalent Mutual Funds/Accounts	1,921,185
	<u>\$ 5,658,757</u>
Fiduciary Fund Investments Held by Fiscal Agent	
Investments Not Subject to Fair Value Hierarchy:	
Cash Equivalent Mutual Funds/Accounts	\$ 259,729
Local Agency Investment Funds	635,502
Open-End Mutual Funds (Fixed Income/Equity)	105,018,130
Guaranteed Investment Contract	1,748,140
	<u>\$ 107,661,501</u>
Fiduciary Fund Investments with Fiscal Agent	

* The City Treasury included \$2,057,021 of Fiduciary Fund's deposits and investments.

(concluded)

Risk DisclosuresCredit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. If a security is downgraded by either Moody's or Standard & Poor's (S&P) to a level below the minimum quality required by the City, it is the City's policy to sell that security as soon as practicable.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The following table provides credit rating information for applicable investments:

	Credit Ratings S&P/Moody's	Fair Value	Total
City Treasury Pooled Cash and Investments:			
Bank Deposits and Cash on Hand			\$ 7,947,779
Investments:			
Corporate Notes:			
American Honda	A / A2	\$ 6,340,247	
Apple	AA+ / Aa1	7,034,152	
Bank of America Corp	A- / A2	6,997,583	
Bank of NY Mellon	A/ A1	7,331,287	
Berkshire Hathaway	AA / Aa2	4,300,372	
Boeing Co	A / A2	4,171,864	
Charles Schwab Corp	A / A2	5,649,410	
Chubb INA Holdings Inc	A / A3	5,977,557	
Cisco Systems	AA- / A1	3,991,400	
General Dynamics Corp	A+ / A2	5,182,579	
General Electric	BBB+ / Baa1	3,044,092	
IBM	A / A1	7,059,530	
John Deere Capital	A / A2	6,402,925	
Johnson & Jonson	AAA / Aaa	4,042,876	
JP Morgan Chase & Co	A- / A2	5,326,193	
MicroSoft	AAA / Aaa	9,839,379	
Oracle Corp	AA- / A1	6,964,566	
Paccar Financial	A+ / A1	4,237,051	
PNC Bank	A/ A2	4,334,307	
State Street Bank	A/ A1	4,903,189	
Toyota Motor	AA+ / Aa3	6,820,625	
Unilever Capital	A+ / A1	1,992,474	
US Bank	AA- / A1	2,998,284	
Visa Inc	AA- / Aa3	4,006,276	
Wal-Mart Stores	AA / Aa2	6,910,509	
HSBC Holdings PLC (Foreign Corporate)	A/ A2	7,282,590	
Royal Bank of Canada (Foreign Corporate)	AA- / Aa2	6,594,890	
Toronto Dominion Bank (Foreign Corporate)	AA- / Aa1	6,798,400	
Total Corporate & Foreign Corporate Notes			156,534,607 (continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

	Credit Ratings S&P/Moody's	Fair Value	Total
Government Sponsor Enterprise, Negotiable CD, Asset-Back, Municipal Bonds & Supranational Organizations			
ABS (Chase and HAROT)	AAA / NR	\$ 9,555,774	
ABS (Nissan Auto)	AAA / Aaa	3,658,216	
ABS (American Express Credit, Honda Auto and John Deere)	NR / Aaa	20,523,288	
CMO (FHLMC)	NR / Aaa	42,026,891	
Money Market Fund	AAA / Aaa	35,469,193	
Municipal Bonds (Lincoln RDA and San Jose RDA)	AA / NR	1,707,072	
Municipal Bonds (State of CA)	AA- / Aa3	13,781,620	
Municipal Bonds (University of CA)	AA / Aa2	2,275,000	
Supranational Securities (IBRD, IFC, IADB)	AAA / Aaa	38,976,268	
Supranational (Inter-American Dev Bank)	NR / NR	4,992,610	
Negotiable CD (Royal Bank of Canada & Westpac Banking Corp)	A-1+ / P-1	8,469,995	
Federal Farm Credit Bank	AA+ / Aaa	15,070,062	
Federal Home Loan Bank	AA+ / Aaa	102,944,398	
Federal Home Loan Mortgage Corporation	AA+ / Aaa	19,171,698	
Federal National Mortgage Association	AA+ / Aaa	24,677,101	
Total Government Sponsor Enterprise, Negotiable CD, Asset-Back, Municipal Bonds, Supranational Organizations			343,299,186
U.S. Treasuries	Not Required		117,369,258
Local Agency Investment Funds	Not Rated		61,980,813
City Pooled Cash and Investments (including \$2,057,021 from Fiduciary Funds)			<u><u>\$ 687,131,643</u></u>

	Credit Ratings S&P/Moody's	Fair Value	Total
City Cash and Investments with Fiscal Agents:			
Federal National Mortgage Association	AA+/Aaa	\$ 1,641,908	
Federal Home Loan Bank	AA+/Aaa	743,845	
Treasury Obligation Mutual Funds	AAA/ Aaa	96,241	
Open-End Mutual Funds (Fixed Income/Equity)	Not Rated	2,088,606	
Total City Cash and Investments with Fiscal Agents			<u><u>\$ 4,570,600</u></u>

Fiduciary Funds Cash and Investments Outside of City Treasury Pool

Cash Equivalent Mutual Funds/Accounts	Not Rated	\$ 1,921,185	
Local Agency Investment Funds	Not Rated	3,737,572	
Fiduciary Fund Deposits and Investments not in the City Treasury Pool			<u><u>\$ 5,658,757</u></u>

Fiduciary Funds Cash and Investments Held by Fiscal Agent

Cash Equivalent Mutual Funds/Accounts	Not Rated	\$ 259,728	
Local Agency Investment Funds	Not Rated	635,502	
Open-End Mutual Funds (Fixed Income/Equity)	Not Rated	105,018,131	
Guaranteed Investment Contracts	Not Rated	1,748,140	
Fiduciary Fund Deposits and Investments not in the City Treasury Pool			<u><u>\$ 107,661,501</u></u>

(concluded)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Interest Rate Risk - To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio in debt securities to an average maturity of no greater than 2.5 years. Investments held in the City Treasury grouped by maturity date at June 30, 2019 are as follows:

	Maturity (in years)				Total
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	Fair Value
Investments Held by the City:					
Corporate Notes:					
American Honda Finance	\$ -	\$ -	\$ 6,340,247	\$ -	\$ 6,340,247
Apple	3,990,268	3,043,884	-	-	7,034,152
Bank of America	-	-	6,997,583	-	6,997,583
Bank of NY Mellon	-	-	7,331,287	-	7,331,287
Berkshire Hathaway	-	-	4,300,372	-	4,300,372
Boeing Co	-	-	4,171,864	-	4,171,864
Charles Schwab	-	-	5,649,410	-	5,649,410
Chubb INA Holdings Inc	-	5,977,557	-	-	5,977,557
Cisco Systems	3,991,400	-	-	-	3,991,400
General Dynamics	-	5,182,579	-	-	5,182,579
General Electric	1,003,278	2,040,814	-	-	3,044,092
IBM	3,060,210	3,999,320	-	-	7,059,530
John Deere Capital	-	-	6,402,925	-	6,402,925
Johnson & Jonson	-	4,042,876	-	-	4,042,876
JP Morgan Chase & Co	-	-	5,326,193	-	5,326,193
MicroSoft	3,992,164	3,864,243	1,982,972	-	9,839,379
Oracle Corp	-	-	6,964,566	-	6,964,566
Paccar Financial Corp	-	-	4,237,051	-	4,237,051
PNC Bank	-	-	4,334,307	-	4,334,307
State Street Bank	-	4,903,189	-	-	4,903,189
Toyota Motor Credit Corp	-	-	6,820,625	-	6,820,625
Unilever Capital Corp	1,992,474	-	-	-	1,992,474
US Bank	2,998,284	-	-	-	2,998,284
Visa Inc	-	4,006,276	-	-	4,006,276
Wal-Mart Stores	-	-	6,910,509	-	6,910,509
ABS (Asset Back-Securities)	-	-	33,737,278	-	33,737,278
CMO (Collateralized Mortgage Obligation)	-	7,912,725	34,114,166	-	42,026,891
Money Market Fund FI	35,469,193	-	-	-	35,469,193
Municipal Bonds	8,725,962	9,037,730	-	-	17,763,692
Supranational Securities	24,950,368	14,025,900	4,992,610	-	43,968,878
Negotiale CD	8,469,995	-	-	-	8,469,995
Federal Farm Credit Bank	7,975,116	4,046,520	3,048,426	-	15,070,062
Federal Home Loan Bank	18,001,435	26,285,245	58,657,718	-	102,944,398
Federal Home Loan Mortgage Corporati	8,972,928	3,986,400	6,212,370	-	19,171,698
Federal National Mortgage Association	3,979,588	3,980,032	16,717,481	-	24,677,101
Foreign Corporate	-	6,594,890	14,080,990	-	20,675,880
U.S. Treasuries	62,727,076	4,009,376	50,632,806	-	117,369,258
Local Agency Investment Funds	61,980,813	-	-	-	61,980,813
Total	\$ 262,280,552	\$ 116,939,556	\$ 299,963,756	\$ -	\$ 679,183,864
					(continued)

(continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

	Maturity (in years)				Total
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	Fair Value
City Investments Held by Fiscal Agents:					
Federal National Mortgage Association	\$ 746,230	\$ -	\$ 895,678	\$ -	\$ 1,641,908
Federal Home Loan Bank	743,845	-	-	-	743,845
Treasury Obligation Mutual Funds	96,241	-	-	-	96,241
Open-End Mutual Funds (Fixed Income)	1,031,891	-	-	-	1,031,891
Open-End Mutual Funds (Equity)	1,056,715	-	-	-	1,056,715
Total	\$ 3,674,922	\$ -	\$ 895,678	\$ -	\$ 4,570,600
Fiduciary Fund Investments Outside of City Treasury Pool					
Cash Equivalent Mutual Funds/Accounts	\$ 1,921,185	\$ -	\$ -	\$ -	\$ 1,921,185
Local Agency Investment Funds	3,737,572	-	-	-	3,737,572
Total	\$ 5,658,757	\$ -	\$ -	\$ -	\$ 5,658,757
Fiduciary Fund Investments Held by Fiscal Agent					
Cash Equivalent Mutual Funds/Accounts	\$ 259,729	\$ -	\$ -	\$ -	\$ 259,729
Local Agency Investment Funds	635,502	-	-	-	635,502
Open-End Mutual Funds (Fixed Income)	41,710,020	-	-	-	41,710,020
Open-End Mutual Funds (Equity)	63,308,110	-	-	-	63,308,110
Guaranteed Investment Contracts	-	-	-	1,748,140	1,748,140
Total	\$ 105,913,361	\$ -	\$ -	\$ 1,748,140	\$ 107,661,501
(concluded)					

(concluded)

Custodial Credit Risk – The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires California depositories to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits or letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% in excess of the total amount of deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate this risk, all of the City's investments in securities are held in the name of the City. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 3 – DEPOSITS AND INVESTMENTS, Continued**

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of investment in any single issuer, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools.

The City's investment policy is that no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentalities, and LAIF. Additionally, no more than 10% may be invested in short-term repurchase agreements or money market mutual funds.

According to GASB Statement No. 40, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools are excluded from this requirement. At June 30, 2019, investments in the following issuers represented 5 percent or more of investments in the City Treasury pool and investments held by fiscal agents for the City.

<u>Issuer</u>	<u>Amount</u>
Federal Home Loan Bank	\$ 103,688,243
Collateralized Mortgage Obligations-FHLMC	42,026,891
Total	<u>\$ 145,715,134</u>

Investments in Local Agency Investment Fund

The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund or LAIF). The City is a participant in LAIF. LAIF offers local agencies within California the opportunity to participate in a major portfolio using the expertise of the State Treasurer's Office investment staff at no additional cost to taxpayers. Oversight of LAIF is provided by the Pooled Money Investment Board and the Local Agency Investment Advisory Board. These boards review LAIF investment policies annually. In addition, the Bureau of State Audits has a continuing audit process throughout the year.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the pooled investment program generally is based on quoted market prices. The fair market valuations of the pooled investment program portfolio can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

The City's LAIF account balance available for withdrawal is based on amortized cost. LAIF values participants' shares on an amortized cost basis, which is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

According to the LAIF Performance Report for the quarter ending June 30, 2019, the weighted average life of the securities in the pooled investment program administered by the State Treasurer's Office was 173 days. A weighted average life measure expresses the length of time that each dollar of principal remains unpaid without taking into account the maturing shortening features used in calculating the weighted average maturity.

The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method is not considered material.

The City valued its investments in LAIF at fair value as of June 30, 2019, by multiplying its account balance with LAIF by the fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001711790.

LAIF is part of the State's Pooled Money Investment Account (PMIA). The total balance of the PMIA is approximately \$105.7 billion as of June 30, 2019. Of that amount, 98.2 percent was invested in nonderivative financial products and 1.8 percent in structured notes and asset backed securities.

NOTE 4 – RECEIVABLES

Government Wide Financial Statements

At June 30, 2019, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Unrestricted:			
Accounts	\$ 940,352	\$ 24,393,576	\$ 25,333,928
Taxes	8,613,666		8,613,666
Interest	1,391,290	839,426	2,230,716
Other	922,833	81,081	1,003,914
Allowance	(86,534)	(936,299)	(1,022,833)
Total Unrestricted	11,781,607	24,377,785	36,159,392
Restricted:			
Accounts	34,206	-	34,206
Interest	1,393,406	-	1,393,406
Other	45,144	-	45,144
Total Restricted	1,472,756	-	1,472,756
Total Current Receivables, Net	\$ 13,254,363	\$ 24,377,785	\$ 37,632,148

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 4 – RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2019, the fund financial statements show the following current receivables net of allowances for uncollectible amounts:

	Accounts Receivable	Taxes	Interest	Other	Less: Allowance for Uncollectible	Total
Governmental Funds:						
General	\$ 974,558	\$ 8,613,666	\$ 1,014,124	\$ 752,066	\$ (86,534)	\$ 11,267,880
Housing	-	-	280,149	-	-	280,149
Park Dedication	-	-	523,789	-	-	523,789
Employment Development	-	-	-	2,919	-	2,919
City Projects	-	-	244,846	-	-	244,846
Infrastructure Renovation and Replacement	-	-	219,752	-	-	219,752
Nonmajor Governmental	-	-	145,742	-	-	145,742
Total Governmental Funds	\$ 974,558	\$ 8,613,666	\$ 2,428,402	\$ 754,985	\$ (86,534)	\$ 12,685,077
Proprietary Funds:						
Water Supply and Distribution	\$ 9,855,672	\$ -	\$ 254,893	\$ 804	\$ (313,730)	\$ 9,797,639
Wastewater Management	6,847,923	-	157,942	7,009	(246,566)	6,766,308
Solid Waste Management	7,673,754	-	128,992	-	(376,002)	7,426,744
SMART Station	-	-	14,526	67,105	-	81,631
Development	16,228	-	282,965	-	-	299,193
Golf and Tennis Operations	-	-	107	6,163	-	6,270
Internal Service Funds	-	-	391,926	177,360	-	569,286
Total Proprietary Funds	\$ 24,393,577	\$ -	\$ 1,231,351	\$ 258,441	\$ (936,298)	\$ 24,947,071
Fiduciary Funds:						
OPEB Trust Fund	\$ -	\$ -	\$ 196	\$ -	\$ -	\$ 196
Private-Purpose Trust Funds	-	-	14,135	7,453,429	-	7,467,564
Agency Funds	-	-	52,794	6,340	-	59,134
Total Fiduciary Funds	\$ -	\$ -	\$ 67,125	\$ 7,459,769	\$ -	\$ 7,526,894

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 5 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2019, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Activities:	
<i>Governmental Funds:</i>	
General Fund	\$ 1,577,462
Employment Development	567,885
City Projects	1,404,370
Nonmajor Governmental	<u>1,089,391</u>
Total Governmental Activities	<u>\$ 4,639,108</u>
Business-Type Activities:	
Wastewater Management	\$ 81,725
Solid Waste Management	209,936
SMaRT Station	<u>866,634</u>
Total Business-Type Activities	<u>\$ 1,158,295</u>

NOTE 6 – LONG-TERM RECEIVABLES FROM EMPLOYEES

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 0.65% to 1.38%, and have repayment terms ranging from 30 to 45 years. At June 30, 2019, the City had five loans to City employees in the amount of \$3,606,505 and \$1,612,701 reported under the General Fund and the Employee Payroll & Benefits Internal Service Fund, respectively, totaled to \$5,219,206.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 7 – HOUSING LOANS RECEIVABLE*Governmental Activities:*

Maturity Date Year Ending June 30,	Community Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	Total
2020	\$ 328,400	\$ -	\$ -	\$ -	\$ 328,400
2021	-	-	-	-	-
2022	45,979	-	-	-	45,979
2023	163,961	-	-	-	163,961
2024	54,711	1,589,258	-	-	1,643,969
2025-2029	677,394	-	60,883	-	738,277
2030-2034	1,110,208	2,374,518	1,070,776	-	4,555,502
2035-2039	1,442,696	207	212,745	546,066	2,201,714
2040-2044	5,746,206	2,557,146	2,256,359	-	10,559,711
2045-2049	1,018,340	1,464,430	829,373	409,434	3,721,577
2050-2054	-	-	1,096,379	-	1,096,379
2055-2059	811,756	601,218	-	-	1,412,974
2060-2064	69,630	261,775	-	-	331,405
2065-2069	125,414	-	14,416,717	-	14,542,131
2070-2074	-	4,059,813	13,154,283	-	17,214,096
2075-2079	-	635,665	7,930,761	-	8,566,426
Due Upon Sale or Transfer of Property	619,012	-	-	-	619,012
	12,213,707	13,544,030	41,028,276	955,500	67,741,513
Less: Allowance for Uncollectibles	(244,274)	(270,881)	(820,566)	(19,110)	(1,354,831)
Housing Loans Receivables, Net at June 30, 2019	\$ 11,969,433	\$ 13,273,149	\$ 40,207,710	\$ 936,390	\$ 66,386,682

All housing loans, excluding mobile home loans, are secured by deeds of trust. Mobile home loans are secured by certificates of title. These loans carry interest rates ranging from 0% to 5% with repayment terms from 10 to 55 years or upon sale or transfer of property. Interest rates are set at below market rates and, in some cases, below the rate of inflation. Repayment of these loans is not assured until cash is received, and in some instances the loans are either not fully recoverable (e.g., mobile home loans due to depreciation) or terms are extended. The City maintains an allowance to reflect both the economic cost of providing loans at low interest rates, which reduces their present value, and for credit risk. In the government-wide financial statements, the housing loans receivable is reported as a restricted asset. The receivable balance is increased by the issuance of new loans and interest accrued on the loans and is decreased by loan repayments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 7 – HOUSING LOANS RECEIVABLE, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$11,969,433 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

HOME Grant Loans

The City has made loans totaling \$13,273,149 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households, and for First Time Homebuyer Loans.

Housing Mitigation Loans

The City has made housing mitigation loans totaling \$40,207,710 using housing mitigation and State housing funds. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Other Housing Loans

The City has made loans totaling \$936,390 using Below Market Rates (BMR) funds to qualified first time homebuyers.

NOTE 8 – UNEARNED REVENUES

Unearned revenues represent a liability for resources obtained prior to revenue recognition. At June 30, 2019, unearned revenues were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepayments Received for :			
Grant and Fee Revenue	\$ 31,438	\$ 378,148	\$ 409,586
Use of City Property	-	29,755	29,755
Armory Ground Lease	6,947,779	-	6,947,779
Total	\$ 6,979,217	\$ 407,903	\$ 7,387,120

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 8 – UNEARNED REVENUES, Continued

Armory Ground Lease

In May 2013, the City formally received title to two parcels on the Onizuka site (U. S. Air Force Base) totaling 5 acres. The two parcels at the time were encumbered for homeless housing subject to release of the claims from two homeless housing providers. The two parcels were not located at a convenient location for homeless housing.

In June 2013, the City elected to offer both homeless housing providers (the “Providers”) the Armory site, acquired by the City’s General Fund in the 1970s at \$1,690,511, in exchange for their interest on the Onizuka site. A Ground Lease and a Loan and Regulatory Agreement for the Armory site were executed between the City and the Providers. The homeless housing encumbrance on the Onizuka parcels was subsequently removed by the Air Force and the City did capitalize the Onizuka parcels at the fair value of \$6.9 million at the end of fiscal year 2013.

The Ground Lease establishes the relationship between the landlord (City) and tenant (each Provider) and specifies a 90-year lease with an upfront lump sum lease payment of \$7.4 million from the two providers for the entire term of the lease. The fair value of the Armory site was appraised at \$7.4 million. The Ground Lease describes the use obligation of the property, although reference is made to the more specific use provision in the accompanying Loan and Regulatory Agreements, which constitute enforceable restrictions on the use and operation of the property for an affordable housing project. The City made available \$8.2 million as loans from its Housing Special Revenue Fund to the two Providers to pay for the upfront ground lease payments due to the City and related development project costs.

The City will monitor the Providers’ operations throughout the terms of the ground lease for compliance with the City’s affordable housing program requirements. By the end of the Lease term, ownership of the property (including lessee’s improvements) will remain with the City.

The lump sum lease payment of \$7.4 million was received at the inception of the lease (January 1, 2014) by the General Fund. During fiscal year 2019, revenue recognized was \$82,222 and the remaining balance of \$6,947,779 was recorded as unearned revenue, to be recognized as revenue proportionately as use of the property continues in subsequent years.

In the government-wide financial statements, the property (land) is reported as the governmental activities capital asset at its original cost of \$1.7 million.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Government-Wide Financial Statements

Deferred Outflows of Resources	Governmental Activities	Business-Type Activities
Deferred Outflows of Resources Related to Pensions	\$ 53,868,176	\$ 7,704,763
Deferred Outflows of Resources Related to OPEB	13,637,051	2,758,496
Total Deferred Outflows of Resources	<u>\$ 67,505,227</u>	<u>\$ 10,463,259</u>

Deferred Inflows of Resources	Governmental Activities	Business-Type Activities
Imposed Nonexchange Revenue:		
Business License Tax Received for Next Period	\$ 1,006,517	\$ -
Gain on Debt Refunding	-	136,558
Service Concession Arrangement	-	183,227
Deferred Inflows of Resources Related to Pensions	7,199,658	991,770
Deferred Inflows of Resources Related to OPEB	12,216,374	2,733,158
Total Deferred Outflows of Resources	<u>\$ 20,422,549</u>	<u>\$ 4,044,713</u>

Fund Financial Statements

At June 30, 2019, the following items were recorded in the governmental fund financial statements as deferred inflows of resources because the funds were not available to finance expenditures of the current period:

	General Fund	Housing Special Revenue	Employment Development Special Revenue	Capital Projects	Nonmajor Governmental	Total
Interest - Interfund Advances	\$22,935,106	\$ -	\$ -	\$ -	\$ -	\$22,935,106
Interest on Loans to City Employees	94,679	-	-	-	-	94,679
Capital Special Assessments	20,277	-	-	-	-	20,277
Administrative Citations on Tax Roll	48,500	-	-	-	-	48,500
Proposition 172 Revenue	138,914	-	-	-	-	138,914
Intergovernmental Cost Reimbursements	1,419,882	-	-	-	-	1,419,882
Interest - Housing Loans	-	2,504,695	-	-	5,947,170	8,451,865
Unavailable Grant Revenues	45,942	-	5,364	759,695	130,428	941,429
Business License Tax Revenue	1,006,517	-	-	-	-	1,006,517
Total	<u>\$25,709,817</u>	<u>\$ 2,504,695</u>	<u>\$ 5,364</u>	<u>\$ 759,695</u>	<u>\$ 6,077,598</u>	<u>\$35,057,169</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 10– INTERNAL BALANCES/INTERFUND BALANCES

Government-Wide Financial Statements

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding advances to/from balances between Governmental and Business-Type Activities	\$ 22,935,108
Outstanding due from/to balances between Governmental to Business-Type Activities	112,049
Amount owed by Business-Type Activities for interest service fund activities.	(2,043,027)
Total	\$ 21,004,130

Fund Financial Statements

Due to/from Other Funds

The composition of due to/due from other funds at year end is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	\$ 102,901
	Golf and Tennis Operations	112,049
	Total	\$ 214,950

The amounts due to the General Fund from the other funds were due to cash flow needs at year end. These amounts will be repaid shortly after the end of the fiscal year as cash is available for the payable funds.

Advances to/from Other Funds

The following schedule presents the balances of interfund advances at year end:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater Management	\$ 7,174,904
	Solid Waste Management	15,760,204
	Subtotal General Fund	22,935,108
Wastewater Management	Solid Waste Management	1,013,941
	Total	\$ 23,949,049

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued

Refer to Note 1 that explains accounting for interfund advances. Details about interfund advances transactions are provided as follows:

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. Starting from fiscal year 2018, the interest rate charged to the Wastewater Management Fund on advances reduces from 7% to rates ranging from 1.25% to 3%. During the current fiscal year, repayment of \$911,694 was made to the General Fund. Annual repayments are budgeted as follows: \$980,994 in fiscal year 2020, \$949,615 annually from fiscal year 2021 to fiscal year 2027, and \$517,046 in 2028 to pay off the remaining balance. At June 30, 2019, total loan balance was \$7,174,904.

During fiscal years ended June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1995 and 1999, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. Starting from fiscal year 2018, the interest rate charged to the Solid Waste Management Fund on advances reduces from 7% to rates ranging from 1.25% to 3%. During the fiscal year, repayment of \$3,470,202 was made to the General Fund. Annual repayments are budgeted as follows: \$3,470,202 annually from fiscal year 2020 to fiscal year 2023, and \$3,048,003 in 2024 to pay off the remaining balance. At June 30, 2019, total loan balance was \$15,760,204.

During the fiscal year ended June 30, 2012, the Wastewater Management Fund advanced to the Solid Waste Management Fund \$2,000,000 for the purpose of alleviating cash flow issues. Starting from fiscal year 2018, the interest rate charged to the Wastewater Management Fund on advances reduces from 4.5% to rates ranging from 1.25% to 3%. Repayments are budgeted as \$404,744 annually from fiscal year 2020 to fiscal year 2021, and \$243,614 in 2022 to pay off the remaining balance. At June 30, 2019, total loan balance was \$1,013,941.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 11 – CAPITAL ASSETS

Modified Approach for Street Pavement System

The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, accumulated depreciation or depreciation expense has not been recorded for this system. A more detailed discussion of this approach is presented in the required supplementary information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

Donated Capital Assets

During this fiscal year, the City accepted developers' capital asset contributions with estimated acquisition value approximating \$2.3 million for governmental activities and \$0.8 million for business-type activities.

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Nondepreciable Assets:					
Land	\$ 115,653,155	\$ 1,758,225	\$ (1,000,439)	\$ -	\$ 116,410,941
Construction in Progress	37,555,203	12,153,971	-	(17,115,876)	32,593,298
Infrastructure - Streets	164,974,816	954,200	-	-	165,929,016
Total Nondepreciable Assets	318,183,174	14,866,396	(1,000,439)	(17,115,876)	314,933,255
Depreciable Assets:					
Buildings and Structures	112,592,295	535,992	-	2,319,077	115,447,364
Improvements Other than Buildings	125,901,263	429,365	-	12,720,066	139,050,694
Machinery and Equipment	44,082,359	1,660,813	(743,968)	1,716,995	46,716,199
Infrastructure	89,871,376	837,800	-	359,738	91,068,914
Total Depreciable Assets	372,447,293	3,463,970	(743,968)	17,115,876	392,283,171
Accumulated Depreciation:					
Buildings and Structures	(62,569,271)	(2,591,410)	-	-	(65,160,681)
Improvements Other than Buildings	(54,073,768)	(4,157,206)	-	-	(58,230,974)
Machinery and Equipment	(27,968,014)	(2,555,969)	743,968	-	(29,780,015)
Infrastructure	(64,836,773)	(1,405,693)	-	-	(66,242,466)
Total Accumulated Depreciation	(209,447,826)	(10,710,278)	743,968	-	(219,414,136)
Depreciable Assets, Net	162,999,467	(7,246,308)	-	17,115,876	172,869,035
Total Governmental Activities Capital Assets, Net	\$ 481,182,641	\$ 7,620,088	\$ (1,000,439)	\$ -	\$ 487,802,290

During this fiscal year, the City's governmental activities sold land with book value of \$1,000,439 and received proceeds of \$33,000,000.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 11 – CAPITAL ASSETS, Continued

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2019, are as follows:

Planning and Management	\$ 762,130
Public Safety	903,835
Community Development	1,637,483
Transportation	3,703,128
Socioeconomic	265,806
Cultural	1,143,794
Environmental Management	210,859
Internal Service Funds	<u>2,083,243</u>
Total Depreciation Expense	<u><u>\$ 10,710,278</u></u>

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Nondepreciable Assets:					
Land	\$ 16,469,169	\$ -	\$ -	\$ -	\$ 16,469,169
Construction in Progress	<u>71,596,661</u>	<u>50,000,284</u>	<u>-</u>	<u>(22,047,031)</u>	<u>99,549,914</u>
Total Nondepreciable Assets	<u>88,065,830</u>	<u>50,000,284</u>	<u>-</u>	<u>(22,047,031)</u>	<u>116,019,083</u>
Depreciable Assets:					
Buildings and Structures	23,437,545	-	-	-	23,437,545
Improvements Other than Buildings	44,025,781	289,172	-	907,434	45,222,387
Machinery and Equipment	7,727,079	114,580	-	-	7,841,659
Infrastructure	<u>176,581,761</u>	<u>5,947,047</u>	<u>-</u>	<u>21,139,597</u>	<u>203,668,405</u>
Total Depreciable Assets	<u>251,772,166</u>	<u>6,350,799</u>	<u>-</u>	<u>22,047,031</u>	<u>280,169,996</u>
Accumulated Depreciation:					
Buildings and Structures	(22,320,145)	(179,913)	-	-	(22,500,058)
Improvements Other than Buildings	(35,369,828)	(2,506,886)	-	-	(37,876,714)
Machinery and Equipment	(5,721,938)	(783,985)	-	-	(6,505,923)
Infrastructure	<u>(90,102,719)</u>	<u>(4,678,421)</u>	<u>-</u>	<u>-</u>	<u>(94,781,140)</u>
Total Accumulated Depreciation	<u>(153,514,630)</u>	<u>(8,149,205)</u>	<u>-</u>	<u>-</u>	<u>(161,663,835)</u>
Depreciable Assets, Net	<u>98,257,536</u>	<u>(1,798,406)</u>	<u>-</u>	<u>22,047,031</u>	<u>118,506,161</u>
Total Business-Type Activities Capital Assets, Net	<u><u>\$ 186,323,366</u></u>	<u><u>\$ 48,201,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 234,525,244</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 11 – CAPITAL ASSETS, Continued

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

Water Supply and Distribution	\$ 2,672,717
Wastewater Management	2,820,084
Solid Waste Management	121,435
SMaRT Station	2,276,727
Development	2,533
Golf and Tennis Operations	255,709
Total Depreciation Expense	\$ 8,149,205

Fund Financial Statements

The governmental fund financial statements do not present general government capital assets, which are shown in the reconciliations of the governmental funds balance sheet to the government-wide statement of net position.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2019:

Description	Beginning Balance, July 1, 2018	Additions	Reductions	Bond Amortization	Ending Balance, June 30, 2019	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities :							
Certificates of Participation :							
1998 Parking Facility	\$ 5,480,000	\$ -	\$ (950,000)	\$ -	\$ 4,530,000	\$ 1,035,000	\$ 3,495,000
2009 Government Center	10,985,000	-	(655,000)	-	10,330,000	680,000	9,650,000
Other Noncurrent Liabilities :							
Risk Management: Self Insurance and Contingent Liability	21,386,000	4,744,485	(3,585,485)	-	22,545,000	5,318,863	17,226,137
Compensated Absences	15,023,852	11,420,424	(10,424,855)	-	16,019,421	12,321,011	3,698,410
Total Governmental Activities	\$ 52,874,852	\$ 16,164,909	\$ (15,615,340)	\$ -	\$ 53,424,421	\$ 19,354,874	\$ 34,069,547
Business-Type Activities :							
Revenue Bonds :							
Water Nontaxable Series 2017A	\$ 12,010,000	\$ -	\$ -	\$ -	\$ 12,010,000	\$ -	\$ 12,010,000
Bond Premium	1,680,268	-	-	(77,254)	1,603,014	-	1,603,014
Water Taxable Series 2017A-T	4,505,000	-	(510,000)	-	3,995,000	515,000	3,480,000
Wastewater Nontaxable Series 2017A	14,035,000	-	-	-	14,035,000	-	14,035,000
Bond Premium	2,248,525	-	-	(103,380)	2,145,145	-	2,145,145
Wastewater Taxable Series 2017A-T	8,775,000	-	(1,130,000)	-	7,645,000	1,155,000	6,490,000
Debt from Direct Borrowings and Direct Placements :							
Solid Waste Refunding Note, 2014	2,079,700	-	(685,000)	-	1,394,700	691,900	702,800
Clean Water State Revolving Fund	7,395,666	31,203,589	-	-	38,599,255	-	38,599,255
Other Noncurrent Liabilities :							
Service Concession Arrangement Maintenance Liability	1,339,497	438,757	(109,448)	-	1,668,806	130,887	1,537,919
Landfill Postclosure Care Costs	6,215,878	173,078	(36,328)	-	6,352,628	805,533	5,547,095
Total Business-Type Activities	\$ 60,284,534	\$ 31,815,424	\$ (2,470,776)	\$ (180,634)	\$ 89,448,548	\$ 3,298,320	\$ 86,150,228

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

Bonded Debt Ratings

The City has an issuer credit rating (ICR) of Aaa from Moody's. This is the highest possible rating and was confirmed in January 2013. Standard & Poor's (S&P) Rating Services also affirmed the City's AAA ICR in August 2015. The City has complied with all significant bond covenants and there have been no defaults on any debt service obligations.

Bonded Debt	Outstanding Par Amount	Ratings	
		Moody's	S&P
1998 Parking Facility, Series A Certificates of Participation	\$ 4,530,000	Aa2	AA+
2009 Government Center Certificates of Participation	10,330,000	Aa1	AA+
Water Revenue Bonds, Nontaxable Series 2017A	12,010,000	Aa1	AA+
Water Revenue Bonds, Taxable Series 2017A-T	3,995,000	Aa1	AA+
Wastewater Revenue Bonds, Nontaxable Series 2017A	14,035,000	Aa2	AA+
Wastewater Revenue Bonds, Taxable Series 2017A-T	7,645,000	Aa2	AA+

Bonded Debt Obligations

Certificates of Participation

\$17,525,000 1998 Parking Facility Refunding Certificates of Participation, Series A

Due in original annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%. Before the RDA dissolution, debt service payments had been advanced from the General Fund in the form of base rental payments according to the terms of the 1977 Loan Repayment Agreement between the City and the former RDA.

After the RDA dissolution, the City and the Successor Agency reentered into an Amended and Restated Reimbursement Agreement on April 24, 2012, effective retroactively to February 1, 2012. The City's position is that the funding source of the RSA reimbursement should be the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara. However, the State Department of Finance (DOF) determined that both the 1977 Loan Repayment Agreement and the reentered 2012 Amended and Restated Reimbursement Agreement for the 1998 COPs would not qualify as enforceable obligations. Recent court rulings have not been favorable to the City.

The debt service requirements for the 1998 Parking Certificates of Participation at June 30, 2019 were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,035,000	\$ 200,625	\$ 1,235,625
2021	1,095,000	147,375	1,242,375
2022	1,150,000	91,250	1,241,250
2023	1,250,000	31,250	1,281,250
	<u>\$ 4,530,000</u>	<u>\$ 470,500</u>	<u>\$ 5,000,500</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 12 – NONCURRENT LIABILITIES, Continued****\$15,865,000 2009 Government Center Variable Rate Demand Refunding Certificates of Participation**

Issued by the Sunnyvale Financing Authority and due in original annual installments of \$470,000-\$1,065,000 through April 1, 2031, initially bearing interest at a weekly interest rate as determined by the remarketing agent (based on an examination of tax-exempt obligations comparable to the Certificates under then-prevailing market conditions). Repayments are made from lease payments by the City's Internal Service Funds and the Enterprise Funds based on a predetermined pro-rata share of each activity's use of the Civic Center premises.

In connection with the issuance of the 2009 Government Center COPs, the City obtained an irrevocable letter of credit as a credit facility with Union Bank, NA for the COPs. The City's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of 12% per annum. The City is required to pay an annual facility fee of 0.60% starting from the June 2018 letter of credit renewal, payable quarterly in arrears, based on the available amount in effect, from the date of issuance of the letter of credit until the stated termination date, as defined in the amended reimbursement agreement supported by the credit facility. For the year ended June 30, 2019, the City incurred credit facility fees in the amount of \$64,214, which was in addition to \$20,667 in service fees to trustee, remarketing agent, and rating agencies. The term of the renewed letter of credit with Union Bank, NA is from June 1, 2018 to June 1, 2021.

At June 30, 2019, the annualized interest rate was 1.45%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2019 were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 680,000	\$ 149,785	\$ 829,785
2021	710,000	139,925	849,925
2022	740,000	129,630	869,630
2023	770,000	118,900	888,900
2024	800,000	107,735	907,735
2025-2029	4,540,000	354,453	4,894,453
2030-2031	2,090,000	45,747	2,135,747
	<u>\$ 10,330,000</u>	<u>\$ 1,046,175</u>	<u>\$ 11,376,175</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

Revenue Bonds

\$12,010,000 Water Revenue Refunding Bonds, Series 2017A

Due in annual installments ranging from \$565,000 to \$1,110,000 starting April 1, 2027 to April 1, 2040, interest at 3% - 5%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 521,350	\$ 521,350
2021	-	521,350	521,350
2022	-	521,350	521,350
2023	-	521,350	521,350
2024	-	521,350	521,350
2025-2029	1,920,000	2,517,250	4,437,250
2030-2034	4,025,000	1,743,750	5,768,750
2035-2039	2,870,000	811,100	3,681,100
2040	3,195,000	44,400	3,239,400
	12,010,000	7,723,250	19,733,250
Add Unamortized Premium	1,603,014	-	1,603,014
Total	<u>\$ 13,613,014</u>	<u>\$ 7,723,250</u>	<u>\$ 21,336,264</u>

\$5,620,000 Water Revenue Refunding Bonds, Series 2017A-T

Due in annual installments ranging from \$65,000 to \$1,115,000 starting April 1, 2018 to April 1, 2027, interest at 1.68% - 3.27%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 515,000	\$ 114,631	\$ 629,631
2021	530,000	102,220	632,220
2022	545,000	88,493	633,493
2023	560,000	73,560	633,560
2024	575,000	57,152	632,152
2025-2027	1,270,000	63,317	1,333,317
	<u>\$ 3,995,000</u>	<u>\$ 499,371</u>	<u>\$ 4,494,371</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

\$14,035,000 Wastewater Revenue Bonds, Series 2017A

Due in annual installments ranging from \$660,000 - \$1,435,000 from April 1, 2026 to April 1, 2040, interest at 4% - 5%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 632,000	\$ 632,000
2021	-	632,000	632,000
2022	-	632,000	632,000
2023	-	632,000	632,000
2024	-	632,000	632,000
2025-2029	3,925,000	2,813,250	6,738,250
2030-2034	4,015,000	1,796,500	5,811,500
2035-2039	4,980,000	836,200	5,816,200
2040	1,115,000	44,600	1,159,600
	<u>14,035,000</u>	<u>8,650,550</u>	<u>22,685,550</u>
Add Unamortized Premium	2,145,145	-	2,145,145
Total	<u>\$ 16,180,145</u>	<u>\$ 8,650,550</u>	<u>\$ 24,830,695</u>

\$10,585,000 Wastewater Revenue Bonds, Series 2017A-T

Due in annual installments \$235,000 to \$1,810,000 from April 1, 2018 to April 1, 2026, interest at 1.71% - 3.20%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,155,000	\$ 217,662	\$ 1,372,662
2021	1,185,000	189,480	1,374,480
2022	1,210,000	158,433	1,368,433
2023	1,250,000	124,916	1,374,916
2024	1,285,000	87,916	1,372,916
2025-2026	1,560,000	56,115	1,616,115
	<u>\$ 7,645,000</u>	<u>\$ 834,522</u>	<u>\$ 8,479,522</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 12 – NONCURRENT LIABILITIES, Continued**Events of Default and Acceleration Clauses

For the City's certificates of participation and revenue bonds, the City is considered to be in default if the City fails to pay the principal of and interest on the outstanding long-term debt when become due and payable. If an event of default has occurred and is continuing, the principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

Direct Borrowings and Placements of Debt**\$7,368,400 Solid Waste Refunding Promissory Note Dated October 23, 2014**

The proceeds of this loan were used to refund the Solid Waste Revenue Bonds Series 2003 and 2007. This loan is due in annual installments ranging from \$531,200 to \$2,392,200 starting October 1, 2015 until October 1, 2020 with interest at 1.23%. Repayments are made from net revenues of the Solid Waste Enterprise Fund, including monies received from the cities of Mountain View, Palo Alto, and Sunnyvale under the Memorandum of Understanding in connection with Sunnyvale's Materials Recovery and Transfer Station (SMaRT Station). See Note 13 about pledged revenues that secured this Note.

The debt service requirements for this Promissory Note at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 691,900	\$ 12,900	\$ 704,800
2021	702,800	4,322	707,122
Total	<u>\$ 1,394,700</u>	<u>\$ 17,222</u>	<u>\$ 1,411,922</u>

The City is responsible for implementing post-issuance procedures to ensure that the Prior Project uses are consistent with all covenants and restrictions set forth in the Tax Certificate and to comply with all legal requirements. In an event of taxability, the principal amount of this Note will thereafter bear interest at the taxable rate as defined in the Loan Agreement. In an event of default, the principal amount of this Note may be declared due and payable, but such declaration may be rescinded and annulled as provided in the Loan Agreement.

Direct Borrowings and Placements of Debt**\$127,068,522 Clean Water State Revolving Fund Loan Agreement Dated December 9, 2016**

On October 4, 2016, the Council adopted Resolution No. 783-16 dedicating and pledging the City's Wastewater Management Fund as the specific revenue source for the repayment of a State loan as explained below. See Note 13 for details about related pledged revenues and Note 15 for commitments related to this loan.

In April 2017, the City executed a loan agreement with the California State Water Resources Control Board (SWRCB) to secure \$127,068,522 in funding from the Clean Water State Revolving Fund (CWSRF) for the Water Pollution Control Plant Rehabilitation - Headworks and Primary Treatment Facilities Phase 1(A) Project. The term of this agreement is from December 9, 2016 to June 30, 2051. As of June 30, 2019, the City has drawn down \$38,599,255. At June 30, 2019, the City has an outstanding unused line of credit in the amount of \$84,469,267.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 12 – NONCURRENT LIABILITIES, Continued**

The CWSRF loan includes an interest rate of \$1.7%. The City draws down the CWSRF on a cost reimbursement basis. The first \$4 million requested was applied toward the contingent capitalization grant principal forgiveness funds. Repayment of the grant forgiveness funds is required if the City does not comply with the CWSRF program requirements. Grant revenues recognized in the City's Wastewater Management Fund has reached \$4 million (\$3,826,736 in fiscal year 2017 and \$173,264 in fiscal year 2018). Subsequent disbursements of the CWSRF received by the City, \$38,599,255 as of this fiscal year-end, have been recognized as a noncurrent liability of the Wastewater Management Enterprise Fund. Related interest expense in the amount of \$341,077 has also been recognized through June 30, 2019.

The final Payment Schedule will be forwarded to the City after all loan disbursements have been made and construction of the Project has been completed.

The following is a prorated payment schedule based on the originally projected CSWRCB payment schedule dated February 16, 2017. Since the actual amount drawn from the letter of credit as of June 30, 2019 was \$38,599,255, the final schedule will differ from the one shown below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	996,991	656,187	1,653,178
2023	1,013,939	639,239	1,653,178
2024	1,031,176	622,002	1,653,178
2025-2029	5,424,866	2,841,021	8,265,887
2030-2034	5,901,928	2,363,961	8,265,889
2035-2039	6,420,940	1,844,947	8,265,887
2040-2044	6,985,595	1,280,293	8,265,888
2045-2049	7,599,906	665,983	8,265,889
2050-2051	3,223,914	82,441	3,306,355
Total	<u>\$ 38,599,255</u>	<u>\$ 10,996,074</u>	<u>\$ 49,595,329</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

Annual Debt Service Requirements to Maturity-All Bonded Debt and Note Payable

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2019 by activity are listed below:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,715,000	\$ 350,410	\$ 2,361,900	\$ 1,498,543
2021	1,805,000	287,300	2,417,800	1,449,372
2022	1,890,000	220,880	2,751,991	2,056,463
2023	2,020,000	150,150	2,823,939	1,991,065
2024	800,000	107,735	2,891,176	1,920,420
2025-2029	4,540,000	354,453	14,099,866	8,290,953
2030-2034	2,090,000	45,747	13,941,928	5,904,211
2035-2039	-	-	14,270,940	3,492,247
2040-2044	-	-	11,295,595	1,369,293
2045-2049	-	-	7,599,906	665,983
2050-2051	-	-	3,223,914	82,441
Subtotal	14,860,000	1,516,675	77,678,955	28,720,989
Add Unamortized Premium	-	-	3,748,159	-
Total	<u>\$ 14,860,000</u>	<u>\$ 1,516,675</u>	<u>\$ 81,427,114</u>	<u>\$ 28,720,989</u>

Risk Management

There are several pending lawsuits in which the City is involved. The City, however, estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through the California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors composed of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Most recent financial statements for CJPRMA for the fiscal year ended June 30, 2018 may be obtained from the CJPRMA website.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), with statutory limits subject to a \$500,000 self-insured retention. The excess workers' compensation coverage is structured by the limits of indemnity as described below:

- \$4,500,000 excess of \$500,000: Coverage provided by CSAC-EIA and reinsured by Wesco Insurance Company.
- \$45,000,000 excess of \$5,000,000: Coverage provided by CSAC-EIA and reinsured by ACE American Insurance Company.
- Statutory excess of \$50,000,000: Coverage provided by Liberty Insurance Corporation

The California State Association of Counties (CSAC) Excess Insurance Authority (EIA) is a member-directed joint powers insurance authority, operating since 1979. The EIA has been providing California's counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the EIA Excess Workers Compensation Insurance Program. The EIA is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the CSAC - EIA for the fiscal year ended June 30, 2019, may be obtained from the CSAC Excess Insurance Authority website.

The City's risk management activities are accounted for in the internal service funds. Charges to the General Fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates. Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 12 – NONCURRENT LIABILITIES, Continued**

A summary of the changes in general and workers' compensation liabilities for the past two fiscal years follows:

	<u>2019</u>	<u>2018</u>
General:		
Liability at beginning of fiscal year	\$ 2,356,000	\$ 2,130,000
Claims paid	(605,748)	(301,001)
Current fiscal year claims and changes in estimated liability	<u>1,033,748</u>	<u>527,001</u>
Liability at end of fiscal year	<u><u>\$ 2,784,000</u></u>	<u><u>\$ 2,356,000</u></u>
Workers' Compensation:		
Liability at beginning of fiscal year	\$ 19,030,000	\$ 18,928,000
Claims paid	(2,979,737)	(2,423,414)
Current fiscal year claims and changes in estimated liability	<u>3,710,737</u>	<u>2,525,414</u>
Liability at end of fiscal year	<u><u>\$ 19,761,000</u></u>	<u><u>\$ 19,030,000</u></u>
Total Estimated Claims Payable	<u><u>\$ 22,545,000</u></u>	<u><u>\$ 21,386,000</u></u>

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 2.0% for 2019 and 2020, 3.0% for 2021 to 2027, and 4.0% for 2028 and beyond.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

Compensated Absences

Accrued paid time off, compensatory time, and other paid leave are recorded in the Employee Payroll & Benefits Internal Service Fund. Sick leave for employees does not vest. The total amount of the liability at June 30, 2019 was \$16,019,421.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

Landfill Postclosure Care Costs

The Sunnyvale Landfill stopped accepting waste in 1993 and was certified as closed in 1994. State law requires the City to maintain a Financial Assurance Mechanism (FAM) that demonstrates the City's financial ability to maintain the closed landfill as described in the Postclosure Maintenance Plan. This plan was prepared in 1992 and approved by CalRecycle, the state agency that oversees recycling and waste management. A related Water Corrective Action Plan and associated cost estimate for its implementation was similarly submitted to, and approved by, the Regional Water Quality Control Board. The original guarantee requirement was for 30 years. The City's FAM is structured as a "pledge of revenue" that commits future solid waste rate revenues to guarantee the City's financial ability to manage the landfill in compliance with air and water quality laws and regulations.

Recent changes in State law required the City to review and update the Sunnyvale Landfill's Postclosure Maintenance Plan and the cost of implementing the plan. The updated plan resulted in lower estimates of annual postclosure environmental compliance costs when compared to the CPI-adjusted 1992 estimates. The plans and cost estimates have been reviewed and approved by the necessary regulatory agencies (CalRecycle, the Regional Water Quality Control Board and the County of Santa Clara Department of Environmental Health, which acts as the Local Enforcement Agency for CalRecycle).

Because the landfill has been closed for 20 years, CalRecycle approved the City's request to decrease the number of years for which funds must be guaranteed. The new approved amount is 15 years, the shortest period allowed by law.

At June 30, 2019, a liability in the amount of \$6,352,628 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 15 years to meet the regulatory requirements. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2018. However, the actual cost of postclosure care and corrective action may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Non-City Obligations

Community Facilities District

On May 16, 2001, the City issued \$36,000,000 of Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, on behalf of Community Facilities District No. 1 (CFD No. 1). The CFD No. 1 bonds bear interest at 7.65% to 7.75% and mature August 1, 2032. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the CFD No. 1 Bonds. The CFD No. 1 Bonds will be repaid solely from the proceeds of a special tax levied upon all taxable real property in CFD No. 1. The bonds are secured by special taxes on the Sunnyvale Town Center Mall property. The proceeds of the bonds were to be used to finance certain public improvements, primarily two new parking garages.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 12 – NONCURRENT LIABILITIES, Continued

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$14,560,000 at June 30, 2019. These funds were used to finance one of the two proposed new parking garages. This garage, which contains 958 parking spaces, opened on October 2001.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 13 – PLEDGED REVENUES

In addition to pledging revenues for the landfill postclosure care costs (Note 12), the following disclosures pertain to future revenues that have been pledged and will be unavailable for other purposes.

Description	2017A Water Revenue Bonds	2017A-T Water Revenue Bonds	2017A Wastewater Revenue Bonds	2017A-T Wastewater Revenue Bonds	2017 State Revolving Fund Loan	2014 Solid Waste Note
Net revenue ¹ pledged	Net revenues of the City's Water System	Net revenues of the City's Water System	Net revenues of the City's Wastewater System	Net revenues of the City's Wastewater System	Net revenues of the City's Wastewater System	Net revenues of the City's Solid Waste System, plus the proportion of debt service shared by Mountain View and Palo Alto according to the Memorandum of Understanding by the cities.
Term of commitment	Until 4/1/2040	Until 4/1/2027	Until 4/1/2040	Until 4/1/2026	Until 6/30/2051	Until 10/1/2020
Purpose of the debt secured by the pledge	To advance refund the 2010 Water Revenue Bonds.	To advance refund the 2010 Water Revenue Bonds.	To advance refund the 2010 Wastewater Revenue Bonds.	To advance refund the 2010 Wastewater Revenue Bonds.	Water Pollution Control Plant Rehabilitation - Headworks and Primary Treatment Facilities Phase 1(A) Project	To refund the 2003 and 2007 Solid Waste Revenue Bonds for the City's Solid Waste Material Recovery and Transfer Station.
Amount of the pledge (remaining debt service principal and interest)	\$19,733,250	\$4,494,371	\$22,685,550	\$8,479,522	\$123,068,522 ³	\$1,411,922
Pledged revenues recognized during the period (net of operating expenses and operating transfers, also excluding depreciation and interest expense)	\$22,363,757		\$30,545,025		\$0	\$10,337,599
Debt service-principal and interest-paid during the period ²	\$521,350	\$636,055	\$632,000	\$1,373,313	\$0	\$706,368

¹ Net Revenues are defined as "Gross Revenues" received from the respective systems minus the amount to pay all "Operation and Maintenance Costs" of the systems.

² Net revenues pledged by the Cities Utilities Systems are projected to be sufficient to cover the debt service requirements throughout the terms of the respective commitments; which is demonstrated by the City's periodic update of the 20-year long-term financial plan during the annual budget preparation process.

Debt service during the period presented in this table does not include refunded debt issues in escrow.

³ For the 2017 State Revolving Fund Loan, see Note 15 for details. The City only drew \$38,599,255 of the approved amount of \$123,068,522.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 14 – OPERATING LEASE OBLIGATIONS**

The City has a noncancelable operating lease for a portion of land located at Moffett Field from Planetary Ventures for the operation of the Sunnyvale Municipal Golf Course. The City also has a noncancelable golf car lease for the Sunnyvale and Sunken Garden Golf Courses. Future minimum payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 132,198
2021	110,278
2022	66,438
Total	\$ 308,914

NOTE 15 – COMMITMENTS**Participation in the BAWSCA Capital Cost Recovery Prepayment Program**

The City and County of San Francisco and wholesale water customers of San Francisco, including the City of Sunnyvale, entered into a 25-year Water Supply Agreement (“WSA”), dated July 2009, providing for the sale of water by San Francisco to the wholesale customers. The City and other wholesale customers are members of the Bay Area Water Supply and Conservation Agency (“BAWSCA”).

The cost of water paid by the wholesale customers includes a component designed to provide San Francisco capital cost recovery for existing regional assets (“ERA Payments”). The WSA provides that the wholesale customers, acting through BAWSCA, may prepay the remaining principal balance of the ERA payments.

On November 20, 2012, the City Council adopted a resolution authorizing the BAWSCA to prepay the City’s portion of the ERA payments. In 2013 BAWSCA issued revenue bonds, under a favorable interest rate environment, to finance the outstanding prepayment obligations of the participants. To pay debt service on the Bonds and to satisfy its other obligations related to the Bonds, BAWSCA imposes charges on prepayment participants in the form of surcharges on water sold by San Francisco to prepayment participants under the WSA. In fiscal year 2019, the City paid surcharges (proportional to the amount of water purchased) in the amount of \$1,970,568.

The City has certified that the payment of the surcharge constitutes an operation and maintenance expense of the City’s water enterprise payable from the revenues of the City’s water enterprise prior to the payment of obligations payable from the net revenues of the City’s water enterprise.

The City is committed to pay the BAWSCA bond surcharge through the term of the BAWSCA Revenue Bonds for Sunnyvale’s share under the Capital Cost Recovery Prepayment Program.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 15 – COMMITMENTS, Continued

Outstanding Construction Commitments

At June 30, 2019, the City had outstanding construction commitments for the following projects:

Description	Contract	Unpaid
Fair Oaks Avenue Bikeway & Streetscape	\$ 961,012	\$ 754,692
Sunnyvale-Saratoga Road Pedestrian Safety Signal	911,300	479,438
Maude Avenue Streetscape	1,012,140	1,012,140
Intersection of Mathilda Avenue and Indio Way	1,169,417	1,149,417
Sidewalk, Curb Gutter & Drive 2018	1,648,333	1,186,427
E Remington & Michaelangelo Intersection Upgrade	251,537	251,537
	<u>\$ 5,953,739</u>	<u>\$ 4,833,651</u>

Business-Type Activities:

Description	Contract	Unpaid
Storm Pump Station Number 1 Rehabilitation	\$ 1,947,400	\$ 1,947,400
Primary Treatment Facility Pkge 2 - Reconstruct WPCP	107,201,106	54,171,869
SMaRT Station Stormwater Management System Upgrade	2,307,425	2,307,425
City Wide Water Line Replacement 2017	3,660,610	271,121
	<u>\$ 115,116,541</u>	<u>\$ 58,697,815</u>

Other Nonconstruction Commitment - Governmental Activities:

Description	Contract	Unpaid
Canon Copy Machines Lease (3 years)	\$ 322,300	\$ 322,300

Loan Agreement with State Water Resources Control Board

Refer to the Note 12 in the portion concerning direct borrowings and placements of debt.

In April 2017, the City executed a loan agreement with the California State Water Resources Control Board to secure \$127,068,522 in funding from the Clean Water State Revolving Fund for the Water Pollution Control Plant Rehabilitation — Headworks and Primary Treatment Facilities Phase 1(A) Project. California's Clean Water State Revolving Fund (SRF) is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency, State matching funds, revenue bond proceeds, loan repayments and fund earnings.

The City draws down the SRF loan on a cost reimbursement basis. Funding of the first \$4 million requested was paid with the SRF capitalization grant principal forgiveness funds; that amount will be immediately forgiven and will not accumulate interest. Repayment of the forgiven loan is required if the City does not comply with the program requirements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 15 – COMMITMENTS, Continued**

The City has committed to meet three financial special conditions as follows:

- The City will establish and maintain rates and charges sufficient to generate revenues in the amount necessary to cover operations and maintenance costs and ensure that net revenues are equal to at least 1.20 times the maximum annual debt service during the term of the Agreement.
- This Agreement is on parity to the Wastewater Revenue Bonds, Series 2010 (refunded by the Wastewater Revenue Bonds, Series 2017A and Series 2017 A-T in December 2017). Issuance of additional parity debt requires the net revenues in the most recent fiscal year to be a minimum of 1.20 times the maximum annual debt service for existing and proposed additional debt.
- The City agrees to maintain a reserve fund equal to one year's debt service, based on a projected annual amount of \$5,270,934, prior to the completion of construction and during the full term of this Agreement.

Clean Water State Revolving Fund Loan Projected Debt Service Requirement

Headworks and Primary Treatment, Phase 1(A) Project
based on projected loan disbursements at 1.7% interest

Year Ending June 30,	Projected Principal	Projected Interest	Projected Total
2022	\$ 3,178,769	\$ 2,092,165	\$ 5,270,934
2023	3,232,808	2,038,126	5,270,934
2024	3,287,766	1,983,168	5,270,934
2025	3,343,658	1,927,276	5,270,934
2026	3,400,500	1,870,434	5,270,934
2027-2031	17,889,537	8,465,133	26,354,670
2032-2036	19,462,733	6,891,937	26,354,670
2037-2041	21,174,277	5,180,393	26,354,670
2042-2046	23,036,334	3,318,336	26,354,670
2047-2051	25,062,140	1,292,530	26,354,670
Total	<u>\$ 123,068,522</u>	<u>\$ 35,059,498</u>	<u>\$ 158,128,020</u>

Interest will accrue at 1.7%, calculated from the date that SRF loans are disbursed. Loans are amortized over a period of 30 years. The final payment schedule will be forwarded to the City after all loan disbursements have been made and construction of the Project has been completed.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, which are agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The City contracted for 2% cost of living adjustments. The pre-retirement death benefits are the Basic Death Benefit or the 1957 Survivor Benefit.

Retirement Benefit Formulas

	Formula Name	Minimum Retirement Age	Normal Retirement Age	Maximum Benefit Age	Final Compensation	Contract Effective Date
Miscellaneous Tier 1	2.7% @ 55	50	55	55	1 year	New classic hire before 12/23/2012
Miscellaneous Tier 2	2% @ 60	50	55	63	1 year	New classic hire from 12/23/2012
Reformed Miscellaneous	2% @ 62	52	62	67	3 years	New PERS member from 1/1/2013
Safety Tier 1	3% @ 50	50	50	50	1 year	Classic sworn before 2/19/2012
Safety Tier 2	3% @ 55	50	50	55	1 year	Classic sworn from 2/19/2012
Reformed Safety	2.7% @ 57	50	57	57	3 years	New PERS member from 1/1/2013

For the year ended June 30, 2019, the required employer contribution rates for miscellaneous and safety plans were 30.591% and 51.041%, respectively.

Employees Covered - At June 30, 2018, the most recent actuarial valuation information available, the following employees were covered by the benefit terms:

	Miscellaneous	Safety	Total
Inactive employees or beneficiaries currently receiving benefits	1,040	399	1,439
Inactive employees entitled to but not yet receiving benefits	848	61	909
Active employees	685	197	882
	<u>2,573</u>	<u>657</u>	<u>3,230</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

Contributions/Funding Policy

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 for both Plans 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 employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Miscellaneous employees are required to contribute a portion of annual covered salary as follows: 8% for the first tier, 7% for the second tier, and 6.25% for the third or reformed tier. Safety employees in the first tier and the second tier are required to contribute 9% of their annual covered salary. Third- or reformed-tier safety employees are required to contribute 11% of annual covered salary. In the fiscal year ended June 30, 2018 (the measurement date of the net pension liability reported for fiscal year ended June 30, 2019), the City made EPMC (employer paid member contributions) of 4% for miscellaneous employees in the first and second tiers and 6% for safety employees in the first and second tiers. The City also picked up the additional 2.25% cost of funding the "single highest year" retirement benefit cost on behalf of the first- and second-tier safety employees.

In July 2018, the City established a Section 115 irrevocable trust to set aside funds to address pension funding needs in the long term. The Trust is owned and monitored by the City but externally managed by investment professionals. The Trust allows the City to have full control and flexibility on use of trust assets as a budget stabilization tool to fund pension contributions in the future years. The Trust also has an increased flexibility in investment allocations compared to City's portfolio which is restricted by State regulations and the City Investment Policy. The Trust is not associated with CalPERS in any way. As of June 30, 2019, the City reported the account balance of \$2,093,405 as deposits and investments held by fiscal agent and trustee in the Employee Payroll & Benefits Internal Service Fund.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability less the Plan's fiduciary net position. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: valuation date of June 30, 2017; measurement date of June 30, 2018, measurement period of July 1, 2017 to June 30, 2018.

	Miscellaneous	Safety	Total
Total Pension Liability	\$ 604,618,223	\$ 574,697,561	\$ 1,179,315,784
Plan Net Position	428,406,853	391,419,016	819,825,869
Net Pension Liability	<u>\$ 176,211,370</u>	<u>\$ 183,278,545</u>	<u>\$ 359,489,915</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous and Safety
Actuarial Cost Method	Entry age normal
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 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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, refer to the 2017 December Experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of assumptions

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The inflation rate reduced from 2.75 percent to 2.50 percent for the June 30, 2017 actuarial valuations.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for each Plan. The projection of cash flows used to determine the discount rate assumed that the 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 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 was then set equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2017, are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

¹ Inflation assets are included in both Global Equity and Global Fixed Income.

² An expected inflation of 2.0% used for this period.

³ An expected inflation of 2.92% used for this period.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

C. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 580,784,049	\$ 402,177,004	\$ 178,607,045
Changes Recognized for the Measurement Period:			
Service Cost	11,199,730	-	11,199,730
Interest on the Total Pension Liability	40,900,336	-	40,900,336
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(4,081,790)	-	(4,081,790)
Plan to Plan Resource Movement	3,645,229	-	3,645,229
Contributions - Employer	-	(996)	996
Contributions - Employee	-	16,854,299	(16,854,299)
Net Investment Income	-	5,008,021	(5,008,021)
Benefit Payments, including Refunds of Employee Contributions	-	34,014,678	(34,014,678)
Administrative Expenses	(27,829,331)	(27,829,331)	-
Other Miscellaneous Expenses	-	(626,703)	626,703
	-	(1,190,119)	1,190,119
Net Changes	23,834,174	26,229,849	(2,395,675)
Balances at June 30, 2018	\$ 604,618,223	\$ 428,406,853	\$ 176,211,370

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 558,684,127	\$ 371,940,076	\$ 186,744,051
Changes Recognized for the Measurement Period:			
Service Cost	10,198,713	-	10,198,713
Interest on the Total Pension Liability	38,968,908	-	38,968,908
Changes of Assumptions	(3,031,221)	-	(3,031,221)
Differences between Expected and Actual Experience	(1,342,176)	-	(1,342,176)
Plan to Plan Resource Movement	-	(911)	911
Contributions - Employer	-	14,914,181	(14,914,181)
Contributions - Employee	-	3,875,143	(3,875,143)
Net Investment Income	-	31,151,544	(31,151,544)
Benefit Payments, including Refunds of Employee Contributions	(28,780,790)	(28,780,790)	-
Administrative Expenses	-	(579,585)	579,585
Other Miscellaneous Expenses	-	(1,100,642)	1,100,642
Net Changes	16,013,434	19,478,940	(3,465,506)
Balances at June 30, 2018	\$ 574,697,561	\$ 391,419,016	\$ 183,278,545

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plans as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

Net Pension Liability	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	\$ 255,864,167	\$ 176,211,370	\$ 110,370,349
Safety Plan	260,672,101	183,278,545	119,712,066

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 16 – PENSION PLANS, Continued

For the measurement period ended June 30, 2018 (the measurement date), the City recognized total pension expense of \$55,182,322, including \$29,028,699 for Miscellaneous Plan and \$26,153,623 for Safety Plans.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan:		
Employer Contributions Subsequent to Measurement Date	\$ 19,629,140	\$ -
Changes of Assumptions	6,421,388	(2,449,074)
Differences between Expected and Actual Experiences	2,187,137	(1,203,888)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,207,269	-
Total Miscellaneous Plan	29,444,934	(3,652,962)
Safety Plan:		
Employer Contributions Subsequent to Measurement Date	17,607,279	-
Changes of Assumptions	13,064,249	(2,083,964)
Differences between Expected and Actual Experiences	-	(2,454,502)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,456,477	-
Total Safety Plan	32,128,005	(4,538,466)
All Plans	\$ 61,572,939	\$ (8,191,428)

The amount of \$37,236,419 (\$19,629,140 for Miscellaneous and \$17,607,279 for Safety Plans), reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability for the next reporting period.

Other deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Miscellaneous Plan	Safety Plan
2020	\$ 10,289,163	\$ 11,938,516
2021	1,228,158	3,232,189
2022	(4,232,524)	(4,180,226)
2023	(1,121,965)	(1,008,219)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The City of Sunnyvale Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit retiree healthcare plan administered by the City of Sunnyvale through a Trust that meets the criteria in Paragraph 3 of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Trust is included as an OPEB Trust Fund in the financial reporting entity of the City of Sunnyvale.

The measurement date of the net OPEB liability presented in the City’s current year financial statements was as of June 30, 2018. The Plan’s stand-alone financial report for the fiscal year ended June 30, 2018 is available on the City’s Website.

Benefits Provided

The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees’ Retirement System healthcare program (PEMHCA). PEMHCA requires that medical insurance contributions for retired annuitants paid for by a contracting agency be equal to the medical contributions paid for its active employees. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the unions representing City employees.

For the fiscal year ended June 30, 2018 (the measurement period of the net OPEB liability), the City provided a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$440 for SEIU, \$467 for PSOA, \$473 for COA, and \$796 for SEA/Confidential/Management per month at June 30, 2018). The City pays 100% of the medical premium for management employees who retired on or before December 31, 2007 and 100% of the medical premium up to a dollar cap for management employees who retire after December 31, 2007. Management employees appointed on or after July 1, 2007 are subject to a vesting schedule ranging from 50% after 5 years of management service to 100% after 15 years of management service.

The Plan also provides potential retiree medical benefits to all Councilmembers. Councilmembers only receive the benefit if they retire from CalPERS within 120 days of when they leave office with the City. Benefits are subject to change and do not constitute a contract. For the fiscal year ended June 30, 2018, the monthly City contribution of \$128 represents the PEMHCA required minimum employer contribution amount.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Employees Covered - At June 30, 2018, the most recent actuarial valuation information available, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	802
Inactive employees entitled to but not yet receiving benefits	87
Active employees	861
	<u>1,750</u>

Contributions/Funding Policy

Since 2007, the City has set aside funds in the Employee Payroll & Benefits Internal Service Fund for future OPEB obligations. On July 20, 2010, City Council approved the City entering into an Investment Advisory Agreement with PFM Asset Management, LLC (PFM) to establish and administer the City's retiree medical trust, a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits. On December 7, 2010, the Council approved a Trust Agreement among the City (Employer), PFM (Trust Administrator), and U.S. Bank National Association (as the Trustee of Trust assets).

For the measurement period ended June 30, 2018, aside from the implied subsidy of \$1,510,000, the City pre-funded \$4,059,000 to the Trust while contributing \$5,763,886 outside of Trust on a pay-as-you-go basis for current benefit payments and PEMHCA administration expenses. These City contributions are separately identified line items in the City Employee Payroll & Benefits Internal Service Fund's long-term financial plan, an integral part of the City's annually adopted budget.

B. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Total OPEB Liability	\$	166,022,735
Plan Fiduciary Net Position		<u>93,803,436</u>
City's Net OPEB Liability	\$	<u>72,219,299</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.5%
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Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Significant Assumptions and Other Inputs Used to determine Total OPEB Liability

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. No significant changes in benefits, the covered population or other factors affecting the valuation results have occurred after the June 30, 2018, actuarial valuation.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Implied Subsidy	Implied subsidy included for non-Medicare eligible retirees (projected benefit payments are based on claim cost or age-adjusted premiums approximating claim costs)
Actuarial Assumptions:	
Discount Rate	6.0% - full actuarially determined contribution funding
Expected Long-Term Rate of Return	6.0%, net of plan investment expenses, including inflation
Inflation	2.75% annually
Payroll Growth	3.0% annually, including inflation
Cap increase on benefit payments	0% to 5% depending on bargaining unit
Medical Trend	7.5% annually decreasing to 4.0% for retirees not eligible for Medicare. 6.5% annually decreasing to 4.0 % for retirees eligible for Medicare.
Mortality	Derived using CalPERS 1997-2015 Experience Study. Mortality Improvement Scale MP-2018

Change of Assumptions

Demographic assumptions were updated in accordance to the CalPERS Membership Data 1997-2015 Experience Study. Mortality improvement scale was updated to Scale MP-2018 from MP-2014. The discount rate reduced from 6.5 percent to 6.0 percent while inflation rate was lowered from 3.0 percent to 2.75 percent. Payroll growth rate reduced from 3.25 percent to 3.0 percent. Healthcare trend was also updated.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The expected nominal long-term rate of return was derived from stochastic projections of expected long-term real rates of return net of investment expenses under various economic scenarios using expected geometric real rates of return and correlation for fund asset classes plus inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39.0%	4.53%
International Equity	21.0%	4.93%
Fixed Income	40.0%	1.47%
Total	100.0%	

C. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances at June 30, 2017	\$ 166,917,700	\$ 83,007,935	\$ 83,909,765
Changes Recognized for the Measurement Period:			
Service Cost	5,126,973	-	5,126,973
Interest on the Total OPEB Liability	10,947,288	-	10,947,288
Changes of Assumptions	5,292,216	-	5,292,216
Differences between Expected and Actual Experience	(15,011,718)	-	(15,011,718)
Contributions - Employer	-	11,332,886	(11,332,886)
Net Investment Income	-	6,736,501	(6,736,501)
Benefit Payments	(7,249,724)	(7,249,724)	-
Administrative Expenses	-	(24,162)	24,162
Net Changes	(894,965)	10,795,501	(11,690,466)
Balances at June 30, 2018	\$ 166,022,735	\$ 93,803,436	\$ 72,219,299

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current discount rate:

	Discount Rate -1% (5.0%)	Current Discount Rate (6.0%)	Discount Rate +1% (7.0%)
Net OPEB Liability	\$ 96,228,328	\$ 72,219,299	\$ 52,714,913

Sensitivity of the Net OPEB Liability to Changes in the Medical Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current medial trend rates:

	1% Decrease in Medical Trend Rates	Current Medical Trend Rates	1% Increase in Medical Trend Rates
Net OPEB liability	\$ 56,832,559	\$ 72,219,299	\$ 91,777,943

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued 2018 Sunnyvale Retiree Healthcare Plan Report, available on the City's website under Budget and Finance Documents.

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 75, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

For the measurement period ended June 30, 2018 (the measurement date), the City recognized total OPEB expense of \$8,047,126.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to Measurement Date	\$ 12,048,370	\$ -
Changes of Assumptions	4,347,177	-
Differences between Expected and Actual Experiences	-	(12,331,054)
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	(2,618,478)
Total	<u>\$ 16,395,547</u>	<u>\$ (14,949,532)</u>

The amount of \$12,048,370, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability for the next reporting period.

The deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year Ended June 30,	
2020	\$ (2,526,087)
2021	(2,526,087)
2022	(2,526,087)
2023	(1,982,716)
2024	(1,041,378)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 18 – INTERFUND TRANSFERS

Transfers are interfund transactions wherein the two funds involved do not necessarily receive equivalent cash, goods, or services. The City's transfer activity is indicative of funding for (1) capital projects or equipment, (2) debt service payments, (3) subsidies of various operating activities, and (4) allocated share in Government Center debt service.

Below is a summary of interfund transfers:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
General Fund	City Projects	\$ 7,000,000	(1)
	Nonmajor Governmental	35,616	(3)
	Water Supply and Distribution	19,191	(1)
	Wastewater Management	1,628,631	(3)
	Solid Waste Management	1,084,441	(3)
	Subtotal - General Fund	9,767,879	
Housing Special Revenue	Nonmajor Governmental	4,000,000	(1)
City Projects	General Fund	69,038	(1)
	Park Dedication Special Revenue	177,098	(1)
	Infrastructure Renovation and Replacement	239,463	(1)
	Nonmajor Governmental	230,444	(1)
	Subtotal - City Projects	716,043	
Infrastructure Renovation and Replacement	General Fund	27,466,366	(1)
	Park Dedication Special Revenue	3,412,881	(1)
	Nonmajor Governmental	1,967,600	(1)
	Internal Services - General Service	14,418	(1)
	Water Supply and Distribution	2,621	(1)
	Wastewater Management	1,943	(1)
	Subtotal - Infrastructure Renovation and Replacement	32,865,829	
Nonmajor Governmental	Internal Service - General Services	670,643	(4)
	Water Supply and Distribution	62,035	(4)
	Wastewater Management	42,586	(4)
	Solid Waste Management	63,040	(4)
	Subtotal - Nonmajor Governmental	838,304	
Internal Services	General Fund	14,095,395	(1)
	Park Dedication Special Revenue	1,109,154	(1)
	Infrastructure Renovation and Replacement	188,847	(1)
	Nonmajor Governmental	321,667	(1)
	Water Supply and Distribution	781,945	(1)
	Wastewater Management	686,833	(1)
	Subtotal - Internal Service	17,183,841	
Wastewater Management	General Fund	72,439	(1)
SMaRT Station	Solid Waste	510,068	(2)
Golf and Tennis Operation	General Fund	1,455,755	(3)
Total Interfund Transfers		\$ 67,410,158	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net position is classified in the following categories:

Net Investment In Capital Assets

This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted

The restricted component of net position represents restricted assets reduced by liabilities related to those assets. For governmental activities, this category presents 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.

For the City’s business-type activities or enterprise funds, the restricted assets include bond proceeds used for constructing capital improvements and for establishing the debt service and loan reserves. Since the related bonds payable is greater than the bond proceeds held by the trustee under each fund or activity, there is no restricted net position to report for bond proceeds. Restricted net position is reported for loan reserve to the extent that it exceeds loan payable.

The City Policy is to spend restricted resources first and use unrestricted resources when the restricted funds are depleted.

Unrestricted

This category is the “residual” component of net position. It consists of net position that does not meet the definition of either “restricted” or “net investment in capital assets.”

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2019:

	Major Funds						Nonmajor Governmental Funds
	General Fund	Housing Special Revenue	Park Dedication Special Revenue	Employment Development Special Revenue	City Projects	Infrastructure Renovation & Replacement	
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	\$ 611,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term Receivables Net of Deferred Inflows of Resources	3,511,826	-	-	-	-	-	-
Assets Held for Resale	1,101,077	-	-	-	-	-	-
Permanent Fund Principal	-	-	-	-	-	-	1,625,589
Columbia Neighborhood Center Endowment	294,429	-	-	-	-	-	-
Subtotal	5,518,496	-	-	-	-	-	1,625,589
Restricted for:							
Donations and Contributions from External Sources	1,014,543	-	-	-	-	-	-
Hazardous Materials Program Enforcement Actions	595,635	-	-	-	-	-	-
Housing Mitigation	-	96,227,213	-	-	-	-	-
Assets Held for Resale	-	280,000	-	-	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	-	-	20,774,852
Low and Moderate Income Housing Assets	-	-	-	-	-	-	9,796,128
Park Dedication	-	-	86,352,548	-	-	-	-
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	-	-	133,274
Police Services Augmentation	-	-	-	-	-	-	10,240
Workforce Training and Development	-	-	-	229,317	-	-	-
Downtown Parking Maintenance	-	-	-	-	-	-	627,722
Public Street and Highways	-	-	-	-	-	-	8,109,546
Debt Service Reserve	1,303,400	-	-	-	-	-	1,097,394
Capital Projects Funded by External Resources	-	-	-	-	80,886,000	-	-
Subtotal	2,913,578	96,507,213	86,352,548	229,317	80,886,000	-	40,549,156
Committed to:							
Contingency Reserve	24,608,159	-	-	-	-	-	-
Capital Improvement Projects	3,371,267	-	-	-	-	22,804,223	-
Current Capital and Special Projects Carryover	18,916,992	-	-	-	-	-	-
Subtotal	46,896,418	-	-	-	-	22,804,223	-
Assigned to:							
Infrastructure Renovation and Improvement Projects	-	-	-	-	-	50,904,294	-
Unassigned:							
General Fund	71,029,705	-	-	-	-	-	-
Total	\$ 126,358,197	\$ 96,507,213	\$ 86,352,548	\$ 229,317	\$ 80,886,000	\$ 73,708,517	\$ 42,174,745

In the fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Council and its designated officials.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Fund Balance Classifications:

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories, prepaid items, long-term receivable net of deferred inflows of resources, and nonfinancial assets held for resale.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of endowments and permanent funds.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City's fee revenue generated through enabling legislation include impact fees such as housing impact fees and park dedication fees reported under the Major Special Revenue Funds, and transportation impact fees reported under the City Projects Major Fund.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal action (Council-adopted), no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes for the General Fund or negative fund balances for other governmental funds.

Spending Prioritization in Using Available Resources:

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

Because the City is required to present balanced long-term financial plans for all funds, use of reserves is a critical component. As such, Council has several fiscal policies regarding reserves and reserve levels.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

General Fund Balance Requirements Caused by Council Actions or Management’s Intended Use:

The General Fund Contingency Reserve was established by the City Council at 15% of General Fund operating budget to provide funding for any significant unplanned event that may arise such as natural disasters or non-fiscal emergencies. In the fiscal year 2019 adopted budget, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$24,608,159.

The General Fund Reserve for Capital Improvement Projects primarily reflects the proceeds from land sales between fiscal year 2006 and fiscal year 2019. Such proceeds have been used for specific capital improvement projects as approved by the Council. The reserve balance at year end was \$3,371,267, which was classified as committed resources of the fund balance. Future funds in this reserve are for one-time capital expenditures in adherence with Council fiscal policy.

The Current Capital Projects Carryover represents the unspent amount of multiple-year General Fund project appropriations and deferred transfers to other funds’ capital projects. The amount of \$18,916,992 remains committed until the completion of these Council-approved projects.

The Budget Stabilization Fund functions to normalize service levels through economic cycles. After identifying nonspendable, restricted, committed, and assigned fund balances, the remaining balances become the Budget Stabilization Fund. This Fund is expected to increase during periods of economic growth and is to be drawn down during the low points of economic cycles to maintain stable service levels over the long term. At the end of fiscal year 2019, this Fund had a balance of \$71,029,705 and is classified as unassigned.

Explanation of Fund Balance Requirements Other than the General Fund:

For the Housing Special Revenue Fund, the restricted amount of \$96,507,213 is for the purposes of developing affordable housing by utilizing housing impact fees, and managing the City’s below-market-rate housing as supported by below-market-rate housing fees and fines.

For the Park Dedication Special Revenue Fund, the restricted amount of \$86,352,548 is for the purpose of acquisition, construction, or renovation of neighborhood parks.

For the Employment Development Special Revenue Fund, the restricted amount of \$229,317 is for the purposes of work force training and development, as required by the terms of various federal and state grants.

For the City Projects Fund, total fund balance was \$80,886,000, which represents the restricted resources from grants and impact fees.

For the Infrastructure Renovation and Improvement Fund, the amount of \$22,804,223 represents proceeds from the sales of land committed for specific capital improvements proceeds as approved by the Council. The remaining fund balance of \$50,904,294 represents resources assigned to capital projects, primarily for the construction of the City Civic Center.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST**

Pursuant to the State Statute ABx1 26 (the Dissolution Act), on January 10, 2012, the City Council elected to become the Redevelopment Successor Agency (RSA) for the former Redevelopment Agency (RDA).

Prior to July 1, 2018, the RSA had been governed by the Oversight Board consisting of seven members representing the City of Sunnyvale, the County of Santa Clara and local education and special districts of the Redevelopment Project Area. Commencing July 1, 2018, Senate Bill 107 requires that all oversight boards for the various former redevelopment agencies in the County of Santa Clara be consolidated into a single county-wide oversight board.

The Oversight Board has a fiduciary responsibility to holders of Enforceable Obligations and the taxing entities that benefit from distributions of property tax and other revenues. The actions of the Oversight Board are overseen by the State Department of Finance and may be subject to disapproval or modification.

For funding of its remaining obligations for each period, the RSA is responsible for preparing the Recognized Obligation Payment Schedule (ROPS), subject to the approval of the Oversight Board and the State Department of Finance. Only the enforceable obligations listed in the ROPS may be paid by the RSA from the Redevelopment Property Tax Trust Fund (RPTTF) distributed by the County of Santa Clara.

The activities of the RSA are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The City has two private-purpose trust funds, which are presented in the basic financial statements in combined amounts. The remaining portion of this note explains only the account balances related to the Redevelopment Successor Agency Trust Fund.

A. Deposits and investments

At year end, the RSA's cash and investments were held for the following purposes:

Enforceable Obligations Purposes	Amounts Approved to Cover the Period 7/1/19-12/31/19	Unspent Amounts from Prior Advances	Total RPTTF Held at 6/30/19
Central Core Tax Allocation Bonds Debt Service	\$ 563,605	\$ (6,080)	\$ 557,525
Fiscal Agent Trustee Fees	2,500	6,500	9,000
Town Center Pollution Remediation Obligations	181,587	(49,550)	132,037
Town Center Development Agreement Management	25,000	165,356	190,356
Low and Moderate Income Housing Asset Fund Repayment	2,557,519	-	2,557,519
Administration Funded by RPTTF	60,000	231,135	291,135
RPTTF Managed by the City for the RSA	<u>\$ 3,390,211</u>	<u>\$ 347,361</u>	<u>\$ 3,737,572</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued**

In June 2019, the County distributed the amount of \$3,113,305 to the RSA, after subtracting \$276,906 (unspent as of June 30, 2017 prior period adjustment) based on the Certified Recognized Obligation Payment Schedule (ROPS) submitted for the period from July to December of 2019.

At June 30, 2019, the RPTTF position held by the RSA in LAIF was \$3,737,572. Additionally, investments totaling \$637,862 were invested in money market mutual funds and LAIF by the fiscal agent as debt service reserve for the Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003.

B. Receivables

At year end, the RSA's receivables were as follows:

<u>To Collect from</u>	<u>Amount</u>
RPTTF (Reimbursement Obligation to City-1998 Parking Facility COP)	\$ 7,453,378
Interest Receivable	13,686
Total Receivables	<u>\$ 7,467,064</u>

Beginning with the third ROPS, which covered the period from January to June of 2013, the State Department of Finance has repeatedly denied the RSA's reimbursement obligation for the 1998 Parking Facility Refunding Certificates of Participation, on the basis that the 1977 Loan Repayment Agreement was not an enforceable obligation. The amount of \$7,453,378 represents debt service payments by the City's General Fund that remained unreimbursed by the RPTTF.

C. Capital Assets

The carrying value of the former RDA capital assets (land) was \$13,959,752. This amount was a combination of actual costs and estimates as determined by the generally accepted accounting principles for financial reporting purposes only and did not take into consideration any land use restrictions on the property.

D. Accounts Payable and Accrued Liabilities

The balance of \$5,355 included unpaid invoices for legal and financial services at fiscal year end.

E. Accrued Interest Payable

As of June 30, 2019, \$40,504 of interest was accrued on the 2003 Tax Allocation Bonds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

F. Noncurrent Liabilities

Description	Balance, June 30, 2018	Additions	Reductions	Balance, June 30, 2019	Due Within One Year	Due In More Than One Year
Redevelopment Successor Agency Private-Purpose Trust Fund:						
Bonds Payable:						
Central Core Tax Allocation Bonds, Series 2003	\$ 2,690,000	\$ -	\$ (495,000)	\$ 2,195,000	\$ 515,000	\$ 1,680,000
Contractual Obligations under the 2016 MRADDOP A:						
Town Center Pollution Remediation Obligations to Developer	616,864	-	(79,963)	536,901	70,000	466,901
Payable to the Low and Moderate Income Housing Asset Fund	11,143,510	-	(2,076,752)	9,066,758	2,557,519	6,509,239
Former RDA Obligations Due to the City	29,329,092	1,889,388	-	31,218,480	-	31,218,480
Total	\$ 43,779,466	\$ 1,889,388	\$ (2,651,715)	\$ 43,017,139	\$ 3,142,519	\$ 39,874,620

These noncurrent liabilities are explained as follows.

Bonds Payable

Below is the outstanding bonded debt obligation issued for the Town Center Redevelopment Project area established in the late 1970s:

Bonded Debt	Par Amount	Moody's	S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 2,195,000	Aa3	A+

Tax Allocation Bonds

\$7,960,000 Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003

Due in original annual installments of \$230,000-\$585,000 through August 1, 2022 with interest at 2.00-4.50%, Repayments had been made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund before the Redevelopment Agency was dissolved on January 31, 2012. On February 1, 2012, the remaining debt principal in the amount of \$5,285,000 was transferred to the Redevelopment Successor Agency Private Purpose Trust Fund, which is funded by the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued**

The debt service requirements for the bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 515,000	\$ 86,138	\$ 601,138
2021	535,000	63,295	598,295
2022	560,000	38,925	598,925
2023	585,000	13,163	598,163
Total	<u>\$ 2,195,000</u>	<u>\$ 201,521</u>	<u>\$ 2,396,521</u>

Contractual Obligations from the 2010 Amended Disposition and Development and Owners Participation Agreement (2010 ADDOPA) have been modified by the 2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement (2016 MRADDOPA)

On August 2, 2010, the Redevelopment Agency entered in the 2010 Amended Disposition and Development and Owner Participation Agreement with L. Gerald Hunt, as Court-Appointed Receiver (Developer) with respect to the Sunnyvale Town Center Project (2010 ADDOPA). The 2010 ADDOPA was a legally binding and enforceable agreement with a private party entered into in full compliance with the Community Redevelopment Law as it existed on August 2, 2010, so it was not an agreement that is otherwise void as violating the debt limit or public policy and it was entered into prior to 2011, and thus was an enforceable obligation under Health and Safety Code Section 34171(d)(1)(E).

On September 20, 2016, the Redevelopment Successor Agency entered into the 2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement (2016 MRADDOPA) for the Sunnyvale Town Center with STC Venture, LLC, a joint venture consisting of J.P. Morgan Asset Management Fund, Sares Regis Group of Northern California, and Hunter Properties, LLC. The 2016 MRADDOPA reduces the Successor Agency's liabilities and increases the revenues to the taxing entities. This agreement supersedes and replaces the 2010 ADDOPA. Two key modifications with a significant financial impact on the Agency are (1) the elimination of the Town Center Public Improvement Obligations to the Developer, and (2) the reduction of the obligations related to the Town Center environmental remediation costs.

Reduction of Town Center Pollution Remediation Obligation

Pursuant to the 2010 ADDOPA, the former RDA and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (Receiver) agreed to cooperate and share the costs in the investigation of, and response to, environmental conditions associated with the Town Center Project (Project) under the oversight of an appropriate regulatory agency. The former RDA and the Developer also agreed to cooperate in any efforts by either party to seek and obtain suitable liability protection, immunities and/or other assurances from the oversight agency regarding those environmental conditions pursuant to the Polanco Redevelopment Act, enacted by the State to encourage redevelopment of sites impacted by the presence of hazardous substances and to provide incentives in the form of state immunities, if completed.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

During the period of due diligence by the Developer, it became known that soil and groundwater contamination does exist and emanates from the Project area. The contaminants, predominantly PCB, include hazardous materials thought to be released by former Downtown dry cleaning establishments, or auto repair enterprises, gas stations, and other uses that use, store, or dispose of hazardous materials and wastes.

On July 17, 2007, the former RDA as responsible party adopted a resolution approving and authorizing an agreement with the San Francisco Bay Regional Water Quality Control Board as the oversight agency to facilitate investigation of, and response to, environmental conditions associated with the Project.

The former RDA's estimated cumulative pollution remediation obligation was \$9,000,000, measured at the current value of expected, most likely outlays. This amount included the RDA's estimated share of total environmental costs with the Developer and the RDA's own personnel and legal costs. The shared environmental costs include commercially reasonable costs incurred by the Developer and the Agency, including oversight fees charged by the environmental oversight agency, hazardous waste generator fees or taxes imposed by statute, hazardous waste transportation and disposal costs, related environmental fees charged by attorneys and consultants, costs to install, operate, and maintain soil, soil vapor and groundwater remedial systems, and costs related to the closure of remedial facilities.

The Dissolution Act recognizes obligations imposed by State law and contractual commitments to remediate contaminated properties as enforceable obligations. On February 1, 2012, the RSA recognized the estimated liability of \$1,865,440, which was the same amount as recognized by the former RDA under the accrual basis of accounting as of January 31, 2012 before its dissolution. Outlays totaling \$1,328,539 have been incurred since the RDA dissolution, including \$79,963 in this year. At year end the estimated remaining amount is \$536,901.

The 2016 MRADDOPA reduces the Successor Agency's obligations related to environmental remediation by requiring the Developer to assume the full cost of environmental remediation for the Successor Agency's public parking parcels on Block 6 (Lots 1, 3 and 4) upon conveyance of these parcels to the Developer no later than October 1, 2022.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Payable to the Low and Moderate Income Housing Asset Fund (LMIHAF)

California Redevelopment law used to require that 20% of the tax increment generated from the redevelopment project area be used by the RDA to increase and improve affordable housing for persons of low and moderate income. Due to pre-existing debt obligations, the RDA had to defer payments into the Low and Moderate Income Housing Fund by accruing a liability (“Due to Other Funds”) in the (old) Redevelopment Special Revenue Fund. From fiscal year 1994 to fiscal year 2011 total liabilities accrued amounted to \$14,673,336. A corresponding, equal amount of receivable (“Due from Other Funds”) had been reported in the Redevelopment Low and Moderate Income Housing Fund. Both funds had been reported under nonmajor special revenue funds until fiscal year 2011 when the implementation of GASB Statement No. 54 caused the consolidation of the two funds as one nonmajor special revenue fund called the (new) Redevelopment Special Revenue Fund.

The Dissolution Act states that the City or County that authorized the creation of the RDA may elect to retain the affordable housing assets and functions previously performed by the RDA. On June 27, 2012, the State Legislature passed AB 1484, a budget “trailer bill” to the Dissolution Act. AB 1484 provides clarifications to the treatment of housing assets under the Dissolution Act. Deferred amounts owed to the former Low and Moderate Income Housing Fund are considered housing assets to be administered by the Housing Successor. The Housing Successor is not subject to the Oversight Board’s control but must keep the housing-related rights, powers, duties and obligations of the former RDA.

Pursuant to AB 1484 Section 34176(d), a new City fund called “Low and Moderate Income Housing Asset Fund” (LMIHAF) was created in fiscal year 2012 to record the only housing asset (“Housing Deficits Receivable”). The LMIHAF is a nonmajor special revenue fund whose use must comply with the applicable housing-related provisions of the State’s Community Redevelopment Law.

At June 30, 2019, the remaining amount of the LMIHAF obligation was \$9,066,758, which will be reduced by \$2,557,519 on July 1, 2019, which was part of the June RPTTF distribution to the Successor Agency for the next six months.

Former Redevelopment Agency (RDA) Obligations Due to the City’s General Fund

Under the Dissolution Act, the repayment of many loans made in good faith by a Sponsoring Community to its now dissolved RDA became unenforceable as of February 1, 2012. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (whose approval in turn creates the opportunity for the State Department of Finance review and disapproval), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan was for legitimate redevelopment purposes.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued**

On September 22, 2015, Senate Bill (SB) 107, which contains significant changes to the redevelopment dissolution laws, was signed into law. If a successor agency has received a finding of completion, an oversight board may revitalize a loan agreement between the former RDA and the city which was previously determined to not be an enforceable obligation. Additionally, the interest rate of any reestablished loan agreement shall be recalculated at an interest rate of three percent from the origination of the loan. SB 107 also redefines a “loan agreement” as follows:

- Loans for money under which the city transferred cash to the former RDA for use for a lawful purpose and where the former RDA was obligated to repay the money pursuant to a required repayment schedule;
- Agreements under which city transferred real property to the former RDA for use for a lawful purpose and the RDA was obligated to pay the city for the real property interest; or
- Agreements under which the city contracted with a third party on behalf of the former RDA, limited to \$5 million.

The determination on how the RSA’s repayment schedule below will be interpreted under SB 107 is still in legal proceedings and will ultimately affect whether any loans listed in the schedule below can be reestablished for repayment.

The following repayment schedule shows the calculation of the balances of the City loans at year end:

Loans from the City General Fund to the Redevelopment Agency	Loan Principal	Simple Interest at 3%	Total
Reentered Agreement 2012	\$ 7,453,377	\$ 744,247	\$ 8,197,624
Administrative Loan	14,017,916	7,072,215	21,090,131
Plaza Loan	1,500,000	430,725	1,930,725
Loan Balance, June 30, 2019	<u>\$ 22,971,293</u>	<u>\$ 8,247,187</u>	<u>\$ 31,218,480</u>

The former RDA (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall as part of a financing mechanism for the start of the RDA project area development. In 2005, the leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation. The lease, as amended, requires the City to pay to the former RDA base rental payments ranging from \$1,131,103 to \$1,281,250 annually, payable on October 1 and April 1 of each year until October 1, 2022, equal to related debt service payments. Under the terms of the First Amended Repayment Contract, the former RDA made the commitment to repay the City for costs advanced (called the “1977 Loan”) on its behalf and base rentals plus 8% interest thereon.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2019

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

After the RDA dissolution, the City and the Successor Agency (RSA) reentered into an Amended and Restated Reimbursement Agreement on April 24, 2012, effective retroactively to February 1, 2012. The funding source of the RSA reimbursement, in the City’s opinion, should have been the Redevelopment Property Tax Trust Fund (RPTTF). However, the State Department of Finance (DOF) determined that both the 1977 Loan Repayment Agreement and the reentered 2012 Amended and Restated Reimbursement Agreement for the 1998 COPS would not qualify as enforceable obligations. On April 20, 2018, the California Court of Appeal affirmed the trial court’s decision that the 1977 Repayment Agreement was not an enforceable obligation under the statutory exception for written agreements entered into at the time of issuance of indebtedness obligations, solely for the purpose of securing or repaying those indebtedness obligations. The City filed a petition for review with the California Supreme Court in May 2018, which petition was denied.

The City and the former RDA also adopted a “2003 Loan and Repayment Agreement” on December 18, 2003. The RDA agreed to compensate the City for all administrative costs incurred for the RDA after 1985 and further capital expenditures that had been incurred since 1986 (called the “Administrative Loan” and the “Plaza Loan”) with original interest rates of 8% and 6%, respectively. Both loan balances had once been recalculated using the LAIF rates at the time of the RDA dissolution. On September 22, 2015, the State Legislature passed Senate Bill 107, which requires that the loan be recalculated at the simple interest rate of three percent from the date of origination of the loan. After granting the Finding of Completion to the RSA on December 23, 2015, the DOF continued to deny both the Administrative Loan and the Plaza Loan as enforceable obligations, most recently on May 17, 2018 in its letter concerning the 2018-19 Annual ROPS. The loan balance of \$31,218,480 was reported and fully allowed for by the General Fund.

NOTE 21 – SUBSEQUENT EVENTS

A. Purchase of Real Property and Purchase lease back Agreement

On November 5, 2019, the City Council approved a purchase of a real property in the amount of \$5,830,000 from the Sunnyvale Community Services (SCS) and a purchase lease back agreement between the City and the SCS. The SCS is an independent, nonprofit emergency assistance agency provides services to the Sunnyvale residents who are in need of economic, health and social services. Due to higher demand of its services in recent years, the SCS has outgrown its current location and is in the process of purchasing a larger building in Sunnyvale to accommodate its planned expansion. City agrees to purchase the property and lease it back to the SCS at a nominal rate for one year. The purchase lease back agreement is to ensure continuity of services of SCS in Sunnyvale while that completes a new property purchase. The close of escrow account occurred on November 26, 2019.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2019

NOTE 21 – SUBSEQUENT EVENTS, Continued

B. WIFIA Loan Application Approval

In September 2018, the City received an invitation from the US Environmental Protection Agency (EPA) to apply for the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) Loan Program, which provides secured loans and loan guarantees to eligible water infrastructure projects. The WIFIA loan can be used to pay for up to 49% of the eligible project, financing and interest costs. The City applied for the WIFIA loan to finance portions of the second phase of the Sunnyvale Clean Water Program, rehabilitation of existing facility and reconstruction of the secondary treatment plant. In November 2019, the EPA has accepted the City's application and has preliminarily approved the WIFIA loan in the amount of \$225.8 million. The City anticipates to complete the loan process in fiscal year 2019/20.

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Required Supplementary Information (Unaudited)

Required Supplementary Information
Fiscal Year Ended June 30, 2019

BUDGETARY POLICY AND CONTROL

The following are Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds:

Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2018	\$ 90,193,261	\$ 131,637,955	\$ 131,637,955	\$ -
Resources (inflows):				
Property Taxes	75,105,869	83,822,456	84,827,809	1,005,353
Sales and Use Taxes	31,913,429	33,334,705	33,968,111	633,406
Other Taxes	33,097,577	37,388,415	39,852,986	2,464,571
Franchise Fees	7,368,207	7,403,694	6,976,089	(427,605)
Intergovernmental Revenues	863,358	1,422,873	1,446,313	23,440
Permits and Licenses	1,415,807	1,415,807	1,938,313	522,506
Fines and Forfeitures	908,667	908,667	1,197,979	289,312
Service Fees	6,091,270	6,568,688	7,826,729	1,258,041
Rents and Concessions	1,597,542	1,388,097	1,571,287	183,190
Investment Earnings	1,771,563	1,600,979	3,557,808	1,956,829
Interfund Revenues	7,480,521	7,480,521	7,480,521	-
Other Revenues	18,289,259	703,414	730,617	27,203
Transfers In	25,951,828	19,587,934	19,379,379	(208,555)
Total Resources	211,854,896	203,026,250	210,753,941	7,727,691
Charges to appropriations (outflows):				
City Attorney	1,739,353	1,739,353	1,681,895	57,458
City Manager	5,765,475	5,765,475	5,182,881	582,594
Community Development	1,388,137	1,388,137	1,098,195	289,942
Finance	10,295,491	10,295,491	10,534,902	(239,411)
Human Resources	4,874,035	4,874,035	4,417,136	456,899
Library and Community Services	19,566,958	19,567,458	17,764,778	1,802,680
Public Safety	93,560,142	93,560,142	92,723,059	837,083
Public Works	25,383,249	25,394,669	23,375,144	2,019,525
Environmental Services	2,351,499	2,351,499	1,774,989	576,510
Non-Departmental				
Capital Outlay and Special Projects	19,432,394	27,186,350	14,281,921	12,904,429
Debt Service	3,163	1,203,163	1,207,972	(4,810)
Transfers Out	57,660,736	55,365,659	45,161,177	10,204,482
Total charges to appropriations	242,020,632	248,691,431	219,204,049	29,487,382
Excess of resources over (under) charges to appropriations	(30,165,736)	(45,665,181)	(8,450,108)	37,215,073
Budgetary Fund Balance, June 30, 2019	\$ 60,027,525	\$ 85,972,774	\$ 123,187,847	\$ 37,215,073

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Housing Special Revenue Fund
Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2018	\$ 20,319,111	\$ 40,570,759	\$ 40,570,759	\$ -
Resources (inflows):				
Intergovernmental Revenues				-
Service Fees	1,139,409	36,822	8,900,011	8,863,189
Interest Income	408,111	723,567	975,983	252,416
Other Revenues	12,306,218	7,610,311	4,420,471	(3,189,840)
Transfer In	4,000,000	4,000,000	4,000,000	-
Total Resources	17,853,738	12,370,700	18,296,465	5,925,765
Charges to appropriations (outflows):				
Community Development	1,038,927	1,038,927	616,296	422,631
Capital Outlay and Special Projects	3,389,630	14,756,820	1,315,397	13,441,423
Transfers Out	8,484,142	84,142	84,142	-
Total charges to appropriations	12,912,699	15,879,889	2,015,835	13,864,054
Excess of resources over (under) charges to appropriations	4,941,040	(3,509,189)	16,280,630	19,789,819
Budgetary Fund Balance, June 30, 2019	\$ 25,260,151	\$ 37,061,570	\$ 56,851,389	\$ 19,789,819

Budgetary Comparison Schedule – Park Dedication Special Revenue Fund
Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2018	\$ 45,785,286	\$ 79,637,255	\$ 79,637,255	\$ -
Resources (inflows):				
Service Fees	24,837,221	8,547,788	8,955,509	407,721
Interest Income	1,186,167	868,269	1,867,252	998,983
Total Resources	26,023,388	9,416,057	10,822,761	1,406,704
Charges to appropriations (outflows):				
Capital Outlay and Special Projects	-	8,060,634	300,100	7,760,534
Transfers Out	11,806,102	43,381,824	4,699,133	38,682,691
Total charges to appropriations	11,806,102	51,442,458	4,999,233	46,443,225
Excess of resources over (under) charges to appropriations	14,217,286	(42,026,401)	5,823,528	47,849,929
Budgetary Fund Balance, June 30, 2019	\$ 60,002,572	\$ 37,610,854	\$ 85,460,783	\$ 47,849,929

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Special Revenue Fund
Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2018	\$ 233,695	\$ 260,729	\$ 260,729	\$ -
Resources (inflows):				
Intergovernmental Revenues	10,500,000	10,500,000	9,351,418	(1,148,582)
Service Fees	-	-	1,000	1,000
Other Revenues	-	-	217,644	217,644
Total Resources	10,500,000	10,500,000	9,570,062	(929,938)
Charges to appropriations (outflows):				
Workforce Services Department	10,132,692	10,132,692	9,292,117	840,575
Transfers Out	421,839	421,839	309,356	112,483
Total charges to appropriations	10,554,531	10,554,531	9,601,473	953,057
Excess of resources over (under) charges to appropriations	(54,531)	(54,531)	(31,411)	23,119
Budgetary Fund Balance, June 30, 2019	\$ 179,164	\$ 206,198	\$ 229,318	\$ 23,119

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

BUDGETARY POLICY AND CONTROL, Continued

The following schedule reconciles the differences of actual amounts presented using the budgetary basis vs. GAAP basis of accounting:

	General Fund	Housing Fund	Park Dedication Fund	Employment Development Fund
Sources/Inflow of Resources:				
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 210,753,941	\$ 18,296,465	\$ 10,822,761	\$ 9,570,062
Differences - Budget to GAAP				
Loan principal repayments are a budgetary resource but are not revenues for financial reporting purposes	-	(341,214)	-	-
Change in fair value of investments is not a budgetary resource	2,141,187	975,508	1,444,063	-
Change in allowance for housing loans is not a budgetary resource	-	(19,483)	-	-
GAAP Reporting Entity Differences:				
- Internal Agency Fund not budgeted in the General Fund	178,263	-	-	-
- Youth and Neighborhood Services not budgeted in the General Fund	279,937	-	-	-
Sinking fund payment to Internal Agency Fund not included for financial reporting	(11,420)	-	-	-
Timing difference for recognition of revenue which has been deferred for financial				
Armory ground lease	82,222	-	-	-
Public Safety sales tax net adjustment	(138,914)	-	-	-
Transfers from other funds for administrative reimbursements are inflows of expenditure reductions for financial reporting	(12,305,381)	-	-	-
Proceeds from sale of capital assets reported as other financing sources	(72,920)	-	-	-
Other funds' operating in-lieu payments reported as transfers	(9,767,879)	-	-	-
Transfers between Housing Subfunds are eliminated for financial reporting		(4,000,000)		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 191,139,036</u>	<u>\$ 14,911,276</u>	<u>\$ 12,266,824</u>	<u>\$ 9,570,062</u>
Uses/Outflows of Resources				
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 219,204,049	\$ 2,015,835	\$ 4,999,233	\$ 9,601,473
Differences - Budget to GAAP				
GAAP Reporting Entity Differences:				
- Internal Agency Fund not budgeted in the General Fund	69,831	-	-	-
- Youth and Neighborhood Services is not budgeted in the General Fund	497,098	-	-	-
Unbudgeted activity - Multimodal Sinking Fund is not budgeted in the General Fund	(11,420)	-	-	-
Timing difference in recognizing resource outflows related to a private grant	46,239	-	-	-
Loan disbursements are outflows of budgetary resource but are not expenditures for financial reporting purposes	-	(1,315,397)	-	-
Transfers from other funds for administrative reimbursements are inflows of budgetary resources but are expenditure reductions for financial reporting	(12,305,381)	-	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(43,150,771)	-	(4,699,133)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 164,349,646</u>	<u>\$ 700,438</u>	<u>\$ 300,100</u>	<u>\$ 9,601,473</u>

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

Notes to the Budgetary Comparison Schedules

1. Budgetary Information

Sunnyvale's approach to budget preparation is a central part of the City's planning and management. Key elements include:

- Long-range strategic planning (General Plan Elements and Sub-Elements),
- Long-term financial planning (Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (two-year action budget),
- Measurement of program service delivery,
- Council Study Issues process,
- Annual performance reporting and evaluation, and
- Performance audits based on risk assessments.

In establishing the budgetary data reflected in its financial statements, the City follows the procedures listed below:

- At the midpoint of each year, a public hearing (not legally required) is held by the City Council to obtain budgetary comments from the public early in the budget process
- During May of each year, the City Manager submits to the City Council a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than May 25.
- The City Manager's budget includes recommended expenditures for equipment, operating costs, debt service costs, and capital and special projects for the ensuing year.
- During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
- During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.
- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution.
- The City's budget appropriation control is by program within the same fund for operating programs in the General Fund and Special Revenue Funds. Any unexpended appropriations expire at fiscal year-end unless specifically re-appropriated by the City Council during the new fiscal year.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

Notes to the Budgetary Comparison Schedules, Continued

- Approved appropriations for capital improvement projects do not lapse at the end of fiscal year unless the capital improvement project has been completed and closed out or the City Council takes affirmative action to modify the budget appropriation for the capital improvement project.
- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. Annual appropriated budgets apply to the general fund, special revenue funds, permanent funds, and debt service funds. Capital project funds operate using project-length budgets. Proprietary fund budgets serve only as financial plans.
- Budgeted amounts reported are those as originally adopted June 20, 2018 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

2. Budgetary Control

Legal Level of Budgetary Control

Expenditures for each department are legally limited to the amounts authorized by the City Council in the Budget Resolution, plus subsequent changes individually approved by the City Council through Budget Modifications. The City's budget appropriation control is by program (with adjustments between programs within the same fund allowed below specified thresholds) for operating programs in the General Fund and Special Revenue Funds. For Proprietary Funds, expenditures cannot exceed actual revenues plus the planned use of reserves.

Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007 Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council. The City adopts project-length budgets for its capital projects funds.

Excess of Expenditures Over Appropriations

In the Department of Public Works, high water utility expenses at parks, resulted in that program to exceed appropriations. In particular, the program's overage was contributed by sharp increases in water rates where the rate adjustments shifted the majority of cost to the fixed charge for service, better reflecting the costs of operating the City's water system. In the Department of Public Safety, vacancies resulted in a high use of overtime, driving three of nine programs to exceed appropriations. The City has appropriated significant funds to recruit and train public safety officers, where a high number of retirements and corresponding vacancies drove overtime use in the Fire Services program over budget. Additional vacancies in the Administrative Services division as well as higher than anticipated Personnel and Training costs also drove those programs to exceed appropriations in order to maintain critical services to the community.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

Notes to the Budgetary Comparison Schedule, Continued

3. Budgetary Highlights

The General Fund

The General Fund original appropriations budget (outflows) of \$242,020,632 was modified during the fiscal year to incorporate project and equipment carryover of \$7,541,720 as well as a reduction of \$2,110,641 for projects that were closed out. The new transfer appropriations of \$5,556,000 during the fiscal year were for various unanticipated expenditures. Of significance, was a \$1,156,000 transfer to the Sewer Fund, \$400,000 transfer increase to the Golf and Tennis fund as well as a \$4,000,000 transfer increase to the Employee Benefits fund for increased contributions of \$1,000,000 each to the OPEB and Pension Trusts and \$2,000,000 to CalPERS. There were also budget modifications of \$944,843 to project budgets. These changes net against other adjustments during the FY 2019/20 budget development process for a final amended budget of \$248,691,431. The Funding sources for these amendments were due to grant revenue, additional revenue estimated during midyear budget adjustments, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers that did not require their full appropriation.

Estimated inflows of resources of the General Fund were also amended during the fiscal year for a net reduction of \$8,828,624 due primarily to midyear adjustments during FY 2019/20. The midyear budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Net other revenue adjustments to revenue estimates, notable increases included an additional \$8,716,588 for Property Tax, \$1,421,275 in Sales Tax, and \$4,118,831 for Transient Occupancy Tax.

The Housing Special Revenue Fund

The City's Housing Fund original appropriation budget of \$12,912,699 was increased during the fiscal year by \$2,967,190. Project Carryover from the prior fiscal year totaled \$11,406,825. Major changes during FY 2018/19 included the cancelation of the Orchard Gardens Affordable Housing Re-Development project for \$6,000,000, a deferred transfer of \$8,400,000 to FY 2019/20 for the Housing Division acquisition of the Charles Street property, and an increase in the Block 15 project budget of \$3,000,000.

The Park Dedication Special Revenue Fund

The original appropriation budget of the City's Park Dedication Fund was \$11,806,102 and was modified during the fiscal year with \$31,575,722 of new transfer appropriations and new capital outlay and special projects appropriation of \$8,060,634 to fund the land acquisition at 1142 Dhalia Court for a new park.

The Employment Development Special Revenue Fund

The budget of the City's Department of Employment Development (DED) remained unchanged during the year.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2001, the City conducted a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of City right-of-way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed no less than every three years or as allowed by resources. Each street was assigned a physical condition based on potential defects. A regionally based Pavement Condition Index (PCI) was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street.

The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

The City policy is to achieve a rating of 75 or over for all streets, which is a “good” or better rating based on Metropolitan Transportation Commission (MTC) Regional standards. The last study report was issued in June 2019 for fiscal year 2019. In that study, the City’s street system was rated at a PCI index of 76 on the average with the detail condition as follows:

Condition	Rating
Excellent	4.2%
Very Good	39.1%
Good	31.0%
Fair	18.2%
At Risk	5.8%
Poor	1.6%
Failed	0.1%

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2019**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued**

While the 2019 study results met the City policy, the most cost effective PCI is considered to be 80. The City budgeted additional funds beginning in fiscal year 2012 to return to a PCI of 80 and maintain that level thereafter.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$7,128,058 on street maintenance for the fiscal year ended June 30, 2019. These expenditures delayed deterioration, and maintained the conditions of the City streets. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>Average PCI Index</u>
2014-2015	\$ 13,105,000	\$ 6,918,000	77
2015-2016	11,174,000	7,304,000	77
2016-2017	7,838,000	3,967,000	76
2017-2018	11,147,287	7,488,000	76
2018-2019	10,797,131	7,128,000	76

The City has an on-going street rehabilitation program that is intended to maintain the condition rating of the City Streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System. The City leverages grant funding when available to augment the program.

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Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

PENSION PLANS

City of Sunnyvale Miscellaneous Plan

Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30

Last 10 Years¹

Measurement Period	2018
TOTAL PENSION LIABILITY	
Service Cost	\$ 11,199,730
Interest on Total Pension Liability	40,900,336
Changes of Assumptions	(4,081,790)
Difference Between Expected and Actual Experience	3,645,229
Benefit Payments, Including Refunds of Employee Contributions	(27,829,331)
Net Change in Total Pension Liability	23,834,174
Total Pension Liability – Beginning	580,784,049
Total Pension Liability – Ending (a)	\$ 604,618,223
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	\$ 16,854,299
Contributions – Employee	5,008,021
Net Investment Income	34,014,678
Benefit Payments, Including Refunds of Employee Contributions	(27,829,331)
Other Miscellaneous Expense and Plan to Plan Movement	(1,191,115)
Administrative Expense	(626,703)
Net Change in Fiduciary Net Position	26,229,849
Plan Fiduciary Net Position – Beginning	402,177,004
Plan Fiduciary Net Position – Ending (b)	\$ 428,406,853
Plan Net Pension Liability – Ending (a) - (b)	\$ 176,211,370
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.86%
Covered Payroll ²	\$ 61,107,215
Plan Net Pension Liability as a Percentage of Covered Payroll	288.36%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered payroll represents the payroll on which contributions to the pension plan are based.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date.

Change in assumptions - During measurement period 2014, the discount rate was 7.50 percent. During measurement period 2015, the discount rate was increased from 7.5 percent to 7.65 percent. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017



2017	2016	2015	2014
\$ 10,842,227	\$ 9,680,984	\$ 9,957,430	\$ 10,186,565
39,261,483	38,249,412	36,727,690	35,343,753
32,106,944	-	(8,859,441)	-
(6,019,442)	(2,309,130)	(4,993,806)	-
(26,020,390)	(24,937,993)	(23,753,937)	(21,670,122)
50,170,822	20,683,273	9,077,936	23,860,196
530,613,227	509,929,954	500,852,018	476,991,822
\$ 580,784,049	\$ 530,613,227	\$ 509,929,954	\$ 500,852,018
\$ 15,147,804	\$ 14,617,203	\$ 13,259,494	\$ 13,538,441
4,604,224	4,584,629	4,498,949	4,900,096
41,501,524	474,899	8,380,085	56,229,060
(26,020,390)	(24,937,993)	(23,753,937)	(21,670,122)
-	579	(288)	-
(542,568)	(227,308)	(419,766)	-
34,690,594	(5,487,991)	1,964,537	52,997,475
367,486,410	372,974,401	371,009,864	318,012,389
\$ 402,177,004	\$ 367,486,410	\$ 372,974,401	\$ 371,009,864
\$ 178,607,045	\$ 163,126,817	\$ 136,955,553	\$ 129,842,154
69.25%	69.26%	73.14%	74.08%
\$ 57,600,952	\$ 55,959,435	\$ 56,387,283	\$ 54,657,753
310.08%	291.51%	242.88%	237.55%

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

PENSION PLANS

City of Sunnyvale Safety Plan

Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30

Last 10 Years¹

Measurement Period	2018
TOTAL PENSION LIABILITY	
Service Cost	\$ 10,198,713
Interest on Total Pension Liability	38,968,908
Changes of Assumptions	(3,031,221)
Difference Between Expected and Actual Experience	(1,342,176)
Benefit Payments, Including Refunds of Employee Contributions	(28,780,790)
Net Change in Total Pension Liability	16,013,434
Total Pension Liability – Beginning	558,684,127
Total Pension Liability – Ending (a)	\$ 574,697,561
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	\$ 14,914,181
Contributions – Employee	3,875,143
Net Investment Income	31,151,544
Benefit Payments, Including Refunds of Employee Contributions	(28,780,790)
Other Miscellaneous Expense and Plan to Plan Movement	(1,101,553)
Administrative Expense	(579,585)
Net Change in Fiduciary Net Position	19,478,940
Plan Fiduciary Net Position – Beginning	371,940,076
Plan Fiduciary Net Position – Ending (b)	\$ 391,419,016
Plan Net Pension Liability – Ending (a) - (b)	\$ 183,278,545
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.11%
Covered Payroll ⁴	\$ 32,177,671
Plan Net Pension Liability as a Percentage of Covered Payroll	569.58%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered payroll represents the payroll on which contributions to the pension plan are based.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date.

Change in assumptions - During measurement period 2014, the discount rate was 7.50 percent. During measurement period 2015, the discount rate was increased from 7.5 percent to 7.65 percent. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017

2017	2016	2015	2014
\$ 10,631,055	\$ 9,135,944	\$ 8,771,544	\$ 9,513,550
37,837,829	36,805,665	35,349,092	33,899,709
31,727,462	-	(8,685,061)	-
(3,692,230)	(182,810)	(1,105,115)	-
(27,339,259)	(25,948,338)	(24,211,372)	(22,125,777)
49,164,857	19,810,461	10,119,088	21,287,482
509,519,270	489,708,809	479,589,721	458,302,239
\$ 558,684,127	\$ 509,519,270	\$ 489,708,809	\$ 479,589,721
\$ 13,836,093	\$ 12,634,254	\$ 11,312,835	\$ 12,221,414
4,039,494	3,911,682	3,970,442	3,689,599
38,624,125	489,200	7,812,498	54,102,751
(27,339,259)	(25,948,338)	(24,211,372)	(22,125,777)
-	(579)	202	-
(506,839)	(214,779)	(396,404)	-
28,653,614	(9,128,560)	(1,511,799)	47,887,987
343,286,462	352,415,022	353,926,821	306,038,834
\$ 371,940,076	\$ 343,286,462	\$ 352,415,022	\$ 353,926,821
\$ 186,744,051	\$ 166,232,808	\$ 137,293,787	\$ 125,662,900
66.57%	67.37%	71.96%	73.80%
\$ 33,006,474	\$ 31,449,031	\$ 29,886,011	\$ 31,473,683
565.78%	528.58%	459.39%	399.26%

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2019****PENSIONS**

City of Sunnyvale Miscellaneous Plan
Schedule of Plan Contributions for the Fiscal Years Ended June 30
Last 10 Years¹

	Fiscal Year 2019
Actuarially Determined Contribution ²	\$ 18,629,140
Contributions in Relation to the Actuarially Determined Contributions ²	(19,629,140)
Contribution Deficiency (Excess)	\$ (1,000,000)
Covered Payroll ³	\$ 64,943,873
Contributions as a Percentage of Covered Payroll	30.22%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² GASB 68 Paragraph 46 requires that the data presented in this schedule should include the employer's most recent fiscal year-end, which is not yet verifiable with CalPERS. However, data presented for prior years have been updated to reflect very minor reconciliation differences with CalPERS.

³ GASB 82 defines covered payroll as the payroll on which contributions to a pension plan are based.

The actuarial methods and assumptions used to determine the fiscal year 2019 contribution rates are as follows:

Valuation date	6/30/2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.375% (net of expenses)
Projected Salary Increase	3.3%-14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Mortality	Derived using CalPERS membership data for all funds.



Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
\$ 16,854,299	\$ 15,147,804	\$ 13,917,203	\$ 12,759,494	\$ 11,511,570
(16,854,299)	(15,147,804)	(14,617,203)	(13,259,494)	(13,538,441)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (500,000)</u>	<u>\$ (2,026,871)</u>
\$ 61,107,215	\$ 57,600,952	\$ 55,959,435	\$ 56,387,283	\$ 54,657,753
27.58%	26.30%	26.12%	23.52%	24.77%

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2019****PENSIONS****City of Sunnyvale Safety Plan****Schedule of Plan Contributions for the Fiscal Years Ended June 30****Last 10 Years¹**

	Fiscal Year 2019
Actuarially Determined Contribution ²	\$ 16,607,279
Contributions in Relation to the Actuarially Determined Contributions ²	(17,607,279)
Contribution Deficiency (Excess)	\$ (1,000,000)
Covered Payroll ³	\$ 34,345,653
Contributions as a Percentage of Covered Payroll	51.26%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² GASB 68 Paragraph 46 requires that the data presented in this schedule should include the employer's most recent fiscal year-end, which is not yet verifiable with CalPERS. However, data presented for prior years have been updated to reflect very minor reconciliation differences with CalPERS.

³ GASB 82 defines covered payroll as the payroll on which contributions to a pension plan are based.

The actuarial methods and assumptions used to determine the fiscal year 2019 contribution rates are as follows:

Valuation date	6/30/2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.375% (net of expenses)
Projected Salary Increase	3.3%-14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Mortality	Derived using CalPERS membership data for all funds.



Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<u>\$ 14,914,181</u>	<u>\$ 13,836,093</u>	<u>\$ 11,934,254</u>	<u>\$ 10,812,835</u>	<u>\$ 10,310,729</u>
<u>(14,914,181)</u>	<u>(13,836,093)</u>	<u>(12,634,254)</u>	<u>(11,312,835)</u>	<u>(12,221,414)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (700,000)</u></u>	<u><u>\$ (500,000)</u></u>	<u><u>\$ (1,910,685)</u></u>
 \$ 32,177,671	 \$ 33,006,474	 \$ 31,449,031	 \$ 29,886,011	 \$ 31,473,683
46.35%	41.92%	40.17%	37.85%	38.83%

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2019

City of Sunnyvale OPEB Plan

Schedule of Changes in the Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30

Last 10 Years¹

Measurement Period	2018	2017
Total OPEB liability:		
Service Cost	\$ 5,126,673	\$ 5,288,000
Interest	10,947,288	10,076,000
Differences between Expected and Actual Experience	(15,011,718)	-
Changes of Assumptions	5,292,216	-
Benefit Payments	(7,249,724)	(6,927,000)
Net change in Total OPEB Liability	(895,265)	8,437,000
Total OPEB Liability - Beginning	166,918,000	158,481,000
Total OPEB Liability - Ending (a)	\$ 166,022,735	\$ 166,918,000
Plan Fiduciary Net Position		
Contributions - Employer	\$ 11,332,886	\$ 11,170,000
Net Investment Income	6,736,501	7,702,310
Benefit Payments	(7,249,724)	(6,927,000)
Administrative Expense	(24,162)	(214,535)
Net Change in Plan Fiduciary Net Position	10,795,501	11,730,775
Plan Fiduciary Net Position-Beginning	83,007,935	71,277,160
Plan Fiduciary Net Position-Ending (b)	\$ 93,803,436	\$ 83,007,935
City's Net OPEB liability (a) - (b)	\$ 72,219,299	\$ 83,910,065
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.50%	49.73%
Covered-Employee Payroll (Contributions not based on measure of pay)	\$ 104,981,096	\$ 99,643,412
City's Net OPEB Liability as a Percentage of Covered Employee Payroll	68.79%	84.21%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

Change in Assumptions: During measurement period 2018, demographic assumptions were updated in accordance to the CalPERS Membership Data 1997-2015 Experience Study. Mortality improvement scale was updated to Scale MP-2018 from MP-2014. The discount rate reduced from 6.5 percent to 6.0 percent while inflation rate was lowered from 3.0 percent to 2.75 percent. Payroll growth rate reduced from 3.25 percent to 3.0 percent. Healthcare trend was also updated.

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2019

City of Sunnyvale OPEB Plan

Schedule of Plan Contributions for the Fiscal Years Ended June 30

Last 10 Years¹

	2019	2018	2017
Actuarially Determined Contribution ²	\$ 11,818,000	\$ 11,460,000	\$ 9,463,000
Contributions in Relation to the Actuarially Determined Contribution ²	(12,048,370)	(11,332,886)	(11,170,000)
Contribution Deficiency (Excess)	<u>\$ (230,370)</u>	<u>\$ 127,114</u>	<u>\$ (1,707,000)</u>
Covered-Employee Payroll (Contributions not based on measure of pay)	\$ 110,932,793	\$ 104,981,096	\$ 99,643,412
Contributions as a Percentage of Covered-Employee Payroll	10.86%	10.80%	11.21%

The actuarial methods and assumptions used to determine the fiscal year 2019 contribution rates are as follows:

Valuation date	6/30/2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.50% (net of expenses)
Inflation	3.00%
Payroll Growth	3.25%, including inflation
Medical Trend	6.5% annually decreasing to 5.0% for retirees not eligible for Medicare.
	6.7% annually decreasing to 5.0% for retirees eligible for Medicare.
Mortality	CalPERS 1997-2011 Experience Study. Mortality Improvement Scale MP-

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

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Supplementary Information

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General Fund Budgetary Control

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2019**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Equipment			
General Equipment	212,256	11,543	200,713
Recreation Equipment	142,166	48,209	93,957
Public Safety Equipment	134,482	871,535	(737,053)
Total Equipment	488,904	931,287	(442,383)
Operating Programs			
City Attorney			
Comprehensive Legal Services	1,739,353	1,737,226	2,127
Total City Attorney	1,739,353	1,737,226	2,127
City Manager			
Office of the City Manager	5,765,475	5,188,260	577,215
Total City Manager	5,765,475	5,188,260	577,215
Community Development			
Planning	738,331	480,002	258,329
Community Development Department Management	649,805	618,058	31,747
Total Community Development	1,388,137	1,098,060	290,077
Environmental Services			
Regulatory Programs	1,368,211	1,175,520	192,691
Environmental Sustainability	408,133	300,457	107,676
Stormwater Collections	575,155	299,012	276,143
Total Environmental Services	2,351,499	1,774,989	576,510
Finance			
Budget Management	923,193	922,873	320
Purchasing	1,763,077	1,787,363	(24,286)
Financial Management and Analysis	935,818	795,950	139,867
Accounting and Financial Services	2,146,597	2,294,692	(148,095)
Treasury Services			-
Utility Billing	3,461,437	3,083,114	378,323
Audit	236,355	9,860	226,495
Non Utility Revenue Mgmt & Special Proj	829,015	632,316	196,699
Total Finance	10,295,491	9,526,168	769,323
Human Resources			
Human Resources	4,874,035	4,563,428	310,607
Total Human Resources	4,874,035	4,563,428	310,607
Library and Community Services			
Youth and Family Services			-
Library	9,916,296	8,061,319	1,854,977
Arts and Recreation Programs	-	-	-
Community Services	9,651,162	9,765,234	(114,072)
Total Library and Community Services	19,567,458	17,826,553	1,740,905

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2019**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Public Safety			
Police Services			-
Fire Services	32,822,638	34,644,671	(1,822,033)
Community Safety Services	2,861,113	2,701,624	159,489
Personnel and Training	2,436,508	2,528,664	(92,156)
Investigation Services	5,307,371	5,231,387	75,984
Communication Services	5,036,662	4,520,750	515,912
Public Safety Administrative Services	6,448,422	7,559,393	(1,110,971)
Records Management and Property Services	2,386,755	2,356,675	30,080
Fire Prevention and Hazardous Material Services	2,122,234	1,307,499	814,735
Police Services	32,377,385	31,946,656	430,729
Community Preservation Services	1,761,054	1,583,075	177,979
Total Public Safety	93,560,142	94,380,394	(1,428,960)
Public Works			
Transportation and Traffic Services	2,935,439	2,712,266	223,173
Pavement Maintenance, Traffic Signs and Markings	5,523,664	4,142,771	1,380,893
Street Lights	2,777,423	1,956,471	820,952
Street Tree Services	2,182,104	2,279,491	(97,387)
Neighborhood Parks and Open Space Management	11,242,373	11,918,466	(676,093)
Public Works Administration	733,666	731,978	1,689
Capital Project Management	-	-	-
Total Public Works	25,394,669	23,741,443	1,653,227
Total Operating Programs	164,936,259	159,836,521	5,099,738
Transfers Out			
Capital Projects Fund-General Assets	2,533,795	69,038	2,464,757
General Services Fund - Fleet			-
General Services - Fund Tech & Communication Services	7,878,217	7,878,217	-
General Services Fund - Proj Mgmt Serv	754,849	617,178	137,671
HOME Fund			
Infrastructure Fund - General Assets	34,020,242	27,466,366	6,553,876
Liability and Property Insurance Fund	1,323,846	1,323,846	-
Youth and Neighborhood Services Fund	542,955	542,955	-
Community Recreation Fund - Golf	1,200,000	1,200,000	-
Community Recreation Fund -	255,755	255,755	-
Employee Leave Benefits	5,700,000	5,600,000	100,000
Utilities Fund - Refuse			
Utilities Fund - Sewer	1,156,000	72,436	1,083,564
Total Transfers Out	55,365,659	45,025,791	10,339,868
Parking COP Lease Payments			
Financial Services	-	5,968	(5,968)
Total Lease Payments	-	5,968	(5,968)
Non-Departmental Expenditures			
RDA Lease expenditure	1,203,163	1,200,250	2,913
General supplies oca799583	-	19	(19)
Misc oca 799000	-	8,072	(8,072)
Total Non-Departmental Expenditures	1,203,163	1,208,341	(5,178)

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2019**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Projects			
<i>Infrastructure Projects</i>			
Illuminated Street Sign Replacement	257,172	-	257,172
Raynor Park Trash & Maintenance Building	-	410,555	(410,555)
City Hall Annex Basement Security	-	-	-
Public Safety Emergency Generator	176,794	144,351	32,443
Replac/Repair/Rehab of Storm Drain - GF	578,462	-	578,462
Traffic Signal Maintenance Services Aug	312,120	65,270	246,851
			-
<i>Outside Group Funding Projects</i>			
Leadership Sunnyvale [GF]	6,667	4,000	2,667
Outside Group Funding Support [GF]	(41,120)	99,263	(140,383)
Dispute Resolution Services	45,000	45,000	(0)
Iizuka Sister City Engagement Funding	14,085	7,916	6,169
<i>Capital Projects</i>			
Utility Undergrounding Cost Sharing	260,200	44,405	215,795
Minor Building Modifications	-	28,817	(28,817)
Tree Planting and Maintenance within the SNAIL Neighborhood	-	-	-
RDA Counsel Fees	31,483	5,027	26,456
Library LED Pilot Project	-	-	-
ADA Transition Plan	33,080	4,702	28,378
Fire Station 5 Improvements	-	-	-
Emergency Vehicle Traffic Signal Preemption	20,200	8,780	11,420
Implementation of Green Bike Lanes	117,091	21,000	96,091
Grade Separation Caltrain Crossings at Mary Ave. Study Issue	461,902	56,363	405,539
Vision Zero Plan - Study Issue	-	37,420	(37,420)
Installation of Charging Station	144,840	543	144,297
Library LED Lighting Conversion	147,916	-	147,916
Library Plumbing Study	50,000	14,950	35,050
Public Safety Headquarters - S	54,827	2,587	52,240
Bicycle Master Plan Update	350,000	-	350,000
Emergency Operations Center	-	-	-
Storm System Trash Control Devices - GF	712,674	8,934	703,740
Green Streets for Stormwater - General F	500,000	11,460	488,540
Traffic Signal Specifications and Standa	70,000	-	70,000
Safe Routes to School & Pedestian Safety	300,000	-	300,000
Fifteen MPH Speed Limits Near Schools	107,600	16,433	91,167
<i>Special Projects</i>			
Library Foundation Program Grant	232,362	-	232,362
Maintenance of City Owned Properties - Downtown	3,307	14,302	(10,995)
Bicycle Map Revision	55,640	-	55,640
239 - 241 Commercial Street Property Maintenance	21,785	2,236	19,549
General Plan Updates	152,792	-	152,792
FY 14-15 Recruitment and Training for Sworn Officers	186,983	21,308	165,675
FY 15-16 Recruitment and Training for Sworn Officers	622,414	36,247	586,167
FY 16-17 Recruitment and Training for Sworn Officers	2,196,240	1,185,233	1,011,007
FY 17-18 Recruitment and Training for Sworn Officers	4,713,132	4,366,469	346,662
FY 18-19 Recruitment and Training for Sworn Officers	6,562,421	3,432,307	3,130,114
Town Center Construction - Public Works Services	77,926	38,382	39,544
California Environmental Reporting System (CERS) Grant	15,802	6,950	8,852
Emergency Medical Dispatch First Responder Incentive Funding	312,338	46,536	265,802
Downtown Association	30,000	30,000	-
Council Set Aside	188,274	-	188,274
Lawrence Station Area Plan - Phase II	-	-	-

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2019**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Comprehensive School Traffic Study	74,110	-	74,110
Peery Park Specific Plan and Environmental Impact Report	-	-	-
Financial System Replacement Project Support	-	58,996	(58,996)
EMS Patient Care Data System	73,067	16,616	56,451
Participate in NLC's Youth, Education and Family Council	-	-	-
Wolfe Road Corridor Traffic Improvement Study	22,470	9,054	13,416
Comprehensive Update of the Precise Plan for El Camino Real	243,481	33,668	209,814
Climate Action Plan Implementation	381,083	146,325	234,758
Minimum Wage Enforcement Agreement	59,524	-	59,524
Recreation Fee Waiver	81,264	52,002	29,262
Fire Department Standards of Response Coverage Study	5,581	3,283	2,298
Website Redesign	178,132	200	177,932
DPS Body Worn Cameras	-	-	-
Channel 26 Public Access Program	22,166	13,750	8,416
Electronic Records Management	80,000	-	80,000
Arts Master Plan	27,000	7,650	19,350
Annual State of the City	47,287	41,941	5,346
Stevens Creek Fish Passage Improvement Project	9,900	-	9,900
Google-Funded Staff for Transportation	588,726	-	588,726
Fire Prevention (Non Hazmat) Technology Project	17,200	-	17,200
Fire Prevention (Hazmat) Technology Project	14,157	-	14,157
Office of Emergency Services	183,897	51,948	131,950
Maintenance of City Owned Properties - 1484 Kifer Road	8,633	109	8,524
Safe Routes to School Program	285,062	131,563	153,499
Silicon Valley Talent Partnership	-	-	-
Murphy Avenue Design Guidelines Comprehensive Update	8,109	4,200	3,909
Sustainability Speaker Series	52,311	30,725	21,586
FY 16/17 OTS Step Grant PT 17128	-	-	-
Silicon Valley Healthy Aging Partnership	9,879	10,261	(382)
FY16/17 BSCC City Law Enforcement Grant	51,835	44,571	7,264
Sunnyvale Library Bike Mobile Project	-	-	-
Sale of City Property - 1050 & 1060 Innovation Way (Onizuka)	-	-	-
Sale of City Property - 1484 Kifer Road (Unilever)	-	3,655	(3,655)
AMD Grant Funds to Columbia Neighborhood Center	4,000	-	4,000
Pilot Grant Writer at CNC	327,869	176,279	151,590
Administrative Hearing Officer	-	-	-
CAP and Green Building Updates	45,900	-	45,900
Peery Park Housing Study	102,000	-	102,000
Economic Development Strategy	100,000	-	100,000
Charter Assessment	332,863	405,711	(72,848)
Fire Station 2 Training Trailer Maintenance	19,561	13,296	6,265
DPS Alarm Permitting, Billing	50,000	-	50,000
FY 2017/18 DPS Internal Affairs Assessment	-	-	-
Evaluation of New Revenue Strategies	-	1,107	(1,107)
2017 Housing Strategy	200,000	100,360	99,640
Downtown Development Policies	60,000	65,005	(5,005)
Develop Wage Theft Enforcement	-	-	-
Climate Action Plan (CAP) 2.0	250,000	-	250,000
Parkland/Open Space Initiative	-	-	-
Lawrence Station Area Plan - H	627,323	75,106	552,217
FY 2017/18 Office of Traffic Safety	30,206	28,912	1,294
FY 2017/18 Emergency Management	-	-	-
FFY 2017 UASI PRND Equipment G	-	(7,074)	7,074
Citywide Aerial Photos	62,424	-	62,424
SCVURPPP Contracting and Fiscal Agent GF	50,000	20,922	29,078

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2019**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
FY19-37 Recruitment & Training for Sworn	99,557	-	99,557
FY 2013/14 Avoid the 13 DUI Enforcement	37	-	37
Storm System Trash Reduction Prog - GF	312,120	154,843	157,277
Pricing&Revenue Strategy for Recreation	62,424	-	62,424
Acquire Control Caltran Traf Signals ECR	250,000	-	250,000
Orchard Heritage Park & Museum Analysis	350,000	-	350,000
Analysis of Sunnyvale Golf Program Study	50,000	-	50,000
North County Gun Buyback	75,000	-	75,000
OTS Bike/Ped Grant FY 2018/19	30,000	14,882	15,118
OTS STEP Grant FY 2018/19	80,000	34,888	45,112
FY2018/19 EMPG EOC Train and Tech Upgrad	23,700	23,429	271
FY2018/19 SCCPH Tobacco Decoy Operations	26,663	4,349	22,314
Early Literacy Kits/Programming	13,050	7,065	5,985
SC/S. Cruz Counties Airport/Com Roundtab	43,073	43,073	0
FY 18/19 Tobacco Study - Flavor Products	67,205	10,291	56,914
Digital Literacy	313,446	1,357	312,089
Library Charger Kiosk	22,243	-	22,243
Pop-Up Programs for Lunch at the Library	4,500	1,564	2,936
Library Services to Immigrant Population	5,000	-	5,000
FT2018/19 Public Safety Training Trailer	-	67,054	(67,054)
North county Gun Buyback	-	75,000	(75,000)
DPS Headquarter Records Unit Workstation	-	463	(463)
Total Projects	26,697,446	12,196,141	14,501,305
Total Appropriations	\$ 248,691,431	\$ 219,204,049	\$ 29,487,383

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Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue funds used by the City in this report are listed below:

The ***Community Development Block Grant Fund*** accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and disabled citizens.

The ***HOME Grant Fund*** accounts for HOME investment partnership grant funds received from the federal government. Other revenues in this fund include repayments of loans. Funds are used to provide affordable housing for low- and very low-income households.

The ***Low and Moderate Income Housing Asset Fund*** was created pursuant to Health & Safety Code Section 34176(d). This Fund is administered by the Housing Successor. The City elected to retain the affordable housing assets and functions previously performed by the RDA by serving as the Housing Successor.

The ***Asset Forfeiture Fund*** accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. Asset forfeiture funds are used to supplement law enforcement activities.

The ***Police Services Augmentation Fund*** accounts for monies received from the federal and state governments, which are expended to enhance law enforcement services.

The ***Parking District Fund*** accounts for special assessments levied on real property located in the City's downtown parking district. The tax revenues in this fund are used primarily to maintain parking lots within the district.

The ***Gas Tax Fund*** accounts for gas tax revenues received from the State and expended for construction and maintenance of City streets.

The ***Road Maintenance and Rehabilitation Account Fund*** accounts for new tax revenues apportioned from the State under the new Road Repair and Accountability Act of 2017 (SB1). The allocations must be used in the local street and road system.

The ***Transportation Development Act (TDA) Fund*** accounts for activities related to the TDA funds received from the State through the Metropolitan Transportation Commission, which are expended on pedestrian and bicycle projects.

Nonmajor Governmental Funds

The ***VRF Local Road Improvement Program Fund*** accounts for the use of Measure B vehicle registration fees which are allocated on a population basis to cities in Santa Clara County for local transportation improvements.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

The ***Swirsky Youth Opportunity Fund*** accounts for proceeds received from the estate of Ms. Dorolou Pierson Swirsky dedicated to providing recreation opportunities for disadvantaged youth.

The ***Fremont Pool Fund*** accounts for private donations to be used for the maintenance and operations of the Fremont High School swimming pool.

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The nonmajor debt service fund in this report is listed below:

The ***Government Center Certificates of Participation Fund*** is used to accumulate resources for the repayment of the 2009 Refunding Certificates of Participation that financed a portion of the acquisition cost of an improved parcel of property for a future government center.

CITY OF SUNNYVALE

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Asset Forfeiture
Assets:				
Deposits and Investments Held by City	\$ 555,307	\$ 963,677	\$ 811,592	\$ 142,792
Deposits and Investments Held by Fiscal Agent	-	-	-	-
Receivables	20	48,810	29,963	863
Intergovernmental Receivables	396,216	4,676	-	-
Housing Deficits Receivable	-	-	9,066,758	-
Housing Loans Receivable	11,969,433	13,273,149	-	-
Total Assets	\$ 12,920,976	\$ 14,290,312	\$ 9,908,313	\$ 143,655
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 433,836	\$ 55,430	\$ 112,185	\$ 10,381
Due to Other Funds	-	-	-	-
Total Liabilities	433,836	55,430	112,185	10,381
Deferred Inflows of Resources	3,263,137	2,684,033	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	9,224,003	11,550,849	9,796,128	133,274
Total Fund Balances	9,224,003	11,550,849	9,796,128	133,274
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,920,976	\$ 14,290,312	\$ 9,908,313	\$ 143,655

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Special Revenue				
Police Services Augmentation	Parking District	Gas Tax	Road Maintenance and Rehabilitation Account	Transportation Development Act
\$ 10,223	\$ 624,911	\$ 5,565,105	\$ 1,536,561	\$ -
-	-	-	-	-
17	3,184	31,174	9,049	-
130,428	8	-	502,016	56,047
-	-	-	-	-
-	-	-	-	-
<u>\$ 140,668</u>	<u>\$ 628,103</u>	<u>\$ 5,596,279</u>	<u>\$ 2,047,626</u>	<u>\$ 56,047</u>
	\$ 381	\$ -	\$ -	\$ -
-	-	-	-	56,047
-	381	-	-	56,047
130,428	-	-		
-	-	-	-	-
10,240	627,722	5,596,279	2,047,626	-
10,240	627,722	5,596,279	2,047,626	-
<u>\$ 140,668</u>	<u>\$ 628,103</u>	<u>\$ 5,596,279</u>	<u>\$ 2,047,626</u>	<u>\$ 56,047</u>

Continued

CITY OF SUNNYVALE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	<u>Special Revenue</u>	<u>Permanent</u>		<u>Debt Service</u>	<u>Total</u>
	<u>VRF Local</u>	<u>Swirsky</u>	<u>Fremont</u>	<u>Government</u>	<u>Nonmajor</u>
	<u>Road Improvement</u>	<u>Youth</u>	<u>Pool</u>	<u>Center</u>	<u>Governmental</u>
	<u>Program</u>	<u>Opportunity</u>		<u>Certificates of</u>	<u>Funds</u>
				<u>Participation</u>	
Assets:					
Deposits and Investments Held by City	\$ 460,694	\$ 548,618	\$ 1,066,980	\$ -	\$ 12,286,460
Deposits and Investments Held by Fiscal Ag	-	-	-	1,160,257	1,160,257
Receivables	4,947	3,398	6,593	7,724	145,742
Intergovernmental Receivables	-	-	-	-	1,089,391
Housing Deficits Receivable	-	-	-	-	9,066,758
Housing Loans Receivable	-	-	-	-	25,242,582
Total Assets	<u>\$ 465,641</u>	<u>\$ 552,016</u>	<u>\$ 1,073,573</u>	<u>\$ 1,167,981</u>	<u>\$ 48,991,190</u>
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 23,733	\$ 635,946
Due to Other Funds	-	-	-	46,854	102,901
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,587</u>	<u>738,847</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,077,598</u>
Fund Balances:					
Nonspendable	-	552,016	1,073,573	-	1,625,589
Restricted	465,641	-	-	1,097,394	40,549,156
Total Fund Balances	<u>465,641</u>	<u>552,016</u>	<u>1,073,573</u>	<u>1,097,394</u>	<u>42,174,745</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 465,641</u>	<u>\$ 552,016</u>	<u>\$ 1,073,573</u>	<u>\$ 1,167,981</u>	<u>\$ 48,991,190</u>

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CITY OF SUNNYVALE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Asset Forfeiture
Revenues:				
Intergovernmental Revenues	\$ 774,598	\$ 20,692	\$ -	\$ -
Service Fees	-	-	-	-
Investment Earnings	79	23,698	117,176	2,974
Other Revenues	89,434	339,552	-	-
Total Revenues	864,111	383,942	117,176	2,974
Expenditures:				
Current:				
Planning and Management	14,208	3,804	2,944	-
Public Safety	-	-	-	78,747
Community Development	526,555	282,561	348,701	-
Transportation	-	-	-	-
Socioeconomic	403,220	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	291,209	-	-	48,020
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	1,235,192	286,365	351,645	126,767
Excess of Revenues Over (Under) Expenditures	(371,081)	97,577	(234,469)	(123,793)
Other Financing Sources (Uses):				
Transfers In				
Transfers Out			(4,000,000)	
Total Other Financing Sources (Uses)	-	-	(4,000,000)	-
Net Change in Fund Balances	(371,081)	97,577	(4,234,469)	(123,793)
Fund Balances, Beginning of Year	9,595,084	11,453,272	14,030,597	257,067
Fund Balances - End of Year	\$ 9,224,003	\$ 11,550,849	\$ 9,796,128	\$ 133,274

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Special Revenue				
Police Services Augmentation	Parking District	Gas Tax	Road Maintenance and Rehabilitation Account	Transportation Development Act
\$ 344,873	\$ -	\$ 3,138,126	\$ 2,812,878	\$ 149,652
-	198,084	-	-	-
59	11,350	199,979	32,254	-
-	-	-	-	-
344,932	209,434	3,338,105	2,845,132	149,652
-	10,906	-	-	-
339,001	-	-	-	-
-	93,640	-	-	-
-	-	1,539,703	-	-
-	-	-	-	-
-	3,211	-	-	-
-	1,560	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
339,001	109,317	1,539,703	-	-
5,931	100,117	1,798,402	2,845,132	149,652
		(725,874)	(1,215,540)	(58,184)
-	-	(725,874)	(1,215,540)	(58,184)
5,931	100,117	1,072,528	1,629,592	91,468
4,309	527,605	4,523,751	418,034	(91,468)
\$ 10,240	\$ 627,722	\$ 5,596,279	\$ 2,047,626	\$ -

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019**

	Special Revenue	Permanent		Debt Service	Total
	VRF Local Road Improvement Program	Swirsky Youth Opportunity	Fremont Pool	Government Center Certificates of Participation	Nonmajor Governmental Funds
Revenues:					
Intergovernmental Revenues	\$ 944,739	\$ -	\$ -	\$ -	\$ 8,185,558
Service Fees	-	-	-	-	198,084
Investment Earnings	17,639	12,115	23,502	39,543	480,368
Other Revenues	-	-	16,288	-	445,274
Total Revenues	962,378	12,115	39,790	39,543	9,309,284
Expenditures:					
Current:					
Planning and Management	-	-	-	-	31,862
Public Safety	-	-	-	-	417,748
Community Development	-	-	-	-	1,251,457
Transportation	-	-	-	-	1,539,703
Socioeconomic	-	-	-	-	403,220
Environmental Management	-	-	-	-	3,211
Capital Outlay	-	-	-	-	340,789
Debt Service:					
Principal Retirement	-	-	-	655,000	655,000
Interest	-	-	-	137,966	137,966
Fiscal Charges	-	-	-	84,881	84,881
Total Expenditures	-	-	-	877,847	4,865,837
Excess of Revenues Over (Under) Expenditures	962,378	12,115	39,790	(838,304)	4,443,447
Other Financing Sources (Uses):					
Transfers In				838,304	838,304
Transfers Out	(520,112)	(12,115)	(23,502)		(6,555,327)
Total Other Financing Sources (Uses)	(520,112)	(12,115)	(23,502)	838,304	(5,717,023)
Net Change in Fund Balances	442,266	-	16,288	-	(1,273,576)
Fund Balances, Beginning of Year	23,375	552,016	1,057,285	1,097,394	43,448,321
Fund Balances - End of Year	\$ 465,641	\$ 552,016	\$ 1,073,573	\$ 1,097,394	\$ 42,174,745

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CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2019**

	Community Development Block Grant		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive Negative
Revenues:			
Intergovernmental Revenues	\$ 2,166,716	\$ 774,597	\$ (1,392,119)
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Rents and Concessions	-	-	-
Investment Earnings	-	79	79
Other Revenues	150,000	236,895	86,895
Total Revenues	2,316,716	1,011,571	(1,305,145)
Expenditures:			
Current:			
Public Safety	-	-	-
Community Development	355,022	283,666	71,356
Public Works	-	-	-
Library and Community Services	-	-	-
Capital Outlay and Special Projects	2,509,343	1,057,119	1,452,224
Total Expenditures	2,864,365	1,340,785	1,523,580
Excess of Revenues Over (Under) Expenditures	(547,649)	(329,214)	218,435
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(22,154)	(14,208)	7,946
Total Other Financing Sources (Uses)	(22,154)	(14,208)	7,946
Net Change in Fund Balances	\$ (569,803)	\$ (343,422)	\$ 226,381
Fund Balances - Beginning of Year		861,131	
Fund Balances - End of Year		\$ 517,709 *	

* Loan principal repayments and disbursements which impact budgetary resources are Balance Sheet items on a GAAP basis.

Continued



HOME Grant			Low and Moderate Income Housing Asset		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 745,531	\$ 20,692	\$ (724,839)	\$ 2,076,752	\$ 2,076,752	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,451	23,698	4,247	61,026	106,817	45,791
619,205	687,123	67,918	-	-	-
1,384,187	731,513	(652,674)	2,137,778	2,183,569	45,791
-	-	-	-	-	-
84,878	72,947	11,931	47,172	29,005	18,167
-	-	-	-	-	-
-	-	-	-	-	-
1,110,036	269,614	840,422	319,696	319,696	-
1,194,914	342,561	852,353	366,868	348,701	18,167
189,273	388,952	199,679	1,770,910	1,834,868	27,624
(5,296)	(3,804)	1,492	(4,002,944)	(4,002,944)	-
(5,296)	(3,804)	1,492	(4,002,944)	(4,002,944)	-
\$ 183,977	\$ 385,148	\$ 201,171	\$ (2,232,034)	\$ (2,168,076)	\$ 27,624
	576,585			2,890,223	
	\$ 961,733 *			\$ 722,147	

Continued

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2019**

	Asset Forfeiture			Police Services Augmentation		
		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Budget			Budget		
Revenues:						
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 344,873	\$ 344,873	-
Fines and Forfeitures	-	-	-	-	-	-
Service Fees	-	-	-	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	3,077	3,077	-	-	60	60
Other Revenues	-	-	-	-	-	-
Total Revenues	3,077	3,077	-	344,873	344,933	60
Expenditures:						
Current:						
Public Safety	2,000	1,763	237	255,828	245,666	10,162
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Library and Community Services	-	-	-	-	-	-
Capital Outlay and Special Projects	224,255	125,004	99,251	93,355	93,335	20
Total Expenditures	226,255	126,767	99,488	349,183	339,001	10,182
Excess of Revenues Over (Under) Expenditures	(223,178)	(123,690)	99,488	(4,310)	5,932	10,242
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	\$ (223,178)	\$ (123,690)	\$ 99,488	\$ (4,310)	\$ 5,932	\$ 10,242
Fund Balances - Beginning of Year		229,542			4,309	
Fund Balances - End of Year		\$ 105,852			\$ 10,241	

Continued

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Parking District			Gas Tax		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 3,263,827	\$ 3,138,127	\$ (125,700)
-	-	-	-	-	-
199,056	198,084	(972)	-	-	-
-	-	-	-	-	-
11,619	11,350	(269)	85,090	111,130	26,040
-	-	-	-	-	-
210,675	209,434	(1,241)	3,348,917	3,249,257	(99,660)
-	-	-	-	-	-
-	-	-	-	-	-
131,683	96,852	34,831	1,500,000	1,539,702	(39,702)
-	-	-	-	-	-
163,026	1,560	161,466	737,500	-	737,500
294,709	98,412	196,297	2,237,500	1,539,702	697,798
(84,034)	111,022	195,056	1,111,417	1,709,555	598,138
-	-	-	-	-	-
(10,906)	(10,906)	-	(1,893,290)	(725,874)	1,167,416
(10,906)	(10,906)	-	(1,893,290)	(725,874)	1,167,416
\$ (94,940)	\$ 100,116	\$ 195,056	\$ (781,873)	\$ 983,681	\$ 1,765,554
	527,605			4,541,435	
	\$ 627,721			\$ 5,525,116	

Continued

CITY OF SUNNYVALE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	Road Maintenance and Rehabilitation		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 2,432,292	\$ 2,812,878	\$ 380,586
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Rents and Concessions	-	-	-
Investment Earnings	-	32,254	32,254
Other Revenues	-	-	-
Total Revenues	2,432,292	2,845,132	412,840
Expenditures:			
Current:			
Public Safety	-	-	-
Community Development	-	-	-
Public Works	-	-	-
Library and Community Services	-	-	-
Capital Outlay and Special Projects	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	2,432,292	2,845,132	412,840
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(2,488,101)	(1,215,540)	1,272,561
Total Other Financing Sources (Uses)	(2,488,101)	(1,215,540)	1,272,561
Net Change in Fund Balances	\$ (55,809)	\$ 1,629,592	\$ 1,685,401
Fund Balances - Beginning of Year		418,034	
Fund Balances - End of Year		\$ 2,047,626	

Continued



Transporation Development Act			VRF Local Road Improvement Program		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
\$ 176,718	\$ 149,652	\$ (27,066)	\$ 944,738	\$ 944,738	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	17,639	17,639
-	-	-	-	-	-
176,718	149,652	(27,066)	944,738	962,377	17,639
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
176,718	149,652	(27,066)	944,738	962,377	17,639
-	-	-	-	-	-
-	(58,184)	(58,184)	(918,936)	(520,112)	398,824
-	(58,184)	(58,184)	(918,936)	(520,112)	398,824
\$ 176,718	\$ 91,468	\$ (85,250)	\$ 25,802	\$ 442,265	\$ 416,463
	(91,468)			23,375	
	\$ -			\$ 465,640	

Continued

CITY OF SUNNYVALE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	Youth And Neighborhood Services Fund**		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive Negative (Negative)
Revenues:			
Intergovernmental Revenues	\$ 228,000	\$ 145,456	\$ (82,544)
Fines and Forfeitures	-	-	-
Service Fees	32,848	41,369	8,521
Rents and Concessions	60,900	82,015	21,115
Investment Earnings	10,204	11,097	893
Other Revenues	1,917	-	(1,917)
Total Revenues	333,869	279,937	(53,932)
Expenditures:			
Current:			
Public Safety	-	-	-
Community Development	-	-	-
Public Works	-	-	-
Library and Community Services	876,824	1,038,680	(161,856)
Capital Outlay and Special Projects	-	-	-
Total Expenditures	876,824	1,038,680	(161,856)
Excess of Revenues Over (Under) Expenditures	(542,955)	(758,743)	(215,788)
Other Financing Sources (Uses):			
Transfers In	542,955	542,955	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	542,955	542,955	-
Net Change in Fund Balances	\$ -	\$ (215,788)	\$ (215,788)
Fund Balances - Beginning of Year		510,217	
Fund Balances - End of Year		\$ 294,429	

** Youth And Neighborhood Services Fund is reported as part of General Fund on GAAP basis.

Concluded

CITY OF SUNNYVALE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Debt Service Fund
Year Ended June 30, 2019

	Government Center Certificates of Participation		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:			
Investment Earnings	\$ -	\$ 21,682	\$ 21,682
Total Revenues	-	21,682	21,682
Expenditures:			
Debt Service			
Principal Retirement	-	655,000	(655,000)
Interest	-	137,966	(137,966)
Fiscal Charges	-	84,881	(84,881)
Total Expenditures	-	877,847	(877,847)
Excess of Revenues Over (Under) Expenditures	-	(856,165)	899,529
Other Financing Sources:			
Transfers in - Water Supply and Distribution	-	62,035	(62,035)
Transfers in - Wastewater Management	-	42,586	(42,586)
Transfers in - Solid Waste Management	-	63,040	(63,040)
Transfers in - Internal Service General Services	-	670,643	(670,643)
Total Other Financing Sources (Uses)	-	838,304	(838,304)
Net Change in Fund Balances	\$ -	(17,861)	\$ 61,225
Fund Balances - Beginning of Year		1,137,304	
Fund Balances - End of Year		\$ 1,119,443	

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Permanent Funds
Year Ended June 30, 2019**

	Swirsky Youth Opportunity			Fremont Pool		
		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Budget			Budget		
Revenues:						
Investment Earnings	\$ 11,040	\$ 12,115	\$ 1,075	\$ 21,146	\$ 23,502	\$ 2,356
Other revenues	-	-	-	-	16,288	16,288
Total Revenues	11,040	12,115	1,075	21,146	39,790	16,288
Other Financing Sources (Uses):						
Transfers Out	(11,040)	(12,115)	(1,075)	(21,146)	(23,502)	(2,356)
Total Other Financing Sources (Uses)	(11,040)	(12,115)	(1,075)	(21,146)	(23,502)	(2,356)
Change in Fund Balances before Special Items	-	-	-	-	16,288	13,932
Net Change in Fund Balances	\$ -	-	\$ -	\$ -	16,288	\$ 13,932
Fund Balances - Beginning of Year		552,016			1,057,285	
Fund Balances - End of Year		\$ 552,016			\$ 1,073,573	

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Payroll & Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Property and Liability Insurance Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.

CITY OF SUNNYVALE
**Combining Statement of Net Position
All Internal Service Funds
June 30, 2019**

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Assets:				
Current Assets:				
Deposits and Investments Held by City	\$ 40,565,694	\$ 44,218,065	\$ 823,620	\$ 85,607,379
Receivables	266,925	295,770	6,591	569,286
Inventories and Prepaid Items	758,669	218,920	9,511	987,100
Restricted Assets:				
Deposits and Investments Held by Fiscal Agent and Trustee	-	2,093,405	-	2,093,405
Total Current Assets	41,591,288	46,826,160	839,722	89,257,170
Capital Assets:				
Receivables from Employees (Note 6)	-	1,612,701	-	1,612,701
Land & Nondepreciable Assets	2,805,567	-	-	2,805,567
Depreciable Buildings, Property, Equipment and Infrastructure, Net	14,762,729	-	-	14,762,729
Total Assets	59,159,584	48,438,861	839,722	108,438,167
Deferred Outflows of Resources	4,814,261	368,022	30,936	5,213,219
Liabilities:				
Current Liabilities:				
Wages Payable	-	4,464,948	-	4,464,948
Accounts Payable and Accrued Liabilities	1,151,358	285,214	15,641	1,452,213
Refundable Deposits	11,263	-	-	11,263
Claims and Judgments Payable - Due Within One Year	-	4,788,945	529,918	5,318,863
Compensated Absences Payable - Due Within One Year	-	12,321,011	-	12,321,011
Total Current Liabilities	1,162,621	21,860,118	545,559	23,568,298
Noncurrent Liabilities:				
Claims and Judgments Payable- Due in More than One Year	-	14,972,055	2,254,082	17,226,137
Compensated Absences Payable - Due in More than One Year	-	3,698,410	-	3,698,410
Net Pension Liability	20,182,491	389,833	221,450	20,793,774
Net OPEB Liability	5,256,768	33,142	50,293	5,340,203
Total Noncurrent Liabilities	25,439,259	19,093,440	2,525,825	47,058,524
Total Liabilities	26,601,880	40,953,558	3,071,384	70,626,822
Deferred Inflows of Resources	1,610,331	170,277	18,195	1,798,803
Net Position				
Net Investment in Capital Assets	17,568,296	-	-	17,568,296
Unrestricted	18,193,338	7,683,048	(2,218,921)	23,657,465
Net Position	\$ 35,761,634	\$ 7,683,048	\$ (2,218,921)	\$ 41,225,761

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
Year Ended June 30, 2019

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Operating Revenues:				
Charges for Services	\$ 25,719,382	\$ 90,096,058	\$ 1,966,625	\$ 117,782,065
Operating Expenses:				
Personnel Services	13,424,859	21,977,866	96,881	35,499,606
Contractual Services	5,352,350	9,201	452,175	5,813,726
Material and Supplies	2,891,636	-	-	2,891,636
Utilities	2,141,473	-	-	2,141,473
Equipment and Building Rental	2,008,745	-	-	2,008,745
Insurance Premiums and Claims	-	28,687,559	1,700,393	30,387,952
Retirement Premiums	-	42,046,188	-	42,046,188
Other Operating Expenses	277,970	-	-	277,970
Depreciation	2,083,241	-	-	2,083,241
Total Operating Expenses	28,180,274	92,720,814	2,249,449	123,150,537
Operating Loss	(2,460,892)	(2,624,756)	(282,824)	(5,368,472)
Nonoperating Revenues:				
Investment Earnings	1,408,176	1,507,683	23,498	2,939,357
Loss before Capital Contributions and Transfers	(1,052,716)	(1,117,073)	(259,326)	(2,429,115)
Transfers In	11,583,841	5,600,000	-	17,183,841
Transfers Out	(685,061)	-	-	(685,061)
Change in Net Position	9,846,064	4,482,927	(259,326)	14,069,665
Net Position (Deficit) - Beginning of Year	25,915,570	3,200,121	(1,959,595)	27,156,096
Net Position (Deficit) - End of Year	\$ 35,761,634	\$ 7,683,048	\$ (2,218,921)	\$ 41,225,761

CITY OF SUNNYVALE

Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2019

	General Services	Employee Payroll & Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,069,291	\$ 2,936,408	\$ -	\$ 4,005,699
Cash Received for Interfund Services Provided	24,691,657	87,449,807	1,966,625	114,108,089
Cash Payments to Suppliers of Goods and Services	(11,797,866)	(3,153,895)	(153,554)	(15,105,315)
Cash Payments for Employee Services	(13,224,747)	(61,158,010)	(72,726)	(74,455,483)
Insurance and Claims Paid	-	(28,334,568)	(1,630,886)	(29,965,454)
Net Cash Provided by (Used for) Operating Activities	738,335	(2,260,258)	109,459	(1,412,464)
Cash Flows from Noncapital Financing Activities:				
Transfers In	11,583,841	5,600,000	-	17,183,841
Transfers Out	(685,061)	-	-	(685,061)
Net Cash Provided by Noncapital Financing Activities	10,898,780	5,600,000	-	16,498,780
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(3,959,841)	-	-	(3,959,841)
Cash Flows from Investing Activities:				
Interest on Investments	1,348,579	1,484,968	23,120	2,856,667
Net Increase (Decrease) in Cash and Cash Equivalents	9,025,853	4,824,710	132,579	13,983,142
Cash and Cash Equivalents - Beginning of Year	31,539,841	41,486,760	691,041	73,717,642
Cash and Cash Equivalents - End of Year	<u>\$ 40,565,694</u>	<u>\$ 46,311,470</u>	<u>\$ 823,620</u>	<u>\$ 87,700,784</u>
Reconciliation to Statement of Net Position:				
Cash and Investments Held by City	\$ 40,565,694	\$ 44,218,065	\$ 823,620	\$ 85,607,379
Cash and Investments Held by Fiscal Agent and Trustee	-	2,093,405	-	2,093,405
Total Cash and Investments	<u>\$ 40,565,694</u>	<u>\$ 46,311,470</u>	<u>\$ 823,620</u>	<u>\$ 87,700,784</u>

Continued

CITY OF SUNNYVALE

Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2019

	General Services	Employee Payroll & Benefits	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,460,892)	\$ (2,624,756)	\$ (282,824)	\$ (5,368,472)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,083,241	-	-	2,083,241
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:				
Receivables	25,872	(1,588,131)	-	(1,562,259)
Intergovernmental Receivables	16,318	-	-	16,318
Inventories and Prepayments	380,143	47,476	(2,128)	425,491
Refundable Deposits	(1,006)	-	-	(1,006)
Accounts Payable and Accrued Liabilities	(101,465)	113,038	(57,745)	(46,172)
Claims and Judgments Payable	-	731,000	428,000	1,159,000
Compensated Absences Payable		995,569	-	995,569
Deferred Outflows Related to Pensions	2,092,089	159,297	32,241	2,283,627
Deferred Inflows Related to Pensions	(692,189)	(48,254)	(6,677)	(747,120)
Net Pension Liability	(298,034)	(24,529)	(2,875)	(325,438)
Deferred Outflows Related to OPEB	(391,757)	(26,868)	654	(417,971)
Deferred Inflows Related to OPEB	1,012,311	69,439	9,575	1,091,325
Net OPEB Liability	(926,296)	(63,539)	(8,762)	(998,597)
Net Cash Provided (Used) by Operating Activities	\$ 738,335	\$ (2,260,258)	\$ 109,459	\$ (1,412,464)
Noncash Investing, Capital and Financing Activities:				
Change in the Fair Value of Investments	\$ 685,506	\$ 807,964	\$ -	\$ 1,493,470
Purchase of Capital Assets on Account	267,166	-	-	267,166

Concluded

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Fiduciary Fund Financial Statements

Private Purpose Trust Funds:

Redevelopment Successor Agency Trust Fund is used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. The City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area.

CFD 3 Estates at Sunnyvale Trust Fund is used to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

Agency Funds:

The ***Community Facilities District No. 1 Agency Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) Fund*** accounts for the collection of annual member assessments and payments to cover the cost of programmatic activities related to implementing the National Pollution Discharge Elimination System (NPDES) permit issued to the cities in Santa Clara County and the Santa Clara Valley Water District that discharge storm water to the San Francisco Bay.

The ***SVCEA Fund*** accounts for the funds contributed by participating municipalities and the Santa Clara County for the initial funding to establish a separate public agency, known as the Silicon Valley Clean Energy Authority or the SVCEA.

CITY OF SUNNYVALE

Combining Statement of Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
June 30, 2019

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Assets:			
Deposits and Investments in City Treasury Pool	\$ 89,036	\$ -	\$ 89,036
Deposits and Investments not in City Treasury Pool	-	3,737,572	3,737,572
Deposits and Investments Held by Fiscal Agent	-	637,862	637,862
Receivables	500	7,467,064	7,467,564
Capital Assets:			
Land and Nondepreciable Assets	-	13,959,752	13,959,752
Total Assets	89,536.0	25,802,250	25,891,786
Liabilities:			
Accounts Payable and Accrued Liabilities	-	5,355	5,355
Accrued Interest Payable	-	40,504	40,504
Long-term Obligations :			
Due Within One Year	-	3,142,519	3,142,519
Due in More Than One Year	-	39,874,620	39,874,620
Total Liabilities	-	43,062,998	43,062,998
Net Position:			
Held in Trust for Private Purpose	\$ 89,536	\$ (17,260,748)	\$ (17,171,212)

CITY OF SUNNYVALE

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
Year Ended June 30, 2019

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Additions:			
<i>Contributions from:</i>			
Property Owners	\$ 25,575	\$ -	\$ 25,575
County Redevelopment Property Tax Trust Fund	-	3,397,910	3,397,910
Interest Income	1,602	44,143	45,745
Total Additions	27,177	3,442,053	3,469,230
Deductions:			
Projects Management	5,883	26,215	32,098
City Loan Interest Added to Loan Principal	-	689,139	689,139
Interest on Central Core Bonds	-	98,963	98,963
Fiscal Agent Trustee Fees	-	6,338	6,338
Administrative Expenses		114,617	114,617
Total Deductions	5,883	935,272	941,155
Change in Net Position	21,294	2,506,781	2,528,075
Net Position, Beginning of Year	\$ 68,242	\$ (19,767,529)	\$ (19,699,287)
Net Position, End of Year	\$ 89,536	\$ (17,260,748)	\$ (17,171,212)

CITY OF SUNNYVALE
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds
Year Ended June 30, 2019
Community Facilities District No. 1

	Beginning Balance July 1, 2018	Additions	Deletions	Ending Balance June 30, 2019
Assets:				
Deposits and Investments in City Treasury Pool	\$ 2,048,334	\$ 1,733,845	\$ (1,814,194)	\$ 1,967,985
Deposits and Investments Held by Fiscal Agent	1,801,116	1,810,353	(1,702,684)	1,908,785
Receivables	60,451	59,397	(60,714)	59,134
Total Assets	\$ 3,909,901	\$ 3,603,595	\$ (3,577,592)	\$ 3,935,904
Liabilities:				
Due to CFD Bondholders	\$ 3,909,901	\$ 3,603,595	\$ (3,577,592)	\$ 3,935,904
Total Liabilities	\$ 3,909,901	\$ 3,603,595	\$ (3,577,592)	\$ 3,935,904

Santa Clara Valley Urban Runoff Pollution Prevention Program

	Beginning Balance July 1, 2018	Additions	Deletions	Ending Balance June 30, 2019
Assets:				
Deposits and Investments not in City Treasury Pool	\$ 1,558,264	\$ 5,262,087	\$ (4,899,166)	\$ 1,921,185
Total Assets	\$ 1,558,264	\$ 5,262,087	\$ (4,899,166)	\$ 1,921,185
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,558,264	\$ 5,262,087	\$ (4,899,166)	\$ 1,921,185
Total Liabilities	\$ 1,558,264	\$ 5,262,087	\$ (4,899,166)	\$ 1,921,185

Continued

CITY OF SUNNYVALE**Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds
Year Ended June 30, 2019****Total Agency Funds**

	Beginning Balance			Ending Balance
	\$ 43,282	Additions	Deletions	\$ 43,646
Assets:				
Deposits and Investments in City Treasury Pool	2,048,334	1,733,845	(1,814,194)	1,967,985
Deposits and Investments not in City Treasury Pool	1,558,264	5,262,087	(4,899,166)	1,921,185
Deposits and Investments Held by Fiscal Agent	1,801,116	1,810,353	(1,702,684)	1,908,785
Receivables	60,451	59,397	(60,714)	59,134
Prepaid Items	-	-	-	-
Total Assets	5,468,165	8,865,682	(8,476,758)	5,857,089
Liabilities:				
Accounts Payable and Accrued Liabilities	1,558,264	5,262,087	(4,899,166)	1,921,185
Due to CFD No. 1 Bondholders	3,909,901	3,603,595	(3,577,592)	3,935,904
Total Liabilities	\$ 5,468,165	\$ 8,865,682	\$ (8,476,758)	\$ 5,857,089

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Statistical Section (Unaudited)

This portion of the City of Sunnyvale's comprehensive annual financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial activities and performance.

Contents	Page
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	207-213
<i>Revenue Capacity</i>	
These schedules present information to assist the reader in assessing the City's most significant local revenue source, the property tax.	214-218
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	219-222
<i>Demographic and Economic Information</i>	
These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	223-225
<i>Operating Information</i>	
These schedules contain service and infrastructure data to assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.	226-227

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CITY OF SUNNYVALE

**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012 ¹	2011	2010
Governmental Activities										
Net Investment in Capital Assets	\$ 478,865	\$ 471,295	\$ 459,015	\$ 453,364	\$ 435,271	\$ 426,044	\$ 420,326	\$ 402,857	\$ 388,753	\$ 378,990
Restricted	316,350	288,199	232,876	189,436	153,631	145,874	133,414	122,424	115,097	87,408
Unrestricted ²	(59,819)	(109,823)	(4,091)	(13,422)	(46,498)	204,836	195,897	205,327	155,432	174,362
Total Governmental Activities Net Position	\$ 735,396	\$ 649,671	\$ 687,800	\$ 629,378	\$ 542,404	\$ 776,754	\$ 749,637	\$ 730,608	\$ 659,282	\$ 640,760
Business-type activities										
Net Investment in Capital Assets	\$ 153,121	\$ 133,615	\$ 116,934	\$ 101,526	\$ 90,914	\$ 77,389	\$ 80,828	\$ 80,831	\$ 85,837	\$ 82,415
Restricted	5,271	5,271	5,271	-	-	-	-	-	-	-
Unrestricted ²	75,471	31,693	6,185	(2,906)	(16,659)	12,068	(3,449)	(12,005)	(23,312)	(21,066)
Total Business-Type Activities Net Position	\$ 233,863	\$ 170,579	\$ 128,390	\$ 98,620	\$ 74,255	\$ 89,457	\$ 77,379	\$ 68,826	\$ 62,525	\$ 61,349
Primary Government										
Net Investment in Capital Assets	\$ 631,986	\$ 604,910	\$ 575,949	\$ 554,890	\$ 526,185	\$ 503,433	\$ 501,154	\$ 483,688	\$ 474,590	\$ 461,404
Restricted	321,621	293,470	238,147	189,436	153,631	145,874	133,414	122,424	115,097	87,408
Unrestricted ²	15,652	(78,130)	2,094	(16,328)	(63,157)	216,904	192,448	193,323	132,120	153,296
Total Primary Government Net Position	\$ 969,259	\$ 820,250	\$ 816,190	\$ 727,998	\$ 616,659	\$ 866,211	\$ 827,016	\$ 799,435	\$ 721,807	\$ 702,108

Notes:

¹ The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

² The City implemented GASB Statement No. 68 and 75 in fiscal years 2015 and 2018, respectively, which had significant effect on unrestricted net position.

³ Some reclassifications of line items within the same group of activities reported for prior years have been made to facilitate comparison with prior years. These reclassifications do not change total net position reported in those years.

CITY OF SUNNYVALE**Changes in Net Position****Last Ten Fiscal Years****(accrual basis of accounting)****(dollars in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Governmental Activities:										
Planning and Management	\$ 15,766	\$ 17,961	\$ 13,342	\$ 9,548	\$ 19,431	\$ 18,678	\$ 17,859	\$ 18,538	\$ 18,671	\$ 20,533
Public Safety	111,998	106,371	94,623	83,058	82,086	80,022	78,670	74,077	75,988	73,903
Community Development	21,901	20,562	17,676	18,025	16,351	21,922	20,855	21,981	21,119	23,833
Transportation	19,179	23,958	18,157	15,950	17,022	18,822	14,292	10,810	11,845	11,081
Socioeconomic	12,019	13,260	11,776	11,548	8,919	8,874	9,141	12,813	14,329	12,932
Cultural	18,920	19,118	17,628	16,194	17,216	16,222	16,399	8,873	9,036	9,757
Environmental Management	3,178	2,455	1,248	1,864	913	1,993	2,279	2,920	3,609	1,445
Interest on Long-term Debt	467	504	494	473	573	648	781	419	1,078	1,003
Total Governmental Activities	203,428	204,189	174,944	156,660	162,511	167,181	160,276	150,431	155,675	154,487
Business-Type Activities:										
Water Supply and Distribution	48,034	46,296	44,104	36,294	29,303	31,732	31,790	27,254	24,667	23,065
Wastewater Management	31,390	29,664	26,645	24,237	22,353	22,101	21,753	20,597	18,680	17,249
Solid Waste Management	43,969	40,748	40,734	39,357	36,576	36,496	31,637	32,327	32,406	30,814
SMaRT Station	29,050	28,098	28,056	27,202	27,389	27,426	26,810	28,467	26,320	26,618
Development	15,774	13,447	10,980	8,945	7,671	-	-	-	-	-
Golf & Tennis Operations or Community Recreation	5,565	4,799	4,184	3,636	3,473	3,621	3,728	11,454	11,802	11,834
Total Business-Type Activities	173,782	163,052	154,703	139,671	126,765	121,376	115,718	120,099	113,875	109,580
Total Primary Government Expenses	\$ 377,210	\$ 367,241	\$ 329,647	\$ 296,331	\$ 289,276	\$ 288,557	\$ 275,994	\$ 270,530	\$ 269,550	\$ 264,067
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 316	\$ 607	\$ 478	\$ 278	\$ 563	\$ 427	\$ 347	\$ 1,510	\$ 733	\$ 524
Public Safety	4,705	4,301	3,827	3,716	3,713	3,573	2,926	3,596	3,418	3,430
Community Development	26,917	47,359	30,861	35,141	12,464	30,322	28,060	21,553	13,842	10,818
Transportation	5,252	8,510	3,004	4,162	3,157	3,783	3,790	497	548	887
Socioeconomic	269	100	112	98	110	98	-	144	62	805
Cultural	5,114	4,731	4,770	4,871	4,674	4,446	4,387	270	253	233
Environmental Management	1	-	-	1	-	954	979	575	435	366
Operating Grants and Contributions	17,530	19,314	19,932	18,767	15,616	16,198	16,427	19,426	27,491	19,419
Capital Grants and Contributions	12,256	14,111	26,895	21,323	12,789	6,831	26,038	15,095	11,795	12,632
Total Governmental Activities Program Revenues	72,360	99,033	89,879	88,357	53,086	66,632	82,954	62,666	58,577	49,114

Business-Type Activities:

Charges for Services										
Water Supply and Distribution	64,560	60,749	45,311	36,300	33,568	39,066	36,071	32,630	27,687	24,773
Wastewater Management	57,171	53,494	37,720	37,071	31,487	32,078	29,253	26,046	24,278	22,997
Solid Waste Management	54,240	50,418	47,952	46,585	43,236	42,033	40,415	38,668	36,752	33,900
SMaRT Station	27,994	25,349	26,443	25,827	25,817	25,749	25,265	26,210	24,537	23,826
Development	24,379	21,878	19,371	15,850	13,832	-	-	-	-	-
Golf & Tennis Operations or Community Recreation	3,586	3,361	3,107	3,186	3,528	3,572	3,491	7,452	7,110	7,361
Capital Grants and Contributions	775	1,612	5,658	368	1,916	401	584	459	91	857
Total Business-Type Activities Program Revenues	232,705	216,861	185,562	165,187	153,384	142,899	135,079	131,465	120,455	113,714
Total Primary Government Program Revenues	\$ 305,065	\$ 315,894	\$ 275,441	\$ 253,544	\$ 206,470	\$ 209,531	\$ 218,033	\$ 194,131	\$ 179,032	\$ 162,828
Net (Expense)/Revenue										
Governmental Activities	\$ (131,068)	\$ (105,156)	\$ (85,065)	\$ (68,303)	\$ (109,425)	\$ (100,549)	\$ (77,322)	\$ (87,765)	\$ (97,098)	\$ (105,373)
Business-Type Activities	58,923	53,809	30,859	25,516	26,619	21,523	19,361	11,366	6,580	4,134
Total Primary Government Net Expense	\$ (72,145)	\$ (51,347)	\$ (54,206)	\$ (42,787)	\$ (82,806)	\$ (79,026)	\$ (57,961)	\$ (76,399)	\$ (90,518)	\$ (101,239)

General Revenues and Other Changes in Net Position**Governmental Activities:**

Taxes										
Property Taxes	\$ 85,057	\$ 74,572	\$ 67,899	\$ 64,168	\$ 56,560	\$ 50,515	\$ 47,779	\$ 48,823	\$ 52,261	\$ 51,633
Sales and Use Taxes	32,220	31,314	29,408	31,357	29,676	30,195	29,909	30,345	29,228	25,432
Motor Vehicle License Fees	-	-	-	-	-	-	62	73	708	408
Franchise Fees, Unrestricted	6,976	7,160	7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979
Utilities Users Taxes	8,303	7,854	7,334	6,901	6,774	6,754	6,549	6,830	6,806	6,798
Transient Occupancy Taxes	21,249	17,742	16,590	16,295	14,137	10,859	9,016	7,777	6,589	5,578
Real Property Transfer Taxes	2,002	2,075	1,770	1,972	1,765	1,674	1,275	925	717	571
Construction Taxes	6,346	4,961	4,719	3,298	3,066	2,984	2,725	3,059	1,356	937
Business License Taxes	1,953	1,838	1,819	1,872	1,846	1,742	1,589	1,505	1,494	1,364
Investment Earnings	18,762	3,389	1,094	2,682	1,702	1,710	758	1,262	1,432	1,834
Interest Accrued from Advances to Business-Type Activities	477	395	2,421	2,613	2,793	2,922	3,068	3,044	2,901	2,801
Interest Accrued from Advances to Former RDA	-	911	565	49	64	56	66	39	-	-
Extraordinary Items	-	(29,329)	-	-	-	-	(13,966)	43,481	-	-
Gain (Loss) on Disposal of Assets	32,072	13,906	-	12,822	-	-	-	-	-	-
Miscellaneous	-	1,202	1,221	2,260	1,274	1,617	1,355	30	25	18
Transfers	1,376	(1,059)	1,529	1,930	12,743	9,943	9,123	5,524	5,857	4,970
Total Governmental Activities	216,793	136,931	143,487	155,276	139,298	127,665	105,770	159,090	115,621	108,323
Business-type Activities										
Investment Earnings	5,737	835	440	780	541	499	331	460	453	386
Transfers	(1,376)	1,059	(1,529)	(1,930)	(12,743)	(9,943)	(9,123)	(5,524)	(5,857)	(4,970)
Total Business-Type Activities	4,361	1,894	(1,089)	(1,150)	(12,202)	(9,444)	(8,792)	(5,064)	(5,404)	(4,584)
Total Primary Government	\$ 221,154	\$ 138,825	\$ 142,398	\$ 154,126	\$ 127,096	\$ 118,221	\$ 96,978	\$ 154,026	\$ 110,217	\$ 103,739
Change in Net Position										
Governmental Activities	\$ 85,725	\$ 31,775	\$ 58,422	\$ 86,973	\$ 29,873	\$ 27,116	\$ 28,448	\$ 71,325	\$ 18,523	\$ 2,950
Business-Type Activities	63,284	55,703	29,770	24,365	14,417	12,079	10,569	6,302	1,176	(450)
Total Primary Government	\$ 149,009	\$ 87,478	\$ 88,192	\$ 111,338	\$ 44,290	\$ 39,195	\$ 39,017	\$ 77,627	\$ 19,699	\$ 2,500

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CITY OF SUNNYVALE

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nondisposable	\$ 5,518	\$ 5,861	\$ 7,554	\$ 6,261	\$ 4,596	\$ 5,488	\$ 9,829	\$ 13,320	\$ 15,976	\$ 15,983
Restricted	2,914	2,808	2,724	2,554	2,500	2,413	2,288	5,196	5,078	3,807
Committed	46,896	60,532	57,745	55,240	32,402	42,015	33,454	34,014	32,963	35,418
Assigned	-	-	-	-	-	-	-	-	193	22
Unassigned	71,030	63,686	60,979	57,423	59,096	52,868	52,486	54,753	43,545	36,836
Total General Fund	<u>\$ 126,358</u>	<u>\$ 132,887</u>	<u>\$ 129,002</u>	<u>\$ 121,478</u>	<u>\$ 98,594</u>	<u>\$ 102,784</u>	<u>\$ 98,057</u>	<u>\$ 107,283</u>	<u>\$ 97,755</u>	<u>\$ 92,066</u>
All Other Governmental Funds										
Nondisposable	\$ 1,626	\$ 1,609	\$ 1,880	\$ 1,882	\$ 1,883	\$ 1,885	\$ 2,027	\$ 2,055	\$ 2,211	\$ 2,170
Restricted	304,524	275,278	221,328	179,053	143,788	93,137	91,549	75,296	67,810	63,527
Committed	22,804	-	-	-	-	-	-	-	-	-
Assigned	50,904	16,434	14,886	15,368	14,216	12,267	11,092	9,937	10,279	10,554
Unassigned	-	(91)	(5)	-	-	-	(3)	- ⁽²⁾	(80,670) ⁽¹⁾	(79,399)
Total All Other Governmental Funds	<u>\$ 379,858</u>	<u>\$ 293,230</u>	<u>\$ 238,089</u>	<u>\$ 196,303</u>	<u>\$ 159,887</u>	<u>\$ 107,289</u>	<u>\$ 104,665</u>	<u>\$ 87,288</u>	<u>\$ (370)</u>	<u>\$ (3,148)</u>

Notes: 1 The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012.

The negative amounts shown above were related to the Redevelopment Agency's obligations to repay the City loans, to fund the Low and Moderate Income Housing Fund deficit, and to reimburse the developer under the 2010 Amended Disposition and Development and Owner Participation Agreement.

2 Since its inception on February 1, 2012, the Redevelopment Successor Agency's financial transactions have been reported in a separate trust fund.

CITY OF SUNNYVALE**Changes in Fund Balances of Governmental Funds****Last Ten Fiscal Years****(modified accrual basis of accounting)****(dollars in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Property Taxes	\$ 84,828	\$ 74,350	\$ 67,676	\$ 63,945	\$ 56,337	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407
Sales and Use Taxes	33,829	33,148	31,017	32,914	31,212	31,672	31,412	31,623	30,327	26,590
Other Taxes	39,853	34,469	32,232	30,338	27,588	24,013	21,154	20,096	16,963	15,248
Franchise Fees	6,976	7,160	7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979
Intergovernmental Revenues	22,959	23,936	22,461	21,757	18,077	19,659	22,466	31,420	37,939	28,107
Permits and Licenses	1,938	1,699	1,287	1,297	1,308	9,796	9,734	9,568	5,972	4,766
Fines and Forfeitures	1,252	1,106	1,217	1,312	1,174	1,199	1,080	1,290	1,230	1,165
Special Assessments	6	6	6	6	6	26	38	13	21	21
Service Fees	40,160	61,688	37,455	46,554	19,719	30,250	27,397	13,629	9,769	6,809
Rents and Concessions	1,653	1,404	1,483	1,469	1,494	1,408	1,668	1,211	1,223	2,366
Interest Received from										
Interfund Advances	4,787	4,787	5,364	5,364	4,862	1,616	1,806	4,426	8,999	950
Investment Earnings	15,816	2,962	1,012	2,112	1,320	1,361	578	922	633	1,085
Other Revenues ¹	1,669	2,499	20,123	1,931	1,350	4,016	4,551	6,042	1,320	1,674
Total Revenues	255,726	249,214	228,451	216,056	171,345	182,004	175,902	175,210	172,675	146,167
Expenditures										
Planning and Management	11,314	11,315	12,107	9,632	19,021	17,882	17,101	17,501	17,068	18,708
Public Safety	104,340	98,116	92,113	88,392	82,490	81,129	78,155	73,484	72,059	70,023
Community Development ²	17,805	16,509	15,262	13,594	14,120	30,898	21,269	22,210	24,876	26,333
Transportation	10,432	10,387	10,140	10,072	12,698	13,811	7,955	7,750	7,342	7,364
Socioeconomic	11,181	12,552	11,841	11,812	8,834	8,392	8,644	11,726	13,162	12,113
Cultural ³	17,612	16,709	16,995	16,314	15,721	15,209	15,587	7,804	7,667	7,931
Environmental Management	2,871	1,341	1,163	1,801	647	1,948	1,922	1,861	2,882	5,306
Capital Outlay	17,407	33,764	17,764	19,133	10,337	15,596	10,126	16,787	16,940	16,497
Debt Service:										
Principal Retirement ⁴	1,605	1,535	1,465	1,395	1,335	1,280	1,220	1,550	2,140	1,630
Interest	388	415	419	394	427	468	518	3,291	6,039	6,041
Fiscal Charges	91	100	86	89	156	189	131	181	189	48
Total Expenditures	195,046	202,743	179,355	172,628	165,786	186,802	162,628	164,145	170,364	171,994

Excess (Deficiency) of Revenues										
Over (Under) Expenditures	60,680	46,471	49,096	43,428	5,559	(4,798)	13,274	11,065	2,311	(25,827)
Other Financing Sources (Uses):										
Transfers In	48,188	44,632	11,098	10,378	22,588	30,481	19,913	21,770	26,368	26,612
Transfers Out	(61,842)	(53,077)	(10,884)	(9,186)	(22,978)	(19,203)	(12,382)	(15,746)	(20,213)	(20,848)
Proceeds from Sale of Capital Assets ⁵	33,073	21,000	-	14,680	-	870	-	-	-	-
Total Other Financing Sources (Uses)	<u>19,419</u>	<u>12,555</u>	<u>214</u>	<u>15,872</u>	<u>(390)</u>	<u>12,148</u>	<u>7,531</u>	<u>6,024</u>	<u>6,155</u>	<u>5,764</u>
Extraordinary Items:										
Net Assets Received or Removed upon Dissolution of Redevelopment Agency	-	-	-	-	-	-	(13,966)	80,098	-	-
Total Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,966)</u>	<u>80,098</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 80,099</u>	<u>\$ 59,026</u>	<u>\$ 49,310</u>	<u>\$ 59,300</u>	<u>\$ 5,169</u>	<u>\$ 7,350</u>	<u>\$ 6,839</u>	<u>\$ 97,187</u>	<u>\$ 8,466</u>	<u>\$ (20,063)</u>
Capital Expenditures	\$ 11,966	\$ 15,663	\$ 11,691	\$ 11,969	\$ 7,299	\$ 12,077	\$ 5,992	\$ 14,207	\$ 13,690	\$ 13,791
Debt Service as a Percentage of										
Noncapital Expenditures	1.1%	1.0%	1.1%	1.1%	1.1%	1.0%	1.1%	3.2%	5.2%	4.8%

- Notes:**
- 1 Other revenues were higher in fiscal year 2017 due to a one-time contribution related to a significant development project.
 - 2 The City transferred its development-related programs out of the Governmental Funds in fiscal year 2015.
 - 3 The City transferred its recreation programs to the Governmental Funds (Cultural) in fiscal year 2013.
 - 4 Debt service for principal retirement was higher in fiscal year 2011 due to the early payoff of the ABAG Certificates of Participation.

CITY OF SUNNYVALE**General Governmental Tax Revenues by Source****Last Ten Fiscal Years***(modified accrual basis of accounting)**(dollars in thousands)*

		Fiscal Year									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Property	\$	84,828	\$ 74,350	\$ 67,676	\$ 63,945	\$ 56,337	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407
Sales and Use		33,829	33,148	31,017	32,914	31,212	31,672	31,412	31,623	30,327	26,590
Transient Occupancy		21,249	17,742	16,590	16,295	14,137	10,859	9,016	7,778	6,589	5,578
Utility Users		8,303	7,854	7,334	6,901	6,774	6,754	6,549	6,830	6,806	6,798
Business Licenses		1,953	1,837	1,819	1,872	1,846	1,742	1,589	1,505	1,494	1,364
Real Property Transfer		2,002	2,075	1,770	1,972	1,765	1,674	1,275	925	718	571
Construction		6,346	4,961	4,719	3,298	3,066	2,984	2,725	3,059	1,356	937
Franchise		6,976	7,160	7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979
Total	\$	<u>165,486</u>	<u>\$ 149,127</u>	<u>\$ 138,043</u>	<u>\$ 134,254</u>	<u>\$ 122,035</u>	<u>\$ 112,673</u>	<u>\$ 106,584</u>	<u>\$ 106,690</u>	<u>\$ 105,569</u>	<u>\$ 99,224</u>

CITY OF SUNNYVALE**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate³
2010	14,129,616,998	2,848,229,899	5,641,227,308	952,386,638	2,624,851,504	26,196,312,347	296,867,486	25,899,444,861	1.0%
2011	14,187,052,958	3,593,110,296	5,306,337,209	387,154,668	2,450,352,066	25,924,007,197	303,969,181	25,620,038,016	1.0%
2012	14,491,247,756	3,438,645,488	5,341,788,549	340,366,939	2,608,683,037	26,220,731,769	301,649,177	25,919,082,592	1.0%
2013	15,103,665,793	3,600,587,226	5,432,266,156	340,524,870	2,759,360,948	27,236,404,993	341,463,372	26,894,941,621	1.0%
2014	16,609,382,728	3,770,159,047	6,028,000,066	432,398,085	2,893,032,074	29,732,972,000	485,541,786	29,247,430,214	1.0%
2015	17,767,517,570	4,169,748,259	6,064,429,240	525,692,456	3,301,086,598	31,828,474,123	398,883,418	31,429,590,705	1.0%
2016	19,451,693,480	5,263,186,637	7,068,520,319	611,867,808	2,842,769,440	35,238,037,684	438,314,393	34,799,723,291	1.0%
2017	21,132,236,511	6,245,020,580	7,582,898,635	777,478,976	2,941,677,250	38,679,311,952	479,970,823	38,199,341,129	1.0%
2018	23,081,956,452	7,201,345,311	7,551,341,687	875,789,104	3,467,249,797	42,177,682,351	494,892,657	41,682,789,694	1.0%
2019	25,156,372,680	8,856,076,181	8,267,965,238	788,203,756	3,882,340,213	46,950,958,068	599,128,346	46,351,829,722	1.0%

Source: County of Santa Clara Assessor's Office

Notes: 1 Other property includes government, institution, irrigated and vacant lands, State Board of Equalization (SBE) nonunitary utilities, and miscellaneous and unclassified properties.

2 Assessed value is calculated at 100 per cent of market value as defined by California State Constitution Article XIII A and increases each year by no more than two percent unless there is new construction or change in ownership on the property.

3 See notes in the Schedule of Property Tax Rates contained in the Statistical Section for information on direct tax rate.

CITY OF SUNNYVALE**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Direct Rates ¹										
County										
Maximum Tax Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates ²										
County										
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
County Hospital Facility Bond	0.00720	0.00820	0.00860	0.00880	0.00910	0.00350	0.00510	0.00470	0.00950	0.01220
County Housing Bond	0.01050	0.01266	-	-	-	-	-	-	-	-
Special District										
Santa Clara Valley Water District	0.00420	0.00620	0.00860	0.00570	0.00650	0.00700	0.00690	0.00642	0.00720	0.00740
El Camino Hospital	0.01000	0.01000	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290
Midpeninsula Regional Open Space	0.00180	0.00090	0.00060	0.00080	-	-	-	-	-	-
School Districts										
Sunnyvale School District	0.03680	0.03680	0.02630	0.04090	0.04920	0.03640	0.03690	0.03980	0.03900	0.02670
Cupertino Elementary	0.03970	0.04960	0.05090	0.05190	0.05400	0.05250	0.05980	0.02900	0.03080	0.03120
Los Altos Elementary	0.04490	0.04630	0.04790	0.04850	0.05240	0.05340	0.05790	0.05950	0.06000	0.05390
Mountain View Elementary	0.04250	0.04100	0.04260	0.02730	0.03380	0.05300	0.06020	0.03030	0.03220	0.02880
Fremont High	0.04300	0.04640	0.04030	0.05250	0.03960	0.04050	0.03900	0.04150	0.03650	0.03060
Mountain View-Los Altos High	0.04090	0.01070	0.01120	0.01190	0.01330	0.01210	0.01390	0.01470	0.01510	0.01470
Santa Clara Unified	0.07070	0.08280	0.08180	0.09420	0.07040	0.07070	0.08190	0.08360	0.05190	0.07010
Foothills-De Anza College	0.02170	0.02200	0.02340	0.02400	0.02760	0.02900	0.02870	0.02970	0.03260	0.03220

Source: County of Santa Clara Assessor's Office

Note 1 California State Constitution Article XIII A limits the property tax rate on any given property not to exceed one percent of its assessed value unless an additional amount has been approved by voters. The County of Santa Clara assesses properties and collects property taxes for the City. The California Legislature determines the method of distribution of receipts from the one percent tax levy among the counties, cities, school and other districts.

2 Overlapping rates are those of local and county governments that apply to property owners within the City of Sunnyvale. Not all overlapping rates apply to all Sunnyvale property owners. Although the county and water district property tax rates apply to all City property owners, the school and parking district rates apply only to those City property owners whose property is located within that district geographic boundaries.

CITY OF SUNNYVALE**Principal Property Tax Payers
June 30, 2019**

Taxpayer	2019			2010		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ²	Rank	Percentage of Total Taxable Assessed Value
Google Inc	\$ 2,579,069,861	1	5.56%			
Lockheed Martin Corporation	895,166,597	2	1.93%	\$ 691,268,336	1	2.67%
Menlo And Juniper Networks LLC	833,029,873	3	1.80%	314,197,163	6	1.21%
CW SPE	806,708,609	4	1.74%			
Apple Inc	751,752,109	5	1.62%			
Yahoo Holdings Inc	656,370,000	6	1.42%	450,231,608	4	1.74%
Applied Materials Inc	581,182,924	7	1.25%	416,109,333	5	1.61%
441 Real Estate LLC	495,465,667	8	1.07%			
MP 521 LLC	475,224,122	9	1.03%			
Intuitive Surgical Inc	439,433,169	10	0.95%			
Lockheed Missiles and Space Company				558,761,130	2	2.16%
Network Appliance Inc				465,845,479	3	1.80%
Moffett Towers LLC				289,519,862	7	1.12%
SPF Mathilda LLC				277,440,000	8	1.07%
Arden Realty LP				261,006,557	9	1.01%
MT SPE LLC				239,497,931	10	0.92%
Total	\$ 8,513,402,931		18.37%	\$ 3,963,877,399		15.30%

Source: County of Santa Clara Assessor's Office

Note 1 City Total Taxable Assessed Value: \$46,351,829,722

Note 2 City Total Taxable Assessed Value: \$25,899,444,861

CITY OF SUNNYVALE**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ¹
		Amount	Percentage of Levy	
2010	\$ 31,042,522	\$ 29,014,601	93.5%	\$ 1,163,549
2011	30,669,200	28,655,299	93.4%	792,078
2012	30,870,190	29,149,449	94.4%	727,856
2013	32,150,043	30,419,797	94.6%	529,530
2014	35,217,352	33,392,365	94.8%	378,053
2015	38,246,494	36,235,979	94.7%	425,532
2016	42,533,731	40,482,214	95.2%	354,245
2017	46,861,407	44,324,329	94.6%	287,855
2018	50,889,271	48,209,420	94.7%	214,185
2019	56,393,298	53,630,229	95.1%	258,976

Sources: City of Sunnyvale
County of Santa Clara Assessor's Office

- Notes**
- 1 Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.
 - 2 Property tax levy and collections represent General Fund secured and unitary taxes and do not include the VLF (motor vehicle license fees) swap, supplemental, or the City share of the former tax increment.

CITY OF SUNNYVALE

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands except Per Capita)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
Certificates of Participation	\$ 14,860	\$ 16,465	\$ 18,000	\$ 19,465	\$ 20,860	\$ 22,195	\$ 23,475	\$ 24,695	\$ 36,835	\$ 39,250
Tax Allocation Bonds	-	-	-	-	-	-	-	-	5,629	5,996
Business-Type Activities:										
Water and Wastewater										
Series 2017A	41,433	43,253	48,406	50,903	53,291	55,573	57,775	58,677	60,555	62,889
Solid Waste Notes Payable	1,395	2,080	2,611	5,003	7,368	-	-	-	-	-
State Revolving Fund Loan	38,599	7,396	-	-	-	-	-	-	-	-
Solid Waste Revenue Bonds	-	-	-	-	-	12,388	14,505	16,144	18,000	19,781
Total Primary Government	\$ 96,287	\$ 69,194	\$ 69,017	\$ 75,371	\$ 81,519	\$ 90,156	\$ 95,755	\$ 99,516	\$ 121,019	\$ 127,916
Percentage of Personal Income ¹	0.05%	0.03%	0.04%	0.04%	0.05%	0.06%	0.07%	0.07%	0.10%	0.11%
Per Capita ²	\$ 619	\$ 451	\$ 461	\$ 506	\$ 556	\$ 613	\$ 656	\$ 696	\$ 858	\$ 911

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics contained in the Statistical Section. Personal income for fiscal year 2018 was used to calculate percentages for fiscal year 2019 since data for fiscal year 2019 is not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics contained in the Statistical Section.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2019**

Governmental Unit	Debt Outstanding	Percentage Applicable ¹	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 14,560,000	100.000 %	\$ 14,560,000
Cupertino Union School District	274,238,303	14.413	39,525,967
El Camino Hospital District	124,490,000	37.673	46,899,118
Foothill Community College District Certificates of Participation	26,723,002	24.192	6,464,829
Foothill-De Anza Community College District	620,143,886	24.192	150,025,209
Fremont Union High School District	562,210,088	51.728	290,820,034
Midpeninsula Regional Open Space Park District & General Fund Obligations	209,910,600	16.190	33,984,526
Mountain View School District	10,190,000	7.618	776,274
Mountain View-Whisman School District	212,115,000	4.787	10,153,945
Mountain View-Los Altos Union High School District & Certificates of Participation	150,718,967	2.538	3,825,247
Los Altos School District & Certificates of Participation	53,070,945	0.008	4,245
Santa Clara County	947,220,000	9.599	90,923,648
Santa Clara County General Fund Obligations	710,539,120	9.599	68,204,650
Santa Clara County Pension Obligation Bonds	352,378,882	9.599	33,824,849
Santa Clara County Board of Education Certificates of Participation	4,255,000	9.599	408,437
Santa Clara County Vector Control Certificates of Participation	2,245,000	9.599	215,498
Santa Clara Unified School District & Certificates of Participation	1,081,495,000	9.095	98,361,971
Santa Clara Valley Water District Benefit Assessment District	73,570,000	9.599	7,061,984
Sunnyvale School District	188,710,820	99.422	187,620,071
West Valley-Mission Community College District	635,310,000	4.161	26,435,249
West Valley Mission Community College District General Fund Obligations	62,200,000	4.161	2,588,142
Subtotal Overlapping Debt			1,112,683,893
Direct Debt ²			
City of Sunnyvale Government Center Certificates of Participation			10,330,000
City of Sunnyvale Parking Facility Certificates of Participation			4,530,000
Subtotal Direct Debt			14,860,000
Total Direct and Overlapping Debt ³			\$ 1,127,543,893

Sources: California Municipal Statistics Inc
City of Sunnyvale

Notes:

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

² Direct debt excludes revenue bonds reported in the enterprise funds and Redevelopment Successor Agency Central Core Tax Allocation Bonds.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE**Legal Debt Margin Information****Last Ten Fiscal Years****(dollars in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	\$ 7,042,644	\$ 6,326,652	\$ 5,801,897	\$ 5,285,706	\$ 4,774,271	\$ 4,459,946	\$ 4,085,461	\$ 3,933,110	\$ 3,888,601	\$ 3,929,447
Total net debt applicable to limit	14,860	16,464	18,000	19,465	20,860	22,195	23,475	29,943	31,490	32,971
Legal debt Margin	<u>\$ 7,027,784</u>	<u>\$ 6,310,188</u>	<u>\$ 5,783,897</u>	<u>\$ 5,266,241</u>	<u>\$ 4,753,411</u>	<u>\$ 4,437,751</u>	<u>\$ 4,061,986</u>	<u>\$ 3,903,167</u>	<u>\$ 3,857,111</u>	<u>\$ 3,896,476</u>
Total net debt applicable to the limit as a percentage of debt limit	0.21%	0.26%	0.31%	0.37%	0.44%	0.57%	0.57%	0.76%	0.81%	0.84%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 46,351,830
Add back: exempt real property	599,128
Total assessed value	<u>\$ 46,950,958</u>
Debt limit (15% of total assessed value)	7,042,644
Debt applicable to limit:	
Total bonded debt	<u>57,688</u>
Less:	
Water and Wastewater Series 2017A	(41,433)
Solid Waste Revenue Bonds	<u>(1,395)</u>
Total net debt applicable to limit	<u>14,860</u>
Legal debt margin	<u>\$ 7,027,784</u>

Note: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

CITY OF SUNNYVALE**Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 124,734	\$ 114,566	\$ 83,371	\$ 73,946	\$ 65,536	\$ 71,567	\$ 65,621	\$ 59,071	\$ 52,303	\$ 48,000
Less: Operating Expenses ¹	70,144	67,775	63,547	53,452	44,141	46,074	45,316	39,268	34,303	33,899
Less: Operating Transfers ²	2,245	869	415	1,362	6,716	6,852	6,161	6,636	6,427	4,754
Net Available Revenue ⁵	\$ 52,345	\$ 45,922	\$ 19,409	\$ 19,132	\$ 14,679	\$ 18,641	\$ 14,144	\$ 13,167	\$ 11,573	\$ 9,347
Debt Service										
Principal	\$ 1,640	\$ 2,925	\$ 2,330	\$ 2,220	\$ 2,115	\$ 2,035	\$ 1,955	\$ 1,900	\$ 2,355	\$ 1,495
Interest	1,523	1,560	2,411	2,522	2,624	2,703	2,789	2,824	2,161	1,119
Coverage	16.5	10.2	4.1	4.0	3.1	3.9	3.0	2.8	2.6	3.6
Solid Waste Revenue Bonds/Notes Payable ⁴										
Gross Revenues	\$ 54,988	\$ 50,587	\$ 48,052	\$ 46,698	\$ 43,295	\$ 42,104	\$ 40,444	\$ 38,717	\$ 36,782	\$ 33,980
Other Agencies Shares ³	196	156	971	972	1,004	1,064	1,043	1,041	1,041	1,043
Less: Operating Expenses ¹	43,503	40,369	38,856	37,433	34,517	34,334	29,422	30,110	30,317	28,822
Less: Operating Transfers ²	1,167	921	743	723	3,135	3,201	2,882	3,241	3,145	2,445
Net Available Revenue ⁵	\$ 10,514	\$ 9,453	\$ 9,424	\$ 9,514	\$ 6,647	\$ 5,633	\$ 9,183	\$ 6,407	\$ 4,361	\$ 3,756
Debt Service										
Principal	\$ 685	\$ 531	\$ 2,392	\$ 2,365	\$ 2,165	\$ 2,060	\$ 1,960	\$ 1,865	\$ 1,790	\$ 1,715
Interest ⁴	21	29	47	76	394	645	746	834	916	990
Coverage	14.9	16.9	3.9	3.9	2.6	2.1	3.4	2.4	1.6	1.4

Notes:

- ¹ Excludes depreciation expense.
- ² Operating expense-related transfers.
- ³ Proportion of debt service shared by Cities of Mountain View and Palo Alto according to the Memorandum of Understanding.
- ⁴ The City paid off the Solid Waste Revenue Bonds during Fiscal Year 2015 with a new privately funded bank loan.
- ⁵ Net Available Revenue or pledged revenue is "Gross Revenues" received from the respective systems minus the amount to pay "Operation and Maintenance Costs" of the systems.
For the Solid Waste Note Payable, Net Available Revenue includes the proportionate share of debt service from Cities of Mountain View and Palo Alto.

CITY OF SUNNYVALE**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (millions of dollars)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2010	140,450	111,534	60,564	37	15,979	76,214	9.4%
2011	141,099	122,438	65,540	36	16,224	78,221	8.7%
2012	142,896	136,004	71,771	36	16,562	80,300	7.4%
2013	145,864	138,490	71,959	36	16,900	81,319	6.1%
2014	147,055	152,075	77,953	36	17,103	82,606	4.7%
2015	146,629	167,958	85,011	35	17,078	84,965	3.8%
2016	148,948	181,377	91,998	35	16,908	86,712	3.4%
2017	149,831	196,748	98,690	35	16,755	87,291	3.0%
2018	153,389	212,332	106,213	35	16,971	88,190	2.4%
2019	155,567	Not Available	Not Available	36	16,704	88,146	2.2%

Sources: California Department of Education
State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Labor, Bureau of Labor Statistics
United States Census Bureau

Note: 1 San Jose-Sunnyvale-Santa Clara, CA

CITY OF SUNNYVALE**Principal Employers****Current Year and Nine Years Ago**

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Google	10,695	1	12.13%			
Juniper Networks	5,130	2	5.82%	2,200	4	2.89%
Apple	4,000	3	4.54%			
Lockheed Martin Space Systems	3,973	4	4.51%	7,296	1	9.57%
LinkedIn	3,261	5	3.70%			
A2Z Development Center	3,091	6	3.51%			
Walmart	2,288	7	2.60%			
NetApp	1,680	8	1.91%	2,620	3	3.44%
Intuitive Surgical	1,526	9	1.73%			
Microsoft	1,409	10	1.60%			
Yahoo!				4,906	2	6.44%
Northrup Grumman Marine Systems				1,200	5	1.57%
Applied Materials				1,035	6	1.36%
West Valley Engineering				1,088	7	1.43%
Maxim Integrated Products				946	8	1.24%
Palm				849	9	1.11%
Synopsys				821	10	1.08%

Source: City of Sunnyvale, Department of Finance
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF SUNNYVALE**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

	Full-time Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
Planning and Management ^{3 & 4}	150	143	143	136	136	130	124	124	130	137
Public Safety ^{1 & 3 & 4}	356	346	345	348	334	319	311	308	321	328
Community Development ^{3 & 4}	78	75	71	74	76	105	102	103	106	117
Transportation ⁴	44	42	41	41	39	34	33	33	35	35
Socioeconomic ⁴	54	52	52	51	49	50	55	69	91	89
Cultural ^{2 & 4}	112	108	110	110	107	104	104	47	50	58
Environmental Management ^{3 & 4}	22	20	20	18	18	25	24	22	21	20
Water Supply and Distribution ⁴	32	31	30	33	34	34	31	30	29	30
Wastewater Management ⁴	80	82	76	76	75	71	70	68	66	69
Solid Waste Management ⁴	9	8	10	10	11	10	10	11	10	11
SMaRT Station ⁴	1	1	1	1	1	1	1	1	1	1
Development ^{3 & 4}	52	51	48	46	41	-	-	-	-	-
Golf and Tennis Operations or Community Recreation ^{2 & 4}	23	24	24	24	25	25	25	79	88	89
Total	1,013	983	971	968	946	908	890	895	948	984

Source: City of Sunnyvale, Department of Finance

- Note:**
- 1 The City's Department of Public Safety is a fully integrated Police/Fire agency. All officers are certified in both disciplines.
 - 2 The City's recreation employees (other than Golf and Tennis) are included under Cultural beginning in fiscal year 2013.
 - 3 The City created a Development Enterprise Fund where employees are included under Development beginning in fiscal year 2015.
 - 4 The City revised the level of productive hours per position from 1,850 to 1,790 for Management Staff and from 1,800 to 1,760 for Non-management Staff beginning in fiscal year 2015.

CITY OF SUNNYVALE
**Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety:										
Police										
Emergency Responses	35,068	40,525	41,050	31,848	37,662	38,133	40,680	41,060	41,840	37,721
Crime Investigations	2,640	7,057	2,030	4,718	2,855	3,249	5,131	2,347	3,068	Not Available
Traffic Events and Citations	11,794	15,846	10,155	8,829	9,772	11,894	14,460	17,514	17,237	17,208
Fire										
Emergency Responses	7,204	7,241	7,483	7,774	7,438	7,606	7,487	7,092	7,098	6,901
Fire Safety Inspections	8,541	6,778	7,585	6,682	6,439	7,163	6,842	6,495	5,883	Not Available
Transportation:										
Streets Resurfacing (1,000 square feet)	215	3,034	Not Available	None	1,177	1,565	1,493	572	237	152
feet)	6,300	4,577	4,728	4,473	3,641	3,323	3,624	4,272	3,084	4,481
Streetlight Lamps Replaced	1,100	996	946	1,656	1,242	925	1,032	1,486	1,247	1,011
Cultural:										
Library Visitors	619,986	657,343	683,739	669,796	699,128	707,922	743,311	743,363	732,631	796,329
Library Materials Circulated (use)	1,983,152	2,098,751	2,191,068	2,396,689	2,576,329	2,711,856	2,748,170	2,705,192	2,524,293	2,379,284
Recreation Programs Registration (hours)	6.8	6.9	7.2	6.6	8.7	8.8	9.5	9.0	8.3	7.9
Rental Use of Recreation Facilities ¹	657,961	758,387	Not Available	821,950	866,750	850,978	837,899	801,792	703,355	717,931
	106,735	89,792	Not Available	92,842	103,122	98,878	74,404	81,152	73,330	85,143
Water Supply and Distribution:										
Average Daily Demand (million gallons)	16.4	16.8	15.4	14.0	19.4	19.4	19.4	22.8	18.0	18.0
Peak Daily Use (million gallons)	29.5	30.3	27.8	21.0	29.1	29.1	29.1	34.2	40.3	40.3
Water Main Repairs	39	28	19	30	38	48	24	33	23	15
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	13.3	12.4	12.7	11.7	12.8	12.8	13.4	13.5	13.8	12.6
Solid Waste Management:										
Refuse collected (tons per day)	251.0	237.0	255.0	250.0	244.0	234.8	234.6	223.6	223.6	224.1
Recyclables collected (tons per day)	98.0	90.0	79.5	78.5	71.5	68.6	71.3	68.3	68.2	70.6
SMaRT Station:										
Refuse received (tons per day)	648.0	620.0	643.0	640.0	652.0	608.0	609.0	576.0	563.0	604.0
Golf and Tennis:										
Plays at Golf Courses	97,875	109,874	105,632	111,011	121,997	124,741	129,583	136,121	133,356	134,312

Source: City of Sunnyvale, various departments

CITY OF SUNNYVALE**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Police:										
Jail Facilities	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)
Vehicular Patrol Units	73	71	72	69	70	70	70	70	67	66
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	261	261	261	300	300	300	300	300	300	300
Streetlights	9,354	9,353	9,352	9,354	9,357	9,316	9,328	9,357	9,542	9,542
Traffic Signals	132	132	132	131	131	129	129	130	128	128
Cultural¹										
Park Acreage	344	344	344	329	329	329	324	323	323	323
Parks	23	23	23	21	21	21	20	19	19	19
Swimming Pools	3	3	3	4	4	4	5	5	6	6
Skate Parks	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	3	3
Water Supply and Distribution										
Water Mains (miles)	340	340	340	340	340	340	340	330	326	326
Fire Hydrants	3,433	3,433	3,412	3,400	3,362	3,362	3,360	3,424	3,390	3,390
Storage Capacity (million gallons)	26.5	26.5	26.5	26.5	27.5	27.5	27.5	27.5	27.5	27.5
Wastewater Management										
Sanitary Sewer (miles)	312	310	310	310	310	283	283	283	283	283
Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Golf and Tennis										
Golf Courses	2	2	2	2	2	2	2	2	2	2
Tennis Courts	49	49	49	49	49	49	49	38	38	38

Source: City of Sunnyvale, various departments

Note: 1 No capital asset indicators are available for library function.