

Sunnyvale Financing Authority

Sunnyvale, California

**Basic Financial Statements
and Independent Auditor's Report**
Fiscal Year Ended June 30, 2020



Sunnyvale

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and Independent Auditor's Report
Fiscal Year Ended June 30, 2020**

City of Sunnyvale
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Prepared by the Department of Finance
Tim Kirby, Director of Finance

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Independent Auditor's Report

Governing Board of the
Sunnyvale Financing Authority
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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. 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 and the major fund of the Authority as of June 30, 2020, and the respective changes in financial position 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 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.

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

Walnut Creek, California
December 15, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

This analysis of the Sunnyvale Financing Authority (Authority) of the City of Sunnyvale's (City) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to basic financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2020, the Authority's net position is \$0. The Authority receives lease payments from the City and makes debt service payments to the fiscal agent when due. The fiscal agent (trustee of bond reserve funds) handles such transactions for the Authority.
- At June 30, 2020, other than the funds held by the fiscal agent as security for the bondholders, the Authority's major asset includes the lease receivable from the City, which should be sufficient to pay off the outstanding bonds payable in the remaining years. Any excess reserve (primarily interest earned and accrued) can be applied by the City to reduce future lease payments to the Authority.
- The 2009 Government Center Certificates of Participation is the only outstanding debt of the Authority at the end of fiscal year 2020.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to basic financial statements.

The Authority's main function is the issuance and service of debt for the benefit of the City. The Authority's revenue sources are lease payments from the City and interest income from bond reserve proceeds held by the fiscal agent.

Government-Wide 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.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position.

Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2020

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

The statement of activities presents information about how the Authority's net position changed during the year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Governmental Fund Financial Statements

The governmental fund financial statements include statements for the governmental funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they become measurable and available. Revenues are considered available when they are collectible within the current period or soon enough (within 60 days of the end of the current fiscal period) 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.

The 2009 Government Center Certificates of Participation Fund is presented as a major debt service fund.

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.

Notes to the Basic Financial Statements

The notes provide additional information that explain the data provided in the government-wide and governmental fund financial statements.

Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2020

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Position**

The following are the condensed comparative statements of net position at June 30, 2020 and 2019.

Sunnyvale Financing Authority
Condensed Statements of Net Position
(Amounts in Thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 1,902	\$ 1,848
Noncurrent Assets	<u>7,749</u>	<u>8,493</u>
Total Assets	<u>9,651</u>	<u>10,341</u>
Liabilities:		
Current Liabilities	711	691
Noncurrent Liabilities	<u>8,940</u>	<u>9,650</u>
Total Liabilities	<u>9,651</u>	<u>10,341</u>
Net Position:		
Restricted for Debt Service	<u>\$ -</u>	<u>\$ -</u>

The liabilities will be funded from lease payments by the City, with credits of the interest earned from the reserve funds and any excess reserves. The reduction in assets and liabilities was mainly due to collection of lease revenues from the City to pay the scheduled debt service payments for the 2009 Government Center Certificates of Participation.

Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2020**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued****Statement of Activities**

The following are the condensed comparative statements of activities for the fiscal years ended June 30, 2020 and 2019.

Sunnyvale Financing Authority		
Condensed Statements of Activities		
(Amounts in Thousands)		
	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for Services -		
Lease Revenue	\$ 71	\$ 102
General Revenues:		
Investment Earnings	34	40
Expenses:		
Interest Expense and Fiscal Charges	<u>(105)</u>	<u>(142)</u>
Change in Net Position	-	-
Net Position - Beginning of Year	-	-
Net Position - Ending of Year	<u>\$ -</u>	<u>\$ -</u>

The interest expense decreased due to interest rate fluctuations affecting variable rate debt and the reduced outstanding principal compared to the prior year due to a scheduled principal payment. The average interest rate in this fiscal year was 0.99% compared to 1.29% in the prior year. The decrease in interest expense caused a corresponding reduction in lease and installment revenues from the City.

D. GOVERNMENTAL FUND FINANCIAL STATEMENT ANALYSIS

The focus of the Authority's governmental fund is to provide information on the inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of the end of fiscal year 2020, the Authority's governmental fund reported an ending fund balance of \$1.2 million. All of the fund balance in the 2009 Government Center Certificates of Participation debt service fund was restricted for the purpose of meeting future debt service requirements.

Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2020

E. LONG-TERM OBLIGATIONS

At June 30, 2020, the only outstanding debt issues of the Authority is the 2009 Government Center Certificates of Participation in the amount of \$9,650,000.

For more information on the Authority's long-term debt, see Note 4 to the basic financial statements.

F. REQUEST FOR INFORMATION

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

Government-Wide Financial Statements

Sunnyvale Financing Authority

**Statement of Net Position
June 30, 2020**

	Governmental Activities
Assets:	
Current Assets:	
Restricted Cash and Investments Held by Fiscal Agent	\$ 1,189,865
Interest Receivable	1,704
Lease Receivable	710,000
Total Current Assets	<u>1,901,569</u>
Noncurrent Assets:	
Lease Installment Receivable	<u>7,749,380</u>
Total Assets	<u>9,650,949</u>
Liabilities:	
Current Liabilities	
Accrued Expenses	949
Long-Term Debt - Due within One Year	710,000
Total Current Liabilities	<u>710,949</u>
Noncurrent Liabilities	
Long-Term Debt - Due in More Than One Year	<u>8,940,000</u>
Total Liabilities	<u>9,650,949</u>
Net Position:	
Restricted for Debt Service	<u><u>\$ -</u></u>

Check Totals

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

Statement of Activities
Year Ended June 30, 2020

	Governmental Activities
Program Expenses:	
Interest Expense and Fiscal Charges	\$ (105,043)
Program Revenues:	
Charges for Services - Lease Revenue	71,485
General Revenues:	
Investment Earnings	<u>33,558</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

See Accompanying Notes to the Basic Financial Statements.

Governmental Fund Financial Statements

The 2009 Government Center Refunding Certificates of Participation Fund is used to account for the Reserve Fund activity and the receipts and disbursements of lease payments from the City for debt service by the fiscal agent. A Lease Agreement, dated June 1, 2009, between the City and the Sunnyvale Financing Authority, was made concurrently with the refunding of the 2001 Certificates of Participation for the Government Center Site Acquisition Project.

Sunnyvale Financing Authority

**Balance Sheet
Governmental Fund
June 30, 2020**

	Major Fund 2009 Government Center Certificates of Participation
Assets:	
Restricted Cash and Investments Held by Fiscal Agent	\$ 1,189,865
Interest Receivable	1,704
Lease Receivable	<u>8,459,380</u>
Total Assets	<u><u>\$ 9,650,949</u></u>
Liabilities:	
Accrued Expenses	<u>\$ 949</u>
Deferred Inflows of Resources:	
Lease Revenue to be Collected	<u>8,459,380</u>
Fund Balances:	
Restricted for Debt Service	<u>1,190,620</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 9,650,949</u></u>

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

**Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020**

Total Fund Balances - Total Governmental Funds	\$	1,190,620
Amounts reported for governmental activities in the statement of net position are different because:		
Lease receivable reported in the funds are not available to pay for current expenditures and are deferred in the fund financial statements.		8,459,380
Long-term debt is not due and payable in the current period and therefore it is not reported in the governmental fund balance sheet.		<u>(9,650,000)</u>
Net Position of Governmental Activities	\$	<u><u>-</u></u>

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
Year Ended June 30, 2020

	<u>Major Fund</u> <u>2009</u> <u>Government Center</u> <u>Certificates of</u> <u>Participation</u>
Revenues:	
Lease Revenue	\$ 784,834
Investment Earnings	<u>33,558</u>
Total Revenues	<u>818,392</u>
Expenditures:	
Debt Service:	
Principal Retirement	680,000
Interest and Fiscal Charges	<u>105,043</u>
Total Expenditures	<u>785,043</u>
Net Change in Fund Balances	33,349
Fund Balances - Beginning of Year	<u>1,157,271</u>
Fund Balances - End of Year	<u><u>\$ 1,190,620</u></u>

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

***Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Change in Fund Balance to the Government-Wide Statement of Activities
Year Ended June 30, 2020***

Net Change in Fund Balances - Total Governmental Fund	\$	33,349
Excess of revenues over debt services is applied to decrease lease receivable from the City.		(33,349)
Lease revenues for principal payment are recognized as revenues in the fund financial statements during the year but recognized as reduction of lease receivable in the government-wide financial statements.		(680,000)
Repayment of principal on the bonds is reported in the fund financials as expenditures.		<u>680,000</u>
Change in Net Position of Governmental Activities	\$	<u><u>-</u></u>

See Accompanying Notes to the Basic Financial Statements.

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California (City), have been prepared in accordance 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 more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority was established on September 29, 1992 by the Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency of the City of Sunnyvale.

The Authority is administered by a Board of Directors consisting of seven persons, each serving in his or her individual capacity as a Director of the Authority. The sitting members of the City Council constitute the Directors of the Authority until such time as they cease to be members of the City Council.

Additionally, the Authority shall have four officers as follows:

Chairperson – Mayor of the City
Vice-Chairperson – Vice-Mayor of the City
Executive Director – City Manager
Treasurer – Director of Finance

The City Attorney shall serve as General Counsel to the Authority and the City Clerk shall serve as Secretary. In addition to having the same governing board, the City is financially accountable for the Authority and conducts management activities of the Authority. Though legally a separate entity, the Authority is, in substance, a component unit of the City and is blended into the City's basic financial statements.

The Board of Directors of the Authority is required to hold at least one regular meeting each year.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Notes to Basic Financial Statements
Year Ended June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Government-Wide Financial Statements

The Authority's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the Authority. The Authority has no business-type activities.

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all current and non-current assets and liabilities are included in the statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Revenues for the Authority includes lease revenues received from the City and investment earnings.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and change in fund balance. An accompanying schedule is presented to reconcile and to explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and change in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. 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. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are lease revenues from the City and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is liquidated.

For the year ended June 30, 2020, the Authority reported the following major governmental fund for the activities of its only remaining outstanding debt:

- The *2009 Government Center Certificates of Participation Fund* is a debt service fund used to account for the resources accumulated for the repayment of the remaining principal and interest.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain their differences.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Restricted Cash and Investments Held by Fiscal Agent

Restricted cash and investments held by the fiscal agent could include unexpended bond proceeds and reserves established in accordance with related bond indentures. The Authority's investments are stated at fair value.

D. Net Position and Fund Balance

Restricted net position and fund balance represent 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. The Authority's net position and fund balance are restricted for debt service purposes.

E. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position or fund balances that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. On the governmental funds balance sheet, the unavailable lease revenues from the City corresponding to the lease receivable are recorded as deferred inflows of resources since the balances are not current financial resources.

F. Effects of New Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement provided relief to governments and other stakeholder in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018, and later. Implementation of this statement did not have a significant impact on the Authority's financial statements for the fiscal year ended June 30, 2020.

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

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

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2020**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

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 Authority's fiscal year ending June 30, 2022.

G. 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.

NOTE 2 – RESTRICTED CASH AND INVESTMENTS HELD BY FISCAL AGENT

At June 30, 2020, the Authority had the following cash and investments held by fiscal agent:

Investments	Credit Ratings S&P/Moody's	Maturity (in years) 1 year or less	Total Fair Value	Fair Value Input Hierarchy
Toyota Motor Credit Corp Discount Note	A+ / A1	\$ 1,188,845	\$ 1,188,845	Level 2
Cash Equivalents Mutual funds/Accounts	Not Rated	1,020	1,020	*
Total		<u>\$ 1,189,865</u>	<u>\$ 1,189,865</u>	

* Short-term, highly liquid investments are not subject to the fair value hierarchy disclosure requirements of GASB Statement No. 72.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any single issuer. The Authority's investment in the corporate note is in excess of 5% of the total cash and investments.

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. The Authority 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investment options for the debt service reserve are specified by the trust indenture.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2020**NOTE 3 - LEASE RECEIVABLE**

In accordance with a Lease Agreement for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation (2009 COPs), debt service is funded with lease payments made by the City to the Authority. The City has covenanted to make payments in amounts corresponding to the Authority's debt service requirements to the extent that funds are unexpended upon completion of all projects, such funds will be used to retire outstanding debt and the lease payments required from the City will be reduced accordingly.

Using a variable interest rate of 0.10% at June 30, 2020 for 2009 COPs, the estimated future lease payments from the City as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 710,000	\$ 9,650
2022	740,000	8,940
2023	770,000	8,200
2024	800,000	7,430
2025	835,000	6,630
2026-2030	4,730,000	19,905
2031	1,065,000	1,065
Total Outstanding	9,650,000	\$ 61,820
Unexpended bond reserve and excess reserve	(1,190,620)	
Lease Receivable - governmental funds	<u>\$ 8,459,380</u>	

NOTE 4 – LONG-TERM DEBT

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2020:

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Retirement</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More than One Year</u>
2009 Government Center Certificates of Participation	<u>\$ 10,330,000</u>	<u>\$ (680,000)</u>	<u>\$ 9,650,000</u>	<u>\$ 710,000</u>	<u>\$ 8,940,000</u>

\$15,865,000 2009 Government Center Variable Rate Demand Refunding Certificates of Participation

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 from the City.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2020**NOTE 4 – LONG-TERM DEBT, Continued**

In connection with the issuance of the 2009 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%, 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, 2020, the City incurred credit facility fees in the amount of \$66,301, which was in addition to \$12,651 in service fees to trustee, remarketing agent, and rating agencies. The letter of credit with Union Bank, NA will expire on June 1, 2021. Any outstanding draws are due at the expiration of the letter of credit.

At June 30, 2020, the variable interest rate for the 2009 COPS was 0.10%, 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 future debt service requirements for the 2009 COPs at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 710,000	\$ 9,650	\$ 719,650
2022	740,000	8,940	748,940
2023	770,000	8,200	778,200
2024	800,000	7,430	807,430
2025	835,000	6,630	841,630
2026-2030	4,730,000	19,905	4,749,905
2031	1,065,000	1,065	1,066,065
	<u>\$ 9,650,000</u>	<u>\$ 61,820</u>	<u>\$ 9,711,820</u>

Events of Default and Acceleration Clauses

The Authority is considered to be in default if the Authority 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.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2020

NOTE 5 – SUBSEQUENT EVENT

A. Issuance of Lease Revenue Bonds

On October 22, 2020, the Authority issued 2020 Lease Revenue Bonds (2020 Bonds) in the par amount of \$131,200,000 to finance the first phase of the City's Civic Center Modernization Project. The first phase is to build a new City Hall and an Emergency Operation Center and to create a new public plaza with increased open space. These buildings are to be designed and built with LEED Platinum and net-zero energy elements. Therefore, the 2020 bonds were designated as Green Bonds. The 2020 Bonds have fixed interest rates 5% in 2024 and 4% until 2040, the final maturity year. The 2020 Bonds are payable from lease revenue paid by the City as lessee to the Authority under the Lease Agreement dated as of November 1, 2020.

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For questions regarding this publication or to request additional copies, contact:

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